

**Bankpozitif Kredi ve Kalkınma  
Bankası Anonim Şirketi**

**Independent Auditors' Report on Review of  
Condensed Consolidated Interim  
Financial Information  
For the Six-month Period Ended  
30 June 2011**

Akis Bağımsız Denetim ve Serbest  
Muhasebeci Mali Müşavirlik  
Anonim Şirketi

15 August 2011

*This report contains 1 page of independent auditors' report on review of condensed consolidated interim financial information and 59 pages of consolidated financial statements and notes to the consolidated financial statements.*

## **Bankpozitif Kredi ve Kalkınma Bankası Anonim Şirketi**

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**Independent auditors' report on review of condensed consolidated interim financial statements**

To the Board of Directors of  
Bankpozitif Kredi ve Kalkınma Bankası Anonim Şirketi:

**Introduction**

We have reviewed the accompanying condensed consolidated interim statement of financial position of Bankpozitif Kredi ve Kalkınma Bankası Anonim Şirketi ("the Bank") and its subsidiaries (collectively "the Group") as at 30 June 2011, the condensed consolidated interim statements of income and condensed consolidated statements of comprehensive income, changes in equity and cash flows for the six-month period then ended, and notes, comprising a summary of significant accounting policies and other explanatory information ("the consolidated interim financial statements"). Management is responsible for the preparation and fair presentation of these condensed consolidated interim financial statements in accordance with International Financial Reporting Standard IAS 34 Interim Financial Reporting. Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

**Scope of review**

We conducted our review in accordance with International Standard on Review Engagements 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

**Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements do not present fairly, in all material respects the financial position of the Group as at 30 June 2011, and of its financial performance and its cash flows for the six-month period then ended in accordance with IAS 34, Interim Financial Reporting.

KPMG Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.

15 August 2011  
İstanbul, Turkey

**BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ****Condensed Consolidated Interim Statement of Financial Position****As at 30 June 2011***(Currency - In thousands of Turkish Lira)*

		<b>Reviewed</b>	<b>Audited</b>
		<b>30 June</b>	<b>31 December</b>
	<i>Note</i>	<b>2011</b>	<b>2010</b>
<b>ASSETS</b>			
Cash and balances with central banks		61,165	93,958
Due from banks and financial institutions		12,328	48,281
Interbank and other money market placements		29,767	21,980
Reserve deposits at central banks		161,882	106,058
Trading assets	6	21,194	31,773
Investment securities	7	117,251	108,008
Loaned securities	7	43,181	20,304
Loans and advances to customers	8	1,414,887	1,167,208
Finance lease receivables	9	2,619	7,475
Property and equipment	10	9,188	10,433
Intangible assets	10	47,030	45,172
Deferred tax assets	5	4,775	2,164
Assets held from discontinued operations	4	-	3,970
Other assets		37,555	21,707
<b>Total assets</b>		<b>1,962,822</b>	<b>1,688,491</b>
<b>LIABILITIES</b>			
Deposit from other banks	11	186	426
Customer deposits	11	57,052	93,903
Other money market deposits	11	41,928	37,233
Trading liabilities	6	38,613	21,384
Funds borrowed	12	1,130,012	804,101
Debt securities issued	13	153,618	153,391
Other liabilities		82,392	117,100
Provisions		2,358	4,165
Current tax liabilities	5	2,033	2,968
Deferred tax liabilities	5	-	2,236
Liabilities held from discontinued operations	4	-	2,062
<b>Total liabilities</b>		<b>1,508,192</b>	<b>1,238,969</b>
<b>EQUITY</b>			
Share capital and share premium	14	379,114	379,114
Available-for-sale reserve, net of tax	14	1,147	3,348
Currency translation reserve	14	(11,630)	(11,135)
Retained earnings		85,999	78,195
<b>Total equity</b>		<b>454,630</b>	<b>449,522</b>
<b>Total equity and liabilities</b>		<b>1,962,822</b>	<b>1,688,491</b>

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

**BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ****Condensed Consolidated Interim Statement of Income****For the six-month period ended 30 June 2011***(Currency - In thousands of Turkish Lira)*

	<b>Reviewed</b>	<b>Reviewed</b>	<b>Reviewed</b>	<b>Reviewed</b>
<i>Note</i>	<b>1 January – 30 June 2011</b>	<b>1 April – 30 June 2011</b>	<b>1 January – 30 June 2010</b>	<b>1 April – 30 June 2010</b>
<b>Interest income</b>				
Interest income on loans and advances	61,174	31,895	58,442	28,901
Interest income on deposits with other banks and financial institutions	833	423	238	122
Interest income on investment securities	5,394	2,902	8,377	4,049
Interest income on interbank and other money market placements	240	207	612	165
Interest income on financial leases	185	31	401	223
Other interest income	7,992	4,326	6,381	3,181
<b>Total interest income</b>	<b>75,818</b>	<b>39,784</b>	<b>74,451</b>	<b>36,641</b>
<b>Interest expense</b>				
Interest expense on deposits	(371)	(137)	(370)	(197)
Interest expense on other money market deposits	(799)	(371)	(434)	(169)
Interest expense on funds borrowed	(29,703)	(15,418)	(29,485)	(14,475)
Interest expense on debt securities issued	(7,596)	(4,258)	(2,787)	(1,758)
Other interest expense	(5,427)	(2,758)	(4,453)	(2,156)
<b>Total interest expense</b>	<b>(43,896)</b>	<b>(22,942)</b>	<b>(37,529)</b>	<b>(18,755)</b>
<b>Net interest income</b>	<b>31,922</b>	<b>16,842</b>	<b>36,922</b>	<b>17,886</b>
Fees and commission income	11,863	6,153	9,597	4,526
Fees and commission expense	(878)	(514)	(672)	(339)
<b>Net fee and commission income</b>	<b>10,985</b>	<b>5,639</b>	<b>8,925</b>	<b>4,187</b>
Net trading income and foreign exchange gain, net	1,839	470	9,784	4,451
Other operating income	1,749	1,072	867	656
<b>Total operating income</b>	<b>46,495</b>	<b>24,023</b>	<b>56,498</b>	<b>27,180</b>
<b>Net impairment loss on financial assets</b>	<b>(4,030)</b>	<b>(1,662)</b>	<b>(4,640)</b>	<b>(618)</b>
Personnel expenses	(17,080)	(8,869)	(16,668)	(8,440)
Depreciation and amortisation	(3,192)	(1,518)	(3,651)	(1,859)
Administrative expenses	(9,233)	(5,033)	(9,063)	(4,785)
Taxes other than on income	(1,057)	(403)	(1,020)	(413)
Other expenses	(2,276)	(882)	(1,860)	(1,266)
<b>Total operating expense</b>	<b>(32,838)</b>	<b>(16,705)</b>	<b>(32,262)</b>	<b>(16,763)</b>
<b>Profit before income tax</b>	<b>9,627</b>	<b>5,656</b>	<b>19,596</b>	<b>9,799</b>
Income tax	5	(1,808)	(4,459)	(2,459)
<b>Net profit for the period from continuing operations</b>	<b>7,819</b>	<b>4,564</b>	<b>15,137</b>	<b>7,340</b>
Profit / loss from discontinued operations	-	-	-	-
<b>Net profit for the period</b>	<b>7,819</b>	<b>4,564</b>	<b>15,137</b>	<b>7,340</b>

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

**BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ****Condensed Consolidated Interim Statement of Comprehensive Income****For the six-month period ended 30 June 2011***(Currency - In thousands of Turkish Lira)*

	<b>Reviewed</b>	<b>Reviewed</b>
	<b>30 June</b>	<b>30 June</b>
	<b>2011</b>	<b>2010</b>
<b>Profit for the period</b>	<b>7,819</b>	<b>15,137</b>
<b>Other comprehensive income</b>		
Foreign currency translation differences for foreign operations	(495)	(679)
Available-for-sale reserve		
Net change in fair value of available-for-sale financial assets	(3,710)	(1,859)
Net change in fair value of available-for-sale financial assets transferred to profit or loss	951	165
Income tax on other comprehensive income	558	668
<b>Other comprehensive income for the period, net of income tax</b>	<b>(2,696)</b>	<b>(1,705)</b>
<b>Total comprehensive income for the period</b>	<b>5,123</b>	<b>13,432</b>

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

**BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ****Condensed Consolidated Interim Statement of Changes in Equity  
For the six-month period ended 30 June 2011***(Currency - In thousands of Turkish Lira)*

	<i>Note</i>	Share capital	Share premium	Adjustment to share capital	Available-for-sale reserve, net of tax	Currency translation reserve	Retained earnings	Total
<b>At 1 January 2010</b>		337,292	20,121	21,701	(400)	(10,862)	58,370	426,222
<b>Total comprehensive income for the period</b>								
Profit for the period		-	-	-	-	-	15,137	15,137
<b>Other comprehensive income</b>								
Foreign currency translation differences		-	-	-	-	(679)	-	(679)
Net change in fair value of available-for-sale financial assets, net of tax		-	-	-	(1,026)	-	-	(1,026)
<b>Total other comprehensive income</b>		-	-	-	(1,026)	(679)	-	(1,705)
<b>Total comprehensive income for the period</b>		-	-	-	(1,026)	(679)	15,137	13,432
<b>Contributions by and distributions to owners</b>								
Share capital increase		-	-	-	-	-	-	-
Dividends to equity holders		-	-	-	-	-	-	-
<b>Total contributions by and distributions to owners</b>		-	-	-	-	-	-	-
<b>At 30 June 2010</b>		337,292	20,121	21,701	(1,426)	(11,541)	73,507	439,654
<b>At 1 January 2011</b>		337,292	20,121	21,701	3,348	(11,135)	78,195	449,522
<b>Total comprehensive income for the period</b>								
Profit for the period		-	-	-	-	-	7,819	7,819
<b>Other comprehensive income</b>								
Foreign currency translation differences	14	-	-	-	-	(495)	-	(495)
Net change in fair value of available-for-sale financial assets, net of tax	14	-	-	-	(2,201)	-	-	(2,201)
<b>Total other comprehensive income</b>		-	-	-	(2,201)	(495)	-	(2,696)
<b>Total comprehensive income for the period</b>		-	-	-	(2,201)	(495)	7,819	5,123
Other changes due to the disposal of the subsidiary		-	-	-	-	-	(15)	(15)
<b>Contributions by and distributions to owners</b>								
Share capital increase		-	-	-	-	-	-	-
Dividends to equity holders		-	-	-	-	-	-	-
<b>Total contributions by and distributions to owners</b>		-	-	-	-	-	-	-
<b>At 30 June 2011</b>		337,292	20,121	21,701	1,147	(11,630)	85,999	454,630

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

**BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ****Condensed Consolidated Interim Statement of Cash Flows****For the six-month period ended 30 June 2011***(Currency - In thousands of Turkish Lira)*

		<b>Reviewed</b>	<b>Reviewed</b>
		<b>30 June</b>	<b>30 June</b>
	<i>Note</i>	<b>2011</b>	<b>2010</b>
<b>Cash flows from operating activities</b>			
Interest received		70,401	76,270
Interest paid		(42,789)	(38,196)
Fees and commissions received		11,797	8,695
Trading income		669	5,337
Recoveries from non-performing loans	8	9,973	8,445
Fees and commissions paid		(231)	(316)
Cash payments to employees and other parties		(19,178)	(17,676)
Cash received from other operating activities		3,926	3,499
Cash paid for other operating activities		(11,683)	(11,754)
Income taxes paid		(6,887)	(396)
		<b>15,998</b>	<b>33,908</b>
Change in banks and financial institutions		3,088	2,640
Change in trading assets		(1,480)	(490)
Change in reserve deposits at central banks		(55,832)	(4,042)
Change in loans and advances		(235,940)	103,350
Change in finance lease receivables		4,101	1,093
Change in other assets		(12,318)	1,414
Change in receivables from customers due to brokerage activities		-	(113)
Change in deposit from other banks		(240)	114
Change in customer deposits		(36,851)	20,018
Change in interbank and other money market deposits		4,695	(20,553)
Change in other liabilities		(36,530)	(7,242)
<b>Net cash (used in) / provided by operating activities</b>		<b>(351,309)</b>	<b>130,097</b>
<b>Cash flows from investing activities</b>			
Purchases of investment securities	7	(51,912)	(69,479)
Proceeds from sale and redemption of investment securities	7	21,482	60,124
Purchases of property and equipment	10	(253)	(674)
Proceeds from the sale of premises and equipment	10	43	53
Purchases of intangible assets	10	(1,027)	(493)
Proceeds from sale of intangible assets	10	-	98
<b>Net cash used in investing activities</b>		<b>(31,667)</b>	<b>(10,371)</b>
<b>Cash flows from financing activities</b>			
Proceeds from funds borrowed		1,100,843	172,587
Repayment of funds borrowed		(775,986)	(278,874)
<b>Net cash (used in) / provided by financing activities</b>		<b>324,857</b>	<b>(106,287)</b>
Effect of net foreign exchange difference on cash and cash equivalents		281	371
<b>Net increase in cash and cash equivalents</b>		<b>(57,838)</b>	<b>13,810</b>
Cash and cash equivalents at 1 January		160,575	99,482
<b>Cash and cash equivalents at 30 June</b>		<b>102,737</b>	<b>113,292</b>

The accompanying notes are an integral part of these condensed consolidated interim financial statements.



# **BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ**

## **Notes to the Condensed Consolidated Interim Financial Statements**

**As at and for the period ended 30 June 2011**

*(Currency - In thousands of Turkish Lira)*

### **1. Corporate information**

#### **General**

Bankpozitif Kredi ve Kalkınma Bankası A.Ş. (“BankPozitif” or “the Bank”) was incorporated in Turkey on 9 April 1999 as Toprak Yatırım Bankası A.Ş. as a subsidiary of Toprakbank A.Ş. On 30 November 2001, Toprakbank A.Ş. (the previous parent company) was taken over by the Saving Deposit Insurance Fund (“SDIF”). As a result, SDIF became the controlling shareholder of Toprak Yatırım Bankası A.Ş. C Faktoring A.Ş. acquired 89.92% of the Bank’s shares on 1 November 2002 in an auction from SDIF. Following the acquisition, the name of the Bank was changed as C Kredi ve Kalkınma Bankası A.Ş. and the share capital was increased to TL 47,500. C Faktoring A.Ş. and its nominees increased their shareholding to 100% by share capital increases and by purchasing other third party minority shareholders’ shares.

Negotiations of the new shareholding structure of the Bank which began in 2005 were finalised and a final share subscription agreement was signed on 13 December 2005. Under this agreement, Bank Hapoalim B.M. (“Bank Hapoalim”), Israel’s leading financial group and the largest bank, was to acquire a 57.55% stake in BankPozitif by means of a capital injection to be made through Tarshish-Hapoalim Holdings and Investments Ltd. (“Tarshish”), a wholly-owned subsidiary of Bank Hapoalim.

On 23 December 2005, the name of the Bank was changed as Bankpozitif Kredi ve Kalkınma Bankası A.Ş. Legal approvals have been obtained from Israeli and Turkish authorities in 2006 and Extraordinary General Assembly of the Bank was convened on 31 October 2006 concerning the new partnership.

At the Extraordinary General Assembly meeting held on 31 October 2006, the Bank’s share capital was increased by TL 64,396 to TL 111,896 and the share premium amount for the new issued shares paid by Tarshish was decided to be equal to TL 70,701. At the Extraordinary General Assembly meeting held on 25 January 2007, 17 December 2007 and 25 March 2008,, the Bank’s share capital was increased from TL 111,896 to TL 337,392, respectively. The share premium amount to be paid by Tarshish for newly issued shares was TL 20,121.

Tarshish acquired 4.825% shares of BankPozitif from C Faktoring A.Ş. on 7 April 2009. After the acquisition of additional shares from C Faktoring A.Ş., Tarshish’s share in BankPozitif increased to 69.83%.

As at 30 June 2011, 69.83% (31 December 2010 – 69.83%) of the shares of the Bank belong to Tarshish and are controlled by Bank Hapoalim and 30.17% (31 December 2010 – 30.17%) of the shares belong to C Faktoring A.Ş.

The registered head office address of the Bank is located at Rüzgarlıbahçe Mah. Kayın Sok. No: 3 Yesa Blokları Kavacık 34805 Beykoz – Istanbul / Turkey.

# **BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ**

## **Notes to the Condensed Consolidated Interim Financial Statements**

**As at and for the period ended 30 June 2011**

(Currency - In thousands of Turkish Lira)

### **1. Corporate information (continued)**

#### **Nature of activities of the Bank / Group**

The Bank carries out its activities as corporate and retail banking. The Bank's corporate services mainly include corporate lending, project finance, trade finance and financial leasing. In retail banking, the Bank mainly provides retail lending products such as mortgages, home equity, vehicle and consumer loans to its customers. Apart from lending business, the Bank provides insurance and investment products to its customers. As a non-deposit taking bank, the Bank borrows funds from financial markets and from its counterparties. The Bank's subsidiary; Joint Stock Company BankPozitiv Kazakhstan ("JSC BankPozitiv") is entitled to accept deposit from public. Any deposit related financial information is solely results of the operation of JSC BankPozitiv.

JSC BankPozitiv is a commercial bank and provides general banking services to its clients, accepts deposit, grants cash and non-cash loans, provides broker/dealer services, cash payment and other banking services for its commercial and retail customers through its head office and three branches located in Kazakhstan. On 10 March 2011 and on 24 June 2011, the JSC BankPozitiv's share capital was increased by full KZT 2,555,000,000 (USD full 17,563,759) and full KZT 2,755,000,000 (USD full 18,863,403), respectively.

C Bilişim Teknolojileri ve Telekomünikasyon Hizmetleri A.Ş. ("C Bilişim") is specialised in software development and provides other technological support services to the financial sector including the Bank and its subsidiaries.

Pratic İletişim ve Teknoloji Hizmetleri Ticaret Anonim Şirketi ("Pratic") is a dormant company. The Group's effective shareholding in Pratic is 100% and it is carried at cost less impairment losses. Since Pratic is not operating; the financial statements of Pratic was not included to the accompanying condensed consolidated interim financial statements.

As at 30 June 2011, the Bank provides services through its head office and one branch. As at 30 June 2011, the number of employees for the Bank and its consolidated subsidiaries are 275 and 231 respectively (31 December 2010 – 288 and 238).

For the purposes of the condensed consolidated interim financial statements, the Bank and its consolidated subsidiaries are referred to as "the Group".

The subsidiaries included in consolidation and effective shareholding percentages of the Group at 30 June 2011 and 31 December 2010 are as follows:

	<b>Place of incorporation</b>	<b>Principal activities</b>	<b>Effective shareholding and voting rights (%)</b>	
			<b>30 June 2011</b>	<b>31 December 2010</b>
C Bilişim	Istanbul/Turkey	Software development and technology	100	100
JSC BankPozitiv	Almaty/Kazakhstan	Commercial banking activities	100	100

Pozitif Menkul Değerler A.Ş. (Pozitif Menkul) was classified as discontinued operations as at 31 December 2010 and sale process of Pozitif Menkul was finalized on 21 February 2011.

# **BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ**

## **Notes to the Condensed Consolidated Interim Financial Statements**

**As at and for the period ended 30 June 2011**

*(Currency - In thousands of Turkish Lira)*

### **2. Basis of preparation**

#### **2.1 Statement of compliance**

The condensed consolidated interim financial statements as at 30 June 2011 have been prepared in accordance with International Financial Reporting Standard (“IFRS”) IAS 34 Interim Financial Reporting. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 December 2010.

The Bank and its subsidiaries which are incorporated in Turkey maintain their books of account and prepare their statutory financial statements in accordance with the regulations on accounting and reporting framework and accounting standards which are determined by the provisions of Turkish Banking Law, accounting standards promulgated by the Capital Markets Board of Turkey, Turkish Commercial Code and Tax Legislation. The Bank’s foreign subsidiary maintains its books of account and prepares its statutory financial statements in its local currencies and in accordance with the regulations of the country in which it operates.

The condensed consolidated interim financial statements have been prepared from statutory financial statements of the Bank and its subsidiaries and presented in accordance with IFRS in Turkish Lira (“TL”) with adjustments and certain reclassifications for the purpose of fair presentation in accordance with IFRS. Such adjustments mainly comprise effects of restatement for the changes in the general purchasing power of TL until 31 December 2005, consolidation of subsidiaries and deferred taxation.

The condensed consolidated interim financial statements as at 30 June 2011 of the Bank are authorised for issue by the management on 15 August 2011. The General Assembly and certain regulatory bodies have the power to amend the statutory financial statements after issue.

#### **2.2 Basis of measurement**

The condensed consolidated interim financial statements have been prepared on the historical cost basis except for the following:

- derivative financial instruments are measured at fair value
- trading assets at fair value
- available-for-sale financial assets are measured at fair value

#### **2.3 Functional and presentation currency**

These condensed consolidated interim financial statements are presented in TL, which is the Bank’s functional currency. Except as indicated, financial information presented in TL has been rounded to the nearest thousand.

The restatement for the changes in the general purchasing power of TL until 31 December 2005 is based on International Accounting Standard 29 – Financial Reporting in Hyperinflationary Economies (“IAS 29”). IAS 29 requires that financial statements prepared in the currency of a hyperinflationary economy be stated in terms of the measuring unit current at the reporting date and the corresponding figures for previous year be restated in the same terms.

IAS 29 describes the characteristics that may indicate that an economy is hyperinflationary. However, it concludes that it is a matter of judgement when restatement of financial statements becomes necessary. After experiencing hyperinflation in Turkey for many years, as a result of the new economic program, which was launched in late 2001, the three-year cumulative inflation rate dropped below 100% in October 2004. Based on these considerations, restatement pursuant to IAS 29 has been applied until 31 December 2005 and Turkey ceased to be hyperinflationary effective from 1 January 2006.

# **BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ**

## **Notes to the Condensed Consolidated Interim Financial Statements**

**As at and for the period ended 30 June 2011**

*(Currency - In thousands of Turkish Lira)*

### **2. Basis of preparation (continued)**

#### **2.3 Functional and presentation currency (continued)**

Restatement of statement of financial position and income statement items through the use of a general price index and relevant conversion factors does not necessarily mean that the Group could realise or settle the same values of assets and liabilities as indicated in the condensed consolidated interim statement of financial position. Similarly, it does not necessarily mean that the Group could return or settle the same values of equity to its shareholders.

#### **2.4 Use of estimates and judgements**

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the condensed consolidated interim financial statements are as follows;

#### **Key sources of estimation uncertainty**

##### *Impairment of available-for-sale equity instruments*

The Group determines that available-for-sale equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgement. In addition, impairment may be appropriate when there is evidence of deterioration in the financial performance of the investee, industry or sector performance, changes in technology and operational and financing cash flows.

##### *Impairment of goodwill*

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 30 June 2011 was TL 39,971 (31 December 2010 – TL 37,906).

##### *Allowances for credit losses*

The Group reviews its loan portfolio to assess impairment on a continuous basis. In determining whether an impairment loss should be recorded in the income statement, the Group makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans and individual loans. All loans with principal and/or interest overdue for more than 90 days are considered as impaired and individually assessed. Other evidence for impairment may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group. Impairment and uncollectibility are measured and recognised individually for loans and receivables that are individually significant, and on a portfolio basis for a group of similar loans and receivables that are not individually identified as impaired. Total carrying value of such loans, advances and finance lease receivables as at 30 June 2011 is TL 1,417,506 (31 December 2010 – TL 1,174,683) net of impairment allowance of TL 59,943 (31 December 2010 – TL 55,189).

## **BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ**

### **Notes to the Condensed Consolidated Interim Financial Statements**

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#### **2. Basis of preparation (continued)**

#### **2.4 Use of estimates and judgements (continued)**

##### **Key sources of estimation uncertainty (continued)**

###### *Determining fair values*

The fair values of financial instruments that are not quoted in active markets are determined by using valuation techniques. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the Group uses that technique. To the extent practical models use only observable data; however, areas such as credit risk, volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect reported fair value of financial instruments. As at 30 June 2011, the carrying amount of derivative financial instrument assets TL 19,083 (31 December 2010 – TL 29,624) and the carrying amount of derivative financial instrument liabilities is TL 38,613 (31 December 2010 – TL 21,384).

###### *Income taxes*

The Group is subject to income taxes in Turkey and in Kazakhstan. Significant estimates are required in determining the provision for income taxes. Where there are matters the final tax outcome of which is different from the amounts initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. As at 30 June 2011, the Group has net income taxes payable amounting to TL 2,033 (31 December 2010 – TL 2,968).

Management records deferred tax assets to the extent that it is probable that sufficient taxable profits will be available to allow all or part of the deferred tax assets to be utilised. The recoverability of the deferred tax assets is reviewed regularly. As at 30 June 2011, the Group carries a net deferred tax assets amounting to TL 4,775 (31 December 2010 – TL 72, deferred tax liabilities).

###### *Employee termination benefits*

In accordance with existing social legislation in Turkey, companies in Turkey are required to make lump-sum payments to employees upon termination of their employment based on certain conditions. In calculating the related liability to be recorded in the financial statements for these defined benefit plans, the Group makes assumptions and estimations relating to the discount rate to be used, turnover of employees, future change in salaries/limits, etc. The carrying value of employee termination benefit provisions as at 30 June 2011 is TL 147 (31 December 2010 – TL 182).

#### **Critical accounting judgements in applying the Group's accounting policies**

Critical accounting judgements made in applying the Group's accounting policies include:

##### *Financial asset and liability classification*

The Group's accounting policies provide scope for assets and liabilities to be designated on inception into different accounting categories in certain circumstances:

In classifying financial assets and liabilities as "trading", the Group has determined that it meets the description of trading assets and liabilities set out in accounting policy 3.10.

# **BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ**

## **Notes to the Condensed Consolidated Interim Financial Statements**

**As at and for the period ended 30 June 2011**

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### **3. Significant accounting policies**

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities.

#### **3.1 Basis of consolidation**

##### ***i) Subsidiaries***

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. The financial statements of subsidiaries are included in the condensed consolidated interim financial statements from the date that control commences until the date that control ceases.

The purchase method of accounting is used for acquired businesses. The purchase method of accounting involves allocating the cost of the business combination to the fair value of assets acquired and liabilities and contingent liabilities assumed at the date of acquisition. The excess of the cost of acquisition over the fair value of Group's share of the identifiable net assets acquired is recorded as goodwill. There is no negative goodwill recognised by the Group.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent Bank, using consistent accounting policies.

##### ***(ii) Transactions eliminated on consolidation***

Intra-group balances, and any unrealised income and expenses arising from intra-group transactions, are eliminated in the preparation of the condensed consolidated interim financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

#### **3.2 Foreign currency**

##### ***i) Foreign currency transactions***

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments or a financial liability designated as a hedge of the net investment in a foreign operation (see (iii) below).

**BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ****Notes to the Condensed Consolidated Interim Financial Statements****As at and for the period ended 30 June 2011***(Currency - In thousands of Turkish Lira)***3. Significant accounting policies (continued)****3.2 Foreign currency (continued)****i) Foreign currency transactions (continued)**

Foreign currency translation rates used by the Group are as follows:

	USD / TL (full)	EUR / TL (full)	USD / KZT (full)
30 June 2010	1.5747	1.9217	147.55
31 December 2010	1.5460	2.0491	147.50
30 June 2011	1.6302	2.3492	145.83

**ii) Foreign operations**

The asset and liabilities of foreign subsidiary are translated into presentation currency of the Group at the rate of exchange ruling at the reporting date. The income statement of foreign subsidiary is translated at the weighted average exchange rates after the acquisition date. On consolidation exchange differences arising from the translation of the net investment in foreign entity are included in equity as currency translation differences.

Foreign currency differences, arising from foreign subsidiary, are recognised in other comprehensive income, under the foreign currency translation reserve. When a foreign operation is disposed of, in part or in full, the relevant amount in the foreign currency translation reserve is transferred to profit or loss, as part of the profit or loss on disposal.

**iii) Hedge of net investment in foreign operation**

When a derivative (or a non-derivative financial liability) is designated as a hedge of a net investment in a foreign operation, the effective portion of changes in the fair value of the hedging instrument is recognised in other comprehensive income, under the foreign currency translation reserve. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss. The amount recognised in other comprehensive income is removed and included in condensed consolidated interim income statement of income on disposal of the foreign operation.

**3.3 Interest**

Interest income and expense are recognised in the condensed consolidated interim statement of income using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. The effective interest rate is established on initial recognition of the financial asset and liability and is not revised subsequently.

When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts.

Any interest income and expense arising from currency swaps, cross currency swaps, futures and interest rate cap/floor agreements is presented as other interest income and expense in the accompanying condensed consolidated interim financial statements.

# **BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ**

## **Notes to the Condensed Consolidated Interim Financial Statements**

**As at and for the period ended 30 June 2011**

*(Currency - In thousands of Turkish Lira)*

### **3. Significant accounting policies *(continued)***

#### **3.4 Fees and commission**

Fees and commissions are generally recognised on an accrual basis when the service has been provided. Loan commitment fees for loans that are likely to be drawn down are deferred (together with related direct costs) and recognised as an adjustment to the effective interest rate of the loan. Commission and fees arising from negotiating or participating in the negotiation of a transaction for a third party are recognised on completion of the underlying transaction.

Fee for bank transfers and other banking transaction services are recorded as income when collected.

#### **3.5 Net trading income**

Net trading income comprises gains less loss related to trading assets and liabilities, and includes all realised and unrealised fair value changes and interest. Any realised or unrealised fair value changes and interest of non-qualifying derivatives, held for risk management purposes, are recorded as foreign exchange gain.

#### **3.6 Dividends**

Dividends are recognised when the shareholders' right to receive the payments is established.

#### **3.7 Income tax expense**

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the condensed consolidated interim statement of income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in other comprehensive income.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Deferred tax assets are recognised for all deductible temporary differences, carry-forward of 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 losses can be utilised.

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

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

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.



# **BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ**

## **Notes to the Condensed Consolidated Interim Financial Statements**

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### **3. Significant accounting policies (continued)**

#### **3.8 Financial assets and liabilities**

##### *Recognition*

The Group recognises a financial asset or financial liability in its statement of financial position when and only when it becomes a party to the contractual provisions of the instrument.

##### *Derecognition*

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

The Group does not have any assets where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset that is recognised to the extent of the Group's continuing involvement in the asset.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

When an existing liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the condensed consolidated interim statement of income.

The Group enters into transactions whereby it transfers assets recognised on its statement of financial position, but retains either all risks or rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised from the statement of financial position. Transfers of assets with retention of all or substantially all risks and rewards include, for example, securities lending and repurchase transactions.

##### *Offsetting*

Financial assets and liabilities are offset and the net amount presented in the condensed consolidated interim statement of financial position when, and only when, the Group has a legal right to set off the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted by the accounting standards, or for gains and losses arising from a group of similar transactions such as in the Group's trading activity.

##### *Amortised cost measurement*

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

##### *Fair value measurement*

The determination of fair values of financial assets and financial liabilities is based on quoted market prices or dealer price quotations for financial instruments traded in active markets. For all other financial instruments fair value is determined by using valuation techniques. Valuation techniques include net present value techniques, the discounted cash flow method, comparison to similar instruments for which market observable prices exist, and valuation models. The Group uses widely recognised valuation models for determining the fair value of common and more simple financial instruments like interest rate and currency swaps. For these financial instruments, inputs into models are market observable.

# **BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ**

## **Notes to the Condensed Consolidated Interim Financial Statements**

**As at and for the period ended 30 June 2011**

*(Currency - In thousands of Turkish Lira)*

### **3. Significant accounting policies *(continued)***

#### **3.8 Financial assets and liabilities *(continued)***

##### *Derivative financial instruments*

The Group enters into transactions with derivative instruments including forwards, swaps and interest rate cap/floor agreements in the foreign exchange and capital markets. Most of these derivative transactions are considered as effective economic hedges under the Group's risk management policies; however, since they do not qualify for hedge accounting under the specific provisions of International Accounting Standard 39 – Financial instruments: Recognition and measurement ("IAS 39"), they are treated as derivatives held for trading. Derivative financial instruments are initially recognised at fair value on the date which a derivative contract is entered into and subsequently remeasured at fair value. Any gains or losses arising from changes in fair value on derivatives that do not qualify for hedge accounting are recognised in condensed consolidated interim statement of income.

Fair values are obtained from quoted market prices in active markets, including recent market transactions, to the extent publicly available, and valuation techniques, including discounted cash flow models and options pricing models as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

##### *Identification and measurement of impairment*

At each reporting date the Group assesses whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired. Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset, and that the loss event has an impact on the future cash flows on the asset that can be estimated reliably.

The Group considers evidence of impairment at both a specific asset and collective level. All individually significant financial assets are assessed for specific impairment. All significant assets found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are then collectively assessed for impairment by grouping together financial assets (carried at amortised cost) with similar risk characteristics.

Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Group about the following loss events

- significant financial difficulty of the issuer or obligor;
- a breach of contract, such as a default or delinquency in interest or principal payments by more than 90 days;
- the Group granting to the borrower, for economic or legal reasons relating to the borrower's financial difficulty, a concession that the lender would not otherwise consider;
- it becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:
  - adverse changes in the payment status of borrowers; or
  - national or local economic conditions that correlate with defaults on the assets in the group

# **BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ**

## **Notes to the Condensed Consolidated Interim Financial Statements**

**As at and for the period ended 30 June 2011**

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### **3. Significant accounting policies (continued)**

#### **3.8 Financial assets and liabilities (continued)**

##### *Identification and measurement of impairment (continued)*

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on loans and advances carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the assets's carrying amount and estimated recoverable amount. The carrying amount of the asset is reduced through use of an allowance account. Losses are recognised in profit or loss and reflected in an allowance account against loans and advances.

When a subsequent event causes the amount of impairment loss to decrease, the impairment loss is reversed through profit or loss.

Impairment losses on available-for-sale investment securities are recognised by transferring the difference between the amortised acquisition cost and current fair value out of equity to profit or loss.

When a subsequent event causes the amount of impairment loss on an available-for-sale debt security to decrease, the impairment loss is reversed through profit or loss.

However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised directly in other comprehensive income. Changes in impairment provisions attributable to time value are reflected as a component of interest income.

A write off is made when all or part of a loan is deemed uncollectible or in the case of debt forgiveness. Such loans are written off after all the necessary legal and regulatory procedures have been completed and the amount of the loss has been determined. Write offs are charged against previously established allowances and reduce the principal amount of a loan. Subsequent recoveries of amounts written off are included in the condensed consolidated interim statement of income.

##### *Repurchase and resale transactions*

The Group enters into sales of securities under agreements to repurchase such securities. Such securities, which have been sold subject to a repurchase agreement ('repos'), continue to be recognised in the statement of financial position and are measured in accordance with the accounting policy of the security portfolio which they are part of. Securities sold subject to repurchase agreements ('repos') are reclassified in the condensed consolidated interim financial statements as loaned securities when the transferee has the right by contract or custom to sell or repledge the collateral. The counterparty liability for amounts received under these agreements is included in other money market deposits. The difference between sale and repurchase price is treated as interest expense and accrued over the life of the repurchase agreements using effective interest method.

Securities purchased with a corresponding commitment to resell at a specified future date ('reverse repos') are not recognised in the condensed consolidated interim statement of financial position, as the Group does not obtain control over the assets. Amounts paid under these agreements are included in other money market placements. The difference between purchase and resale price is treated as interest income and accrued over the life of the reverse repurchase agreement using effective interest method.

# **BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ**

## **Notes to the Condensed Consolidated Interim Financial Statements**

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### **3. Significant accounting policies (continued)**

#### **3.9 Cash and cash equivalents**

Cash and cash equivalents include notes and coins on hand, unrestricted balances held with central banks and highly liquid financial assets with original maturities of less than three months, which are subject to insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments.

Cash and cash equivalents are carried at amortised cost in the condensed consolidated interim statement of financial position.

#### **3.10 Trading assets and liabilities**

Trading assets and liabilities are those assets and liabilities that the Group acquires or incurs principally for the purpose of selling or repurchasing in the near term, or holds as part of a portfolio that is managed together for short-term profit or position taking.

Trading assets and liabilities are initially recognised and subsequently measured at fair value in the condensed consolidated interim statement of financial position with transaction costs taken directly to condensed consolidated interim statement of income. All changes in fair value are recognised as part of net trading income in condensed consolidated interim statement of income. The group did not reclassify any trading assets and liabilities subsequent to their initial recognition.

#### **3.11 Due from banks and financial institutions and loans and advances to customers**

“Due from banks and financial institutions” and “Loans and advances to customers” are financial assets with fixed or determinable payments and fixed maturities that are not quoted in active market. They are not entered into with the intention of immediate or short-term resale and are not classified as “Financial assets held for trading”, designated as “Financial investment – available-for-sale” or “Financial assets designated at fair value through profit or loss”. After initial measurement, amounts due from banks and financial institutions and loans and advances to customers are subsequently measured at amortised cost using the effective interest rate method, less allowance for impairment. The amortisation is included in “Interest income” in the condensed consolidated interim income statement. The losses arising from impairment are recognised in the condensed consolidated interim statement of income in “Net impairment loss on financial assets”.

#### **3.12 Investment securities**

Investment securities are initially measured at fair value plus incremental direct transaction costs and subsequently accounted for depending on their classification as either held-to-maturity, fair value through profit or loss, or available-for-sale.

##### *Held-to-maturity*

Held-to-maturity securities are financial assets with fixed maturities that the Group has the intent and ability to hold until maturity. Investment securities held-to-maturity are initially recognised at cost. Investment securities held-to-maturity are accounted for by using a discounting method based on internal rate of return applied on the net investment amounts after the deduction of provision for impairments. Interest earned on held-to-maturity securities are recognised as interest income and reflected in the consolidated statement of income.

The Parent Bank has sold a significant portion of its securities classified in held-to-maturity portfolio before their maturity in 2010 and accordingly the Group has reclassified all securities in held-to-maturity portfolio as available-for-sale securities. The Group will not be able to classify any financial assets as held-to-maturity for the following two financial years.

##### *Fair value through profit or loss*

As at 30 June 2011, the Group does not have any investment securities at fair value through profit or loss (31 December 2010 – none).

# **BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ**

## **Notes to the Condensed Consolidated Interim Financial Statements**

**As at and for the period ended 30 June 2011**

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### **3. Significant accounting policies (continued)**

#### **3.12 Investment securities (continued)**

##### *Available-for-sale financial investments*

Available-for-sale investments are non-derivative investments that are not designated as another category of financial assets. Unquoted equity securities whose fair value cannot be reliably measured are carried at cost. All other available-for-sale investments are carried at fair value. Unrealised gains and losses are recognised directly in equity in the “Available-for-sale reserve”.

Interest income is recognised in condensed consolidated interim statement of income using the effective interest method. Dividend income is recognised in profit or loss when the Group becomes entitled to the dividend. Foreign exchange gains or losses on available-for-sale debt security investments are recognised in the condensed consolidated interim statement of income.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the condensed consolidated interim statement of income, is transferred from condensed consolidated statement of other comprehensive income to the condensed consolidated statement of income. Reversals in respect of equity instruments classified as available-for-sale are not recognised in the condensed consolidated interim statement of income. Reversals of impairment losses on debt instruments are reversed through the condensed consolidated interim statement of income; if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognised in the condensed consolidated interim statement of income.

Other fair value changes are recognised directly in condensed consolidated statement of other comprehensive income until the investment is sold or impaired and the balance in condensed consolidated statement of other comprehensive income is recognised in condensed consolidated interim statement of income.

#### **3.13 Property and equipment**

##### *Recognition and measurement*

Items of property and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located.

##### *Subsequent costs*

The cost of replacing part of an item of property or equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as incurred.

# **BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ**

## **Notes to the Condensed Consolidated Interim Financial Statements**

**As at and for the period ended 30 June 2011**

*(Currency - In thousands of Turkish Lira)*

### **3. Significant accounting policies (continued)**

#### **3.13 Property and equipment (continued)**

##### *Depreciation*

Depreciation is recognised in the condensed consolidated interim statement of income on a straight-line basis over the estimated useful lives of each part of an item of property and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated. The estimated useful lives are assigned accordance with the existing statutory tax law.

The estimated useful lives for the current and comparative periods are as follows:

▪ buildings	50 years
▪ office equipment, furniture and fixtures	4-10 years
▪ motor vehicles	5-6 years

Leasehold improvements are depreciated on a straight-line method over a period of time of their lease contract.

Depreciation methods, useful lives and residual values are reassessed at the reporting date.

#### **3.14 Intangible assets**

##### *i) Goodwill*

Goodwill arises on the acquisition of subsidiaries or businesses.

Goodwill represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess is negative (negative goodwill), it is recognised immediately in condensed consolidated interim statement of income.

##### *Subsequent measurement*

Goodwill is measured at cost less accumulated impairment losses.

##### *ii) Software*

Software acquired by the Group is stated at cost less accumulated amortisation and accumulated impairment losses.

Expenditure on internally developed software is recognised as an asset when the Group is able to demonstrate its intention and ability to complete the development and use the software in a manner that will generate future economic benefits, and can reliably measure the costs to complete the development. The capitalised costs of internally developed software include all costs directly attributable to developing the software, and are amortised over its useful life. Internally developed software is stated at capitalised cost less accumulated amortisation and impairment.

Subsequent expenditure on software assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Amortisation is recognised in condensed consolidated interim statement of income on a straight-line basis over the estimated useful life of the software, from the date that it is available for use. The estimate useful lives of software are three to fifteen years and are assigned accordance with the existing statutory tax law.

#### **3.15 Assets held for sale**

Assets classified as held for sale are measured at the lower of carrying value and fair value less costs to sell.

# **BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ**

## **Notes to the Condensed Consolidated Interim Financial Statements**

**As at and for the period ended 30 June 2011**

*(Currency - In thousands of Turkish Lira)*

### **3. Significant accounting policies (continued)**

#### **3.16 Leases**

##### **The Group as lessee**

###### ***Operating leases***

Leases where the lessor retains substantially all the risks and benefits of ownership of the assets are classified as operating leases. Operating lease payments are recognised as an expense in the condensed consolidated interim statement of income on a straight-line basis over the lease term.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

###### ***Finance leases***

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased item or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability.

Finance charges are charged directly against income. Capitalised leased assets are depreciated over the estimated useful life of the asset.

##### **The Group as lessor**

###### ***Finance leases***

The Group presents leased assets as a receivable equal to the net investment in the lease. Finance income is based on a pattern reflecting a constant periodic rate of return on the net investment outstanding. Initial direct costs are included in the initial measurement of the finance lease receivable and reduce the amount of income recognised over the lease term.

#### **3.17 Impairment of non-financial assets**

The carrying amounts of the Group's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. The recoverable amount of goodwill is estimated at each reporting date.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in condensed consolidated interim statement of income. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

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

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

# **BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ**

## **Notes to the Condensed Consolidated Interim Financial Statements**

**As at and for the period ended 30 June 2011**

*(Currency - In thousands of Turkish Lira)*

### **3. Significant accounting policies *(continued)***

#### **3.18 Deposits, funds borrowed and debt securities issued**

The Bank is not entitled to collect deposits. Its foreign subsidiary is entitled to collect deposit.

Deposits, funds borrowed and debt securities issued are initially measured at fair value plus transaction costs, and subsequently measured at their amortised cost using the effective interest method.

#### **3.19 Provisions**

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. 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.

A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating costs are not provided for.

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.

#### **3.20 Employee benefits**

##### ***(i) Reserve for employee severance payments***

In accordance with the existing social legislation in Turkey, the Group is required to make certain lump-sum payments to employees whose employment is terminated due to retirement or for reasons other than resignation or misconduct. Such payments are calculated on the basis of an agreed formula, are subject to certain upper limits and are recognised in the accompanying condensed consolidated financial statements as accrued. The reserve has been calculated by estimating the present value of the future obligation of the Group that may arise from the retirement of the employees.

##### ***(ii) Short-term benefits***

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A provision is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

##### ***(iii) Other benefits***

The bonus provision which was calculated on defined criteria and targets for the upper-management and employees presented as provision in the accompanying condensed consolidated financial statements.

#### **3.21 Fiduciary assets**

Assets held by the Group in a fiduciary, agency or custodian capacity for its customers are not included in the condensed consolidated interim statement of financial position, since such items are not treated as assets of the Group.



# **BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ**

## **Notes to the Condensed Consolidated Interim Financial Statements**

**As at and for the period ended 30 June 2011**

*(Currency - In thousands of Turkish Lira)*

### **3. Significant accounting policies *(continued)***

#### **3.22 New standards and interpretations not yet adopted**

A number of new standards, amendments to standards and interpretations which are not effective as of 30 June 2011 have not been applied in preparing these financial statements and are not expected to have any impact on the financial statements of the Group, with the exception of:

IFRS 9 – Financial Instruments which was published on 12 November 2009 as a part of a wider project that aims to bring new regulations to replace IAS 39 – Financial Instruments: Recognition and Measurement.

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

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

Amendments to IAS 1 - Presentation of Items of Other Comprehensive Income are effective for periods beginning on or after 1 July 2012. The amendments:

- require that an entity present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss;
- do not change the existing option to present profit or loss and other comprehensive income in two statements; and
- change the title of the statement of comprehensive income to the statement of profit or loss and other comprehensive income. However, an entity is still allowed to use other titles.

IFRS 13 - Fair Value Measurement replaces the fair value measurement guidance contained in individual IFRSs with a single source of fair value measurement guidance. It defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. It explains how to measure fair value when it is required or permitted by other IFRSs. It does not introduce new requirements to measure assets or liabilities at fair value, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards. An entity shall apply IFRS 13 for annual periods beginning on or after 1 January 2013

**BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ****Notes to the Condensed Consolidated Interim Financial Statements****As at and for the period ended 30 June 2011***(Currency - In thousands of Turkish Lira)***4. Discontinued operations**

On 23 June 2010, the Bank agreed with potential purchasers to sell 99% of the issued capital of Pozitif Menkul. Pozitif Menkul is classified as discontinued operations as at 31 December 2010 after the approval of share transfer by Capital Markets Board of Turkey on 17 January 2011. Purchase price of Pozitif Menkul was determined according to net asset value of Pozitif Menkul on 21 February 2011 and TL 427 loss was reflected as other expenses in the accompanying condensed consolidated interim financial statements.

**5. Taxation**

The Group is subject to taxation in accordance with the tax procedures and the legislation effective in Turkey and Kazakhstan.

In Turkey, corporate tax rate is 20%. The tax legislation provides for a temporary tax of 20% to be calculated and paid based on earnings generated for each quarter. The amounts which are calculated and paid are offset against the final corporate tax liability for the year.

Corporate tax losses can be carried forward for a maximum period of five years following the year in which the losses were incurred. The tax authorities can inspect tax returns and the related accounting records for a retrospective maximum period of five years. Corporate tax returns are required to be filed by the twenty-fifth day of the fourth month following the year-end reporting date and taxes must be paid in one instalment by the end of the fourth month.

In Turkey, the tax legislation does not permit a parent company and its subsidiaries to file a consolidated tax return. Therefore, provision for taxes, as reflected in the condensed consolidated interim financial position, has been calculated on a separate-entity basis.

As at 30 June 2011, the corporate tax rate for foreign subsidiary in Kazakhstan is 20% (31 December 2010 – 20%).

As at 30 June 2011 and 31 December 2010, prepaid income taxes are netted off with the current tax liability as stated below:

	<b>30 June 2011</b>	<b>31 December 2010</b>
Income tax liability	5,952	3,067
Prepaid income tax	(3,919)	(99)
<b>Income taxes payable</b>	<b>2,033</b>	<b>2,968</b>

**Income tax recognised in the income statement**

The components of income tax expense as stated below:

	<b>30 June 2011</b>	<b>30 June 2010</b>
<b>Current tax</b>		
Current income tax	(8,166)	(1,560)
<b>Deferred tax</b>		
Relating to origination and reversal of temporary differences	6,358	(2,899)
<b>Income tax expense reported in the income statement</b>	<b>(1,808)</b>	<b>(4,459)</b>

**BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ****Notes to the Condensed Consolidated Interim Financial Statements****As at and for the period ended 30 June 2011***(Currency - In thousands of Turkish Lira)***5. Taxation (continued)****Deferred tax**

Movement of net deferred tax assets can be presented as follows:

	<b>30 June 2011</b>	<b>31 December 2010</b>
Deferred tax assets / (liabilities), net at 1 January	(72)	4,504
Deferred tax recognised in the income statement	6,358	(3,845)
Deferred income tax recognised in equity	(1,655)	(467)
Exchange rate differences	144	73
Discontinued operations (Note 4)	-	(337)
<b>Deferred tax assets / (liabilities), net at the end of the period/year</b>	<b>4,775</b>	<b>(72)</b>

Reflected as:

	<b>30 June 2011</b>	<b>31 December 2010</b>
Deferred tax assets	4,775	2,164
Deferred tax liabilities	-	(2,236)

**6. Trading assets and liabilities**

	<b>30 June 2011</b>	<b>31 December 2010</b>
<b>Debt instruments</b>		
Turkish government bonds-TL denominated	2,111	2,149
<b>Derivative transactions</b>		
Derivative financial instruments	19,083	29,624
<b>Total trading assets</b>	<b>21,194</b>	<b>31,773</b>

As at 30 June 2011, effective interest rates of Turkish government bonds was 7.10% (31 December 2010 – 8.79% for government bonds).

In the ordinary course of business, the Group enters into various types of transactions that involve derivative financial instruments that include forwards, currency and interest rate swaps, futures, currency options and interest rate cap/floor agreements. A derivative financial instrument is a financial contract between two parties where payments are dependent upon movements in price in one or more underlying financial instruments, reference rates or indices.

**BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ****Notes to the Condensed Consolidated Interim Financial Statements****As at and for the period ended 30 June 2011***(Currency - In thousands of Turkish Lira)***6. Trading assets and liabilities (continued)**

The table below shows the favourable (assets) and unfavourable (liabilities) fair values of derivative financial instruments. The notional amount is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at period-end and are neither indicative of the market risk nor credit risk.

<b>30 June 2011</b>			
	<b>Fair value assets</b>	<b>Fair value liabilities</b>	<b>Notional amount in TL equivalent</b>
<b>Derivatives held for trading</b>			
Forward purchase contract	8	-	2,110
Forward sale contract	-	-	2,103
Currency swap purchase	13,223	638	531,641
Currency swap sale	5,852	37,968	544,849
Future purchase contract	-	7	7,271
Future sales contract	-	-	7,276
<b>Total derivatives held for trading</b>	<b>19,083</b>	<b>38,613</b>	<b>1,095,250</b>

  

<b>31 December 2010</b>			
	<b>Fair value assets</b>	<b>Fair value liabilities</b>	<b>Notional amount in TL equivalent</b>
<b>Derivatives held for trading</b>			
Forward purchase contract	6	7	5,143
Forward sale contract	15	-	5,131
Currency swap purchase	10,170	1,670	565,590
Currency swap sale	19,429	19,523	555,315
Future purchase contract	4	184	7,135
Future sales contract	-	-	7,311
<b>Total derivatives held for trading</b>	<b>29,624</b>	<b>21,384</b>	<b>1,145,625</b>

The Group undertakes all of its transactions in derivative financial instruments with banks and other financial institutions.

Notional amounts and contractual maturity analyses of derivative transactions are disclosed in Note 17.

**BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ****Notes to the Condensed Consolidated Interim Financial Statements****As at and for the period ended 30 June 2011***(Currency - In thousands of Turkish Lira)***7. Investment securities**

	<b>30 June 2011</b>	<b>31 December 2010</b>
Available-for-sale investment securities	117,251	108,008
	<b>117,251</b>	<b>108,008</b>

**Held-to-maturity investment securities**

The Parent Bank has sold a significant portion of its securities classified in held-to-maturity portfolio before their maturity in 2010 and accordingly the Group has reclassified all securities in held-to-maturity portfolio as available-for-sale securities. The Group will not be able to classify any financial assets as held-to-maturity for the following two financial years.

The movement in held-to-maturity investment securities is summarised as follows:

	<b>30 June 2011</b>	<b>31 December 2010</b>
Balance at 1 January	-	42,776
Disposals (sale and redemption)	-	(21,627)
Transfer to other portfolios	-	(14,883)
Change in interest accrual	-	(6,227)
Exchange rate differences	-	(39)
<b>Balance at the end of the period / year end</b>	<b>-</b>	<b>-</b>

**BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ****Notes to the Condensed Consolidated Interim Financial Statements****As at and for the period ended 30 June 2011***(Currency - In thousands of Turkish Lira)***7. Investment securities (continued)****Available-for-sale investment securities**

	<b>30 June 2011</b>		<b>31 December 2010</b>	
	<b>Amount</b>	<b>Effective interest rate</b>	<b>Amount</b>	<b>Effective interest rate</b>
<b>Available-for-sale investment securities at fair value</b>				
<b>Debt instruments</b>				
Turkish government bonds – TL denominated, net	67,029	12.75%	85,469	12.48%
- Gross amount	67,029		85,469	
- Impairment on government bonds	-		-	
Foreign government bonds – KZT denominated, net	38,402	1.50%	13,579	1.48%
- Gross amount	38,402		13,579	
- Impairment on government bonds	-		-	
Corporate bonds–USD, KZT denominated, net	11,746		8,888	
- Gross amount	11,746	9.25%-5.90%	8,888	9.25%-7.00%
- Impairment on corporate bonds	-		-	
<b>Total available-for-sale securities at fair value</b>	<b>117,177</b>		<b>107,936</b>	
<b>Available-for-sale investment securities at cost</b>				
Equity instruments – unlisted	74		72	
<b>Total available-for-sale securities</b>	<b>117,251</b>		<b>108,008</b>	

**Loaned securities**

Carrying value of available-for-sale and trading securities given as collateral under repurchase agreements which are classified as loaned securities and related liability are as follows:

	<b>30 June 2011</b>	<b>31 December 2010</b>
Loaned securities from available-for-sale securities	41,639	20,304
Loaned securities from trading securities	1,542	-
<b>Total loaned securities</b>	<b>43,181</b>	<b>20,304</b>
Related liability (Note 11)	41,928	19,751

Repurchase agreements mature within one month.

**BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ****Notes to the Condensed Consolidated Interim Financial Statements****As at and for the period ended 30 June 2011***(Currency - In thousands of Turkish Lira)***7. Investment securities (continued)****Available-for-sale investment securities (continued)**

As at 30 June 2011, TL denominated available-for-sale securities comprise Turkish Government floating rate notes ("FRN") and inflation indexed notes having a maturity range of September 2011 – January 2021. As at 30 June 2011, KZT denominated available-for-sale securities comprise a National Bank of the Republic of Kazakhstan bond and have a maturity of September 2011. As at 30 June 2011, USD and KZT denominated investment securities comprise corporate bonds with semi-annual coupon payments having maturity range of July 2012 and May 2012, respectively.

As at 30 June 2011, available-for-sale investment securities with carrying value of TL 57,991 (31 December 2010 - TL 44,879) are kept in the Central Bank of Turkey and Istanbul Stock Exchange Clearing and Custody Incorporation for legal requirements and as a guarantee for possible stock exchange and money market operations although they are not pledged.

Unlisted equity instruments classified as available-for-sale securities are below:

	<b>30 June 2011</b>	<b>31 December 2010</b>
Pratic	49	49
Common shares of Kazakhstan Stock Exchange	25	23
	<b>74</b>	<b>72</b>

The movement in available-for-sale investment securities (including loaned securities from available-for-sale securities) is summarised as follows:

	<b>30 June 2011</b>	<b>31 December 2010</b>
Balance at 1 January	128,312	70,330
Additions	51,912	108,911
Disposals (sale and redemption)	(21,482)	(73,886)
Transfer from other portfolios	-	14,883
Change in interest accrual	(1,262)	7,644
Exchange rate differences	1,410	529
Discontinued operations (Note 4)	-	(99)
<b>Balance at end of the period / year end</b>	<b>158,890</b>	<b>128,312</b>

**BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ****Notes to the Condensed Consolidated Interim Financial Statements****As at and for the period ended 30 June 2011***(Currency - In thousands of Turkish Lira)***8. Loans and advances to customers**

<b>30 June 2011</b>							
	<b>Amount</b>			<b>Total</b>	<b>Effective interest rate</b>		
	<b>Turkish Lira</b>	<b>Foreign currency</b>	<b>Foreign currency indexed</b>		<b>Turkish Lira</b>	<b>Foreign currency</b>	<b>Foreign currency indexed</b>
Corporate loans	150,515	783,697	212,182	1,146,394	13.30%	USD-7.31% EUR-7.33% KZT-12.94%	USD-7.22% EUR-7.64%
Consumer loans <sup>(1)</sup>	202,708	6,641	39,077	248,426	16.76%	USD-12.38% KZT-18.97%	USD-10.93% EUR-8.23% CHF-7.34% JPY-5.99% GBP-11.28%
<b>Total loans</b>	<b>353,223</b>	<b>790,338</b>	<b>251,259</b>	<b>1,394,820</b>			
Loans in arrears				80,003			
Less: Specific reserve for impairment				(43,227)			
Less: Portfolio reserve for impairment				(16,709)			
				<b>1,414,887</b>			

<sup>(1)</sup> Commercial installment loans amounting TL 1,790 is included in consumer loans.

<b>31 December 2010</b>							
	<b>Amount</b>			<b>Total</b>	<b>Effective interest rate</b>		
	<b>Turkish Lira</b>	<b>Foreign currency</b>	<b>Foreign currency indexed</b>		<b>Turkish Lira</b>	<b>Foreign currency</b>	<b>Foreign currency indexed</b>
Corporate loans	127,411	509,485	250,160	887,056	12.56%	USD-7.48% EUR-8.51% KZT-13.79%	USD-7.47% EUR-7.81%
Consumer loans <sup>(1)</sup>	208,330	8,470	42,822	259,622	17.32%	USD-12.49% KZT-19.16%	USD-10.82% EUR-8.13% CHF-7.47% JPY-5.96% GBP-11.28%
<b>Total loans</b>	<b>335,741</b>	<b>517,955</b>	<b>292,982</b>	<b>1,146,678</b>			
Loans in arrears				75,712			
Less: Specific reserve for impairment				(39,448)			
Less: Portfolio reserve for impairment				(15,734)			
				<b>1,167,208</b>			

<sup>(1)</sup> Commercial installment loans amounting TL 3,203 is included in consumer loans.

As at 30 June 2011, loans with floating rates are TL 303,419 (31 December 2010 – TL 225,852) and fixed interest rates are TL 1,091,401 (31 December 2010 – TL 920,826).



**BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ****Notes to the Condensed Consolidated Interim Financial Statements****As at and for the period ended 30 June 2011***(Currency - In thousands of Turkish Lira)***8. Loans and advances to customers (continued)**

Movements in non-performing loans (includes finance lease receivables):

	<b>30 June 2011</b>	<b>31 December 2010</b>
Non-performing loans at 1 January	75,809	72,634
Additions to non-performing loans	14,514	20,065
Recoveries	(9,973)	(16,531)
Transfers to performing loans	(943)	-
Write-offs	-	(570)
Exchange rate differences	699	211
<b>Non performing loans at the end of the period/year</b>	<b>80,106</b>	<b>75,809</b>

Movements in the reserve for possible loan losses (includes finance lease receivables):

	<b>30 June 2011</b>	<b>31 December 2010</b>
Reserve at the beginning of the period/year	55,189	48,491
Provision net of recoveries	4,029	6,806
- <i>Specific provision/(reversal) for loan impairment</i>	4,460	23,120
- <i>Portfolio provision/(reversal) for loan impairment</i>	769	(11,603)
- <i>Recoveries</i>	(1,200)	(4,711)
Loans written-off during the period/year	-	(538)
Exchange rate differences	725	430
<b>Reserve at the end of the period/year</b>	<b>59,943</b>	<b>55,189</b>

As at 30 June 2011, loans, advances and finance lease receivables on which interest is not being accrued, or where interest is suspended amounted to TL 80,106 (31 December 2010 – TL 75,809).

**BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ****Notes to the Condensed Consolidated Interim Financial Statements****As at and for the period ended 30 June 2011***(Currency - In thousands of Turkish Lira)***9. Finance lease receivables**

	<b>30 June 2011</b>	<b>31 December 2010</b>
Less than one year	2,475	5,853
Between one and five years	186	2,760
	-	
<b>Finance lease receivables, gross</b>	<b>2,661</b>	<b>8,613</b>
Less: Unearned future income on finance leases	(138)	(1,228)
<b>Net investment in finance leases</b>	<b>2,523</b>	<b>7,385</b>
Finance leases in arrears (Note 8)	103	97
Less: Reserve for impairment (Note 8)	(7)	(7)
Less: Portfolio reserve for impairment (Note 8)	-	-
<b>Finance lease receivables, net</b>	<b>2,619</b>	<b>7,475</b>

The net investment in finance leases comprises:

	<b>30 June 2011</b>	<b>31 December 2010</b>
Less than one year	2,351	5,191
Between one and five years	172	2,194
	<b>2,523</b>	<b>7,385</b>

As at 30 June 2011, TL 173 of net investment in finance leases is denominated in USD, TL 2,289 of net investment in finance leases is denominated in EUR and TL 61 of net investment in finance leases is denominated in KZT (31 December 2010 – TL 445, TL 4,892, TL 1,860 and TL 188 denominated in USD, EUR, TL and KZT, respectively).

As at 30 June 2011, the effective interest rate for finance lease receivables denominated in USD is 13.01% (31 December 2010 – 10.52%), in EUR 7.79% (31 December 2010 – 7.88%) and in KZT 16.00% (31 December 2010 – 16.00%).

As at 30 June 2011, finance lease receivables amounting to TL 2,062 (31 December 2010 – TL 4,850) have floating interest rate and remaining TL 461 (31 December 2010 – TL 2,535) have fixed interest rates.

**10. Property and equipment and intangible assets**

During the six-month period ended 30 June 2011, the Group acquired assets with a cost of TL 1,280 and disposed of certain of its property and equipment with a carrying amount of TL 43.

The carrying amount of goodwill at 30 June 2011 was TL 39,971 (31 December 2010 – TL 37,906).

# BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ

## Notes to the Condensed Consolidated Interim Financial Statements

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(Currency - In thousands of Turkish Lira)

### 11. Deposits

#### Deposits from other banks

	30 June 2011				31 December 2010			
	Amount		Effective interest rate		Amount		Effective interest rate	
	Turkish Lira	Foreign currency	Turkish Lira	Foreign currency	Turkish Lira	Foreign currency	Turkish Lira	Foreign currency
Demand	-	185	-	-	-	426	-	-
Time	-	1	-	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>186</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>426</b>	<b>-</b>	<b>-</b>

#### Customer deposits

	30 June 2011				31 December 2010			
	Amount		Effective interest rate		Amount		Effective interest rate	
	Turkish Lira	Foreign currency	Turkish Lira	Foreign currency	Turkish Lira	Foreign currency	Turkish Lira	Foreign currency
<b>Retail customers</b>								
Demand	-	4,578	-	-	-	6,653	-	-
Time	-	1,342	-	KZT-7.17% EUR-7.00% USD-4.58%	-	3,527	-	KZT-9.22% EUR-6.16% USD-4.96%
<b>Total</b>	<b>-</b>	<b>5,920</b>	<b>-</b>		<b>-</b>	<b>10,180</b>	<b>-</b>	
<b>Corporate customers</b>								
Demand	-	45,465	-	-	-	26,273	-	-
Time	-	5,667	-	KZT-6.00% USD-0.10%	-	57,450	-	KZT-1.63%
<b>Total</b>	<b>-</b>	<b>51,132</b>	<b>-</b>		<b>-</b>	<b>83,723</b>	<b>-</b>	
	<b>-</b>	<b>57,052</b>	<b>-</b>		<b>-</b>	<b>93,903</b>	<b>-</b>	

#### Other money market deposits

	30 June 2011				31 December 2010			
	Amount		Effective interest rate		Amount		Effective interest rate	
	Turkish Lira	Foreign currency	Turkish Lira	Foreign currency	Turkish Lira	Foreign currency	Turkish Lira	Foreign currency
<b>Obligations under repurchase agreements</b>								
Due to customers	41,928	-	4.70%	-	19,751	-	6.78%	-
Istanbul Stock Exchange Settlement and Custody	-	-	-	-	17,482	-	4.69%	-
<b>Total</b>	<b>41,928</b>	<b>-</b>			<b>37,233</b>	<b>-</b>		

As at 30 June 2011, other money market deposits of TL 41,928 (31 December 2010 – TL 37,233) have fixed interest rates.

# BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ

## Notes to the Condensed Consolidated Interim Financial Statements

As at and for the period ended 30 June 2011

(Currency - In thousands of Turkish Lira)

### 12. Funds borrowed

	30 June 2011				31 December 2010			
	Amount <sup>(1)</sup>		Effective interest rate		Amount <sup>(1)</sup>		Effective interest rate	
	Turkish Lira	Foreign currency	Turkish Lira	Foreign Currency	Turkish Lira	Foreign currency	Turkish Lira	Foreign currency
<b>Short-term</b>								
Fixed interest	15,352	60,310	7.72%	USD-2.86% EUR-1.26%	362	18,414	-	USD-2.69% EUR-0.52%
Floating interest	-	235,254	-	USD-2.70% EUR-3.90%	-	66,429	-	USD-3.03% EUR-3.72%
<b>Long-term</b>								
Fixed interest	-	737,583	-	USD-7.29% EUR-4.50%	-	678,713	-	USD-7.31% EUR-4.63%
Floating interest	-	81,513	-	USD-1.80% EUR-4.23%	-	40,183	-	USD-3.51% EUR-3.54%
<b>Total</b>	<b>15,352</b>	<b>1,114,660</b>			<b>362</b>	<b>803,739</b>		

<sup>(1)</sup> Based on original maturities.

Repayments of long term borrowing are as follows:

	30 June 2011		31 December 2010	
	Floating rate	Fixed rate	Floating rate	Fixed rate
2011	11,810	7,227	26,820	6,451
2012	53,712	249,039	9,755	214,028
2013	12,256	237,602	3,608	227,107
2014	830	243,715	-	231,127
Thereafter	2,905	-	-	-
<b>Total</b>	<b>81,513</b>	<b>737,583</b>	<b>40,183</b>	<b>678,713</b>

Floating rate borrowings have interest rate repricing periods of 1 to 6 months.

As at 30 June 2011 and 31 December 2010, funds borrowed are unsecured.

As at 30 June 2011 and 31 December 2010, the Group has not had any defaults of principal, interest or redemption amounts or other breaches of loan covenants.

### 13. Debt securities issued

	30 June 2011	31 December 2010
Debt securities issued at amortised cost	153,618	153,391
<b>Total</b>	<b>153,618</b>	<b>153,391</b>

Debt securities have a maturity of September 2011 and October 2013 with a 12.03% and a 10.08% of fixed interest rate, respectively. Securities are issued in accordance with the regulation of Capital Markets Board of Turkey and TL 100 million nominal bond is being traded at Bond and Bill Markets of Istanbul Stock Exchange.

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	<b>30 June 2011</b>	<b>31 December 2010</b>
<b>Number of common shares</b> , TL 0.1 (in full TL), par value (Authorised and issued)	3,372,923,500	3,372,923,500

**Share capital and share premium**

As at 30 June 2011 and 31 December 2010, the composition of shareholders and their respective percentage of ownership are summarised as follows:

	<b>30 June 2011</b>		<b>31 December 2010</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
Tarshish	235,515	69.83	235,515	69.83
C Faktoring A.Ş.	101,777	30.17	101,777	30.17
	<b>337,292</b>	<b>100.00</b>	<b>337,292</b>	<b>100.00</b>
Share premium	20,121		20,121	
Restatement effect	21,701		21,701	
<b>Share capital and share premium</b>	<b>379,114</b>		<b>379,114</b>	

There are no rights, preferences and restrictions on the distribution of dividends and the repayment of capital.

**Legal reserves**

The legal reserves consist of first and second legal reserves in accordance with the Turkish Commercial Code. The first legal reserve is appropriated out of the statutory profits at the rate of 5%, until the total reserve reaches a maximum of 20% of the entity's share capital. The second legal reserve is appropriated at the rate of 10% of all distributions in excess of 5% of the entity's share capital. The first and second legal reserves are not available for distribution unless they exceed 50% of the share capital, but may be used to absorb losses in the event that the general reserve is exhausted.

**BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ****Notes to the Condensed Consolidated Interim Financial Statements****As at and for the period ended 30 June 2011***(Currency - In thousands of Turkish Lira)***14. Capital and reserves (continued)****Other reserves**

Movement in other reserves are as follows:

	<b>Available- for-sale reserve</b>	<b>Foreign currency translation reserve</b>	<b>Total</b>
At 1 January 2010	(400)	(10,862)	(11,262)
Net unrealised loss on available-for-sale financial investments	3,748	-	3,748
Foreign currency translation	-	(273)	(273)
<b>At 31 December 2010</b>	<b>3,348</b>	<b>(11,135)</b>	<b>(7,787)</b>
At 1 January 2011	3,348	(11,135)	(7,787)
Net unrealised gains on available-for-sale financial investments	(2,201)	-	(2,201)
Foreign currency translation	-	(495)	(495)
<b>At 30 June 2011</b>	<b>1,147</b>	<b>(11,630)</b>	<b>(10,483)</b>

**Available-for-sale reserve**

The available-for-sale reserve includes the cumulative net change in the fair value of available-for-sale investment securities until the investment is derecognised or impaired.

**Foreign currency translation reserve**

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations as well as from the translation of liabilities that hedge the Bank's net investment in foreign operations.

**Dividends**

The Group did not pay dividends out of the profits for 2010 as at 30 June 2011.

In accordance with the approval of BRSA dated 26 July 2011 and numbered B.02.1.BDK.0.12.00.00.81/1-17388, the Bank plans to distribute dividend to its shareholders amounting to TL 4,084 with the decision of Extraordinary General Assembly on 16 August 2011.

**BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ****Notes to the Condensed Consolidated Interim Financial Statements****As at and for the period ended 30 June 2011***(Currency - In thousands of Turkish Lira)***15. Related parties**

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making the financial and operating decisions. The Group is controlled by Bank Hapoalim and C Faktoring A.Ş. which owns 69.83% and 30.17% of ordinary shares, respectively (31 December 2010 – 69.83% and 30.17%, respectively). The ultimate controlling shareholder of the Group is Bank Hapoalim. For the purpose of these condensed consolidated interim financial statements, unconsolidated subsidiaries, shareholders, and companies controlled by Bank Hapoalim and C Faktoring A.Ş. are referred to as related parties.

In the course of conducting its banking business, the Group conducted various business transactions with related parties. These include loans, customer accounts, funds borrowed and non-cash transactions. These are all commercial transactions and realised on an arms-length basis. The volumes of related party transactions, outstanding balances at period-end and relating expense and income for the period are as follows:

	Shareholders		Directors and key management personnel		Others	
	2011	2010	2011	2010	2011	2010
<b>Loans</b>						
At 1 January	-	4,291	-	-	-	-
At end of the period/year	-	-	-	-	-	-
Interest income	-	256	-	-	-	-

As at 30 June 2011, no provisions have been recognised in respect of loans given to related parties (31 December 2010 – none).

	Shareholders		Directors and key management personnel		Others	
	2011	2010	2011	2010	2011	2010
<b>Funds borrowed</b>						
At 1 January	-	82,910	-	-	69,966	117,669
At end of the period/year	130,599	-	-	-	126,585	69,966
Interest expense	956	708	-	-	1,690	2,107

Other balances with related parties:

		Due from banks	Deposits	Finance lease receivables	Other assets	Other liabilities	Non-cash loans
Related party							
Shareholders	30 June 2011	-	-	-	-	10	103,209
	31 December 2010	-	-	-	-	404	98,277
Others	30 June 2011	-	171	-	-	347	465
	31 December 2010	18	426	-	5	363	196
Directors and key management personnel	30 June 2011	-	15	-	16	12	-
	31 December 2010	-	24	-	-	112	-

**BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ****Notes to the Condensed Consolidated Interim Financial Statements****As at and for the period ended 30 June 2011***(Currency - In thousands of Turkish Lira)***15. Related party disclosures (continued)**

Transactions with related parties:

Related party		Foreign exchange trading gain/(loss)	Other interest income	Other interest expense	Other operating income	Other operating expense
Shareholders	30 June 2011	-	-	-	170	-
	30 June 2010	1	-	(414)	163	-
Others	30 June 2011	(1)	-	-	1	-
	30 June 2010	62	-	(15)	2	-
Directors and key management personnel	30 June 2011	-	-	-	-	-
	30 June 2010	-	-	-	-	-

**Compensation of key management personnel of the Group**

The executive and non-executive member of Board of Directors and management received remuneration and fees amounted to TL 2,727 (30 June 2010 – TL 2,282) comprising salaries and other short-term benefits.

**16. Commitments and contingencies**

In the normal course of business activities, the Bank and its subsidiaries undertake various commitments and incur certain contingent liabilities that are not presented in the financial statements including:

	30 June 2011	31 December 2010
Letters of guarantee	446,522	462,272
Letters of credit	45,872	50,941
Other guarantees	358	-
Commitments	5,479	3,395
<b>Total non-cash loans</b>	<b>498,231</b>	<b>516,608</b>

**Operating lease commitments – Group as lessee**

The Group has entered into commercial leases on head offices, branch premises and vehicles. These leases have an average life of between 1 and 5 years with renewal option and early termination clauses. There are no restrictions placed upon the lessee by entering into these leases. As at 30 June 2011, the Group has non-cancellable operating lease agreements amounting to TL 916 (31 December 2010 – TL 1,061).

**Litigation**

There were a number of legal proceedings outstanding against the Group as at 30 June 2011 totalling TL 188 (31 December 2010 – TL 302) of which TL 84 (31 December 2010 – TL 198) provision has been made.



## **BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ**

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#### **16. Commitments and contingencies (continued)**

##### **Fiduciary activities**

The Group provides custody, investment management and advisory services to third parties. Those assets that are held in a fiduciary capacity are not included in these condensed consolidated interim financial statements.

The Group also manages 1 open-ended investment funds (31 December 2010 – 3 open-ended investment funds) which were established under the regulations of the Capital Markets Board of Turkey. In accordance with the funds' charters, the Group purchases and sells securities on behalf of funds, markets their participation certificates and provides other services in return for a management fee and undertakes management responsibility for their operations. As at 30 June 2011, total size of investment funds is amounting to TL 547 (31 December 2010 – TL 693). As at 30 June 2011, the Group had investment custody accounts amounting to TL 386 (31 December 2010 – TL 607).

#### **17. Financial risk management**

##### **Strategy in using financial instruments**

BankPozitif's risk approach is to achieve sound and sustainable low risk profile on consolidated basis, through the identification, measurement and monitoring of all types of risks inherent in the nature of the business activities. The main principle of the Group is to manage the credit risk effectively, to eliminate the market risk by not carrying positions and intelligent handling of operational risks supporting the group in achieving its strategic goals. With this understanding, the Group has given priority to create a risk aware culture in which all functions of the Group understand the risks being exposed; to have well-defined areas of responsibilities; to identify and map the risks and controls of each process and to have prudent procedures for the new products and applications.

BankPozitif's basic risk classifications and policies can be summarised as follows:

- well managing the credit risk through a high standardised credit risk management,
- minimizing market risk with the avoidance of currency, interest rate and maturity positions,
- identifying, assessing, monitoring and controlling of the operational risks inherent in products, activities, systems and material processes.

In the credit risk management process of the Group, sound risk management practices are targeted in compliance with Basel II recommendations.

In accordance with the BankPozitif's market risk management strategy; the Group aims not to carry market risk positions and intends to create matching assets and liabilities to eliminate asset liability management risks i.e. maturity risk and interest rate sensitivity risk.

Additionally, in order to minimise the market risk, marketable securities portfolio is limited proportional to the total assets size with a conservative trade limit and most of the securities are floating rate notes.

## **BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ**

### **Notes to the Condensed Consolidated Interim Financial Statements**

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#### **17. Financial risk management (continued)**

The Bank declares its risk appetite and tolerance levels for the primary risk areas on a Board approved policy since 2009.

Board of Directors is the highest authority to set all risk management guidelines, and it is responsible for ensuring that the Group implements all necessary risk management techniques in compliance with the related regulatory requirements both in Turkey and Israel. Board of Directors follows its duties not only by itself but also through audit committee, which is composed of two board members and responsible for the supervision of the efficiency and adequacy of BankPozitif's internal systems, namely internal control, risk management, internal audit and compliance. The audit committee also oversees the proper functioning of these systems and the accounting and reporting systems and is responsible for the integrity of the information produced.

All risk limits are set by the Board of Directors and reviewed on a regular basis

The main functions and authority of the Board of Directors related to risk management activities are as follows;

- to define the risk policy of the Group, including that of all its subsidiaries, regarding exposure to various risks (credit risks, market risks, operational risks)
- to manage and guide all the activities of internal systems directly/through committees
- to approve new business lines, products or activities that would have a substantial effect on activities of the Group

The Group manages its exposure to all types of risks through the asset and liability management committee ("ALCO") and executive committee, set by Board of Directors and comprising members of senior management, and a representative of main shareholder (board member/consultant of Board of Directors nominated by Bank Hapoalim) and also through limits set on the credit, treasury and asset liability management activities of the Group. These limits are approved and quarterly reviewed by the Board of Directors and the ALCO and executive committee supervise the compliance with the limits

Permanent learning program for the Board of Directors is in place from the beginning of 2011 including the subjects risk management, corporate governance in general and corporate governance in the financial sector, Basel II, reporting standards (IFRS and BRSA) and audit.

In summary, in order not to be exposed to liquidity, interest rate and foreign currency risk, the Group aims to keeps its funding structure in line with the asset structure (in terms of currency, maturity and interest rate) and hedges its positions through various derivative transactions. In addition to that, the Group does not take prefer speculative positions on currency, interest rate and maturity that might create risk to the Group due to changes in the prices or mismatch of assets and liabilities.

#### **Credit risk**

Credit risk refers to the risk that a contractual partner defaults on its contractual obligations or does not deliver in full accordance with the conditions of contract.

As the focus of BankPozitif is defined as credit activities, credits are the most significant part of its activities and thus managed meticulously. Group follows a strict credit policy which is reviewed and approved by Board of Directors at certain intervals and whenever necessary. The process for approving, amending and renewing is clearly regulated together with collateral requirements. All facilities are assessed prior to approval via a series of evaluation meetings to ensure that the strict criteria laid out in the Group is adhered to regarding the issues like sector, sub-sector, collateral, maturity, project type etc.

To avoid the default risk to the best possible extend, the Group applies a well defined "credit allocation process" and afterwards monitoring of the portfolio is being executed using a number of precautionary actions by relevant functions.

## **BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ**

### **Notes to the Condensed Consolidated Interim Financial Statements**

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#### **17. Financial risk management (continued)**

BankPozitif manages its corporate and retail credit portfolio as per following main principles;

##### *Creating credit risk awareness throughout the Group*

Senior management is responsible for putting the policies into practice approved by Board of Directors and identifying and managing of credit risk is the joint concern of all staff of the Bank.

The day-to-day management of credit risk is devolved to individual business units, such as the loans and risk monitoring departments of corporate and retail business, which perform regular appraisals of quantitative and qualitative information relating to counterparty credit with respect to their loan policies and procedures.

##### *Having a reliable credit allocation function*

Credit approval authorities and their approval limits are also decided by board based on a combination of “rating” and “being new/existing customers” pillars.

Credit approval processes for both retail and corporate loans are centralised, and also retail and corporate loans and risk monitoring departments are organised independently from the sales and marketing departments. The retail and corporate loans and risk monitoring departments do not have any sales targets and are solely responsible for the evaluation and allocation of new loans and monitoring the performance of the loan portfolio. Loans and risk monitoring departments are not included in any phase of the pricing of loans.

All the credit marketing, allocation and follow up stages are defined in corporate and retail loan policies, which are approved and reviewed regularly by the Board of Directors.

Within the light of “no exception policy” applied in the Group, the compliance of loan disbursements with internal and legal regulations are checked by internal control unit prior to disbursement.

##### *Risk limits*

There are risk limits, set by the board of directors, describing relevant credit limits such as single borrower limit, group exposure limit, sectoral limit, credit approval authorities and their approval limits. Risk limits are determined by comparing Israel and Turkey legislations and the most conservative limitation is taken as benchmark while determining the internal limit.

Although the Bank is not subject to local regulation in terms of credit limits (due to being an investment bank), the Bank set internal credit limits. Single borrower limit is set as 15% (it is lower than the regulatory requirement of 25%) of total equity. In addition to this, a limit for group of borrower is set as 25% of total equity. Internal control and credit departments monitors the compliance with these limits on transaction basis. These limits are applied as 10% and 15% on daily operations, respectively.

Sectoral distribution of loans is monitored on a daily and monthly basis and sectoral analysis of those loans is made in accordance with their risk concentration every year. The Group set a limit on single sector concentration by 20% of total loan book.

In addition to sectoral and borrower limits, the Group has limits on own risk groups’ indebtedness as 10% of total equity and limits on six largest borrowers and group as 135% of total equity.

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

As at 30 June 2011, the share of the Group’s receivables from its top 20 credit customers excluding the non-cash exposure has been counter-guaranteed by the shareholder in its total loan portfolio is 35% (31 December 2010 – 35%).

# BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ

## Notes to the Condensed Consolidated Interim Financial Statements

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### 17. Financial risk management (continued)

#### Measuring risk

The Bank uses two internally developed rating systems i.e. borrower rating system and facility rating system. Borrower rating is the measure of borrower's creditworthiness that is mapped by the bank to a risk grade and then to a PD (probability of default). Facility rating assesses the risk of a facility, taking into account associated collateral and guarantees and provides view for the recovery of the risk. Both systems have been validated by Bank Hapoalim's credit risk modelling department over a set of sample corporate financials/facilities.

The table below shows the concentration of loans, finance lease receivables and non cash portfolio by facility rating:

	30 June 2011	31 December 2010
Above average	42.42%	42.87%
Average	44.62%	39.49%
Below average	12.96%	17.64%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>

Facility rating system was developed in 2008 and is being used for the corporate loan customers. This module, differently from the borrower rating module explained above, rates the transaction instead of the corporate customer and reflects the expected loss amount in case of a default by taking into account collateral types which are subject to coefficients.

Expected loss of credit portfolio is calculated regularly by the Bank. In the calculation, PD values of Group for each rating category is determined by simulating PD's of an international rating institution to the Group's rating classes using "central tendency of the Group" since the Group is lacking such historical data. Central tendency factor is calculated by correlating sectoral non-performing loans ratios of banking sector to Group values.

Both rating systems are being used in credit decisions, the first one giving the indications for borrower's repayment capacity, while the second one for facility's repayment capacity. Requirement of facility rating of BB or higher for the new credit clients is the main principle.

Regarding retail business, application scorecards developed by Experian Scorex and decision trees developed internally are being used to evaluate retail applicants. G3 scores of Credit Bureau is used in the classification of retail customers.

#### Monitoring the risk

Under risk management department, credit review unit is established to make independent review of the credit portfolio. Credit review unit's functions include the assessment of the quality of the Group's credit portfolio; evaluation of rating credibility of the designated borrowers, giving appropriate weight to the monitoring of problem borrowers. The evaluations are independent from the credit approving authorities, and conclude in a credit rating according to AAA-D scale.

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At certain intervals, FX positions of credit customers are analyzed using certain sensitivity scenarios and indirect credit risk assumed is measured. Risk management department controls structure of portfolio by product type, maturity, sector, geographical concentration, rating, currency, collateral and borrower/group of borrowers. The department also monitors concentration levels of the portfolio using internationally accepted criterion, makes recommendations and reports its findings at appropriate managerial levels. Additionally, it calculates sectoral diversification of the loan portfolio in accordance with Herfindahl-Herschman Concentration Index. Bank's credit portfolio, either retail or corporate, is monitored through several analysis and stress tests by predetermined scenarios to measure profit or loss and results are reported at appropriate managerial levels.

Segment information by sectoral concentration for cash loans, finance lease receivables and non-cash loans is as follows:

	<b>30 June 2011</b>			
	<b>Cash</b>	<b>Finance lease receivables</b>	<b>Non-cash</b>	<b>Total</b>
Tourism and entertainment	253,820	1,920	5,651	261,391
Electric production and supply	110,716	-	78,223	188,939
Public works and civil engineering	168,433	-	16,993	185,426
Commercial, mortgage, investment finance banks	-	-	135,525 <sup>(1)</sup>	135,525
Building contractor (general and special trade)	92,619	-	25,304	117,923
Personal other services	87,640	-	13,666	101,306
Metal and by-products	78,448	107	10,536	89,091
Other commercial services	76,109	73	11,952	88,134
Transportation	15,110	-	57,115	72,225
Other financial institutions	25,698	-	41,050	66,748
Trade	34,219	60	29,125	63,404
Holding companies	55,510	-	674	56,184
Health service	40,831	-	-	40,831
Manufacture of transport equipments	4,460	-	33,985	38,445
Agriculture and forestry	16,355	-	4,950	21,305
Food, beverage and tobacco industries	13,216	59	3,836	17,111
Mining and quarrying	16,406	-	-	16,406
Machinery and equipment	1,056	-	13,627	14,683
Electrical and electronic equipment	2,749	-	10,713	13,462
Textile and clothing	13,160	-	119	13,279
Non ferrous mineral products	1,078	280	2,738	4,096
Rubber and plastic products	3,445	-	-	3,445
Chemical and oil products	28	-	333	361
Consumer loans	243,833	-	1,999	245,832
Others	16,488	-	117	16,605
<b>Total performing loans</b>	<b>1,371,427</b>	<b>2,499</b>	<b>498,231</b>	<b>1,872,157</b>
Interest accruals	23,393	24	-	23,417
Loans in arrears	80,003	103	-	80,106
Provision for possible loan losses	(59,936)	(7)	-	(59,943)
<b>Total loans</b>	<b>1,414,887</b>	<b>2,619</b>	<b>498,231</b>	<b>1,915,737</b>

<sup>(1)</sup> TL 24,349 and TL 103,157 of this non-cash exposure has been counter-guaranteed by the Export Import Bank of Korea and Bank Hapoalim, respectively.

**BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ****Notes to the Condensed Consolidated Interim Financial Statements****As at and for the period ended 30 June 2011***(Currency - In thousands of Turkish Lira)***17. Financial risk management (continued)**

	<b>31 December 2010</b>			
	<b>Cash</b>	<b>Finance lease receivables</b>	<b>Non-cash</b>	<b>Total</b>
Electric production and supply	113,930	-	102,104	216,034
Tourism and entertainment	163,715	2,446	5,641	171,802
Public works and civil engineering	111,311	-	21,934	133,245
Commercial, mortgage, investment finance banks	-	-	123,970 <sup>(1)</sup>	123,970
Building contractor (general and special trade)	97,551	-	22,481	120,032
Metal and by-products	81,978	302	7,140	89,420
Personal other services	72,427	-	13,527	85,954
Trade	55,299	187	27,227	82,713
Other commercial services	59,506	102	9,832	69,440
Transportation	14,455	-	52,438	66,893
Manufacture of transport equipments	7,427	-	59,059	66,486
Other financial institutions	21,549	-	39,027	60,576
Holding companies	39,650	-	674	40,324
Food, beverage and tobacco industries	12,247	77	3,635	15,959
Machinery and equipment	535	-	13,565	14,100
Textile and clothing	8,549	-	859	9,408
Agriculture and forestry	361	-	8,646	9,007
Chemical and oil products	5,799	1,792	300	7,891
Electrical and electronic equipment	3,668	-	2,507	6,175
Non ferrous mineral products	1,176	1,075	151	2,402
Rubber and plastic products	1,323	-	-	1,323
Health service	1,117	-	-	1,117
Mining and quarrying	111	-	-	111
Other consumer loans	253,415	-	1,769	255,184
Others	317	1,275	122	1,714
<b>Total performing loans</b>	<b>1,127,416</b>	<b>7,256</b>	<b>516,608</b>	<b>1,651,280</b>
Interest accruals	19,262	129	-	19,391
Loans in arrears	75,712	97	-	75,809
Provision for possible loan losses	(55,182)	(7)	-	(55,189)
<b>Total loans</b>	<b>1,167,208</b>	<b>7,475</b>	<b>516,608</b>	<b>1,691,291</b>

<sup>(1)</sup> TL 21,258 and TL 98,225 of this non-cash exposure has been counter-guaranteed by the Export Import Bank of Korea and Bank Hapoalim, respectively.

**BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ****Notes to the Condensed Consolidated Interim Financial Statements****As at and for the period ended 30 June 2011***(Currency - In thousands of Turkish Lira)***17. Financial risk management (continued)**

Total collateralisation coverage of cash and non cash loans are 90% as at 30 June 2011 (31 December 2010 – 89%).

The following table sets out the collateralisation of Bank's cash and non-cash loan portfolio, including finance lease receivables:

	30 June 2011	31 December 2010
<b>Cash loans (including financial lease receivables) under loan in arrears</b>		
Secured by mortgages	38,945	38,295
Secured by pledge	8,645	15,343
Secured by guarantee	7,375	5,202
Secured by assignment and cheques	-	-
Unsecured	25,141	16,969
<b>Total</b>	<b>80,106</b>	<b>75,809</b>
<b>Cash loans (including financial lease receivables) except loan in arrears</b>		
Secured by cash	29,004	5,341
Secured by mortgages	749,367	724,273
Secured by pledge	112,236	101,491
Secured by guarantee	295,888	157,146
Secured by assignment and cheques	146,361	117,663
Unsecured	64,487	48,149
<b>Total</b>	<b>1,397,343</b>	<b>1,154,063</b>
<b>Non-cash loans</b>		
Secured by cash	7,880	6,381
Secured by mortgages	72,762	73,811
Secured by pledge	15,405	11,533
Secured by guarantee	282,060	292,386
Secured by assignment and cheques	7,675	5,090
Unsecured	112,449	127,407
<b>Total</b>	<b>498,231</b>	<b>516,608</b>

## **BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ**

### **Notes to the Condensed Consolidated Interim Financial Statements**

**As at and for the period ended 30 June 2011**

*(Currency - In thousands of Turkish Lira)*

#### **17. Financial risk management (continued)**

##### **Liquidity risk**

Liquidity risk is the probability of loss arising from a bank's inability to meet its obligations when they come due without incurring unacceptable losses. Liquidity risk includes (1) the inability to manage unplanned decreases or changes in funding sources (2) the failure to recognise or address changes in market conditions that affect the ability to liquidate assets quickly and with minimal loss in value.

In order to manage this risk, the Group measures and manages its cash flow commitments on a daily basis, and maintains liquid assets, which it judges sufficient to meet its commitments. There are risk limits set for liquidity risks as; ratio of total assets maturing within 1 month to total liabilities maturing within 1 month can not be lower than 100% (It is set as 80% for foreign currency assets to liabilities). ALCO closely monitors daily, weekly and monthly liquidity position of the bank and has the authority to take actions where necessary.

The Group uses various methods, including predictions of daily cash positions, and scenario analysis to monitor and manage its liquidity risk to avoid undue concentration of funding requirements at any point in time or from any particular source. Risk management and treasury departments monitor daily liquidity gaps in all currencies.

Liquidity position of the Group is measured on monthly basis with three scenarios i.e. global scenario, local scenario and bank specific scenario which are run on TL positions, foreign currency positions and on a total basis. The scenarios aim to show the repayment capacity of the Group using only quasi cash assets against the liabilities of 1 month and 1 year periods. Since the Group has funding centred asset creating structure, the Group does not prefer to take any liquidity risk (monitored cumulatively) in any currency, in any point in any time as decided by the top management of the Group.

Generally, the Bank does not prefer to utilise liquidity from Interbank money markets and is in a net lender position in Interbank money markets.

The table on the next page analyses assets and liabilities of the Group into relevant maturity groupings based on the remaining period at reporting date to contractual maturity date.



# BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ

## Notes to the Condensed Consolidated Interim Financial Statements

As at and for the period ended 30 June 2011

(Currency - In thousands of Turkish Lira)

### 17. Financial risk management (continued)

30 June 2011	On demand <sup>(1)</sup>	Up to 1 month	1 to 3 months	3 to 6 months	6 months to 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years	Unallocated	Total
<b>Assets</b>												
Cash and balances with central banks	17,156	44,009	-	-	-	-	-	-	-	-	-	61,165
Due from banks and financial institutions	8,997	3,058	42	-	231	-	-	-	-	-	-	12,328
Interbank and other money market placements	29,767	-	-	-	-	-	-	-	-	-	-	29,767
Reserve deposits at central banks	-	161,882	-	-	-	-	-	-	-	-	-	161,882
Trading assets	-	324	4,196	1,022	3,276	6,279	3,182	1,138	1,245	532	-	21,194
Investment securities	-	6,335	28,283	28,275	439	19,731	9,698	12,650	1,982	9,784	74	117,251
Loaned securities	-	-	750	84	2,012	-	30,418	9,917	-	-	-	43,181
Loans and advances to customers	-	138,460	120,319	117,583	189,971	280,555	241,571	146,107	76,348	67,197	36,776	1,414,887
Finance lease receivables	-	451	620	777	503	172	-	-	-	-	96	2,619
Property and equipment	-	-	-	-	-	-	-	-	-	-	9,188	9,188
Intangible assets	-	-	-	-	-	-	-	-	-	-	47,030	47,030
Deferred tax assets	-	-	-	-	-	-	-	-	-	-	4,775	4,775
Other assets	-	21,944	-	-	-	-	-	-	-	-	15,611	37,555
<b>Total assets</b>	<b>55,920</b>	<b>376,463</b>	<b>154,210</b>	<b>147,741</b>	<b>196,432</b>	<b>306,737</b>	<b>284,869</b>	<b>169,812</b>	<b>79,575</b>	<b>77,513</b>	<b>113,550</b>	<b>1,962,822</b>
<b>Liabilities</b>												
Deposit from other banks <sup>(2)</sup>	185	1	-	-	-	-	-	-	-	-	-	186
Customer deposits <sup>(2)</sup>	50,043	3,652	562	756	1,944	86	8	1	-	-	-	57,052
Other money market deposits	41,928	-	-	-	-	-	-	-	-	-	-	41,928
Trading liabilities	-	3,599	9,324	1,485	1,390	2,022	20,736	57	-	-	-	38,613
Funds borrowed	-	47,234	70,997	174,025	279,775	308,214	2,732	244,545	830	1,660	-	1,130,012
Debt securities issued	-	-	51,909	1,709	-	-	100,000	-	-	-	-	153,618
Other liabilities	16,866	10,026	18,814	9,316	8,700	-	16,455	-	-	-	2,215	82,392
Provisions	-	-	-	1,410	81	-	-	-	-	-	867	2,358
Current tax liabilities	-	-	2,033	-	-	-	-	-	-	-	-	2,033
<b>Total liabilities</b>	<b>109,022</b>	<b>64,512</b>	<b>153,639</b>	<b>188,701</b>	<b>291,890</b>	<b>310,322</b>	<b>139,931</b>	<b>244,603</b>	<b>830</b>	<b>1,660</b>	<b>3,082</b>	<b>1,508,192</b>
<b>Net liquidity gap</b>	<b>(53,102)</b>	<b>311,951</b>	<b>571</b>	<b>(40,960)</b>	<b>(95,458)</b>	<b>(3,585)</b>	<b>144,938</b>	<b>(74,791)</b>	<b>78,745</b>	<b>75,853</b>	<b>110,468</b>	

<sup>(1)</sup> Includes overnight balances.

<sup>(2)</sup> Figures represent the foreign subsidiary's deposit balances.

# BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ

## Notes to the Condensed Consolidated Interim Financial Statements

As at and for the period ended 30 June 2011

(Currency - In thousands of Turkish Lira)

### 17. Financial risk management (continued)

31 December 2010	On demand <sup>(1)</sup>	Up to 1 month	1 to 3 months	3 to 6 months	6 months to 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years	Unallocated	Total
<b>Assets</b>												
Cash and balances with central banks	13,227	80,731	-	-	-	-	-	-	-	-	-	93,958
Due from banks and financial institutions	40,685	7,326	-	1	269	-	-	-	-	-	-	48,281
Interbank and other money market placements	21,980	-	-	-	-	-	-	-	-	-	-	21,980
Reserve deposits at central banks	-	106,058	-	-	-	-	-	-	-	-	-	106,058
Trading assets	-	2,254	3,713	1,011	2,494	9,292	7,304	3,614	1,179	912	-	31,773
Investment securities	-	3,568	6,593	6,923	17,673	10,439	14,783	31,112	10,068	6,777	72	108,008
Loaned securities	-	-	797	1,839	-	-	362	12,416	-	4,890	-	20,304
Loans and advances to customers	-	103,476	76,075	75,812	240,495	207,223	137,437	182,579	60,670	47,177	36,264	1,167,208
Finance lease receivables	-	620	1,709	1,065	1,798	1,026	469	545	153	-	90	7,475
Property and equipment	-	-	-	-	-	-	-	-	-	-	10,433	10,433
Intangible assets	-	-	-	-	-	-	-	-	-	-	45,172	45,172
Deferred tax assets	-	-	-	-	-	-	-	-	-	-	2,164	2,164
Assets held from discontinued operations	-	-	3,970	-	-	-	-	-	-	-	-	3,970
Other assets	-	5,690	-	-	-	-	-	-	-	-	16,017	21,707
<b>Total assets</b>	<b>75,892</b>	<b>309,723</b>	<b>92,857</b>	<b>86,651</b>	<b>262,729</b>	<b>227,980</b>	<b>160,355</b>	<b>230,266</b>	<b>72,070</b>	<b>59,756</b>	<b>110,212</b>	<b>1,688,491</b>
<b>Liabilities</b>												
Deposit from other banks <sup>(2)</sup>	426	-	-	-	-	-	-	-	-	-	-	426
Customer deposits <sup>(2)</sup>	32,926	51,726	3,064	759	3,003	2,417	7	1	-	-	-	93,903
Other money market deposits	37,233	-	-	-	-	-	-	-	-	-	-	37,233
Trading liabilities	-	1,339	1,603	346	4,189	962	10,161	2,784	-	-	-	21,384
Funds borrowed	-	15,236	15,088	6,892	81,260	223,783	230,715	231,127	-	-	-	804,101
Debt securities issued	-	-	1,821	1,570	50,000	-	100,000	-	-	-	-	153,391
Other liabilities	22,858	59,293	849	-	25,431	6,266	-	-	-	-	2,403	117,100
Provisions	-	2,200	-	-	198	-	-	-	-	-	1,767	4,165
Current tax liabilities	-	-	2,968	-	-	-	-	-	-	-	-	2,968
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-	2,236	2,236
Liabilities held from discontinued operations	-	-	2,062	-	-	-	-	-	-	-	-	2,062
<b>Total liabilities</b>	<b>93,443</b>	<b>129,794</b>	<b>27,455</b>	<b>9,567</b>	<b>164,081</b>	<b>233,428</b>	<b>340,883</b>	<b>233,912</b>	<b>-</b>	<b>-</b>	<b>6,406</b>	<b>1,238,969</b>
<b>Net liquidity gap</b>	<b>(17,551)</b>	<b>179,929</b>	<b>65,402</b>	<b>77,084</b>	<b>98,648</b>	<b>(5,448)</b>	<b>(180,528)</b>	<b>(3,646)</b>	<b>72,070</b>	<b>59,756</b>	<b>103,806</b>	

<sup>(1)</sup> Includes overnight balances.

<sup>(2)</sup> Figures represent the foreign subsidiary's deposit balances.

# BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ

## Notes to the Condensed Consolidated Interim Financial Statements

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### 17. Financial risk management (continued)

The table below analyses residual contractual maturities of liabilities:

30 June 2011	Carrying amount	Gross outflow	On demand	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years
Deposit from other banks	186	186	185	1	-	-	-	-
Customer deposits	57,052	57,066	50,043	3,652	563	2,713	95	-
Interbank and other money market deposits	41,928	41,928	41,928	-	-	-	-	-
Funds borrowed	1,130,012	1,242,535	-	47,526	74,835	502,844	615,619	1,711
Debt securities issued	153,618	178,208	-	-	53,008	10,080	115,120	-
Current account of loan customers <sup>(1)</sup>	48,836	51,933	16,866	4,058	829	11,027	19,153	-
	<b>1,431,632</b>	<b>1,571,856</b>	<b>109,022</b>	<b>55,237</b>	<b>129,235</b>	<b>526,664</b>	<b>749,987</b>	<b>1,711</b>

<sup>(1)</sup> Included in other liabilities.

31 December 2010	Carrying amount	Gross outflow	On demand	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years
Deposit from other banks	426	426	426	-	-	-	-	-
Customer deposits	93,903	94,236	32,926	51,953	3,080	3,835	2,442	-
Interbank and other money market deposits	37,233	37,233	37,233	-	-	-	-	-
Funds borrowed	804,101	933,546	-	15,348	17,720	132,114	768,364	-
Debt securities issued	153,391	186,256	-	-	3,008	63,088	120,160	-
Current account of loan customers <sup>(1)</sup>	77,020	77,459	22,858	45,672	806	1,550	6,573	-
	<b>1,166,074</b>	<b>1,329,156</b>	<b>93,443</b>	<b>112,973</b>	<b>24,614</b>	<b>200,587</b>	<b>897,539</b>	<b>-</b>

<sup>(1)</sup> Included in other liabilities.

The table below analyses contractual maturities of derivative transactions:

30 June 2011	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Over 5 years	Total
<b>Assets</b>							
Forward purchase contract	2,110	-	-	-	-	-	2,110
Forward sale contract	2,103	-	-	-	-	-	2,103
Currency swap purchase	125,419	80,519	8,976	57,014	252,156	7,557	531,641
Currency swap sale	128,676	85,616	9,361	54,712	259,319	7,165	544,849
Future purchase contract	-	7,271	-	-	-	-	7,271
Future sales contract	-	7,276	-	-	-	-	7,276
Option purchase contract	-	-	-	-	65,208	-	65,208
Option sale contract	-	-	-	-	52,847	-	52,847
Interest rate cap/floor purchase contract	-	-	-	-	163,020	-	163,020
Asset purchase commitments	-	-	-	-	-	-	-
Asset sales commitments	-	-	-	-	-	-	-
	<b>258,308</b>	<b>180,682</b>	<b>18,337</b>	<b>111,726</b>	<b>792,550</b>	<b>14,722</b>	<b>1,376,325</b>

31 December 2010	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Over 5 years	Total
<b>Assets</b>							
Forward purchase contract	5,143	-	-	-	-	-	5,143
Forward sale contract	5,131	-	-	-	-	-	5,131
Currency swap purchase	88,682	41,115	12,260	98,632	317,030	7,871	565,590
Currency swap sale	88,672	42,144	12,199	98,764	306,673	6,863	555,315
Future purchase contract	-	7,135	-	-	-	-	7,135
Future sales contract	-	7,311	-	-	-	-	7,311
Option purchase contract	-	-	-	-	61,840	-	61,840
Option sale contract	-	-	-	-	49,682	-	49,682
Interest rate cap/floor purchase contract	-	-	-	-	154,600	-	154,600
Asset purchase commitments	-	-	-	1,083	973	-	2,056
Asset sales commitments	-	-	-	973	1,083	-	2,056
	<b>187,628</b>	<b>97,705</b>	<b>24,459</b>	<b>199,452</b>	<b>891,881</b>	<b>14,734</b>	<b>1,415,859</b>

# **BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ**

## **Notes to the Condensed Consolidated Interim Financial Statements**

### **As of and for the period ended 30 June 2011**

*(Currency - In thousands of Turkish Lira)*

#### **17. Financial risk management (continued)**

##### **Market risk**

The Group has low risk appetite towards products which are subject to market risks. Market risks arise from open positions in interest rate, currency and equity/commodity prices, all of which are exposed to general and specific market movements.

The interest rate and exchange rate risks of the financial positions taken by the Bank related to financial position and off-balance sheet accounts are measured and while calculating the capital adequacy, the amount subject to value at risk (VaR) is taken into consideration by the standard method. As at 30 June 2011, the highest potential loss of the securities portfolio was generated by historical simulation method as TL 232 (31 December 2010 – TL 487) for one day.

The Group has the principle not to carry equity/commodity portfolios which may cause losses based on the price changes.

The Group has a cautious approach towards derivatives transactions. In principle, derivatives are dealt only for the hedging of banking book. Trade or “market-making” in financial derivative instruments is not among the ordinary activities of the Group and possible only by specific authorization of the Board of Directors and subject to VaR limits as well as stress scenarios.

The Board of Directors of the Bank determines the risk limits for primary risks carried by the Bank and quarterly revises these limits. For the purpose of hedging market risk, the Bank primarily aims to balance the foreign currency position, create matching assets and liabilities and manage positive liquidity.

##### **Currency risk**

The Group takes on exposure to effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. Foreign currency risk indicates the possibility of the potential losses that the Group is subject to due to the exchange rate movements in the market. The Group does not prefer to carry foreign currency risk and holds foreign currency asset and liability items together with derivatives in balance against the foreign currency risk.

The Group manages foreign currency risk by daily controls of financial planning and control department and treasury department; weekly ALCO meetings, comprising members of senior management of the Bank and through limits on the positions which can be taken by the Bank’s treasury department.

The foreign exchange position of the group does not include the net income / (loss) of the foreign subsidiary which is actually in KZT. Had the group included TL (11,111) of net loss of JSC BankPozitiv (31 December 2010 - TL (10,187)), net foreign exchange position of the group would have been TL 419 (31 December 2010 - TL (194)).

# BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ

## Notes to the Condensed Consolidated Interim Financial Statements

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### 17. Financial risk management (continued)

The concentrations of assets, liabilities and off balance sheet items are as follows:

	USD	Euro	CHF	JPY	KZT	Others	Total
<b>30 June 2011</b>							
<b>Assets</b>							
Cash and balances with central banks	3,795	260	-	-	57,085	21	61,161
Due from banks and financial institutions	7,475	549	929	554	6	505	10,018
Interbank and other money market placements	-	-	-	-	3,354	-	3,354
Reserve deposits at central Banks	129,382	-	-	-	1,793	-	131,175
Trading assets	23	-	-	-	-	-	23
Investment securities	8,260	-	-	-	41,913	-	50,173
Loans and advances due to customers <sup>(1)</sup>	676,017	291,059	23,503	8,290	47,134	125	1,046,128
Finance lease receivables <sup>(1)</sup>	173	2,289	-	-	157	-	2,619
Property and equipment	-	-	-	-	5,418	-	5,418
Intangible assets	39,971	-	-	-	1,143	-	41,114
Deferred tax assets	-	-	-	-	2,429	-	2,429
Other assets	9,683	16,553	20	-	7,989	176	34,421
<b>Total assets</b>	<b>874,779</b>	<b>310,710</b>	<b>24,452</b>	<b>8,844</b>	<b>168,421</b>	<b>827</b>	<b>1,388,033</b>
<b>Liabilities</b>							
Deposit from other banks <sup>(2)</sup>	106	1	-	-	79	-	186
Customer deposits <sup>(2)</sup>	10,408	224	-	-	45,740	680	57,052
Trading liabilities	4,690	-	-	-	-	-	4,690
Funds borrowed	932,352	182,308	-	-	-	-	1,114,660
Other liabilities <sup>(3)</sup>	42,762	12,544	221	2	600	2	56,131
Provisions	-	-	-	-	34	-	34
<b>Total liabilities</b>	<b>990,318</b>	<b>195,077</b>	<b>221</b>	<b>2</b>	<b>46,453</b>	<b>682</b>	<b>1,232,753</b>
<b>Gross exposure</b>	<b>(115,539)</b>	<b>115,633</b>	<b>24,231</b>	<b>8,842</b>	<b>121,968</b>	<b>145</b>	<b>155,280</b>
<b>Off-balance sheet position</b>							
Net notional amount of derivatives	(17,040)	(115,428)	(24,290)	(8,822)	-	(392)	(165,972)
<b>Net exposure<sup>(4)</sup></b>	<b>(132,579)</b>	<b>205</b>	<b>(59)</b>	<b>20</b>	<b>121,968</b>	<b>(247)</b>	<b>(10,692)</b>

<sup>(1)</sup> Foreign currency net non-performing loans, advances to customer and finance lease receivables amounting TL 4,531 and TL 96 are included at foreign currency position, respectively.

<sup>(2)</sup> Figures represent the foreign subsidiary's deposit balances.

<sup>(3)</sup> Currency translation loss regarding the accounting of foreign subsidiary, JSC BankPozitiv, amounting TL 11,630 was included at foreign currency position.

<sup>(4)</sup> The Bank has a USD-KZT currency option agreement amounting to USD 40 million in order to hedge its short position in USD and long position in KZT.

# BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ

## Notes to the Condensed Consolidated Interim Financial Statements

As of and for the period ended 30 June 2011

(Currency - In thousands of Turkish Lira)

### 17. Financial risk management (continued)

#### Currency risk (continued)

	USD	Euro	CHF	JPY	KZT	Others	Total
<b>31 December 2010</b>							
<b>Assets</b>							
Cash and balances with central banks	3,461	183	2	-	90,222	63	93,931
Due from banks and financial institutions	11,141	547	413	541	3	1,538	14,183
Reserve deposits at central Banks	96,431	-	-	-	1,543	-	97,974
Trading assets	913	-	-	-	-	-	913
Investment securities	7,255	-	-	-	15,235	-	22,490
Loans and advances due to customers <sup>(1)</sup>	455,664	301,298	25,327	9,079	20,978	120	812,466
Finance lease receivables <sup>(1)</sup>	445	4,892	-	-	278	-	5,615
Property and equipment	-	-	-	-	5,414	-	5,414
Intangible assets	37,906	-	-	-	1,173	-	39,079
Deferred tax assets	-	-	-	-	2,164	-	2,164
Other assets	9,408	68	26	8	7,997	217	17,724
<b>Total assets</b>	<b>622,624</b>	<b>306,988</b>	<b>25,768</b>	<b>9,628</b>	<b>145,007</b>	<b>1,938</b>	<b>1,111,953</b>
<b>Liabilities</b>							
Deposit from other banks <sup>(2)</sup>	285	81	-	-	59	1	426
Customer deposits <sup>(2)</sup>	6,881	303	-	-	85,552	1,167	93,903
Trading liabilities	1,510	327	-	-	-	-	1,837
Funds borrowed	703,374	100,365	-	-	-	-	803,739
Other liabilities <sup>(3)</sup>	60,959	14,720	81	260	707	107	76,834
Provisions	-	-	-	-	83	-	83
<b>Total liabilities</b>	<b>773,009</b>	<b>115,796</b>	<b>81</b>	<b>260</b>	<b>86,401</b>	<b>1,275</b>	<b>976,822</b>
<b>Gross exposure</b>	<b>(150,385)</b>	<b>191,192</b>	<b>25,687</b>	<b>9,368</b>	<b>58,606</b>	<b>663</b>	<b>135,131</b>
<b>Off-balance sheet position</b>							
Net notional amount of derivatives	80,594	(190,490)	(25,820)	(9,348)	-	(448)	(145,512)
<b>Net exposure<sup>(4)</sup></b>	<b>(69,791)</b>	<b>702</b>	<b>(133)</b>	<b>20</b>	<b>58,606</b>	<b>215</b>	<b>(10,381)</b>

<sup>(1)</sup> Foreign currency net non-performing loans, advances to customer and finance lease receivables amounting TL 1,529 and TL 90 are included at foreign currency position, respectively.

<sup>(2)</sup> Figures represent the foreign subsidiary's deposit balances.

<sup>(3)</sup> Currency translation loss regarding the accounting of foreign subsidiary, JSC BankPozitiv, amounting TL 11,135 was included at foreign currency position.

<sup>(4)</sup> The Bank has a USD-KZT currency option agreement amounting to USD 40 million in order to hedge its short position in USD and long position in KZT.

The following significant exchange rates applied during the period / year:

	Average rate		Reporting rate	
	30 June 2011	31 December 2010	30 June 2011	31 December 2010
USD/TL	1.5641	1.4987	1.6302	1.5460
EUR/TL	2.1945	1.9881	2.3492	2.0491
TL/KZT	0.0107	0.0105	0.0109	0.0105

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A 10% weakening of TL against the foreign currencies at 30 June 2011 and 31 December 2010 would have effect on the equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2010.

<b>30 June 2011</b>	<b>Equity</b>	<b>Profit or loss</b>
USD	(12,147)	(12,147)
EUR	21	21
Other currencies	12,168	12,168
	<b>42</b>	<b>42</b>
<b>31 December 2010</b>	<b>Equity</b>	<b>Profit or loss</b>
USD	(5,960)	(5,960)
EUR	70	70
Other currencies	5,871	5,871
	<b>(19)</b>	<b>(19)</b>

A 10% strengthening of the TL against the foreign currencies at 30 June 2011 and 31 December 2010 would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

**Cash flow and fair value interest rate risk**

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of change in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of change in market interest rates. The Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flows.

The Group mainly funds its TL assets through its shareholders' equity and is not exposed to interest rate risk in TL assets and liabilities. Foreign currency assets of the Group give rise to interest rate risk as a result of mismatches or gaps in the amounts of foreign currency assets and liabilities and that mature or reprice in a given period. The Group prefers to protect itself from the effects created by the interest rate volatility and to have a match in interest rate risk. Interest rate sensitivity of the Bank is measured and monitored by duration analysis and PV01 analysis by risk management and financial planning and control departments accompanied by an interest sensitive gap representation to illustrate the negative and positive amounts of relevant time buckets.

The Group manages interest rate risk by the ALCO under the supervision of Board of Directors. The Group does not aim to generate income from the mismatch of interest rate sensitive assets and liabilities and nor make losses. Therefore the main objective of interest rate management is to eliminate interest rate sensitivity risk by creating matching assets and liabilities. In case of need, the Group utilises interest rate cap/floor agreements, interest rate swaps and setting limits on the positions, which can be taken by the Group's credit and treasury divisions to hedge the interest rate sensitivity of the Group.

# BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ

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### 17. Financial risk management (continued)

The table below summarises the Group's exposure to interest rate risk on the basis of the remaining period at the reporting date to the repricing date:

30 June 2011	Up to 1 month	1 to 3 months	3 to 6 months	6 months to 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years	Non interest bearing	Total
<b>Assets</b>											
Cash and balances with central banks	44,009	-	-	-	-	-	-	-	-	17,156	61,165
Due from banks and financial institutions	5,034	-	-	-	-	-	-	-	-	7,294	12,328
Interbank and other money market placements	29,767	-	-	-	-	-	-	-	-	-	29,767
Reserve deposits at central banks	-	-	-	-	-	-	-	-	-	161,882	161,882
Trading assets	429	5,034	2,190	3,276	6,279	3,180	279	218	309	-	21,194
Investment securities	16,095	46,569	46,564	-	7,949	-	-	-	-	74	117,251
Loaned securities	-	25,428	17,753	-	-	-	-	-	-	-	43,181
Loans and advances to customers	319,443	142,558	103,650	156,334	210,781	196,165	131,303	66,608	51,269	36,776	1,414,887
Finance lease receivables	53	2,001	342	101	26	-	-	-	-	96	2,619
Property and equipment	-	-	-	-	-	-	-	-	-	9,188	9,188
Intangible assets	-	-	-	-	-	-	-	-	-	47,030	47,030
Deferred tax assets	-	-	-	-	-	-	-	-	-	4,775	4,775
Other assets	-	-	-	-	-	-	-	-	-	37,555	37,555
<b>Total assets</b>	<b>414,830</b>	<b>221,590</b>	<b>170,499</b>	<b>159,711</b>	<b>225,035</b>	<b>199,345</b>	<b>131,582</b>	<b>66,826</b>	<b>51,578</b>	<b>321,826</b>	<b>1,962,822</b>
<b>Liabilities</b>											
Deposit from other banks <sup>(1)</sup>	1	-	-	-	-	-	-	-	-	185	186
Customer deposits <sup>(1)</sup>	3,652	562	756	1,944	86	8	1	-	-	50,043	57,052
Other money market deposits	41,928	-	-	-	-	-	-	-	-	-	41,928
Trading liabilities	3,598	9,325	1,485	1,390	2,022	20,736	57	-	-	-	38,613
Funds borrowed	185,258	121,480	90,459	227,965	261,135	-	243,715	-	-	-	1,130,012
Debt securities issued	-	51,909	1,709	-	-	100,000	-	-	-	-	153,618
Other liabilities	4,217	18,751	9,316	8,736	-	16,449	-	-	-	24,923	82,392
Provisions	-	-	-	-	-	-	-	-	-	2,358	2,358
Current tax liabilities	-	-	-	-	-	-	-	-	-	2,033	2,033
<b>Total liabilities</b>	<b>238,654</b>	<b>202,027</b>	<b>103,725</b>	<b>240,035</b>	<b>263,243</b>	<b>137,193</b>	<b>243,773</b>	<b>-</b>	<b>-</b>	<b>79,542</b>	<b>1,508,192</b>
<b>Financial position interest sensitivity gap</b>	<b>176,176</b>	<b>19,563</b>	<b>66,774</b>	<b>(80,324)</b>	<b>(38,208)</b>	<b>62,152</b>	<b>(112,191)</b>	<b>66,826</b>	<b>51,578</b>	<b>242,284</b>	
Off-balance sheet interest sensitivity gap, net	29,353	27,504	(388)	(14,005)	(25,522)	(31,033)	246	250	394	-	
<b>Total interest sensitivity gap</b>	<b>205,529</b>	<b>47,067</b>	<b>66,386</b>	<b>(94,329)</b>	<b>(63,730)</b>	<b>31,119</b>	<b>(111,945)</b>	<b>67,076</b>	<b>51,972</b>	<b>242,284</b>	

<sup>(1)</sup> Figures represent the foreign subsidiary's deposit balances.



# BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ

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### 17. Financial risk management (continued)

31 December 2010	Up to 1 month	1 to 3 months	3 to 6 months	6 months to 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years	Non interest bearing	Total
<b>Assets</b>											
Cash and balances with central banks	80,731	-	-	-	-	-	-	-	-	13,227	93,958
Due from banks and financial institutions	38,538	-	-	-	-	-	-	-	-	9,743	48,281
Interbank and other money market placements	21,980	-	-	-	-	-	-	-	-	-	21,980
Reserve deposits at central banks	-	-	-	-	-	-	-	-	-	106,058	106,058
Trading assets	2,254	3,795	3,078	2,494	9,283	7,269	1,739	949	912	-	31,773
Investment securities	10,591	50,274	34,319	4,162	8,590	-	-	-	-	72	108,008
Loaned securities	-	9,046	11,258	-	-	-	-	-	-	-	20,304
Loans and advances to customers	202,357	114,915	68,955	190,311	165,015	117,547	171,840	54,307	45,697	36,264	1,167,208
Finance lease receivables	186	4,297	785	398	553	469	545	152	-	90	7,475
Property and equipment	-	-	-	-	-	-	-	-	-	10,433	10,433
Intangible assets	-	-	-	-	-	-	-	-	-	45,172	45,172
Deferred tax assets	-	-	-	-	-	-	-	-	-	2,164	2,164
Assets held from discontinued operations	-	3,970	-	-	-	-	-	-	-	-	3,970
Other assets	-	-	-	-	-	-	-	-	-	21,707	21,707
<b>Total assets</b>	<b>356,637</b>	<b>186,297</b>	<b>118,395</b>	<b>197,365</b>	<b>183,441</b>	<b>125,285</b>	<b>174,124</b>	<b>55,408</b>	<b>46,609</b>	<b>244,930</b>	<b>1,688,491</b>
<b>Liabilities</b>											
Deposit from other banks <sup>(1)</sup>	-	-	-	-	-	-	-	-	-	426	426
Customer deposits <sup>(1)</sup>	51,726	3,064	759	3,003	2,417	7	1	-	-	32,926	93,903
Other money market deposits	37,233	-	-	-	-	-	-	-	-	-	37,233
Trading liabilities	1,339	1,603	346	4,189	962	10,161	2,784	-	-	-	21,384
Funds borrowed	28,353	70,502	21,236	11,748	214,028	227,107	231,127	-	-	-	804,101
Debt securities issued	-	1,821	1,570	50,000	-	100,000	-	-	-	-	153,391
Other liabilities	46,470	793	-	25,519	6,266	-	-	-	-	38,052	117,100
Provisions	-	-	-	-	-	-	-	-	-	4,165	4,165
Current tax liabilities	-	-	-	-	-	-	-	-	-	2,968	2,968
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	2,236	2,236
Liabilities held from discontinued operations	-	2,062	-	-	-	-	-	-	-	-	2,062
<b>Total liabilities</b>	<b>165,121</b>	<b>79,845</b>	<b>23,911</b>	<b>94,459</b>	<b>223,673</b>	<b>337,275</b>	<b>233,912</b>	<b>-</b>	<b>-</b>	<b>80,773</b>	<b>1,238,969</b>
<b>Financial position interest sensitivity gap</b>	<b>191,516</b>	<b>106,452</b>	<b>94,484</b>	<b>102,906</b>	<b>(40,232)</b>	<b>(211,990)</b>	<b>(59,788)</b>	<b>55,408</b>	<b>46,609</b>	<b>164,157</b>	
Off-balance sheet interest sensitivity gap, net	15,503	45,334	65	(130)	(35,605)	(17,097)	216	994	1,007	-	
<b>Total interest sensitivity gap</b>	<b>207,019</b>	<b>151,786</b>	<b>94,549</b>	<b>102,776</b>	<b>(75,837)</b>	<b>(229,087)</b>	<b>(59,572)</b>	<b>56,402</b>	<b>47,616</b>	<b>164,157</b>	

<sup>(1)</sup> Figures represent the foreign subsidiary's deposit balances.

**BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ****Notes to the Condensed Consolidated Interim Financial Statements****As of and for the period ended 30 June 2011***(Currency - In thousands of Turkish Lira)***17. Financial risk management (continued)**

The Bank's value at market risks as of 30 June 2011 and 31 December 2010 calculated as per the statutory financial statements prepared for BRSA reporting purposes within the scope of "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks" published in Official Gazette no. 26333 dated 1 November 2006, are as follows:

	<b>30 June 2011</b>			<b>31 December 2010</b>		
	<b>Average</b>	<b>Highest</b>	<b>Lowest</b>	<b>Average</b>	<b>Highest</b>	<b>Lowest</b>
Interest rate risk	5,580	6,374	4,592	7,146	7,816	6,579
Common share risk	-	-	-	-	-	-
Currency risk	1,472	1,677	1,296	1,118	1,760	402
<b>Total value-at-risk</b>	<b>7,052</b>	<b>8,051</b>	<b>5,888</b>	<b>8,264</b>	<b>9,576</b>	<b>6,981</b>

**Exposure to interest rate risk – non-trading portfolios**

Interest rate sensitivity of the banking book is calculated as the difference of discounted cash flows of assets and liabilities. With this method, the future changes of interest rates and their affects on the cash flow of asset and liabilities are simulated and the influence of these changes on the interest income and equity of the Bank is assessed. The exercise is subject to PV01 and worst case scenario limit which are (1) 100 bps parallel shift of yield curves and (2) worst case shifts of yield curves which refer to parallel and non parallel (flattening and steepening) shift of TL (500 bps) and foreign currency (200 bps) yield curves. Limits are determined on ALCO and Board of Directors levels and subject to Board of Directors monthly review.

<b>Change at portfolio value/Total Equity (%)</b>	<b>30 June 2011</b>	<b>31 December 2010</b>
<b>Local TL interest rate</b>		
+100 bps	(0.66)	(0.84)
-100 bps	0.69	0.88
+500 bps	(3.02)	(3.83)
<b>Foreign currency interest rate</b>		
+100 bps	0.14	1.04
-100 bps	(0.01)	(1.11)

**Capital adequacy**

To monitor the adequacy of its capital, the Group uses ratios established by BRSA. These ratios measure capital adequacy (minimum 8% as required by Banking Law) by comparing the Group's eligible capital with its financial position assets, off-balance sheet commitments and market and other risk positions at weighted amounts to reflect their relative risk. The Regulatory capital and the capital adequacy ratio declared by the Group as 30 June 2011 and 31 December 2010 are as follows:

	<b>30 June 2011</b>	<b>31 December 2010</b>
Amount subject to credit risk (I)	1,500,782	1,259,516
Amount subject to market risk (II)	223,063	183,800
Amount subject to operational risk (III)	222,250	210,963
<b>Total credit, market and operational risk</b>	<b>1,946,095</b>	<b>1,654,279</b>
Shareholders' equity	422,861	403,014
Tier 1 capital	463,189	454,823
Tier 2 capital	-	-
Deductions from capital	(40,328)	(51,809)
<b>Total regulatory capital</b>	<b>422,861</b>	<b>403,014</b>
<b>Capital adequacy ratio</b>	<b>21.73%</b>	<b>24.36%</b>
<b>Tier-1 ratio</b>	<b>23.80%</b>	<b>27.49%</b>

# **BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ**

## **Notes to the Condensed Consolidated Interim Financial Statements**

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### **17. Financial risk management (continued)**

#### **Internal Capital Adequacy Assessment Process**

Within the risk management framework of the Bank, a comprehensive internal capital adequacy assessment process (ICAAP) is performed which is reviewed and approved by Board of Directors since 2009.

### **18. Operating segments**

The Group has five reportable segments, namely asset management and treasury, corporate banking, retail banking, foreign financial subsidiary (includes activities of JSC BankPozitiv) and non-financial services (includes activities of C Bilişim), which are the Group's strategic business units. The strategic business units offer different products and services, and are managed separately based on the Group's management and internal reporting structure. The following table summarises the Group's operating segments details:

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<b>30 June 2011</b>	<b>Asset management and treasury</b>	<b>Corporate banking</b>	<b>Retail banking</b>	<b>Foreign financial subsidiary</b>	<b>Non-financial services</b>	<b>Eliminations</b>	<b>Total</b>
Interest income	13,144	42,137	18,175	2,401	4	(43)	75,818
Interest expense	(42,868)	(586)	-	(485)	-	43	(43,896)
Intersegment income/(expense)	25,512	(18,421)	(7,091)	-	-	-	-
<b>Net interest income</b>	<b>(4,212)</b>	<b>23,130</b>	<b>11,084</b>	<b>1,916</b>	<b>4</b>	<b>-</b>	<b>31,922</b>
Net fee and commission income	(425)	7,636	2,762	1,012	-	-	10,985
Net trading income and foreign exchange gain, net	1,297	(1,162)	2	1,668	4	30	1,839
Other operating income	549	127	675	175	2,360	(2,137)	1,749
<b>Total operating income</b>	<b>(2,791)</b>	<b>29,731</b>	<b>14,523</b>	<b>4,771</b>	<b>2,368</b>	<b>(2,107)</b>	<b>46,495</b>
Net impairment loss on financial assets	(1,077)	(3,280)	(228)	555	-	-	(4,030)
Total operating expense	(7,034)	(4,981)	(14,179)	(6,401)	(2,380)	2,137	(32,838)
<b>Profit before income tax</b>	<b>(10,902)</b>	<b>21,470</b>	<b>116</b>	<b>(1,075)</b>	<b>(12)</b>	<b>30</b>	<b>9,627</b>
Income tax	2,511	(4,435)	(31)	121	26	-	(1,808)
<b>Net profit for the period</b>	<b>(8,391)</b>	<b>17,035</b>	<b>85</b>	<b>(954)</b>	<b>14</b>	<b>30</b>	<b>7,819</b>

**BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ****Notes to the Condensed Consolidated Interim Financial Statements****As of and for the period ended 30 June 2011***(Currency - In thousands of Turkish Lira)***18. Operating segments (continued)**

<b>30 June 2010</b>	<b>Asset management and treasury</b>	<b>Corporate banking</b>	<b>Retail banking</b>	<b>Foreign financial subsidiary</b>	<b>Non-financial services</b>	<b>Brokerage activities</b>	<b>Eliminations</b>	<b>Total</b>
Interest income	15,868	36,076	19,289	74	22	3,506	(384)	74,451
Interest expense	(36,356)	(662)	(22)	(1)	-	(872)	384	(37,529)
Intersegment income/(expense)	23,142	(16,017)	(7,125)				-	-
<b>Net interest income</b>	<b>2,654</b>	<b>19,397</b>	<b>12,142</b>	<b>73</b>	<b>22</b>	<b>2,634</b>	<b>-</b>	<b>36,922</b>
Net fee and commission income	(210)	5,229	2,628	399	-	879	-	8,925
Net trading income and foreign exchange gain, net	7,513	923	1	26	(3)	1,332	(8)	9,784
Other operating income	290	314	75	9	2,102	120	(2,043)	867
<b>Total operating income</b>	<b>10,247</b>	<b>25,863</b>	<b>14,846</b>	<b>507</b>	<b>2,121</b>	<b>4,965</b>	<b>(2,051)</b>	<b>56,498</b>
Net impairment loss on financial assets	5,206	(11,998)	(452)		-	2,193	411	(4,640)
Total operating expense	(6,136)	(5,095)	(14,124)	(898)	(1,992)	(6,060)	2,043	(32,262)
<b>Profit before income tax</b>	<b>9,317</b>	<b>8,770</b>	<b>270</b>	<b>(391)</b>	<b>129</b>	<b>1,098</b>	<b>403</b>	<b>19,596</b>
Income tax	(1,966)	(2,007)	(57)	3	(8)	(424)	-	(4,459)
<b>Net profit for the period</b>	<b>7,351</b>	<b>6,763</b>	<b>213</b>	<b>(388)</b>	<b>121</b>	<b>674</b>	<b>403</b>	<b>15,137</b>

## **BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ**

### **Notes to the Condensed Consolidated Interim Financial Statements**

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#### **19. Rating**

As at 30 June 2011, the Bank's ratings assigned by international rating agencies, Fitch Ratings and Moody's Ratings are as follows:

##### **Fitch Ratings, July 2011**

Long Term Foreign Currency IDR	BBB- (Stable)
Short Term Foreign Currency IDR	F3
Viability	bb-
Support	2
Long Term Local Currency IDR	BBB- (Stable)
Short Term Local Currency	F3
National	AAA (tur) (Stable)

##### **Moody's Ratings, April 2011**

Local Currency Issuer Rating	Ba1 (Stable)
Foreign Currency Issuer Rating	Ba1 (Stable)
Financial Strength Rating	D

#### **20. Subsequent and other events**

As per the "Communiqué on Amendments to be Made on Communiqué on Required Reserves", foreign currency required reserve ratio is between 8.5% and 11.5% according to remaining maturity and new ratios are effective from 5 August 2011.

In accordance with the approval of BRSA dated 26 July 2011 and numbered B.02.1.BDK.0.12.00.00.81/1-17388, the Bank plans to distribute dividend to its shareholders amounting to TL 4,084 with the decision of Extraordinary General Assembly on 16 August 2011.