



**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 2016**

23 May 2016

*This report contains 2 pages of independent auditors' report on review of condensed consolidated interim financial information and 36 pages of condensed consolidated financial statements and notes to the condensed consolidated interim financial information.*

## **Bankpozitif Kredi ve Kalkınma Bankası Anonim Şirketi**

### **TABLE OF CONTENTS**

	<b>Page</b>
Independent auditors' report on review of condensed consolidated interim financial information	
Condensed consolidated interim statement of financial position	1
Condensed consolidated interim statement of income	2
Condensed consolidated interim statement of profit or loss and other comprehensive income	3
Condensed consolidated interim statement of changes in equity	4
Condensed consolidated interim statement of cash flows	5
Notes to the condensed consolidated interim financial information	6 – 36



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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 2016, 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 2016 is not prepared, in all material respects, in accordance with IAS 34, "Interim Financial Reporting".

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

Alper Güvenç, SMMM  
*Partner*

23 May 2016  
İstanbul, Turkey

**BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ****Condensed Consolidated Interim Statement of Financial Position****As at 31 March 2016***(Currency - In thousands of Turkish Lira)*

		<b>Reviewed</b>	<b>Audited</b>
		<b>31 March</b>	<b>31 December</b>
	<i>Note</i>	<b>2016</b>	<b>2015</b>
<b>ASSETS</b>			
Cash and balances with central banks		15	130
Due from banks and financial institutions		24,560	17,386
Interbank and other money market placements		8,009	114,391
Reserve deposits at central banks		127,986	157,901
Trading assets		10,777	10,048
Investment securities		59,185	55,108
Loaned securities		13,441	14,550
Loans and finance lease receivables	4	1,237,271	1,271,093
Property and equipment		2,157	2,415
Intangible assets	5	8,752	9,186
Deferred tax assets		12,701	16,633
Investment property	6	57,296	57,292
Other assets		42,836	63,361
<b>Total assets</b>		<b>1,604,986</b>	<b>1,789,494</b>
<b>LIABILITIES</b>			
Other money market deposits		13,437	14,508
Trading liabilities		19,420	31,620
Funds borrowed	7	617,210	681,253
Debt securities issued	8	540,815	647,366
Other liabilities		63,848	60,155
Provisions		4,929	9,242
Current tax liabilities		60	61
Deferred tax liabilities		51	61
<b>Total liabilities</b>		<b>1,259,770</b>	<b>1,444,266</b>
<b>EQUITY</b>			
Share capital and share premium	9	379,114	379,114
Legal reserves		16,168	16,168
Available-for-sale reserve, net of tax	9	3,459	2,874
Retained earnings		(53,525)	(52,928)
<b>Total equity</b>		<b>345,216</b>	<b>345,228</b>
<b>Total equity and liabilities</b>		<b>1,604,986</b>	<b>1,789,494</b>

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 2016***(Currency - In thousands of Turkish Lira)*

		<b>Reviewed</b>	<b>Reviewed</b>
		<b>1 January –</b>	<b>Re-presented</b>
	<i>Note</i>	<b>31 March 2016</b>	<b>1 January –</b>
			<b>31 March 2015</b>
<b>Continuing Operations</b>			
<b>Interest income</b>			
Interest income on loans and finance leases		29,076	28,233
Interest income on deposits with other banks and financial institutions		309	1,551
Interest income on investment securities		1,611	2,888
Interest income on interbank and other money market placements		2,192	4
Other interest income		2,231	5,526
<b>Total interest income</b>		<b>35,419</b>	<b>38,202</b>
<b>Interest expense</b>			
Interest expense on other money market deposits		(275)	(486)
Interest expense on funds borrowed		(5,377)	(5,097)
Interest expense on debt securities issued		(10,896)	(14,288)
Other interest expense		(3,232)	(1,291)
<b>Total interest expense</b>		<b>(19,780)</b>	<b>(21,162)</b>
<b>Net interest income</b>		<b>15,639</b>	<b>17,040</b>
Fees and commission income		1,848	1,774
Fees and commission expense		(205)	(477)
<b>Net fee and commission income</b>		<b>1,643</b>	<b>1,297</b>
Net trading income and foreign exchange gain, net		291	(1,771)
Other operating income		1,344	2,840
<b>Total operating income</b>		<b>18,917</b>	<b>19,406</b>
<b>Net impairment loss on financial assets</b>	4	<b>(869)</b>	<b>(1,954)</b>
Personnel expenses		(7,166)	(6,501)
Depreciation and amortisation		(938)	(1,179)
Administrative expenses		(4,436)	(3,838)
Taxes other than on income		(259)	(715)
Other expenses		(2,260)	(721)
<b>Total operating expenses</b>		<b>(15,059)</b>	<b>(12,954)</b>
<b>Profit before income tax</b>		<b>2,989</b>	<b>4,498</b>
Income tax		(3,586)	(1,685)
<b>Profit/(Loss) from continuing operations</b>		<b>(597)</b>	<b>2,813</b>
<b>Discontinued operations</b>			
<b>Profit/(Loss) from discontinued operation, net of tax</b>	15	<b>-</b>	<b>985</b>
<b>Profit/(Loss)</b>		<b>(597)</b>	<b>3,798</b>

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 2016**

(Currency - In thousands of Turkish Lira)

	<b>Reviewed</b>	<b>Reviewed</b>
	<b>1 January–</b>	<b>1 January–</b>
	<b>31 March 2016</b>	<b>31 March 2015</b>
<b>Profit/(loss) for the period</b>	<b>(597)</b>	<b>3,798</b>
<b>Other comprehensive income</b>		
<i>Items that will never be reclassified to profit or loss</i>		
Remeasurement of employee termination benefits	-	-
Income tax	-	-
<i>Items that are or may be reclassified to profit or loss</i>		
Foreign currency translation differences for foreign operations	-	734
Available-for-sale reserve		
Net change in fair value of available-for-sale financial assets	424	(2,068)
Net change in fair value of available-for-sale financial assets transferred to profit or loss	246	329
Income tax	(85)	348
<b>Other comprehensive income/(loss) for the period from continued operations, net of income tax</b>	<b>585</b>	<b>(657)</b>
<b>Total comprehensive loss for the period</b>	<b>(12)</b>	<b>3,141</b>

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 2016***(Currency - In thousands of Turkish Lira)*

	<i>Note</i>	Share capital	Share premium	Adjustment to share capital	Legal reserves	Available-for-sale reserve, net of tax	Currency translation reserve	Accumulated Losses	Total
<b>At 1 January 2015</b>		<b>337,292</b>	<b>20,121</b>	<b>21,701</b>	<b>16,168</b>	<b>4,109</b>	<b>(42,368)</b>	<b>69,695</b>	<b>426,718</b>
<b>Total comprehensive income for the period</b>									
Profit for the period		-	-	-	-	-	-	3,798	3,798
<b>Other comprehensive income</b>									
Foreign currency translation differences		-	-	-	-	-	734	-	734
Remeasurements of defined benefit liability/(asset), net of tax		-	-	-	-	-	-	-	-
Net change in fair value of available-for-sale financial assets, net of tax		-	-	-	-	(1,391)	-	-	(1,391)
<b>Total other comprehensive income</b>		-	-	-	-	<b>(1,391)</b>	<b>734</b>	-	<b>(657)</b>
<b>Total comprehensive income for the period</b>		-	-	-	-	<b>(1,391)</b>	<b>734</b>	<b>3,798</b>	<b>3,141</b>
<b>Contributions by and distributions to owners</b>									
Dividends to equity holders		-	-	-	-	-	-	-	-
<b>Total contributions by and distributions to owners</b>		-	-	-	-	-	-	-	-
<b>Transfers</b>		-	-	-	-	-	-	-	-
<b>At 31 March 2015</b>		<b>337,292</b>	<b>20,121</b>	<b>21,701</b>	<b>16,168</b>	<b>2,718</b>	<b>(41,634)</b>	<b>73,493</b>	<b>429,859</b>
<b>At 1 January 2016</b>		<b>337,292</b>	<b>20,121</b>	<b>21,701</b>	<b>16,168</b>	<b>2,874</b>	-	<b>(52,928)</b>	<b>345,228</b>
<b>Total comprehensive income for the period</b>									
Profit for the period		-	-	-	-	-	-	(597)	(597)
<b>Other comprehensive income</b>									
Foreign currency translation differences		-	-	-	-	-	-	-	-
Remeasurements of defined benefit liability/(asset), net of tax		-	-	-	-	-	-	-	-
Net change in fair value of available-for-sale financial assets, net of tax		-	-	-	-	585	-	-	585
<b>Total other comprehensive income</b>		-	-	-	-	<b>585</b>	-	<b>(597)</b>	<b>(12)</b>
<b>Total comprehensive income for the period</b>		-	-	-	-	<b>585</b>	-	<b>(597)</b>	<b>(12)</b>
<b>Contributions by and distributions to owners</b>									
Dividends to equity holders		-	-	-	-	-	-	-	-
<b>Total contributions by and distributions to owners</b>		-	-	-	-	-	-	-	-
<b>Transfers</b>		-	-	-	-	-	-	-	-
<b>At 31 March 2016</b>		<b>337,292</b>	<b>20,121</b>	<b>21,701</b>	<b>16,168</b>	<b>3,459</b>	-	<b>(53,525)</b>	<b>345,216</b>

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 2016***(Currency - In thousands of Turkish Lira)*

	<b>Reviewed</b>	<b>Reviewed</b>
	<b>1 January –</b>	<b>1 January –</b>
<i>Note</i>	<b>31 March 2016</b>	<b>31 March 2015</b>
<b>Cash flows from operating activities</b>		
Interest received	32,094	50,516
Interest paid	(26,553)	(33,717)
Fees and commissions received	2,142	2,913
Fees and commissions paid	(501)	(716)
Trading income	188	169
Recoveries from non-performing loans	451	6,108
Cash payments to employees and other parties	(12,589)	(12,147)
Cash received from other operating activities	1,346	2,854
Cash paid for other operating activities	(8,794)	(5,074)
Income taxes paid	-	(183)
	<b>(12,216)</b>	<b>10,723</b>
Change in banks and financial institutions	430	(44)
Change in trading assets	(91)	(122)
Change in reserve deposits at central banks	29,968	(35,803)
Change in loans and finance lease receivables	21,205	(83,518)
Change in other assets	20,522	(13,934)
Change in deposit from other banks	-	(186)
Change in customer deposits	-	15,540
Change in interbank and other money market deposits	(1,071)	3,062
Change in other liabilities	4,440	3,610
<b>Net cash provided by / (used in) operating activities</b>	<b>63,187</b>	<b>(100,672)</b>
<b>Cash flows from investing activities</b>		
Purchases of investment securities	(9,208)	(14,367)
Proceeds from sale and redemption of investment securities	6,683	29,028
Purchases of property and equipment	(906)	(194)
Proceeds from the sale of premises and equipment	755	81
Purchases of intangible assets	(970)	(460)
<b>Net cash provided by / (used in) investing activities</b>	<b>(3,646)</b>	<b>14,088</b>
<b>Cash flows from financing activities</b>		
Proceeds from funds borrowed	276,613	369,491
Repayment of funds borrowed	(347,609)	(231,196)
Proceeds from debt securities issued	-	58,450
Repayment of debt securities issued	(89,387)	(125,000)
<b>Net cash provided by / (used in) financing activities</b>	<b>(160,383)</b>	<b>71,745</b>
Effect of net foreign exchange difference on cash and cash equivalents	1,117	2,048
<b>Net decrease in cash and cash equivalents</b>	<b>(99,725)</b>	<b>(12,791)</b>
Cash and cash equivalents at 1 January	131,886	170,870
<b>Cash and cash equivalents at 31 March</b>	<b>32,161</b>	<b>158,079</b>

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

<b>Notes to the condensed consolidated interim financial information</b>		<b>Pages</b>
Note 1	Corporate information	7
Note 2	Basis of preparation	8
Note 3	Use of judgements and estimates	9
Note 4	Loans and finance lease receivables	10
Note 5	Intangible assets	11
Note 6	Investment property	12
Note 7	Funds borrowed	13
Note 8	Debts securities issued	13
Note 9	Capital and reserves	14
Note 10	Related parties	15
Note 11	Commitment and contingencies	16
Note 12	Financial risk management	17
Note 13	Fair value of financial instruments	33
Note 14	Operating segments	34
Note 15	Discontinued operations	36
Note 16	Rating	36
Note 17	Subsequent and other events	36

# **BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ**

## **Notes to the Condensed Consolidated Financial Statements**

**As at and for the period ended 31 March 2016**

*(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 2016, 69.83% (31 December 2015 – 69.83%) of the shares of the Bank belong to Tarshish and are controlled by Bank Hapoalim and 30.17% (31 December 2015 – 30.17%) of the shares belong to C Faktoring A.Ş.

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

# BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ

## Notes to the Condensed Consolidated Financial Statements

As at and for the period ended 31 March 2016

(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. 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.

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.

On 20 October 2015, an agreement between the bank and Eurasian Bank JSC has been signed regarding the sale of shares of the bank's subsidiary JSC BankPozitiv Kazakhstan. As of 30 December 2015, required approvals have been obtained from the regulatory institution of Kazakhstan and the shares of JSC BankPozitiv Kazakhstan have been transferred to EurasianBank JSC with a sale amount of USD 26,265,782 (TL 75,245,530).

As at 31 March 2016, the Bank provides services through its head office. As at 31 March 2016, the number of employees for the Bank and its consolidated subsidiaries are 127 and 2, respectively (31 December 2015 – 133 and 2).

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

The subsidiaries included in consolidation and effective shareholding percentages of the Group at 31 March 2016 and 31 December 2015 are as follows:

	Place of incorporation	Principal activities	Effective shareholding and voting rights (%)	
			31 March 2016	31 December 2015
C Bilişim	Istanbul/Turkey	Software development and technology	100	100

### 2. Basis of preparation

The interim consolidated condensed financial statements as of 31 March 2016 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 2015.

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 March 2016, noted below.

# BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ

## Notes to the Condensed Consolidated Financial Statements

As at and for the period ended 31 March 2016

(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 nine month period ended 31 March 2016, and have not been applied in preparing these consolidated financial statements. None of these will have an effect on the consolidated financial information of the Group, with the exception of:

##### *IFRS 9 Financial Instruments*

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

### 3. Use of judgements and estimates

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

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2015.

##### *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 13 – fair value of financial instruments.

**BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ****Notes to the Condensed Consolidated Financial Statements****As at and for the period ended 31 March 2016***(Currency - In thousands of Turkish Lira)***4. Loans and finance lease receivables**

<b>31 March 2016</b>	<b>Turkish Lira</b>	<b>Foreign currency</b>	<b>Foreign currency indexed</b>	<b>Total</b>
Corporate loans and finance lease receivables	245,699	795,943	68,691	1,110,333
Consumer loans	83,089	-	6,083	89,172
<b>Total loans</b>	<b>328,788</b>	<b>795,943</b>	<b>74,774</b>	<b>1,199,505</b>
Non-performing loans and finance lease receivables	68,916	-	-	68,916
Less: Specific reserve for impairment	(17,018)	-	-	(17,018)
Less: Portfolio reserve for impairment	(14,132)	-	-	(14,132)
	<b>366,554</b>	<b>795,943</b>	<b>74,774</b>	<b>1,237,271</b>
<b>31 December 2015</b>	<b>Turkish Lira</b>	<b>Foreign currency</b>	<b>Foreign currency indexed</b>	<b>Total</b>
Corporate loans and finance lease receivables	253,773	837,237	53,101	1,144,111
Consumer loans	90,249	-	7,204	97,453
<b>Total loans and finance lease receivables</b>	<b>344,022</b>	<b>837,237</b>	<b>60,305</b>	<b>1,241,564</b>
Non-performing loans and finance lease receivables	61,511	-	-	61,511
Less: Specific reserve for impairment	(15,681)	-	-	(15,681)
Less: Portfolio reserve for impairment	(16,301)	-	-	(16,301)
	<b>373,551</b>	<b>837,237</b>	<b>60,305</b>	<b>1,271,093</b>

As at 31 March 2016, loans and finance lease receivables with floating rates are TL 297 (31 December 2015 – TL 384) and fixed interest rates are TL 1,199,208 (31 December 2015 – TL 1,241,180).

**BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ****Notes to the Condensed Consolidated Financial Statements  
As at and for the period ended 31 March 2016***(Currency - In thousands of Turkish Lira)***4. Loans and finance lease receivables (continued)**

Movements in non-performing loans and finance lease receivables:

	<b>31 March 2016</b>	<b>31 December 2015</b>
Non-performing loans and finance lease receivables at 1 January	61,511	101,657
Sale effect of JSC BankPozitiv Kazakhstan	-	(20,085)
Additions to non-performing loans and finance lease receivables	9,994	37,096
Recoveries	(451)	(40,484)
Write-offs <sup>(1)</sup>	(2,138)	(16,673)
<b>Non-performing loans and finance lease receivables at the end of period</b>	<b>68,916</b>	<b>61,511</b>

<sup>(1)</sup> TL 2,138 of non-performing loans and finance lease receivables were sold to an asset management company as at 31 March 2016 (31 December 2015- TL 16,673).

Movements in the reserve for possible loan and finance lease receivables losses:

	<b>31 March 2016</b>	<b>31 December 2015</b>
Reserve at the beginning of the year	31,982	58,650
Provision net of recoveries	869	5,544
- <i>Provision for loan and finance lease receivables impairment</i>	2,296	11,648
- <i>Recoveries</i>	(1,427)	(6,104)
Write-offs <sup>(1)</sup>	(1,701)	(10,699)
Sale effect of JSC BankPozitiv Kazakhstan	-	(21,513)
<b>Reserve at the end of the period</b>	<b>31,150</b>	<b>31,982</b>

<sup>(1)</sup> Write-offs include TL 1,701 (31 December 2015- TL 10,699) 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 2,138 (31 December 2015- TL 16,673) as at 31 March 2016.

**5. Intangible assets**

Intangible assets consist of purchased software and developed software.

# BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ

## Notes to the Condensed Consolidated Financial Statements

As at and for the period ended 31 March 2016

(Currency - In thousands of Turkish Lira)

### 6. Investment property

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

Accordingly, the Hotel was valued by an independent appraiser. According to the report dated 3 August 2015 prepared by a real estate appraisal company, which is included in the list to provide valuation service by the Capital Markets Board of Turkey (“CMB”), the fair value of hotel is determined as TL 56,155 for shares of the land and building owned by the Group determined according to the discounted cash flow projections approach. Investment property comprises a commercial properties that are leased to third parties. Lease contains an initial non-cancellable period of 10 years, with annual increases in rents indexed to consumer prices. Rental income from investment property amounting to TL 117 has been recognised in other income.

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

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

	1 January – 31 March 2016	1 January – 31 December 2015
Balance at 1 January	57,292	56,155
Reclassification from other assets	-	-
Additions	4	1,137
<i>Accounted in other income</i>		
Change in fair value	-	-
<b>Total</b>	<b>57,296</b>	<b>57,292</b>



**BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ****Notes to the Condensed Consolidated Financial Statements****As at and for the period ended 31 March 2016***(Currency - In thousands of Turkish Lira)***7. Funds borrowed**

	31 March 2016		31 December 2015	
	Turkish Lira	Foreign currency	Turkish Lira	Foreign currency
<b>Short-term<sup>(1)</sup></b>				
Fixed interest	349	386,984	10,044	237,995
Floating interest	-	-	-	29,104
<b>Long-term<sup>(1)</sup></b>				
Fixed interest	-	172,895	-	335,393
Floating interest	-	56,982	-	68,717
<b>Total</b>	<b>349</b>	<b>616,861</b>	<b>10,044</b>	<b>671,209</b>

<sup>(1)</sup> Based on original maturities.

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

As at 31 March 2016 and 31 December 2015, funds borrowed are unsecured.

As at 31 March 2016 and 31 December 2015, the Group has not had any defaults of principal, interest or redemption amounts or other breaches of loan covenants.

**8. Debt securities issued**

	31 March 2016		31 December 2015	
	Turkish Lira	Foreign currency	Turkish Lira	Foreign currency
Debt securities issued at amortised cost	121,169	419,646	210,233	437,133
<b>Total</b>	<b>121,169</b>	<b>419,646</b>	<b>210,233</b>	<b>437,133</b>

# BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ

## Notes to the Condensed Consolidated Financial Statements

As at and for the period ended 31 March 2016

(Currency - In thousands of Turkish Lira)

### 9. Capital and reserves

	31 March 2016	31 December 2015
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 2016 and 31 December 2015, the composition of shareholders and their respective percentage of ownership are summarised as follows:

	31 March 2016		31 December 2015	
	Amount	%	Amount	%
Tarshish	235,515	69.83	235,515	69.83
C Faktoring A.Ş.	101,777	30.17	101,777	30.17
	<b>337,292</b>	<b>100.00</b>	<b>337,292</b>	<b>100.00</b>
Share premium	20,121		20,121	
Restatement effect	21,701		21,701	
<b>Share capital and share premium</b>	<b>379,114</b>		<b>379,114</b>	

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

#### Legal reserves

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

#### Other reserves

##### Available-for-sale reserve

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

##### Foreign currency translation reserve

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

**BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ****Notes to the Condensed Consolidated Financial Statements****As at and for the period ended 31 March 2016***(Currency - In thousands of Turkish Lira)***10. Related parties**

The Group is controlled by Bank Hapoalim and C Faktoring A.Ş. which owns 69.83% and 30.17% of ordinary shares, respectively (31 December 2015 – 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:

	<b>Directors and key management personnel</b>					
	<b>Shareholders</b>		<b>Others</b>			
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
<b>Loans and finance lease receivables</b>						
At 1 January	-	-	1	1	-	-
At end of the period/year	-	-	-	-	-	-
Interest income (*)	-	-	-	-	-	-

As at 31 March 2016, no provisions have been recognised in respect of loans and finance lease receivables given to related parties (31 December 2015 – none).

	<b>Directors and key management personnel</b>					
	<b>Shareholders</b>		<b>Others</b>			
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
<b>Funds borrowed</b>						
At 1 January	218,514	185,851	-	-	70,926	
At end of the period/year	198,338	218,514	-	-	2,920	
Interest expense (*)	(1,500)	(1,285)	-	-	(951)	

(\*) Interest income and interest expense in the above tables for 2015 represents the balances as of 31 March 2015.

**BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ****Notes to the Condensed Consolidated Financial Statements****As at and for the period ended 31 March 2016***(Currency - In thousands of Turkish Lira)***10. Related parties (continued)**

Other balances with related parties:

<b>Related party</b>		<b>Due from banks</b>	<b>Deposits</b>	<b>Other assets</b>	<b>Other liabilities</b>	<b>Non-cash loans</b>
Shareholders	31 March 2016	-	-	-	-	22,697
	31 December 2015	-	-	-	3	23,727
Directors and key management personnel	31 March 2016	-	-	-	-	-
	31 December 2015	-	-	-	-	-
Others	31 March 2016	-	-	-	-	18
	31 December 2015	-	-	-	16	1,181

Transactions with related parties:

<b>Related party</b>		<b>Foreign exchange trading gain/(loss)</b>	<b>Other interest income</b>	<b>Other interest expense</b>	<b>Other operating income</b>	<b>Other operating expense</b>
Shareholders	31 March 2016	-	-	-	-	-
	31 March 2015	-	-	-	22	-
Directors and key management personnel	31 March 2016	-	-	-	-	-
	31 March 2015	-	-	-	3	-
Others	31 March 2016	-	-	-	-	-
	31 March 2015	-	-	(54)	-	-

**Compensation of key management personnel of the Group**

The executive and non-executive member of Board of Directors and management received remuneration and fees amounted to TL 3,296 (31 March 2015 – TL 2,911) comprising salaries and other benefits.

**11. Commitments and contingencies**

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

	<b>31 March 2016</b>	<b>31 December 2015</b>
Letters of guarantee	531,298	630,377
Letters of credit	90,971	67,801
Other guarantees	14,200	21,422
Commitments	46,150	29,095
<b>Total non-cash loans</b>	<b>682,619</b>	<b>748,695</b>

# **BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ**

## **Notes to the Condensed Consolidated Financial Statements**

**As at and for the period ended 31 March 2016**

*(Currency - In thousands of Turkish Lira)*

### **12. Financial risk management**

#### **Strategy in using financial instruments**

BankPozitif's risk approach is to achieve sound and sustainable low risk profile on consolidated basis, through the identification, measurement and monitoring of all types of risks inherent in the nature of the business activities. The main principle of the Group is to manage the credit risk effectively, to eliminate the market risk by not carrying positions and intelligent handling of operational risks supporting the group in achieving its strategic goals. With this understanding, the Group has given priority to create a risk aware culture in which all functions of the Group understand the risks being exposed; to have well-defined areas of responsibilities; to identify and map the risks and controls of each process and to have prudent procedures for the new products and applications.

BankPozitif's basic risk classifications and policies can be summarised as follows:

- well managing the credit risk through a high standardised credit risk management,
- minimizing market risk with the avoidance of currency, interest rate and maturity positions,
- identifying, assessing, monitoring and controlling of the operational risks inherent in products, activities, systems and material processes.

In the credit risk management process of the Group, sound risk management practices are targeted in compliance with Basel II recommendations.

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

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

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

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

# **BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ**

## **Notes to the Condensed Consolidated Financial Statements**

**As at and for the period ended 31 March 2016**

*(Currency - In thousands of Turkish Lira)*

### **12. Financial risk management (continued)**

#### **Strategy in using financial instruments (continued)**

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

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

- to define the risk policy of the Group, including that of all its subsidiaries, regarding exposure to various risks (credit risks, market risks, operational risks),
- to manage and guide all the activities of internal systems directly/through committees,
- to approve new business lines, products or activities that would have a substantial effect on activities of the Group,
- The Group manages its exposure to all types of risks through the asset and liability management committee (“ALCO”) and executive committee, set by Board of Directors and comprising members of senior management, and a representative of main shareholder (board member/consultant of Board of Directors nominated by Bank Hapoalim) and also through limits set on the credit, treasury and asset liability management activities of the Group. These limits are approved and quarterly reviewed by Board of Directors and ALCO and executive committee supervise the compliance with the limits,
- Permanent learning program for the Board of Directors is in place from the beginning of 2011 including the subjects risk management, corporate governance in general and corporate governance in the financial sector, Basel II, reporting standards (IFRS and BRSA) and audit,
- In summary, in order not to be exposed to liquidity, interest rate and foreign currency risk, the Group aims to keeps its funding structure in line with the asset structure (in terms of currency, maturity and interest rate) and hedges its positions through various derivative transactions. In addition to that, the Group does not prefer to take speculative positions on currency, interest rate and maturity that might create risk to the Group due to changes in the prices or mismatch of assets and liabilities.

#### **Credit risk**

- Credit risk refers to the risk that a contractual partner defaults on its contractual obligations or does not deliver in full accordance with the conditions of contract,
- As the focus of BankPozitif is defined as credit activities, credits are the most significant part of its activities and thus managed meticulously. BankPozitif follows a strict credit policy which is reviewed and approved by Board of Directors at certain intervals and whenever necessary. The process for approving, amending and renewing is clearly regulated together with collateral requirements. All facilities are assessed prior to approval via a series of evaluation meetings to ensure that the strict criteria laid out in the Group is adhered to regarding the issues like sector, sub-sector, collateral, maturity, project type etc.,
- To avoid the default risks to the best possible extend, the Group applies a well-defined “credit allocation process” and afterwards monitoring of the portfolio is being executed using a number of precautionary actions by relevant functions.

**BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ****Notes to the Condensed Consolidated Financial Statements****As at and for the period ended 31 March 2016***(Currency - In thousands of Turkish Lira)***12. Financial risk management (continued)****Credit risk (continued)**

<b>31 March 2016</b>	<b>Loans and advances to customers</b>	<b>Loans and advances to banks</b>	<b>Investment securities and loaned securities</b>	<b>Non cash loans</b>
Neither past due nor impaired	1,154,220	24,560	72,626	682,619
Past due but not impaired	45,285	-	-	-
Individually impaired	68,916	-	-	-
Allowance for impairment				
- Individual impairment	(17,018)	-	-	-
- Collective impairment	(14,132)	-	-	-
	<b>1,237,271</b>	<b>24,560</b>	<b>72,626</b>	<b>682,619</b>

  

<b>31 December 2015</b>	<b>Loans and advances to customers</b>	<b>Loans and advances to banks</b>	<b>Investment securities and loaned securities</b>	<b>Non cash loans</b>
Neither past due nor impaired	1,175,481	17,386	69,658	748,695
Past due but not impaired	66,083	-	-	-
Individually impaired	61,511	-	-	-
Allowance for impairment				
- Individual impairment	(15,681)	-	-	-
- Collective impairment	(16,301)	-	-	-
	<b>1,271,093</b>	<b>17,386</b>	<b>69,658</b>	<b>748,695</b>

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

- 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.
- 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.

# **BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ**

## **Notes to the Condensed Consolidated Financial Statements**

**As at and for the period ended 31 March 2016**

*(Currency - In thousands of Turkish Lira)*

### **12. 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 2016, the share of the Group's loan to its top 20 credit customers in its total loan portfolio is 52% (31 December 2015 – 69%).



# **BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ**

## **Notes to the Condensed Consolidated Financial Statements**

**As at and for the period ended 31 March 2016**

*(Currency - In thousands of Turkish Lira)*

### **12. Financial risk management (continued)**

#### **Credit risk (continued)**

##### *Measuring risk*

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

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

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

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

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

**BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ****Notes to the Condensed Consolidated Financial Statements****As at and for the period ended 31 March 2016***(Currency - In thousands of Turkish Lira)***12. Financial risk management (continued)****Credit risk (continued)***Monitoring the risk*

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

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

<b>31 March 2016</b>	<b>Cash loans</b>	<b>Non-cash loans</b>	<b>Total</b>
Electric production and supply	262,806	113,006	375,812
Other commercial services	198,423	24,109	222,532
Holding companies	173,967	2,338	176,305
Public works and civil engineering	94,068	75,427	169,495
Tourism and entertainment	80,537	11,904	92,441
Building contractor (general and special trade)	86,291	34,320	120,611
Consumer loans	97,856	-	97,856
Other financial institutions	19,405	51,023	70,428
Others	8	112,212	112,220
Metal and by-products	20,375	81,368	101,743
Transportation	91,546	16,085	107,631
Trade	7,599	63,089	70,688
Personal other services	13,007	35,141	48,148
Commercial, mortgage, investment finance banks	-	23,867	23,867
Textile and clothing	23,370	7,143	30,513
Chemical and Oil Products	-	1,347	1,347
Electrical and electronic equipment	-	12,902	12,902
Machinery and equipment	3,208	8,223	11,431
Food, beverage and tobacco industries	-	9,115	9,115
Agriculture and forestry	2,800	-	2,800
<b>Total performing loans</b>	<b>1,175,266</b>	<b>682,619</b>	<b>1,857,885</b>
Loans in arrears	68,916	-	68,916
Interest accruals	24,239	-	24,239
Provision for possible loan losses	(31,150)	-	(31,150)
<b>Total loans</b>	<b>1,237,271</b>	<b>682,619</b>	<b>1,919,890</b>

**BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ****Notes to the Condensed Consolidated Financial Statements****As at and for the period ended 31 March 2016***(Currency - In thousands of Turkish Lira)***12. Financial risk management (continued)****Credit risk (continued)***Monitoring the risk (continued)*

<b>31 December 2015</b>	<b>Cash loans</b>	<b>Non-cash loans</b>	<b>Total</b>
Electric production and supply	258,288	143,169	401,457
Other commercial services	171,051	33,676	204,727
Holding companies	170,450	19,035	189,485
Public works and civil engineering	99,860	75,936	175,796
Tourism and entertainment	135,724	11,451	147,175
Building contractor (general and special trade)	74,018	39,324	113,342
Consumer loans	105,901	-	105,901
Other financial institutions	51,369	52,136	103,505
Others	6,755	96,498	103,253
Metal and by-products	33,465	57,489	90,954
Transportation	66,860	13,087	79,947
Trade	105	76,383	76,488
Personal other services	16,115	50,878	66,993
Commercial, mortgage, investment finance banks	-	31,473	31,473
Textile and clothing	23,421	7,333	30,754
Chemical and Oil Products	-	12,977	12,977
Electrical and electronic equipment	-	12,411	12,411
Machinery and equipment	3,575	6,137	9,712
Food, beverage and tobacco industries	-	9,280	9,280
Agriculture and forestry	2,800	22	2,822
<b>Total performing loans</b>	<b>1,219,757</b>	<b>748,695</b>	<b>1,968,452</b>
Loans in arrears	61,511	-	61,511
Interest accruals	21,807	-	21,807
Provision for possible loan losses	(31,982)	-	(31,982)
<b>Total loans</b>	<b>1,271,093</b>	<b>748,695</b>	<b>2,019,788</b>

**BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ****Notes to the Condensed Consolidated Financial Statements****As at and for the period ended 31 March 2016***(Currency - In thousands of Turkish Lira)***12. Financial risk management (continued)****Credit risk (continued)***Monitoring the risk (continued)*

Total collateralisation coverage of cash and non-cash loans are 74% as at 31 March 2016 (31 December 2015 – 65%).

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

	<b>31 March 2016</b>	<b>31 December 2015</b>
<b>Cash loans (including financial lease receivables) under loan in arrears</b>		
Secured by mortgages	48,744	46,313
Secured by pledge	-	-
Secured by guarantee	770	732
Secured by assignment and cheques	-	-
Unsecured	19,402	14,466
<b>Total</b>	<b>68,916</b>	<b>61,511</b>
<b>Cash loans (including financial lease receivables) except loan in arrears</b>		
Secured by cash	940	1,108
Secured by mortgages	377,825	385,263
Secured by pledge	90,747	95,441
Secured by guarantee	106,258	111,754
Secured by assignment and cheques	112,601	118,426
Unsecured	511,134	529,572
<b>Total</b>	<b>1,199,505</b>	<b>1,241,564</b>
<b>Non-cash loans</b>		
Secured by cash	12,033	6,050
Secured by mortgages	25,382	42,521
Secured by pledge	-	8,499
Secured by guarantee	399,885	394,812
Secured by assignment and cheques	62,372	93,349
Unsecured	182,947	203,464
<b>Total</b>	<b>682,619</b>	<b>748,695</b>

# **BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ**

## **Notes to the Condensed Consolidated Financial Statements**

**As at and for the period ended 31 March 2016**

*(Currency - In thousands of Turkish Lira)*

### **12. 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.

# **BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ**

## **Notes to the Condensed Consolidated Interim Financial Information**

**As of and for the period ended 31 March 2016**

*(Currency - In thousands of Turkish Lira)*

### **12. 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 2016, the highest potential loss of the securities portfolio was generated by historical simulation method as TL 65 (31 December 2015 – TL 55) 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 2016***(Currency - In thousands of Turkish Lira)***12. Financial risk management (continued)****Currency risk (continued)**

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

<b>31 March 2016</b>	<b>USD</b>	<b>Euro</b>	<b>CHF</b>	<b>JPY</b>	<b>Others</b>	<b>Total</b>
<b>Assets</b>						
Due from banks and financial institutions	15,419	3,208	175	36	162	19,000
Reserve deposits at central Banks	123,087	-	-	-	-	123,087
Loans and finance lease receivables <sup>(1)</sup>	549,278	316,448	3,934	971	86	870,717
Other assets	15,637	21,190	-	-	-	36,827
<b>Total assets</b>	<b>703,421</b>	<b>340,846</b>	<b>4,109</b>	<b>1,007</b>	<b>248</b>	<b>1,049,631</b>
<b>Liabilities</b>						
Funds borrowed	337,623	279,238	-	-	-	616,861
Debt securities issued	419,646	-	-	-	-	419,646
Other liabilities	22,037	22,336	18	1	5	44,397
<b>Total liabilities</b>	<b>779,306</b>	<b>301,574</b>	<b>18</b>	<b>1</b>	<b>5</b>	<b>1,080,904</b>
<b>Gross exposure</b>	<b>(75,885)</b>	<b>39,272</b>	<b>4,091</b>	<b>1,006</b>	<b>243</b>	<b>(31,273)</b>
<b>Off-balance sheet position</b>						
Net notional amount of derivatives	138,011	(38,310)	(4,078)	(1,026)	(245)	94,352
<b>Net exposure</b>	<b>62,126</b>	<b>962</b>	<b>13</b>	<b>(20)</b>	<b>(2)</b>	<b>63,079</b>

<sup>(1)</sup> Foreign currency net non-performing loans and finance lease receivables amounting TL 17,414 is included at foreign currency position, respectively.

<b>31 December 2015</b>	<b>USD</b>	<b>Euro</b>	<b>CHF</b>	<b>JPY</b>	<b>Others</b>	<b>Total</b>
<b>Assets</b>						
Due from banks and financial institutions	9,948	1,316	373	37	97	11,771
Reserve deposits at central Banks	152,564	-	-	-	-	152,564
Loans and finance lease receivables <sup>(1)</sup>	624,525	301,213	5,772	1,589	114	933,213
Other assets	37,067	20,224	-	-	-	57,291
<b>Total assets</b>	<b>824,104</b>	<b>322,753</b>	<b>6,145</b>	<b>1,626</b>	<b>211</b>	<b>1,154,839</b>
<b>Liabilities</b>						
Funds borrowed	405,390	265,819	-	-	-	671,209
Debt securities issued	437,133	-	-	-	-	437,133
Other liabilities	17,872	23,598	19	-	2	41,491
<b>Total liabilities</b>	<b>860,395</b>	<b>289,417</b>	<b>19</b>	<b>-</b>	<b>2</b>	<b>1,149,833</b>
<b>Gross exposure</b>	<b>(36,291)</b>	<b>33,336</b>	<b>6,126</b>	<b>1,626</b>	<b>209</b>	<b>5,006</b>
<b>Off-balance sheet position</b>						
Net notional amount of derivatives	89,022	(47,998)	(5,245)	(1,351)	(194)	34,234
<b>Net exposure</b>	<b>52,731</b>	<b>(14,662)</b>	<b>881</b>	<b>275</b>	<b>15</b>	<b>39,240</b>

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

# BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ

## Notes to the Condensed Consolidated Interim Financial Information

As of and for the period ended 31 March 2016

(Currency - In thousands of Turkish Lira)

### 12. Financial risk management (continued)

#### Currency risk (continued)

##### Sensitivity analysis

A 10% weakening of TL against the foreign currencies at 31 March 2016 and 31 March 2015 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.

<b>31 March 2016</b>	<b>Equity</b>	<b>Profit or loss</b>
USD	6,213	6,213
EUR	96	96
Other currencies	(1)	(1)
	<b>6,308</b>	<b>6,308</b>
<b>31 December 2015</b>	<b>Equity</b>	<b>Profit or loss</b>
USD	5,273	5,273
EUR	(1,466)	(1,466)
Other currencies	117	117
	<b>3,924</b>	<b>3,924</b>

A 10% strengthening of the TL against the foreign currencies at 31 March 2016 and 31 December 2015 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 2016

(Currency - In thousands of Turkish Lira)

### 12. 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 2016	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
<b>Assets</b>											
Cash and balances with central banks	-	-	-	-	-	-	-	-	-	15	15
Due from banks and financial institutions	-	-	-	-	-	-	-	-	-	24,560	24,560
Interbank and other money market placements	8,009	-	-	-	-	-	-	-	-	-	8,009
Reserve deposits at central banks	127,986	-	-	-	-	-	-	-	-	-	127,986
Investment securities	8,448	12,418	31,319	7,000	-	-	-	-	-	-	59,185
Loaned securities	5,826	119	7,496	-	-	-	-	-	-	-	13,441
Loans and finance lease receivables	53,404	246,120	98,104	169,739	245,348	106,659	62,812	48,877	166,900	39,308	1,237,271
Other assets	-	324	-	-	-	-	-	-	-	42,512	42,836
<b>Total assets</b>	<b>203,673</b>	<b>258,981</b>	<b>136,919</b>	<b>176,739</b>	<b>245,348</b>	<b>106,659</b>	<b>62,812</b>	<b>48,877</b>	<b>166,900</b>	<b>106,395</b>	<b>1,513,303</b>
<b>Liabilities</b>											
Other money market deposits	13,437	-	-	-	-	-	-	-	-	-	13,437
Funds borrowed	26,883	211,821	146,485	68,195	68,758	-	-	-	95,068	-	617,210
Debt securities issued	26,671	17,640	34,300	-	-	462,204	-	-	-	-	540,815
Other liabilities	16,704	6,615	19,265	-	-	-	-	-	884	20,380	63,848
<b>Total liabilities</b>	<b>83,695</b>	<b>236,076</b>	<b>200,050</b>	<b>68,195</b>	<b>68,758</b>	<b>462,204</b>	<b>0</b>	<b>0</b>	<b>95,952</b>	<b>20,380</b>	<b>1,235,310</b>
<b>Financial position interest sensitivity gap</b>	<b>119,978</b>	<b>22,905</b>	<b>-63,131</b>	<b>108,544</b>	<b>176,590</b>	<b>-355,545</b>	<b>62,812</b>	<b>48,877</b>	<b>70,948</b>	<b>86,015</b>	<b>277,993</b>
Off-balance sheet interest sensitivity gap, net	-	(13,400)	-	(15,480)	-	-	-	-	-	-	(28,880)
<b>Total interest sensitivity gap</b>	<b>119,978</b>	<b>9,505</b>	<b>(63,131)</b>	<b>93,064</b>	<b>176,590</b>	<b>(355,545)</b>	<b>62,812</b>	<b>48,877</b>	<b>70,948</b>	<b>86,015</b>	<b>249,113</b>

# BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ

## Notes to the Condensed Consolidated Interim Financial Information As of and for the period ended 31 March 2016

(Currency - In thousands of Turkish Lira)

### 12. Financial risk management (continued)

#### Cash flow and fair value interest rate risk (continued)

31 December 2015	Up to 1 month	1 to 3 months	3 to 6 months	6 months to 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years	Non-interest bearing	Total
<b>Assets</b>											
Cash and balances with central banks	-	-	-	-	-	-	-	-	-	130	130
Due from banks and financial institutions	9,034	-	-	-	-	-	-	-	-	8,352	17,386
Interbank and other money market placements	114,391	-	-	-	-	-	-	-	-	-	114,391
Reserve deposits at central banks	157,901	-	-	-	-	-	-	-	-	-	157,901
Investment securities	29,489	7,637	10,982	7,000	-	-	-	-	-	-	55,108
Loaned securities	-	9,676	4,874	-	-	-	-	-	-	-	14,550
Loans and finance lease receivables	177,834	129,753	101,993	163,400	218,023	155,898	76,899	48,853	168,910	29,530	1,271,093
Other assets	-	98	-	-	-	-	-	-	-	63,263	63,361
<b>Total assets</b>	<b>488,649</b>	<b>147,164</b>	<b>117,849</b>	<b>170,400</b>	<b>218,023</b>	<b>155,898</b>	<b>76,899</b>	<b>48,853</b>	<b>168,910</b>	<b>101,275</b>	<b>1,693,920</b>
<b>Liabilities</b>											
Other money market deposits	14,508	-	-	-	-	-	-	-	-	-	14,508
Funds borrowed	63,192	303,741	62,087	43,293	112,041	-	-	-	96,899	-	681,253
Debt securities issued	1,138	99,411	82,662	33,450	2,270	428,435	-	-	-	-	647,366
Other liabilities	5,688	9,786	-	19,077	-	-	-	-	896	24,708	60,155
<b>Total liabilities</b>	<b>84,526</b>	<b>412,938</b>	<b>144,749</b>	<b>95,820</b>	<b>114,311</b>	<b>428,435</b>	<b>-</b>	<b>-</b>	<b>97,795</b>	<b>24,708</b>	<b>1,403,282</b>
<b>Financial position interest sensitivity gap</b>	<b>404,123</b>	<b>(265,774)</b>	<b>(26,900)</b>	<b>74,580</b>	<b>103,712</b>	<b>(272,537)</b>	<b>76,899</b>	<b>48,853</b>	<b>71,115</b>	<b>76,567</b>	<b>290,638</b>
Off-balance sheet interest sensitivity gap, net	-	(13,400)	-	(15,480)	-	-	-	-	-	-	(28,880)
<b>Total interest sensitivity gap</b>	<b>404,123</b>	<b>(279,174)</b>	<b>(26,900)</b>	<b>59,100</b>	<b>103,712</b>	<b>(272,537)</b>	<b>76,899</b>	<b>48,853</b>	<b>71,115</b>	<b>76,567</b>	<b>261,758</b>

**BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ****Notes to the Condensed Consolidated Interim Financial Information****As of and for the period ended 31 March 2016***(Currency - In thousands of Turkish Lira)***12. Financial risk management (continued)****Cash flow and fair value interest rate risk (continued)**

As at 31 March 2016 and 31 December 2015, the effective interest rate applied on balance sheet items summarised as follows:

<b>31 March 2016 (%)</b>	<b>TL</b>	<b>USD</b>	<b>EUR</b>	<b>CHF</b>	<b>JPY</b>	<b>GBP</b>	<b>KZT</b>
Due from banks and financial institutions	13.23	-	-	-	-	-	-
Interbank and other money market placements	-	-	-	-	-	-	-
Marketable securities (Investment and trading)	11.83	-	-	-	-	-	-
Loans and finance lease receivables							
- Corporate loans	16.75	7.11	5.68	-	-	-	-
- Retail loans	17.38	8.98	8.28	7.33	6.22	11.28	-
Deposits from other banks	-	-	-	-	-	-	-
Customer deposits	-	-	-	-	-	-	-
Other money market deposits	7.42	-	-	-	-	-	-
Funds borrowed and debt securities issued	10.97	4.11	2.94	-	-	-	-
Current account of loan customers <sup>(1)</sup>	8.83	2.84	0.15	-	-	-	-
<b>31 December 2015 (%)</b>	<b>TL</b>	<b>USD</b>	<b>EUR</b>	<b>CHF</b>	<b>JPY</b>	<b>GBP</b>	<b>KZT</b>
Due from banks and financial institutions	15.32	0.35	-	-	-	-	-
Interbank and other money market placements	-	-	-	-	-	-	-
Marketable securities (Investment and trading)	11.87	-	-	-	-	-	-
Loans and finance lease receivables							
- Corporate loans	16.44	7.15	5.71	-	-	-	-
- Retail loans	17.18	8.98	8.28	7.30	6.19	11.28	-
Deposits from other banks	-	-	-	-	-	-	-
Customer deposits	-	-	-	-	-	-	-
Other money market deposits	7.40	-	-	-	-	-	-
Funds borrowed and debt securities issued	11.77	3.92	3.12	-	-	-	-
Current account of loan customers <sup>(1)</sup>	8.83	2.84	0.15	-	-	-	-

<sup>(1)</sup>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.

**BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ****Notes to the Condensed Consolidated Interim Financial Information****As of and for the period ended 31 March 2016***(Currency - In thousands of Turkish Lira)***12. 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.

<b>Change at portfolio value/Total equity (%)</b>	<b>31 March 2016</b>	<b>31 December 2015</b>
<b>Local TL interest rate</b>		
+500 bps	(5.15)	(5.06)
-400 bps	5.90	5.58
<b>Foreign currency interest rate</b>		
+200 bps EUR	1.79	0.70
-200 bps EUR	(0.26)	(0.38)
+200 bps USD	(2.18)	1.59
-200 bps USD	2.38	(0.22)

**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 2016 and 31 December 2015 is as follows:

	<b>31 March 2016</b>	<b>31 December 2015</b>
Amount subject to credit risk (I)	1,403,367	1,686,775
Amount subject to market risk (II)	189,219	102,800
Amount subject to operational risk (III)	104,107	146,475
<b>Total risk-weighted assets and value at market risk and operational risk (IV) = (I+II+III)</b>	<b>1,696,693</b>	<b>1,936,050</b>
Shareholders' equity	328,045	331,129
<b>Capital adequacy ratio</b>	<b>19.33%</b>	<b>17.10%</b>

**BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ****Notes to the Condensed Consolidated Interim Financial Information****As of and for the period ended 31 March 2016***(Currency - In thousands of Turkish Lira)***13. Fair value of financial instruments****Financial instruments measured at fair value – fair value hierarchy**

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.

<b>31 March 2016</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Trading assets	5,353	5,424	-	10,777
Investment and loaned securities	65,626	-	-	65,626
	<b>70,979</b>	<b>5,424</b>	<b>-</b>	<b>76,403</b>
Trading liabilities	-	19,420	-	19,420
	<b>-</b>	<b>19,420</b>	<b>-</b>	<b>19,420</b>
<b>31 December 2015</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Trading assets	4,190	5,858	-	10,048
Investment and loaned securities	62,632	-	-	62,632
	<b>66,822</b>	<b>5,858</b>	<b>-</b>	<b>72,680</b>
Trading liabilities	-	31,620	-	31,620
	<b>-</b>	<b>31,620</b>	<b>-</b>	<b>31,620</b>

**BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ****Notes to the Condensed Consolidated Interim Financial Information****As of and for the period ended 31 March 2016***(Currency - In thousands of Turkish Lira)***14. Operating segments**

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

<b>31 March 2016</b>	<b>Asset management and treasury</b>	<b>Corporate banking</b>	<b>Retail banking</b>	<b>Foreign financial subsidiary</b>	<b>Non-financial services</b>	<b>Eliminations</b>	<b>Total</b>
Interest income	6,082	25,614	3,723	-	-	-	35,419
Interest expense	(19,460)	(320)	-	-	-	-	(19,780)
Intersegment revenue	17,307	(16,152)	(1,155)	-	-	-	-
<b>Net interest income</b>	<b>3,929</b>	<b>9,142</b>	<b>2,568</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>15,639</b>
Net fee and commission income	(43)	1,697	(11)	-	-	-	1,643
Net trading income and foreign exchange gain, net	218	70	-	-	3	-	291
Other operating income	247	722	375	-	-	-	1,344
<b>Total operating income</b>	<b>4,351</b>	<b>11,631</b>	<b>2,932</b>	<b>-</b>	<b>3</b>	<b>-</b>	<b>18,917</b>
Net impairment loss on financial and non-financial assets and on consolidation goodwill	(313)	722	(1,278)	-	-	-	(869)
Total operating expenses	(4,758)	(5,763)	(4,462)	-	(76)	-	(15,059)
<b>Profit / (loss) before income tax</b>	<b>(720)</b>	<b>6,590</b>	<b>(2,808)</b>	<b>-</b>	<b>(73)</b>	<b>-</b>	<b>2,989</b>
Income tax	(3,599)	-	-	-	13	-	(3,586)
<b>Net profit/(loss) for the period from continuing operations</b>	<b>(4,319)</b>	<b>6,590</b>	<b>(2,808)</b>	<b>-</b>	<b>(60)</b>	<b>-</b>	<b>(597)</b>
<b>Profit from discontinued operations</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net profit/(loss) for the period</b>	<b>(4,319)</b>	<b>6,590</b>	<b>(2,808)</b>	<b>-</b>	<b>(60)</b>	<b>-</b>	<b>(597)</b>
<b>Total assets</b>	<b>1,174,222</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,777</b>	<b>424,986</b>	<b>1,604,985</b>
<b>Total liabilities</b>	<b>168,619</b>	<b>1,309,643</b>	<b>127,325</b>	<b>-</b>	<b>158</b>	<b>(345,975)</b>	<b>1,259,770</b>

**BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ****Notes to the Condensed Consolidated Interim Financial Information****As of and for the period ended 31 March 2016***(Currency - In thousands of Turkish Lira)***14. Operating segments (continued)**

<b>31 March 2015</b>	<b>Asset management and treasury</b>	<b>Corporate banking</b>	<b>Retail banking</b>	<b>Foreign financial subsidiary</b>	<b>Non-financial services</b>	<b>Eliminations</b>	<b>Total</b>
Interest income	9,489	22,797	5,883	-	33	-	38,202
Interest expense	(20,902)	(260)	-	-	-	-	(21,162)
Intersegment revenue	16,311	(14,508)	(1,803)	-	-	-	-
<b>Net interest income</b>	<b>4,898</b>	<b>8,029</b>	<b>4,080</b>	<b>-</b>	<b>33</b>	<b>-</b>	<b>17,040</b>
Net fee and commission income	(35)	1,408	(76)	-	-	-	1,297
Net trading income and foreign exchange gain, net	(1,895)	108	-	-	16	-	(1,771)
Other operating income	692	2,143	5	-	-	-	2,840
<b>Total operating income</b>	<b>3,660</b>	<b>11,688</b>	<b>4,009</b>	<b>-</b>	<b>49</b>	<b>-</b>	<b>19,406</b>
Net impairment loss on financial and non-financial assets and on consolidation goodwill	196	353	(2,503)	-	-	-	(1,954)
Total operating expenses	(3,312)	(4,919)	(4,662)	-	(61)	-	(12,954)
<b>Profit / (loss) before income tax</b>	<b>544</b>	<b>7,122</b>	<b>(3,156)</b>	<b>-</b>	<b>(12)</b>	<b>-</b>	<b>4,498</b>
Income tax	(1,684)	-	-	-	(1)	-	(1,685)
<b>Net profit/(loss) for the period from continuing operations</b>	<b>(1,140)</b>	<b>7,122</b>	<b>(3,156)</b>	<b>-</b>	<b>(13)</b>	<b>-</b>	<b>2,813</b>
<b>Profit from discontinued operations</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>985</b>	<b>-</b>	<b>-</b>	<b>985</b>
<b>Net profit/(loss) for the period</b>	<b>(1,140)</b>	<b>7,122</b>	<b>(3,156)</b>	<b>985</b>	<b>(13)</b>	<b>-</b>	<b>3,798</b>
<b>Total assets</b>	<b>355,898</b>	<b>1,309,643</b>	<b>127,325</b>	<b>-</b>	<b>5,982</b>	<b>(9,354)</b>	<b>1,789,494</b>
<b>Total liabilities</b>	<b>1,360,566</b>	<b>100,766</b>	<b>3,402</b>	<b>-</b>	<b>236</b>	<b>(20,704)</b>	<b>1,444,266</b>

## **BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ**

### **Notes to the Condensed Consolidated Interim Financial Information**

**As of and for the period ended 31 March 2016**

*(Currency - In thousands of Turkish Lira)*

#### **15. Discontinued operations**

The Bank had signed a SPA with Eurasian Bank JSC on 20 October 2015 for the sale of the Bank's 100% owned subsidiary, JSC BankPozitiv Kazakhstan.

The sale transaction has been approved by Kazakhstan authorities on 30 December 2015 and JSC BankPozitiv Kazakhstan shares amounting USD 26,266 (TL 75,246) have been transferred and registered officially to Eurasian Bank JSC.

According to the completion of this sale transaction, sale loss amounting TL 108,532 has been recognised in year 2015. Significant part of this sale loss results from decrease of the investment value JSC BankPozitiv Kazakhstan related with devaluation of Kazakhstan Tenge against USD and TL.

After completion of JSC BankPozitiv Kazakhstan sale, a low yielding asset disbursed from Bank's asset structure and funds received from this sale will be used to create higher yielding assets in Turkey which will result with stronger asset and income structure for the Bank.

The JSC BankPozitiv Kazakhstan was previously classified as held-for-sale as at 30 September 2015. As at 31 March 2015, comparative consolidated statement of profit or loss has been represented to show the discontinued operation separately from continuing operations.

#### **16. Rating**

As at 31 March 2016, the Bank's ratings assigned by international rating agency, Fitch Ratings is as follows:

##### **Fitch Ratings, February 2016**

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

#### **17. Subsequent and other events**

None.