

**Bankpozitif Kredi ve Kalkınma
Bankası Anonim Şirketi**

**Independent Auditors' Report on Review of
Condensed Consolidated Interim
Financial Information
For the Three-Month Period Ended
31 March 2014**

Akis Bağımsız Denetim ve Serbest
Muhasebeci Mali Müşavirlik
Anonim Şirketi

30 May 2014

This report contains 1 page of independent auditors' report on review of condensed consolidated interim financial information and 38 pages of condensed consolidated financial statements and notes to the condensed consolidated interim financial information.

Bankpozitif Kredi ve Kalkınma Bankası Anonim Şirketi

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Independent auditors' report on review of interim financial information

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

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of Bankpozitif Kredi ve Kalkınma Bankası Anonim Şirketi (the "Bank") and its subsidiaries (collectively the "Group") as at 31 March 2014, the condensed consolidated statements of income, profit or loss and other comprehensive income, changes in equity and cash flows for the three-month period then ended, and notes to the interim financial information ("the condensed consolidated interim financial information"). Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with International Financial Reporting Standard IAS 34, "Interim Financial Reporting". Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information as at 31 March 2014 is not prepared, in all material respects, in accordance with IAS 34, "Interim Financial Reporting".

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

30 May 2014
Istanbul, Turkey

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ**Condensed Consolidated Interim Statement of Financial Position****As at 31 March 2014***(Currency - In thousands of Turkish Lira)*

		Reviewed	Audited
		31 March	31 December
	<i>Note</i>	2014	2013
ASSETS			
Cash and balances with central banks		65,380	27,208
Due from banks and financial institutions		25,276	27,301
Interbank and other money market placements		-	18,010
Reserve deposits at central banks		112,818	160,746
Trading assets		9,764	5,925
Investment securities		121,897	126,090
Loaned securities		121,676	153,921
Loans and finance lease receivables	4	1,563,436	1,674,477
Property and equipment		7,712	9,004
Intangible assets	5	34,235	64,709
Current tax assets		2,284	2,284
Deferred tax assets		10,141	11,867
Other assets		70,512	61,377
Total assets		2,145,131	2,342,919
LIABILITIES			
Deposits from other banks		3,958	5,649
Customer deposits		130,109	122,829
Other money market deposits		116,262	158,903
Trading liabilities		28,321	25,426
Funds borrowed	6	729,167	885,517
Debt securities issued	7	611,878	580,011
Other liabilities		77,943	71,218
Provisions		5,302	6,827
Current tax liabilities		207	132
Deferred tax liabilities		-	32
Total liabilities		1,703,147	1,856,544
EQUITY			
Share capital and share premium	8	379,114	379,114
Legal reserves		16,168	14,708
Available-for-sale reserve, net of tax	8	4,600	2,640
Currency translation reserve	8	(42,828)	(10,416)
Retained earnings		84,930	100,329
Total equity		441,984	486,375
Total equity and liabilities		2,145,131	2,342,919

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 three-month period ended 31 March 2014***(Currency - In thousands of Turkish Lira)*

		Reviewed	Reviewed
		1 January –	1 January –
	Note	31 March	31 March
		2014	2013
Interest income			
Interest income on loans and finance leases		37,766	29,900
Interest income on deposits with other banks and financial institutions		185	66
Interest income on investment securities		18	4,178
Interest income on interbank and other money market placements		6	152
Other interest income		1,668	4,868
Total interest income		39,643	39,164
Interest expense			
Interest expense on deposits		(569)	(318)
Interest expense on other money market deposits		(3,331)	(793)
Interest expense on funds borrowed		(10,327)	(10,775)
Interest expense on debt securities issued		(10,440)	(8,457)
Other interest expense		(1,114)	(2,098)
Total interest expense		(25,781)	(22,441)
Net interest income		13,862	16,723
Fees and commission income		2,650	3,699
Fees and commission expense		(411)	(364)
Net fee and commission income		2,239	3,335
Net trading income and foreign exchange gain, net		18,050	1,837
Other operating income		5,668	9,065
Total operating income		39,819	30,960
Net impairment reversal / (loss) on financial assets	4	2,089	(8,505)
Net impairment loss on consolidation goodwill	5	(32,847)	-
Personnel expenses		(8,133)	(7,333)
Depreciation and amortisation		(2,300)	(1,202)
Administrative expenses		(4,387)	(4,361)
Taxes other than on income		(610)	(900)
Other expenses		(3,054)	(540)
Total operating expenses		(18,484)	(14,336)
Profit / (loss) before income tax		(9,423)	8,119
Income tax		(4,516)	(392)
Net Profit / (loss) for the period		(13,939)	7,727

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

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ
Condensed Consolidated Interim Statement of Other Comprehensive Income
For the three-month period ended 31 March 2014

(Currency - In thousands of Turkish Lira)

	Reviewed	Reviewed
	1 January–	1 January–
	31 March 2014	31 March 2013
Loss / (profit) for the period	(13,939)	7,727
Other comprehensive income		
<i>Items that will never be reclassified to profit or loss</i>		
Remeasurement of employee termination benefits	-	-
Related tax	-	-
	-	-
<i>Items that are or may be reclassified to profit or loss</i>		
Foreign currency translation differences for foreign operations	(32,414)	215
Available-for-sale reserve		
Net change in fair value of available-for-sale financial assets	3,028	(1,826)
Net change in fair value of available-for-sale financial assets transferred to profit or loss	(576)	400
Related tax	(490)	284
	(30,452)	(927)
Other comprehensive income for the period, net of income tax	(30,452)	(927)
Total comprehensive income for the period	(44,391)	6,800

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

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ

Condensed Consolidated Interim Statement of Changes in Equity For the three-month period ended 31 March 2014

(Currency - In thousands of Turkish Lira)

	Note	Share capital	Share premium	Adjustment to share capital	Legal reserves	Available-for-sale reserve, net of tax	Currency translation reserve	Retained earnings	Total
At 1 January 2013		337,292	20,121	21,701	13,281	5,396	(9,992)	91,553	479,352
Total comprehensive income for the period									
Profit for the period		-	-	-	-	-	-	7,727	7,727
Other comprehensive income									
Foreign currency translation differences		-	-	-	-	-	215	-	215
Net change in fair value of available-for-sale financial assets, net of tax		-	-	-	-	(1,142)	-	-	(1,142)
Total other comprehensive income		-	-	-	-	(1,142)	215	-	(927)
Total comprehensive income for the period		-	-	-	-	(1,142)	215	7,727	6,800
Contributions by and distributions to owners									
Dividends to equity holders		-	-	-	-	-	-	-	-
Total contributions by and distributions to owners		-	-	-	-	-	-	-	-
Transfers		-	-	-	1,427	-	-	(1,427)	-
At 31 March 2013		337,292	20,121	21,701	14,708	4,254	(9,777)	97,853	486,152
At 1 January 2014		337,292	20,121	21,701	14,708	2,640	(10,416)	100,329	486,375
Total comprehensive income for the period									
Loss for the period		-	-	-	-	-	-	(13,939)	(13,939)
Other comprehensive income									
Foreign currency translation differences		-	-	-	-	-	(32,412)	-	(32,412)
Remeasurements of defined benefit liability/(asset), net of tax		-	-	-	-	-	-	-	-
Net change in fair value of available-for-sale financial assets, net of tax		-	-	-	-	1,960	-	-	1,960
Total other comprehensive income		-	-	-	-	1,960	(32,412)	-	(30,452)
Total comprehensive income for the period		-	-	-	-	1,960	(32,412)	(13,939)	(44,391)
Contributions by and distributions to owners									
Dividends to equity holders		-	-	-	-	-	-	-	-
Total contributions by and distributions to owners		-	-	-	-	-	-	-	-
Transfers		-	-	-	1,460	-	-	(1,460)	-
At 31 March 2014		337,292	20,121	21,701	16,168	4,600	(42,828)	84,930	441,984

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

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ**Condensed Consolidated Interim Statement of Cash Flows****For the three-month period ended 31 March 2014***(Currency - In thousands of Turkish Lira)*

	Reviewed	Reviewed
	1 January –	1 January –
<i>Note</i>	31 March 2014	31 March 2013
Cash flows from operating activities		
Interest received	40,190	40,194
Interest paid	(21,980)	(19,864)
Fees and commissions received	3,488	3,503
Fees and commissions paid	(411)	(2,499)
Trading income	47	1,101
Recoveries from non-performing loans	17,739	3,915
Cash payments to employees and other parties	(9,646)	(8,620)
Cash received from other operating activities	5,668	9,065
Cash paid for other operating activities	(6,621)	(6,024)
Income taxes paid	(132)	(1,427)
	28,342	19,344
Change in banks and financial institutions	498	172
Change in trading assets	128	(7,150)
Change in reserve deposits at central banks	47,928	(9,948)
Change in loans and finance lease receivables	89,932	21,773
Change in other assets	(9,321)	5,954
Change in deposit from other banks	(1,691)	2,036
Change in customer deposits	7,280	23,155
Change in interbank and other money market deposits	(42,634)	(44,885)
Change in other liabilities	6,000	(12,876)
Net cash provided by / (used in) operating activities	126,462	(2,425)
Cash flows from investing activities		
Purchases of investment securities	(23,410)	(8,203)
Proceeds from sale and redemption of investment securities	65,600	19,746
Purchases of property and equipment	(200)	(94)
Proceeds from the sale of premises and equipment	-	129
Purchases of intangible assets	(2,693)	(2,412)
Net cash provided by investing activities	39,297	9,166
Cash flows from financing activities		
Proceeds from funds borrowed	87,698	473,184
Repayment of funds borrowed	(261,287)	(746,479)
Proceeds from debt securities issued	25,000	314,637
Net cash used / (provided by) in financing activities	(148,589)	41,342
Effect of net foreign exchange difference on cash and cash equivalents	1,465	30
Net increase in cash and cash equivalents	18,635	48,113
Cash and cash equivalents at 1 January	71,623	59,906
Cash and cash equivalents at 31 March	90,258	108,019

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

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ

Notes to the Consolidated Financial Statements

As at and for the year ended 31 March 2014

(Currency - In thousands of Turkish Lira)

Notes to the condensed consolidated interim financial statements

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BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ

Notes to the Consolidated Financial Statements

As at and for the year ended 31 March 2014

(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 31 March 2014, 69.83% (31 December 2013 – 69.83%) of the shares of the Bank belong to Tarshish and are controlled by Bank Hapoalim and 30.17% (31 December 2013 – 30.17%) of the shares belong to C Faktoring A.Ş.

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

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ

Notes to the Consolidated Financial Statements

As at and for the year ended 31 March 2014

(Currency - In thousands of Turkish Lira)

1. Corporate information (continued)

Nature of activities of the Bank / Group

The Bank carries out its activities as corporate and retail banking. The Bank's corporate services mainly include corporate lending, project finance, trade finance and financial leasing. In retail banking, the Bank mainly provides retail lending products such as consumer loans, home equity, mortgages and vehicle loans to its customers. Apart from lending business, the Bank provides insurance and investment products to its customers. As a non-deposit taking bank, the Bank borrows funds from financial markets and from its counterparties. The Bank's subsidiary; Joint Stock Company BankPozitiv Kazakhstan ("JSC BankPozitiv") is entitled to accept deposit from public. Any deposit related financial information is solely results of the operation of JSC BankPozitiv.

JSC BankPozitiv is a commercial bank and provides general banking services to its clients, accepts deposit, grants cash and non-cash loans, provides broker/dealer services, credit cards, cash payment and other banking services for its commercial and retail customers through its head office and three branches located in Kazakhstan.

C Bilişim Teknolojileri ve Telekomünikasyon Hizmetleri A.Ş. ("C Bilişim") is specialised in software development and provides other technological support services to the financial sector including the Bank and its subsidiaries.

As at 31 March 2014, the Bank provides services through its head office. As at 31 March 2014, the number of employees for the Bank and its consolidated subsidiaries are 132 and 225 respectively (31 December 2013 – 127 and 222).

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

The subsidiaries included in consolidation and effective shareholding percentages of the Group at 31 March 2014 and 31 December 2013 are as follows:

	Place of incorporation	Principal activities	Effective shareholding and voting rights (%)	
			31 March 2014	31 December 2013
C Bilişim	Istanbul/Turkey	Software development and technology	100	100
JSC BankPozitiv	Almaty/Kazakhstan	Commercial banking activities	100	100

2. Basis of preparation

The interim consolidated condensed financial statements as of 31 March 2014 have been prepared in accordance with IAS 34 (Interim Financial Reporting). The interim consolidated condensed financial statements do not include all the information and disclosures required in the annual financial statement and should be read in conjunction with annual consolidated financial statements of the Group for the year ended 31 December 2013.

In preparation of the interim condensed consolidated financial statements of the Group, the same accounting policies and methods of computation have been followed as compared to the most recent annual financial statements except for the adoption of new standards and interpretations as of January 2014, noted below.

As of 1 February 2014, the Group has discontinued the net investment hedge for its investment in Kazakhstan due to the ineffectiveness caused by the devaluation of the Kazakhstan Tenge.

The Group has started the net investment hedge as of 1 April 2014 after the stabilization of the Tenge/USD foreign exchange rates in February 2014 and March 2014.

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ

Notes to the Consolidated Financial Statements

As at and for the year ended 31 March 2014

(Currency - In thousands of Turkish Lira)

2. Basis of preparation (continued)

New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective for the three month period ended 31 March 2014, and have not been applied in preparing these consolidated financial statements. None of these will have an effect on the consolidated financial information of the Group, with the exception of:

IFRS 9 Financial Instruments – Classification and measurement

As amended in December 2011, the new standard is effective for annual periods beginning on or after 1 January 2017. Phase 1 of this new IFRS introduces new requirements for classifying and measuring financial instruments. The amendments made to IFRS 9 will mainly affect the classification and measurement of financial assets and measurement of fair value option (FVO) liabilities and requires that the change in fair value of a FVO financial liability attributable to credit risk is presented under other comprehensive income. Early adoption is permitted. This standard has not yet been endorsed by the EU. The Group is in the process of assessing the impact of the amendment on financial position or performance of the Group.

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

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

3. Use of judgements and estimates

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

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2013.

Measurement of fair values

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

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ

Notes to the Consolidated Financial Statements

As at and for the year ended 31 March 2014

(Currency - In thousands of Turkish Lira)

3. Use of judgements and estimates (continued)

Measurement of fair values (continued)

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

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

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

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

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

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

Further information about the assumptions made in measuring fair values is included in Note 12 – fair value of financial instrument.

4. Loans and finance lease receivables

	Turkish Lira	Foreign currency	Foreign currency indexed	Total
31 March 2014				
Corporate loans and finance lease receivables	240,335	899,981	187,491	1,327,807
Consumer loans	146,071	26,709	13,303	186,083
Total loans	386,406	926,690	200,794	1,513,890
Loans and finance lease receivables in arrears	59,165	29,892	-	89,057
Less: Specific reserve for impairment	(10,183)	(11,036)	-	(21,219)
Less: Portfolio reserve for impairment	(18,288)	(4)	-	(18,292)
	417,100	945,542	200,794	1,563,436
31 December 2013				
Corporate loans and finance lease receivables	252,840	1,036,586	162,046	1,451,472
Consumer loans	152,452	29,996	14,428	196,876
Total loans and finance lease receivables	405,292	1,066,582	176,474	1,648,348
Loans and finance lease receivables in arrears	38,245	30,685	-	68,930
Less: Specific reserve for impairment	(10,428)	(12,077)	-	(22,505)
Less: Portfolio reserve for impairment	(20,287)	(9)	-	(20,296)
	412,822	1,085,181	176,474	1,674,477

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ

Notes to the Consolidated Financial Statements

As at and for the year ended 31 March 2014

(Currency - In thousands of Turkish Lira)

4. Loans and finance lease receivables (continued)

As at 31 March 2014, loans and finance lease receivables with floating rates are TL 259,979 (31 December 2013 – TL 400,421) and fixed interest rates are TL 1,253,911 (31 December 2013 – TL 1,247,927).

Movements in non-performing loans and finance lease receivables:

	31 March 2014	31 December 2013
Non-performing loans and finance lease receivables at 1 January	68,930	53,337
Additions to non-performing loans and finance lease receivables	39,559	51,296
Recoveries	(17,739)	(26,416)
Transfers to performing loans and finance lease receivables	-	(8,783)
Write-offs ⁽¹⁾	(2,490)	(3,522)
Exchange rate differences	797	3,018
Non-performing loans and finance lease receivables at the end of period	89,057	68,930

⁽¹⁾ TL 2,490 of non-performing loans and finance lease receivables were sold to an asset management company as at 31 March 2014 (31 December 2013- TL 3,521).

Movements in the reserve for possible loan losses:

	31 March 2014	31 December 2013
Reserve at the beginning of the period	42,801	32,023
Provision net of recoveries	(2,089)	26,571
- Provision for loan and finance lease receivables impairment ⁽²⁾	6,411	31,106
- Recoveries	(8,500)	(4,535)
Write-offs ⁽¹⁾	(1,377)	(2,365)
Reclassification to other assets ⁽²⁾	-	(15,161)
Exchange rate differences	176	1,733
Reserve at the end of the period	39,511	42,801

⁽¹⁾ TL 1,337 (31 December 2013- TL 2,364) of provision for non-performing loans and finance lease receivables were reversed due to selling of non-performing loans to an asset management amounting to TL 2,490 (31 December 2013- TL 3,521) as at 31 March 2014.

⁽²⁾ Provision for loan and finance lease receivables impairment includes provision for an asset that assets held for sale that was classified as a loan prior to 31 December 2013. As of 31 December 2013, the asset was reclassified to assets held for sale.

As at 31 March 2014, loans and finance lease receivables on which interest is not being accrued, or where interest is suspended amounted to TL 89,057 (31 December 2013 – TL 68,930).

5. Intangible assets

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

The carrying amount of goodwill at 31 March 2014 was TL 20,845 (31 December 2013 – TL 52,331).

As of 31 March 2014, impairment loss on goodwill amounting to USD 15 million (TL 32,847) was recognised due to changes in market conditions in Kazakhstan and changes in realized and expected cash flows of JSC BankPozitiv.

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ**Notes to the Consolidated Financial Statements****As at and for the year ended 31 March 2014***(Currency - In thousands of Turkish Lira)***5. Intangible assets (continued)***Reconciliation of carrying amount of goodwill*

The following table sets out of the reconciliation of carrying amount of goodwill as at 31 March 2014.

	31 March 2014	31 December 2013
Cost		
Balance at beginning of period	52,331	43,585
Exchange rate differences	1,361	8,746
Balance at the end of the period	53,692	52,331
Impairment losses		
Balance at beginning of period	-	-
Impairment loss	(32,847)	-
Balance at the end of the period	(32,847)	-
Carrying amounts		
Balance at beginning of period	52,331	43,585
Balance at the end of the period	20,845	52,331

6. Funds borrowed

	31 March 2014		31 December 2013	
	Turkish Lira	Foreign currency	Turkish Lira	Foreign currency
Short-term⁽¹⁾				
Fixed interest	30,712	85,220	40,715	275,237
Floating interest	-	38,244	-	3,896
Long-term⁽¹⁾				
Fixed interest	-	442,900	-	424,284
Floating interest	-	132,091	-	141,385
Total	30,712	698,455	40,715	844,802

⁽¹⁾ Based on original maturities.

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

As at 31 March 2014 and 31 December 2013, funds borrowed are unsecured.

As at 31 March 2014 and 31 December 2013, the Group has not had any defaults of principal, interest or redemption amounts or other breaches of loan covenants.

7. Debt securities issued

	31 March 2014		31 December 2013	
	Turkish Lira	Foreign currency	Turkish Lira	Foreign currency
Debt securities issued at amortised cost	281,046	330,832	253,445	326,566
Total	281,046	330,832	253,445	326,566

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8. Capital and reserves

	31 March 2014		31 December 2013	
	Amount	%	Amount	%
Number of common shares, TL 0.1 (in full TL), par value (Authorised and issued)	3,372,923,500		3,372,923,500	
Share capital and share premium				
As at 31 March 2014 and 31 December 2013, the composition of shareholders and their respective percentage of ownership are summarised as follows:				
	31 March 2014		31 December 2013	
	Amount	%	Amount	%
Tarshish	235,515	69.83	235,515	69.83
C Faktoring A.Ş.	101,777	30.17	101,777	30.17
	337,292	100.00	337,292	100.00
Share premium	20,121		20,121	
Restatement effect	21,701		21,701	
Share capital and share premium	379,114		379,114	

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

Legal reserves

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

As at 31 March 2014, TL 1,460 of Group's profit for the year 2013 has been transferred to legal reserves by decision taken at General Assembly of the parent bank.

Other reserves

Available-for-sale reserve

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

Foreign currency translation reserve

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

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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 2013 – 69.83% and 30.17%, respectively). The ultimate controlling shareholder of the Group is Bank Hapoalim. For the purpose of these condensed consolidated interim financial information, unconsolidated subsidiaries, shareholders, and companies controlled by Bank Hapoalim and C Faktoring A.Ş. are referred to as related parties.

In the course of conducting its banking business, the Group conducted various business transactions with related parties. These include loans and finance lease receivables, customer accounts, funds borrowed and non-cash transactions. These are all commercial transactions and realised on an arms-length basis. The volumes of related party transactions, outstanding balances at period-end and relating expense and income for the period are as follows:

	Shareholders		Directors and key management personnel		Others	
	2014	2013	2014	2013	2014	2013
Loans and finance lease receivables						
At 1 January	-	-	89	-	-	-
At end of the period/year	-	-	17	89	-	-
Interest income ^(*)	-	-	2	-	-	-

As at 31 March 2014, no provisions have been recognised in respect of loans and finance lease receivables given to related parties (31 December 2013 – none).

	Shareholders		Directors and key management personnel		Others	
	2014	2013	2014	2013	2014	2013
Funds borrowed						
At 1 January	192,335	152,620	-	-	72,890	86,381
At end of the period/year	-	192,335	-	-	74,924	72,890
Interest expense ^(*)	619	-	-	-	652	913

^(*) Interest income and interest expense in the above tables for 2013 represents the balances as of 31 March 2013.

Other balances with related parties:

Related party		Due from banks	Deposits	Other assets	Other liabilities	Non-cash loans
Shareholders	31 March 2014	-	-	2	5	25,970
	31 December 2013	-	-	-	3	24,556
Directors and key management personnel	31 March 2014	-	89	-	-	-
	31 December 2013	-	51	-	-	-
Others	31 March 2014	11	5,560	-	102	1,303
	31 December 2013	339	5,598	-	90	1,278

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ**Notes to the Consolidated Financial Statements****As at and for the year ended 31 March 2014***(Currency - In thousands of Turkish Lira)***9. Related parties (continued)**

Transactions with related parties:

Related party		Foreign exchange trading gain/(loss)	Other interest income	Other interest expense	Other operating income	Other operating expense
Shareholders	31 March 2014	-	-	8	20	-
	31 March 2013	1	-	-	25	456
Directors and key management personnel	31 March 2014	-	-	-	1	-
	31 March 2013	-	-	-	-	-
Others	31 March 2014	-	-	57	1	-
	31 March 2013	3	-	-	4	-

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 2,577 (31 March 2013 – TL 1,679) comprising salaries and other benefits.

10. Commitments and contingencies

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

	31 March 2014	31 December 2013
Letters of guarantee	774,766	790,473
Letters of credit	150,602	181,352
Other guarantees	27,658	26,183
Commitments	3,039	2,748
Total non-cash loans	956,065	1,000,756

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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 II recommendations.

In accordance with the BankPozitif's market risk management strategy; the Group aims not to carry market risk positions and intends to create matching assets and liabilities to eliminate asset liability management risks i.e. maturity risk and interest rate sensitivity risk.

Additionally, in order to minimise the market risk, marketable securities portfolio is limited proportional to the total assets size with a conservative trade limit and most of the securities are floating rate notes.

The Bank declares its risk appetite and tolerance levels for the primary risk areas on a Board approved policy since 2009.

Board of Directors is the highest authority to set all risk management guidelines, and it is responsible for ensuring that the Group implements all necessary risk management techniques in compliance with the related regulatory requirements both in Turkey and Israel. Board of Directors follows its duties not only by itself but also through audit committee, which is composed of two board members and responsible for the supervision of the efficiency and adequacy of BankPozitif's internal systems, namely internal control, risk management, internal audit and compliance. The audit committee also oversees the proper functioning of these systems and the accounting and reporting systems and is responsible for the integrity of the information produced.

All risk limits are set by the Board of Directors and reviewed on a regular basis.

The main functions and authority of the Board of Directors related to risk management activities are as follows;

- to define the risk policy of the Group, including that of all its subsidiaries, regarding exposure to various risks (credit risks, market risks, operational risks),
- to manage and guide all the activities of internal systems directly/through committees,
- to approve new business lines, products or activities that would have a substantial effect on activities of the Group.

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11. Financial risk management (continued)

Strategy in using financial instruments (continued)

The Group manages its exposure to all types of risks through the asset and liability management committee (“ALCO”) and executive committee, set by Board of Directors and comprising members of senior management, and a representative of main shareholder (board member/consultant of Board of Directors nominated by Bank Hapoalim) and also through limits set on the credit, treasury and asset liability management activities of the Group. These limits are approved and quarterly reviewed by Board of Directors and ALCO and executive committee supervise the compliance with the limits.

Permanent learning program for the Board of Directors is in place from the beginning of 2011 including the subjects risk management, corporate governance in general and corporate governance in the financial sector, Basel II, reporting standards (IFRS and BRSA) and audit.

In summary, in order not to be exposed to liquidity, interest rate and foreign currency risk, the Group aims to keeps its funding structure in line with the asset structure (in terms of currency, maturity and interest rate) and hedges its positions through various derivative transactions. In addition to that, the Group does not take prefer speculative positions on currency, interest rate and maturity that might create risk to the Group due to changes in the prices or mismatch of assets and liabilities.

Credit risk

Credit risk refers to the risk that a contractual partner defaults on its contractual obligations or does not deliver in full accordance with the conditions of contract.

As the focus of BankPozitif is defined as credit activities, credits are the most significant part of its activities and thus managed meticulously. BankPozitif follows a strict credit policy which is reviewed and approved by Board of Directors at certain intervals and whenever necessary. The process for approving, amending and renewing is clearly regulated together with collateral requirements. All facilities are assessed prior to approval via a series of evaluation meetings to ensure that the strict criteria laid out in the Group is adhered to regarding the issues like sector, sub-sector, collateral, maturity, project type etc.

To avoid the default 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.

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11. Financial risk management (continued)

Credit risk (continued)

31 March 2014	Loans and advances to customers	Loans and advances to banks	Investment securities and loaned securities	Non cash loans
Neither past due nor impaired	1,452,116	25,276	243,573	956,065
Past due but not impaired	61,774	-	-	-
Individually impaired	89,057	-	-	-
Allowance for impairment				
- Individual impairment	(21,219)	-	-	-
- Collective impairment	(18,292)	-	-	-
	1,563,436	25,276	243,573	956,065

31 December 2013	Loans and advances to customers	Loans and advances to banks	Investment securities and loaned securities	Non cash loans
Neither past due nor impaired	1,547,659	27,301	280,011	1,000,756
Past due but not impaired	100,689	-	-	-
Individually impaired	68,930	-	-	-
Allowance for impairment				
- Individual impairment	(22,505)	-	-	-
- Collective impairment	(20,296)	-	-	-
	1,674,477	27,301	280,011	1,000,756

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

i) There is objective evidence that a loss event has occurred since initial recognition and the loss event has an impact on future estimated cash flows from the asset.

ii) A retail loan is overdue for 90 days or more.

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

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

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

BankPozitif manages its corporate and retail credit portfolio as per following main principles;

Creating credit risk awareness throughout the Group

Senior management is responsible for putting the policies into practice approved by Board of Directors and identifying and managing of credit risk is the joint concern of all staff of the Bank.

The day-to-day management of credit risk is devolved to individual business units, such as the loans and risk monitoring departments of corporate and retail business, which perform regular appraisals of quantitative and qualitative information relating to counterparty credit with respect to their loan policies and procedures.

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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.

Although the Bank is not subject to local regulation in terms of credit limits (due to being an investment bank), the Bank set internal credit limits. Single borrower limit is set as 15% (it is lower than the regulatory requirement of 25%) of total equity. In addition to this, the limit for group of borrower is set as 25% of total equity.

Sectoral distribution of loans is monitored on a daily and monthly basis and sectoral analysis of those loans is made in accordance with their risk concentration every year. The Group set a limit on single sector concentration by 20% of total loan book.

In addition to sectorial and borrower limits, the Group has limits on own risk groups’ indebtedness as 10% of total equity. Furthermore a limit on six largest borrowers and groups is set as 135% of total equity.

The Group seeks to manage its credit risk exposure through diversification of lending activities to avoid undue concentrations of risks with individuals or groups of customers in specific locations or businesses.

As at 31 March 2014, the share of the Group’s loan to its top 20 credit customers in its total loan portfolio is 36% (31 December 2013 – 35%).

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11. Financial risk management (continued)

Measuring risk

The Bank uses two internally developed rating systems i.e. borrower rating system and facility rating system. Borrower rating is the measure of borrower's creditworthiness that is mapped by the bank to a risk grade and then to a PD (probability of default). Facility rating assesses the risk of a facility, taking into account associated collateral and guarantees and provides view for the recovery of the risk. Both systems have been validated by Bank Hapoalim's credit risk modelling department over a set of sample corporate financials/facilities.

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

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

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

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

Monitoring the risk

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

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11. Financial risk management (continued)

Monitoring the risk (continued)

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

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

31 March 2014	Cash loans	Non-cash loans	Total
Electric production and supply	186,570	156,552	343,122
Personal other services	150,364	79,347	229,711
Public works and civil engineering	152,241	51,873	204,114
Other commercial services	157,658	33,269	190,927
Consumer loans	184,038	2,214	186,252
Trade	50,111	135,729	185,840
Building contractor (general and special trade)	89,806	94,306	184,112
Other financial institutions	50,309	72,494	122,803
Tourism and entertainment	103,683	12,892	116,575
Transportation	71,737	41,988	113,725
Holding companies	91,513	12,441	103,954
Metal and by-products	35,029	68,398	103,427
Agriculture and forestry	56,430	14,001	70,431
Electrical and electronic equipment	-	52,110	52,110
Textile and clothing	33,501	16,662	50,163
Commercial, mortgage, investment finance banks	-	43,557	43,557
Machinery and equipment	7,902	28,703	36,605
Manufacture of transport equipment	31,348	4,080	35,428
Others	15,639	16,806	32,445
Chemical and oil products	16,334	10,036	26,370
Food, beverage and tobacco industries	3,170	8,607	11,777
Total performing loans	1,487,383	956,065	2,443,448
Interest accruals	26,507	-	26,507
Loans in arrears	89,057	-	89,057
Provision for possible loan losses	(39,511)	-	(39,511)
Total loans	1,563,436	956,065	2,519,501

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31 December 2013	Cash loans	Non-cash loans	Total
Electric production and supply	189,415	210,563	399,978
Building contractor (general and special trade)	106,863	130,661	237,524
Personal other services	151,229	68,836	220,065
Other commercial services	184,928	33,333	218,261
Public works and civil engineering	185,993	25,981	211,974
Consumer loans	194,772	2,535	197,307
Trade	61,175	129,427	190,602
Tourism and entertainment	163,551	12,433	175,984
Metal and by-products	39,060	96,896	135,956
Other financial institutions	59,620	75,929	135,549
Holding companies	89,921	12,159	102,080
Agriculture and forestry	52,122	13,876	65,998
Electrical and electronic equipment	-	62,171	62,171
Transportation	35,768	11,661	47,429
Commercial, mortgage, investment finance banks	-	44,236	44,236
Textile and clothing	27,879	6,885	34,764
Manufacture of transport equipment	30,611	3,984	34,595
Machinery and equipment	7,133	27,173	34,306
Chemical and oil products	21,700	9,927	31,627
Food, beverage and tobacco industries	3,729	8,571	12,300
Mining and quarrying	2,634	-	2,634
Others	15,253	13,519	28,772
Total performing loans	1,623,356	1,000,756	2,624,112
Interest accruals	24,992	-	24,992
Loans in arrears	68,930	-	68,930
Provision for possible loan losses	(42,801)	-	(42,801)
Total loans	1,674,477	1,000,756	2,675,233

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Total collateralisation coverage of cash and non-cash loans are 83% as at 31 March 2014 (31 December 2013 – 84%).

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

	31 March 2014	31 December 2013
Cash loans (including financial lease receivables) under loan in arrears		
Secured by mortgages	55,190	38,219
Secured by pledge	16,192	4,433
Secured by guarantee	1,098	1,360
Secured by assignment and cheques	9,194	3,329
Unsecured	7,383	21,589
Total	89,057	68,930
Cash loans (including financial lease receivables) except loan in arrears		
Secured by cash	31,001	6,507
Secured by mortgages	514,678	615,226
Secured by pledge	90,589	105,918
Secured by guarantee	479,368	491,396
Secured by assignment and cheques	206,512	228,944
Unsecured	191,742	200,357
Total	1,513,890	1,648,348
Non-cash loans		
Secured by cash	34,207	35,862
Secured by mortgages	55,233	49,241
Secured by pledge	51,742	58,298
Secured by guarantee	494,033	589,031
Secured by assignment and cheques	73,980	54,550
Unsecured	246,870	213,774
Total	956,065	1,000,756

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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.

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11. Financial risk management (continued)

Liquidity risk (continued)

31 March 2014	On demand	Up to 1 month	1 to 3 months	3 to 6 months	6 months to 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years	Unallocated	Total
Assets												
Cash and balances with central banks	65,380	-	-	-	-	-	-	-	-	-	-	65,380
Due from banks and financial institutions	24,291	672	310	-	3	-	-	-	-	-	-	25,276
Reserve deposits at central banks	19,709	93,109	-	-	-	-	-	-	-	-	-	112,818
Trading assets	-	1,207	2,357	1,534	2,073	1,091	423	500	579	-	-	9,764
Investment securities	-	9,474	418	37,561	13,631	35,138	4,203	1,708	1,254	18,484	26	121,897
Loaned securities	-	11,595	-	3,006	96,563	3,008	4,590	-	-	2,914	-	121,676
Loans and finance lease receivables	-	56,914	187,921	225,317	265,505	359,139	152,718	126,118	50,727	89,532	49,545	1,563,436
Property and equipment	-	-	-	-	-	-	-	-	-	-	7,712	7,712
Intangible assets	-	-	-	-	-	-	-	-	-	-	34,235	34,235
Current tax assets	-	-	-	-	-	-	-	-	-	-	2,284	2,284
Deferred tax assets	-	-	-	-	-	-	-	-	-	-	10,141	10,141
Other assets	-	24,629	6	-	-	-	-	-	-	-	45,877	70,512
Total assets	109,380	197,600	191,012	267,418	377,775	398,376	161,934	128,326	52,560	110,930	149,820	2,145,131
Liabilities												
Deposit from other banks ⁽¹⁾	636	-	-	-	3,322	-	-	-	-	-	-	3,958
Customer deposits ⁽¹⁾	60,977	45,662	850	3,250	14,604	2	4,763	1	-	-	-	130,109
Other money market deposits	-	116,262	-	-	-	-	-	-	-	-	-	116,262
Trading liabilities	-	9,802	18,251	-	259	-	-	-	-	9	-	28,321
Funds borrowed	-	41,872	44,610	103,413	420,397	54,386	24,314	17,632	5,475	17,068	-	729,167
Debt securities issued	-	11,600	62,664	2,362	181,782	25,000	-	328,470	-	-	-	611,878
Other liabilities	15,166	48,104	-	9,062	3,253	138	-	-	-	638	1,582	77,943
Provisions	-	2,108	152	-	1,643	-	-	-	-	-	1,399	5,302
Current tax liabilities	-	-	207	-	-	-	-	-	-	-	-	207
Total liabilities	76,779	275,410	126,734	118,087	625,260	79,526	29,077	346,103	5,475	17,715	2,981	1,703,147
Net liquidity gap	32,601	(77,810)	64,278	245,604	(343,758)	318,850	132,857	(217,777)	47,085	93,215	146,839	441,984

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

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ

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As at and for the year ended 31 March 2014

(Currency - In thousands of Turkish Lira)

11. Financial risk management (continued)

Liquidity risk (continued)

31 December 2013	On Demand	Up to 1 month	1 to 3 months	3 to 6 months	6 months to 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years	Unallocated	Total
Assets												
Cash and balances with central banks	27,208	-	-	-	-	-	-	-	-	-	-	27,208
Due from banks and financial institutions	26,209	785	4	302	1	-	-	-	-	-	-	27,301
Interbank and other money market placements	-	18,010	-	-	-	-	-	-	-	-	-	18,010
Reserve deposits at central banks	21,343	139,403	-	-	-	-	-	-	-	-	-	160,746
Trading assets	-	887	217	1,902	460	1,495	488	476	-	-	-	5,925
Investment securities	-	2,862	29,240	14,162	39,815	25,675	1,897	4,816	302	7,291	30	126,090
Loaned securities	-	4,368	28,623	920	90,105	12,133	-	3,517	-	14,255	-	153,921
Loans and finance lease receivables	-	66,333	105,878	224,158	415,693	381,677	203,223	90,375	65,952	95,056	26,132	1,674,477
Property and equipment	-	-	-	-	-	-	-	-	-	-	9,004	9,004
Intangible assets	-	-	-	-	-	-	-	-	-	-	64,709	64,709
Current tax assets	-	-	-	-	-	-	-	-	-	-	2,284	2,284
Deferred tax assets	-	-	-	-	-	-	-	-	-	-	11,867	11,867
Other assets	-	18,145	-	-	-	-	-	-	-	-	43,232	61,377
Total assets	74,760	250,793	163,962	241,444	546,074	420,980	205,608	99,184	66,254	116,602	157,258	2,342,919
Liabilities												
Deposit from other banks ⁽¹⁾	220	2,225	-	-	3,204	-	-	-	-	-	-	5,649
Customer deposits ⁽¹⁾	57,579	39,878	690	14,752	5,635	719	3,575	-	1	-	-	122,829
Other money market deposits	-	158,903	-	-	-	-	-	-	-	-	-	158,903
Trading liabilities	-	1,405	3,477	13,899	244	6,394	-	-	7	-	-	25,426
Funds borrowed	-	162,931	104,334	48,494	461,217	53,089	23,724	23,724	8,004	-	-	885,517
Debt securities issued	-	1,284	7,168	70,669	55,745	125,000	-	-	320,145	-	-	580,011
Other liabilities	15,175	42,362	-	-	8,820	3,793	-	-	-	599	469	71,218
Provisions	-	3,923	152	-	1,643	-	-	-	-	-	1,109	6,827
Current tax liabilities	-	-	132	-	-	-	-	-	-	-	-	132
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-	32	32
Total liabilities	72,974	412,911	115,953	147,814	536,508	188,995	27,299	23,724	328,157	599	1,610	1,856,544
Net liquidity gap	1,786	(162,118)	48,009	93,630	9,566	231,985	178,309	75,460	(261,903)	116,003	155,648	486,375

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

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)

11. Financial risk management (continued)

Market risk

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

The interest rate and exchange rate risks of the financial positions taken by the Bank related to financial position and off-balance sheet accounts are measured and while calculating the capital adequacy, the amount subject to value at risk (VaR) is taken into consideration by the standard method. As at 31 March 2014, the highest potential loss of the securities portfolio was generated by historical simulation method as TL 93 (31 December 2013 – TL 212) for one day.

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

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

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

Currency risk

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

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

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ**Notes to the Condensed Consolidated Interim Financial Information****As of and for the period ended 31 March 2014***(Currency - In thousands of Turkish Lira)***11. Financial risk management (continued)****Currency risk (continued)**

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

31 March 2014	USD	Euro	CHF	JPY	KZT	Others	Total
Assets							
Cash and balances with central banks	31,732	188	-	-	33,357	50	65,327
Due from banks and financial institutions	22,661	720	450	67	7	202	24,107
Reserve deposits at central Banks	106,687	-	-	-	3,641	-	110,328
Trading assets	5,042	1	39	-	-	-	5,082
Investment securities	3,372	-	-	-	26	-	3,398
Loans and finance lease receivables ⁽¹⁾	745,576	244,920	8,265	2,668	144,781	124	1,146,334
Property and equipment	-	-	-	-	4,929	-	4,929
Intangible assets	20,845	-	-	-	2,347	-	23,192
Deferred tax assets	-	-	-	-	905	-	905
Other assets	21,717	180	9	-	6,121	10	28,037
Total assets	957,632	246,009	8,763	2,735	196,114	386	1,411,639
Liabilities							
Deposit from other banks ⁽²⁾	3,323	5	-	-	626	4	3,958
Customer deposits ⁽²⁾	75,702	614	-	-	53,654	139	130,109
Trading liabilities	23,168	-	3,259	9	-	-	26,436
Funds borrowed	482,054	216,401	-	-	-	-	698,455
Debt securities issued	330,832	-	-	-	-	-	330,832
Other liabilities	33,705	10,301	154	-	2,526	5	46,691
Provisions	-	-	-	-	86	-	86
Total liabilities	948,784	227,321	3,413	9	56,892	148	1,236,567
Gross exposure	8,848	18,688	5,350	2,726	139,222	238	175,072
Off-balance sheet position							
Net notional amount of derivatives	(183,068)	(18,489)	(8,585)	(2,681)	-	(218)	(213,041)
Net exposure	(174,220)	199	(3,235)	45	139,222	20	(37,969)

⁽¹⁾ Foreign currency net non-performing loans and finance lease receivables amounting 18,851 is included at foreign currency position, respectively.

⁽²⁾ Figures represent the foreign subsidiary's deposit balances.

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ

Notes to the Condensed Consolidated Interim Financial Information As of and for the period ended 31 March 2014

(Currency - In thousands of Turkish Lira)

11. Financial risk management (continued)

Currency risk (continued)

31 December 2013	USD	Euro	CHF	JPY	KZT	Others	Total
Assets							
Cash and balances with central banks	830	186	-	-	26,111	41	27,168
Due from banks and financial institutions	23,227	513	1,016	318	8	722	25,804
Other money market placements	-	-	-	-	18,010	-	18,010
Reserve deposits at central Banks	132,369	-	-	-	3,659	-	136,028
Trading assets	4,170	-	30	81	-	-	4,281
Investment securities	3,226	-	-	-	30	-	3,256
Loans and finance lease receivables ⁽¹⁾	705,312	360,602	9,111	2,837	183,483	126	1,261,471
Property and equipment	-	-	-	-	5,904	-	5,904
Intangible assets	52,331	-	-	-	2,323	-	54,654
Deferred tax assets	-	-	-	-	953	-	953
Other assets	10,911	1,220	9	-	8,607	13	20,760
Total assets	932,376	362,521	10,166	3,236	249,088	902	1,558,289
Liabilities							
Deposit from other banks ⁽²⁾	5,428	5	-	-	212	4	5,649
Customer deposits ⁽²⁾	31,920	251	-	-	90,169	489	122,829
Trading liabilities	17,486	43	3,336	-	-	-	20,865
Funds borrowed	628,477	216,325	-	-	-	-	844,802
Debt securities issued	326,566	-	-	-	-	-	326,566
Other liabilities	23,629	11,333	180	-	1,101	33	36,276
Provisions	-	-	-	-	131	-	131
Total liabilities	1,033,506	227,957	3,516	-	91,613	526	1,357,118
Gross exposure	(101,130)	134,564	6,650	3,236	157,475	376	201,171
Off-balance sheet position							
Net notional amount of derivatives	(67,445)	(169,302)	(9,976)	(3,118)	-	(211)	(250,052)
Net exposure	(168,575)	(34,738)	(3,326)	118	157,475	165	(48,881)

⁽¹⁾ Foreign currency net non-performing loans and finance lease receivables amounting TL 18,599 is included at foreign currency position, respectively.

⁽²⁾ Figures represent the foreign subsidiary's deposit balances.

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ

Notes to the Condensed Consolidated Interim Financial Information

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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 31 March 2014 and 31 December 2013 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.

31 March 2014	Equity	Profit or loss
USD	(17,417)	(17,422)
EUR	20	20
Other currencies	13,605	13,605
	(3,792)	(3,797)
31 December 2013	Equity	Profit or loss
USD	(16,853)	(16,857)
EUR	(3,474)	(3,474)
Other currencies	15,443	15,443
	(4,884)	(4,888)

A 10% strengthening of the TL against the foreign currencies at 31 March 2014 and 31 December 2013 would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

Cash flow and fair value interest rate risk

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

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

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

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ

Notes to the Condensed Consolidated Interim Financial Information

As of and for the period ended 31 March 2014

(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:

31 March 2014	Up to 1 month	1 to 3 months	3 to 6 months	6 months to 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 Years	Non interest bearing	Total
Assets											
Cash and balances with central banks	-	-	-	-	-	-	-	-	-	65,380	65,380
Due from banks and financial institutions	672	310	-	3	-	-	-	-	-	24,291	25,276
Reserve deposits at central banks	-	-	-	-	-	-	-	-	-	112,818	112,818
Trading assets	2,485	4,757	144	630	825	423	500	-	-	-	9,764
Investment securities	81,838	1,533	35,221	-	3,279	-	-	-	-	26	121,897
Loaned securities	118,763	-	2,913	-	-	-	-	-	-	-	121,676
Loans and finance lease receivables	222,122	98,989	270,707	195,402	331,113	145,076	118,543	44,237	87,702	49,545	1,563,436
Property and equipment	-	-	-	-	-	-	-	-	-	7,712	7,712
Intangible assets	-	-	-	-	-	-	-	-	-	34,235	34,235
Current tax assets	-	-	-	-	-	-	-	-	-	2,284	2,284
Deferred tax assets	-	-	-	-	-	-	-	-	-	10,141	10,141
Other assets	-	6	-	-	-	-	-	-	-	70,506	70,512
Total assets	425,880	105,595	308,985	196,035	335,217	145,499	119,043	44,237	87,702	376,938	2,145,131
Liabilities											
Deposit from other banks ⁽¹⁾	-	-	-	3,322	-	-	-	-	-	636	3,958
Customer deposits ⁽¹⁾	45,662	850	3,250	14,604	2	4,763	1	-	-	60,977	130,109
Other money market deposits	116,262	-	-	-	-	-	-	-	-	-	116,262
Trading liabilities	9,802	18,251	-	259	-	-	-	-	9	-	28,321
Funds borrowed	60,334	78,845	134,632	408,229	30,072	-	-	-	17,055	-	729,167
Debt securities issued	11,600	62,664	2,362	181,782	25,000	-	328,470	-	-	-	611,878
Other liabilities	14,119	-	9,192	3,244	-	-	-	-	636	50,752	77,943
Provisions	-	-	-	-	-	-	-	-	-	5,302	5,302
Current tax liabilities	-	-	-	-	-	-	-	-	-	207	207
Total liabilities	257,779	160,610	149,436	611,440	55,074	4,763	328,471	-	17,700	117,874	1,703,147
Financial position interest sensitivity gap	168,101	(55,015)	159,549	(415,405)	280,143	140,736	(209,428)	44,237	70,002	259,064	441,984
Off-balance sheet interest sensitivity gap, net	-	(10,872)	-	(10,436)	139	-	-	-	-	-	(21,169)
Total interest sensitivity gap	168,101	(65,887)	159,549	(425,841)	280,282	140,736	(209,428)	44,237	70,002	259,064	420,815

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

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ

Notes to the Condensed Consolidated Interim Financial Information

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11. Financial risk management (continued)

Cash flow and fair value interest rate risk (continued)

31 December 2013	Up to 1 month	1 to 3 months	3 to 6 months	6 months to 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 Years	Non interest bearing	Total
Assets											
Cash and balances with central banks	-	-	-	-	-	-	-	-	-	27,208	27,208
Due from banks and financial institutions	785	4	302	1	-	-	-	-	-	26,209	27,301
Interbank and other money market placements	18,010	-	-	-	-	-	-	-	-	-	18,010
Reserve deposits at central banks	-	-	-	-	-	-	-	-	-	160,746	160,746
Trading assets	917	211	2,399	459	975	488	476	-	-	-	5,925
Investment securities	11,182	39,542	72,141	-	3,195	-	-	-	-	30	126,090
Loaned securities	25,244	36,522	92,155	-	-	-	-	-	-	-	153,921
Loans and finance lease receivables	283,098	101,530	241,490	315,309	326,799	173,214	76,239	51,455	79,211	26,132	1,674,477
Property and equipment	-	-	-	-	-	-	-	-	-	9,004	9,004
Intangible assets	-	-	-	-	-	-	-	-	-	64,709	64,709
Current tax assets	-	-	-	-	-	-	-	-	-	2,284	2,284
Deferred tax assets	-	-	-	-	-	-	-	-	-	11,867	11,867
Other assets	-	-	-	-	-	-	-	-	-	61,377	61,377
Total assets	339,236	177,809	408,487	315,769	330,969	173,702	76,715	51,455	79,211	389,566	2,342,919
Liabilities											
Deposit from other banks ⁽¹⁾	2,225	-	-	3,204	-	-	-	-	-	220	5,649
Customer deposits ⁽¹⁾	39,878	690	14,752	5,635	719	3,575	-	1	-	57,579	122,829
Other money market deposits	158,903	-	-	-	-	-	-	-	-	-	158,903
Trading liabilities	1,405	3,477	13,899	244	6,394	-	-	7	-	-	25,426
Funds borrowed	197,968	183,019	43,159	432,006	29,365	-	-	-	-	-	885,517
Debt securities issued	-	6,176	72,945	55,745	125,000	-	-	320,145	-	-	580,011
Other liabilities	37,083	8,819	-	-	3,179	-	-	-	599	21,538	71,218
Provisions	-	-	-	-	-	-	-	-	-	6,827	6,827
Current tax liabilities	-	-	-	-	-	-	-	-	-	132	132
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	32	32
Total liabilities	437,462	202,181	144,755	496,834	164,657	3,575	-	320,153	599	86,328	1,856,544
Financial position interest sensitivity gap	(98,226)	(24,372)	263,732	(181,065)	166,312	170,127	76,715	(268,698)	78,612	303,238	486,375
Off-balance sheet interest sensitivity gap, net	124,352	(2,629)	(11,111)	217	(130,842)	516	514	(6)	-	-	(18,989)
Total interest sensitivity gap	26,126	(27,001)	252,621	(180,848)	35,470	170,643	77,229	(268,704)	78,612	303,238	467,386

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

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ**Notes to the Condensed Consolidated Interim Financial Information****As of and for the period ended 31 March 2014***(Currency - In thousands of Turkish Lira)***11. Financial risk management (continued)****Cash flow and fair value interest rate risk (continued)**

As at 31 March 2014 and 31 December 2013, the effective interest rate applied on balance sheet items summarised as follows:

31 March 2014 (%)	TL	USD	EUR	CHF	JPY	GBP	KZT
Due from banks and financial institutions	9.78	0.18	0.03	-	-	-	-
Interbank and other money market placements	-	-	-	-	-	-	-
Marketable securities (Investment and trading)	7.36	9.63	-	-	-	-	-
Loans and finance lease receivables							
- Corporate loans	16.97	7.05	5.90	-	-	-	8.57
- Retail loans	17.58	9.62	8.68	7.46	6.59	11.6	14.56
Deposits from other banks	-	4.25	-	-	-	-	-
Customer deposits	-	3.59	-	-	3.39	-	3.82
Other money market deposits	9.78	-	-	-	-	-	-
Funds borrowed and debt securities issued	9.59	5.05	3.28	-	-	-	-
Current account of loan customers ⁽¹⁾	7.37	3.67	-	-	-	-	-
31 December 2013 (%)	TL	USD	EUR	CHF	JPY	GBP	KZT
Due from banks and financial institutions	6.67	0.19	0.06	-	-	-	-
Interbank and other money market placements	7.27	-	-	-	-	-	3.35
Marketable securities (Investment and trading)	7.47	9.63	-	-	-	-	-
Loans and finance lease receivables							
- Corporate loans	14.35	6.96	6.42	-	-	-	8.44
- Retail loans	17.39	9.44	8.70	7.89	6.34	11.41	14.61
Deposits from other banks	-	4.54	-	-	-	-	-
Customer deposits	-	4.17	-	-	3.00	-	6.11
Other money market deposits	4.61	-	-	-	-	-	-
Funds borrowed and debt securities issued	9.30	5.20	3.52	-	-	-	-
Current account of loan customers ⁽¹⁾	5.98	3.16	0.80	-	-	-	-

⁽¹⁾Included in other liabilities.

Internal capital adequacy assessment process

Within the risk management framework of the Bank, a comprehensive internal capital adequacy assessment process ("ICAAP") is performed which is reviewed and approved by Board of Directors since 2009.

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

Change at portfolio value/Total equity (%)	31 March 2014	31 December 2013
Local TL interest rate		
+500 bps	(2.11)	(1.81)
-400 bps	2.71	1.86
Foreign currency interest rate		
+200 bps EUR	(1.49)	(1.62)
-200 bps EUR	0.67	0.71
+200 bps USD	0.25	1.85
-200 bps USD	0.36	(1.79)

Capital adequacy

To monitor the adequacy of its capital, the Group uses ratios established by BRSA. These ratios measure capital adequacy (minimum 8% as required by Banking Law) by comparing the Group's eligible capital with its financial position assets, off-balance sheet commitments and market and other risk positions at weighted amounts to reflect their relative risk. The Regulatory capital and the capital adequacy ratio declared by the Group as 31 March 2014 and 31 December 2013 is as follows:

	31 March 2014	31 December 2013
Amount subject to credit risk (I)	2,123,588	2,229,200
Amount subject to market risk (II)	180,575	254,170
Amount subject to operational risk (III)	158,475	158,326
Total risk-weighted assets and value at market risk and operational risk (IV) = (I+II+III)	2,462,638	2,641,696
Shareholders' equity	419,653	436,156
Capital adequacy ratio	17.04%	16.51%

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

31 March 2014	Level 1	Level 2	Level 3	Total
Trading assets	718	9,046	-	9,764
Investment and loaned securities ⁽¹⁾	243,547	-	-	243,547
	244,265	9,046	-	253,311
Trading liabilities	-	28,321	-	28,321
	-	28,321	-	28,321
31 December 2013	Level 1	Level 2	Level 3	Total
Trading assets	811	5,114	-	5,925
Investment and loaned securities ⁽¹⁾	279,981	-	-	279,981
	280,792	5,114	-	285,906
Trading liabilities	-	25,426	-	25,426
	-	25,426	-	25,426

⁽¹⁾ As at 31 March 2014, securities that are not publicly traded amounting to TL 26 have been measured at cost and are excluded from the table (31 December 2013 – TL 30).

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The Group has five reportable segments, namely asset management and treasury, corporate banking, retail banking, foreign financial subsidiary (includes activities of JSC BankPozitiv) and non-financial services (includes activities of C Bilişim), which are the Group's strategic business units. The strategic business units offer different products and services, and are managed separately based on the Group's management and internal reporting structure. The following table summarises the Group's operating segments details.

31 March 2014	Asset management and treasury	Corporate banking	Retail banking	Foreign financial subsidiary	Non-financial services	Eliminations	Total
Interest income	4,198	23,734	6,846	4,865	-	-	39,643
Interest expense	(24,564)	(550)	-	(667)	-	-	(25,781)
Intersegment revenue	9,178	(7,934)	(1,244)	-	-	-	-
Net interest income	(11,188)	15,250	5,602	4,198	-	-	13,862
Net fee and commission income	(5)	1,729	20	495	-	-	2,239
Net trading income and foreign exchange gain, net	17,472	69	-	505	4	-	18,050
Other operating income	-	4,767	13	132	1,747	(991)	5,668
Total operating income	6,279	21,815	5,635	5,330	1,751	(991)	39,819
Net impairment loss on financial and non-financial assets and on consolidation goodwill	(29,348)	275	(1,414)	(271)	-	-	(30,758)
Total operating expense	(5,479)	(4,881)	(3,871)	(4,073)	(1,171)	991	(18,484)
Loss before income tax	(28,548)	17,209	350	986	580	-	(9,423)
Income tax	(4,181)	-	-	(217)	(118)	-	(4,516)
Net loss for the period	(32,729)	17,209	350	769	462	-	(13,939)
Total assets	643,084	1,258,486	166,201	282,177	6,443	(211,260)	2,145,131
Total liabilities	1,470,622	102,521	3,534	144,600	898	(19,028)	1,703,147

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13. Operating segments (continued)

31 March 2013	Asset management and treasury	Corporate banking	Retail banking	Foreign financial subsidiary	Non-financial services	Eliminations	Total
Interest income	9,072	20,450	6,225	3,415	2	-	39,164
Interest expense	(21,979)	(86)	-	(376)	-	-	(22,441)
Intersegment revenue	9,260	(8,664)	(596)	-	-	-	-
Net interest income	(3,647)	11,700	5,629	3,039	2	-	16,723
Net fee and commission income	(155)	2,890	101	499	-	-	3,335
Net trading income and foreign exchange gain, net	1,509	45	-	282	1	-	1,837
Other operating income	185	8,695	26	19	875	(735)	9,065
Total operating income	(2,108)	23,330	5,756	3,839	878	(735)	30,960
Net impairment loss on financial and non-financial assets and on consolidation goodwill	(108)	(7,970)	(458)	31	-	-	(8,505)
Total operating expense	(2,776)	(4,843)	(3,612)	(3,504)	(336)	735	(14,336)
Profit before income tax	(4,992)	10,517	1,686	366	542	-	8,119
Income tax	(200)	-	-	(83)	(109)	-	(392)
Net profit for the period	(5,192)	10,517	1,686	283	433	-	7,727
Total assets⁽¹⁾	737,389	1,331,089	175,552	294,924	5,986	(202,021)	2,342,919
Total liabilities⁽¹⁾	1,651,589	94,304	3,741	137,319	903	(31,312)	1,856,544

⁽¹⁾ As at 31 December 2013.

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14. Rating

As at 31 March 2014, the Bank's ratings assigned by international rating agencies, Fitch Ratings and Moody's Ratings are as follows:

Fitch Ratings, August 2013

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

15. Subsequent and other events

None.