

**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 2012**

Akis Bağımsız Denetim ve Serbest  
Muhasebeci Mali Müşavirlik  
Anonim Şirketi

18 May 2012

*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 interim financial information.*



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## **Independent auditors' report on review of interim financial information**

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

### **Introduction**

We have reviewed the accompanying condensed consolidated statement of financial position of Bankpozitif Kredi ve Kalkınma Bankası Anonim Şirketi (the "Bank") and its subsidiaries (collectively the "Group") as at 31 March 2012, the condensed consolidated statements of income and comprehensive income, changes in equity and cash flows for the three-month period then ended, and notes to the interim financial information ("the condensed 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 as at 31 March 2012 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.

18 May 2012  
İstanbul, Turkey

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

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**BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ****Condensed Consolidated Interim Statement of Financial Position****As at 31 March 2012***(Currency - In thousands of Turkish Lira)*

		<b>Reviewed</b>	<b>Audited</b>
		<b>31 March</b>	<b>31 December</b>
	<i>Note</i>	<b>2012</b>	<b>2011</b>
<b>ASSETS</b>			
Cash and balances with central banks		36,960	77,011
Due from banks and financial institutions		21,082	46,545
Interbank and other money market placements		39,862	-
Reserve deposits at central banks		100,604	102,012
Trading assets	5	25,208	39,965
Investment securities	6	185,082	116,160
Loaned securities	6	133,615	78,759
Loans and advances to customers	7	1,366,075	1,492,508
Finance lease receivables	8	663	1,203
Property and equipment		8,629	9,202
Intangible assets		50,936	54,348
Current tax assets	4	5,022	5,969
Deferred tax assets	4	2,068	2,426
Other assets		67,678	33,946
<b>Total assets</b>		<b>2,043,484</b>	<b>2,060,054</b>
<b>LIABILITIES</b>			
Deposit from other banks	10	159	25
Customer deposits	10	56,920	81,850
Other money market deposits	10	151,785	78,772
Trading liabilities	5	34,948	41,999
Funds borrowed	11	1,114,181	1,237,222
Debt securities issued	12	154,898	101,907
Other liabilities		70,943	69,739
Provisions		2,216	2,707
Current tax liabilities	4	88	88
Deferred tax liabilities	4	3,971	2,969
<b>Total liabilities</b>		<b>1,590,109</b>	<b>1,617,278</b>
<b>EQUITY</b>			
Share capital and share premium	13	379,114	379,114
Legal reserves		13,151	13,151
Available-for-sale reserve, net of tax	13	2,105	711
Currency translation reserve	13	(15,267)	(17,770)
Retained earnings		74,272	67,570
<b>Total equity</b>		<b>453,375</b>	<b>442,776</b>
<b>Total equity and liabilities</b>		<b>2,043,484</b>	<b>2,060,054</b>

The accompanying notes are an integral part of this condensed consolidated interim financial information.

**BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ****Condensed Consolidated Interim Statement of Income  
For the three-month period ended 31 March 2012***(Currency - In thousands of Turkish Lira)*

	<b>Reviewed</b>	<b>Reviewed</b>
<i>Note</i>	<b>1 January – 31 March 2012</b>	<b>1 January – 31 March 2011</b>
<b>Interest income</b>		
Interest income on loans and advances	34,621	29,279
Interest income on deposits with other banks and financial institutions	1,004	410
Interest income on investment securities	4,396	2,492
Interest income on interbank and other money market placements	1,605	33
Interest income on financial leases	5	154
Other interest income	2,201	3,666
<b>Total interest income</b>	<b>43,832</b>	<b>36,034</b>
<b>Interest expense</b>		
Interest expense on deposits	(18)	(234)
Interest expense on other money market deposits	(2,389)	(428)
Interest expense on funds borrowed	(16,002)	(14,285)
Interest expense on debt securities issued	(3,315)	(3,338)
Other interest expense	(3,052)	(2,669)
<b>Total interest expense</b>	<b>(24,776)</b>	<b>(20,954)</b>
<b>Net interest income</b>	<b>19,056</b>	<b>15,080</b>
Fees and commission income	3,079	5,710
Fees and commission expense	(387)	(364)
<b>Net fee and commission income</b>	<b>2,692</b>	<b>5,346</b>
Net trading income and foreign exchange gain, net	(486)	1,369
Other operating income	1,745	677
<b>Total operating income</b>	<b>23,007</b>	<b>22,472</b>
<b>Net impairment loss on financial assets</b>	<b>(950)</b>	<b>(2,368)</b>
Personnel expenses	(6,993)	(8,211)
Depreciation and amortisation	(1,337)	(1,674)
Administrative expenses	(4,265)	(4,200)
Taxes other than on income	(267)	(654)
Other expenses	(695)	(1,394)
<b>Total operating expense</b>	<b>(13,557)</b>	<b>(16,133)</b>
<b>Profit before income tax</b>	<b>8,500</b>	<b>3,971</b>
Income tax	(1,798)	(716)
<b>Net profit for the period</b>	<b>6,702</b>	<b>3,255</b>

The accompanying notes are an integral part of this condensed consolidated interim financial information.

**BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ****Condensed Consolidated Interim Statement of Comprehensive Income  
For the three-month period ended 31 March 2012***(Currency - In thousands of Turkish Lira)*

	<b>Reviewed</b>	<b>Reviewed</b>
	<b>1 January –</b>	<b>1 January –</b>
	<b>31 March 2012</b>	<b>31 March 2011</b>
<b>Profit for the period</b>	<b>6,702</b>	<b>3,255</b>
<b>Other comprehensive income</b>		
Foreign currency translation differences for foreign operations	2,503	648
Available-for-sale reserve		
Net change in fair value of available-for-sale financial assets	1,766	(3,332)
Net change in fair value of available-for-sale financial assets transferred to profit or loss	(24)	951
Income tax on other comprehensive income	(348)	480
<b>Other comprehensive income for the period, net of income tax</b>	<b>3,897</b>	<b>(1,253)</b>
<b>Total comprehensive income for the period</b>	<b>10,599</b>	<b>2,002</b>

The accompanying notes are an integral part of this condensed consolidated interim financial information.

# BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ

## Condensed Consolidated Interim Statement of Changes in Equity For the three-month period ended 31 March 2012

(Currency - In thousands of Turkish Lira)

	<i>Note</i>	Share capital	Share premium	Adjustment to share capital	Legal reserves	Available-for-sale reserve, net of tax	Currency translation reserve	Retained earnings	Total
<b>At 1 January 2011</b>		337,292	20,121	21,701	11,589	3,348	(11,135)	66,606	449,522
<b>Total comprehensive income for the period</b>									
Profit for the period		-	-	-	-	-	-	3,255	3,255
<b>Other comprehensive income</b>									
Foreign currency translation differences	13	-	-	-	-	-	648	-	648
Net change in fair value of available-for-sale financial assets, net of tax	13	-	-	-	-	(1,901)	-	-	(1,901)
<b>Total other comprehensive income</b>		-	-	-	-	(1,901)	648	-	(1,253)
<b>Total comprehensive income for the period</b>		-	-	-	-	(1,901)	648	3,255	2,002
Other changes due to the disposal of the subsidiary		-	-	-	-	-	-	(15)	(15)
<b>Contributions by and distributions to owners</b>									
Dividends to equity holders		-	-	-	-	-	-	-	-
<b>Total contributions by and distributions to owners</b>		-	-	-	-	-	-	-	-
<b>Transfers</b>		-	-	-	1,562	-	-	(1,562)	-
<b>At 31 March 2011</b>		337,292	20,121	21,701	13,151	1,447	(10,487)	68,284	451,509
<b>At 1 January 2012</b>		337,292	20,121	21,701	13,151	711	(17,770)	67,570	442,776
<b>Total comprehensive income for the period</b>									
Profit for the period		-	-	-	-	-	-	6,702	6,702
<b>Other comprehensive income</b>									
Foreign currency translation differences	13	-	-	-	-	-	2,503	-	2,503
Net change in fair value of available-for-sale financial assets, net of tax	13	-	-	-	-	1,394	-	-	1,394
<b>Total other comprehensive income</b>		-	-	-	-	1,394	2,503	-	3,897
<b>Total comprehensive income for the period</b>		-	-	-	-	1,394	2,503	6,702	10,599
<b>Contributions by and distributions to owners</b>									
Dividends to equity holders		-	-	-	-	-	-	-	-
<b>Total contributions by and distributions to owners</b>		-	-	-	-	-	-	-	-
<b>Transfers</b>		-	-	-	-	-	-	-	-
<b>At 31 March 2012</b>		337,292	20,121	21,701	13,151	2,105	(15,267)	74,272	453,375

The accompanying notes are an integral part of this condensed consolidated interim financial information.

**BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ****Condensed Consolidated Interim Statement of Cash Flows  
For the three-month period ended 31 March 2012***(Currency - In thousands of Turkish Lira)*

		<b>Reviewed</b>	<b>Reviewed</b>
	<i>Note</i>	<b>1 January– 31 March 2012</b>	<b>1 January– 31 March 2011</b>
<b>Cash flows from operating activities</b>			
Interest received		46,510	33,907
Interest paid		(17,655)	(16,190)
Fees and commissions received		1,988	5,512
Fees and commissions paid		(859)	580
Trading income		149	7,666
Recoveries from non-performing loans	7	4,641	(64)
Cash payments to employees and other parties		(7,424)	(9,529)
Cash received from other operating activities		4,966	5,657
Cash paid for other operating activities		(5,286)	(5,790)
Income taxes paid		-	(2,924)
		<b>27,030</b>	<b>18,825</b>
Change in banks and financial institutions		549	3,216
Change in trading assets		(943)	(325)
Change in reserve deposits at central banks		1,408	(8,117)
Change in loans and advances		128,035	(92,251)
Change in finance lease receivables		1,001	3,513
Change in other assets		(33,732)	(64)
Change in receivables from customers due to brokerage activities		-	-
Change in deposit from other banks		134	542
Change in customer deposits		(24,930)	(8,890)
Change in interbank and other money market deposits		72,992	(36,364)
Change in other liabilities		2,315	(42,497)
<b>Net cash (provided by) used in / operating activities</b>		<b>173,859</b>	<b>(162,412)</b>
<b>Cash flows from investing activities</b>			
Purchases of investment securities	6	(273,475)	(22,396)
Proceeds from sale and redemption of investment securities	6	120,195	16,479
Purchases of property and equipment	9	(754)	(92)
Proceeds from the sale of premises and equipment	9	197	43
Purchases of intangible assets	9	(562)	(340)
Proceeds from sale of intangible assets	9	-	-
<b>Net cash used in investing activities</b>		<b>(154,399)</b>	<b>(6,306)</b>
<b>Cash flows from financing activities</b>			
Proceeds from funds borrowed		272,892	431,399
Repayment of funds borrowed		(368,797)	(255,812)
Proceeds from debt securities issued		50,000	-
<b>Net cash (provided by) used in financing activities</b>		<b>(45,905)</b>	<b>175,587</b>
Effect of net foreign exchange difference on cash and cash equivalents		994	147
<b>Net (decrease) / increase in cash and cash equivalents</b>		<b>(25,451)</b>	<b>7,016</b>
Cash and cash equivalents at 1 January		122,990	160,575
<b>Cash and cash equivalents at 31 March</b>		<b>97,539</b>	<b>167,591</b>

The accompanying notes are an integral part of this condensed consolidated interim financial information.



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

## **Notes to the Condensed Consolidated Interim Financial Information As at and for the period ended 31 March 2012**

*(Currency - In thousands of Turkish Lira)*

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

## **Notes to the Condensed Consolidated Interim Financial Information As at and for the period ended 31 March 2012**

*(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 meetings 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 2012, 69.83% (31 December 2011 – 69.83%) of the shares of the Bank belong to Tarshish and are controlled by Bank Hapoalim and 30.17% (31 December 2011 – 30.17%) of the shares belong to C Faktoring A.Ş.

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

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

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

**As at and for the period ended 31 March 2012**

*(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.

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.

As at 31 March 2012, the Bank provides services through its head office. As at 31 March 2012, the number of employees for the Bank and its consolidated subsidiaries are 127 and 188 respectively (31 December 2011 – 135 and 188).

For the purposes of the condensed consolidated interim financial information, 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 2012 and 31 December 2011 are as follows:

	<b>Place of incorporation</b>	<b>Principal activities</b>	<b>Effective shareholding and voting rights (%)</b>	
			<b>31 March 2012</b>	<b>31 December 2011</b>
C Bilişim	Istanbul/Turkey	Software development and technology	100	100
JSC BankPozitiv	Almaty/Kazakhstan	Commercial banking activities	100	100

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

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

**As at and for the period ended 31 March 2012**

*(Currency - In thousands of Turkish Lira)*

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

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

The condensed consolidated interim financial information as at 31 March 2012 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 2011.

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 information as at 31 March 2012 of the Bank are authorised for issue by the management on 18 May 2012. The General Assembly and certain regulatory bodies have the power to amend the financial statements after issue.

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

The condensed consolidated interim financial information 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 information 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 Information**

**As at and for the period ended 31 March 2012**

*(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 information 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 2012 was TL 43,440 (31 December 2011 – TL 46,745).

##### *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 2012 is TL 1,366,738 (31 December 2011 – TL 1,493,711) net of impairment allowance of TL 47,417 (31 December 2011 – TL 60,414).

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

### **Notes to the Condensed Consolidated Interim Financial Information As at and for the period ended 31 March 2012**

(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 2012, the carrying amount of derivative financial instrument assets TL 24,155 (31 December 2011 – TL 39,306) and the carrying amount of derivative financial instrument liabilities is TL 34,948 (31 December 2011 – TL 41,999).

###### *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 2012, the Group has net current tax assets amounting to TL 4,934 (31 December 2011 – TL 5,881 net current tax assets).

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 2012, the Group carries a net deferred tax liabilities amounting to TL 1,903 (31 December 2011 – TL 543, 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 2012 is TL 169 (31 December 2011 – TL 121).

#### **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 Information**

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

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

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

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

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

**BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ****Notes to the Condensed Consolidated Interim Financial Information  
As at and for the period ended 31 March 2012***(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 2011	1.5483	2.1816	145.70
31 December 2011	1.9065	2.4592	148.40
31 March 2012	1.7717	2.3554	147.77

**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 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 information.



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

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

**As at and for the period ended 31 March 2012**

*(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.

Fees 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 Information**

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

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

##### *Recognition*

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

##### *Derecognition*

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

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

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

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

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

##### *Offsetting*

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

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

##### *Amortised cost measurement*

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

##### *Fair value measurement*

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

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

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

**As at and for the period ended 31 March 2012**

*(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, currency options 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 Information**

**As at and for the period ended 31 March 2012**

*(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's carrying amount and estimated recoverable amount. The carrying amount of the asset is reduced through use of an allowance account. Losses are recognised in profit or loss and reflected in an allowance account against loans and advances.

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

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

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

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

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

##### *Repurchase and resale transactions*

The Group enters into sales of securities under agreements to repurchase such securities. Such securities, which have been sold subject to a repurchase agreement ('repos'), continue to be recognised in the statement of financial position and are measured in accordance with the accounting policy of the security portfolio which they are part of. Securities sold subject to repurchase agreements ('repos') are reclassified in the condensed consolidated interim financial information 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 Information**

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

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

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

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

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

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

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

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

“Due from banks and financial institutions” and “Loans and advances to customers” are financial assets with fixed or determinable payments and fixed maturities that are not quoted in active market. They are not entered into with the intention of immediate or short-term resale and are not classified as “Financial assets held for trading”, designated as “Financial investments – 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 impairment. Interest earned on held-to-maturity securities are recognised as interest income and reflected in the consolidated statement of income.

The 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 2012, the Group does not have any investment securities at fair value through profit or loss (31 December 2011 – none).

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

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

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

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

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

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

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

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

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

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

##### *Recognition and measurement*

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

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

##### *Subsequent costs*

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

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

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

**As at and for the period ended 31 March 2012**

*(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 estimated useful lives of software are three to fifteen years.

#### **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 Information**

**As at and for the period ended 31 March 2012**

*(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 Information As at and for the period ended 31 March 2012**

(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 Information**

### **As at and for the period ended 31 March 2012**

*(Currency - In thousands of Turkish Lira)*

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

##### **3.22 Segment reporting**

An operating segment is a component of the Group that engage in business activities from which it may earn income and incur expenses, including income and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the management to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial statements are available.

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

A number of new standards, amendments to standards and interpretations are not yet effective for the three month period ended 31 March 2012, and have not been applied in preparing these consolidated financial statements. None of these will have an effect on the consolidated financial information of the Group, with the exception of:

IFRS 9 Financial Instruments, published on 12 November 2009 as part of phase I of the IASB's comprehensive project to replace IAS 39, deals with classification and measurement of financial assets. The requirements of this standard represent a significant change from the existing requirements in IAS 39 in respect of financial assets. The standard contains two primary measurement categories for financial assets: amortised cost and fair value. A financial asset would be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, and the asset's contractual terms give rise on specified dates to cash flows that are solely payment of principal and interest on the principal outstanding. All other financial assets would be measured at fair value. The standard eliminates the existing IAS 39 categories of held to maturity, available for sale and loans and receivables. For an investment in an equity instrument which is not held for trading, the standard permits an irrevocable election, on initial recognition, on an individual share-by-share basis, to present all fair value changes from the investment in other comprehensive income. No amount recognised in other comprehensive income would ever be reclassified to profit or loss at a later date. However, dividends on such investments are recognised in profit or loss, rather than other comprehensive income unless they clearly represent a partial recovery of the cost of the investment. Investments in equity instruments in respect of which an entity does not elect to present fair value changes in other comprehensive income would be measured at fair value with changes in fair value recognised in profit or loss.

The standard requires that derivatives embedded in contracts with a host that is a financial asset within the scope of the standard are not separated; instead the hybrid financial instrument is assessed in its entirety as to whether it should be measured at amortised cost or fair value.

The standard is effective for annual periods beginning on or after 1 January 2015. Earlier application is permitted.

The Group is currently in the process of evaluating the potential effect of this standard. Given the nature of Group's operations, this standard is expected to have a pervasive impact on the Group's financial statements.

Amendments to IAS 1 – "Presentation of Items of Other Comprehensive Income" are effective for annual periods beginning on or after 1 July 2012. The amendments to IAS 1 require that an entity present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss. The amendments change the title of the statement of comprehensive income to the statement of profit or loss and other comprehensive income. However, an entity is still allowed to use other titles. The amendments do not change the existing option to present profit or loss and other comprehensive income in two statements; and do not address which items are presented in other comprehensive income or which items need to be reclassified. The requirements of other IFRSs continue to apply in this regard.

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

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

**As at and for the period ended 31 March 2012**

*(Currency - In thousands of Turkish Lira)*

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

#### **3.23 New standards and interpretations not yet adopted (continued)**

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

IFRS 10 – “Consolidated Financial Statements” introduces a new approach to determining which investees should be consolidated and provides a single model to be applied in the control analysis for all investees. An investor controls an investee when:

- it is exposed or has rights to variable returns from its involvement with that investee;
- it has the ability to affect those returns through its power over that investee; and
- there is a link between power and returns.

Control is re-assessed as facts and circumstances change. IFRS 10 supersedes IAS 27 (2008) and SIC-12 Consolidation – Special Purpose Entities. This standard is effective for annual periods beginning on or after 1 January 2013.

IFRS 12 Disclosure of Interest in Other Entities contains the disclosure requirements for entities that have interests in subsidiaries, joint arrangements (i.e. joint operations or joint ventures), associates and/or unconsolidated structured entities, aiming to provide information to enable users to evaluate:

- the nature of, and risks associated with, an entity’s interests in other entities; and
- the effects of those interests on the entity’s financial position, financial performance and cash flows.

This standard is effective for annual periods beginning on or after 1 January 2013.

### **4. 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 2012, the corporate tax rate for foreign subsidiary in Kazakhstan is 20% (31 December 2011 – 20%).

**BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ****Notes to the Condensed Consolidated Interim Financial Information****As at and for the period ended 31 March 2012***(Currency - In thousands of Turkish Lira)***4. Taxation (continued)**

As at 31 March 2012 and 31 December 2011, prepaid income taxes are netted off with the current tax liability as stated below:

	<b>31 March 2012</b>	<b>31 December 2011</b>
Income tax liability	(88)	(88)
Prepaid income tax	5,022	5,969
<b>Current tax assets</b>	<b>4,934</b>	<b>5,881</b>

**Income tax recognised in the income statement**

The components of income tax expense as stated below:

	<b>31 March 2012</b>	<b>31 March 2011</b>
Current tax	2,462	(4,366)
Deferred tax	(4,260)	3,650
<b>Income tax expense reported in the income statement</b>	<b>(1,798)</b>	<b>(716)</b>

**Reconciliation of effective tax rate**

The Group's effective tax rate in respect of continuing operations as at and for the three-month period ended 31 March 2012 is 21.15% (31 March 2011: 18.03%).

**Deferred tax**

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

	<b>31 March 2012</b>	<b>31 December 2011</b>
Deferred tax (liabilities) / assets, net at 1 January	(543)	721
Deferred tax recognised in the income statement	(4,260)	6,096
Deferred income tax recognised in equity	3,062	(7,851)
Exchange rate differences	(162)	491
<b>Deferred tax liabilities, net at the end of the period/year</b>	<b>(1,903)</b>	<b>(543)</b>

Reflected as:

	<b>31 March 2012</b>	<b>31 December 2011</b>
Deferred tax assets	2,068	2,426
Deferred tax liabilities	(3,971)	(2,969)

**BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ****Notes to the Condensed Consolidated Interim Financial Information****As at and for the period ended 31 March 2012***(Currency - In thousands of Turkish Lira)***5. Trading assets and liabilities**

	<b>31 March 2012</b>	<b>31 December 2011</b>
<b>Debt instruments</b>		
Turkish government bonds-TL denominated	1,053	659
<b>Derivative transactions</b>		
Derivative financial instruments	24,155	39,306
<b>Total trading assets</b>	<b>25,208</b>	<b>39,965</b>

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.

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

	<b>31 March 2012</b>		
	<b>Fair value assets</b>	<b>Fair value liabilities</b>	<b>Notional amount in TL equivalent</b>
<b>Derivatives held for trading</b>			
Forward purchase contracts	-	3	855
Forward sale contracts	2	-	858
Currency swap purchases	15,580	1,912	484,024
Currency swap sales	8,300	33,033	486,520
Interest rate cap/floor purchase contracts	-	-	177,170
Options	273	-	127,959
<b>Total derivatives held for trading</b>	<b>24,155</b>	<b>34,948</b>	<b>1,277,386</b>

	<b>31 December 2011</b>		
	<b>Fair value assets</b>	<b>Fair value liabilities</b>	<b>Notional amount in TL equivalent</b>
<b>Derivatives held for trading</b>			
Forward purchase contracts	1	158	55,212
Forward sale contracts	164	-	55,206
Currency swap purchases	22,573	2,905	477,875
Currency swap sales	16,167	38,936	476,296
Interest rate cap/floor purchase contracts	-	-	190,650
Options	401	-	136,149
<b>Total derivatives held for trading</b>	<b>39,306</b>	<b>41,999</b>	<b>1,391,388</b>

The Group undertakes all of its transactions in derivative financial instruments with banks and other financial institutions. Notional amounts and contractual maturity analysis of derivative transactions are disclosed in Note 16.

**BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ****Notes to the Condensed Consolidated Interim Financial Information****As at and for the period ended 31 March 2012***(Currency - In thousands of Turkish Lira)***6. Investment securities**

	<b>31 March 2012</b>	<b>31 December 2011</b>
Available-for-sale investment securities	185,082	116,160
	<b>185,082</b>	<b>116,160</b>

**Held-to-maturity investment securities**

The 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.

**Available-for-sale investment securities**

	<b>31 March 2012</b>	<b>31 December 2011</b>
<b>Available-for-sale investment securities at fair value</b>		
<b>Debt instruments</b>		
Turkish government bonds – TL denominated, net	172,888	93,459
- <i>Gross amount</i>	172,888	93,459
- <i>Impairment on government bonds</i>	-	-
Foreign government bonds – KZT denominated, net	3,748	9,376
- <i>Gross amount</i>	3,748	9,376
- <i>Impairment on government bonds</i>	-	-
Corporate bonds–USD denominated, net	8,420	13,297
- <i>Gross amount</i>	8,420	13,297
- <i>Impairment on corporate bonds</i>	-	-
<b>Total available-for-sale securities at fair value</b>	<b>185,056</b>	<b>116,132</b>
<b>Available-for-sale investment securities at cost</b>		
Equity instruments – unlisted	26	28
<b>Total available-for-sale securities</b>	<b>185,082</b>	<b>116,160</b>

**BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ****Notes to the Condensed Consolidated Interim Financial Information****As at and for the period ended 31 March 2012***(Currency - In thousands of Turkish Lira)***6. Investment securities (continued)**

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

	<b>31 March 2012</b>	<b>31 December 2011</b>
Common shares of Kazakhstan Stock Exchange	26	28
	<b>26</b>	<b>28</b>

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

As at 31 March 2012, available-for-sale investment securities with carrying value of TL 68,842 (31 December 2011- TL 38,348) 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.

**Loaned securities**

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

	<b>31 March 2012</b>	<b>31 December 2011</b>
Loaned securities from available-for-sale securities	133,037	78,759
Loaned securities from trading securities	578	-
<b>Total loaned securities</b>	<b>133,615</b>	<b>78,759</b>
Related liability (Note 10)	133,021	78,772

Repurchase agreements mature within one month.

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

	<b>31 March 2012</b>	<b>31 December 2011</b>
Balance at 1 January	194,919	128,312
Additions	273,475	220,302
Disposals (sale and redemption)	(150,847)	(158,276)
Change in interest accruals	2,124	(549)
Exchange rate differences	(1,552)	5,130
<b>Balance at end of the period / year end</b>	<b>318,119</b>	<b>194,919</b>

**BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ****Notes to the Condensed Consolidated Interim Financial Information****As at and for the period ended 31 March 2012***(Currency - In thousands of Turkish Lira)***7. Loans and advances to customers**

<b>31 March 2012</b>	<b>Turkish Lira</b>	<b>Foreign currency</b>	<b>Foreign currency indexed</b>	<b>Total</b>
Corporate loans	194,625	770,617	172,150	1,137,392
Consumer loans <sup>(1)</sup>	161,840	7,734	28,695	198,269
<b>Total loans</b>	<b>356,465</b>	<b>778,351</b>	<b>200,845</b>	<b>1,335,661</b>
Loans in arrears				77,769
Less: Specific reserve for impairment				(31,947)
Less: Portfolio reserve for impairment				(15,408)
				<b>1,366,075</b>

<sup>(1)</sup> Commercial installment loans amounting TL 598 is included in consumer loans.

<b>31 December 2011</b>	<b>Turkish Lira</b>	<b>Foreign currency</b>	<b>Foreign currency indexed</b>	<b>Total</b>
Corporate loans	176,453	870,299	198,602	1,245,354
Consumer loans <sup>(1)</sup>	180,984	8,686	35,007	224,677
<b>Total loans</b>	<b>357,437</b>	<b>878,985</b>	<b>233,609</b>	<b>1,470,031</b>
Loans in arrears				82,824
Less: Specific reserve for impairment				(42,965)
Less: Portfolio reserve for impairment				(17,382)
				<b>1,492,508</b>

<sup>(1)</sup> Commercial installment loans amounting TL 970 is included in consumer loans.

As at 31 March 2012, loans with floating rates are TL 314,347 (31 December 2011 – TL 357,730) and fixed interest rates are TL 1,021,314 (31 December 2011 – TL 1,112,301).



**BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ****Notes to the Condensed Consolidated Interim Financial Information****As at and for the period ended 31 March 2012***(Currency - In thousands of Turkish Lira)***7. Loans and advances to customers (continued)**

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

	<b>31 March 2012</b>	<b>31 December 2011</b>
Non-performing loans at 1 January	82,943	75,809
Additions to non-performing loans	13,951	25,469
Recoveries	(4,641)	(18,445)
Transfers to performing loans	(8)	(2,716)
Write-offs <sup>(1)</sup>	(13,194)	(169)
Exchange rate differences	(1,171)	2,995
<b>Non performing loans at the end of the period/year</b>	<b>77,880</b>	<b>82,943</b>

<sup>(1)</sup> TL 13,194 of the fully provisioned non-performing loans was sold as at 31 March 2012.

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

	<b>31 March 2012</b>	<b>31 December 2011</b>
Reserve at the beginning of the period/year	60,414	55,189
Provision net of recoveries	951	2,812
- <i>Provision /(reversal) for loan impairment</i>	<i>1,760</i>	<i>7,456</i>
- <i>Recoveries</i>	<i>(809)</i>	<i>(4,644)</i>
Write-offs <sup>(1)</sup>	(13,194)	(169)
Exchange rate differences	(754)	2,582
<b>Reserve at the end of the period/year</b>	<b>47,417</b>	<b>60,414</b>

<sup>(1)</sup> TL 13,194 of the fully provisioned non-performing loans was sold as at 31 March 2012.

As at 31 March 2012, loans, advances and finance lease receivables on which interest is not being accrued, or where interest is suspended amounted to TL 77,080 (31 December 2011 – TL 82,943).

**BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ****Notes to the Condensed Consolidated Interim Financial Information****As at and for the period ended 31 March 2012***(Currency - In thousands of Turkish Lira)***8. Finance lease receivables**

	<b>31 March 2012</b>	<b>31 December 2011</b>
Less than one year	711	1,200
Between one and five years	-	-
<b>Finance lease receivables, gross</b>	<b>711</b>	<b>1,200</b>
Less: Unearned future income on finance leases	(97)	(49)
<b>Net investment in finance leases</b>	<b>614</b>	<b>1,151</b>
Finance leases in arrears (Note 7)	111	119
Less: Reserve for impairment (Note 7)	(62)	(67)
<b>Finance lease receivables, net</b>	<b>663</b>	<b>1,203</b>

The net investment in finance leases comprises:

	<b>31 March 2012</b>	<b>31 December 2011</b>
Less than one year	614	1,151
Between one and five years	-	-
	<b>614</b>	<b>1,151</b>

As at 31 March 2012, TL 34 of net investment in finance leases is denominated in USD, TL 580 of net investment in finance leases is denominated in EUR (31 December 2011 – TL 78 and TL 1,073 denominated in USD and EUR, respectively).

As at 31 March 2012, finance lease receivables amounting to TL 580 (31 December 2011 – TL 1,052) have floating interest rate and remaining TL 34 (31 December 2011 – TL 99) have fixed interest rates.

**9. Property and equipment and intangible assets**

During the three-month period ended 31 March 2012; the Group acquired assets with a cost of TL 1,316 and disposed of certain of its property and equipment with a carrying amount of TL 197.

The carrying amount of goodwill at 31 March 2012 was TL 43,440 (31 December 2011 – TL 46,745).

**BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ****Notes to the Condensed Consolidated Interim Financial Information****As at and for the period ended 31 March 2012***(Currency - In thousands of Turkish Lira)***10. Deposits****Deposits from other banks**

	31 March 2012		31 December 2011	
	Turkish Lira	Foreign currency	Turkish Lira	Foreign currency
Demand	-	159	-	25
Time	-	-	-	-
<b>Total</b>	<b>-</b>	<b>159</b>	<b>-</b>	<b>25</b>

**Customer deposits**

	31 March 2012		31 December 2011	
	Turkish Lira	Foreign currency	Turkish Lira	Foreign currency
<b>Retail customers</b>				
Demand	-	5,476	-	7,588
Time	-	929	-	1,076
<b>Total</b>	<b>-</b>	<b>6,405</b>	<b>-</b>	<b>8,664</b>
<b>Corporate customers</b>				
Demand	-	41,909	-	70,083
Time	-	8,606	-	3,103
<b>Total</b>	<b>-</b>	<b>50,515</b>	<b>-</b>	<b>73,186</b>
	<b>-</b>	<b>56,920</b>	<b>-</b>	<b>81,850</b>

**Other money market deposits**

	31 March 2012		31 December 2011	
	Turkish Lira	Foreign currency	Turkish Lira	Foreign currency
<b>Obligations under repurchase agreements</b>				
Due to customers	133,021	-	78,772	-
Istanbul Stock Exchange Settlement and Custody	18,764	-	-	-
<b>Total</b>	<b>151,785</b>	<b>-</b>	<b>78,772</b>	<b>-</b>

As at 31 March 2012, other money market deposits of TL 151,785 (31 December 2011 – TL 78,772) have fixed interest rates.

**BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ****Notes to the Condensed Consolidated Interim Financial Information****As at and for the period ended 31 March 2012***(Currency - In thousands of Turkish Lira)***11. Funds borrowed**

	<b>31 March 2012</b>		<b>31 December 2011</b>	
	<b>Turkish Lira</b>	<b>Foreign currency</b>	<b>Turkish Lira</b>	<b>Foreign currency</b>
<b>Short-term<sup>(1)</sup></b>				
Fixed interest	-	137,195	-	32,295
Floating interest	-	57,864	-	213,631
<b>Long-term<sup>(1)</sup></b>				
Fixed interest	-	796,108	-	857,228
Floating interest	-	123,014	-	134,068
<b>Total</b>	<b>-</b>	<b>1,114,181</b>	<b>-</b>	<b>1,237,222</b>

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

Repayments of long term borrowing are as follows:

	<b>31 March 2012</b>		<b>31 December 2011</b>	
	<b>Floating rate</b>	<b>Fixed rate</b>	<b>Floating rate</b>	<b>Fixed rate</b>
2012	48,739	286,220	61,746	305,392
2013	33,674	248,977	28,632	267,920
2014	12,529	260,911	13,483	283,916
2015	7,546	-	8,120	-
Thereafter	20,526	-	22,087	-
<b>Total</b>	<b>123,014</b>	<b>796,108</b>	<b>134,068</b>	<b>857,228</b>

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

As at 31 March 2012 and 31 December 2011, funds borrowed are unsecured.

As at 31 March 2012 and 31 December 2011, the Group has not had any defaults of principal, interest or redemption amounts or other breaches of loan covenants.

**12. Debt securities issued**

	<b>31 March 2012</b>	<b>31 December 2011</b>
Debt securities issued at amortised cost	154,898	101,907
<b>Total</b>	<b>154,898</b>	<b>101,907</b>

Debt securities amounting TL 100,000 nominal and TL 50,000 nominal have a maturity of October 2013 and August 2013 with a 10.08% and 10.54% of fixed interest rate, respectively. Securities are issued in accordance with the regulation of Capital Markets Board of Turkey and total of TL 150,000 nominal debt securities 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 Information****As at and for the period ended 31 March 2012***(Currency - In thousands of Turkish Lira)***13. Capital and reserves**

	<b>31 March 2012</b>	<b>31 December 2011</b>
<b>Number of common shares</b> , TL 0.1 (in full TL), par value (Authorised and issued)	3,372,923,500	3,372,923,500

**Share capital and share premium**

As at 31 March 2012 and 31 December 2011, the composition of shareholders and their respective percentage of ownership are summarised as follows:

	<b>31 March 2012</b>		<b>31 December 2011</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
Tarshish	235,515	69.83	235,515	69.83
C Faktoring A.Ş.	101,777	30.17	101,777	30.17
	<b>337,292</b>	<b>100.00</b>	<b>337,292</b>	<b>100.00</b>
Share premium	20,121		20,121	
Restatement effect	21,701		21,701	
<b>Share capital and share premium</b>	<b>379,114</b>		<b>379,114</b>	

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

**Legal reserves**

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

**BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ****Notes to the Condensed Consolidated Interim Financial Information****As at and for the period ended 31 March 2012***(Currency - In thousands of Turkish Lira)***13. Capital and reserves (continued)****Other reserves**

Movement in other reserves are as follows:

	<b>Available- for-sale reserve</b>	<b>Foreign currency translation reserve</b>	<b>Total</b>
At 1 January 2011	3,348	(11,135)	(7,787)
Net unrealised loss on available-for-sale financial investments	(2,637)	-	(2,637)
Foreign currency translation	-	(6,635)	(6,635)
<b>At 31 December 2011</b>	<b>711</b>	<b>(17,770)</b>	<b>(17,059)</b>
At 1 January 2012	711	(17,770)	(17,059)
Net unrealised gains on available-for-sale financial investments	1,394	-	1,394
Foreign currency translation	-	2,503	2,503
<b>At 31 March 2012</b>	<b>2,105</b>	<b>(15,267)</b>	<b>(13,162)</b>

**Available-for-sale reserve**

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

**Foreign currency translation reserve**

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

**Dividends**

The Group did not pay dividends out of the profits for 2011 as at 31 March 2012.

**BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ****Notes to the Condensed Consolidated Interim Financial Information****As at and for the period ended 31 March 2012***(Currency - In thousands of Turkish Lira)***14. Related parties**

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 2011 – 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 information, 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 and advances, 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	
	2012	2011	2012	2011	2012	2011
<b>Loans and advances</b>						
At 1 January	-	-	-	-	-	-
At end of the period/year	-	-	-	-	-	-
Interest income	-	-	-	-	-	-

As at 31 March 2012, no provisions have been recognised in respect of loans and advances given to related parties (31 December 2011 – none).

	Shareholders		Directors and key management personnel		Others	
	2012	2011	2012	2011	2012	2011
<b>Funds borrowed</b>						
At 1 January	152,620	-	-	-	99,980	69,966
At end of the period/year	70,892	152,620	-	-	95,526	99,980
Interest expense	752	282	-	-	952	665

Other balances with related parties:

		Due from banks	Deposits	Finance lease receivables	Other assets	Other liabilities	Non-cash loans
Related party							
Shareholders	31 March 2012	-	-	-	-	6	109,145
	31 December 2011	-	-	-	-	9	114,685
Directors and key management personnel	31 March 2012	-	68	-	-	-	-
	31 December 2011	-	-	-	-	-	-
Others	31 March 2012	35	159	-	-	329	399
	31 December 2011	16	25	-	1	323	429

**BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ****Notes to the Condensed Consolidated Interim Financial Information****As at and for the period ended 31 March 2012***(Currency - In thousands of Turkish Lira)***14. Related parties (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 2012	-	-	-	98	68
	31 March 2011	-	-	-	84	-
Directors and key management personnel	31 March 2012	-	-	-	-	-
	31 March 2011	-	-	-	-	-
Others	31 March 2012	2	-	-	-	-
	31 March 2011	1	-	-	1	-

**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 1,209 (31 March 2011 – TL 982) comprising salaries and other benefits.

**15. 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 2012	31 December 2011
Letters of guarantee	491,803	550,189
Letters of credit	47,655	95,468
Other guarantees	2	858
Commitments	3,596	3,057
<b>Total non-cash loans</b>	<b>543,056</b>	<b>649,572</b>

**Operating lease commitments – Group as lessee**

The Group has entered into commercial leases on head offices, branch premises and vehicles. These leases have an average life of between 1 and 5 years with renewal option and early termination clauses. There are no restrictions placed upon the lessee by entering into these leases. As at 31 March 2012, the Group has non-cancellable operating lease agreements amounting to TL 639 (31 December 2011 – TL 776).

**Litigation**

There were a number of legal proceedings outstanding against the Group as at 31 March 2012 totalling TL 198 (31 December 2011 – TL 198) of which TL 84 (31 December 2011 – TL 84) provision has been made.



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

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

**As at and for the period ended 31 March 2012**

*(Currency - In thousands of Turkish Lira)*

#### **15. 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 this condensed consolidated interim financial information.

The Group also has 1 open-ended investment fund (31 December 2011 – 1 open-ended investment funds) which were established under the regulations of the Capital Markets Board of Turkey and managed by third party investment company. As at 31 March 2012 total size of investment fund is amounting to TL 499 (31 December 2011 – TL 292). As at 31 March 2012, the Group had investment custody accounts amounting to TL 297 (31 December 2011 – TL 145).

#### **16. 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 Information**

**As at and for the period ended 31 March 2012**

*(Currency - In thousands of Turkish Lira)*

#### **16. 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. BankPozitif 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**

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*(Currency - In thousands of Turkish Lira)*

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

##### **Credit risk (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 2012, the share of the Group’s receivables from its top 20 credit customers in its total loan portfolio is 36% (31 December 2011 – 36%).

**BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ****Notes to the Condensed Consolidated Interim Financial Information****As at and for the period ended 31 March 2012***(Currency - In thousands of Turkish Lira)***16. 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:

	<b>31 March 2012</b>	<b>31 December 2011</b>
Above average	41.88%	45.20%
Average	46.55%	40.42%
Below average	11.57%	14.38%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>

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

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

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

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

*Monitoring the risk*

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

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

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

	<b>31 March 2012</b>			
	<b>Cash loans</b>	<b>Finance lease receivables</b>	<b>Non-cash loans</b>	<b>Total</b>
Tourism and entertainment	199,324	550	5,804	205,678
Electric production and supply	138,800	-	36,478	175,278
Public works and civil engineering	143,332	-	18,439	161,771
Commercial, mortgage, investment finance banks	-	-	139,183 <sup>(1)</sup>	139,183
Building contractor (general and special trade)	99,918	-	28,743	128,661
Trade	48,228	-	74,489	122,717
Other commercial services	85,866	21	11,614	97,501
Other financial institutions	32,103	-	49,751	81,854
Personal other services	73,715	-	7,469	81,184
Metal and by-products	66,935	-	9,522	76,457
Transportation	14,636	-	57,665	72,301
Holding companies	68,338	-	74	68,412
Health service	44,302	-	-	44,302
Manufacture of transport equipments	-	-	33,263	33,263
Machinery and equipment	1,480	-	27,873	29,353
Agriculture and forestry	23,445	-	3,907	27,352
Mining and quarrying	23,260	-	-	23,260
Food, beverage and tobacco industries	11,501	12	4,169	15,682
Textile and clothing	14,259	-	121	14,380
Electrical and electronic equipment	1,197	-	8,295	9,492
Non ferrous mineral products	1,927	-	151	2,078
Rubber and plastic products	1,813	-	-	1,813
Chemical and oil products	21	-	407	428
Consumer loans	194,481	-	2,373	196,854
Others	26,589	-	23,266	49,855
<b>Total performing loans</b>	<b>1,315,470</b>	<b>583</b>	<b>543,056</b>	<b>1,859,109</b>
Interest accruals	20,191	31	-	20,222
Loans in arrears	77,769	111	-	77,880
Provision for possible loan losses	(47,355)	(62)	-	(47,417)
<b>Total loans</b>	<b>1,366,075</b>	<b>663</b>	<b>543,056</b>	<b>1,909,794</b>

<sup>(1)</sup> TL 24,413 and TL 109,093 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 Information****As at and for the period ended 31 March 2012***(Currency - In thousands of Turkish Lira)***16. Financial risk management (continued)***Monitoring the risk (continued)*

	<b>31 December 2011</b>			
	<b>Cash</b>	<b>Finance lease receivables</b>	<b>Non-cash</b>	<b>Total</b>
Tourism and entertainment	268,456	1,013	5,411	274,880
Public works and civil engineering	174,212	-	21,901	196,113
Electric production and supply	134,147	-	42,300	176,447
Building contractor (general and special trade)	107,528	-	49,920	157,448
Commercial, mortgage, investment finance banks	-	-	145,792 <sup>(1)</sup>	145,792
Trade	52,795	-	83,089	135,884
Metal and by-products	72,038	21	58,895	130,954
Personal other services	93,954	-	7,792	101,746
Other commercial services	72,291	44	11,973	84,308
Transportation	15,951	-	59,898	75,849
Other financial institutions	14,297	-	52,013	66,310
Holding companies	59,077	-	74	59,151
Health service	47,678	-	-	47,678
Manufacture of transport equipments	2,152	-	35,699	37,851
Machinery and equipment	756	-	30,603	31,359
Agriculture and forestry	22,640	-	3,903	26,543
Mining and quarrying	22,961	-	-	22,961
Food, beverage and tobacco industries	13,894	33	4,471	18,398
Electrical and electronic equipment	1,912	-	15,831	17,743
Textile and clothing	15,353	-	122	15,475
Non ferrous mineral products	6,031	-	151	6,182
Rubber and plastic products	1,960	-	-	1,960
Chemical and oil products	23	-	379	402
Consumer loans	220,443	-	2,488	222,931
Others	26,501	-	16,867	43,368
<b>Total performing loans</b>	<b>1,447,050</b>	<b>1,111</b>	<b>649,572</b>	<b>2,097,733</b>
Interest accruals	22,981	40	-	23,021
Loans in arrears	82,824	119	-	82,943
Provision for possible loan losses	(60,347)	(67)	-	(60,414)
<b>Total loans</b>	<b>1,492,508</b>	<b>1,203</b>	<b>649,572</b>	<b>2,143,283</b>

<sup>1)</sup> TL 25,489 and TL 114,633 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 Information****As at and for the period ended 31 March 2012***(Currency - In thousands of Turkish Lira)***16. Financial risk management (continued)***Monitoring the risk (continued)*

Total collateralisation coverage of cash and non-cash loans are 85% as at 31 March 2012 (31 December 2011 – 88%).

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

	<b>31 March 2012</b>	<b>31 December 2011</b>
<b>Cash loans (including financial lease receivables) under loan in arrears</b>		
Secured by mortgages	43,917	42,740
Secured by pledge	5,644	7,624
Secured by guarantee	9,715	7,939
Unsecured	18,604	24,640
<b>Total</b>	<b>77,880</b>	<b>82,943</b>
<b>Cash loans (including financial lease receivables) except loan in arrears</b>		
Secured by cash	28,030	28,341
Secured by mortgages	645,835	755,529
Secured by pledge	100,849	155,225
Secured by guarantee	355,728	384,946
Secured by assignment and cheques	107,446	93,176
Unsecured	98,387	53,965
<b>Total</b>	<b>1,336,275</b>	<b>1,471,182</b>
<b>Non-cash loans</b>		
Secured by cash	8,614	8,303
Secured by mortgages	77,542	83,481
Secured by pledge	1,622	4,320
Secured by guarantee	278,457	366,827
Secured by assignment and cheques	-	4,800
Unsecured	176,821	181,841
<b>Total</b>	<b>543,056</b>	<b>649,572</b>

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

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

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#### **16. 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 one month to total liabilities maturing within one month cannot 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 two pages 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

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### 16. Financial risk management (continued)

#### Liquidity risk (continued)

31 March 2012	On demand	Up to 1 month	1 to 3 months	3 to 6 months	6 months to 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years	Unallocated	Total
<b>Assets</b>												
Cash and balances with central banks	36,960	-	-	-	-	-	-	-	-	-	-	36,960
Due from banks and financial institutions	17,124	3,700	248	7	1	2	-	-	-	-	-	21,082
Interbank and other money market placements	-	39,862	-	-	-	-	-	-	-	-	-	39,862
Reserve deposits at central banks	-	100,604	-	-	-	-	-	-	-	-	-	100,604
Trading assets	-	3,744	372	839	9,934	5,366	2,923	864	651	515	-	25,208
Investment securities	-	54,674	6,716	33,510	-	51,450	25,898	795	6,750	5,263	26	185,082
Loaned securities	-	24,816	544	37,230	-	35,962	35,063	-	-	-	-	133,615
Loans and advances to customers	-	96,236	111,611	141,374	308,001	264,848	219,470	91,167	44,583	42,963	45,822	1,366,075
Finance lease receivables	-	363	104	147	-	-	-	-	-	-	49	663
Property and equipment	-	-	-	-	-	-	-	-	-	-	8,629	8,629
Intangible assets	-	-	-	-	-	-	-	-	-	-	50,936	50,936
Current tax assets	-	-	5,022	-	-	-	-	-	-	-	-	5,022
Deferred tax assets	-	-	-	-	-	-	-	-	-	-	2,068	2,068
Other assets	-	21,795	-	-	-	38,118	-	-	-	-	7,765	67,678
<b>Total assets</b>	<b>54,084</b>	<b>345,794</b>	<b>124,617</b>	<b>213,107</b>	<b>317,936</b>	<b>395,746</b>	<b>283,354</b>	<b>92,826</b>	<b>51,984</b>	<b>48,741</b>	<b>115,295</b>	<b>2,043,484</b>
<b>Liabilities</b>												
Deposit from other banks <sup>(1)</sup>	159	-	-	-	-	-	-	-	-	-	-	159
Customer deposits <sup>(1)</sup>	47,385	6,596	286	530	1,058	1,056	9	-	-	-	-	56,920
Other money market deposits	-	151,785	-	-	-	-	-	-	-	-	-	151,785
Trading liabilities	-	1,061	612	2,526	1,105	26,240	3,404	-	-	-	-	34,948
Funds borrowed	-	53,165	288,570	115,381	335,552	23,323	271,779	7,546	7,546	11,319	-	1,114,181
Debt securities issued	-	4,528	-	370	-	150,000	-	-	-	-	-	154,898
Other liabilities	24,423	14,818	7,263	1,601	-	-	20,935	-	-	-	1,903	70,943
Provisions	-	-	-	-	1,340	-	-	-	-	-	876	2,216
Current tax liabilities	-	88	-	-	-	-	-	-	-	-	-	88
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-	3,971	3,971
<b>Total liabilities</b>	<b>71,967</b>	<b>232,041</b>	<b>296,731</b>	<b>120,408</b>	<b>339,055</b>	<b>200,619</b>	<b>296,127</b>	<b>7,546</b>	<b>7,546</b>	<b>11,319</b>	<b>6,750</b>	<b>1,590,109</b>
<b>Net liquidity gap</b>	<b>(17,883)</b>	<b>113,753</b>	<b>(172,114)</b>	<b>92,699</b>	<b>(21,119)</b>	<b>195,127</b>	<b>(12,773)</b>	<b>85,280</b>	<b>44,438</b>	<b>37,422</b>	<b>108,545</b>	

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

# BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ

## Notes to the Condensed Consolidated Interim Financial Information

As at and for the period ended 31 March 2012

(Currency - In thousands of Turkish Lira)

### 16. Financial risk management (continued)

#### Liquidity risk (continued)

31 December 2011	On demand	Up to 1 month	1 to 3 months	3 to 6 months	6 months to 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years	Unallocated	Total
<b>Assets</b>												
Cash and balances with central banks	53,872	23,139	-	-	-	-	-	-	-	-	-	77,011
Due from banks and financial institutions	34,458	11,785	2	268	32	-	-	-	-	-	-	46,545
Interbank and other money market placements	-	-	-	-	-	-	-	-	-	-	-	-
Reserve deposits at central banks	-	102,012	-	-	-	-	-	-	-	-	-	102,012
Trading assets	-	2,174	3,275	5,307	14,713	8,140	3,360	1,419	901	676	-	39,965
Investment securities	-	41,928	22,549	9,115	9,323	9,685	7,945	6,948	1,959	6,680	28	116,160
Loaned securities	-	12,885	5,192	305	-	13,956	43,331	-	2,023	1,067	-	78,759
Loans and advances to customers	-	64,777	91,852	164,492	267,285	389,147	248,792	115,553	56,192	54,559	39,859	1,492,508
Finance lease receivables	-	714	128	156	153	-	-	-	-	-	52	1,203
Property and equipment	-	-	-	-	-	-	-	-	-	-	9,202	9,202
Intangible assets	-	-	-	-	-	-	-	-	-	-	54,348	54,348
Current tax assets	-	-	5,969	-	-	-	-	-	-	-	-	5,969
Deferred tax assets	-	-	-	-	-	-	-	-	-	-	2,426	2,426
Assets held from discontinued operations	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	-	26,153	-	-	-	-	-	-	-	-	7,793	33,946
<b>Total assets</b>	<b>88,330</b>	<b>285,567</b>	<b>128,967</b>	<b>179,643</b>	<b>291,506</b>	<b>420,928</b>	<b>303,428</b>	<b>123,920</b>	<b>61,075</b>	<b>62,982</b>	<b>113,708</b>	<b>2,060,054</b>
<b>Liabilities</b>												
Deposit from other banks <sup>(1)</sup>	25	-	-	-	-	-	-	-	-	-	-	25
Customer deposits <sup>(1)</sup>	77,671	769	602	593	964	1,239	12	-	-	-	-	81,850
Other money market deposits	1,031	77,741	-	-	-	-	-	-	-	-	-	78,772
Trading liabilities	-	1,752	97	402	675	35,977	3,096	-	-	-	-	41,999
Funds borrowed	-	6,090	206,415	281,319	119,240	296,552	297,399	8,120	8,120	13,967	-	1,237,222
Debt securities issued	-	-	-	1,907	-	100,000	-	-	-	-	-	101,907
Other liabilities	14,643	16,008	22	13,353	-	-	22,195	-	-	-	3,518	69,739
Provisions	-	1,755	-	-	84	-	-	-	-	-	868	2,707
Current tax liabilities	-	-	88	-	-	-	-	-	-	-	-	88
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-	2,969	2,969
Liabilities held from discontinued operations	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total liabilities</b>	<b>93,370</b>	<b>104,115</b>	<b>207,224</b>	<b>297,574</b>	<b>120,963</b>	<b>433,768</b>	<b>322,702</b>	<b>8,120</b>	<b>8,120</b>	<b>13,967</b>	<b>7,355</b>	<b>1,617,278</b>
<b>Net liquidity gap</b>	<b>(5,040)</b>	<b>181,452</b>	<b>(78,257)</b>	<b>(117,931)</b>	<b>170,543</b>	<b>(12,840)</b>	<b>(19,274)</b>	<b>115,800</b>	<b>52,955</b>	<b>49,015</b>	<b>106,353</b>	

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

# BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ

## Notes to the Condensed Consolidated Interim Financial Information As of and for the period ended 31 March 2012

(Currency - In thousands of Turkish Lira)

### 16. Financial risk management (continued)

#### Liquidity risk (continued)

The table below analyses residual contractual maturities of liabilities:

31 March 2012	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	159	159	159	-	-	-	-	-
Customer deposits	56,920	56,928	47,385	6,596	286	1,596	1,065	-
Interbank and other money market deposits	151,785	151,888	-	151,888	-	-	-	-
Funds borrowed	1,114,181	1,193,107	-	54,605	293,693	482,741	350,447	11,621
Debt securities issued	154,898	178,062	-	5,040	-	10,308	162,714	-
Current account of loan customers <sup>(1)</sup>	60,232	62,931	24,423	6,014	7,310	1,633	23,551	-
	<b>1,538,175</b>	<b>1,643,075</b>	<b>71,967</b>	<b>224,143</b>	<b>301,289</b>	<b>496,278</b>	<b>537,777</b>	<b>11,621</b>

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

31 December 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	25	25	25	-	-	-	-	-
Customer deposits	81,850	81,911	77,671	769	603	1,568	1,300	-
Interbank and other money market deposits	78,772	78,795	1,031	77,764	-	-	-	-
Funds borrowed	1,237,222	1,339,764	-	6,543	210,225	444,293	664,340	14,363
Debt securities issued	101,907	120,160	-	-	-	10,080	110,080	-
Current account of loan customers <sup>(1)</sup>	53,416	56,727	14,643	3,261	-	13,554	25,269	-
	<b>1,553,192</b>	<b>1,677,382</b>	<b>93,370</b>	<b>88,337</b>	<b>210,828</b>	<b>469,495</b>	<b>800,989</b>	<b>14,363</b>

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

The table below analyses contractual maturities of derivative transactions:

31 March 2012	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Over 5 years	Total
<b>Assets</b>							
Forward purchase contracts	855	-	-	-	-	-	855
Forward sale contracts	858	-	-	-	-	-	858
Currency swap purchases	91,132	63,539	29,301	33,592	262,012	4,448	484,024
Currency swap sales	87,825	63,466	23,831	27,620	279,892	3,886	486,520
Option purchase contracts	-	-	-	70,868	-	-	70,868
Option sale contracts	-	-	-	57,091	-	-	57,091
Interest rate cap/floor purchase contracts	-	-	-	-	177,170	-	177,170
Asset purchase commitments	35,552	-	-	-	-	-	35,552
Asset sales commitments	35,653	-	-	-	-	-	35,653
	<b>251,875</b>	<b>127,005</b>	<b>53,132</b>	<b>189,171</b>	<b>719,074</b>	<b>8,334</b>	<b>1,348,591</b>

31 December 2011	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Over 5 years	Total
<b>Assets</b>							
Forward purchase contracts	55,212	-	-	-	-	-	55,212
Forward sale contracts	55,206	-	-	-	-	-	55,206
Currency swap purchases	75,587	79,241	36,368	59,624	222,267	4,788	477,875
Currency swap sales	75,139	76,393	29,885	45,100	245,721	4,058	476,296
Option purchase contracts	-	-	-	76,260	-	-	76,260
Option sale contracts	-	-	-	59,889	-	-	59,889
Interest rate cap/floor purchase contracts	-	-	-	-	190,650	-	190,650
Asset purchase commitments	-	-	-	-	-	-	-
Asset sales commitments	-	-	-	-	-	-	-
	<b>261,144</b>	<b>155,634</b>	<b>66,253</b>	<b>240,873</b>	<b>658,638</b>	<b>8,846</b>	<b>1,391,388</b>

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

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

#### **As of and for the period ended 31 March 2012**

*(Currency - In thousands of Turkish Lira)*

#### **16. 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 2012, the highest potential loss of the securities portfolio was generated by historical simulation method as TL 298 (31 December 2011 – TL 570) 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 authorisation 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 (8,808) of net loss of JSC BankPozitiv (31 December 2011 – TL (9,638)), net foreign exchange position of the Group would have been TL 391 (31 December 2011 – TL 1,948).

**BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ****Notes to the Condensed Consolidated Interim Financial Information****As of and for the period ended 31 March 2012***(Currency - In thousands of Turkish Lira)***16. Financial risk management (continued)****Currency risk (continued)**

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

	USD	Euro	CHF	JPY	KZT	Others	Total
<b>31 March 2012</b>							
<b>Assets</b>							
Cash and balances with central banks	645	129	-	-	36,108	67	36,949
Due from banks and financial institutions	7,678	12,237	71	239	6	390	20,621
Reserve deposits at central banks	80,967	-	-	-	1,779	-	82,746
Trading assets	48	-	-	-	-	-	48
Investment securities	8,420	-	-	-	3,774	-	12,194
Loans and advances due to customers <sup>(1)</sup>	609,363	226,515	17,729	6,633	125,341	128	985,709
Finance lease receivables <sup>(1)</sup>	34	580	-	-	49	-	663
Property and equipment	-	-	-	-	5,795	-	5,795
Intangible assets	43,440	-	-	-	1,052	-	44,492
Deferred tax assets	-	-	-	-	2,065	-	2,065
Other assets	2,688	55,097	16	-	6,669	87	64,557
<b>Total assets</b>	<b>753,283</b>	<b>294,558</b>	<b>17,816</b>	<b>6,872</b>	<b>182,638</b>	<b>672</b>	<b>1,255,839</b>
<b>Liabilities</b>							
Deposit from other banks <sup>(2)</sup>	43	2	-	-	114	-	159
Customer deposits <sup>(2)</sup>	7,769	653	-	-	48,427	71	56,920
Trading liabilities	2,058	-	-	-	-	-	2,058
Funds borrowed	970,955	143,226	-	-	-	-	1,114,181
Other liabilities <sup>(3)</sup>	14,569	21,697	200	1	826	6	37,299
Provisions	-	-	-	-	71	-	71
<b>Total liabilities</b>	<b>995,394</b>	<b>165,578</b>	<b>200</b>	<b>1</b>	<b>49,438</b>	<b>77</b>	<b>1,210,688</b>
<b>Gross exposure</b>	<b>(242,111)</b>	<b>128,980</b>	<b>17,616</b>	<b>6,871</b>	<b>133,200</b>	<b>595</b>	<b>45,151</b>
<b>Off-balance sheet position</b>							
Net notional amount of derivatives	100,216	(128,946)	(17,670)	(6,816)	-	(352)	(53,568)
<b>Net exposure<sup>(4)</sup></b>	<b>(141,895)</b>	<b>34</b>	<b>(54)</b>	<b>55</b>	<b>133,200</b>	<b>243</b>	<b>(8,417)</b>

<sup>(1)</sup> Foreign currency net non-performing loans, advances to customer and finance lease receivables amounting TL 6,513 and TL 49 are included at foreign currency position, respectively.

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

<sup>(3)</sup> Currency translation loss regarding the accounting of foreign subsidiary, JSC BankPozitiv, amounting TL 15,267 was included at foreign currency position.

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

**BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ****Notes to the Condensed Consolidated Interim Financial Information  
As of and for the period ended 31 March 2012***(Currency - In thousands of Turkish Lira)***16. Financial risk management (continued)****Currency risk (continued)**

	USD	Euro	CHF	JPY	KZT	Others	Total
<b>31 December 2011</b>							
<b>Assets</b>							
Cash and balances with central banks	1,307	117	-	-	75,555	25	77,004
Due from banks and financial institutions	18,364	1,024	164	528	14	297	20,391
Reserve deposits at central Banks	93,725	-	-	-	2,536	-	96,261
Trading assets	1,010	-	-	-	-	-	1,010
Investment securities	9,352	-	-	-	13,349	-	22,701
Loans and advances due to customers <sup>(1)</sup>	693,209	291,549	20,186	7,979	104,885	135	1,117,943
Finance lease receivables <sup>(1)</sup>	78	1,073	-	-	52	-	1,203
Property and equipment	-	-	-	-	5,960	-	5,960
Intangible assets	46,745	-	-	-	1,217	-	47,962
Deferred tax assets	-	-	-	-	2,426	-	2,426
Other assets	3,490	20,690	18	-	7,135	138	31,471
<b>Total assets</b>	<b>867,280</b>	<b>314,453</b>	<b>20,368</b>	<b>8,507</b>	<b>213,129</b>	<b>595</b>	<b>1,424,332</b>
<b>Liabilities</b>							
Deposit from other banks <sup>(2)</sup>	2	1	-	-	22	-	25
Customer deposits <sup>(2)</sup>	10,786	724	-	-	70,274	66	81,850
Trading liabilities	1,095,385	141,837	-	-	-	-	1,237,222
Funds borrowed	12,919	21,221	192	-	670	2	35,004
Other liabilities <sup>(3)</sup>	-	-	-	-	134	-	134
Provisions	-	-	-	-	-	-	-
<b>Total liabilities</b>	<b>1,119,092</b>	<b>163,783</b>	<b>192</b>	<b>-</b>	<b>71,100</b>	<b>68</b>	<b>1,354,235</b>
<b>Total liabilities</b>	<b>(251,812)</b>	<b>150,670</b>	<b>20,176</b>	<b>8,507</b>	<b>142,029</b>	<b>527</b>	<b>70,097</b>
<b>Gross exposure</b>							
<b>Off-balance sheet position</b>							
Net notional amount of derivatives	101,783	(150,552)	(20,140)	(8,438)	-	(440)	(77,787)
<b>Net exposure<sup>(4)</sup></b>	<b>(150,029)</b>	<b>118</b>	<b>36</b>	<b>69</b>	<b>142,029</b>	<b>87</b>	<b>(7,690)</b>

<sup>(1)</sup> Foreign currency net non-performing loans, advances to customer and finance lease receivables amounting TL 5,349 and TL 52 are included at foreign currency position, respectively.

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

<sup>(3)</sup> Currency translation loss regarding the accounting of foreign subsidiary, JSC BankPozitiv, amounting TL 17,770 was included at foreign currency position.

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

**BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ****Notes to the Condensed Consolidated Interim Financial Information****As of and for the period ended 31 March 2012***(Currency - In thousands of Turkish Lira)***16. Financial risk management (continued)****Currency risk (continued)****Sensitivity analysis**

A 10% weakening of TL against the foreign currencies at 31 March 2012 and 31 December 2011 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 2011.

<b>31 March 2012</b>	<b>Equity</b>	<b>Profit or loss</b>
USD	(13,309)	(13,309)
EUR	3	3
Other currencies	13,345	13,345
	<b>39</b>	<b>39</b>
<b>31 December 2011</b>	<b>Equity</b>	<b>Profit or loss</b>
USD	(14,039)	(14,039)
EUR	12	12
Other currencies	14,222	14,222
	<b>195</b>	<b>195</b>

A 10% strengthening of the TL against the foreign currencies at 31 March 2012 and 31 December 2011 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 Information

As of and for the period ended 31 March 2012

(Currency - In thousands of Turkish Lira)

### 16. Financial risk management (continued)

#### Cash flow and fair value interest rate risk (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 2012	Up to 1 month	1 to 3 months	3 to 6 months	6 months to 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years	Non interest bearing	Total
<b>Assets</b>											
Cash and balances with central banks	-	-	-	-	-	-	-	-	-	36,960	36,960
Due from banks and financial institutions	7,563	-	-	-	-	-	-	-	-	13,519	21,082
Interbank and other money market placements	39,862	-	-	-	-	-	-	-	-	-	39,862
Reserve deposits at central banks	-	-	-	-	-	-	-	-	-	100,604	100,604
Trading assets	4,574	587	839	9,934	5,366	2,093	864	436	515	-	25,208
Investment securities	54,568	17,713	112,775	-	-	-	-	-	-	26	185,082
Loaned securities	73,900	26,184	33,531	-	-	-	-	-	-	-	133,615
Loans and advances to customers	308,189	120,300	187,069	166,837	203,664	183,951	84,789	35,635	29,819	45,822	1,366,075
Finance lease receivables	587	27	-	-	-	-	-	-	-	49	663
Property and equipment	-	-	-	-	-	-	-	-	-	8,629	8,629
Intangible assets	-	-	-	-	-	-	-	-	-	50,936	50,936
Current tax assets	-	-	-	-	-	-	-	-	-	5,022	5,022
Deferred tax assets	-	-	-	-	-	-	-	-	-	2,068	2,068
Other assets	-	-	-	-	38,118	-	-	-	-	29,560	67,678
<b>Total assets</b>	<b>489,243</b>	<b>164,811</b>	<b>334,214</b>	<b>176,771</b>	<b>247,148</b>	<b>186,044</b>	<b>85,653</b>	<b>36,071</b>	<b>30,334</b>	<b>293,195</b>	<b>2,043,484</b>
<b>Liabilities</b>											
Deposit from other banks <sup>(1)</sup>	-	-	-	-	-	-	-	-	-	159	159
Customer deposits <sup>(1)</sup>	6,596	286	530	1,058	1,056	9	-	-	-	47,385	56,920
Other money market deposits	151,785	-	-	-	-	-	-	-	-	-	151,785
Trading liabilities	1,061	612	2,526	1,105	26,240	3,404	-	-	-	-	34,948
Funds borrowed	107,321	306,221	114,105	325,623	-	260,911	-	-	-	-	1,114,181
Debt securities issued	4,528	-	370	-	150,000	-	-	-	-	-	154,898
Other liabilities	6,010	7,263	1,601	-	-	20,935	-	-	-	35,134	70,943
Provisions	-	-	-	-	-	-	-	-	-	2,216	2,216
Current tax liabilities	-	-	-	-	-	-	-	-	-	88	88
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	3,971	3,971
<b>Total liabilities</b>	<b>277,301</b>	<b>314,382</b>	<b>119,132</b>	<b>327,786</b>	<b>177,296</b>	<b>285,259</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>88,953</b>	<b>1,590,109</b>
<b>Financial position interest sensitivity gap</b>	<b>211,942</b>	<b>(149,571)</b>	<b>215,082</b>	<b>(151,015)</b>	<b>69,852</b>	<b>(99,215)</b>	<b>85,653</b>	<b>36,071</b>	<b>30,334</b>	<b>204,242</b>	
Off-balance sheet interest sensitivity gap, net	38,740	71	(12,248)	5,972	(36,546)	(419)	900	469	562	-	
<b>Total interest sensitivity gap</b>	<b>250,682</b>	<b>(149,500)</b>	<b>202,834</b>	<b>(145,043)</b>	<b>33,306</b>	<b>(99,634)</b>	<b>86,553</b>	<b>36,540</b>	<b>30,896</b>	<b>204,242</b>	

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



# BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ

## Notes to the Condensed Consolidated Interim Financial Information

As of and for the period ended 31 March 2012

(Currency - In thousands of Turkish Lira)

### 16. Financial risk management (continued)

#### Cash flow and fair value interest rate risk (continued)

31 December 2011	Up to 1 month	1 to 3 months	3 to 6 months	6 months to 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years	Non interest bearing	Total
<b>Assets</b>											
Cash and balances with central banks	23,139	-	-	-	-	-	-	-	-	53,872	77,011
Due from banks and financial institutions	34,709	-	-	-	-	-	-	-	-	11,836	46,545
Interbank and other money market placements	-	-	-	-	-	-	-	-	-	-	-
Reserve deposits at central banks	-	-	-	-	-	-	-	-	-	102,012	102,012
Trading assets	2,174	3,725	5,513	14,713	7,690	3,360	1,419	695	676	-	39,965
Investment securities	43,514	47,288	16,007	9,323	-	-	-	-	-	28	116,160
Loaned securities	21,020	28,732	29,007	-	-	-	-	-	-	-	78,759
Loans and advances to customers	357,906	75,060	152,681	213,295	256,004	209,801	101,119	47,982	38,801	39,859	1,492,508
Finance lease receivables	53	1,062	36	-	-	-	-	-	-	52	1,203
Property and equipment	-	-	-	-	-	-	-	-	-	9,202	9,202
Intangible assets	-	-	-	-	-	-	-	-	-	54,348	54,348
Current tax assets	-	-	-	-	-	-	-	-	-	5,969	5,969
Deferred tax assets	-	-	-	-	-	-	-	-	-	2,426	2,426
Assets held from discontinued operations	-	-	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-	33,946	33,946
<b>Total assets</b>	<b>482,515</b>	<b>155,867</b>	<b>203,244</b>	<b>237,331</b>	<b>263,694</b>	<b>213,161</b>	<b>102,538</b>	<b>48,677</b>	<b>39,477</b>	<b>313,550</b>	<b>2,060,054</b>
<b>Liabilities</b>											
Deposit from other banks <sup>(1)</sup>	-	-	-	-	-	-	-	-	-	25	25
Customer deposits <sup>(1)</sup>	769	602	593	964	1,239	12	-	-	-	77,671	81,850
Other money market deposits	1,031	77,741	-	-	-	-	-	-	-	-	78,772
Trading liabilities	1,752	97	402	675	35,977	3,096	-	-	-	-	41,999
Funds borrowed	179,860	142,138	286,657	76,731	267,920	283,916	-	-	-	-	1,237,222
Debt securities issued	-	-	1,907	-	100,000	-	-	-	-	-	101,907
Other liabilities	3,225	-	13,353	-	-	22,195	-	-	-	30,966	69,739
Provisions	-	-	-	-	-	-	-	-	-	2,707	2,707
Current tax liabilities	-	-	-	-	-	-	-	-	-	88	88
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	2,969	2,969
Liabilities held from discontinued operations	-	-	-	-	-	-	-	-	-	-	-
<b>Total liabilities</b>	<b>186,637</b>	<b>220,578</b>	<b>302,912</b>	<b>78,370</b>	<b>405,136</b>	<b>309,219</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>114,426</b>	<b>1,617,278</b>
<b>Balance sheet interest sensitivity gap</b>	<b>295,878</b>	<b>(64,711)</b>	<b>(99,668)</b>	<b>158,961</b>	<b>(141,442)</b>	<b>(96,058)</b>	<b>102,538</b>	<b>48,677</b>	<b>39,477</b>	<b>199,124</b>	
Off-balance sheet interest sensitivity gap, net	19,513	40,980	(12,582)	(4,538)	(45,681)	961	1,463	740	729	-	
<b>Total interest sensitivity gap</b>	<b>315,391</b>	<b>(23,731)</b>	<b>(112,250)</b>	<b>154,423</b>	<b>(187,123)</b>	<b>(95,097)</b>	<b>104,001</b>	<b>49,417</b>	<b>40,206</b>	<b>199,124</b>	

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

**BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ****Notes to the Condensed Consolidated Interim Financial Information****As of and for the period ended 31 March 2012***(Currency - In thousands of Turkish Lira)***16. Financial risk management (continued)****Cash flow and fair value interest rate risk (continued)**

As at 31 March 2012 and 31 December 2011, the effective interest rate applied on balance sheet items summarised as follows:

<b>31 March 2012 (%)</b>	<b>TL</b>	<b>USD</b>	<b>EUR</b>	<b>CHF</b>	<b>JPY</b>	<b>GBP</b>	<b>KZT</b>
Due from banks and financial institutions	9.82	0.69	0.12	-	-	-	-
Interbank and other money market placements	9.78	-	-	-	-	-	-
Marketable securities (Investment and trading)	8.64	9.25	-	-	-	-	5.85
Loans and advances to customers and finance lease receivables							
- Corporate loans	16.16	7.50	7.48	-	-	-	7.91
- Retail loans	17.90	11.19	8.70	6.69	6.28	11.20	17.11
Deposits from other banks	-	-	-	-	-	-	-
Customer deposits	-	0.89	-	-	-	-	5.94
Other money market deposits	5.99	-	-	-	-	-	-
Funds borrowed and debt securities issued	10.07	5.97	4.29	-	-	-	-
Current account of loan customers <sup>(1)</sup>	6.36	5.66	3.87	-	-	-	-
<b>31 December 2011 (%)</b>	<b>TL</b>	<b>USD</b>	<b>EUR</b>	<b>CHF</b>	<b>JPY</b>	<b>GBP</b>	<b>KZT</b>
Due from banks and financial institutions	8.13	0.91	0.17	-	-	-	0.03
Interbank and other money market placements	8.15	-	-	-	-	-	-
Marketable securities (Investment and trading)	9.12	9.25	-	-	-	-	4.55
Loans and advances to customers and finance lease receivables							
- Corporate loans	13.46	7.32	7.59	-	-	-	8.70
- Retail loans	16.79	11.26	8.65	7.64	6.06	11.53	17.44
Deposits from other banks	-	-	-	-	-	-	-
Customer deposits	-	2.42	-	-	-	-	6.09
Other money market deposits	5.38	-	-	-	-	-	-
Funds borrowed and debt securities issued	10.39	6.16	3.94	-	-	-	-
Current account of loan customers <sup>(1)</sup>	5.84	5.04	3.44	-	-	-	-

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

The Bank's value at market risks as of 31 March 2012 and 31 December 2011 calculated as per the statutory financial statements prepared for BRSA reporting purposes within the scope of "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks" published in Official Gazette no. 26333 dated 1 November 2006, are as follows:

	<b>31 March 2012</b>			<b>31 December 2011</b>		
	<b>Average</b>	<b>Highest</b>	<b>Lowest</b>	<b>Average</b>	<b>Highest</b>	<b>Lowest</b>
Interest rate risk	5,041	5,041	5,041	4,879	6,103	4,256
Common share risk	-	-	-	-	-	-
Currency risk	16,560	16,560	16,560	13,937	17,651	10,021
<b>Total value-at-risk</b>	<b>21,601</b>	<b>21,601</b>	<b>21,601</b>	<b>18,816</b>	<b>23,754</b>	<b>14,277</b>

**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.

**BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ****Notes to the Condensed Consolidated Interim Financial Information****As of and for the period ended 31 March 2012***(Currency - In thousands of Turkish Lira)***16. Financial risk management (continued)****Exposure to interest rate risk – non-trading portfolios**

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

<b>Change at portfolio value/Total equity (%)</b>	<b>31 March 2012</b>	<b>31 December 2011</b>
<b>Local TL interest rate</b>		
+100 bps	(0.64)	(0.61)
-100 bps	0.66	0.64
+500 bps	(2.96)	(2.79)
<b>Foreign currency interest rate</b>		
+100 bps	0.06	0.01
-100 bps	(0.15)	(0.15)

**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 2012 and 31 December 2011 are as follows:

	<b>31 March 2012</b>	<b>31 December 2011</b>
Amount subject to credit risk (I)	1,531,546	1,677,696
Amount subject to market risk (II)	270,013	273,838
Amount subject to operational risk (III)	185,938	219,763
<b>Total risk-weighted assets and value at market risk and operational risk (IV) = (I+II+III)</b>	<b>1,987,497</b>	<b>2,171,297</b>
Shareholders' equity	410,865	398,215
<b>Capital adequacy ratio</b>	<b>20.67%</b>	<b>18.34%</b>

**BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ****Notes to the Condensed Consolidated Interim Financial Information****As of and for the period ended 31 March 2012***(Currency - In thousands of Turkish Lira)***17. 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.

<b>31 March 2012</b>	<b>Asset management and treasury</b>	<b>Corporate banking</b>	<b>Retail banking</b>	<b>Foreign financial subsidiary</b>	<b>Non-financial services</b>	<b>Eliminations</b>	<b>Total</b>
Interest income	8,639	23,627	8,793	2,782	1	(10)	43,832
Interest expense	(24,257)	(467)	-	(62)	-	10	(24,776)
Intersegment revenue	12,944	(10,026)	(2,918)	-	-	-	-
<b>Net interest income</b>	<b>(2,674)</b>	<b>13,134</b>	<b>5,875</b>	<b>2,720</b>	<b>1</b>	<b>-</b>	<b>19,056</b>
Net fee and commission income	(174)	1,909	356	601	-	-	2,692
Net trading income and foreign exchange gain, net	608	(1,545)	(1)	387	(5)	70	(486)
Other operating income	676	40	326	229	920	(446)	1,745
<b>Total operating income</b>	<b>(1,564)</b>	<b>13,538</b>	<b>6,556</b>	<b>3,937</b>	<b>916</b>	<b>(376)</b>	<b>23,007</b>
Net impairment loss on financial and non-financial assets	-	(1,308)	150	208	-	-	(950)
Total operating expense	(3,010)	(4,543)	(2,335)	(3,169)	(946)	446	(13,557)
<b>Profit before income tax</b>	<b>(4,574)</b>	<b>7,687</b>	<b>4,371</b>	<b>976</b>	<b>(30)</b>	<b>70</b>	<b>8,500</b>
Income tax	1,364	(1,964)	(986)	(204)	6	(14)	(1,798)
<b>Net profit for the year</b>	<b>(3,210)</b>	<b>5,723</b>	<b>3,385</b>	<b>772</b>	<b>(24)</b>	<b>56</b>	<b>6,702</b>
<b>Total assets</b>	<b>714,351</b>	<b>1,099,799</b>	<b>205,069</b>	<b>191,596</b>	<b>4,494</b>	<b>(171,825)</b>	<b>2,043,484</b>
<b>Total liabilities</b>	<b>1,463,768</b>	<b>79,416</b>	<b>7,241</b>	<b>58,231</b>	<b>498</b>	<b>(19,045)</b>	<b>1,590,109</b>

# BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ

## Notes to the Condensed Consolidated Interim Financial Information

As of and for the period ended 31 March 2012

(Currency - In thousands of Turkish Lira)

### 17. 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 revenue	12,469	(8,901)	(3,568)	-	-	-	-
<b>Net interest income</b>	<b>(1,972)</b>	<b>10,740</b>	<b>5,598</b>	<b>712</b>	<b>2</b>	<b>-</b>	<b>15,080</b>
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
<b>Total operating income</b>	<b>(1,009)</b>	<b>14,112</b>	<b>7,253</b>	<b>2,079</b>	<b>1,093</b>	<b>(1,056)</b>	<b>22,472</b>
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)
<b>Profit before income tax</b>	<b>(4,720)</b>	<b>9,474</b>	<b>60</b>	<b>(829)</b>	<b>(27)</b>	<b>13</b>	<b>3,971</b>
Income tax	1,103	(1,898)	(14)	105	(12)	-	(716)
<b>Net profit for the period</b>	<b>(3,617)</b>	<b>7,576</b>	<b>46</b>	<b>(724)</b>	<b>(39)</b>	<b>13</b>	<b>3,255</b>
<b>Total assets<sup>(1)</sup></b>	<b>706,496</b>	<b>1,078,088</b>	<b>228,960</b>	<b>226,592</b>	<b>4,621</b>	<b>(184,703)</b>	<b>2,060,054</b>
<b>Total liabilities<sup>(1)</sup></b>	<b>1,476,544</b>	<b>69,986</b>	<b>7,038</b>	<b>84,589</b>	<b>598</b>	<b>(21,477)</b>	<b>1,617,278</b>

<sup>(1)</sup> As at 31 December 2011.

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

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

#### **As of and for the period ended 31 March 2012**

*(Currency - In thousands of Turkish Lira)*

#### **18. Rating**

As at 31 March 2012, the Bank's ratings assigned by international rating agencies, Fitch Ratings and Moody's Ratings are as follows:

##### **Fitch Ratings, November 2011**

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

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

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

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

On 18 May 2012, the Bank applied to Capital Markets Board of Turkey for the issuance of TL 150,000,000 local bond or bill with maximum five year maturity by way of private placement to qualified investors.