YapıKredi Faktoring

ANNUAL REPORT 2009

CONTENTS

PART I
INTRODUCTION

FINANCIAL HIGHLIGHTS

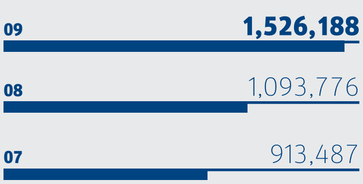
Turnover (USD million)

	2009	2008	2007
Domestic	6,134	3,459	2,807
International	1,135	1,604	1,503
Export	1,106	1,585	1,480
Import	29	19	23
Total Turnover	**7,269**	**5,063**	**4,310**

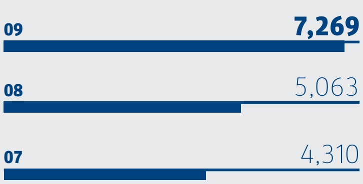
Major Balance Sheet and Income Statement Accounts (TL thousand)

	2009	2008	2007
Factoring Receivables (net)	1,419,961	1,040,508	804,994
Total Assets	1,526,188	1,093,776	913,487
Factoring Payables	-	-	-
Shareholders' Equity	146,378	92,467	146,527
Net Profit	31,057	19,165	19,759
Factoring Revenue	127,895	128,173	107,229
Interest Income	121,829	121,246	101,457
Commission Income	6,066	6,927	5,772

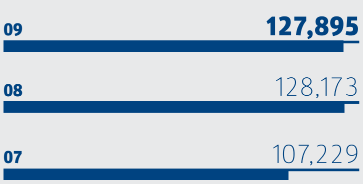
TOTAL ASSETS (TL THOUSAND)



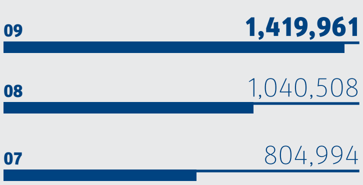
TOTAL TURNOVER (USD MILLION)



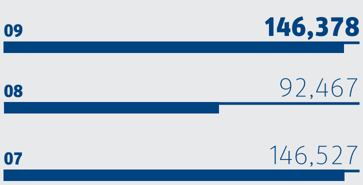
FACTORING REVENUE (TL THOUSAND)



FACTORING REVENUE (TL THOUSAND)



SHAREHOLDERS' EQUITY (TL THOUSAND)



FACTORING IN THE WORLD (EUR MILLION)

FCI MEMBERS

09	**698,155**
08	788,537
07	758,386
06	668,746
05	577,832
04	437,932
03	371,215

WORLD TOTAL

09	**1,293,834**
08	1,325,111
07	1,301,590
06	1,134,238
05	1,016,546
04	860,215
03	760,392

FACTORING IN TURKEY (USD MILLION)

TOTAL TURNOVER

09	**29,000**
08	25,451
07	28,653
06	19,900
05	13,959
04	10,733
03	6,855
02	4,530
01	3,600
00	5,943

DOMESTIC

09	**25,740**
08	21,221
07	24,718
06	16,900
05	11,608
04	8,640
03	5,330
02	3,370
01	2,635
00	4,953

INTERNATIONAL

09	**3,260**
08	4,230
07	3,935
06	3,000
05	2,351
04	2,093
03	1,525
02	1,160
01	965
00	990

YAPI KREDİ FAKTORING IN BRIEF

As the solid market leader in the Turkish factoring sector, Yapı Kredi Faktoring controls a 27% share of the factoring sector's total transaction volume and has a 41% market share in terms of export factoring services in Turkey.

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

As the solid market leader in the Turkish factoring sector, Yapı Kredi Faktoring controls a 27% share of the factoring sector's total transaction volume and has a 41% market share in terms of export factoring services in Turkey.

Yapı Kredi Faktoring conducts its activities from six locations: its headquarters in Istanbul and regional representative offices in Izmir, Ankara, Bursa, Antalya and Gaziantep. The synergy that the Company has developed with Yapı Kredi Bank's nationwide sales and service organization is one of Yapı Kredi Faktoring's most important service and competitive advantages. With more than 838 branches, Yapı Kredi Bank's service points provide the Company with an extensive reach.

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

Consecutively, in 2006 and 2007, Yapı Kredi Faktoring was chosen as the "Best Export Factor of the Year" by FCI members. In 2008 and 2009, Yapı Kredi Faktoring increased its service quality score and ranked second in the same category. Additionally, Yapı Kredi Faktoring was deemed "excellent" in terms of service quality.

Yapı Kredi Faktoring has a strong market presence in both the domestic and international markets. The Company delivers outstanding performance with its well-defined strategies, ensures sustainable quality in factoring services with its brilliant and solution-oriented team and provides unique solutions to its exclusive client portfolio.

Yapı Kredi Faktoring continues to lead the sector with 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 Faktoring registered a growth rate of 43.5% in its transaction volume in 2009 and wrote USD 7,269 million in business, 84% of which was domestic factoring and 16% international factoring.

2009 was indisputably a challenging year for both the developed and developing economies due to impacts of the global economic crisis. The crisis that broke out in the US financial sector in 2008 rapidly evolved into a global crisis of credibility, liquidity and confidence in 2009 with strong effects on the real economy. Nevertheless, after booking a turnover of USD 25.4 billion in 2008, the Turkish factoring industry saw its business increase 14% to USD 29 billion in 2009.

Despite the adverse developments in the global economic environment, Yapı Kredi Faktoring registered a growth rate of 43.5% in its transaction volume in 2009 and wrote USD 7,269 million in business, 84% of which was domestic factoring and 16% international factoring.

A leader in the factoring sector since 2001, Yapı Kredi Faktoring has assumed the important mission of promoting wider usage of factoring transactions and, thus, expanding the market. With its solid capital structure, high credibility and extensive funding facilities, Yapı Kredi Faktoring's goal is to maintain its pioneering position in the sector in Turkey and continue its international accomplishments.

Maintaining its position as the largest export factoring company for many years, Yapı Kredi Faktoring was selected the "Best Export Factoring Company in the World" consecutively in 2006 and 2007 by members of the Factors Chain International (FCI). Furthermore, in 2008 and 2009, Yapı Kredi Faktoring increased its service quality score and was ranked second in the same category. Yapı Kredi Faktoring was also deemed "excellent" in terms of service quality.

In 2009, Yapı Kredi Faktoring realized 41% of the total export factoring transaction volume in Turkey and maintained its leadership by a wide margin with a 27% market share.

Yapı Kredi Faktoring generated TL 53.5 million in revenues in 2009, with a 47% increase over the previous year. Yapı Kredi Faktoring provides factoring services throughout Turkey via its head office in Istanbul, 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 be constantly recognized as the leader at 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 Faktoring, 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 Faktoring for their loyalty and for the parts that they played in achieving such exceptional results.

TAYFUN BAYAZIT
CHAIRMAN OF THE BOARD OF DIRECTORS

BOARD OF DIRECTORS

Tayfun Bayazıt
Chairman

Alessandro M. Decio
Vice Chairman

H. Faik Açıkalın
Member

Mert Güvenen
Member

Feza Tan
Member

Marco Cravario
Member

EXECUTIVE MANAGEMENT

Nida Bektaş
General Manager

Ali Koç
Head of Credit Risk Management
Unit - AGM

Can Özyurt
Head of Sales Unit

Neşe Kaya
Head of Administration and
Financial Control Unit

Nur Özsoy
Head of Treasury & Foreign Relations
Section

THE YEAR IN REVIEW

SALES UNIT
CREDIT RISK MANAGEMENT UNIT
TREASURY & FOREIGN RELATIONS SECTION
THE FUTURE

As one of Turkey's leading factoring companies, Yapı Kredi Faktoring attained a total factoring turnover of EUR 5,125 million in 2009, 16% of which was derived from international business and the remaining 84% from domestic business.

Yapı Kredi Faktoring's Sales Unit is composed of New and Existing Business Generation in both domestic and international markets. The Unit provides client relations services under three segments, namely Corporate (large-scale companies), Commercial (small-scale companies) and Supplier Groups (subcontractors of middle and large-scale companies).

Yapı Kredi Faktoring'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. Results of the customer satisfaction research conducted in 2009 reveal that the satisfaction and loyalty levels show an impressive increase of 14% when compared to the previous year.

Yapı Kredi Faktoring commands a 27% share of the factoring market and a 41% share of the international and a 25% share of the domestic factoring market in Turkey. Yapı Kredi Faktoring ranked in first place both total factoring volume and international factoring volume.

As one of Turkey's leading factoring companies, Yapı Kredi Faktoring attained a total factoring turnover of EUR 5,125 million in 2009, 16% of which was derived from international business and the remaining 84% from domestic business.

In 2009, Yapı Kredi Faktoring continued to closely monitor the market and sector developments and added 435 new clients to its portfolio. Besides its own marketing and sales organization, the most important delivery channel for Yapı Kredi Faktoring is the extensive network of more than 838 Yapı Kredi Bank branches located countrywide.

In parallel with future improvements in the Turkish economy, factoring becomes an even more vitally important financing tool and the Company will be focusing its attention on promoting its services to prospective clients and sectoral organizations by sales and marketing activities.

The distribution of Yapı Kredi Faktoring's business segments are as follows;

Share in 2009 Turnover	**(%)**
Medicine, chemical and dyes	39
Metal processing	23
Manufacturing	7
Automotive	7
Textiles	6
Electronics and optics	5
Food and beverage	3
Construction	1
Other	9

THE YEAR IN REVIEW

SALES UNIT
CREDIT RISK MANAGEMENT UNIT
TREASURY & FOREIGN RELATIONS SECTION
THE FUTURE

Yapı Kredi Faktoring, by all means available, tries to establish an effective system to spread a common risk culture and minimize the high-risk transactions that may impact the Company's reputation.

CREDIT RISK MANAGEMENT UNIT

Yapı Kredi Faktoring, by all means available, tries to establish an effective system to spread a common risk culture and minimize the high-risk transactions that may impact the Company's reputation. At the same time, the Company supports sales by focusing on risk control for key segments and key products to reach the 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. In order to implement these, the Credit Risk Management Unit focuses on four core areas:

- establishing an appropriate credit risk environment
- operating under a sound credit-granting process
- maintaining an appropriate credit administration, measurement and monitoring process
- ensuring adequate controls over credit risk

TREASURY & FOREIGN RELATIONS SECTION

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 Rate, Liquidity and Foreign Exchange Rate Risks.

Yapı Kredi Faktoring obtains credit facilities from various resources and has widespread bank portfolio and credit lines thanks to its excellent reputation among creditor institutions and foreign correspondent factoring companies.

THE FUTURE

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

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

As the solid market leader in the Turkish factoring sector, Yapı Kredi Faktoring aims to rank among the largest factoring companies in Europe in the near future.

INFORMATION ON SHAREHOLDERS

YAPI KREDİ BANK
UNICREDIT GROUP
KOÇ HOLDING

Yapı Kredi is the fourth largest private bank, with total assets of TL 71.7 billion as of the end of 2009. The Bank ranks fourth in total cash loans with a 10.0% market share and seventh in total deposits with a 8.2% market share.

Turkey's first privately-owned bank with a nationwide presence, Yapı Kredi has always played an important role in the development of the domestic economy and has set standards in the Turkish banking sector with many innovative products and services.

Driven by a customer-centric strategy, Yapı Kredi focuses on understanding the needs and expectations of its customers while seeking to create the best customer experience. Yapı Kredi serves six million active customers through its credit cards, individual banking, SME (Small and Medium Size Enterprises), corporate and commercial and private banking operations supported by its product factories in asset management, leasing, factoring, private pension funds, insurance, equity brokerage and investment banking, as well as international banking operations in the Netherlands, Russia and Azerbaijan.

Yapı Kredi is the fourth largest private bank, with total assets of TL 71.7 billion as of the end of 2009. The Bank ranks fourth in total cash loans with a 10.0% market share and seventh in total deposits with a 8.2% market share.

Yapı Kredi maintains its leading positions in key segments and products supported by its strong franchise, large network and leading brand name. The Bank is the leader in credit cards (20.4% market share in outstanding and 21.4% market share in issuing volume). In addition, Yapı Kredi holds leading positions in asset management (first place with an 18% market share), factoring (first place with a 26.9% market share), leasing (first place with a 16.1% market share), private pension funds (third place with a 15.0% market share), life and non-life insurance (5.1% and 5.7% market shares, respectively) and brokerage services (second place with a 6.4% market share).

Yapı Kredi, with 838 branches located in more than 70 cities, has the fourth largest branch network in the Turkish banking sector. High-quality products and services are also provided to customers through alternative delivery channels including rich content telephone, the Internet and mobile banking, as well as a total of 2,353 ATMs countrywide, which constitutes the fifth largest network in Turkey. In addition to Yapı Kredi's wide ATM network, customers are also offered access to more than 15,000 ATMs in 22 European countries through an ATM sharing agreement with UniCredit.

Yapı Kredi's main shareholder, with an 81.8% stake, is Koç Financial Services (KFS), a 50-50% joint venture between the Koç Group and UniCredit Group. The remaining 18.2% of the Bank's shares are publicly traded and held by minority shareholders. The Bank's shares are listed on the Istanbul Stock Exchange and Global Depository Receipts that represent the Bank's shares quoted on the London Stock Exchange.

INFORMATION ON SHAREHOLDERS

YAPI KREDİ BANK
UNICREDIT GROUP
KOÇ HOLDING

As of December 31, 2009, the UniCredit Group served more than 40 million customers through its multi-channel distribution network comprising 9,799 branches throughout 22 countries and a network of licensed financial consultants operating in Italy, as well as the Internet and telephone banking capabilities.

UniCredit Group is a global financial institution with an established presence in 22 countries. In particular, the Group is strategically positioned in its primary markets where it has become a market leader in several geographic areas such as Italy, southern Germany, Austria and Central-Eastern Europe. The Group focuses on full-scope financial services and is engaged in a wide range of banking, financial and related activities (including deposit-taking, lending, asset management, securities trading and brokerage, investment banking, international trade finance, corporate finance, leasing, factoring and the distribution of certain life insurance products through bank branches) throughout Italy, Germany, Austria and other Eastern and Central European countries.

As of December 31, 2009, the Group served more than 40 million customers through its multi-channel distribution network comprising 9,799 branches throughout 22 countries and a network of licensed financial consultants operating in Italy, as well as the Internet and telephone banking capabilities. By the end of the year, the Group had 165,061 (full-time equivalent) employees.

INFORMATION ON SHAREHOLDERS

YAPI KREDİ BANK
UNICREDIT GROUP
KOÇ HOLDING

Thanks to its average annual revenue growth rate of 23% in terms of US dollars over the past seven years, Koç Holding ranks among the 60 largest publicly-traded companies in Europe and the 200 largest companies in the world.

Koç Holding is Turkey's largest industrial and services group in terms of revenue, exports and number of employees. Koç Holding derives its strength from a large distribution network with approximately 11,000 dealers and after-sales services and a wide customer database of over 17 million in different business segments, together with strong customer relationship management (CRM) capabilities, enabling efficient up and cross selling.

As of December 31, 2009, Koç Holding generated a total consolidated revenue of USD 29 billion and commanded 8% of Turkey's total exports, with over 71 thousand employees.

Thanks to its average annual revenue growth rate of 23% in terms of US dollars over the past seven years, Koç Holding ranks among the 60 largest publicly-traded companies in Europe and the 200 largest companies in the world.

Koç Holding is a pioneer in many sectors in Turkey, including the energy, automotive and finance sectors, while holding strong and leading positions both domestically and internationally in consumer durables. It has a strong competitive edge that provides the Holding with a sustainable long-term growth potential.

PART II-
FINANCIAL STATEMENTS AT 31 DECEMBER 2009 TOGETHER WITH INDEPENDENT AUDITOR'S REPORT AUDITOR'S REPORT AND FINANCIAL STATEMENTS

CONTENTS PAGE

Başaran Nas Serbest Muhasebeci
Mali Müşavirlik A.Ş.
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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 2009 and the income statement, statement of comprehensive income, 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 judgement, 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 give a true and fair view of the financial position of the Company as of 31 December 2009, 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

Z. Alper Önder, SMMM
Istanbul, 1 March 2010

YAPI KREDİ FAKTORİNG A.Ş.

BALANCE SHEET
AT 31 DECEMBER

(Amounts expressed in thousand of Turkish lira ["TL"], unless otherwise indicated)

	Notes	2009	2008
ASSETS			
Cash and cash equivalents	5	31,652	5,538
Factoring receivables, net	6	1,419,961	1,040,508
Derivative financial instruments	14	5,983	15,076
Other assets and prepaid expenses	7	162	3,660
Available-for-sale investment securities	10	67,685	28,260
Property and equipment, net	8	332	420
Intangible assets, net	9	317	314
Deferred income tax assets, net	13	96	-
Total assets		1,526,188	1,093,776
LIABILITIES			
Borrowings	11	1,372,108	993,651
Derivative financial instruments	14	2,346	1,927
Current income taxes payable	13	2,717	-
Other liabilities and accrued expenses	12	2,510	4,189
Reserve for employment termination benefits	15	129	215
Deferred income tax liabilities, net	13	-	1,327
Total liabilities		1,379,810	1,001,309
EQUITY			
Share capital	16	16,802	16,802
Adjustment to share capital	16	31,069	31,069
Total paid-in share capital		47,871	47,871
Financial assets fair value reserve		43,002	5,548
Retained earnings		55,505	39,048
Total equity		146,378	92,467
Total liabilities and equity		1,526,188	1,093,776

The accompanying notes set out on pages 21 to 55 form an integral part of these financial statements.

YAPI KREDİ FAKTORİNG A.Ş.
INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER
(Amounts expressed in thousand of Turkish lira ["TL"], unless otherwise indicated)

	Notes	2009	2008
Factoring interest income		121,829	121,246
Factoring commissions		8,947	11,392
Commission expense		(2,881)	(4,465)
Income from factoring operations		127,895	128,173
Interest expense on borrowings		(62,867)	(75,157)
Interest expense on derivative financial instruments		(14,716)	(27,215)
Foreign exchange gains and losses, net		223	1,364
Impairment loss on factoring receivables	6	(7,012)	(2,682)
Recoveries from impaired factoring receivables	6	152	82
Income after foreign exchange gains and losses, net and provision for impaired factoring receivables		43,675	24,565
Interest income other than factoring		1,812	6,807
Other operating income, net	19	2,043	3,498
Operating profit		47,530	34,870
Salaries and other employee benefits		(7,531)	(8,078)
General administration expenses	18	(2,543)	(2,920)
Profit before income tax		37,456	23,872
Taxation on income	13	(6,399)	(4,707)
Profit for the year		31,057	19,165
Earnings per share		1.85	1.14

The accompanying notes set out on pages 21 to 55 form an integral part of these financial statements.

YAPI KREDİ FAKTORİNG A.Ş.
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER
(Amounts expressed in thousand of Turkish lira ["TL"], unless otherwise indicated)

	2009	2008
Profit for the year	31,057	19,165
Net gains on available-for-sale financial assets	39,425	(34,974)
-Unrealised net gains arising during the period, before tax	39,425	(34,974)
-Net reclassification adjustments for realised gains/losses, before tax	-	-
Income tax relating to components of other comprehensive income	(1,971)	1,749
Other comprehensive income for the year, net of tax	37,454	(33,225)
Total comprehensive income for the year	68,511	(14,060)

The accompanying notes set out on pages 21 to 55 form an integral part of these financial statements.

YAPI KREDİ FAKTORİNG A.Ş.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER

(Amounts expressed in thousand of Turkish lira ["TL"], unless otherwise indicated)

	Paid-in share capital				
	Share capital	Adjustment to share capital	Financial assets fair value reserve	Retained earnings	Total equity
Balance at 1 January 2008	16,802	31,069	38,773	59,883	146,527
Net change in available-for-sale investments, net of tax	-	-	(33,225)	-	(33,225)
Profit for the year	-	-	-	19,165	19,165
Total comprehensive income for the year	-	-	(33,225)	19,165	(14,060)
Dividends paid	-	-	-	(40,000)	(40,000)
Balance at 31 December 2008	16,802	31,069	5,548	39,048	92,467
Balance at 1 January 2009	16,802	31,069	5,548	39,048	92,467
Net change in available-for-sale investments, net of tax	-	-	37,454	-	37,454
Profit for the year	-	-	-	31,057	31,057
Total comprehensive income for the year	-	-	37,454	31,057	68,511
Dividends paid	-	-	-	(14,600)	(14,600)
Balance at 31 December 2009	16,802	31,069	43,002	55,505	146,378

The accompanying notes set out on pages 21 to 55 form an integral part of these financial statements.

YAPI KREDİ FAKTORİNG A.Ş.
CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER
(Amounts expressed in thousand of Turkish lira ["TL"], unless otherwise indicated)

	Notes	2009	2008
Cash flows from operating activities			
Profit for the year		31,057	19,165
Adjustments for:			
Depreciation and amortisation	8, 9	300	267
Provision for employment termination benefits	15	146	108
Provision for personnel premium		(390)	144
Provision for impaired factoring receivables	6	7,012	2,682
Remeasurement of derivative financial instruments at fair value	14	9,512	(26,929)
Interest income, net		(46,058)	(18,874)
Interest paid		(77,836)	(94,180)
Interest received		122,136	127,577
Income tax expense	13	6,399	4,707
Other non-cash items		(104)	(569)
Operating profit before changes in operating assets and liabilities		52,174	14,098
Changes in operating asset and liabilities:			
Net (increase) in factoring receivables		(384,970)	(244,291)
Net (increase)/decrease in other assets and prepaid expenses		(23,197)	38,310
Net increase/(decrease) in other liabilities		25,174	(36,009)
Income taxes paid		(7,076)	(3,419)
Net cash used in operating activities		(337,895)	(231,311)
Cash flows from investing activities:			
Purchase of property and equipment	8	(23)	(139)
Purchase of intangible assets	9	(192)	(419)
Net cash used in investing activities		(215)	(558)
Cash flows from financing activities:			
Proceeds from borrowings		378,710	236,066
Dividends paid		(14,600)	(40,000)
Net cash provided from financing activities		364,110	196,066
Effects of foreign exchange-rate changes on cash and cash equivalents		104	569
Net increase/(decrease) in cash and cash equivalents		26,104	(35,234)
Cash and cash equivalents at beginning of the year	5	5,537	40,771
Cash and cash equivalents at end of the year	5	31,641	5,537

The accompanying notes set out on pages 21 to 55 form an integral part of these financial statements.

YAPI KREDİ FAKTORİNG A.Ş.
NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2009
(Amounts expressed in thousand of Turkish lira ["TL"], unless otherwise indicated)

NOTE 1-GENERAL INFORMATION

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. On 12 October 2002, Koç Group entered into a joint strategic partnership with UniCredito Italiano S.p.A ("UCI"), in KFS. 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.

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 64 employees at 31 December 2009 (2008: 95 employees).

These financial statements as at and for the year ended 31 December 2009 have been approved for issue by the Board of Directors on 1 March 2010.

NOTE 2-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of presentation of financial statements

These financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") including International Accounting Standards ("IAS") 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 thousands of 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 historical cost convention, as modified by the revaluation of available-for-sale investment securities and derivative contracts.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

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Accounting for the effects of hyperinflation

Prior to 1 January 2006, the adjustments and reclassifications made to the statuary 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 TL 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.

Changes in standards and interpretations

(a) Standards, amendments and interpretations effective on or after 1 January 2009

The following standards, amendments and interpretations, which became effective in 2009 are relevant to the Company:

Standard/interpretation	Content	Applicable for financial years beginning on/after
IFRS 7	Improving disclosures about financial instruments	1 January 2009
IAS 1	Presentation of financial statements	1 January 2009

• Amendments to IFRS 7, 'Financial instruments: Disclosures'

The IASB published amendments to IFRS 7 in March 2009. The amendment requires enhanced disclosures about fair value measurements and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. The adoption of the amendment results in additional disclosures but does not have an impact on the financial position or the comprehensive income of the Company.

• IAS 1 (revised), 'Presentation of financial statements'

A revised version of IAS 1 was issued in September 2007. It prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity in a statement of comprehensive income. As a result, the Company presents in the statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the statement of comprehensive income. Comparative information has been re-presented so that it also conforms with the revised standard. According to the amendment of IAS 1 in January 2008, each component of equity, including each item of other comprehensive income, should be reconciled between carrying amount at the beginning and the end of the period. Since the change in accounting policy only impacts presentation aspects, there is no impact on retained earnings.

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(b) Standards and interpretations issued but not yet effective

The following standards and interpretations have been issued and are mandatory for the Company's accounting periods beginning on or after 1 July 2009 or later periods and are expected to be relevant to the Company:

Standard/interpretation	Content	Applicable for financial years beginning on/after
IAS 39	Financial instruments: Recognition and	
	measurement-eligible hedged items	1 July 2009
IFRIC 17	Distribution of non-cash assets to owners	1 July 2009
	Financial instruments part 1: Classification and measurement	1 January 2013

• IAS 39, 'Financial instruments: Recognition and measurement-Eligible hedged items'

The amendment 'Eligible hedged items' was issued in July 2008. It provides guidance for two situations. On the designation of a one-sided risk in a hedged item, IAS 39 concludes that a purchased option designated in its entirety as the hedging instrument of a one-sided risk will not be perfectly effective. The designation of inflation as a hedged risk or portion is not permitted unless in particular situations. Currently, these changes are not relevant for the Company's financial statements.

• IFRIC 17, 'Distribution to non-cash assets to owners'

IFRIC 17 was issued in November 2008. It addresses how the non-cash dividends distributed to the shareholders should be measured. A dividend obligation is recognized when the dividend was authorised by the appropriate entity and is no longer at the discretion of the entity. This dividend obligation should be recognised at the fair value of the net assets to be distributed. The difference between the dividend paid and the amount carried forward of the net assets distributed should be recognised in profit and loss. Currently, these changes are not relevant for the Company's financial statements.

• IFRS 9, 'Financial instruments part 1: Classification and measurement'

IFRS 9 was issued in November 2009 and replaces those parts of IAS 39 relating to the classification and measurement of financial assets.

Key features are as follows:

- Financial assets are required to be classified into two measurement categories: those to be measured subsequently at fair value, and those to be measured subsequently at amortised cost. The decision is to be made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.

- An instrument is subsequently measured at amortised cost only if it is a debt instrument and both the objective of the entity's business model is to hold the asset to collect the contractual cash flows, and the asset's contractual cash flows represent only payments of principal and interest (that is, it has only 'basic loan features'). All other debt instruments are to be measured at fair value through profit or loss.

- All equity instruments are to be measured subsequently at fair value. Equity instruments that are held for trading will be measured at fair value through profit or loss. For all other equity investments, an irrevocable election can be made at initial recognition, to recognize unrealised and realised fair value gains and losses through other comprehensive income rather than profit or loss. There is to be no recycling of fair value gains and losses to profit or loss. This election may be made on an instrument-by-instrument basis. Dividends are to be presented in profit or loss, as long as they represent a return on investment.

- While adoption of IFRS 9 is mandatory from 1 January 2013, earlier adoption is permitted. However, European Financial Reporting Advisory Company has not endorsed IFRS 9 yet.

The Company is considering the implications of the standard, the impact on the Company and the timing of its adoption by the Company.

(c) Early adoption of standards

The Company did not early-adopt new or amended standards in 2009.

Related parties

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

Due from other banks

Amounts due from other banks are recorded when the Company advances money to counterparty banks with no intention of trading the resulting receivable due on fixed or determinable dates. Amounts due from other banks are carried at amortised cost.

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.

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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 2009. 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, if any (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.

Property and equipment

All property and equipment carried at cost, restated equivalent to purchasing power of TL 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	Shorter of lease period or useful life

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.

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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 TL at 31 December 2005, less amortisation. Amortisation is calculated by using the straight-line method over their useful lives of 5 years.

Financial liabilities

Financial liabilities which consist of 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.

Income taxes

a. Income taxes currently payable

Income taxes ("corporation tax") currently payable are calculated based in accordance with the Turkish tax legislation (Note 13).

Taxes other than on income are recorded within operating expenses (Note 18).

b. 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 investment 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.

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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 is 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.

Impairment of assets

At each reporting date, the Company evaluates whether there is any impairment indication on the asset. When an indication of impairment exists, the Company estimates the recoverable values of such assets. Impairment exists if the carrying value of an asset or a cash generating unit is greater than its recoverable amount which is the higher of value in use or fair value less costs to sell. An impairment loss recognised in prior periods for an asset is reversed if the subsequent increase in the asset's recoverable amount is caused by a specific event since the last impairment loss was recognised. Such a reversal amount cannot be higher than the previously recognised impairment and is recognised as income in the financial statements.

Employment termination benefits

Provision for employment termination benefits represents the present value of the estimated total provision of the future probable obligation of the Company arising from the retirement of the employees calculated in accordance with the Turkish Labour Law. In accordance with existing social legislation and Turkish Labour Law in Turkey, the Company is required to make lump-sum termination indemnities to each employee whose employment is terminated due to retirement or for reasons other than resignation or misconduct and who has completed at least one year of service (Note 15).

Revenue recognition

Revenues from 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 instruments measured at amortised cost using the effective interest method.

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.

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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.

Share capital

Dividends on ordinary shares are recognised in equity in the period in which they are approved by the Company’s shareholders. Dividends for the year that are declared after the balance sheet date are dealt with in the post balance sheet events note.

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.

For the market risk management the below general guidelines apply;

- 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.

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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 2009 and 2008 is as follows:

2009	Total assets	%	Total liabilities	%
Turkey	1,496,177	98.0	706,770	51.2
European countries	-	-	662,457	48.0
Other countries	30,011	2.0	10,583	0.8
	1,526,188	100.0	1,379,810	100.0

2008	Total assets	%	Total liabilities	%
Turkey	1,093,776	100.0	267,336	26.7
European countries	-	-	651,589	65.1
Other countries	-	-	82,384	8.2
	1,093,776	100.0%	1,001,309	100.0%

Maximum exposure to credit risk

	2009	2008
Credit risk exposures relating to balance sheet items:		
Due from banks	31,652	5,538
Factoring receivables, net	1,419,961	1,040,508
Derivative financial instruments	5,983	15,076
Available-for-sale investment securities	67,685	28,260
Other assets	162	3,660

The above table represents a worse case scenario of credit risk exposure.

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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 2009, if the TL had weakened/strengthened by 10% against the US$ with all other variables held constant, profit for the year would have been TL277 thousand lower/higher (2008: TL356 thousand lower/higher), mainly as a result of foreign exchange gains/losses on translation of US$ denominated factoring receivables, and borrowings.

At 31 December 2009, if the TL had weakened/strengthened by 10% against the EUR with all other variables held constant, profit for the year would have been TL9 thousand higher/lower (2008: TL349 thousand higher/lower), mainly as a result of foreign exchange losses/gains on translation of EUR denominated factoring receivables, and borrowings.

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Assets and liabilities denominated in foreign currency at 31 December 2009 and 2008 are as follows:

	Foreign Currency				
2009	US$	EUR	Other	TL	Total
Assets					
Cash and cash equivalents	48	399	68	31,137	31,652
Factoring receivables, net	174,098	219,901	13,468	1,012,494	1,419,961
Derivative financial instruments	-	-	-	5,983	5,983
Other assets and prepaid expenses	-	3	-	159	162
Available-for-sale securities	-	-	-	67,685	67,685
Property and equipment	-	-	-	332	332
Intangible assets	-	-	-	317	317
Deferred income tax assets, net	-	-	-	96	96
Total assets	174,146	220,303	13,536	1,118,203	1,526,188
Liabilities					
Borrowings	44,888	519,819	12,983	794,418	1,372,108
Derivative financial instruments	-	-	-	2,346	2,346
Current income taxes payable	-	-	-	2,717	2,717
Other liabilities and accrued expenses	29	248	42	2,191	2,510
Reserve for employment termination benefits	-	-	-	129	129
Total liabilities	44,917	520,067	13,025	801,801	1,379,810
Net balance sheet position	129,229	(299,764)	511	316,402	146,378
Off-balance sheet derivative instruments net notional position	(126,461)	299,675	-	(169,919)	3,295

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	Foreign Currency				
2008	US$	EUR	Other	TL	Total
Assets					
Cash and cash equivalents	1,854	2,795	212	677	5,538
Factoring receivables, net	144,479	240,715	8,310	647,004	1,040,508
Derivative financial instruments	-	-	-	15,076	15,076
Other assets and prepaid expenses	1	1	3	3,655	3,660
Available-for-sale securities	-	-	-	28,260	28,260
Property and equipment	-	-	-	420	420
Intangible assets	-	-	-	314	314
Total assets	146,334	243,511	8,525	695,406	1,093,776
Liabilities					
Borrowings	67,127	525,899	-	400,625	993,651
Derivative financial instruments	-	-	-	1,927	1,927
Other liabilities and accrued expenses	42	284	40	3,823	4,189
Reserve for employment termination benefits	-	-	-	215	215
Deferred income tax liabilities, net	-	-	-	1,327	1,327
Total liabilities	67,169	526,183	40	407,917	1,001,309
Net balance sheet position	79,165	(282,672)	8,485	287,489	92,467
Off-balance sheet derivative instruments net notional position	(75,608)	279,182	(8,774)	(184,543)	10,257

At 31 December 2009, assets and liabilities denominated in foreign currency were translated into TL using a foreign exchange rate of TL2.1603 = EUR1 and TL1.5057 = US$1 (2008: TL2.1408 = EUR1 and TL1.5123 = US$1).

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.

According to the Economic Value Sensitivity Analysis at 31 December 2009, in the scenario of a 5% shift in the TL interest rate and a 1% shift in the foreign currency interest rate with all other variables being constant, there will be a TL11,008 thousand decrease (2008: TL4,275 thousand 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 2009, in the scenario of a 10% shift in the TL interest rate and a 2% shift in foreign currency interest rate with all other variables being constant, there will be a TL18,221 thousand decrease (2008: TL8,249 thousand decrease) in the net present value of interest sensitive assets and liabilities.

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The tables below summarize average effective interest rates by major currencies for monetary financial instruments at 31 December 2009 and 2008:

	2009			2008		
	US$ (%)	EUR (%)	TL (%)	US$ (%)	EUR (%)	TL (%)
Assets						
Cash and due from banks						
-time deposits	-	-	10.30	3.00	4.25	-
Factoring receivables, net	6.54	6.40	16.18	5.66	6.75	19.79
Liabilities						
Borrowings	3.32	3.30	11.72	4.63	4.74	21.66

The table below summaries 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.

2009	Up to 3 months	3 to 12 months	1 year to 5 years	Non-interest bearing	Total
Assets					
Cash and cash equivalents	30,011	-	-	1,641	31,652
Factoring receivables, net	138,516	1,279,416	115	1,914	1,419,961
Derivative financial instruments	-	-	-	5,983	5,983
Other assets and prepaid expenses	-	-	-	162	162
Available-for-sale securities	-	-	-	67,685	67,685
Property and equipment	-	-	-	332	332
Intangible assets	-	-	-	317	317
Deferred income tax assets, net	-	-	-	96	96
Total assets	168,527	1,279,416	115	78,130	1,526,188
Liabilities					
Borrowings	866,018	506,090	-	-	1,372,108
Derivative financial instruments	-	-	-	2,346	2,346
Current income taxes payable					
Other liabilities and accrued expenses	-	-	-	2,510	2,510
Income taxes payable	-	-	-	2,717	2,717
Reserve for employment termination benefits	-	-	-	129	129
Total liabilities	866,018	506,090	-	7,702	1,379,810
Net position	(697,491)	773,326	115	70,428	146,378

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2008	Up to 3 months	3 to 12 months	1 year to 5 years	Non-interest bearing	Total
Assets					
Cash and cash equivalents	3,745	-	-	1,793	5,538
Factoring receivables, net	888,912	151,450	-	146	1,040,508
Derivative financial instruments	-	-	-	15,076	15,076
Other assets and prepaid expenses	-	-	-	3,660	3,660
Available-for-sale securities	-	-	-	28,260	28,260
Property and equipment	-	-	-	420	420
Intangible assets	-	-	-	314	314
Total assets	892,657	151,450	-	49,669	1,093,776
Liabilities					
Borrowings	601,565	381,405	10,586	95	993,651
Derivative financial instruments	-	-	-	1,927	1,927
Other liabilities and accrued expenses	-	-	-	4,189	4,189
Reserve for employment termination benefits	-	-	-	215	215
Deferred tax liability	-	-	-	1,327	1,327
Total liabilities	601,565	381,405	10,586	7,753	1,001,309
Net position	291,092	(229,955)	(10,586)	41,916	92,467

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.

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The following table presents the cash flows payable by the Company under derivative and non-derivative financial liabilities remaining contractual maturities at the balance sheet date. The amounts disclosed in the table are the contractual undiscounted cash flows, whereas the Company manages the inherent liquidity risk based on expected undiscounted cash flows.

2009	Demand and up to 3 months	3 to 12 months	Over 1 year	No definite maturity	Total
Liabilities					
Borrowings	872,519	509,889	-	-	1,382,408
Total liabilities	872,519	509,889	-	-	1,382,408
Assets held for managing liquidity risk (contractual maturity dates)	202,019	1,291,450	115	1,914	1,506,828
Derivative financial instruments held for trading					
Cash inflows	268,025	28,355	-	-	296,380
Cash outflows	269,765	29,910	-	-	299,675

2008	Demand and up to 3 months	3 to 12 months	Over 1 year	No definite maturity	Total
Liabilities					
Borrowings	606,373	390,040	11,148	-	1,007,561
Total liabilities	606,373	390,040	11,148	-	1,007,561
Assets held for managing liquidity risk (contractual maturity dates)	909,202	164,793	-	146	1,074,141
Derivative financial instruments held for trading					
Cash inflows	212,453	81,489	-	-	293,942
Cash outflows	200,749	82,936	-	-	283,685

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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 TL1,364,982 thousand (2008: TL992,156 thousand).

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Fair value hierarchy

IFRS 7 requires classification of line items at fair value presented at financial statements according to the defined levels. These levels depend on the observability of data used during fair value calculations. Classification for fair value is generated as follows below:

Level 1: Assets or liabilities with prices recorded (unadjusted) in active markets

Level 2: Assets or liabilities that are excluded in the Level 1 of recorded prices directly observable by prices or indirectly observable derived through prices observable from similar assets or liabilities

Level 3: Assets and liabilities where no observable market data can be used for valuation

There are not any significant transfers between Level 1 and Level 2 of the fair value hierarchy.

According to these classification principles stated, the Company's classification of financial assets and liabilities carried at their fair value are as follows:

2009	Level 1	Level 2	Level 3
Trading derivative financial assets	-	5,983	-
Available-for-sale investment securities	67,658	-	-
Total assets	67,658	5,983	-
Trading derivative financial liabilities	-	2,346	-
Total liabilities	-	2,346	-

2008	Level 1	Level 2	Level 3
Trading derivative financial assets	-	15,076	-
Available-for-sale investment securities	28,233	-	-
Total assets	28,233	15,076	-
Trading derivative financial liabilities	-	1,927	-
Total liabilities	-	1,927	-

Share certificates that are not quoted in the exchange, except for Yapı Kredi Emeklilik A.Ş. that is classified under available for sale financial assets, are recognized at cost and are not included in the table above.

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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 2009, total volume of factoring receivables granted by the Company in its statutory records is 9.93 (2008: 11.42) times of statutory equity.

	2009	2008
Factoring receivables from customers (A)	1,431,330	1,046,380
Total equity (B)	144,116	91,644
Factoring receivable/statutory equity ratio (A/B)	9.93	11.42

NOTE 4-CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on Management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies. These disclosures supplement the commentary significant accounting policies (Note 2) and financial risk management (Note 3). Judgements that have the most significant effect on the amounts recognised in the financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

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.

Fair value of derivatives: Where valuation techniques (for example, models) are used to determine fair values, they are validated and periodically reviewed. To the extent practical, models use only observable data, however areas such as credit risk (both own and counterparty), volatilities and correlations require Management to make estimates. Changes in assumptions about these factors could affect reported fair values. Changing the assumptions not supported by observable market data to a reasonably possible alternative would not result in a significantly different profit, income, total assets or total liabilities.

Uncertain tax positions: As explained in Note 21, the Ministry of Finance Revenue Administration of the Republic of Turkey ("Revenue Administration") has initiated a sector wide investigation. These sector wide investigations were also realised in the Company. There are no reports associated with the investigations prepared by tax auditors and which are consigned to the Company. However, although the possible cash outflow during the probable tax penalty of the Revenue Administration is uncertain, the Company management is in the opinion that the possible cash outflow will not be material in the overall financial position of the Company.

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NOTE 5-CASH AND CASH EQUIVALENTS

At 31 December 2009 and 2008, cash and cash equivalents comprised of the following:

	2009			2008		
	Foreign Currency	TL	Total	Foreign Currency	TL	Total
Cash in hand	-	-	-	-	-	-
Due from banks:	515	31,137	31,652	4,861	677	5,538
-demand deposits	515	1,126	1,641	1,116	677	1,793
-time deposits	-	30,011	30,011	3,745	-	3,745
	515	31,137	31,652	4,861	677	5,538

For the purposes of the cash flow statement, cash and cash equivalents amounting to TL31,641 thousand (2008: TL5,537 thousand) comprised from cash and due from banks excluding accrued interest.

NOTE 6-FACTORING RECEIVABLES, NET

	2009	2008
Domestic transactions	1,220,320	844,896
Export and import transactions	213,330	208,874
Impaired factoring receivables	8,173	4,984
Gross factoring receivables	1,441,823	1,058,754
Impairment provision-impaired factoring receivables	(6,259)	(4,838)
Impairment provision-portfolio provision	(11,329)	(5,872)
Less: unearned revenue	(4,274)	(7,536)
Factoring receivables, net	1,419,961	1,040,508

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 2009, TL791,415 thousand (2008: TL269,158 thousand) of domestic factoring receivables, net and TL97,738 thousand (2008: TL131,269 thousand) of export factoring receivables, net is non-recourse. In addition, non-recourse transactions amounting to TL344,824 thousand (2008: TL272,752 thousand) are recognised under off-balance sheet accounts at 31 December 2009.

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	2009	2008
Factoring receivables:		
Fixed rate	401,319	563,159
Floating rate	1,040,504	495,595
	1,441,823	1,058,754

Factoring receivables can be analysed as follows:

	2009	2008
Neither past due nor impaired	1,429,376	1,045,942
Past due but not impaired	-	292
Impaired	8,173	4,984
Gross	1,437,549	1,051,218
Less: allowances for impairment	(17,588)	(10,710)
Net factoring receivables	1,419,961	1,040,508

At 31 December 2009, the Company received TL228,122 thousand (2008: TL347,479 thousand) cheques and notes with maturity which are recognised under off balance sheet accounts.

The total impairment provision for factoring receivables at 31 December 2009 amounts to TL17,588 thousand (2008: TL10,710 thousand) of which TL6,259 thousand (2008: TL4,838 thousand) represents the individually impaired receivables and the remaining amount of TL11,329 thousand (2008: TL5,872 thousand) represents the portfolio provision.

Factoring receivables past due but not impaired are as follows:

	2009	2008
Past due up to 30 days	-	292
	-	292

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.

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Maturity analysis of the factoring receivables is as follows:

	2009	2008
Up to 1 month	69,914	112,469
1 month to 3 month	70,503	775,756
3 month to 1 year	1,279,429	152,283
1 year and over	115	-
	1,419,961	1,040,508

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

	2009	2008
At 1 January	10,710	8,110
Charge for the year	7,012	2,682
Recoveries of amounts previously provided	(152)	(82)
Exchange rate differences	18	-
At 31 December	17,588	10,710

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 TL133 thousand at 31 December 2009 (2008: TL104 thousand).

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

	2009	%	2008	%
Medicine, chemical and dyes	566,725	39	104,793	10
Metal processing	332,996	23	272,463	26
Manufacturing	105,928	7	50,788	5
Automotive	94,043	7	161,611	15
Textiles	85,405	6	62,606	6
Electronics and optics	79,010	5	59,491	6
Food and beverage	37,057	3	78,127	7
Construction	12,799	1	11,622	1
Car rental	6	0	50,105	5
Other	127,854	9	207,148	19
	1,441,823	100	1,058,754	100

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NOTE 7-OTHER ASSETS AND PREPAID EXPENSES

	2009	2008
Prepaid expenses	155	226
Advances given	4	-
Prepaid taxes and funds (Note 13)	-	3,419
Other	3	15
	162	3,660

NOTE 8-PROPERTY AND EQUIPMENT

	1 January 2009	Additions	Disposals	31 December 2009
Cost:				
Furniture and fixtures	2,008	7	(85)	1,930
Leasehold improvements	725	16	(6)	735
Motor vehicles	106	-	-	106
Total cost	2,839	23	(91)	2,771
Accumulated depreciation:				
Furniture and fixtures	(1,906)	(27)	85	(1,848)
Leasehold improvements	(500)	(66)	6	(560)
Motor vehicles	(13)	(18)	-	(31)
Total accumulated depreciation	(2,419)	(111)	91	(2,439)
Net book value	420			332

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	1 January 2008	Additions	Disposals	31 December 2008
Cost:				
Furniture and fixtures	1,978	32	(2)	2,008
Leasehold improvements	722	3	-	725
Motor vehicles	2	104	-	106
Total cost	2,702	139	(2)	2,839
Accumulated depreciation:				
Furniture and fixtures	(1,860)	(47)	1	(1,906)
Leasehold improvements	(438)	(62)	-	(500)
Motor vehicles	(2)	(11)	-	(13)
Total accumulated depreciation	(2,300)	(120)	1	(2,419)
Net book value	402			420

At 31 December 2009, there are no restrictions on property, plant and equipment (2008: None).

NOTE 9-INTANGIBLE ASSETS

	1 January 2009	Additions	Disposals	31 December 2009
Cost:				
Software	1,904	192	-	2,096
Total cost	1,904	192	-	2,096
Accumulated amortisation:				
Software	(1,590)	(189)	-	(1,779)
Total accumulated amortisation	(1,590)	(189)	-	(1,779)
Net book value	314			317

	1 January 2008	Additions	Disposals	31 December 2008
Cost:				
Software	1,485	419	-	1,904
Total cost	1,485	419	-	1,904
Accumulated amortisation:				
Software	(1,443)	(147)	-	(1,590)
Total accumulated amortisation	(1,443)	(147)	-	(1,590)
Net book value	42			314

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NOTE 10-AVAILABLE-FOR-SALE INVESTMENT SECURITIES

Available for sale equity securities at 31 December 2009 and 2008 are set out below:

	2009		2008	
	%	TL	%	TL
Yapı Kredi Sigorta A.Ş.	7.95	67,658	7.95	28,233
Yapı Kredi Emeklilik A.Ş.	0.04	27	0.04	27
		67,685		28,260

The investment amount in Yapı Kredi Sigorta A.Ş., which is a listed company in Istanbul Stock Exchange, is remeasured at fair value based on quoted weighted average bid price at 31 December 2009 and 2008.

NOTE 11-BORROWINGS

Borrowings at 31 December 2009 and 2008 are set out below according to their currencies:

		2009			2008		
		Effective Interest %	Original Currency	TL	Effective Interest %	Original Currency	TL
Domestic banks							
	TL	7.66	699,131	699,131	21.75	261,230	261,230
Foreign banks							
	EUR	3.30	240,624	519,819	4.74	245,655	525,899
	TL	7.57	95,287	95,287	21.50	139,395	139,395
	US$	3.32	29,812	44,888	4.63	44,387	67,127
	GBP	2.60	51,545	10,733	-	-	-
	SEK	-	942	2,250	-	-	-
				1,372,108			993,651

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NOTE 12-OTHER LIABILITIES AND ACCRUED EXPENSES

	2009	2008
Payroll and withholdings payable	944	1,469
Accrual for personnel performance bonus	738	1,128
Commissions payable	319	366
Reserve for annual leave	256	304
Miscellaneous expenses accruals	56	77
Rent accrual	-	41
Others	197	804
	2,510	4,189

NOTE 13-TAXATION

	2009	2008
Income taxes currently payable	9,793	-
Prepaid taxes (Note 7)	(7,076)	(3,419)
Income taxes payable	2,717	(3,419)
Deferred tax asset	3,246	1,750
Deferred tax liability	(3,150)	(3,077)
Deferred income tax assets/(liabilities), net	96	(1,327)

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

Current tax expense	9,793	-
Deferred taxation	(3,394)	4,707
Income tax expense	6,399	4,707

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

	Net	
	2009	2008
At 1 January	(1,327)	1,631
Tax charged to the income statement	3,394	(4,707)
Tax charged to equity	(1,971)	1,749
A 31 December	96	(1,327)

Corporate Tax Law numbered 5422 was altered by Law No.5520 on 13 June 2006 which is published at the Official Gazette numbered 26205 and dated 21 June 2006 and many of its articles have become effective retrospectively starting from 1 January 2006. Corporation tax rate in Turkey starting from 1 January 2006 is 20% (2008: 20%). 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 and 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 an investment incentive allowance utilised within the scope of 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 TL. 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.

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

	2009	2008
Income before income taxes	37,458	23,872
Theoretical tax charge at the applicable tax rate of 20%	7,492	4,774
Tax effect of items which are not deductible or assessable for taxation purposes:		
Income exempt from taxation	(1,258)	(215)
Non-deductible expenses	823	148
Prior year's losses	(658)	-
Total tax charge for the year	6,399	4,707

Deferred income 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 2009 (2008: 20%). 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 income tax liabilities are as follows:

	Cumulative temporary differences		Deferred income tax assets/(liabilities)	
	2009	2008	2009	2008
Provision for impaired factoring receivables	15,847	7,152	3,169	1,430
Reserve for annual leave	256	304	51	61
Provision for employment termination benefits	129	215	26	43
Accumulated taxable losses	-	1,080	-	216
Deferred income tax assets			3,246	1,750
Income accrual on forward contracts	(3,637)	(13,149)	(727)	(2,630)
Difference between carrying value tax base of property and equipment	(220)	(192)	(44)	(38)
Difference between carrying value tax base of investments (income statement)	(2,330)	(2,329)	(116)	(116)
Difference between carrying value tax base of investments (equity)	(45,265)	(5,840)	(2,263)	(293)
Deferred income tax liabilities			(3,150)	(3,077)
Deferred income tax asset/(liability), net			96	(1,327)

There are no deductible temporary differences for which no deferred tax asset is recognised in the balance sheet (2008: None).

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NOTE 14-DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments are as follows:

		Fair values	
2009	Contract/notional amount	Assets	(Liabilities)
Foreign exchange derivatives			
Currency forwards	596,055	5,983	(2,346)
Total Over the Counter	596,055	5,983	(2,346)

		Fair values	
2008	Contract/notional amount	Assets	(Liabilities)
Foreign exchange derivatives			
Currency forwards	577,627	15,076	(1,927)
Total Over the Counter	577,627	15,076	(1,927)

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 (63 for women and 64 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 TL2,365.16 as of 31 December 2009 (2008: TL2,173.19) for each year of service.

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

IFRS requires actuarial valuation methods to be developed to estimate the enterprise's obligation under defined benefit plans. In the financial statements, the Company reflected a liability calculated using the projected unit credit method and based upon the factors derived using their experience of personnel terminating their services and being eligible to receive employment termination benefits. The provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees.

Accordingly the following financial and demographical actuarial assumptions were used in the calculations of the provision:

	2009	2008
Discount rate (%)	5.92	6.26
Turnover rate to estimate the probability of retirement (%)	14.4	7.1

Additionally, the principal actuarial assumption is that the maximum liability of TL2,427.04 for each year of service would increase in line with inflation. Thus the discount rate applied represents the expected real rate after adjusting for the effects of future inflation. As the maximum liability is revised semi-annually, the maximum amount of TL2,427.04 (1 January 2009: TL2,260.05) which is effective from 1 January 2010, has been taken into consideration in calculating the reserve for employee benefits of the Company.

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

	2009	2008
At 1 January	215	199
Paid during the year	(232)	(92)
Interest expense	8	13
Service cost	25	16
Increase during the year	113	79
At 31 December	129	215

NOTE 16-SHARE CAPITAL

Share capital of the Company is TL16,802 thousand (2008: TL16,802 thousand) and consists of TL16,802,326 (2008: TL16,802,326) authorised shares of nominal value of TL1 each.

At 31 December 2009 and 2008, the paid-in share capital held was as follows:

	2009		2008	
	Share (%)	TL	Share (%)	TL
Yapı ve Kredi Bankası A.Ş.	99.94	16,793	99.94	16,793
Other	0.06	9	0.06	9
Historical share capital	100.00	16,802	100.00	16,802
Adjustment to share capital		31,069		31,069
Total paid-in share capital		47,871		47,871

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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:

a) First legal reserve, appropriated at the rate of 5%, until the total reserve is equal to 20% of issued and fully paid share capital.

b) 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 2009 and 2008, the reserves held by the Company in the statutory financial statements which are not allowed to be distributed are as follows:

	2009	2008
Legal reserves	9,704	8,484

NOTE 18-GENERAL ADMINISTRATION EXPENSES

	2009	2008
Rent expenses	577	579
Management fee charges	474	490
Depreciation and amortisation expenses (Note 8 and 9)	300	267
Travel expenses	233	343
Audit and consultancy fees	211	219
Membership fees	181	250
Communication expenses	119	133
Marketing and advertisement costs	79	97
Donation expenses	25	6
Other	344	536
	2,543	2,920

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NOTE 19-OTHER OPERATING INCOME, NET

	2009	2008
Transaction expenses charged to customers	1,552	2,751
Dividend income	856	795
Legal expenses charged to customers	-	156
Others	131	380
Other operating income	2,539	4,082
Bank charges	324	373
Sundry tax expenses	59	125
Others	113	86
Other operating expenses	496	584
Other operating income/(expense), net	2,043	3,498

NOTE 20-TRANSACTIONS AND BALANCES WITH RELATED PARTIES

i) Balances with related parties

	2009	2008
Due from banks		
Yapı ve Kredi Bankası A.Ş.		
Time Deposits	30,011	3,745
Demand Deposits	591	1,334
	30,602	5,079
Factoring receivables		
Türkiye Petrol Rafinerileri A.Ş.	425,005	-
Harranova Besi ve Tarım Ürünleri A.Ş.	20,300	7,720
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	14,149	-
Beldeyama Motorlu Vasıtalar San. ve Tic. A.Ş.	3,319	7,702
Otokoç Otomotiv Ticaret ve Sanayi A.Ş.	-	50,105
Palmira Turizm Ticaret A.Ş.	-	12,800
Others	-	9,282
	462,773	87,609

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	2009	2008
Other assets and prepaid expenses		
Yapı Kredi Sigorta A.Ş.	155	-
Borrowings		
Unicredito Italiano S,p,A	495,506	485,047
Yapı ve Kredi Bankası A.Ş.	104,797	21,992
Yapı Kredi Nederland N.V.	30,006	17,010
Yapı ve Kredi Bankası A.Ş. Bahrain Branch	-	161,934
	630,309	685,983
Other liabilities and accrued expenses		
Yapı Kredi Sigorta A.Ş.	96	-
Yapı ve Kredi Bankası A.Ş.	20	-
Otokoç Otomotiv Tic. ve San. A.Ş.	11	-
Yapı Kredi Finansal Kiralama A.O.	-	20
Others	11	-
	138	20

Contingent liabilities

	2009	2008
Guarantee letters:		
Yapı ve Kredi Bankası A.Ş.	1,052	730
ii) Transactions with related parties		
Discounting charge		
Türkiye Petrol Rafinerileri A.Ş.	14,345	-
Harranova Besi ve Tarım Ürünleri A.Ş.	1,679	-
Otokoç Otomotiv Ticaret ve Sanayi A.Ş.	1,474	10,030
Palmira Turizm Ticaret A.Ş.	1,052	1,344
Otokar Otobüs Karoseri Sanayi A.Ş.	885	-
Tat Konserve Sanayi A.Ş.	734	3,792
Beldeyama Motorlu Vasıtalar San. ve Tic. A.Ş.	295	1,163
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	163	-
Ram Dış Tic. A.Ş.	-	2,009
Others	-	1,536
	20,627	19,874

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	2009	2008
Interest income other than factoring		
Yapı ve Kredi Bankası A.Ş.	1,663	6,507
Factoring commission		
Beldeyama Motorlu Vasıtalar San, ve Tic. A,Ş	53	57
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	9	-
Beko Elektronik A.Ş. (Grundig)	-	64
Otokoç Otomotiv Ticaret ve Sanayi A.Ş.	-	45
Tat Konserve Sanayi A.Ş.	-	18
Others	-	76
	62	260
General administration expenses		
Yapı ve Kredi Bankası A.Ş.	887	-
Zer Merkezi Hizmetler ve Ticaret A.Ş.	469	451
Yapı Kredi Sigorta A.Ş.	235	-
Otokoç Otomotiv Ticaret ve Sanayi A.Ş.	161	129
Yapı Kredi Emeklilik A.Ş.	120	-
Opet Petrolcülük A.Ş.	54	88
Koç Holding A.Ş.	40	-
Setur Servis Turistik A.Ş.	9	80
Others	3	21
	1,978	769

	2009	2008
Interest expenses		
Unicredito Italiano S.p.A	16,717	18,922
Yapı Kredi Nederland N.V.	2,353	4,887
Yapı ve Kredi Bankası A.Ş.	2,098	3,692
	21,168	27,501
Commission expenses		
Yapı ve Kredi Bankası A.Ş.	24	429
Benefits to the Board and key management personnel		
Benefits to the Board and key management personnel	1,804	1,357

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Off balance sheet transactions

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

		2009		2008	
		Foreign currency	TL	Foreign currency	TL
Forward purchases					
	EUR	122,999	265,715	78,670	168,417
			265,715		168,417
Forward sells					
	TL	136,348	136,348	106,753	106,753
	US$	83,026	125,013	32,762	49,547
	GBP	-	-	4,002	8,774
			261,361		165,074

NOTE 21-COMMITMENTS AND CONTINGENT LIABILITIES

Letters of guarantees given to third parties at 31 December 2009 and 2008:

	2009			
	Up to 1 year	Over 1 year	Indefinite	Total
Guarantee letters given for lawsuits	-	-	1,052	1,052

	2008			
	Up to 1 year	Over 1 year	Indefinite	Total
Guarantee letters given for lawsuits	-	-	738	738

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Commitments under derivative instruments:

		2009		2008	
		Original Currency	TL	Original Currency	TL
Forward currency purchases					
	EUR	138,719	299,675	130,410	279,182
	TL	-	-	14,760	14,760
			299,675		293,942
Forward currency sales					
	TL	169,919	169,919	199,303	199,303
	US$	83,988	126,461	49,995	75,608
	GBP	-	-	4,002	8,774
			296,380		283,685

Revenue Administration has initiated a sector wide investigation for unearned income and taxation of the impaired factoring receivables. These sector wide investigations were also realised in the Company. There are no reports associated with the investigations prepared by tax auditors and which are consigned to the Company. However, although the possible cash outflow during the probable tax penalty of the Revenue Administration is uncertain, the Company management is in the opinion that the possible cash outflow will not be material in the overall financial position of the Company.

NOTE 22-POST BALANCE SHEET EVENTS

None.

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