



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

## **Independent Auditors' Report on Review of Condensed Consolidated Financial Information 30 September 2009**

Akis Bağımsız Denetim ve Serbest  
Muhasebeci Mali Müşavirlik  
Anonim Şirketi

4 November 2009

*This report contains 1 page of independent auditors' report on review of condensed consolidated financial information and 56 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 information**

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

### **Introduction**

We have reviewed the accompanying condensed consolidated balance sheet of Bankpozitif Kredi ve Kalkınma Bankası Anonim Şirketi ("the Bank") and its subsidiaries (collectively "the Group") as at 30 September 2009 and the condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the nine-month period then ended ("interim financial information"). Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with International Financial Reporting Standard IAS 34 Interim Financial Reporting. Our responsibility is to express a conclusion on this condensed consolidated interim financial information 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 information 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 information of the Group is not prepared, in all material respects, in accordance with IAS 34 Interim Financial Reporting.

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

4 November 2009  
İstanbul, Turkey

**BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ****Condensed Consolidated Balance Sheet****As of 30 September 2009***(Currency - In thousands of Turkish Lira)*

		<b>Reviewed</b>	<b>Audited</b>
		<b>30 September</b>	<b>31 December</b>
	<i>Note</i>	<b>2009</b>	<b>2008</b>
<b>ASSETS</b>			
Cash and balances with central banks		63,590	44,980
Due from banks and financial institutions		46,336	77,085
Interbank and other money market placements		47,370	149,050
Reserve deposits at central banks		88,419	102,947
Trading assets	6	10,653	14,180
Investment securities	7	104,741	80,294
Loaned securities	7	162	10,798
Receivables from customers due to brokerage activities		587	193
Loans and advances to customers	8	1,082,925	1,156,941
Finance lease receivables	9	12,249	19,514
Property and equipment	10	13,807	18,628
Intangible assets	10	52,919	54,650
Deferred tax assets	5	2,729	774
Other assets		30,511	24,858
<b>Total assets</b>		<b>1,556,998</b>	<b>1,754,892</b>
<b>LIABILITIES</b>			
Deposit from other banks	11	237	118
Customer deposits	11	87,817	88,498
Other money market deposits	11	162	21,283
Trading liabilities	6	15,159	10,194
Funds borrowed	12	870,160	1,067,730
Debt securities issued	13	50,035	-
Other liabilities		94,915	93,862
Provisions		2,961	2,363
Current tax liabilities	5	5,031	-
Deferred tax liabilities	5	37	3,680
<b>Total liabilities</b>		<b>1,126,514</b>	<b>1,287,728</b>
<b>EQUITY</b>			
Share capital and share premium	14	380,724	380,724
Available-for-sale reserve, net of tax	14	(383)	(1,583)
Currency translation reserve	14	(11,593)	(35)
Retained earnings		61,736	88,058
<b>Total equity</b>		<b>430,484</b>	<b>467,164</b>
<b>Total equity and liabilities</b>		<b>1,556,998</b>	<b>1,754,892</b>

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

**BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ****Condensed Consolidated Income Statement****For the period ended 30 September 2009***(Currency - In thousands of Turkish Lira)*

		Reviewed	Reviewed	Reviewed	Reviewed
		1 January –	1 July –	1 January –	1 July –
		30 September	30 September	30 September	30 September
	Note	2009	2009	2008	2008
<b>Interest income</b>					
Interest income on loans and advances		102,955	32,861	97,489	36,576
Interest income on deposits with other banks and financial institutions		957	312	3,855	1,250
Interest income on investment securities		10,449	3,347	15,436	5,672
Interest income on interbank and other money market placements		5,551	530	1,020	375
Interest income on financial leases		1,066	279	1,743	452
Other interest income		6,469	2,365	3,479	445
<b>Total interest income</b>		<b>127,447</b>	<b>39,694</b>	<b>123,022</b>	<b>44,770</b>
<b>Interest expense</b>					
Interest expense on deposits		(930)	(279)	(1,020)	(513)
Interest expense on other money market deposits		(672)	(163)	(1,448)	(455)
Interest expense on funds borrowed		(41,650)	(12,806)	(39,454)	(14,111)
Interest expense on debt securities issued		(35)	(35)	-	-
Other interest expense		(9,033)	(2,812)	(8,413)	(2,979)
<b>Total interest expense</b>		<b>(52,320)</b>	<b>(16,095)</b>	<b>(50,335)</b>	<b>(18,058)</b>
<b>Net interest income</b>		<b>75,127</b>	<b>23,599</b>	<b>72,687</b>	<b>26,712</b>
Fees and commission income	4	14,216	5,163	15,988	6,375
Fees and commission expense	4	(1,478)	(444)	(2,194)	(818)
<b>Net fee and commission income</b>		<b>12,738</b>	<b>4,719</b>	<b>13,794</b>	<b>5,557</b>
Net trading income		107	32	82	(68)
Foreign exchange gain, net		10,755	1,454	4,930	1,786
Other operating income		471	175	1,421	446
<b>Total operating income</b>		<b>99,198</b>	<b>29,979</b>	<b>92,914</b>	<b>34,433</b>
<b>Net impairment loss on financial assets</b>	8 and 9	<b>(16,660)</b>	<b>(4,148)</b>	<b>(11,262)</b>	<b>(5,747)</b>
Personnel expenses		(24,650)	(8,029)	(27,008)	(9,439)
Depreciation and amortisation		(5,219)	(1,604)	(5,029)	(1,768)
Administrative expenses		(14,747)	(5,076)	(17,931)	(6,125)
Taxes other than on income		(1,611)	(307)	(1,179)	(406)
Other expenses		(5,616)	(2,230)	(2,467)	(1,314)
<b>Total operating expense</b>		<b>(51,843)</b>	<b>(17,246)</b>	<b>(53,614)</b>	<b>(19,052)</b>
<b>Profit before income tax</b>		<b>30,695</b>	<b>8,585</b>	<b>28,038</b>	<b>9,634</b>
Income tax	5	(7,017)	(1,714)	(5,943)	(2,051)
<b>Profit for the period</b>		<b>23,678</b>	<b>6,871</b>	<b>22,095</b>	<b>7,583</b>

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

**BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ****Condensed Consolidated Statement of Comprehensive Income****For the period ended 30 September 2009***(Currency - In thousands of Turkish Lira)*

	<b>Reviewed</b>	<b>Reviewed</b>
	<b>30 September</b>	<b>30 September</b>
	<b>2009</b>	<b>2008</b>
<b>Profit for the period</b>	<b>23,678</b>	<b>22,095</b>
<b>Other comprehensive income</b>		
Foreign currency translation differences for foreign operations	(11,558)	194
Available-for-sale reserve		
Net change in fair value of available-for-sale financial assets	1,402	(798)
Net change in fair value of available-for-sale financial assets transferred to profit or loss	(19)	(130)
Income tax on other comprehensive income	(183)	(221)
<b>Other comprehensive income for the period, net of income tax</b>	<b>(10,358)</b>	<b>(955)</b>
<b>Total comprehensive income for the period</b>	<b>13,320</b>	<b>21,140</b>

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

# BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ

## Condensed Consolidated Statement of Changes in Equity

For the period ended 30 September 2009

(Currency - In thousands of Turkish Lira)

	Note	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 2008</b>		<b>278,097</b>	<b>-</b>	<b>23,311</b>	<b>(235)</b>	<b>124</b>	<b>56,940</b>	<b>358,237</b>
<b>Total comprehensive income for the period</b>								
- Profit for the period		-	-	-	-	-	22,095	22,095
- Other comprehensive income								
Foreign currency translation differences		-	-	-	-	194	-	194
Net change in fair value of available-for-sale financial assets, net of tax		-	-	-	(1,149)	-	-	(1,149)
<b>Total other comprehensive income</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,149)</b>	<b>194</b>	<b>-</b>	<b>(955)</b>
<b>Total comprehensive income for the period</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,149)</b>	<b>194</b>	<b>22,095</b>	<b>21,140</b>
<b>Contributions by and distributions to owners</b>								
Share capital increase		59,195	20,121	-	-	-	-	79,316
<b>Total contributions by and distributions to owners</b>		<b>59,195</b>	<b>20,121</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>79,316</b>
<b>At 30 September 2008</b>		<b>337,292</b>	<b>20,121</b>	<b>23,311</b>	<b>(1,384)</b>	<b>318</b>	<b>79,035</b>	<b>458,693</b>
<b>At 1 January 2009</b>		<b>337,292</b>	<b>20,121</b>	<b>23,311</b>	<b>(1,583)</b>	<b>(35)</b>	<b>88,058</b>	<b>467,164</b>
<b>Total comprehensive income for the period</b>								
- Profit for the period		-	-	-	-	-	23,678	23,678
- Other comprehensive income								
Foreign currency translation differences	14	-	-	-	-	(11,558)	-	(11,558)
Net change in fair value of available-for-sale financial assets, net of tax	14	-	-	-	1,200	-	-	1,200
<b>Total other comprehensive income</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>1,200</b>	<b>(11,558)</b>	<b>-</b>	<b>(10,358)</b>
<b>Total comprehensive income for the period</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>1,200</b>	<b>(11,558)</b>	<b>23,678</b>	<b>13,320</b>
<b>Contributions by and distributions to owners</b>								
Dividends to equity holders	14	-	-	-	-	-	(50,000)	(50,000)
<b>Total contributions by and distributions to owners</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(50,000)</b>	<b>(50,000)</b>
<b>At 30 September 2009</b>		<b>337,292</b>	<b>20,121</b>	<b>23,311</b>	<b>(383)</b>	<b>(11,593)</b>	<b>61,736</b>	<b>430,484</b>

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

**BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ****Condensed Consolidated Cash Flow Statement****For the period ended 30 September 2009***(Currency - In thousands of Turkish Lira)*

		<b>Reviewed</b>	<b>Reviewed</b>
		<b>30 September</b>	<b>30 September</b>
	<i>Note</i>	<b>2009</b>	<b>2008</b>
<b>Cash flows from operating activities</b>			
Interest received		135,046	117,829
Interest paid		(58,111)	(45,848)
Fees and commissions received		14,425	18,727
Trading income		107	82
Recoveries from non-performing loans	8	7,422	16,404
Fees and commissions paid		(7,607)	(8,872)
Cash payments to employees and other parties		(22,332)	(24,945)
Cash received from other operating activities		9,820	13,135
Cash paid for other operating activities		(26,954)	(24,588)
Income taxes paid		(6,986)	(6,387)
		<b>44,830</b>	<b>55,537</b>
Change in banks and financial institutions		37,445	(25,553)
Change in trading assets		-	420
Change in reserve deposits at central banks		14,426	(34,901)
Change in loans and advances		45,837	(393,214)
Change in finance lease receivables		7,055	12,572
Change in other assets		(1,974)	(2,285)
Change in receivables from customers due to brokerage activities		(394)	6,792
Change in deposit from other banks		119	(37)
Change in customer deposits		(681)	37,851
Change in interbank and other money market deposits		(21,109)	21,386
Change in other liabilities		1,482	(3,193)
<b>Net cash provided by / (used in) operating activities</b>		<b>127,036</b>	<b>(324,625)</b>
<b>Cash flows from investing activities</b>			
Purchases of investment securities		(61,432)	(105,418)
Proceeds from sale and redemption of investment securities		46,828	86,168
Purchases of property and equipment		(1,681)	(4,585)
Proceeds from the sale of premises and equipment		1,460	652
Purchases of intangible assets		(1,439)	(3,346)
Proceeds from sale of intangible assets		425	-
<b>Net cash used in investing activities</b>		<b>(15,839)</b>	<b>(26,529)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of debt securities		50,000	-
Proceeds from share capital increase	14	-	79,316
Proceeds from funds borrowed		565,727	1,769,066
Repayment of funds borrowed		(756,553)	(1,504,474)
Dividends paid	14	(50,000)	-
<b>Net cash provided by / (used in) financing activities</b>		<b>(190,826)</b>	<b>343,908</b>
Effect of net foreign exchange difference on cash and cash equivalents		3,747	(4,528)
<b>Net decrease in cash and cash equivalents</b>		<b>(75,882)</b>	<b>(11,774)</b>
Cash and cash equivalents at 1 January		230,776	130,542
<b>Cash and cash equivalents at 30 September</b>		<b>154,894</b>	<b>118,768</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 Consolidated Financial Statements**

**As of and for the period ended 30 September 2009**

*(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 1 December 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 15 January 2007 and 17 December 2007, the Bank's share capital was increased from TL 111,896 to TL 278,097.

At the Extraordinary General Assembly meeting held on 25 March 2008, the Bank's share capital was further increased from TL 278,097 to TL 337,292. The share premium amount to be paid by Tarshish for newly issued shares was TL 20,121.

As at 30 September 2009, 69.83% (31 December 2008 – 65.00%) of the shares of the Bank belong to Tarshish and are controlled by Bank Hapoalim and 30.17% (31 December 2008 – 35.00%) 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 Yasa Blokları Kavacık 34805 Beykoz – İstanbul / Turkey.

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

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

**As of and for the period ended 30 September 2009**

*(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 five branches located in Kazakhstan.

Pozitif Menkul Değerler A.Ş. ("Pozitif Menkul") is involved in intermediary and brokerage activities and also provides corporate finance, initial public offering, advisory, merger and acquisitions, custody and underwriting services to its customers.

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 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 September 2009, the Bank provides services through its head office and 5 branches located in Istanbul, Ankara and Izmir. As at 30 September 2009, the number of employees for Bank and its consolidated subsidiaries are 255 and 268 respectively (31 December 2008 – 252 and 395).

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 September 2009 and 31 December 2008 are as follows:

	Place of incorporation	Principal activities	Effective shareholding and voting rights (%)	
			30 September 2009	31 December 2008
Pozitif Menkul	Istanbul/Turkey	Intermediary, brokerage, corporate finance and underwriting activities	100	100
C Bilişim	Istanbul/Turkey	Software development and technology	100	100
JSC BankPozitiv	Almaty/Kazakhstan	Commercial banking activities	100	100

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

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

**As of and for the period ended 30 September 2009**

*(Currency - In thousands of Turkish Lira)*

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

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

The condensed consolidated interim financial statements as at 30 September 2009 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 2008.

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 September 2009 of the Bank are authorised for issue by the management on 4 November 2009. 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 balance sheet 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 Consolidated Financial Statements**

**As of and for the period ended 30 September 2009**

*(Currency - In thousands of Turkish Lira)*

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

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

Restatement of balance sheet 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 balance sheets. 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 health 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 September 2009 was TL 45,479 (31 December 2008 – TL 46,403) and there is no impairment recorded related to goodwill.

##### *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 condensed consolidated interim 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, finance lease receivables and receivables related with brokerage activities as at 30 September 2009 is TL 1,095,761 (31 December 2008 – TL 1,176,648) net of impairment allowance of TL 40,565 (31 December 2008 – TL 25,050).

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

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

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*(Currency - In thousands of Turkish Lira)*

#### **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 September 2009, the carrying amount of derivative financial instrument assets TL 10,653 (31 December 2008 – TL 14,180) and the carrying amount of derivative financial instrument liabilities is TL 15,159 (31 December 2008 – TL 10,194).

###### *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 September 2009, the Group carried TL 5,031 net income taxes payable (31 December 2008 – none).

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 September 2009, the Group carries a net deferred tax assets amounting to TL 2,692 (31 December 2008 – TL 2,906, 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 September 2009 is TL 223 (31 December 2008 – TL 117).

##### **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.

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.

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

#### **2.5 Change in accounting policies**

Starting from 1 January 2009, the Group has changed its accounting policy in the following area:

##### **Presentation of financial statements**

The Group applied revised IAS 1 Presentation of Financial Statements (2007), which became effective as of 1 January 2009. As a result, the Group presents in the statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the statement of comprehensive income. Comparative information has been re-presented so that it also is in conformity with the revised standard. The change in accounting policy only impacts presentation aspects.

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

#### **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 Consolidated Financial Statements****As of and for the period ended 30 September 2009***(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 September 2008	1.2316	1.7978	119.84
31 December 2008	1.5123	2.1408	120.79
30 September 2009	1.4820	2.1603	150.95

**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 balance sheet 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 directly in equity. Such differences have been recognised in 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.

**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 directly in equity, in 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 equity is removed and included in condensed consolidated interim income statement on disposal of the foreign operation.

**3.3 Interest**

Interest income and expense are recognised in the condensed consolidated interim income statement 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 options is presented as other interest income and expense in the accompanying the condensed consolidated interim financial statements.

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

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

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*(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 income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity or 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 balance sheet 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 balance sheet 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 Consolidated Financial Statements**

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*(Currency - In thousands of Turkish Lira)*

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

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

###### *Recognition*

The Group recognises a financial asset or financial liability in its balance sheet 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 income statement.

The Group enters into transactions whereby it transfers assets recognised on its balance sheet, 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 balance sheet. 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 balance sheet 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.

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

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

**As of and for the period ended 30 September 2009**

*(Currency - In thousands of Turkish Lira)*

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

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

##### *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.

##### *Derivative financial instruments*

The Group enters into transactions with derivative instruments including forwards, swaps and options 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 income statement.

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.

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

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

**As of and for the period ended 30 September 2009**

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

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

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

At each balance sheet 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

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.

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

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

**As of and for the period ended 30 September 2009**

*(Currency - In thousands of Turkish Lira)*

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

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

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

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 equity. 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 income statement.

###### *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 balance sheet 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 balance sheet, 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.

##### **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 balance sheet.

##### **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 balance sheet with transaction costs taken directly to condensed consolidated interim income statement. All changes in fair value are recognised as part of net trading income in condensed consolidated interim income statement. The Bank did not reclassify any trading assets and liabilities subsequent to their initial recognition.

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

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

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

#### **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 income statement 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 Bank 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 income statement.

There are no violations of the tainting rule.

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

As at 30 September 2009, the Group does not have any investment securities at fair value through profit or loss (31 December 2008 – none).

##### *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 income statement 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 income statement.

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 income statement, is transferred from equity to the income statement. Reversals in respect of equity instruments classified as available-for-sale are not recognised in the condensed consolidated interim income statement. Reversals of impairment losses on debt instruments are reversed through the condensed consolidated interim income statement; 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 income statement.

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

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

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

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*(Currency - In thousands of Turkish Lira)*

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

#### **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.

##### *Depreciation*

Depreciation is recognised in the condensed consolidated interim income statement 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 income statement.

##### *Subsequent measurement*

Goodwill is measured at cost less accumulated impairment losses.

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

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

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*(Currency - In thousands of Turkish Lira)*

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

##### **3.14 Intangibles *(continued)***

###### ***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 income statement 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.

##### **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 income statement 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.

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

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

**As of and for the period ended 30 September 2009**

*(Currency - In thousands of Turkish Lira)*

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

##### **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 income statement. 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.

##### **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.



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

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

**As of and for the period ended 30 September 2009**

*(Currency - In thousands of Turkish Lira)*

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

#### **3.20 Employee benefits**

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

##### ***i) Defined benefit plans***

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

Such defined benefit plan is unfunded. The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method. All actuarial gains and losses are recognised in the condensed consolidated interim income statement.

##### ***ii) Defined contribution plans***

For defined contribution plans the Group pays contributions to publicly administered Social Security Funds on a mandatory basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due.

The Group does not have any internally set defined contribution plan.

#### **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 balance sheet, since such items are not treated as assets of the Group.

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

A number of new standards, amendments to standards and interpretations are not yet effective as of and for the nine month period ended 30 September 2009, and have not been applied in preparing these condensed consolidated interim financial statements and related with the Group's operations is as follows:

Amended IAS 27 *Consolidated and Separate Financial Statements (2008)* requires accounting for changes in ownership interests Bank loses control of a subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognised in income. The amendments to IAS 27, which become mandatory for the Bank's 2010 consolidated financial statements, are not expected to have a significant impact on the consolidated financial statements. These amendments have not been applied in preparing these consolidated financial statements.

**BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ****Notes to the Consolidated Financial Statements****As of and for the period ended 30 September 2009***(Currency - In thousands of Turkish Lira)***4. Net fee and commission income**

	<b>1 January – 30 September 2009</b>	<b>1 July – 30 September 2009</b>	<b>1 January – 30 September 2008</b>	<b>1 July – 30 September 2008</b>
<b>Fee and commission income</b>				
Financial guarantee contracts issued	5,738	2,174	3,692	1,150
Credit related fees and commissions	4,590	1,871	8,043	3,892
Banking service commissions	1,819	584	1,767	753
Brokerage fees	569	171	713	115
Other	1,500	363	1,773	465
<b>Total fee and commission income</b>	<b>14,216</b>	<b>5,163</b>	<b>15,988</b>	<b>6,375</b>
<b>Fee and commission expense</b>				
Corresponding bank fees	605	148	387	179
Derivative transaction fees and commissions	263	84	554	146
Other	610	212	1,253	493
<b>Total fee and commission expense</b>	<b>1,478</b>	<b>444</b>	<b>2,194</b>	<b>818</b>
<b>Net fee and commission income</b>	<b>12,738</b>	<b>4,719</b>	<b>13,794</b>	<b>5,557</b>

**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 balance sheet 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 balance sheet, has been calculated on a separate-entity basis.

As at 30 September 2009, the corporate tax rate for foreign subsidiary in Kazakhstan is 20% (31 December 2008 – 30%).

As at 30 September 2009 and 31 December 2008, prepaid income taxes are netted off with the current tax liability as stated below:

	<b>30 September 2009</b>	<b>31 December 2008</b>
Income tax liability	12,891	3,377
Prepaid income tax	(7,860)	(3,377)
<b>Income taxes payable</b>	<b>5,031</b>	<b>-</b>

**BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ****Notes to the Consolidated Financial Statements****As of and for the period ended 30 September 2009***(Currency - In thousands of Turkish Lira)***5. Taxation (continued)****Income tax recognised in the income statement**

The components of income tax expense as stated below:

	30 September 2009	30 September 2008
<b>Current tax</b>		
Current income tax	(12,214)	(6,496)
<b>Deferred tax</b>		
Relating to origination and reversal of temporary differences	5,197	553
<b>Income tax expense reported in the income statement</b>	<b>(7,017)</b>	<b>(5,943)</b>

**Deferred tax**

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

	30 September 2009	31 December 2008
Deferred tax assets/(liabilities), net at 1 January	(2,906)	2,818
Deferred tax recognised in the income statement	5,197	(736)
Deferred income tax recognised in equity	494	(4,974)
Exchange rate differences	(93)	(14)
<b>Deferred tax assets/(liabilities), net at end of the period/year</b>	<b>2,692</b>	<b>(2,906)</b>

Reflected as:

	30 September 2009	31 December 2008
Deferred tax assets	2,729	774
Deferred tax liabilities	(37)	(3,680)

**Current tax recognised in other comprehensive income**

	30 September 2009	30 September 2008
Net gain / (loss) on hedge of net investment	-	-
Available-for-sale investment securities	183	221
	<b>183</b>	<b>221</b>

**BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ****Notes to the Consolidated Financial Statements****As of and for the period ended 30 September 2009***(Currency - In thousands of Turkish Lira)***6. Trading assets and liabilities**

	<b>30 September 2009</b>	<b>31 December 2008</b>
<b>Derivative transactions</b>		
Derivative financial instruments	10,653	14,180
<b>Total trading assets</b>	<b>10,653</b>	<b>14,180</b>

In the ordinary course of business, the Group enters into various types of transactions that involve derivative financial instruments. 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. Derivative financial instruments include forwards, swaps, futures, currency options and interest rate options.

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 September 2009</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	2	2	4,867
Forward sale contract	2	2	4,867
Currency swap purchase	10,023	3,153	461,733
Currency swap sale	607	11,597	460,487
Future purchase contract	19	405	13,922
Future sales contract	-	-	14,302
Option purchase contract	-	-	59,280
Option sale contract	-	-	46,971
Option interest rate purchase contract	-	-	148,200
Asset purchase commitments	-	-	121,236
Asset sales commitments	-	-	121,174
<b>Total derivatives held for trading</b>	<b>10,653</b>	<b>15,159</b>	<b>1,457,039</b>

	<b>31 December 2008</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	11	8	3,449
Forward sale contract	31	5	3,421
Currency swap purchase	13,488	3,870	117,804
Currency swap sale	511	919	105,635
Future purchase contract	139	5,392	60,068
Future sales contract	-	-	65,464
Option purchase contract	-	-	60,492
Option sale contract	-	-	59,894
Option interest rate purchase contract	-	-	120,984
<b>Total derivatives held for trading</b>	<b>14,180</b>	<b>10,194</b>	<b>597,211</b>

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

**BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ****Notes to the Consolidated Financial Statements****As of and for the period ended 30 September 2009***(Currency - In thousands of Turkish Lira)***7. Investment securities**

	<b>30 September 2009</b>	<b>31 December 2008</b>
Held-to-maturity investment securities	40,768	36,221
	<b>40,768</b>	<b>36,221</b>
Available-for-sale investment securities	63,973	44,073
Available-for-sale investment securities – loaned securities	162	10,798
	<b>64,135</b>	<b>54,871</b>
	<b>104,903</b>	<b>91,092</b>

**Held-to-maturity investment securities**

	<b>30 September 2009</b>		<b>31 December 2008</b>	
	<b>Amount</b>	<b>Effective interest rate</b>	<b>Amount</b>	<b>Effective interest rate</b>
<b>Debt instruments</b>				
Turkish government bonds – TL denominated, net	30,572	20.03%	30,167	21.63%
- <i>Gross amount</i>	30,572		30,167	
- <i>Impairment on government bonds</i>	-		-	
Corporate bonds – USD, EUR denominated, net	10,196	USD-9.25%- 28.25% EUR-43.88%	6,054	9.25%
- <i>Gross amount</i>	10,196		6,054	
- <i>Impairment on corporate bond</i>	-		-	
<b>Total held-to-maturity investment securities</b>	<b>40,768</b>		<b>36,221</b>	

There are no held to maturity securities given as collateral under repurchase agreements as at 30 September and 31 December 2008.

As at 30 September 2009, TL denominated held-to-maturity investment securities comprise of inflation indexed notes with semi-annual coupon payments with a maturity of February 2012, USD denominated investment securities comprise corporate bonds with semi-annual coupon payments having maturity range of October 2010 and July 2012 and EUR denominated investment security comprises corporate bond with annual coupon payments having maturity August 2011.

As at 30 September 2009, government securities of held-to-maturity investment securities with carrying value of TL 30,572 (31 December 2008 – TL 30,167) 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.

**BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ****Notes to the Consolidated Financial Statements****As of and for the period ended 30 September 2009***(Currency - In thousands of Turkish Lira)***7. Investment securities (continued)****Held-to-maturity investment securities (continued)**

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

	<b>30 September 2009</b>	<b>31 December 2008</b>
Balance at 1 January	36,221	-
Additions	3,746	-
Disposals (sale and redemption)	-	-
Transfer from other portfolios	-	34,497
Transfer to other portfolios	-	-
Change in interest accrual	952	36
Exchange rate differences	(151)	1,688
<b>Balance at end of the period/year end</b>	<b>40,768</b>	<b>36,221</b>

**Available-for-sale investment securities**

	<b>30 September 2009</b>		<b>31 December 2008</b>	
		<b>Effective interest rate</b>		<b>Effective interest rate</b>
	<b>Amount</b>		<b>Amount</b>	

**Available-for-sale investment securities at fair value****Debt instruments**

Turkish government bonds – TL denominated, net	59,008	12.86%	43,846	21.84%
- Gross amount	59,008		43,846	
- Impairment on government bonds	-		-	
Foreign government bonds – KZT denominated, net	4,889	2.00%	-	-
- Gross amount	4,889		-	
- Impairment on government bonds	-		-	

<b>Total available-for-sale securities at fair value</b>	<b>63,897</b>		<b>43,846</b>	
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**Available-for-sale investment securities at cost**

Equity instruments – unlisted	76		227	
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<b>Total available-for-sale securities</b>	<b>63,973</b>		<b>44,073</b>	
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**BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ****Notes to the Consolidated Financial Statements****As of and for the period ended 30 September 2009***(Currency - In thousands of Turkish Lira)***7. Investment securities (continued)****Available-for-sale investment securities (continued)**

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

	<b>30 September 2009</b>	<b>31 December 2008</b>
Available-for-sale securities	162	10,798
Related liability (Note 11)	162	9,393

Repurchase agreements mature within one month.

As at 30 September 2009, TL denominated available-for-sale securities comprise Turkish Government floating rate notes ("FRN") and inflation indexed notes having a maturity range of February 2010 - May 2014. As at 30 September 2009, KZT denominated available-for-sale securities comprise a National Bank of the Republic of Kazakhstan bond and have a maturity of October 2009.

As at 30 September 2009, available-for-sale investment securities with carrying value of TL 26,818 (31 December 2008 – TL 35,761) 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 September 2009</b>	<b>31 December 2008</b>
Pratic	49	49
Common shares of Kazakhstan Stock Exchange	22	28
Gelişen İşletme Piyasaları A.Ş.	5	5
C Telekomünikasyon Hizmetleri A.Ş	-	145
	<b>76</b>	<b>227</b>

On 19 March 2009, C Bilişim sold the ordinary shares of C Telekomünikasyon Hizmetleri A.Ş for TL 145 and TL 230 of net loss on disposal was reflected as other expense in the accompanying condensed consolidated interim financial statements.

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

	<b>30 September 2009</b>	<b>31 December 2008</b>
Balance at 1 January	54,871	117,501
Additions	57,686	131,327
Disposals (sale and redemption)	(46,828)	(161,866)
Transfer from other portfolios	-	-
Transfer to other portfolios	-	(34,497)
Change in interest accrual	(1,588)	1,009
Exchange rate differences	(6)	1,397
<b>Balance at end of the period/year end</b>	<b>64,135</b>	<b>54,871</b>

# BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ

## Notes to the Consolidated Financial Statements

As of and for the period ended 30 September 2009

(Currency - In thousands of Turkish Lira)

### 8. Loans and advances to customers

30 September 2009							
	Amount		Foreign currency indexed	Total	Effective interest rate		
	New Turkish Lira	Foreign currency			Turkish Lira	Foreign currency	Foreign currency indexed
Corporate loans	131,169	330,697	318,749	780,615	20.04%	USD-8.79%-16.32% EUR-10.25% KZT-21.44%	USD-7.41% EUR-8.03%
Consumer loans <sup>(1)</sup>	178,307	13,932	85,161	277,400	19.60%	USD-13.18% KZT-18.29%	USD-10.91% EUR-9.01% CHF-7.77% JPY-5.91% GBP-11.28%
<b>Total loans</b>	<b>309,476</b>	<b>344,629</b>	<b>403,910</b>	<b>1,058,015</b>			
Loans in arrears				65,475			
Less: Specific reserve for impairment				(17,313)			
Less: Portfolio reserve for impairment				(23,252)			
				<b>1,082,925</b>			

<sup>(1)</sup> Commercial instalment loans amounting TL 15,845 is included in consumer loans.

31 December 2008							
	Amount		Foreign currency indexed	Total	Effective interest rate		
	New Turkish Lira	Foreign currency			Turkish Lira	Foreign currency	Foreign currency indexed
Corporate loans	140,830	318,331	401,261	860,422	29.25%	USD-9.44%-15.79% EUR-9.05% KZT-15.80%	USD-8.40% EUR-10.00%
Consumer loans <sup>(1)</sup>	183,084	26,418	90,767	300,269	19.70%	USD-13.84% KZT-19.26%	USD-10.90% EUR-7.89% CHF-7.77% JPY-5.89% GBP-11.28%
<b>Total loans</b>	<b>323,914</b>	<b>344,749</b>	<b>492,028</b>	<b>1,160,691</b>			
Loans in arrears				21,300			
Less: Specific reserve for impairment				(10,406)			
Less: Portfolio reserve for impairment				(14,644)			
				<b>1,156,941</b>			

<sup>(1)</sup> Commercial instalment loans amounting TL 31,049 is included in consumer loans.

As at 30 September 2009, loans with floating rates are TL 337,442 (31 December 2008 – TL 490,693) and fixed interest rates are TL 720,573 (31 December 2008 – TL 669,998).



**BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ****Notes to the Consolidated Financial Statements****As of and for the period ended 30 September 2009***(Currency - In thousands of Turkish Lira)***8. Loans and advances to customers (continued)**

Movements in non-performing loans:

	<b>30 September 2009</b>	<b>31 December 2008</b>
Non-performing loans at 1 January	21,300	5,924
Additions to non-performing loans	51,804	37,369
Recoveries	(7,422)	(22,051)
Write-offs	(161)	-
Exchange rate differences	(46)	58
<b>Non performing loans at the end of the period/year</b>	<b>65,475</b>	<b>21,300</b>

Movements in the reserve for possible loan losses:

	<b>30 September 2009</b>	<b>31 December 2008</b>
Reserve at beginning of year	25,050	9,918
Provision net of recoveries	16,660	14,878
- <i>Specific provision for loan impairment</i>	15,788	12,372
- <i>Portfolio provision for loan impairment</i>	5,158	6,831
- <i>Recoveries</i>	(4,286)	(4,325)
Loans written-off during the period/year	(161)	-
Exchange rate differences	(984)	254
<b>Reserve at the end of the period/year</b>	<b>40,565</b>	<b>25,050</b>

As at 30 September 2009, loans and advances on which interest is not being accrued, or where interest is suspended amounted to TL 65,475 (31 December 2008 – TL 21,300).

**BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ****Notes to the Consolidated Financial Statements****As of and for the period ended 30 September 2009***(Currency - In thousands of Turkish Lira)***9. Finance lease receivables**

	<b>30 September 2009</b>	<b>31 December 2008</b>
Less than one year	7,629	11,978
Between one and five years	5,737	10,002
<b>Finance lease receivables, gross</b>	<b>13,366</b>	<b>21,980</b>
Less: Unearned future income on finance leases	(1,117)	(2,466)
<b>Net investment in finance leases</b>	<b>12,249</b>	<b>19,514</b>
Loan in arrears	-	-
Less: Reserve for impairment	-	-
Less: Portfolio reserve for impairment	-	-
<b>Finance lease receivables, net</b>	<b>12,249</b>	<b>19,514</b>

The net investment in finance leases comprises:

	<b>30 September 2009</b>	<b>31 December 2008</b>
Less than one year	6,834	10,393
Between one and five years	5,415	9,121
	<b>12,249</b>	<b>19,514</b>

As at 30 September 2009, TL 1,110 of net investment in finance leases is denominated in USD, TL 10,703 of net investment in finance leases is denominated in EUR, TL 436 of net investment in finance leases is denominated in KZT (31 December 2008 – TL 1,904, TL 16,926 and TL 684 denominated in USD, EUR and KZT, respectively).

As at 30 September 2009, the effective interest rate for finance lease receivables denominated in USD is 8.41%-19.00% (31 December 2008 – 8.42%), in EUR 7.89% (31 December 2008 – 7.94%) and in KZT 17.30% (31 December 2008 – 16.55%).

As at 30 September 2009, finance lease receivables amounting to TL 10,532 (31 December 2008 – TL 15,676) have floating interest rate and remaining TL 1,717 (31 December 2008 – TL 3,838) have fixed interest rates.

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

During the nine-month period ended 30 September 2009, the Group acquired assets with a cost of TL 3,120 and disposed of certain of its property and equipment with a carrying amount of TL 2,903.

The carrying amount of goodwill at 30 September 2009 was TL 45,479 (31 December 2008 – TL 46,403) and there is no impairment recorded related to goodwill.

# BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ

## Notes to the Consolidated Financial Statements

As of and for the period ended 30 September 2009

(Currency - In thousands of Turkish Lira)

### 11. Deposits

#### Deposit from other banks

	30 September 2009				31 December 2008			
	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	-	237	-	-	-	118	-	-
Time	-	-	-	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>237</b>			<b>-</b>	<b>118</b>		

#### Customer deposits

	30 September 2009				31 December 2008			
	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	-	5,998	-	-	-	9,608	-	-
Time	-	7,107	-	KZT-10.46% EUR-2.31% USD-7.01%	-	4,618	-	KZT-9.64% EUR-6.69% USD-6.01%
<b>Total</b>	<b>-</b>	<b>13,105</b>			<b>-</b>	<b>14,226</b>		
<b>Corporate customers</b>								
Demand	-	39,234	-	-	-	51,331	-	-
Time	-	35,478	-	KZT-1.79% USD-0.45%	-	22,941	-	KZT-6.32% USD-2.43%
<b>Total</b>	<b>-</b>	<b>74,712</b>			<b>-</b>	<b>74,272</b>		
	<b>-</b>	<b>87,817</b>			<b>-</b>	<b>88,498</b>		

#### Other money market deposits

	30 September 2009				31 December 2008			
	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	162	-	6.88%		9,393	-	14.49%	-
	<b>162</b>	<b>-</b>			<b>9,393</b>	<b>-</b>		
Clearing House of İstanbul Stock Exchange	-	-			11,890	-	15.03%	-
<b>Total</b>	<b>162</b>	<b>-</b>			<b>21,283</b>	<b>-</b>		

As at 30 September 2009, other money market deposits of TL 162 (31 December 2008 – TL 21,283) have fixed interest rates.

**BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ****Notes to the Consolidated Financial Statements****As of and for the period ended 30 September 2009***(Currency - In thousands of Turkish Lira)***12. Funds borrowed**

	30 September 2009				31 December 2008			
	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	5,498	77,111	10.01%	USD-4.29% EUR-4.86%	307	80,672	15.00%	USD-3.72% EUR-6.10% JPY-1.84%
Floating interest	-	171,299	-	USD-3.10% EUR-4.59%	-	337,146	-	USD-3.19% EUR-5.86%
<b>Long-term</b>								
Fixed interest	-	482,972	-	USD-7.42% EUR-4.63% JPY-2.35%	206	490,224	14.78%	USD-7.46% EUR-6.08% JPY-1.71%
Floating interest	-	133,280	-	USD-3.29% EUR-3.80%	-	159,175	-	USD-2.00% EUR-7.15%
<b>Total</b>	<b>5,498</b>	<b>864,662</b>			<b>513</b>	<b>1,067,217</b>		

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

Repayments of long term borrowing are as follows:

	30 September 2009		31 December 2008	
	Floating rate	Fixed rate	Floating rate	Fixed rate
2009	2,454	3,143	120,593	36,740
2010	106,392	35,229	13,838	-
2011	17,518	-	17,686	-
2012	3,458	222,300	3,529	226,845
2013	3,458	222,300	3,529	226,845
<b>Total</b>	<b>133,280</b>	<b>482,972</b>	<b>159,175</b>	<b>490,430</b>

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

As at 30 September 2009 and 31 December 2008, funds borrowed are unsecured.

The Group has not had any defaults of principal, interest or redemption amounts or other breaches of loan covenants as at 30 September 2009 (31 December 2008 – none).

**13. Debt securities issued**

	30 September 2009	31 December 2008
Debt securities issued at amortised cost	50,035	-
<b>Total</b>	<b>50,035</b>	<b>-</b>

Debt securities have a maturity of September 2011 with a 12.03% of fixed interest rate. Securities are issued in accordance with the regulation of Capital Markets Board of Turkey.

**BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ****Notes to the Consolidated Financial Statements****As of and for the period ended 30 September 2009***(Currency - In thousands of Turkish Lira)***14. Capital and reserves**

	<b>30 September 2009</b>	<b>31 December 2008</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 September 2009 and 31 December 2008, the composition of shareholders and their respective percentage of ownership are summarised as follows:

	<b>30 September 2009</b>		<b>31 December 2008</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
Tarshish Hapoalim Holdings and Investments Ltd.	235,515	69.83	219,240	65.00
C Faktoring A.Ş.	101,777	30.17	118,052	35.00
	<b>337,292</b>	<b>100.00</b>	<b>337,292</b>	<b>100.00</b>
Share premium	20,121		20,121	
Restatement effect	23,311		23,311	
<b>Share capital and share premium</b>	<b>380,724</b>		<b>380,724</b>	

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%.

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 Consolidated Financial Statements****As of and for the period ended 30 September 2009***(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 2008	(235)	124	(111)
Net unrealised loss on available-for-sale financial investments	(1,149)	-	(1,149)
Foreign currency translation	-	194	194
<b>At 30 September 2008</b>	<b>(1,384)</b>	<b>318</b>	<b>(1,066)</b>
At 1 January 2009	(1,583)	(35)	(1,618)
Net unrealised gains on available-for-sale financial investments	1,200	-	1,200
Foreign currency translation	-	(11,558)	(11,558)
<b>At 30 September 2009</b>	<b>(383)</b>	<b>(11,593)</b>	<b>(11,976)</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.

As of 30 September 2009, available-for-sale reserve also includes remaining TL 347 (31 December 2008 – TL 457) and USD 968,483 (31 December 2008 – USD 1,191,045) loss of investment securities reclassified from available-for-sale investment securities to held-to-maturity investment securities.

**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**

In accordance with the decision taken in General Assembly, held on 28 January 2009, the Bank distributed dividend to its shareholders amounting to TL 50,000.

**BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ****Notes to the Consolidated Financial Statements****As of and for the period ended 30 September 2009***(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 2008 – 65.00% and 35.00%, 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	
	2009	2008	2009	2008	2009	2008
<b>Loans</b>						
At 1 January	-	4,658	-	208	75	88
At end of the period/year	500	-	-	-	-	75
Interest income	-	805	-	-	-	12

As at 30 September 2009, no provisions have been recognised in respect of loans given to related parties (31 December 2008 – none).

	Shareholders		Directors and key management personnel		Others	
	2009	2008	2009	2008	2009	2008
<b>Funds borrowed</b>						
At 1 January	144,387	193,750	-	-	27,305	14,576
At end of the period/year	240,972	144,387	-	-	132,244	27,305
Interest expense	4,262	5,550	-	-	2,754	2,128

Other balances with related parties:

Related party		Due from banks		Deposits	Finance lease receivables	Other assets	Other liabilities	Non-cash loans
Shareholders	2009	-	-	-	-	-	13,151	161,314
	2008	14,821	-	-	-	-	84	3,116
Others	2009	101	-	-	-	8	8,437	-
	2008	16,501	118	-	-	7	3,429	3
Directors and key management personnel	2009	-	124	-	-	1	24	-
	2008	-	88	-	-	-	77	-

**BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ****Notes to the Consolidated Financial Statements****As of and for the period ended 30 September 2009***(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 September 2009	-	43	(1,366)	237	-
	30 September 2008	6	111	(18)	22	-
Others	30 September 2009	(57)	248	(379)	1	(158)
	30 September 2008	-	203	-	2	(42)
Directors and key management personnel	30 September 2009	-	-	-	-	-
	30 September 2008	-	-	-	-	-

**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 3,715 (30 September 2008 – TL 1,580) 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 September 2009	31 December 2008
Letters of guarantee	519,796	438,849
Letters of credit	73,480	106,606
Other guarantees	2,417	13,616
<b>Total</b>	<b>595,693</b>	<b>559,071</b>
Letter of guarantee obtained by subsidiaries from other banks	2,071	2,071
Commitments	1,369	92,363
<b>Total non-cash loans</b>	<b>599,133</b>	<b>653,505</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 September 2009, the Group has non-cancellable operating lease agreements amounting to TL 4,065 (31 December 2008 – TL 4,257).



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

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

**As of and for the period ended 30 September 2009**

*(Currency - In thousands of Turkish Lira)*

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

##### **Litigation**

There were a number of legal proceedings outstanding against the Group as at 30 September 2009 totalling TL 466 (31 December 2008 – TL 268) of which TL 68 provision has been made. This mainly includes matters relating to claimed interest losses. No provision has been made as professional advice indicates that it is unlikely that any significant loss will arise.

##### **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 3 open-ended investment funds (31 December 2008 – 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 September 2009, total size of investment funds is amounting to TL 1,562 (31 December 2008 – TL 2,214). Management fee and commission income received from investment funds amounted to TL 21 (30 September 2008 – TL 24). As at 30 September 2009, the Group had investment custody accounts amounting to TL 1,806 (31 December 2008 – TL 1,807).

#### **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, the measurement and the 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 and to eliminate the other types of risk by not carrying positions. With this understanding, the Group has given priority to create a risk aware culture in which all functions of the Bank understand the risks being exposed; have well-defined areas of responsibilities; clear manual and system controls are inserted into each process and every new application/product has sufficient risk assessment before being applied and subject to regular reviews.

In the course of its normal operations, BankPozitif is exposed to a number of risks such as credit risk, market risk, liquidity risk, currency risk and operational risk. BankPozitif's risk policy can be summarised as:

- eliminating currency, interest rate and maturity risk
- minimizing market risk
- well managing the credit risk through a high standardised credit risk management

In accordance with the BankPozitif's general risk management strategy; the Bank aims to eliminate and hedge its currency, interest rate and maturity positions that might create liquidity or market risk to BankPozitif. Additionally, in order to minimise the market risk, marketable securities portfolio is limited proportional to the total assets size and most of the securities are floating rate notes.

Board of Directors is the highest authority to set all risk management guidelines, and it is responsible for ensuring that the Bank 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.

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

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

**As of and for the period ended 30 September 2009**

*(Currency - In thousands of Turkish Lira)*

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

All risk levels are set and approved by the Board of Directors on a regularly basis, and it is announced to the organisation.

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

- to define the policy of the Bank, including that of all its subsidiaries, regarding exposure to various risks (credit risks, market risks, operational risks, liquidity risks, legal risks, etc.)
- to manage, and guide all the activities of Internal Systems
- to approve new business lines, products or activities that would have a substantial effect on activities of the Bank

The Group manages its exposure to all types of risks through the Asset and Liability Committee, set by Board of Directors and comprising members of senior management, and a representative of main shareholder (Board member nominated by Bank Hapoalim) and also through limits set on the credit, treasury and asset liability management activities of the Bank. These limits are approved and quarterly reviewed by the Board of Directors and the Asset and Liability Committee is responsible to monitor and follow up these limits in daily activities.

In summary, in order not to be exposed to any liquidity, interest rate, market and foreign currency risk, the Bank always 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 any speculative positions on currency, interest rate and maturity that might create any liquidity or market risk to the Bank.

#### **Credit risk**

Credit risk is the probability of loss due to inability of the obligor, borrower or counterparty to meet their obligations in a timely manner. The most important step in managing this risk is the initial decision whether or not to extend credit.

Credit risk makes up the largest part of the Bank's risk exposures having priority among the Bank's business targets and will continue to be the focus of the Bank's activities in future.

The sub risk categories being monitored under this core risk area are "default risk", "country risk" and "settlement risk".

To avoid the default risk to the best possible extend, the Bank 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.

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

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

Board of Directors approve all credit policies and relevant procedures and regulations (as well as other business' policies) to be applied at the Bank, senior management is responsible for putting the policies into practice and identifying and managing of credit risk is the issue 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.

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

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

**As of and for the period ended 30 September 2009**

*(Currency - In thousands of Turkish Lira)*

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

##### *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 & 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 Loan Policy and Retail Loan Policy, which are approved and reviewed regularly by the Board of Directors.

Within the light of “No Exception Policy” applied in the Bank, loan disbursements are checked with internal and legal regulations prior to disbursement by Internal Control Unit.

##### *- 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 single borrower limit (due to being an investment bank), the Bank set a single borrower limit, as 15% (it is lower than the regulatory requirement of 25%) of total equity. In addition to this, there is also a limit for Group of Borrowers as 25% of total equity. Risk management and Credit Departments monitors these limits on a daily basis.

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 Bank set a limit on single sector concentration by 20% of total loan book.

In addition to sectoral and borrower limits, the Bank 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 September 2009, the share of the Group’s receivables from its top 20 credit customers in its total loan portfolio is 36% (31 December 2008 – 38%).

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

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

**As of and for the period ended 30 September 2009**

*(Currency - In thousands of Turkish Lira)*

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

##### *Measuring risk*

BankPozitif also uses an in-house developed rating system for corporate loan customers. Internal rating systems are being tested regularly by selecting samples from credit portfolio. For the corporate portfolio, the existing rating system is developed internally and has ten different sets of questions for ten sectors; namely construction, energy, industry, trade, mining, factoring, health and hospital, services, transportation and tourism sectors. The rating system is designed to be in line with Basel II standards. The rating system has a dual evaluation for companies as qualitative and quantitative section and the company is rated with a rating grade between AAA – D. Rating grades like “AAA”, “AA”, “A” and “BBB” is evaluated as “high credit worthiness” whereas “BB”, “B+” and “B” is evaluated as “acceptable credit worthiness”. Ratings of corporate companies are re-evaluated semi-annually by Corporate Loans and Risk Monitoring Department and also Risk Management Department has its Credit Review Function to re-evaluate the rating of the company and make recommendations at any time.

An additional rating module, loss given default (LGD or facility rating) rating, has been developed in 2008 and is being used for the corporate loan customers. This module, differently from the internal 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.

Both of the 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.

Regarding to retail business, application scorecards developed by Experian Scorex is being used to evaluate retail customers and a project on developing behavioural scorecards for each customer is being carried out.

##### *Monitoring the risk*

Risk Management Department performs periodic reviews on the credit portfolio of the bank as if they are acting as a credit unit and performs all credit pre-approval process, (called Credit Review Function). They re-evaluate the selected credit file and conclude in a credit rating according to the internal rating scale.

Risk Management Department controls structure of portfolio by product type, maturity, sector, geographical concentration, rating, currency, collateral and borrower/group of borrowers. Risk Management Department also monitors concentration in the portfolio with these criteria, makes recommendations and reports its findings at appropriate managerial levels. Additionally, risk management calculates sectoral diversification of the loan portfolio in accordance with Herfindahl-Herschman.

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.

**BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ****Notes to the Consolidated Financial Statements****As of and for the period ended 30 September 2009***(Currency - In thousands of Turkish Lira)***17. Financial risk management (continued)**

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

	<b>30 September 2009</b>			
	<b>Cash</b>	<b>Finance lease receivables</b>	<b>Non-cash</b>	<b>Total</b>
Tourism and entertainment	244,208	5,466	370	250,044
Electric production & supply	85,413	-	103,552	188,965
Commercial, mortgage, investment finance banks	-	-	188,173 <sup>(1)</sup>	188,173
Public works & civil engineering	78,446	289	57,845	136,580
Metal and by-products	98,407	968	6,833	106,208
Other commercial services	48,532	167	51,104	99,803
Building contractor (general and special trade)	54,598	-	10,237	64,835
Manufacture of transport equipments	4,890	-	59,850	64,740
Transportation	6,790	317	54,833	61,940
Holding companies	32,390	-	1,324	33,714
Electrical & electronic equipment	19,125	-	9,145	28,270
Non ferrous mineral products	22,381	2,974	823	26,178
Trade	14,148	-	10,406	24,554
Machinery & equipment	227	-	18,932	19,159
Personal other services	18,406	108	558	19,072
Textile & clothing	13,467	-	792	14,259
Agriculture & forestry	2,615	-	11,146	13,761
Mining & quarrying	12,993	-	-	12,993
Food & beverage & tobacco industries	8,844	138	3,486	12,468
Other financial institutions	3,852	-	7,958	11,810
Rubber & plastic products	2,541	-	-	2,541
Health service	1,700	-	220	1,920
Chemical and oil products	680	-	11	691
Other consumer loans	261,835	-	-	261,835
Others	6,297	1,693	1,535	9,525
<b>Total performing loans</b>	<b>1,042,785</b>	<b>12,120</b>	<b>599,133</b>	<b>1,654,038</b>
Interest accruals	15,230	129	-	15,359
Loans in arrears	65,475	-	-	65,475
Provision for possible loan losses	(40,565)	-	-	(40,565)
<b>Total loans</b>	<b>1,082,925</b>	<b>12,249</b>	<b>599,133</b>	<b>1,694,307</b>

<sup>(1)</sup> TL 22,411 and TL 161,262 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 Consolidated Financial Statements****As of and for the period ended 30 September 2009***(Currency - In thousands of Turkish Lira)***17. Financial risk management (continued)**

	<b>31 December 2008</b>			
	<b>Cash</b>	<b>Finance lease receivables</b>	<b>Non-cash</b>	<b>Total</b>
Tourism and entertainment	254,735	6,437	30,526	291,698
Electric production & supply	50,066	-	126,134	176,200
Metal and by-products	101,350	2,022	32,822	136,194
Transportation	13,769	508	115,641	129,918
Building contractor (general and special trade)	93,780	-	25,998	119,778
Public works & civil engineering	42,212	2,061	56,109	100,382
Other commercial services	48,576	209	38,323	87,108
Trade	58,515	-	25,888	84,403
Commercial, mortgage, investment finance banks	-	-	63,255 <sup>(1)</sup>	63,255
Electrical & electronic equipment	28,213	-	20,363	48,576
Manufacture of transport equipments	17,861	-	25,055	42,916
Non ferrous mineral products	29,220	5,411	4,628	39,259
Food & beverage & tobacco industries	18,536	132	14,141	32,809
Holding companies	30,874	-	1,324	32,198
Chemical and oil products	2,655	-	23,032	25,687
Other financial institutions	13,577	-	7,053	20,630
Agriculture & forestry	1,304	-	17,569	18,873
Health service	18,653	-	-	18,653
Personal other services	11,345	424	5,754	17,523
Machinery & equipment	514	-	16,016	16,530
Textile & clothing	13,299	-	2,797	16,096
Mining & quarrying	13,343	-	-	13,343
Rubber & plastic products	2,605	-	-	2,605
Other consumer loans	272,141	-	-	272,141
Others	3,106	1,976	1,077	6,159
<b>Total performing loans</b>	<b>1,140,249</b>	<b>19,180</b>	<b>653,505</b>	<b>1,812,934</b>
Interest accruals	20,442	334	-	20,776
Loans in arrears	21,300	-	-	21,300
Provision for possible loan losses	(25,050)	-	-	(25,050)
<b>Total loans</b>	<b>1,156,941</b>	<b>19,514</b>	<b>653,505</b>	<b>1,829,960</b>

<sup>(1)</sup> TL 40,090 and TL 3,064 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 Consolidated Financial Statements****As of and for the period ended 30 September 2009***(Currency - In thousands of Turkish Lira)***17. Financial risk management (continued)**

Total collateralisation coverage of cash and non cash loans are 92% as at 30 September 2009 (31 December 2008 – 84%).

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

	<b>30 September 2009</b>	<b>31 December 2008</b>
<b>Cash loans (including financial lease receivables) under loan in arrears</b>		
Secured by cash	-	-
Secured by mortgages	47,275	5,774
Secured by pledge	13,817	12,188
Secured by guarantee	-	245
Secured by assignment and cheques	54	-
Unsecured	4,329	3,093
<b>Total</b>	<b>65,475</b>	<b>21,300</b>
<b>Cash loans (including financial lease receivables) except loan in arrears</b>		
Secured by cash	13,640	3,869
Secured by mortgages	766,544	852,013
Secured by pledge	83,726	85,498
Secured by guarantee	76,990	74,338
Secured by assignment and cheques	83,162	66,000
Unsecured	46,202	98,487
<b>Total</b>	<b>1,070,264</b>	<b>1,180,205</b>
<b>Non-cash loans</b>		
Secured by cash	10,219	25,941
Secured by mortgages	87,440	149,009
Secured by pledge	18,035	9,165
Secured by guarantee	367,587	260,844
Secured by assignment and cheques	20,254	18,347
Unsecured	95,598	190,199
<b>Total</b>	<b>599,133</b>	<b>653,505</b>

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

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

**As of and for the period ended 30 September 2009**

*(Currency - In thousands of Turkish Lira)*

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

##### **Liquidity risk**

Liquidity risk is the risk that an entity will be unable to meet its net funding requirements. Liquidity risk can be caused by market disruptions or credit downgrades which may cause certain sources of funding to become unavailable.

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). Asset and Liability Committee 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.

Since the Bank has funding centred asset creating structure, the Bank is not allowed to take any liquidity risk (monitored cumulatively) in any currency, in any point in any time as decided by the top management of the Bank.

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 balance sheet date to contractual maturity date.



# BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ

## Notes to the Consolidated Financial Statements

As of and for the period ended 30 September 2009

(Currency - In thousands of Turkish Lira)

### 17. Financial risk management (continued)

As at 30 September 2009	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	40,023	23,567	-	-	-	-	-	-	-	-	-	63,590
Due from banks and financial institutions	37,511	6,414	9	1	2,401	-	-	-	-	-	-	46,336
Interbank and other money market placements	47,370	-	-	-	-	-	-	-	-	-	-	47,370
Reserve deposits at central banks	1,647	86,772	-	-	-	-	-	-	-	-	-	88,419
Trading assets	-	46	92	257	30	242	3,972	6,014	-	-	-	10,653
Investment securities	-	5,303	150	2,400	11,724	18,158	36,980	6,759	23,191	-	76	104,741
Loaned securities	162	-	-	-	-	-	-	-	-	-	-	162
Receivables from customers due to brokerage activities	-	587	-	-	-	-	-	-	-	-	-	587
Loans and advances to customers	-	108,192	78,161	92,112	149,620	219,077	137,780	82,847	69,304	97,670	48,162	1,082,925
Finance lease receivables	-	1,623	1,496	1,737	1,978	4,108	1,307	-	-	-	-	12,249
Property and equipment	-	-	-	-	-	-	-	-	-	-	13,807	13,807
Intangible assets	-	-	-	-	-	-	-	-	-	-	52,919	52,919
Deferred tax assets	-	-	-	-	-	-	-	-	-	-	2,729	2,729
Other assets	-	15,185	-	-	-	-	-	-	-	-	15,326	30,511
<b>Total assets</b>	<b>126,713</b>	<b>247,689</b>	<b>79,908</b>	<b>96,507</b>	<b>165,753</b>	<b>241,585</b>	<b>180,039</b>	<b>95,620</b>	<b>92,495</b>	<b>97,670</b>	<b>133,019</b>	<b>1,556,998</b>
<b>Liabilities</b>												
Deposit from other banks <sup>(2)</sup>	237	-	-	-	-	-	-	-	-	-	-	237
Customer deposits <sup>(2)</sup>	45,232	32,016	366	618	5,559	4,020	5	1	-	-	-	87,817
Other money market deposits	162	-	-	-	-	-	-	-	-	-	-	162
Trading liabilities	-	2,146	2,432	1,318	2,851	3,016	1,125	638	1,611	22	-	15,159
Funds borrowed	-	6,585	28,183	242,129	124,229	10,108	233,168	225,758	-	-	-	870,160
Debt securities issued	-	-	-	35	-	50,000	-	-	-	-	-	50,035
Other liabilities	25,900	44,779	9,024	-	355	-	-	-	11,982	-	2,875	94,915
Provisions	-	-	2,318	-	-	-	-	-	-	-	643	2,961
Current tax liabilities	-	-	5,031	-	-	-	-	-	-	-	-	5,031
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-	37	37
<b>Total liabilities</b>	<b>71,531</b>	<b>85,526</b>	<b>47,354</b>	<b>244,100</b>	<b>132,994</b>	<b>67,144</b>	<b>234,298</b>	<b>226,397</b>	<b>13,593</b>	<b>22</b>	<b>3,555</b>	<b>1,126,514</b>
<b>Net liquidity gap</b>	<b>55,182</b>	<b>162,163</b>	<b>32,554</b>	<b>(147,593)</b>	<b>32,759</b>	<b>174,441</b>	<b>(54,259)</b>	<b>(130,777)</b>	<b>78,902</b>	<b>97,648</b>	<b>129,464</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 Consolidated Financial Statements

As of and for the period ended 30 September 2009

(Currency - In thousands of Turkish Lira)

### 17. Financial risk management (continued)

As at 31 December 2008	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	44,980	-	-	-	-	-	-	-	-	-	-	44,980
Due from banks and financial institutions	40,259	3,541	439	212	32,581	-	53	-	-	-	-	77,085
Interbank and other money market placements	149,050	-	-	-	-	-	-	-	-	-	-	149,050
Reserve deposits at central banks	2,344	100,603	-	-	-	-	-	-	-	-	-	102,947
Trading assets	-	1,515	866	251	72	146	112	7,895	3,323	-	-	14,180
Investment securities	-	298	4,965	205	-	13,579	1,371	34,902	3,492	21,255	227	80,294
Loaned securities	-	10,798	-	-	-	-	-	-	-	-	-	10,798
Receivables from customers due to brokerage activities	-	193	-	-	-	-	-	-	-	-	-	193
Loans and advances to customers	-	55,867	169,675	143,970	117,865	204,573	166,113	103,149	61,513	122,034	12,182	1,156,941
Finance lease receivables	-	1,549	2,052	2,493	4,299	4,491	3,798	832	-	-	-	19,514
Property and equipment	-	-	-	-	-	-	-	-	-	-	18,628	18,628
Intangible assets	-	-	-	-	-	-	-	-	-	-	54,650	54,650
Deferred tax assets	-	-	-	-	-	-	-	-	-	-	774	774
Other assets	-	6,439	1,724	258	517	1,033	1,033	1,033	651	-	12,170	24,858
<b>Total assets</b>	<b>236,633</b>	<b>180,803</b>	<b>179,721</b>	<b>147,389</b>	<b>155,334</b>	<b>223,822</b>	<b>172,480</b>	<b>147,811</b>	<b>68,979</b>	<b>143,289</b>	<b>98,631</b>	<b>1,754,892</b>
<b>Liabilities</b>												
Deposit from other banks <sup>(2)</sup>	118	-	-	-	-	-	-	-	-	-	-	118
Customer deposits <sup>(2)</sup>	60,939	14,419	1,321	4,909	5,653	1,225	25	7	-	-	-	88,498
Other money market deposits	21,283	-	-	-	-	-	-	-	-	-	-	21,283
Trading liabilities	-	1,200	5,392	2,179	1,423	-	-	-	-	-	-	10,194
Funds borrowed	-	128,734	150,157	51,130	245,437	13,838	17,686	230,374	230,374	-	-	1,067,730
Other liabilities	51,801	29,735	6,189	742	429	-	-	-	-	-	4,966	93,862
Provisions	-	1,604	-	-	-	-	-	-	-	-	759	2,363
Current tax liabilities	-	-	-	-	-	-	-	-	-	-	-	-
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-	3,680	3,680
<b>Total liabilities</b>	<b>134,141</b>	<b>175,692</b>	<b>163,059</b>	<b>58,960</b>	<b>252,942</b>	<b>15,063</b>	<b>17,711</b>	<b>230,381</b>	<b>230,374</b>	<b>-</b>	<b>9,405</b>	<b>1,287,728</b>
<b>Net liquidity gap</b>	<b>102,492</b>	<b>5,111</b>	<b>16,662</b>	<b>88,429</b>	<b>(97,608)</b>	<b>208,759</b>	<b>154,769</b>	<b>(82,570)</b>	<b>(161,395)</b>	<b>143,289</b>	<b>89,226</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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(Currency - In thousands of Turkish Lira)

### 17. Financial risk management (continued)

The table below analyses residual contractual maturities of liabilities:

As at 30 September 2009	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	237	237	237	-	-	-	-	-
Customer deposits	87,817	88,238	45,232	32,022	367	6,371	4,246	-
Interbank and other money market deposits	162	163	-	163	-	-	-	-
Funds borrowed	870,160	986,120	-	6,773	33,332	399,337	546,678	-
Debt securities issued	50,035	62,164	-	-	-	6,082	56,082	-
Current account of loan customers <sup>(1)</sup>	70,520	71,904	25,900	23,464	8,999	423	13,118	-
	<b>1,078,931</b>	<b>1,208,826</b>	<b>71,369</b>	<b>62,422</b>	<b>42,698</b>	<b>412,213</b>	<b>620,124</b>	<b>-</b>

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

As at 31 December 2008	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	118	118	118	-	-	-	-	-
Customer deposits	88,498	98,398	60,939	23,827	1,327	10,886	1,419	-
Interbank and other money market deposits	21,283	21,300	-	21,300	-	-	-	-
Funds borrowed	1,067,730	1,219,520	-	129,481	152,452	336,960	600,627	-
Current account of loan customers <sup>(1)</sup>	74,275	74,388	51,801	15,815	5,923	849	-	-
	<b>1,251,904</b>	<b>1,413,724</b>	<b>112,858</b>	<b>190,423</b>	<b>159,702</b>	<b>348,695</b>	<b>602,046</b>	<b>-</b>

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

The table below analyses contractual maturities of derivative transactions;

	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>As at 30 September 2009</b>							
<b>Assets</b>							
Forward purchase contract	4,867	-	-	-	-	-	4,867
Forward sale contract	4,867	-	-	-	-	-	4,867
Currency swap purchase	40,093	101,792	23,936	27,331	264,230	4,351	461,733
Currency swap sale	40,545	103,476	25,228	28,950	257,913	4,375	460,487
Future purchase contract	-	13,922	-	-	-	-	13,922
Future sales contract	-	14,302	-	-	-	-	14,302
Option purchase contract	-	-	-	-	59,280	-	59,280
Option sale contract	-	-	-	-	46,971	-	46,971
Option interest rate purchase contract	-	-	-	-	-	148,200	148,200
Asset purchase commitments	-	60,132	-	14,819	46,285	-	121,236
Asset sales commitments	-	58,977	-	15,122	47,075	-	121,174
	<b>90,372</b>	<b>352,601</b>	<b>49,164</b>	<b>86,222</b>	<b>721,754</b>	<b>156,926</b>	<b>1,457,039</b>

	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>As at 31 December 2008</b>							
<b>Assets</b>							
Forward purchase contract	3,449	-	-	-	-	-	3,449
Forward sale contract	3,421	-	-	-	-	-	3,421
Currency swap purchase	22,909	3,879	7,681	4,697	78,638	-	117,804
Currency swap sale	22,867	3,211	8,135	4,633	66,789	-	105,635
Future purchase contract	-	60,068	-	-	-	-	60,068
Future sales contract	-	65,464	-	-	-	-	65,464
Option purchase contract	-	-	-	-	60,492	-	60,492
Option sale contract	-	-	-	-	59,894	-	59,894
Option interest rate purchase contract	-	-	-	-	120,984	-	120,984
	<b>52,646</b>	<b>132,622</b>	<b>15,816</b>	<b>9,330</b>	<b>386,797</b>	<b>-</b>	<b>597,211</b>

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

### **Notes To The Condensed Consolidated Interim Financial Statements**

#### **As of and for the period ended 30 September 2009**

*(Currency - In thousands of Turkish Lira)*

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

##### **Market risk**

The Group takes no exposure to market risks. Market risks arise from open positions in interest rate, currency and equity product, 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 balance sheet 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 September 2009, the highest potential loss of the securities portfolio was generated by historical simulation method as TL 61 for one day.

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, collateralise the loans and manage 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 weekly Asset and Liability Committee meetings, comprising members of senior management of the Bank and through limits on the positions which can be taken by the Bank's treasury and securities trading divisions.

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 (7,079) of net loss of JSC BankPozitiv (31 December 2008 - TL (1,436)), net foreign exchange position of the group would have been TL (321) (31 December 2008 - TL 119).

# 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)

### 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>As at 30 September 2009</b>							
<b>Assets</b>							
Cash and balances with central banks	20,875	584	1	-	42,052	19	63,531
Due from banks and financial institutions	38,688	3,644	294	210	5	2,100	44,941
Reserve deposits at central Banks	79,004	-	-	-	1,647	-	80,651
Trading assets	36	-	-	-	-	-	36
Investment securities	7,378	2,818	-	-	4,911	-	15,107
Loans and advances due to customers <sup>(1)</sup>	376,170	291,688	41,211	10,454	28,617	129	748,269
Finance lease receivables	1,110	10,703	-	-	436	-	12,249
Property and equipment	-	-	-	-	5,778	-	5,778
Intangible assets	45,204	-	-	-	1,083	-	46,287
Deferred tax assets	-	-	-	-	669	-	669
Other assets	15,297	846	53	-	9,577	365	26,138
<b>Total assets</b>	<b>583,762</b>	<b>310,283</b>	<b>41,559</b>	<b>10,664</b>	<b>94,775</b>	<b>2,613</b>	<b>1,043,656</b>
<b>Liabilities</b>							
Deposit from other banks <sup>(2)</sup>	112	24	-	-	4	97	237
Customer deposits <sup>(2)</sup>	37,261	3,786	-	-	46,092	678	87,817
Trading liabilities	82	-	-	-	-	-	82
Funds borrowed	725,222	137,806	-	1,634	-	-	864,662
Other liabilities <sup>(3)</sup>	25,024	20,811	107	29	772	-	46,743
Provisions	-	-	-	-	31	-	31
<b>Total liabilities</b>	<b>787,701</b>	<b>162,427</b>	<b>107</b>	<b>1,663</b>	<b>46,899</b>	<b>775</b>	<b>999,572</b>
<b>Gross exposure</b>	<b>(203,939)</b>	<b>147,856</b>	<b>41,452</b>	<b>9,001</b>	<b>47,876</b>	<b>1,838</b>	<b>44,084</b>
<b>Off-balance sheet position</b>	<b>147,165</b>	<b>(147,656)</b>	<b>(41,494)</b>	<b>(9,057)</b>	<b>-</b>	<b>(442)</b>	<b>(51,484)</b>
Net notional amount of derivatives	147,165	(147,656)	(41,494)	(9,057)	-	(442)	(51,484)
<b>Net exposure<sup>(4)</sup></b>	<b>(56,774)</b>	<b>200</b>	<b>(42)</b>	<b>(56)</b>	<b>47,876</b>	<b>1,396</b>	<b>(7,400)</b>

<sup>(1)</sup> Foreign currency net non-performing loans and advances to customer amounting TL (270) is included at foreign currency position.

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

<sup>(3)</sup> Currency translation gain / (loss) regarding the accounting of foreign subsidiary, JSC BankPozitiv, amounting TL (11,593) was included at foreign currency position.

<sup>(4)</sup> The Bank has a USD-KZT money 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

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(Currency - In thousands of Turkish Lira)

### 17. Financial risk management (continued)

#### Currency risk (continued)

	USD	Euro	CHF	JPY	KZT	Others	Total
<b>31 December 2008</b>							
<b>Assets</b>							
Cash and balances with central banks	20,734	281	-	-	23,852	66	44,933
Due from banks and financial institutions	46,187	30,229	77	85	7	156	76,741
Interbank and other money market placements	-	-	-	-	-	-	-
Reserve deposits at central Banks	99,414	-	-	-	2,344	-	101,758
Trading assets	419	-	-	-	-	-	419
Investment securities	6,054	-	-	-	28	-	6,082
Loans and advances due to customers <sup>(1)</sup>	397,056	296,429	50,429	11,514	79,322	125	834,875
Finance lease receivables	1,904	16,926	-	-	684	-	19,514
Property and equipment	-	-	-	-	7,599	-	7,599
Intangible assets	46,128	-	-	-	1,513	-	47,641
Deferred tax asset	-	-	-	-	390	-	390
Other assets	7,671	91	17	-	9,270	416	17,465
<b>Total assets</b>	<b>625,567</b>	<b>343,956</b>	<b>50,523</b>	<b>11,599</b>	<b>125,009</b>	<b>763</b>	<b>1,157,417</b>
<b>Liabilities</b>							
Deposit from other banks <sup>(2)</sup>	63	1	-	-	45	9	118
Customer deposits <sup>(2)</sup>	22,466	511	-	-	65,457	64	88,498
Funds borrowed	783,126	269,157	-	14,934	-	-	1,067,217
Other liabilities <sup>(3)</sup>	30,089	28,806	65	98	435	1	59,494
Provisions	-	-	-	-	252	-	252
Deferred tax liabilities	-	-	-	-	-	-	-
<b>Total liabilities</b>	<b>835,744</b>	<b>298,475</b>	<b>65</b>	<b>15,032</b>	<b>66,189</b>	<b>74</b>	<b>1,215,579</b>
<b>Gross exposure</b>	<b>(210,177)</b>	<b>45,481</b>	<b>50,458</b>	<b>(3,433)</b>	<b>58,820</b>	<b>689</b>	<b>(58,162)</b>
<b>Off-balance sheet position</b>							
Net notional amount of derivatives	149,691	(45,342)	(50,414)	3,403	-	(493)	56,845
	149,691	(45,342)	(50,414)	3,403	-	(493)	56,845
<b>Net exposure<sup>(4)</sup></b>	<b>(60,486)</b>	<b>139</b>	<b>44</b>	<b>(30)</b>	<b>58,820</b>	<b>196</b>	<b>(1,317)</b>

<sup>(1)</sup> Foreign currency net non-performing loan amounting TL (1,902) is included at foreign currency position.

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

<sup>(3)</sup> Currency translation gain / (loss) regarding the accounting of foreign subsidiary, JSC BankPozitiv, amounting TL (35) 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 September 2009	31 December 2008	30 September 2009	31 December 2008
USD/TL	1.5678	1.2970	1.4820	1.5123
EUR/TL	2.1379	1.8973	2.1603	2.1408

**BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ****Notes To The Condensed Consolidated Interim Financial Statements****As of and for the period ended 30 September 2009***(Currency - In thousands of Turkish Lira)***17. Financial risk management (continued)****Currency risk (continued)****Sensitivity analysis**

A 10 percent weakening of TL against the foreign currencies at 30 September 2009 and 31 December 2008 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 2008.

<b>30 September 2009</b>	<b>Equity</b>	<b>Profit or loss</b>
USD	(5,678)	(5,678)
Euro	20	20
Other currencies	5,626	5,626
	<b>(32)</b>	<b>(32)</b>
<b>31 December 2008</b>	<b>Equity</b>	<b>Profit or loss</b>
USD	(6,049)	(6,049)
Euro	14	14
Other currencies	6,047	6,047
	<b>12</b>	<b>12</b>

A 10 percent strengthening of the TL against the foreign currencies at 30 September 2009 and 31 December 2008 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 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 Bank prefers to protect itself from the effects created by the interest rate volatility and prefers to have a match in interest rate risk. Also the Bank does not prefer to generate income from interest rate mismatch.

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 Asset and Liability Committee and Executive Risk Committee, comprising members of senior management of the Bank, and through utilising interest rate cap/floor agreements, interest rate swaps and setting limits on the positions, which can be taken by the Bank's credit and treasury divisions.

# BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ

## Notes To The Condensed Consolidated Interim Financial Statements

As of and for the period ended 30 September 2009

(Currency - In thousands of Turkish Lira)

### 17. Financial risk management (continued)

The Group manages interest rate risk by the Asset and Liability Committee and Risk Management Committee, comprising members of senior management of the Bank, and through utilising interest rate cap/floor agreements, interest rate swaps and setting limits on the positions, which can be taken by the Bank's credit and treasury divisions. The table below summarises the Group's exposure to interest rate risk on the basis of the remaining period at the balance sheet date to the repricing date:

As at 30 September 2009	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	28,478	-	-	-	-	-	-	-	-	35,112	63,590
Due from banks and financial institutions	29,000	9	-	-	-	-	-	-	-	17,327	46,336
Interbank and other money market placements	47,370	-	-	-	-	-	-	-	-	-	47,370
Reserve deposits at central banks	86,772	-	-	-	-	-	-	-	-	1,647	88,419
Trading assets	46	92	257	30	242	3,972	6,014	-	-	-	10,653
Investment securities	8,608	2,511	83,401	-	4,170	5,975	-	-	-	76	104,741
Loaned securities	162	-	-	-	-	-	-	-	-	-	162
Receivables from customers due to brokerage activities	587	-	-	-	-	-	-	-	-	-	587
Loans and advances to customers	163,649	127,042	174,684	107,069	149,658	96,591	65,907	59,060	91,103	48,162	1,082,925
Finance lease receivables	1,254	4,573	5,169	407	699	147	-	-	-	-	12,249
Property and equipment	-	-	-	-	-	-	-	-	-	13,807	13,807
Intangible assets	-	-	-	-	-	-	-	-	-	52,919	52,919
Deferred tax assets	-	-	-	-	-	-	-	-	-	2,729	2,729
Other assets	-	-	-	-	-	-	-	-	-	30,511	30,511
<b>Total assets</b>	<b>365,926</b>	<b>134,227</b>	<b>263,511</b>	<b>107,506</b>	<b>154,769</b>	<b>106,685</b>	<b>71,921</b>	<b>59,060</b>	<b>91,103</b>	<b>202,290</b>	<b>1,556,998</b>
<b>Liabilities</b>											
Deposit from other banks <sup>(1)</sup>	-	-	-	-	-	-	-	-	-	237	237
Customer deposits <sup>(1)</sup>	32,016	366	618	5,559	4,020	5	1	-	-	45,232	87,817
Other money market deposits	162	-	-	-	-	-	-	-	-	-	162
Trading liabilities	2,146	2,432	1,318	2,851	3,016	1,125	638	1,611	22	-	15,159
Funds borrowed	117,735	166,990	53,000	87,835	-	222,300	222,300	-	-	-	870,160
Debt securities issued	-	-	35	-	50,000	-	-	-	-	-	50,035
Other liabilities	33,465	8,922	-	355	-	-	-	11,982	-	40,191	94,915
Provisions	-	-	-	-	-	-	-	-	-	2,961	2,961
Current tax liabilities	-	-	-	-	-	-	-	-	-	5,031	5,031
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	37	37
<b>Total liabilities</b>	<b>185,524</b>	<b>178,710</b>	<b>54,971</b>	<b>96,600</b>	<b>57,036</b>	<b>223,430</b>	<b>222,939</b>	<b>13,593</b>	<b>22</b>	<b>93,689</b>	<b>1,126,514</b>
<b>Balance sheet interest sensitivity gap</b>	<b>180,402</b>	<b>(44,483)</b>	<b>208,540</b>	<b>10,906</b>	<b>97,733</b>	<b>(116,745)</b>	<b>(151,018)</b>	<b>45,467</b>	<b>91,081</b>	<b>108,601</b>	
Off-balance sheet interest sensitivity gap, net	29,186	27,953	(1,293)	(1,621)	(2,596)	(26,518)	(23,866)	26	(24)	-	
<b>Total interest sensitivity gap</b>	<b>209,588</b>	<b>(16,530)</b>	<b>207,247</b>	<b>9,285</b>	<b>95,137</b>	<b>(143,263)</b>	<b>(174,884)</b>	<b>45,493</b>	<b>91,057</b>	<b>108,601</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 September 2009

(Currency - In thousands of Turkish Lira)

### 17. Financial risk management (continued)

As at 31 December 2008	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	-	-	-	-	-	-	-	-	-	44,980	44,980
Due from banks and financial institutions	46,305	14,821	-	-	-	-	-	-	-	15,959	77,085
Interbank and other money market placements	149,050	-	-	-	-	-	-	-	-	-	149,050
Reserve deposits at central banks	100,603	-	-	-	-	-	-	-	-	2,344	102,947
Trading assets	1,515	866	251	72	146	112	7,895	3,323	-	-	14,180
Investment securities	52	70,743	3,512	-	-	-	5,760	-	-	227	80,294
Loaned securities	10,798	-	-	-	-	-	-	-	-	-	10,798
Receivables from customers due to brokerage activities	193	-	-	-	-	-	-	-	-	-	193
Loans and advances to customers	303,691	215,935	142,168	79,698	113,179	80,490	59,004	43,885	106,709	12,182	1,156,941
Finance lease receivables	3,018	11,987	2,521	538	798	599	53	-	-	-	19,514
Property and equipment	-	-	-	-	-	-	-	-	-	18,628	18,628
Intangible assets	-	-	-	-	-	-	-	-	-	54,650	54,650
Deferred tax assets	-	-	-	-	-	-	-	-	-	774	774
Other assets	-	749	-	-	-	-	-	-	-	24,109	24,858
<b>Total assets</b>	<b>615,225</b>	<b>315,101</b>	<b>148,452</b>	<b>80,308</b>	<b>114,123</b>	<b>81,201</b>	<b>72,712</b>	<b>47,208</b>	<b>106,709</b>	<b>173,853</b>	<b>1,754,892</b>
<b>Liabilities</b>											
Deposit from other banks <sup>(1)</sup>	-	-	-	-	-	-	-	-	-	118	118
Customer deposits <sup>(1)</sup>	14,419	1,321	4,909	5,653	1,225	25	7	-	-	60,939	88,498
Other money market deposits	21,283	-	-	-	-	-	-	-	-	-	21,283
Trading liabilities	1,200	5,392	2,179	1,423	-	-	-	-	-	-	10,194
Funds borrowed	499,764	74,297	15,403	24,576	-	-	226,845	226,845	-	-	1,067,730
Other liabilities	21,739	6,114	742	429	-	-	-	-	-	64,838	93,862
Provisions	-	-	-	-	-	-	-	-	-	2,363	2,363
Current tax liabilities	-	-	-	-	-	-	-	-	-	-	-
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	3,680	3,680
<b>Total liabilities</b>	<b>558,405</b>	<b>87,124</b>	<b>23,233</b>	<b>32,081</b>	<b>1,225</b>	<b>25</b>	<b>226,852</b>	<b>226,845</b>	<b>-</b>	<b>131,938</b>	<b>1,287,728</b>
<b>Balance sheet interest sensitivity gap</b>	<b>56,820</b>	<b>227,977</b>	<b>125,219</b>	<b>48,227</b>	<b>112,898</b>	<b>81,176</b>	<b>(154,140)</b>	<b>(179,637)</b>	<b>106,709</b>	<b>41,915</b>	
Off-balance sheet interest sensitivity gap, net	15,050	44,465	727	(65)	(131)	(93)	(37,489)	(11,800)	-	-	
<b>Total interest sensitivity gap</b>	<b>71,870</b>	<b>272,442</b>	<b>125,946</b>	<b>48,162</b>	<b>112,767</b>	<b>81,083</b>	<b>(191,629)</b>	<b>(191,437)</b>	<b>106,709</b>	<b>41,915</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 September 2009***(Currency - In thousands of Turkish Lira)***17. Financial risk management (continued)**

The Bank's value at market risks as of 30 September 2009 and 31 December 2008 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 September 2009</b>			<b>31 December 2008</b>		
	<b>Average</b>	<b>Highest</b>	<b>Lowest</b>	<b>Average</b>	<b>Highest</b>	<b>Lowest</b>
Interest rate risk	4,175	6,849	1,757	2,000	2,426	1,326
Common share risk	-	-	-	-	-	-
Currency risk	763	1,481	147	656	2,181	135
<b>Total value-at-risk</b>	<b>4,938</b>	<b>8,330</b>	<b>1,904</b>	<b>2,656</b>	<b>4,607</b>	<b>1,461</b>

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

The balance sheet interest rate risk is monitored with methods such as static duration gap and sensitivity analyses based on all interest rate sensitive assets and liabilities. In accordance with the PV01 analysis; effect of 1% decrease in the interest rates would have negative effect of 0.51% (31 December 2008 – 0.22%, negative effect) to the total equity.

**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 balance sheet 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 Bank as 30 September 2009 and 31 December 2008 are as follows;

	<b>30 September 2009</b>	<b>31 December 2008</b>
Amount subject to credit risk (I)	1,289,199	1,324,001
Amount subject to market risk (II)	103,775	31,788
Amount subject to operational risk (III)	110,613	74,038
<b>Total risk-weighted assets and value at market risk and operational risk (IV) = (I+II+III)</b>	<b>1,503,587</b>	<b>1,429,827</b>
Shareholders' equity	444,423	463,898
Tier 1 capital	454,361	469,023
Tier 2 capital	-	-
Deductions from capital	(9,938)	(5,125)
<b>Total regulatory capital</b>	<b>444,423</b>	<b>463,898</b>
<b>Capital adequacy ratio</b>	<b>29.56%</b>	<b>32.44%</b>
<b>Tier-1 ratio</b>	<b>30.22%</b>	<b>32.80%</b>

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

### **Notes To The Condensed Consolidated Interim Financial Statements**

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#### **18. Rating**

As at 30 September 2009, the Bank's ratings assigned by international rating agencies, Fitch Ratings and Moody's Ratings are as follows;

##### **Fitch Ratings, November 2009**

Long Term Foreign Currency IDR	BB (Stable), rating watch positive
Short Term Foreign Currency IDR	B
Individual Rating	D
Support	3
Long Term Local Currency IDR	BBB- (Stable)
Short Term Local Currency	F3
National	AAA (TUR) (Stable)

##### **Moody's Ratings, September 2009**

Long Term Foreign Currency	B1 (Positive)
Short Term Foreign Currency	NP
Financial Strength Rating	D
Long Term Local Currency	Baa3 (Stable)
Short Term Local Currency	P-3

#### **19. Subsequent and other events**

On 16 October 2008, Central Bank of Turkey decreased the required reserve ratio for local currency liabilities to 5% from 6%.

On 28 October 2009, the Bank has received a 5 year USD 150 million loan provided by Commerzbank International S.A.