

**Bankpozitif Kredi ve Kalkınma
Bankası Anonim Şirketi**

**Condensed Consolidated Interim
Financial Information**

**As at and For the Six-Month Period Ended
30 June 2021**

With Independent Auditors' Report on Review of
Condensed Consolidated Interim
Financial Information

Bankpozitif Kredi ve Kalkınma Bankası Anonim Şirketi

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KPMG Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.
İş Kuleleri Kule 3 Kat:2-9
Levent 34330 İstanbul
Tel +90 212 316 6000
Fax +90 212 316 6060
www.kpmg.com.tr

Independent Auditors' Report on Review of Condensed Consolidated Interim Financial Information

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

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of Bankpozitif Kredi ve Kalkınma Bankası Anonim Şirketi ("the Bank") and its subsidiary (together "the Group") as at 30 June 2021, the condensed consolidated statement of profit or loss, the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the six 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 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 30 June 2021 condensed consolidated interim financial information is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'.

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

Erdal Tıkmak
Partner

5 August 2021
İstanbul, Turkey

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ**Condensed Consolidated Interim Statement of Financial Position****As at 30 June 2021***(Currency - In thousands of Turkish Lira)*

		Reviewed	Audited
	<i>Note</i>	30 June 2021	31 December 2020
ASSETS			
Cash and balances with central banks		2	10
Due from banks and financial institutions		13,345	8,522
Interbank and other money market placements		10,005	100
Reserve deposits at central banks		85,755	73,142
Trading assets		9,176	16,724
Investment securities		33,739	33,326
Loaned securities		18,642	13,492
Loans and finance lease receivables, net	3	757,081	700,140
Tangible assets		11,102	10,021
Intangible assets		5,038	5,015
Deferred tax assets	4	4,578	2,317
Assets held for sale	5	48,400	48,400
Other assets		9,644	12,225
Total assets		1,006,507	923,434
LIABILITIES			
Money market deposits		18,521	12,954
Trading liabilities		9,471	9,825
Funds borrowed	6	633,851	560,504
Other liabilities	7	42,041	35,828
Provisions		18,443	17,431
Total liabilities		722,327	636,542
EQUITY			
Share capital and share premium	8	379,114	379,114
Legal reserves		16,168	16,168
Fair value reserve of debt instruments at fair value through other comprehensive income (FVOCI), net of tax	8	5,456	5,569
Accumulated losses		(116,558)	(113,959)
Total equity		284,180	286,892
Total equity and liabilities		1,006,507	923,434

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 six-month period ended 30 June 2021***(Currency - In thousands of Turkish Lira)*

		Reviewed	Reviewed	Reviewed	Reviewed
	Note	1 January– 30 June 2021	1 April– 30 June 2021	1 January– 30 June 2020	1 April– 30 June 2020
Continuing operations					
Interest income					
Interest income on loans and finance leases		36,388	19,964	32,232	16,121
Interest income on deposits with other banks and financial institutions		752	423	459	267
Interest income on investment securities		2,705	1,501	4,650	1,915
Interest income on interbank and other money market placements		998	313	801	419
Other interest income		289	71	1,336	398
Total interest income		41,132	22,272	39,478	19,120
Interest expense					
Interest expense on other money market deposits		(909)	(505)	(279)	(145)
Interest expense on funds borrowed		(9,028)	(4,530)	(9,480)	(4,397)
Interest expense on debt securities issued		-	-	-	-
Other interest expense		(4,928)	(1,813)	(5,050)	(2,618)
Total interest expense		(14,865)	(6,848)	(14,809)	(7,160)
Net interest income		26,267	15,424	24,669	11,960
Fees and commission income		1,299	308	1,479	636
Fees and commission expense		(194)	(123)	(160)	(107)
Net fee and commission income		1,105	185	1,319	529
Net trading income and foreign exchange gain, net		3,275	(32)	(2,073)	1,730
Other operating income		625	364	1,145	336
Total operating income		31,272	15,941	25,060	14,555
Net impairment (loss) / reversal on financial assets	3	(10,167)	(4,785)	(30,755)	(28,040)
Personnel expenses		(11,720)	(6,035)	(9,206)	(4,493)
Depreciation and amortisation		(1,867)	(972)	(1,839)	(908)
Administrative expenses		(9,518)	(5,019)	(8,213)	(3,984)
Taxes other than on income		(388)	(158)	(410)	(136)
Other expenses		(2,371)	(478)	(1,758)	(667)
Total operating expenses		(25,864)	(12,662)	(21,426)	(10,188)
Loss before income tax		(4,759)	(1,506)	(27,121)	(23,673)
Income tax		2,271	254	1,520	766
Loss for the period		(2,488)	(1,252)	(25,601)	(22,907)

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 and Other Comprehensive Income
For the six-month period ended 30 June 2021***(Currency - In thousands of Turkish Lira)*

	Reviewed	Reviewed	Reviewed	Reviewed
	1 January–	1 April–	1 January–	1 April–
	30 June 2021	30 June 2021	30 June 2020	30 June 2020
Loss for the period	(2,488)	(1,252)	(25,601)	(22,907)
Other comprehensive income / (loss)				
<i>Items that will never be reclassified to profit or loss</i>				
Remeasurement of employee termination benefits	(139)	(100)	(436)	(318)
Related tax	28	20	96	70
	(111)	(80)	(340)	(248)
<i>Items that are or may be reclassified to profit or loss</i>				
Net change in fair value of financial assets measured at fair value through other comprehensive income (FVOCI)	(85)	(284)	(1,425)	1,527
Net amount reclassified to the income statement on sale of debt instruments at FVOCI	10	(132)	1,312	(53)
Related tax	(38)	30	47	(294)
	(113)	(386)	(66)	1,180
Other comprehensive income / (loss) for the period, net of income tax	(224)	(466)	(406)	932
Total comprehensive income / (loss) for the period	(2,712)	(1,718)	(26,007)	(21,975)

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 six-month period ended 30 June 2021***(Currency - In thousands of Turkish Lira)*

	<i>Note</i>	Share capital	Share premium	Adjustment to share capital	Legal reserves	Fair value reserve of debt instruments at FVOCI, net of tax	Accumulated losses	Total
At 1 January 2020	8	337,292	20,121	21,701	16,168	8,478	(92,745)	311,015
Total comprehensive income/(loss) for the period								
Profit/(loss) for the period		-	-	-	-	-	(25,601)	(25,601)
Other comprehensive income/(loss)								
Re-measurements of employee termination benefit, net of tax		-	-	-	-	-	(340)	(340)
Net change in fair value of financial assets measured at fair value through other comprehensive income (FVOCI), net of tax		-	-	-	-	(66)	-	(66)
Total other comprehensive income/(loss)		-	-	-	-	(66)	(340)	(406)
Total comprehensive income/(loss) for the year		-	-	-	-	(66)	(25,941)	(26,007)
At 30 June 2020	8	337,292	20,121	21,701	16,168	8,412	(118,686)	285,008
	<i>Note</i>	Share capital	Share premium	Adjustments to share capital	Legal reserves	Fair value reserve of debt instruments at FVOCI, net of tax	Accumulated losses	Total
At 1 January 2021	8	337,292	20,121	21,701	16,168	5,569	(113,959)	286,892
Total comprehensive income/(loss) for the period								
Profit/(loss) for the period		-	-	-	-	-	(2,488)	(2,488)
Other comprehensive income/(loss)								
Re-measurements of employee termination benefit, net of tax		-	-	-	-	-	(111)	(111)
Net change in fair value of financial assets measured at fair value through other comprehensive income (FVOCI), net of tax		-	-	-	-	(113)	-	(113)
Total other comprehensive income/(loss)		-	-	-	-	(113)	(111)	(224)
Total comprehensive income/(loss) for the year		-	-	-	-	(113)	(2,599)	(2,712)
At 30 June 2021	8	337,292	20,121	21,701	16,168	5,456	(116,558)	284,180

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 six-month period ended 30 June 2021***(Currency - In thousands of Turkish Lira)*

		Reviewed	Reviewed
		1 January –	1 January –
	<i>Note</i>	30 June 2021	30 June 2020
Cash flows from operating activities			
Interest received		22,999	30,605
Interest paid		(14,566)	(14,705)
Fees and commissions received		1,238	1,368
Fees and commissions paid		(194)	(160)
Trading income		65	2,878
Recoveries from non-performing loans	3	639	198
Cash payments to employees and other parties		(12,073)	(9,525)
Cash received from other operating activities		625	1,145
Cash paid to other operating activities		(12,448)	(11,279)
		(13,715)	525
Change in trading assets		599	1,115
Change in reserve deposits at central banks		(12,612)	(563)
Change in loans and finance lease receivables		36,155	(45,184)
Change in other assets		2,643	(2,643)
Change in interbank and money market deposits		5,571	3,465
Change in other liabilities		13,680	42,184
Net cash from operating activities		32,321	(1,101)
Cash flows from investing activities			
Purchases of investment securities		(6,169)	(22,573)
Proceeds from sale and redemption of investment securities		5,204	21,889
Purchases of tangible assets		(2,357)	-
Proceeds from the sale of premises and equipment		-	(837)
Purchases of intangible assets		(303)	-
Net cash generated from investing activities		(3,625)	(1,521)
Cash flows from financing activities			
Proceeds from funds borrowed	6	759,489	1,960,942
Repayment of funds borrowed	6	(772,424)	(2,002,302)
Proceeds from debt securities issued		-	-
Repayment of debt securities issued		-	-
Payments due to lease liabilities		(1,316)	(1,569)
Net cash used in financing activities		(14,251)	(42,929)
Effect of net foreign exchange difference on cash and cash equivalents		287	909
Net increase/(decrease) in cash and cash equivalents		14,732	(44,642)
Cash and cash equivalents at 1 January		8,615	62,170
Cash and cash equivalents at 30 June		23,347	17,528

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 six-month period ended 30 June 2021

(Currency - In thousands of Turkish Lira)

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BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ

Notes to the Condensed Consolidated Interim Financial Information

As at and for the six-month period ended 30 June 2021

(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 June 2021, 69.83% (31 December 2020 – 69.83%) of the shares of the Bank belong to Tarshish and are controlled by Bank Hapoalim and 30.17% (31 December 2020 – 30.17%) of the shares belong to C Faktoring A.Ş.

The Group’s shareholders Tarshish Hapoalim and Investments Ltd. and C Faktoring A.Ş. have reached an agreement with a buyer at 9 February 2021 for the sale of all of their shares in Bankpozitif Kredi ve Kalkınma Bankası A.Ş. The permissions for the sale of the shares of the Group were given by BRSA at 29 July 2021 and by Supervisor Bank of Israel at 10 March 2021.

The registered head office address of the Bank is located at Rüzgarlıbahçe Mah. Kumlu Sok. No: 3 Yasa 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 six-month period ended 30 June 2021

(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 to its customers. As a non-deposit taking bank, the Bank borrows funds from financial markets and from its counterparties.

The Bank, within the scope of its downsizing policy in its corporate and retail business line, continued to decrease its assets. While the Bank continued to support its clients and provide services, downsizing policy continued without any new loan disbursement while maintaining its asset quality.

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.

As at 30 June 2021, the Bank provides services through its head office. As at 30 June 2021, the number of employees for the Bank and its consolidated subsidiary are 60 and 1, respectively (31 December 2020 – 51 and 2).

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

The subsidiary included in consolidation and effective shareholding percentages of the Group at 30 June 2021 and 31 December 2020 are as follows:

	Place of incorporation	Principal activities	Effective shareholding and voting rights (%)	
			30 June 2021	31 December 2020
C Bilişim	Istanbul/Turkey	Software development and technology	100	100

2. Basis of preparation

2.1 Statement of compliance

The condensed consolidated interim financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with annual consolidated financial statements.

These condensed consolidated interim financial statements as of 30 June 2021 have been prepared in accordance with IAS 34 Interim Financial Reporting. They do not include all the information required for a complete set of IFRS financial statements. However selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual consolidated financial statements as at and for the year ended 31 December 2020. The condensed consolidated interim financial statements should be read in conjunction with annual consolidated financial statements of the Group for the year ended 31 December 2020.

In preparation of the condensed consolidated interim 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 as of 31 December 2020.

These interim financial statements were authorised for issue by the Bank's board of directors on 5 August 2021.

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ

Notes to the Condensed Consolidated Interim Financial Information As at and for the six-month period ended 30 June 2021

(Currency - In thousands of Turkish Lira)

2. Basis of preparation *(continued)*

2.2 Basis of measurement

The condensed consolidated interim financial statements have been prepared on the historical cost basis except for the following assets and liabilities are measured at fair value;

- derivative financial instruments
- trading assets
- financial assets at the fair value through profit or loss
- financial assets measured at fair value through other comprehensive income

2.3 Use of estimates and judgements

In preparing these interim financial statements, management has made judgements and estimates 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 described in the last annual financial statements.

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.

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 12 – fair value of financial instruments.

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ

**Notes to the Condensed Consolidated Interim Financial Information
As at and for the six-month period ended 30 June 2021**

(Currency - In thousands of Turkish Lira)

3. Loans and finance lease receivables

30 June 2021	Turkish Lira	Foreign currency	Foreign currency indexed	Total
Corporate loans and finance lease receivables	130,608	555,279	-	685,887
Stage 1	-	292,096	-	292,096
Stage 2	130,608	263,183	-	393,791
Consumer loans	20	-	-	20
Stage 1	-	-	-	-
Stage 2	20	-	-	20
Total loans and finance lease receivables	130,628	555,279	-	685,907
Loans and finance lease receivables in arrears	190,060	18,582	-	208,642
Less: 12 month ECL (stage 1)	-	-	-	-
Less: Lifetime ECL significant increase in credit risk (stage 2)	(7,547)	-	-	(7,547)
Less: Lifetime ECL impaired credits (stage 3)	(126,464)	(3,457)	-	(129,921)
	186,677	570,404	-	757,081

31 December 2020	Turkish Lira	Foreign currency	Foreign currency indexed	Total
Corporate loans and finance lease receivables	118,710	505,890	-	624,600
Stage 1	-	270,575	-	270,575
Stage 2	118,710	235,315	-	354,025
Consumer loans	40	-	62	102
Stage 1	-	-	62	62
Stage 2	40	-	-	40
Total loans and finance lease receivables	118,750	505,890	62	624,702
Loans and finance lease receivables in arrears	185,231	17,181	-	202,412
Less: 12 month ECL (stage 1)	(31)	-	-	(31)
Less: Lifetime ECL significant increase in credit risk (stage 2)	(5,930)	-	-	(5,930)
Less: Lifetime ECL impaired credits (stage 3)	(118,213)	(2,800)	-	(121,013)
	179,807	520,271	62	700,140

As at 30 June 2021, loans and finance lease receivables with floating rates are TL 130,608 (31 December 2020 – TL 118,710) and fixed interest rates are TL 555,299 (31 December 2020 – TL 505,992).

Movements in non-performing loans and finance lease receivables (stage 3):

	30 June 2021	31 December 2020
Non-performing loans and finance lease receivables at 1 January	202,412	166,476
Additions to non-performing loans and finance lease receivables	9,844	46,104
Recoveries	(3,614)	(10,168)
Non-performing loans and finance lease receivables at the end of period	208,642	202,412

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ**Notes to the Condensed Consolidated Interim Financial Information
As at and for the six-month period ended 30 June 2021***(Currency - In thousands of Turkish Lira)***3. Loans and finance lease receivables (continued)**

Movements in the expected credit losses for loan and finance lease receivables:

	30 June 2021	31 December 2020
Reserve at the beginning of the year	126,974	88,449
Provision net of recoveries	10,494	38,525
- <i>Expected credit loss</i>	11,133	41,789
- <i>Recoveries</i>	(639)	(3,264)
Reserve at the end of the period	137,468	126,974

4. Taxation

The Group is subject to taxation in accordance with the tax procedures and the legislation effective in Turkey. While the corporate tax rate was at the rate of 20% until 22 April 2021, for all companies, such rate has been set as 25% for the tax bases of the year 2021, 23% for the tax bases of the year 2022 and 20% for the tax base of year 2023 and after based on the legislation of the Amendment on Certain Tax Laws and Other Laws no. 7316.

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 25th 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 subsidiary to file a consolidated tax return. Therefore, provision for taxes, as reflected in the consolidated financial position, has been calculated on a separate-entity basis.

As at 30 June 2021, TL 2,096 of deferred tax assets are recognised for TL 10,482 of tax losses of the Group (31 December 2020: TL 2,096 of deferred tax assets and TL 10,482 of tax losses), unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. The related tax losses can be utilized until 31 December 2025.

Deferred tax assets have not been recognised in respect of the remaining tax losses are amounting to TL 51,277 (31 December 2020: TL 99,497).

Due date breakdown of tax losses	30 June 2021	31 December 2020
2020	-	41,991
2021	18,944	18,944
2023	7,262	7,262
2024	3,459	3,459
2025	21,612	27,841
	51,277	99,497

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ**Notes to the Condensed Consolidated Interim Financial Information****As at and for the six-month period ended 30 June 2021***(Currency - In thousands of Turkish Lira)***4. Taxation (continued)**

The deferred tax included in the consolidated financial position and changes recognized in the income tax expense are as follows:

	Deferred tax asset	Deferred tax liability	Deferred tax asset	Deferred tax liability
	30 June 2021	30 June 2021	31 December 2020	31 December 2020
Derivative financial instruments	2,362	(1,265)	1,965	(2,497)
Liability for employee provision	2,090	-	1,892	-
Tangible assets	-	(1,193)	-	(1,124)
Tax losses	2,096	-	2,096	-
Assets held for sale	-	(1,073)	-	(1,073)
Others	1,574	(13)	1,138	(80)
Deferred tax asset / (liability)	8,122	(3,544)	7,091	(4,774)
Net off of tax	(3,544)	3,544	(4,774)	4,774
Net tax asset / (liability)	4,578	-	2,317	-

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ**Notes to the Condensed Consolidated Interim Financial Information****As at and for the six-month period ended 30 June 2021***(Currency - In thousands of Turkish Lira)***4. Taxation (continued)**

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

	30 June 2021	31 December 2020
Deferred tax assets, net at 1 January	2,317	3,626
Deferred tax recognised in the profit or loss	2,271	(2,357)
Deferred income tax recognised in other comprehensive income/(loss)	(10)	1,048
Deferred tax assets, net at the end of the period	4,578	2,317

Reconciliation between tax expense and the accounting profit multiplied by the statutory income tax rate for the 30 June 2021 and 30 June 2020 is as follows:

	30 June 2021	30 June 2020
Profit/(loss) before income tax	(4,759)	(27,121)
Income tax using the domestic corporation tax rate 25%	1,190	5,967
Non-deductible expenses	(34)	(26)
Current year losses for which no deferred tax asset is recognized	1,537	(4,327)
Unrecognised deductible temporary differences	(138)	(63)
Other	(284)	(31)
Total income tax income in the statement of profit or loss	2,271	1,520

5. Assets held for sale

	1 January – 30 June 2021	1 January – 31 December 2020
Balance at 1 January	48,400	46,861
Additions	-	-
Change in fair value	-	1,680
Sale of the asset	-	(141)
Total	48,400	48,400

6. Funds borrowed

	30 June 2021		31 December 2020	
	Turkish Lira	Foreign currency	Turkish Lira	Foreign currency
Short-term⁽¹⁾				
Fixed interest	-	39,186	-	23,027
Floating interest	-	261,794	-	220,763
Long-term⁽¹⁾				
Fixed interest	-	195,848	-	180,537
Floating interest	-	137,023	-	136,177
Total	-	633,851	-	560,504

⁽¹⁾ Based on original maturities.

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ**Notes to the Condensed Consolidated Interim Financial Information
As at and for the six-month period ended 30 June 2021***(Currency - In thousands of Turkish Lira)***6. Funds borrowed (continued)**

Floating rate borrowings have interest rate repricing periods of 1 month.

As at 30 June 2021 and 31 December 2020, funds borrowed are unsecured.

As at 30 June 2021 and 31 December 2020, the Group has not had any defaults of principal, interest or redemption amounts.

Reconciliation of movement of funds borrowed to cash flows from financing activities:

	31 December 2020	Cash items	Foreign currency conversion adjustments	Other non- cash items	30 June 2021
Funds borrowed	560,504	(12,935)	86,206	76	633,851
Total	560,504	(12,935)	86,206	76	633,851

	31 December 2019	Cash items	Foreign currency conversion adjustments	Other non- cash items	31 December 2020
Funds borrowed	543,189	(108,867)	126,303	(121)	560,504
Total	543,189	(108,867)	126,303	(121)	560,504

(*) The group has USD and EUR funds borrowed whose interest rates are between 0.20% and 3.42% as of 30 June 2021(31 December 2020: between 0.20% and 3.72%).

7. Other liabilities

	30 June 2021	31 December 2020
Current accounts of loan customers	31,012	19,564
Collateral received for derivative transactions	1,567	7,931
Lease payables	6,064	6,212
Unearned commission income	706	803
Taxes and funds payables	549	540
Insurance payables	130	115
Others	2,013	663
Total	42,041	35,828

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ

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8. Capital and reserves

	30 June 2021	31 December 2020
Number of common shares, TL 0.1 (in full TL), par value (Authorized and issued)	3.372.923.500	3.372.923.500

Share capital and share premium

As at 30 June 2021 and 31 December 2020, the composition of shareholders and their respective percentage of ownership are summarized as follows:

	30 June 2021		31 December 2020	
	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	
Adjustment to share capital	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

Financial assets measured at fair value through other comprehensive income (FVOCI) reserve

The financial assets measured at fair value through other comprehensive income (FVOCI) reserve includes the cumulative net change in the fair value of financial assets measured at fair value through other comprehensive income (FVOCI) investment securities until the investment is derecognised or impaired.

As at 30 June 2021, financial assets measured at fair value through other comprehensive income (FVOCI) reserve is TL 5,456 net of tax (31 December 2020: TL 5,569 net of tax).

9. 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 2020 – 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, consolidated subsidiary, shareholders, and companies controlled by Bank Hapoalim and C Faktoring A.Ş. are referred to as related parties.

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)

9. Related parties (continued)

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. As of 30 June 2021, the Group has utilized 30,000 USD loan with maturity date of 3 December 2021 and interest rate of LIBOR+3.05%. These are all commercial transactions and realised on an arms-length basis.

As of 30 June 2021, there are no loans and finance lease receivables to related parties (31 December 2020 – none).

	Shareholders		Directors and key management personnel		Others	
	2021	2020	2021	2020	2021	2020
Funds borrowed						
At 1 January	220,763	208,795	-	-	-	-
At end of the period/year	261,794	220,763	-	-	-	-
Interest expense ⁽¹⁾	(4,278)	(2,379)	-	-	-	-

⁽¹⁾ Interest expense in the above tables for 2020 represents the balances as of 30 June 2021. Interest expense in the above tables for 2021 represents the balances as of 30 June 2021.

Other balances with related parties:

Related party		Deposits	Other liabilities	Non-cash loans	Other interest expense
Shareholders	30 June 2021	-	3	5,420	-
	31 December 2020	-	3	4,574	-
Directors and key management personnel	30 June 2021	-	-	-	-
	31 December 2020	-	-	-	-
Others	30 June 2021	-	348	6	-
	31 December 2020	-	292	6	-

Compensation of key management personnel of the Group

The executive and non-executive member of Board of Directors and management received remuneration and fees amounted to TL 3,897 (30 June 2020 – TL 3,376) comprising salaries and other benefits.

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ

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10. Commitments and contingencies

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

	30 June 2021	31 December 2020
Letters of guarantee	68,424	81,495
Loss allowances (amounts arising from ECL)	(7,804)	(7,698)
Total non-cash loans (net)	60,620	73,797

The counterpart of the Debt Liquidation and Right of Repurchase Agreement entered into by and between Gaziantep Çağlar and the Bank that was being kept in the land register was falsified by forgery of documents. This falsified document was unlawfully used in an enforcement proceeding with judgement. The following legal procedures regarding this fraud initiated by the Bank are ongoing:

1. The Bank filed a complaint to the Enforcement Court of Gaziantep against the proceeding filed against the Bank claiming that the underlying document for the proceeding had not been appropriate for the said enforcement proceeding with judgement and the irregularities had occurred during proceeding filing transactions. The court accepted our objections and ruled for the cancellation of the proceeding. The Provisional Appeal Court and the Supreme Court of Appeals ratified the decision, and the decision to cancel the enforcement proceedings has been finalized.
2. Upon the rescission of the injunction decision taken by the Civil Court of Enforcement, the Bank filed another negative declaratory action before the Gaziantep Commercial Court of First Instance in order to re-stop the ongoing proceeding, and the Court dismissed the action. The justified decision did not clearly state as to why the action had been rejected, it only stated that the decision had been taken based on two Supreme Court decisions, both of which were used as examples but in fact they were not related to the subject matter of the action filed by the Bank. The Bank applied to the Provisional Appeal Court (the 1st degree appeal) against this decision. The Provisional Appeal Court did not review the action on merit due to the fact that the evidence indicated in the case file had not been gathered and accepted the appeal request, ruled on revoking the local court's decision and decided to send the case file back to the local court for it to be re-reviewed.

Although the Provisional Appeal Court accepted the Bank's appeal request, Bank objected to this decision on the procedural grounds since we believe that after this decision of the Provisional Appeal Court, the case should be reviewed and decided by the Provisional Appeal Court, not the local court. Following the rejection of the Provisional Appeal Court of the Bank's objection, the Bank applied to the Supreme Court of Appeal. The Supreme Court of Appeal rejected our application. In the meantime, after the Provisional Appeal Court's decision, the Local Court continued to litigate the case and decided to wait for the Aggravated Felony Court to finalize its decision. The hearing was postponed to be held on 25 November 2021.

3. The Bank filed a complaint with the Office of the Chief Public Prosecutor of Gaziantep about the persons attempted in fraud. At the end of the proceedings, all criminal files have been merged into a single High Criminal Court file. The Court ruled that some defendants should be sentenced for crimes such as Aggravated Fraud, Forgery on Special Documents and Wrongful Conduct. The Court has already written its justified decision and the Public Prosecutor's Office and the Bank appealed the decision with the request that the related accused persons should be sentenced to heavier punishments. The appeal process completed and the decision of the Local Court has been reversed for the reasons as stated below:

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ

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10. Commitments and contingencies (continued)

- 3.1. The fact that the defendants MKG and RD were not interrogated. The court should reach its decision after of interrogation of the relevant persons has been completed.;
- 3.2. Evaluation of the aggravation of the sentence on the grounds that the crime of qualified fraud against one of the defendants had more than one aggravating reason and did not remain at the stage of attempt.;
- 3.3. The proposal to postpone the announcement of the verdict about the crime of abuse of duty given to some of the defendants was not clearly presented to the defendants and their opinions were not taken, and that a judgment should be formed based on the answers they will give by asking the defendants.

The appeal decision has been sent to the Local Court, and no action has yet been taken by the Local Court. The file will receive a new number and the trial will continue in the Local Court.

4. The Bank filed a criminal complaint with the Gaziantep Chief Public Prosecutor's Office against the lawyers who had falsified the agreement dated 30.06.2010, helped to do so, arranged fraudulent documents to the detriment of the Bank in the Land Registry Directorate and submitted these documents to the Prosecutor's Office. It has been decided that the final investigation will be opened and conducted by the Gaziantep Aggravated Felony Court on Duty for the accused to be tried for misconduct. The related hearing will be held on 28 October 2021.
5. Aces Turizm Otelcilik Hizmetleri A.Ş. (former name: Gaziantep Çağlar) filed an action before the Gaziantep 7th Civil Court of First Instance against the Bank stating that the right of repurchase established on the immovable (the hotel) located on the plot 15, block 568 in Aktoprak Neighborhood in Şehitkamil District of Gaziantep Province and annotated in favor of Gaziantep Çağlar on the land registry records for an indefinite term was actually limited to 30 years, this term had been interrupted due to the statute of limitations and requesting from the court that the dispute between the parties be resolved and the right of repurchase annotation be perpetuated through an interim injunction. The Bank submitted its reply petition and the Local Court rejected the plaintiff's request for interim injunction. The plaintiff objected to the rejection of the request for interim injunction. The Local Court has not determined the date for the next hearing.
6. Aces Turizm Otelcilik Hizmetleri A.Ş. (former name: Gaziantep Çağlar) filed an action before the Gaziantep 5th Civil Court of First Instance against the Bank stating that the right of repurchase established on the immovable (the hotel) located on the plot 15, block 568 in Aktoprak Neighborhood in Şehitkamil District of Gaziantep Province and annotated in favor of Gaziantep Çağlar on the land registry records for an indefinite term should continue. The Local Court decided in line with the plaintiff's request and granted an interim injunction for not selling the subject matter immovable. The Bank submitted its reply petition and objected to interim injunction that precludes the immovable from being sold. The Local Court has not determined the date for the next hearing.
7. Aces Turizm Otelcilik Hizmetleri A.Ş. (former name: Gaziantep Çağlar) filed a declaratory action before the Gaziantep 2nd Civil Court of First Instance against the Bank stating that the movables in the immovable (the hotel) located on the plot 15, block 568 in Aktoprak Neighborhood in Şehitkamil District of Gaziantep Province belonged to themselves. The Local Court decided in line with the plaintiff's request and ordered a view to be conducted in the immovable on 13 July 2021. The Bank objected to such view and sent its objection petition to the Local Court through the UYAP system. The Court informed the Bank on the phone that the view would not be conducted. Declaratory action decisions of the case files with reference numbers starting with D.İş are not published on the UYAP system. The Bank currently waits for the decision to be notified to itself.

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ

Notes to the Condensed Consolidated Interim Financial Information As at and for the six-month period ended 30 June 2021

(Currency - In thousands of Turkish Lira)

11. 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 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 2010.

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 Interim Financial Information

As at and for the six-month period ended 30 June 2021

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11. 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 its subsidiary, regarding exposure to various risks (credit risks, market risks, operational risks, liquidity risks and others),
- 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 documentations, reporting standards (IFRS and Banking Regulation and Supervision Agency) 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/the counterparty defaults on its contractual obligations or does not deliver in full accordance with the conditions of contract and cannot perform its obligations partially or completely on the terms set.

Although, the Bank has an asset decreasing strategy, the main focus is defined as credit activities, credits are the most significant part of its activities and thus managed meticulously. The Bank follows credit policy 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 Interim Financial Information****As at and for the six-month period ended 30 June 2021***(Currency - In thousands of Turkish Lira)***11. Financial risk management (continued)****Credit risk (continued)**

30 June 2021	Loans and finance lease receivables	Due from banks and financial institutions	Investment securities and loaned securities	Non cash loans
<i>Carrying amount</i>				
Stage 1	292,096	13,442	52,629	68,424
Stage 2	393,811	-	-	-
Stage 3	208,642	-	-	-
<i>Allowance for impairment</i>				
- 12 month ECL (stage 1)	-	(97)	(248)	(660)
- Lifetime ECL significant increase in credit risk (stage 2)	(7,547)	-	-	(7,144)
- Lifetime ECL impaired credits (stage 3)	(129,921)	-	-	-
Total	757,081	13,345	52,381	60,620
31 December 2020	Loans and finance lease receivables	Due from banks and financial institutions	Investment securities and loaned securities	Non cash loans
<i>Carrying amount</i>				
Stage 1	270,637	8,539	47,054	81,495
Stage 2	354,065	-	-	-
Stage 3	202,412	-	-	-
<i>Allowance for impairment</i>				
- 12 month ECL (stage 1)	(31)	(17)	(236)	(643)
- Lifetime ECL significant increase in credit risk (stage 2)	(5,930)	-	-	(7,055)
- Lifetime ECL impaired credits (stage 3)	(121,013)	-	-	-
Total	700,140	8,522	46,818	73,797

According to the default definition, an asset is considered as default, on objective default (more than 90 days past due) and subjective default (unlikely to pay) conditions. Therefore, the Group considers a financial instrument defaulted and therefore stage 3 (credit-impaired) on these two below conditions:

1. Objective Default Definition: It means debt having past due more than 90 days. Current definition of default in the Bank is based on a more than 90 days past due definition. If a loan is exactly 90 days past due, it will not be considered as default. Default status starts on the 91st day.
2. Subjective Default Definition: It means it is considered that a debt is unlikely to be paid. Whenever it is considered that an obligor is unlikely to pay its credit obligations, it should be considered as defaulted regardless of the existence of any past-due amount or of the number of days past due.

BankPozitif manages its 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.

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ

Notes to the Condensed Consolidated Interim Financial Information

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11. 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.

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 30% of total loan book.

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 June 2021, the share of the top 5 credit customers in its total corporate loan portfolio is 85% (31 December 2020 – 81%).

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.

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ

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(Currency - In thousands of Turkish Lira)

11. Financial risk management (continued)

Credit risk (continued)

Measuring risk (continued)

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.

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. The 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 June 2021	Cash loans	Non-cash loans	Total
Electric production and supply	218,258	7,255	225,513
Other commercial services	130,608	-	130,608
Food, beverage and tobacco industries	90,767	4	90,771
Holding companies	73,838	6	73,844
Public works and civil engineering	71,987	-	71,987
Transportation	60,485	261	60,746
Building contractor (general and special trade)	39,944	13,228	53,172
Personal other services	-	29,989	29,989
Other financial institutions	-	15,420	15,420
Electrical and electronic equipment	-	1,212	1,212
Trade	-	1,019	1,019
Consumer loans	20	-	20
Textile and clothing	-	30	30
Total performing loans	685,907	68,424	754,331
Loans in arrears	208,642		208,642
Loss allowances (amounts arising from ECL)	(137,468)	(7,804)	(145,272)
Total loans	757,081	60,620	817,701

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ**Notes to the Condensed Consolidated Interim Financial Information
As at and for the six-month period ended 30 June 2021***(Currency - In thousands of Turkish Lira)***11. Financial risk management (continued)****Credit risk (continued)***Monitoring the risk (continued)*

31 December 2020	Cash loans	Non-cash loans	Total
Electric production and supply	201,423	6,303	207,726
Other commercial services	118,710	-	118,710
Food, beverage and tobacco industries	81,834	4	81,838
Holding companies	68,490	6	68,496
Public works and civil engineering	60,929	-	60,929
Transportation	55,290	220	55,510
Building contractor (general and special trade)	37,924	13,214	51,138
Personal other services	-	29,989	29,989
Other financial institutions	-	14,574	14,574
Electrical and electronic equipment	-	13,489	13,489
Machinery and equipment	-	1,847	1,847
Trade	-	1,819	1,819
Consumer loans	102	-	102
Textile and clothing	-	30	30
Total performing loans	624,702	81,495	706,197
Non-performing loans	202,412	-	202,412
Loss allowances (amounts arising from ECL)	(126,974)	(7,698)	(134,672)
Total loans	700,140	73,797	773,937

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ**Notes to the Condensed Consolidated Interim Financial Information****As at and for the six-month period ended 30 June 2021***(Currency - In thousands of Turkish Lira)***11. Financial risk management (continued)****Credit risk (continued)***Monitoring the risk (continued)*

Total collateralisation coverage of cash loans 97.80%, non-cash loans are 56.60% as at 30 June 2021 (31 December 2020 – cash loans 97.8%, non-cash loans 64.82%).

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

	30 June 2021	31 December 2020
Cash loans (including financial lease receivables) under loan in arrears		
Secured by mortgages	177,772	172,479
Secured by guarantee	11,230	11,743
Unsecured	19,640	18,190
Total	208,642	202,412
Cash loans (including financial lease receivables) except loan in arrears		
Secured by mortgages	393,263	354,087
Secured by assignment and cheques	147,693	136,995
Secured by pledge	144,403	132,919
Secured by guarantee	528	661
Secured by cash	-	-
Unsecured	20	40
Total	685,907	624,702
Non-cash loans		
Secured by guarantee	31,188	46,272
Unsecured	29,696	28,672
Secured by assignment and cheques	-	-
Secured by pledge	7,255	6,306
Secured by cash	285	245
Total	68,424	81,495

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ

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11. 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 centered 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 utilize liquidity from Interbank money markets and is in a net lender position in interbank money markets.

Although the Bank does not have new loan disbursement in its business plan, as a result of the negative impact of the COVID-19 outbreak it is possible to postpone the maturity of the loans offered depending on the customer demand. The Bank maintains a liquidity buffer for possible liquidity issues, including the effects of COVID-19, by taking the committed credit limit of the parent company. The case of no cash inflows from loan repayments is analyzed in the Bank's internal liquidity scenarios and Bank is prepared for similar scenarios.

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.

30 June 2021	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
Interbank and other money market deposits	18,521	18,521	-	18,521	-	-	-	-
Funds borrowed	633,851	396,988	-	49,984	2,989	56,979	207,175	79,861
Current account of loan customers ⁽¹⁾	32,564	32,567	-	32,567	-	-	-	-
Lease Payables	6,064	7,126	-	371	167	910	4,906	772
Total	691,000	455,202	-	101,443	3,156	57,889	212,081	80,633

(1) Included in other liabilities.

31 December 2020	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
Interbank and other money market deposits	12,954	12,966	-	12,966	-	-	-	-
Funds borrowed	560,504	578,059	-	244,324	2,607	50,536	200,139	80,453
Current account of loan customers ⁽¹⁾	21,012	21,015	-	21,015	-	-	-	-
Lease Payables	6,212	7,035	-	66	155	730	4,433	1,651
Total	600,682	619,075	-	278,371	2,762	51,266	204,572	82,104

(1) Included in other liabilities.

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11. Financial risk management (continued)

Liquidity risk (continued)

30 June 2021	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Over 5 years	Total
Forward purchase contracts	696	-	-	-	-	-	696
Forward sale contracts	(694)	-	-	-	-	-	(694)
Currency swap purchases	21,817	-	142,512	47,677	-	-	212,006
Currency swap sales	(22,146)	-	(140,215)	(48,214)	-	-	(210,575)
Interest rate cap/floor purchase contracts	-	-	-	-	169,256	-	169,256
Futures purchase contracts	-	-	-	-	-	-	-
Futures sale contracts	-	-	-	-	-	-	-
Total	(327)	-	2,297	(537)	169,256	-	170,689

31 December 2020	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Over 5 years	Total
Forward purchase contracts	315	-	-	-	-	-	315
Forward sale contracts	(315)	-	-	-	-	-	(315)
Currency swap purchases	93,765	-	15,313	123,860	-	-	232,938
Currency swap sales	(91,138)	-	(14,411)	(118,233)	-	-	(223,782)
Interest rate swaps	-	-	-	-	-	156,997	156,997
Futures purchase contracts	-	-	-	-	-	-	-
Futures sale contracts	-	-	-	-	-	-	-
Total	2,627	-	902	5,627	-	156,997	166,153

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 June 2021, the highest potential loss of the securities portfolio was generated by historical simulation method as TL 35 (31 December 2020 – TL 24) for one day.

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

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

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

Currency risk

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

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

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ**Notes to the Condensed Consolidated Interim Financial Information****As at and for the six-month period ended 30 June 2021***(Currency - In thousands of Turkish Lira)***11. Financial risk management (continued)****Currency risk (continued)**

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

30 June 2021	USD	EUR	Others	Total
Assets				
Due from banks and financial institutions	6,544	561	42	7,147
Financial assets held for trading	2,227	-	-	2,227
Reserve deposits at central Banks	85,523	-	-	85,523
Loans and finance lease receivables	426,001	144,403	-	570,404
Other assets	382	-	-	382
Total assets	520,677	144,964	42	665,683
Liabilities				
Trading liabilities	8,845	-	-	8,845
Funds borrowed	300,980	332,871	-	633,851
Other liabilities	8,247	24,235	-	32,482
Total liabilities	318,072	357,106	-	675,178
Gross exposure	202,605	(212,142)	42	(9,495)
Off-balance sheet position				
Net notional amount of derivatives	(209,879)	212,006	-	2,127
Net exposure	(7,274)	(136)	42	(7,368)
31 December 2020				
Assets				
Due from banks and financial institutions	1,771	378	41	2,190
Financial assets held for trading	2,028	-	-	2,028
Reserve deposits at central Banks	73,082	-	-	73,082
Loans and finance lease receivables	387,352	132,919	62	520,333
Other assets	4,229	-	-	4,229
Total assets	468,462	133,297	103	601,862
Liabilities				
Trading liabilities	9,825	-	-	9,825
Funds borrowed	234,776	325,728	-	560,504
Other liabilities	9,626	18,306	-	27,932
Total liabilities	254,227	344,034	-	598,261
Gross exposure	214,235	(210,737)	103	3,601
Off-balance sheet position				
Net notional amount of derivatives	(224,097)	210,740	-	(13,357)
Net exposure	(9,862)	3	103	(9,756)

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ

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11. Financial risk management (continued)

Currency risk (continued)

Sensitivity analysis

A 10% weakening of TL against the foreign currencies at 30 June 2021 and 31 December 2020 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 June 2021		31 December 2020	
	Equity	Profit or loss	Equity	Profit or loss
USD	(727)	(727)	(986)	(986)
EUR	(14)	(14)	-	-
Other currencies	4	4	10	10
Total	(737)	(737)	(976)	(976)

A 10% strengthening of the TL against the foreign currencies at 30 June 2021 and 31 December 2020 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 department 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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(Currency - In thousands of Turkish Lira)

11. 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 June 2021	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	-	-	-	-	-	-	-	-	-	2	2
Due from banks and financial institutions	-	-	-	-	-	-	-	-	-	13,345	13,345
Interbank and other money market placements	10,005	-	-	-	-	-	-	-	-	-	10,005
Reserve deposits at central banks	12,590	-	-	-	-	-	-	-	-	73,165	85,755
Trading assets	920	2,227	6,029	-	-	-	-	-	-	-	9,176
Investment securities	6,145	11,331	16,103	-	-	-	-	-	-	160	33,739
Loan securities	377	6,543	11,722	-	-	-	-	-	-	-	18,642
Loans and finance lease receivables	34,937	151,366	18,725	60,092	122,105	149,583	45,680	45,663	58,291	70,639	757,081
Other assets	-	-	-	-	-	-	-	-	-	78,762	78,762
Total assets	64,974	171,467	52,579	60,092	122,105	149,583	45,680	45,663	58,291	236,073	1,006,507
Liabilities											
Money market deposits	18,521	-	-	-	-	-	-	-	-	-	18,521
Funds borrowed	302,551	117	137,023	-	-	-	-	-	194,160	-	633,851
Trading liabilities	315	8,845	-	311	-	-	-	-	-	-	9,471
Other liabilities ⁽¹⁾	3,095	-	-	332	291	5,439	-	-	-	51,327	60,484
Total liabilities	324,482	8,962	137,023	643	291	5,439	-	-	194,160	51,327	722,327
Financial position interest sensitivity gap	(259,508)	162,505	(84,444)	59,449	121,814	144,144	45,680	45,663	(135,869)	184,746	284,180
Off-balance sheet interest sensitivity gap, net	(327)	-	2,297	(537)	-	-	-	169,256	-	-	170,689
Total interest sensitivity gap	(259,835)	162,505	(82,147)	58,912	121,814	144,144	45,680	214,919	(135,869)	184,746	454,869

⁽¹⁾ Other liabilities comprise trading liabilities, other liabilities and provisions.

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ

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11. Financial risk management (continued)

Cash flow and fair value interest rate risk (continued)

31 December 2020	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	-	-	-	-	-	-	-	-	-	10	10
Due from banks and financial institutions	-	-	-	-	-	-	-	-	-	8,522	8,522
Interbank and other money market placements	100	-	-	-	-	-	-	-	-	-	100
Reserve deposits at central banks	-	-	-	-	-	-	-	-	-	73,142	73,142
Trading assets	3,567	2,028	4,295	6,834	-	-	-	-	-	-	16,724
Investment securities	4,719	10,023	18,424	-	-	-	-	-	-	160	33,326
Loan securities	2,049	7,372	4,071	-	-	-	-	-	-	-	13,492
Loans and finance lease receivables	40,818	239,471	9,716	44,170	102,481	40,169	38,948	38,948	70,129	75,290	700,140
Other assets	-	-	-	-	-	-	-	-	-	77,978	77,978
Total assets	51,253	258,894	36,506	51,004	102,481	40,169	38,948	38,948	70,129	235,102	923,434
Liabilities											
Money market deposits	12,954	-	-	-	-	-	-	-	-	-	12,954
Funds borrowed	245,255	109	136,177	-	-	-	-	-	178,963	-	560,504
Trading liabilities	-	9,825	-	-	-	-	-	-	-	-	9,825
Other liabilities ⁽¹⁾	1,137	-	-	-	429	5,781	-	-	-	45,912	53,259
Total liabilities	259,346	9,934	136,177	-	429	5,781	-	-	178,963	45,912	636,542
Financial position interest sensitivity gap	(208,093)	248,960	(99,671)	51,004	102,052	34,388	38,948	38,948	(108,834)	189,190	286,892
Off-balance sheet interest sensitivity gap, net	2,627	-	902	5,627	-	-	-	-	156,997	-	166,153
Total interest sensitivity gap	(205,466)	248,960	(98,769)	56,631	102,052	34,388	38,948	38,948	48,163	189,190	453,045

⁽¹⁾ Other liabilities comprise trading liabilities, other liabilities and provisions.

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ**Notes to the Condensed Consolidated Interim Financial Information
As at and for the six-month period ended 30 June 2021**

(Currency - In thousands of Turkish Lira)

11. Financial risk management (continued)**Fair value interest rate risk (continued)**

As at 30 June 2021 and 31 December 2020, the effective interest rate applied on balance sheet items summarised as follows:

30 June 2021(%)	TL	USD	EUR	CHF
Due from banks and financial institutions	-	-	-	-
Interbank and other money market placements	19.10	-	-	-
Investment securities and loaned securities	5.20	-	-	-
Loans and finance lease receivables				
- Corporate loans	24.85	7.87	4.81	-
- Retail loans	19.42	-	-	-
Money market deposits	15.43	-	-	-
Funds borrowed	-	3.57	2.68	-
Current account of loan customers ⁽¹⁾	9.96	-	-	-

31 December 2020 (%)	TL	USD	EUR	CHF
Due from banks and financial institutions	-	-	-	-
Interbank and other money market placements	19.80	-	-	-
Marketable securities (Investment and trading)	5.33	-	-	-
Loans and finance lease receivables				
- Corporate loans	19.40	8.75	4.81	-
- Retail loans	18.42	-	-	7.44
Money market deposits	-	-	-	-
Funds borrowed	-	2.74	3.23	3.76
Current account of loan customers ⁽¹⁾	5.65	-	-	-

⁽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 since 2009 which is reviewed and approved by Board of Directors.

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ**Notes to the Condensed Consolidated Interim Financial Information****As at and for the six-month period ended 30 June 2021***(Currency - In thousands of Turkish Lira)***11. Financial risk management (continued)****Cash flow and fair value interest rate risk (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 June 2021	31 December 2020
Local TL interest rate		
+500 bps	(0.67)	(1.34)
-400 bps	1.10	2.51
Foreign currency interest rate		
+200 bps EUR	1.40	3.06
-200 bps EUR	0.19	0.75
+200 bps USD	(3.91)	(4.48)
-200 bps USD	1.16	0.73

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 June 2021 and 31 December 2020 is as follows:

	30 June 2021	31 December 2020
Amount subject to credit risk (I)	814,726	733,724
Amount subject to market risk (II)	37,663	29,050
Amount subject to operational risk (III)	112,090	108,181
Total risk-weighted assets, value at market risk and operational risk (IV) = (I+II+III)	964,479	870,955
Capital for the purpose of calculating the capital adequacy ratio	286,397	288,526
Capital adequacy ratio	29.69%	33.13%

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ**Notes to the Condensed Consolidated Interim Financial Information
As at and for the six-month period ended 30 June 2021***(Currency - In thousands of Turkish Lira)***12. Fair value of financial instruments****Valuation of assets measured at fair value**

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 June 2021	Level 1	Level 2	Level 3	Total
<i>Financial instruments</i>				
Financial assets at fair value through profit or loss (FVPL)	4,117	5,059	-	9,176
Investment and loaned securities at FVOCI	52,381	-	-	52,381
	56,498	5,059	-	61,557

<i>Financial instruments</i>				
Financial liabilities at fair value through profit or loss (FVPL)	-	9,471	-	9,471
Total	-	9,471	-	9,471

31 December 2020	Level 1	Level 2	Level 3	Total
<i>Financial instruments</i>				
Financial assets at fair value through profit or loss (FVPL)	4,241	12,483	-	16,724
Investment and loaned securities at FVOCI	46,818	-	-	46,818
	51,059	12,483	-	63,542

<i>Financial instruments</i>				
Financial liabilities at fair value through profit or loss (FVPL)	-	9,825	-	9,825
Total	-	9,825	-	9,825

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ**Notes to the Condensed Consolidated Interim Financial Information****As at and for the six-month period ended 30 June 2021***(Currency - In thousands of Turkish Lira)***13. Operating segments**

The Group has four reportable segments, namely headquarter and treasury, corporate banking, retail banking, 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.

Current Period	Asset management and treasury	Corporate banking	Retail banking	Non-financial services	Total
Interest income	6,162	34,430	3	537	41,132
Interest expense	(14,764)	(101)	-	-	(14,865)
Current income/(expense) between departments	30,297	(30,235)	(62)	-	-
Net interest income	21,695	4,094	(59)	537	26,267
Net fee and commission income/(expense)	398	707	-	-	1,105
Net trading income and foreign exchange gain, net	3,067	4	(1)	205	3,275
Other operating income	386	37	-	202	625
Total operating income	25,546	4,842	(60)	944	31,272
Net impairment loss on financial and non-financial assets	95	(10,263)	1	-	(10,167)
Total operating expenses	(18,520)	(6,607)	(299)	(438)	(25,864)
Profit/(loss) before income tax	7,121	(12,028)	(358)	506	(4,759)
Income tax	(3,638)	5,738	171	-	2,271
Net profit/(loss) for the period	3,483	(6,290)	(187)	506	(2,488)
Total assets	233,837	764,846	426	7,398	1,006,507
Total liabilities	689,009	34,223	18	(923)	722,327

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ**Notes to the Condensed Consolidated Interim Financial Information
As at and for the six-month period ended 30 June 2021***(Currency - In thousands of Turkish Lira)***13. Operating segments (continued)**

Prior Period 30.06.2020	Asset management and treasury	Corporate banking	Retail banking	Non-financial services	Total
Interest income	8,205	30,946	19	308	39,478
Interest expense	(14,368)	(441)	-	-	(14,809)
Internal transfer rate income/(expense)	25,449	(25,396)	(53)	-	-
Net interest income	19,286	5,109	(34)	308	24,669
Net fee and commission income / (expense)	(68)	1,387	-	-	1,319
Net trading income and foreign exchange gain, net	(2,360)	19	160	108	(2,073)
Other operating income	358	23	-	764	1,145
Total operating income	17,216	6,538	126	1,180	25,060
Net impairment loss on financial and non-financial assets	356	(31,116)	5	-	(30,755)
Total operating expenses	(13,572)	(6,647)	(266)	(941)	(21,426)
Profit / (loss) before income tax	4,000	(31,225)	(135)	239	(27,121)
Income tax	(238)	1,750	8	-	1,520
Net profit/(loss) for the year	3,762	(29,475)	(127)	239	(25,601)
Total assets 31.12.2020	212,747	703,069	541	7,077	923,434
Total liabilities 31.12.2020	615,389	21,873	17	(737)	636,542

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ

Notes to the Condensed Consolidated Interim Financial Information

As at and for the six-month period ended 30 June 2021

(Currency - In thousands of Turkish Lira)

14. Subsequent events

The permission for the sale of the shares of the Group was given by BRSA at 29 July 2021.