2010
ANNUAL REPORT

YapıKredi
Faktoring

CHAIRMAN'S MESSAGE

Leading its sector since 2001, Yapı Kredi Faktoring has assumed the important mission to promote wider usage of factoring transactions and expand the market.

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THE YEAR IN REVIEW

As one of Turkey's leading factoring companies, Yapı Kredi Faktoring attained a total factoring turnover of EUR 8,501 million; 12% was derived from international business and the remaining 88% from domestic business.

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SHAREHOLDER INFORMATION

Yapı Kredi maintains the lead for key segments and products, supported by its strong franchise, large network and well-respected trademark.

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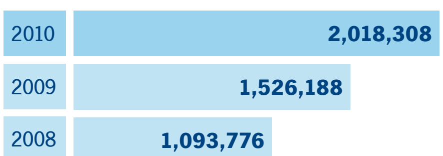
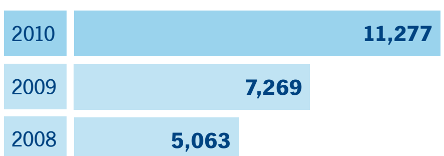
Turnover (US$ millions)			
Branch	**2010**	**2009**	**2008**
Domestic	9,929	6,134	3,459
International	1,348	1,135	1,604
Export	1,332	1,106	1,585
Import	16	29	19
Total Turnover	**11,277**	**7,269**	**5,063**

Major Balance Sheet and Income Statement Accounts (TL thousands)			
	2010	**2009**	**2008**
Factoring Receivables (net)	1,823,892	1,419,961	1,040,508
Total Assets	2,018,308	1,526,188	1,093,776
Factoring Payables	-	-	-
Shareholders' Equity	168,778	146,378	92,467
Net Profit	23,800	31,057	19,165
Factoring Revenue	114,493	127,895	128,173
Interest Income	103,864	121,829	121,246
Commission Income	10,629	6,066	6,927

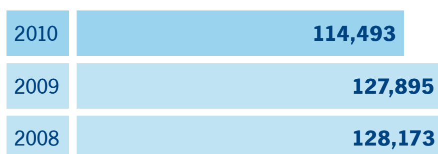
Total Assets (TL thousands)



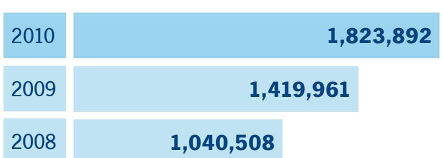
Total Turnover (US$ millions)



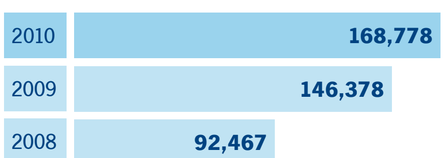
Factoring Revenue (TL thousands)



Factoring Receivables (net) (TL thousands)



Shareholders' Equity (TL thousands)



Factoring in the World (EUR millions)

World Total

2010	1,648,229
2009	1,283,559
2008	1,325,111
2007	1,301,590
2006	1,134,238

Factors Chain International Members

2010	925,442
2009	756,913
2008	788,537
2007	758,386
2006	668,746

Factoring in Turkey (US$ millions)

Total Turnover

2010	51,803
2009	29,000
2008	25,451
2007	28,653
2006	19,900

Domestic

2010	46,413
2009	25,740
2008	21,221
2007	24,718
2006	16,900

International

2010	5,390
2009	3,260
2008	4,230
2007	3,935
2006	3,000

Yapı Kredi Faktoring in Brief

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

As the solid market leader in the Turkish factoring sector, Yapı Kredi Faktoring controls 23% of the factoring sector's total transaction volume with a 30% market share in terms of export factoring services in Turkey.

Yapı Kredi Faktoring conducts its activities from six locations; its headquarters in Istanbul and a regional representative's offices in Izmir, Ankara, Bursa, Antalya and Adana. The synergy that we have 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 868 branches, Yapı Kredi Bank's service points provide us 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.

Yapı Kredi Faktoring has been ranked among the Best Export Factoring Companies by Factors Chain International for the last three years. In 2010, the Company was awarded fourth place in the Best Export Factoring rankings by Factors Chain International. Yapı Kredi Faktoring also gained an excellent evaluation in terms of service quality.

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

Yapı Kredi Faktoring, the sector's leader thanks to its robust capital structure, wealth of experience, proven service quality and expert human resources.

Chairman's Statement

Leading its sector since 2001, Yapı Kredi Faktoring has assumed the important mission to promote wider usage of factoring transactions and expand the market.

Turkey witnessed strong macroeconomic recovery throughout 2010. With this positive background, the Turkish factoring sector sustained its profitability driven by strong volume growth and asset quality improvement despite narrowing net interest margin. Robust capital structure and solid liquidity were also maintained.

Yapı Kredi Faktoring registered a 58.4% rate of growth in its transaction volume during 2010 and recorded US$ 11,277 million in business; 88% from domestic factoring and 12% from international factoring.

Leading its sector since 2001, Yapı Kredi Faktoring has assumed the important mission to promote wider usage of factoring transactions and expand the market. With a solid capital structure, high credibility and extensive funding facilities, Yapı Kredi Faktoring's goal is to maintain its sector leadership in Turkey and continue its international accomplishments.

For the last three years, Yapı Kredi Faktoring has been ranked among the "Best Export Factoring Companies" by Factors Chain International. In 2010, the Company came in fourth in the Best Export Factoring rankings by Factors Chain International. Yapı Kredi Faktoring also gained an excellent evaluation in terms of service quality.

The foundations of Yapı Kredi Faktoring's customer-focused approach to service include the ability to create market-oriented functional solutions that satisfy client demand, rapid service provided at the highest standards of quality, and products and services that are specifically designed according to the client's needs. This approach not only supports improvement and development in all business processes but also makes the clearest possible statement of Yapı Kredi Faktoring's corporate culture.

Yapı Kredi Faktoring achieved 30% of the total export factoring transaction volume in Turkey and maintained leadership by a wide margin in 2010 with 23% market share.

Yapı Kredi Faktoring generated TL 46.7 million in revenue during 2010. Yapı Kredi Faktoring provides factoring services throughout Turkey from its head office in Istanbul, representative offices in Izmir, Ankara, Bursa, Antalya and Adana as well as Yapı Kredi Bank's branch network throughout the country.

In the forthcoming term, our responsibility is to ensure that our Group will be recognized as the leader on the domestic and international level by our accomplishments and become the first choice of the customers with our full-scale financial services. Yapı Kredi Faktoring as part of the Yapı Kredi Group, will continue to grow and meet its customers' needs.

On behalf of the Board, I would like to thank our shareholders, business partners and all the employees of Yapı Kredi Faktoring for their loyalty and for the role they played in achieving such quality results.

Faik Açıkalın
Chairman of the Board

Board of Directors

H. Faik Açıkalın
Chairman

Alessandro M. Decio
Vice Chairman

Mert Güvenen
Member

Feza Tan
Member

Marco Cravario
Member

Nida Bektaş
Member

Executive Management

Nida Bektaş
General Manager

Ali Koç
Assistant General Manager

Can Özyurt
Head of Sales

Nur Özsoy
Head of Treasury & Foreign Relations

Neşe Kaya
Head of Administration and Financial Control

The Year in Review

As one of Turkey's leading factoring companies, Yapı Kredi Faktoring attained a total factoring turnover of EUR 8,501 million; 12% was derived from international business and the remaining 88% from domestic business.

Sales

Yapı Kredi Faktoring's marketing strategies are always aim at making clients feel that it is a strong and dependable business partner.

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

Yapı Kredi Faktoring's Sales Unit is composed of new and existing business generation both in international and domestic markets. The unit provides its client relations services under three segments; Corporate (large scale companies), Commercial (small scale companies) and Supplier Group (subcontractors of Koç Group companies or other industrial giants).

As one of Turkey's leading factoring companies, Yapı Kredi Faktoring attained a total factoring turnover of EUR 8,501 million; 12% was derived from international business and the remaining 88% from domestic business.

Yapı Kredi Faktoring commands a 23% share of the factoring market and a 30% share of the international market with 23% coming from the domestic factoring market in Turkey. Yapı Kredi Faktoring ranked first for both total factoring volume and international factoring volume.

Yapı Kredi Faktoring closely monitored market and sector developments and added 768 new clients into its portfolio.

In addition to its own marketing and sales organization, the most important delivery channel for Yapı Kredi Faktoring is the extensive network of more than 868 Yapı Kredi Bank branches located all over country.

According to the improvements of our economy for the next years, factoring is a vitally important financing tool. The Company will be focusing its attentions on promoting services to prospective clients and organizations in the sector by making personal visits and telemarketing.

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

Medicine, chemical and dyes	34%
Metal processing	16%
Textiles	9%
Automotive	8%
Food and beverage	3%
Construction	2%
Manufacturing	1%
Electronics and optics	1%
Other	26%

Credit Risk Management

Yapı Kredi Faktoring tries to establish an effective implementation of spreading a common risk culture and minimizing the higher and reputational risk transactions. 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 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:

i) establishing an appropriate credit risk environment,
(ii) operating under a sound credit-granting process,
(iii) maintaining an appropriate credit administration, measurement and monitoring process and
(iv) ensuring adequate controls over credit risk.

Treasury & Foreign Relations

Funding activities are performed within the Treasury & Foreign Relations. Treasury aims at serving client needs without taking directional risk on the market. Treasury's general strategy is to actively manage the Company's assets and liabilities structure by hedging Interest Rate, Liquidity and Foreign Exchange Rate Risk. Yapı Kredi Faktoring obtains credit facilities from different resources. Yapı Kredi Faktoring has always had an excellent reputation among creditor institutions and foreign correspondent factoring companies and has a widespread bank portfolio and credit lines.

The Future

Continuous leadership

With its solid capital structure, high credibility and extensive sources of funding, Yapı Kredi Faktoring's goal is to maintain its lead 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 & UCI network.

As a solid market leader within the Turkish factoring sector, Yapı Kredi Faktoring aims to be one of the largest factoring companies in Europe in the near future.

Shareholder Information

Yapı Kredi maintains the lead for key segments and products, supported by its strong franchise, large network and well-respected trademark.

Yapı Kredi Bank

Yapı Kredi is Turkey's first retail-focused private bank with a nationwide presence. It has been creating value for its customers through a customer-centric approach, strong competitive advantages and extensive service network.

Yapı Kredi serves six million active customers through credit cards, individual banking, SME banking, corporate and commercial banking, private banking and wealth management. Yapı Kredi's customer-oriented service model is supported by domestic subsidiaries operating in asset management, brokerage, leasing, factoring, private pension and insurance and international banking subsidiaries in Netherlands, Russia and Azerbaijan.

Yapı Kredi is the fourth largest private bank in Turkey with total assets of TL 92.8 billion as of the end of 2010. Yapı Kredi's loan book grew by 40% y/y in 2010 and reached TL 54.2 billion. Meanwhile, the total deposit base was TL 55.2 billion, indicating 27% y/y growth.

Yapı Kredi maintains the lead for key segments and products, supported by its strong franchise, large network and well-respected trademark. The Bank is the leader in credit cards (19.3% market share in outstanding and 21.4% market share in acquiring volume). In addition to its leadership in factoring, Yapı Kredi holds top positions for leasing (#1 with 19.2% market share), asset management (#2 with 18.4% market share), brokerage services (#3 with 5.9% market share), private pension funds (#3 with 15.5% market share), life and non-life insurance (5.0% and 6.3% market shares, respectively).

Yapı Kredi, with 868 branches located in more than 70 cities, has the fourth largest branch network in the Turkish banking sector. A wide variety of innovative products and services are provided to customers through advanced alternative delivery channels comprising 2,530 ATMs, two call centers, plus Internet and mobile banking.

Yapı Kredi's main shareholder is Koç Financial Services (KFS) with an 81.8% stake. KFS is 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 and are listed on the Istanbul Stock Exchange. Also, Global Depository Receipts that represent the Bank's shares are quoted on the London Stock Exchange.

Koç Holding is Turkey's most extensive industrial and services group in terms of revenue, exports, market capitalization and number of employees.

UniCredit

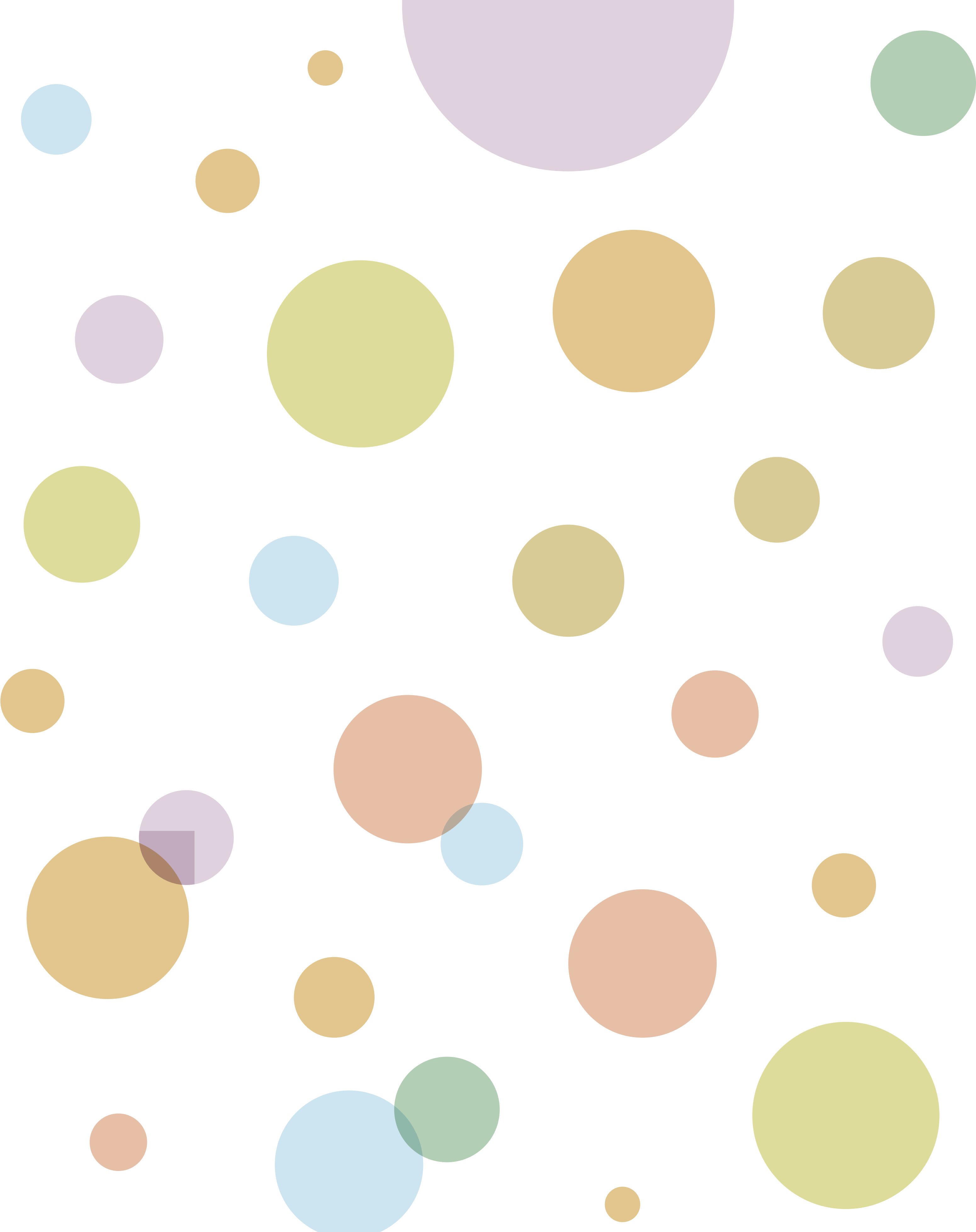
UniCredit Group is a global financial institution, operates in 22 countries, with more than 162,000 employees and over 9,600 branches. UniCredit benefits from a strong European identity, extensive international presence and broad customer base. Its strategic position in Western and Eastern Europe gives the Group one of the region's highest market shares. The Group focuses on full-service 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, 2010, the Group served more than 40 million customers through its multi-channel distribution network comprising 9,600 branches throughout 22 countries and a network of licensed financial consultants operating in Italy, as well as Internet and telephone banking capabilities.

Koç Holding

Koç Group is Turkey's largest conglomerate in terms of revenue, exports and shares in the Istanbul Stock Exchange market capitalization. Working as one common mind toward one common goal, the Group is Turkey's largest family with 73,000 employees.

Koç Holding is Turkey's most extensive industrial and services group in terms of revenue, exports, market capitalization and number of employees. Following an average annual growth rate of 23% in U.S. dollar terms between 2002-2010, Koç Holding ranks as the 71st largest publicly traded company in Europe and 273rd largest company in the world. Koç Holding generated 10% of Turkey's total exports in 2010. Koç Group continues to create value for Turkey, generating combined revenue corresponding to 7% of Turkey's GDP in 2010. Koç Holding has leading positions with strong competitive advantages in energy, automotive, consumer durables and finance sectors, which offer strong long term growth potential.

Koç Holding's foremost objective is to continue to create higher added value for all its stakeholders and manage all of its activities according to international standards of corporate governance, customer satisfaction, social responsibility and environmental protection principles.



PART II

FINANCIAL STATEMENTS AT 31 DECEMBER 2010 TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

Contents

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Independent auditors' report

To the Shareholders of
Yapı Kredi Faktoring A.Ş.

We have audited the accompanying financial statements of Yapı Kredi Faktoring A.Ş. (the Company), which comprise the statement of financial position as at December 31, 2010, and the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

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

Auditors' responsibility

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 about 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider 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

In our opinion, the financial statements give a true and fair view of the financial position of the Company as of December 31, 2010 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Other Matter

The statement of financial position and the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows of the Company as of and for the year ended at December 31, 2009 prepared in accordance with International Financial Reporting Standards were audited by another audit firm. The audit firm, in their audit report dated March 1, 2010 expressed an unqualified opinion on these financial statements as of and for the year ended at December 31, 2009.

Ernst & Young

February 25, 2011
Istanbul, Turkey

Yapı Kredi Faktoring A.Ş.

Statement of Financial Position

As of December 31, 2010

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

	Notes	2010	2009
Assets			
Cash and cash equivalents	5	101.217	31.652
Factoring receivables, net	6	1.823.892	1.419.961
Derivative financial instruments	14	2.082	5.983
Other assets and prepaid expenses	7	206	162
Available-for-sale investment securities	10	89.369	67.685
Property and equipment, net	8	508	332
Intangible assets, net	9	146	317
Deferred income tax assets, net	13	888	96
Total assets		2.018.308	1.526.188
Liabilities			
Borrowings	11	1.835.435	1.372.108
Factoring payables, net	6	5.500	-
Derivative financial instruments	14	3.153	2.346
Current income taxes payable	13	2.307	2.717
Other liabilities and accrued expenses	12	2.942	2.510
Reserve for employment termination benefits	15	193	129
Total liabilities		1.849.530	1.379.810
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		63.602	43.002
Retained earnings	17	57.305	55.505
Total equity		168.778	146.378
Total liabilities and equity		2.018.308	1.526.188

The accompanying notes set out on pages 19 to 48 form an integral part of these financial statements.

Yapı Kredi Faktoring A.Ş.

Income Statement

For the year Ended December 31, 2010

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

	Notes	2010	2009
Factoring interest income		103.864	121.829
Factoring commissions		14.185	8.947
Commission expense		(3.556)	(2.881)
Income from factoring operations		114.493	127.895
Interest expense on borrowings		(69.626)	(62.867)
Interest expense on derivative financial instruments		(3.259)	(14.716)
Foreign exchange gains and (losses), net		(68)	223
Impairment loss on factoring receivables	6	(6.511)	(7.012)
Recoveries from impaired factoring receivables	6	231	152
Income after foreign exchange gains and (losses), net and provision for impaired factoring receivables		35.260	43.675
Interest income other than factoring		2.906	1.812
Other operating income, net	19	1.760	2.043
Operating profit		39.926	47.530
Salaries and other employee benefits		(6.759)	(7.531)
General administration expenses	18	(3.446)	(2.543)
Profit before income tax		29.721	37.456
Taxation on income	13	(5.921)	(6.399)
Profit for the year		23.800	31.057

The accompanying notes set out on pages 19 to 48 form an integral part of these financial statements.

Yapı Kredi Faktoring A.Ş.

Statement of Comprehensive Income

For the year Ended December 31, 2010

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

	Notes	2010	2009
Profit for the year		23.800	31.057
Net gains on available-for-sale financial assets		21.684	39.425
-Unrealised net gains arising during the period, before tax		21.684	39.425
Income tax relating to components of other comprehensive income	13	(1.084)	(1.971)
Other comprehensive income for the year, net of tax		20.600	37.454
Total comprehensive income for the year		44.400	68.511

The accompanying notes set out on pages 19 to 48 form an integral part of these financial statements.

Yapı Kredi Faktoring A.Ş.

Statement of Changes in Equity

For the year Ended December 31, 2010

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

	Paid-in share capital				
	Share Capital (Note 16)	Adjustment to share Capital (Note 16)	Financial assets fair value reserve	Retained Earnings (Note 17)	Total equity
Balance at January 1, 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 December 31, 2009	16.802	31.069	43.002	55.505	146.378
Balance at January 1, 2010	16.802	31.069	43.002	55.505	146.378
Net change in available-for-sale investments, net of tax	-	-	20.600	-	20.600
Profit for the year	-	-	-	23.800	23.800
Total comprehensive income for the year	-	-	20.600	23.800	44.400
Dividends paid	-	-	-	(22.000)	(22.000)
Balance at December 31, 2010	16.802	31.069	63.602	57.305	168.778

The accompanying notes set out on pages 19 to 48 form an integral part of these financial statements.

Yapı Kredi Faktoring A.Ş.

Statement of Cash Flows

For the year Ended December 31, 2010

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

	Notes	2010	2009
Cash flows from operating activities			
Profit for the year		23.800	31.057
Adjustments for:			
Depreciation and amortization	8, 9	414	300
Provision for employment termination benefits	15	89	146
Provision for personnel premium		(338)	(390)
Provision for impaired factoring receivables	6	6.511	7.012
Remeasurement of derivative financial instruments at fair value	14	4.708	9.512
Interest income, net		(33.885)	(46.058)
Interest paid		(80.344)	(77.836)
Interest received		104.813	122.136
Income tax expense	13	5.921	6.399
Provision for tax penalty	12	440	-
Payment for employment termination benefits	15	(25)	(232)
Other non-cash items		(67)	(104)
Operating profit before changes in operating assets and liabilities		32.037	51.942
Changes in operating asset and liabilities:			
Net (increase) in factoring receivables		(401.063)	(384.970)
Net (increase)/decrease in other assets and prepaid expenses		(44)	(23.197)
Net increase/(decrease) in factoring payables		5.500	-
Net increase/(decrease) in other liabilities		330	25.406
Income taxes paid		(8.207)	(7.076)
Net cash used in operating activities		(371.447)	(337.895)
Cash flows from investing activities:			
Purchase of property and equipment	8	(361)	(23)
Purchase of intangible assets	9	(59)	(192)
Net cash used in investing activities		(420)	(215)
Cash flows from financing activities:			
Proceeds from borrowings		463.327	378.710
Dividends paid		(22.000)	(14.600)
Net cash provided from financing activities		441.327	364.110
Effects of foreign exchange-rate changes on cash and cash equivalents		68	104
Net increase/(decrease) in cash and cash equivalents		69.528	26.104
Cash and cash equivalents at beginning of the year	5	31.641	5.537
Cash and cash equivalents at end of the year	5	101.169	31.641

The accompanying notes set out on pages 19 to 48 form an integral part of these financial statements.

Yapı Kredi Faktoring A.Ş.

Notes to The Financial Statements
As of December 31, 2010

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

1. General information

Yapı Kredi Faktoring A.Ş. ("the Company") was established on March 25, 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 March 16, 2001 for the purpose of combining the financial sector companies of the Koç Group. On October 12, 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 October 31, 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 December 29, 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 Büyükdere Caddesi Yapı Kredi Plaza A Blok Kat:14 Levent İstanbul-Türkiye.

The Company has 65 employees at December 31, 2010 (2009: 64).

These financial statements as at and for the year ended December 31, 2010 have been approved for issue by the management of the Company on February 25, 2011.

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 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 Statements' Communiqué") issued by the Banking Regulation and Supervision Agency ("BRSA") in the Official Gazette dated May 17, 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 Standards Board ("TASB").

The financial statements are based on the historical cost convention, except for the derivative instruments and available for sale investment securities which are stated at their fair market values.

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.

Accounting for the effects of hyperinflation

Prior to January 1, 2006, the adjustments and reclassifications made to the statutory records for the purpose of fair presentation in accordance with IFRS included the restatement of balances and transactions for the changes in the general purchasing power of the 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 January 1, 2006, the Company no longer applies the provisions of IAS 29. Accordingly, the amounts expressed in the measuring unit current at December 31, 2005 are treated as the basis for the carrying amounts in these financial statements.

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Changes in accounting policy and disclosures

The accounting policies adopted are consistent with those of the previous financial year except for the adoption of new standards and interpretations noted below. The Company has adopted the following new and amended IFRS and IFRIC interpretations as of January 1, 2010:

- IFRIC 17 Distributions of Non-cash Assets to Owners
- IAS 39 Financial Instruments: Recognition and Measurement (Amended) – eligible hedged items
- IFRS 2 Group Cash-settled Share-based Payment Transactions (Amended)
- IFRS 3 Business Combinations (Revised) and IAS 27 Consolidated and Separate Financial Statements (Amended)
- Improvements to IFRSs, May 2008
- All amendments issued are effective as at December 31, 2009, apart from the following: IFRS 5 Non-current Assets Held for Sale and Discontinued Operations: clarifies when a subsidiary is classified as held for sale, all its assets and liabilities are classified as held for sale, even when the entity remains a non-controlling interest after the sale transaction. The amendment is applied prospectively.
- Improvements to IFRSs April 2009

Adoption of these standards and Interpretations did not have any effect on the financial position or performance of the Company.

IFRIC 17 Distributions of Non-cash Assets to Owners
The interpretation provides guidance on how to account for non-cash distributions to owners. The interpretation clarifies when to recognize a liability, how to measure it and the associated assets, and when to derecognize the asset and liability.

IAS 39 Financial Instruments: Recognition and Measurement (Amended) – eligible hedged items
The amendment clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as hedged item. This also covers the designation of inflation as a hedged risk or portion in particular situations.

IFRS 2 Group Cash-settled Share-based Payment Transactions (Amended)
This amendment clarifies the accounting for group cash-settled share-based payment transactions and how such transactions should be arranged in the individual financial statements of the subsidiary.

IFRS 3 Business Combinations (Revised) and IAS 27 Consolidated and Separate Financial Statements (Amended)
The revised IFRS 3 introduces a number of changes in the accounting for business combinations which will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. Such changes include the expensing of acquisition-related costs and recognising subsequent changes in fair value of contingent consideration in the profit or loss (rather than by adjusting goodwill). The amended IAS 27 requires that a change in ownership interest of a subsidiary is accounted for as an equity transaction. Therefore such a change will have no impact on goodwill, nor will it give raise to a gain or loss. Furthermore the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary.

A) Amendments resulting from improvements to IFRSs (April 2009) to the following standards which had or did not have an effect on the accounting policies, financial position or performance of the Company:

IFRS 2 Share-based Payment
Clarifies that the contribution of a business on formation of a joint venture and combinations under common control are not within the scope of IFRS 2 even though they are out of scope of IFRS 3 (revised). If an entity applies IFRS 3 (revised) for an earlier period, the amendment shall also be applied for that earlier period.

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations
Clarifies that the disclosures required in respect of non-current assets and disposal groups classified as held for sale or discontinued operations are only those set out in IFRS 5. The disclosure requirements of other IFRSs only apply if specifically required for such non-current assets or discontinued operations.

IFRS 8 Operating Segment Information
Clarifies that segment assets and liabilities need only be reported when those assets and liabilities are included in measures that are used by the chief operating decision maker.

IAS 1 Presentation of Financial Statements
The terms of a liability that could result, at any time, in its settlement by the issuance of equity instruments at the option of the counterparty do not affect its classification.

IAS 7 Statement of Cash Flows
Explicitly states that only expenditure that results in recognising an asset can be classified as a cash flow from investing activities. This amendment will impact the presentation in the statement of cash flows of the contingent consideration on the business combination completed in 2009 upon cash settlement.

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IAS 17 Leases
The amendment removes the specific guidance on classifying land as a lease so that only the general guidance remains.

IAS 18 Revenue
The Board has added guidance (which accompanies the standard) to determine whether an entity is acting as a principal or as an agent. The features to consider are whether the entity:

- Has primary responsibility for providing the goods or service
- Has inventory risk
- Has discretion in establishing prices
- Bears the credit risk

IAS 36 Impairment of Assets
The amendment clarified that the largest unit permitted for allocating goodwill, acquired in a business combination, is the operating segment as defined in IFRS 8 before aggregation for reporting purposes.

IAS 38 Intangible Assets
Clarifies that if an intangible asset acquired in business combination is identifiable only with another intangible asset, the acquirer may recognise the group of intangible assets as a single asset provided the individual assets have similar useful lives. Also, clarifies that the valuation techniques presented for determining the fair value of intangible assets acquired in a business combination that are not traded in active markets are only examples and are not restrictive on the methods that can be used. If an entity applies IFRS 3 (revised) for an earlier period, the amendment shall also be applied for that earlier period.

IAS 39 Financial Instruments: Recognition and Measurement
The amendment clarifies that:

- A prepayment option is considered closely related to the host contract when the exercise price of a prepayment option reimburses the lender up to the approximate present value of lost interest for the remaining term of the host contract.

- The scope exemption for contracts between an acquirer and a vendor in a business combination to buy or sell an acquiree at a future date, applies only to binding forward contracts, and not derivative contracts where further actions by either party are still to be taken (Applicable to all unexpired contracts for annual periods beginning on or after 1 January 2010).

- Gains and losses on cash flow hedges of a forecast transaction that subsequently results in the recognition of a financial instrument or on cash flow hedges of recognised financial instruments should be reclassified in the period that the hedged forecast cash flows affect profit or loss (Applicable to all unexpired contracts for annual periods beginning on or after 1 January 2010).

IFRIC 9 Reassessment of Embedded Derivatives
The Board amended the scope paragraph of IFRIC 9 to clarify that it does not apply to possible reassessment, at the date of acquisition, to embedded derivatives in contracts acquired in a combination between entities or business under common control or the formation of a joint venture. If an entity applies IFRS 3 (revised) for an earlier period, the amendment shall also be applied for that earlier period.

IFRIC 16 Hedges of a Net Investment in a Foreign Operation
The amendment states that, in a hedge of a net investment in a foreign operation, qualifying hedging instruments may be held by any entity or entities within the group, including the foreign operation itself, as long as the designation, documentation and effectiveness requirements of IAS 39 that relate to a net investment hedge are satisfied.

B) Standards issued but not yet effective and not early adopted

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments
The interpretation is effective for annual periods beginning on or after July 1, 2010. This interpretation addresses the accounting treatment when there is a renegotiation between the entity and the creditor regarding the terms of a financial liability and the creditor agrees to accept the entity’s equity instruments to settle the financial liability fully or partially. IFRIC 19 clarifies such equity instruments are “consideration paid” in accordance with paragraph 41 of IAS 39. As a result, the financial liability is derecognised and the equity instruments issued are treated as consideration paid to extinguish that financial liability. The Company does not expect that the amendment will have impact on the financial position or performance of the Company.

IFRIC 14 Prepayments of a Minimum Funding Requirement (Amended)
The amendment is effective for annual periods beginning on or after January 1, 2011. The purpose of this amendment was to permit entities to recognise as an asset some voluntary prepayments for minimum funding contributions. This earlier application permitted and must be applied retrospectively. The Company does not expect that the amendment will have impact on the financial position or performance of the Company.

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IFRS 9 Financial Instruments – Phase 1 financial assets, classification and measurement
The new standard is effective for annual periods beginning on or after January 1, 2013. Phase 1 of this new IFRS introduces new requirements for classifying and measuring financial assets. Early adoption is permitted. The Company does not expect that the amendment will have impact on the financial position or performance of the Company.

IAS 32 Classification on Rights Issues (Amended)
The amendment is effective for annual periods beginning on or after February 1, 2010. This amendment relates to the rights issues offered for a fixed amount of foreign currency which were treated as derivative liabilities by the existing standard. The amendment states that if certain criteria are met, these should be classified as equity regardless of the currency in which the exercise price is denominated. The amendment is to be applied retrospectively. The Company does not expect that the amendment will have impact on the financial position or performance of the Company.

IAS 24 Related Party Disclosures (Revised)
The revision is effective for annual periods beginning on or after January 1, 2011.This revision relates to the judgment which is required so as to assess whether a government and entities known to the reporting entity to be under the control of that government are considered a single customer. In assessing this, the reporting entity shall consider the extent of economic integration between those entities. Early application is permitted and adoption shall be applied retrospectively. The Company does not expect that the amendment will have impact on the financial position or performance of the Company.

In May 2010 the IASB issued its third omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. The effective dates of the improvements are various and the earliest is for the financial year beginning July 1, 2010. Early application is permitted in all cases.

IFRS 3 Business Combinations, effective for annual periods beginning on or after July 1, 2010.
This improvement clarifies that the amendments to IFRS 7 Financial Instruments: Disclosures, IAS 32 Financial Instruments: Presentation and IAS 39 Financial Instruments: Recognition and Measurement, that eliminate the exemption for contingent consideration, do not apply to contingent consideration that arose from business combinations whose acquisition dates precede the application of IFRS 3 (as revised in 2008).

Moreover, this improvement limits the scope of the measurement choices (fair value or at the present ownership instruments' proportionate share of the acquiree's identifiable net assets) only to the components of non-controlling interest that are present ownership interests that entitle their holders to a proportionate share of the entity's net assets.

Finally, it requires an entity (in a business combination) to account for the replacement of the acquiree's share-based payment transactions (whether obliged or voluntarily), i.e., split between consideration and post combination expenses.

The Company does not expect that this amendment will have an impact on the financial position or performance of the Company.

IFRS 7 Financial Instruments: Disclosures, effective for annual periods beginning on or after January 1, 2011.
This improvement gives clarifications of disclosures required by IFRS 7 and emphasizes the interaction between quantitative and qualitative disclosures and the nature and extent of risks associated with financial instruments.

IAS 1 Presentation of Financial Statements, effective for annual periods beginning on or after 1 January 1, 2011.
This amendment clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements.

IAS 27 Consolidated and Separate Financial Statements, effective for annual periods beginning on or after July 1, 2010.
This improvement clarifies that the consequential amendments from IAS 27 made to IAS 21 The Effect of Changes in Foreign Exchange Rates, IAS 28 Investments in Associates and IAS 31 Interests in Joint Ventures apply prospectively for annual periods beginning on or after July 1, 2009 or earlier when IAS 27 is applied earlier. The Company does not expect that this amendment will have an impact on the financial position or performance of the Company.

IAS 34 Interim Financial Reporting, effective for annual periods beginning on or after January 1, 2011.
This improvement provides guidance to illustrate how to apply disclosure principles in IAS 34 and add disclosure requirements.

IFRIC 13 Customer Loyalty Programs, effective for annual periods beginning on or after January 1, 2011.
This improvement clarifies that when the fair value of award credits is measured based on the value of the awards for which they could be redeemed, the amount of discounts or incentives otherwise granted to customers not participating in the award credit scheme, is to be taken into account.

The Company does not expect that this amendment will have an impact on the financial position or performance of the Company.

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IFRS 7 Financial Instruments: Disclosures as part of its comprehensive review of off balance sheet activities (Amended)
The amendment is effective for annual periods beginning on or after July 1, 2011. The purpose of this amendment is to allow users of financial statements to improve their understanding of transfer transactions of financial assets (e.g. securitisations), including understanding the possible effects of any risks that may remain with the entity which transferred the assets. The amendment also requires additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period. The amendments broadly align the relevant disclosure requirements of IFRSs and US GAAP. The Company does not expect that this amendment will have an impact on the financial position or performance of the Company.

Related parties

For the purposes of these financial statements, shareholders, key management personnel and Board of Directors' members, in each case together with companies controlled by/or affiliated with them, associated companies and other companies within the UniCredit ("UCI") and Koç Holding A.Ş. group companies are considered and referred to as related parties (Note 20).

Parties are considered as related to the Company if;

(a) directly, or indirectly through one or more intermediaries, the party:
- (i) controls, is controlled by, or is under common control with, the Company;
- (ii) has an interest in the Company that gives it significant influence over the Group; or
- (iii) has joint control over the Company;

(b) the party is an associate of the Company;

(c) the party is a joint venture in which the Company is a venturer;

(d) the party is member of the key management personnel of the Company or its parent;

(e) the party is a close member of the family of any individual referred to in (a) or (d);

(f) the party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or,

(g) the party is a post-employment benefit plan for the benefit of employees of the Company, or of any entity that is a related party of the Company.

A related party transaction is a transfer of resources, services or obligation between related parties, regardless of whether a price is charged.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and cash on hand. For the purposes of the cash flow statement, cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less and that are subject to an insignificant risk of change in value.

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 amortized cost. All factoring receivables are recognized 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.

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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 year.

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

Derivative financial instruments

Derivative financial instruments are initially recognized in the balance sheet at their fair value on the date a derivative contract is entered into 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 from 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 December 31, 2010 and 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 are classified as available-for-sale assets as these 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. The Company management determines the appropriate classification of its investments at the time of the purchase.

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

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

Property and equipment

All property and equipment is carried at cost, restated equivalent to purchasing power of TL at December 31, 2005 less accumulated depreciation. Depreciation is calculated over the restated amounts of property and equipment by using the straight-line method to write down 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.

Gains and losses on disposal of property and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit.

Operating leases (where the Company is a lessee)

Leases of assets under which substantially all the risks and rewards of ownership are effectively retained by the lessor, are classified as operating leases. Lease payments under an operating lease are recognized as an expense on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognized as a reduction of rental expense over the lease term on a straight-line basis.

Intangible assets

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

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Financial liabilities

Financial liabilities including borrowings are recognized initially at fair value, net of transaction costs incurred. Subsequently, financial liabilities are stated at amortized cost and any difference between net proceeds and the redemption value is recognized 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 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, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax liabilities are recognized for all taxable temporary differences.

Deferred income tax assets are recognized for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carry-forward of unused tax assets and unused tax losses can be utilized.

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).

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that, in the management’s judgment, it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each balance sheet date and are recognized to the extent it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet dates.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities, and deferred taxes relate to the same taxable entity and the same taxation authority.

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable (i.e. more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense.

Impairment of assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset’s recoverable amount. An asset’s recoverable amount is the higher of an asset’s or cash generating unit’s fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflect current market assessments of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognized in the income statement in those expense categories consistent with the function of the impaired asset.

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Impairment of financial assets

The Company assesses at each balance sheet date whether there is any objective evidence that a financial asset or group of financial assets is impaired.

If there is objective evidence that an impairment loss, on assets carried at amortised cost, has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate. The carrying amount of the asset is reduced through use of an allowance account. The amount of the loss shall be recognised in profit or loss.

Employment termination benefits

The Company has both defined benefit and defined contribution plans as described below:

(a) Defined benefit plans:

In accordance with existing social legislation in Turkey, the Company is required to make lump-sum termination indemnities to each employee who has completed over one year of service with the Company and whose employment is terminated due to retirement or for reasons other than resignation or misconduct.

Such defined benefit plan is unfunded. The cost of providing benefits under the defined benefit plan is determined using the "Projected Unit Credit Method" based upon factors derived using the Company's experience of personnel terminating their services and being eligible to receive benefits, discounted by using the current market yield at the balance sheet date on government bonds. Changes in the key assumptions and other sources of estimation regarding benefit fund are recognized in actuarial gains/ losses in the year of the change in the estimates. All actuarial gains and losses are recognized in the income statement (Note 15).

(b) Defined contribution plans:

The Company pays contributions to the Social Security Institution of Turkey on a mandatory basis. The Company has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when they are due.

Revenue recognition

Revenues from factoring services are recognized in the period to which they relate on an 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 recognized in the income statement for all instruments measured at amortized 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 recognized in the income statement.

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 recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Share capital and dividends

Dividends on ordinary shares are recognized 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.

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Contingent assets and liabilities

Contingent liabilities are not recognized but disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognized in the financial statements but disclosed when an inflow of economic benefits is probable.

Subsequent events

Post year-end events that provide additional information about the Company's position at the balance sheet date (adjusting events), are reflected in the financial statements. Post year-end events that are not adjusting events are disclosed in the notes when material.

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.

Financial risk factors

The Company's activities expose 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 minimize potential adverse effects on the Company's financial performance.

The Company's risk management policies are designed to identify and analyze 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.

a. 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 liquidity risk, foreign exchange risk and interest rate risk by considering market risk.

The core business of the Company is to serve clients' financial needs; therefore typically the Company acts as a commercial institution, an activity which could expose the Company to risks such as foreign exchange risk, interest rate risk and liquidity risk. The Treasury mainly focuses on the structure of the Company's assets and liabilities while analyzing 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; in addition it tries to achieve the projected revenues of the Treasury budget, while minimizing the volatility of the results. The Treasury also aims to satisfy the Regulator's requirements.

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.

b. Credit risk

Financial instruments contain an element of risk that the counterparty may be unable to meet the terms of the agreements. This 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.

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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 as at December 31, 2010 and 2009 is as follows:

2010	Total assets	%	Total Liabilities	%
Turkey	2.018.307	100,0	1.118.661	60,0
European countries	1	-	730.869	40,0
Other countries	-	-	-	-
	2.018.308	100,0	1.849.530	100,0

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

Maximum exposure to credit risk

	2010	2009
Credit risk exposures relating to balance sheet items:		
Due from banks	101.217	31.652
Factoring receivables, net	1.823.892	1.419.961
Derivative financial instruments	2.082	5.983
Available-for-sale investment securities	89.369	67.685
Other assets	206	162

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

c. 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 (+/-) EUR 2.000.000 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.

As at December 31, 2010, if the TL had weakened/strengthened by 10% against the US$ with all other variables held constant, profit for the year would have been TL 140 higher/lower (2009: TL 277 lower/higher), mainly as a result of foreign exchange gains/losses on translation of US$ denominated factoring receivables, and borrowings.

At December 31, 2010, if the TL had weakened/strengthened by 10% against the EUR with all other variables held constant, profit for the year would have been TL 51 higher/lower (2009: TL 9 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 December 31, 2010 and 2009 are as follows:

	Foreign currency				
2010	US$	EUR	Other	TL	Total
Assets					
Cash and cash equivalents	201	256	167	100.593	101.217
Factoring receivables, net	345.209	385.855	15.005	1.077.823	1.823.892
Derivative financial instruments	-	2.082	-	-	2.082
Other assets and prepaid expenses	-	-	-	206	206
Available-for-sale securities	-	-	-	89.369	89.369
Property and equipment	-	-	-	508	508
Intangible assets	-	-	-	146	146
Deferred income tax assets, net	-	-	-	888	888
Total assets	345.410	388.193	15.172	1.269.533	2.018.308
Liabilities					
Borrowings	128.775	598.944	14.766	1.092.950	1.835.435
Factoring payables, net	1.068	2.428	265	1.739	5.500
Derivative financial instruments	3.130	-	-	23	3.153
Current income taxes payable	-	-	-	2.307	2.307
Other liabilities and accrued expenses	47	412	61	2.422	2.942
Reserve for employment termination benefits	-	-	-	193	193
Total liabilities	133.020	601.784	15.092	1.099.634	1.849.530
Net balance sheet position	212.390	(213.591)	80	169.899	168.778
Off-balance sheet derivative instruments net notional position	(213.792)	215.165	-	(2.134)	(761)

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	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

At December 31, 2010, assets and liabilities denominated in foreign currency were translated into TL using a foreign exchange rate of TL 2,0491 = EUR 1 and TL 1,5460 = US$ 1 (2009: TL 2,1603 = EUR 1 and TL 1,5057 = US$ 1).

d. 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 as at December 31, 2010, in the scenario of a 6% increase in the TL interest rate and a 2% increase in the foreign currency interest rate with all other variables being constant, there will be a TL 14.436 decrease (2009: TL 11.008 decrease in the scenario of a 5% increase in the TL interest rate and a 1% increase in the foreign currency interest rate with all other variables being constant) 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 December 31, 2010, in the scenario of a 10% increase in the TL interest rate and a 3% increase in foreign currency interest rate with all other variables being constant, there will be a TL 23.315 decrease (2009: TL 18.221 decrease in the scenario of a 10% increase in the TL interest rate and a 2% increase in foreign currency interest rate with all other variables being constant) 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 December 31, 2010 and 2009:

		2010			2009	
	US$ (%)	EUR (%)	TL (%)	US$ (%)	EUR (%)	TL (%)
Assets						
Cash and due from banks						
-time deposits	-	-	8,52	-	-	10,30
Factoring receivables, net	4,83	5,11	9,76	6,54	6,40	16,18
Liabilities						
Borrowings	3,70	2,47	7,46	3,32	3,30	11,72

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.

2010	Up to 3 months	3 to 12 months	1 year to 5 years	Non-interest bearing	Total
Assets					
Cash and cash equivalents	100.046	-	-	1.171	101.217
Factoring receivables, net	1.527.104	252.114	44.061	613	1.823.892
Derivative financial instruments	-	-	-	2.082	2.082
Other assets and prepaid expenses	-	-	-	206	206
Available-for-sale securities	-	-	-	89.369	89.369
Property and equipment	-	-	-	508	508
Intangible assets	-	-	-	146	146
Deferred income tax assets, net	-	-	-	888	888
Total assets	1.627.150	252.114	44.061	94.983	2.018.308
Liabilities					
Borrowings	1.710.679	74.281	50.475	-	1.835.435
Factoring payables, net	5.500	-	-	-	5.500
Derivative financial instruments	-	-	-	3.153	3.153
Current income taxes payable	-	-	-	2.307	2.307
Other liabilities and accrued expenses	-	-	-	2.942	2.942
Reserve for employment termination benefits	-	-	-	193	193
Total liabilities	1.716.179	74.281	50.475	8.595	1.849.530
Net position	(89.464)	178.725	(6.258)	85.775	168.778

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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	-	-	-	2.717	2.717
Other liabilities and accrued expenses	-	-	-	2.510	2.510
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

e. Liquidity risk

Liquidity risk is the possibility that the Company will be unable to fund its net funding requirements. 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.

2010	Demand and up to 3 months	3 to 12 months	Over 1 year	No definite maturity	Total
Liabilities					
Borrowings	1.712.897	74.523	51.137	-	1.838.557
Total liabilities	1.712.897	74.523	51.137	-	1.838.557
Assets held for managing liquidity risk (contractual maturity dates)	1.644.050	255.656	44.217	613	1.944.536
Derivative financial instruments held for trading					
Cash inflows	114.451	99.545	1.169	-	215.165
Cash outflows	115.775	99.017	1.134	-	215.926

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

f. 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.

g. 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, judgment is necessarily required to interpret market data to estimate the fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Company could realize 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, carrying values are considered to be a reasonable estimate of the fair value.

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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, based on discounted cash flows using interest rates for new debts with similar maturity, is TL 1.832.836 (2009: TL 1.364.982).

Fair value hierarchy

Fair values of financial assets and liabilities, those are carried with their fair values on the balance sheet, are determined as follows:

- Level 1: Financial assets and liabilities are valued at the stock exchange price in an active market for exactly the same assets and liabilities.

- Level 2: Financial assets and liabilities are valued with the inputs used to determine a directly or indirectly observable price other than the stock market price of the relevant asset or liability mentioned in Level 1.

- Level 3: Financial assets and liabilities are valued with inputs that cannot be based on data observable in the market and used to determine the fair value of the asset or liability.

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:

2010

	Level 1	Level 2	Level 3
Trading derivative financial assets	-	2.082	-
Available-for-sale investment securities	89.342	-	-
Total assets	89.342	2.082	-
Trading derivative financial liabilities	-	3.153	-
Total liabilities	-	3.153	-

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	-

Since the share certificates of Yapı Kredi Emeklilik A.Ş., which is classified as available for sale investment securities, are not quoted in the exchange, it is carried at cost and is not included in the table above.

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h. 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 October 10, 2006, total volume of factoring receivables cannot exceed 30 times of the statutory equity.

As of December 31, 2010, total volume of factoring receivables granted by the Company in its statutory records is 10,93 (2009: 9,93) times of statutory equity.

	2010	2009
Factoring receivables from customers (A)	1.830.342	1.431.330
Total equity (B)	167.479	144.116
Factoring receivable/statutory equity ratio (A/B)	10,93	9,93

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 judgments 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 judgments, 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). Judgments that have the most significant effect on the amounts recognized 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.

Deferred income tax asset recognition

Deferred income tax assets are recorded to the extent that realization of the related tax benefit is probable. The future taxable profits and the amount of tax benefits that are probable in the future are based on medium term business plan prepared by Management and extrapolated results thereafter. The business plan is based on Management expectations that are believed to be reasonable under the circumstances.

Employee termination benefits

The cost of defined benefit plans is determined using actuarial valuations which involve making assumptions about discount rates, future salary increases and employee turnover rates. Due to the long term nature of these plans, such estimates are subject to significant uncertainty. These estimations which are disclosed in Note 15 are reviewed regularly. The carrying value of employee termination benefit provisions as of December 31, 2010 and 2009 is TL 193 and TL 129, respectively.

Uncertain tax positions: As explained in Note 12, the Ministry of Finance Revenue Administration of the Republic of Turkey ("Revenue Administration") has initiated a sector wide investigation with respect to the tax treatment for unearned revenue and tax treatment for the impairment loss on factoring receivables by the factoring companies. During this sector wide investigation corporate income tax calculations of the Company for the year 2008 was also investigated. As a result of this investigation, Revenue Administration concluded on an additional corporate income tax to be paid by the Company amounting to TL 3.071 including penalties and interest. Based on their best estimate, the Company management, by also taking into consideration the compromises in the sector regarding the same topic, has taken a provision amounting to TL 440 as of December 31, 2010 (2009: None).

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5. Cash and cash equivalents

As of December 31, 2010 and 2009, cash and cash equivalents comprised of the following:

	2010			2009		
	Foreign currency	TL	Total	Foreign currency	TL	Total
Cash on hand	-	1	1	-	-	-
Due from banks:	624	100.592	101.216	515	31.137	31.652
-demand deposits	624	546	1.170	515	1.126	1.641
-time deposits	-	100.046	100.046	-	30.011	30.011
	624	100.593	101.217	515	31.137	31.652

For the purposes of the cash flow statement, cash and cash equivalents amounting to TL 101.169 (2009: TL 31.641) comprised of cash on hand and due from banks excluding accrued interest.

6. Factoring receivables, net

	2010	2009
Domestic transactions	1.465.536	1.220.320
Export and import transactions	369.857	213.330
Impaired factoring receivables	18.044	8.173
Gross factoring receivables	1.853.437	1.441.823
Impairment provision-impaired factoring receivables	(17.431)	(6.259)
Impairment provision-portfolio provision	(6.453)	(11.329)
Less: unearned revenue	(5.661)	(4.274)
Factoring receivables. net	1.823.892	1.419.961

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

As of December 31, 2010, TL 780.378 (2009: TL 791.415) of domestic factoring receivables, net and TL 278.500 (2009: TL 97.738) of export factoring receivables, net are non-recourse. In addition, non-recourse transactions amounting to TL 1.142.243 (2009: TL 344.824) are recognized in off-balance sheet accounts at December 31, 2010.

	2010	2009
Factoring receivables:		
Fixed rate	562.480	401.319
Floating rate	1.290.957	1.040.504
	1.853.437	1.441.823

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Factoring receivables can be analyzed as follows:

	2010	2009
Neither past due nor impaired	1.829.732	1.429.376
Past due but not impaired	-	-
Impaired	18.044	8.173
Gross	1.847.776	1.437.549
Less: allowances for impairment	(23.884)	(17.588)
Net factoring receivables	1.823.892	1.419.961

As of December 31, 2010, the Company received TL 264.362 (2009: TL 228.122) post-dated cheques and notes which are recognized in off balance sheet accounts.

The total impairment provision for factoring receivables at December 31, 2010 amounts to TL 23.884 (2009: TL 17.588) of which TL 17.431 (2009: TL 6.259) represents the individually impaired receivables and the remaining amount of TL 6.453 (2009: TL 11.329) represents the portfolio provision.

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

Maturity analysis of the factoring receivables is as follows:

	2010	2009
Up to 1 month	148.604	69.914
1 month to 3 month	1.378.502	70.503
3 month to 1 year	252.114	1.279.429
1 year and over	44.672	115
	1.823.892	1.419.961

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

	2010	2009
At 1 January	17.588	10.710
Charge for the year	6.511	7.012
Recoveries of amounts previously provided	(231)	(152)
Exchange rate differences	16	18
At 31 December	23.884	17.588

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 TL 1.237 as of December 31, 2010 (2009: TL 133).

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

	2010	%	2009	%
Medicine, chemical and dyes	630.047	34	566.725	39
Metal processing	289.582	16	332.996	23
Textiles	168.445	9	85.405	6
Automotive	147.103	8	94.043	7
Food and beverage	59.101	3	37.057	3
Construction	38.525	2	12.799	1
Manufacturing	21.407	1	105.928	7
Electronics and optics	5.827	1	79.010	5
Car rental	-	-	6	0
Other	493.400	26	127.854	9
	1.853.437	100	1.441.823	100

Factoring payables amounting to TL 5.500 (2009: nil) consist of collections from debtors which have not been transferred to the customers as of December 31, 2010.

7. Other assets and prepaid expenses

	2010	2009
Prepaid expenses	198	155
Advances given	4	4
Other	4	3
	206	162

8. Property and equipment

	January 1, 2009	Additions	Disposals	December 31,2009
Cost:				
Furniture and fixtures	1.930	98	(46)	1.982
Leasehold improvements	735	263	(354)	644
Motor vehicles	106	-	-	106
Total cost	2.771	361	(400)	2.732
Accumulated depreciation:				
Furniture and fixtures	(1.848)	(50)	45	(1.853)
Leasehold improvements	(560)	(113)	354	(319)
Motor vehicles	(31)	(21)	-	(52)
Total accumulated depreciation	(2.439)	(184)	399	(2.224)
Net book value	332			508

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	January 1, 2009	Additions	Disposals	December 31,2009
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

As at December 31, 2010, there are no restrictions on property, plant and equipment (2009: None).

9. Intangible assets

	January 1, 2009	Additions	Disposals	December 31, 2010
Cost:				
Software	2.096	59	-	2.155
Total cost	2.096	59	-	2.155
Accumulated amortization:				
Software	(1.779)	(230)	-	(2.009)
Total accumulated amortization	(1.779)	(230)	-	(2.009)
Net book value	317			146

	January 1, 2009	Additions	Disposals	December 31, 2009,
Cost:				
Software	1.904	192	-	2.096
Total cost	1.904	192	-	2.096
Accumulated amortization:				
Software	(1.590)	(189)	-	(1.779)
Total accumulated amortization	(1.590)	(189)	-	(1.779)
Net book value	314			317

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10. Available-for-sale investment securities

Available for sale equity securities as of December 31, 2010 and 2009 are set out below:

	2010		2009	
	%	TL	%	TL
Yapı Kredi Sigorta A.Ş.	7,95	89.342	7,95	67.658
Yapı Kredi Emeklilik A.Ş.	0,04	27	0,04	27
		89.369		67.685

The investment amount in Yapı Kredi Sigorta A.Ş., which is a listed company in Istanbul Stock Exchange, is measured at fair value based on the quoted best bid price as of December 31, 2010 and 2009.

11. Borrowings

Borrowings at December 31, 2010 and 2009 are set out below according to their currencies:

		2010			2009		
		Effective interest %	original currency	TL	Effective interest %	original currency	TL
Domestic banks							
	TL	7,47	1.013.257	1.013.257	7,66	699.131	699.131
	US$	4,08	64.809	100.195	-	-	-
Foreign banks							
	EUR	2,47	292.296	598.944	3,30	240.624	519.819
	TL	7,39	79.691	79.691	7,57	95.287	95.287
	US$	2,40	18.487	28.581	3,32	29.812	44.888
	GBP	2,40	5.890	14.069	2,60	51.545	10.733
	SEK	3,65	3.086	698	-	942	2.250
				1.835.435			1.372.108

12. Other liabilities and accrued expenses

	2010	2009
Payroll and withholdings payable	882	930
Commissions payable	520	319
Accrual for tax penalty (*)	440	-
Accrual for personnel performance bonus	400	738
Reserve for annual leave	323	256
Miscellaneous expenses accruals	128	56
Others	249	211
	2.942	2.510

(*) The Ministry of Finance Revenue Administration of the Republic of Turkey ("Revenue Administration") conducted an investigation with respect to the tax treatment for unearned revenue and tax treatment for the impairment loss on factoring receivables by the Company for the year 2008. As a result of this investigation, Revenue Administration concluded on an additional corporate income tax to be paid by the Company amounting to TL 3.071 including penalty and interest. Based on their best estimate, the Company management, by also taking into consideration the compromises in the sector regarding the same topic, has taken a provision amounting to TL 440 as of December 31, 2010.

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13. Taxation

	2010	2009
Current income tax payable	7.797	9.793
Prepaid taxes	(5.490)	(7.076)
Income taxes payable	2.307	2.717
Deferred tax asset	4.400	3.246
Deferred tax liability	(3.512)	(3.150)
Deferred income tax assets/(liabilities), net	888	96
The taxation on income for the years ended December 31 are summarized as follows:		
Current tax expense	7.797	9.793
Deferred taxation	(1.876)	(3.394)
Income tax expense	5.921	6.399

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

	2010	2009
At 1 January	96	(1.327)
Tax charged to the income statement	1.876	3.394
Tax charged to equity	(1.084)	(1.971)
At 31 December	888	96

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 January 1, 2006. Corporation tax rate in Turkey starting from January 1, 2006 is 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 utilized 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 is not considered as a profit distribution.

Corporations are required to pay advance corporation tax quarterly at the rate of 20% on their corporate income. Advance tax declaration is made by the 14th day and payable by the 17th day of the second month following each calendar quarter end by companies. Advance tax paid by corporations is credited against the annual corporation tax liability. If, despite offsetting, there remains a paid advance tax amount, it may be refunded or offset against other liabilities to the government.

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 for the tax authorities' review who have the right to audit tax returns, and the related accounting records on which they are based, and they 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:

	2010	2009
Profit before income taxes	29.721	37.456
Theoretical tax charge at the applicable tax rate of 20%	5.944	7.492
Tax effect of items which are not deductible or assessable for taxation purposes:		
Income exempt from taxation	(23)	(1.258)
Non-deductible expenses	-	823
Prior year's losses	-	(658)
Total tax charge for the year	5.921	6.399

Deferred income taxes

Deferred income taxes are calculated on temporary differences that are expected to be realized or settled based on the taxable income in following years under the liability method using a principal tax rate of 20% as of December 31, 2010 (2009: 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)	
	2010	2009	2010	2009
Provision for impaired factoring receivables	20.326	15.847	4.065	3.169
Reserve for annual leave	323	256	65	51
Provision for employment termination benefits	193	129	39	26
Expense accrual on forward contracts	1.071	-	215	-
Other	80	-	16	-
Deferred income tax assets			4.400	3.246
Income accrual on forward contracts	-	(3.637)	-	(727)
Difference between carrying value and tax base of property and equipment	(245)	(220)	(49)	(44)
Difference between carrying value and tax base of available for sale investments (income statement)	(2.330)	(2.330)	(116)	(116)
Difference between carrying value and tax base of available for sale investments (equity)	(66.949)	(45.265)	(3.347)	(2.263)
Deferred income tax liabilities			(3.512)	(3.150)
Deferred income tax asset/(liability), net			888	96

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14. Derivative financial instruments

Derivative financial instruments are as follows:

2010	Contract/notional amount	Fair values Assets	(Liabilities)
Foreign exchange derivatives			
Currency forwards	431.091	2.082	(3.153)
Total over the counter	431.091	2.082	(3.153)

2009	Contract/notional amount	Fair values Assets	(Liabilities)
Foreign exchange derivatives			
Currency forwards	596.055	5.983	(2.346)
Total over the counter	596.055	5.983	(2.346)

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. Since the legislation was changed on September 8, 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 full TL 2,517 as of December 31, 2010 (2009: full TL 2,365) 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:

	2010	2009
Discount rate (%)	4,66	5,92
Turnover rate to estimate the probability of retirement (%)	11	14,4

Additionally, the principal actuarial assumption is that the maximum liability of full TL 2,623 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 full TL 2,623 (January 1, 2010: full TL 2,427) which is effective from January 1, 2011, has been taken into consideration in calculating the reserve for employee benefits of the Company.

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

	2010	2009
At 1 January	129	215
Paid during the year	(25)	(232)
Interest expense	6	8
Service cost	18	25
Increase during the year	65	113
At 31 December	193	129

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16. Share capital

Share capital of the Company is TL 16.802 (2009: TL 16.802) and consists of 16.802.326 (2009: 16.802.326) authorized shares of nominal value of full TL 1 each.

As of December 31, 2010 and 2009, the paid-in share capital held is as follows:

		2010		2009
	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

Adjustment to share capital represents the restatement effect of cash contributions to share capital in year-end equivalent purchasing power.

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.

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

At December 31, 2010 and 2009, the reserves held by the Company in the statutory financial statements which are not allowed to be distributed are as follows:

	2010	2009
Legal reserves	11.820	9.704

18. General administration expenses

	2010	2009
Management fee charges	495	474
Rent expenses	442	577
Tax penalty provision expense	440	-
Depreciation and amortization expenses (Note 8 and 9)	414	300
Duties and taxes expenses	351	120
Travel expenses	288	233
Audit and consultancy fees	201	211
Information technology expenses	148	21
Communication expenses	119	119
Marketing and advertisement costs	85	79
Membership fees	69	181
Donation expenses	50	25
Disallowable expenses	18	27
Other	326	176
	3.446	2.543

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19. Other operating income, net

	2010	2009
Transaction expenses charged to customers	1.449	1.552
Dividend income	10	856
Others	867	131
Other operating income	2.326	2.539
Bank charges	261	324
Sundry tax expenses	89	59
Others	216	113
Other operating expenses	566	496
Other operating income/(expense), net	1.760	2.043

20. Transactions and balances with related parties

i) Balances with related parties

	2010	2009
Due from banks		
Shareholders		
Yapı ve Kredi Bankası A.Ş.		
Time deposits	100.046	30.011
Demand deposits	744	591
	100.790	30.602
Factoring receivables		
Other related parties		
Türkiye Petrol Rafinerileri A.Ş.	409.000	425.005
Otokoç Otomotiv Ticaret ve Sanayi A.Ş.	20.000	-
Opet Petrolcülük A.Ş.	6.102	-
Beldeyama Motorlu Vasıtalar San.ve Ticaret A.Ş.	37	3.319
Harranova Besi ve Tarım Ürünleri A.Ş.	3	20.300
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	-	14.149
	435.142	462.773

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	2010	2009
Other assets and prepaid expenses		
Other related parties		
Yapı Kredi Sigorta A.Ş.	-	155
Borrowings		
Shareholders		
Yapı ve Kredi Bankası A.Ş.	70.733	104.797
Other related parties		
Unicredito Italiano S.p.A	510.904	495.506
Yapı Kredi Nederland N.V.	70.542	30.006
	652.179	630.309

	2010	2009
Other liabilities and accrued expenses		
Shareholders		
Yapı ve Kredi Bankası A.Ş.	-	20
Other related parties		
Zer Merkezi Hizmetler ve Ticaret A.Ş.	17	-
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	17	-
Otokoç Otomotiv Tic. ve San. A.Ş.	11	11
Setur Servis Turistik A.Ş.	4	-
Opet Petrolcülük A.Ş.	2	-
Yapı Kredi Sigorta A.Ş.	-	96
Others	-	11
	51	138
Contingent liabilities		
Guarantee letters:		
Shareholders		
Yapı ve Kredi Bankası A.Ş.	1.276	1.052
ii) Transactions with related parties		
Factoring interest income		
Other related parties		
Türkiye Petrol Rafinerileri A.Ş.	26.522	14.345
Otokoç Otomotiv Ticaret ve Sanayi A.Ş.	1.198	1.474
Harranova Besi ve Tarım Ürünleri A.Ş.	521	1.679
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	439	163
Ford Otomotiv Sanayi A.Ş.	97	-
Koçnet Haberleşme Teknoloji ve İletişim Hizm. A.Ş.	72	-
Palmira Turizm Ticaret A.Ş.	-	1.052
Otokar Otobüs Karoseri Sanayi A.Ş.	-	885
Tat Konserve Sanayi A.Ş.	-	734
Beldeyama Motorlu Vasıtalar San. ve Tic. A.Ş.	-	295
	28.849	20.627

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	2010	2009
Interest income other than factoring		
Shareholders		
Yapı ve Kredi Bankası A.Ş. Bahreyn Branch	2.687	-
Yapı ve Kredi Bankası A.Ş.	2	1.663
	2.689	1.663
Factoring commissions		
Other related parties		
Koçnet Haberleşme Teknoloji ve İletişim Hizm. A.Ş.	31	-
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	20	9
Ford Otomotiv Sanayi A.Ş.	3	-
Beldeyama Motorlu Vasıtalar San. ve Tic. A.Ş	-	53
	54	62
General administration expenses		
Shareholders		
Yapı ve Kredi Bankası A.Ş.	504	887
Other related parties		
Zer Merkezi Hizmetler ve Ticaret A.Ş.	373	469
Yapı Kredi Sigorta A.Ş.	258	235
Yapı Kredi Emeklilik A.Ş.	136	120
Otokoç Otomotiv Ticaret ve Sanayi A.Ş.	123	161
Opet Petrolcülük A.Ş.	56	54
YKS Tesis Yönetim Hizmetleri A.Ş.	56	-
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	47	-
Setur Servis Turistik A.Ş.	43	9
Koç Holding A.Ş.	27	40
Others	-	3
	1.623	1.978
Interest expenses		
Shareholders		
Yapı ve Kredi Bankası A.Ş.	1.939	2.098
Other related parties		
Unicredito Italiano S.p.A	10.284	16.717
Yapı Kredi Nederland N.V.	2.458	2.353
	14.681	21.168
Commission expenses		
Shareholders		
Yapı ve Kredi Bankası A.Ş.	-	24
	-	24
Benefits to the Board and key management personnel		
Benefits to the Board and key management personnel	764	1.804

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Off balance sheet transactions

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

		2010			2009
		Foreign currency	TL	Foreign currency	TL
Forward purchases					
	EUR	105.004	215.165	122.999	265.715
			215.165		265.715
Forward sells					
	TL	2.134	2.134	136.348	136.348
	US$	138.287	213.792	83.026	125.013
			215.926		261.361

21. Commitments and contingent liabilities

Letters of guarantees given to third parties at December 31, 2010 and 2009:

		2010		
	Up to 1 year	Over 1 year	Indefinite	Total
Guarantee letters given for lawsuits	-	-	1.276	1.276

		2009		
	Up to 1 year	Over 1 year	Indefinite	Total
Guarantee letters given for lawsuits	-	-	1.052	1.052

Commitments under derivative instruments:

		2010		2009	
		Original currency	TL	Original currency	TL
Forward currency purchases					
	EUR	105.004	215.165	138.719	299.675
			215.165		299.675
Forward currency sales					
	TL	2.134	2.134	169.919	169.919
	US$	138.287	213.792	83.988	126.461
			215.926		296.380

22. Post balance sheet events

None.

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