

**Bankpozitif Kredi ve Kalkınma
Bankası Anonim Şirketi**

**Independent Auditors' Report on Review of
Condensed Consolidated Interim
Financial Information
For the Three-month Period Ended
31 March 2011**

Akis Bağımsız Denetim ve Serbest
Muhasebeci Mali Müşavirlik
Anonim Şirketi

31 May 2011

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

Bankpozitif Kredi ve Kalkınma Bankası Anonim Şirketi

TABLE OF CONTENTS

	Page -----
Independent auditors' report on review of condensed consolidated interim financial information	
Condensed consolidated interim statement of financial position	1
Condensed consolidated interim statement of income statement	2
Condensed consolidated interim statement of comprehensive income	3
Condensed consolidated interim statement of changes in equity	4
Condensed consolidated interim statement of cash flows	5
Notes to the condensed consolidated interim financial statements	6 – 59



**Akis Bağımsız Denetim ve Serbest
Muhasebeci Mali Müşavirlik A.Ş.**
Yapı Kredi Plaza C Blok Kat 17
Büyükdere Caddesi
Levent 34330 İstanbul

Telephone +90 (212) 317 74 00
Fax +90 (212) 317 73 00
Internet www.kpmg.com

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 interim statement of financial position of Bankpozitif Kredi ve Kalkınma Bankası Anonim Şirketi ("the Bank") and its subsidiaries (collectively "the Group") as at 31 March 2011 and the related condensed consolidated interim statements of income, comprehensive income, changes in equity and cash flows for the three-month period then ended ("the consolidated 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.

31 May 2011
İstanbul, Turkey

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ**Condensed Consolidated Interim Statement of Financial Position****As at 31 March 2011***(Currency - In thousands of Turkish Lira)*

		Reviewed	Audited
		31 March	31 December
	<i>Note</i>	2011	2010
ASSETS			
Cash and balances with central banks		104,189	93,958
Due from banks and financial institutions		60,390	48,281
Interbank and other money market placements		3,408	21,980
Reserve deposits at central banks		114,167	106,058
Trading assets	6	17,442	31,773
Investment securities	7	131,043	108,008
Loaned securities	7	880	20,304
Loans and advances to customers	8	1,264,509	1,167,208
Finance lease receivables	9	3,598	7,475
Property and equipment	10	9,615	10,433
Intangible assets	10	44,915	45,172
Deferred tax assets	5	3,674	2,164
Assets held from discontinued operations	4	-	3,970
Other assets		25,301	21,707
Total assets		1,783,131	1,688,491
LIABILITIES			
Deposit from other banks	11	968	426
Customer deposits	11	85,013	93,903
Other money market deposits	11	861	37,233
Trading liabilities	6	23,642	21,384
Funds borrowed	12	983,467	804,101
Debt securities issued	13	154,523	153,391
Other liabilities		76,327	117,100
Provisions		2,795	4,165
Current tax liabilities	5	3,992	2,968
Deferred tax liabilities	5	34	2,236
Liabilities held from discontinued operations	4	-	2,062
Total liabilities		1,331,622	1,238,969
EQUITY			
Share capital and share premium	14	379,114	379,114
Available-for-sale reserve, net of tax	14	1,447	3,348
Currency translation reserve	14	(10,487)	(11,135)
Retained earnings		81,435	78,195
Total equity		451,509	449,522
Total equity and liabilities		1,783,131	1,688,491

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

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ**Condensed Consolidated Interim Statement of Income****For the three-month period ended 31 March 2011***(Currency - In thousands of Turkish Lira)*

		Reviewed	Reviewed
	<i>Note</i>	1 January – 31 March 2011	1 January – 31 March 2010
Interest income			
Interest income on loans and advances		29,279	29,541
Interest income on deposits with other banks and financial institutions		410	116
Interest income on investment securities		2,492	4,328
Interest income on interbank and other money market placements		33	447
Interest income on financial leases		154	178
Other interest income		3,666	3,200
Total interest income		36,034	37,810
Interest expense			
Interest expense on deposits		(234)	(173)
Interest expense on other money market deposits		(428)	(265)
Interest expense on funds borrowed		(14,285)	(15,010)
Interest expense on debt securities issued		(3,338)	(1,029)
Other interest expense		(2,669)	(2,297)
Total interest expense		(20,954)	(18,774)
Net interest income		15,080	19,036
Fees and commission income		5,710	5,071
Fees and commission expense		(364)	(333)
Net fee and commission income		5,346	4,738
Net trading income and foreign exchange gain, net		1,369	5,333
Other operating income		677	211
Total operating income		22,472	29,318
Net impairment loss on financial assets	<i>8 and 9</i>	(2,368)	(4,022)
Personnel expenses		(8,211)	(8,228)
Depreciation and amortisation		(1,674)	(1,792)
Administrative expenses		(4,200)	(4,278)
Taxes other than on income		(654)	(607)
Other expenses		(1,394)	(594)
Total operating expense		(16,133)	(15,499)
Profit before income tax		3,971	9,797
Income tax	<i>5</i>	(716)	(2,000)
Net profit for the period from continuing operations		3,255	7,797
Profit / loss from discontinued operations		-	-
Net profit for the period		3,255	7,797

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

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ**Condensed Consolidated Interim Statement of Comprehensive Income****For the three-month period ended 31 March 2011***(Currency - In thousands of Turkish Lira)*

	Reviewed 31 March 2011	Reviewed 31 March 2010
Profit for the period	3,255	7,797
Other comprehensive income		
Foreign currency translation differences for foreign operations	648	253
Available-for-sale reserve		
Net change in fair value of available-for-sale financial assets	(3,332)	1,149
Net change in fair value of available-for-sale financial assets transferred to profit or loss	951	-
Income tax on other comprehensive income	480	101
Other comprehensive income for the period, net of income tax	(1,253)	1,503
Total comprehensive income for the period	2,002	9,300

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

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ

Condensed Consolidated Interim Statement of Changes in Equity

For the three-month period ended 31 March 2011

(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
At 1 January 2010		337,292	20,121	21,701	(400)	(10,862)	58,370	426,222
Total comprehensive income for the period								
Profit for the period		-	-	-	-	-	7,797	7,797
Other comprehensive income								
Foreign currency translation differences	14	-	-	-	-	253	-	253
Net change in fair value of available-for-sale financial assets, net of tax	14	-	-	-	1,250	-	-	1,250
Total other comprehensive income		-	-	-	1,250	253	-	1,503
Total comprehensive income for the period		-	-	-	1,250	253	7,797	9,300
Contributions by and distributions to owners								
Share capital increase		-	-	-	-	-	-	-
Dividends to equity holders		-	-	-	-	-	-	-
Total contributions by and distributions to owners		-	-	-	-	-	-	-
At 31 March 2010		337,292	20,121	21,701	850	(10,609)	66,167	435,522
At 1 January 2011		337,292	20,121	21,701	3,348	(11,135)	78,195	449,522
Total comprehensive income for the period								
Profit for the period		-	-	-	-	-	3,255	3,255
Other comprehensive income								
Foreign currency translation differences	14	-	-	-	-	648	-	648
Net change in fair value of available-for-sale financial assets, net of tax	14	-	-	-	(1,901)	-	-	(1,901)
Total other comprehensive income		-	-	-	(1,901)	648	-	(1,253)
Total comprehensive income for the period		-	-	-	(1,901)	648	3,255	2,002
Other changes due to the disposal of the subsidiary		-	-	-	-	-	(15)	(15)
Contributions by and distributions to owners								
Share capital increase		-	-	-	-	-	-	-
Dividends to equity holders		-	-	-	-	-	-	-
Total contributions by and distributions to owners		-	-	-	-	-	-	-
At 31 March 2011		337,292	20,121	21,701	1,447	(10,487)	81,435	451,509

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

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ**Condensed Consolidated Interim Statement of Cash Flow****For the three-month period ended 31 March 2011***(Currency - In thousands of Turkish Lira)*

		Reviewed	Reviewed
		31 March	31 March
	<i>Note</i>	2011	2010
Cash flows from operating activities			
Interest received		33,907	45,919
Interest paid		(16,190)	(16,898)
Fees and commissions received		5,512	4,529
Trading income		580	4,376
Recoveries from non-performing loans	8	7,666	3,274
Fees and commissions paid		(64)	(155)
Cash payments to employees and other parties		(9,529)	(9,816)
Cash received from other operating activities		5,657	211
Cash paid for other operating activities		(5,790)	(5,502)
Income taxes paid		(2,924)	(275)
		18,825	25,663
Change in banks and financial institutions		3,216	(3,498)
Change in trading assets		(325)	(258)
Change in reserve deposits at central banks		(8,117)	2,004
Change in loans and advances		(92,251)	131,112
Change in finance lease receivables		3,513	1,995
Change in other assets		(64)	2,686
Change in receivables from customers due to brokerage activities		-	(574)
Change in deposit from other banks		542	(321)
Change in customer deposits		(8,890)	15,062
Change in interbank and other money market deposits		(36,364)	(36,207)
Change in other liabilities		(42,497)	(13,029)
Net cash (used in) / provided by operating activities		(162,412)	124,635
Cash flows from investing activities			
Purchases of investment securities	7	(22,396)	(41,826)
Proceeds from sale and redemption of investment securities	7	16,479	32,696
Purchases of property and equipment	10	(92)	(526)
Proceeds from the sale of premises and equipment	10	43	20
Purchases of intangible assets	10	(340)	(182)
Proceeds from sale of intangible assets	10	-	98
Net cash used in investing activities		(6,306)	(9,720)
Cash flows from financing activities			
Proceeds from funds borrowed		431,399	145,096
Repayment of funds borrowed		(255,812)	(237,721)
Dividends paid		-	-
Net cash (used in) / provided by financing activities		175,587	(92,625)
Effect of net foreign exchange difference on cash and cash equivalents		147	(523)
Net increase in cash and cash equivalents		7,016	21,767
Cash and cash equivalents at 1 January		160,575	99,482
Cash and cash equivalents at 31 March		167,591	121,249

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

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ

Notes to the Condensed Consolidated Interim Financial Statements

As at and for the period ended 31 March 2011

(Currency - In thousands of Turkish Lira)

1. Corporate information

General

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

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

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

At the Extraordinary General Assembly meeting held on 31 October 2006, the Bank's share capital was increased by TL 64,396 to TL 111,896 and the share premium amount for the new issued shares paid by Tarshish was decided to be equal to TL 70,701. At the Extraordinary General Assembly meeting held on 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.

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

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

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

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ

Notes to the Condensed Consolidated Interim Financial Statements

As at and for the period ended 31 March 2011

(Currency - In thousands of Turkish Lira)

1. Corporate information (continued)

Nature of activities of the Bank / Group

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

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

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

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

As at 31 March 2011, the Bank provides services through its head office and one branch. As at 31 March 2011, the number of employees for the Bank and its consolidated subsidiaries are 283 and 230, respectively (31 December 2010 – 288 and 238).

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

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

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

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

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ

Notes to the Condensed Consolidated Interim Financial Statements

As at and for the period ended 31 March 2011

(Currency - In thousands of Turkish Lira)

2. Basis of preparation

2.1 Statement of compliance

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

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

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

The condensed consolidated interim financial statements as at 31 March 2011 of the Bank are authorised for issue by the management on 31 May 2011. The General Assembly and certain regulatory bodies have the power to amend the statutory financial statements after issue.

2.2 Basis of measurement

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

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

2.3 Functional and presentation currency

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

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

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

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ

Notes to the Condensed Consolidated Interim Financial Statements

As at and for the period ended 31 March 2011

(Currency - In thousands of Turkish Lira)

2. Basis of preparation *(continued)*

2.3 Functional and presentation currency *(continued)*

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

2.4 Use of estimates and judgements

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

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

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

Key sources of estimation uncertainty

Impairment of available-for-sale equity instruments

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

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 March 2011 was TL 37,963 (31 December 2010 – TL 37,906).

Allowances for credit losses

The Group reviews its loan portfolio to assess impairment on a continuous basis. In determining whether an impairment loss should be recorded in the income statement, the Group makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans and individual loans. All loans with principal and/or interest overdue for more than 90 days are considered as impaired and individually assessed. Other evidence for impairment may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group. Impairment and uncollectibility are measured and recognised individually for loans and receivables that are individually significant, and on a portfolio basis for a group of similar loans and receivables that are not individually identified as impaired. Total carrying value of such loans, advances and finance lease receivables as at 31 March 2011 is TL 1,268,107 (31 December 2010 – TL 1,174,683) net of impairment allowance of TL 57,683 (31 December 2010 – TL 55,189).

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ

Notes to the Condensed Consolidated Interim Financial Statements

As at and for the period ended 31 March 2011

(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 31 March 2011, the carrying amount of derivative financial instrument assets TL 14,994 (31 December 2010 – TL 29,624) and the carrying amount of derivative financial instrument liabilities is TL 23,642 (31 December 2010 – TL 21,384).

Income taxes

The Group is subject to income taxes in Turkey and in Kazakhstan. Significant estimates are required in determining the provision for income taxes. Where there are matters the final tax outcome of which is different from the amounts initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. As at 31 March 2011, the Group has net income taxes payable amounting to TL 3,992 (31 December 2010 – TL 2,968).

Management records deferred tax assets to the extent that it is probable that sufficient taxable profits will be available to allow all or part of the deferred tax assets to be utilised. The recoverability of the deferred tax assets is reviewed regularly. As at 31 March 2011, the Group carries a net deferred tax assets amounting to TL 3,640 (31 December 2010 – TL 72, deferred tax liabilities).

Employee termination benefits

In accordance with existing social legislation in Turkey, companies in Turkey are required to make lump-sum payments to employees upon termination of their employment based on certain conditions. In calculating the related liability to be recorded in the financial statements for these defined benefit plans, the Group makes assumptions and estimations relating to the discount rate to be used, turnover of employees, future change in salaries/limits, etc. The carrying value of employee termination benefit provisions as at 31 March 2011 is TL 169 (31 December 2010 – TL 182).

Critical accounting judgements in applying the Group's accounting policies

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

Financial asset and liability classification

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

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

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ

Notes to the Condensed Consolidated Interim Financial Statements

As at and for the period ended 31 March 2011

(Currency - In thousands of Turkish Lira)

3. Significant accounting policies

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

3.1 Basis of consolidation

i) Subsidiaries

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

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

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

(ii) Transactions eliminated on consolidation

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

3.2 Foreign currency

i) Foreign currency transactions

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

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ**Notes to the Condensed Consolidated Interim Financial Statements****As at and for the period ended 31 March 2011***(Currency - In thousands of Turkish Lira)***3. Significant accounting policies (continued)****3.2 Foreign currency (continued)****i) Foreign currency transactions (continued)**

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

	USD / TL (full)	EUR / TL (full)	USD / KZT (full)
31 March 2010	1.5215	2.0523	146.98
31 December 2010	1.5460	2.0491	147.50
31 March 2011	1.5483	2.1816	145.70

ii) Foreign operations

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

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

iii) Hedge of net investment in foreign operation

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

3.3 Interest

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

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

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

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ

Notes to the Condensed Consolidated Interim Financial Statements

As at and for the period ended 31 March 2011

(Currency - In thousands of Turkish Lira)

3. Significant accounting policies *(continued)*

3.4 Fees and commission

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

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

3.5 Net trading income

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

3.6 Dividends

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

3.7 Income tax expense

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

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

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

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

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

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

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ

Notes to the Condensed Consolidated Interim Financial Statements

As at and for the period ended 31 March 2011

(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 statement of financial position when and only when it becomes a party to the contractual provisions of the instrument.

Derecognition

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

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

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

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

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

Offsetting

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

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

Amortised cost measurement

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

Fair value measurement

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

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ

Notes to the Condensed Consolidated Interim Financial Statements

As at and for the period ended 31 March 2011

(Currency - In thousands of Turkish Lira)

3. Significant accounting policies *(continued)*

3.8 Financial assets and liabilities *(continued)*

Derivative financial instruments

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

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

Identification and measurement of impairment

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

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

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

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

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ

Notes to the Condensed Consolidated Interim Financial Statements

As at and for the period ended 31 March 2011

(Currency - In thousands of Turkish Lira)

3. Significant accounting policies (continued)

3.8 Financial assets and liabilities (continued)

Identification and measurement of impairment (continued)

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

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

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

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

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

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

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

Repurchase and resale transactions

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

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

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ

Notes to the Condensed Consolidated Interim Financial Statements

As at and for the period ended 31 March 2011

(Currency - In thousands of Turkish Lira)

3. Significant accounting policies *(continued)*

3.9 Cash and cash equivalents

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

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

3.10 Trading assets and liabilities

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

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

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

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

3.12 Investment securities

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

Held-to-maturity

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

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

Fair value through profit or loss

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

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ

Notes to the Condensed Consolidated Interim Financial Statements

As at and for the period ended 31 March 2011

(Currency - In thousands of Turkish Lira)

3. Significant accounting policies (continued)

3.12 Investment securities (continued)

Available-for-sale financial investments

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

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

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

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

3.13 Property and equipment

Recognition and measurement

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

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

Subsequent costs

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

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ

Notes to the Condensed Consolidated Interim Financial Statements

As at and for the period ended 31 March 2011

(Currency - In thousands of Turkish Lira)

3. Significant accounting policies *(continued)*

3.13 Property and equipment *(continued)*

Depreciation

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

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

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

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

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

3.14 Intangible assets

i) Goodwill

Goodwill arises on the acquisition of subsidiaries or businesses.

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

Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses.

ii) Software

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

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

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

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

3.15 Assets held for sale

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

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ

Notes to the Condensed Consolidated Interim Financial Statements

As at and for the period ended 31 March 2011

(Currency - In thousands of Turkish Lira)

3. Significant accounting policies *(continued)*

3.16 Leases

The Group as lessee

Operating leases

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

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

Finance leases

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

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

The Group as lessor

Finance leases

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

3.17 Impairment of non-financial assets

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

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

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

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

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ

Notes to the Condensed Consolidated Interim Financial Statements

As at and for the period ended 31 March 2011

(Currency - In thousands of Turkish Lira)

3. Significant accounting policies *(continued)*

3.18 Deposits, funds borrowed and debt securities issued

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

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

3.19 Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

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

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

3.20 Employee benefits

(i) Reserve for employee severance payments

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

(ii) Short-term benefits

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

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

(iii) Other benefits

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

3.21 Fiduciary assets

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

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ

Notes to the Condensed Consolidated Interim Financial Statements

As at and for the period ended 31 March 2011

(Currency - In thousands of Turkish Lira)

3. Significant accounting policies *(continued)*

3.22 New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations which are not effective as of 31 March 2011 have not been applied in preparing these financial statements and are not expected to have any impact on the financial statements of the Group, with the exception of:

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

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

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

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ**Notes to the Condensed Consolidated Interim Financial Statements****As at and for the period ended 31 March 2011***(Currency - In thousands of Turkish Lira)***4. Discontinued operations**

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

5. Taxation

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

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

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

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

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

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

	31 March 2011	31 December 2010
Income tax liability	3,992	3,067
Prepaid income tax	-	(99)
Income taxes payable	3,992	2,968

Income tax recognised in the income statement

The components of income tax expense as stated below:

	31 March 2011	31 March 2010
Current tax		
Current income tax	(4,366)	(126)
Deferred tax		
Relating to origination and reversal of temporary differences	3,650	(1,874)
Income tax expense reported in the income statement	(716)	(2,000)

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ**Notes to the Condensed Consolidated Interim Financial Statements****As at and for the period ended 31 March 2011***(Currency - In thousands of Turkish Lira)***5. Taxation (continued)****Deferred tax**

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

	31 March 2011	31 December 2010
Deferred tax assets / (liabilities), net at 1 January	(72)	4,504
Deferred tax recognised in the income statement	3,650	(3,845)
Deferred income tax recognised in equity	30	(467)
Exchange rate differences	32	73
Discontinued operations (Note 4)	-	(337)
Deferred tax assets / (liabilities), net at the end of the period/year	3,640	(72)

Reflected as:

	31 March 2011	31 December 2010
Deferred tax assets	3,674	2,164
Deferred tax liabilities	(34)	(2,236)

6. Trading assets and liabilities

	31 March 2011	31 December 2010
Debt instruments		
Turkish government bonds-TL denominated	2,448	2,149
Derivative transactions		
Derivative financial instruments	14,994	29,624
Total trading assets	17,442	31,773

As at 31 March 2011, effective interest rates of Turkish government bonds was 9.88%, respectively (31 December 2010 – 8.79% for government bonds).

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

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ**Notes to the Condensed Consolidated Interim Financial Statements****As at and for the period ended 31 March 2011***(Currency - In thousands of Turkish Lira)***6. Trading assets and liabilities (continued)**

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

31 March 2011			
	Fair value assets	Fair value liabilities	Notional amount in TL equivalent
Derivatives held for trading			
Forward purchase contract	8	10	11,109
Forward sale contract	5	31	11,137
Currency swap purchase	8,582	1,088	587,148
Currency swap sale	6,318	22,513	588,277
Future purchase contract	81	-	7,292
Future sales contract	-	-	7,208
Total derivatives held for trading	14,994	23,642	1,212,171

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

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

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

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ**Notes to the Condensed Consolidated Interim Financial Statements****As at and for the period ended 31 March 2011***(Currency - In thousands of Turkish Lira)***7. Investment securities**

	31 March 2011	31 December 2010
Available-for-sale investment securities	131,043	108,008
	131,043	108,008

Held-to-maturity investment securities

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

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

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

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ**Notes to the Condensed Consolidated Interim Financial Statements****As at and for the period ended 31 March 2011***(Currency - In thousands of Turkish Lira)***7. Investment securities (continued)****Available-for-sale investment securities**

	31 March 2011		31 December 2010	
	Amount	Effective interest rate	Amount	Effective interest rate
Available-for-sale investment securities at fair value				
Debt instruments				
Turkish government bonds – TL denominated, net	101,318	12.09%	85,469	12.48%
- <i>Gross amount</i>	101,318		85,469	
- <i>Impairment on government bonds</i>	-		-	
Foreign government bonds – KZT denominated, net	20,557	1.47%	13,579	1.48%
- <i>Gross amount</i>	20,557		13,579	
- <i>Impairment on government bonds</i>	-		-	
Corporate bonds–USD, KZT denominated, net	9,096		8,888	
- <i>Gross amount</i>	9,096	9.25%-7.00%	8,888	9.25%-7.00%
- <i>Impairment on corporate bonds</i>	-		-	
Total available-for-sale securities at fair value	130,971		107,936	
Available-for-sale investment securities at cost				
Equity instruments – unlisted	72		72	
Total available-for-sale securities	131,043		108,008	

Loaned securities

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

	31 March 2011	31 December 2010
Loaned securities from available-for-sale securities	880	20,304
Loaned securities from trading securities	-	-
Total loaned securities	880	20,304
Related liability (Note 11)	861	19,751

Repurchase agreements mature within one month.

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ**Notes to the Condensed Consolidated Interim Financial Statements****As at and for the period ended 31 March 2011***(Currency - In thousands of Turkish Lira)***7. Investment securities (continued)****Available-for-sale investment securities (continued)**

As at 31 March 2011, TL denominated available-for-sale securities comprise Turkish Government floating rate notes (“FRN”) and inflation indexed notes having a maturity range of September 2011 - January 2021. As at 31 March 2011, KZT denominated available-for-sale securities comprise a National Bank of the Republic of Kazakhstan bond and have a maturity of August 2011. As at 31 March 2011, USD and KZT denominated investment securities comprise corporate bonds with semi-annual coupon payments having maturity range of July 2012 and May 2012, respectively.

As at 31 March 2011, available-for-sale investment securities with carrying value of TL 35,177 (31 December 2010 - TL 44,879) are kept in the Central Bank of Turkey and Istanbul Stock Exchange Clearing and Custody Incorporation for legal requirements and as a guarantee for possible stock exchange and money market operations although they are not pledged.

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

	31 March 2011	31 December 2010
Pratic	49	49
Common shares of Kazakhstan Stock Exchange	23	23
	72	72

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

	31 March 2011	31 December 2010
Balance at 1 January	128,312	70,330
Additions	22,396	108,911
Disposals (sale and redemption)	(16,479)	(73,886)
Transfer from other portfolios	-	14,883
Change in interest accrual	(2,528)	7,644
Exchange rate differences	222	529
Discontinued operations (Note 4)	-	(99)
Balance at end of the period / year end	131,923	128,312

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ**Notes to the Condensed Consolidated Interim Financial Statements****As at and for the period ended 31 March 2011***(Currency - In thousands of Turkish Lira)***8. Loans and advances to customers**

31 March 2011							
	Amount			Total	Effective interest rate		
	Turkish Lira	Foreign currency	Foreign currency indexed		Turkish Lira	Foreign currency	Foreign currency indexed
Corporate loans	126,273	626,645	242,843	995,761	12.48%	USD-7.31% EUR-7.33% KZT-12.94%	USD-7.30% EUR-7.77%
Consumer loans ⁽¹⁾	200,922	7,036	37,206	245,164	16.89%	USD-12.38% KZT-18.97%	USD-10.84% EUR-8.20% CHF-7.33% JPY-5.98% GBP-11.28%
Total loans	327,195	633,681	280,049	1,240,925			
Loans in arrears				81,260			
Less: Specific reserve for impairment				(42,502)			
Less: Portfolio reserve for impairment				(15,174)			
				1,264,509			

⁽¹⁾ Commercial installment loans amounting TL 2,284 is included in consumer loans.

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

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

As at 31 March 2011, loans with floating rates are TL 248,505 (31 December 2010 – TL 225,852) and fixed interest rates are TL 992,420 (31 December 2010 – TL 920,826).

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ**Notes to the Condensed Consolidated Interim Financial Statements****As at and for the period ended 31 March 2011***(Currency - In thousands of Turkish Lira)***8. Loans and advances to customers (continued)**

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

	31 March 2011	31 December 2010
Non-performing loans at 1 January	75,809	72,634
Additions to non-performing loans	13,197	20,065
Recoveries	(7,666)	(16,531)
Transfers to performing loans	-	-
Write-offs	-	(570)
Exchange rate differences	19	211
Non performing loans at the end of the period/year	81,359	75,809

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

	31 March 2011	31 December 2010
Reserve at the beginning of the period/year	55,189	48,491
Provision net of recoveries	2,366	6,806
- <i>Specific provision/(reversal) for loan impairment</i>	3,729	23,120
- <i>Reversal of portfolio provision for loan impairment</i>	(602)	(11,603)
- <i>Recoveries</i>	(761)	(4,711)
Loans written-off during the period/year	-	(538)
Exchange rate differences	128	430
Reserve at the end of the period/year	57,683	55,189

As at 31 March 2011, loans, advances and finance lease receivables on which interest is not being accrued, or where interest is suspended amounted to TL 81,359 (31 December 2010 – TL 75,809).

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ**Notes to the Condensed Consolidated Interim Financial Statements****As at and for the period ended 31 March 2011***(Currency - In thousands of Turkish Lira)***9. Finance lease receivables**

	31 March 2011	31 December 2010
Less than one year	3,277	5,853
Between one and five years	473	2,760
Finance lease receivables, gross	3,750	8,613
Less: Unearned future income on finance leases	(244)	(1,228)
Net investment in finance leases	3,506	7,385
Finance leases in arrears (Note 8)	99	97
Less: Reserve for impairment (Note 8)	(7)	(7)
Less: Portfolio reserve for impairment (Note 8)	-	-
Finance lease receivables, net	3,598	7,475

The net investment in finance leases comprises:

	31 March 2011	31 December 2010
Less than one year	3,067	5,191
Between one and five years	439	2,194
	3,506	7,385

As at 31 March 2011, TL 328 of net investment in finance leases is denominated in USD, TL 3,068 of net investment in finance leases is denominated in EUR and TL 110 of net investment in finance leases is denominated in KZT (31 December 2010 – TL 445, TL 4,892, TL 1,860 and TL 188 denominated in USD, EUR, TL and KZT, respectively).

As at 31 March 2011, the effective interest rate for finance lease receivables denominated in USD is 11.07% (31 December 2010 – 10.52%), in EUR 7.75% (31 December 2010 – 7.88%) and in KZT 16.00% (31 December 2010 – 16.00%).

As at 31 March 2011, finance lease receivables amounting to TL 2,370 (31 December 2010 – TL 4,850) have floating interest rate and remaining TL 1,136 (31 December 2010 – TL 2,535) have fixed interest rates.

10. Property and equipment and intangible assets

During the three-month period ended 31 March 2011, the Group acquired assets with a cost of TL 432 and disposed of certain of its property and equipment with a carrying amount of TL 43.

The carrying amount of goodwill at 31 March 2011 was TL 37,963 (31 December 2010 – TL 37,906).

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ**Notes to the Condensed Consolidated Interim Financial Statements****As at and for the period ended 31 March 2011***(Currency - In thousands of Turkish Lira)***11. Deposits****Deposits from other banks**

	31 March 2011				31 December 2010			
	Amount		Effective interest rate		Amount		Effective interest rate	
	Turkish Lira	Foreign currency	Turkish Lira	Foreign currency	Turkish Lira	Foreign currency	Turkish Lira	Foreign currency
Demand	-	968	-	-	-	426	-	-
Time	-	-	-	-	-	-	-	-
Total	-	968	-	-	-	426	-	-

Customer deposits

	31 March 2011				31 December 2010			
	Amount		Effective interest rate		Amount		Effective interest rate	
	Turkish Lira	Foreign currency	Turkish Lira	Foreign currency	Turkish Lira	Foreign currency	Turkish Lira	Foreign currency
Retail customers								
Demand	-	6,049	-	-	-	6,653	-	-
Time	-	-	-	KZT-9.10%	-	-	-	KZT-9.22%
	-	3,401	-	EUR-6.43%	-	3,527	-	EUR-6.16%
	-	-	-	USD-4.93%	-	-	-	USD-4.96%
Total	-	9,450	-		-	10,180	-	
Corporate customers								
Demand	-	30,830	-	-	-	26,273	-	-
Time	-	44,733	-	KZT-1.74%	-	57,450	-	KZT-1.63%
Total	-	75,563	-		-	83,723	-	
	-	85,013	-		-	93,903	-	

Other money market deposits

	31 March 2011				31 December 2010			
	Amount		Effective interest rate		Amount		Effective interest rate	
	Turkish Lira	Foreign currency	Turkish Lira	Foreign currency	Turkish Lira	Foreign currency	Turkish Lira	Foreign currency
Obligations under repurchase agreements								
Due to customers	861	-	4.63%	-	19,751	-	6.78%	-
Istanbul Stock Exchange Settlement and Custody	-	-	-	-	17,482	-	4.69%	-
Total	861	-			37,233	-		

As at 31 March 2011, other money market deposits of TL 861 (31 December 2010 – TL 37,233) have fixed interest rates.

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ**Notes to the Condensed Consolidated Interim Financial Statements****As at and for the period ended 31 March 2011***(Currency - In thousands of Turkish Lira)***12. Funds borrowed**

	31 March 2011				31 December 2010			
	Amount ⁽¹⁾		Effective interest rate		Amount ⁽¹⁾		Effective interest rate	
	Turkish Lira	Foreign currency	Turkish Lira	Foreign Currency	Turkish Lira	Foreign currency	Turkish Lira	Foreign currency
Short-term								
Fixed interest	357	18,398	-	USD-3.00% EUR-2.81%	362	18,414	-	USD-2.69% EUR-0.52%
Floating interest	-	257,924	-	USD-1.92% EUR-3.88%	-	66,429	-	USD-3.03% EUR-3.72%
Long-term								
Fixed interest	-	682,057	-	USD-7.31%	-	678,713	-	USD-7.31% EUR-4.63%
Floating interest	-	24,731	-	USD-3.22% EUR-3.69%	-	40,183	-	USD-3.51% EUR-3.54%
Total	357	983,110			362	803,739		

⁽¹⁾ Based on original maturities.

Repayments of long term borrowing are as follows:

	31 March 2011		31 December 2010	
	Floating rate	Fixed rate	Floating rate	Fixed rate
2011	10,960	10,745	26,820	6,451
2012	10,158	214,176	9,755	214,028
2013	3,613	225,665	3,608	227,107
2014	-	231,471	-	231,127
Total	24,731	682,057	40,183	678,713

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

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

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

13. Debt securities issued

	31 March 2011	31 December 2010
Debt securities issued at amortised cost	154,523	153,391
Total	154,523	153,391

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

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ**Notes to the Condensed Consolidated Interim Financial Statements****As at and for the period ended 31 March 2011***(Currency - In thousands of Turkish Lira)***14. Capital and reserves**

	31 March 2011	31 December 2010
Number of common shares , 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 31 March 2011 and 31 December 2010, the composition of shareholders and their respective percentage of ownership are summarised as follows:

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

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

Legal reserves

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

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ**Notes to the Condensed Consolidated Interim Financial Statements****As at and for the period ended 31 March 2011***(Currency - In thousands of Turkish Lira)***14. Capital and reserves (continued)****Other reserves**

Movement in other reserves are as follows:

	Available- for-sale reserve	Foreign currency translation reserve	Total
At 1 January 2010	(400)	(10,862)	(11,262)
Net unrealised loss on available-for-sale financial investments	3,748	-	3,748
Foreign currency translation	-	(273)	(273)
At 31 December 2010	3,348	(11,135)	(7,787)
At 1 January 2011	3,348	(11,135)	(7,787)
Net unrealised gains on available-for-sale financial investments	(1,901)	-	(1,901)
Foreign currency translation	-	648	648
At 31 March 2011	1,447	(10,487)	(9,040)

Available-for-sale reserve

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

Foreign currency translation reserve

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

Dividends

The Group did not pay dividends out of the profits for 2010 as at 31 March 2011.

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ**Notes to the Condensed Consolidated Interim Financial Statements****As at and for the period ended 31 March 2011***(Currency - In thousands of Turkish Lira)***15. Related parties**

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

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

	Shareholders		Directors and key management personnel		Others	
	2011	2010	2011	2010	2011	2010
Loans						
At 1 January	-	4,291	-	-	-	-
At end of the period/year	-	-	-	-	-	-
Interest income	-	128	-	-	-	-

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

	Shareholders		Directors and key management personnel		Others	
	2011	2010	2011	2010	2011	2010
Funds borrowed						
At 1 January	-	82,910	-	-	69,966	117,669
At end of the period/year	155,014	-	-	-	99,742	69,966
Interest expense	282	431	-	-	665	1,160

Other balances with related parties:

Related party		Due from banks		Finance lease receivables	Other assets	Other liabilities	Non-cash loans
		Deposits					
Shareholders	31 March 2011	-		-	-	12	95,718
	31 December 2010	-	-	-	-	404	98,277
Others	31 March 2011	13	956	-	5	471	189
	31 December 2010	18	426	-	5	363	196
Directors and key management personnel	31 March 2011	-	12	-	2	64	-
	31 December 2010	-	24	-	-	112	-

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ**Notes to the Condensed Consolidated Interim Financial Statements****As at and for the period ended 31 March 2011***(Currency - In thousands of Turkish Lira)***15. Related party disclosures (continued)**

Transactions with related parties:

Related party		Foreign exchange trading gain/(loss)	Other interest income	Other interest expense	Other operating income	Other operating expense
Shareholders	31 March 2011	-	-	-	84	-
	31 March 2010	-	-	(218)	80	-
Others	31 March 2011	1	-	-	1	-
	31 March 2010	-	-	(15)	1	-
Directors and key management personnel	31 March 2011	-	-	-	-	-
	31 March 2010	-	-	-	-	-

Compensation of key management personnel of the Group

The executive and non-executive member of Board of Directors and management received remuneration and fees amounted to TL 982 (31 March 2010 – TL 1,141) 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:

	31 March 2011	31 December 2010
Letters of guarantee	448,056	462,272
Letters of credit	58,033	50,941
Commitments	40,793	3,395
Total non-cash loans	546,882	516,608

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 31 March 2011, the Group has non-cancellable operating lease agreements amounting to TL 3,598 (31 December 2010 – TL 3,508).

Litigation

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

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ

Notes to the Condensed Consolidated Interim Financial Statements

As at and for the period ended 31 March 2011

(Currency - In thousands of Turkish Lira)

16. Commitments and contingencies (continued)

Fiduciary activities

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

The Group also manages 1 open-ended investment funds (31 December 2010 – 3 open-ended investment funds) which were established under the regulations of the Capital Markets Board of Turkey. In accordance with the funds' charters, the Group purchases and sells securities on behalf of funds, markets their participation certificates and provides other services in return for a management fee and undertakes management responsibility for their operations. As at 31 March 2011, total size of investment funds is amounting to TL 663 (31 December 2010 – TL 693). As at 31 March 2011, the Group had investment custody accounts amounting to TL 561 (31 December 2010 – TL 607).

17. Financial risk management

Strategy in using financial instruments

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

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

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

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

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

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

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ

Notes to the Condensed Consolidated Interim Financial Statements

As at and for the period ended 31 March 2011

(Currency - In thousands of Turkish Lira)

17. Financial risk management (continued)

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

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

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

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

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

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

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

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

Credit risk

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

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

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

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ

Notes to the Condensed Consolidated Interim Financial Statements

As at and for the period ended 31 March 2011

(Currency - In thousands of Turkish Lira)

17. Financial risk management (continued)

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

Creating credit risk awareness throughout the Group

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

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

Having a reliable credit allocation function

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

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

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

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

Risk limits

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

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

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

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

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

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

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ**Notes to the Condensed Consolidated Interim Financial Statements****As at and for the period ended 31 March 2011***(Currency - In thousands of Turkish Lira)***17. Financial risk management (continued)***Measuring risk*

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

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

	31 March 2011	31 December 2010
Above average	44.94%	42.87%
Average	44.33%	39.49%
Below average	10.73%	17.64%
Total	100.00%	100.00%

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

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

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

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

Monitoring the risk

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

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ**Notes to the Condensed Consolidated Interim Financial Statements****As at and for the period ended 31 March 2011***(Currency - In thousands of Turkish Lira)***17. Financial risk management (continued)***Monitoring the risk (continued)*

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

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

31 March 2011				
	Cash	Finance lease receivables	Non-cash	Total
Tourism and entertainment	215,476	2,035	5,641	223,152
Electric production and supply	104,701	-	80,321	185,022
Public works and civil engineering	154,722	-	20,251	174,973
Commercial, mortgage, investment finance banks	-	-	122,764 ⁽¹⁾	122,764
Personal other services	100,471	-	12,694	113,165
Trade	68,247	109	43,091	111,447
Building contractor (general and special trade)	62,622	-	30,523	93,145
Metal and by-products	76,633	198	12,303	89,134
Other commercial services	68,047	86	11,293	79,426
Transportation	16,127	-	53,761	69,888
Other financial institutions	21,184	-	41,947	63,131
Manufacture of transport equipments	4,460	-	38,989	43,449
Holding companies	39,708	-	674	40,382
Health service	110	-	38,708	38,818
Mining and quarrying	15,590	-	-	15,590
Machinery and equipment	1,027	-	13,892	14,919
Food, beverage and tobacco industries	11,134	70	3,647	14,851
Electrical and electronic equipment	3,161	-	7,334	10,495
Textile and clothing	6,602	-	784	7,386
Chemical and oil products	4,812	-	483	5,295
Agriculture and forestry	343	-	4,421	4,764
Rubber and plastic products	3,228	-	-	3,228
Non ferrous mineral products	476	872	1,385	2,733
Other consumer loans	239,991	-	-	239,991
Others	257	68	1,976	2,301
Total performing loans	1,219,129	3,438	546,882	1,769,449
Interest accruals	21,796	68	-	21,864
Loans in arrears	81,260	99	-	81,359
Provision for possible loan losses	(57,676)	(7)	-	(57,683)
Total loans	1,264,509	3,598	546,882	1,814,989

⁽¹⁾ TL 22,612 and TL 95,666 of this non-cash exposure has been counter-guaranteed by the Export Import Bank of Korea and Bank Hapoalim, respectively.

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ**Notes to the Condensed Consolidated Interim Financial Statements****As at and for the period ended 31 March 2011***(Currency - In thousands of Turkish Lira)***17. Financial risk management (continued)**

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

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

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ**Notes to the Condensed Consolidated Interim Financial Statements****As at and for the period ended 31 March 2011***(Currency - In thousands of Turkish Lira)***17. Financial risk management (continued)**

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

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

	31 March 2011	31 December 2010
Cash loans (including financial lease receivables) under loan in arrears		
Secured by mortgages	38,690	38,295
Secured by pledge	16,125	15,343
Secured by guarantee	7,178	5,202
Secured by assignment and cheques	20	-
Unsecured	19,346	16,969
Total	81,359	75,809
Cash loans (including financial lease receivables) except loan in arrears		
Secured by cash	11,683	5,341
Secured by mortgages	735,170	724,273
Secured by pledge	105,461	101,491
Secured by guarantee	218,901	157,146
Secured by assignment and cheques	127,158	117,663
Unsecured	46,058	48,149
Total	1,244,431	1,154,063
Non-cash loans		
Secured by cash	7,728	6,381
Secured by mortgages	72,510	73,811
Secured by pledge	8,422	11,533
Secured by guarantee	337,034	292,386
Secured by assignment and cheques	1,233	5,090
Unsecured	119,955	127,407
Total	546,882	516,608

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ

Notes to the Condensed Consolidated Interim Financial Statements

As at and for the period ended 31 March 2011

(Currency - In thousands of Turkish Lira)

17. Financial risk management (continued)

Liquidity risk

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

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

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

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

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

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

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ

Notes to the Condensed Consolidated Interim Financial Statements

As at and for the period ended 31 March 2011

(Currency - In thousands of Turkish Lira)

17. Financial risk management (continued)

31 March 2011	On demand ⁽¹⁾	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
Assets												
Cash and balances with central banks	30,851	73,338	-	-	-	-	-	-	-	-	-	104,189
Due from banks and financial institutions	58,155	1,983	217	33	2	-	-	-	-	-	-	60,390
Interbank and other money market placements	3,408	-	-	-	-	-	-	-	-	-	-	3,408
Reserve deposits at central banks	-	114,167	-	-	-	-	-	-	-	-	-	114,167
Trading assets	-	1,754	161	1,380	947	6,968	3,756	1,327	401	748	-	17,442
Investment securities	-	2,661	22,779	15,624	2,451	8,979	33,988	34,595	221	9,673	72	131,043
Loaned securities	-	-	-	390	-	-	490	-	-	-	-	880
Loans and advances to customers	-	132,995	74,094	152,885	175,119	237,916	177,781	157,532	61,576	55,853	38,758	1,264,509
Finance lease receivables	-	351	752	965	999	439	-	-	-	-	92	3,598
Property and equipment	-	-	-	-	-	-	-	-	-	-	9,615	9,615
Intangible assets	-	-	-	-	-	-	-	-	-	-	44,915	44,915
Deferred tax assets	-	-	-	-	-	-	-	-	-	-	3,674	3,674
Other assets	-	8,381	-	-	-	-	-	-	-	-	16,920	25,301
Total assets	92,414	335,630	98,003	171,277	179,518	254,302	216,015	193,454	62,198	66,274	114,046	1,783,131
Liabilities												
Deposit from other banks ⁽²⁾	968	-	-	-	-	-	-	-	-	-	-	968
Customer deposits ⁽²⁾	36,879	43,228	385	2,196	2,125	192	8	-	-	-	-	85,013
Other money market deposits	861	-	-	-	-	-	-	-	-	-	-	861
Trading liabilities	-	2,594	993	5,174	1,268	904	10,032	2,677	-	-	-	23,642
Funds borrowed	-	14,356	165,898	76,682	43,256	449,998	1,806	231,471	-	-	-	983,467
Debt securities issued	-	4,161	-	50,362	-	-	100,000	-	-	-	-	154,523
Other liabilities	21,936	18,724	856	17,031	8,914	6,726	-	-	-	-	2,140	76,327
Provisions	-	-	-	-	825	-	-	-	-	-	1,970	2,795
Current tax liabilities	-	77	3,915	-	-	-	-	-	-	-	-	3,992
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-	34	34
Total liabilities	60,644	83,140	172,047	151,445	56,388	457,820	111,846	234,148	-	-	4,144	1,331,622
Net liquidity gap	31,770	252,490	(74,044)	19,832	123,130	(203,518)	104,169	(40,694)	62,198	66,274	109,902	

⁽¹⁾ Includes overnight balances.

⁽²⁾ Figures represent the foreign subsidiary's deposit balances.

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ

Notes to the Condensed Consolidated Interim Financial Statements

As at and for the period ended 31 March 2011

(Currency - In thousands of Turkish Lira)

17. Financial risk management (continued)

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

⁽¹⁾ Includes overnight balances.

⁽²⁾ 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 31 March 2011

(Currency - In thousands of Turkish Lira)

17. Financial risk management (continued)

The table below analyses residual contractual maturities of liabilities:

31 March 2011	Carrying amount	Gross outflow	On demand	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years
Deposit from other banks	968	968	968	-	-	-	-	-
Customer deposits	85,013	85,093	36,879	43,247	387	4,379	201	-
Interbank and other money market deposits	861	861	-	861	-	-	-	-
Funds borrowed	983,467	1,101,074	-	15,728	170,706	157,164	757,476	-
Debt securities issued	154,523	183,248	-	5,040	-	58,048	120,160	-
Current account of loan customers ⁽¹⁾	8,644	8,644	8,643	1	-	-	-	-
	1,233,476	1,379,888	46,490	64,877	171,093	219,591	877,837	-

⁽¹⁾ Included in other liabilities.

31 December 2010	Carrying amount	Gross outflow	On demand	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years
Deposit from other banks	426	426	426	-	-	-	-	-
Customer deposits	93,903	94,236	32,926	51,953	3,080	3,835	2,442	-
Interbank and other money market deposits	37,233	37,233	-	37,233	-	-	-	-
Funds borrowed	804,101	933,546	-	15,348	17,720	132,114	768,364	-
Debt securities issued	153,391	186,256	-	-	3,008	63,088	120,160	-
Current account of loan customers ⁽¹⁾	22,570	25,595	15,486	10,109	-	-	-	-
	1,111,624	1,277,292	48,838	114,643	23,808	199,037	890,966	-

⁽¹⁾ Included in other liabilities.

The table below analyses contractual maturities of derivative transactions:

31 March 2011	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Over 5 years	Total
Assets							
Forward purchase contract	11,109	-	-	-	-	-	11,109
Forward sale contract	11,137	-	-	-	-	-	11,137
Currency swap purchase	121,681	39,494	90,537	31,057	297,199	7,180	587,148
Currency swap sale	123,870	40,466	92,692	31,294	293,302	6,653	588,277
Future purchase contract	-	7,292	-	-	-	-	7,292
Future sales contract	-	7,208	-	-	-	-	7,208
Option purchase contract	-	-	-	-	61,932	-	61,932
Option sale contract	-	-	-	-	50,861	-	50,861
Interest rate cap/floor purchase contract	-	-	-	-	154,830	-	154,830
Asset purchase commitments	-	1,084	1,036	-	-	-	2,120
Asset sales commitments	-	1,036	1,085	-	-	-	2,121
	267,797	96,580	185,350	62,351	858,124	13,833	1,484,035
31 December 2010	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Over 5 years	Total
Assets							
Forward purchase contract	5,143	-	-	-	-	-	5,143
Forward sale contract	5,131	-	-	-	-	-	5,131
Currency swap purchase	88,682	41,115	12,260	98,632	317,030	7,871	565,590
Currency swap sale	88,672	42,144	12,199	98,764	306,673	6,863	555,315
Future purchase contract	-	7,135	-	-	-	-	7,135
Future sales contract	-	7,311	-	-	-	-	7,311
Option purchase contract	-	-	-	-	61,840	-	61,840
Option sale contract	-	-	-	-	49,682	-	49,682
Interest rate cap/floor purchase contract	-	-	-	-	154,600	-	154,600
Asset purchase commitments	-	-	-	1,083	973	-	2,056
Asset sales commitments	-	-	-	973	1,083	-	2,056
	187,628	97,705	24,459	199,452	891,881	14,734	1,415,859

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ

Notes to the Condensed Consolidated Interim Financial Statements

As of and for the period ended 31 March 2011

(Currency - In thousands of Turkish Lira)

17. Financial risk management (continued)

Market risk

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

The interest rate and exchange rate risks of the financial positions taken by the Bank related to financial position and off-balance sheet accounts are measured and while calculating the capital adequacy, the amount subject to value at risk (VaR) is taken into consideration by the standard method. As at 31 March 2011, the highest potential loss of the securities portfolio was generated by historical simulation method as TL 394 (31 December 2010 – TL 487) for one day.

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

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

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

Currency risk

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

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

The foreign exchange position of the group does not include the net income / (loss) of the foreign subsidiary which is actually in KZT. Had the group included TL (10,898) of net loss of JSC BankPozitiv (31 December 2010 - TL (10,187)), net foreign exchange position of the group would have been TL (130) (31 December 2010 - TL (194)).

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ

Notes to the Condensed Consolidated Interim Financial Statements

As of and for the period ended 31 March 2011

(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
31 March 2011							
Assets							
Cash and balances with central banks	2,296	128	-	-	101,753	8	104,185
Due from banks and financial institutions	23,202	1,964	785	327	3	1,354	27,635
Reserve deposits at central Banks	103,507	-	-	-	1,228	-	104,735
Trading assets	381	-	-	-	-	-	381
Investment securities	7,413	-	-	-	22,263	-	29,676
Loans and advances due to customers ⁽¹⁾	544,964	321,794	21,546	7,997	21,813	124	918,238
Finance lease receivables ⁽¹⁾	328	3,068	-	-	202	-	3,598
Property and equipment	-	-	-	-	5,284	-	5,284
Intangible assets	37,963	-	-	-	1,142	-	39,105
Deferred tax assets	-	-	-	-	2,301	-	2,301
Other assets	10,350	2,256	16	-	7,881	200	20,703
Total assets	730,404	329,210	22,347	8,324	163,870	1,686	1,255,841
Liabilities							
Deposit from other banks ⁽²⁾	728	87	-	-	143	10	968
Customer deposits ⁽²⁾	6,904	266	-	-	76,706	1,137	85,013
Trading liabilities	2,968	-	-	-	-	-	2,968
Funds borrowed	858,265	124,845	-	-	-	-	983,110
Other liabilities ⁽³⁾	33,240	11,720	81	1	553	2	45,597
Provisions	-	-	-	-	48	-	48
Total liabilities	902,105	136,918	81	1	77,450	1,149	1,117,704
Gross exposure	(171,701)	192,292	22,266	8,323	86,420	537	138,137
Off-balance sheet position							
Net notional amount of derivatives	73,694	(191,837)	(22,251)	(8,305)	-	(466)	(149,165)
Net exposure⁽⁴⁾	(98,007)	455	15	18	86,420	71	(11,028)

⁽¹⁾ Foreign currency net non-performing loans, advances to customer and finance lease receivables amounting TL 4,508 and TL 92 are included at foreign currency position, respectively.

⁽²⁾ Figures represent the foreign subsidiary's deposit balances.

⁽³⁾ Currency translation loss regarding the accounting of foreign subsidiary, JSC BankPozitiv, amounting TL 10,487 was included at foreign currency position.

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

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ

Notes to the Condensed Consolidated Interim Financial Statements

As of and for the period ended 31 March 2011

(Currency - In thousands of Turkish Lira)

17. Financial risk management (continued)

Currency risk (continued)

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

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

⁽²⁾ Figures represent the foreign subsidiary's deposit balances.

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

⁽⁴⁾ 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	
	31 March 2011	31 December 2010	31 March 2011	31 December 2010
USD/TL	1.5699	1.4987	1.5483	1.5460
EUR/TL	2.1451	1.9881	2.1816	2.0491
TL/KZT	0.0107	0.0105	0.0105	0.0105

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ**Notes to the Condensed Consolidated Interim Financial Statements****As of and for the period ended 31 March 2011***(Currency - In thousands of Turkish Lira)***17. Financial risk management (continued)****Currency risk (continued)****Sensitivity analysis**

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

31 March 2011	Equity	Profit or loss
USD	(8,711)	(8,711)
EUR	46	46
Other currencies	8,652	8,652
	(13)	(13)
31 December 2010	Equity	Profit or loss
USD	(5,960)	(5,960)
EUR	70	70
Other currencies	5,871	5,871
	(19)	(19)

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

Cash flow and fair value interest rate risk

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

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

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

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ

Notes to the Condensed Consolidated Interim Financial Statements

As of and for the period ended 31 March 2011

(Currency - In thousands of Turkish Lira)

17. Financial risk management (continued)

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

31 March 2011	Up to 1 month	1 to 3 months	3 to 6 months	6 months to 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years	Non interest bearing	Total
Assets											
Cash and balances with central banks	73,338	-	-	-	-	-	-	-	-	30,851	104,189
Due from banks and financial institutions	51,644	-	-	-	-	-	-	-	-	8,746	60,390
Interbank and other money market placements	3,408	-	-	-	-	-	-	-	-	-	3,408
Reserve deposits at central banks	-	-	-	-	-	-	-	-	-	114,167	114,167
Trading assets	2,454	195	3,047	495	6,968	2,931	510	401	441	-	17,442
Investment securities	30,120	49,038	42,834	-	8,979	-	-	-	-	72	131,043
Loaned securities	-	-	880	-	-	-	-	-	-	-	880
Loans and advances to customers	153,041	120,125	206,972	127,896	196,285	158,719	148,263	58,601	55,849	38,758	1,264,509
Finance lease receivables	384	1,828	1,023	72	199	-	-	-	-	92	3,598
Property and equipment	-	-	-	-	-	-	-	-	-	9,615	9,615
Intangible assets	-	-	-	-	-	-	-	-	-	44,915	44,915
Deferred tax assets	-	-	-	-	-	-	-	-	-	3,674	3,674
Other assets	-	-	-	-	-	-	-	-	-	25,301	25,301
Total assets	314,389	171,186	254,756	128,463	212,431	161,650	148,773	59,002	56,290	276,191	1,783,131
Liabilities											
Deposit from other banks ⁽¹⁾	-	-	-	-	-	-	-	-	-	968	968
Customer deposits ⁽¹⁾	43,228	385	2,196	2,125	192	8	-	-	-	36,879	85,013
Other money market deposits	861	-	-	-	-	-	-	-	-	-	861
Trading liabilities	2,594	993	5,174	1,268	904	10,032	2,677	-	-	-	23,642
Funds borrowed	184,455	11,068	116,632	-	439,841	-	231,471	-	-	-	983,467
Debt securities issued	4,161	-	50,362	-	-	100,000	-	-	-	-	154,523
Other liabilities	3,507	801	17,032	8,957	6,728	-	-	-	-	39,302	76,327
Provisions	-	-	-	-	-	-	-	-	-	2,795	2,795
Current tax liabilities	77	-	-	-	-	-	-	-	-	3,915	3,992
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	34	34
Total liabilities	238,883	13,247	191,396	12,350	447,665	110,040	234,148	-	-	83,893	1,331,622
Financial position interest sensitivity gap	75,506	157,939	63,360	116,113	(235,234)	51,610	(85,375)	59,002	56,290	192,298	451,509
Off-balance sheet interest sensitivity gap, net	28,751	29,994	26,937	(236)	(65,251)	(21,278)	(1,041)	442	525	-	
Total interest sensitivity gap	104,257	187,933	90,297	115,877	(300,485)	30,332	(86,416)	59,444	56,815	192,298	

⁽¹⁾ 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 31 March 2011

(Currency - In thousands of Turkish Lira)

17. Financial risk management (continued)

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

⁽¹⁾ 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 31 March 2011***(Currency - In thousands of Turkish Lira)***17. Financial risk management (continued)**

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

	31 March 2011			31 December 2010		
	Average	Highest	Lowest	Average	Highest	Lowest
Interest rate risk	6,222	6,374	6,013	7,146	7,816	6,579
Common share risk	-	-	-	-	-	-
Currency risk	1,543	1,677	1,398	1,118	1,760	402
Total value-at-risk	7,765	8,051	7,411	8,264	9,576	6,981

Exposure to interest rate risk – non-trading portfolios

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

Change at portfolio value/Total Equity (%)	31 March 2011	31 December 2010
Local TL interest rate		
+100 bps	(0.71)	(0.84)
-100 bps	0.75	0.88
+500 bps	(3.25)	(3.83)
Foreign currency interest rate		
+100 bps	0.25	1.04
-100 bps	(0.37)	(1.11)

Capital adequacy

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

	31 March 2011	31 December 2010
Amount subject to credit risk (I)	1,414,031	1,259,516
Amount subject to market risk (II)	201,550	183,800
Amount subject to operational risk (III)	222,250	210,963
Total credit, market and operational risk	1,837,831	1,654,279
Shareholders' equity	419,943	403,014
Tier 1 capital	463,447	454,823
Tier 2 capital	-	-
Deductions from capital	(43,504)	(51,809)
Total regulatory capital	419,943	403,013
Capital adequacy ratio	22.85%	24.36%
Tier-1 ratio	25.22%	27.49%

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ

Notes to the Condensed Consolidated Interim Financial Statements

As of and for the period ended 31 March 2011

(Currency - In thousands of Turkish Lira)

17. Financial risk management (continued)

Internal Capital Adequacy Assessment Process

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

18. Operating segments

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

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ**Notes to the Condensed Consolidated Interim Financial Statements****As of and for the period ended 31 March 2011***(Currency - In thousands of Turkish Lira)***18. Operating segments (continued)**

31 March 2011	Asset management and treasury	Corporate banking	Retail banking	Foreign Financial Subsidiary	Non-financial services	Eliminations	Total
Interest income	6,093	19,808	9,166	1,009	2	(44)	36,034
Interest expense	(20,534)	(167)	-	(297)	-	44	(20,954)
Intersegment income/expense	12,469	(8,901)	(3,568)	-	-	-	-
Net interest income	(1,972)	10,740	5,598	712	2	-	15,080
Net fee and commission income	(173)	3,702	1,377	440	-	-	5,346
Net trading income and foreign exchange gain, net	865	(399)	-	887	3	13	1,369
Other operating income	271	69	278	40	1,088	(1,069)	677
Total operating income	(1,009)	14,112	7,253	2,079	1,093	(1,056)	22,472
Net impairment loss on financial and non-financial assets	(19)	(2,074)	(295)	20	-	-	(2,368)
Total operating expense	(3,692)	(2,564)	(6,898)	(2,928)	(1,120)	1,069	(16,133)
Profit before income tax	(4,720)	9,474	60	(829)	(27)	13	3,971
Income tax	1,103	(1,898)	(14)	105	(12)	-	(716)
Net profit for the period	(3,617)	7,576	46	(724)	(39)	13	3,255

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ**Notes to the Condensed Consolidated Interim Financial Statements****As of and for the period ended 31 March 2011***(Currency - In thousands of Turkish Lira)***18. Operating segments (continued)**

31 March 2010	Asset management and treasury	Corporate banking	Retail banking	Foreign Financial Subsidiary	Non-financial services	Brokerage activities	Eliminations	Total
Interest income	7,913	18,411	9,768	1,853	15	35	(185)	37,810
Interest expense	(18,185)	(366)	(8)	(400)	-	-	185	(18,774)
Intersegment income/expense	11,859	(8,248)	(3,611)	-	-	-	-	-
Net interest income	1,587	9,797	6,149	1,453	15	35	-	19,036
Net fee and commission income	(121)	3,119	1,140	395	-	205	-	4,738
Net trading income and foreign exchange gain, net	4,369	484	1	469	(3)	6	7	5,333
Other operating income	12	53	60	49	994	-	(957)	211
Total operating income	5,847	13,453	7,350	2,366	1,006	246	(950)	29,318
Net impairment loss on financial and non-financial assets	5,625	(10,219)	(456)	1,028	-	-	-	(4,022)
Total operating expense	(2,793)	(2,489)	(6,864)	(2,898)	(970)	(442)	957	(15,499)
Profit before income tax	8,679	745	30	496	36	(196)	7	9,797
Income tax	(1,537)	(377)	(5)	(99)	(3)	21	-	(2,000)
Net profit for the period-end	7,142	368	25	397	33	(175)	7	7,797

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ

Notes to the Condensed Consolidated Interim Financial Statements

As of and for the period ended 31 March 2011

(Currency - In thousands of Turkish Lira)

19. Rating

As at 31 March 2011, the Bank's ratings assigned by international rating agencies, Fitch Ratings and Moody's Ratings are as follows:

Fitch Ratings, November 2010

Long Term Foreign Currency IDR	BBB- (Stable)
Short Term Foreign Currency IDR	F3
Individual Rating	D
Support	2
Long Term Local Currency IDR	BBB- (Stable)
Short Term Local Currency	F3
National	AAA (tur) (Stable)

Moody's Ratings, January 2011

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

20. Subsequent and other events

According to change in "Communiqué on required reserves", the Turkish lira required reserve ratio was increased to 13% and foreign currency required reserve ratio is between 11% and 12% according remaining maturity and new ratios are effective from 29 April 2011.