

**Bankpozitif Kredi ve Kalkınma
Bankası Anonim Şirketi**

**Consolidated Financial Statements
As at and for the Year Ended
31 December 2023**

With Independent Auditors' Report

Bankpozitif Kredi ve Kalkınma Bankası Anonim Şirketi

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Independent Auditor's Report

To the Shareholders of Bankpozitif Kredi ve Kalkınma Bankası A.Ş.

Opinion

We have audited the consolidated financial statements of Bankpozitif Kredi ve Kalkınma Bankası A.Ş. ("the Bank") and its subsidiary (together "the Group"), which comprise the consolidated statement of financial position as at 31 December 2023, the consolidated statements of profit or loss, profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Standards as issued by the International Accounting Standards Board (IFRS Standards).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISA"s). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in Turkey and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

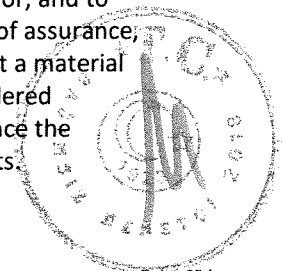
In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Responsibilities of auditors in an audit are as follows:

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.



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As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Gürelİ Yeminli Mali Müşavirlik ve Bağımsız Denetim Hizmetleri A.Ş.

An Independent Member of BAKER TILLY INTERNATIONAL



Metin ETKİN
Partner

13 March 2024
Istanbul, Turkey

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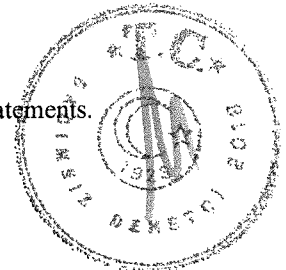
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BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ**Consolidated Statement of Financial Position****As at 31 December 2023***(Currency - In thousands of Turkish Lira)*

		Audited 31 December 2023	Audited 31 December 2022 (Restated) (*)
ASSETS			
Cash and balances with central banks	10	147,363	10
Due from banks and financial institutions	10	99,008	32,062
Interbank and other money market placements	10	118,615	-
Reserve deposits at central banks	11	25,679	160,535
Trading assets	12	5,164	68,420
Investment securities	13	129,141	204,051
Loaned securities	13	20,268	919
Loans and finance lease receivables, net	14	609,938	1,159,886
Tangible assets	15	48,941	54,603
Intangible assets	16	26,936	29,516
Deferred tax assets	9	-	-
Assets held for sale	17	-	-
Other assets	18	239,718	188,352
Total assets		1,470,771	1,898,354
LIABILITIES			
Money market deposits	19	19,528	888
Trading liabilities	12	5,994	29,606
Funds borrowed	20	32,957	1,077,907
Other liabilities	21	967,711	78,892
Provisions	22	21,454	58,625
Current tax liabilities		3,465	10,575
Deferred tax liabilities	9	1,721	-
Total liabilities		1,052,830	1,259,764
EQUITY			
Share capital and share premium	23	4,980,220	4,980,220
Legal reserves	23	167,408	167,408
Fair value reserve of debt instruments at fair value through other comprehensive income (FVOCI), net of tax	23	6,216	15,882
Accumulated losses		(4,735,903)	(4,524,920)
Total equity		417,941	638,590
Total equity and liabilities		1,470,771	1,898,354

(*) See note 2.3

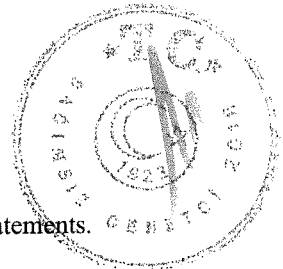
The accompanying notes are an integral part of these consolidated financial statements.



BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ**Consolidated Statement of Profit or Loss
For the year ended 31 December 2023***(Currency - In thousands of Turkish Lira)*

		Audited	Audited
	<i>Note</i>	2023	2022 (Restated)
Interest income			
Interest income on loans and finance leases		90.746	161,518
Interest income on deposits with other banks and financial institutions		41.478	14,454
Interest income on investment securities		21.988	11,194
Interest income on interbank and other money market placements		8.600	2,160
Other interest income		15.081	12,741
Total interest income		177.893	202,067
Interest expense			
Interest expense on other money market deposits		(2.804)	(3,811)
Interest expense on funds borrowed		(47.058)	(53,200)
Other interest expense		(70.214)	(118,277)
Total interest expense		(120.076)	(175,288)
Net interest income		57.817	26,779
Fees and commission income	4	2.690	7,560
Fees and commission expense	4	(3.677)	(3,366)
Net fee and commission income	4	(987)	4,194
Net trading income/(loss) and foreign exchange gain/(loss), net	5, 24	219.920	341,582
Other operating income	6	5.835	11,114
Total operating income		282.585	383,669
Net impairment loss on financial assets		(4.399)	(12,761)
Personnel expenses	7	(133.948)	(104,233)
Depreciation and amortisation	15, 16	(22.851)	(21,543)
Administrative expenses	8	(61.710)	(66,870)
Taxes other than on income		(13.598)	(7,082)
Other expenses		(8.150)	(30,053)
Total operating expenses		(240.257)	(229,781)
Profit/(loss) before income tax		37.929	141,127
Tax expense	9	(18.710)	(16,637)
Monetary gain / (loss)		(226.803)	(324,381)
Profit/(loss) for the year		(207.584)	(199,891)

The accompanying notes are an integral part of these consolidated financial statements.

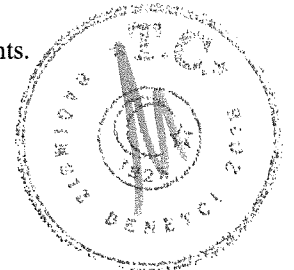


BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ
Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the year ended 31 December 2023

(Currency - In thousands of Turkish Lira)

	Audited 2023	Audited 2022 (Restated)
Profit/(loss) for the year	(207,584)	(199,891)
Other comprehensive income		
<i>Items that will never be reclassified to profit or loss</i>		
Remeasurement of employee termination benefits	(6,100)	(13,889)
Related tax	2,701	4,213
	(3,399)	(9,676)
<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/(loss) (FVOCI)	(15,274)	(13,029)
Net amount reclassified to the statement of profit or loss on sale of debt instruments at FVOCI	5,041	6,141
Related tax	567	(1,547)
	(9,666)	(8,435)
Other comprehensive income for the year, net of income tax	(13,065)	(18,111)
Total comprehensive income/(loss) for the year	(220,649)	(218,002)

The accompanying notes are an integral part of these consolidated financial statements.

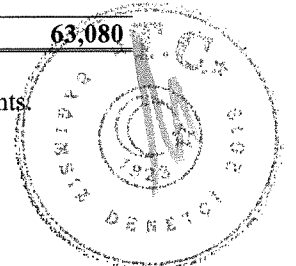


BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ**Consolidated Statement of Cash Flows****For the year ended 31 December 2023***(Currency - In thousands of Turkish Lira)*

		Audited	Audited
		2023	2022
	<i>Note</i>		(Restated) (*)
Cash flows from operating activities			
Interest received		224,375	141,119
Interest paid		(122,065)	(62,232)
Fees and commissions received		2,690	4,633
Fees and commissions paid		(3,677)	(774)
Trading income		219,920	16,430
Recoveries from non-performing loans	14	93,382	5,582
Cash payments to employees and other parties		(118,695)	(40,015)
Cash received from other operating activities		5,835	1,990
Cash paid to other operating activities		(125,178)	(61,328)
Income taxes paid		-	-
		176,587	5,405
Change in trading assets		29,241	14,647
Change in reserve deposits at central banks		134,857	(48,982)
Change in loans and finance lease receivables		303,691	125,373
Change in other assets		(70,079)	8,428
Change in interbank and other money market deposits		18,704	21,455
Change in other liabilities		723,576	(148,811)
Net cash from operating activities		1,316,577	(22,485)
Cash flows from investing activities			
Purchases of investment securities	13	(192,095)	(80,743)
Proceeds from sale and redemption of investment securities	13	164,882	61,457
Purchases of tangible assets	15	(5,957)	(8,345)
Proceeds from the sale of premises and equipment	15	228	25
Purchases of intangible assets	16	(1,170)	(531)
Net cash generated from/(used in) investing activities		(34,112)	(28,137)
Cash flows from financing activities			
Proceeds from funds borrowed	20	4,337,548	1,626,823
Repayment of funds borrowed	20	(5,342,464)	(1,514,755)
Proceeds from debt securities issued		-	-
Repayment of debt securities issued		-	-
Payments due to lease liabilities		(3,957)	(4,222)
Net cash used in financing activities		(1,008,873)	107,846
Effect of net foreign exchange difference on cash and cash equivalents		2,603	6,682
Inflation effect on cash and cash equivalents		70,322	(12,549)
Net increase/(decrease) in cash and cash equivalents		346,517	51,357
Cash and cash equivalents at 1 January	10	17,786	11,723
Cash and cash equivalents at 31 December	10	364,303	63,080

(*) See note 2.3

The accompanying notes are an integral part of these consolidated financial statements.



BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ

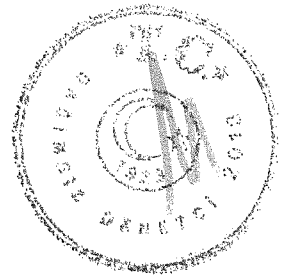
Notes to the Consolidated Financial Statements

As at and for the year ended 31 December 2023

(Currency - In thousands of Turkish Lira)

Notes to the consolidated financial statements

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BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ

Notes to the Consolidated Financial Statements

As at and for the year ended 31 December 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.

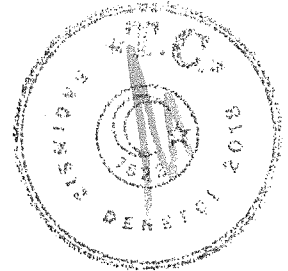
On 8 April 2008, Tarshish’s share in BankPozitif increased to 65.00% by way of share capital increase. On 7 April 2009, Tarshish acquired 4.825% shares of BankPozitif from C Faktoring A.Ş. and Tarshish’s share in BankPozitif increased to 69.83%.

C Faktoring A.Ş. and Tarshish Hapoalim Holdings and Investments Ltd. (Tarshish) have reached an agreement on 31 January 2023 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 2023 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%.

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 – İstanbul / Turkey.



BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ

Notes to the Consolidated Financial Statements

As at and for the year ended 31 December 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.

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

As at 31 December 2023, the Bank provides services through its head office. As at 31 December 2023, the number of employees for the Bank and its consolidated subsidiary are 56 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".

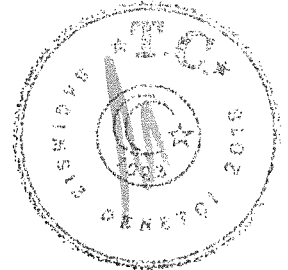
The subsidiary included in consolidation and effective shareholding percentages of the Group at 31 December 2023 and 31 December 2022 are as follows:

	Place of incorporation	Principal activities	Effective shareholding and voting rights	
			31 December 2023	31 December 2022
Pozitiftech	Istanbul/Turkey	Software development and technology	100%	100%

2. Basis of preparation

2.1 Statement of compliance

These consolidated financial statements as of 31 December 2023 have been prepared in accordance with International Financial Reporting Standards ("IFRS"). They were authorized for issuance by the management on 20 February 2023.



BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ

Notes to the Consolidated Financial Statements As at and for the year ended 31 December 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.

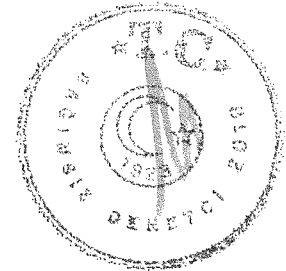
2.3 Accounting in hyperinflationary economies

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 2023, 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 2023. 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 31 December 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>
31 December 2023	1,859.38	1.0000
31 December 2022	1,128.45	1.6477
31 December 2021	686.95	2.7067

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.



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(Currency - In thousands of Turkish Lira)

2. Basis of preparation (continued)

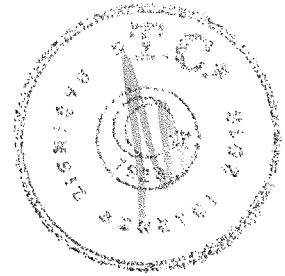
2.3 Accounting in hyperinflationary economies (continued)

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.

The Bank has applied the inflation accounting to its statement of financial position as at 1 January 2022 and restated corresponding figures 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. The impact of inflation accounting presented below.



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2. Basis of preparation (continued)

2.4 Functional and presentation currency

These consolidated financial statements are presented in TL, which is the Bank's functional currency. Except as indicated, financial information presented in TL has been rounded to the nearest thousand.

2.5 Use of estimates and judgements

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described as follows.

Key sources of estimation uncertainty

Allowances for credit losses

Assets accounted for at amortised cost are evaluated for impairment on a basis described in Note 3.

Expected credit loss (ECL) approach is formed an impairment model having three stages based on the change in credit quality since initial recognition. The expected credit loss estimates are required to be unbiased, probability-weighted and should include supportable information about past events, current conditions, and forecasts of future economic conditions.

Determining fair values

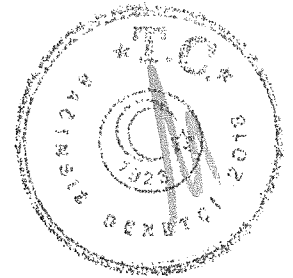
The determination of fair value for financial assets and liabilities for which there is no observable market price requires the use of valuation techniques as described in Note 3. For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgment depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

2.6 Changes in accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entity.

2.7 Other disclosures

The accounting policies and the valuation principles applied in the preparation of the accompanying consolidated financial statements are explained in Notes 3.1 to 3.23.



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3. Significant accounting policies

3.1 Basis of consolidation

i) Subsidiaries

Subsidiaries are investees controlled by the Group. The Group controls an investee if it is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The purchase method of accounting is used for acquired businesses. The purchase method of accounting involves allocating the cost of the business combination to the fair value of assets acquired and liabilities and contingent liabilities assumed at the date of acquisition. The excess of the cost of acquisition over the fair value of Group's share of the identifiable net assets acquired is recorded as goodwill. There is no negative goodwill recognised by the Group. The financial statements of the subsidiary is prepared for the same reporting period as the parent Bank, using consistent accounting policies.

(ii) Transactions eliminated on consolidation

Intra-group balances, and any unrealised income and expenses arising from intra-group transactions, are eliminated in the preparation of the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

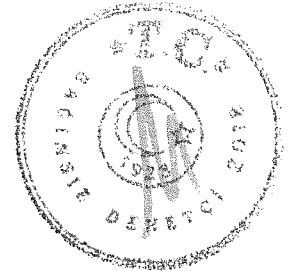
3.2 Foreign currency

i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of equity instruments – fair value through other comprehensive income or a financial liability designated as a hedge of the net investment in a foreign operation.

Foreign currency translation rates used by the Group are as follows:

	USD / TL (full)	EUR / TL (full)
31 December 2023	29.4382	32.5739
31 December 2022	18.6983	19.9349



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(Currency - In thousands of Turkish Lira)

3. Significant accounting policies (continued)

3.3 Interest

Interest income and expense are recognised in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability.

When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts.

Interest income and expense presented in the statement of profit or loss and other comprehensive income include:

- interest on financial assets and financial liabilities measured at amortised cost calculated on an effective interest basis;
- interest for investment securities – fair value through other comprehensive income calculated on an effective interest basis,
- interest income and expense arising from currency swaps, cross currency swaps, futures and interest rate cap/floor agreements which are presented as other interest income and expense in the accompanying consolidated financial statements.

3.4 Fees and commissions

Fees and commissions are generally recognised on an accrual basis when the service has been provided. Loan commitment fees for loans that are likely to be drawn down are deferred (together with related direct costs) and recognised as an adjustment to the effective interest rate of the loan. Fees and commission arising from negotiating or participating in the negotiation of a transaction for a third party are recognised on completion of the underlying transaction.

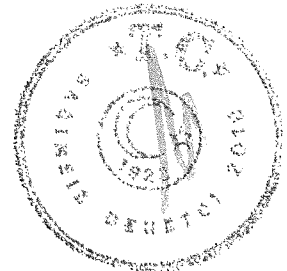
Fees for bank transfers and other banking transaction services are recorded as income when collected.

3.5 Net trading income

Net trading income comprises gains less loss related to trading assets and liabilities, and includes all realised and unrealised fair value changes and interest. Any realised or unrealised fair value changes and interest of non-qualifying derivatives, held for risk management purposes, are recorded as foreign exchange gain.

3.6 Dividends

Dividends are recognised when the shareholders' right to receive the payments is established.



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3. Significant accounting policies (continued)

3.7 Income tax

Income tax comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in other comprehensive income.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Deferred tax assets are recognised for all deductible temporary differences, carry-forward of unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carry-forward of unused tax losses can be utilised.

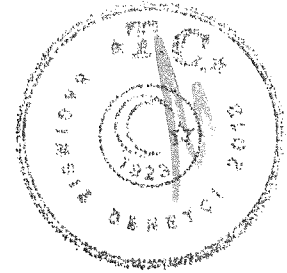
Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities, and deferred taxes relate to the same taxable entity and the same taxation authority.



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(Currency - In thousands of Turkish Lira)

3. Significant accounting policies (continued)

3.8 Financial assets and liabilities

Recognition

The Group recognises a financial asset or financial liability in its statement of financial position when and only when it becomes a party to the contractual provisions of the instrument. It shall be recognised a financial asset or a financial liability in its statement of financial position when, and only when, an entity becomes party to the contractual provisions of the instrument. A regular way purchase or sale of financial assets shall be recognised and derecognised, as applicable, using trade date accounting or settlement date accounting. Purchase and sale transactions of securities are recognized at the settlement date.

Assessment of the Business Model

As per IFRS 9, the business model is determined at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. The business model does not depend on management's intentions for an individual instrument. Accordingly, this condition is not an instrument-by-instrument approach to classification and should be determined on a higher level of aggregation.

During assessment of the business model for management of financial assets, it must be considered all relevant evidence that is available at the date of the assessment. Such relevant evidence includes below:

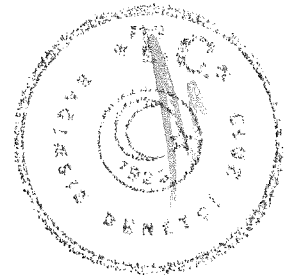
- how the performance of the business model and the financial assets held within that business model are evaluated and reported to the key management personnel;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way in which those risks are managed; and
- how managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected).

Assessment of the business model is not performed on the basis of scenarios that the entity does not reasonably expect to occur, such as so-called 'worst case' or 'stress case' scenarios.

If cash flows are realised in a way that is different from the expectations at the date that it is assessed the business model, that does not give rise to a prior period error in the financial statements nor does it change the classification of the remaining financial assets held in that business model as long as it is considered all relevant information that was available at the time that it made the business model assessment. However, when the business model is assessed for newly originated or newly purchased financial assets, it must be considered information about how cash flows were realised in the past, along with all other relevant information.

The business models are divided into three categories. These categories are defined below:

- A business model whose objective is to hold assets in order to collect contractual cash flows: a business model whose objective is to hold assets in order to collect contractual cash flows are managed to realise cash flows by collecting contractual payments over the life of the instrument. The financial assets that are held within the scope of this business model are measured at amortised cost when the contractual terms of the financial asset meet the condition of giving rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.



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3. Significant accounting policies (continued)

3.8 Financial assets and liabilities (continued)

Assessment of the Business Model (continued)

- A business model whose objective is achieved by both collecting contractual cash flows and selling financial assets: it may be held financial assets in a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets. Fair value change of the financial assets that are held within the scope of this business model are recognized under other comprehensive income when the contractual terms of the financial asset meet the condition of giving rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
- Other business models: financial assets are measured at fair value through profit or loss if they are not held within a business model whose objective is to hold assets to collect contractual cash flows or within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

Classification Methodology

The financial assets included within the scope of IFRS 9 are determined and the SPPI test based on the financial assets and sub-products as well as the Business Model shall be determined on the basis of IFRS 9 standards.

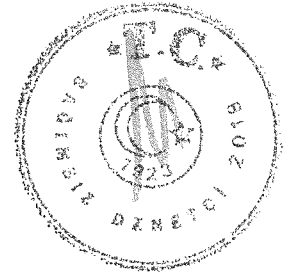
Financial assets held by the Bank in line with the management model for the purpose of collecting contractual cash flows consisting of only the interest and principal should be recognized by using the amortized cost method if such contractual cash flows consist of only the interest and principal. The following criteria should be taken into consideration for the financial assets evaluated in this context:

- (a) frequency and sales amount of sales made in previous periods,
- (b) whether the sales were made close to the maturity date of the financial asset,
- (c) causes of sales and future forecasts for sales.

Measurement Categories of Financial Assets and Liabilities

As of 1 January 2018, all financial assets are classified based on the business model for managing the financial assets. Accordingly, financial assets are classified in three main categories as listed below:

- Financial assets measured at amortized cost,
- Financial assets measured at fair value through other comprehensive income,
- Equity instruments measured at fair value through other comprehensive income,
- Financial assets measured at fair value through profit or loss.



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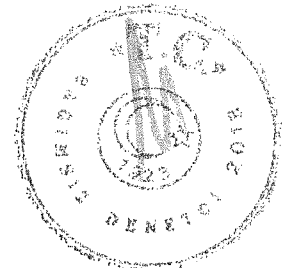
3. Significant accounting policies (continued)

3.8 Financial assets and liabilities (continued)

Explanations on Financial Assets

The Group categorizes its financial assets as “Fair Value Through Profit/Loss”, “Fair Value Through Other Comprehensive Income” or “Measured at Amortized Cost”. Such financial assets are recognized or derecognized according to IFRS 9 - Financial Instruments. Financial assets are measured at fair value at initial recognition in the financial statements. During the initial recognition of financial assets other than “Financial Assets at Fair Value Through Profit or Loss”, transaction costs are added to fair value or deducted from fair value. The Group recognizes a financial asset into financial statements when it becomes a party to the contractual terms of a financial instrument. During the first recognition of a financial asset into the financial statements, business model determined by Bank management and the nature of contractual cash flows of the financial asset are taken into consideration. When the business model determined by the Bank’s management is changed, all affected financial assets are reclassified and this reclassification is applied prospectively. In such cases, no adjustments is made to earnings, losses or interest that were previously recorded in the financial statements.

- a) Financial assets at the fair value through profit or loss: “Financial assets at fair value through profit/loss” are financial assets other than the ones that are managed with business model that aims to hold to collect contractual cash flows or business model that aims to collect both the contractual cash flows and cash flows arising from the sale of the assets; and if the contractual terms of the financial asset do not lead to cash flows representing solely payments of principal and interest at certain date; that are either acquired for generating a profit from short- term fluctuations in prices or are financial assets included in a portfolio aiming to short-term profit making. Financial assets at the fair value through profit or loss are initially recognized at fair value and remeasured at their fair value after recognition. All gains and losses arising from these valuations are reflected in the income statement.
- b) Financial Assets at Fair Value Through Other Comprehensive Income: In addition to financial assets within a business model that aims to hold to collect contractual cash flows and aims to hold to sell, financial asset with contractual terms that lead to cash flows are solely payments of principal and interest at certain dates, they are classified as fair value through other comprehensive income. Financial assets at fair value through other comprehensive income are recognized by adding transaction cost to acquisition cost reflecting the fair value of the financial asset. After the recognition, financial assets at fair value through other comprehensive income are remeasured at fair value. Interest income calculated with effective interest rate method arising from financial assets at fair value through other comprehensive income and dividend income from equity securities are recorded to income statement. “Unrealized gains and losses” arising from the difference between the amortized cost and the fair value of financial assets at fair value through other comprehensive income are not reflected in the income statement of the period until the acquisition of the asset, sale of the asset, the disposal of the asset, and impairment of the asset and they are recognized under the “Accumulated other comprehensive income or expense to be reclassified through profit or loss” under shareholders’ equity. Equity securities, which are classified as financial assets at fair value through other comprehensive income, that have a quoted market price in an active market and whose fair values can be reliably measured are carried at fair value. During initial recognition an entity may irrevocably elect to record the changes of the fair value of the investment in an equity instrument that is not fair value through profit or loss fair value through profit or loss purposes in the other comprehensive income. In the case of this preference, the dividend from the investment is taken into the financial statements as profit or loss.



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(Currency - In thousands of Turkish Lira)

3. Significant accounting policies (continued)

3.8 Financial assets and liabilities (continued)

Explanations on Financial Assets (continued)

- c) Equity Instruments Measured at Fair Value Through Other Comprehensive Income: At initial recognition, it can be made an irrevocable election to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument within the scope of IFRS 9 that is neither fair value through profit or loss nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 applies. Such election is made on an instrument by instrument basis.

Amounts presented in other comprehensive income shall not be subsequently recycled to profit or loss. However, the cumulative gain or loss shall be recycled to prior period's profit or loss. Dividends on such investments are recognised in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. IFRS 9 impairment requirements are not applicable for equity instruments.

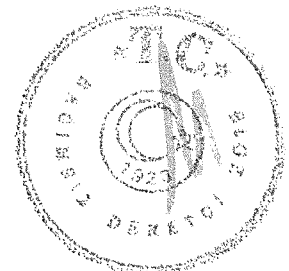
- d) Financial Assets Measured at Amortized Cost: Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are classified as financial assets measured at amortized cost. Financial assets measured at amortized cost are initially recognized at acquisition cost including the transaction costs which reflect the fair value of those instruments and subsequently recognized at amortized cost by using effective interest rate method. Interest income obtained from financial assets measured at amortized cost is recognized under income statement.

- e) Derivative Financial Assets: The major derivative instruments utilized by the Group are foreign currency and interest rate swaps, cross currency swaps, currency options and currency forwards. Derivative financial instruments of the Group are classified under IFRS 9, "Derivative Financial Assets Designated at Fair Value through Profit or Loss". Payables and receivables arising from the derivative instruments are recorded in the off-balance sheet accounts at their contractual values. Derivative transactions are valued at their fair values subsequent to their acquisition. In accordance with the classification of derivative financial instruments, if the fair value is positive, the amount is classified as "Derivative Financial Assets Designated at Fair Value Through Profit or Loss" or "Derivative Financial Assets Designated at Fair Value Through Other Comprehensive Income", if the fair value is negative, the amount is classified as "Derivative Financial Liabilities Designated at Fair Value Through Profit or Loss" or "Derivative Financial Liabilities Designated at Fair Value Through Other Comprehensive Income". The fair value differences of derivative financial instruments are recognized in the income statement under trading profit/loss line in profit/loss from derivative financial transactions.

- f) Loans: Loans are financial assets that have fixed or determinable payments terms and are not quoted in an active market. Loans are initially recognized at acquisition cost plus transaction costs presenting their fair value and thereafter measured at amortized cost using the "Effective Interest Rate (internal rate of return) Method". Group's loans are recognized under the "Measured at Amortized Cost" account.

Explanations on Financial Liabilities

Deposits, funds borrowed and debt securities issued: The Bank is not entitled to collect customer deposits. Money market deposits, funds borrowed and debt securities issued are initially measured at fair value plus transaction costs, and subsequently measured at their amortised cost using the effective interest method.



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3. Significant accounting policies (continued)

3.8 Financial assets and liabilities (continued)

Derecognition of financial instruments

Derecognition of financial assets due to change in the contractual terms

Based on IFRS 9, the renegotiation or modification of the contractual cash flows of a financial asset can lead to the derecognition of the existing financial asset. When the modification of a financial asset results in the derecognition of the existing financial asset and the subsequent recognition of the modified financial asset, the modified asset is considered a “new” financial asset.

When it is assessed the characteristics of the new contractual terms of the financial asset, it is also evaluated the contractual cash flows including foreign currency rate changes, conversion to equity, counterparty changes and solely principal and interest on principle.

When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial asset, it is recalculated the gross carrying amount of the financial asset and recognised a modification gain or loss in profit or loss.

Derecognition of financial liabilities

Where all risks and rewards of ownership of the asset have not been transferred to another party and it is retained control of the asset, it is continued to be recognised the remaining portion of the asset and liabilities arising from such asset.

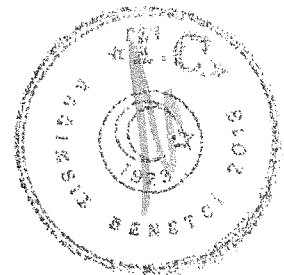
When it is retained substantially all the risks and rewards of ownership of the transferred asset, the transferred asset continues to be recognised in its entirety and the consideration received is recognised as a liability.

Derecognition of a financial asset without any change in the contractual terms

The asset is derecognised if the contractual rights to cash flows from the financial asset are expired or the related financial asset and all risks and rewards of ownership of the asset are transferred to another party.

Except for equity instruments measured at FVOCI, the total amount consisting of the gain or loss arising from the difference between the book value and the amount obtained and any accumulated gain directly accounted in equity shall be recognised in profit or loss.

A financial liability (or a part of a financial liability) shall be removed from the statement of financial position when, and only when, it is extinguished—i.e. when the obligation specified in the contract is discharged or cancelled or expires.



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3. Significant accounting policies (continued)

3.8 Financial assets and liabilities (continued)

Reclassification of financial instruments

It shall be reclassified all affected financial assets based on classification principles of IFRS 9 when, and only when, it is changed the business model for managing financial assets.

It is fulfilled the requirements of reclassification during transition to IFRS 9 and such reclassification details are presented in transition disclosures.

Restructuring and refinancing of financial instruments

It may be changed the original contractual terms of a loan (maturity, repayment structure, guarantees and sureties) which were previously signed, in case the loan cannot be repaid or if a potential payment difficulty is encountered based on the new financing power and structure of the borrower.

Restructuring is to change the financial terms of existing loans in order to facilitate the payment of debt. Refinancing is granting a new loan which will cover either the principal or the interest payment in whole or in part of one or a few existing loans due to the anticipated financial difficulty which the customer or group encounter currently or will encounter in the future.

Changes in the original terms of a credit risk can be made in the current contract or through a new contract.

Explanations on Expected Credit Loss

The Group allocates impairment for expected loss on financial assets measured at amortized cost and measured at fair value through other comprehensive income. As of 1 January 2018, the Group recognizes provisions for impairment in accordance with IFRS 9 requirements.

The expected credit loss estimates are required to be unbiased, probability-weighted and include supportable information about past events, current conditions, and forecasts of future economic conditions.

These financial assets are divided into three categories depending on the gradual increase in credit risk observed since their initial recognition:

Stage 1: For the financial assets at initial recognition or that do not have a significant increase in credit risk since initial recognition. Impairment for credit risk is recorded in the amount of 12-month expected credit losses.

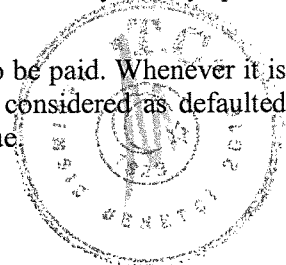
Stage 2: In the event of a significant increase in credit risk since initial recognition, the financial asset is transferred to Stage 2. Impairment for credit risk is determined on the basis of the instrument's lifetime expected credit losses.

Stage 3: Stage 3 includes financial assets that have objective evidence of impairment at the reporting date. For these assets, lifetime expected credit losses are recognized and interest revenue is calculated on the net carrying amount.

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.



BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ

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As at and for the year ended 31 December 2023

(Currency - In thousands of Turkish Lira)

3. Significant accounting policies (continued)

3.8 Financial assets and liabilities (continued)

Forward Looking Information

Any macroeconomic expectations within the scope of the IFRS 9 directly affect the provisions (Expected Credit Loss). The Bank uses progressive macroeconomic information in its significant increase in credit risk assessment and the anticipated credit loss calculation.

In order to generate estimates based on macroeconomic reflections, the Bank uses speculative grade in global corporate average cumulative default rates published by S&P global rating. While calibrating the Bank's probability of default rates, Bayesian scalar approach is used together with the normal and worst scenario for speculative default rates together with portfolio average probability of default rate for cash and non-cash portfolio separately.

As a result, the provisions calculated may change considering the prospective macroeconomic expectations. The Bank regularly reviews the parameters and model it uses in its calculations and updates them when necessary.

Significant Increase in Credit Risk

In determining the significant increase in credit risk, the Bank performs qualitative and quantitative assessments.

Quantitative Assessment

In the event that any of the following conditions occur as a result of a qualitative assessment, the Bank classifies the financial asset as Stage 2 (Significant Increase in Credit Risk):

- receivables overdue for more than 30 days as of the reporting date,
- receivables that are monitored closely,
- any change in a payment plan due to refinancing, restructuring or a preferential agreement when the loan is considered not in default or not excluded from the financial statements as long as the change is not a result of any commercial reasons.

Qualitative Assessment

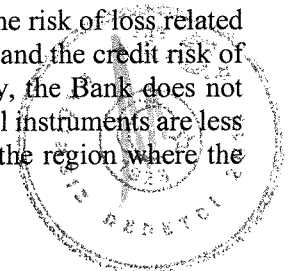
The quantitative reason explaining the significant increase in credit risk is based on the comparison of the credit rating of the borrower calculated at the opening of the loan and the credit rating assigned to the same loan at the reporting date.

The Bank classifies the credit receivable within the scope of close monitoring if there is a decrease in the borrower's predetermined level as a result of the quantitative evaluation.

Low Credit Risk

In accordance with IFRS 9, in case the risk of default of a financial instrument is low, the borrower has a strong structure to meet its contractual cash flow obligations in the short term and any negative changes in economic conditions and operating conditions in the longer term reduce the borrower's ability to fulfill its contractual cash-flow obligations only to a certain extent, the Bank considers the credit risk of such financial instrument to be low.

The Bank does not conclude that a financial instrument has a low credit risk if only the risk of loss related to such financial instrument is considered to be low due to the value of the collateral and the credit risk of the financial instrument is not considered low without such collateral. Additionally, the Bank does not assess any financial instruments as having a low credit risk only because such financial instruments are less risky compared to any other financial instruments of the Bank or the credit risk of the region where the business operates.



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(Currency - In thousands of Turkish Lira)

3. Significant accounting policies (continued)

3.8 Financial assets and liabilities (continued)

Low Credit Risk (continued)

The Bank assumes that the credit risk of a financial instrument does not increase significantly after the initial recognition of it in the financial statements if it is determined that a financial instrument has a low credit risk at the reporting date.

The Bank applies a low credit risk assessment only for its securities portfolio and bank.

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:

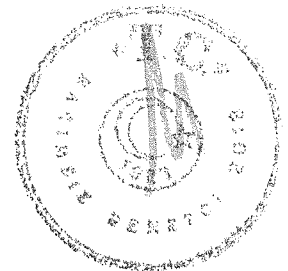
Level 1: Quoted market price (unadjusted) in an active market for identical instrument.

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 28 – fair value of financial and non-financial instruments.



BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ

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As at and for the year ended 31 December 2023

(Currency - In thousands of Turkish Lira)

3. Significant accounting policies (continued)

3.8 Financial assets and liabilities (continued)

Repurchase and resale transactions

The Group enters into sales of securities under agreements to repurchase such securities. Such securities, which have been sold subject to a repurchase agreement ('repos'), continue to be recognised in the statement of financial position and are measured in accordance with the accounting policy of the security portfolio which they are part of. Securities sold subject to repurchase agreements ('repos') are reclassified in the consolidated financial statements as loaned securities when the transferee has the right by contract or custom to sell or repledge the collateral. The counterparty liability for amounts received under these agreements is included in other money market deposits. The difference between sale and repurchase price is treated as interest expense and accrued over the life of the repurchase agreements using effective interest method.

Securities purchased with a corresponding commitment to resell at a specified future date ('reverse repos') are not recognised in the consolidated statement of financial position, as the Group does not obtain control over the assets. Amounts paid under these agreements are included in other money market placements. The difference between purchase and resale price is treated as interest income and accrued over the life of the reverse repurchase agreement using effective interest method.

3.9 Cash and cash equivalents

Cash and cash equivalents include notes and coins on hand, unrestricted balances held with central banks and highly liquid financial assets with original maturities of less than three months, which are subject to insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments.

Cash and cash equivalents are carried at amortised cost in the consolidated statement of financial position.

3.10 Tangible Assets

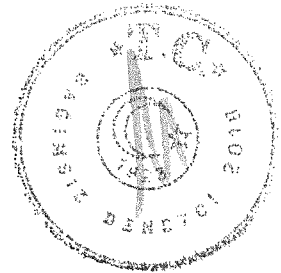
Recognition and measurement

Items of tangible assets are measured at cost less accumulated depreciation and impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located.

Subsequent costs

The cost of replacing part of an item of tangible assets is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as incurred.



BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ

Notes to the Consolidated Financial Statements As at and for the year ended 31 December 2023

(Currency - In thousands of Turkish Lira)

3. Significant accounting policies (continued)

3.10 Tangible Assets (continued)

Depreciation

Depreciation is recognised in the consolidated statement of profit or loss on a straight-line basis over the estimated useful lives of each part of an item of tangible assets. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated. The estimated useful lives are assigned accordance with the existing statutory tax law.

The estimated useful lives for the current and comparative periods are as follows:

- office equipment, furniture and fixtures 4-10 years
- motor vehicles 5-6 years

Leasehold improvements are depreciated on a straight-line method over a period of time of their lease contract. Depreciation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

3.11 Intangible assets

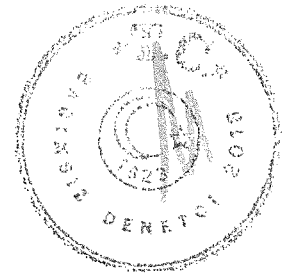
Software acquired by the Group is stated at cost less accumulated amortisation and accumulated impairment losses.

Expenditure on internally developed software is recognised as an asset when the Group is able to demonstrate its intention and ability to complete the development and use the software in a manner that will generate future economic benefits, and can reliably measure the costs to complete the development. The capitalised costs of internally developed software include all costs directly attributable to developing the software, and are amortised over its useful life. Internally developed software is stated at capitalised cost less accumulated amortisation and impairment. Subsequent expenditure on software assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Amortisation is recognised in consolidated statement of income on a straight-line basis over the estimated useful life of the software, from the date that it is available for use. The estimate useful lives of software are three to fifteen years.

3.12 Assets held for sale

An asset (or a disposal group) classified as asset held for sale is measured at lower of carrying value or fair value less costs to sell. An asset (or a disposal group) is regarded as asset held for sale only when the sale is highly probable and the asset (disposal group) is available for immediate sale in its present condition. For a highly probable sale, there must be a valid plan prepared by the management for the sale of asset including identification of possible buyers and completion of sale process. Furthermore, the asset should be actively marketed at a price consistent with its fair value.



BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ

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(Currency - In thousands of Turkish Lira)

3. Significant accounting policies (continued)

3.13 Leases

Based on IFRS 16, at the commencement date, the lease liability is measured at the present value of the lease payments that are not paid at that date. The lease payments shall be discounted using the alternative borrowing interest rate.

After the commencement date, the lease liability is measured by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payments made; and remeasuring the carrying amount to reflect any reassessment or lease modifications, or to reflect revised in-substance fixed lease.

Interest on the lease liability in each period during the lease term shall be the amount that produces a constant periodic rate of interest on the remaining balance of the lease liability.

After the commencement date, the lease liability is remeasured to reflect changes to the lease payments. The amount of the remeasurement of the lease liability is recognised as an adjustment to the right-of-use asset.

The lease liability is remeasured by discounting the revised lease payments using a revised discount rate, if either there is a change in the lease term or there is a change in the assessment of an option to purchase the underlying asset. However, if there is a change in future lease payments resulting from a change in an index or a rate used to determine those payments or if there is a change in the amounts expected to be payable under a residual value guarantee, an unchanged discount rate is used.

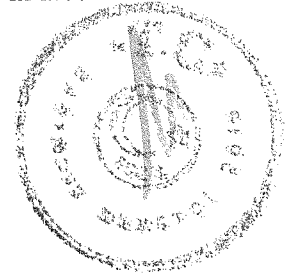
For a lease modification that is not accounted for as a separate lease, at the effective date of the lease modification, the lease liability is remeasured by discounting the revised lease payments using a revised discount rate. The revised discount rate is determined as the alternative borrowing interest rate at the effective date of the modification. The carrying amount of the right-of-use asset is decreased to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease. Any gain or loss relating to the partial or full termination of the lease is recognised in profit or loss. A corresponding adjustment to the right-of-use asset is made for all other lease modifications.

Financial lease as lessee

Tangible assets acquired through financial leasing are recognized as assets and the related liabilities as lease payables in assets and liabilities, respectively. In the determination of the related asset and liability amounts, the lower of the fair value of the leased assets and the present value of leasing payments is considered. Financial costs on leasing agreements are distributed throughout the lease periods at fixed interest rates. Interest expenses and foreign exchange losses related with financial leasing are recognized in income statement.

In cases where leased assets are impaired or the expected future benefits of the assets are less than their book values, the book values of such leased assets are reduced to their net realizable values. Depreciation for assets acquired through financial leases is calculated consistently with the same principle as for the tangible assets.

Leases, in which the majority of risks and returns of the related asset belong to the lessor, are classified as operational lease. In operating leases, the rent payments are recognized as expense in income statement in equal amounts over the lease term.



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(Currency - In thousands of Turkish Lira)

3. Significant accounting policies (continued)

3.14 Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. The recoverable amount of goodwill is estimated at each reporting date.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in consolidated statement of income. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

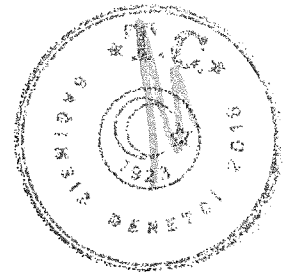
An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. In the current year no impairment loss has been recognised for the goodwill.

3.15 Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating costs are not provided for.

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.



BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ

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(Currency - In thousands of Turkish Lira)

3. Significant accounting policies (continued)

3.16 Employee benefits

(i) Reserve for employee severance payments

In accordance with the existing social legislation in Turkey, the Group is required to make certain lump-sum payments to employees whose employment is terminated due to retirement or for reasons other than resignation or misconduct. Such payments are calculated on the basis of an agreed formula, are subject to certain upper limits and are recognised in the accompanying consolidated financial statements as accrued. The reserve has been calculated by estimating the present value of the future obligation of the Group that may arise from the retirement of the employees.

(ii) Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A provision is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(iii) Other benefits

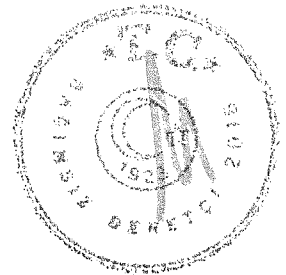
The bonus provision which was calculated on defined criteria and targets for the upper-management and employees presented as provision in the accompanying consolidated financial statements.

3.17 Fiduciary assets

Assets held by the Group in a fiduciary, agency or custodian capacity for its customers are not included in the consolidated statement of financial position, since such items are not treated as assets of the Group.

3.18 Segment reporting

An operating segment is a component of the Group that engage in business activities from which it may earn income and incur expenses, including income and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the management to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial statements is available.



BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ

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As at and for the year ended 31 December 2023

(Currency - In thousands of Turkish Lira)

3. Significant accounting policies (continued)

3.19 New standards and interpretations not yet adopted

Standards issued but not yet effective and not early adopted

A number of new standards and amendments to existing standards are not effective at reporting date and earlier application is permitted; however the Group has not early adopted are as follows.

Classification of Liabilities as Current or Non-current (Amendments to IAS 1)

On 23 January 2020, IASB issued *Classification of Liabilities as Current or Non-Current* which amends IAS 1 *Presentation of Financial Statements* to clarify its requirements for the presentation of liabilities in the statement of financial position.

The amendments clarify one of the criteria in IAS 1 for classifying a liability as non-current—that is, the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period.

After reconsidering certain aspects of the 2020 amendments; IASB has removed the requirement for a right to be unconditional and instead, now requires that a right to defer settlement must have substance and exist at the end of the reporting period.

This right may be subject to a company complying with conditions (covenants) specified in a loan arrangement. Additional disclosure is also required for non-current liabilities subject to future covenants. The amendments also clarify how an entity classifies a liability that can be settled in its own shares.

The Group shall apply retrospectively these amendments for annual periods beginning on or after 1 January 2024 with earlier application permitted. . It also specifies the transition requirements for companies that may have early-adopted the previously issued but not yet effective 2020 amendments.

The Group does not expect that application of these amendments to IAS 1 will have significant impact on its consolidated financial statements.

Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)

IASB has issued amendments to IAS 1 *Presentation of Financial Statements* and an update to IFRS Practice Statement 2 *Making Materiality Judgements* to help companies provide useful accounting policy disclosures on 12 February 2022.

The key amendments to IAS 1 include:

- requiring companies to disclose their material accounting policies rather than their significant accounting policies;
- clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and
- clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company’s financial statements.

IASB also amended IFRS Practice Statement 2 to include guidance and two additional examples on the application of materiality to accounting policy disclosures.

The amendments are consistent with the refined definition of material previously:

“Accounting policy information is material if, when considered together with other information included in an entity’s financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements”.

The amendments are effective from 1 January 2023, but companies can apply it earlier.

The Group does not expect that application of these amendments to Amendments to IAS 1 and IFRS Practice Statement 2) will have significant impact on its consolidated financial statements.

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ

Notes to the Consolidated Financial Statements As at and for the year ended 31 December 2023

(Currency - In thousands of Turkish Lira)

3. Significant accounting policies (continued)

3.19 New standards and interpretations not yet adopted (continued)

Standards issued but not yet effective and not early adopted (continued)

Definition of Accounting Estimates (Amendments to IAS 8)

The amendments introduce a new definition for accounting estimates: clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty which is issued by IASB on 12 February 2022.

The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy.

Developing an accounting estimate includes both:

- selecting a measurement technique (estimation or valuation technique) – e.g. an estimation technique used to measure a loss allowance for expected credit losses when applying IFRS 9 Financial Instruments; and
- choosing the inputs to be used when applying the chosen measurement technique – e.g. the expected cash outflows for determining a provision for warranty obligations when applying IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

The effects of changes in such inputs or measurement techniques are changes in accounting estimates. The definition of accounting policies remains unchanged.

The amendments are effective for periods beginning on or after 1 January 2023, with earlier application permitted, and will apply prospectively to changes in accounting estimates and changes in accounting policies occurring on or after the beginning of the first annual reporting period in which the company applies the amendments.

The Group does not expect that application of these amendments to Amendments to IAS 1 and IFRS Practice Statement 2) will have significant impact on its consolidated financial statements.

Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction – Amendments to IAS 12 Income Taxes

In May 2022 IASB issued *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*, which amended IAS 12 Income Taxes. The amendments to IAS 12 Income Taxes clarify how companies should account for deferred tax on certain transactions – e.g. leases and decommissioning provisions.

The amendments narrow the scope of the initial recognition exemption so that it does not apply to transactions that give rise to equal and offsetting temporary differences. As a result, companies will need to recognise a deferred tax asset and a deferred tax liability for temporary differences arising on initial recognition of a lease and a decommissioning provision. The amendments clarify that the exemption does not apply to transactions such as leases and decommissioning obligations. These transactions give rise to equal and offsetting temporary differences.

For leases and decommissioning liabilities, the associated deferred tax asset and liabilities will need to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. If a company previously accounted for deferred tax on leases and decommissioning liabilities under the net approach, then the impact on transition is likely to be limited to the separate presentation of the deferred tax asset and the deferred tax liability.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023. Earlier application is permitted.

The Group does not expect that application of these amendments to Amendments to IAS 12 will have significant impact on its consolidated financial statements.

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ

Notes to the Consolidated Financial Statements

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(Currency - In thousands of Turkish Lira)

3. Significant accounting policies (continued)

3.19 New standards and interpretations not yet adopted (continued)

Standards issued but not yet effective and not early adopted (continued)

Lease Liability in a Sale and Leaseback – Amendments to IFRS 16 Leases

In September 2023, IASB issued Lease Liability in a Sale and Leaseback, which amends IFRS 16 Leases. Amendments to IFRS 16 *Leases* impact how a seller-lessee accounts for variable lease payments that arise in a sale-and-leaseback transaction. The amendments introduce a new accounting model for variable payments and will require seller-lessees to reassess and potentially restate sale-and-leaseback transactions entered into since 2019.

The amendments confirm the following:

- On initial recognition, the seller-lessee includes variable lease payments when it measures a lease liability arising from a sale-and-leaseback transaction.
- After initial recognition, the seller-lessee applies the general requirements for subsequent accounting of the lease liability such that it recognises no gain or loss relating to the right of use it retains.

A seller-lessee may adopt different approaches that satisfy the new requirements on subsequent measurement.

The amendments are effective for annual reporting periods beginning on or after 1 January 2024, with earlier application permitted.

Under IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, a seller-lessee will need to apply the amendments retrospectively to sale-and-leaseback transactions entered into or after the date of initial application of IFRS 16. This means that it will need to identify and re-examine sale-and-leaseback transactions entered into since implementation of IFRS 16 in 2019, and potentially restate those that included variable lease payments.

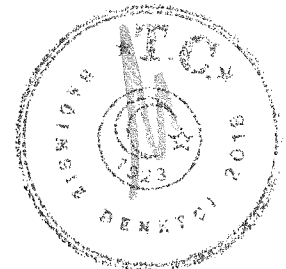
The Group does not expect that application of these amendments to Amendments to IFRS 16 Leases will have significant impact on its consolidated financial statements.

Amendments are effective on 1 January 2023

Changes that have become effective and have been adopted for annual periods beginning on or after 1 January 2023:

1. Annual Improvements to IFRS Standards 2018–2020 -Amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture
2. Reference to the Conceptual Framework – Amendments to IFRS 3 *Business Combinations*
3. Property, Plant and Equipment – Proceeds before Intended Use: Amendments to IAS 16 Property, Plant and Equipment
4. Onerous Contracts – Cost of Fulfilling a Contract: Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets

These newly adopted amendments to standards have not been a significant impact on the [consolidated] financial statements of the Group.



BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ**Notes to the Consolidated Financial Statements****As at and for the year ended 31 December 2023***(Currency - In thousands of Turkish Lira)***4. Net fee and commission income**

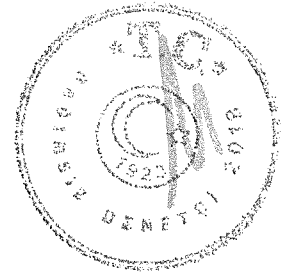
	2023	2022
Fee and commission income		
Letters of guarantee, credit and other guarantees	2,271	2,199
Credit related fees and commissions	419	5,326
Other	-	35
Total fee and commission income	2,690	7,560
Fee and commission expense		
Corresponding bank fees	(638)	(864)
Others	(3,039)	(2,502)
Total fee and commission expense	(3,677)	(3,366)
Net fee and commission income	(987)	4,194

5. Net trading income and net foreign exchange gain

	2023	2022
Income from trading assets, net	195,236	214,050
Income from investment securities, net	856	16,515
Foreign exchange gains/losses, net	23,828	111,017
Total	219,920	341,582

6. Other operating income

	2023	2022
Reversal of previous year expense accrual	647	3,769
Rental income	608	990
Other	4,580	6,355
Total	5,835	11,114

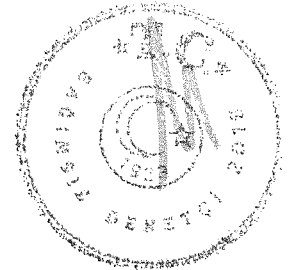


BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ**Notes to the Consolidated Financial Statements****As at and for the year ended 31 December 2023***(Currency - In thousands of Turkish Lira)***7. Personnel expenses**

	2023	2022
Wages and salaries	78,127	67,880
Other fringe benefits	41,479	25,720
Compulsory social security obligations	11,576	8,525
Provision for employee termination and vacation benefits	2,766	2,109
Total	133,948	104,234

8. Administrative expenses

	2023	2022
Information technology expenses	30,094	31,969
Lightening expenses	5,137	8,220
Insurance expenses	5,990	5,243
Communication expenses	5,188	4,917
Lawyers expenses	11,206	4,905
Traveling expenses	313	1,138
Transportation expenses	218	283
Consultancy expenses	3	246
Human resources intermediary expenses	5	4
Others	3,554	9,944
Total	61,710	66,871



BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ

Notes to the Consolidated Financial Statements

As at and for the year ended 31 December 2023

(Currency - In thousands of Turkish Lira)

9. 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 30% in the deferred tax calculation as of 31 December 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.

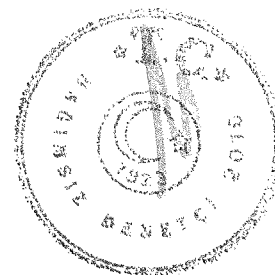
Income tax recognised in the statement of profit or loss

The components of income tax expense as stated below:

	2023	2022
Current tax expense / (income)	(13,870)	(6,418)
Deferred tax income / (expense)	(4,840)	(10,219)
Tax expense / (income) in the statement of profit or loss	(18,710)	(16,637)

Reconciliation between tax expense and the accounting profit multiplied by the statutory income tax rate for the years ended 31 December 2023 and 31 December 2022 is as follows:

	2023	2022
Profit/(loss) before income tax	37,929	141,127
Income tax using the domestic corporation tax rate 25%	(11,379)	(35,282)
Non-deductible expenses	(2,254)	3,956
Tax losses for which no deferred tax asset is recognized	258	22,169
Unrecognised deductible temporary differences	(669)	(694)
Other	(4,666)	(8,646)
Total income tax expense/(benefit) in the statement of profit or loss	(18,710)	(18,497)



BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ**Notes to the Consolidated Financial Statements****As at and for the year ended 31 December 2023***(Currency - In thousands of Turkish Lira)***9. Taxation (continued)****Deferred tax assets and liabilities****Recognised deferred tax assets and liabilities**

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

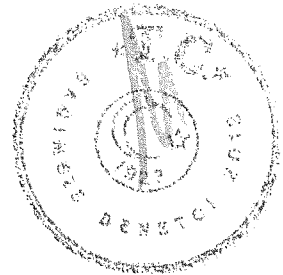
	Deferred tax asset	Deferred tax liability	Deferred tax asset	Deferred tax liability
	2023	2023	2022	2022
Derivative financial instruments	1,798	(1,549)	7,402	(16,125)
Liability for employee provision	4,737	-	12,689	-
Tangible assets	-	(163)	-	(178)
Tax losses	-	-	2,747	-
Assets held for sale	-	-	-	-
Others	3,185	(9,729)	(247)	(9,559)
Deferred tax asset / (liability)	9,720	(11,441)	22,591	(25,862)
Net off of tax	(11,441)	11,441	(25,862)	(25,862)
Net tax asset / (liability)	(1,721)	-	(3,271)	-

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

	2023	2022
Deferred tax assets, net at 1 January	3,271	16,909
Deferred tax recognised in the profit or loss	(4,840)	6,062
Deferred income tax recognised in other comprehensive income	3,268	2,666
Inflation accounting effect	(3,420)	(22,366)
Deferred tax liabilities/ (assets), net at the end of the year	(1,721)	3,271

Deferred tax assets have not been recognised in respect of the following items, because it is not probable that future taxable profit will be available against which the Group can use the benefits therefrom.

	2023	2022
Tax losses	-	-
Total	-	-



BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ**Notes to the Consolidated Financial Statements****As at and for the year ended 31 December 2023***(Currency - In thousands of Turkish Lira)***9. Taxation (continued)****Unrecognised deferred tax assets**

Due date breakdown of tax losses	2023	2022
2023	-	-
2024	-	-
2025	-	-
2026	-	-
	-	-

Tax losses carried forward

Recognised tax losses carried forward expire as follows.

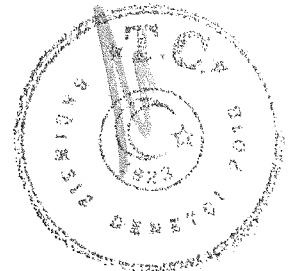
	2023	2022
2025	7,531	10,989
Total	-	-

10. Cash and cash equivalents

	2023	2022
Cash and balances with central banks	147,363	10
- Balances with central banks	147,363	10
Due from banks and financial institutions	99,008	32,062
Interbank and other money market placements	118,615	0
Cash and cash equivalents in the statement of cash flows	364,986	32,072
Expected credit loss	(548)	(234)
Cash and cash equivalents in the statement of financial position	364,438	31,838

11. Reserve deposits at central banks

	2023	2022
Turkish Lira	775	226
Foreign currency	24,904	160,309
Total	25,679	160,535



BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ**Notes to the Consolidated Financial Statements****As at and for the year ended 31 December 2023***(Currency - In thousands of Turkish Lira)***12. Trading assets and liabilities**

	2023	2022
Debt instruments		
Turkish government bonds-TL denominated_ FVPL	-	3,925
Derivative transactions		
Derivative financial assets	5,164	64,495
Total trading assets	5,164	68,420
Derivative transactions		
Derivative financial liabilities	5,994	29,606
Total trading liabilities	5,994	29,606

In the ordinary course of business, the Group enters into various types of transactions that involve derivative financial instruments that include forwards, currency and interest rate swaps, futures, currency options and interest rate cap/floor agreements. A derivative financial instrument is a financial contract between two parties where payments are dependent upon movements in price in one or more underlying financial instruments, reference rates or indices.

The table below shows the favourable (assets) and unfavourable (liabilities) fair values of derivative financial instruments. The notional amount is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at period-end and are neither indicative of the market risk nor credit risk.

	2023		
	Fair value assets	Fair value liabilities	Notional amount in TL equivalent
Forward purchase contracts	-	-	187,382
Forward sale contracts	7	-	178,100
Futures purchase contracts	-	-	-
Futures sale contracts	1,170	-	-
Currency swap purchases	610	4,966	949,237
Currency swap sales	3,377	1,028	956,792
Interest rate swaps	-	-	-
Total derivative financial instruments	5,164	5,994	2,271,511
	2022		
	Fair value assets	Fair value liabilities	Notional amount in TL equivalent
Forward purchase contracts	109	-	1,068,017
Forward sale contracts	-	-	988,596
Futures purchase contracts	-	-	-
Futures sale contracts	23,085	11,582	-
Currency swap purchases	718	16	1,464,489
Currency swap sales	14,624	10,346	1,484,645
Interest rate swaps	25,960	7,662	419,289
Total derivative financial instruments	64,496	29,606	5,425,036

The Group undertakes all of its transactions in derivative financial instruments with banks and other financial institutions. Notional amounts and contractual maturity analysis of derivative transactions are disclosed in Note 26.

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ**Notes to the Consolidated Financial Statements
As at and for the year ended 31 December 2023***(Currency - In thousands of Turkish Lira)***13. Investment and loaned securities**

	2023	2022
Investment securities – FVOCI (*)	128,981	203,787
Loaned securities - FVOCI	20,268	919
Equity instruments (**)	160	264
Total	149,409	204,970

(*) Investment securities consist of CPI indexed government bonds as at 31 December 2023 and 31 December 2022.

(**) Equity instruments correspond to 0.0377% share of Istanbul Stock Exchange Market.

Fair value through other comprehensive income- investment securities

	2023	2022
Fair value through other comprehensive income- investment securities		
Debt instruments		
Turkish government bonds – TL denominated	128,981	203,787
- <i>Gross amount</i>	128,981	203,787
Total investment securities - FVOCI	128,981	203,787

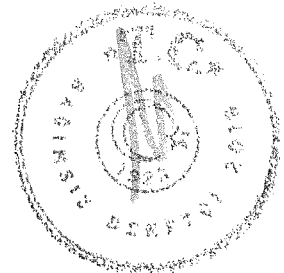
As at 31 December 2023, TL denominated investment securities – FVOCI comprise Turkish Government notes having a maturity range between January 2023 – January 2028.

As at 31 December 2023, investment securities – FVOCI with carrying value of TL 122,775 (31 December 2022, investment securities FVOCI with carrying value of TL 196,058) are kept in the Central Bank of Turkey and Istanbul Stock Exchange Clearing and Custody Incorporation for legal requirements and as a guarantee for possible stock exchange and money market operations although they are not pledged.

Loaned securities

Carrying value of securities – FVOCI given as collateral under repurchase agreements which are classified as loaned securities are as follows:

	2023	2022
Loaned securities from FVOCI	20,268	919
Loaned securities from trading securities	-	-
Total loaned securities	20,268	919



BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ**Notes to the Consolidated Financial Statements****As at and for the year ended 31 December 2023***(Currency - In thousands of Turkish Lira)***13. Investment and loaned securities (continued)**

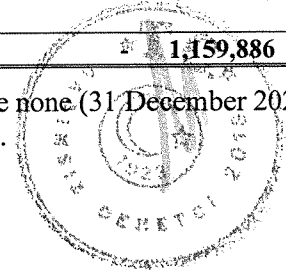
The movement in investment securities - FVOCI (including loaned securities from fair value through other comprehensive income) is summarized as follows:

	2023	2022
Balance at 1 January	204,970	168,671
Additions	184,782	582,004
Disposals (sale and redemption)	(158,429)	(458,308)
Change in interest accruals	(1,189)	5,154
Inflation accounting effect	(80,725)	(92,551)
Balance at year end	149,409	204,970

14. Loans and finance lease receivables

31 December 2023	Turkish Lira	Foreign currency	Foreign currency indexed	Total
Corporate loans and finance lease receivables	-	609,938	-	609,938
Stage 1	-	249,607	-	249,607
Stage 2	-	360,331	-	360,331
Total loans and finance lease receivables	-	609,938	-	609,938
Loans and finance lease receivables in arrears	45,028	-	-	45,028
Less: 12 month ECL (stage 1)	-	-	-	-
Less: Lifetime ECL significant increase in credit risk (stage 2)	-	-	-	-
Less: Lifetime ECL impaired credits (stage 3)	(45,028)	-	-	(45,028)
	-	609,938	-	609,938
31 December 2022	Turkish Lira	Foreign currency	Foreign currency indexed	Total
Corporate loans and finance lease receivables	-	1,030,388	-	1,030,388
Stage 1	-	365,885	-	365,885
Stage 2	-	664,503	-	664,503
Total loans and finance lease receivables	-	1,030,388	-	1,030,388
Loans and finance lease receivables in arrears	332,678	-	-	332,678
Less: 12 month ECL (stage 1)	-	-	-	-
Less: Lifetime ECL significant increase in credit risk (stage 2)	-	-	-	-
Less: Lifetime ECL impaired credits (stage 3)	(203,180)	-	-	(203,180)
	129,498	1,030,388	-	1,159,886

As at 31 December 2023, loans and finance lease receivables with floating rates are none (31 December 2022 – none) and fixed interest rates are TL 609,938 (31 December 2022 – TL 1,030,388).



BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ**Notes to the Consolidated Financial Statements
As at and for the year ended 31 December 2023***(Currency - In thousands of Turkish Lira)***14. Loans and finance lease receivables (continued)**

Movements in non-performing loans and finance lease receivables:

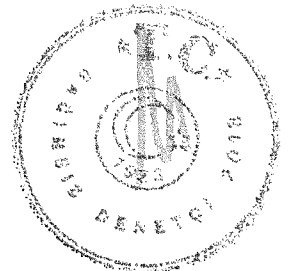
	31 December 2023	31 December 2022
Non-performing loans and finance lease receivables at 1 January	332,678	576,257
Additions to non-performing loans and finance lease receivables	409	13,429
Recoveries	(78,861)	(22,245)
Write-offs	(78,421)	(3,596)
Inflation accounting effect	(130,777)	(231,167)
Non-performing loans and finance lease receivables at the year end	45,028	332,678

The distribution of the cash and non-cash loans of the Bank according to credit ratings is as follows at 31 December 2023:

Grade	Description	Current Period	Prior Period
		Weight	Weight
AA	Maximum Reliability	-	-
AA-	Maximum Reliability	-	-
A+	Very Good Firm	-	-
A	Very Good Firm	-	7.86
A-	Very Good Firm	-	-
BBB+	Reliable and Qualified	-	-
BBB	Reliable and Qualified	11.11	-
BBB-	Reliable and Qualified	-	-
BB+	Low Reliably and risky	-	-
BB	Low Reliably and risky	-	-
BB-	Low Reliably and risky	-	-
B+	Weak	-	-
B	Weak	-	26.22
CCC	Maximum Risk	68.19	30.94
CC	Maximum Risk	13.97	10.59
D	Bankruptcy	6.73	24.39

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

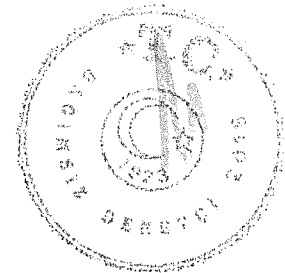
	31 December 2023	31 December 2022
Reserve at the beginning of the year	203,180	418,172
Provision net of recoveries	(78,281)	(31,185)
- Expected credit loss	(42,155)	(8,477)
- Recoveries	(36,126)	(22,708)
Inflation accounting effect	(79,871)	(183,807)
Reserve at the year end	45,028	203,180



BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ**Notes to the Consolidated Financial Statements****As at and for the year ended 31 December 2023***(Currency - In thousands of Turkish Lira)***15. Tangible Assets**

	Right-of-use asset^(*)	Office equipment, furniture and fixtures	Leasehold improvements	Motor vehicles	Total
Cost					
Balance at 1 January 2021	29,923	289,635	-	2,244	321,802
Additions	5,721	184,430	-	4,661	194,812
Disposals	(514)	(389)	-	(1,272)	(2,175)
Balance at 31 December 2022	35,130	473,676	-	5,633	514,439
Balance at 1 January 2022	35,130	473,676	-	5,633	514,439
Additions	572	194,935	-	1,054	196,561
Disposals	-	(1,802)	-	(4,712)	(6,514)
Balance at 31 December 2023	35,702	666,809	-	1,975	704,486
Depreciation					
Balance at 1 January 2021	9,872	266,601	-	905	277,378
Depreciation charge for the year	1,811	180,497	-	2,058	184,366
Disposals	(514)	(122)	-	(1,272)	(1,908)
Balance at 31 December 2022	11,169	446,976	-	1,691	459,836
Balance at 1 January 2022	11,169	446,976	-	1,691	459,836
Depreciation charge for the year	2,032	195,347	-	2,372	199,751
Disposals	-	(443)	-	(3,599)	(4,042)
Balance at 31 December 2023	13,201	641,880	-	464	655,545
Carrying amounts					
Balance at 1 January 2021	20,051	23,034	-	1,339	44,424
Balance at 31 December 2022	23,961	26,700	-	3,942	54,603
Balance at 31 December 2023	22,501	24,929	-	1,511	48,941

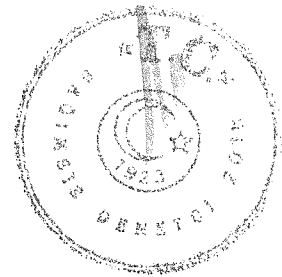
^(*)Right of use assets consist of rented vehicles for the Bank's personnel and the rented office building.



BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ**Notes to the Consolidated Financial Statements****As at and for the year ended 31 December 2023***(Currency - In thousands of Turkish Lira)***16. Intangible assets**

	Purchased software	Developed software	Total
Cost			
Balance at 1 January 2021	278,532	1,982	280,514
Additions	111,415	-	111,415
Disposals	-	-	-
Balance at 31 December 2022	389,947	1,982	391,929
Balance at 1 January 2022	389,947	1,982	391,929
Additions	294,510	-	294,510
Disposals	-	-	-
Balance at 31 December 2023	684,457	1,982	686,439
Amortisation and impairment losses			
Balance at 1 January 2021	(244,352)	(1,124)	(245,475)
Amortisation charge for the year	(116,938)	-	(116,938)
Disposals	-	-	-
Balance at 31 December 2022	(361,289)	(1,124)	(362,413)
Balance at 1 January 2022	(361,289)	(1,124)	(362,413)
Amortisation charge for the year	(297,018)	(72)	(297,090)
Disposals	-	-	-
Balance at 31 December 2023	(658,307)	(1,196)	(659,503)
Carrying amounts			
Balance at 1 January 2021	34,180	858	35,039
Balance at 31 December 2022	28,658	858	29,516
Balance at 31 December 2023	26,150	786	26,936

Intangible assets consist of purchased software and developed software.



BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ**Notes to the Consolidated Financial Statements
As at and for the year ended 31 December 2023***(Currency - In thousands of Turkish Lira)***17. Assets held for sale**

Assets held for sale	1 January – 31 December 2023	1 January – 31 December 2022
Balance at 1 January	-	179,996
Additions	-	-
Change in fair value	-	(132,705)
Sale of the asset	-	-
Inflation accounting effect	-	(47,291)
Total	-	-

18. Other assets

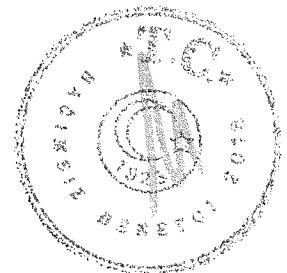
	2023^(*)	2022^(*)
Collateral given for derivative and other transactions	130,541	138,615
Prepaid expenses	18,949	20,653
Prepaid taxes	3,559	12,767
Advances given	72,335	3
Others	14,334	16,314
Total	239,718	188,352

^(*)As at 31 December 2023, the expected credit loss for other assets are amounting to TL 242 (31 December 2022 –257).

19. Money market deposits

	2023		2022	
	Turkish Lira	Foreign currency	Turkish Lira	Foreign currency
Obligations under repurchase agreements	19,528	-	888	-
<i>Central Bank of Turkey</i>	-	-	-	-
<i>BIST</i>	18,944	-	-	-
<i>Other</i>	584	-	888	-
Total	19,528	-	888	-

As at 31 December 2023, money market deposits of TL 584 (31 December 2022 – TL 888) have fixed interest rates.



BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ

**Notes to the Consolidated Financial Statements
As at and for the year ended 31 December 2023**

(Currency - In thousands of Turkish Lira)

20. Funds borrowed

	2023		2022	
	Turkish Lira	Foreign currency	Turkish Lira	Foreign currency
Short-term⁽¹⁾				
Fixed interest	301	32,656	9,067	31,010
Floating interest	-	-	-	681,700
Long-term⁽¹⁾				
Fixed interest	-	-	-	108,027
Floating interest	-	-	-	248,103
Total	301	32,656	9,067	1,068,840

⁽¹⁾ Based on original maturities.

Repayments of long term borrowing are as follows:

	2023		2022	
	Floating rate	Fixed rate	Floating rate	Fixed rate
2023	-	-	124,927	18,255
2024	-	-	123,176	17,954
2025	-	-	-	17,954
2026	-	-	-	17,954
Thereafter	-	-	-	35,910
Total	-	-	248,103	108,027

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

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

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

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

	31 December 2022	Cash items	Foreign currency conversion adjustments	Other non-cash items	31 December 2023
Funds borrowed	1,077,907	(1,000,826)	10,740	(54,865)	32,957
Total	1,077,907	(1,000,826)	10,740	(54,865)	32,957

	31 December 2021	Cash items	Foreign currency conversion adjustments	Other non-cash items	31 December 2022
Funds borrowed	2,328,145	(876,283)	310,101	(684,056)	1,077,907
Total	2,328,145	(876,283)	310,101	(684,056)	1,077,907

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ**Notes to the Consolidated Financial Statements****As at and for the year ended 31 December 2023***(Currency - In thousands of Turkish Lira)***21. Other liabilities**

	2023	2022
Lease payables	32,838	35,268
Collateral received for derivative transactions	-	32,310
Current accounts of loan customers	930,215	5,563
Unearned commission income	568	974
Insurance payables	372	386
Taxes and funds payables	-	-
Others	3,718	4,391
Total	967,711	78,892

The following table summarises lease payables details:

	2023		2022	
	Gross	Net	Gross	Net
1 Year	2,813	2,802	4,105	3,890
1- 4 year	32,666	30,036	39,176	31,378
More than 4 years	-	-	-	-
Total	35,479	32,838	43,281	35,268

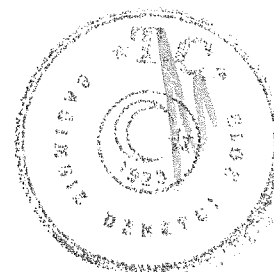
22. Provisions

	2023	2022
Employee termination benefits	5,523	30,470
Vacation pay liability	6,151	11,705
Bonus provision	4,618	8,858
Other ⁽¹⁾	5,162	7,592
Total	21,454	58,625

⁽¹⁾ The provision provided for legal cases amounting to TL 412 and general provision for noncash loans amounting to TL 4,719 (31 December 2022: TL 555 and TL 6,576) are recognized in other provisions.

	2023	2022
At 1 January	30,470	25,543
Charge / (reversal) during the year	(19,068)	1,031
Actuarial gain/(loss) ⁽¹⁾	6,099	13,889
Inflation accounting effect	(11,978)	(9,993)
At 31 December	5,523	30,470

⁽¹⁾ The actuarial loss amounting to TL 6,099 (31 December 2022: TL 13,889 gain) was recognized in retained earnings in 2023.



BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ

Notes to the Consolidated Financial Statements

As at and for the year ended 31 December 2023

(Currency - In thousands of Turkish Lira)

22. Provisions (continued)

Employee termination benefits

In accordance with existing social legislation in Turkey, the Bank and its subsidiary incorporated in Turkey are required to make lump-sum payments to employees whose employment is terminated due to retirement or for reasons other than resignation or misconduct. In Turkey, such payments are calculated on the basis of 30 days' pay per year of employment at the rate of pay applicable at the date of retirement or termination. In the consolidated financial statements as at 31 December 2023 and 31 December 2022, the Group reflected a liability calculated using the Projected Unit Credit Method and based upon factors derived using their experience of personnel terminating their services and being eligible to receive retirement pay and discounted by using the current market yield on government bonds at the reporting date.

The principal actuarial assumptions used at the reporting dates are as follows:

	2023	2022
Discount rate	9.80%	9.80%
Expected rates of salary/limit increases	12.00%	12.00%

Actuarial gains / losses arising from changes in discount rates and expected rates of salary / limit increases and other demographic assumptions are recognised in other comprehensive income.

23. Capital and reserves

	2023	2022
Number of common shares, TL 0.1 (in full TL), par value (Authorised and issued)	3.372.923.500	3.372.923.500

Share capital and share premium

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

	30 December 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	4,622,807	
Share capital and share premium	4,980,220	

	31 December 2022	
	Amount	%
Tarshish	337,292	100.00
	337,292	100.00
Share premium	20,121	
Adjustment to share capital	4,622,807	
Share capital and share premium	4,980,220	

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

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23. Capital and reserves (continued)

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 derecognized.

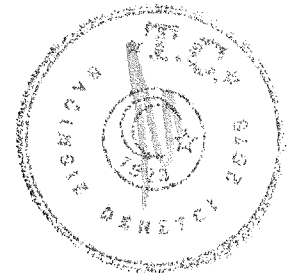
As at 31 December 2023, financial assets measured at fair value through other comprehensive income (FVOCI) reserve is TL 6,216 net of tax (31 December 2022 TL 9,639 net of tax).

24. 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.

In the course of conducting its banking business, the Group conducted various business transactions with related parties. These include loans and finance lease receivables, customer accounts, funds borrowed and non-cash transactions.

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



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24. Related parties (continued)

As at 31 December 2023, no provisions have been recognised in respect of loans given 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	681,700	1,056,002	-	-	-	-
At end of the year	-	681,700	-	-	-	-
Interest expense ⁽¹⁾	-	(20,094)	-	-	-	-

⁽¹⁾ Interest expense in the above tables for 2022 represents the balances as of 31 December 2023.

Other balances with related parties:

Related party		Deposits	Other liabilities	Non-cash loans	Other interest expense
Shareholders	31 December 2022	-	-	19,102	-
	31 December 2023	-	896,037	-	-
Directors and key management personnel	31 December 2022	-	-	-	-
	31 December 2023	-	-	-	-
Others	31 December 2022	-	-	-	-
	31 December 2023	-	6	16,550	-

Transactions with related parties:

Related party		Foreign exchange trading gain/(loss)	Other interest income	Other interest expenses	Other operating income	Other operating expenses
Shareholders	2022	-	-	-	102	-
	2023	-	-	-	18	-
Directors and key management personnel	2022	-	-	-	-	-
	2023	-	-	-	-	-
Others	2022	-	-	-	-	-
	2023	-	-	-	-	-

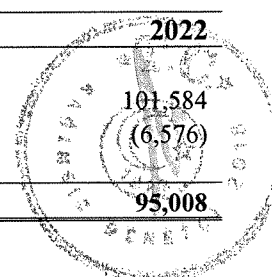
Compensation of key management personnel of the Group

The executive and non-executive members of Board of Directors and management received remuneration and fees amounted to TL 48,757 (31 December 2022 – TL 27,039) comprising salaries and other benefits.

25. 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:

	2023	2022
Letters of guarantee	86,555	101,584
Loss allowances (amounts arising from ECL)	(4,719)	(6,576)
Total non-cash loans	81,836	95,008



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25. Commitments and contingencies (continued)

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 and 28 September 2023, it was decided to wait for the outcome of the criminal file. Next hearing date.30 May 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;

- • 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.

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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 accuseds to be tried for crime of misconduct in Gaziantep Aggravated Felony Court. In the hearing dated 12 April 2022, it has been decided to send the file to the prosecutor's Office, in order to check and control if there is new evidence that needs to be investigated and discussed (extension investigation), or to give an opinion on the merits. 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 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. At the hearing dated 23 November 2023, the court decided to acquit the defendants. The Bank's contracted lawyers filed an appeal against the Court's decision. The result of the appeal is pending.
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

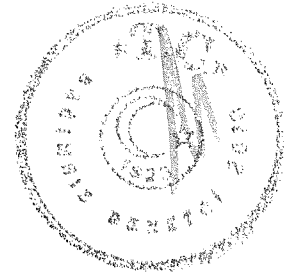
BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ

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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 preliminary review hearing was held on 21 September 2023 and, the next hearing date: 15 February 2024.



BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ

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26. Financial risk management

Strategy in using financial instruments

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

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

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

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

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

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

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

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

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.

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ

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26. Financial risk management (continued)

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.

Strategy in using financial instruments

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.

	Loans and finance lease receivables	Due from banks and financial institutions	Investment securities and loaned securities	Non cash loans
31 December 2023				
<i>Carrying amount</i>				
Stage 1	249,607	99,556	150,692	69,624
Stage 2	360,331	-	-	16,932
Stage 3	45,028	-	-	-
<i>Allowance for impairment</i>				
- 12 month ECL (stage 1)	-	(548)	(1,283)	(765)
- Lifetime ECL significant increase in credit risk (stage 2)	-	-	-	(3,955)
- Lifetime ECL impaired credits (stage 3)	(45,028)	-	-	-
Total	609,938	99,008	149,409	81,836
31 December 2022				
<i>Carrying amount</i>				
Stage 1	365,885	32,296	206,764	75,957
Stage 2	664,503	-	-	25,627
Stage 3	332,678	-	-	-
<i>Allowance for impairment</i>				
- 12 month ECL (stage 1)	-	(234)	(1,794)	(1,181)
- Lifetime ECL significant increase in credit risk (stage 2)	-	-	-	(5,395)
- Lifetime ECL impaired credits (stage 3)	(203,180)	-	-	-
Total	1,159,886	32,062	204,970	95,008

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26. Financial risk management (continued)

Credit risk (continued)

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.

Having a reliable credit allocation function

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

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

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

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

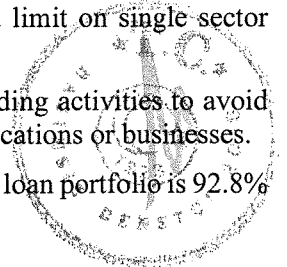
Risk limits

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

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

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

As at 31 December 2023, the share of the top 5 credit customers in its total corporate loan portfolio is 92.8% (31 December 2022 – 92.1%).



BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ

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26. Financial risk management (continued)

Credit risk (continued)

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.

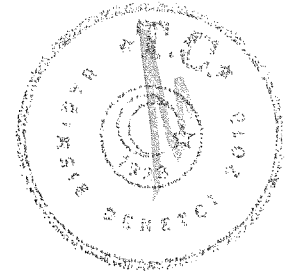
Expected loss of credit portfolio is calculated regularly by the Bank. In the calculation, PD values of Group for each rating category is determined by simulating PD's of an international rating institution to the Group's rating classes using "central tendency of the Group" since the Group is lacking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

Measuring risk

Central tendency factor is calculated by correlating sectoral non-performing loans ratios of banking sector to Group values. Both rating systems are being used in credit decisions, the first one giving the indications for borrower's repayment capacity, while the second one for facility's repayment capacity. Requirement of facility rating of BB or higher for the new credit clients is the main principle. Regarding retail business, decision trees developed internally (and validated by Experian Scorex) are being used to evaluate retail applicants. G3 scores of Credit Bureau is used in the classification of retail customers.

Monitoring the risk

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.



BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ**Notes to the Consolidated Financial Statements
As at and for the year ended 31 December 2023***(Currency - In thousands of Turkish Lira)***26. Financial risk management (continued)****Credit risk (continued)**

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

31 December 2023	Cash loans	Non-cash loans	Total
Food, beverage and tobacco industries	137,178	4	137,182
Public works and civil engineering	94,985	-	94,985
Electric production and supply	124,833	-	124,833
Holding companies	124,773	-	124,773
Transportation	102,399	883	103,282
Building contractor (general and special trade)	25,770	13,435	39,205
Personal other services	-	35,015	35,015
Other financial institutions	-	28,253	28,253
Restaurants & Lodging Service	-	5,450	5,450
Trade	-	3,444	3,444
Other commercial services	-	-	-
Textile and clothing	-	30	30
Electrical and electronic equipment	-	42	42
Total performing loans	609,938	86,556	696,494
Non-performing loans	45,028	-	45,028
Loss allowances (amounts arising from ECL)	(45,028)	(4,720)	(49,748)
Total loans	609,938	81,836	691,774

31 December 2022	Cash loans	Non-cash loans	Total
Food, beverage and tobacco industries	229,502	7	229,509
Public works and civil engineering	184,269	-	184,269
Electric production and supply	182,974	-	182,974
Holding companies	182,911	-	182,911
Transportation	153,959	924	154,883
Building contractor (general and special trade)	96,773	21,961	118,734
Personal other services	-	39,404	39,404
Other financial institutions	-	35,580	35,580
Restaurants & Lodging Service	-	-	-
Trade	-	3,605	3,605
Other commercial services	-	10	10
Textile and clothing	-	49	49
Electrical and electronic equipment	-	44	44
Total performing loans	1,030,388	101,584	1,131,972
Non-performing loans	332,678	-	332,678
Loss allowances (amounts arising from ECL)	(203,180)	(6,576)	(209,756)
Total loans	1,159,886	95,008	1,254,894

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ

Notes to the Consolidated Financial Statements As at and for the year ended 31 December 2023

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26. Financial risk management (continued)

Credit risk (continued)

Monitoring the risk (continued)

Total collateralisation coverage of cash loans 95.75%, non-cash loans are 67.30% as at 31 December 2023 (31 December 2022 – cash loans 99.74, non-cash loans 65.90%).

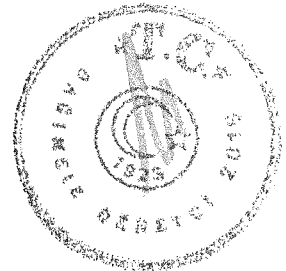
The following table sets out the collateralisation of Bank's cash and non-cash loan portfolio, including finance lease receivables:

	31 December 2023	31 December 2022
Cash loans (including financial lease receivables) under loan in arrears		
Secured by mortgages	33,183	313,370
Secured by guarantee	9,795	15,721
Unsecured	2,050	3,587
Total	45,028	332,678
Cash loans (including financial lease receivables) except loan in arrears		
Secured by mortgages	334,561	664,503
Secured by assignment and cheques	249,607	365,885
Unsecured	25,770	-
Total	609,938	1,030,388
Non-cash loans		
Secured by guarantee	40,793	64,968
Unsecured	28,305	35,652
Secured by assignment and cheques	-	-
Secured by pledge	-	-
Secured by cash	17,457	964
Total	86,555	101,584

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.

The Board of Directors reviews the liquidity risk management policy and approves the liquidity and funding policies, ensures the effective of practice of policies and integrations with the Bank's risk management system. The Board of Directors determines the assumptions in liquidity risk measurement and monitoring. The Board of Directors establishes risk appetite of the Bank in liquidity risk management and identifies the risk limits in accordance with the risk appetite and reviews it regularly.



BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ

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26. Financial risk management (continued)

Liquidity risk (continued)

The Group manages liquidity 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 and Financial Institutions Department.

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 utilise liquidity from Interbank money markets and is in a net lender position in interbank money markets.

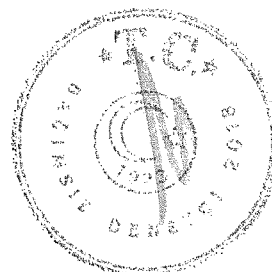
The table on the next two pages analyses assets and liabilities of the Group into relevant maturity groupings based on the remaining period at reporting date to contractual maturity date.

31 December 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	19,528	19,528	-	19,528	-	-	-	-
Funds borrowed	32,957	33,219	-	3,247	29,972	-	-	-
Current account of loan customers ⁽¹⁾	911,254	911,260	907,383	3,877	-	-	-	-
Lease Payables	32,838	34,499	-	1,224	2,628	6,494	24,153	-
	996,577	998,506	907,383	27,876	32,600	6,494	24,153	-

⁽¹⁾ Included in other liabilities.

31 December 2022	Carrying amount	Gross outflow	On demand	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years
Interbank and other money market deposits	888	888	-	888	-	-	-	-
Funds borrowed	1,077,907	1,097,399	-	13,169	725,807	140,302	200,067	18,054
Current account of loan customers ⁽¹⁾	17,215	17,217	-	17,217	-	-	-	-
Lease Payables	35,268	39,892	-	919	2,014	9,132	27,827	-
	1,131,278	1,155,396	-	32,193	727,821	149,434	227,894	18,054

⁽¹⁾ Included in other liabilities.



BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ**Notes to the Consolidated Financial Statements****As at and for the year ended 31 December 2023***(Currency - In thousands of Turkish Lira)***26. Financial risk management (continued)****Liquidity risk (continued)**

The table below analyses contractual maturities of derivative transactions:

31 December 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	1,477	-	-	-	-	-	1,477
Forward sale contracts	(1,471)	-	-	-	-	-	(1,471)
Currency swap purchases	472,079	187,223	289,935	-	-	-	949,237
Currency swap sales	(470,225)	(193,166)	(293,401)	-	-	-	(956,792)
Interest rate swaps	-	-	-	-	-	-	-
Futures purchase contracts	122,927	62,978	-	-	-	-	185,905
Futures sale contracts	(117,752)	(58,877)	-	-	-	-	(176,629)
	7,035	(1,842)	(3,466)	-	-	-	1,727

31 December 2022	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Over 5 years	Total
Forward purchase contracts	2,791	-	-	-	-	-	2,791
Forward sale contracts	(2,684)	-	-	-	-	-	(2,684)
Currency swap purchases	257,443	617,312	589,734	-	-	-	1,464,489
Currency swap sales	(260,898)	(633,356)	(590,391)	-	-	-	(1,484,645)
Interest rate swaps	-	-	-	-	419,289	-	419,289
Futures purchase contracts	229,700	569,414	266,112	-	-	-	1,065,226
Futures sale contracts	(215,666)	(523,769)	(246,477)	-	-	-	(985,912)
	10,686	29,601	18,978	-	419,289	-	478,554

Market risk

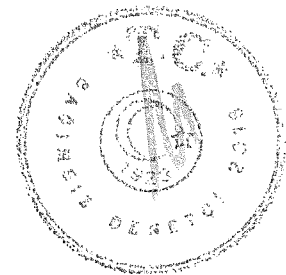
The Group has low risk appetite towards products which are subject to market risks. Market risks arise from open positions in interest rate, currency and equity/commodity prices, all of which are exposed to general and specific market movements.

The interest rate and exchange rate risks of the financial positions taken by the Bank related to financial position and off-balance sheet accounts are measured and while calculating the capital adequacy, the amount subject to value at risk (VaR) is taken into consideration by the standard method. As at 31 December 2023, the highest potential loss of the securities portfolio was generated by historical simulation method as TL 461 (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 authorisation of the Board of Directors and subject to VaR limits as well as stress scenarios.

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



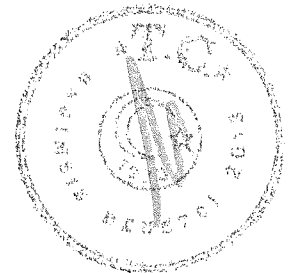
BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ**Notes to the Consolidated Financial Statements****As at and for the year ended 31 December 2023***(Currency - In thousands of Turkish Lira)***26. Financial risk management (continued)****Currency risk**

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.

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

31 December 2023	USD	EUR	Others	Total
Assets				
Due from banks and financial institutions	147,350	3	-	147,353
Financial assets held for trading	92,131	823	91	93,045
Reserve deposits at central banks	24,904	-	-	24,904
Loans and finance lease receivables	609,938	-	-	609,938
Other assets	1,291	-	-	1,291
Total assets	875,614	826	91	876,531
Liabilities				
Trading liabilities	-	-	-	-
Funds borrowed	32,656	-	-	32,656
Other liabilities	835,596	355	2	835,953
Total liabilities	868,252	355	2	868,609
Gross exposure	7,362	471	89	7,922
Off-balance sheet position				
Net notional amount of derivatives	(5,873)	-	-	(5,873)
Net exposure	1,489	471	89	2,049



BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ**Notes to the Consolidated Financial Statements
As at and for the year ended 31 December 2023***(Currency - In thousands of Turkish Lira)***26. Financial risk management (continued)****Currency risk (continued)**

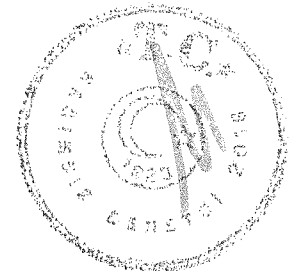
31 December 2022	USD	EUR	Others	Total
Assets				
Due from banks and financial institutions	18,982	2,129	134	21,245
Fair value through comprehensive income	160,309	-	-	160,309
Reserve deposits at Central banks	25,962	-	-	25,962
Loans and finance lease receivables	1,030,387	-	-	1,030,387
Other assets	1,351	-	-	1,351
Total assets	1,236,991	2,129	134	1,239,254
Liabilities				
Trading liabilities	7,662	-	-	7,662
Funds borrowed	712,709	356,129	-	1,068,838
Other liabilities	34,105	358	2	34,465
Total liabilities	754,476	356,487	2	1,110,965
Gross exposure	482,515	(354,358)	132	128,289
Off-balance sheet position				
Net notional amount of derivatives	(466,713)	354,751	-	(111,962)
Net exposure	15,802	393	132	16,327

Sensitivity analysis

A 10% weakening of TL against the foreign currencies at 31 December 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.

	31 December 2023		31 December 2022	
	Equity	Profit or loss	Equity	Profit or loss
USD	149	149	1,580	1,580
EUR	47	47	39	39
Other currencies	9	9	14	14
Total	205	205	1,633	1,633

A 10% strengthening of the TL against the foreign currencies at 31 December 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.



BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ

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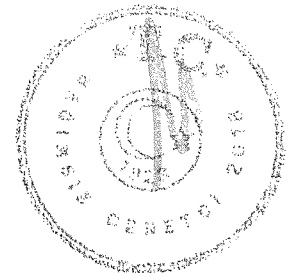
26. Financial risk management (continued)

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 utilises interest rate cap/floor agreements, interest rate swaps and setting limits on the positions, which can be taken by the Group's credit and treasury divisions to hedge the interest rate sensitivity of the Group.



BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ

**Notes to the Consolidated Financial Statements
As at and for the year ended 31 December 2023**

(Currency - In thousands of Turkish Lira)

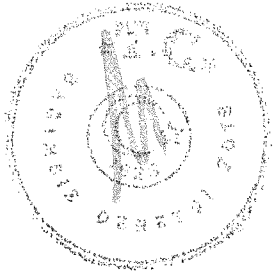
26. Financial risk management (continued)

Cash flow and fair value interest rate risk (continued)

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

31 December 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	147,350	-	-	-	-	-	-	-	-	13	147,363
Due from banks and financial institutions	-	-	-	-	-	-	-	-	-	99,008	99,008
Interbank and other money market placements	118,615	-	-	-	-	-	-	-	-	-	118,615
Reserve deposits at central banks	25,679	-	-	-	-	-	-	-	-	-	25,679
Trading assets	4,361	255	548	-	-	-	-	-	-	-	5,164
Investment securities	59,067	50,857	19,057	-	-	-	-	-	-	160	129,141
Loan securities	574	-	19,694	-	-	-	-	-	-	-	20,268
Loans and finance lease receivables	273,657	69,165	23,629	96,330	98,144	49,013	-	-	-	-	609,938
Other assets	-	-	-	-	-	-	-	-	-	315,595	315,595
Total assets	629,303	120,277	62,928	96,330	98,144	49,013	-	-	-	414,776	1,470,771
Liabilities											
Money market deposits	19,528	-	-	-	-	-	-	-	-	-	19,528
Funds borrowed	3,246	29,711	-	-	-	-	-	-	-	-	32,957
Trading liabilities	313	1,686	3,995	-	-	-	-	-	-	-	5,994
Other liabilities ⁽¹⁾	3,870	-	-	-	432	7,416	-	-	-	982,633	994,351
Total liabilities	26,957	31,397	3,995	-	432	7,416	-	-	-	982,633	1,052,830
Financial position interest sensitivity gap	602,346	88,880	58,933	96,330	97,712	41,597	-	-	-	(567,857)	417,941
Off-balance sheet interest sensitivity gap, net	7,035	(1,842)	(3,466)	-	-	-	-	-	-	-	1,727
Total interest sensitivity gap	609,381	87,038	55,467	96,330	97,712	41,597	-	-	-	(567,857)	419,668

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



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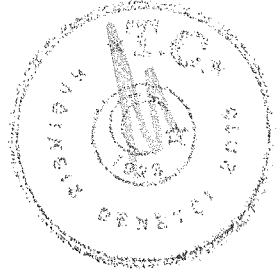
(Currency - In thousands of Turkish Lira)

26. 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	-	-	-	-	-	-	-	-	-	10	10
Due from banks and financial institutions	-	-	-	-	-	-	-	-	-	32,062	32,062
Interbank and other money market placements	-	-	-	-	-	-	-	-	-	-	-
Reserve deposits at central banks	40,137	-	-	-	-	-	-	-	-	120,398	160,535
Trading assets	9,685	44,103	14,632	-	-	-	-	-	-	-	68,420
Investment securities	13,118	45,257	145,412	-	-	-	-	-	-	264	204,051
Loan securities	-	-	919	-	-	-	-	-	-	-	919
Loans and finance lease receivables	50,299	104,076	58,702	461,661	201,639	102,716	51,295	-	-	129,498	1,159,886
Other assets	-	-	-	-	-	-	-	-	-	272,471	272,471
Total assets	113,239	193,436	219,665	461,661	201,639	102,716	51,295	-	-	554,703	1,898,354
Liabilities											
Money market deposits	888	-	-	-	-	-	-	-	-	-	888
Funds borrowed	690,768	31,312	248,102	-	-	-	-	-	107,725	-	1,077,907
Trading liabilities	3,265	17,674	8,667	-	-	-	-	-	-	-	29,606
Other liabilities ⁽¹⁾	1,748	-	-	-	4,294	14,739	-	-	-	130,582	151,363
Total liabilities	696,669	48,986	256,769	-	4,294	14,739	-	-	107,725	130,582	1,259,764
Financial position interest sensitivity gap	(583,430)	144,450	(37,104)	461,661	197,345	87,977	51,295	-	(107,725)	424,121	638,590
Off-balance sheet interest sensitivity gap, net	10,686	29,601	18,977	-	-	-	-	419,290	-	-	478,554
Total interest sensitivity gap	(572,744)	174,051	(18,127)	461,661	197,345	87,977	51,295	419,290	(107,725)	424,121	1,117,144

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



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26. Financial risk management (continued)

Cash flow and fair value interest rate risk (continued)

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

31 December 2023 (%)	TL	USD	EUR	CHF
Due from banks and financial institutions	-	5.73	-	-
Interbank and other money market placements	54.25	-	-	-
Investment securities and loaned securities	28.98	-	-	-
Loans and finance lease receivables				
- Corporate loans	-	7.73	-	-
- Retail loans	-	-	-	-
Money market deposits	49.50	-	-	-
Funds borrowed	52.81	7.14	-	-
Current account of loan customers ⁽¹⁾	10.51	-	-	-

31 December 2022 (%)	TL	USD	EUR	CHF
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.

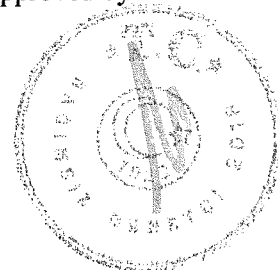
The Bank's value at market risks as of 31 December 2023 and as of 31 December 2022 calculated as per the statutory financial statements prepared for Banking Regulation and Supervision Agency (BRSA) reporting purposes within the scope of "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks" published in Official Gazette no. 26333 dated 1 November 2006, are as follows:

	2023			2022		
	Average	Highest	Lowest	Average	Highest	Lowest
Interest rate risk	18,132	36,038	4,913	33,138	45,963	18,388
Counter party risk	-	-	-	-	-	-
Currency risk	13,350	37,575	1,950	15,731	23,213	3,938
Total value-at-risk	31,482	73,613	6,863	48,869	69,176	22,326

Capital Management

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

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26. Financial risk management (continued)

Cash flow and fair value interest rate risk (continued)

Exposure to interest rate risk – non-trading portfolios

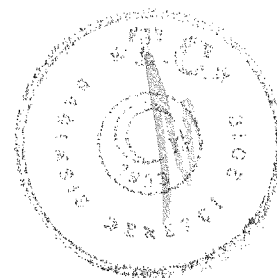
Interest rate sensitivity of the banking book is calculated as the difference of discounted cash flows of assets and liabilities. With this method, the future changes of interest rates and their effects on the cash flow of asset and liabilities are simulated and the influence of these changes on the 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 (%)	31 December	
	2023	31 December 2022
Local TL interest rate		
+500 bps	(0.16)	(2.46)
-400 bps	0.13	5.00
Foreign currency interest rate		
+200 bps EUR	-	1.67
-200 bps EUR	-	(1.79)
+200 bps USD	(1.71)	(3.04)
-200 bps USD	1.80	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 31 December 2023 and 31 December 2022 is as follows:

	31 December	
	2023	31 December 2022
Amount subject to credit risk (I)	949,712	1,265,229
Amount subject to market risk (II)	9,500	81,790
Amount subject to operational risk (III)	169,989	206,283
Total risk-weighted assets, value at market risk and operational risk (IV) = (I+II+III)	1,129,201	1,553,302
Capital for the purpose of calculating the capital adequacy ratio	392,761	608,556
Capital adequacy ratio	34.78%	39.18%



BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ

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27. Classification of financial assets and financial liabilities

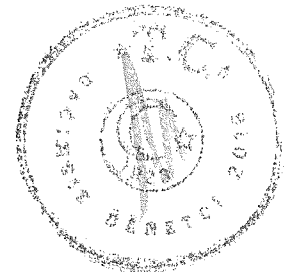
The table below provides reconciliation between line items in the statement of financial position and categories of financial instruments.

31 December 2023	Note	FVPL	Loans and lease receivables at amortised cost	FVOCI	Other amortised cost	Total carrying amount
Cash and balances with central banks	10	-	147,363	-	-	147,363
Due from banks and financial institutions	10	-	99,008	-	-	99,008
Interbank and other money market placements	10	-	118,615	-	-	118,615
Reserve deposits at central banks	11	-	25,679	-	-	25,679
Trading assets	12	5,164	-	-	-	5,164
Investment securities	13	-	-	129,141	-	129,141
Loaned securities	13	-	-	20,268	-	20,268
Loans and finance lease receivables	14	-	609,938	-	-	609,938
Total financial assets		5,164	1,000,603	149,409	-	1,155,176
Other money market deposits	19	-	-	-	19,528	19,528
Trading liabilities	12	5,994	-	-	-	5,994
Funds borrowed	20	-	-	-	32,957	32,957
Current accounts of loan customers ⁽¹⁾	22	-	-	-	967,711	967,711
Total financial liabilities		5,994	-	-	1,020,196	1,026,190

⁽¹⁾ Included in other liabilities.

31 December 2022	Note	FVPL	Loans and lease receivables at amortised cost	FVOCI	Other amortised cost	Total carrying amount
Cash and balances with central banks	10	-	10	-	-	10
Due from banks and financial institutions	10	-	32,062	-	-	32,062
Interbank and other money market placements	10	-	-	-	-	-
Reserve deposits at central banks	11	-	160,535	-	-	160,535
Trading assets	12	68,420	-	-	-	68,420
Investment securities	13	-	-	204,051	-	204,051
Loaned securities	13	-	-	919	-	919
Loans and finance lease receivables	14	-	1,159,886	-	-	1,159,886
Total financial assets		68,420	1,352,493	204,970	-	1,625,883
Other money market deposits	19	-	-	-	888	888
Trading liabilities	12	29,606	-	-	-	29,606
Funds borrowed	20	-	-	-	1,077,907	1,077,907
Current accounts of loan customers ⁽¹⁾	22	-	-	-	78,892	78,892
Total financial liabilities		29,606	-	-	1,157,687	1,187,293

⁽¹⁾ Included in other liabilities.



BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ**Notes to the Consolidated Financial Statements****As at and for the year ended 31 December 2023***(Currency - In thousands of Turkish Lira)***28. Fair value of financial and non-financial instruments****Valuation of assets measured at fair value**

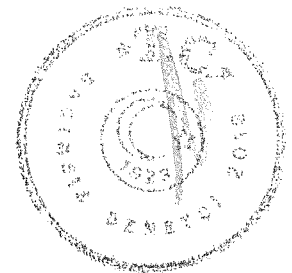
This table below analyses financial instruments measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the values recognised in the statement of financial position.

31 December 2023	Level 1	Level 2	Level 3	Total
<i>Financial instruments</i>				
Financial assets at fair value through profit or loss (FVPL)	-	5,164	-	5,164
Investment and loaned securities at FVOCI	149,409	-	-	149,409
	149,409	5,164	-	154,573

<i>Financial instruments</i>				
Financial liabilities at fair value through profit or loss (FVPL)	-	5,994	-	5,994
	-	5,994	-	5,994

31 December 2022	Level 1	Level 2	Level 3	Total
<i>Financial instruments</i>				
Financial assets at fair value through profit or loss (FVPL)	3,925	64,495	-	68,420
Investment and loaned securities at FVOCI	204,970	-	-	204,970
	208,895	64,495	-	273,390

<i>Financial instruments</i>				
Financial liabilities at fair value through profit or loss (FVPL)	-	29,606	-	29,606
	-	29,606	-	29,606



BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ**Notes to the Consolidated Financial Statements****As at and for the year ended 31 December 2023***(Currency - In thousands of Turkish Lira)***28. Fair value of financial and non-financial instruments (continued)****Financial instruments not measured at fair value – fair value hierarchy**

	31 December 2023		31 December 2022	
	Carrying value	Fair value	Carrying value	Fair value
Financial assets:				
Reserve deposits at the Central Bank	173,042	172,942	160,535	160,004
Loans and finance lease receivables	609,938	618,210	1,159,886	1,166,895
Financial liabilities:				
Money market deposits	19,528	19,457	888	888
Other liabilities	967,711	891,624	78,892	105,799
Funds borrowed	32,957	41,512	1,077,907	1,069,951

Loans and finance lease receivables

Loans and finance lease receivables are net of provisions for impairment. The estimated fair value of loans and finance lease receivables represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value.

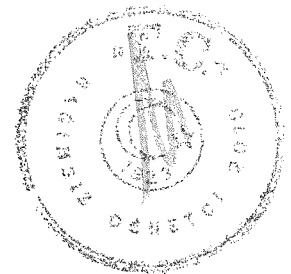
Estimated fair value of lease contracts receivables represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value.

Money market deposits, funds borrowed and current accounts of loan customers

The estimated fair value of money market deposits and current accounts of loan customers without quoted market price is based on discounted cash flows using interest rates for new debts with similar remaining maturity.

The estimated fair value of fixed interest bearing funds borrowed is based on discounted cash flows using interest rates for new debts with similar remaining maturity and the estimated fair value of floating interest bearing funds borrowed are equal to their carrying value.

Fair values of remaining financial assets and liabilities carried at amortised cost, including cash and balances with central banks, due from banks and financial institutions, interbank and other money market placements, reserve deposits at central banks, deposits from other banks are considered to approximate their respective carrying values due to their short-term nature.



BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ

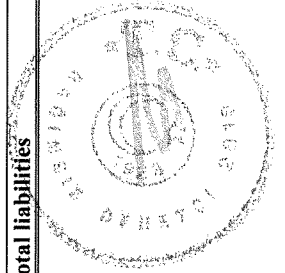
Notes to the Consolidated Financial Statements As at and for the year ended 31 December 2023

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29. Operating segments

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

Current Period	Asset management and treasury	Corporate banking	Retail banking	Non-financial services	Total
Interest income	104,445	70,751	243	2,454	177,893
Interest expense	(119,645)	(431)	-	-	(120,076)
Current income/(expense) between departments	48,517	(48,464)	(53)	-	-
Net interest income	33,317	21,856	190	2,454	57,817
Net fee and commission income/(expense)	(3,299)	2,312	-	-	(987)
Net trading income and foreign exchange gain, net	218,381	48	-	1,491	219,920
Other operating income	5,294	496	-	45	5,835
Total operating income	253,693	24,712	190	3,990	282,585
Net impairment loss on financial and non-financial assets	1,966	(6,365)	-	-	(4,399)
Total operating expenses	(135,182)	(98,465)	(2,489)	(4,121)	(240,257)
Profit/(loss) before income tax	120,477	(80,118)	(2,299)	(131)	37,929
Income tax	(47,322)	28,146	802	(336)	(18,710)
Net profit/(loss) for the period	73,155	(51,972)	(1,497)	(467)	19,219
Monetary gain / (loss)	(207,385)	(16,029)	(154)	(3,235)	(226,803)
Net profit/(loss) for the period	(134,230)	(68,001)	(1,651)	(3,702)	(207,584)
Total assets	398,742	1,057,057	2,081	12,891	1,470,771
Total liabilities	47,056	1,000,056	1,824	3,894	1,052,830



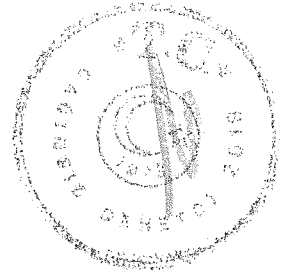
BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ

**Notes to the Consolidated Financial Statements
As at and for the year ended 31 December 2023**

(Currency - In thousands of Turkish Lira)

29. Operating segments (continued)

	Asset management and treasury			Retail banking	Non-financial services	Total
	Prior Period 31.12.2022	Corporate banking				
Interest income	36,258	161,453	1,743	2,613	202,067	
Interest expense	(174,144)	(1,144)	-	-	(175,288)	
Internal transfer rate income/(expense)	108,748	(109,007)	259	-	-	
Net interest income	(29,138)	51,302	2,002	2,613	26,779	
Net/ (expense)	(3,200)	7,394	-	-	4,194	
Net trading income and foreign exchange gain, net	340,361	64	-	1,157	341,582	
Other operating income	10,233	107	-	774	11,114	
Total operating income	318,256	58,867	2,002	4,544	383,669	
Net impairment loss on financial and non-financial assets	2,536	(15,297)	-	-	(12,761)	
Total operating expenses	(137,856)	(86,498)	(2,450)	(2,977)	(229,781)	
Profit / (loss) before income tax	182,936	(42,928)	(448)	1,567	141,127	
Income tax	(22,465)	6,387	31	(590)	(16,637)	
Net profit/(loss) for the year	160,471	(36,541)	(417)	977	124,490	
Monetary gain / (loss)	(287,206)	(31,673)	(1,758)	(3,744)	(324,381)	
Net profit/(loss) for the year	(126,735)	(68,214)	(2,175)	(2,767)	(199,891)	
Total assets 31.12.2022	697,574	1,186,978	554	13,248	1,898,354	
Total liabilities 31.12.2022	1,243,710	18,717	26	(2,689)	1,259,764	



BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ

Notes to the Consolidated Financial Statements

As at and for the year ended 31 December 2023

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30. Rating

None.

31. Events after the reporting period

None.

