

**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 2015**

30 November 2015

This report contains 1 page of independent auditors' report on review of condensed consolidated interim financial information and 39 pages of condensed consolidated financial statements and notes to the condensed consolidated interim financial information.

Bankpozitif Kredi ve Kalkınma Bankası Anonim Şirketi

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Independent auditors' report on review of interim financial information

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

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of Bankpozitif Kredi ve Kalkınma Bankası Anonim Şirketi (the "Bank") and its subsidiaries (collectively the "Group") as at 30 September 2015, the condensed consolidated statements of income, profit or loss and other 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 2015 is not prepared, in all material respects, in accordance with IAS 34, "Interim Financial Reporting".

Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.
A member of KPMG International Cooperative


Alper Güvent, SMMM
Partner

30 November 2015
İstanbul, Turkey

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ**Condensed Consolidated Interim Statement of Financial Position****As at 30 September 2015***(Currency - In thousands of Turkish Lira)*

		Reviewed	Audited
		30 September	31 December
	<i>Note</i>	2015	2014
ASSETS			
Cash and balances with central banks		23	35,764
Due from banks and financial institutions		7,073	134,257
Interbank and other money market placements		24,025	1,272
Reserve deposits at central banks		180,005	120,840
Trading assets		11,281	12,678
Investment securities		60,981	93,886
Loaned securities		15,992	25,248
Loans and finance lease receivables	4	1,526,891	1,364,147
Property and equipment		2,451	8,016
Intangible assets	5	9,739	14,250
Deferred tax assets		18,447	11,984
Investment property	6	57,090	56,155
Assets held for sale	12	250,216	-
Other assets		71,483	42,496
Total assets		2,235,697	1,920,993
LIABILITIES			
Deposits from other banks		-	439
Customer deposits		-	77,321
Other money market deposits		16,165	25,188
Trading liabilities		61,710	31,311
Funds borrowed	7	769,137	548,732
Debt securities issued	8	790,148	742,504
Other liabilities		82,640	59,770
Provisions		7,744	8,827
Liabilities held for sale	12	121,748	-
Current tax liabilities		12	183
Deferred tax liabilities		67	-
Total liabilities		1,849,371	1,494,275
EQUITY			
Share capital and share premium	9	379,114	379,114
Legal reserves		16,168	16,168
Available-for-sale reserve, net of tax	9	896	4,109
Currency translation reserve	9	(87,121)	(42,368)
Retained earnings		77,269	69,695
Total equity		386,326	426,718
Total equity and liabilities		2,235,697	1,920,993

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 Profit or Loss

For the nine-month period ended 30 September 2015

(Currency - In thousands of Turkish Lira)

		Reviewed 1 January – 30 September 2015	Reviewed 1 July – 30 September 2015	Re-presented 1 January – 30 September 2014	Re-presented 1 July – 30 September 2014
	<i>Note</i>				
Continuing Operations					
Interest income					
Interest income on loans and finance leases		91,998	32,880	92,431	29,263
Interest income on deposits with other banks and financial institutions		2,783	350	289	203
Interest income on investment securities		5,658	1,270	21,532	9,033
Interest income on interbank and other money market placements		1,259	779	136	130
Other interest income		15,015	3,813	12,769	5,549
Total interest income		116,713	39,092	127,157	44,178
Interest expense					
Interest expense on other money market deposits		(1,210)	(364)	(5,940)	(380)
Interest expense on funds borrowed		(19,118)	(6,959)	(28,867)	(8,754)
Interest expense on debt securities issued		(42,960)	(14,218)	(33,494)	(13,159)
Other interest expense		(3,802)	(552)	(10,835)	(5,932)
Total interest expense		(67,090)	(22,093)	(79,136)	(28,225)
Fees and commission income		5,422	1,860	6,505	1,649
Fees and commission expense		(414)	(156)	(524)	(166)
Net fee and commission income		5,008	1,704	5,981	1,483
Net trading income and foreign exchange gain, net		(14,267)	(11,992)	11,404	(1,347)
Other operating income		3,403	192	34,036	820
Total operating income		43,767	6,903	99,442	16,909
Net impairment loss on financial assets	4	(6,143)	(2,242)	(15,805)	40,595
Net impairment loss on consolidation goodwill	5	-	-	(52,924)	(52,924)
Personnel expenses		(20,084)	(6,673)	(18,490)	(6,863)
Depreciation and amortisation		(3,463)	(1,117)	(4,483)	(1,625)
Administrative expenses		(13,298)	(4,277)	(12,904)	(4,808)
Taxes other than on income		(1,511)	(206)	(1,445)	(423)
Other expenses		(1,766)	(452)	(4,539)	(180)
Total operating expenses		(40,122)	(12,725)	(41,861)	(13,899)
Loss before income tax		(2,498)	(8,064)	(11,148)	(9,319)
Income tax		(23)	1,628	(6,152)	816
Loss from continuing operations		(2,521)	(6,436)	(17,300)	(8,503)
Discontinued Operations					
Total interest income		16,769	6,726	14,577	5,047
Total interest expense		(521)	(242)	(1,561)	(443)
Net fee and commission income		2,027	586	1,459	542
Net trading income and foreign exchange gain, net		9,572	8,699	1,357	522
Other operating income		123	91	207	66
Total operating income		27,970	15,860	16,039	5,734
Net impairment loss on financial assets		170	283	(1,016)	(346)
Total operating expenses		(15,686)	(6,054)	(12,495)	(4,732)
Profit before income tax		12,454	10,089	2,528	656
Income tax		(2,359)	(1,886)	(1,144)	(168)
Profit from discontinued operation		10,095	8,203	1,384	488
Profit/(Loss)		7,574	1,767	(15,916)	(8,015)

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 Other Comprehensive Income
For the nine-month period ended 30 September 2015

(Currency - In thousands of Turkish Lira)

	Reviewed	Re-presented
	1 January–	1 January–
	30 September	30 September
	2015	2014
Profit / (loss) for the period	7,574	(15,916)
Other comprehensive income		
<i>Items that will never be reclassified to profit or loss</i>		
Remeasurement of employee termination benefits	-	-
Income tax	-	-
	-	-
<i>Items that are or may be reclassified to profit or loss</i>		
Foreign currency translation differences for foreign operations	-	-
Available-for-sale reserve		
Net change in fair value of available-for-sale financial assets	803	627
Net change in fair value of available-for-sale financial assets transferred to profit or loss	(4,819)	692
Income tax	803	(264)
	(3,213)	1,055
Other comprehensive income / (loss) for the period from continued operations, net of income tax	(3,213)	1,055
Other comprehensive loss for the period from discontinued operations, net of income tax		
Foreign currency translation differences for foreign operations	(44,753)	(32,165)
Total comprehensive loss for the period	(40,392)	(47,026)

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 2015***(Currency - In thousands of Turkish Lira)*

	<i>Note</i>	Share capital	Share premium	Adjustment to share capital	Legal reserves	Available-for-sale reserve, net of tax	Currency translation reserve	Retained earnings	Total
At 1 January 2014		337,292	20,121	21,701	14,708	2,640	(10,416)	100,329	486,375
Total comprehensive income for the period									
Loss for the period		-	-	-	-	-	-	(15,916)	(15,916)
Other comprehensive income									
Foreign currency translation differences		-	-	-	-	-	(32,165)	-	(32,165)
Remeasurements of defined benefit liability/(asset), net of tax		-	-	-	-	-	-	-	-
Net change in fair value of available-for-sale financial assets, net of tax		-	-	-	-	1,055	-	-	1,055
Total other comprehensive income		-	-	-	-	1,055	(32,165)	-	(31,110)
Total comprehensive income for the period		-	-	-	-	1,055	(32,165)	(15,916)	(47,026)
Contributions by and distributions to owners									
Dividends to equity holders		-	-	-	-	-	-	-	-
Total contributions by and distributions to owners		-	-	-	-	-	-	-	-
Transfers		-	-	-	1,460	-	-	(1,460)	-
At 30 September 2014		337,292	20,121	21,701	16,168	3,695	(42,581)	82,953	439,349
At 1 January 2015		337,292	20,121	21,701	16,168	4,109	(42,368)	69,695	426,718
Total comprehensive income for the period									
Profit for the period		-	-	-	-	-	-	7,574	7,574
Other comprehensive income									
Foreign currency translation differences		-	-	-	-	-	(44,753)	-	(44,753)
Remeasurements of defined benefit liability/(asset), net of tax		-	-	-	-	-	-	-	-
Net change in fair value of available-for-sale financial assets, net of tax		-	-	-	-	(3,213)	-	-	(3,213)
Total other comprehensive income		-	-	-	-	(3,213)	(44,753)	-	(47,966)
Total comprehensive income for the period		-	-	-	-	(3,213)	(44,753)	7,574	(40,392)
Contributions by and distributions to owners									
Dividends to equity holders		-	-	-	-	-	-	-	-
Total contributions by and distributions to owners		-	-	-	-	-	-	-	-
Transfers		-	-	-	-	-	-	-	-
At 30 September 2015		337,292	20,121	21,701	16,168	896	(87,121)	77,269	386,326

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 2015***(Currency - In thousands of Turkish Lira)*

	Reviewed	Re-presented
	1 January –	1 January –
<i>Note</i>	30 September 2015	30 September 2014
Cash flows from operating activities		
Interest received	106,661	113,014
Interest paid	(66,222)	(72,619)
Fees and commissions received	7,364	6,505
Fees and commissions paid	(414)	(524)
Trading income	505	1,757
Recoveries from non-performing loans	4,803	23,171
Cash payments to employees and other parties	(22,007)	(25,118)
Cash received from other operating activities	3,403	7,503
Cash paid for other operating activities	(10,889)	(11,489)
Income taxes paid	(171)	(132)
Income from discontinued operations	11,545	-
	34,578	42,068
Change in banks and financial institutions	(416)	490
Change in trading assets	(3,155)	(1,568)
Change in reserve deposits at central banks	(59,014)	47,817
Change in loans and finance lease receivables	(62,355)	365,499
Change in other assets	(218,975)	(256,569)
Change in deposit from other banks	(439)	(5,649)
Change in customer deposits	(77,321)	(122,829)
Change in interbank and other money market deposits	(9,032)	(142,790)
Change in other liabilities	143,169	86,997
Net cash (used in) / provided by operating activities	(252,960)	13,466
Cash flows from investing activities		
Purchases of investment securities	(55,211)	(47,819)
Proceeds from sale and redemption of investment securities	83,952	147,944
Purchases of property and equipment	(508)	3,178
Proceeds from the sale of premises and equipment	66	-
Purchases of intangible assets	(718)	(845)
Net cash provided by investing activities	27,581	102,458
Cash flows from financing activities		
Proceeds from funds borrowed	728,053	262,934
Repayment of funds borrowed	(543,291)	(466,798)
Proceeds from debt securities issued	230,560	89,000
Repayment of debt securities issued	(281,145)	(70,001)
Net cash provided by / (used in) financing activities	134,177	(184,865)
Effect of net foreign exchange difference on cash and cash equivalents	3,919	427
Net (decrease) / increase in cash and cash equivalents	(87,283)	(68,514)
Cash and cash equivalents at 1 January	117,918	71,623
Cash and cash equivalents at 30 September	30,635	3,109

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

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BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ

Notes to the Condensed Consolidated Financial Statements

As at and for the period ended 30 September 2015

(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 2015, 69.83% (31 December 2014 – 69.83%) of the shares of the Bank belong to Tarshish and are controlled by Bank Hapoalim and 30.17% (31 December 2014 – 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 Financial Statements

As at and for the period ended 30 September 2015

(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.

Based on the Board of Directors decision dated 19 October 2015, the Bank has signed an SPA on 20 October 2015 with Eurasian Bank JSC for the sale of above-mentioned subsidiary JSC BankPozitiv Kazakhstan and the transaction to be closed subject to the approvals of the authorities. JSC BankPozitiv Kazakhstan classified as held for sale asset and liabilities on the condensed consolidated financial statements as at 30 September 2015.

As at 30 September 2015, the Bank provides services through its head office. As at 30 September 2015, the number of employees for the Bank and its consolidated held for sale subsidiaries are 135 and 191 respectively (31 December 2014 – 131 and 200).

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

The subsidiaries included in consolidation and effective shareholding percentages of the Group at 30 September 2015 and 31 December 2014 are as follows:

	Place of incorporation	Principal activities	Effective shareholding and voting rights (%)	
			30 September 2015	31 December 2014
C Bilişim	Istanbul/Turkey	Software development and technology	100	100
JSC BankPozitiv	Almaty/Kazakhstan	Commercial banking activities	100	100

2. Basis of preparation

The interim consolidated condensed financial statements as of 30 September 2015 have been prepared in accordance with IAS 34 (Interim Financial Reporting). The interim consolidated condensed financial statements do not include all the information and disclosures required in the annual financial statement and should be read in conjunction with annual consolidated financial statements of the Group for the year ended 31 December 2014.

In preparation of the interim condensed consolidated financial statements of the Group, the same accounting policies and methods of computation have been followed as compared to the most recent annual financial statements except for the adoption of new standards and interpretations as of January 2015, noted below.

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ

Notes to the Condensed Consolidated Financial Statements

As at and for the period ended 30 September 2015

(Currency - In thousands of Turkish Lira)

2. Basis of preparation (continued)

As of 1 February 2014, the Group has discontinued the net investment hedge for its investment in Kazakhstan due to the ineffectiveness caused by the devaluation of the Kazakhstan Tenge. The Group started the net investment hedge as of 1 April 2014 after the stabilization of the Tenge/USD foreign exchange rates in February 2014 and March 2014. As of 1 August 2015, the Group has discontinued the net investment hedge for its investment in Kazakhstan due to the ineffectiveness caused by the devaluation of the Kazakhstan Tenge. The Group started the net investment hedge subsequently as of 1 October 2015 after the stabilization of the Tenge/USD foreign exchange rates in September 2015 and October 2015.

Based on the Board of Directors decision dated 19 October 2015, the Bank has signed an SPA on 20 October 2015 with Eurasian Bank JSC for the sale of the Bank's 100% owned subsidiary, JSC BankPozitiv Kazakhstan. According to IFRS 5: *Non-current Assets Held for Sale and Discontinued Operations*, JSC BankPozitiv Kazakhstan classified as held for sale asset and liabilities and consolidated on a single line to present the asset and liabilities of the subsidiary. In addition, the Bank re-presented the 2014 comparatives for the statement of profit or loss and OCI and cash flow in respect of the held for sale operations of the subsidiary.

The Bank management committed to a plan to sell JSC BankPozitiv Kazakhstan and the asset is available for immediate sale. The sale is highly probable within 12 months of classification as held for sale according to the signed aforementioned SPA.

The Group classified its Hotel in Gaziantep, previously recorded in Other Assets under Assets Held for Resale, as Investment Property. The Group started to earn rental income from this property and therefore in accordance with IAS 40, the Group presented the Hotel as Investment Property. The Group selected the fair value method for the valuation of the Hotel.

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 2015, 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

IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. The Group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 9.

3. Use of judgements and estimates

In preparing these condensed consolidated interim financial statements, the Bank management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2014.

Measurement of fair values

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ

Notes to the Condensed Consolidated Financial Statements

As at and for the period ended 30 September 2015

(Currency - In thousands of Turkish Lira)

3. Use of judgements and estimates (continued)

Measurement of fair values (continued)

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1: Quoted market price (unadjusted) in an active market for identical instrument.

Level 2: Valuation techniques based on observable inputs, either directly (i.e., as prices) or indirectly (i.e., derived from prices). This category includes instruments using valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation.

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in Note 13 – fair value of financial instrument.

4. Loans and finance lease receivables

	Turkish Lira	Foreign currency	Foreign currency indexed	Total
30 September 2015				
Corporate loans and finance lease receivables	248,876	1,016,818	123,921	1,389,615
Consumer loans	100,407	-	8,996	109,403
Total loans	349,283	1,016,818	132,917	1,499,018
Non-performing loans and finance lease receivables	65,479	-	-	65,479
Less: Specific reserve for impairment	(19,613)	-	-	(19,613)
Less: Portfolio reserve for impairment	(17,993)	-	-	(17,993)
	377,156	1,016,818	132,917	1,526,891
31 December 2014				
Corporate loans and finance lease receivables	182,955	805,817	149,576	1,138,348
Consumer loans	132,166	41,390	9,236	182,792
Total loans and finance lease receivables	315,121	847,207	158,812	1,321,140
Non-performing loans and finance lease receivables	70,369	31,288	-	101,657
Less: Specific reserve for impairment	(21,467)	(21,472)	-	(42,939)
Less: Portfolio reserve for impairment	(15,671)	(40)	-	(15,711)
	348,352	856,983	158,812	1,364,147

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4. Loans and finance lease receivables (continued)

As at 30 September 2015, loans and finance lease receivables with floating rates are TL 351,800 (31 December 2014 – TL 239,476) and fixed interest rates are TL 1,147,218 (31 December 2014 – TL 1,081,664).

Movements in non-performing loans and finance lease receivables:

	30 September 2015	31 December 2014
Non-performing loans and finance lease receivables at 1 January	101,657	68,930
IFRS 5 classification effect of JSC BankPozitiv Kazakhstan	(31,287)	-
Additions to non-performing loans and finance lease receivables	10,216	67,254
Recoveries	(4,803)	(25,993)
Write-offs ⁽¹⁾	(10,304)	(11,188)
Exchange rate differences	-	2,654
Non-performing loans and finance lease receivables at the end of period	65,479	101,657

⁽¹⁾ TL 10,304 of non-performing loans and finance lease receivables were sold to an asset management company as at 30 September 2015 (31 December 2014- TL 10,983).

Movements in the reserve for possible loan losses:

	30 September 2015	31 December 2014
Reserve at the beginning of the period	58,650	42,801
IFRS 5 classification effect of JSC BankPozitiv Kazakhstan	(22,366)	-
Provision net of recoveries	6,143	28,326
- Provision for loan and finance lease receivables impairment	10,476	42,950
- Recoveries	(4,333)	(14,624)
Write-offs ⁽¹⁾	(4,821)	(12,878)
Exchange rate differences	-	401
Reserve at the end of the period	37,606	58,650

⁽¹⁾ Write-offs include TL 4,821 (31 December 2014- TL 5,813) 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 10,304 (31 December 2014- TL 10,983) as at 30 September 2015.

5. Intangible assets

Intangible assets consist of goodwill, purchased software and developed software.

The carrying amount of goodwill at 30 September 2015 was nil (31 December 2014 – nil).

For the nine-month period ended 30 September 2015, no impairment loss on goodwill has been recognized (30 September 2014 – USD 24.5 Million (TL 52,924)).

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5. Intangible assets (continued)

Reconciliation of carrying amount of goodwill

The following table sets out of the reconciliation of carrying amount of goodwill as at 30 September 2015 and 31 December 2014.

	30 September 2015	31 December 2014
Cost		
Balance at beginning of period	-	65,101
Exchange rate differences	-	5,630
Balance at the end of the period	-	70,731
Impairment losses		
Balance at beginning of period	-	(12,770)
Exchange rate differences	-	(5,630)
Impairment loss	-	(52,331)
Balance at the end of the period	-	(70,731)
Carrying amounts		
Balance at beginning of period	-	52,331
Balance at the end of the period	-	-

6. Investment property

In 2014, the Group classified its Hotel in Gaziantep, previously recorded in Other Assets under Assets Held for Resale, as Investment Property in terms of change in right of repurchase. The Group has started to earn rental income from this property and therefore in accordance with IAS 40, the Group has presented the Hotel as Investment Property. The fair value of the Hotel has been assessed at TL 57,090.

Accordingly, the Hotel was valued by an independent appraiser. According to the report dated 2 May 2014 prepared by a real estate appraisal company, which is included in the list to provide valuation service by the Capital Markets Board of Turkey ("CMB"), the fair value of hotel is determined as TL 56,155 for shares of the land and building owned by the Group determined according to the discounted cash flow projections approach. Investment property comprises a commercial properties that are leased to third parties. Lease contains an initial non-cancellable period of 10 years, with annual increases in rents indexed to consumer prices. Rental income from investment property amounting to TL 310 has been recognised in other income.

The fair values of the Group's investment property are categorised into Level 3 of the fair value hierarchy.

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurements in Level 3 of the fair value hierarchy:

	1 January – 30 September 2015	1 January – 31 December 2014
Balance at 1 January	56,155	-
Reclassification from other assets	-	37,440
Additions	935	-
Accounted in other income		
Change in fair value	-	18,715
Total	57,090	56,155

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	30 September 2015		31 December 2014	
	Turkish Lira	Foreign currency	Turkish Lira	Foreign currency
Short-term⁽¹⁾				
Fixed interest	624	304,517	30,599	199,200
Floating interest	297	-	-	-
Long-term⁽¹⁾				
Fixed interest	-	354,269	-	215,881
Floating interest	-	109,430	-	103,052
Total	921	768,216	30,599	518,133

⁽¹⁾ Based on original maturities.

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

As at 30 September 2015 and 31 December 2014, funds borrowed are unsecured.

As at 30 September 2015 and 31 December 2014, the Group has not had any defaults of principal, interest or redemption amounts or other breaches of loan covenants.

8. Debt securities issued

	30 September 2015		31 December 2014	
	Turkish Lira	Foreign currency	Turkish Lira	Foreign currency
Debt securities issued at amortised cost	330,560	459,588	388,760	353,744
Total	330,560	459,588	388,760	353,744

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9. Capital and reserves

	30 September 2015		31 December 2014	
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 2015 and 31 December 2014, the composition of shareholders and their respective percentage of ownership are summarised as follows:				
	30 September 2015		31 December 2014	
	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.

Other reserves

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.

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ**Notes to the Condensed Consolidated Financial Statements****As at and for the period ended 30 September 2015***(Currency - In thousands of Turkish Lira)***10. 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 2014 – 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	
	2015	2014	2015	2014	2015	2014
Loans and finance lease receivables						
At 1 January	-	-	1	89	-	-
At end of the period/year	-	-	77	1	-	-
Interest income (*)	-	-	13	6	-	-

As at 30 September 2015, no provisions have been recognised in respect of loans and finance lease receivables given to related parties (31 December 2014 – none).

	Shareholders		Directors and key management personnel		Others	
	2015	2014	2015	2014	2015	2014
Funds borrowed						
At 1 January	185,851	192,335	-	-	70,926	72,890
At end of the period/year	201,791	185,851	-	-	39,098	70,926
Interest expense (*)	(4,895)	(619)	-	-	(1,381)	(1,772)

(*) Interest income and interest expense in the above tables for 2014 represents the balances as of 30 September 2014.

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Other balances with related parties:

Related party		Due from banks	Deposits	Other assets	Other liabilities	Non-cash loans
Shareholders	30 September 2015	24	-	-	3	23,901
	31 December 2014	14	-	-	3	19,050
Directors and key management personnel	30 September 2015	-	97	-	13	1,254
	31 December 2014	-	26	-	-	-
Others	30 September 2015	4	59	-	79	1,254
	31 December 2014	7	439	-	96	1,315

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 2015	-	-	(15)	16	-
	30 September 2014	-	-	-	22	-
Directors and key management personnel	30 September 2015	-	-	-	-	-
	30 September 2014	-	-	-	3	-
Others	30 September 2015	-	-	(55)	1	-
	30 September 2014	-	-	(129)	3	-

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 7,708 (30 September 2014 – TL 7,892) comprising salaries and other benefits.

11. 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 2015	31 December 2014
Letters of guarantee	701,946	670,327
Letters of credit	76,237	82,148
Other guarantees	33,759	36,227
Commitments	14,926	3,187
Total non-cash loans	826,868	791,889

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12. Held for sale and discontinued operations

Based on the Board of Directors decision dated 19 October 2015, BankPozitif (“Bank”) has signed an SPA on 20 October 2015 with Eurasian Bank JSC for the sale of the Bank’s 100% owned subsidiary, JSC BankPozitiv Kazakhstan and the transaction to be closed subject to the approvals of the authorities. Accordingly, as at 30 September 2015, the group has classified the assets amounting to TL 250,216 and liabilities amounting to TL 121,748 of JSC BankPozitiv Kazakhstan under assets held for sale and liabilities held for sale respectively.

13. 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.

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.

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ

Notes to the Condensed Consolidated Financial Statements

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13. Financial risk management (continued)

Strategy in using financial instruments (continued)

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 Board of Directors and ALCO and executive committee supervise the compliance with the limits.
- Permanent learning program for the Board of Directors is in place from the beginning of 2011 including the subjects risk management, corporate governance in general and corporate governance in the financial sector, Basel II, reporting standards (IFRS and BRSA) and audit.
- In summary, in order not to be exposed to liquidity, interest rate and foreign currency risk, the Group aims to keeps its funding structure in line with the asset structure (in terms of currency, maturity and interest rate) and hedges its positions through various derivative transactions. In addition to that, the Group does not prefer to take 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 risks to the best possible extend, the Group applies a well-defined “credit allocation process” and afterwards monitoring of the portfolio is being executed using a number of precautionary actions by relevant functions.

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ**Notes to the Condensed Consolidated Financial Statements****As at and for the period ended 30 September 2015***(Currency - In thousands of Turkish Lira)***13. Financial risk management (continued)****Credit risk (continued)**

30 September 2015	Loans and advances to customers	Loans and advances to banks	Investment securities and loaned securities	Non cash loans
Neither past due nor impaired	1,453,733	7,073	76,973	826,868
Past due but not impaired	45,285	-	-	-
Individually impaired	65,479	-	-	-
Allowance for impairment				
- Individual impairment	(19,613)	-	-	-
- Collective impairment	(17,993)	-	-	-
	1,526,891	7,073	76,973	826,868

31 December 2014	Loans and advances to customers	Loans and advances to banks	Investment securities and loaned securities	Non cash loans
Neither past due nor impaired	1,282,571	134,257	119,134	791,889
Past due but not impaired	38,569	-	-	-
Individually impaired	101,657	-	-	-
Allowance for impairment				
- Individual impairment	(42,939)	-	-	-
- Collective impairment	(15,711)	-	-	-
	1,364,147	134,257	119,134	791,889

The Group regards a loan and advance or a debt security as impaired in the following circumstances.

- i) There is objective evidence that a loss event has occurred since initial recognition and the loss event has an impact on future estimated cash flows from the asset.
- ii) A retail loan is overdue for 90 days or more.

Loans that are subject to a collective provision are not considered impaired.

Loans and investment debt securities that are past due but not impaired

Loans and investment debt securities that are 'past due but not impaired' are those for which contractual interest or principal payments are past due but the Group believes that impairment is not appropriate on the basis of the level of security or collateral available and/or the stage of collection of amounts owed to the Group. The amounts disclosed exclude assets measured at fair value through profit or loss.

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.

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13. Financial risk management (continued)

Credit risk (continued)

Having a reliable credit allocation function

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

Credit approval processes for both retail and corporate loans are centralised. 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 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 Board of Directors, describing relevant credit limits such as single borrower limit, group exposure limit, sectorial limit, credit approval authorities and their approval limits. Risk limits are determined by comparing Turkey and Israel 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, the limit for group of borrower is set as 25% of total equity.

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 sectorial and borrower limits, the Group has limits on own risk groups' indebtedness as 10% of total equity. Furthermore a limit on six largest borrowers and groups is set 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.

As at 30 September 2015, the share of the Group's loan to its top 20 credit customers in its total loan portfolio is 42.4% (31 December 2014 – 40%).

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13. Financial risk management (continued)

Credit risk (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 as 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, decision trees developed internally (and validated by Experian Scorex) are being used to evaluate retail applicants. G3 scores of Credit Bureau is used in the classification of retail customers.

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ**Notes to the Condensed Consolidated Financial Statements****As at and for the period ended 30 September 2015***(Currency - In thousands of Turkish Lira)***13. Financial risk management (continued)****Credit risk (continued)***Monitoring the risk*

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 sectorial 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 sectorial concentration for cash loans, finance lease receivables and non-cash loans is as follows:

30 September 2015	Cash loans	Non-cash loans	Total
Tourism and entertainment	143,156	7,242	150,398
Public works and civil engineering	124,303	89,699	214,002
Electric production and supply	282,830	128,369	411,199
Other commercial services	195,490	38,894	234,384
Trade	120	80,620	80,740
Personal other services	155,335	58,227	213,562
Metal and by-products	36,402	127,153	163,555
Building contractor (general and special trade)	79,331	50,509	129,840
Other financial institutions	12,755	15,252	28,007
Transportation	69,856	6,559	76,415
Agriculture and forestry	2,800	5,973	8,773
Machinery and equipment	4,277	20,336	24,613
Commercial, mortgage, investment finance banks	-	35,673	35,673
Electrical and electronic equipment	-	5,924	5,924
Food, beverage and tobacco industries	-	9,592	9,592
Textile and clothing	24,981	6,150	31,131
Holding companies	205,439	20,039	225,478
Consumer loans	118,050	-	118,050
Chemical and Oil Products	-	18,566	18,566
Others	7,393	102,091	109,484
Total performing loans	1,462,518	826,868	2,289,386
Interest accruals	36,500	-	36,500
Loans in arrears	65,479	-	65,479
Provision for possible loan losses	(37,606)	-	(37,606)
Total loans	1,526,891	826,868	2,353,759

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31 December 2014	Cash loans	Non-cash loans	Total
Tourism and entertainment	102,147	11,277	113,424
Public works and civil engineering	118,520	33,511	152,031
Electric production and supply	162,058	110,860	272,918
Other commercial services	211,821	47,386	259,207
Trade	18,732	126,493	145,225
Personal other services	101,934	62,148	164,082
Metal and by-products	41,162	91,842	133,004
Building contractor (general and special trade)	88,096	69,002	157,098
Other financial institutions	30,198	51,236	81,434
Transportation	59,052	12,593	71,645
Agriculture and forestry	313	7,799	8,112
Machinery and equipment	6,054	38,983	45,037
Commercial, mortgage, investment finance banks	-	34,520	34,520
Electrical and electronic equipment	-	14,774	14,774
Food, beverage and tobacco industries	2,228	8,646	10,874
Textile and clothing	38,730	12,433	51,163
Holding companies	106,429	11,651	118,080
Consumer loans	181,246	1,892	183,138
Chemical and Oil Products	20,238	17,986	38,224
Others	13,483	26,857	40,340
Total performing loans	1,302,441	791,889	2,094,330
Interest accruals	18,699	-	18,699
Loans in arrears	101,657	-	101,657
Provision for possible loan losses	(58,650)	-	(58,650)
Total loans	1,364,147	791,889	2,156,036

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ**Notes to the Condensed Consolidated Financial Statements****As at and for the period ended 30 September 2015***(Currency - In thousands of Turkish Lira)***13. Financial risk management (continued)****Credit risk (continued)***Monitoring the risk (continued)*

Total collateralisation coverage of cash and non-cash loans are 74.7% as at 30 September 2015 (31 December 2014 – 80%).

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

	30 September 2015	31 December 2014
Cash loans (including financial lease receivables) under loan in arrears		
Secured by mortgages	46,313	53,787
Secured by pledge	-	17,063
Secured by guarantee	732	1,387
Secured by assignment and cheques	-	9,881
Unsecured	18,434	19,539
Total	65,479	101,657
Cash loans (including financial lease receivables) except loan in arrears		
Secured by cash	40,835	37,236
Secured by mortgages	419,705	422,560
Secured by pledge	171,112	144,367
Secured by guarantee	305,108	308,033
Secured by assignment and cheques	186,718	172,430
Unsecured	375,540	236,514
Total	1,499,018	1,321,140
Non-cash loans		
Secured by cash	12,033	13,764
Secured by mortgages	31,311	46,612
Secured by pledge	-	22,400
Secured by guarantee	493,302	434,218
Secured by assignment and cheques	76,943	95,825
Unsecured	213,279	179,070
Total	826,868	791,889

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ

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13. 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.

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13. Financial risk management (continued)

Liquidity risk (continued)

30 September 2015	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	23	-	-	-	-	-	-	-	-	-	-	23
Due from banks and financial institutions	7,073	-	-	-	-	-	-	-	-	-	-	7,073
Interbank and other money market placements	-	24,025	-	-	-	-	-	-	-	-	-	24,025
Reserve deposits at central banks	30,498	149,507	-	-	-	-	-	-	-	-	-	180,005
Trading assets	-	2,005	1,300	1,579	3,029	2,418	-	-	-	950	-	11,281
Investment securities	-	131	75	2,294	2,197	13,887	1,304	7,091	4,810	29,192	-	60,981
Loaned securities	-	-	196	3,656	7,254	19	-	-	-	4,867	-	15,992
Loans and finance lease receivables	-	46,093	271,607	159,457	144,513	231,597	203,149	112,886	71,395	266,791	19,403	1,526,891
Property and equipment	-	-	-	-	-	-	-	-	-	-	2,451	2,451
Intangible assets	-	-	-	-	-	-	-	-	-	-	9,739	9,739
Deferred tax assets	-	-	-	-	-	-	-	-	-	-	18,447	18,447
Investment property	-	-	-	-	-	-	-	-	-	-	57,090	57,090
Held for sale assets	-	-	-	-	-	-	-	-	-	-	250,216	250,216
Other assets	-	59,568	-	-	107	-	-	-	-	-	11,808	71,483
Total assets	37,594	281,329	273,178	166,986	157,100	247,921	204,453	119,977	76,205	301,800	369,154	2,235,697
Liabilities												
Deposit from other banks	-	-	-	-	-	-	-	-	-	-	-	-
Customer deposits	-	-	-	-	-	-	-	-	-	-	-	-
Other money market deposits	-	16,165	-	-	-	-	-	-	-	-	-	16,165
Trading liabilities	-	2,471	1,064	22,824	35,351	-	-	-	-	-	-	61,710
Funds borrowed	-	12,494	295,220	146,837	71,249	49,404	41,336	22,321	18,516	111,760	-	769,137
Debt securities issued	-	54,792	126,622	92,913	59,630	-	456,191	-	-	-	-	790,148
Other liabilities	5,214	13,458	36,278	2,170	20,540	-	-	-	-	928	4,052	82,640
Provisions	-	3,005	152	-	-	-	-	-	-	-	4,587	7,744
Held for sale liabilities	-	-	-	-	-	-	-	-	-	-	121,748	121,748
Current tax liabilities	-	-	-	-	-	-	-	-	-	-	12	12
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-	67	67
Total liabilities	5,214	102,385	459,336	264,744	186,770	49,404	497,527	22,321	18,516	112,688	130,466	1,849,371
Net liquidity gap	32,380	178,944	(186,158)	(97,758)	(29,670)	198,517	(293,074)	97,656	57,689	189,112	238,688	386,326

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13. Financial risk management (continued)

Liquidity risk (continued)

31 December 2014	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	35,764	-	-	-	-	-	-	-	-	-	-	35,764
Due from banks and financial institutions	19,226	114,703	-	328	-	-	-	-	-	-	-	134,257
Interbank and other money market placements	1,272	-	-	-	-	-	-	-	-	-	-	1,272
Reserve deposits at central banks	23,189	97,651	-	-	-	-	-	-	-	-	-	120,840
Trading assets	-	1,799	1,167	3,972	2,718	2,170	-	-	-	852	-	12,678
Investment securities	-	3,732	22,639	27,931	-	8,877	3,983	302	5,891	20,503	28	93,886
Loaned securities	-	75	65	19,324	-	-	4,032	-	-	1,752	-	25,248
Loans and finance lease receivables	-	66,164	49,531	143,058	341,262	290,751	169,953	122,829	56,487	85,301	38,811	1,364,147
Property and equipment	-	-	-	-	-	-	-	-	-	-	8,016	8,016
Intangible assets	-	-	-	-	-	-	-	-	-	-	14,250	14,250
Current tax assets	-	-	-	-	-	-	-	-	-	-	-	-
Deferred tax assets	-	-	-	-	-	-	-	-	-	-	11,984	11,984
Investment property	-	-	-	-	-	-	-	-	-	-	56,155	56,155
Other assets	-	28,863	114	53	-	417	-	-	-	-	13,049	42,496
Total assets	79,451	312,987	73,516	194,666	343,980	302,215	177,968	123,131	62,378	108,408	142,293	1,920,993
Liabilities												
Deposit from other banks ⁽¹⁾	439	-	-	-	-	-	-	-	-	-	-	439
Customer deposits ⁽¹⁾	59,362	3,562	2,869	972	4,902	4,212	1,164	-	278	-	-	77,321
Other money market deposits	-	25,188	-	-	-	-	-	-	-	-	-	25,188
Trading liabilities	-	11,120	12,126	2,107	5,415	543	-	-	-	-	-	31,311
Funds borrowed	-	209,921	30,816	66,112	127,176	49,194	20,069	20,069	2,206	23,169	-	548,732
Debt securities issued	-	51,410	85,216	118,907	64,000	76,180	-	346,791	-	-	-	742,504
Other liabilities	20,820	24,939	3,456	-	8,471	-	-	-	-	683	1,401	59,770
Provisions	-	4,042	152	-	-	-	-	-	-	-	4,633	8,827
Current tax liabilities	-	-	183	-	-	-	-	-	-	-	-	183
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-	-	-
Total liabilities	80,621	330,182	134,818	188,098	209,964	130,129	21,233	366,860	2,484	23,852	6,034	1,494,275
Net liquidity gap	(1,170)	(17,195)	(61,302)	6,568	134,016	172,086	156,735	(243,729)	59,894	84,556	136,259	426,718

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ

Notes to the Condensed Consolidated Interim Financial Information

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(Currency - In thousands of Turkish Lira)

13. 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 2015, the highest potential loss of the securities portfolio was generated by historical simulation method as TL 31 (31 December 2014 – TL 74) 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.

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ**Notes to the Condensed Consolidated Interim Financial Information****As of and for the period ended 30 September 2015***(Currency - In thousands of Turkish Lira)***13. Financial risk management (continued)****Currency risk (continued)**

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

30 September 2015	USD	Euro	CHF	JPY	KZT	Others	Total
Assets							
Cash and balances with central banks	-	-	-	-	-	-	-
Due from banks and financial institutions	872	532	156	40	-	112	1,712
Other money market placements	-	-	-	-	-	-	-
Reserve deposits at central Banks	167,708	-	-	-	-	-	167,708
Investment securities	-	-	-	-	-	-	-
Loans and finance lease receivables ⁽¹⁾	804,082	338,314	5,702	1,526	-	111	1,149,735
Property and equipment	-	-	-	-	-	-	-
Intangible assets	-	-	-	-	-	-	-
Deferred tax assets	-	-	-	-	-	-	-
Held for sale assets	101,387	1,513	1	52	146,267	965	250,185
Other assets	39,260	26,057	-	-	-	-	65,317
Total assets	1,113,309	366,416	5,859	1,618	146,267	1,188	1,634,657
Liabilities							
Deposit from other banks	-	-	-	-	-	-	-
Customer deposits	-	-	-	-	-	-	-
Funds borrowed	382,928	385,288	-	-	-	-	768,216
Debt securities issued	459,588	-	-	-	-	-	459,588
Other liabilities	39,872	22,075	52	1	3	2	62,005
Held for sale liabilities	90,495	1,506	-	-	28,004	1,742	121,747
Provisions	-	-	-	-	-	-	-
Total liabilities	972,883	408,869	52	1	28,007	1,744	1,411,556
Gross exposure	140,426	(42,453)	5,807	1,617	118,260	(556)	223,101
Off-balance sheet position							
Net notional amount of derivatives	(247,039)	28,755	(5,863)	(1,876)	-	(217)	(226,240)
Net exposure	(106,613)	(13,698)	(56)	(259)	118,260	(773)	(3,139)

⁽¹⁾ Foreign currency net non-performing loans and finance lease receivables amounting TL 8,814 is included at foreign currency position, respectively.

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ

Notes to the Condensed Consolidated Interim Financial Information As of and for the period ended 30 September 2015

(Currency - In thousands of Turkish Lira)

13. Financial risk management (continued)

Currency risk (continued)

31 December 2014	USD	Euro	CHF	JPY	KZT	Others	Total
Assets							
Cash and balances with central banks	20,242	131	-	-	15,371	3	35,747
Due from banks and financial institutions	27,437	1,488	185	61	5	294	29,470
Other money market placements	-	-	-	-	1,272	-	1,272
Reserve deposits at central Banks	116,548	-	-	-	2,107	-	118,655
Trading assets	-	-	-	-	-	-	-
Investment securities	-	-	-	-	28	-	28
Loans and finance lease receivables ⁽¹⁾	623,877	238,921	5,787	1,693	145,401	107	1,015,786
Property and equipment	-	-	-	-	5,059	-	5,059
Intangible assets	-	-	-	-	2,715	-	2,715
Deferred tax assets	-	-	-	-	814	-	814
Other assets	27,988	12	-	-	5,711	1	33,712
Total assets	816,092	240,552	5,972	1,754	178,483	405	1,243,258
Liabilities							
Deposit from other banks ⁽²⁾	1	5	-	-	429	4	439
Customer deposits ⁽²⁾	41,922	1,120	-	-	34,184	95	77,321
Trading liabilities	-	-	-	-	-	-	-
Funds borrowed	251,092	267,041	-	-	-	-	518,133
Debt securities issued	353,744	-	-	-	-	-	353,744
Other liabilities	23,069	8,692	111	1	538	3	32,414
Provisions	-	-	-	-	162	-	162
Total liabilities	669,828	276,858	111	1	35,313	102	982,213
Gross exposure	146,264	(36,306)	5,861	1,753	143,170	303	261,045
Off-balance sheet position							
Net notional amount of derivatives	(297,638)	36,681	(5,861)	(1,719)	-	(216)	(268,753)
Net exposure	(151,374)	375	-	34	143,170	87	(7,708)

⁽¹⁾ Foreign currency net non-performing loans and finance lease receivables amounting TL 9,776 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 2015***(Currency - In thousands of Turkish Lira)***13. Financial risk management (continued)****Currency risk (continued)****Sensitivity analysis**

A 10% weakening of TL against the foreign currencies at 30 September 2015 and 31 December 2014 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.

30 September 2015	Equity	Profit or loss
USD	(10,661)	(10,661)
EUR	(1,370)	(1,370)
Other currencies	11,717	11,717
	(314)	(314)
31 December 2014	Equity	Profit or loss
USD	(15,137)	(15,137)
EUR	37	37
Other currencies	14,329	14,329
	(771)	(771)

A 10% strengthening of the TL against the foreign currencies at 30 September 2015 and 31 December 2014 would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

Cash flow and fair value interest rate risk

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

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

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

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ

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13. 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 2015	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	-	-	-	-	-	-	-	-	-	23	23
Due from banks and financial institutions	-	-	-	-	-	-	-	-	-	7,073	7,073
Interbank and other money market placements	24,025	-	-	-	-	-	-	-	-	-	24,025
Reserve deposits at central banks	158,060	-	-	-	-	-	-	-	-	21,945	180,005
Trading assets	1,155	326	3,965	3,852	1,969	14	-	-	-	-	11,281
Investment securities	9,918	6,282	37,781	-	7,000	-	-	-	-	-	60,981
Loaned securities	-	7,452	8,540	-	-	-	-	-	-	-	15,992
Loans and finance lease receivables	172,894	301,713	184,393	124,092	207,613	176,203	88,056	53,786	190,267	27,874	1,526,891
Property and equipment	-	-	-	-	-	-	-	-	-	2,451	2,451
Intangible assets	-	-	-	-	-	-	-	-	-	9,739	9,739
Deferred tax assets	-	-	-	-	-	-	-	-	-	18,447	18,447
Investment property	-	-	-	-	-	-	-	-	-	57,090	57,090
Held for sale assets	-	-	-	-	-	-	-	-	-	250,216	250,216
Other assets	214	-	-	-	-	-	-	-	-	71,269	71,483
Total assets	366,266	315,773	234,679	127,944	216,582	176,217	88,056	53,786	190,267	466,127	2,235,697
Liabilities											
Deposit from other bank	-	-	-	-	-	-	-	-	-	-	-
Customer deposits	-	-	-	-	-	-	-	-	-	-	-
Other money market deposits	16,165	-	-	-	-	-	-	-	-	-	16,165
Trading liabilities	2,470	1,067	22,822	35,351	-	-	-	-	-	-	61,710
Funds borrowed	11,573	313,780	165,821	6,880	159,325	-	-	-	111,758	-	769,137
Debt securities issued	54,793	126,621	92,913	59,630	-	456,191	-	-	-	-	790,148
Other liabilities	10,324	36,277	2,168	20,541	-	-	-	-	927	12,403	82,640
Provisions	-	-	-	-	-	-	-	-	-	7,744	7,744
Held for sale liabilities	-	-	-	-	-	-	-	-	-	121,748	121,748
Current tax liabilities	-	-	-	-	-	-	-	-	-	12	12
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	67	67
Total liabilities	95,325	477,745	283,724	122,402	159,325	456,191	-	-	112,685	141,974	1,849,371
Financial position interest sensitivity gap	270,941	(161,972)	(49,045)	5,542	57,257	(279,974)	88,056	53,786	77,582	324,153	386,326
Off-balance sheet interest sensitivity gap, net	-	-	-	(90,264)	33,450	-	-	-	-	-	(56,814)
Total interest sensitivity gap	270,941	(161,972)	(49,045)	(84,722)	90,707	(279,974)	88,056	53,786	77,582	324,153	329,512

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ

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13. Financial risk management (continued)

Cash flow and fair value interest rate risk (continued)

31 December 2014	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	-	-	-	-	-	-	-	-	-	35,764	35,764
Due from banks and financial institutions	114,701	327	-	-	-	-	-	-	-	19,229	134,257
Interbank and other money market placements	1,272	-	-	-	-	-	-	-	-	-	1,272
Reserve deposits at central banks	-	-	-	-	-	-	-	-	-	120,840	120,840
Trading assets	4,134	1,639	2,033	2,558	1,171	1,139	4	-	-	-	12,678
Investment securities	-	21,798	19,808	52,252	-	-	-	-	-	28	93,886
Loaned securities	4,107	1,816	19,325	-	-	-	-	-	-	-	25,248
Loans and finance lease receivables	175,790	79,631	118,869	258,243	272,658	161,931	114,737	55,104	84,137	43,047	1,364,147
Property and equipment	-	-	-	-	-	-	-	-	-	8,016	8,016
Intangible assets	-	-	-	-	-	-	-	-	-	14,250	14,250
Deferred tax assets	-	-	-	-	-	-	-	-	-	11,984	11,984
Investment property	-	-	-	-	-	-	-	-	-	56,155	56,155
Other assets	-	114	53	-	417	-	-	-	-	41,912	42,496
Total assets	300,004	105,325	160,088	313,053	274,246	163,070	114,741	55,104	84,137	351,225	1,920,993
Liabilities											
Deposit from other banks ⁽¹⁾	-	-	-	-	-	-	-	-	-	439	439
Customer deposits ⁽¹⁾	3,562	2,869	972	4,902	4,212	1,164	-	278	-	59,362	77,321
Other money market deposits	25,188	-	-	-	-	-	-	-	-	-	25,188
Trading liabilities	11,120	12,126	2,107	5,415	543	-	-	-	-	-	31,311
Funds borrowed	194,360	87,700	63,213	58,785	122,611	-	-	-	22,063	-	548,732
Debt securities issued	53,410	83,216	118,907	64,000	76,180	-	346,791	-	-	-	742,504
Other liabilities	20,479	3,456	8,471	-	-	-	-	-	682	26,682	59,770
Provisions	-	-	-	-	-	-	-	-	-	8,827	8,827
Current tax liabilities	-	-	-	-	-	-	-	-	-	183	183
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-	-
Total liabilities	308,119	189,367	193,670	133,102	203,546	1,164	346,791	278	22,745	95,493	1,494,275
Financial position interest sensitivity gap	(8,115)	(84,042)	(33,582)	179,951	70,700	161,906	(232,050)	54,826	61,392	255,732	426,718
Off-balance sheet interest sensitivity gap, net	(7,441)	(10,970)	-	(1,327)	(5,001)	-	-	-	-	-	(24,739)
Total interest sensitivity gap	(15,556)	(95,012)	(33,582)	178,624	65,699	161,906	(232,050)	54,826	61,392	255,732	401,979

⁽¹⁾ Figures represent the foreign subsidiary's deposit balances.

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As at 30 September 2015 and 31 December 2014, the effective interest rate applied on balance sheet items summarised as follows:

30 September 2015 (%)	TL	USD	EUR	CHF	JPY	GBP	KZT
Due from banks and financial institutions	13.73	-	0.04	-	-	-	-
Interbank and other money market placements	11.62	-	-	-	-	-	-
Marketable securities (Investment and trading)	6.02	-	-	-	-	-	-
Loans and finance lease receivables							
- Corporate loans	16.25	6.72	5.63	-	-	-	-
- Retail loans	16.99	9.08	8.28	7.29	6.22	11.28	-
Deposits from other banks	-	-	-	-	-	-	-
Customer deposits	-	-	-	-	-	-	-
Other money market deposits	7.48	-	-	-	-	-	-
Funds borrowed and debt securities issued	5.43	3.92	2.98	-	-	-	-
Current account of loan customers ⁽¹⁾	8.83	2.84	0.15	-	-	-	-
31 December 2014 (%)	TL	USD	EUR	CHF	JPY	GBP	KZT
Due from banks and financial institutions	10.22	0.13	0.05	-	-	-	-
Interbank and other money market placements	-	-	-	-	-	-	-
Marketable securities (Investment and trading)	14.61	9.63	-	-	-	-	-
Loans and finance lease receivables							
- Corporate loans	16.28	6.81	5.23	-	-	-	9.56
- Retail loans	16.86	9.26	8.35	7.36	6.38	11.41	14.18
Deposits from other banks	-	-	-	-	-	-	-
Customer deposits	-	4.41	-	-	3.79	-	4.76
Other money market deposits	9.66	-	-	-	-	-	-
Funds borrowed and debt securities issued	9.90	5.00	3.27	-	-	-	-
Current account of loan customers ⁽¹⁾	7.31	3.16	3.56	-	-	-	-

⁽¹⁾ Included in other liabilities.

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.

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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 2015	31 December 2014
Local TL interest rate		
+500 bps	(3.80)	(4.46)
-400 bps	4.40	5.64
Foreign currency interest rate		
+200 bps EUR	0.78	(1.25)
-200 bps EUR	(0.30)	0.30
+200 bps USD	(1.17)	0.26
-200 bps USD	2.17	(0.35)

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 2015 and 31 December 2014 is as follows:

	30 September 2015	31 December 2014
Amount subject to credit risk (I)	2,237,325	1,906,025
Amount subject to market risk (II)	43,200	194,875
Amount subject to operational risk (III)	191,488	158,475
Total risk-weighted assets and value at market risk and operational risk (IV) = (I+II+III)	2,472,013	2,259,375
Shareholders' equity	370,371	409,678
Capital adequacy ratio	14.98%	18.14%

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This table below analyses financial instruments measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the values recognised in the statement of financial position.

30 September 2015	Level 1	Level 2	Level 3	Total
Trading assets	6,797	4,484	-	11,281
Investment and loaned securities	76,973	-	-	76,973
Investment property	-	-	57,090	57,090
	83,770	4,484	57,090	145,344
Trading liabilities	-	61,710	-	61,710
	-	61,710	-	61,710
31 December 2014	Level 1	Level 2	Level 3	Total
Trading assets	1,417	11,261	-	12,678
Investment and loaned securities	119,134	-	-	119,134
Investment property	-	-	56,155	56,155
	120,551	11,261	56,155	187,967
Trading liabilities	-	31,311	-	31,311
	-	31,311	-	31,311

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ**Notes to the Condensed Consolidated Interim Financial Information****As of and for the period ended 30 September 2015***(Currency - In thousands of Turkish Lira)***15. 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 2015	Asset management and treasury	Corporate banking	Retail banking	Foreign financial subsidiary	Non-financial services	Eliminations	Total
Interest income	24,174	77,080	15,289	-	170	-	116,713
Interest expense	(65,967)	(1,123)	-	-	-	-	(67,090)
Intersegment revenue	56,426	(51,532)	(4,894)	-	-	-	-
Net interest income	14,633	24,425	10,395	-	170	-	49,623
Net fee and commission income	(163)	5,299	(128)	-	-	-	5,008
Net trading income and foreign exchange gain, net	(14,536)	174	-	-	95	-	(14,267)
Other operating income	1,340	2,054	9	-	-	-	3,403
Total operating income	1,274	31,952	10,276	-	265	-	43,767
Net impairment loss on financial and non-financial assets and on consolidation goodwill	458	(707)	(5,894)	-	-	-	(6,143)
Total operating expenses	(9,888)	(14,730)	(15,301)	-	(203)	-	(40,122)
Profit / (loss) before income tax	(8,156)	16,515	(10,919)	-	62	-	(2,498)
Income tax	(8)	-	-	-	(15)	-	(23)
Net profit/(loss) for the period from continuing operations	(8,164)	16,515	(10,919)	-	47	-	(2,521)
Profit from discontinued operations	-	-	-	10,095	-	-	10,095
Net profit/(loss) for the period	(8,164)	16,515	(10,919)	10,095	47	-	7,574
Total assets	653,159	1,309,643	127,325	5,940	250,216	(110,586)	2,235,697
Total liabilities	1,642,032	100,766	3,402	366	121,748	(18,943)	1,849,371

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ

Notes to the Condensed Consolidated Interim Financial Information As of and for the period ended 30 September 2015

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15. Operating segments (continued)

30 September 2014	Asset management and treasury	Corporate banking	Retail banking	Foreign financial subsidiary	Non-financial services	Eliminations	Total
Interest income	37,151	70,151	19,837	-	18	-	127,157
Interest expense	(77,746)	(1,390)	-	-	-	-	(79,136)
Intersegment revenue	24,303	(22,585)	(1,718)	-	-	-	-
Net interest income	(16,292)	46,176	18,119	-	18	-	48,021
Net fee and commission income	(275)	6,338	(82)	-	-	-	5,981
Net trading income and foreign exchange gain, net	10,562	818	10	-	14	-	11,404
Other operating income	10,230	23,925	17	-	3,292	(3,428)	34,036
Total operating income	4,225	77,257	18,064	-	3,324	(3,428)	99,442
Net impairment loss on financial and non-financial assets and on consolidation goodwill	(52,292)	(11,081)	(5,356)	-	-	-	(68,729)
Total operating expenses	(11,904)	(15,491)	(13,678)	-	(3,189)	2,401	(41,861)
Profit / (loss) before income tax	(59,971)	50,685	(970)	-	135	(1,027)	(11,148)
Income tax	(6,125)	-	-	-	(27)	-	(6,152)
Net profit/(loss) for the period from continuing operations	(66,096)	50,685	(970)	-	108	(1,027)	(17,300)
Profit from discontinued operations	-	-	-	1,384	-	-	1,384
Net profit/(loss) for the period	(66,096)	50,685	(970)	1,384	108	(1,027)	(15,916)
Total assets⁽¹⁾	345,921	1,329,894	175,552	223,947	5,981	(160,302)	1,920,993
Total liabilities⁽¹⁾	1,325,129	94,304	3,741	86,794	453	(16,146)	1,494,275

⁽¹⁾ As at 31 December 2014.

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ

Notes to the Condensed Consolidated Interim Financial Information

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16. Rating

As at 30 September 2015, the Bank's ratings assigned by international rating agency, Fitch Ratings is as follows:

Fitch Ratings, March 2015

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	AA+ (tur) (Stable)

17. Subsequent and other events

Based on the Board of Directors decision dated 19 October 2015, BankPozitif ("Bank") signed an SPA on 20 October 2015 with Eurasian Bank JSC for the sale of the Bank's 100% owned subsidiary, JSC BankPozitiv Kazakhstan. The sales transaction expected be closed subject to the approvals of the authorities.