

**Bankpozitif Kredi ve Kalkınma
Bankası Anonim Şirketi**

**Condensed Consolidated Interim
Financial Information
As at and For the Nine-Month Period Ended
30 September 2020**
With Independent Auditors' Report on Review of
Condensed Consolidated Interim
Financial Information

Bankpozitif Kredi ve Kalkınma Bankası Anonim Şirketi

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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 30 September 2020 condensed consolidated interim financial information of Bankpozitif Kredi ve Kalkınma Bankası Anonim Şirketi ("the Bank"), which comprises:

- the condensed consolidated statement of financial position as at 30 September 2020;
- the condensed consolidated statement of profit or loss for the three-month and nine-month periods ended 30 September 2020;
- the condensed consolidated statement of profit or loss and other comprehensive income for the three-month and nine-month periods ended 30 September 2020;
- the condensed consolidated statement of changes in equity for the nine-month period ended 30 September 2020;
- the condensed consolidated statement of cash flows for the nine-month period ended 30 September 2020; and
- notes to the 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 September 2020 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.

A member firm of KPMG International Cooperative

Orhan Akova
Partner

6 November 2020
İstanbul, Turkey

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ**Condensed Consolidated Interim Statement of Financial Position****As at 30 September 2020***(Currency - In thousands of Turkish Lira)*

		Reviewed	Audited
	<i>Note</i>	30 September 2020	31 December 2019
ASSETS			
Cash and balances with central banks		3	4
Due from banks and financial institutions		7,095	11,666
Interbank and other money market placements		8,503	50,531
Reserve deposits at central banks		101,344	67,503
Trading assets		11,391	10,365
Investment securities		43,859	64,044
Loaned securities		13,271	5,439
Loans and finance lease receivables	3	724,192	641,489
Tangible assets		8,923	9,744
Intangible assets		5,073	5,513
Deferred tax assets	4	3,731	3,626
Assets held for sale	5	46,720	46,861
Other assets		15,172	12,639
Total assets		989,277	929,424
LIABILITIES			
Money market deposits		13,088	5,275
Trading liabilities		8,193	5,995
Funds borrowed	6	626,698	543,189
Other liabilities	7	41,428	47,078
Provisions		15,938	16,872
Total liabilities		705,345	618,409
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	6,861	8,478
Accumulated losses		(118,211)	(92,745)
Total equity		283,932	311,015
Total equity and liabilities		989,277	929,424

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 2020***(Currency - In thousands of Turkish Lira)*

	Reviewed 1 January – 30 September 2020	Reviewed 1 July – 30 September 2020	Reviewed 1 January – 30 September 2019	Reviewed 1 July – 30 September 2019
<i>Continuing operations</i>				
Interest income				
Interest income on loans and finance leases	51,080	18,848	52,367	15,243
Interest income on deposits with other banks and financial institutions	726	267	1,936	636
Interest income on investment securities	6,588	1,938	7,490	2,545
Interest income on interbank and other money market placements	981	180	410	117
Other interest income	1,355	19	16,128	5,839
Total interest income	60,730	21,252	78,331	24,380
Interest expense				
Interest expense on money market deposits	(421)	(142)	(3,462)	(1,739)
Interest expense on funds borrowed	(14,207)	(4,727)	(20,875)	(5,899)
Other interest expense	(7,780)	(2,730)	(7,889)	(2,964)
Total interest expense	(22,408)	(7,599)	(32,226)	(10,602)
Net interest income	38,322	13,653	46,105	13,778
Fees and commission income	2,055	576	4,557	1,679
Fees and commission expense	(448)	(288)	(247)	(77)
Net fee and commission income	1,607	288	4,310	1,602
Net trading income/(loss) and foreign exchange gain/(loss), net	(192)	1,881	878	555
Other operating income	1,413	268	1,837	1,241
Total operating income	41,150	16,090	53,130	17,176
Net impairment reversal/(loss) on financial assets	3 (33,678)	(2,923)	(13,393)	(3,423)
Personnel expenses	(13,560)	(4,354)	(17,084)	(5,400)
Depreciation and amortisation	(2,742)	(903)	(2,806)	(1,001)
Administrative expenses	(12,556)	(4,343)	(14,787)	(4,888)
Taxes other than on income	(578)	(168)	(586)	(155)
Other expenses	(2,318)	(560)	(2,224)	(1,121)
Total operating expenses	(31,754)	(10,328)	(37,487)	(12,565)
Profit/(loss) before income tax	(24,282)	2,839	2,250	1,188
Income tax	(518)	(2,038)	1,250	1,416
Profit/(loss) for the period	(24,800)	801	3,500	2,604

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 nine-month period ended 30 September 2020***(Currency - In thousands of Turkish Lira)*

	Reviewed	Reviewed	Reviewed	Reviewed
	1 January–	1 July –	1 January–	1 July–
	30 September	30 September	30 September	30 September
	2020	2020	2019	2019
Profit/(loss) for the period	(24,800)	801	3,500	2,604
Other comprehensive income				
<i>Items that will never be reclassified to profit or loss</i>				
Remeasurement of employee termination benefits	(854)	(418)	(813)	(189)
Related tax	188	92	178	41
	(666)	(326)	(635)	(148)
<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)	(5,222)	(3,797)	(2,887)	1,535
Net amount reclassified to the statement of profit or loss on sale of debt instruments at FVOCI	3,170	1,858	1,465	(191)
Related tax	435	388	328	(247)
	(1,617)	(1,551)	(1,094)	1,097
Other comprehensive income for the period, net of income tax	(2,283)	(1,877)	(1,729)	949
Total comprehensive income for the period	(27,083)	(1,076)	1,771	3,553

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 2020***(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 2019	9	337,292	20,121	21,701	16,168	9,521	(94,451)	310,352
Total comprehensive income for the period								
Profit/(loss) for the period		-	-	-	-	-	3,500	3,500
Other comprehensive income								
Re-measurements of employee termination benefit, net of tax		-	-	-	-	-	(635)	(635)
Net change in fair value of financial assets measured at fair value through other comprehensive income (FVOCI), net of tax		-	-	-	-	(1,094)	-	(1,094)
Total other comprehensive income		-	-	-	-	(1,094)	(635)	(1,729)
Total comprehensive income for the year		-	-	-	-	(1,094)	2,865	1,771
At 30 September 2019	9	337,292	20,121	21,701	16,168	8,427	(91,586)	312,123
	<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 2020	7	337,292	20,121	21,701	16,168	8,478	(92,745)	311,015
Total comprehensive income for the period								
Profit/(loss) for the period		-	-	-	-	-	(24,800)	(24,800)
Other comprehensive income								
Re-measurements of employee termination benefit, net of tax		-	-	-	-	-	(666)	(666)
Net change in fair value of financial assets measured at fair value through other comprehensive income (FVOCI), net of tax		-	-	-	-	(1,617)	-	(1,617)
Total other comprehensive income		-	-	-	-	(1,617)	(666)	(2,283)
Total comprehensive income for the year		-	-	-	-	(1,617)	(25,466)	(27,083)
At 30 September 2020	7	337,292	20,121	21,701	16,168	6,861	(118,211)	283,932

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 2020***(Currency - In thousands of Turkish Lira)*

		Reviewed	Reviewed
		1 January –	1 January –
	<i>Note</i>	30 September 2020	30 September 2019
Cash flows from operating activities			
Interest received		45,249	67,782
Interest paid		(21,495)	(32,032)
Fees and commissions received		2,012	4,246
Fees and commissions paid		(448)	(247)
Trading income		3,812	3,117
Recoveries from non-performing loans	3	336	1,412
Cash payments to employees and other parties		(14,392)	(16,624)
Cash received from other operating activities		1,413	1,837
Cash paid to other operating activities		(15,757)	(19,090)
		730	10,401
Change in trading assets		1,134	3,662
Change in reserve deposits at central banks		(33,841)	7,920
Change in loans and finance lease receivables		38,872	83,377
Change in other assets		(2,349)	(2,889)
Change in customer deposits		-	-
Change in interbank and money market deposits		7,814	19,488
Change in other liabilities		6,568	(1,206)
Net cash from operating activities		18,928	120,753
Cash flows from investing activities			
Purchases of investment securities		(30,354)	(11,787)
Proceeds from sale and redemption of investment securities		31,717	17,837
Purchases of tangible assets		(1,642)	-
Proceeds from the sale of premises and equipment		293	-
Purchases of intangible assets		-	(69)
Net cash generated from in investing activities		14	5,981
Cash flows from financing activities			
Proceeds from funds borrowed	6	3,716,580	993,394
Repayment of funds borrowed	6	(3,780,737)	(1,112,153)
Proceeds from debt securities issued		-	-
Repayment of debt securities issued		-	-
Payments due to financial lease liabilities		(2,309)	(1,438)
Net cash used in financing activities		(66,466)	(120,197)
Effect of net foreign exchange difference on cash and cash equivalents		952	7,275
Net increase/(decrease) in cash and cash equivalents		(46,572)	13,812
Cash and cash equivalents at 1 January		62,170	4,783
Cash and cash equivalents at 30 September		15,598	18,595

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 nine-month period ended 30 September 2020

(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 nine-month period ended 30 September 2020

(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 2020, 69.83% (31 December 2019 – 69.83%) of the shares of the Bank belong to Tarshish and are controlled by Bank Hapoalim and 30.17% (31 December 2019 – 30.17%) of the shares belong to C Faktoring A.Ş.

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

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ

Notes to the Condensed Consolidated Interim Financial Information

As at and for the nine-month period ended 30 September 2020

(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 September 2020, the Bank provides services through its head office. As at 30 September 2020, the number of employees for the Bank and its consolidated subsidiary are 51 and 2, respectively (31 December 2019 – 56 and 2).

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

The subsidiaries included in consolidation and effective shareholding percentages of the Group at 30 September 2020 and 31 December 2019 are as follows:

	Place of incorporation	Principal activities	Effective shareholding and voting rights (%)	
			30 September 2020	31 December 2019
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 September 2020 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 2019. 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 2019.

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 2019.

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ

Notes to the Condensed Consolidated Interim Financial Information As at and for the nine-month period ended 30 September 2020

(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

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

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

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

Key sources of estimation uncertainty

Income taxes

The Group is subject to income taxes in Turkey. Significant estimates are required in determining the provision for income taxes. Where there are matters the final tax outcome of which is different from the amounts initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. As at 30 September 2020, the Group does not have any net current tax liabilities (31 December 2019– None).

Management records deferred tax assets to the extent that it is probable that sufficient taxable profits will be available to allow all or part of the deferred tax assets to be utilised. The recoverability of the deferred tax assets is reviewed regularly. As at 30 September 2020, the Group carries net deferred tax assets amounting to TL 3,731 (31 December 2019 – TL 3,626 deferred tax assets).

Deferred tax assets have not been recognised in respect of the remaining tax losses amounting to TL 97,526, because it is not probable that future taxable profit will be available against which the Group can use the benefits therefrom (31 December 2019 – TL 82,582).

Employee termination benefits

In accordance with existing social legislation in Turkey, companies in Turkey are required to make lump-sum payments to employees upon termination of their employment based on certain conditions. In calculating the related liability to be recorded in the financial statements for these defined benefit plans, the Group makes assumptions and estimations relating to the discount rate to be used, turnover of employees, future change in salaries/limits, etc. The carrying value of employee termination benefit provisions as at 30 September 2020 is TL 5,394 (31 December 2019 – TL 4,420).

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.

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ

Notes to the Condensed Consolidated Interim Financial Information

As at and for the nine-month period ended 30 September 2020

(Currency - In thousands of Turkish Lira)

2. Basis of preparation *(continued)*

2.3 Use of estimates and judgements *(continued)*

Key sources of estimation uncertainty *(continued)*

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.

A new type of coronavirus (COVID-19), which has emerged in China, was defined as a pandemic affecting various countries in the World by the World Health Organization on 11 March 2020. The effects of COVID-19 on economic conditions, businesses, consumers and many other issues remain uncertain. The effects of COVID-19 on capital adequacy, credit risk, operational risk, currency risk, interest rate risk, liquidity risk, leverage ratio, stock position risk arising from banking accounts and other risks and indicators are regularly monitored by the Group's Management and Group's Risk Management units. The Group has already restructured the loans of customers who are in liquidity need due to COVID-19 effects and continue to analyse further restructuring needs and negotiate with customers.

As at 30 September 2020, the Group has assessed the effects of COVID-19 on estimates and judgements especially relating to expected credit losses in preparation of the consolidated financial statements. The Group increased the macroeconomic effect on the probability of default calculation by adding 20% to the S&P speculative rate for non-cash loans accordingly. The Group management will continue to reassess and revise the estimates and judgements, as appropriate, in the forthcoming periods.

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ**Notes to the Condensed Consolidated Interim Financial Information
As at and for the nine-month period ended 30 September 2020***(Currency - In thousands of Turkish Lira)***3. Loans and finance lease receivables**

30 September 2020	Turkish Lira	Foreign currency	Foreign currency indexed	Total
Corporate loans and finance lease receivables	114,040	554,151	-	668,191
Stage 1	-	276,464	-	276,464
Stage 2	114,040	277,687	-	391,727
Consumer loans	51	-	336	387
Stage 1	9	-	-	9
Stage 2	42	-	336	378
Total loans and finance lease receivables	114,091	554,151	336	668,578
Loans and finance lease receivables in arrears	178,806	-	-	178,806
Less: 12 month ECL (stage 1)	(606)	-	-	(606)
Less: Lifetime ECL significant increase in credit risk (stage 2)	(6,219)	-	-	(6,219)
Less: Lifetime ECL impaired credits (stage 3)	(116,367)	-	-	(116,367)
	169,705	554,151	336	724,192

31 December 2019	Turkish Lira	Foreign currency	Foreign currency indexed	Total
Corporate loans and finance lease receivables	102,915	460,058	-	562,973
Stage 1	-	323,849	-	323,849
Stage 2	102,915	136,209	-	239,124
Consumer loans	144	-	345	489
Stage 1	110	-	345	455
Stage 2	34	-	-	34
Total loans and finance lease receivables	103,059	460,058	345	563,462
Loans and finance lease receivables in arrears	166,476	-	-	166,476
Less: 12 month ECL (stage 1)	(1,645)	-	-	(1,645)
Less: Lifetime ECL significant increase in credit risk (stage 2)	(3,661)	-	-	(3,661)
Less: Lifetime ECL impaired credits (stage 3)	(83,143)	-	-	(83,143)
	181,086	460,058	345	641,489

As at 30 September 2020, loans and finance lease receivables with floating rates are TL 114,040 (31 December 2019 – TL 111,017) and fixed interest rates are TL 554,538 (31 December 2019 – TL 452,445).

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

	30 September 2020	31 December 2019
Non-performing loans and finance lease receivables at 1 January	166,476	126,563
Additions to non-performing loans and finance lease receivables	12,666	41,406
Recoveries	(336)	(1,493)
Non-performing loans and finance lease receivables at the end of period	178,806	166,476

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ

Notes to the Condensed Consolidated Interim Financial Information

As at and for the nine-month period ended 30 September 2020

(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 September 2020	31 December 2019
Reserve at the beginning of the year	88,449	74,803
Provision net of recoveries	34,743	13,646
- Expected credit loss	37,078	15,224
- Recoveries	(2,335)	(1,578)
Reserve at the end of the period	123,192	88,449

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% since 1 January 2016, for all companies, such rate has been set as 22% for the tax bases of the years 2018, 2019, and 2020 based on the legislation of the Amendment on Certain Tax Laws and Other Laws no. 7061. Furthermore, the Council of Ministers has been authorized to reduce the rate of 22% down to 20%.

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 September 2020, TL 2,096 of deferred tax assets are recognised for TL 10,482 of tax losses of the Group (31 December 2019: 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 97,526 (31 December 2019: TL 82,582).

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 September 2020	30 September 2020	31 December 2019	31 December 2019
Derivative financial instruments	1,650	(1,371)	1,319	(1,061)
Liability for employee provision	1,684	-	1,680	-
Tangible assets	-	(1,073)	-	(991)
Tax losses	2,096	-	2,096	-
Assets held for sale	-	(888)	-	(888)
Others	1,615	18	1,528	(57)
Deferred tax asset / (liability)	7,045	(3,314)	6,623	(2,997)
Net off of tax	(3,314)	3,314	(2,997)	2,997
Net tax asset / (liability)	3,731	-	3,626	-

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4. Taxation (continued)

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

	30 September 2020	31 December 2019
Deferred tax assets, net at 1 January	3,626	2,164
Deferred tax recognised in the profit or loss	(518)	921
Deferred income tax recognised in other comprehensive income	623	541
Deferred tax assets, net at the end of the year	3,731	3,626

Reconciliation between tax expense and the accounting profit multiplied by the statutory income tax rate of the parent for the 30 September 2020 and 30 September 2019 is as follows:

	30 September 2020	30 September 2019
Profit/(loss) before income tax	(24,282)	2,250
Income tax using the domestic corporation tax rate 22%	5,342	(495)
Non-deductible expenses	(134)	(5)
Current year losses for which no deferred tax asset is recognized	(5,692)	1,810
Unrecognised deductible temporary differences	(34)	(60)
Total income tax expense in the statement of profit or loss	(518)	1,250

5. Assets held for sale

	1 January – 30 September 2020	1 January – 31 December 2019
Balance at 1 January	46,861	855
Additions (*)	-	46,279
Change in fair value	-	441
Sale of the asset	(141)	(714)
Total	46,720	46,861

(*) The Group has classified the real estate amounting to TL 46,720 as assets held for sale as of 31 December 2019 which was earlier classified as investment property amounting to TL 46,279 as of 31 December 2018.

6. Funds borrowed

	30 September 2020		31 December 2019	
	Turkish Lira	Foreign currency	Turkish Lira	Foreign currency
Short-term⁽¹⁾				
Fixed interest	-	53,245	-	60,211
Floating interest	-	234,803	-	208,795
Long-term⁽¹⁾				
Fixed interest	-	338,650	-	274,183
Floating interest	-	-	-	-
Total	-	626,698	-	543,189

⁽¹⁾ Based on original maturities.

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

As at 30 September 2020 and 31 December 2019, funds borrowed are unsecured.

As at 30 September 2020 and 31 December 2019, 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 2019	Cash items	Foreign currency conversion adjustments	Other non- cash items	30 September 2020
Funds borrowed	543,189	(64,157)	147,063	603	626,698
Total	543,189	(64,157)	147,063	603	626,698

	31 December 2018	Cash items	Foreign currency conversion adjustments	Other non- cash items	31 December 2019
Funds borrowed	613,380	(96,131)	27,154	(1,214)	543,189
Total	613,380	(96,131)	27,154	(1,214)	543,189

(*) The group has USD and EUR funds borrowed whose interest rates are between 0.77% and 3.24% as of 30 September 2020 (31 December 2019: between 0.73% and 5.75%).

7. Other liabilities

	30 September 2020	31 December 2019
Current accounts of loan customers	29,451	37,740
Lease payables	5,820	6,967
Collateral received for derivative transactions	2,889	-
Taxes and funds payables	1,092	608
Unearned commission income	1,024	1,092
Insurance payables	117	90
Others	1,035	581
Total	41,428	47,078

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8. Capital and reserves

	30 September 2020	31 December 2019
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 September 2020 and 31 December 2019, the composition of shareholders and their respective percentage of ownership are summarized as follows:

	30 September 2020		31 December 2019	
	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 September 2020, financial assets measured at fair value through other comprehensive income (FVOCI) reserve is TL 6,861 net of tax (31 December 2019: TL 8,478 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 2019 – 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.

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 September 2020, the Group has utilized 30,000 USD loan with maturity date of 4 December 2020 and interest rate of LIBOR+3.05%. These are all commercial transactions and realised on an arms-length basis.

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ**Notes to the Condensed Consolidated Interim Financial Information****As at and for the nine-month period ended 30 September 2020***(Currency - In thousands of Turkish Lira)***9. Related parties (continued)**

As of 30 September 2020, there are no loans and finance lease receivables to related parties (31 December 2019 – none).

	Shareholders		Directors and key management personnel		Others	
	2020	2019	2020	2019	2020	2019
Funds borrowed						
At 1 January	208,795	264,920	-	-	-	5,401
At end of the period/year	234,803	208,795	-	-	-	-
Interest expense ⁽¹⁾	(6,916)	(9,102)	-	-	-	(432)

⁽¹⁾ Interest expense in the above tables for 2020 represents the balances as of 30 September 2020. Interest expense in the above tables for 2019 represents the balances as of 30 September 2019.

Other balances with related parties:

Related party		Deposits	Other liabilities	Non-cash loans	Other interest expense
Shareholders	30 September 2020	-	3	4,863	-
	31 December 2019	-	3	3,705	-
Directors and key management personnel	30 September 2020	-	-	-	-
	31 December 2019	-	-	-	-
Others	30 September 2020	-	419	6	-
	31 December 2019	-	7,254	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 5,526 (30 September 2019 – TL 6,363) comprising salaries and other benefits.

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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 September 2020	31 December 2019
Letters of guarantee	90,497	135,327
Other guarantees	20,303	16,436
Loss allowances (amounts arising from ECL)	(8,009)	(8,994)
Total non-cash loans (net)	102,791	142,769

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 Bank initiated the following three legal procedures regarding this fraud:

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. During the hearing held on 18 June 2020, Bank's request not to wait for the finalization of the Aggravated Felony Court's decision was rejected and the hearing was postponed to be held on 25 March 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 Provisional Appeal Court's litigation process is still ongoing.

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ

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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.

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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 nine-month period ended 30 September 2020***(Currency - In thousands of Turkish Lira)***11. Financial risk management (continued)****Credit risk (continued)**

30 September 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	276,473	7,120	57,428	110,800
Stage 2	392,105	-	-	-
Stage 3	178,806	-	-	-
<i>Allowance for impairment</i>				
- 12 month ECL (stage 1)	(606)	(25)	(298)	(923)
- Lifetime ECL significant increase in credit risk (stage 2)	(6,219)	-	-	(7,086)
- Lifetime ECL impaired credits (stage 3)	(116,367)	-	-	-
Total	724,192	7,095	57,130	102,791
31 December 2019	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	324,304	11,779	69,776	151,763
Stage 2	239,158	-	-	-
Stage 3	166,476	-	-	-
<i>Allowance for impairment</i>				
- 12 month ECL (stage 1)	(1,645)	(113)	(293)	(1,916)
- Lifetime ECL significant increase in credit risk (stage 2)	(3,661)	-	-	(7,078)
- Lifetime ECL impaired credits (stage 3)	(83,143)	-	-	-
Total	641,489	11,666	69,483	142,769

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

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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 September 2020, the share of the Group’s loan to its top 20 credit customers in its total loan portfolio is 99% (31 December 2019 – 99%).

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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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 September 2020	Cash loans	Non-cash loans	Total
Electric production and supply	204,793	26,846	231,639
Other commercial services	143,475	-	143,475
Food, beverage and tobacco industries	85,844	4	85,848
Holding companies	71,671	6	71,677
Public works and civil engineering	64,936	2,577	67,513
Transportation	57,756	234	57,990
Building contractor (general and special trade)	39,716	13,891	53,607
Personal other services	-	30,858	30,858
Other financial institutions	-	14,864	14,864
Electrical and electronic equipment	-	13,501	13,501
Machinery and equipment	-	6,115	6,115
Trade	-	1,874	1,874
Consumer loans	387	-	387
Textile and clothing	-	30	30
Total performing loans	668,578	110,800	779,378
Loans in arrears	178,806	-	178,806
Loss allowances (amounts arising from ECL)	(123,192)	(8,009)	(131,201)
Total loans	724,192	102,791	826,983

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ**Notes to the Condensed Consolidated Interim Financial Information****As at and for the nine-month period ended 30 September 2020***(Currency - In thousands of Turkish Lira)***11. Financial risk management (continued)****Credit risk (continued)***Monitoring the risk (continued)*

31 December 2019	Cash loans	Non-cash loans	Total
Electric production and supply	171,247	21,439	192,686
Other commercial services	130,601	-	130,601
Holding companies	64,351	6	64,357
Food, beverage and tobacco industries	63,872	4	63,876
Public works and civil engineering	50,337	10,088	60,425
Building contractor (general and special trade)	29,416	17,339	46,755
Personal other services	-	43,326	43,326
Transportation	41,582	178	41,760
Other financial institutions	-	33,706	33,706
Electrical and electronic equipment	-	13,251	13,251
Machinery and equipment	-	10,741	10,741
Trade	-	1,655	1,655
Consumer loans	489	-	489
Textile and clothing	-	30	30
Others	3,715	-	3,715
Total performing loans	555,610	151,763	707,373
Loans in arrears	174,328	-	174,328
Loss allowances (amounts arising from ECL)	(88,449)	(8,994)	(97,443)
Total loans	641,489	142,769	784,258

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ**Notes to the Condensed Consolidated Interim Financial Information****As at and for the nine-month period ended 30 September 2020***(Currency - In thousands of Turkish Lira)***11. Financial risk management (continued)****Credit risk (continued)***Monitoring the risk (continued)*

Total collateralisation coverage of cash loans 99.87%, non-cash loans are 73.81% as at 30 September 2020 (31 December 2019 – cash loans 96%, non-cash loans 66%).

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

	30 September 2020	31 December 2019
Cash loans (including financial lease receivables) under loan in arrears		
Secured by mortgages	166,058	129,605
Secured by guarantee	11,739	9,717
Unsecured	1,009	27,154
Total	178,806	166,476
Cash loans (including financial lease receivables) except loan in arrears		
Secured by mortgages	297,693	239,493
Secured by assignment and cheques	172,791	159,410
Secured by pledge	133,107	109,039
Secured by guarantee	64,936	51,393
Secured by cash	-	4,009
Unsecured	51	118
Total	668,578	563,462
Non-cash loans		
Secured by guarantee	54,826	78,235
Unsecured	29,022	52,234
Secured by assignment and cheques	20,303	16,436
Secured by pledge	6,390	4,655
Secured by cash	259	203
Total	110,800	151,763

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 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.

30 September 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	13,088	13,088	-	13,088	-	-	-	-
Funds borrowed	626,698	655,885	-	308,084	-	44,083	222,191	81,527
Current account of loan customers ⁽¹⁾	30,840	30,915	-	28,353	2,562	-	-	-
Lease Payables	5,820	6,440	-	184	210	637	3,797	1,612
Total	676,446	706,328	-	349,709	2,772	44,720	225,988	83,139

(1) Included in other liabilities.

31 December 2019	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	5,275	5,277	-	5,277	-	-	-	-
Funds borrowed	543,189	570,176	-	252,552	25,986	38,356	177,351	75,931
Current account of loan customers ⁽¹⁾	37,741	37,817	-	35,952	-	1,865	-	-
Lease Payables	6,967	7,368	-	183	335	1,757	2,142	2,951
Total	593,172	620,638	-	293,964	26,321	41,978	179,493	78,882

(1) Included in other liabilities.

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11. Financial risk management (continued)

Liquidity risk (continued)

30 September 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	274	8,827	-	-	-	-	9,101
Forward sale contracts	(277)	(8,816)	-	-	-	-	(9,093)
Currency swap purchases	180,278	19,442	-	15,518	46,097	-	261,335
Currency swap sales	(177,285)	(19,105)	-	(15,329)	(45,405)	-	(257,124)
Interest rate cap/floor purchase contracts	-	-	-	-	-	166,996	166,996
Futures purchase contracts	-	7,678	11,708	-	-	-	19,386
Futures sale contracts	-	(7,808)	(11,634)	-	-	-	(19,442)
Total	2,990	218	74	189	692	166,996	171,159

31 December 2019	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	5,940	47,522	-	-	-	-	53,462
Forward sale contracts	(5,964)	(48,321)	-	-	-	-	(54,285)
Currency swap purchases	92,397	49,562	26,602	64,511	44,891	-	277,963
Currency swap sales	(93,466)	(48,511)	(26,673)	(65,290)	(46,205)	-	(280,145)
Interest rate swaps	-	-	-	-	-	150,152	150,152
Futures purchase contracts	16,038	17,821	-	-	-	-	33,859
Futures sale contracts	(16,197)	(18,143)	-	-	-	-	(34,340)
Total	(1,252)	(70)	(71)	(779)	(1,314)	150,152	146,666

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 2020, the highest potential loss of the securities portfolio was generated by historical simulation method as TL 49 (31 December 2019 – TL 52) 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 at and for the nine-month period ended 30 September 2020***(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 September 2020	USD	EUR	Others	Total
Assets				
Due from banks and financial institutions	459	400	44	903
Financial assets held for trading	167	-	-	167
Reserve deposits at central Banks	100,006	-	-	100,006
Loans and finance lease receivables	421,044	133,107	336	554,487
Other assets	4,576	-	-	4,576
Total assets	526,252	133,507	380	660,139
Liabilities				
Trading liabilities	7,623	-	-	7,623
Funds borrowed	288,048	338,650	-	626,698
Other liabilities	5,374	17,712	-	23,086
Total liabilities	301,045	356,362	-	657,407
Gross exposure	225,207	(222,855)	380	2,732
Off-balance sheet position				
Net notional amount of derivatives	(234,366)	222,794	(338)	(11,910)
Net exposure	(9,159)	(61)	42	(9,178)
31 December 2019				
Assets				
Due from banks and financial institutions	2,050	3,414	38	5,502
Financial assets held for trading	2,687	-	-	2,687
Reserve deposits at central Banks	66,264	-	-	66,264
Loans and finance lease receivables	347,010	113,048	345	460,403
Other assets	329	-	-	329
Total assets	418,340	116,462	383	535,185
Liabilities				
Trading liabilities	3,985	-	-	3,985
Funds borrowed	269,006	274,183	-	543,189
Other liabilities	3,100	23,781	-	26,881
Total liabilities	276,091	297,964	-	574,055
Gross exposure	142,249	(181,502)	383	(38,870)
Off-balance sheet position				
Net notional amount of derivatives	(144,550)	181,460	(305)	36,605
Net exposure	(2,301)	(42)	78	(2,265)

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ

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(Currency - In thousands of Turkish Lira)

11. Financial risk management (continued)

Currency risk (continued)

Sensitivity analysis

A 10% weakening of TL against the foreign currencies at 30 September 2020 and 31 December 2019 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 2020		31 December 2019	
	Equity	Profit or loss	Equity	Profit or loss
USD	(916)	(916)	(230)	(230)
EUR	(6)	(6)	(4)	(4)
Other currencies	4	4	8	8
Total	(918)	(918)	(226)	(226)

A 10% strengthening of the TL against the foreign currencies at 30 September 2020 and 31 December 2019 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 September 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	-	-	-	-	-	-	-	-	-	3	3
Due from banks and financial institutions	-	-	-	-	-	-	-	-	-	7,095	7,095
Interbank and other money market placements	8,503	-	-	-	-	-	-	-	-	-	8,503
Reserve deposits at central banks	-	-	-	-	-	-	-	-	-	101,344	101,344
Trading assets	6,630	1,636	1,058	381	1,686	-	-	-	-	-	11,391
Investment securities	14,307	4,577	24,815	-	-	-	-	-	-	160	43,859
Loan securities	-	1,915	11,356	-	-	-	-	-	-	-	13,271
Loans and finance lease receivables	28,080	220,447	37,577	52,743	105,701	105,943	5706	40,700	71,681	55,614	724,192
Other assets	-	-	-	-	-	-	-	-	-	79,619	79,619
Total assets	57,520	228,575	74,806	53,124	107,387	105,943	5,706	40,700	71,681	243,835	989,277
Liabilities											
Money market deposits	13,088	-	-	-	-	-	-	-	-	-	13,088
Funds borrowed	290,673	-	638	-	-	-	-	154,037	181,350	-	626,698
Trading liabilities	403	167	7,623	-	-	-	-	-	-	-	8,193
Other liabilities ⁽¹⁾	11,611	2,562	111	-	492	-	5,140	-	-	37,450	57,366
Total liabilities	315,775	2,729	8,372	-	492	-	5,140	154,037	181,350	37,450	705,345
Financial position interest sensitivity gap	(258,255)	225,846	66,434	53,124	106,895	105,943	566	(113,337)	(109,669)	206,385	283,932
Off-balance sheet interest sensitivity gap, net	2,990	218	74	189	692	-	-	-	166,996	-	171,159
Total interest sensitivity gap	(255,265)	226,064	66,508	53,313	107,587	105,943	566	(113,337)	57,327	206,385	455,091

⁽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 nine-month period ended 30 September 2020

(Currency - In thousands of Turkish Lira)

11. Financial risk management (continued)

Cash flow and fair value interest rate risk (continued)

31 December 2019	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	-	-	-	-	-	-	-	-	-	4	4
Due from banks and financial institutions	-	-	-	-	-	-	-	-	-	11,666	11,666
Interbank and other money market placements	50,531	-	-	-	-	-	-	-	-	-	50,531
Reserve deposits at central banks	67,396	-	-	-	-	-	-	-	-	107	67,503
Trading assets	645	3,168	5,762	445	345	-	-	-	-	-	10,365
Investment securities	17,561	17,305	29,018	-	-	-	-	-	-	160	64,044
Loan securities	235	-	5,204	-	-	-	-	-	-	-	5,439
Loans and finance lease receivables	14,067	17,498	49,944	38,723	143,265	48,738	35,052	133,041	83,134	78,027	641,489
Other assets	-	-	-	-	-	-	-	-	-	78,383	78,383
Total assets	150,435	37,971	89,928	39,168	143,610	48,738	35,052	133,041	83,134	168,347	929,424
Liabilities											
Money market deposits	5,275	-	-	-	-	-	-	-	-	-	5,275
Funds borrowed	246,383	23,917	977	-	-	-	-	124,699	147,213	-	543,189
Trading liabilities	1,692	4,289	-	-	14	-	-	-	-	-	5,995
Other liabilities ⁽¹⁾	11,456	25	1,893	774	-	665	-	-	5,472	43,665	63,950
Total liabilities	264,806	28,231	2,870	774	14	665	-	124,699	152,685	43,665	618,409
Financial position interest sensitivity gap	(114,371)	9,740	87,058	38,394	143,596	48,073	35,052	8,342	(69,551)	124,682	311,015
Off-balance sheet interest sensitivity gap, net	(1,092)	(231)	(71)	(779)	(1,313)	-	-	-	150,152	-	146,666
Total interest sensitivity gap	(115,463)	9,509	86,987	37,615	142,283	48,073	35,052	8,342	80,601	124,682	457,681

⁽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 nine-month period ended 30 September 2020***(Currency - In thousands of Turkish Lira)***11. Financial risk management (continued)****Fair value interest rate risk (continued)**

As at 30 September 2020 and 31 December 2019, the effective interest rate applied on balance sheet items summarised as follows:

30 September 2020 (%)	TL	USD	EUR	CHF
Due from banks and financial institutions	-	-	-	-
Interbank and other money market placements	13.62	-	-	-
Investment securities and loaned securities	5.73	-	-	-
Loans and finance lease receivables				
- Corporate loans	16.30	7.31	4.81	-
- Retail loans	18.63	-	-	7.44
Money market deposits	-	-	-	-
Funds borrowed	-	2.83	2.85	-
Current account of loan customers ⁽¹⁾	8.60	-	0.80	-

31 December 2019 (%)	TL	USD	EUR	CHF
Due from banks and financial institutions	-	-	-	-
Interbank and other money market placements	11.36	-	-	-
Marketable securities (Investment and trading)	6.98	-	-	-
Loans and finance lease receivables				
- Corporate loans	17.37	7.61	4.66	-
- Retail loans	18.36	-	-	7.22
Money market deposits	-	-	-	-
Funds borrowed	-	5.28	2.84	3.76
Current account of loan customers ⁽¹⁾	9.42	-	0.90	-

⁽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 nine-month period ended 30 September 2020***(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 September 2020	31 December 2019
Local TL interest rate		
+500 bps	(1.00)	(1.43)
-400 bps	1.77	2.62
Foreign currency interest rate		
+200 bps EUR	3.62	3.02
-200 bps EUR	0.83	0.24
+200 bps USD	(5.25)	(3.67)
-200 bps USD	0.78	3.47

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 2020 and 31 December 2019 is as follows:

	30 September 2020	31 December 2019
Amount subject to credit risk (I)	780,793	780,082
Amount subject to market risk (II)	29,413	36,713
Amount subject to operational risk (III)	108,181	107,332
Total risk-weighted assets, value at market risk and operational risk (IV) = (I+II+III)	918,387	924,127
Capital for the purpose of calculating the capital adequacy ratio	286,337	313,188
Capital adequacy ratio	31.18%	33.89%

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ**Notes to the Condensed Consolidated Interim Financial Information
As at and for the nine-month period ended 30 September 2020***(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 September 2020	Level 1	Level 2	Level 3	Total
<i>Financial instruments</i>				
Financial assets at fair value through profit or loss (FVPL)	4,957	6,434	-	11,391
Investment and loaned securities at FVOCI	57,130	-	-	57,130
	62,087	6,434	-	68,521

<i>Financial instruments</i>				
Financial liabilities at fair value through profit or loss (FVPL)	-	8,193	-	8,193
Total	-	8,193	-	8,193

31 December 2019	Level 1	Level 2	Level 3	Total
<i>Financial instruments</i>				
Financial assets at fair value through profit or loss (FVPL)	5,512	4,853	-	10,365
Investment and loaned securities at FVOCI	69,483	-	-	69,483
	74,995	4,853	-	79,858

<i>Financial instruments</i>				
Financial liabilities at fair value through profit or loss (FVPL)	-	5,995	-	5,995
Total	-	5,995	-	5,995

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ**Notes to the Condensed Consolidated Interim Financial Information
As at and for the nine-month period ended 30 September 2020***(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	12,322	47,922	29	457	60,730
Interest expense	(21,726)	(682)	-	-	(22,408)
Current income/(expense) between departments	39,161	(39,083)	(78)	-	-
Net interest income	29,757	8,157	(49)	457	38,322
Net fee and commission income/(expense)	(340)	1,947	-	-	1,607
Net trading income and foreign exchange gain, net	(632)	53	161	226	(192)
Other operating income	465	28	-	920	1,413
Total operating income	29,250	10,185	112	1,603	41,150
Net impairment loss on financial and non-financial assets	346	(34,029)	5	-	(33,678)
Total operating expenses	(21,351)	(8,775)	(392)	(1,236)	(31,754)
Profit/(loss) before income tax	8,245	(32,619)	(275)	367	(24,282)
Income tax	184	(696)	(6)	-	(518)
Net profit/(loss) for the period	8,429	(33,315)	(281)	367	(24,800)
Total assets	253,109	728,328	840	7,000	989,277
Total liabilities	673,791	32,201	27	(674)	705,345

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ**Notes to the Condensed Consolidated Interim Financial Information
As at and for the nine-month period ended 30 September 2020***(Currency - In thousands of Turkish Lira)***13. Operating segments (continued)**

Prior Period 30.09.2019	Asset management and treasury	Corporate banking	Retail banking	Non-financial services	Total
Interest income	29,654	48,280	95	302	78,331
Interest expense	(30,980)	(1,246)	-	-	(32,226)
Internal transfer rate income/(expense)	44,271	(44,074)	(197)	-	-
Net interest income	42,945	2,960	(102)	302	46,105
Net fee and commission income / (expense)	(147)	4,456	1	-	4,310
Net trading income and foreign exchange gain, net	112	100	(1)	667	878
Other operating income	1,387	147	-	303	1,837
Total operating income	44,297	7,663	(102)	1,272	53,130
Net impairment loss on financial and non-financial assets	180	(13,570)	(3)	-	(13,393)
Total operating expenses	(23,596)	(12,630)	(490)	(771)	(37,487)
Profit / (loss) before income tax	20,881	(18,537)	(595)	501	2,250
Income tax	11,878	(10,298)	(330)	-	1,250
Net profit/(loss) for the year	32,759	(28,835)	(925)	501	3,500
Total assets 31.12.2019	272,436	648,395	954	7,639	929,424
Total liabilities 31.12.2019	579,135	38,914	27	333	618,409

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ

**Notes to the Condensed Consolidated Interim Financial Information
As at and for the nine-month period ended 30 September 2020**

(Currency - In thousands of Turkish Lira)

14. Subsequent Events

None.