

**Bankpozitif Kredi ve Kalkınma
Bankası Anonim Şirketi**

**Condensed Consolidated Interim
Financial Information**

**As at and For the Nine -Month Period Ended
30 September 2023**

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

Bankpozitif Kredi ve Kalkınma Bankası Anonim Şirketi

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

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

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of Bankpozitif Kredi ve Kalkınma Bankası Anonim Şirketi ("the Bank") and its subsidiary (together "the Group") as at 30 September 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 nine 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 September 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



20 November 2023
Istanbul, Turkey

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

	<i>Note</i>	30 September 2023	31 December 2022 (Restated)
ASSETS			
Cash and balances with central banks		3	9
Due from banks and financial institutions		170,288	29,159
Interbank and other money market placements		86,165	-
Reserve deposits at central banks		37,940	146,001
Trading assets		8,265	62,226
Investment securities		130,140	185,578
Loaned securities		361	836
Loans and finance lease receivables, net	3	660,790	1,054,875
Tangible assets		45,724	49,659
Intangible assets		25,075	26,844
Deferred tax assets	4	-	-
Assets held for sale	5	-	-
Other assets		137,786	171,299
		-	-
Total assets		1,302,537	1,726,486
LIABILITIES			
		-	-
Money market deposits		346	808
Trading liabilities		8,383	26,926
Funds borrowed	6	27,630	980,318
Other liabilities	7	847,405	71,574
Provisions		20,983	53,317
Current tax liabilities		3,465	9,618
Deferred tax liabilities	4	1,447	2,975
		-	-
Total liabilities		909,659	1,145,536
EQUITY			
Share capital and share premium	8	4,528,486	4,528,486
Legal reserves		152,205	152,205
Fair value reserve of debt instruments at fair value through other comprehensive income (FVOCI), net of tax	8	6,419	14,445
Accumulated losses		(4,294,232)	(4,114,186)
Total equity		392,878	580,950
Total equity and liabilities		1,302,537	1,726,486

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



BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ**Condensed Consolidated Interim Statement of Profit or Loss****For the nine-month period ended 30 September 2023***(Currency - In thousands of Turkish Lira)*

<i>Note</i>	1 January– 30 September 2023	1 July– 30 September 2023	1 January– 30 September 2022 (Restated)	1 July– 30 September 2022 (Restated)
<i>Continuing operations</i>				
Interest income				
Interest income on loans and finance leases	70,911	23,322	117,959	38,925
Interest income on deposits with other banks and financial institutions	21,002	13,393	7,436	4,372
Interest income on investment securities	11,582	6,416	9,178	1,445
Interest income on interbank and other money market placements	3,186	1,171	1,107	368
Other interest income	7,069	3,473	9,271	4,888
Total interest income	113,750	47,775	144,951	49,998
Interest expense				
Interest expense on other money market deposits	(2,316)	(1,239)	(3,147)	(1,823)
Interest expense on funds borrowed	(44,731)	(13,418)	(34,568)	(12,323)
Other interest expense	(49,907)	(15,776)	(76,998)	(34,250)
Total interest expense	(96,954)	(30,433)	(114,713)	(48,396)
Net interest income	16,796	17,342	30,238	1,602
Fees and commission income	1,931	779	6,363	545
Fees and commission expense	(3,403)	(2,121)	(2,025)	(748)
Net fee and commission income	(1,472)	(1,342)	4,338	(203)
Net trading and foreign exchange gain / (loss), net	189,340	39,770	239,397	85,189
Other operating income	5,114	4,519	9,734	3,263
Total operating income	209,778	60,289	283,707	89,851
Net impairment loss on financial assets	(12,155)	(1,348)	(6,194)	40,275
Personnel expenses	(105,634)	(46,921)	(69,499)	(16,641)
Depreciation and amortisation	(18,516)	(6,767)	(16,076)	(6,039)
Administrative expenses	(45,476)	(16,054)	(43,224)	(14,006)
Taxes other than on income	(12,330)	(1,445)	(5,697)	(559)
Other expenses	(6,165)	(2,432)	(24,923)	(18,077)
Total operating expenses	(188,121)	(73,619)	(159,419)	(55,322)
Profit/(loss) before income tax	9,502	(14,678)	118,094	74,804
Income tax	(8,065)	3,178	(13,069)	(20,585)
Monetary gain / (loss)	(177,707)	(93,450)	(250,974)	(35,731)
Net Profit / (loss)	(176,270)	(104,950)	(145,949)	18,488

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



BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ**Condensed Consolidated Interim Statement of Profit or Loss and Other Comprehensive Income
For the nine-month period ended 30 September 2023***(Currency - In thousands of Turkish Lira)*

	1 January– 30 September 2023	1 July– 30 September 2023	1 January– 30 September 2022 (Restated)	1 July – 30 September 2022 (Restated)
Profit/(loss) for the period	(176,270)	(104,950)	(145,949)	18,488
Other comprehensive income/(loss)	-	-	-	-
<i>Items that will never be reclassified to profit or loss</i>	-	-	-	-
Remeasurement of employee termination benefits	(6,638)	363	(8,719)	(2,386)
Related tax	2,862	1,112	2,904	544
	(3,776)	1,475	(5,815)	(1,842)
<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)	(13,546)	(10,179)	8,836	(5,359)
Net amount reclassified to the income statement on sale of debt instruments at FVOCI	5,041	5,698	(1,400)	3,117
Related tax	479	67	(4,631)	367
	(8,026)	(4,414)	2,805	(1,875)
Other comprehensive income/(loss) for the period, net of income tax	(11,802)	(2,939)	(3,010)	(3,717)
Total comprehensive income/(loss) for the period	(188,072)	(107,889)	(148,959)	14,771

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



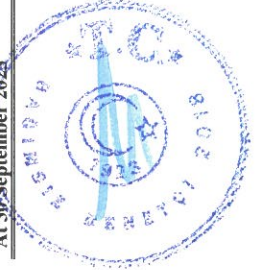
BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ
Condensed Consolidated Interim Statement of Changes in Equity
For the nine-month period ended 30 September 2023

(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
Balances at 1 January 2021-Reported	8	337,292	20,121	21,701	16,168	8,984	(95,476)	308,790
Application of inflation accounting		-	-	4,148,606	135,719	13,130	(3,828,957)	468,498
Balances at 1 January 2021-Restated		337,292	20,121	4,170,307	151,887	22,114	(3,924,433)	777,288
Total comprehensive income/(loss) for the period		-	-	-	-	-	(145,949)	(145,949)
Profit/(loss) for the period		-	-	-	-	-	-	-
Other comprehensive income/(loss)		-	-	-	-	-	(5,815)	(5,815)
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		-	-	-	-	2,805	-	2,805
Total other comprehensive income/(loss)		-	-	-	-	2,805	(5,815)	(3,010)
Total comprehensive income/(loss) for the period		-	-	-	-	2,805	(151,764)	(148,959)
At 30 September 2022	8	337,292	20,121	4,170,307	151,887	24,919	(4,076,197)	628,329

	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
Balances at 1 January 2022-Reported	8	337,292	20,121	21,701	16,168	9,639	(31,724)	373,197
Application of inflation accounting		-	-	4,149,372	136,037	4,806	(4,082,462)	207,753
Balances at 1 January 2022-Restated		337,292	20,121	4,171,073	152,205	14,445	(4,114,186)	580,950
Total comprehensive income/(loss) for the period		-	-	-	-	-	(176,270)	(176,270)
Profit/(loss) for the period		-	-	-	-	-	-	-
Other comprehensive income/(loss)		-	-	-	-	-	(3,776)	(3,776)
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		-	-	-	-	(8,026)	-	(8,026)
Total other comprehensive income/(loss)		-	-	-	-	(8,026)	(3,776)	(11,802)
Total comprehensive income/(loss) for the period		-	-	-	-	(8,026)	(180,046)	(188,072)
At 30 September 2023	8	337,292	20,121	4,171,073	152,205	6,419	(4,294,232)	392,878

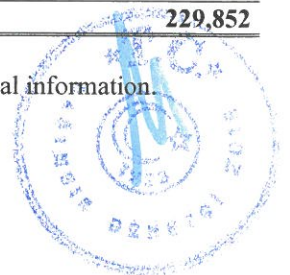
The accompanying notes are an integral part of this condensed consolidated interim financial information.



BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ**Condensed Consolidated Interim Statement of Cash Flows****For the nine-month period ended 30 September 2023***(Currency - In thousands of Turkish Lira)*

	<i>Note</i>	1 January – 30 September 2023	1 January – 30 September 2022 (Restated)
Cash flows from operating activities			
Interest received		150,150	160,969
Interest paid		(100,130)	(113,922)
Fees and commissions received		1,931	6,363
Fees and commissions paid		(3,403)	(2,026)
Trading income		189,340	239,397
Recoveries from non-performing loans	3	-	39,578
Cash payments to employees and other parties		(93,253)	(46,863)
Cash received from other operating activities		5,114	9,734
Cash paid to other operating activities		(109,512)	(287,473)
Income taxes paid		-	(10,596)
		40,237	(4,839)
Change in trading assets		23,047	11,438
Change in reserve deposits at central banks		108,062	188,240
Change in loans and finance lease receivables		149,996	778,261
Change in other assets		25,814	124,073
Change in interbank and money market deposits		(462)	(74,943)
Change in other liabilities		777,330	(249,528)
Net cash from operating activities		1,124,024	772,702
Cash flows from investing activities			
Purchases of investment securities		(109,424)	(397,866)
Proceeds from sale and redemption of investment securities		108,127	316,674
Purchases of tangible assets		(5,208)	(4,823)
Proceeds from the sale of premises and equipment		225	292
Purchases of intangible assets		(1,647)	(2,074)
Net cash generated from investing activities		(7,927)	(87,797)
Cash flows from financing activities			
Proceeds from funds borrowed	6	3,125,983	2,368,117
Repayment of funds borrowed	6	(4,038,972)	(2,869,358)
Proceeds from debt securities issued		-	-
Repayment of debt securities issued		-	-
Payments due to lease liabilities		(3,412)	(4,386)
Net cash used in financing activities		(916,401)	(505,627)
Effect of net foreign exchange difference on cash and cash equivalents		2,603	485
Inflation effect on cash and cash equivalents		37,793	(44,361)
Net increase/(decrease) in cash and cash equivalents		240,092	135,402
Cash and cash equivalents at 1 January		16,175	94,450
Cash and cash equivalents at 31 March		256,267	229,852

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



BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ

Notes to the Condensed Consolidated Interim Financial Information

As at and for the nine-month period ended 30 September 2023

(Currency - In thousands of Turkish Lira)

Notes to the condensed consolidated interim financial information

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BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ

Notes to the Condensed Consolidated Interim Financial Information

As at and for the nine-month period ended 30 September 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 Tarsish 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 September 2023, 100% of the shares of the Bank belong to Tarshish and are controlled by Bank Hapoalim.

Tarshish Hapoalim Holdings and Investments Ltd. (Tarshish) and other Tarshish group companies sold all of their shares, equivalent to 100%, on September 13, 2023, with a majority share of 79% to Pay Fix Elektronik Para ve Ödeme Hizmetleri Anonim Şirketi.

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 nine-month period ended 30 September 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 September 2023, the Bank provides services through its head office. As at 30 September 2023, the number of employees for the Bank and its consolidated subsidiary are 53 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 September 2023 and 31 December 2022 are as follows:

	Place of incorporation	Principal activities	Effective shareholding and voting rights (%)	
			30 September 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 September 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 20 November 2023.



BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ

Notes to the Condensed Consolidated Interim Financial Information

As at and for the nine-month period ended 30 September 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 September 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 September 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 September 2023	1,691.04	1.0000
31 December 2022	1,128.45	1.4986
30 September 2022	1,046.89	1.6153



BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ

Notes to the Condensed Consolidated Interim Financial Information

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

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(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:

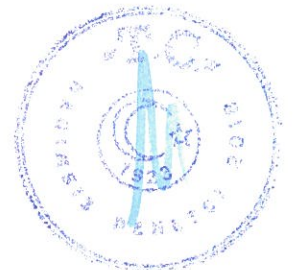
Level 1: Quoted market price (unadjusted) in an active market for identical instrument.

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 nine-month period ended 30 September 2023***(Currency - In thousands of Turkish Lira)***3. Loans and finance lease receivables**

30 September 2023	Turkish Lira	Foreign currency	Foreign currency indexed	Total
Corporate loans and finance lease receivables	-	660,657	-	660,657
<i>Stage 1 (standard loans)</i>	-	228,364	-	228,364
<i>Stage 2 (loans with a significantly increase in credit risk)</i>	-	432,293	-	432,293
<i>Stage 3 (defaulted loans)</i>	-	-	-	-
Consumer loans	-	-	-	-
<i>Stage 1</i>	-	-	-	-
<i>Stage 2</i>	-	-	-	-
Total loans and finance lease receivables	-	660,657	-	660,657
Loans and finance lease receivables in arrears	45,503	-	-	45,503
Less: 12-month ECL (stage 1)	-	-	-	-
Less: Lifetime ECL significant increase in credit risk (stage 2)	-	-	-	-
Less: Lifetime ECL impaired credits (stage 3)	(45,370)	-	-	(45,370)
Loans and finance lease receivables, net	133	660,657	-	660,790

31 December 2022	Turkish Lira	Foreign currency	Foreign currency indexed	Total
Corporate loans and finance lease receivables	-	937,101	-	937,101
<i>Stage 1</i>	-	332,759	-	332,759
<i>Stage 2</i>	-	604,342	-	604,342
Consumer loans	-	-	-	-
<i>Stage 1</i>	-	-	-	-
<i>Stage 2</i>	-	-	-	-
Total loans and finance lease receivables	-	937,101	-	937,101
Loans and finance lease receivables in arrears	302,559	-	-	302,559
Less: 12-month ECL (stage 1)	-	-	-	-
Less: Lifetime ECL significant increase in credit risk (stage 2)	-	-	-	-
Less: Lifetime ECL impaired credits (stage 3)	(184,785)	-	-	(184,785)
Loans and finance lease receivables, net	117,774	937,101	-	1,054,875

As of 30 September 2023, loans and finance lease receivables with floating rates are none (31 December 2022 – TL 218,942) and fixed interest rates are TL 660,657 (31 December 2022 – TL 937,101).

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

	30 September 2023	31 December 2022
Non-performing loans and finance lease receivables at 1 January	302,559	524,085
Additions to non-performing loans and finance lease receivables	410	13,429
Recoveries	(78,542)	(22,245)
Write-offs	(78,266)	(3,270)
Inflation accounting effect	(100,658)	(209,440)
Non-performing loans and finance lease receivables at the end of period	45,503	302,559



BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ**Notes to the Condensed Consolidated Interim Financial Information****As at and for the nine-month period ended 30 September 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 September 2023	31 December 2022
Reserve at the beginning of the year	184,785	380,313
Provision net of recoveries	(77,939)	(31,185)
- <i>Expected credit loss</i>	(41,999)	(8,477)
- <i>Recoveries</i>	(35,940)	(22,708)
Inflation accounting effect	(61,476)	(164,343)
Reserve at the end of the period	45,370	184,785

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 September 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 25th day of the fourth month following the year-end reporting date and taxes must be paid in one instalment by the end of the fourth month. In Turkey, the tax legislation does not permit a parent company and its subsidiary to file a consolidated tax return. Therefore, provision for taxes, as reflected in the consolidated financial position, has been calculated on a separate-entity basis.



BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ**Notes to the Condensed Consolidated Interim Financial Information****As at and for the nine-month period ended 30 September 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	Deferred tax liability	Deferred tax asset	Deferred tax liability
	30 September 2023	30 September 2023	31 December 2022	31 December 2022
Derivative financial instruments	2,515	(2,480)	6,731	(14,665)
Liability for employee provision	4,634	-	11,540	-
Tangible assets	-	(112)	-	(162)
Tax losses	-	-	2,498	-
Assets held for sale	-	-	-	-
Others	2,451	(8,455)	(225)	(8,692)
Deferred tax asset / (liability)	9,600	(11,047)	20,544	(23,519)
Net off of tax	(11,047)	11,047	(23,519)	(23,519)
Net tax asset / (liability)	(1,447)	-	(2,975)	

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

	30 September 2023	31 December 2022
Deferred tax assets, net at 1 January	(2,975)	15,378
Deferred tax recognised in the profit or loss	(4,639)	3,451
Deferred income tax recognised in other comprehensive income/(loss)	3,341	(1,727)
Inflation accounting effect	2,826	(20,077)
Deferred tax assets, net at the end of the period	(1,447)	(2,975)



BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ**Notes to the Condensed Consolidated Interim Financial Information****As at and for the nine-month period ended 30 September 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 September 2023 and 30 June 2022 is as follows:

	30 September 2023	30 June 2022
Profit/(loss) before income tax	9,502	118,094
Income tax using the domestic corporation tax rate at 25%	(2,851)	(29,524)
Non-deductible expenses	(2,243)	3,878
Tax losses for which no deferred tax asset is recognized	258	21,732
Unrecognised deductible temporary differences	(369)	(680)
Other	(2,860)	(8,475)
Total income tax income in the statement of profit or loss	(8,065)	(13,069)

5. Assets held for sale

	1 January – 30 September 2023	1 January – 31 December 2022
Balance at 1 January	-	163,700
Additions	-	-
Change in fair value	-	(120,960)
Sale of the asset	-	-
Inflation accounting effect	-	(43,010)
Total	-	-

6. Funds borrowed

	30 September 2023		31 December 2022	
	Turkish Lira	Foreign currency	Turkish Lira	Foreign Currency
Short-term⁽¹⁾				
Fixed interest	-	27,630	8,247	28,203
Floating interest	-	-	-	619,982
Long-term⁽¹⁾				
Fixed interest	-	-	-	98,247
Floating interest	-	-	-	225,639
Total	-	27,630	8,247	972,071

⁽¹⁾ Based on original maturities.

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

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

As at 30 September 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 nine-month period ended 30 September 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 September 2023
Funds borrowed	980,318	(905,510)	8,678	(55,856)	27,630
Total	980,318	(905,510)	8,678	(55,856)	27,630

	31 December 2021	Cash items	Foreign currency conversion adjustments	Other non- cash items	31 December 2022
Funds borrowed	2,117,365	(796,948)	282,026	(622,125)	980,318
Total	2,117,365	(796,948)	282,026	(622,125)	980,318

7. Other liabilities

	30 September 2023	31 December 2022
Current accounts of loan customers	812,145	5,059
Collateral received for derivative transactions	232	29,385
Lease payables	31,476	31,899
Taxes and funds payables	493	886
Unearned commission income	-	-
Insurance payables	333	351
Others	2,726	3,994
Total	847,405	71,574



BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ

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8. Capital and reserves

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

	30 September 2023	
	Amount	%
Pay Fix Elektronik Para ve Ödeme Hizmetleri Anonim Şirketi	266,461	79.00
Other	70,831	21.00
	337,292	100.00
Share premium	20,121	
Adjustment to share capital	4,171,073	
Share capital and share premium	4,528,486	

	31 December 2022	
	Amount	%
Tarshish	337,292	100.00
	337,292	100.00
Share premium	20,121	
Adjustment to share capital	4,171,073	
Share capital and share premium	4,528,486	

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.



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As at 30 September 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 Pay Fix Elektronik Para ve Ödeme Hizmetleri Anonim Şirketi owns 79.00% shares. The ultimate controlling shareholder of the Group is Pay Fix Elektronik Para ve Ödeme Hizmetleri Anonim Şirketi. For the purpose of these condensed consolidated interim financial information, consolidated subsidiary, shareholders, and companies controlled by Pay Fix Elektronik Para ve Ödeme Hizmetleri Anonim Şirketi 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 nine-month period ended 30 September 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 September 2023, the Group has utilized USD 27,992 thousand other liability (demand deposit).

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

	Shareholders		Directors and key management personnel		Others	
	2023	2022	2023	2022	2023	2022
Funds borrowed						
At 1 January	619,982	960,396	-	-	-	-
At end of the period/year	-	619,982	-	-	-	-
Interest expense ⁽¹⁾	-	(19,699)	-	-	-	-

⁽¹⁾ Interest expense in the above tables for 2022 represents the balances as of 30 September 2023.

Other balances with related parties:

Related party		Deposits	Other liabilities	Non-cash loans	Other operating income
Shareholders	30 September 2023	-	766,331	-	-
	31 December 2022	-	-	17,373	-
Directors and key management personnel	30 September 2023	-	-	-	-
	31 December 2022	-	-	-	-
Others	30 September 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 41,756 (30 September 2022 – TL 18,128) comprising salaries and other benefits.



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10. Commitments and contingencies

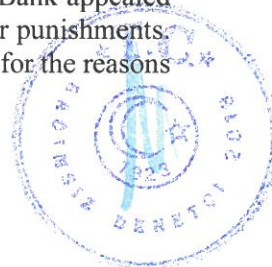
In the normal course of business activities, the Bank and its subsidiary undertake various commitments and incur certain contingent liabilities that are not presented in the financial statements including:

	30 September 2023	31 December 2022 (Restated)
Letters of guarantee	68,400	92,387
Loss allowances (amounts arising from ECL)	(4,596)	(5,981)
Total non-cash loans (net)	63,804	86,406

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;



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- • 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 has been appealed by the Bank in July, 2023 due to the low sentence and the fact that the other defendants were not sentenced, and the defendants also have appealed too. So, the Appeal Court's decision is awaited.

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



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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 February 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 plaintiff requested that the case be sent to the competent court and the case was sent to the Istanbul Commercial Court. The hearing is on 21 September 2023.



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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.



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11. Financial risk management (continued)

Strategy in using financial instruments (continued)

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

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

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

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

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

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

Credit risk

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

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

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



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30 September 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	228,364	170,677	131,367	51,733
Stage 2	432,293	-	-	16,667
Stage 3	45,503	-	-	-
<i>Allowance for impairment</i>				
- 12 month ECL (stage 1)	-	(389)	(866)	(772)
- Lifetime ECL significant increase in credit risk (stage 2)	-	-	-	(3,824)
- Lifetime ECL impaired credits (stage 3)	(45,370)	-	-	-
Total	660,790	170,288	130,501	63,804
31 December 2022 (Restated)	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	332,759	29,372	188,046	69,081
Stage 2	604,342	-	-	23,307
Stage 3	302,559	-	-	-
<i>Allowance for impairment</i>				
- 12 month ECL (stage 1)	-	(213)	(1,632)	(1,074)
- Lifetime ECL significant increase in credit risk (stage 2)	-	-	-	(4,906)
- Lifetime ECL impaired credits (stage 3)	(184,785)	-	-	-
Total	1,054,875	29,159	186,414	86,408

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

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

BankPozitif manages its credit portfolio as per following main principles;

Creating credit risk awareness throughout the Group

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

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



BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ

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11. Financial risk management (continued)

Credit risk (continued)

Having a reliable credit allocation function

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

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

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

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

Risk limits

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

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

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

As at 30 September 2023, the share of the top 5 credit customers in its total corporate loan portfolio is 95.3% (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.

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 nine-month period ended 30 September 2023***(Currency - In thousands of Turkish Lira)***11. Financial risk management (continued)****Credit risk (continued)***Measuring risk (continued)*

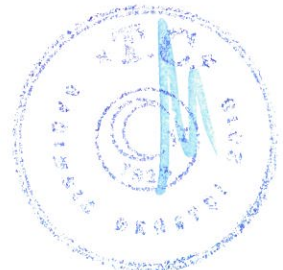
Central tendency factor is calculated by correlating sectoral non-performing loans ratios of banking sector to Group values. Both rating systems are being used in credit decisions, the first one giving the indications for borrower's repayment capacity, while the second one for facility's repayment capacity. 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 September 2023	Cash loans	Non-cash loans	Total
Food, beverage and tobacco industries	133,591	4	133,595
Public works and civil engineering	153,240	-	153,240
Electric production and supply	114,210	-	114,210
Holding companies	114,155	-	114,155
Transportation	103,333	822	104,155
Building contractor (general and special trade)	42,128	13,415	55,543
Personal other services	-	23,914	23,914
Other financial institutions	-	26,973	26,973
Trade	-	3,203	3,203
Textile and clothing	-	30	30
Electrical and electronic equipment	-	39	39
Other commercial services	-	-	-
Total performing loans	660,657	68,400	729,057
Loans in arrears	45,503	-	45,503
Loss allowances (amounts arising from ECL)	(45,370)	(4,596)	(49,966)
Total loans	660,790	63,804	724,594



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31 December 2022	Cash loans	Non-cash loans	Total
Food, beverage and tobacco industries	208,725	6	208,731
Public works and civil engineering	167,586	-	167,586
Electric production and supply	166,408	-	166,408
Holding companies	166,351	-	166,351
Transportation	140,020	841	140,861
Building contractor (general and special trade)	88,011	19,973	107,984
Personal other services	-	35,837	35,837
Other financial institutions	-	32,358	32,358
Trade	-	3,279	3,279
Textile and clothing	-	45	45
Electrical and electronic equipment	-	40	40
Other commercial services	-	9	9
Total performing loans	937,101	92,388	1,029,489
Loans in arrears	302,559	-	302,559
Loss allowances (amounts arising from ECL)	(184,785)	(5,980)	(190,765)
Total loans	1,054,875	86,408	1,141,283



BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ**Notes to the Condensed Consolidated Interim Financial Information****As at and for the nine-month period ended 30 September 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 99.68%, non-cash loans are 60.49% as at 30 September 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:

	30 September 2023	31 December 2022 (Restated)
Cash loans (including financial lease receivables) under loan in arrears		
Secured by mortgages	33,317	284,999
Secured by guarantee	9,942	14,298
Unsecured	2,244	3,262
Total	45,503	302,559
Cash loans (including financial lease receivables) except loan in arrears		
Secured by mortgages	432,293	604,342
Secured by assignment and cheques	228,364	332,759
Secured by pledge	-	-
Secured by guarantee	-	-
Secured by cash	-	-
Unsecured	-	-
Total	660,657	937,101
Non-cash loans		
Secured by guarantee	40,531	59,086
Unsecured	27,023	32,425
Secured by assignment and cheques	-	-
Secured by pledge	-	-
Secured by cash	846	877
Total	68,400	92,388



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11. Financial risk management (continued)

Liquidity risk

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

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

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

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

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

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

30 September 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	346	346	-	346	-	-	-	-
Funds borrowed	27,630	27,873	-	-	27,873	-	-	-
Current account of loan customers ⁽¹⁾	795,531	795,535	792,771	2,764	-	-	-	-
Lease Payables	31,476	33,490	-	1,344	2,125	8,639	21,382	-
Total	854,983	857,244	792,771	4,454	29,998	8,639	21,382	-

(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	808	808	-	808	-	-	-	-
Funds borrowed	980,318	998,045	-	11,976	660,095	127,600	181,954	16,420
Current account of loan customers ⁽¹⁾	15,657	15,658	-	15,658	-	-	-	-
Lease Payables	31,899	36,280	-	836	1,831	8,305	25,308	-
Total	1,028,682	1,050,791	-	29,278	661,926	135,905	207,262	16,420

(1) Included in other liabilities.



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11. Financial risk management (continued)

Liquidity risk (continued)

30 September 2023	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Over 5 years	Total
Forward purchase contracts	330,175	-	-	-	-	-	330,175
Forward sale contracts	(332,934)	-	-	-	-	-	(332,934)
Currency swap purchases	417,888	136,884	117,995	263,950	-	-	936,717
Currency swap sales	(420,501)	(140,892)	(122,059)	(267,175)	-	-	(950,627)
Interest rate cap/floor purchase contracts	-	-	-	-	68,442	-	68,442
Futures purchase contracts	282,193	206,147	-	-	-	-	488,340
Futures sale contracts	(273,767)	(191,637)	-	-	-	-	(465,404)
Total	3,054	10,502	(4,064)	(3,225)	68,442	-	74,709

31 December 2022 (Restated)	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Over 5 years	Total
Forward purchase contracts	2,539	-	-	-	-	-	2,539
Forward sale contracts	(2,441)	-	-	-	-	-	(2,441)
Currency swap purchases	234,135	561,423	536,342	-	-	-	1,331,900
Currency swap sales	(237,278)	(576,015)	(536,940)	-	-	-	(1,350,233)
Interest rate swaps	-	-	-	-	381,329	-	381,329
Futures purchase contracts	208,904	517,862	242,019	-	-	-	968,785
Futures sale contracts	(196,141)	(476,349)	(224,162)	-	-	-	(896,652)
Total	9,718	26,921	17,259	-	381,329	-	435,227

Market risk

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

The interest rate and exchange rate risks of the financial positions taken by the Bank related to financial position and off-balance sheet accounts are measured and while calculating the capital adequacy, the amount subject to value at risk (VaR) is taken into consideration by the standard method. As at 30 September 2023, the highest potential loss of the securities portfolio was generated by historical simulation method as TL 414 (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.



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

30 September 2023	USD	EUR	Others	Total
Assets				
Due from banks and financial institutions	156,210	2,399	87	158,696
Financial assets held for trading	137	-	-	137
Reserve deposits at central Banks	37,046	-	-	37,046
Loans and finance lease receivables	660,657	-	-	660,657
Other assets	1,201	-	-	1,201
Total assets	855,251	2,399	87	857,737
Liabilities				
Trading liabilities	87	-	-	87
Funds borrowed	27,630	-	-	27,630
Other liabilities	793,047	317	1	793,365
Total liabilities	820,764	317	1	821,082
Gross exposure	34,487	2,082	86	36,655
Off-balance sheet position				
Net notional amount of derivatives	(31,144)	(871)	-	(32,015)
Net exposure	3,343	1,211	86	4,640

31 December 2022	USD	EUR	Others	Total
Assets				
Due from banks and financial institutions	17,263	1,936	121	19,320
Financial assets held for trading	23,611	-	-	23,611
Reserve deposits at central banks	145,796	-	-	145,796
Loans and finance lease receivables	937,101	-	-	937,101
Other assets	1,229	-	-	1,229
Total assets	1,125,000	1,936	121	1,127,057
Liabilities				
Trading liabilities	6,968	-	-	6,968
Funds borrowed	648,186	323,886	-	972,072
Other liabilities	31,017	325	1	31,343
Total liabilities	686,171	324,211	1	1,010,383
Gross exposure	438,829	(322,275)	120	116,674
Off-balance sheet position				
Net notional amount of derivatives	(424,459)	322,634	-	(101,825)
Net exposure	14,370	359	120	14,849



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11. Financial risk management (continued)

Currency risk (continued)

Sensitivity analysis

A 10% weakening of TL against the foreign currencies at 30 September 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 September 2023		31 December 2022	
	Equity	Profit or loss	Equity	Profit or loss
USD	334	334	1,437	1,437
EUR	121	121	36	36
Other currencies	9	9	12	12
Total	464	464	1,485	1,485

A 10% strengthening of the TL against the foreign currencies at 30 September 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.



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11. Financial risk management (continued)

Cash flow and fair value interest rate risk (continued)

The table below summarizes the Group's exposure to interest rate risk on the basis of the remaining period at the reporting date to the repricing date:

30 September 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
Assets											
Cash and balances with central banks	-	-	-	-	-	-	-	-	-	3	3
Due from banks and financial institutions	4,895	-	-	-	-	-	-	-	-	165,393	170,288
Interbank and other money market placements	86,165	-	-	-	-	-	-	-	-	-	86,165
Reserve deposits at central banks	37,937	-	-	-	-	-	-	-	-	3	37,940
Trading assets	5,480	844	598	1,343	-	-	-	-	-	-	8,265
Investment securities	72,585	50,957	6,438	-	-	-	-	-	-	160	130,140
Loan securities	-	282	79	-	-	-	-	-	-	-	361
Loans and finance lease receivables	72,235	272,158	67,856	89,584	113,244	45,580	-	-	-	133	660,790
Other assets	-	-	-	-	-	-	-	-	-	208,585	208,585
Total assets	279,297	324,241	74,971	90,927	113,244	45,580	-	-	-	374,277	1,302,537
Liabilities											
Money market deposits	346	-	-	-	-	-	-	-	-	-	346
Funds borrowed	-	27,630	-	-	-	-	-	-	-	-	27,630
Trading liabilities	2,012	551	1,287	4,533	-	-	-	-	-	-	8,383
Other liabilities ⁽¹⁾	2,785	144	70	-	1,539	7,790	-	-	-	860,972	873,300
Total liabilities	5,143	28,325	1,357	4,533	1,539	7,790	-	-	-	860,972	909,659
Financial position interest sensitivity gap	274,154	295,916	73,614	86,394	111,705	37,790	-	-	-	(486,695)	392,878
Off-balance sheet interest sensitivity gap, net	3,054	10,502	(4,064)	(3,225)	-	-	-	68,442	-	-	74,709
Total interest sensitivity gap	277,208	306,418	69,550	83,169	111,705	37,790	-	68,442	-	(486,695)	467,587

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



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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
Assets											
Cash and balances with central banks	-	-	-	-	-	-	-	-	-	9	9
Due from banks and financial institutions	-	-	-	-	-	-	-	-	-	29,159	29,159
Interbank and other money market placements	-	-	-	-	-	-	-	-	-	-	-
Reserve deposits at central banks	36,503	-	-	-	-	-	-	-	-	109,498	146,001
Trading assets	8,809	40,110	13,307	-	-	-	-	-	-	-	62,226
Investment securities	11,932	41,159	132,247	-	-	-	-	-	-	240	185,578
Loan securities	-	-	836	-	-	-	-	-	-	-	836
Loans and finance lease receivables	45,745	94,653	53,387	419,864	183,384	93,417	46,651	-	-	117,774	1,054,875
Other assets	-	-	-	-	-	-	-	-	-	247,802	247,802
Total assets	102,989	175,922	199,777	419,864	183,384	93,417	46,651	-	-	504,482	1,726,486
Liabilities											
Money market deposits	808	-	-	-	-	-	-	-	-	-	808
Funds borrowed	628,229	28,477	225,640	-	-	-	-	-	97,972	-	980,318
Trading liabilities	2,971	16,073	7,882	-	-	-	-	-	-	-	26,926
Other liabilities ⁽¹⁾	1,590	-	-	-	3,905	13,405	-	-	-	118,584	137,484
Total liabilities	633,598	44,550	233,522	-	3,905	13,405	-	-	97,972	118,584	1,145,536
Financial position interest sensitivity gap	(530,609)	131,372	(33,745)	419,864	179,479	80,012	46,651	-	(97,972)	385,898	580,950
Off-balance sheet interest sensitivity gap, net	9,718	26,921	17,259	-	-	-	-	381,329	-	-	435,227
Total interest sensitivity gap	(520,891)	158,293	(16,486)	419,864	179,479	80,012	46,651	381,329	(97,972)	385,898	1,016,177

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



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11. Financial risk management (continued)

Fair value interest rate risk (continued)

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

30 September 2023(%)	TL	USD	EUR
Due from banks and financial institutions	-	-	-
Interbank and other money market placements	43.25	-	-
Investment securities and loaned securities	15.80	-	-
Loans and finance lease receivables			
- Corporate loans	-	7.74	-
- Retail loans	-	-	-
Money market deposits	4.08	-	-
Funds borrowed	-	7.29	-
Current account of loan customers ⁽¹⁾	10.51	-	-

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 ⁽¹⁾	9.41	-	-

⁽¹⁾ Included in other liabilities.

Internal capital adequacy assessment process

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



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

Change at portfolio value/Total equity (%)	30 September 2023	31 December 2022
Local TL interest rate		
+500 bps	(0.07)	(2.46)
-400 bps	0.06	5.00
Foreign currency interest rate		
+200 bps EUR	-	1.67
-200 bps EUR	-	(1.79)
+200 bps USD	(2.18)	(3.04)
-200 bps USD	2.28	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 September 2023 and 31 December 2022 is as follows:

	30 September 2023	31 December 2022
Amount subject to credit risk (I)	883,672	1,150,680
Amount subject to market risk (II)	15,950	74,385
Amount subject to operational risk (III)	169,989	187,607
Total risk-weighted assets, value at market risk and operational risk (IV) = (I+II+III)	1,069,611	1,412,672
Capital for the purpose of calculating the capital adequacy ratio	369,374	553,460
Capital adequacy ratio	34.53%	39.18%



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

30 September 2023	Level 1	Level 2	Level 3	Total
<i>Financial instruments</i>				
Financial assets at fair value through profit or loss (FVPL)	-	8,265	-	8,265
Investment and loaned securities at FVOCI	130,501	-	-	130,501
	130,501	8,265	-	138,766

<i>Financial instruments</i>				
Financial liabilities at fair value through profit or loss (FVPL)	-	8,383	-	8,383
Total	-	8,383	-	8,383

31 December 2022	Level 1	Level 2	Level 3	Total
<i>Financial instruments</i>				
Financial assets at fair value through profit or loss (FVPL)	3,570	58,656	-	62,226
Investment and loaned securities at FVOCI	186,414	-	-	186,414
	189,984	58,656	-	248,640

<i>Financial instruments</i>				
Financial liabilities at fair value through profit or loss (FVPL)	-	26,926	-	26,926
Total	-	26,926	-	26,926



BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ

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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	48,565	63,320	6	1,859	113,750
Interest expense	(96,589)	(365)	-	-	(96,954)
Current income/(expense) between departments	37,076	(37,043)	(33)	-	-
Net interest income	(10,948)	25,912	(27)	1,859	16,796
Net fee and commission income/(expense)	(2,993)	1,521	-	-	(1,472)
Net trading income and foreign exchange gain, net	188,031	50	-	1,259	189,340
Other operating income	4,645	423	-	46	5,114
Total operating income	178,735	27,906	(27)	3,164	209,778
Net impairment loss on financial and non-financial assets	92	-	-	-	(12,155)
Total operating expenses	(104,087)	(12,247)	(1,939)	(3,057)	(188,121)
Profit/(loss) before income tax	74,740	(63,379)	(1,966)	107	9,502
Income tax	(42,837)	34,180	980	(388)	(8,065)
Net profit/(loss) for the period	31,903	(29,199)	(986)	(281)	1,437
Monetary gain / (loss)	(156,811)	(18,214)	29	(2,711)	(177,707)
Net profit/(loss) for the period	(124,908)	(47,413)	(957)	(2,992)	(176,270)
Total assets	614,903	680,204	309	7,121	1,302,537
Total liabilities	93,942	817,754	14	(2,051)	909,659



BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ

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13. Operating segments (continued)

	Asset management and treasury			Corporate banking	Retail banking	Non-financial services	Total
Prior Period 30.09.2022							
Interest income	11,929		129,775	1,485	1,762		144,951
Interest expense	(113,729)		(984)	-	-		(114,713)
Internal transfer rate income/(expense)	86,315		(86,473)	158	-		-
Net interest income	(15,485)		42,318	1,643	1,762		30,238
Net/ (expense)	(1,551)		5,889	-	-		4,338
Net trading income and foreign exchange gain, net	238,284		57	-	1,056		239,397
Other operating income	9,119		72	-	543		9,734
Total operating income	230,367		48,336	1,643	3,361		283,707
Net impairment loss on financial and non-financial assets	5,999		(12,193)	-	-		(6,194)
Total operating expenses	(98,682)		(56,945)	(1,694)	(2,098)		(159,419)
Profit / (loss) before income tax	137,684		(20,802)	(51)	1,263		118,094
Income tax	(15,518)		2,457	(8)	-		(13,069)
Net profit/(loss) for the year	122,166		(18,345)	(59)	1,263		105,025
Monetary gain / (loss)	(291,935)		43,838	141	(3,018)		(250,974)
Net profit/(loss) for the year	(169,769)		25,493	82	(1,755)		(145,949)
Total assets 31.12.2022	634,420		1,082,489	503	12,048		1,729,460
Total liabilities 31.12.2022	1,133,910		17,022	24	(2,445)		1,148,511



BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ

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14. Subsequent events

None.

