

**Bankpozitif Kredi ve Kalkınma  
Bankası Anonim Şirketi**

**Condensed Consolidated Interim  
Financial Information**

**As at and For the Six -Month Period Ended  
30 June 2023**

With Independent Auditors' Report on Review of  
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 profit or loss	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 – 39

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

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

### Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of Bankpozitif Kredi ve Kalkınma Bankası Anonim Şirketi ("the Bank") and its subsidiary (together "the Group") as at 30 June 2023, the condensed consolidated statement of profit or loss, the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the six month period then ended, and notes to the interim financial information ("the condensed consolidated interim financial information"). Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with IAS 34, 'Interim Financial Reporting'. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

### Scope of review

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

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information as at 30 June 2023 is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'.

## Gürelî Yeminli Mali Müşavirlik ve Bağımsız Denetim Hizmetleri A.Ş.

### An Independent Member of BAKER TILLY INTERNATIONAL



27 July 2023  
Istanbul, Turkey

www.gureli.com.tr

**Merkez Ofisi**  
Spine Tower Maslak Mah. Saat Sok.  
No: 5 Kat: 25-26-28  
Sarıyer 34485 - İstanbul  
T : 444 9 475 (212) 285 01 50  
F : +90 (212) 285 03 40-43  
gym@gureli.com.tr

**Ankara Ofisi**  
ASO Kule Atatürk Bulvarı  
No: 193 Kat: 9  
Kavaklıdere 06680 - Ankara  
T : +90 (312) 466 84 20  
F : +90 (312) 466 84 21  
gymankara@gureli.com.tr

**Antalya Ofisi**  
Fener Mah.1964 Sok. No: 36  
Kemal Erdoğan Apt. Kat: 1 D: 4  
Muratpaşa 07160 - Antalya  
T : +90 (242) 324 30 14  
F : +90 (242) 324 30 15  
gymantalya@gureli.com.tr

**Bursa Ofisi**  
Odunluk Mah. Akademi Cad.  
Zeno İş Merkezi D Blok Kat: 7 D: 31  
Nilüfer 16265 - Bursa  
T : +90 (224) 451 27 10  
F : +90 (224) 451 27 79  
gymbursa@gureli.com.tr

**İzmir Ofisi**  
Atatürk Cad. Ekim Apt.  
No: 174/1 Kat: 5 D: 9  
Alsancak 35220 - İzmir  
T : +90 (232) 421 21 34  
F : +90 (232) 421 21 87  
gymizmir@gureli.com.tr

**Trakya Ofisi**  
Yavuz Mah. Ferman Sok.  
No: 3/7 Kat: 2  
Süleymanpaşa 59100 - Tekirdağ  
T : +90 (282) 261 25 30  
F : +90 (282) 261 62 56  
gymtrakya@gureli.com.tr

**BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ****Condensed Consolidated Interim Statement of Financial Position  
For the six-month period ended 30 June 2023***(Currency - In thousands of Turkish Lira)*

	<i>Note</i>	<b>30 June 2023</b>	<b>31 December 2022 (Restated)</b>
<b>ASSETS</b>			
Cash and balances with central banks		6	7
Due from banks and financial institutions		81,987	23,306
Interbank and other money market placements		-	-
Reserve deposits at central banks		143,736	116,693
Trading assets		94,272	49,735
Investment securities		126,496	148,326
Loaned securities		506	668
Loans and finance lease receivables, net	3	759,102	843,125
Tangible assets		38,948	39,691
Intangible assets		20,323	21,456
Deferred tax assets	4	-	-
Assets held for sale	5	-	-
Other assets		233,323	136,914
<b>Total assets</b>		<b>1,498,699</b>	<b>1,379,921</b>
<b>LIABILITIES</b>			
Money market deposits		494	646
Trading liabilities		64,152	21,521
Funds borrowed	6	868,114	783,534
Other liabilities	7	117,230	56,822
Provisions		40,314	42,614
Current tax liabilities		3,465	7,687
Deferred tax liabilities	4	3,942	2,378
<b>Total liabilities</b>		<b>1,097,711</b>	<b>915,202</b>
<b>EQUITY</b>			
Share capital and share premium	8	3,617,595	3,617,595
Legal reserves		121,549	121,549
Fair value reserve of debt instruments at fair value through other comprehensive income (FVOCI), net of tax	8	8,658	11,545
Accumulated losses		(3,346,814)	(3,285,970)
<b>Total equity</b>		<b>400,988</b>	<b>464,719</b>
<b>Total equity and liabilities</b>		<b>1,498,699</b>	<b>1,379,921</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 six-month period ended 30 June 2023***(Currency - In thousands of Turkish Lira)*

<i>Note</i>	<b>1 January– 30 June 2023</b>	<b>1 April– 30 June 2023</b>	<b>1 January– 30 June 2022 (Restated)</b>	<b>1 April– 30 June 2022 (Restated)</b>
<b>Continuing operations</b>				
<b>Interest income</b>				
Interest income on loans and finance leases	38,037	17,907	63,170	25,728
Interest income on deposits with other banks and financial institutions	6,082	3,060	2,449	1,485
Interest income on investment securities	4,129	2,202	6,180	1,702
Interest income on interbank and other money market placements	1,610	1,101	590	470
Other interest income	2,874	1,838	3,504	3,308
<b>Total interest income</b>	<b>52,732</b>	<b>26,108</b>	<b>75,893</b>	<b>32,693</b>
<b>Interest expense</b>				
Interest expense on other money market deposits	(861)	(735)	(1,059)	(293)
Interest expense on funds borrowed	(25,027)	(14,808)	(17,780)	(8,396)
Other interest expense	(27,279)	(10,219)	(34,166)	(24,059)
<b>Total interest expense</b>	<b>(53,167)</b>	<b>(25,762)</b>	<b>(53,005)</b>	<b>(32,748)</b>
<b>Net interest income</b>	<b>(435)</b>	<b>346</b>	<b>22,888</b>	<b>(55)</b>
Fees and commission income	921	498	4,650	454
Fees and commission expense	(1,024)	(600)	(1,020)	(535)
<b>Net fee and commission income</b>	<b>(103)</b>	<b>(102)</b>	<b>3,630</b>	<b>(81)</b>
Net trading and foreign exchange gain / (loss), net	119,546	73,686	123,253	64,192
Other operating income	475	229	5,172	2,763
<b>Total operating income</b>	<b>119,483</b>	<b>74,159</b>	<b>154,943</b>	<b>66,819</b>
<b>Net impairment loss on financial assets</b>	<b>(8,638)</b>	<b>(3,942)</b>	<b>(37,141)</b>	<b>(25,104)</b>
Personnel expenses	(46,927)	(22,633)	(42,248)	(25,167)
Depreciation and amortisation	(9,390)	(4,580)	(8,022)	(3,021)
Administrative expenses	(23,516)	(11,460)	(23,353)	(11,394)
Taxes other than on income	(8,700)	(2,494)	(4,107)	(2,946)
Other expenses	(2,984)	(1,412)	(5,471)	(4,090)
<b>Total operating expenses</b>	<b>(91,517)</b>	<b>(42,579)</b>	<b>(83,201)</b>	<b>(46,618)</b>
<b>Profit/(loss) before income tax</b>	<b>19,328</b>	<b>27,638</b>	<b>34,601</b>	<b>(4,903)</b>
Income tax	(8,986)	(6,088)	6,007	4,899
Monetary gain / (loss)	(67,345)	(22,088)	(172,036)	(74,019)
<b>Net Profit / (loss)</b>	<b>(57,003)</b>	<b>(538)</b>	<b>(131,428)</b>	<b>(74,023)</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 and Other Comprehensive Income  
For the six-month period ended 30 June 2023***(Currency - In thousands of Turkish Lira)*

	1 January– 30 June 2023	1 April– 30 June 2023	1 January– 30 June 2022 (Restated)	1 April– 30 June 2022 (Restated)
<b>Profit/(loss) for the period</b>	<b>(57,003)</b>	<b>(538)</b>	<b>(131,428)</b>	<b>(74,023)</b>
<b>Other comprehensive income/(loss)</b>				
<i>Items that will never be reclassified to profit or loss</i>	-	-	-	-
Remeasurement of employee termination benefits	(5,596)	(4,441)	(5,061)	(2,224)
Related tax	1,399	1,109	1,887	1,320
	<b>(4,197)</b>	<b>(3,332)</b>	<b>(3,174)</b>	<b>(904)</b>
<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)	(2,691)	(832)	11,346	(25,645)
Net amount reclassified to the income statement on sale of debt instruments at FVOCI	(525)	(1,031)	(3,610)	1,159
Related tax	329	311	(3,994)	2,429
	<b>(2,887)</b>	<b>(1,552)</b>	<b>3,742</b>	<b>(22,057)</b>
<b>Other comprehensive income/(loss) for the period, net of income tax</b>	<b>(7,084)</b>	<b>(4,884)</b>	<b>568</b>	<b>(22,961)</b>
<b>Total comprehensive income/(loss) for the period</b>	<b>(64,087)</b>	<b>(5,422)</b>	<b>(130,860)</b>	<b>(96,984)</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 six-month period ended 30 June 2023**

(Currency - In thousands of Turkish Lira)

Note	Share capital	Share premium	Adjustment to share capital	Legal reserves	Fair value reserve of debt instruments at FVOCI, net of tax	Accumulated losses	Total
8	337,292	20,121	21,701	16,168	8,984	(95,476)	308,790
Balances at 1 January 2021-Reported							
Application of inflation accounting			3,239,166	105,183	8,692	(3,040,571)	312,470
Balances at 1 January 2021-Restated	337,292	20,121	3,260,867	121,351	17,676	(3,136,047)	621,260
<b>Total comprehensive income/(loss) for the period</b>	-	-	-	-	-	(131,428)	(131,428)
Profit/(loss) for the period							
<b>Other comprehensive income/(loss)</b>							
Re-measurements of employee termination benefit, net of tax							
Net change in fair value of financial assets measured at fair value through other comprehensive income (FVOCI), net of tax					3,742	(3,174)	(3,174)
<b>Total other comprehensive income/(loss)</b>					3,742	(3,174)	3,742
<b>Total comprehensive income/(loss) for the period</b>					3,742	(134,602)	(130,860)
<b>At 30 June 2022</b>	<b>337,292</b>	<b>20,121</b>	<b>3,260,867</b>	<b>121,351</b>	<b>21,418</b>	<b>(3,270,649)</b>	<b>490,400</b>

Note	Share capital	Share premium	Adjustments to share capital	Legal reserves	Fair value reserve of debt instruments at FVOCI, net of tax	Accumulated losses	Total
8	337,292	20,121	21,701	16,168	9,639	(31,724)	373,197
Balances at 1 January 2022-Reported							
Application of inflation accounting			3,238,481	105,381	1,906	(3,254,246)	91,522
Balances at 1 January 2022-Restated	337,292	20,121	3,260,182	121,549	11,545	(3,285,970)	464,719
<b>Total comprehensive income/(loss) for the period</b>	-	-	-	-	-	(57,003)	(57,003)
Profit/(loss) for the period							
<b>Other comprehensive income/(loss)</b>							
Re-measurements of employee termination benefit, net of tax							
Net change in fair value of financial assets measured at fair value through other comprehensive income (FVOCI), net of tax					(2,887)	(4,197)	(4,197)
<b>Total other comprehensive income/(loss)</b>					(2,887)	(4,197)	(2,887)
<b>Total comprehensive income/(loss) for the period</b>					(2,887)	(61,200)	(64,087)
<b>At 30 June 2023</b>	<b>337,292</b>	<b>20,121</b>	<b>3,260,182</b>	<b>121,549</b>	<b>8,658</b>	<b>(3,347,170)</b>	<b>400,632</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 six-month period ended 30 June 2023***(Currency - In thousands of Turkish Lira)*

	<i>Note</i>	<b>1 January – 30 June 2023</b>	<b>1 January – 30 June 2022</b>
<b>Cash flows from operating activities</b>			
Interest received		61,438	65,810
Interest paid		(49,244)	(55,287)
Fees and commissions received		921	4,650
Fees and commissions paid		(1,025)	(1,020)
Trading income		119,546	67,239
Recoveries from non-performing loans	3	-	7,624
Cash payments to employees and other parties		(45,384)	(24,192)
Cash received from other operating activities		475	5,172
Cash paid to other operating activities		(51,341)	(185,393)
Income taxes paid		-	-
		<b>35,386</b>	<b>(115,397)</b>
Change in trading assets		10,555	7,645
Change in reserve deposits at central banks		(27,042)	114,188
Change in loans and finance lease receivables		149,996	365,709
Change in other assets		(106,046)	137,326
Change in interbank and money market deposits		(152)	(59,813)
Change in other liabilities		88,169	17,557
<b>Net cash from operating activities</b>		<b>150,866</b>	<b>467,215</b>
<b>Cash flows from investing activities</b>			
Purchases of investment securities		(48,822)	(214,731)
Proceeds from sale and redemption of investment securities		56,246	171,426
Purchases of tangible assets		(1,809)	(3,703)
Proceeds from the sale of premises and equipment		107	234
Purchases of intangible assets		(851)	(1,657)
<b>Net cash generated from in investing activities</b>		<b>4,871</b>	<b>(48,431)</b>
<b>Cash flows from financing activities</b>			
Proceeds from funds borrowed	6	1,019,095	1,433,341
Repayment of funds borrowed	6	(1,109,643)	(1,766,557)
Proceeds from debt securities issued		-	-
Repayment of debt securities issued		-	-
Payments due to lease liabilities		(2,218)	(2,350)
<b>Net cash used in financing activities</b>		<b>(92,766)</b>	<b>(335,566)</b>
Effect of net foreign exchange difference on cash and cash equivalents		727	941
Inflation effect on cash and cash equivalents		5,367	(25,130)
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>69,065</b>	<b>59,029</b>
Cash and cash equivalents at 1 January		12,928	75,489
<b>Cash and cash equivalents at 31 March</b>		<b>81,993</b>	<b>134,518</b>

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



# BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ

## Notes to the Condensed Consolidated Interim Financial Information As at and for the six-month period ended 30 June 2023

(Currency - In thousands of Turkish Lira)

<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	Loans and finance lease receivables	12
Note 4	Taxation	13
Note 5	Assets held for sale	15
Note 6	Funds borrowed	15
Note 7	Other Liabilities	16
Note 8	Capital and reserves	17
Note 9	Related parties	17
Note 10	Commitment and contingencies	19
Note 11	Financial risk management	21
Note 12	Fair value of financial and non-financial instruments	36
Note 13	Operating segments	37
Note 14	Subsequent events	39



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

## **Notes to the Condensed Consolidated Interim Financial Information As at and for the six-month period ended 30 June 2023**

*(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% 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 30 June 2023, 100% of the shares of the Bank belong to Tarshish and are controlled by Bank Hapoalim.

The Group's shareholders, Tarshish Hapoalim Holdings and Investments Ltd. (Tarshish) and group companies of Tarshish, have reached an agreement with a buyer on 30 March 2023 for the sale of all of their shares. The closing of the deal is subject to the receipt of regulatory approvals.

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 six-month period ended 30 June 2023

(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 30 June 2023, the Bank provides services through its head office. As at 30 June 2023, the number of employees for the Bank and its consolidated subsidiary are 55 and 1, respectively (31 December 2022 – 55 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 30 June 2023 and 31 December 2022 are as follows:

	Place of incorporation	Principal activities	Effective shareholding and voting rights (%)	
			30 June 2023	31 December 2022
C Bilişim	Istanbul/Turkey	Software development and technology	100	100

### 2. Basis of preparation

#### 2.1 Statement of compliance

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

These condensed consolidated interim financial statements as of 30 June 2023 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 2022. 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 2022.

In preparation of the condensed consolidated interim financial statements of the Group, except for the inflation accounting explained in note 2.3 the same accounting policies and methods of computation have been followed as compared to the most recent annual financial statements as of 31 December 2022.

These interim financial statements were authorised for issue by the Bank's management on 27 July 2023.



# BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ

## Notes to the Condensed Consolidated Interim Financial Information As at and for the six-month period ended 30 June 2023

(Currency - In thousands of Turkish Lira)

### 2. Basis of preparation (continued)

#### 2.2 Basis of measurement

The accompanying consolidated financial statements are prepared on the historical cost basis as adjusted for the effects of inflation on Turkish Lira at the reporting date based on International Accounting Standard (“IAS”) No. 29 “Financial Reporting in Hyperinflationary Economies” except for the monetary assets and liabilities and those assets and liabilities which are measured at fair value.

#### 2.3 Accounting in hyperinflationary economies

The financial statements of entities whose functional currency was Turkish Lira have been restated for the changes in the general purchasing power of the Turkish Lira based on IAS 29 as at 31 December 2005. IAS 29 requires that financial statements prepared in the currency of a hyperinflationary economy be stated in terms of the measuring unit current at the reporting date, and that corresponding figures for previous periods be restated in the same terms. One characteristic that necessitates the application of IAS 29 is a cumulative three-year inflation rate approaching or exceeding 100%. The cumulative three-year inflation rate in Turkey has been 35.61% as at 31 December 2005, based on the Turkish nation-wide wholesale price indices announced by the Turkish Statistical Institute (“TSI”). By taking this into consideration, together with the sustained positive trend in quantitative factors, such as the stabilisation in financial and monetary markets, decrease in interest rates and the appreciation of TL against USD and other hard currencies, it was declared that Turkey should be considered a non-hyperinflationary economy under IAS 29 from 1 January 2006. Therefore, IAS 29 has not been applied from 1 January 2006 to 30 June 2023.

Since the cumulative three-year inflation rate has risen to above 100% as of March 2022, based on the Turkish nation-wide consumer price indices announced by the TSI, Turkey should be considered a hyperinflationary economy under IAS 29 from 30 April 2022. Consequently, the financial statements of the entities whose functional currency TL are restated for the changes in the general purchasing power of the Turkish Lira as at 30 June 2023 based on IAS 29. The restatement is calculated by means of conversion factors derived from the Turkish countrywide consumer price index published by the TSI. For the last three years, such indices and conversion factors used to restate the accompanying consolidated financial statements are as follows:

<u>Date</u>	<u>Index</u>	<u>Conversion factor</u>
30 June 2023	1,351.59	1.0000
31 December 2022	1,128.45	1.1977
30 June 2022	977.90	1.3821



# BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ

## Notes to the Condensed Consolidated Interim Financial Information

As at and for the six-month period ended 30 June 2023

(Currency - In thousands of Turkish Lira)

### 2. Basis of preparation (continued)

#### 2.3 Accounting in hyperinflationary economies (continued)

IFRS require the financial statements of an entity with a functional currency that is hyperinflationary to be restated in accordance with IAS 29 requirements whether they are based on a historical cost or a current cost approach and to be applied retrospectively, as if the currency had always been hyperinflationary. The basic principle in IAS 29 is that the financial statements of an entity that reports in the currency of a hyperinflationary economy should be stated in terms of the measuring unit current at the reporting date. Comparative figures for prior period are restated into the same current measuring unit.

The main guidelines for the restatement above mentioned are as follows:

- Financial statements prepared in the currency of a hyperinflationary economy are stated in terms of the measuring unit current at the balance sheet date, and corresponding figures for previous periods are restated in the same terms.
- Monetary assets and liabilities that are carried at amounts current at the balance sheet date are not restated because they are already expressed in terms of the monetary unit current at the balance sheet date.
- Non-monetary assets and liabilities that are not carried at amounts current at the balance sheet date, and components of shareholders' equity are restated by applying the relevant conversion factors from the date of the transaction or, if applicable, from the date of their most recent revaluation to the reporting date.
- Property, plant and equipment are restated by applying the change in the index from the date of the transaction or, if applicable, from the date of their most recent revaluation to the reporting date. Depreciation is based on the restated amounts.
- All items in the income statement are restated by applying the monthly conversion factors except for those deriving from non-monetary items, which are calculated based on the restated values of the related items.
- The effects of inflation on the net monetary positions of the Bank and its affiliates, is included in the profit or loss statement as "monetary gain / (loss)".
- All items in the cash flow statement are expressed in terms of the measuring unit current at the reporting date; and all items in the statement of cash flows are, therefore, restated by applying the relevant conversion factors from the date on which the transaction originated.

In the reporting period in which an entity identifies the existence of hyperinflation in the economy of its functional currency, not having been hyperinflationary in the prior period, the entity shall apply the requirements of IAS 29 as if the economy had always been hyperinflationary. Therefore, in relation to non-monetary items measured at historical cost, the entity's opening statement of financial position at the beginning of the earliest period presented in the financial statements shall be restated to reflect the effect of inflation from the date the assets were acquired and the liabilities were incurred or assumed until the end of the reporting period. For non-monetary items carried in the opening statement of financial position at amounts current at dates other than those of acquisition or incurrence, that restatement shall reflect instead the effect of inflation from the dates those carrying amounts were determined until the end of the reporting period.



# BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ

## Notes to the Condensed Consolidated Interim Financial Information As at and for the six-month period ended 30 June 2023

(Currency - In thousands of Turkish Lira)

### 2.4 Use of estimates and judgements

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

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

#### *Measurement of fair values*

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

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

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

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

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

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

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



# BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ

## Notes to the Condensed Consolidated Interim Financial Information

As at and for the six-month period ended 30 June 2023

(Currency - In thousands of Turkish Lira)

### 3. Loans and finance lease receivables

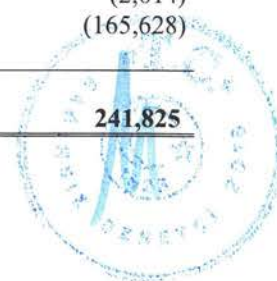
	Turkish Lira	Foreign currency	Foreign currency indexed	Total
<b>30 June 2023</b>				
Corporate loans and finance lease receivables	-	715,510	-	715,510
Stage 1 (standard loans)	-	262,848	-	262,848
Stage 2 (loans with a significantly increase in credit risk)	-	452,662	-	452,662
Stage 3 (defaulted loans)	-	-	-	-
Consumer loans	-	-	-	-
Stage 1	-	-	-	-
Stage 2	-	-	-	-
<b>Total loans and finance lease receivables</b>	-	<b>715,510</b>	-	<b>715,510</b>
Loans and finance lease receivables in arrears	137,041	-	-	137,041
Less: 12-month ECL (stage 1)	-	-	-	-
Less: Lifetime ECL significant increase in credit risk (stage 2)	-	-	-	-
Less: Lifetime ECL impaired credits (stage 3)	(93,449)	-	-	(93,449)
<b>Loans and finance lease receivables, net</b>	<b>43,592</b>	<b>715,510</b>	-	<b>759,102</b>

	Turkish Lira	Foreign currency	Foreign currency indexed	Total
<b>31 December 2022</b>				
Corporate loans and finance lease receivables	-	748,992	-	748,992
Stage 1	-	265,963	-	265,963
Stage 2	-	483,029	-	483,029
Consumer loans	-	-	-	-
Stage 1	-	-	-	-
Stage 2	-	-	-	-
<b>Total loans and finance lease receivables</b>	-	<b>748,992</b>	-	<b>748,992</b>
Loans and finance lease receivables in arrears	241,825	-	-	241,825
Less: 12-month ECL (stage 1)	-	-	-	-
Less: Lifetime ECL significant increase in credit risk (stage 2)	-	-	-	-
Less: Lifetime ECL impaired credits (stage 3)	(147,692)	-	-	(147,692)
<b>Loans and finance lease receivables, net</b>	<b>94,133</b>	<b>748,992</b>	-	<b>843,125</b>

As of 30 June 2023, loans and finance lease receivables with floating rates are none (31 December 2022 – TL 218,942) and fixed interest rates are TL 715,510 (31 December 2022 – TL 748,992).

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

	30 June 2023	31 December 2022
Non-performing loans and finance lease receivables at 1 January	241,825	418,883
Additions to non-performing loans and finance lease receivables	343	13,429
Recoveries	(35,065)	(22,245)
Write-offs	(30,138)	(2,614)
Inflation accounting effect	(39,924)	(165,628)
<b>Non-performing loans and finance lease receivables at the end of period</b>	<b>137,041</b>	<b>241,825</b>



# BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ

## Notes to the Condensed Consolidated Interim Financial Information As at and for the six-month period ended 30 June 2023

(Currency - In thousands of Turkish Lira)

### 3. Loans and finance lease receivables (continued)

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

	30 June 2023	31 December 2022
Reserve at the beginning of the year	147,692	303,971
Provision net of recoveries	(29,860)	(31,185)
- Expected credit loss	6,062	(8,477)
- Recoveries	(35,922)	(22,708)
Inflation accounting effect	(24,383)	(125,094)
<b>Reserve at the end of the period</b>	<b>93,449</b>	<b>147,692</b>

### 4. Taxation

The Group is subject to taxation in accordance with the tax procedures and the legislation effective in Turkey. Corporate tax rate is used as 25% in the deferred tax calculation as of 30 June 2023.

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 25<sup>th</sup> 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.



**BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ****Notes to the Condensed Consolidated Interim Financial Information  
As at and for the six-month period ended 30 June 2023***(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 30 June 2023	Deferred tax liability 30 June 2023	Deferred tax asset 31 December 2022	Deferred tax liability 31 December 2022
Derivative financial instruments	16,038	(23,568)	5,380	(11,721)
Liability for employee provision	8,770	-	9,224	-
Tangible assets	-	(100)	-	(129)
Tax losses	-	-	1,997	-
Assets held for sale	-	-	-	-
Others	1,974	(7,056)	(180)	(6,949)
<b>Deferred tax asset / (liability)</b>	<b>26,782</b>	<b>(30,724)</b>	<b>16,421</b>	<b>(18,799)</b>
<b>Net off of tax</b>	<b>(30,724)</b>	<b>30,724</b>	<b>(18,799)</b>	<b>(18,799)</b>
<b>Net tax asset / (liability)</b>	<b>(3,942)</b>	<b>-</b>	<b>(2,378)</b>	<b>-</b>

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

	30 June 2023	31 December 2022
Deferred tax assets, net at 1 January	(2,378)	12,291
Deferred tax recognised in the profit or loss	(5,521)	(13,694)
Deferred income tax recognised in other comprehensive income/(loss)	1,728	(2,107)
Inflation accounting effect	2,229	1,132
<b>Deferred tax assets, net at the end of the period</b>	<b>(3,942)</b>	<b>(2,378)</b>



**BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ****Notes to the Condensed Consolidated Interim Financial Information****As at and for the six-month period ended 30 June 2023***(Currency - In thousands of Turkish Lira)***4. Taxation (continued)**

Reconciliation between tax expense and the accounting profit multiplied by the statutory income tax rate for the 30 June 2023 and 30 June 2022 is as follows:

	30 June 2023	30 June 2022
Profit/(loss) before income tax	19,328	34,601
Income tax using the domestic corporation tax rate at 25%	(4,832)	(8,650)
Non-deductible expenses	(1,790)	5,710
Tax losses for which no deferred tax asset is recognized	215	2,897
Unrecognised deductible temporary differences	(283)	(311)
Other	(2,296)	6,361
<b>Total income tax income in the statement of profit or loss</b>	<b>(8,986)</b>	<b>6,007</b>

**5. Assets held for sale**

	1 January – 30 June 2023	1 January – 31 December 2022
Balance at 1 January	-	130,840
Additions	-	-
Change in fair value	-	(96,464)
Sale of the asset	-	-
Inflation accounting effect	-	(34,376)
<b>Total</b>	<b>-</b>	<b>-</b>

**6. Funds borrowed**

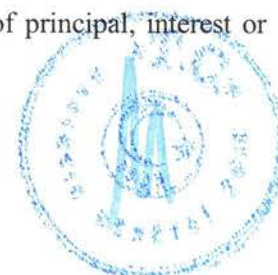
	30 June 2023		31 December 2022	
	Turkish Lira	Foreign currency	Turkish Lira	Foreign Currency
<b>Short-term<sup>(1)</sup></b>				
Fixed interest	-	101,844	6,591	22,541
Floating interest	-	519,620	-	495,530
<b>Long-term<sup>(1)</sup></b>				
Fixed interest	-	85,863	-	78,525
Floating interest	-	160,787	-	180,347
<b>Total</b>	<b>-</b>	<b>868,114</b>	<b>6,591</b>	<b>776,943</b>

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

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

As at 30 June 2023 and 31 December 2022, funds borrowed are unsecured.

As at 30 June 2023 and 31 December 2022, the Group has not had any defaults of principal, interest or redemption amounts.



**BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ****Notes to the Condensed Consolidated Interim Financial Information  
As at and for the six-month period ended 30 June 2023***(Currency - In thousands of Turkish Lira)***6. Funds borrowed (continued)****Reconciliation of movement of funds borrowed to cash flows from financing activities:**

	31 December 2022	Cash items	Foreign currency conversion adjustments	Other non- cash items	30 June 2023
Funds borrowed	783,534	(38,060)	206,312	(83,673)	868,114
<b>Total</b>	<b>783,534</b>	<b>(38,060)</b>	<b>206,312</b>	<b>(83,673)</b>	<b>868,114</b>

	31 December 2021	Cash items	Foreign currency conversion adjustments	Other non- cash items	31 December 2022
Funds borrowed	1,692,337	(636,973)	225,413	(497,243)	783,534
<b>Total</b>	<b>1,692,337</b>	<b>(636,973)</b>	<b>225,413</b>	<b>(497,243)</b>	<b>783,534</b>

(\*) The group has USD and EUR funds borrowed whose interest rates are 7.9% as of 30 June 2023 (31 December 2022: 6.88%).

**7. Other liabilities**

	30 June 2023	31 December 2022
Current accounts of loan customers	39,664	4,044
Collateral received for derivative transactions	47,466	23,486
Lease payables	26,104	25,112
Taxes and funds payables	-	-
Unearned commission income	572	708
Insurance payables	323	280
Others	3,101	3,192
<b>Total</b>	<b>117,230</b>	<b>56,822</b>



# BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ

## Notes to the Condensed Consolidated Interim Financial Information

As at and for the six-month period ended 30 June 2023

(Currency - In thousands of Turkish Lira)

### 8. Capital and reserves

	30 June 2023	31 December 2022
Number of common shares, TL 0.1 (in full TL), par value (Authorized and issued)	3.372.923.500	3.372.923.500

#### Share capital and share premium

As at 30 June 2023 and 31 December 2022, the composition of shareholders and their respective percentage of ownership are summarized as follows:

	30 June 2023		31 December 2022	
	Amount	%	Amount	%
Tarshish	337,292	100.00	337,292	100.00
	<b>337,292</b>	<b>100.00</b>	<b>337,292</b>	<b>100.00</b>
Share premium	20,121		20,121	
Adjustment to share capital	3,260,182		3,260,182	
<b>Share capital and share premium</b>	<b>3,617,595</b>		<b>3,617,595</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

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

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

As at 30 June 2023, financial assets measured at fair value through other comprehensive income (FVOCI) reserve is TL 8,658 net of tax (31 December 2022: TL 11,545 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

## Notes to the Condensed Consolidated Interim Financial Information As at and for the six-month period ended 30 June 2023

(Currency - In thousands of Turkish Lira)

### 9. Related parties (continued)

In the course of conducting its banking business, the Group conducted various business transactions with related parties. These include loans and finance lease receivables, customer accounts, funds borrowed and non-cash transactions. As of 30 June 2023, the Group has utilized USD 24,000 thousand loan with maturity date of 2 December 2022 and interest rate of LIBOR+2.50%.

As of 30 June 2023, there are no loans and finance lease receivables to related parties (31 December 2022 – none).

	Shareholders		Directors and key management personnel		Others	
	2022	2021	2022	2021	2022	2021
<b>Funds borrowed</b>						
At 1 January	495,530	767,611	-	-	-	-
At end of the period/year	519,621	495,530	-	-	-	-
Interest expense <sup>(1)</sup>	(15,737)	(10,152)	-	-	-	-

<sup>(1)</sup> Interest expense in the above tables for 2022 represents the balances as of 30 June 2023.

Other balances with related parties:

Related party		Deposits	Other liabilities	Non-cash loans	Other operating income
Shareholders	30 June 2023	-	-	16,010	54
	31 December 2022	-	-	13,885	31
Directors and key management personnel	30 June 2023	-	-	-	-
	31 December 2022	-	-	-	-
Others	30 June 2023	-	-	-	-
	31 December 2022	-	-	-	-

### 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 12,970 (30 June 2022 – TL 9,143) comprising salaries and other benefits.



# BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ

## Notes to the Condensed Consolidated Interim Financial Information As at and for the six-month period ended 30 June 2023

(Currency - In thousands of Turkish Lira)

### 10. Commitments and contingencies

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

	30 June 2023	31 December 2022 (Restated)
Letters of guarantee	67,193	73,842
Loss allowances (amounts arising from ECL)	(4,560)	(4,780)
<b>Total non-cash loans (net)</b>	<b>62,633</b>	<b>69,062</b>

#### 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. In the hearing dated 07.07.2022, it was decided to request a copy of the Criminal file to be sent and to request the authorization to examine the Criminal file and to take a copy from the file via national judiciary informatics system (Njis). At the hearing dated 24 November 2022, it was decided to request a copy of the criminal file to be sent and to request authorization to examine the criminal file and take a copy over the national judicial information system (UYAP). At the hearing dated 27 April 2023, it was decided to wait for the outcome of the criminal file. Next hearing date.28 September 2023
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;

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

### **Notes to the Condensed Consolidated Interim Financial Information As at and for the six-month period ended 30 June 2023**

*(Currency - In thousands of Turkish Lira)*

- • 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 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. In the hearing dated 06 July 2022, it was decided to take the defense of one of the defendants against decision of the appeal through audiovisual information system and it was decided to send the file to the prosecutor's office in order to give his opinion as to the accusations if there is no further investigation. In the hearing dated 12 September 2022 Public Prosecutor gave his opinion as to the accusations. It was decided to issue an arrest warrant for one of the defendants in order to take his statement. The defendant's statement was taken after the hearing and the arrest warrant was revoked. It was decided to give time to the parties until the next hearing to prepare their defenses against the Prosecutor's opinion. The next hearing date is 28 December 2022. Due to the change in the court board, it was decided to examine the file during the hearing on 28 December 2022. The hearing dated 27 February 2023, was postponed by the court due to the devastating earthquake disaster in that region. In the hearing dated 05 June 2023

I- It has been proven that the Defendant1, has committed the crime of qualified fraud and he is sentenced TO 5 YEARS IMPRISONMENT AND A FINE OF 2500 DAYS JUDICIAL FINE,

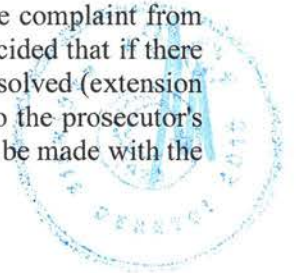
II-The Defendant1, shall be sentenced to 1 YEAR AND 8 MONTHS IMPRISONMENT, FOR FORGERY OF PRIVATE DOCUMENTS, PRONOUNCEMENT OF THE VERDICT IS POSTPONED,

III-Sentencing the other defendant (the "Defendant2") to 1 YEAR 15 DAYS' IMPRISONMENT, FOR misconduct in Office, PRONOUNCEMENT OF THE VERDICT IS POSTPONED,

IV- Acquittal of all other defendants separately for the crimes attributed to them,

Decision has been rendered. The decision will be appealed on behalf of our Bank due to the low sentence and the fact that the other defendants were not sentenced, and the defendants also have the right to appeal against the decision.

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 accused 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. In the hearing dated 14 June 2022, it was decided to send the file to the prosecutor's office in order to give his opinion as to the accusations if there is no further investigation and It was decided to request the title deed documents subject to the complaint from the Land Registry Directorate. In the hearing held on 3 November 2022, it was decided that if there is new evidence that needs to be investigated and discussed, these issues will be resolved (extension investigation), but if there is no further investigation, the file will be submitted to the prosecutor's office in order to give its opinion on the merits, and necessary correspondence will be made with the



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

### **Notes to the Condensed Consolidated Interim Financial Information As at and for the six-month period ended 30 June 2023**

*(Currency - In thousands of Turkish Lira)*

land registry office to complete the deficiencies. For the hearing dated 21 February 2023, a petition of excuse was sent due to the devastating earthquake disaster in that region. .In the hearing held on 16 May 2023, it was decided that if there is new evidence that needs to be investigated and discussed, these issues will be resolved (extension investigation), but if there is no further investigation, the file will be submitted to the prosecutor's office in order to give its opinion on the merits. The new hearing date is 02 November 2023.

5. Aces Turizm Otelcilik Hizmetleri A.Ş.-BP: Aces filed a lawsuit against the Bank due to unjust enrichment, on the grounds that BankPozitif obtained an unfair profit due to payments made to Garanti Leasing, demanding payment of 540,000 USD (as of the date of the lawsuit 9,831,618 TL) together with the rediscount advance interest to be processed. The petitions phase has been completed The hearing dated 23.02.2023 was postponed by the court due to the devastating earthquake disaster in that region. In the hearing held on 25 May 2023, it was decided to reject the case on procedural grounds due to the lack of jurisdiction, to send the file to the competent court in due time and upon request. The parties have the right to appeal the decision.



# BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ

## Notes to the Condensed Consolidated Interim Financial Information As at and for the six-month period ended 30 June 2023

(Currency - In thousands of Turkish Lira)

### 11. Financial risk management

#### Strategy in using financial instruments

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

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

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

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

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

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

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

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



# BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ

## Notes to the Condensed Consolidated Interim Financial Information As at and for the six-month period ended 30 June 2023

(Currency - In thousands of Turkish Lira)

### 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 keep 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 extent, the Group applies a well-defined “credit allocation process” and afterwards monitoring of the portfolio is being executed using a number of precautionary actions by relevant functions.



# BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ

## Notes to the Condensed Consolidated Interim Financial Information

As at and for the six-month period ended 30 June 2023

(Currency - In thousands of Turkish Lira)

### 11. Financial risk management (continued)

#### Credit risk (continued)

30 June 2023	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	262,848	82,198	127,970	50,725
Stage 2	452,662	-	-	16,468
Stage 3	137,041	-	-	-
<i>Allowance for impairment</i>				
- 12 month ECL (stage 1)	-	(211)	(968)	(834)
- Lifetime ECL significant increase in credit risk (stage 2)	-	-	-	(3,726)
- Lifetime ECL impaired credits (stage 3)	(93,449)	-	-	-
<b>Total</b>	<b>759,102</b>	<b>81,987</b>	<b>127,002</b>	<b>62,633</b>
<b>31 December 2022 (Restated)</b>				
<i>Carrying amount</i>				
Stage 1	265,963	23,476	150,298	55,214
Stage 2	483,029	-	-	18,628
Stage 3	241,825	-	-	-
<i>Allowance for impairment</i>				
- 12 month ECL (stage 1)	-	(170)	(1,304)	(859)
- Lifetime ECL significant increase in credit risk (stage 2)	-	-	-	(3,921)
- Lifetime ECL impaired credits (stage 3)	(147,692)	-	-	-
<b>Total</b>	<b>843,125</b>	<b>23,306</b>	<b>148,994</b>	<b>69,062</b>

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 91<sup>st</sup> day.
2. Subjective Default Definition: It means it is considered that a debt is unlikely to be paid. Whenever it is considered that an obligor is unlikely to pay its credit obligations, it should be considered as defaulted regardless of the existence of any past-due amount or of the number of days past due.

BankPozitif manages its credit portfolio as per following main principles;

#### *Creating credit risk awareness throughout the Group*

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

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



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

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

**As at and for the six-month period ended 30 June 2023**

*(Currency - In thousands of Turkish Lira)*

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

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

*Having a reliable credit allocation function*

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

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

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

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

##### *Risk limits*

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

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

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

As at 30 June 2023, the share of the top 5 credit customers in its total corporate loan portfolio is 94.4% (31 December 2022 – 92.1%).

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

## Notes to the Condensed Consolidated Interim Financial Information

As at and for the six-month period ended 30 June 2023

(Currency - In thousands of Turkish Lira)

### 11. Financial risk management (continued)

#### Credit risk (continued)

##### Measuring risk (continued)

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

##### Monitoring the risk

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

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

30 June 2023	Cash loans	Non-cash loans	Total
Food, beverage and tobacco industries	151,067	4	151,071
Public works and civil engineering	140,449	-	140,449
Electric production and supply	131,451	-	131,451
Holding companies	131,398	-	131,398
Transportation	109,783	774	110,557
Building contractor (general and special trade)	51,362	13,399	64,761
Personal other services	-	23,916	23,916
Other financial institutions	-	26,010	26,010
Trade	-	3,021	3,021
Textile and clothing	-	30	30
Electrical and electronic equipment	-	37	37
Other commercial services	-	2	2
<b>Total performing loans</b>	<b>715,510</b>	<b>67,193</b>	<b>782,703</b>
Loans in arrears	137,041	-	137,041
Loss allowances (amounts arising from ECL)	(93,449)	(4,560)	(98,009)
<b>Total loans</b>	<b>759,102</b>	<b>62,633</b>	<b>821,735</b>



**BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ****Notes to the Condensed Consolidated Interim Financial Information****As at and for the six-month period ended 30 June 2023***(Currency - In thousands of Turkish Lira)***11. Financial risk management (continued)****Credit risk (continued)***Monitoring the risk (continued)*

<b>31 December 2022</b>	<b>Cash loans</b>	<b>Non-cash loans</b>	<b>Total</b>
Food, beverage and tobacco industries	166,826	5	166,831
Public works and civil engineering	133,946	-	133,946
Electric production and supply	133,004	-	133,004
Holding companies	132,959	-	132,959
Transportation	111,913	672	112,585
Building contractor (general and special trade)	70,344	15,963	86,307
Personal other services	-	28,643	28,643
Other financial institutions	-	25,863	25,863
Trade	-	2,621	2,621
Textile and clothing	-	36	36
Electrical and electronic equipment	-	32	32
Other commercial services	-	7	7
<b>Total performing loans</b>	<b>748,992</b>	<b>73,842</b>	<b>822,834</b>
Loans in arrears	241,825	-	241,825
Loss allowances (amounts arising from ECL)	(147,692)	(4,780)	(152,472)
<b>Total loans</b>	<b>843,125</b>	<b>69,062</b>	<b>912,187</b>

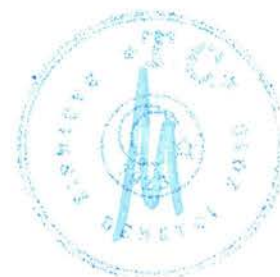


**BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ****Notes to the Condensed Consolidated Interim Financial Information****As at and for the six-month period ended 30 June 2023***(Currency - In thousands of Turkish Lira)***11. Financial risk management (continued)****Credit risk (continued)***Monitoring the risk (continued)*

Total collateralisation coverage of cash loans 99.74, non-cash loans are 61.22% as at 30 June 2023 (31 December 2022 – cash loans 99.74%, non-cash loans 64.90%).

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

	<b>30 June 2023</b>	<b>31 December 2022 (Restated)</b>
<b>Cash loans (including financial lease receivables) under loan in arrears</b>		
Secured by mortgages	125,059	227,790
Secured by guarantee	9,787	11,428
Unsecured	2,195	2,607
<b>Total</b>	<b>137,041</b>	<b>241,825</b>
<b>Cash loans (including financial lease receivables) except loan in arrears</b>		
Secured by mortgages	452,662	483,029
Secured by assignment and cheques	262,848	265,963
Secured by pledge	-	-
Secured by guarantee	-	-
Secured by cash	-	-
Unsecured	-	-
<b>Total</b>	<b>715,510</b>	<b>748,992</b>
<b>Non-cash loans</b>		
Secured by guarantee	40,334	47,226
Unsecured	26,060	25,915
Secured by assignment and cheques	-	-
Secured by pledge	-	-
Secured by cash	799	701
<b>Total</b>	<b>67,193</b>	<b>73,842</b>



# BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ

## Notes to the Condensed Consolidated Interim Financial Information

As at and for the six-month period ended 30 June 2023

(Currency - In thousands of Turkish Lira)

### 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.

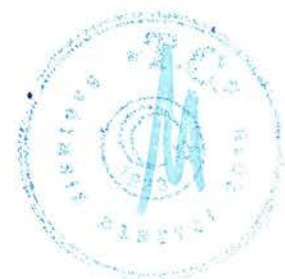
The table on the next two pages analyses assets and liabilities of the Group into relevant maturity groupings based on the remaining period at reporting date to contractual maturity date.

30 June 2023	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	494	494	-	494	-	-	-	-
Funds borrowed	868,114	893,172	-	130,895	506,883	124,640	122,911	7,843
Current account of loan customers <sup>(1)</sup>	38,714	38,716	-	38,716	-	-	-	-
Lease Payables	26,104	28,039	-	995	1,961	6,793	18,290	-
<b>Total</b>	<b>933,426</b>	<b>960,421</b>	<b>-</b>	<b>171,100</b>	<b>508,844</b>	<b>131,433</b>	<b>141,201</b>	<b>7,843</b>

(1) Included in other liabilities.

31 December 2022 (Restated)	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	646	646	-	646	-	-	-	-
Funds borrowed	783,534	797,703	-	9,572	527,591	101,986	145,430	13,124
Current account of loan customers <sup>(1)</sup>	12,514	12,515	-	12,515	-	-	-	-
Lease Payables	25,112	28,997	-	668	1,464	6,638	20,227	-
<b>Total</b>	<b>821,806</b>	<b>839,861</b>	<b>-</b>	<b>23,401</b>	<b>529,055</b>	<b>108,624</b>	<b>165,657</b>	<b>13,124</b>

(1) Included in other liabilities.



**BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ****Notes to the Condensed Consolidated Interim Financial Information****As at and for the six-month period ended 30 June 2023***(Currency - In thousands of Turkish Lira)***11. Financial risk management (continued)****Liquidity risk (continued)**

	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Over 5 years	Total
<b>30 June 2023</b>							
Forward purchase contracts	-	1,408	-	-	-	-	1,408
Forward sale contracts	-	(1,414)	-	-	-	-	(1,414)
Currency swap purchases	380,415	246,315	71,793	30,406	-	-	728,929
Currency swap sales	(360,663)	(223,765)	(70,844)	(30,899)	-	-	(686,171)
Interest rate cap/floor purchase contracts	-	-	-	-	301,208	-	301,208
Futures purchase contracts	109,496	68,706	-	-	-	-	178,202
Futures sale contracts	(129,116)	(77,469)	-	-	-	-	(206,585)
<b>Total</b>	<b>132</b>	<b>13,781</b>	<b>949</b>	<b>(493)</b>	<b>301,208</b>	<b>-</b>	<b>315,577</b>
<b>31 December 2022 (Restated)</b>							
Forward purchase contracts	2,029	-	-	-	-	-	2,029
Forward sale contracts	(1,951)	-	-	-	-	-	(1,951)
Currency swap purchases	187,136	448,726	428,680	-	-	-	1,064,542
Currency swap sales	(189,648)	(460,389)	(429,158)	-	-	-	(1,079,195)
Interest rate swaps	-	-	-	-	304,783	-	304,783
Futures purchase contracts	166,970	413,909	193,437	-	-	-	774,316
Futures sale contracts	(156,769)	(380,729)	(179,165)	-	-	-	(716,663)
<b>Total</b>	<b>7,767</b>	<b>21,517</b>	<b>13,794</b>	<b>-</b>	<b>304,783</b>	<b>-</b>	<b>347,861</b>

**Market risk**

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

The interest rate and exchange rate risks of the financial positions taken by the Bank related to financial position and off-balance sheet accounts are measured and while calculating the capital adequacy, the amount subject to value at risk (VaR) is taken into consideration by the standard method. As at 30 June 2023, the highest potential loss of the securities portfolio was generated by historical simulation method as TL 315 (31 December 2022 – TL 66) for one day.

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

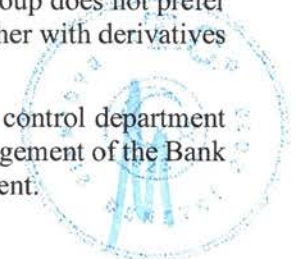
The Group has a cautious approach towards derivatives transactions. In principle, derivatives are dealt only for the hedging of banking book. Trade or “market-making” in financial derivative instruments is not among the ordinary activities of the Group and possible only by specific authorization of the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

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

**Currency risk**

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

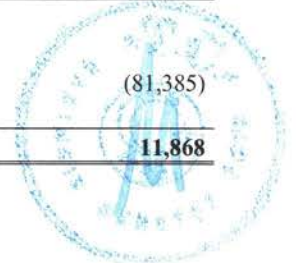
The Group manages foreign currency risk by daily controls of financial planning and control department and treasury department; weekly ALCO meetings, comprising members of senior management of the Bank and through limits on the positions which can be taken by the Bank’s treasury department.



**BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ****Notes to the Condensed Consolidated Interim Financial Information  
As at and for the six-month period ended 30 June 2023***(Currency - In thousands of Turkish Lira)***11. Financial risk management (continued)****Currency risk (continued)**

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

<b>30 June 2023</b>	<b>USD</b>	<b>EUR</b>	<b>Others</b>	<b>Total</b>
<b>Assets</b>				
Due from banks and financial institutions	73,982	1,354	96	75,432
Financial assets held for trading	7,821	-	-	7,821
Reserve deposits at central Banks	143,710	-	-	143,710
Loans and finance lease receivables	715,510	-	-	715,510
Other assets	1,132	-	-	1,132
<b>Total assets</b>	<b>942,155</b>	<b>1,354</b>	<b>96</b>	<b>943,605</b>
<b>Liabilities</b>				
Trading liabilities	5,653	-	-	5,653
Funds borrowed	550,848	317,266	-	868,114
Other liabilities	44,881	306	1	45,188
<b>Total liabilities</b>	<b>601,382</b>	<b>317,572</b>	<b>1</b>	<b>918,955</b>
<b>Gross exposure</b>	<b>340,773</b>	<b>(316,218)</b>	<b>95</b>	<b>24,650</b>
<b>Off-balance sheet position</b>				
Net notional amount of derivatives	(339,857)	317,014	-	(22,843)
<b>Net exposure</b>	<b>916</b>	<b>796</b>	<b>95</b>	<b>1,807</b>
<b>31 December 2022</b>				
<b>Assets</b>				
Due from banks and financial institutions	13,798	1,547	97	15,442
Financial assets held for trading	18,872	-	-	18,872
Reserve deposits at central banks	116,529	-	-	116,529
Loans and finance lease receivables	748,992	-	-	748,992
Other assets	982	-	-	982
<b>Total assets</b>	<b>899,173</b>	<b>1,547</b>	<b>97</b>	<b>900,817</b>
<b>Liabilities</b>				
Trading liabilities	5,569	-	-	5,569
Funds borrowed	518,072	258,871	-	776,943
Other liabilities	24,791	260	1	25,052
<b>Total liabilities</b>	<b>548,432</b>	<b>259,131</b>	<b>1</b>	<b>807,564</b>
<b>Gross exposure</b>	<b>350,741</b>	<b>(257,584)</b>	<b>96</b>	<b>93,253</b>
<b>Off-balance sheet position</b>				
Net notional amount of derivatives	(339,255)	257,870	-	(81,385)
<b>Net exposure</b>	<b>11,486</b>	<b>286</b>	<b>96</b>	<b>11,868</b>



# BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ

## Notes to the Condensed Consolidated Interim Financial Information

As at and for the six-month period ended 30 June 2023

(Currency - In thousands of Turkish Lira)

### 11. Financial risk management (continued)

#### Currency risk (continued)

##### Sensitivity analysis

A 10% weakening of TL against the foreign currencies at 30 June 2023 and 31 December 2022 would have effect on the equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	30 June 2023		31 December 2022	
	Equity	Profit or loss	Equity	Profit or loss
USD	92	92	1,149	1,149
EUR	80	80	29	29
Other currencies	10	10	10	10
<b>Total</b>	<b>182</b>	<b>182</b>	<b>1,188</b>	<b>1,188</b>

A 10% strengthening of the TL against the foreign currencies at 30 June 2023 and 31 December 2022 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**  
**Notes to the Condensed Consolidated Interim Financial Information**  
**As at and for the six-month period ended 30 June 2023**

(Currency - In thousands of Turkish Lira)

**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:

30 June 2023	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	-	-	-	-	-	-	-	-	-	6	6
Due from banks and financial institutions	-	-	-	-	-	-	-	-	-	81,987	81,987
Interbank and other money market placements	-	-	-	-	-	-	-	-	-	-	-
Reserve deposits at central banks	70,644	-	-	-	-	-	-	-	-	73,092	143,736
Trading assets	47,440	45,457	1,375	-	-	-	-	-	-	-	94,272
Investment securities	15,886	27,923	82,527	-	-	-	-	-	-	160	126,496
Loan securities	-	-	506	-	-	-	-	-	-	-	506
Loans and finance lease receivables	62,231	87,280	267,915	84,500	127,545	86,039	-	-	-	43,592	759,102
Other assets	-	-	-	-	-	-	-	-	-	292,594	292,594
<b>Total assets</b>	<b>196,201</b>	<b>160,660</b>	<b>352,323</b>	<b>84,500</b>	<b>127,545</b>	<b>86,039</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>491,431</b>	<b>1,498,699</b>
<b>Liabilities</b>											
Money market deposits	494	-	-	-	-	-	-	-	-	-	494
Funds borrowed	595,406	34,979	160,787	7,694	15,388	15,388	15,388	15,388	7,696	-	868,114
Trading liabilities	47,295	16,685	-	172	-	-	-	-	-	-	64,152
Other liabilities <sup>(1)</sup>	1,072	1	54	443	1,995	8,190	-	-	-	153,196	164,951
<b>Total liabilities</b>	<b>644,267</b>	<b>51,665</b>	<b>160,841</b>	<b>8,309</b>	<b>17,383</b>	<b>23,578</b>	<b>15,388</b>	<b>15,388</b>	<b>7,696</b>	<b>153,196</b>	<b>1,097,711</b>
<b>Financial position interest sensitivity gap</b>	<b>(448,066)</b>	<b>108,995</b>	<b>191,482</b>	<b>76,191</b>	<b>110,162</b>	<b>62,461</b>	<b>(15,388)</b>	<b>(15,388)</b>	<b>(7,696)</b>	<b>338,235</b>	<b>400,988</b>
Off-balance sheet interest sensitivity gap, net	132	13,781	949	(493)	-	-	-	301,208	-	-	315,577
<b>Total interest sensitivity gap</b>	<b>(447,934)</b>	<b>122,776</b>	<b>192,431</b>	<b>75,698</b>	<b>110,162</b>	<b>62,461</b>	<b>(15,388)</b>	<b>285,820</b>	<b>(7,696)</b>	<b>338,235</b>	<b>716,565</b>

<sup>(1)</sup> Other liabilities comprise trading liabilities, other liabilities and provisions.



**BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ**  
**Notes to the Condensed Consolidated Interim Financial Information**  
**As at and for the six-month period ended 30 June 2023**

(Currency - In thousands of Turkish Lira)

**11. Financial risk management (continued)**

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

31 December 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
<b>Assets</b>											
Cash and balances with central banks	-	-	-	-	-	-	-	-	-	7	7
Due from banks and financial institutions	-	-	-	-	-	-	-	-	-	23,306	23,306
Interbank and other money market placements	-	-	-	-	-	-	-	-	-	-	-
Reserve deposits at central banks	29,176	-	-	-	-	-	-	-	-	87,517	116,693
Trading assets	7,040	32,059	10,636	-	-	-	-	-	-	-	49,735
Investment securities	9,536	32,897	105,701	-	-	-	-	-	-	192	148,326
Loan securities	-	-	668	-	-	-	-	-	-	-	668
Loans and finance lease receivables	36,562	75,653	42,671	335,583	146,572	74,665	37,287	-	-	94,132	843,125
Other assets	-	-	-	-	-	-	-	-	-	198,061	198,061
<b>Total assets</b>	<b>82,314</b>	<b>140,609</b>	<b>159,676</b>	<b>335,583</b>	<b>146,572</b>	<b>74,665</b>	<b>37,287</b>	<b>-</b>	<b>-</b>	<b>403,215</b>	<b>1,379,921</b>
<b>Liabilities</b>											
Money market deposits	646	-	-	-	-	-	-	-	-	-	646
Funds borrowed	502,121	22,761	180,346	-	-	-	-	-	78,306	-	783,534
Trading liabilities	2,374	12,847	6,300	-	-	-	-	-	-	-	21,521
Other liabilities <sup>(1)</sup>	1,271	-	-	-	3,121	10,714	-	-	-	94,395	109,501
<b>Total liabilities</b>	<b>506,412</b>	<b>35,608</b>	<b>186,646</b>	<b>-</b>	<b>3,121</b>	<b>10,714</b>	<b>-</b>	<b>-</b>	<b>78,306</b>	<b>94,395</b>	<b>915,202</b>
<b>Financial position interest sensitivity gap</b>	<b>(424,098)</b>	<b>105,001</b>	<b>(26,970)</b>	<b>335,583</b>	<b>143,451</b>	<b>63,951</b>	<b>37,287</b>	<b>-</b>	<b>(78,306)</b>	<b>308,820</b>	<b>464,719</b>
Off-balance sheet interest sensitivity gap, net	7,767	21,517	13,794	-	-	-	-	304,783	-	-	347,861
<b>Total interest sensitivity gap</b>	<b>(416,331)</b>	<b>126,518</b>	<b>(13,176)</b>	<b>335,583</b>	<b>143,451</b>	<b>63,951</b>	<b>37,287</b>	<b>304,783</b>	<b>(78,306)</b>	<b>308,820</b>	<b>812,580</b>

<sup>(1)</sup> Other liabilities comprise trading liabilities, other liabilities and provisions.



# BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ

## Notes to the Condensed Consolidated Interim Financial Information

As at and for the six-month period ended 30 June 2023

(Currency - In thousands of Turkish Lira)

### 11. Financial risk management (continued)

#### Fair value interest rate risk (continued)

As at 30 June 2023 and 31 December 2022, the effective interest rate applied on balance sheet items summarized as follows:

30 June 2023(%)	TL	USD	EUR
Due from banks and financial institutions	-	-	-
Interbank and other money market placements	-	-	-
Investment securities and loaned securities	10.99	-	-
Loans and finance lease receivables			
- Corporate loans	-	7.74	-
- Retail loans	-	-	-
Money market deposits	4.34	-	-
Funds borrowed	-	8.08	5.68
Current account of loan customers <sup>(1)</sup>	9.41	-	-

31 December 2022 (%)	TL	USD	EUR
Due from banks and financial institutions	-	-	-
Interbank and other money market placements	-	-	-
Marketable securities (Investment and trading)	11.35	-	-
Loans and finance lease receivables			
- Corporate loans	-	7.78	-
- Retail loans	-	-	-
Money market deposits	4.08	-	-
Funds borrowed	10.06	8.53	2.63
Current account of loan customers <sup>(1)</sup>	9.41	-	-

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



**BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ****Notes to the Condensed Consolidated Interim Financial Information  
As at and for the six-month period ended 30 June 2023***(Currency - In thousands of Turkish Lira)***11. Financial risk management (continued)****Cash flow and fair value interest rate risk (continued)****Exposure to interest rate risk – non-trading portfolios**

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

<b>Change at portfolio value/Total equity (%)</b>	<b>30 June 2023</b>	<b>31 December 2022</b>
<b>Local TL interest rate</b>		
+500 bps	(0.52)	(2.46)
-400 bps	0.96	5.00
<b>Foreign currency interest rate</b>		
+200 bps EUR	1.81	1.67
-200 bps EUR	(1.94)	(1.79)
+200 bps USD	(1.96)	(3.04)
-200 bps USD	2.06	3.22

**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 30 June 2023 and 31 December 2022 is as follows:

	<b>30 June 2023</b>	<b>31 December 2022</b>
Amount subject to credit risk (I)	1,010,076	919,699
Amount subject to market risk (II)	28,650	59,453
Amount subject to operational risk (III)	169,989	149,947
<b>Total risk-weighted assets, value at market risk and operational risk (IV) = (I+II+III)</b>	<b>1,208,715</b>	<b>1,129,099</b>
Capital for the purpose of calculating the capital adequacy ratio	379,921	442,361
<b>Capital adequacy ratio</b>	<b>31.43%</b>	<b>39.18%</b>



**BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ****Notes to the Condensed Consolidated Interim Financial Information****As at and for the six-month period ended 30 June 2023***(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.

<b>30 June 2023</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<i>Financial instruments</i>				
Financial assets at fair value through profit or loss (FVPL)	-	94,272	-	94,272
Investment and loaned securities at FVOCI	127,002	-	-	127,002
	<b>127,002</b>	<b>94,272</b>	-	<b>221,274</b>

<i>Financial instruments</i>				
Financial liabilities at fair value through profit or loss (FVPL)	-	64,152	-	64,152
<b>Total</b>	-	<b>64,152</b>	-	<b>64,152</b>

<b>31 December 2022</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<i>Financial instruments</i>				
Financial assets at fair value through profit or loss (FVPL)	2,853	46,882	-	49,735
Investment and loaned securities at FVOCI	148,994	-	-	148,994
	<b>151,847</b>	<b>46,882</b>	-	<b>198,729</b>

<i>Financial instruments</i>				
Financial liabilities at fair value through profit or loss (FVPL)	-	21,521	-	21,521
<b>Total</b>	-	<b>21,521</b>	-	<b>21,521</b>



# BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ

## Notes to the Condensed Consolidated Interim Financial Information

As at and for the six-month period ended 30 June 2023

(Currency - In thousands of Turkish Lira)

### 13. Operating segments

The Group has four reportable segments, namely asset management 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	16,594	35,153	4	981	52,732
Interest expense	(53,046)	(121)	-	-	(53,167)
Current income/(expense) between departments	23,767	(23,740)	(27)	-	-
<b>Net interest income</b>	<b>(12,685)</b>	<b>11,292</b>	<b>(23)</b>	<b>981</b>	<b>(435)</b>
Net fee and commission income/(expense)	(922)	819	-	-	(103)
Net trading income and foreign exchange gain, net	118,733	15	-	798	119,546
Other operating income	435	6	-	34	475
<b>Total operating income</b>	<b>105,561</b>	<b>12,132</b>	<b>(23)</b>	<b>1,813</b>	<b>119,483</b>
Net impairment loss on financial and non-financial assets	122	(8,760)	-	-	(8,638)
Total operating expenses	(51,153)	(37,822)	(937)	(1,605)	(91,517)
<b>Profit/(loss) before income tax</b>	<b>54,530</b>	<b>(34,450)</b>	<b>(960)</b>	<b>208</b>	<b>19,328</b>
Income tax	(21,627)	12,298	343	-	(8,986)
<b>Net profit/(loss) for the period</b>	<b>32,903</b>	<b>(22,152)</b>	<b>(617)</b>	<b>208</b>	<b>10,342</b>
Monetary gain / (loss)	(59,644)	(6,691)	13	(1,023)	(67,345)
<b>Net profit/(loss) for the period</b>	<b>(26,741)</b>	<b>(28,843)</b>	<b>(604)</b>	<b>(815)</b>	<b>(57,003)</b>
<b>Total assets</b>	<b>714,813</b>	<b>776,206</b>	<b>315</b>	<b>7,365</b>	<b>1,498,699</b>
<b>Total liabilities</b>	<b>1,060,066</b>	<b>40,103</b>	<b>15</b>	<b>(2,472)</b>	<b>1,097,712</b>



**BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ****Notes to the Condensed Consolidated Interim Financial Information****As at and for the six-month period ended 30 June 2023***(Currency - In thousands of Turkish Lira)***13. Operating segments (continued)**

	Asset management and treasury	Corporate banking	Retail banking	Non-financial services	Total
<b>Prior Period 30.06.2022</b>					
Interest income	6,523	68,429	16	925	75,893
Interest expense	(52,398)	(607)	-	-	(53,005)
Internal transfer rate income/(expense)	51,974	(51,891)	(83)	-	-
<b>Net interest income</b>	<b>6,099</b>	<b>15,931</b>	<b>(67)</b>	<b>925</b>	<b>22,888</b>
Net/ (expense)	(659)	4,289	-	-	3,630
Net trading income and foreign exchange gain, net	122,635	40	-	578	123,253
Other operating income	4,740	48	-	384	5,172
<b>Total operating income</b>	<b>132,815</b>	<b>20,308</b>	<b>(67)</b>	<b>1,887</b>	<b>154,943</b>
Net impairment loss on financial and non-financial assets	503	(37,644)	-	-	(37,141)
Total operating expenses	(51,918)	(29,487)	(879)	(917)	(83,201)
<b>Profit / (loss) before income tax</b>	<b>81,400</b>	<b>(46,823)</b>	<b>(946)</b>	<b>970</b>	<b>34,601</b>
Income tax	15,764	(9,598)	(159)	-	6,007
<b>Net profit/(loss) for the year</b>	<b>97,164</b>	<b>(56,421)</b>	<b>(1,105)</b>	<b>970</b>	<b>40,608</b>
Monetary gain / (loss)	(411,635)	239,028	4,681	(4,109)	(172,036)
<b>Net profit/(loss) for the year</b>	<b>(314,471)</b>	<b>182,607</b>	<b>3,576</b>	<b>(3,139)</b>	<b>(131,428)</b>
<b>Total assets 31.12.2022</b>	<b>507,070</b>	<b>863,047</b>	<b>393</b>	<b>9,411</b>	<b>1,379,921</b>
<b>Total liabilities 31.12.2022</b>	<b>903,463</b>	<b>13,641</b>	<b>19</b>	<b>(1,921)</b>	<b>915,202</b>



**BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ**

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

**As at and for the six-month period ended 30 June 2023**

*(Currency - In thousands of Turkish Lira)*

**14. Subsequent events**

None.

