

ANNUAL REPORT 2008

 **YapıKredi**
Factoring



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Part I

Introduction

Financial Highlights

Turnover (USD million)			
	2008	2007	2006
Domestic	3,459	2,807	2,155
International	1,604	1,503	1,451
Export	1,585	1,480	1,435
Import	19	23	16
Total Turnover	5,063	4,310	3,606

Major Balance Sheet and Income Statement Accounts (YTL thousand)			
	2008	2007	2006
Factoring Receivables, Net	1,040,508	804,994	780,810
Total Assets	1,093,776	913,487	922,962
Factoring Payables	-	-	-
Shareholders' Equity	92,467	146,527	114,642
Net Profit	19,165	19,759	20,194
Factoring Revenue	128,173	107,229	88,755
Interest Income	121,246	101,457	81,643
Commission Income	6,927	5,772	7,112

Total Assets (YTL thousand)

2008	1,093,776
2007	913,487
2006	922,962

Shareholders' Equity (YTL thousand)

2008	92,467
2007	146,527
2006	114,642

Factoring Receivables, Net (YTL thousand)

2008	1,040,508
2007	804,994
2006	780,810

Factoring Revenue (YTL thousand)

2008	128,173
2007	107,229
2006	88,755

Total Turnover (USD million)

2008	5,063
2007	4,310
2006	3,606

Factoring in the World (EUR million)

FCI Members		World Total	
2008	778,537	1,325,111	
2007	758,386	1,301,590	
2006	668,746	1,134,238	
2005	577,832	1,016,546	
2004	437,932	860,215	
2003	371,215	760,392	
2002	333,514	724,197	

Factoring in Turkey (USD million)

Total Turnover	Domestic	International
2008	25,451	4,230
2007	28,653	3,935
2006	19,900	3,000
2005	13,959	2,351
2004	10,733	2,093
2003	6,855	1,525
2002	4,530	1,160
2001	3,600	965
2000	5,943	990
1999	5,266	750

Sectoral Breakdown of Yapı Kredi Factoring in 2008 (%)

Textile and Textile Products	12
Construction	2
Transportation Vehicles	17
Metal Key Industry and Processed Material Production	24
Wholesale and Retail Motor Vehicle Service Stations	4
Other Non-metal Mines	2
Food, Beverage and Tobacco	5
Chemistry, Chemical Products and Synthetic Fiber.	7
Electrical and Optical Instruments	9
Pulp and Paper Products, Printing	2
Other	16

Yapı Kredi Factoring in Brief

Robust capital structure, wealth of experience, proven service quality, and expert human resources...

A solid leader in the Turkish factoring sector, Yapı Kredi Factoring controls a 20.3% share of the factoring sector's total transaction volume, and has a 47% market share in terms of export factoring services in Turkey.

Yapı Kredi Factoring, Turkey's pioneering and innovative factoring company, enjoys a strong presence in the sector thanks to its performance, continuity and quality of service.

A solid leader in the Turkish factoring sector, Yapı Kredi Factoring controls a 20.3% share of the factoring sector's total transaction volume, and has a 47% market share in terms of export factoring services in Turkey.

Yapı Kredi Factoring conducts its activities from six locations: its headquarters in Istanbul and regional representative offices in Izmir, Ankara, Bursa, Antalya and Gaziantep. The synergy that we have developed in conjunction with Yapı Kredi Bank's nationwide sales and service organization is one of Yapı Kredi Factoring's most important services, and it is what gives us an important and competitive advantage. With more than 860 branches, Yapı Kredi Bank's service points support us with an extensive network.

Yapı Kredi Factoring is a full member of Factors Chain International (FCI), headquartered in Amsterdam, as well as a member of the Turkish Factoring Association.

In 2008, Yapı Kredi Factoring was recognized as the "Most Respected Factoring Company" in Turkey by Capital, one of the most important monthly periodicals of the country, reporting on business and economics.

In 2006 and 2007, Yapı Kredi Factoring was chosen as the "Best Export Factor of the Year" by FCI members. In 2008, Yapı Kredi Factoring increased its service quality score, and was ranked in second place in the same category. In terms of service quality, Yapı Kredi Factoring was rated as "excellent".

Yapı Kredi Factoring maintains a strong market presence in both the domestic and international markets. With its highly trained staff and well-defined strategies, the Company is able to ensure sustainable quality in factoring services and provides unique solutions to its client portfolio.

Yapı Kredi Factoring is the leader in the sector, thanks to its robust capital structure, wealth of experience, proven service quality, and expert human resources.

Message from the Chairman

Despite the adverse developments in the global economic environment, Yapı Kredi Factoring registered a 17.47% rate of growth in its transaction volume in 2008, and wrote USD 5,063 million in business, 68% of which was domestic factoring, and 32% was international factoring.

After booking a turnover of USD 28.6 billion in 2007, the Turkish factoring industry saw its business drop 12.1%, to USD 25.4 billion, in 2008.

Despite the adverse developments in the global economic environment that began to be felt in the second half of the year, Yapı Kredi Factoring registered a 17.47% rate of growth in its transaction volume in 2008, and wrote USD 5,063 million in business, 68% of which was domestic factoring, and 32% was international factoring.

As a leader in the sector since 2001, Yapı Kredi Factoring has assumed the important mission of promoting wider usage of factoring transactions, and expanding the market. With its solid capital structure, high credibility and extensive funding facilities, Yapı Kredi Factoring's goal is to maintain its sector leadership in Turkey, and continue its international activities.

Maintaining its position as the largest export factoring company for many years, Yapı Kredi Factoring was selected the "Best Export Factoring Company in the World" in 2006 and 2007 by members of the Factors Chain International (FCI). In 2008, Yapı Kredi Factoring increased its service quality score and was ranked in the second place in the same category. In terms of service quality, Yapı Kredi Factoring was rated as "excellent".

Yapı Kredi Factoring realized 46.6% of the total export transaction volume in Turkey and maintained its leadership role by a wide margin in 2008, with 20.3% market share.

Yapı Kredi Factoring generated YTL 37 million in revenues in 2008, with a 7% increase over the previous year. Yapı Kredi Factoring provides factoring services throughout Turkey via its head office in Istanbul and representative offices in Izmir, Ankara, Bursa, Antalya and Gaziantep, as well as Yapı Kredi Bank's branch network countrywide.

In the forthcoming term, our responsibility is to ensure that our Group will continue to be recognized as the leader in both the domestic and international level with its accomplishments, and become the first choice of customers with its full-scale financial services. In order to realize this ultimate target, Yapı Kredi Factoring, as a part of the Group, will continue to grow and meet its customers' needs.



On behalf of the Board of Directors, I would like to thank our shareholders, business partners and all the employees of Yapı Kredi Factoring for their loyalty and for the roles that they played in helping us achieve such outstanding results.

Tayfun BAYAZIT
Chairman of the Board

Board of Directors

Tayfun Bayazıt

Chairman

Alessandro Maria Decio

Vice Chairman

Hamit Aydođan

Executive Member

Ahmet F. Ashabođlu

Member

Aykut Ümit Taftalı

Member

Marco Cravario

Member

Executive Management

Galip Gürsoy

General Manager

Nida Bektaş

Assistant General Manager

Ceyla Kurdođlu

Assistant General Manager

Ali Koç

Assistant General Manager

Neşe Kaya

Head of Administration and Financial Control Unit

Can Özyurt

Head of Marketing and New Business Development Unit

Erkin Birinkulu

Head of Underwriting Section

Nur Özsoy

Head of Treasury & Foreign Relations Section

The Year in Review

Complete customer satisfaction- is more important than anything else.

Marketing and New Business Development Unit

Yapı Kredi Factoring closely monitored market and sector developments throughout 2008, and added 479 new clients into its portfolio.

Yapı Kredi Factoring's marketing strategies are always rooted in making clients feel that the Company is a strong and dependable business partner.

The Company believes that coming up with solutions that satisfy customers' needs -in other words, complete customer satisfaction- is more important than anything else.

Yapı Kredi Factoring closely monitored market and sector developments throughout 2008, and added 479 new clients into its portfolio.

Besides its own marketing and sales organization, the most important delivery channel for Yapı Kredi Factoring is the extensive network of more than 860 Yapı Kredi Bank branches located across the country. In 2008, the business transferred by branches reached a 53% share of our new business volume through active cooperation with Yapı Kredi Bank.

As the economy improves over the next few years, factoring will become a vitally important financing tool, and the Company will be focusing its attention on promoting its services to prospective clients and sectoral organizations, taking advantage of personal visits, and telemarketing.

Yapı Kredi Factoring is also planning to increase its growth in import factoring, which is in an indispensable aspect of the international factoring business.

The Year in Review

International Factoring Unit

In 2008, with a total international factoring turnover of EUR 1,083 million and export factoring turnover of EUR 1,070 million, Yapı Kredi Factoring was the leader in Turkey among all factoring companies.

The Unit provides services to both corporate and commercial client groups. In 2008, the distribution of export turnover was in favor of corporate customers, with 84.7% of the total turnover. Imports on the other hand, consisted of corporate clients by 88.4%.

In 2008, with a total international factoring turnover of EUR 1,083 million and export factoring turnover of EUR 1,070 million, Yapı Kredi Factoring was the leader in Turkey among all factoring companies. Approximately 31.4% of the total turnover consisted of export business, and 63% of the export business was derived from non-recourse two-factor transactions. The majority of the export business was directed to Italy, the United Kingdom, Germany, Spain and France.

Yapı Kredi Factoring is aiming to further increase its present market share in export factoring next year, which was 46.6% in 2008 according to the Turkish Factoring Association. The Company is also planning to increase its growth in import factoring, which is an indispensable aspect of the international factoring business. The Company achieved an import turnover of EUR 13 million in 2008. Yapı Kredi Factoring ranked first in Turkey among the Turkish Factoring Association members in terms of international factoring transaction volume. After being in the third place for the years 2002, 2003 and 2004; Yapı Kredi Faktoring A.Ş. was elected the "Best Export Factor" in 2005 and 2006. We managed to increase our overall ratings to 95.25 out of 100 points in 2007.

Domestic Factoring Unit

At the end of 2008, Yapı Kredi Factoring's domestic factoring volume reached to EUR 2.3 billion, which represents 16% of the domestic factoring volume of Turkey (TFA results).

After booking turnover of USD 24.7 billion in 2007, the Turkish domestic factoring industry saw its business drop 14% to USD 21.2 billion in 2008. According to 2008 figures, domestic business represents 83.3% of the total factoring volume in Turkey.

At the end of 2008, Yapı Kredi Factoring's domestic factoring volume reached to EUR 2.3 billion, which represents 16% of the domestic factoring volume of Turkey (TFA results).

In our Company, the domestic factoring unit provides client relations services under three segments: Corporate (large-scale companies), Commercial (small-scale companies) and Supplier Group (subcontractors of Koç Group companies or other industrial giants). The share of domestic business in terms of turnover was 68%, however, the share in terms of funds in use was 77% in 2008.

The distribution of our domestic factoring business, according to business segments, are as follows:

	% share in 2008 Domestic Turnover
Corporate	78.4
Commercial	21.6

The Year in Review

Credit Risk Management Unit

Yapı Kredi Factoring supports sales by focusing on risk control for key segments and key products in order to reach common targets.

Yapı Kredi Factoring continues to work towards establishing an effective system that aims to minimize high-risk transactions that may affect the Company or its reputation. At the same time, the Company supports sales by focusing on risk control for key segments and key products in order to reach common targets.

Credit lines are assigned either for those transactions that are against a predetermined reimbursement procedure or explicitly associated with a commercial/ trade related transaction. Building up an SME-based portfolio in 2008 would be mostly supported by the market-oriented Intelligence Service, operating under the Credit Risk Unit.

Treasury & Foreign Relations Section

Yapı Kredi Factoring has always had an excellent reputation among creditor institutions and foreign correspondent factoring companies, and has a widespread bank portfolio and credit lines.

Fund management activities are performed within the Treasury & Foreign Relations Section. The section aims at serving clients' needs without taking directional risk in the market. The Treasury's general strategy is to actively manage the Company's assets and liabilities structure by hedging interest rates, liquidity and foreign exchange rate risks. Yapı Kredi Factoring obtains credit facilities from different resources. Yapı Kredi Factoring has always had an excellent reputation among creditor institutions and foreign correspondent factoring companies, and has a widespread bank portfolio and credit lines.

In 2008, despite the global economic crisis, Yapı Kredi Factoring successfully created new borrowing lines and had no difficulty to keep current borrowing lines. Yapı Kredi Factoring aims at keeping long-term relationships both with its clients and its creditors.

The Year in Review

The Future

A solid market leader in the Turkish factoring sector, Yapı Kredi Factoring aims to become one of the largest factoring companies in Europe in the near future.

Continuous leadership

With its solid capital structure, high credibility, and extensive sources of funding, Yapı Kredi Factoring's goal is to maintain its leading position in the sector while continuing to develop new factoring products and services.

Yapı Kredi Factoring's target is to increase active cooperation with Yapı Kredi Bank and the UCI network.

A solid market leader in the Turkish factoring sector, Yapı Kredi Factoring aims to become one of the largest factoring companies in Europe in the near future.

Information on Shareholders

A leader in local and international markets in energy, automotive, consumer durables and finance sectors.

Koç Group

Koç Holding ranks as one of the 50 largest publicly traded companies in Europe and among the largest 200 companies in the world.

Established in 1926, Koç Holding is Turkey's largest industrial and services group in terms of revenues, exports, share in Istanbul Stock Exchange and number of employees. Following the average growth rate of 31% in US dollar terms over the past five years, Koç Holding ranks as one of the 50 largest publicly traded companies in Europe and among the largest 200 companies in the world. It is a leader in local and international markets in energy, automotive, consumer durables and finance sectors in which it has strong competitive advantages and that offer strong long-term growth potential.

Information on Shareholders

UniCredit

UniCredit (UCI) is a full-service financial services group engaged in a wide range of banking, financial and related activities operating in 22 European countries, with more than 174,000 employees and over 10,200 branches.

UniCredit (UCI) is a full-service financial services group engaged in a wide range of banking, financial and related activities operating in 22 European countries, with more than 174,000 employees and over 10,200 branches. UniCredit Group benefits from a strong European identity, extensive international presence and broad customer base. Its strategic position in Western and Eastern Europe allows it to have one of the region's highest market shares.

UniCredit Group is a market leader in Central and Eastern Europe (CEE) including Turkey, Poland, Ukraine, Bulgaria, Romania, Bosnia, Kazakhstan, Azerbaijan, Croatia, Hungary, Slovakia, Russia, Serbia, Czech Republic, Krygyzstan, Slovenia, Lithuania, Estonia and Latvia. As a long-term investor, its approach has always been the pursuit of growth through a well-articulated and

carefully executed strategy that builds on the region's structural strengths. Operating in 19 CEE countries, UniCredit Group benefits from geographical diversity and lends its strength to its local CEE banks in the form of substantial competitive advantages, which include its strong brand and reputation, its network's access to international markets and significant economies of scale.

Yapı Kredi Bank

Yapı Kredi Bank completed 2008 as the market leader in credit cards outstanding volume and factoring with market shares of 21.8% and 20.3%, respectively; it ranked second in mutual funds and leasing with 19% and 14.9% market shares respectively and third in private pension funds with a 15.0% market share.

Turkey's first private bank with a nationwide presence, Yapı Kredi is the fourth largest private bank in Turkey with total assets of YTL 70.9 billion as of year-end 2008. Yapı Kredi has a 10.6% market share in total cash loans and a 9.8% market share in total deposits as of year-end 2008.

Through a customer-focused strategy and segment-based service model that was restructured in the first half of 2007, Yapı Kredi serves more than 6 million active customers in a wide range of areas from credit cards, retail and SME banking to corporate, commercial and private banking as well as asset management, leasing, factoring, private pension funds, insurance, equity brokerage and investment banking services. Yapı Kredi has subsidiaries in Turkey that complement the Bank's strong segment-based structure, as well as international banking operations in the Netherlands, Russia and Azerbaijan.

The Bank completed 2008 as the market leader in credit cards outstanding volume and factoring with market shares of 21.8% and 20.3%, respectively; it ranked second in mutual funds and leasing with 19% and

14.9% market shares respectively and third in private pension funds with a 15.0% market share. The Bank has a significant presence in the life and non-life insurance businesses with a leadership position in health insurance with 21.7% market share.

Yapı Kredi has one of the most extensive branch and alternative delivery channel networks in the Turkish banking sector. The Bank has the fourth largest physical network in the sector in terms of number of branches (861) and the third largest network in the sector in terms of number of ATMs (2,381). The Bank also offers its customers rich content internet and telephone banking services.

Operating under the umbrella of Koç Financial Services (KFS), a joint venture between Koç Group and UniCredit Group, Yapı Kredi has adopted the vision of continuously creating value for its customers, employees and shareholders and becoming the undisputed leader of the finance sector through its healthy and sustainable growth and profitability-oriented strategy.

Part II
Financial Statements
At 31 December 2008
Together with Independent
Auditor's Report

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Yapı Kredi Faktoring A.Ş.

1. We have audited the accompanying financial statements of Yapı Kredi Faktoring A.Ş. ("the Company") which comprise the balance sheet as of 31 December 2008 and income statement, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

2. Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

3. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

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

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

Opinion

4. In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of 31 December 2008, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Başaran Nas Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.
a member of
PricewaterhouseCoopers



Alper Önder, SMMM
İstanbul, 17 February 2009

YAPI KREDİ FAKTORİNG A.Ş.

Balance Sheet at 31 December

(Amounts expressed in New Turkish Lira [“YTL”], unless otherwise indicated)

	Notes	2008	2007
ASSETS			
Cash and due from banks	5	5,537,473	41,005,057
Factoring receivables, net	6	1,040,507,871	804,994,067
Other assets and prepaid expenses	7	3,660,366	2,179,677
Derivative financial instruments	14	15,075,943	-
Available-for-sale investment securities	10	28,260,146	63,233,476
Property and equipment	8	420,022	402,054
Intangible assets	9	313,690	40,821
Deferred tax asset	13	-	1,632,082
Total assets		1,093,775,511	913,487,234
LIABILITIES			
Borrowings	11	993,650,505	749,626,543
Other liabilities and accrued expenses	12	4,189,433	3,353,423
Derivative financial instruments	14	1,927,041	13,780,536
Reserve for employment termination benefits	15	215,370	199,733
Deferred tax liability	13	1,326,267	-
Total liabilities		1,001,308,616	766,960,235
EQUITY			
Share capital	16	16,802,326	16,802,326
Adjustment to share capital	16	31,069,468	31,069,468
Total paid-in share capital		47,871,794	47,871,794
Financial assets fair value reserve		5,547,964	38,772,624
Retained earnings		39,047,137	59,882,581
Total equity		92,466,895	146,526,999
Total liabilities and equity		1,093,775,511	913,487,234
Commitments and contingent liabilities	21		

These financial statements as at and for the year ended 31 December 2008 have been approved for issue by the Board of Directors on 17 February 2009.

YAPI KREDİ FAKTORİNG A.Ş.

Income Statement

For the Years Ended 31 December

(Amounts expressed in New Turkish Lira ["YTL"], unless otherwise indicated)

	Notes	2008	2007
Factoring revenues:			
Factoring interest income		121,246,190	101,456,704
Factoring commissions		11,392,105	11,087,161
Commission expense		(4,465,593)	(5,315,098)
Income from factoring operations		128,172,702	107,228,767
Interest expense on bank borrowings		(102,371,708)	(74,942,332)
Foreign exchange gains and losses, net		1,363,964	(185,471)
Impairment loss on factoring receivables	6	(2,682,085)	(411,156)
Recoveries from impaired factoring receivables	6	82,052	131,983
Income after foreign exchange gains and losses, net and provision for impaired factoring receivables		24,564,925	31,821,791
Interest income other than factoring		6,806,620	521,064
Other operating income, net	19	3,498,326	1,951,218
Operating income		34,869,871	34,294,073
Salaries and employee benefits		(8,078,392)	(7,106,889)
General administration expenses	18	(2,919,907)	(2,535,117)
Income before taxes		23,871,572	24,652,067
Taxation on income	13	(4,707,016)	(4,892,870)
Net income for the year		19,164,556	19,759,197

YAPI KREDİ FAKTORİNG A.Ş.

Cash Flow Statement

For the Years Ended 31 December

(Amounts expressed in New Turkish Lira [“YTL”], unless otherwise indicated)

	Notes	2008	2007
Cash flows from operating activities			
Net income for the year		19,164,556	19,759,197
Adjustments for:			
Depreciation and amortisation	8, 9	267,280	208,035
Reserve for employment termination benefits	15	129,888	251,416
Provision for personnel premium		144,000	801,545
Income tax expense	13	4,707,016	4,892,870
Provision for impaired factoring receivables	6	2,682,085	411,156
Fair value for derivative financial instruments	14	(26,929,438)	5,566,367
Interest income-net		(18,874,482)	(26,717,552)
Interest paid		(94,180,363)	(76,497,437)
Interest received		127,576,626	105,553,248
Operating profit before changes in operating assets and liabilities		14,687,168	34,228,845
Changes in operating asset and liabilities:			
Net increase in factoring receivables		(244,291,335)	(28,367,198)
Net increase/(decrease) in other assets and prepaid expenses		38,309,581	(2,610,817)
Net (decrease)/increase in other liabilities		(36,027,651)	172,787
Income taxes paid		(3,418,984)	(9,358,183)
Net cash used in operating activities		(230,741,221)	(5,934,566)
Cash flows from investing activities:			
Purchase of property and equipment	8	(139,583)	(51,106)
Purchase of intangible assets	9	(419,799)	(2,089)
Net cash used in investing activities		(559,382)	(53,195)
Cash flows from financing activities:			
Proceeds from borrowings		236,066,182	(40,996,591)
Dividends paid		(40,000,000)	(9,500,000)
Net cash provided from/(used in) financing activities		196,066,182	(50,496,591)
Net decrease in cash and cash equivalents		(35,234,421)	(56,484,352)
Cash and cash equivalents at beginning of the year		40,771,336	97,255,688
Cash and cash equivalents at end of the year		5,536,915	40,771,336

YAPI KREDİ FAKTORİNG A.Ş.

Statement of Changes in Equity

For the Years Ended 31 December

(Amounts expressed in New Turkish Lira [“YTL”], unless otherwise indicated)

	Paid-in share capital		Financial assets fair value reserve	(Accumulated deficit)/Retained earnings	Total equity
	Share capital	Adjustment to share capital			
Balance at 1 January 2007	16,802,326	31,069,468	17,146,391	49,623,384	114,641,569
Dividends paid	-	-	-	(9,500,000)	(9,500,000)
Fair value reserve, net of taxes	-	-	21,626,233	-	21,626,233
Net income	-	-	-	19,759,197	19,759,197
Balance at 31 December 2007	16,802,326	31,069,468	38,772,624	59,882,581	146,526,999
Balance at 1 January 2008	16,802,326	31,069,468	38,772,624	59,882,581	146,526,999
Dividends paid	-	-	-	(40,000,000)	(40,000,000)
Fair value reserve, net of taxes	-	-	(33,224,660)	-	(33,224,660)
Net income	-	-	-	19,164,556	19,164,556
Balance at 31 December 2008	16,802,326	31,069,468	5,547,964	39,047,137	92,466,895

YAPI KREDİ FAKTORİNG A.Ş.

Notes to Financial Statements

At 31 December 2008

(Amounts expressed in New Turkish Lira ["YTL"], unless otherwise indicated)

NOTE 1-ORGANISATION AND PRINCIPAL ACTIVITIES

Yapı Kredi Faktoring A.Ş. ("the Company") was established on 25 March 1999. The Company is a member of the Koç Finansal Hizmetler A.Ş. ("KFS") and provides domestic and foreign debt factoring services. The Company operates in the domestic and international markets (imports and exports) and it is a member of international group of factoring companies, Factors Chain International ("FCI").

KFS was incorporated on 16 March 2001 for the purpose of combining the financial sector companies of the Koç Group. KFS transferred its shares to Yapı ve Kredi Bankası A.Ş on 31 October 2007 and Yapı ve Kredi Bankası A.Ş is the ultimate shareholder (99.94%) of the Company. On 12 October 2002, Koç Group entered into a joint strategic partnership with UniCredito Italiano S.p.A ("UCI"), in KFS.

Koç Faktoring Hizmetleri A.Ş. legally merged with Yapı Kredi Faktoring A.Ş. on 29 December 2006 and the new company's name has been amended to Yapı Kredi Faktoring A.Ş. as of the same date.

The Company's head office is located at Barbaros Bulvarı Morbasan Sokak Koza İş Merkezi C Blok Beşiktaş, İstanbul-Turkey. The Company has 95 employees at 31 December 2008 (31 December 2007: 100 employees).

NOTE 2-SIGNIFICANT ACCOUNTING POLICIES

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

Basis of presentation of financial statements

These financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") including International Accounting Standards issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

The Company maintains its books of account and prepares its statutory financial statements in Turkish lira ("TL") which is the Company's functional and presentation currency. In accordance with the communiqué "Uniform Chart of Accounts, Disclosures and Form and Nature of Financial Statements to be Issued By Leasing, Factoring and Consumer Finance Companies" ("Financial Statement's Communiqué") issued by the Banking Regulation and Supervision Agency ("BRSA") in the Official Gazette dated 17 May 2007, numbered 26525; and in accordance with Turkish Accounting Standards/Turkish Financial Reporting Standards ("TAS/TFRS") and their additions and comments issued by the Turkish Accounting Standard's Board ("TASB") and with the Communiqué: "The Procedures Regarding The Provisions to be Provided for the Loans of Leasing, Factoring and Consumer Finance Companies" issued by BRSA in the Official Gazette numbered 26588 dated 20 July 2007.

The financial statements are based on the statutory records with adjustments and reclassifications for the purpose of fair presentation in accordance with IFRS.

In accordance with the Article 1 of the Law numbered 5083 concerning the "Currency of the Republic of Turkey" and according to the Decision of The Council of Ministers dated April 4, 2007 and No: 2007/11963, the prefix "New" used in the "New Turkish Lira" and the "New Kurus" will be removed as of January 1, 2009. When the prior currency, New Turkish lira ("YTL"), values are converted into TL and Kr, one YTL (YTL1) and one YKr (YKr1) shall be equivalent to one TL (TL1) and one Kr (Kr1).

All references made to New Turkish Lira or Lira in laws, other legislation, administrative transactions, court decisions, legal transactions, negotiable instruments and other documents that produce legal effects as well as payment and exchange instruments shall be considered to have been made to TL at the conversion rate indicated above. Consequently, effective from 1 January 2009, the TL replaces the YTL as a unit of account in keeping and presenting of books, accounts and financial statements.

The preparation of the financial statements requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

Accounting for the effects of hyperinflation

Prior to 1 January 2006, the adjustments and reclassifications made to the statutory records for the purpose of fair presentation in accordance with IFRS included the restatement of balances and transactions for the changes in the general purchasing power of the New Turkish Lira in accordance with IAS 29 "Financial Reporting in Hyperinflationary Economies". IAS 29 requires that the financial statements prepared in the currency of a hyperinflationary economy be stated in terms of the measuring unit current at the balance sheet date. As the characteristics of the economic environment of the Turkey indicate that hyperinflation has ceased, effective from 1 January 2006, the Company no longer applies the provisions of IAS 29. Accordingly, the amounts expressed in the measuring unit current at 31 December 2005 are treated as the basis for the carrying amounts in these financial statements.

YAPI KREDİ FAKTORİNG A.Ş.

Notes to Financial Statements

At 31 December 2008

(Amounts expressed in New Turkish Lira ["YTL"], unless otherwise indicated)

Changes in standards and interpretations

Adoption of new or revised standards and interpretations

The Company adopted the standards, amendments and interpretations published by the IASB and International Financial Reporting Interpretation Committee ("IFRIC") and which are mandatory for the accounting periods beginning on or after 1 January 2008.

a) The following standards, amendments and interpretations to published standards are mandatory for accounting periods beginning on or after 1 January 2008 but they are not relevant to the Company's operations:

- IFRIC 11, "IFRS 2-Group and Treasury Share Transactions" (effective for annual periods beginning on or after 1 March 2007.)
- IFRIC 12, "Service Concession Arrangements" (effective for annual periods beginning on or after 1 January 2008.)
- IFRIC 13, "Customer Loyalty Programmes" (effective for annual periods beginning on or after 1 July 2008.)
- IFRIC 14, "IAS 19-The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction" (effective for annual periods beginning on or after 1 January 2008.)
- IFRIC 16, "Hedges of a Net Investment in a Foreign Operation" (effective for annual periods beginning on or after 1 November 2008.)

b) Standards, amendments and interpretations to existing standards that are not mandatory and early adopted by the Company:

Standards and interpretations which are mandatory for the accounting periods beginning on or after 1 January 2008:

- IAS 1, "Presentation of Financial Statements" significant changes in comprehensive income statements;
- IAS 23, "(Revised) Borrowing Costs" significant changes removing the option to expense borrowing costs;
- IAS 27, "Consolidated and Separate Financial Statements" Change in cost of investment in the first time adoption of IFRSs;
- IAS 28, "Investments in Associates";
- IAS 32, "Financial Instruments-Presentation" Change in the disclosure of puttable financial instruments and obligations arising on liquidation;
- IAS 39, "Financial Instruments: Recognition and Measurement" Changes in hedging instruments;
- IAS 40, "Investment Property";
- IFRS 1, "First-time Adoption of International Financial Reporting Standards" Change in cost of investment in the first time adoption of IFRSs;
- IFRS 2, "Share based Payments";
- IFRS 8, "Operating Segments";
- IFRIC 15, "Agreements for the Construction of Real Estate".

Standards and interpretations which are mandatory for the accounting periods beginning on or after 1 July 2009:

- IAS 27, "Consolidated and Separate Financial Statements";
- IAS 31, "Interests in Joint Ventures"
- IFRS 3, "Business Combinations";
- IFRS 5, "Non-current Assets Held for Sale and Discontinued Operations".

The Company management does not foresee any material impact of adoption of the aforementioned standards and interpretations on the financial statements of the Company in the upcoming periods.

Related parties

For the purpose of these financial statements, the shareholders, key management personnel and Board members, the Koç Group and the UCI Group Companies and the companies controlled by or affiliated with them are considered and referred to as related parties (Note 20).

YAPI KREDİ FAKTORİNG A.Ş.

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Factoring receivables and provision for impaired factoring receivables

Factoring receivables originated by the Company by providing money directly to the borrower are considered as factoring receivables and are carried at amortised cost. All factoring receivables are recognised when cash is advanced to borrowers against their domestic and foreign receivables.

A credit risk provision for impairment of the factoring receivables is established if there is objective evidence that the Company will not be able to collect all amounts due as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the receivables. The amount of the provision for impaired factoring receivables is the difference between the carrying amount and recoverable amount, being the present value of expected cash flows, including the amount recoverable from guarantees and collateral, discounted based on the interest rate at inception. For restructured receivables, the Company initially determines as to whether there has been an impairment as a result of the restructuring, and if so, a provision for impairment is recorded representing the difference between the recoverable amount, being the present value of expected cash flows from restructured receivables discounted using the interest rate of the original receivables, and the carrying amount.

The provision also covers losses where there is objective evidence that probable losses are present in components of the portfolio at the balance sheet date. These have been estimated based upon historical loss experience which is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist. The provision made during the year is charged against the income for the period.

Receivables that cannot be recovered are written off and charged against the provision for impaired factoring receivables. These receivables are written off after all the necessary legal procedures have been completed and the amount of the loss is finally determined. Recoveries of amounts previously provided for are treated as a reduction of the charge for provision for impaired factoring receivables for the period.

Derivative financial instruments

Derivative financial instruments, including forward foreign exchange contracts are initially recognised in the balance sheet at their fair value and are subsequently remeasured at their fair value. Transaction costs that are directly attributable to the acquisition are expensed immediately. All derivative financial instruments are classified as held for trading. Certain derivative transactions, even though providing effective economic hedges under the Company's risk management position, do not qualify for hedge accounting under the specific rules in IAS 39 "Financial Instruments: Recognition and Measurement", and are therefore treated as derivatives held for trading with fair value gains and losses reported in income statement. Fair values are obtained from quoted market prices and discounted cash flow models as appropriate. Fair value of over-the-counter ("OTC") forward foreign exchange contracts is determined based on the comparison of the original forward rate with the forward rate calculated by reference to market interest rates of the related currency for the remaining period of the contract, discounted to 31 December 2008. All derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative (Note 14).

Investment securities

Investment securities intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices, are classified as available-for-sale. Management determines the appropriate classification of its investments at the time of the purchase.

Investment securities are initially recognised at fair value plus transaction costs. Available-for-sale investment securities are subsequently remeasured at fair value based on quoted bid prices, or amounts derived from cash flow models. Unrealised gains and losses arising from changes in the fair value of securities classified as available-for-sale are recognised in the equity, until the financial asset is derecognised or impaired at which time the cumulative gain or loss previously recognised in equity should be transferred to income statement. Unlisted equity securities for which fair values cannot be measured reliably are recognised at cost after deductions for any impairment (Note 10).

All regular way purchases and sales of investment securities are recognised at the settlement date, which is the date that the asset is delivered to/from the Company.

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Property and equipment

All property and equipment carried at cost, restated equivalent to purchasing power of YTL at 31 December 2005, less depreciation. Depreciation is calculated on the restated amounts of property and equipment using the straight-line method to write-off the restated cost of each asset to their residual values over their estimated useful life as follows:

Furniture and fixtures	5 years
Motor vehicles	5 years
Leasehold improvements	5 years or shorter of lease period

Where the carrying amount of an asset is greater than its estimated recoverable amount (“higher of net selling price” and “value in use”), it is written down immediately to its recoverable amount. The recoverable amount of the impaired property and equipment represents the net selling price.

Expenses for the repair of property and equipment are normally charged against income. They are, however, capitalized in exceptional cases if they result in an enlargement or substantial improvement of the respective assets.

Finance leases (where the Company is a lessee)

Assets acquired under finance lease agreements are capitalised at the inception of the lease at the lower of fair value of the leased asset or the present value of minimum lease payments. Lease payments are treated as comprising of capital and interest elements; the capital element is treated as reducing the capitalised obligation under the lease and the interest element is charged to income. Depreciation on the leased asset is also charged to income on a straight-line basis over the useful life of the asset.

Intangible assets

Intangible assets mainly comprise of rights and are carried at cost, restated equivalent to purchasing power of YTL at 31 December 2005, less amortisation. Amortisation is calculated by using the straight-line method over their useful lives of 4 or 5 years.

Financial liabilities

Financial liabilities which consist of bank borrowings are recognised initially at fair value, net of transaction costs incurred. Subsequently, financial liabilities are measured at amortised cost and any difference between net proceeds and the redemption value is recognised in the income statement over the period of the financial liability using the effective yield method.

Deferred income taxes

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. The rates enacted, or substantively enacted, at the balance sheet date are used to determine deferred income tax.

The principal temporary differences arise from the provision for impaired factoring receivables, reserve for annual leave, derivative financial instruments, property and equipment, available-for-sale securities and provision for employment termination benefits (Note 13).

Deferred tax liabilities and assets are recognised when it is probable that the future economic benefit resulting from the reversal of temporary differences will flow to or from the Company. Deferred tax assets resulting from temporary differences in the recognition of expense for income tax, and for financial reporting purposes are recognised to the extent that it is probable that future taxable profit will be available against which the deferred tax asset can be utilised.

Provisions

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

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

Employment termination benefits

Employment termination benefits, as required by the Turkish Labour Law, are recognised in the accompanying financial statements as they are earned. The total provision represents the present value of the future probable obligation of the Company arising from the retirement of the employees (Note 15).

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Notice pay liability

In accordance with the social security legislation in Turkey the Company is required to give notice of between two and eight weeks to employees for termination of employment or to make payments for the notice period calculated on the basis of the current salary of the employee.

No provision for notice pay has been made in the financial statements, as the directors do not expect the Company to make any significant terminations in the foreseeable future.

Revenue recognition

Revenues from debt factoring services are recognised in the period to which they relate under the accrual basis. When factoring receivables become doubtful of collection, they are written down to their recoverable amounts.

Fee and commission income and expense

Fee and commission income and expense on factoring services are recorded as income or expense at the time of affecting the transactions to which they relate.

Interest income and expense

Interest income and expense are recognised in the income statement for all interest bearing financial instruments on an accrual basis using the effective yield method based on the actual purchase price.

Foreign currency transactions

Transactions denominated in foreign currencies are recorded in Turkish lira at the exchange rates prevailing at the date of the transactions. Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Reporting of cash flows

For the purposes of statement of cash flows, cash and cash equivalents include balances of cash and due from banks with original maturity periods of less than three months (Note 5).

Offsetting

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

Comparatives

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year so that the reclassification will result in a more appropriate presentation of events or transactions.

NOTE 3-FINANCIAL RISK MANAGEMENT

The activities of the Company are principally related to the use of financial instruments. The Company borrows funds at both fixed and floating rates for various periods and seeks to earn above-average interest margins by investing these funds in high quality assets.

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 aim is therefore to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Company's financial performance. The Company's risk management policies are designed to identify and analyse these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems. The Company regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice.

Financial risk management is carried out by the Treasury department under policies approved by the Board of Directors. The Treasury department identifies, evaluates and hedges financial risks in close co-operation with the operating units. The Treasury mainly focuses on the structure of the Company's assets and liabilities while analysing these risks. The Treasury's mission is to provide funds to the Company, to manage the structural excess of liquidity to match the foreign currency exposure and interest rate risk of the Company.

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For the market risk management some general guidelines apply;

- Koç Finansal Hizmetler A.Ş. ("KFS") Risk Management and the Company's Board of Directors are informed of and they approve any major change in the risk portfolio or any important decision regarding market risk before any action is taken.
- All market risks are managed by the Company's Treasury,
- Planning and Control is independent from the Treasury and reports directly to general manager and Asset Liability Committee,
- Interest rate and foreign exchange risk is managed by the Treasury and it is the Treasury's responsibility to keep these within the limits,

Credit risk

Financial instruments contain an element of risk that the counterparty may be unable to meet the terms of the agreements. Credit risk is the most important risk for the Company's business; management therefore carefully manages its exposure to credit risk. These risks are monitored by reference to credit ratings and limiting the aggregate risk to any individual counterparty. The credit risk is generally diversified due to the large number of entities comprising the customer bases and their dispersion across different industries.

Concentrations of credit risk arise when a number of counterparties are engaged in similar business activities or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Company's performance to developments affecting a particular industry or geographic location.

The Company seeks to manage its credit risk exposure through diversification of sales activities to avoid undue concentrations of risks with individuals or groups of customers in specific locations or businesses. It also obtains security when appropriate.

Geographical concentration of assets and liabilities at 31 December 2008 and 2007 is as follows:

31 December 2008	Total assets	%	Total liabilities	%
Turkey	1,093,775,356	100.0%	267,335,120	26.7%
Other European countries	-	0.0%	651,588,748	65.1%
Malta, Bahrain and other countries	155	0.0%	82,384,748	8.2%
	1,093,775,511	100.0%	1,001,308,616	100.0%

31 December 2007	Total assets	%	Total liabilities	%
Turkey	874,534,587	95.7%	269,893,734	35.2%
Other European countries	-	-	455,538,343	59.4%
Malta, Bahrain and other countries	38,952,647	4.3%	41,528,158	5.4%
	913,487,234	100%	766,960,235	100%

Market risk

Market risk is the risk that the Company's earnings or capital, or its ability to meet business objectives, will be adversely affected by changes in the level or volatility of market rates or prices such as interest rates including credit spreads, foreign exchange rates, equity prices and commodity prices. The Company manages currency risk, interest rate risk and liquidity risk by considering market risk.

Currency risk

Foreign currency denominated assets and liabilities give rise to foreign exchange exposure. Currency risk is monitored within the developments in foreign exchange markets. The Treasury monitors daily the foreign currency position of the Company. Monthly reporting of the foreign currency position, in detailed tables by maturity and currency, is the responsibility of Planning and Control. A maximum limit of (+/-)EUR1,800,000 for foreign currency exposure is projected by the Company. The Company invests in derivative financial instruments to match its assets and liabilities denominated in foreign currencies.

At 31 December 2008, if the YTL had weakened/strengthened by 10% against the US\$ with all other variables held constant, profit for the year would have been YTL355,800 lower/higher (2007: YTL41,789 higher/lower), mainly as a result of foreign exchange gains/losses on translation of US\$ denominated factoring receivables, and borrowings.

At 31 December 2008, if the YTL had weakened/strengthened by 10% against the EUR with all other variables held constant, profit for the year would have been YTL348,961 higher/lower (2007: YTL11,841 higher/lower), mainly as a result of foreign exchange losses/gains on translation of EUR denominated factoring receivables, and borrowings.

YAPI KREDİ FAKTORİNG A.Ş.

Notes to Financial Statements

At 31 December 2008

(Amounts expressed in New Turkish Lira ["YTL"], unless otherwise indicated)

Assets and liabilities denominated in foreign currency at 31 December 2008 and 2007 are as follows:

31 December 2008	Foreign Currency				Total
	US\$	EUR	Other	YTL	
Assets					
Cash and due from banks	1,854,120	2,795,283	211,554	676,516	5,537,473
Factoring receivables, net	144,478,948	240,715,052	8,310,000	647,003,871	1,040,507,871
Other assets and prepaid expenses	1,210	1,022	2,650	3,655,484	3,660,366
Derivative financial instruments	-	-	-	15,075,943	15,075,943
Available-for-sale securities	-	-	-	28,260,146	28,260,146
Property and equipment	-	-	-	420,022	420,022
Intangible assets	-	-	-	313,690	313,690
Total assets	146,334,278	243,511,357	8,524,204	695,405,672	1,093,775,511
Liabilities					
Borrowings	67,127,015	525,898,574	-	400,624,916	993,650,505
Other liabilities and accrued expenses	41,468	284,121	40,343	3,823,501	4,189,433
Derivative financial instruments	-	-	-	1,927,041	1,927,041
Reserve for employment termination benefits	-	-	-	215,370	215,370
Deferred tax liability	-	-	-	1,326,267	1,326,267
Total liabilities	67,168,483	526,182,695	40,343	407,917,095	1,001,308,616
Net balance sheet position	79,165,795	(282,671,338)	8,483,861	287,488,577	92,466,895
Off-balance sheet derivative instruments net notional position	(75,607,798)	279,181,728	(8,774,059)	(184,543,188)	10,256,684
31 December 2007					
	Foreign Currency				Total
	US\$	EUR	Other	YTL	
Assets					
Cash and due from banks	440,928	377,433	316,485	39,870,211	41,005,057
Factoring receivables, net	64,214,789	203,693,968	12,037,943	525,047,367	804,994,067
Other assets and prepaid expenses	-	1,891	-	2,177,786	2,179,677
Available-for-sale securities	-	-	-	63,233,476	63,233,476
Property and equipment	-	-	-	402,054	402,054
Intangible assets	-	-	-	40,821	40,821
Deferred tax asset	-	-	-	1,632,082	1,632,082
Total assets	64,655,717	204,073,292	12,354,428	632,403,797	913,487,234
Liabilities					
Borrowings	134,049,187	357,496,263	11,820,044	246,261,049	749,626,543
Other liabilities and accrued expenses	70,638	613,434	90,525	2,578,826	3,353,423
Derivative financial instruments	-	-	-	13,780,536	13,780,536
Reserve for employment termination benefits	-	-	-	199,733	199,733
Total liabilities	134,119,825	358,109,697	11,910,569	262,820,144	766,960,235
Net balance sheet position	(69,464,108)	(154,036,405)	443,859	369,583,653	146,526,999
Off-balance sheet derivative instruments net notional position	69,882,000	153,918,000	-	(242,404,500)	(18,604,500)

At 31 December 2008, assets and liabilities denominated in foreign currency were translated into YTL using a foreign exchange rate of YTL2.1408 = EUR1 and YTL1.5123 = US\$1 (2007: YTL1.7102= EUR1 and YTL1.1647= US\$1).

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Notes to Financial Statements

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Interest rate risk

The management of interest rate risk is the exposure of movements in market interest rates which lead to price fluctuations in financial instruments of the Company. It is the Treasury that follows up the Company's interest sensitive assets, liabilities and off-balance sheet items. In addition Planning and Control reports the interest rate risk by distributing interest rate risk into time bands according to their maturity. The interest rate risk is measured on a monthly basis using Economic Value Sensitivity Analysis, Interest Rate Stress Testing and various scenarios.

The management of interest rate risk is the exposure of movements in market interest rates which lead to price fluctuations in financial instruments of the Company. It is the Treasury that follows up the Company's interest sensitive assets, liabilities and off-balance sheet items. In addition Planning and Control reports the interest rate risk by distributing interest rate risk into time bands according to their maturity. The interest rate risk is measured on a monthly basis using Economic Value Sensitivity Analysis, Interest Rate Stress Testing and various scenarios.

According to the Economic Value Sensitivity Analysis as at 31 December 2008, in the scenario of a 5% shift in the YTL interest rate and a 1% shift in the foreign currency interest rate with all other variables being constant, there will be a YTL4,274,693 decrease (2007: YTL3,652,730 decrease) in the net present value of interest sensitive assets and liabilities. The difference must be within the limit of 10% of the core Tier 1 Capital. According to the Interest Rate Stress Testing at 31 December 2007, in the scenario of a 10% shift in the YTL interest rate and a 2% shift in foreign currency interest rate with all other variables being constant, there will be a YTL8,249,446 decrease (2007: YTL7,078,888 decrease) in the net present value of interest sensitive assets and liabilities.

The tables below summarize average effective interest rates by major currencies for monetary financial instruments at 31 December 2008 and 2007:

	31 December 2008			31 December 2007		
	US\$ (%)	EUR (%)	YTL (%)	US\$ (%)	EUR (%)	YTL (%)
Assets						
Cash and due from banks						
-time deposits	3.00	4.25	-	3.10	1.50	18.10
Factoring receivables, net	5.66	6.75	19.79	6.80	6.39	19.60
Liabilities						
Borrowings	4.63	4.74	21.66	5.80	5.48	16.12

The table below summarizes the Company's exposure to interest rate risk on the basis of the remaining period at the balance sheet to the re-pricing or contractual dates whichever is earlier.

31 December 2008	Up to 3 months	3 to 12 months	1 year to 5 years	Non-interest bearing	Total
Assets					
Cash and due from banks	3,745,029	-	-	1,792,444	5,537,473
Factoring receivables, net	888,224,442	152,283,429	-	-	1,040,507,871
Other assets and prepaid expenses	-	-	-	3,660,366	3,660,366
Derivative financial instruments	-	-	-	15,075,943	15,075,943
Available-for-sale securities	-	-	-	28,260,146	28,260,146
Property and equipment	-	-	-	420,022	420,022
Intangible assets	-	-	-	313,690	313,690
Total assets	891,969,471	152,283,429	-	49,522,611	1,093,775,511
Liabilities					
Borrowings	601,564,229	381,405,176	10,586,100	95,000	993,650,505
Other liabilities and accrued expenses	-	-	-	4,189,433	4,189,433
Derivative financial instruments	-	-	-	1,927,041	1,927,041
Reserve for employment termination benefits	-	-	-	215,370	215,370
Deferred tax liability	-	-	-	1,326,267	1,326,267
Total liabilities	601,564,229	381,405,176	10,586,100	7,753,111	1,001,308,616
Net position	290,405,242	(229,121,747)	(10,586,100)	41,769,500	92,466,895

YAPI KREDİ FAKTORİNG A.Ş.

Notes to Financial Statements

At 31 December 2008

(Amounts expressed in New Turkish Lira [“YTL”], unless otherwise indicated)

31 December 2007	Up to 3 months	3 to 12 months	1 year to 5 years	Non-interest bearing	Total
Assets					
Cash and due from banks	39,324,059	-	-	1,680,998	41,005,057
Factoring receivables, net	764,439,322	40,554,745	-	-	804,994,067
Other assets and prepaid expenses	-	-	-	2,179,677	2,179,677
Available-for-sale securities	-	-	-	63,233,476	63,233,476
Property and equipment	-	-	-	402,054	402,054
Intangible assets	-	-	-	40,821	40,821
Deferred tax asset	-	-	-	1,632,082	1,632,082
Total assets	803,763,381	40,554,745	-	69,169,108	913,487,234
Liabilities					
Borrowings	317,340,544	426,319,567	5,966,432	-	749,626,543
Other liabilities and accrued expenses	-	-	-	3,353,423	3,353,423
Derivative financial instruments	-	-	-	13,780,536	13,780,536
Reserve for employment termination benefits	-	-	-	199,733	199,733
Total liabilities	317,340,544	426,319,567	5,966,432	17,333,692	766,960,235
Net position	486,422,837	(385,764,822)	(5,966,432)	51,835,416	146,526,999

Liquidity risk

The Company is exposed to daily calls on its available cash resources from factoring customers. The Company does not maintain cash resources to meet all of these needs as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty. The ability to fund the existing and prospective debt requirements is managed by maintaining the availability of adequate funding lines.

The matching and controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of the Company. An unmatched position potentially enhances profitability, but also increases the risk of losses. The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of the Company and its exposure to changes in interest rates and exchange rates.

The table below analyses assets and liabilities of the Company into relevant maturity groupings at 31 December 2008 and 2007, based on the remaining period at the balance sheet date to the contractual maturity date.

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31 December 2008	Demand and up to 3 months	3 to 12 months	Over 1 year	No definite maturity	Total
Assets					
Cash and due from banks	5,537,875	-	-	-	5,537,875
Factoring receivables, net	911,895,288	168,305,774	-	-	1,080,201,062
Other assets and prepaid expenses	3,434,242	226,124	-	-	3,660,366
Derivative financial instruments	13,953,100	1,122,843	-	-	15,075,943
Available-for-sale securities	-	-	-	28,260,146	28,260,146
Property and equipment	-	-	-	420,022	420,022
Intangible assets	-	-	-	313,690	313,690
Total assets	934,820,505	169,654,741	-	28,993,858	1,133,469,104
Liabilities					
Borrowings	606,372,513	390,040,014	11,148,061	-	1,007,560,588
Other liabilities and accrued expenses	3,864,844	20,766	-	303,823	4,189,433
Derivative financial instruments	499,163	1,427,878	-	-	1,927,041
Reserve for employment termination benefits	-	-	-	215,370	215,370
Deferred tax liability	-	-	-	1,326,267	1,326,267
Total liabilities	610,736,520	391,488,658	11,148,061	1,845,460	1,015,218,699
Net liquidity gap	324,083,985	(221,833,917)	(11,148,061)	27,148,398	118,250,405
Derivative financial instruments held for trading					
Inflows	212,452,992	81,488,736	-	-	293,941,728
Outflows	200,748,508	82,936,537	-	-	283,685,045
31 December 2007					
Assets					
Cash and due from banks	41,057,510	-	-	-	41,057,510
Factoring receivables, net	790,874,638	52,031,827	-	-	842,906,465
Other assets and prepaid expenses	1,540,725	305,208	-	333,744	2,179,677
Available-for-sale securities	-	-	-	63,233,476	63,233,476
Property and equipment	-	-	-	402,054	402,054
Intangible assets	-	-	-	40,821	40,821
Deferred tax asset	-	-	-	1,632,082	1,632,082
Total assets	833,472,873	52,337,035	-	65,642,177	951,452,085
Liabilities					
Borrowings	453,296,929	299,389,869	6,399,367	-	759,086,165
Other liabilities and accrued expenses	3,078,243	-	-	275,180	3,353,423
Derivative financial instruments	3,871,831	9,908,705	-	-	13,780,536
Reserve for employment termination benefits	-	-	-	199,733	199,733
Total liabilities	460,247,003	309,298,574	6,399,367	474,913	776,419,857
Net liquidity gap	373,225,870	(256,961,539)	(6,399,367)	65,167,264	175,032,228
Derivative financial instruments held for trading					
Inflows	166,302,000	57,498,000	-	-	223,800,000
Outflows	(171,536,000)	(70,868,500)	-	-	(242,404,500)

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Operational risk

The most comprehensive meaning of operational risk is considered to be any risk which is not classified as market and credit risk. In managing operational risk, increasing the skills of the staff, improving the job technology and job definitions, establishing the necessary internal controls and various insurances are employed as main methods.

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 estimated fair values of financial instruments have been determined by the Company using available market information and appropriate valuation methodologies. However, judgement is necessarily required to interpret market data to develop the estimated fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Company could realise in a current market exchange.

A market does not presently exist for factoring receivables which would facilitate obtaining prices for comparative instruments, and if sold or settled prior to their stated maturity dates, these instruments would bear transaction costs in the form of fees or discounts. Fair value has not been computed for these instruments because of the impracticability of determining fair value with sufficient reliability. Furthermore, net book amounts are considered to be a reasonable estimate of the fair value.

The following methods and assumptions were used to estimate the fair value of the Company's financial instruments:

i) Financial assets

The fair values of certain financial assets carried at cost, including cash and due from banks and financial assets are considered to approximate their respective carrying values due to their short-term nature.

The fair value of factoring receivables is also considered to approximate the carrying value due to their short-term nature.

ii) Financial liabilities

The estimated fair value of borrowings is based on discounted cash flows using interest rates for new debts with similar maturity as YTL992,155,776 (2007: YTL742,673,682).

The fair values of other monetary liabilities are considered to approximate their respective carrying values due to their short term nature.

iii) Capital management

According to 23rd article of "Regulation on the Establishment and Operations of Factoring, Leasing and Consumer Finance Companies" which was published in the Official Gazette dated 10 October 2006, total volume of factoring receivables granted by consumer financing companies cannot exceed 30 times of the statutory equity.

As of 31 December 2008, total volume of factoring receivables granted by the Company in its statutory records is 11.42 (2007: 5.55) times of statutory equity.

	31 December 2008
Factoring receivables from customers (A)	1,046,379,982
Share capital	16,802,326
Reserves	55,681,152
Net income for the year	19,160,805
Total equity (B)	91,644,283
Factoring receivable/statutory equity ratio (A/B)	11.42

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NOTE 4-CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

The Company makes estimates and assumptions concerning the future. The estimates and assumptions that have a significant effect to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Allowance for impairment of factoring receivables

A credit risk provision for impairment of factoring receivables is established if there is objective evidence that the Company will not be able to collect all amounts due. The estimates used in evaluating the adequacy of the provision for impairment of factoring receivables are based on the aging of these receivable balances and the trend of collection performance.

NOTE 5-CASH AND DUE FROM BANKS

At 31 December 2008 and 2007 cash and due from banks comprised of the following:

	2008			2007		
	Foreign Currency	YTL	Total	Foreign Currency	YTL	Total
Cash in hand	-	156	156	-	182	182
Due from banks:	4,860,957	676,360	5,537,317	1,134,846	39,870,029	41,004,875
-demand deposits	1,115,928	676,360	1,792,288	244,453	1,436,363	1,680,816
-time deposits	3,745,029	-	3,745,029	890,393	38,433,666	39,324,059
	4,860,957	676,516	5,537,473	1,134,846	39,870,211	41,005,057

For the purposes of the cash flow statement, cash and cash equivalents amounting to YTL5,536,915 (31 December 2007: YTL40,771,336) comprised from cash and due from banks excluding accrued interest.

NOTE 6-FACTORING RECEIVABLES, NET

	2008	2007
Domestic transactions	844,895,947	647,702,557
Export and import transactions	208,873,982	166,211,867
Impaired factoring receivables	4,984,231	4,072,653
Gross factoring receivables	1,058,754,160	817,987,077
Less: provision for impaired factoring receivables	(10,710,193)	(8,110,160)
Less: unearned revenue	(7,536,096)	(4,882,850)
Factoring receivables, net	1,040,507,871	804,994,067

Unearned revenue represents advance collections of factoring fees, recognised on pro-rata basis over the term of the collection of factoring receivables.

At 31 December 2008, YTL269,158,200 (2007: YTL228,322,391) of domestic factoring receivables, net and YTL131,269,113 (2007: YTL92,674,311) of export factoring receivables, net is non-recourse. In addition, non-recourse transactions amounting to YTL277,752,346 are recognised under off-balance sheet accounts at 31 December 2008.

	2008	2007
Factoring receivables:		
Fixed rate	563,158,935	496,886,629
Floating rate	495,595,225	321,100,448
	1,058,754,160	817,987,077

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Factoring receivables can be analysed as follows:

	2008	2007
Neither past due nor impaired	1,045,941,870	808,762,686
Past due but not impaired	291,963	268,888
Impaired	4,984,231	4,072,653
Gross	1,051,218,064	813,104,227
Less: allowances for impairment	(10,710,193)	(8,110,160)
Net factoring receivables	1,040,507,871	804,994,067

At 31 December 2008 the Company received YTL347,479,052 (2007:YTL242,300,689) cheques and notes with maturity which are recognised under contingent accounts.

The total impairment provision for factoring receivables at 31 December 2008 amounts to YTL10,710,193 (2007: YTL8,110,160) of which YTL4,838,082 (2007: YTL4,072,653) represents the individually impaired receivables and the remaining amount of YTL5,872,111 (2007: YTL4,037,507) represents the portfolio provision.

Factoring receivables past due but not impaired are as follows:

	2008	2007
Past due up to 30 days	291,963	-
Past due 30-90 days	-	268,888
	291,963	268,888

Examples of exposures designated past due but not considered impaired include factoring receivables fully secured by cash collateral, mortgages past due for technical reasons such as delays in documentation, but where is no concern over the creditworthiness of the counterparty.

Maturity analysis of the factoring receivables is as follows:

	2008	2007
Up to 1 month	112,468,728	82,786,070
1 month to 3 month	775,755,714	681,653,252
3 month to 1 year	152,283,429	40,554,745
	1,040,507,871	804,994,067

Movements in the provision for impaired factoring receivables during the year are as follows:

	2008	2007
Balance at 1 January	8,110,160	7,830,987
Charge for the year	2,682,085	411,156
Recoveries of amounts previously provided	(82,052)	(131,983)
Balance at 31 December	10,710,193	8,110,160

Restructuring activities include extended payment arrangements, approved external management plans, modification and deferral of payments. Renegotiated factoring receivables that would otherwise be past due or impaired amounts to YTL301,802 at 31 December 2008 (2007: YTL37,556).

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Economic sector risk concentrations of gross factoring receivables are as follows:

	2008	%	2007	%
Metal processing	272,463,330	26	230,563,556	28
Automotive	161,611,351	15	92,035,152	11
Medicine, chemical and dyes	104,792,526	10	49,295,345	6
Food and beverage	78,127,200	7	53,774,987	7
Textiles	62,606,028	6	65,460,678	8
Electronics and optics	59,490,848	6	16,637,476	2
Manufacturing	50,787,525	5	6,453,135	1
Car rental	50,105,107	5	90,999,655	11
Construction	11,621,708	1	14,607,897	2
Other	207,148,537	19	198,159,196	24
	1,058,754,160	100	817,987,077	100

NOTE 7-OTHER ASSETS AND PREPAID EXPENSES

	2008	2007
Prepaid taxes and funds (Note 13)	3,418,984	1,537,858
Prepaid expenses	226,124	305,209
Advances given	-	333,744
Other	15,258	2,866
	3,660,366	2,179,677

NOTE 8-PROPERTY AND EQUIPMENT

	1 January 2008	Additions	Disposals	Transfers	31 December 2008
Cost:					
Furniture and fixtures	1,977,990	31,835	(2,406)	-	2,007,419
Leasehold improvements	720,711	3,620	-	-	724,331
Motor vehicles	2,100	104,128	-	-	106,228
Total cost	2,700,801	139,583	(2,406)	-	2,837,978
Accumulated depreciation:					
Furniture and fixtures	(1,858,603)	(47,023)	1,141	-	(1,904,485)
Leasehold improvements	(438,044)	(61,670)	-	-	(499,714)
Motor vehicles	(2,100)	(11,657)	-	-	(13,757)
Total accumulated depreciation	(2,298,747)	(120,350)	1,141	-	(2,417,956)
Net book value	402,054				420,022

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At 31 December 2008

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	1 January 2007	Additions	Disposals	Transfers	31 December 2007
Cost:					
Furniture and fixtures	1,927,454	50,535	-	-	1,977,989
Leasehold improvements	720,141	571	-	-	720,712
Motor vehicles	247,106	-	(245,006)	-	2,100
Total cost	2,894,701	51,106	(245,006)	-	2,700,801
Accumulated depreciation:					
Furniture and fixtures	(1,777,595)	(81,007)	-	-	(1,858,602)
Leasehold improvements	(370,183)	(67,862)	-	-	(438,045)
Motor vehicles	(232,484)	(16,555)	246,939	-	(2,100)
Total accumulated depreciation	(2,380,262)	(165,424)	246,939	-	(2,298,747)
Net book value	514,439				402,054

As of 31 December 2008, there are no restrictions on property, plant and equipment (2007: None).

Leased assets included in property and equipment, where the Company is the lessee, amounted to YTL104,128 (2007: YTL20,575).

NOTE 9-INTANGIBLE ASSETS

	1 January 2008	Additions	Disposals	Transfers	31 December 2008
Cost:					
Software	1,484,239	419,799	-	-	1,904,038
Total cost	1,484,239	419,799	-	-	1,904,038
Accumulated amortisation:					
Software	(1,443,418)	(146,930)	-	-	(1,590,348)
Total accumulated amortisation	(1,443,418)	(146,930)	-	-	(1,590,348)
Net book value	40,821				313,690

	1 January 2007	Additions	Disposals	Transfers	31 December 2007
Cost:					
Software	1,482,150	2,089	-	-	1,484,239
Total cost	1,482,150	2,089	-	-	1,484,239
Accumulated amortisation:					
Software	(1,400,807)	(42,611)	-	-	(1,443,418)
Total accumulated amortisation	(1,400,807)	(42,611)	-	-	(1,443,418)
Net book value	81,343				40,821

NOTE 10-AVAILABLE-FOR-SALE SECURITIES

Available for sale equity securities at 31 December 2008 and 2007 are set out below:

	2008		2007	
	%	YTL	%	YTL
Yapı Kredi Sigorta A.Ş.	7.95	28,233,013	7.95	63,206,343
Yapı Kredi Emeklilik A.Ş.	0.04	27,133	0.04	27,133
		28,260,146		63,233,476

The investment amount in Yapı Kredi Sigorta A.S., which is a listed company in Istanbul Stock Exchange, is remeasured at fair value based on quoted bid price at 31 December 2008 and 2007.

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NOTE 11-BORROWINGS

Borrowings at 31 December 2008 and 2007 are set out below according to their currencies:

		2008			2007		
		Effective Interest %	Original Currency	YTL	Effective Interest %	Original Currency	YTL
Domestic banks							
	YTL	21.75	261,229,704	261,229,704	15.9	187,327,670	187,327,670
	EUR	-	-	-	5.4	38,234,714	65,389,008
	US\$	-	-	-	5.7	529,448	616,648
Foreign banks							
	EUR	4.74	245,655,163	525,898,574	5.5	170,802,979	292,107,255
	YTL	21.50	139,395,212	139,395,212	16.8	58,933,379	58,933,379
	US\$	4.63	44,387,367	67,127,015	5.8	114,563,870	133,432,539
	GBP	-	-	-	5.5	5,081,923	11,820,044
				993,650,505			749,626,543

NOTE 12-OTHER LIABILITIES AND ACCRUED EXPENSES

	2008	2007
Payroll and withholdings payable	1,469,474	834,550
Accrual for personnel performance bonus	1,128,000	984,000
Commissions payable	365,932	774,597
Reserve for annual leave	303,823	275,180
Miscellaneous expenses accruals	76,862	80,666
Rent accrual	40,801	50,000
Others	804,541	354,430
	4,189,433	3,353,423

NOTE 13-TAXATION

	2008	2007
Income taxes currently payable	-	6,154,351
Prepaid taxes (Note 7)	(3,418,984)	(6,154,351)
Income taxes payable	(3,418,984)	-
Deferred tax asset	1,750,304	3,826,008
Deferred tax liability	(3,076,571)	(2,193,926)
Deferred tax (liability)/asset, net	(1,326,267)	1,632,082

The taxation on income for the years ended 31 December are summarised as follows:

Current tax expense	-	6,154,351
Deferred taxation	4,707,016	(1,261,481)
Income tax expense	4,707,016	4,892,870

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The movement of deferred tax asset/(liability) is as follows:

	Net	
	2008	2007
Balance at 1 January	1,632,082	1,508,823
Tax (debited)/credited to income statement	(4,707,016)	1,261,481
Tax credited/(debited) to equity	1,748,667	(1,138,222)
Balance at 31 December	(1,326,267)	1,632,082

Corporate Tax Law has been altered by Law No: 5520 on 13 June 2006. Although the new Corporate Tax Law No: 5520, has become effective on 21 June 2006, many of its articles have become effective retrospectively starting from 1 January 2006. Accordingly, the corporation tax rate of the fiscal year 2008 is 20% (30% if the entity elects to use investment incentive exception). Corporation tax is payable at a rate of 20% on the total income of the Company after adjusting for certain disallowable expenses, corporate income tax exemptions (participation exemption, investment allowance, etc) and corporate income tax deductions (like research and development expenditures deduction). No further tax is payable unless the profit is distributed (except withholding tax at the rate of 19,8% on the investment incentive allowance utilised within the scope of the Income Tax Law Transitional Article 61).

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 tax at the rate of 15%. An increase in capital via issuing bonus shares is not considered as a profit distribution and thus does not incur withholding tax.

Corporations are required to pay advance corporation tax quarterly at the rate of 20% on their corporate income. Advance tax is payable by the 17th of the second month following each calendar quarter end. Advance tax paid by corporations is credited against the annual corporation tax liability. The balance of the advance tax paid may be refunded or used to set off against other liabilities to the government.

In accordance with Tax Law No: 5024 “Law Related to Changes in Tax Procedure Law, Income Tax Law and Corporate Tax Law” that was published on the Official Gazette on 30 December 2003 to amend the tax base for non-monetary assets and liabilities, effective from 1 January 2004, the income and corporate taxpayers will prepare the statutory financial statements by adjusting the non-monetary assets and liabilities for the changes in the general purchasing power of the YTL. In accordance with the aforementioned law’s provisions, in order to apply inflation adjustment, the cumulative inflation rate (State Institute of Statistics-Wholesale Price Indices) over the last 36 months and 12 months must exceed 100% and 10%, respectively. Inflation adjustment has not been applied as these conditions were not fulfilled after the fiscal year 2005.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns within the 25th of the fourth month following the close of the financial year to which they relate.

Tax returns are open for 5 years from the beginning of the year that follows the date of filing during which time the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue re-assessments based on their findings.

Under the Turkish taxation system, tax losses can be carried forward to offset against future taxable income for up to 5 years. Tax losses cannot be carried back to offset profits from previous periods.

The reconciliation between the expected and the actual taxation charge is as follows:

	2008	2007
Income before income taxes	23,871,572	24,652,067
Theoretical tax charge at the applicable tax rate 20%	4,774,313	4,930,413
Tax effect of items which are not deductible or assessable for taxation purposes:		
Income exempt from taxation	(215,370)	(199,733)
Non-deductible expenses	31,624	45,741
Difference between carrying value tax base of investments	116,449	116,449
Total tax charge for the year	4,707,016	4,892,870

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Deferred taxes

Deferred income taxes are calculated on temporary differences that are expected to be realised or settled based on the taxable income in following years under the liability method using a principal tax rate of 20% at 31 December 2008. With the enactment of the Corporate Tax Law numbered 5520, an amendment has been brought to the application of tax exemption of gains from sale of immovables and participations. According to the amendment, 75% of gains from sale of immovables and participations which have been carried at least two years in the financial statements of the Company are exempt from taxation. The remaining portion will subject to corporate tax rate of 20%. Thus, a deferred tax liability with an effective tax rate of 5% has been calculated from fair value gains arising from available-for-sale investments. The temporary differences giving rise to the deferred income tax assets and the deferred tax liabilities are as follows:

	Cumulative temporary differences		Deferred tax assets/(liabilities)	
	2008	2007	2008	2007
Provision for impaired factoring receivables	7,152,027	4,874,592	1,430,405	974,918
Employment termination benefits	215,370	199,733	43,073	39,947
Reserve for annual leave	303,823	275,180	60,765	55,036
Accumulated taxable losses	1,080,304	-	216,061	-
Expense accrual on forward contracts	-	13,780,536	-	2,756,107
Deferred tax asset			1,750,304	3,826,008
Income accrual on forward contracts	(13,148,902)	-	(2,629,780)	-
Difference between carrying value tax base of property and equipment	(191,721)	(184,062)	(38,348)	(36,813)
Difference between carrying value tax base of investments (income statement)	(2,328,975)	(2,328,975)	(116,449)	(116,449)
Difference between carrying value tax base of investments (equity)	(5,839,962)	(40,813,289)	(291,994)	(2,040,664)
Deferred tax liability			(3,076,571)	(2,193,926)
Deferred tax asset, net			(1,326,267)	1,632,082

NOTE 14-DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments for 2008 and 2007 as follows:

	Contract/notional amount	Fair values	
		Assets	(Liabilities)
31 December 2008			
Foreign exchange derivatives			
Currency forwards	559,027,947	15,075,943	(1,927,041)
Total Over the Counter ("OTC")	559,027,947	15,075,943	(1,927,041)
31 December 2007			
Foreign exchange derivatives			
Currency forwards	466,204,500	-	13,780,536
Total Over the Counter ("OTC")	466,204,500	-	13,780,536

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NOTE 15-RESERVE FOR 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 8 September 1999, 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 YTL2,173.18 (2007: YTL2,030.19) for each year of service.

The liability is not funded, as there is no funding requirement.

The reserve has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of its employees.

IAS 19 requires actuarial valuation methods to be developed to estimate the enterprise's obligation for such benefits. Accordingly, the following actuarial assumptions were used in the calculation of the total liability as at 31 December 2008 and 2007:

	2008	2007
Discount rate (%)	6.26	5.71
Turnover rate to estimate the probability of retirement (%)	7.1	16.4

The principal assumption is that the maximum liability for each year service will increase in line with inflation. As the maximum liability is revised semi-annually the maximum amount of YTL2,260.05 (1 January 2007: YTL2,087.92) which is effective from 1 January 2008 has been taken into consideration in calculating the provision for employment termination benefits of the Company.

Movement of the reserve for employment termination benefits for the year is as follows:

	2008	2007
1 January	199,733	151,496
Paid during the year	(92,423)	(90,322)
Interest expense	12,505	8,650
Actuarial losses	16,463	9,831
Increase during the year	100,920	232,935
Reversed during the year	(21,828)	(112,857)
Balance at 31 December	215,370	199,733

NOTE 16-SHARE CAPITAL

Share capital of the Company is YTL16,802,326 (2007: YTL16,802,326) and consists of YTL16,802,326 (2007: YTL16,802,326) authorised shares of nominal value of YTL1 each.

At 31 December 2008 and 2007, the paid-in share capital held was as follows:

	2008		2007	
	Share (%)	YTL	Share (%)	YTL
Yapı ve Kredi Bankası A.Ş.	99.94	16,793,303	99.94	16,793,303
Other	0.06	9,023	0.06	9,023
Historical share capital	100.00	16,802,326	100.00	16,802,326
Adjustment to share capital		31,069,468		31,069,468
Total paid-in share capital		47,871,794		47,871,794

YAPI KREDİ FAKTORİNG A.Ş.

Notes to Financial Statements

At 31 December 2008

(Amounts expressed in New Turkish Lira ["YTL"], unless otherwise indicated)

NOTE 17-RETAINED EARNINGS AND LEGAL RESERVES

Retained earnings according to the statutory financial statements other than legal reserves are available for distribution, subject to the legal reserve requirement referred to below.

Under the Turkish Commercial Law the Company is required to create the following legal reserves from appropriations of earnings, which are available for distribution only in the event of liquidation or losses:

- First legal reserve, appropriated at the rate of 5%, until the total reserve is equal to 20% of issued and fully paid share capital.
- Second legal reserve, appropriated at the rate of at least 10% of distributions in excess of 5% of issued share capital, without limit. It may be used to absorb losses.

At 31 December 2008 and 2007 the reserves held by the Company in the statutory financial statements were as follows:

	2008	2007
Legal reserves	8,483,632	4,567,644
Unappropriated profit	11,295,436	36,933,502
	19,779,068	41,501,146

NOTE 18-GENERAL ADMINISTRATION EXPENSES

	2008	2007
Rent expenses	578,757	429,894
Management fee charges	490,314	215,186
Travel expenses	342,777	421,520
Depreciation and amortisation expenses (Note 8 and 9)	267,280	208,035
Membership fees	250,010	185,962
Audit and consultancy fees	218,942	272,184
Communication expenses	132,529	133,639
Marketing and advertisement costs	96,620	180,500
Stationary expenses	53,307	81,926
Donation expenses	6,170	120,000
Other	483,201	286,271
	2,919,907	2,535,117

NOTE 19-OTHER OPERATING INCOME, NET

	2008	2007
Transaction expenses charged to customers	2,751,007	2,088,519
Dividend income	794,848	102,548
Legal expenses charged to customers	156,123	131,983
Others	380,474	205,990
Other operating income	4,082,452	2,529,040
Bank charges	372,756	437,868
Withholding expenses	106,205	81,317
Others	105,165	58,637
Other operating expenses	584,126	577,822
Other operating income/(expense), net	3,498,326	1,951,218

YAPI KREDİ FAKTORİNG A.Ş.

Notes to Financial Statements

At 31 December 2008

(Amounts expressed in New Turkish Lira ["YTL"], unless otherwise indicated)

NOTE 20-TRANSACTIONS AND BALANCES WITH RELATED PARTIES

i) Balances with related parties

	2008	2007
Due from banks		
Yapı ve Kredi Bankası A.Ş.		
Demand Deposits	1,334,236	1,166,458
Time Deposits	3,745,029	917,431
	5,079,265	2,083,889
Factoring receivables		
Otokoç Otomotiv Ticaret ve Sanayi A.Ş.	50,105,107	90,999,655
Palmira Turizm Ticaret A.Ş.	12,799,908	975,010
Harranova Besi ve Tarım Ürünleri A.Ş.	7,720,000	-
Beldeyama Motorlu Vasıtalar San.ve Ticaret A.Ş.	7,702,484	12,482,010
Koçnet Haberleşme Teknolojileri ve İletişim Hizmetleri A.Ş.	5,359,943	3,999,958
TBS Denizcilik ve Petrol Ürünleri Dış Ticaret A.Ş.	3,195,895	-
Koç Bilgi ve Savunma Teknolojileri A.Ş.	560,000	-
Arçelik A.Ş.	22,473	1,476,911
Ram Dış Ticaret A.Ş.	-	20,876,955
Tat Konserve Sanayi A.Ş.	-	20,777,234
Other	144,078	129,123
	87,609,888	151,716,856
	2008	2007
Other assets and prepaid expenses		
Yapı Kredi Teknoloji Hizmetleri A.Ş.	-	333,744
Borrowings		
Unicredito Italiano S.p.A.	485,046,065	-
Yapı Kredi Bahrain	161,933,680	-
Yapı ve Kredi Bankası A.Ş.	21,992,464	38,901,959
Yapı Kredi Netherland N.V.	17,009,728	30,014,000
	685,981,937	68,915,959
Other liabilities and accrued expenses		
Yapı Kredi Finansal Kiralama A.O.	20,301	-
Yapı Kredi Sigorta A.Ş.	-	83,124
	20,301	83,124
Contingent liabilities		
Guarantee letters:		
Yapı ve Kredi Bankası A.Ş.	729,629	66,087,081

YAPI KREDİ FAKTORİNG A.Ş.

Notes to Financial Statements

At 31 December 2008

(Amounts expressed in New Turkish Lira ["YTL"], unless otherwise indicated)

ii) Transactions with related parties

	2008	2007
Discounting charge		
Otokoç Otomotiv Ticaret ve Sanayi A.Ş.	10,030,349	6,714,032
Tat Konserve Sanayi A.Ş.	3,791,739	-
Ram Dış Tic.A.Ş.	2,008,625	4,466,013
Palmira Turizm Ticaret A.Ş.	1,343,642	-
Beldeyama Motorlu Vasıtalar San.ve Tic.A.Ş.	1,163,036	712,232
Koçnet Haberleşme Teknolojileri ve İletişim Hizmetleri A.Ş.	576,027	-
TBS Denizcilik ve Petrol Ürünleri Dış Ticaret A.Ş.	410,090	-
Opet Petrolcülük A.Ş.	311,720	103,043
Türk Demirdöküm Fabrikaları A.Ş. (*)	-	11,355,786
Otoyol Sanayi A.Ş.	-	699,098
Other	238,280	2,676,367
	19,873,508	26,726,571

(*) Türk Demirdöküm Fabrikaları A.Ş. is no longer related party since October 2007 and discounting charge represents the balance for the nine-month period ending 30 September 2007.

	2008	2007
Interest income other than factoring		
Yapı ve Kredi Bankası A.Ş.	6,507,304	267,456
	6,507,304	267,456

	2008	2007
Factoring commission		
Beko Elektronik A.Ş.(Grundig)	64,116	940
Beldeyama Motorlu Vasıtalar San.ve Tic.A.Ş	57,335	51,043
Otokoç Otomotiv Ticaret ve Sanayi A.Ş.	45,090	-
Tat Konserve Sanayi A.Ş.	17,743	-
Arçelik LG	9,291	106,323
Arçelik A.Ş.	2,040	-
Türk Demir Dokum Fabrikaları A.Ş	-	335,018
Others	64,873	101,323
	260,488	594,647

(*) Türk Demirdöküm Fabrikaları A.Ş. is no longer related party since October 2007 and factoring commission represents the balance for the nine-month period ending 30 September 2007.

	2008	2007
General administration expenses		
Zer Merkezi Hizmetler ve Ticaret A.Ş.	450,803	-
Otokoç Otomotiv Ticaret ve Sanayi A.Ş.	128,533	124,098
Opet Petrolcülük A.Ş.	88,401	86,798
Setur Servis Turistik A.Ş.	79,623	102,456
Beko Elektronik A.Ş.	-	391,456
Sanal Merkez Ticaret A.Ş.	-	77,890
Others	20,596	17,566
	767,956	800,264

	2008	2007
Interest expenses		
Unicredito Italiano S.p.A	18,922,065	-
Yapı ve Kredi Bankası A.Ş.	3,692,374	4,035,435
Yapı Kredi Netherland N.V.	4,887,000	2,928,768
	27,501,439	6,964,203

YAPI KREDİ FAKTORİNG A.Ş.

Notes to Financial Statements

At 31 December 2008

(Amounts expressed in New Turkish Lira [“YTL”], unless otherwise indicated)

	2008	2007
Commission expenses		
Yapı ve Kredi Bankası A.Ş.	429,085	634,456
Uni Credit Factoring	-	-
	429,085	634,456

Benefits to the Board and key management

	2008	2007
Benefits to the Board and key management	1,357,325	1,296,913

Off balance sheet transactions

Derivative transactions made with Yapı ve Kredi Bankası A.Ş..

	2008		2007	
	Foreign currency	YTL	Foreign currency	YTL
Forward purchases				
US\$	-	-	10,000,000	11,647,000
EUR	78,670,000	168,416,736	5,000,000	8,551,000
		168,416,736		20,198,000
Forward sells				
YTL	106,752,565	106,752,565	25,218,500	25,218,500
US\$	32,762,487	49,546,709	-	-
GBP	4,002,034	8,774,059	-	-
		165,073,333		25,218,500

YAPI KREDİ FAKTORİNG A.Ş.

Notes to Financial Statements

At 31 December 2008

(Amounts expressed in New Turkish Lira ["YTL"], unless otherwise indicated)

NOTE 21-COMMITMENTS AND CONTINGENT LIABILITIES

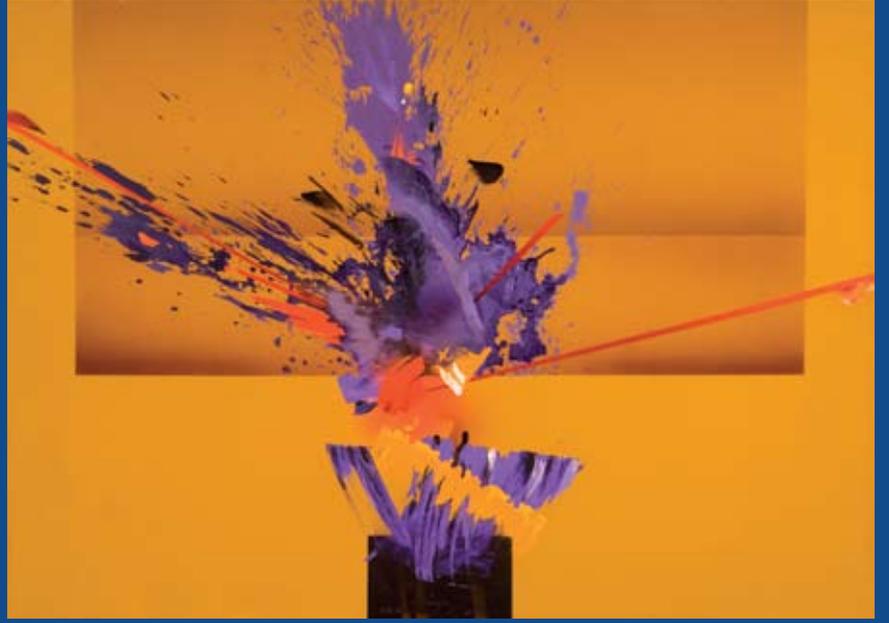
Letters of guarantees given to third parties at 31 December 2008 and 2007:

	2008			Total
	Up to 1 year	Over 1 year	Indefinite	
Guarantee letters given for lawsuits	-	-	YTL737,886	YTL737,886

	2007			Total
	Up to 1 year	Over 1 year	Indefinite	
Guarantee letters given for borrowings	-	-	US\$16,500,000	US\$16,500,000
Guarantee letters given for borrowings	-	-	EUR27,000,000	EUR27,000,000
Guarantee letters given for borrowings	-	-	YTL702,388	YTL702,388

Commitments under derivative instruments:

	Original Currency	2008		2007	
		YTL	YTL	Original Currency	YTL
Forward currency purchases					
	US\$	-	-	60,000,000	69,882,000
	EUR	130,410,000	279,181,728	90,000,000	153,918,000
	YTL	14,760,000	14,760,000	-	-
			293,941,728		223,800,000
Forward currency sales					
	YTL	199,303,188	199,303,188	242,404,500	242,404,500
	USD	49,995,237	75,607,798	-	-
	GBP	4,002,034	8,774,059	-	-
			283,685,045		242,404,500



Gngör Taner

Rhythm and Movement, FINALE 2002

Acrylic on canvas, 130x180 cm

Yapı Kredi Collection

Yapı Kredi Faktoring A.Ş.

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