

**Bankpozitif Kredi ve Kalkınma
Bankası Anonim Şirketi**

**Condensed Consolidated Interim
Financial Information**

**As at and For the Three-Month Period Ended
31 March 2022**

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

Bankpozitif Kredi ve Kalkınma Bankası Anonim Şirketi

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

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

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of Bankpozitif Kredi ve Kalkınma Bankası Anonim Şirketi ("the Bank") and its subsidiary (together "the Group") as at 31 March 2022, the condensed consolidated statement of profit or loss, the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the 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 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 2022 is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'.

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

Erdal Tıkmak
Partner

10 May 2022
İstanbul, Turkey

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ**Condensed Consolidated Interim Statement of Financial Position****As at 31 March 2022***(Currency - In thousands of Turkish Lira)*

	<i>Note</i>	31 March 2022	31 December 2021
ASSETS			
Cash and balances with central banks		5	6
Due from banks and financial institutions		21,653	38,360
Interbank and other money market placements		13,505	-
Reserve deposits at central banks		135,270	129,351
Trading assets		18,179	13,760
Investment securities		93,961	31,418
Loaned securities		537	30,898
Loans and finance lease receivables, net	3	787,890	967,163
Tangible assets		12,572	13,512
Intangible assets		4,628	4,771
Deferred tax assets	4	7,937	8,874
Assets held for sale	5	66,500	66,500
Other assets		25,888	28,501
Total assets		1,188,525	1,333,114
LIABILITIES			
Money market deposits		528	30,684
Trading liabilities		16,914	27,045
Funds borrowed	6	773,226	860,136
Other liabilities	7	21,750	85,280
Provisions		24,222	21,044
Current tax liabilities		135	135
Total liabilities		836,775	1,024,324
EQUITY			
Share capital and share premium	8	379,114	379,114
Legal reserves		16,168	16,168
Fair value reserve of debt instruments at fair value through other comprehensive income (FVOCI), net of tax	8	25,087	8,984
Accumulated losses		(68,619)	(95,476)
Total equity		351,750	308,790
Total equity and liabilities		1,188,525	1,333,114

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 2022***(Currency - In thousands of Turkish Lira)*

	<i>Note</i>	1 January – 31 March 2022	1 January – 31 March 2021
<i>Continuing operations</i>			
Interest income			
Interest income on loans and finance leases		22,147	16,424
Interest income on deposits with other banks and financial institutions		575	329
Interest income on investment securities		2,645	1,204
Interest income on interbank and other money market placements		73	685
Other interest income		109	218
Total interest income		25,549	18,860
Interest expense			
Interest expense on other money market deposits		(451)	(404)
Interest expense on funds borrowed		(5,569)	(4,498)
Other interest expense		(5,869)	(3,115)
Total interest expense		(11,889)	(8,017)
Net interest income		13,660	10,843
Fees and commission income		2,482	991
Fees and commission expense		(290)	(71)
Net fee and commission income		2,192	920
Net trading and foreign exchange gain / (loss), net		35,283	3,307
Other operating income		1,420	261
Total operating income		52,555	15,331
Net impairment loss on financial assets		(7,043)	(5,382)
Personnel expenses		(10,147)	(5,685)
Depreciation and amortisation		(1,209)	(895)
Administrative expenses		(7,099)	(4,499)
Taxes other than on income		(682)	(230)
Other expenses		(820)	(1,893)
Total operating expenses		(19,957)	(13,202)
Profit/(loss) before income tax		25,555	(3,253)
Income tax		2,719	2,017
Profit/(loss) for the period		28,274	(1,236)

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

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ**Condensed Consolidated Interim Statement of Profit or Loss and Other Comprehensive Income
For the three-month period ended 31 March 2022***(Currency - In thousands of Turkish Lira)*

	1 January– 31 March 2022	1 January– 31 March 2021
Profit/(loss) for the period	28,274	(1,236)
Other comprehensive income/(loss)		
<i>Items that will never be reclassified to profit or loss</i>		
Remeasurement of employee termination benefits	(1,771)	(39)
Related tax	354	8
	(1,417)	(31)
<i>Items that are or may be reclassified to profit or loss</i>		
Net change in fair value of financial assets measured at fair value through other comprehensive income (FVOCI)	23,090	199
Net amount reclassified to the income statement on sale of debt instruments at FVOCI	(2,977)	142
Related tax	(4,010)	(68)
	16,103	273
Other comprehensive income/(loss) for the period, net of income tax	14,686	242
Total comprehensive income/(loss) for the period	42,960	(994)

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 2022***(Currency - In thousands of Turkish Lira)*

	<i>Note</i>	Share capital	Share premium	Adjustment to share capital	Legal reserves	Fair value reserve of debt instruments at FVOCI, net of tax	Accumulated losses	Total
At 1 January 2021	8	337,292	20,121	21,701	16,168	5,569	(113,959)	286,892
Total comprehensive income/(loss) for the period								
Profit/(loss) for the period		-	-	-	-	-	(1,236)	(1,236)
Other comprehensive income/(loss)								
Re-measurements of employee termination benefit, net of tax		-	-	-	-	-	(31)	(31)
Net change in fair value of financial assets measured at fair value through other comprehensive income (FVOCI), net of tax		-	-	-	-	273	-	273
Total other comprehensive income/(loss)		-	-	-	-	273	(31)	242
Total comprehensive income/(loss) for the year		-	-	-	-	273	(1,267)	(994)
At 31 March 2021	8	337,292	20,121	21,701	16,168	5,842	(115,226)	285,898
	<i>Note</i>	Share capital	Share premium	Adjustments to share capital	Legal reserves	Fair value reserve of debt instruments at FVOCI, net of tax	Accumulated losses	Total
At 1 January 2022	8	337,292	20,121	21,701	16,168	8,984	(95,476)	308,790
Total comprehensive income/(loss) for the period								
Profit/(loss) for the period		-	-	-	-	-	28,274	28,274
Other comprehensive income/(loss)								
Re-measurements of employee termination benefit, net of tax		-	-	-	-	-	(1,417)	(1,417)
Net change in fair value of financial assets measured at fair value through other comprehensive income (FVOCI), net of tax		-	-	-	-	16,103	-	16,103
Total other comprehensive income/(loss)		-	-	-	-	16,103	(1,417)	14,686
Total comprehensive income/(loss) for the year		-	-	-	-	16,103	26,857	42,960
At 31 March 2022	8	337,292	20,121	21,701	16,168	25,087	(68,619)	351,750

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 2022***(Currency - In thousands of Turkish Lira)*

	<i>Note</i>	1 January – 31 March 2022	1 January – 31 March 2021
Cash flows from operating activities			
Interest received		22,107	20,292
Interest paid		(12,545)	(7,274)
Fees and commissions received		2,482	923
Fees and commissions paid		(290)	(71)
Trading income		20,770	26
Recoveries from non-performing loans	3	56	709
Cash payments to employees and other parties		(8,543)	(6,038)
Cash received from other operating activities		1,420	261
Cash paid to other operating activities		(9,408)	(7,063)
		16,049	1,765
Change in trading assets		(6,199)	(920)
Change in reserve deposits at central banks		(5,918)	(8,679)
Change in loans and finance lease receivables		264,597	31,612
Change in other assets		2,613	(6,996)
Change in interbank and money market deposits		(30,168)	(4,627)
Change in other liabilities		(64,956)	(1,088)
Net cash from operating activities		176,018	11,067
Cash flows from investing activities			
Purchases of investment securities		(59,513)	(3,954)
Proceeds from sale and redemption of investment securities		44,058	2,442
Purchases of tangible assets		(125)	(938)
Proceeds from the sale of premises and equipment		-	-
Purchases of intangible assets		-	(194)
Net cash generated from in investing activities		(15,580)	(2,644)
Cash flows from financing activities			
Proceeds from funds borrowed	6	427,595	375,927
Repayment of funds borrowed	6	(590,880)	(381,435)
Proceeds from debt securities issued		-	-
Repayment of debt securities issued		-	-
Payments due to lease liabilities		(763)	(661)
Net cash used in financing activities		(164,048)	(6,169)
Effect of net foreign exchange difference on cash and cash equivalents		401	265
Net increase/(decrease) in cash and cash equivalents		(3,209)	2,519
Cash and cash equivalents at 1 January		38,368	8,615
Cash and cash equivalents at 31 March 2022		35,159	11,134

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

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ

Notes to the Condensed Consolidated Interim Financial Information

As at and for the three-month period ended 31 March 2022

(Currency - In thousands of Turkish Lira)

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BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ

Notes to the Condensed Consolidated Interim Financial Information As at and for the three-month period ended 31 March 2022

(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%.

C Faktoring A.Ş. and Tarshish Hapoalim Holdings and Investments Ltd. (Tarshish) have reached an agreement on 31 January 2022 for the sale of all 30,17% shares of C Faktoring A.Ş. in the Group to Tarshish Hapoalim Holdings and Investments Ltd.

After the approval of BRSA, Group’s shareholder C Faktoring A.Ş has sold all of its 30,17% share to Tarshish Hapoalim Holdings and Investments Ltd. on 10 March 2022 who is another shareholder of the Group and a 100% subsidiary of Bank Hapoalim. This sale increased the indirect share of Bank Hapoalim Group in the Bank to 100%.

As at 31 March 2022, 100.00% of the shares of the Bank belong to Tarshish and are controlled by Bank Hapoalim

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

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ

Notes to the Condensed Consolidated Interim Financial Information

As at and for the three-month period ended 31 March 2022

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

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

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

As at 31 March 2022, the Bank provides services through its head office. As at 31 March 2022, the number of employees for the Bank and its consolidated subsidiary are 54 and 1, respectively (31 December 2021 – 52 and 1).

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

The subsidiary included in consolidation and effective shareholding percentages of the Group at 31 March 2022 and 31 December 2021 are as follows:

	Place of incorporation	Principal activities	Effective shareholding and voting rights (%)	
			31 March 2022	31 December 2021
C Bilişim	Istanbul/Turkey	Software development and technology	100	100

2. Basis of preparation

2.1 Statement of compliance

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

These condensed consolidated interim financial statements as of 31 March 2022 have been prepared in accordance with IAS 34 Interim Financial Reporting. They do not include all the information required for a complete set of IFRS financial statements. However selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual consolidated financial statements as at and for the year ended 31 December 2021. The condensed consolidated interim financial statements should be read in conjunction with annual consolidated financial statements of the Group for the year ended 31 December 2021.

In preparation of the condensed consolidated interim financial statements of the Group, the same accounting policies and methods of computation have been followed as compared to the most recent annual financial statements as of 31 December 2021.

These interim financial statements were authorised for issue by the Bank's board of directors on 10 May 2022.

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ

Notes to the Condensed Consolidated Interim Financial Information As at and for the three-month period ended 31 March 2022

(Currency - In thousands of Turkish Lira)

2. Basis of preparation (continued)

2.2 Basis of measurement

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

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

2.3 Use of estimates and judgements

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

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements.

Measurement of fair values

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

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

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

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

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

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

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred. Further information about the assumptions made in measuring fair values is included in Note 12 – fair value of financial instruments.

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ

Notes to the Condensed Consolidated Interim Financial Information

As at and for the three-month period ended 31 March 2022

(Currency - In thousands of Turkish Lira)

3. Loans and finance lease receivables

31 March 2022	Turkish Lira	Foreign currency	Foreign currency indexed	Total
Corporate loans and finance lease receivables	366,375	582,850	-	949,225
Stage 1 (standard loans)	-	195,592	-	195,592
Stage 2 (loans with a significantly increase in credit risk)	148,695	387,258	-	535,953
Stage 3 (defaulted loans)	217,680	-	-	217,680
Consumer loans	-	-	-	-
Stage 1	-	-	-	-
Stage 2	-	-	-	-
Total loans and finance lease receivables	366,375	582,850	-	949,225
Less: 12 month ECL (stage 1)	-	-	-	-
Less: Lifetime ECL significant increase in credit risk (stage 2)	(26,497)	-	-	(26,497)
Less: Lifetime ECL impaired credits (stage 3)	(134,838)	-	-	(134,838)
Loans and finance lease receivables, net	205,040	582,850	-	787,890
31 December 2021	Turkish Lira	Foreign currency	Foreign currency indexed	Total
Corporate loans and finance lease receivables	356,565	765,092	-	1,121,657
Stage 1 (standard loans)	-	390,734	-	390,734
Stage 2 (loans with a significantly increase in credit risk)	143,666	374,358	-	518,024
Stage 3 (defaulted loans)	212,899	-	-	212,899
Consumer loans	-	-	-	-
Stage 1	-	-	-	-
Stage 2	-	-	-	-
Total loans and finance lease receivables	356,565	765,092	-	1,121,657
Less: 12 month ECL (stage 1)	-	-	-	-
Less: Lifetime ECL significant increase in credit risk (stage 2)	(24,445)	-	-	(24,445)
Less: Lifetime ECL impaired credits (stage 3)	(130,049)	-	-	(130,049)
Total	202,071	765,092	-	967,163

As at 31 March 2022, loans and finance lease receivables with floating rates are TL 148,695 (31 December 2021 – TL 143,666) and fixed interest rates are TL 582,850 (31 December 2021 – TL 765,092).

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

	31 March 2022	31 December 2021
Non-performing loans and finance lease receivables at 1 January	212,899	202,412
Additions to non-performing loans and finance lease receivables	4,837	31,707
Recoveries	(56)	(21,220)
Non-performing loans and finance lease receivables at the end of period	217,680	212,899

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ

Notes to the Condensed Consolidated Interim Financial Information

As at and for the three-month period ended 31 March 2022

(Currency - In thousands of Turkish Lira)

3. Loans and finance lease receivables (continued)

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

	31 March 2022	31 December 2021
Reserve at the beginning of the year	154,494	126,974
Provision net of recoveries	6,841	27,520
- <i>Expected credit loss</i>	6,851	30,918
- <i>Recoveries</i>	(10)	(3,398)
Reserve at the end of the period	161,335	154,494

4. Taxation

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

Corporate tax losses can be carried forward for a maximum period of five years following the year in which the losses were incurred. The tax authorities can inspect tax returns and the related accounting records for a retrospective maximum period of five years. Corporate tax returns are required to be filed by the 25th day of the fourth month following the year-end reporting date and taxes must be paid in one instalment by the end of the fourth month. In Turkey, the tax legislation does not permit a parent company and its subsidiary to file a consolidated tax return. Therefore, provision for taxes, as reflected in the consolidated financial position, has been calculated on a separate-entity basis.

As at 31 March 2022, TL 2,096 of deferred tax assets are recognised for TL 10,482 of tax losses of the Group (31 December 2021: TL 2,096 of deferred tax assets and TL 10,482 of tax losses), unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. The related tax losses can be utilized until 31 December 2025.

Deferred tax assets have not been recognised in respect of the remaining tax losses are amounting to TL 707 (31 December 2021: TL 41,856).

Due date breakdown of tax losses	31 March 2022	31 December 2021
2021	-	-
2023	-	-
2024	-	23,636
2025	707	18,220
Total	707	41,856

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ**Notes to the Condensed Consolidated Interim Financial Information****As at and for the three-month period ended 31 March 2022***(Currency - In thousands of Turkish Lira)***4. Taxation (continued)**

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

	Deferred tax asset	Deferred tax liability	Deferred tax asset	Deferred tax asset
	31 March 2022	31 March 2022	31 December 2021	31 December 2021
Derivative financial instruments	3,890	(2,100)	6,220	(2,363)
Liability for employee provision	3,191	-	2,560	-
Tangible assets	-	(1,304)	-	(1,294)
Tax losses	2,096	-	2,096	-
Assets held for sale	-	(3,064)	-	(3,064)
Others	5,280	(52)	4,795	(76)
Deferred tax asset / (liability)	14,457	(6,520)	15,671	(6,797)
Net off of tax	(6,520)	6,520	(6,797)	(6,797)
Net tax asset / (liability)	7,937	-	8,874	-

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

	31 March 2022	31 December 2021
Deferred tax assets, net at 1 January	8,874	2,317
Deferred tax recognised in the profit or loss	2,719	6,820
Deferred income tax recognised in other comprehensive income/(loss)	(3,656)	(263)
Deferred tax assets, net at the end of the period	7,937	8,874

Reconciliation between tax expense and the accounting profit multiplied by the statutory income tax rate for the 31 March 2022 and 31 March 2021 is as follows:

	31 March 2022	31 March 2021
Profit/(loss) before income tax	25,555	(3,253)
Income tax using the domestic corporation tax rate at 23% (20% for 2021)	(5,878)	651
Non-deductible expenses	(56)	(4)
Tax losses for which no deferred tax asset is recognized	9,479	1,420
Unrecognised deductible temporary differences	(280)	(50)
Other	(546)	-
Total income tax income in the statement of profit or loss	2,719	2,017

5. Assets held for sale

	1 January – 31 March 2022	1 January – 31 December 2021
Balance at 1 January	66,500	48,400
Additions	-	-
Change in fair value	-	18,100
Sale of the asset	-	-
Total	66,500	66,500

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ**Notes to the Condensed Consolidated Interim Financial Information****As at and for the three-month period ended 31 March 2022***(Currency - In thousands of Turkish Lira)***6. Funds borrowed**

	31 March 2022		31 December 2021	
	Turkish Lira	Foreign currency	Turkish Lira	Foreign currency
Short-term⁽¹⁾				
Fixed interest	2,603	27,216	2,601	40,341
Floating interest	-	499,067	-	390,141
Long-term⁽¹⁾				
Fixed interest	-	57,994	-	260,674
Floating interest	-	186,346	-	166,379
Total	2,603	770,623	2,601	857,535

⁽¹⁾ Based on original maturities.

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

As at 31 March 2022 and 31 December 2021, funds borrowed are unsecured.

As at 31 March 2022 and 31 December 2021, the Group has not had any defaults of principal, interest or redemption amounts.

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

	31 December 2021	Cash items	Foreign currency conversion adjustments	Other non-cash items	31 March 2022
Funds borrowed	860,136	(163,285)	76,624	(249)	773,226
Total	860,136	(163,285)	76,624	(249)	773,226

	31 December 2020	Cash items	Foreign currency conversion adjustments	Other non-cash items	31 December 2021
Funds borrowed	560,504	(42,791)	341,266	1,157	860,136
Total	560,504	(42,791)	341,266	1,157	860,136

(*) The group has USD and EUR funds borrowed whose interest rates are between 0.50% and 3.38% as of 31 March 2022 (31 December 2021: between 0.20% and 3.38%).

7. Other liabilities

	31 March 2022	31 December 2021
Current accounts of loan customers	6,670	65,042
Lease payables	6,836	7,196
Collateral received for derivative transactions	3,997	9,325
Taxes and funds payables	1,535	1,127
Unearned commission income	710	771
Insurance payables	195	177
Others	1,807	1,642
Total	21,750	85,280

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8. Capital and reserves

	31 March 2022	31 December 2021
Number of common shares, TL 0.1 (in full TL), par value (Authorized and issued)	3.372.923.500	3.372.923.500

Share capital and share premium

As at 31 March 2022 and 31 December 2021, the composition of shareholders and their respective percentage of ownership are summarized as follows:

	31 March 2022		31 December 2021	
	Amount	%	Amount	%
Tarshish	337,292	100.00	235,515	69.83
C Faktoring A.Ş.	-	-	101,777	30.17
	337,292	100.00	337,292	100.00
Share premium	20,121		20,121	
Adjustment to share capital	21,701		21,701	
Share capital and share premium	379,114		379,114	

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

Legal reserves

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

Other reserves

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

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

As at 31 March 2022, financial assets measured at fair value through other comprehensive income (FVOCI) reserve is TL 25,087 net of tax (31 December 2021: TL 8,984 net of tax).

9. Related parties

The Group is controlled by Bank Hapoalim owns 100.00% shares. The ultimate controlling shareholder of the Group is Bank Hapoalim. For the purpose of these condensed consolidated interim financial information, consolidated subsidiary, shareholders, and companies controlled by Bank Hapoalim are referred to as related parties.

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ

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(Currency - In thousands of Turkish Lira)

9. Related parties (continued)

In the course of conducting its banking business, the Group conducted various business transactions with related parties. These include loans and finance lease receivables, customer accounts, funds borrowed and non-cash transactions. As of 31 March 2022, the Group has utilized USD 34,000 thousand loan with maturity date of 3 June 2022 and interest rate of LIBOR+2.50%. These are all commercial transactions and realised on an arms-length basis.

As of 31 March 2022, there are no loans and finance lease receivables to related parties (31 December 2021 – none).

	Shareholders		Directors and key management personnel		Others	
	2022	2021	2022	2021	2022	2021
Funds borrowed						
At 1 January	390,141	220,763	-	-	-	-
At end of the period/year	499,067	390,141	-	-	-	-
Interest expense ⁽¹⁾	(3,275)	(2,308)	-	-	-	-

⁽¹⁾ Interest expense in the above tables for 2022 represents the balances as of 31 March 2022.

Other balances with related parties:

Related party		Deposits	Other liabilities	Non-cash loans	Other interest expense
Shareholders	31 March 2022	-	-	9,080	-
	31 December 2021	-	3	8,069	-
Directors and key management personnel	31 March 2022	-	-	-	-
	31 December 2021	-	-	-	-
Others	31 March 2022	-	-	-	-
	31 December 2021	-	847	6	-

Compensation of key management personnel of the Group

The executive and non-executive member of Board of Directors and management received remuneration and fees amounted to TL 3,146 (31 March 2021 – TL 1,856) comprising salaries and other benefits.

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ

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10. Commitments and contingencies

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

	31 March 2022	31 December 2021
Letters of guarantee	63,856	73,572
Loss allowances (amounts arising from ECL)	(7,973)	(7,994)
Total non-cash loans (net)	55,883	65,578

Explanation on Lawsuit

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

1. The enforcement proceedings against the Bank in Gaziantep: The Bank filed a complaint to the Enforcement Court of Gaziantep against the proceeding filed against the Bank claiming that the underlying document for the proceeding had not been appropriate for the said enforcement proceeding with judgement and the irregularities had occurred during proceeding filing transactions. The court accepted the Bank's objections and ruled for the cancellation of the proceeding. The Provisional Appeal Court and the Supreme Court of Appeals ratified the decision, and the decision to cancel the enforcement proceedings has been finalized.

2. Upon the rescission of the injunction decision taken by the Civil Court of Enforcement, the Bank filed negative declaratory action before the Gaziantep Trade Court in order to re-stop the ongoing proceeding, and the Court dismissed the action. The Bank applied to the Provisional Appeal Court (the 1st degree appeal) against this decision. The Provisional Appeal Court did not review the action on merit due to the fact that the evidence indicated in the case file had not been gathered and accepted the appeal request, ruled on revoking the local court's decision and decided to send the case file back to the local court for it to be re-reviewed.

After the Provisional Appeal Court's decision, the local Trade Court's jurisdiction is going on with the File Number 2018/720. In the hearing dated 24 March 2022 the court decided to ask to the Criminal Court officially in writing about the current situation of the criminal case file and request the authorization to examine the Criminal file and to take a copy from it. The next hearing date is 07 July 2022.

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

- • The fact that the defendants MKG and RD were not interrogated. The court should reach its decision after of interrogation of the relevant persons has been completed.

-• Evaluation of the aggravation of the sentence on the grounds that the crime of qualified fraud against one of the defendants had more than one aggravating reason and did not remain at the stage of attempt.

-• The proposal to postpone the announcement of the verdict about the crime of abuse of duty given to some of the defendants was not clearly presented to the defendants and their opinions

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ

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were not taken, and that a judgment should be formed based on the answers they will give by asking the defendants.

The appeal decision has been sent to the Local Court. The file got a new number and the trial is going on in the Local Court. In the hearing dated 18 April 2022, the court decided that the defense of one of the defendants against the appeal court's annulment decision would be taken electronically this time, as it had not been fulfilled before. In addition, it has been decided to send the file to the prosecutor's Office, in order to check and control if there is new evidence that needs to be investigated and discussed (extension investigation), or to give an opinion on the merits. The next hearing is 06 July 2022

4. The Bank filed a criminal complaint with the Office of the Chief Public Prosecutor of Gaziantep about the lawyers of the accused, who presented the documents from the Land Registry Directorate to the Prosecutor's Office and made false statement. A criminal case was initiated against the accuseds to be tried for crime of misconduct in Gaziantep Aggravated Felony Court. In the hearing dated 12 April 2022, it has been decided to send the file to the prosecutor's Office, in order to check and control if there is new evidence that needs to be investigated and discussed (extension investigation), or to give an opinion on the merits. The next hearing is on 14 June 2022.
5. Since the duration of the right of repurchase established in favor of the plaintiff ACES (The counterpart of the Debt Liquidation and Right of Repurchase Agreement-Former title: Gaziantep Çağlar) on 13 July 2010 on the real estate (the "Hotel") owned by the Bank has expired, the Bank applied for the cancellation of repurchase right and the annotation on the right of repurchase in the title deed has been canceled. However, the plaintiff was aware of the Bank's application for cancellation and filed a law suit (at Gaziantep 7th Civil Court of First Instance) against the Bank regarding the right of repurchase annotation on the title deed of the Hotel in Gaziantep is limited to 30 years, the term was interrupted due to lapse of time, the resolution of the dispute between the parties and the continuation of the annotation through interim injunction. The Bank submitted its reply petition stating that this right can be established for a maximum of 10 years in accordance with Turkish law.
6. On the other hand, the court rejected the plaintiff's request for an injunction, the plaintiff has appealed against this decision. The plaintiff appeal request is rejected by the appeal court by a final and binding decision. In the hearing dated 23 November 2021, the Court granted a decision of non-jurisdiction and it said that commercial courts are in charge. The reasoned decision has been notified to the Bank on 15 March 2022 and it is appealed against the court's decision.
7. Aces Turizm Otelcilik Hizmetleri A.Ş. (former name: Gaziantep Çağlar): On 11 June 2021 a lawsuit petition has notified to the Bank from the Gaziantep 5th Civil Court of First Instance the plaintiff is again Aces and Aces requests the cancellation of the deletion of the repurchase right of the Land Registry and the determination that the repurchase right is indefinite on the Hotel. Aces also demands this lawsuit to be combined with the case in the 7th Civil Court of First Instance. Aces has requested an injunction decision from the court to prevent the sale/transfer of the Hotel, and its demand is accepted by the Court and the Court gave a temporary injunction not to sell/transfer the Hotel to third parties. The Bank objected to the lawsuit and the injunction. At the hearing dated 18 January 2022, the Bank requested from the court to remove this unlawful temporary injunction and reject this unfair lawsuit. At the hearing, the Bank's request for the removal of the temporary injunction is accepted by the Court and decided to remove the temporary injunction. the Court granted a decision of non-jurisdiction and it said that commercial courts are in charge. The reasoned decision has been notified to the Bank on 15 March 2022 and, it is appealed against the court's decision.

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ

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(Currency - In thousands of Turkish Lira)

11. Financial risk management

Strategy in using financial instruments

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

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

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

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

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

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

The Bank declares its risk appetite and tolerance levels for the primary risk areas on a Board approved policy since 2010.

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

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ

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11. Financial risk management (continued)

Strategy in using financial instruments (continued)

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

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

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

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

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

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

Credit risk

Credit risk refers to the risk that a contractual partner/the counterparty defaults on its contractual obligations or does not deliver in full accordance with the conditions of contract and cannot perform its obligations partially or completely on the terms set.

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

To avoid the default risks to the best possible extend, the Group applies a well-defined “credit allocation process” and afterwards monitoring of the portfolio is being executed using a number of precautionary actions by relevant functions.

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ**Notes to the Condensed Consolidated Interim Financial Information****As at and for the three-month period ended 31 March 2022***(Currency - In thousands of Turkish Lira)***11. Financial risk management (continued)****Credit risk (continued)**

31 March 2022	Loans and finance lease receivables	Due from banks and financial institutions	Investment securities and loaned securities	Non cash loans
<i>Carrying amount</i>				
Stage 1	195,592	21,694	95,007	48,824
Stage 2	535,953	-	-	15,032
Stage 3	217,680	-	-	-
<i>Allowance for impairment</i>				
- 12 month ECL (stage 1)	-	(41)	(509)	(444)
- Lifetime ECL significant increase in credit risk (stage 2)	(26,497)	-	-	(7,529)
- Lifetime ECL impaired credits (stage 3)	(134,838)	-	-	-
Total	787,890	21,653	94,498	55,883
31 December 2021	Loans and finance lease receivables	Due from banks and financial institutions	Investment securities and loaned securities	Non cash loans
<i>Carrying amount</i>				
Stage 1	390,734	38,394	62,617	58,754
Stage 2	518,024	-	-	14,818
Stage 3	212,899	-	-	-
<i>Allowance for impairment</i>				
- 12 month ECL (stage 1)	-	(34)	(301)	(573)
- Lifetime ECL significant increase in credit risk (stage 2)	(24,445)	-	-	(7,421)
- Lifetime ECL impaired credits (stage 3)	(130,049)	-	-	-
Total	967,163	38,360	62,316	65,578

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

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

BankPozitif manages its credit portfolio as per following main principles;

Creating credit risk awareness throughout the Group

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

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

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ

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11. Financial risk management (continued)

Credit risk (continued)

Having a reliable credit allocation function

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

Credit approval processes for both retail and corporate loans are centralised. Retail and corporate loans and risk monitoring departments are organised independently from the sales and marketing departments. The retail and corporate loans and risk monitoring departments do not have any sales targets and are solely responsible for the evaluation and allocation of new loans and monitoring the performance of the loan portfolio. Loans and risk monitoring departments are not included in any phase of the pricing of loans.

All the credit marketing, allocation and follow up stages are defined in corporate and retail loan policies, which are approved and reviewed regularly by Board of Directors.

Within the light of “no exception policy” applied in the Group, the compliance of loan disbursements with internal and legal regulations are checked by internal control unit prior to disbursement.

Risk limits

There are risk limits, set by Board of Directors, describing relevant credit limits such as single borrower limit, group exposure limit, sectorial limit, credit approval authorities and their approval limits. Risk limits are determined by comparing Turkey and Israel legislations and the most conservative limitation is taken as benchmark while determining the internal limit.

Sectoral distribution of loans is monitored on a daily and monthly basis and sectoral analysis of those loans is made in accordance with their risk concentration every year. The Group set a limit on single sector concentration by 30% of total loan book.

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

As at 31 March 2022, the share of the top 5 credit customers in its total corporate loan portfolio is 92.5% (31 December 2021 – 88.4%).

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

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

Expected loss of credit portfolio is calculated regularly by the Bank. In the calculation, PD values of Group for each rating category is determined by simulating PD’s of an international rating institution to the Group’s rating classes using “central tendency of the Group” since the Group is lacking such historical data.

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ

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11. Financial risk management (continued)

Credit risk (continued)

Measuring risk (continued)

Central tendency factor is calculated by correlating sectoral non-performing loans ratios of banking sector to Group values. Both rating systems are being used in credit decisions, the first one giving the indications for borrower's repayment capacity, while the second one for facility's repayment capacity. Requirement of facility rating of BB or higher for the new credit clients is the main principle.

Monitoring the risk

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

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

31 March 2022	Cash loans	Non-cash loans	Total
Other commercial services	148,695	-	148,695
Food, beverage and tobacco industries	131,423	4	131,427
Public works and civil engineering	111,158	-	111,158
Electric production and supply	97,811	-	97,811
Holding companies	97,781	-	97,781
Transportation	86,247	439	86,686
Building contractor (general and special trade)	58,430	13,287	71,717
Personal other services	-	29,275	29,275
Other financial institutions	-	19,086	19,086
Trade	-	1,714	1,714
Textile and clothing	-	30	30
Electrical and electronic equipment	-	21	21
Total performing loans	731,545	63,856	795,401
Loans in arrears	217,680		217,680
Loss allowances (amounts arising from ECL)	(161,335)	(7,973)	(169,308)
Total loans	787,890	55,883	843,773

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ**Notes to the Condensed Consolidated Interim Financial Information****As at and for the three-month period ended 31 March 2022***(Currency - In thousands of Turkish Lira)***11. Financial risk management (continued)****Credit risk (continued)***Monitoring the risk (continued)*

31 December 2021	Cash loans	Non-cash loans	Total
Electric production and supply	291,669	10,278	301,947
Other commercial services	143,666	-	143,666
Food, beverage and tobacco industries	128,326	4	128,330
Public works and civil engineering	105,321	-	105,321
Holding companies	99,065	6	99,071
Transportation	84,285	390	84,675
Building contractor (general and special trade)	56,426	13,271	69,697
Personal other services	-	29,988	29,988
Other financial institutions	-	18,068	18,068
Trade	-	1,518	1,518
Electrical and electronic equipment	-	19	19
Textile and clothing	-	30	30
Total performing loans	908,758	73,572	982,330
Non-performing loans	212,899	-	212,899
Loss allowances (amounts arising from ECL)	(154,494)	(7,994)	(162,488)
Total loans	967,163	65,578	1,032,741

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ**Notes to the Condensed Consolidated Interim Financial Information****As at and for the three-month period ended 31 March 2022***(Currency - In thousands of Turkish Lira)***11. Financial risk management (continued)****Credit risk (continued)***Monitoring the risk (continued)*

Total collateralisation coverage of cash loans 99.90%, non-cash loans are 46.57% as at 31 March 2022 (31 December 2021 – cash loans 99.91%, non-cash loans 55.29%).

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

	31 March 2022	31 December 2021
Cash loans (including financial lease receivables) under loan in arrears		
Secured by mortgages	205,458	200,637
Secured by guarantee	11,254	11,290
Unsecured	968	972
Total	217,680	212,899
Cash loans (including financial lease receivables) except loan in arrears		
Secured by mortgages	535,953	518,024
Secured by assignment and cheques	195,592	198,157
Secured by pledge	-	192,577
Secured by guarantee	-	-
Secured by cash	-	-
Unsecured	-	-
Total	731,545	908,758
Non-cash loans		
Secured by guarantee	29,273	29,988
Unsecured	34,119	32,892
Secured by assignment and cheques	-	-
Secured by pledge	-	10,278
Secured by cash	464	414
Total	63,856	73,572

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11. Financial risk management (continued)

Liquidity risk

Liquidity risk is the probability of loss arising from a bank's inability to meet its obligations when they come due without incurring unacceptable losses. Liquidity risk includes (1) the inability to manage unplanned decreases or changes in funding sources (2) the failure to recognise or address changes in market conditions that affect the ability to liquidate assets quickly and with minimal loss in value.

In order to manage this risk, the Group measures and manages its cash flow commitments on a daily basis, and maintains liquid assets, which it judges sufficient to meet its commitments. There are risk limits set for liquidity risks as; ratio of total assets maturing within one month to total liabilities maturing within one month cannot be lower than 100% (It is set as 80% for foreign currency assets to liabilities). ALCO closely monitors daily, weekly and monthly liquidity position of the bank and has the authority to take actions where necessary.

The Group uses various methods, including predictions of daily cash positions, and scenario analysis to monitor and manage its liquidity risk to avoid undue concentration of funding requirements at any point in time or from any particular source. Risk management and treasury departments monitor daily liquidity gaps in all currencies.

Liquidity position of the Group is measured on monthly basis with three scenarios i.e. global scenario, local scenario and bank specific scenario which are run on TL positions, foreign currency positions and on a total basis. The scenarios aim to show the repayment capacity of the Group using only quasi cash assets against the liabilities of 1 month and 1 year periods. Since the Group has funding centered asset creating structure, the Group does not prefer to take any liquidity risk (monitored cumulatively) in any currency, in any point in any time as decided by the top management of the Group.

Generally, the Bank does not prefer to utilize liquidity from Interbank money markets and is in a net lender position in interbank money markets.

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.

31 March 2022	Carrying amount	Gross outflow	On demand	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years
Interbank and other money market deposits	528	528	-	528	-	-	-	-
Funds borrowed	773,226	785,038	-	64,774	500,108	42,501	164,185	13,470
Current account of loan customers ⁽¹⁾	9,066	9,069	-	9,069	-	-	-	-
Lease Payables	6,836	8,136	-	143	264	1,137	6,592	-
Total	789,656	802,771	-	74,514	500,372	43,638	170,777	13,470

(1) Included in other liabilities.

31 December 2021	Carrying amount	Gross outflow	On demand	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years
Interbank and other money market deposits	30,684	30,684	-	30,684	-	-	-	-
Funds borrowed	860,136	891,135	-	59,009	395,184	79,420	262,201	95,321
Current account of loan customers ⁽¹⁾	67,137	67,146	-	67,146	-	-	-	-
Lease Payables	7,196	8,432	-	129	288	1,127	6,888	-
Total	965,153	997,397	-	156,968	395,472	80,547	269,089	95,321

(1) Included in other liabilities.

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11. Financial risk management (continued)

Liquidity risk (continued)

31 March 2022	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Over 5 years	Total
Forward purchase contracts	10,691	-	-	-	-	-	10,691
Forward sale contracts	(10,715)	-	-	-	-	-	(10,715)
Currency swap purchases	107,477	117,168	321,558	19,570	-	-	565,773
Currency swap sales	(105,595)	(118,663)	(331,742)	(20,125)	-	-	(576,125)
Interest rate cap/floor purchase contracts	-	-	-	-	227,796	-	227,796
Futures purchase contracts	56,479	92,968	-	-	-	-	149,447
Futures sale contracts	(58,583)	(87,875)	-	-	-	-	(146,458)
Total	(246)	3,598	(10,184)	(555)	227,796	-	220,409

31 December 2021	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Over 5 years	Total
Forward purchase contracts	-	-	-	-	-	-	-
Forward sale contracts	-	-	-	-	-	-	-
Currency swap purchases	166,988	25,955	-	217,298	-	-	410,241
Currency swap sales	(173,454)	(33,230)	-	(223,723)	-	-	(430,407)
Interest rate swaps	-	-	-	-	227,086	-	227,086
Futures purchase contracts	28,889	35,120	-	-	-	-	64,009
Futures sale contracts	(25,955)	(25,955)	-	-	-	-	(51,910)
Total	(3,532)	1,890	-	(6,425)	227,086	-	219,019

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 2022, the highest potential loss of the securities portfolio was generated by historical simulation method as TL 50 (31 December 2021 – TL 74) for one day.

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

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

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

Currency risk

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

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

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

31 March 2022	USD	EUR	Others	Total
Assets				
Due from banks and financial institutions	13,804	1,038	50	14,892
Financial assets held for trading	2,108	-	-	2,108
Reserve deposits at central Banks	134,817	-	-	134,817
Loans and finance lease receivables	582,850	-	-	582,850
Other assets	643	-	-	643
Total assets	734,222	1,038	50	735,310
Liabilities				
Trading liabilities	348	-	-	348
Funds borrowed	526,282	244,341	-	770,623
Other liabilities	3,576	744	1	4,321
Total liabilities	530,206	245,085	1	775,292
Gross exposure	204,016	(244,047)	49	(39,982)
Off-balance sheet position				
Net notional amount of derivatives	(200,523)	243,651	-	43,128
Net exposure	3,493	(396)	49	3,146
31 December 2021				
Assets				
Due from banks and financial institutions	30,225	1,201	53	31,479
Fair value through comprehensive income	2,929	-	-	2,929
Reserve deposits at central banks	128,882	-	-	128,882
Loans and finance lease receivables	572,515	192,577	-	765,092
Other assets	569	-	-	569
Total assets	735,120	193,778	53	928,951
Liabilities				
Trading liabilities	9,062	-	-	9,062
Funds borrowed	430,482	427,053	-	857,535
Other liabilities	8,138	51,461	-	59,599
Total liabilities	447,682	478,514	-	926,196
Gross exposure	287,438	(284,736)	53	2,755
Off-balance sheet position				
Net notional amount of derivatives	(295,418)	284,836	-	(10,582)
Net exposure	(7,980)	100	53	(7,827)

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11. Financial risk management (continued)

Currency risk (continued)

Sensitivity analysis

A 10% weakening of TL against the foreign currencies at 31 March 2022 and 31 December 2021 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 2022		31 December 2021	
	Equity	Profit or loss	Equity	Profit or loss
USD	349	349	(798)	(798)
EUR	(40)	(40)	10	10
Other currencies	5	5	5	5
Total	314	314	(783)	(783)

A 10% strengthening of the TL against the foreign currencies at 31 March 2022 and 31 December 2021 would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

Cash flow and fair value interest rate risk

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

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

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

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ

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11. Financial risk management (continued)

Cash flow and fair value interest rate risk (continued)

The table below summarizes 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 2022	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	-	-	-	-	-	-	-	-	-	5	5
Due from banks and financial institutions	-	-	-	-	-	-	-	-	-	21,653	21,653
Interbank and other money market placements	13,505	-	-	-	-	-	-	-	-	-	13,505
Reserve deposits at central banks	61,996	-	-	-	-	-	-	-	-	73,274	135,270
Trading assets	3,430	2,583	12,166	-	-	-	-	-	-	-	18,179
Investment securities	27,521	30,043	36,237	-	-	-	-	-	-	160	93,961
Loan securities	-	537	-	-	-	-	-	-	-	-	537
Loans and finance lease receivables	10,302	171,414	49,250	88,682	276,111	86,988	48,798	-	-	56,345	787,890
Other assets	-	-	-	-	-	-	-	-	-	117,525	117,525
Total assets	116,754	204,577	97,653	88,682	276,111	86,988	48,798	-	-	268,962	1,188,525
Liabilities											
Money market deposits	528	-	-	-	-	-	-	-	-	-	528
Funds borrowed	715,231	-	53	-	-	-	-	-	57,942	-	773,226
Trading liabilities	4,406	1,100	10,973	435	-	-	-	-	-	-	16,914
Other liabilities ⁽¹⁾	5,277	57	-	-	672	6,105	-	-	-	33,996	46,107
Total liabilities	725,442	1,157	11,026	435	672	6,105	-	-	57,942	33,996	836,775
Financial position interest sensitivity gap	(608,688)	203,420	86,627	88,247	275,439	80,883	48,798	-	(57,942)	234,966	351,750
Off-balance sheet interest sensitivity gap, net	(246)	3,598	(10,184)	(555)	-	-	-	227,796	-	-	220,409
Total interest sensitivity gap	(608,934)	207,018	76,443	87,692	275,439	80,883	48,798	227,796	(57,942)	234,966	572,159

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

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ

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11. Financial risk management (continued)

Cash flow and fair value interest rate risk (continued)

31 December 2021	Up to 1 month	1 to 3 months	3 to 6 months	6 months to 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years	Non- interest bearing	Total
Assets											
Cash and balances with central banks	-	-	-	-	-	-	-	-	-	6	6
Due from banks and financial institutions	-	-	-	-	-	-	-	-	-	38,360	38,360
Interbank and other money market placements	-	-	-	-	-	-	-	-	-	-	-
Reserve deposits at central banks	56,105	-	-	-	-	-	-	-	-	73,246	129,351
Trading assets	2,581	9,042	2,137	-	-	-	-	-	-	-	13,760
Investment securities	7,269	9,658	14,331	-	-	-	-	-	-	160	31,418
Loan securities	-	3,559	27,339	-	-	-	-	-	-	-	30,898
Loans and finance lease receivables	85,772	174,464	29,697	90,224	278,889	66,862	66,862	45,203	70,785	58,405	967,163
Other assets	-	-	-	-	-	-	-	-	-	122,158	122,158
Total assets	151,727	196,723	73,504	90,224	278,889	66,862	66,862	45,203	70,785	292,335	1,333,114
Liabilities											
Money market deposits	30,684	-	-	-	-	-	-	-	-	-	30,684
Funds borrowed	435,206	157	166,379	-	-	-	-	-	258,394	-	860,136
Trading liabilities	6,273	15,484	-	5,288	-	-	-	-	-	-	27,045
Other liabilities ⁽¹⁾	7,893	-	-	139	761	6,294	-	-	-	91,372	106,459
Total liabilities	480,056	15,641	166,379	5,427	761	6,294	-	-	258,394	91,372	1,024,324
Financial position interest sensitivity gap	(328,329)	181,082	(92,875)	84,797	278,128	60,568	66,862	45,203	(187,609)	200,963	308,790
Off-balance sheet interest sensitivity gap, net	(3,532)	1,890	-	(6,425)	-	-	-	227,086	-	-	219,019
Total interest sensitivity gap	(331,861)	182,972	(92,875)	78,372	278,128	60,568	66,862	272,289	(187,609)	200,963	527,809

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

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ

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11. Financial risk management (continued)

Fair value interest rate risk (continued)

As at 31 March 2022 and 31 December 2021, the effective interest rate applied on balance sheet items summarized as follows:

31 March 2022(%)	TL	USD	EUR
Due from banks and financial institutions	-	-	-
Interbank and other money market placements	15.01	-	-
Investment securities and loaned securities	7.08	-	-
Loans and finance lease receivables			
- Corporate loans	29.81	7.78	-
- Retail loans	-	-	-
Money market deposits	4.08	-	-
Funds borrowed	13.28	1.95	2.79
Current account of loan customers ⁽¹⁾	9.96	-	-
31 December 2021 (%)	TL	USD	EUR
Due from banks and financial institutions	-	-	-
Interbank and other money market placements	-	-	-
Marketable securities (Investment and trading)	5.21	-	-
Loans and finance lease receivables			
- Corporate loans	27.13	7.89	4.81
- Retail loans	-	-	-
Money market deposits	15.86	-	-
Funds borrowed	12.71	2.55	2.63
Current account of loan customers ⁽¹⁾	9.96	-	-

⁽¹⁾Included in other liabilities.

Internal capital adequacy assessment process

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

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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 2022	31 December 2021
Local TL interest rate		
+500 bps	(2.23)	(0.23)
-400 bps	2.09	0.31
Foreign currency interest rate		
+200 bps EUR	2.46	1.57
-200 bps EUR	(1.07)	0.10
+200 bps USD	(4.35)	(3.91)
-200 bps USD	4.88	2.07

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 2022 and 31 December 2021 is as follows:

	31 March 2022	31 December 2021
Amount subject to credit risk (I)	925,576	1,072,760
Amount subject to market risk (II)	39,213	64,463
Amount subject to operational risk (III)	125,192	112,090
Total risk-weighted assets, value at market risk and operational risk (IV) = (I+II+III)	1,089,981	1,249,313
Capital for the purpose of calculating the capital adequacy ratio	355,077	314,000
Capital adequacy ratio	32.58%	25.13%

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ**Notes to the Condensed Consolidated Interim Financial Information****As at and for the three-month period ended 31 March 2022***(Currency - In thousands of Turkish Lira)***12. Fair value of financial instruments****Valuation of assets measured at fair value**

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

31 March 2022	Level 1	Level 2	Level 3	Total
<i>Financial instruments</i>				
Financial assets at fair value through profit or loss (FVPL)	9,049	9,130	-	18,179
Investment and loaned securities at FVOCI	94,498	-	-	94,498
	103,547	9,130	-	112,677

<i>Financial instruments</i>				
Financial liabilities at fair value through profit or loss (FVPL)	-	16,914	-	16,914
Total	-	16,914	-	16,914

31 December 2021	Level 1	Level 2	Level 3	Total
<i>Financial instruments</i>				
Financial assets at fair value through profit or loss (FVPL)	3,484	10,276	-	13,760
Investment and loaned securities at FVOCI	62,316	-	-	62,316
	65,800	10,276	-	76,076

<i>Financial instruments</i>				
Financial liabilities at fair value through profit or loss (FVPL)	-	27,045	-	27,045
Total	-	27,045	-	27,045

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ**Notes to the Condensed Consolidated Interim Financial Information****As at and for the three-month period ended 31 March 2022***(Currency - In thousands of Turkish Lira)***13. Operating segments**

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

Current Period	Asset management and treasury	Corporate banking	Retail banking	Non-financial services	Total
Interest income	4,968	20,273	6	302	25,549
Interest expense	(11,724)	(165)	-	-	(11,889)
Current income/(expense) between departments	18,852	(18,824)	(28)	-	-
Net interest income	12,096	1,284	(22)	302	13,660
Net fee and commission income/(expense)	(169)	2,361	-	-	2,192
Net trading income and foreign exchange gain, net	35,114	18	-	151	35,283
Other operating income	1,328	11	-	81	1,420
Total operating income	48,369	3,674	(22)	534	52,555
Net impairment loss on financial and non-financial assets	219	(7,262)	-	-	(7,043)
Total operating expenses	(12,905)	(6,533)	(214)	(305)	(19,957)
Profit/(loss) before income tax	35,683	(10,121)	(236)	229	25,555
Income tax	3,823	(1,079)	(25)	-	2,719
Net profit/(loss) for the period	39,506	(11,200)	(261)	229	28,274
Total assets	365,695	814,836	367	7,627	1,188,525
Total liabilities	828,093	10,190	18	(1,526)	836,775

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As at and for the three-month period ended 31 March 2022***(Currency - In thousands of Turkish Lira)***13. Operating segments (continued)**

Prior Period 31.02.2021	Asset management and treasury	Corporate banking	Retail banking	Non-financial services	Total
Interest income	2,641	15,958	1	260	18,860
Interest expense	(7,993)	(24)	-	-	(8,017)
Internal transfer rate income/(expense)	14,706	(14,678)	(28)	-	-
Net interest income	9,354	1,256	(27)	260	10,843
Net fee and commission income / (expense)	474	446	-	-	920
Net trading income and foreign exchange gain, net	3,170	2	(1)	136	3,307
Other operating income	100	19	-	142	261
Total operating income	13,098	1,723	(28)	538	15,331
Net impairment loss on financial and non-financial assets	62	(5,453)	9	-	(5,382)
Total operating expenses	(9,392)	(3,405)	(152)	(253)	(13,202)
Profit / (loss) before income tax	3,768	(7,135)	(171)	285	(3,253)
Income tax	(2,512)	4,423	106	-	2,017
Net profit/(loss) for the year	1,256	(2,712)	(65)	285	(1,236)
Total assets 31.12.2021	333,368	991,708	386	7,652	1,333,114
Total liabilities 31.12.2021	957,573	68,004	18	(1,271)	1,024,324

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ

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14. Subsequent events

The cumulative inflation over the past three years has risen to just above 100% in the first quarter of 2022. Based on this information, Turkey is considered a hyperinflationary economy for reporting periods ending on or after 30 April 2022. Accordingly, entities with operations whose functional currency is the Turkish Lira should expect to apply IAS 29 for those operations in financial statements for reporting periods ending on or after 30 April 2022.