



Bankpozitif Kredi ve Kalkınma Bankası Anonim Şirketi

Independent Auditors' Report on Review of Condensed Consolidated Interim Financial Information For the Nine-Month Period Ended 30 September 2013

Akis Bağımsız Denetim ve Serbest
Muhasebeci Mali Müşavirlik
Anonim Şirketi

22 November 2013

This report contains 1 page of independent auditors' report on review of condensed consolidated interim financial information and 58 pages of condensed consolidated financial statements and notes to the condensed consolidated interim financial information.

Bankpozitif Kredi ve Kalkınma Bankası Anonim Şirketi

TABLE OF CONTENTS

	Page -----
Independent auditors' report on review of condensed consolidated interim financial information	
Condensed consolidated interim statement of financial position	1
Condensed consolidated interim statement of income statement	2
Condensed consolidated interim statement of comprehensive income	3
Condensed consolidated interim statement of changes in equity	4
Condensed consolidated interim statement of cash flows	5
Notes to the condensed consolidated interim financial information	6 – 58



**Akis Bağımsız Denetim ve Serbest
Muhasebeci Mali Müşavirlik A.Ş.**
Kavacık Rüzgarlı Bahçe Mah.
Kavak Sok. No: 29
Beykoz 34805 İstanbul

Telephone +90 (216) 681 90 00
Fax +90 (216) 681 90 90
Internet www.kpmg.com.tr

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 30 September 2013, the condensed consolidated statements of income and comprehensive income, changes in equity and cash flows for the nine-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 30 September 2013 is not prepared, in all material respects, in accordance with IAS 34, "Interim Financial Reporting".

KPMG Akis Bağımsız Denetim ve SMMM A.Ş.

22 November 2013
İstanbul, Turkey

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ**Condensed Consolidated Interim Statement of Financial Position****As at 30 September 2013***(Currency - In thousands of Turkish Lira)*

		Reviewed	Audited
		30 September	31 December
	<i>Note</i>	2013	2012
ASSETS			
Cash and balances with central banks		46,317	33,900
Due from banks and financial institutions		15,532	17,490
Interbank and other money market placements		97,380	9,007
Reserve deposits at central banks		131,301	102,078
Trading assets	5	7,726	20,841
Investment securities	6	72,171	140,915
Loaned securities	6	169,168	90,031
Loans and finance lease receivables	7	1,541,035	1,309,202
Property and equipment	8	8,861	9,181
Intangible assets	8	60,583	52,426
Current tax assets	4	2,284	-
Deferred tax assets	4	9,746	7,010
Other assets		62,718	48,441
Total assets		2,224,822	1,840,522
LIABILITIES			
Deposits from other banks	9	3,442	2,812
Customer deposits	9	118,390	60,050
Other money market deposits	9	167,721	89,935
Trading liabilities	5	29,553	33,076
Funds borrowed	10	778,120	857,569
Debt securities issued	11	588,234	249,696
Other liabilities		50,206	61,161
Provisions		5,110	5,441
Current tax liabilities	4	88	1,430
Deferred tax liabilities	4	23	-
Total liabilities		1,740,887	1,361,170
EQUITY			
Share capital and share premium	12	379,114	379,114
Legal reserves	12	14,708	13,281
Available-for-sale reserve, net of tax	12	3,061	5,396
Currency translation reserve	12	(10,858)	(9,992)
Retained earnings		97,910	91,553
Total equity		483,935	479,352
Total equity and liabilities		2,224,822	1,840,522

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 nine-month period ended 30 September 2013***(Currency - In thousands of Turkish Lira)*

	Reviewed 1 January – 30 September 2013	Reviewed 1 July – 30 September 2013	Reviewed 1 January – 30 September 2012	Reviewed 1 July – 30 September 2012
	<i>Note</i>			
Interest income				
Interest income on loans and finance leases	99,290	37,403	101,322	32,016
Interest income on deposits with other banks and financial institutions	941	766	2,091	279
Interest income on investment securities	10,904	3,396	16,346	5,507
Interest income on interbank and other money market placements	3,435	1,598	4,438	338
Other interest income	13,095	4,079	8,790	3,916
Total interest income	127,665	47,242	132,987	42,056
Interest expense				
Interest expense on deposits	(1,237)	(407)	(229)	(114)
Interest expense on other money market deposits	(3,868)	(1,812)	(8,492)	(2,848)
Interest expense on funds borrowed	(28,640)	(9,993)	(46,267)	(12,872)
Interest expense on debt securities issued	(30,713)	(10,939)	(12,640)	(5,194)
Other interest expense	(4,722)	(1,121)	(9,527)	(2,289)
Total interest expense	(69,180)	(24,272)	(77,155)	(23,317)
Net interest income	58,485	22,970	55,832	18,739
Fees and commission income	9,500	2,695	8,986	2,585
Fees and commission expense	(1,456)	(573)	(1,260)	(408)
Net fee and commission income	8,044	2,122	7,726	2,177
Net trading income and foreign exchange gain, net	5,295	1,473	4,973	2,891
Other operating income	16,127	647	3,321	715
Total operating income	87,951	27,212	71,852	24,522
Net impairment loss on financial assets	(14,515)	(2,105)	(3,115)	(370)
Personnel expenses	(23,513)	(8,454)	(21,633)	(7,641)
Depreciation and amortisation	(3,996)	(1,446)	(3,759)	(1,133)
Administrative expenses	(14,672)	(5,457)	(13,123)	(4,383)
Taxes other than on income	(2,725)	(995)	(1,245)	(557)
Other expenses	(1,778)	(691)	(2,718)	(1,223)
Total operating expense	(46,684)	(17,043)	(42,478)	(14,937)
Profit before income tax	26,752	8,064	26,259	9,215
Income tax	4	(3,968)	(5,568)	(1,980)
Net profit for the period	22,784	6,334	20,691	7,235

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 nine-month period ended 30 September 2013***(Currency - In thousands of Turkish Lira)*

	Reviewed	Reviewed
	1 January–	1 January–
	30 September 2013	30 September 2012
Profit for the period	22,784	20,691
Other comprehensive income		
Foreign currency translation differences for foreign operations	(866)	8,577
Available-for-sale reserve		
Net change in fair value of available-for-sale financial assets	(3,476)	5,268
Net change in fair value of available-for-sale financial assets transferred to profit or loss	557	(32)
Income tax on other comprehensive income	584	(1,047)
Other comprehensive income for the period, net of income tax	(3,201)	12,766
Total comprehensive income for the period	19,583	33,457

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 nine-month period ended 30 September 2013

(Currency - In thousands of Turkish Lira)

	Note	Share capital	Share premium	Adjustment to share capital	Legal reserves	Available-for-sale reserve, net of tax	Currency translation reserve	Retained earnings	Total
At 1 January 2012		337,292	20,121	21,701	13,151	711	(17,770)	67,570	442,776
Total comprehensive income for the period									
Profit for the period		-	-	-	-	-	-	20,691	20,691
Other comprehensive income									
Foreign currency translation differences	12	-	-	-	-	-	8,577	-	8,577
Net change in fair value of available-for-sale financial assets, net of tax	12	-	-	-	-	4,189	-	-	4,189
Total other comprehensive income		-	-	-	-	4,189	8,577	-	12,766
Total comprehensive income for the period		-	-	-	-	4,189	8,577	20,691	33,457
Contributions by and distributions to owners									
Dividends to equity holders		-	-	-	-	-	-	-	-
Total contributions by and distributions to owners		-	-	-	-	-	-	-	-
Transfers		-	-	-	130	-	-	(130)	-
At 30 September 2012		337,292	20,121	21,701	13,281	4,900	(9,193)	88,131	476,233
At 1 January 2013		337,292	20,121	21,701	13,281	5,396	(9,992)	91,553	479,352
Total comprehensive income for the period									
Profit for the period		-	-	-	-	-	-	22,784	22,784
Other comprehensive income									
Foreign currency translation differences	12	-	-	-	-	-	(866)	-	(866)
Net change in fair value of available-for-sale financial assets, net of tax	12	-	-	-	-	(2,335)	-	-	(2,335)
Total other comprehensive income		-	-	-	-	(2,335)	(866)	-	(3,201)
Total comprehensive income for the period		-	-	-	-	(2,335)	(866)	22,784	19,583
Contributions by and distributions to owners									
Dividends to equity holders		-	-	-	-	-	-	(15,000)	(15,000)
Total contributions by and distributions to owners		-	-	-	-	-	-	(15,000)	(15,000)
Transfers		-	-	-	1,427	-	-	(1,427)	-
At 30 September 2013		337,292	20,121	21,701	14,708	3,061	(10,858)	97,910	483,935

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 nine-month period ended 30 September 2013***(Currency - In thousands of Turkish Lira)*

		Reviewed	Reviewed
	<i>Note</i>	1 January – 30 September 2013	1 January – 30 September 2012
Cash flows from operating activities			
Interest received		114,767	129,925
Interest paid		(60,684)	(73,159)
Fees and commissions received		9,454	7,501
Fees and commissions paid		(3,035)	(1,664)
Trading income		2,058	1,765
Recoveries from non-performing loans	7	22,611	12,527
Cash payments to employees		(23,438)	(20,109)
Cash received from other operating activities		23,785	3,261
Cash paid for other operating activities		(19,416)	(17,346)
Income taxes paid		(3,714)	(1,089)
		62,388	41,612
Change in banks and financial institutions		41	31
Change in trading assets		563	656
Change in reserve deposits at central banks		(29,223)	2,747
Change in loans and finance lease receivables		(267,010)	218,080
Change in other assets		(12,698)	(1,243)
Change in deposit from other banks		630	2,979
Change in customer deposits		58,340	(19,492)
Change in interbank and other money market deposits		77,731	34,865
Change in other liabilities		(10,158)	(34,884)
Net cash (used in) / provided by operating activities		(119,396)	245,351
Cash flows from investing activities			
Purchases of investment securities	6	(154,470)	(491,134)
Proceeds from sale and redemption of investment securities	6	141,441	433,139
Purchases of property and equipment	8	(633)	(1,338)
Proceeds from the sale of premises and equipment	8	17	224
Purchases of intangible assets	8	(3,903)	(1,710)
Net cash used in investing activities		(17,548)	(60,819)
Cash flows from financing activities			
Proceeds from funds borrowed		1,388,713	1,669,250
Repayment of funds borrowed		(1,423,457)	(2,009,317)
Proceeds from debt securities issued		334,637	92,956
Repayment of debt securities issued		(50,000)	-
Dividends paid		(15,000)	-
Net cash provided by / (used in) financing activities		234,893	(247,111)
Effect of net foreign exchange difference on cash and cash equivalents		732	(1,180)
Net increase / (decrease) in cash and cash equivalents		98,681	(63,759)
Cash and cash equivalents at 1 January		59,906	122,990
Cash and cash equivalents at 30 September		158,587	59,231

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 30 September 2013

(Currency - In thousands of Turkish Lira)

Notes to the condensed consolidated interim financial statements		Pages
Note 1	Corporate information	7-8
Note 2	Basis of preparation	9-11
Note 3	Significant accounting policies	12-23
Note 4	Taxation	24-25
Note 5	Trading assets and liabilities	25-26
Note 6	Investment and loaned securities	27-28
Note 7	Loans and finance lease receivables	29-30
Note 8	Property and equipment and intangible assets	30
Note 9	Deposits	31
Note 10	Funds borrowed	32
Note 11	Debts securities issued	32
Note 12	Capital and reserves	33-34
Note 13	Related parties	35-36
Note 14	Commitment and contingencies	36-37
Note 15	Financial risk management	37-55
Note 16	Operating segments	56-57
Note 17	Rating	58
Note 18	Subsequent and other events	58

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ

Notes to the Condensed Consolidated Interim Financial Information As at and for the period ended 30 September 2013

(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. 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”) acquired 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 concerning the new partnership have been obtained from Israeli and Turkish authorities in 2006 and extraordinary general assembly of the Bank was convened on 31 October 2006.

On 8 April 2008, Tarshish’s share in BankPozitif increased to 65.00% by way of share capital increase. On 7 April 2009, Tarshish acquired 4.825% shares of BankPozitif from C Faktoring A.Ş. and Tarshish’s share in BankPozitif increased to 69.83%.

As at 30 September 2013, 69.83% (31 December 2012 – 69.83%) of the shares of the Bank belong to Tarshish and are controlled by Bank Hapoalim and 30.17% (31 December 2012 – 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 30 September 2013

(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 consumer loans, home equity, mortgages and vehicle 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, credit cards, 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 30 September 2013, the Bank provides services through its head office. As at 30 September 2013, the number of employees for the Bank and its consolidated subsidiaries are 127 and 231 respectively (31 December 2012 – 129 and 234).

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 30 September 2013 and 31 December 2012 are as follows:

	Place of incorporation	Principal activities	Effective shareholding and voting rights (%)	
			30 September 2013	31 December 2012
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 30 September 2013

(Currency - In thousands of Turkish Lira)

2. Basis of preparation

2.1 Statement of compliance

The condensed consolidated interim financial information as at 30 September 2013 have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) 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 2012.

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.

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 30 September 2013

(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 30 September 2013 was TL 49,876 (31 December 2012 – TL 43,585).

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 and finance lease receivables as at 30 September 2013 is TL 1,541,035 (31 December 2012 – TL 1,309,202) net of impairment allowance of TL 46,200 (31 December 2012 – TL 32,023).

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ

Notes to the Condensed Consolidated Interim Financial Information

As at and for the period ended 30 September 2013

(Currency - In thousands of Turkish Lira)

2. Basis of preparation *(continued)*

2.4 Use of estimates and judgements *(continued)*

Key sources of estimation uncertainty *(continued)*

Determining fair values

The fair values of financial instruments that are not quoted in active markets are determined by using valuation techniques. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the Group uses that technique. To the extent practical models use only observable data; however, areas such as credit risk, volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect reported fair value of financial instruments. As at 30 September 2013, the carrying amount of derivative financial instrument assets TL 7,462 (31 December 2012 – TL 20,018) and the carrying amount of derivative financial instrument liabilities is TL 29,553 (31 December 2012 – TL 33,076).

Income taxes

The Group is subject to income taxes in Turkey and in Kazakhstan. Significant estimates are required in determining the provision for income taxes. Where there are matters the final tax outcome of which is different from the amounts initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. As at 30 September 2013, the Group has net current tax assets amounting to TL 2,196 (31 December 2012 – TL 1,430 net current tax liabilities).

Management records deferred tax assets to the extent that it is probable that sufficient taxable profits will be available to allow all or part of the deferred tax assets to be utilised. The recoverability of the deferred tax assets is reviewed regularly. As at 30 September 2013, the Group carries a net deferred tax assets amounting to TL 9,723 (31 December 2012 – TL 7,010, deferred tax assets).

Employee termination benefits

In accordance with existing social legislation in Turkey, companies in Turkey are required to make lump-sum payments to employees upon termination of their employment based on certain conditions. In calculating the related liability to be recorded in the financial statements for these defined benefit plans, the Group makes assumptions and estimations relating to the discount rate to be used, turnover of employees, future change in salaries/limits, etc. The carrying value of employee termination benefit provisions as at 30 September 2013 is TL 154 (31 December 2012 – TL 180).

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

As at and for the period ended 30 September 2013

(Currency - In thousands of Turkish Lira)

3. Significant accounting policies

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

3.1 Basis of consolidation

i) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. The financial statements of subsidiaries are included in the condensed consolidated interim financial 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 30 September 2013

(Currency - In thousands of Turkish Lira)

3. Significant accounting policies (continued)

3.2 Foreign currency (continued)

i) Foreign currency transactions (continued)

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

	USD / TL (full)	EUR / TL (full)	USD / KZT (full)
30 September 2012	1.7820	2.2929	149.86
31 December 2012	1.7776	2.3452	150.74
30 September 2013	2.0342	2.7484	153.81

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 reserve.

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 30 September 2013

(Currency - In thousands of Turkish Lira)

3. Significant accounting policies *(continued)*

3.4 Fees and commissions

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

As at and for the period ended 30 September 2013

(Currency - In thousands of Turkish Lira)

3. Significant accounting policies *(continued)*

3.8 Financial assets and liabilities

Recognition

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

Derecognition

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

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

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

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

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

Offsetting

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

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

Amortised cost measurement

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

Fair value measurement

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

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ

Notes to the Condensed Consolidated Interim Financial Information

As at and for the period ended 30 September 2013

(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 30 September 2013

(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 finance lease receivables 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 finance lease receivables.

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

As at and for the period ended 30 September 2013

(Currency - In thousands of Turkish Lira)

3. Significant accounting policies *(continued)*

3.9 Cash and cash equivalents

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

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

3.10 Trading assets and liabilities

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

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

3.11 Due from banks and financial institutions and loans and finance lease receivables to customers

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

3.12 Investment securities

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

Held-to-maturity

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

Fair value through profit or loss

As at 30 September 2013, the Group does not have any investment securities at fair value through profit or loss (31 December 2012 – none).

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ

Notes to the Condensed Consolidated Interim Financial Information

As at and for the period ended 30 September 2013

(Currency - In thousands of Turkish Lira)

3. Significant accounting policies (continued)

3.12 Investment securities (continued)

Available-for-sale financial investments

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

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

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

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

3.13 Property and equipment

Recognition and measurement

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

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

Subsequent costs

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

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ

Notes to the Condensed Consolidated Interim Financial Information

As at and for the period ended 30 September 2013

(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 reviewed at each financial reporting date and adjusted if appropriate.

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 30 September 2013

(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 30 September 2013

(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 30 September 2013

(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 nine month period ended 30 September 2013, 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 – Classification and measurement

As amended in December 2011, the new standard is effective for annual periods beginning on or after 1 January 2015. Phase 1 of this new IFRS introduces new requirements for classifying and measuring financial instruments. The amendments made to IFRS 9 will mainly affect the classification and measurement of financial assets and measurement of fair value option (FVO) liabilities and requires that the change in fair value of a FVO financial liability attributable to credit risk is presented under other comprehensive income. Early adoption is permitted. This standard has not yet been endorsed by the EU. The Group is in the process of assessing the impact of the amendment on financial position or performance of the Group.

IAS 32 Financial Instruments: Presentation – Offsetting Financial Assets and Financial liabilities (Amended)

The amendments clarify the meaning of – currently has a legally enforceable right to set-off and also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. These amendments are to be retrospectively applied for annual periods beginning on or after 1 January 2014. The Group does not expect that these amendments will have significant impact on the financial position or performance 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 30 September 2013

(Currency - In thousands of Turkish Lira)

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 30 September 2013, the corporate tax rate for foreign subsidiary in Kazakhstan is 20% (31 December 2012 – 20%).

As at 30 September 2013 and 31 December 2012, prepaid income taxes are netted off with the current tax liability as stated below:

	30 September 2013	31 December 2012
Income tax liability	(88)	(7,283)
Prepaid income tax	2,284	5,853
Current tax assets/(liabilities), net	2,196	(1,430)

Reflected as:

	30 September 2013	31 December 2012
Current tax assets	2,284	-
Current tax liabilities	(88)	(1,430)

Income tax recognised in the income statement

The components of income tax expense as stated below:

	30 September 2013	30 September 2012
Current tax	(6,467)	(2,117)
Deferred tax	2,499	(3,451)
Income tax expense reported in the income statement	(3,968)	(5,568)

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ**Notes to the Condensed Consolidated Interim Financial Information****As at and for the period ended 30 September 2013***(Currency - In thousands of Turkish Lira)***4. Taxation (continued)****Reconciliation of effective tax rate**

The Group's effective tax rate in respect of continuing operations as at and for the nine-month period ended 30 September 2013 is 14.83% (30 September 2012: 21.20%).

Deferred tax

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

	30 September 2013	31 December 2012
Deferred tax assets/ (liabilities), net at 1 January	7,010	(543)
Deferred tax recognised in the income statement	2,499	(3,016)
Deferred income tax recognised in equity	24	10,760
Exchange rate differences	190	(191)
Deferred tax assets, net at the end of the period/year	9,723	7,010

Reflected as:

	30 September 2013	31 December 2012
Deferred tax assets	9,746	7,010
Deferred tax liabilities	23	-

5. Trading assets and liabilities

	30 September 2013	31 December 2012
Debt instruments		
Turkish government bonds-TL denominated	264	823
Derivative transactions		
Derivative financial instruments	7,462	20,018
Total trading assets	7,726	20,841
Derivative transactions		
Derivative financial instruments	29,553	33,076
Total trading liabilities	29,553	33,076

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

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ**Notes to the Condensed Consolidated Interim Financial Information****As at and for the period ended 30 September 2013***(Currency - In thousands of Turkish Lira)***5. Trading assets and liabilities (continued)**

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

	30 September 2013		
	Fair value assets	Fair value liabilities	Notional amount in TL equivalent
Derivatives held for trading			
Forward purchase contracts	5	7	7,354
Forward sale contracts	1	5	7,362
Currency swap purchases	20	882	440,806
Currency swap sales	7,436	28,659	460,758
Interest rate cap/floor purchase contracts	-	-	203,420
Total derivatives held for trading	7,462	29,553	1,119,700
	31 December 2012		
	Fair value assets	Fair value liabilities	Notional amount in TL equivalent
Derivatives held for trading			
Forward purchase contracts	-	108	37,415
Forward sale contracts	167	-	37,353
Currency swap purchases	5,694	1,954	575,936
Currency swap sales	14,157	31,014	588,054
Interest rate cap/floor purchase contracts	-	-	177,760
Total derivatives held for trading	20,018	33,076	1,416,518

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 15.

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ**Notes to the Condensed Consolidated Interim Financial Information****As at and for the period ended 30 September 2013***(Currency - In thousands of Turkish Lira)***6. Investment and loaned securities**

	30 September 2013	31 December 2012
Available-for-sale investment securities	72,171	140,915
Loaned securities	169,168	90,031
	241,339	230,946

Held-to-maturity investment securities

As at 30 September 2013, the Group does not have any investment securities at held-to-maturity investment securities (31 December 2012 – none).

Available-for-sale investment securities

	30 September 2013	31 December 2012
Available-for-sale investment securities at fair value		
Debt instruments		
Turkish government bonds – TL denominated, net	68,918	138,016
- <i>Gross amount</i>	68,918	138,016
- <i>Impairment on government bonds</i>	-	-
Corporate bonds–USD denominated, net	3,224	2,873
- <i>Gross amount</i>	3,224	2,873
- <i>Impairment on corporate bonds</i>	-	-
Total available-for-sale securities at fair value	72,142	140,889
Available-for-sale investment securities at cost		
Equity instruments – unlisted	29	26
Total available-for-sale securities	72,171	140,915

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ**Notes to the Condensed Consolidated Interim Financial Information****As at and for the period ended 30 September 2013***(Currency - In thousands of Turkish Lira)***6. Investment and loaned securities (continued)**

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

	30 September 2013	31 December 2012
Common shares of Kazakhstan Stock Exchange	29	26
	29	26

As at 30 September 2013, TL denominated available-for-sale securities comprise Turkish Government notes having a maturity range of November 2013 – October 2022. As at 30 September 2013, USD denominated investment securities comprise corporate bonds with semi-annual coupon payments having maturity of October 2015.

As at 30 September 2013, available-for-sale investment securities with carrying value of TL 28,617 (31 December 2012 – TL 52,888) 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:

	30 September 2013	31 December 2012
Loaned securities from available-for-sale securities	169,168	90,031
Loaned securities from trading securities	-	-
Total loaned securities	169,168	90,031
Related liability (Note 9)	167,721	89,935

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:

	30 September 2013	31 December 2012
Balance at 1 January	230,946	194,919
Additions	154,470	494,844
Disposals (sale and redemption)	(141,441)	(463,560)
Change in interest accruals	(3,055)	6,461
Exchange rate differences	419	(1,718)
Balance at end of the period / year end	241,339	230,946

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ**Notes to the Condensed Consolidated Interim Financial Information****As at and for the period ended 30 September 2013***(Currency - In thousands of Turkish Lira)***7. Loans and finance lease receivables**

30 September 2013	Turkish Lira	Foreign currency	Foreign currency indexed	Total
Corporate loans and finance lease receivables	236,862	992,977	109,425	1,339,264
Consumer loans	145,768	23,362	15,806	184,936
Total loans	382,630	1,016,339	125,231	1,524,200
Loans and finance lease receivables in arrears	45,857	17,178	-	63,035
Less: Specific reserve for impairment	(10,828)	(9,861)	-	(20,689)
Less: Portfolio reserve for impairment	(25,465)	(46)	-	(25,511)
	392,194	1,023,610	125,231	1,541,035

31 December 2012	Turkish Lira	Foreign currency	Foreign currency indexed	Total
Corporate loans and finance lease receivables	265,689	715,742	150,182	1,131,613
Consumer loans	125,830	10,671	19,774	156,275
Total loans	391,519	726,413	169,956	1,287,888
Loans and finance lease receivables in arrears	38,303	15,034	-	53,337
Less: Specific reserve for impairment	(8,562)	(8,796)	-	(17,358)
Less: Portfolio reserve for impairment	(14,556)	(109)	-	(14,665)
	406,704	732,542	169,956	1,309,202

As at 30 September 2013, loans and finance lease receivables with floating rates are TL 287,201 (31 December 2012 – TL 371,767) and fixed interest rates are TL 1,236,999 (31 December 2012 – TL 916,121).

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ

Notes to the Condensed Consolidated Interim Financial Information

As at and for the period ended 30 September 2013

(Currency - In thousands of Turkish Lira)

7. Loans and finance lease receivables (continued)

Movements in non-performing loans and finance lease receivables:

	30 September 2013	31 December 2012
Balance at 1 January	53,337	82,943
Additions to non-performing loans	33,142	44,918
Recoveries	(22,611)	(28,423)
Transfers to performing loans	(1,113)	(131)
Write-offs ⁽¹⁾	(1,890)	(44,850)
Exchange rate differences	2,170	(1,120)
Balance at the end of the period/year	63,035	53,337

⁽¹⁾ TL 1,889 of non-performing loans and finance lease receivables were sold to an asset management company as at 30 September 2013 (31 December 2012 – TL 44,411)

Movements in the reserve for possible loan losses :

	30 September 2013	31 December 2012
Reserve at the beginning of the period/year	32,023	60,414
Provision net of recoveries	14,515	8,369
- Provision/(reversal) for loan impairment	17,980	14,285
- Recoveries	(3,465)	(5,916)
Write-offs ⁽¹⁾	(1,455)	(35,877)
Exchange rate differences	1,117	(883)
Reserve at the end of the period/year	46,200	32,023

⁽¹⁾ TL 1,454 (31 December 2012 – TL 35,437) of provision for non-performing loans and finance lease receivables were reversed due to selling of non-performing loans to an asset management amounting to TL 1,889 as at 30 September 2013 (31 December 2012 – TL 44,111).

As at 30 September 2013, loans and finance lease receivables on which interest is not being accrued, or where interest is suspended amounted to TL 63,035 (31 December 2012 – TL 53,337).

8. Property and equipment and intangible assets

During the nine-month period ended 30 September 2013; the Group acquired assets with a cost of TL 4,536 and disposed of certain of its property and equipment with a carrying amount of TL 17.

The carrying amount of goodwill at 30 September 2013 was TL 49,876 (31 December 2012 – TL 43,585).

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ**Notes to the Condensed Consolidated Interim Financial Information****As at and for the period ended 30 September 2013***(Currency - In thousands of Turkish Lira)***9. Deposits****Deposits from other banks**

	30 September 2013		31 December 2012	
	Turkish Lira	Foreign currency	Turkish Lira	Foreign currency
Demand	-	1,344	-	69
Time	-	2,098	-	2,743
Total	-	3,442	-	2,812

Customer deposits

	30 September 2013		31 December 2012	
	Turkish Lira	Foreign currency	Turkish Lira	Foreign Currency
Retail customers				
Demand	-	5,591	-	6,936
Time	-	3,360	-	2,158
Total	-	8,951	-	9,094
Corporate customers				
Demand	-	46,972	-	26,130
Time	-	62,467	-	24,826
Total	-	109,439	-	50,956
	-	118,390	-	60,050

Other money market deposits

	30 September 2013		31 December 2012	
	Turkish Lira	Foreign currency	Turkish Lira	Foreign currency
Obligations under repurchase agreements				
Central Bank of Turkey	130,782	-	89,604	-
Istanbul Stock Exchange Settlement and Custody	35,755	-	-	-
Other	1,184	-	331	-
Total	167,721	-	89,935	-

As at 30 September 2013, other money market deposits of TL 167,721 (31 December 2012 – TL 89,935) 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 30 September 2013***(Currency - In thousands of Turkish Lira)***10. Funds borrowed**

	30 September 2013		31 December 2012	
	Turkish Lira	Foreign currency	Turkish Lira	Foreign currency
Short-term⁽¹⁾				
Fixed interest	16,285	126,471	259	174,198
Floating interest	-	101,851	-	-
Long-term⁽¹⁾				
Fixed interest	-	395,627	-	567,815
Floating interest	-	137,886	-	115,297
Total	16,285	761,835	259	857,310

⁽¹⁾ Based on original maturities.

Repayments of long term borrowing are as follows:

	30 September 2013		31 December 2012	
	Floating rate	Fixed rate	Floating rate	Fixed rate
2013	5,499	37,658	41,496	306,035
2014	57,604	330,485	21,671	261,780
2015	22,385	27,484	15,004	-
2016	22,385	-	15,004	-
Thereafter	30,013	-	22,122	-
Total	137,886	395,627	115,297	567,815

As at 30 September 2013 and 31 December 2012, funds borrowed are unsecured.

As at 30 September 2013 and 31 December 2012, the Group has not had any defaults of principal, interest or redemption amounts or other breaches of loan covenants.

On February 2013, The Bank paid back USD 150 million loan with a 5 year maturity from Commerzbank International S.A. which was obtained through a loan participation note issue in February 2008.

11. Debt securities issued

	30 September 2013		31 December 2012	
	Turkish Lira	Foreign currency	Turkish Lira	Foreign currency
Debt securities issued at amortised cost	280,828	307,406	249,696	-
Total	280,828	307,406	249,696	-

On February 2013, the Bank issued USD 150 million 5 year maturity fixed-rate notes with a maturity of 7 February 2018 and coupon rate of 5% in the international markets. All of the securities are issued in accordance with the regulations of Capital Markets Board of Turkey and same are being traded at Bond and Bill Markets of Istanbul Stock Exchange and Luxembourg Stock Exchange.

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ**Notes to the Condensed Consolidated Interim Financial Information****As at and for the period ended 30 September 2013***(Currency - In thousands of Turkish Lira)***12. Capital and reserves**

	30 September 2013	31 December 2012
Number of common shares , TL 0.1 (in full TL), par value (Authorised and issued)	3,372,923,500	3,372,923,500

Share capital and share premium

As at 30 September 2013 and 31 December 2012, the composition of shareholders and their respective percentage of ownership are summarised as follows:

	30 September 2013		31 December 2012	
	Amount	%	Amount	%
Tarshish	235,515	69.83	235,515	69.83
C Faktoring A.Ş.	101,777	30.17	101,777	30.17
	337,292	100.00	337,292	100.00
Share premium	20,121		20,121	
Restatement effect	21,701		21,701	
Share capital and share premium	379,114		379,114	

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

Legal reserves

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

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ**Notes to the Condensed Consolidated Interim Financial Information****As at and for the period ended 30 September 2013***(Currency - In thousands of Turkish Lira)***12. Capital and reserves (continued)****Other reserves**

Movement in other reserves are as follows:

	Available- for-sale reserve	Foreign currency translation reserve	Total
At 1 January 2012	711	(17,770)	(17,059)
Net unrealised loss on available-for-sale financial investments	4,685	-	4,685
Foreign currency translation	-	7,778	7,778
At 31 December 2012	5,396	(9,992)	(4,596)
At 1 January 2013	5,396	(9,992)	(4,596)
Net unrealised gains on available-for-sale financial investments	(2,335)	-	(2,335)
Foreign currency translation	-	(866)	(866)
At 30 September 2013	3,061	(10,858)	(7,797)

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

In accordance with the decision taken in Extra Ordinary General Assembly Meeting, held on 20 June 2013, the Parent Bank distributed dividend to its shareholders amounting to TL 15,000.

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ**Notes to the Condensed Consolidated Interim Financial Information****As at and for the period ended 30 September 2013***(Currency - In thousands of Turkish Lira)***13. 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 2012 – 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 finance lease receivables, 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	
	2013	2012	2013	2012	2013	2012
	Loans and finance lease receivables					
At 1 January	-	-	-	-	-	-
At end of the period/year	-	-	-	-	-	-
Interest income	-	-	-	-	-	-

As at 30 September 2013, no provisions have been recognised in respect of loans and finance lease receivables given to related parties (31 December 2012 – none).

	Shareholders		Directors and key management personnel		Others	
	2013	2012	2013	2012	2013	2012
	Funds borrowed					
At 1 January	-	152,620	-	-	86,381	99,980
At end of the period/year	101,851	-	-	-	52,581	86,381
Interest expense	(136)	(1,710)	-	-	(1,674)	(3,311)

Other balances with related parties:

Related party		Due from banks	Deposits	Other assets	Other liabilities	Non-cash loans
Shareholders	30 September 2013	-	-	1	3	16,423
	31 December 2012	-	-	9	14	18,592
Directors and key management personnel	30 September 2013	-	97	-	-	-
	31 December 2012	-	61	-	5	-
Others	30 September 2013	92	3,345	11	75	1,153
	31 December 2012	32	2,751	-	90	-

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ**Notes to the Condensed Consolidated Interim Financial Information****As at and for the period ended 30 September 2013***(Currency - In thousands of Turkish Lira)***13. 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	30 September 2013	1	-	(7)	65	(808)
	30 September 2012	-	-	-	211	600
Directors and key management personnel	30 September 2013	1	-	-	1	-
	30 September 2012	-	-	-	-	-
Others	30 September 2013	(54)	-	-	43	-
	30 September 2012	10	-	-	-	-

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 5,091 (30 September 2012 – TL 4,463) comprising salaries and other benefits.

14. Commitments and contingencies

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

	30 September 2013	31 December 2012
Letters of guarantee	581,687	429,191
Letters of credit	77,223	73,070
Other guarantees	33,602	16,899
Commitments	2,407	3,078
Total non-cash loans	694,919	522,238

Operating lease commitments – Group as lessee

The Group has entered into commercial leases on head offices, branch premises and vehicles. These leases have an average life of between 1 and 5 years with renewal option and early termination clauses. There are no restrictions placed upon the lessee by entering into these leases. As at 30 September 2013, the Group has non-cancellable operating lease agreements amounting to TL 807 (31 December 2012 – TL 561).

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ

Notes to the Condensed Consolidated Interim Financial Information

As at and for the period ended 30 September 2013

(Currency - In thousands of Turkish Lira)

14. 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 2012 – 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 30 September 2013, total size of investment fund is amounting to TL 1,184 (31 December 2012 – TL 821). As at 30 September 2013, the Group had investment custody accounts amounting to TL 944 (31 December 2012 – TL 159).

15. 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 30 September 2013

(Currency - In thousands of Turkish Lira)

15. 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 keep 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 extent, the Group applies a well-defined "credit allocation process" and afterwards monitoring of the portfolio is being executed using a number of precautionary actions by relevant functions.

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ

Notes to the Condensed Consolidated Interim Financial Information

As at and for the period ended 30 September 2013

(Currency - In thousands of Turkish Lira)

15. 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 30 September 2013, the share of the Group’s receivables from its top 20 credit customers in its total loan portfolio is 35% (31 December 2012 – 33%).

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ

Notes to the Condensed Consolidated Interim Financial Information

As at and for the period ended 30 September 2013

(Currency - In thousands of Turkish Lira)

15. 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.

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

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

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

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

Monitoring the risk

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

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ**Notes to the Condensed Consolidated Interim Financial Information****As at and for the period ended 30 September 2013***(Currency - In thousands of Turkish Lira)***15. Financial risk management (continued)***Monitoring the risk (continued)*

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:

30 September 2013	Cash loans	Non-cash loans	Total
Electric production and supply	154,055	143,551	297,606
Tourism and entertainment	202,553	12,000	214,553
Trade	66,259	126,376	192,635
Public works and civil engineering	169,371	21,528	190,899
Other commercial services	175,639	14,414	190,053
Building contractor (general and special trade)	98,358	56,757	155,115
Personal other services	88,330	50,056	138,386
Metal and by-products	45,496	60,856	106,352
Other financial institutions	47,580	47,265	94,845
Holding companies	81,553	11,406	92,959
Agriculture and forestry	60,520	10,546	71,066
Transportation	33,863	12,816	46,679
Electrical and electronic equipment	-	42,063	42,063
Machinery and equipment	6,937	26,026	32,963
Manufacture of transport equipment	28,650	3,729	32,379
Textile and clothing	25,905	3,932	29,837
Commercial, mortgage, investment finance banks	-	21,569	21,569
Food, beverage and tobacco industries	3,133	8,341	11,474
Consumer loans	182,838	2,195	185,033
Others	30,145	19,493	49,638
Total performing loans	1,501,185	694,919	2,196,104
Interest accruals	23,015	-	23,015
Loans in arrears	63,035	-	63,035
Provision for possible loan losses	(46,200)	-	(46,200)
Total loans	1,541,035	694,919	2,235,954

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ**Notes to the Condensed Consolidated Interim Financial Information
As at and for the period ended 30 September 2013***(Currency - In thousands of Turkish Lira)***15. Financial risk management (continued)***Monitoring the risk (continued)*

31 December 2012	Cash loans	Non-cash loans	Total
Tourism and entertainment	213,963	5,679	219,642
Public works and civil engineering	178,202	24,912	203,114
Electric production and supply	134,816	55,654	190,470
Other commercial services	124,520	15,490	140,010
Trade	47,440	83,009	130,449
Personal other services	92,419	23,384	115,803
Metal and by-products	81,309	29,876	111,185
Building contractor (general and special trade)	64,381	33,385	97,766
Other financial institutions	41,253	43,626	84,879
Transportation	24,320	53,937	78,257
Agriculture and forestry	32,555	15,078	47,633
Machinery and equipment	1,328	27,528	28,856
Manufacture of transport equipment	-	27,691	27,691
Commercial, mortgage, investment finance banks	-	25,162	25,162
Electrical and electronic equipment	-	22,481	22,481
Mining and quarrying	9,109	12,000	21,109
Food, beverage and tobacco industries	14,937	4,183	19,120
Textile and clothing	17,232	562	17,794
Holding companies	13,177	74	13,251
Consumer loans	157,186	2,872	160,058
Others	24,293	15,655	39,948
Total performing loans	1,272,440	522,238	1,794,678
Interest accruals	15,448	-	15,448
Loans in arrears	53,337	-	53,337
Provision for possible loan losses	(32,023)	-	(32,023)
Total loans	1,309,202	522,238	1,831,440

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ**Notes to the Condensed Consolidated Interim Financial Information****As at and for the period ended 30 September 2013***(Currency - In thousands of Turkish Lira)***15. Financial risk management (continued)***Monitoring the risk (continued)*

Total collateralisation coverage of cash and non-cash loans are 84% as at 30 September 2013 (31 December 2012 – 83%).

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

	30 September 2013	31 December 2012
Cash loans (including financial lease receivables) under loan in arrears		
Secured by mortgages	35,330	36,953
Secured by guarantee	24,687	356
Secured by pledge	517	7,056
Secured by assignment and cheques	-	459
Unsecured	2,501	8,513
Total	63,035	53,337
Cash loans (including financial lease receivables) except loan in arrears		
Secured by mortgages	632,713	564,867
Secured by guarantee	423,996	413,799
Secured by assignment and cheques	154,578	92,454
Secured by pledge	114,492	75,236
Secured by cash	871	2,900
Unsecured	197,550	138,632
Total	1,524,200	1,287,888
Non-cash loans		
Secured by guarantee	436,083	259,585
Secured by assignment and cheques	42,907	4,800
Secured by mortgages	31,692	76,988
Secured by cash	9,607	7,411
Secured by pledge	666	1,667
Unsecured	173,964	171,787
Total	694,919	522,238

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ

Notes to the Condensed Consolidated Interim Financial Information

As at and for the period ended 30 September 2013

(Currency - In thousands of Turkish Lira)

15. 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

Notes to the Condensed Consolidated Interim Financial Information

As at and for the period ended 30 September 2013

(Currency - In thousands of Turkish Lira)

15. Financial risk management (continued)

Liquidity risk (continued)

30 September 2013	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
Assets												
Cash and balances with central banks	46,317	-	-	-	-	-	-	-	-	-	-	46,317
Due from banks and financial institutions	14,781	459	-	-	292	-	-	-	-	-	-	15,532
Interbank and other money market placements	-	97,380	-	-	-	-	-	-	-	-	-	97,380
Reserve deposits at central banks	-	131,301	-	-	-	-	-	-	-	-	-	131,301
Trading assets	-	1,910	1,265	286	1,443	1,740	548	453	81	-	-	7,726
Investment securities	-	9,228	1,733	7,607	955	46,763	5,246	101	102	407	29	72,171
Loaned securities	-	885	15,550	49,423	7,548	68,973	-	4,162	1,701	20,926	-	169,168
Loans and finance lease receivables	-	43,538	126,603	206,381	425,824	269,894	205,569	83,269	53,321	84,290	42,346	1,541,035
Property and equipment	-	-	-	-	-	-	-	-	-	-	8,861	8,861
Intangible assets	-	-	-	-	-	-	-	-	-	-	60,583	60,583
Current tax assets	-	-	-	-	-	-	-	-	-	-	2,284	2,284
Deferred tax assets	-	-	-	-	-	-	-	-	-	-	9,746	9,746
Other assets	-	49,726	-	-	-	-	-	-	-	-	12,992	62,718
Total assets	61,098	334,427	145,151	263,697	436,062	387,370	211,363	87,985	55,205	105,623	136,841	2,224,822
Liabilities												
Deposit from other banks ⁽¹⁾	1,344	-	-	2,098	-	-	-	-	-	-	-	3,442
Customer deposits ⁽¹⁾	52,563	58,473	615	803	4,833	1,097	5	-	1	-	-	118,390
Other money market deposits	-	167,721	-	-	-	-	-	-	-	-	-	167,721
Trading liabilities	-	14,499	4,402	836	9,534	280	-	-	2	-	-	29,553
Funds borrowed	-	112,987	144,961	31,001	84,783	349,440	22,388	16,280	16,280	-	-	778,120
Debt securities issued	-	105,340	50,784	2,276	70,000	54,704	-	-	305,130	-	-	588,234
Other liabilities	10,298	26,847	8,253	-	15	3,007	-	-	-	564	1,222	50,206
Provisions	-	-	2,566	-	1,582	-	-	-	-	-	962	5,110
Current tax liabilities	-	-	88	-	-	-	-	-	-	-	-	88
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-	23	23
Total liabilities	64,205	485,867	211,669	37,014	170,747	408,528	22,393	16,280	321,413	564	2,207	1,740,887
Net liquidity gap	(3,107)	(151,440)	(66,518)	226,683	265,315	(21,158)	188,970	71,705	(266,208)	105,059	134,634	

⁽¹⁾ 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 30 September 2013

(Currency - In thousands of Turkish Lira)

15. Financial risk management (continued)

Liquidity risk (continued)

31 December 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
Assets												
Cash and balances with central banks	33,900	-	-	-	-	-	-	-	-	-	-	33,900
Due from banks and financial institutions	17,236	-	1	251	2	-	-	-	-	-	-	17,490
Interbank and other money market placements	-	9,007	-	-	-	-	-	-	-	-	-	9,007
Reserve deposits at central banks	-	102,078	-	-	-	-	-	-	-	-	-	102,078
Trading assets	-	412	2,437	951	11,205	3,031	1,683	569	553	-	-	20,841
Investment securities	-	65	2,684	55,363	3	72,877	3,106	3,273	1,972	1,546	26	140,915
Loaned securities	-	104	968	12,931	14,824	58,242	-	-	2,636	326	-	90,031
Loans and finance lease receivables	-	45,550	101,326	191,752	318,681	329,845	149,068	70,957	40,617	25,427	35,979	1,309,202
Property and equipment	-	-	-	-	-	-	-	-	-	-	9,181	9,181
Intangible assets	-	-	-	-	-	-	-	-	-	-	52,426	52,426
Current tax assets	-	-	-	-	-	-	-	-	-	-	-	-
Deferred tax assets	-	-	-	-	-	-	-	-	-	-	7,010	7,010
Other assets	-	28,008	-	-	-	-	-	-	-	-	20,433	48,441
Total assets	51,136	185,224	107,416	261,248	344,715	463,995	153,857	74,799	45,778	27,299	125,055	1,840,522
Liabilities												
Deposit from other banks ⁽¹⁾	69	-	-	2,743	-	-	-	-	-	-	-	2,812
Customer deposits ⁽¹⁾	33,066	22,066	210	334	3,908	462	3	-	1	-	-	60,050
Other money market deposits	-	89,935	-	-	-	-	-	-	-	-	-	89,935
Trading liabilities	-	1,207	1,746	899	26,072	3,152	-	-	-	-	-	33,076
Funds borrowed	-	12,556	305,359	53,291	150,782	283,451	15,004	15,004	15,004	7,118	-	857,569
Debt securities issued	-	-	1,817	2,309	195,570	50,000	-	-	-	-	-	249,696
Other liabilities	34,684	14,954	7,043	-	-	3,215	-	-	-	-	1,265	61,161
Provisions	-	302	4,057	-	61	-	-	-	-	-	1,021	5,441
Current tax liabilities	-	-	1,430	-	-	-	-	-	-	-	-	1,430
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-	-	-
Total liabilities	67,819	141,020	321,662	59,576	376,393	340,280	15,007	15,004	15,005	7,118	2,286	1,361,170
Net liquidity gap	(16,683)	44,204	(214,246)	201,672	(31,678)	123,715	138,850	59,795	30,773	20,181	122,769	

⁽²⁾ 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 30 September 2013

(Currency - In thousands of Turkish Lira)

15. Financial risk management (continued)

Liquidity risk (continued)

The table below analyses residual contractual maturities of liabilities:

30 September 2013	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	3,442	3,509	1,344	-	-	2,165	-	-
Customer deposits	118,390	118,588	52,563	58,480	617	5,825	1,103	-
Interbank and other money market deposits	167,721	167,841	-	167,841	-	-	-	-
Funds borrowed	778,120	813,351	-	114,767	145,566	131,703	421,315	-
Debt securities issued	588,234	664,746	-	105,440	52,019	88,759	418,528	-
Current account of loan customers ⁽¹⁾	43,517	44,016	10,298	21,478	8,285	-	3,138	817
	1,699,424	1,812,051	64,205	468,006	206,487	228,452	844,084	817

⁽¹⁾ Included in other liabilities.

31 December 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	2,812	2,851	69	-	-	2,782	-	-
Customer deposits	60,050	60,163	33,066	22,074	210	4,347	466	-
Interbank and other money market deposits	89,935	90,030	-	90,030	-	-	-	-
Funds borrowed	857,569	906,854	-	12,678	310,204	224,419	352,334	7,219
Debt securities issued	249,696	271,406	-	-	2,634	216,753	52,019	-
Current account of loan customers ⁽¹⁾	51,104	51,461	34,684	6,173	7,069	-	3,535	-
	1,311,166	1,382,765	67,819	130,955	320,117	448,301	408,354	7,219

⁽¹⁾ Included in other liabilities.

The table below analyses contractual maturities of derivative transactions:

30 September 2013	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Over 5 years	Total
Assets							
Forward purchase contracts	7,309	45	-	-	-	-	7,354
Forward sale contracts	7,317	45	-	-	-	-	7,362
Currency swap purchases	90,551	166,297	56,547	99,131	28,280	-	440,806
Currency swap sales	103,181	168,919	55,847	106,895	25,916	-	460,758
Interest rate cap/floor purchase contracts	-	-	-	-	203,420	-	203,420
Asset purchase commitments	12,340	-	1,119	11,409	-	-	24,868
Asset sale commitments	12,527	-	1,099	11,210	-	-	24,836
	233,225	335,306	114,612	228,645	257,616	-	1,169,404
31 December 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
Assets							
Forward purchase contracts	37,415	-	-	-	-	-	37,415
Forward sale contracts	37,353	-	-	-	-	-	37,353
Currency swap purchases	165,993	45,972	12,235	229,893	121,843	-	575,936
Currency swap sales	166,906	45,847	12,285	243,919	119,097	-	588,054
Interest rate cap/floor purchase contracts	-	-	-	-	177,760	-	177,760
	407,667	91,819	24,520	473,812	418,700	-	1,416,518

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ

Notes to the Condensed Consolidated Interim Financial Information

As of and for the period ended 30 September 2013

(Currency - In thousands of Turkish Lira)

15. Financial risk management (continued)

Market risk

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

The interest rate and exchange rate risks of the financial positions taken by the Bank related to financial position and off-balance sheet accounts are measured and while calculating the capital adequacy, the amount subject to value at risk (VaR) is taken into consideration by the standard method. As at 30 September 2013, the highest potential loss of the securities portfolio was generated by historical simulation method as TL 392 (31 December 2012 – TL 97) 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 5,871 of net loss of JSC BankPozitiv (31 December 2012 – TL (7,337)), net foreign exchange position of the Group would have been TL (1,868) (31 December 2012 – TL (15,660)).

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ

**Notes to the Condensed Consolidated Interim Financial Information
As of and for the period ended 30 September 2013**

(Currency - In thousands of Turkish Lira)

15. Financial risk management (continued)

Currency risk (continued)

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

30 September 2013	USD	EUR	CHF	JPY	KZT	Others	Total
Assets							
Cash and balances with central banks	1,201	182	-	-	44,847	45	46,275
Due from banks and financial institutions	12,911	360	842	219	8	284	14,624
Reserve deposits at central Banks	115,258	-	-	-	3,291	-	118,549
Investment securities	3,224	-	-	-	29	-	3,253
Loans and finance lease receivables ⁽¹⁾	625,417	329,113	10,580	3,064	180,546	121	1,148,841
Property and equipment	-	-	-	-	5,899	-	5,899
Intangible assets	49,876	-	-	-	1,797	-	51,673
Deferred tax assets	-	-	-	-	1,280	-	1,280
Other assets	7,007	37,974	10	-	7,602	3	52,596
Total assets	814,894	367,629	11,432	3,283	245,299	453	1,442,990
Liabilities							
Deposit from other banks ⁽²⁾	3,179	2	-	-	258	3	3,442
Customer deposits ⁽²⁾	25,073	375	-	-	92,898	44	118,390
Trading liabilities	2,428	-	-	-	-	-	2,428
Funds borrowed	558,587	203,248	-	-	-	-	761,835
Debt securities issued	307,406	-	-	-	-	-	307,406
Other liabilities	26,990	8,809	141	-	1,531	40	37,511
Provisions	-	-	-	-	89	-	89
Total liabilities	923,663	212,434	141	-	94,776	87	1,231,101
Gross exposure	(108,769)	155,195	11,291	3,283	150,523	366	211,889
Off-balance sheet position							
Net notional amount of derivatives	(47,734)	(157,223)	(11,232)	(3,269)	-	(170)	(219,628)
Net exposure	(156,503)	(2,028)	59	14	150,523	196	(7,739)

⁽¹⁾ Foreign currency net non-performing loans and finance lease receivables amounting TL 7,271 is included at foreign currency position, respectively.

⁽²⁾ 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 30 September 2013***(Currency - In thousands of Turkish Lira)***15. Financial risk management (continued)****Currency risk (continued)**

31 December 2012	USD	EUR	CHF	JPY	KZT	Others	Total
Assets							
Cash and balances with central banks	4,463	239	-	-	29,093	69	33,864
Due from banks and financial institutions	14,834	903	619	294	5	249	16,904
Reserve deposits at central Banks	91,589	-	-	-	1,758	-	93,347
Trading assets	6	-	-	-	-	-	6
Investment securities	2,873	-	-	-	26	-	2,899
Loans and finance lease receivables ⁽¹⁾	472,926	281,235	12,603	4,017	131,599	118	902,498
Property and equipment	-	-	-	-	5,888	-	5,888
Intangible assets	43,585	-	-	-	1,205	-	44,790
Deferred tax assets	-	-	-	-	1,516	-	1,516
Other assets	2,444	20,338	14	-	5,299	19	28,114
Total assets	632,720	302,715	13,236	4,311	176,389	455	1,129,826
Liabilities							
Deposit from other banks ⁽²⁾	2,744	2	-	-	63	3	2,812
Customer deposits ⁽²⁾	16,092	512	-	-	43,392	54	60,050
Trading liabilities	1,744	-	-	-	-	-	1,744
Funds borrowed	713,338	143,972	-	-	-	-	857,310
Other liabilities	23,617	8,396	147	14	594	2	32,770
Provisions	-	-	-	-	113	-	113
Total liabilities	757,535	152,882	147	14	44,162	59	954,799
Gross exposure	(124,815)	149,833	13,089	4,297	132,227	396	175,027
Off-balance sheet position							
Net notional amount of derivatives	(30,597)	(149,858)	(13,043)	(4,239)	-	(287)	(198,024)
Net exposure	(155,412)	(25)	46	58	132,227	109	(22,997)

⁽¹⁾ Foreign currency net non-performing loans and finance lease receivables amounting TL 6,129 is included at foreign currency position, respectively.

⁽²⁾ 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 30 September 2013

(Currency - In thousands of Turkish Lira)

15. Financial risk management (continued)

Currency risk (continued)

Sensitivity analysis

A 10% weakening of TL against the foreign currencies at 30 September 2013 and 31 December 2012 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 2012.

30 September 2013	Equity	Profit or loss
USD	(15,063)	(15,063)
EUR	(203)	(203)
Other currencies	15,079	15,079
	(187)	(187)
31 December 2012	Equity	Profit or loss
USD	(14,807)	(14,807)
EUR	(3)	(3)
Other currencies	13,244	13,244
	(1,566)	(1,566)

A 10% strengthening of the TL against the foreign currencies at 30 September 2013 and 31 December 2012 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 30 September 2013

(Currency - In thousands of Turkish Lira)

15. 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:

30 September 2013	Up to 1 month	1 to 3 months	3 to 6 months	6 months to 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 Years	Non interest bearing	Total
Assets											
Cash and balances with central banks	-	-	-	-	-	-	-	-	-	46,317	46,317
Due from banks and financial institutions	459	-	-	292	-	-	-	-	-	14,781	15,532
Interbank and other money market placements	97,380	-	-	-	-	-	-	-	-	-	97,380
Reserve deposits at central banks	-	-	-	-	-	-	-	-	-	131,301	131,301
Trading assets	2,174	1,265	286	1,443	1,476	548	453	81	-	-	7,726
Investment securities	56,962	2,062	10,074	-	-	3,044	-	-	-	29	72,171
Loaned securities	73,149	20,476	75,543	-	-	-	-	-	-	-	169,168
Loans and finance lease receivables	222,041	196,995	192,772	329,754	207,825	171,787	70,590	40,580	66,345	42,346	1,541,035
Property and equipment	-	-	-	-	-	-	-	-	-	8,861	8,861
Intangible assets	-	-	-	-	-	-	-	-	-	60,583	60,583
Current tax assets	-	-	-	-	-	-	-	-	-	2,284	2,284
Deferred tax assets	-	-	-	-	-	-	-	-	-	9,746	9,746
Other assets	-	-	-	-	-	-	-	-	-	62,718	62,718
Total assets	452,165	220,798	278,675	331,489	209,301	175,379	71,043	40,661	66,345	378,966	2,224,822
Liabilities											
Deposit from other banks ⁽¹⁾	-	-	2,098	-	-	-	-	-	-	1,344	3,442
Customer deposits ⁽¹⁾	58,473	615	803	4,833	1,097	5	-	1	-	52,563	118,390
Other money market deposits	167,721	-	-	-	-	-	-	-	-	-	167,721
Trading liabilities	14,499	4,402	836	9,534	280	-	-	2	-	-	29,553
Funds borrowed	228,628	99,064	82,400	40,976	327,052	-	-	-	-	-	778,120
Debt securities issued	105,340	50,784	2,276	70,000	54,704	-	-	305,130	-	-	588,234
Other liabilities	21,393	8,253	-	15	3,007	-	-	-	564	16,974	50,206
Provisions	-	-	-	-	-	-	-	-	-	5,110	5,110
Current tax liabilities	-	-	-	-	-	-	-	-	-	88	88
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	23	23
Total liabilities	596,054	163,118	88,413	125,358	386,140	5	-	305,133	564	76,102	1,740,887
Financial position interest sensitivity gap	(143,889)	57,680	190,262	206,131	(176,839)	175,374	71,043	(264,472)	65,781	302,864	
Off-balance sheet interest sensitivity gap, net	(12,640)	(2,624)	699	(7,764)	1,220	578	485	86	-	-	
Total interest sensitivity gap	(156,529)	55,056	190,961	198,367	(175,619)	175,952	71,528	(264,386)	65,781	302,864	

⁽¹⁾ 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 30 September 2013

(Currency - In thousands of Turkish Lira)

15. Financial risk management (continued)

Cash flow and fair value interest rate risk (continued)

31 December 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
Assets											
Cash and balances with central banks	-	-	-	-	-	-	-	-	-	33,900	33,900
Due from banks and financial institutions	240	1	251	2	-	-	-	-	-	16,996	17,490
Interbank and other money market placements	9,007	-	-	-	-	-	-	-	-	-	9,007
Reserve deposits at central banks	-	-	-	-	-	-	-	-	-	102,078	102,078
Trading assets	412	2,710	1,501	11,205	2,739	1,152	569	553	-	-	20,841
Investment securities	3,507	110,171	24,553	-	-	2,658	-	-	-	26	140,915
Loaned securities	6,141	49,104	34,786	-	-	-	-	-	-	-	90,031
Loans and finance lease receivables	382,810	65,387	94,879	192,445	277,660	142,551	64,441	34,156	18,894	35,979	1,309,202
Property and equipment	-	-	-	-	-	-	-	-	-	9,181	9,181
Intangible assets	-	-	-	-	-	-	-	-	-	52,426	52,426
Current tax assets	-	-	-	-	-	-	-	-	-	-	-
Deferred tax assets	-	-	-	-	-	-	-	-	-	7,010	7,010
Other assets	-	-	-	-	-	-	-	-	-	48,441	48,441
Total assets	402,117	227,373	155,970	203,652	280,399	146,361	65,010	34,709	18,894	306,037	1,840,522
Liabilities											
Deposit from other banks ⁽¹⁾	-	-	2,743	-	-	-	-	-	-	69	2,812
Customer deposits ⁽¹⁾	22,066	210	334	3,908	462	3	-	1	-	33,066	60,050
Other money market deposits	89,935	-	-	-	-	-	-	-	-	-	89,935
Trading liabilities	1,207	1,746	899	26,072	3,152	-	-	-	-	-	33,076
Funds borrowed	14,630	391,027	53,371	136,761	261,780	-	-	-	-	-	857,569
Debt securities issued	-	1,817	2,309	195,570	50,000	-	-	-	-	-	249,696
Other liabilities	6,162	7,043	-	-	3,215	-	-	-	-	44,741	61,161
Provisions	-	-	-	-	-	-	-	-	-	5,441	5,441
Current tax liabilities	-	-	-	-	-	-	-	-	-	1,430	1,430
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-	-
Total liabilities	134,000	401,843	59,656	362,311	318,609	3	-	1	-	84,747	1,361,170
Financial position interest sensitivity gap	268,117	(174,470)	96,314	(158,659)	(38,210)	146,358	65,010	34,708	18,894	221,290	
Off-balance sheet interest sensitivity gap, net	(849)	17,899	(50)	(31,801)	369	1,181	601	594	-	-	
Total interest sensitivity gap	267,268	(156,571)	96,264	(190,460)	(37,841)	147,539	65,611	35,302	18,894	221,290	

⁽¹⁾ 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 30 September 2013***(Currency - In thousands of Turkish Lira)***15. Financial risk management (continued)****Cash flow and fair value interest rate risk (continued)**

As at 30 September 2013 and 31 December 2012, the effective interest rate applied on balance sheet items summarised as follows:

30 September 2013 (%)	TL	USD	EUR	CHF	JPY	GBP	KZT
Due from banks and financial institutions	6.55	0.21	0.07	-	-	-	0.50
Interbank and other money market placements	6.91	-	-	-	-	-	-
Marketable securities (Investment and trading)	7.27	9.63	-	-	-	-	-
Loans and finance lease receivables							
- Corporate loans	14.12	7.03	7.56	-	-	-	8.33
- Retail loans	17.46	9.47	8.69	7.96	6.32	11.41	14.96
Deposits from other banks	-	4.25	-	-	-	-	-
Customer deposits	-	4.13	-	-	-	-	6.09
Other money market deposits	4.64	-	-	-	-	-	-
Funds borrowed and debt securities issued	9.39	5.35	3.64	-	-	-	-
Current account of loan customers ⁽¹⁾	5.49	2.95	5.41	-	-	-	-
31 December 2012 (%)	TL	USD	EUR	CHF	JPY	GBP	KZT
Due from banks and financial institutions	9.29	0.33	0.12	-	-	-	0.50
Interbank and other money market placements	10.37	-	-	-	-	-	-
Marketable securities (Investment and trading)	8.54	9.63	-	-	-	-	-
Loans and finance lease receivables							
- Corporate loans	15.11	7.41	7.46	-	-	-	8.03
- Retail loans	17.80	10.95	8.63	7.45	6.12	11.35	15.60
Deposits from other banks	-	4.00	4.00	-	-	-	-
Customer deposits	-	4.12	-	-	-	-	5.94
Other money market deposits	5.93	-	-	-	-	-	-
Funds borrowed and debt securities issued	10.16	5.87	4.13	-	-	-	-
Current account of loan customers ⁽¹⁾	5.36	4.96	3.96	-	-	-	-

⁽¹⁾Included in other liabilities.

The Bank's value at market risks as of 30 September 2013 and 31 December 2012 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:

	30 September 2013			31 December 2012		
	Average	Highest	Lowest	Average	Highest	Lowest
Interest rate risk	3,066	4,770	1,770	4,583	5,583	3,770
Counter party risk	811	1,126	361	1,245	1,570	1,019
Currency risk	3,139	3,595	2,906	3,361	3,516	2,890
Total value-at-risk	7,016	9,491	5,037	9,189	10,669	7,679

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 30 September 2013***(Currency - In thousands of Turkish Lira)***15. 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 effects on the cash flow of asset and liabilities are simulated and the influence of these changes on the interest income and equity of the Bank is assessed. The exercise is subject to PV01 and worst case scenario limit which are (1) 100 bps parallel shift of yield curves and (2) worst case shifts of yield curves which refer to parallel and non-parallel (flattening and steepening) shift of TL (500 bps) and foreign currency (200 bps) yield curves. Limits are determined on ALCO and Board of Directors levels and subject to Board of Directors monthly review.

Change at portfolio value/Total equity (%)	30 September 2013	31 December 2012
Local TL interest rate		
+500 bps	(3.22)	(2.34)
-400 bps	3.57	3.12
Foreign currency interest rate		
+200 bps EUR	(1.10)	(1.00)
-200 bps EUR	0.45	0.29
+200 bps USD	2.48	(0.85)
-200 bps USD	(1.42)	0.28

Capital adequacy

To monitor the adequacy of its capital, the Group uses ratios established by BRSA. These ratios measure capital adequacy (minimum 8% as required by Banking Law) by comparing the Group's eligible capital with its financial position assets, off-balance sheet commitments and market and other risk positions at weighted amounts to reflect their relative risk. The Regulatory capital and the capital adequacy ratio declared by the Group as 30 September 2013 is as follows:

	30 September 2013	31 December 2012
Amount subject to credit risk (I)	1,973,938	1,569,937
Amount subject to market risk (II)	236,457	270,192
Amount subject to operational risk (III)	158,325	176,746
Total risk-weighted assets and value at market risk and operational risk (IV) = (I+II+III)	2,368,720	2,016,875
Shareholders' equity	433,639	433,099
Capital adequacy ratio	18.31%	21.47%

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ**Notes to the Condensed Consolidated Interim Financial Information****As of and for the period ended 30 September 2013***(Currency - In thousands of Turkish Lira)***16. 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.

30 September 2013	Asset management and treasury	Corporate banking	Retail banking	Foreign financial subsidiary	Non-financial services	Eliminations/ Adjustments	Total
Interest income	28,071	68,334	19,000	12,258	2	-	127,665
Interest expense	(67,248)	(543)	-	(1,389)	-	-	(69,180)
Intersegment revenue	30,209	(28,274)	(1,935)	-	-	-	-
Net interest income	(8,968)	39,517	17,065	10,869	2	-	58,485
Net fee and commission income	(519)	6,776	(199)	1,986	-	-	8,044
Net trading income and foreign exchange gain, net	4,187	183	-	925	21	(21)	5,295
Other operating income	923	14,745	125	138	2,401	(2,205)	16,127
Total operating income	(4,377)	61,221	16,991	13,918	2,424	(2,226)	87,951
Net impairment loss on financial and non-financial assets	(176)	(12,250)	(2,203)	114	-	-	(14,515)
Total operating expense	(8,728)	(14,256)	(11,938)	(12,155)	(1,812)	2,205	(46,684)
Profit before income tax	(13,281)	34,715	2,850	1,877	612	(21)	26,752
Income tax	(3,427)	-	-	(430)	(115)	4	(3,968)
Net profit for the year / period	(16,708)	34,715	2,850	1,447	497	(17)	22,784
Total assets	785,895	1,176,079	171,178	273,671	5,266	(187,267)	2,224,822
Total liabilities	1,566,543	72,148	3,301	123,472	673	(25,250)	1,740,887

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ

Notes to the Condensed Consolidated Interim Financial Information

As of and for the period ended 30 September 2013

(Currency - In thousands of Turkish Lira)

16. Operating segments (continued)

30 September 2012	Asset management and treasury	Corporate banking	Retail banking	Foreign financial subsidiary	Non-financial services	Eliminations/ Adjustments	Total
Interest income	31,006	70,989	22,342	8,657	3	(10)	132,987
Interest expense	(75,695)	(1,079)	-	(391)	-	10	(77,155)
Intersegment revenue	36,065	(30,045)	(6,020)	-	-	-	-
Net interest income	(8,624)	39,865	16,322	8,266	3	-	55,832
Net fee and commission income	(441)	5,305	955	1,907	-	-	7,726
Net trading income and foreign exchange gain, net	5,886	(2,351)	-	1,389	(1)	50	4,973
Other operating income	739	281	358	656	2,760	(1,473)	3,321
Total operating income	(2,440)	43,100	17,635	12,218	2,762	(1,423)	71,852
Net impairment loss on financial and non-financial assets	(1)	(2,364)	(1,474)	724	-	-	(3,115)
Total operating expense	(9,422)	(13,325)	(8,031)	(10,134)	(3,039)	1,473	(42,478)
Profit before income tax	(11,863)	27,411	8,130	2,808	(277)	50	26,259
Income tax	2,881	(6,012)	(1,731)	(716)	20	(10)	(5,568)
Net profit for the year / period	(8,982)	21,399	6,399	2,092	(257)	40	20,691
Total assets⁽¹⁾	617,686	1,033,791	157,133	196,429	5,168	(169,685)	1,840,522
Total liabilities⁽¹⁾	1,237,615	72,266	2,965	63,776	1,081	(16,533)	1,361,170

⁽¹⁾ As at 31 December 2012.

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ

Notes to the Condensed Consolidated Interim Financial Information

As of and for the period ended 30 September 2013

(Currency - In thousands of Turkish Lira)

17. Rating

As at 30 September 2013, the Bank's ratings assigned by international rating agencies, Fitch Ratings and Moody's Ratings are as follows:

Fitch Ratings, August 2013

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, June 2013

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

18. Subsequent and other events

The Bank paid back its debut local market public bond amounting to TL 100 million (full) on 2 October 2013 and completed a new local market bond issue amounting to TL 50 million (full) on 3 October 2013.