**NUROL YATIRIM BANKASI**
**ANONİM ŞİRKETİ**

CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED
30 JUNE 2015

Deloitte

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# REPORT ON REVIEW OF CONDENSED INTERIM FINANCIAL INFORMATION

To the Board of Directors of
Nurol Yatırım Bankası Anonim Şirketi

### *Introduction*

We have reviewed the accompanying condensed statement of financial position of Nurol Yatırım Bankası A.Ş. (the "Bank") as of 30 June 2015, and the related condensed statement of profit or loss and other comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the six-month period then ended. Management is responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34, "Interim Financial Reporting" ("IAS 34"). Our responsibility is to express a conclusion on this condensed interim financial information based on our review.

### *Scope of review*

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

### *Conclusion*

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

DRT Bağımsız Denetim ve SMMM A.Ş.

DRT BAĞIMSIZ DENETİM VE SERBEST MUHASEBECİ MALİ MÜŞAVİRLİK A.Ş.

Member of **DELOITTE TOUCHE TOHMATSU LIMITED**

Istanbul, 31 August 2015

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**CONDENSED STATEMENT OF FINANCIAL POSITION**
**AS OF 30 JUNE 2015**
*(Currency - In thousands of Turkish Lira)*

| | Note | 30 June 2015 | 31 December 2014 |
|---|---|---|---|
| **Assets** | | | |
| Cash and cash equivalents | *5* | 50,905 | 194,901 |
| Reserve deposits at Central Bank | | 15,574 | 17,491 |
| Held for trading investments | *6* | 18,314 | 5,136 |
| Available for sale investments | *7* | 41,250 | 58,755 |
| Loans and advances to customers | *8* | 611,574 | 356,456 |
| Property and equipment | *9* | 1,786 | 488 |
| Intangible assets | *10* | 1,103 | 1,021 |
| Other assets | | 3,365 | 4,279 |
| **Total assets** | | **743,871** | **638,527** |
| **Liabilities** | | | |
| Funds borrowed | *11* | 158,610 | 119,332 |
| Debt securities issued | *12* | 311,869 | 204,629 |
| Other liabilities | *13* | 143,329 | 200,469 |
| Derivative financial instruments | | 10,948 | 2,211 |
| Provisions | *14* | 2,900 | 2,974 |
| Current tax liability | *15* | 452 | 2,033 |
| Deferred tax liability | *15* | 274 | 657 |
| **Total liabilities** | | **628,382** | **532,305** |
| **Equity** | | | |
| Share capital | *17* | 45,000 | 45,000 |
| Reserves | | 23,235 | 23,034 |
| Retained earnings | | 47,254 | 38,188 |
| **Total equity** | | **115,489** | **106,222** |
| **Total liabilities and equity** | | **743,871** | **638,527** |

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

**NUROL YATIRIM BANKASI ANONİM ŞİRKETİ**

**CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE PERIOD ENDED 30 JUNE 2015**

*(Currency - In thousands of Turkish Lira)*

| | Note | 1 January-<br>30 June 2015 | 1 January-<br>30 June 2014 |
|---|---|---|---|
| Interest income | *18* | 36,355 | 24,357 |
| Interest expense | *18* | (15,930) | (12,447) |
| **Net interest income** | | **20,425** | **11,910** |
| Fee and commission income | *19* | 7,224 | 6,483 |
| Fee and commission expense | *19* | (2,136) | (1,007) |
| **Net fee and commission income** | | **5,088** | **5,476** |
| Net trading income / (loss) | | 669 | (1,073) |
| Other operating income | | 47 | 114 |
| | | **716** | **(959)** |
| **Operating income** | | **26,229** | **16,427** |
| Net impairment/recoveries on financial assets | *8* | (4,375) | 49 |
| Other provision expenses | | (289) | (99) |
| Personnel expenses | | (5,427) | (3,509) |
| Depreciation and amortization | *9,10* | (216) | (236) |
| Administrative expenses | *20* | (4,637) | (3,532) |
| **Profit before income tax** | | **11,285** | **9,100** |
| Income tax expense | *15* | (2,219) | (1,824) |
| **Profit from continued operations** | | **9,066** | **7,276** |
| Income from discontinued operations | | - | - |
| Income tax provision from discontinued operations | | - | - |
| **Profit from discontinued operations** | | - | - |
| **Profit for the period** | | **9,066** | **7,276** |
| **Other comprehensive income** | | | |
| **Available-for-sale financial assets** | | | |
| Gains / (Loss) arising during the period | | 226 | 801 |
| Income tax relating to components of other comprehensive income | *15* | (25) | (90) |
| **Other comprehensive income for the period, net of income tax** | | **201** | **711** |
| **Total comprehensive income for the period** | | **9,267** | **7,987** |

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

**NUROL YATIRIM BANKASI ANONİM ŞİRKETİ**

**CONDENSED STATEMENT OF CHANGES IN EQUITY**
**FOR THE PERIOD ENDED 30 JUNE 2015**

*(Currency - In thousands of Turkish Lira)*

| | Note | Share capital | Fair value reserve of available for sale financial assets | Retained earnings | Total equity |
|---|---|---|---|---|---|
| **Balances at 1 January 2014** | | **45,000** | **21,950** | **23,472** | **90,422** |
| **Total comprehensive income for the period** | | | | | |
| - Profit for the period | | - | - | 7,276 | **7,276** |
| Other comprehensive income for the period, net of tax | | - | 711 | - | **711** |
| **Total other comprehensive income** | | - | - | - | - |
| **Total comprehensive income for the period** | | - | **711** | **7,276** | **7,987** |
| **Balance at 30 June 2014** | | **45,000** | **22,661** | **30,748** | **98,409** |
| **Balances at 1 January 2015** | | **45,000** | **21,883** | **39,339** | **106,222** |
| **Total comprehensive income for the period** | | | | | |
| - Profit for the period | | - | - | 9,066 | **9,066** |
| Other comprehensive income for the period, net of tax | | - | 201 | - | **201** |
| **Total other comprehensive income** | | - | - | - | - |
| **Total comprehensive income for the period** | | - | **201** | **9,066** | **9,267** |
| **Balance at 30 June 2015** | | **45,000** | **22,084** | **48,405** | **115,489** |

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

**NUROL YATIRIM BANKASI ANONİM ŞİRKETİ**
**CONDENSED STATEMENT OF CASH FLOWS**
**FOR THE PERIOD ENDED 30 JUNE 2015**
*(Currency - In thousands of Turkish Lira)*

| | *Note* | **1 January-30 June 2015** | **1 January-30 June 2014** |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Net profit for the period | | 9,066 | 7,276 |
| **Adjustments:** | | | |
| Depreciation and amortisation | *9,10* | 216 | 241 |
| Current tax expense | | 2,626 | 1,693 |
| Deferred tax (income)/expense | | (407) | 131 |
| Provision for loan losses | *8* | 4,375 | (49) |
| Other provisions | | 225 | (146) |
| Accrual on derivative instruments | | (8,882) | 2,026 |
| Other accruals | | (12,058) | (461) |
| Foreign exchange loss / (gain) | | (516) | (1,196) |
| Other | | - | (2,464) |
| | | **(5,355)** | **7,051** |
| **Changes in operating assets and liabilities** | | | |
| Change in held for trading investments | | - | 5,221 |
| Change in loans and advances to customers | | (244,192) | (139,658) |
| Change in reserve deposits | | 2,026 | 6,013 |
| Change in other assets | | 914 | 4,932 |
| Change in other liabilities | | (61,814) | 109,236 |
| Change in borrowings | | 39,910 | (172,592) |
| Taxes paid | | (4,208) | - |
| **Net cash provided by / (used in) operating activities** | | **(272,719)** | **(179,797)** |
| **Cash flows from investing activities** | | | |
| Purchase of available for sale investments | | 18,137 | (376) |
| Purchase of property and equipment | *9* | (1,438) | (43) |
| Purchase of intangible assets | *10* | (158) | (41) |
| **Net cash (used in) / provided by investing activities** | | **16,541** | **(460)** |
| Proceeds from debt securities issued | | 114,707 | 94,626 |
| Other | | (3,041) | 23,392 |
| **Net cash provided by financing activities** | | **111,666** | **118,018** |
| **Effect of foreign exchange rate change on cash and cash equivalents** | | 516 | 1,196 |
| **Net increase in cash and cash equivalents** | | **(143,996)** | **(61,043)** |
| Cash and cash equivalents at 1 January | | 194,901 | 81,391 |
| **Cash and cash equivalents at 30 June** | | **50,905** | **20,348** |

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

*(Currency - In thousands of Turkish Lira)*

## 1. Corporate information

### General

Nurol Yatırım Bankası A.Ş. (the "Bank" or "Nurolbank") was established in 1998 by the permission of the council of Ministers Decree No. 98/11565 dated 6 August 1998, to finance investment and foreign trade activities, and started its financial banking activities in May 1999. Nurolbank is owned controlled by the Nurol Holding A.Ş. Nurolbank operates as an investment bank and is also involved in corporate services such as financial leasing, lending and trade finance. According to the current legislation for investment banks, the Bank is not authorised to receive deposits from customers. The Bank's head office is located at Nurol Plaza in Maslak in İstanbul, Turkey.

The shareholders' structure of the Bank is as disclosed below:

| Shareholders | Total nominal value of the shares | Share percentage (%) |
|---|---|---|
| Nurol Holding A.Ş. | 35,171 | 78.16 |
| Nurol İnşaat ve Tic. A.Ş. | 7,182 | 15.96 |
| Other | 2,647 | 5.88 |

The shareholder having direct or indirect control over the shares of the Bank is Nurol Group. The Group has operations in construction, defence, finance, tourism, health, mining, real estate, marketing and manufacturing industries through 33 firms within the Nurol Group, 4 joint ventures and 11 domestic-foreign associates and subsidiaries.

The Board of Directors of the Bank comprised the following members:

| | |
|---|---|
| Nurettin Çarmıklı | *Chairman* |
| Erol Çarmıklı | *Deputy Chairman of Board* |
| M. Oğuz Çarmıklı | *Deputy Chairman of Board* |
| Dr. Ahmet Paşaoğlu | *Board Member* |
| S. Ceyda Çarmıklı | *Board Member* |
| Ahmet Şirin | *Board Member (Audit Committee Member)* |
| Yusuf Serbest | *Board Member* |
| Prof Dr. Dursun Ali Alp | *Board Member (Audit Committee Member)* |
| Özgür Altuntaş | *Board Member – General Manager* |
| Ahmet Kerim Kemahlı | *Board Member* |

*(Currency - In thousands of Turkish Lira)*

## 2. New and Revised International Financial Reporting Standards

a) Amendments to IFRSs affecting amounts reported and/or disclosures in the financial statements

None.

b) New and Revised IFRSs applied with no material effect on the financial statements

| | |
|---|---|
| Amendments to IAS 19 | Defined Benefit Plans: Employee Contributions 1 |
| Annual Improvements to 2010-2012 Cycle | IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16 and IAS 38, IAS 24 [1] |
| Annual Improvements to 2011-2013 Cycle | IFRS 1, IFRS 3, IFRS 13, IAS 40 [1] |

[1] Effective for annual periods beginning on or after 1 July 2014.

**Amendments to IAS 19 Defined Benefit Plans: *Employee Contributions***

This amendment clarifies the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service. In addition, it permits a practical expedient if the amount of the contributions is independent of the number of years of service, in that contributions, can, but are not required, to be recognised as a reduction in the service cost in the period in which the related service is rendered.

**Annual Improvements to 2010-2012 Cycle**

**IFRS 2:** Amends the definitions of 'vesting condition' and 'market condition' and adds definitions for 'performance condition' and 'service condition'.

**IFRS 3:** Require contingent consideration that is classified as an asset or a liability to be measured at fair value at each reporting date.

**IFRS 8:** Requires disclosure of the judgments made by management in applying the aggregation criteria to operating segments, clarify reconciliations of segment assets only required if segment assets are reported regularly.

**IFRS 13:** Clarify that issuing IFRS 13 and amending IFRS 9 and IAS 39 did not remove the ability to measure certain short-term receivables and payables on an undiscounted basis (amends basis for conclusions only).

**IAS 16 and IAS 38:** Clarify that the gross amount of property, plant and equipment is adjusted in a manner consistent with a revaluation of the carrying amount.

**IAS 24:** Clarify how payments to entities providing management services are to be disclosed.

**Annual Improvements to 2011-2013 Cycle**

**IFRS 1:** Clarify which versions of IFRSs can be used on initial adoption (amends basis for conclusions only).

**IFRS 3:** Clarify that IFRS 3 excludes from its scope the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself.

**IFRS 13:** Clarify the scope of the portfolio exception in paragraph 52.

**IAS 40:** Clarifying the interrelationship of IFRS 3 and IAS 40 when classifying property as investment property or owner-occupied property.

*(Currency - In thousands of Turkish Lira)*

## 2. New and Revised International Financial Reporting Standards (continued)

c) New and revised IFRSs in issue but not yet effective

The Bank has not applied the following new and revised IFRSs that have been issued but are not yet effective:

| | |
|---|---|
| IFRS 9 | *Financial Instruments* [3] |
| IFRS 14 | *Regulatory Deferral Accounts* [1] |
| Amendments to IFRS 11 | *Accounting for Acquisition of Interests in Joint Operations* [1] |
| Amendments to IAS 16 and IAS 38 | *Clarification of Acceptable Methods of Depreciation and Amortisation* [1] |
| Amendments to IAS 16 and IAS 41 | *Agriculture: Bearer Plants* [1] |
| IFRS 15 | *Revenue from Contracts with Customers* [3] |
| Amendments to IAS 27 | *Equity Method in Separate Financial Statements* [1] |
| Amendments to IFRS 10 and IAS 28 | *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* [1] |
| Annual Improvements to 2012-2014 Cycle | *IFRS 5, IFRS 7, IAS 19, IAS 34* [2] |
| Amendments to IAS 1 | *Disclosure Initiative* [1] |
| Amendments to IFRS 10, IFRS 12 and IAS 28 | *Investment Entities: Applying the Consolidation Exception* [1] |

[1] Effective for annual periods beginning on or after 1 January 2016.
[2] Effective for annual periods beginning on or after 1 July 2016.
[3] Effective for annual periods beginning on or after 1 January 2018.

### IFRS 9 *Financial Instruments*

IFRS 9, issued in November 2009, introduces new requirements for the classification and measurement of financial assets. IFRS 9 was amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a "fair value through other comprehensive income ("FVTOCI") measurement category for certain simple debt instruments.

### IFRS 14 *Regulatory Deferral Accounts*

IFRS 14 *Regulatory Deferral Accounts* permits an entity which is a first-time adopter of International Financial Reporting Standards to continue to account, with some limited changes, for 'regulatory deferral account balances' in accordance with its previous GAAP, both on initial adoption of IFRS and in subsequent financial statements.

IFRS 14 was issued by the IASB on 30 January 2014 and is applied to an entity's first annual IFRS financial statements for a period beginning on or after 1 January 2016.

### Amendments to IFRS 11 *Accounting for Acquisition of Interests in Joint Operations*

This amendment requires an acquirer of an interest in a joint operation in which the activity constitutes a business to:

- apply all of the business combinations accounting principles in IFRS 3 and other IFRSs, except for those principles that conflict with the guidance in IFRS 11,
- disclose the information required by IFRS 3 and other IFRSs for business combinations.

## 2. New and Revised International Financial Reporting Standards (continued)

c)New and revised IFRSs in issue but not yet effective (continued)

**Amendments to IAS 16 and IAS 38 *Clarification of Acceptable Methods of Depreciation and Amortisation***

This amendment clarifies that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate for property, plant and equipment, and introduces a rebuttable presumption that an amortisation method that is based on the revenue generated by an activity that includes the use of an intangible asset is inappropriate, which can only be overcome in limited circumstances where the intangible asset is expressed as a measure of revenue, or when it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated. The amendment also adds guidance that expected future reductions in the selling price of an item that was produced using an asset could indicate the expectation of technological or commercial obsolescence of the asset, which, in turn, might reflect a reduction of the future economic benefits embodied in the asset.

**IFRS 15 *Revenue from Contracts with Customers***

IFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers.

The five steps in the model are as follows:

- Identify the contract with the customer,
- Identify the performance obligations in the contract,
- Determine the transaction price,
- Allocate the transaction price to the performance obligations in the contracts,
- Recognise revenue when the entity satisfies a performance obligation.

**Amendments to IAS 27 *Equity Method in Separate Financial Statements***

This amendment permits investments in subsidiaries, joint ventures and associates to be optionally accounted for using the equity method in separate financial statements.

**Amendments to IFRS 10 and IAS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture***

This amendment clarifies the treatment of the sale or contribution of assets from an investor to its associate or joint venture.

**Annual Improvements 2012-2014 Cycle**

**IFRS 5:** Adds specific guidance in IFRS 5 for cases in which an entity reclassifies an asset from held for sale to held for distribution or vice versa and cases in which held-for-distribution accounting is discontinued.

**IFRS 7:** Additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset, and clarification on offsetting disclosures in condensed interim financial statements.

**IAS 19:** Clarify that the high quality corporate bonds used in estimating the discount rate for post-employment benefits should be denominated in the same currency as the benefits to be paid.

**IAS 34:** Clarify the meaning of 'elsewhere in the interim report' and require a cross-reference.

**Amendments to IAS 1 *Disclosure Initiative***

This amendment addresses perceived impediments to preparers exercising their judgment in presenting their financial reports.

## 2. New and Revised International Financial Reporting Standards (continued)

c)New and revised IFRSs in issue but not yet effective (continued)

**Amendments to IFRS 10, IFRS 12 and IAS 28 *Investment Entities: Applying the Consolidation Exception***

This amendment addresses issues that have arisen in the context of applying the consolidation exception for investment entities by clarifying the following points:

- The exemption from preparing consolidated financial statements for an intermediate parent entity is available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures all of its subsidiaries at fair value.
- A subsidiary that provides services related to the parent's investment activities should not be consolidated if the subsidiary itself is an investment entity.
- When applying the equity method to an associate or a joint venture, a non-investment entity investor in an investment entity may retain the fair value measurement applied by the associate or joint venture to its interests in subsidiaries.
- An investment entity measuring all of its subsidiaries at fair value provides the disclosures relating to investment entities required by IFRS 12.

The Bank evaluates the effects of these standards, amendments and improvements on the condensed interim financial statements.

## 3. Significant accounting policies

### 3.1 Statement of compliance

The Bank maintains its book of account and prepares its statutory financial statements in Turkish Lira ("TL") in accordance with the accounting principles as promulgated by the Banking Regulation and Supervision Agency ("BRSA"), Capital Markets Board of Turkey, the Turkish Commercial Code and tax legislation.

The condensed interim financial statements have been prepared in accordance with IAS 34.

The condensed interim financial statements were authorised for issue by the Bank's management on 31 August 2015. The Bank's General Assembly and the other reporting bodies have the power to amend the condensed interim financial statements after their issue.

### 3.2 Basis of measurement

The financial statements have been prepared on historical cost basis except for the following:

- derivative financial instruments are measured at fair value,
- financial instruments at fair value through profit or loss are measured at fair value,
- available-for-sale financial instruments.

### 3.3 Accounting in hyperinflationary economies

The financial statements of the Bank for the periods before 1 January 2006 were adjusted to compensate for the effect of changes in the general purchasing power of the Turkish Lira based on IAS 29 "Financial Reporting in Hyperinflationary Economies". Turkish Economy is accepted to come off its highly inflationary status as of 1 January 2006. Based on this consideration, IAS 29 has not been applied in the preparation of the financial statements since 1 January 2006. Amounts expressed in the measuring unit current at 31 December 2005 were treated as the basis for the carrying amounts after 1 January 2006.

*(Currency - In thousands of Turkish Lira)*

## 3. Significant accounting policies (continued)

### 3.4 Changes in accounting policies

The accounting policies used in the preparation of these condensed interim financial statements for the period ended 30 June 2015 are consistent with those used in the preparation of annual financial statements for the year ended 31 December 2014.

### 3.5 Changes in accounting estimates

If any change in an accounting estimate affects both the period of the current change and future periods, the effects of the change shall be recognized in the period of the change and in future periods prospectively. There are not any significant changes in the accounting estimates of the Bank in the current period.

### 3.6 Functional and presentation currency

These 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.

## 4. Segment reporting

A segment is a distinguishable component of the Bank that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

The Bank operates in investment and corporate banking. Accordingly, the Bank invests with the funds provided by using the capital market instruments and provides consultancy services so as to provide efficient management and sound financial structure to business enterprises.

The Bank provides investment and operating loans to its commercial and personal customers and also provides service packages consisting of foreign trade operations, investment products, cash management, financial leasing, factoring, and other banking products.

Major financial statement items according to business lines:

| 2015 | Retail banking | Corporate banking | Investment banking | Other | Total operations of the Bank |
|---|---|---|---|---|---|
| Operating income | 23 | 23,185 | 306 | 2,715 | 26,229 |
| Expenses | - | (12,155) | - | (2,789) | (14,944) |
| Profit before income tax | 23 | 11,030 | 306 | (74) | 11,285 |
| Income tax income/expense | - | - | - | - | (2,219) |
| Profit from continued operations | 23 | 11,030 | 306 | (74) | 9,066 |
| Profit from discontinued operations | - | - | - | - | - |
| **Profit for the period** | **23** | **11,030** | **306** | **(74)** | **9,066** |
| **30 June 2015** | | | | | |
| Segment assets | 217 | 735,610 | - | 8,044 | 743,871 |
| Non-distributed Asset | - | - | - | - | - |
| **Total assets** | **217** | **735,610** | **-** | **8,044** | **743,871** |
| Segment liabilities | - | 635,947 | - | - | 635,947 |
| Shareholders' equity | - | - | - | 107,924 | 107,924 |
| **Total liabilities** | **-** | **635,947** | **-** | **107,924** | **743,871** |

*(Currency - In thousands of Turkish Lira)*

## 4. Segment reporting (continued)

| 2014 | Retail banking | Corporate banking | Investment banking | Other (*) | Total operations of the Bank |
|---|---|---|---|---|---|
| Operating income | 24 | 15,506 | 553 | 344 | 16,427 |
| Other expenses | - | (7,327) | - | - | (7,327) |
| Profit before income tax | 24 | 8,179 | 553 | 344 | 9,100 |
| Income tax income/expense | - | - | - | - | (1,824) |
| Profit from continued operations | 24 | 8,179 | 553 | 344 | 7,276 |
| Profit from discontinued operations | - | - | - | - | - |
| **Profit for the year** | **24** | **8,179** | **553** | **344** | **7,276** |

| 31 December 2014 | Retail Banking | Corporate Banking | Investment banking | Other | Total operations of the Bank |
|---|---|---|---|---|---|
| Segment assets | 319 | 631,013 | - | 7,195 | 638,527 |
| Non-distributed Asset | - | - | - | - | - |
| **Total assets** | **319** | **631,013** | **-** | **7,195** | **638,527** |
| Segment liabilities | - | 536,633 | - | - | 536,633 |
| Shareholders' equity | - | - | - | 101,894 | 101,894 |
| **Total liabilities** | **-** | **536,633** | **-** | **101,894** | **638,527** |

***Geographical concentration***

| | Assets | Liabilities | Non-cash loans | Capital expendi-tures | Net profit / (loss) |
|---|---|---|---|---|---|
| **30 June 2015** | | | | | |
| Domestic | 735,502 | 743,871 | 327,970 | 1,786 | 9,066 |
| European Union countries | 1,762 | - | - | - | - |
| OECD countries | 5,566 | - | - | - | - |
| USA, Canada | 1,041 | - | - | - | - |
| Other countries | - | - | - | - | - |
| **Total** | **743,871** | **743,871** | **327,970** | **1,786** | **9,066** |
| **31 December 2014** | | | | | |
| Domestic | 631,973 | 630,398 | 308,225 | 488 | 15,867 |
| European Union countries | 361 | - | - | - | - |
| OECD countries | 5,146 | - | - | - | - |
| USA, Canada | 1,047 | - | - | - | - |
| Other countries | - | 8,129 | - | - | - |
| **Total** | **638,527** | **638,527** | **308,225** | **488** | 15,867 |

*(Currency - In thousands of Turkish Lira)*

## 5. Cash and cash equivalents

| | 30 June 2015 | 31 December 2014 |
|---|---|---|
| Cash and balances with central banks | 173 | 638 |
| *- Cash on hand* | *160* | *187* |
| *- Balances with central banks* | *13* | *451* |
| Due from banks and financial institutions | 50,732 | 109,210 |
| Placements at money markets | - | 85,053 |
| **Cash and cash equivalents in the balance sheet** | **50,905** | **194,901** |

## 6. Held for trading investments

| | 30 June 2015 | 31 December 2014 |
|---|---|---|
| **Debt instruments** | | |
| Turkish government bonds-TL denominated | 18,314 | 5,136 |
| **Total held for trading investments** | **18,314** | **5,136** |

Income and losses comprising the gains and losses related to and liabilities and realised and unrealised fair value changes are reflected in the statement of profit or loss as net trading income / (loss).

## 7. Available for sale investments

| | 30 June 2015 | | 31 December 2014 | |
|---|---|---|---|---|
| | Amount | Effective interest rate | Amount | Effective interest rate |
| **Available-for-sale investments at fair value** | | | | |
| Debt instruments – TL denominated [a] | 15,730 | 11.99% | 33,363 | 17.00% |
| Equity instruments – listed [b] | 25,520 | | 25,392 | |
| **Total available-for-sale investments at fair value** | **41,250** | | **58,755** | |

(a) Available for sale debt instruments include government bonds denominated in TL amounting to TL 2,022 Thousand (31 December 2014: TL 4,096 Thousand); the remaining portion amounting to TL 13,500 Thousand (31 December 2014: TL 24,261 Thousand) consists of private sector bonds.

(b) The Bank holds 15.97% of Nurol Gayrimenkul Yatırım Ortaklığı A.Ş. ("Company")'s shares as of 30 June 2015 and the investment is accounted under available for sale investments, as the Bank has no significant influence on the Company. As of the balance sheet date the shares are accounted for using the market price and fair value reserve of TL 22,154 Thousand is accounted under equity (31 December 2014: TL 23,016 Thousand).

*(Currency - In thousands of Turkish Lira)*

## 8. Loans and advances to customers

| | 30 June 2015 | | | |
|---|---|---|---|---|
| | Amount | | | |
| | TL | Foreign currency | Foreign currency indexed | Total |
| Finance lease receivables | 10,096 | - | - | 10,096 |
| Factoring receivables | - | - | - | - |
| Short-term loans | 389,332 | - | - | 389,332 |
| Medium and long-term loans | 201,420 | - | - | 201,420 |
| **Total performing loans** | **600,848** | **-** | **-** | **600,848** |
| Non-performing loans | 507 | 16,506 | - | 17,013 |
| Less: Reserve for possible loan losses | (341) | (5,946) | - | (6,287) |
| **Total loans, net** | **601,014** | **10,560** | **-** | **611,574** |

| | 31 December 2014 | | | |
|---|---|---|---|---|
| | Amount | | | |
| | TL | Foreign currency | Foreign currency indexed | Total |
| Finance lease receivables | 11,728 | 608 | - | 12,336 |
| Factoring receivables | - | - | - | - |
| Short-term loans | 127,548 | 22,936 | - | 150,484 |
| Medium and long-term loans | 144,240 | 37,010 | - | 181,250 |
| **Total performing loans** | **283,516** | **60,554** | **-** | **344,070** |
| Non-performing loans | 507 | 13,791 | - | 14,298 |
| Less: Reserve for possible loan losses | (342) | (1,570) | - | (1,912) |
| **Total loans, net** | **283,682** | **72,774** | **-** | **356,456** |

Movements in non-performing loans:

| | 30 June 2015 | 30 June 2014 |
|---|---|---|
| Reserve at beginning of period | 1,912 | 390 |
| Provision for possible loan losses | 4,375 | - |
| Recoveries | - | (49) |
| Provision, net of recoveries | 4,375 | (49) |
| Amount written off | - | - |
| **Reserve at end of period** | **6,287** | **341** |

*(Currency - In thousands of Turkish Lira)*

## 8. Loans and advances to customers (continued)

Loans and advances to customers include the following finance lease receivables.

| | 30 June 2015 | 31 December 2014 |
|---|---|---|
| Gross investment in finance leases, receivable: | | |
| Less than one year | 6,369 | 6,401 |
| Between one and five years | 6,141 | 8,998 |
| | **12,510** | **15,399** |
| Unearned future income on finance leases | (2,414) | (3,063) |
| **Net investment in finance leases** | **10,096** | **12,336** |
| The net investment in finance leases comprises: | | |
| Less than one year | 5,207 | 5,033 |
| Between one and four years | 4,889 | 7,303 |
| | **10,096** | **12,336** |

The finance leases typically run for a period of one to four years, with transfer of ownership of the leased asset at the end of the lease term. Interest is charged over the period of the lease.

The receivables are secured by way of the underlying assets.

*(Currency - In thousands of Turkish Lira)*

## 9. Property and equipment

| | Office equipment | Furniture and fixtures | Other fixed assets | Total |
|---|---|---|---|---|
| **Cost** | | | | |
| Balance at 1 January 2015 | 1,668 | 652 | 591 | 2,911 |
| Acquisitions | 71 | 251 | 1,116 | 1,438 |
| **Balance at 30 June 2015** | **1,739** | **903** | **1,707** | **4,349** |
| **Depreciation** | | | | |
| Balance at 1 January 2015 | (1,366) | (615) | (442) | (2,423) |
| Depreciation charge for the period | (59) | (12) | (69) | (140) |
| **Balance at 30 June 2015** | **(1,425)** | **(627)** | **(511)** | **(2,563)** |
| **Carrying value as of 30 June 2015** | **314** | **276** | **1,196** | **1,786** |

| | Office equipment | Furniture and fixtures | Other fixed assets | Total |
|---|---|---|---|---|
| **Cost** | | | | |
| Balance at 1 January 2014 | 1,543 | 652 | 523 | 2,718 |
| Acquisitions | 41 | - | 2 | 43 |
| **Balance at 30 June 2014** | **1,584** | **652** | **525** | **2,761** |
| **Depreciation** | | | | |
| Balance at 1 January 2014 | (1,118) | (609) | (411) | (2,138) |
| Depreciation charge for the period | (122) | (3) | (15) | (140) |
| **Balance at 30 June 2014** | **(1,240)** | **(612)** | **(426)** | **(2,278)** |
| **Carrying value as of 30 June 2014** | **344** | **40** | **99** | **483** |

As of 30 June 2015 tangible assets were insured to the extent to TL 2,983 Thousand in total.

The estimated useful lives are as follows:

| | |
|---|---|
| Motor vehicles | 5 - 7 years |
| Office equipment, furniture and fixtures | 5 - 15 years |
| Leased assets | shorter of 5 - 10 years and the lease term |

*(Currency - In thousands of Turkish Lira)*

## 10. Intangible assets

| | Software | Total |
|---|---|---|
| **Cost** | | |
| Balance at 1 January 2015 | 4,038 | 4,038 |
| Additions | 158 | 158 |
| **Balance at 30 June 2015** | **4,196** | **4,196** |
| **Amortization and impairment** | | |
| Balance at 1 January 2015 | (3,017) | (3,017) |
| Amortization charge for the period | (76) | (76) |
| **Balance at 30 June 2015** | **(3,093)** | **(3,093)** |
| **Carrying value as of 30 June 2015** | **1,103** | **1,103** |

| | Software | Total |
|---|---|---|
| **Cost** | | |
| Balance at 1 January 2014 | 3,884 | 3,884 |
| Additions | 41 | 41 |
| **Balance at 30 June 2014** | **3,925** | **3,925** |
| **Amortization and impairment** | | |
| Balance at 1 January 2014 | (2,794) | (2,794) |
| Amortization charge for the period | (101) | (101) |
| **Balance at 30 June 2014** | **(2,895)** | **(2,895)** |
| **Carrying value as of 30 June 2014** | **1,030** | **1,030** |

*(Currency - In thousands of Turkish Lira)*

## 11. Funds borrowed

| | 30 June 2015 | | | 31 December 2014 | | |
|---|---|---|---|---|---|---|
| | TL | Foreign currency | Total | TL | Foreign currency | Total |
| Funds borrowed | 19,844 | 137,663 | 157,507 | 32,673 | 35,154 | 67,827 |
| Obligations under repurchase agreements | 1,103 | - | 1,103 | 51,505 | - | 51,505 |
| | **20,947** | **137,663** | **158,610** | **84,178** | **35,154** | **119,332** |

The effective interest rate for funds borrowed denominated in USD is 2.65% (2014 –2.00%), in EUR is 2.43% (2014 – 2.93%) and in TL is 10.70% (2014 – 11.23 %). As at 30 June 2015 and 31 December 2014, funds borrowed have fixed interest rates.

As at 30 June 2015 and 31 December 2014, funds borrowed are unsecured.

The Bank has not had any defaults of principal, interest or redemption amounts or other breaches of loan covenants as at 30 June 2015 (31 December 2014 – None).

## 12. Debt securities issued

The Bank has issued floating rate debt securities amounting to TL 100,000,000 at 24 January 2013 with 728 days maturity and three-month period interest payment. Bank reclaimed securities worth TL 12,250,000 in nominal value that was issued, as of balance sheet date. The Bank has also issued bills on 29 April 2014 with nominal value of TL 30,000,000, interest rate of 5.27% and term of 179 days; bonds on 29 April 2014 with nominal value of TL 30,000,000, interest rate of 3.06% and term of 540 days, with variable interest, coupon payments as every three months and bonds on 2 June 2014 with nominal value of TL 40,000,000, interest rate of 4.72% and term of 179 days through sales to the qualified investors. As at 30 June 2015, debt securities are as follows:

| | 30 June 2015 | | | 31 December 2014 | | |
|---|---|---|---|---|---|---|
| | TL | Foreign currency | Total | TL | Foreign currency | Total |
| Bonds | 311,869 | - | 311,869 | 204,629 | - | 204,629 |
| | **311,869** | **-** | **311,869** | **204,629** | **-** | **204,629** |

## 13. Other liabilities

| | 30 June 2015 | 31 December 2014 |
|---|---|---|
| Current accounts of loan customers | 130,919 | 192,074 |
| Taxes and funds payable | 1,427 | 3,356 |
| Others | 10,983 | 5,039 |
| | **143,329** | **200,469** |

*(Currency - In thousands of Turkish Lira)*

## 14. Provisions

| | 30 June 2015 | 31 December 2014 |
|---|---|---|
| Employee termination benefits | 596 | 565 |
| Bonus accrual | 250 | 247 |
| Unused vacation accrual | 413 | 404 |
| Provision for non -cash loans | 955 | 963 |
| Provision for lawsuits | 686 | 380 |
| Other | - | 415 |
| | **2,900** | **2,974** |

## 15. Taxation

The Bank is subject to taxation in accordance with the tax procedures and the legislation effective in Turkey.

In Turkey, corporate tax rate is 20%. The tax legislation provides for a temporary tax of 20% to be calculated and paid based on earnings generated for each quarter. The amounts which are calculated and paid are offset against the final corporate tax liability for the year.

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 twenty-fifth day of the fourth month following the year-end balance sheet date and taxes must be paid in one instalment by the end of the fourth month.

### Income tax recognised in the income statement

The components of income tax expense as stated below:

| | 2015 | 2014 |
|---|---|---|
| **Current tax** | | |
| Current income tax | (2,626) | (1,693) |
| **Deferred income / (expense) tax** | | |
| Relating to origination and reversal of temporary differences | 407 | (131) |
| **Income tax expense reported in the income statement** | **(2,219)** | **(1,824)** |

### Reconciliation of effective tax rate

Reconciliation between tax expense and the accounting profit multiplied by the statutory income tax rate for the years ended 30 June 2015 and 30 June 2014 is as follows:

| | 2015 | 2014 |
|---|---|---|
| Profit before income tax | 11,285 | 9,100 |
| Income tax using the domestic corporate tax rate 20% | (2,257) | (1,820) |
| Disallowable expenses | (64) | (10) |
| Other | 102 | 6 |
| **Total income tax expense in the profit or loss** | **(2,219)** | **(1,824)** |

*(Currency - In thousands of Turkish Lira)*

## 15. Taxation (continued)

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

| | 30 June 2015 | 30 June 2014 |
|---|---|---|
| Deferred tax assets / (liability), net at 1 January | (657) | (640) |
| Deferred tax recognised in the profit or loss | 407 | (131) |
| Deferred income tax recognised in other comprehensive income | (25) | (90) |
| **Deferred tax assets/(liabilities), net at end of June** | **(275)** | **(861)** |

**Deferred tax assets and liabilities**

Deferred tax assets and liabilities are attributable to the following:

| | 30 June 2015 | | | 31 December 2014 | | |
|---|---|---|---|---|---|---|
| | Assets | Liabilities | Net | Assets | Liabilities | Net |
| Liability for employee benefits | 202 | - | 202 | 194 | - | 194 |
| Valuation of available for sale financial assets | - | (1,182) | (1,182) | - | (1,155) | (1,155) |
| Other | 706 | - | 706 | - | 304 | 304 |
| | **908** | **(1,182)** | **(274)** | **194** | **(851)** | **(657)** |

## 16. Commitments and contingencies

In the normal course of business, the Bank enters into a number of contractual commitments on behalf of its customers and is a party to financial instruments with off-balance sheet risk to meet the financing needs of its customers. These contractual commitments consist of commitments to extend credit, commercial letters of credit and standby letters of credit and guarantees. Commitments to extend credit are agreements to lend to a customer as long as there is no violation of the conditions established in the contract. Commercial letters of credit ensure payment by a bank to a third party for a customer's foreign or domestic trade transactions, generally to finance a commercial contract for the shipment of goods. Standby letters of credit and financial guarantees are conditional commitments issued by the Bank to guarantee the performance of a customer to a third party. All of these arrangements are related to the normal lending activities of the Bank. The Bank's exposure to credit loss in the event of non-performance by the other party to the financial instrument for commitments to extend credit and commercial and standby letters of credit is represented by the contractual notional amount of those instruments. The Bank uses the same credit policies in making commitments and conditional obligations as it does for on-balance-sheet instruments.

As at 30 June 2015; commitments and contingencies comprised the following:

| | 30 June 2015 | 31 December 2014 |
|---|---|---|
| Letters of guarantee | 321,068 | 300,991 |
| Letters of credit | 6,902 | 5,084 |
| Bank acceptance | - | 2,150 |
| Other commitments | 250 | 236 |
| **Total** | **328,220** | **308,461** |

*(Currency - In thousands of Turkish Lira)*

## 17. Share capital and reserves

### Share capital

As at 30 June 2015 and 31 December 2014, the composition of shareholders and their respective percentage of ownership are summarised as follows:

| | 2015 | | 2014 | |
|---|---|---|---|---|
| | **Amount** | **%** | **Amount** | **%** |
| Nurol Holding A.Ş. | 35,171 | 78 | 35,171 | 78 |
| Nurol İnşaat ve Tic. A.Ş. | 7,182 | 16 | 7,182 | 16 |
| Nurol Otelcilik ve Turizm İşletmeciliği A.Ş. | 367 | 1 | 367 | 1 |
| Others | 2,250 | 5 | 2,250 | 5 |
| **Total** | **45,000** | | **45,000** | |

As at 30 June 2015 and 31 December 2014, the authorised share capital comprised of 45,000 ordinary shares having a par value of TL full 1,000. All issued shares are paid.

In accordance with the resolution of Board of Directors dated 4 March 2008, adjustment to share capital was offset against the accumulated loss.

### 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.

As at 30 June 2015, the Bank's legal reserves amounted to TL 1,151 Thousand (31 December 2014 – TL 1,151 Thousand).

*(Currency - In thousands of Turkish Lira)*

## 18. Net interest income

| | 1 January-30 June 2015 | 1 January-30 June 2014 |
|---|---|---|
| **Interest income** | | |
| Loans and advances to customers | 32,886 | 20,107 |
| Deposits with banks and other financial institutions | 733 | 1,028 |
| Held for trading and available for sale investments | 1,653 | 1,628 |
| Financial leases | 752 | 1,082 |
| Other | 331 | 512 |
| | **36,355** | **24,357** |
| **Interest expense** | | |
| Funds borrowed | 1,376 | 2,090 |
| Debt securities issued | 12,999 | 7,216 |
| Interbank funds borrowed | 1,555 | 3,141 |
| | **15,930** | **12,447** |
| **Net interest income** | **20,425** | **11,910** |

## 19. Net fee and commission income

| | 1 January-30 June 2015 | 1 January-30 June 2014 |
|---|---|---|
| **Fee and commission income** | | |
| Non-cash loans | 2,570 | 2,101 |
| Other | 4,654 | 4,382 |
| **Total fee and commission income** | **7,224** | **6,483** |
| **Fee and commission expense** | | |
| Non-cash loans | 207 | 342 |
| Other | 1,929 | 665 |
| **Total fee and commission expense** | **2,136** | **1,007** |
| **Net fee and commission income** | **5,088** | **5,476** |

*(Currency - In thousands of Turkish Lira)*

## 20. Administrative expenses

| | **1 January-30 June 2015** | **1 January-30 June 2014** |
|---|---|---|
| Nurol Holding recharges | 1,525 | 1,394 |
| Rent expenses | 493 | 432 |
| Telecommunication expenses | 365 | 288 |
| Audit and advisory expenses | 400 | 109 |
| Notary expenses | 754 | 19 |
| Taxes and duties expenses | 293 | - |
| Computer expenses | 285 | 312 |
| Maintenance expenses | 64 | 56 |
| Transportation expenses | 68 | 81 |
| Office supplies | 92 | 3 |
| Hosting expenses | 43 | 33 |
| Advertising expenses | 6 | 10 |
| Other various administrative expenses | 249 | 795 |
| **Total** | **4,637** | **3,532** |

## 21. Financial risk management objectives and policies

### a) Introduction and overview

The Bank has exposure to the following risks from financial instruments:

- credit risk
- market risks

This note presents information about the Bank's exposure to each of the above risks, the Bank's objectives, policies and processes for measuring and managing risk, and the Bank's management of capital.

*Risk management framework*

The Bank's risk approach is to achieve sound and sustainable low risk profile, through the identification, the measurement and the monitoring of all types of risks inherent in the nature of the business activities. The main principle of the Bank is to manage the credit risk effectively and to eliminate the other types of risk by not carrying positions.

In the course of its normal operations, the Bank is exposed to a number of risks such as credit risk, liquidity risk, market risk and operational risk. The Bank's risk policy can be summarised as:

- well managing the credit risk through a high standardised credit risk management
- eliminating liquidity risk
- minimising market risk

In accordance with the Bank's general risk management strategy; the Bank aims to eliminate and hedge its currency, interest rate and maturity positions that might create liquidity or market risk to the Bank. Additionally, in order to minimise the market risk, marketable securities portfolio is limited proportional to the total assets size.

Board of Directors is the highest authority to set all risk management guidelines, and it is responsible for ensuring that the Bank implements all necessary risk management techniques in compliance with the related regulatory requirements in Turkey.

All risk levels are set and approved by the Board of Directors on a regularly basis, and it is announced to the organization.

The Bank manages its exposure to all types of risks through the Asset and Liability Committee, comprising members of senior management, and a representative of main shareholder.

In summary, in order not to be exposed to any liquidity, interest rate, market and foreign currency risk, the Bank always keeps its funding structure in line with the asset structure (in terms of currency, maturity and interest rate) and hedges its positions through various derivative transactions. In addition to that, the Bank does not take any speculative positions on currency, interest rate and maturity that might create any liquidity or market risk to the Bank.

*(Currency - In thousands of Turkish Lira)*

## 21. Financial risk management objectives and policies (continued)

### b) Credit risk

Credit risk represents the risk arising from the counter party's not fulfilling its responsibilities stated in the agreement either partially or totally. Credit Risk Management Committee is responsible for managing credit risk at the Bank.

Total amount of credits granted to a group is subject to certain credit risk limits. According to the decision taken by the Board of Directors, the maximum amount of the loan to be granted to a group (cash and non-cash) is limited with the calculation of certain percentages of the shareholders' equity based on the rating of the group. Furthermore, concentration risk is monitored on monthly basis in terms of industry, rating by risk group and customer.

The credibility of the debtors of the Bank is assessed periodically. Loan limits of the loan customers are revised periodically in line with the Bank's procedures. The Bank analyses the credibility of the loans within the framework of its loan policies and obtains collaterals for loans and other receivables.

The restructured and rescheduled loans are evaluated in the Bank's current rating system besides the follow up method determined in the related regulation.

*Credit risk by risk groups*

| | Individual | Corporate | Leasing | Factoring | Total |
|---|---|---|---|---|---|
| **30 June 2015** | | | | | |
| Performing loans | 278 | 590,474 | 10,096 | - | 600,848 |
| Loans under close monitoring | - | - | - | - | - |
| Non-performing loans | 2 | 17,011 | - | - | 17,013 |
| **Gross** | **280** | **607,485** | **10,096** | - | **617,861** |
| Reserve for possible loan losses | (2) | (6,285) | - | - | (6,287) |
| **Total** | **278** | **601,200** | **10,096** | - | **611,574** |
| **31 December 2014** | | | | | |
| Performing loans | 315 | 331,419 | 12,336 | - | 344,070 |
| Non-performing loans | 2 | 14,296 | - | - | 14,298 |
| **Gross** | **317** | **345,715** | **12,336** | - | **358,368** |
| Reserve for possible loan losses | (2) | (1,910) | - | - | (1,912) |
| **Total** | **315** | **343,805** | **12,336** | - | **356,456** |

*(Currency - In thousands of Turkish Lira)*

## 21. Financial risk management objectives and policies (continued)

### b) Credit risk (continued)

*Exposure to credit risk*

| | | Due from banks | | Loans and advances to customers | |
|---|---|---|---|---|---|
| **At 30 June** | *Notes* | **2015** | **2014** | **2015** | **2014** |
| **Carrying amount** | | **50,732** | **194,263** | **611,574** | **356,456** |
| Individually impaired | | | | | |
| - Non-performing financial assets | | - | - | 17,013 | 14,298 |
| **Gross amount** | | **-** | **-** | **17,013** | **14,298** |
| Reserve for possible loan losses | *7* | - | - | (6,287) | (1,912) |
| **Carrying amount** | | **-** | **-** | **10,726** | **12,386** |
| Past due but not impaired | | - | - | - | - |
| **Carrying amount** | | **-** | **-** | **-** | **-** |
| Neither past due nor impaired | | 50,732 | 194,263 | 592,412 | 343,996 |
| **Carrying amount** | | **50,732** | **194,263** | **592,412** | **343,996** |
| Restructured and rescheduled loans and other receivables | | - | - | 8,436 | 74 |
| **Carrying amount** | | **-** | **-** | **8,436** | **74** |
| **Carrying amount (amortised cost)** | *7* | **50,732** | **194,263** | **611,574** | **356,456** |

*Impaired loans and advances*

Individually impaired loans are loans and advances for which the Bank determines that there is objective evidence of impairment and it does not expect to collect all principal and interest due according to the contractual terms of the loan.

*Past due but not impaired loans*

Past due but not impaired loans are those for which contractual interest or principal payments are past due, but the Bank believes that impairment is not appropriate on the basis of the level of security / collateral available and / or the stage of collection of amounts owed to the Bank.

## 21. Financial risk management objectives and policies (continued)

### b) Credit risk (continued)

*Exposure to credit risk (continued)*

*Reserve for possible loan losses*

The Bank establishes an allowance for impairment losses that represents its estimate of incurred losses in its loan portfolio.

The Bank establishes an allowance for impairment losses on assets carried at amortised cost that represents its estimate of incurred losses in its loan portfolio.

*Write-off policy*

The Bank writes off a loan balance and any related allowances for impairment losses, when Bank position such that the borrower can no longer pay the obligation, or that proceeds from collateral will not sufficient to pay back the entire exposure.

*Collateral policy*

The Bank holds collateral against loans and advances to customers in the form of mortgage interests over property, other registered securities over assets, and guarantees. Estimates of fair value are based on the value of collateral assessed at the time of borrowing, and generally are not updated except when a loan is individually assessed as impaired. Collateral generally is not held over due from banks, except when securities are held as part of reverse repurchase and securities borrowing activity.

(Currency - In thousands of Turkish Lira)

## 21. Financial risk management objectives and policies (continued)

### b) Credit risk (continued)

*Collateral policy (continued)*

The breakdown of performing cash and non-cash loans and advances to customers by type of collateral is as follows:

| Cash loans | 30 June 2015 | 31 December 2014 |
|---|---|---|
| Secured cash loans | 489,812 | 259,351 |
| *Secured by cash collateral* | - | *25,005* |
| *3rd party guarantees* | *209,864* | *93,021* |
| *Secured by mortgages* | *18,749* | *8,744* |
| *Secured by customer cheques & acts* | *75,063* | *9,573* |
| *Leasing* | *9,917* | *12,262* |
| *Vehicle pledge* | *22,991* | *18,202* |
| *Marketable securities* | - | *2,500* |
| *Assignment of receivables* | *153,228* | *90,044* |
| Non-secured cash loans | 102,618 | 82,030 |
| Accrued interest income on loans | 8,418 | 2,689 |
| **Total performing cash loans** | **600,848** | **344,070** |

| Non-cash loans(1) | 30 June 2015 | 31 December 2014 |
|---|---|---|
| Secured non-cash loans | 247,234 | 225,790 |
| *Personal guarantees* | 245,720 | 224,276 |
| *Secured by cash collateral* | 14 | 14 |
| *Secured by customer cheques & acts* | 1,500 | 1,500 |
| Non-secured non cash loans | 73,834 | 75,201 |
| **Total non-cash loans** | **321,068** | **300,991** |

(1) Other commitments, letters of credit and bank acceptances are not included.

*(Currency - In thousands of Turkish Lira)*

## 21. Financial risk management objectives and policies (continued)

### b) Credit risk (continued)

*Held for trading investments*

At 30 June 2015, the Bank has held for trading investments amounting to TL 18,314 Thousand (31 December 2014– TL 5,136 Thousand). An analysis of the credit quality of the maximum credit exposure is as follows:

| | *Note* | **2015** | **2014** |
|---|---|---|---|
| Government bonds and treasury bills | *6* | 18,314 | 5,136 |
| **Fair value and carrying amount** | | **18,314** | **5,136** |

*(Currency - In thousands of Turkish Lira)*

## 21. Financial risk management objectives and policies (continued)

### c) Capital management

BRSA, the regulatory body of the banking industry, sets and monitors capital requirements for the Bank. BRSA requires the banks to maintain a prescribed ratio of minimum 8% of total capital to total risk-weighted assets.

The Bank's regulatory capital is analysed into two tiers:

- Tier 1 capital, capital is composed of the total amount of paid up capital, legal, voluntary and extra reserves, profits for the period after tax provisions and profits for previous years. The total amount of banks' losses for the period and losses for previous years is taken into account as a deduction item, in the calculation of Tier 1 capital.
- Tier 2 capital, is composed of the total amount of general provisions for credits, fixed assets revaluation fund, revaluation of available-for-sale financial assets and equity investments, subordinated loans received, free reserves set aside for contingencies and the fund for increase in the value of securities.

Risk-weighted assets are determined according to specified requirements that seek to reflect the varying levels of risk attached to assets and off-balance sheet exposures. Operational risk capital requirement is calculated using Basic Indicator Approach and included in the capital adequacy calculations.

The Bank's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

The Bank and its individually regulated operations have complied with externally imposed capital requirements throughout the period.

There have been no material changes in the Bank's management of capital during the period.

The Bank's capital position in accordance with BRSA regulations is as follows:

| | 30 June 2015 | 31 December 2014 |
|---|---|---|
| Amount subject to credit risk (I) | 7,443 | 552,350 |
| Amount subject to market risk (II) | 483 | 20,713 |
| Amount subject to operational risk (III) | 422 | 24,188 |
| **Total risk-weighted assets and value at market risk and operational risk (IV) = (I+II+II)** | **8,348** | **597,251** |
| Shareholders' equity: | | |
| Tier 1 capital | 102,032 | 96,168 |
| Tier 2 capital | 7,827 | 4,654 |
| **Total regulatory capital** | **109,859** | **100,822** |
| **Capital adequacy ratio** | **13.16%** | **16.88%** |

*(Currency - In thousands of Turkish Lira)*

## 21. Financial risk management objectives and policies (continued)

### d) Fair values

The determination of fair values of financial assets and financial liabilities is based on quoted market prices or dealer price quotations for financial instruments traded in active markets or valuation techniques. However, the Bank expects no significant difference between the fair value and carrying value of the financial instruments below since their maturities are short-term.

The table below sets out the Bank's classification of each class of financial assets and liabilities and their fair values.

| | *Notes* | Trading | Loans and receivables | Available for sale | Other amortised cost | Total carrying amount | Fair value |
|---|---|---|---|---|---|---|---|
| **2015** | | | | | | | |
| Cash and cash equivalents | *5* | 50,905 | - | - | - | 50,905 | 50,905 |
| Reserve deposits at Central Bank | | - | 15,574 | - | - | 15,574 | 15,574 |
| Held for trading investments | *6* | 18,314 | - | - | - | 18,314 | 18,314 |
| Available for sale investments | *7* | - | - | 41,250 | - | 41,250 | 41,250 |
| Loans and advances to customers(2) | *8* | - | 611,574 | - | - | 611,574 | 611,574 |
| Other asset | | - | - | - | 3,365 | 3,365 | 3,365 |
| | | **69,219** | **627,148** | **41,250** | **3,365** | **740,982** | **740,982** |
| Funds borrowed(2) | *11* | - | - | - | 158,610 | 158,610 | 158,610 |
| Debt securities issued | *12* | - | - | - | 311,869 | 311,869 | 311,869 |
| Current account of loan customers(1) | | - | - | - | 16,080 | 16,080 | 16,080 |
| | | | | | **486,559** | **486,559** | **486,559** |

(1) Included in other liabilities.

(2) The Bank management assumes that the fair values of the loans and funds borrowed approximate their carrying values since the majority of them are short-term.

| | *Notes* | Trading | Loans and receivables | Available for sale | Other amortised cost | Total carrying amount | Fair value |
|---|---|---|---|---|---|---|---|
| **2014** | | | | | | | |
| Cash and cash equivalents | *5* | 194,901 | - | - | - | 194,901 | 194,901 |
| Reserve deposits at Central Bank | | - | 17,491 | - | - | 17,491 | 17,491 |
| Held for trading investments | *6* | 5,136 | - | - | - | 5,136 | 5,136 |
| Available for sale investments | *7* | - | - | 58,755 | - | 58,755 | 58,755 |
| Loans and advances to customers(2) | *8* | - | 356,456 | - | - | 356,456 | 356,456 |
| Other asset | | - | - | - | 4,279 | 4,279 | 4,279 |
| | | **200,037** | **373,947** | **58,755** | **4,279** | **637,018** | **637,018** |
| Funds borrowed(2) | *11* | - | - | - | 119,332 | 119,332 | 119,332 |
| Debt securities issued | *12* | - | - | - | 204,629 | 204,629 | 204,629 |
| Current account of loan customers(1) | | - | - | - | 13,133 | 13,133 | 13,133 |
| | | **-** | **-** | **-** | **337,094** | **337,094** | **337,094** |

(1) Included in other liabilities.

(2) The Bank management assumes that the fair values of the loans and funds borrowed approximate their carrying values since the majority of them are short-term.

*Loans and advances to customers*

Loans and advances to customers are net of provisions for impairment. The estimated fair value of loans and advances to customers 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.

*(Currency - In thousands of Turkish Lira)*

## 21. Financial risk management objectives and policies (continued)

### d) Fair values (continued)

Fair values of remaining financial assets and liabilities carried at cost, including cash and cash equivalents, reserve deposits at Central Bank, current account of loan customers and funds borrowed are considered to approximate their respective carrying values due to their short-term nature.

The Bank measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

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.

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments, the Bank determines fair values using valuation techniques.

Valuation techniques include net present value and discounted cash flow models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date that would have been determined by market participants acting at arm's length.

The Bank uses widely recognised valuation models for determining the fair value of common and more simple financial instruments, like forwards and currency swaps, that use only observable market data and require little management judgement and estimation. Observable prices and model inputs are usually available in the market for listed debt securities. Availability of observable market prices and model inputs reduces the need for management judgement and estimation and also reduces the uncertainty associated with determination of fair values. Availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets. 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:

| **2015** | *Note* | **Level 1** | **Level 2** | **Level 3** | **Total** |
|---|---|---|---|---|---|
| Held for trading investments | 6 | - | 18,314 | - | 18,314 |
| Available for sale investments | 7 | 41,250 | - | - | 41,250 |
| Derivative financial liabilities held for trading | | - | (10,948) | - | (10,948) |
| | | **41,250** | **7,366** | **-** | **48,616** |

| **2014** | *Note* | **Level 1** | **Level 2** | **Level 3** | **Total** |
|---|---|---|---|---|---|
| Held for trading investments | 6 | - | 5,136 | - | 5,136 |
| Available for sale investments | 7 | 58,595 | - | - | 58,595 |
| Derivative financial liabilities held for trading | | - | (2,211) | - | (2,211) |
| | | **58,595** | **2,925** | **-** | **61,520** |

*(Currency - In thousands of Turkish Lira)*

## 22. Related parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making the financial and operating decisions.

In the course of conducting its banking business, the Bank conducted various business transactions with related parties. These include loans, customer accounts, funds borrowed and non-cash transactions. These are all commercial transactions and realised on an arms-length basis. The volumes of related party transactions, outstanding balances at year-end and relating expense and income for the period are as follows:

| **2015** | **Balance** | **Percentage of the financial statement amount (%)** |
|---|---|---|
| Cash loans | - | - |
| Non-cash loans | 36,742 | 11% |
| Funds borrowed / Current accounts of loan customers | 79,199 | 87% |

| **2014** | **Balance** | **Percentage of the financial statement amount (%)** |
|---|---|---|
| Cash loans | 24,651 | 7% |
| Non-cash loans | 134,406 | 44% |
| Funds borrowed / Current accounts of loan customers | 20,742 | 45% |

| **2015** | **Balance** | **Percentage of the financial statement amount (%)** |
|---|---|---|
| Interest income | 443 | 1% |
| Interest expense | - | - |
| Other operating expense | (1,444) | 28% |

| **2014** | **Balance** | **Percentage of the financial statement amount (%)** |
|---|---|---|
| Interest income | 21,948 | 36% |
| Interest expense | - | - |
| Other operating income | (1,233) | 1% |

## 22. Related parties (continued)

As at 30 June 2015, no provisions have been recognised in respect of loans given to related parties (2014 – none).

### Compensation of key management personnel of the Bank

The executive and non-executive member of Board of Directors and management received remuneration and fees amounted to TL 3,025 comprising salaries and other benefits for the period 1 January-30 June 2015 (1 January09,-30 June 2014: TL 1,856).

## 23. Events after balance sheet date

The Bank issued a bond with a coupon payment every 3 months with TL 50,000,000 par value, 2,94 % interest rate, 539 days maturity, indicator compound interest + 2,50 % variable interest rate on the date of 3 July, 2015; a bond with 70,000,000 par value, 11,13 % interest rate, 182 days maturity on the date of 10 July, 2015.