

Nurol Yatırım Bankası Anonim Şirketi

**Interim condensed consolidated financial statements at
March 31, 2018 together with independent auditor's review
report**

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

To the Board of Directors of
Nurol Yatırım Bankası Anonim Şirketi

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Nurol Yatırım Bankası A.Ş. and its subsidiary ("the Group") as at March 31, 2018, comprising of the interim consolidated statement of financial position as at March 31, 2018 and the related interim consolidated statements of income, comprehensive income, changes in equity and cash flows for the three-month period then ended and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Financial Reporting Standard IAS 34, "Interim financial reporting" (IAS 34). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements 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. Consequently it 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 interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi
A member firm of Ernst & Young Global Limited



Yaşar Bivas, SMMM
Partner

25 May 2018
İstanbul, Turkey

TABLE OF CONTENTS

	Page -----
Condensed Consolidated Statement of Financial Position	1
Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income	2
Condensed Consolidated Statement of Changes in Equity	3
Condensed Consolidated Statement of Cash Flows	4
Notes to the Condensed Consolidated Interim Financial Statements	5 – 54

NUROL YATIRIM BANKASI ANONİM ŞİRKETİ**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF 31 MARCH 2018***(Currency - In thousands of Turkish Lira)*

	Note	Reviewed 31 March 2018	Audited 31 December 2017
Assets			
Cash and cash equivalents	6	63,054	26,682
Reserve deposits at Central Bank	7	168,314	312,292
Derivative financial assets		4,433	1,665
Financial assets measured at fair value through other comprehensive income	8	79,569	136,519
Loans and advances to customers	9	1,581,689	1,060,453
Property and equipment		4,592	2,322
Investment property	10	27,010	4,440
Intangible assets		1,492	1,375
Deferred tax assets	17	4,540	3,256
Other assets	11	155,587	145,156
Total assets		2,090,280	1,694,160
Liabilities			
Funds borrowed	12	561,460	462,441
Debt securities issued	13	848,662	638,849
Other liabilities	15	361,598	279,108
Derivative financial liabilities		25,297	18,831
Subordinated debts	14	58,980	57,267
Provisions	16	5,962	2,754
Current tax liability		-	5,946
Deferred tax liabilities	17	-	-
Total liabilities		1,861,959	1,465,196
Equity			
Share capital	19	125,000	125,000
Reserves		36,095	35,488
Retained earnings		67,226	68,476
Total equity		228,321	228,964
Total liabilities and equity		2,090,280	1,694,160

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

NUROL YATIRIM BANKASI ANONİM ŞİRKETİ

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE THREE MONTH PERIOD THEN ENDED 31 MARCH 2018

(Currency - In thousands of Turkish Lira)

	Note	Reviewed 1 January- 31 March 2018	Reviewed 1 January- 31 March 2017
Interest income	20	73,283	38,223
Interest expense	20	(39,202)	(18,489)
Net interest income		34,081	19,734
Fee and commission income	21	3,907	2,801
Fee and commission expense	21	(3,629)	(2,497)
Net fee and commission income		278	304
Net trading income / (loss)	22	(7,327)	(4,923)
<i>Net gains/(losses) on financial assets/liabilities at fair value through profit or loss</i>		(7,155)	(4,988)
Net gains/(losses) on derecognition of financial assets measured at fair value through other comprehensive income		(172)	65
Other operating income	23	9,989	10,825
		2,662	5,902
Operating income		37,021	25,940
Net impairment/recoveries on financial assets	9	(3,023)	(1,684)
Other provision expenses		(421)	(292)
Personnel expenses	24	(3,764)	(2,984)
Depreciation and amortization		(409)	(261)
Administrative expenses	25	(5,909)	(3,215)
Profit before income tax		23,495	17,504
Income tax expense	17	(4,581)	(3,482)
Profit for the period		18,914	14,022
Other comprehensive income to be reclassified to profit or loss in subsequent periods			
Financial assets measured at fair value through other comprehensive income			
Gain / (Loss) arising during the period		430	4,877
Income tax relating to components of other comprehensive income	17	177	(189)
Other comprehensive income (loss) for the period, net of income tax		607	4,688
Total comprehensive income for the period		19,521	18,710

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

NUROL YATIRIM BANKASI ANONİM ŞİRKETİ

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE THREE MONTH PERIOD THEN ENDED 31 MARCH 2018

(Currency - In thousands of Turkish Lira)

Reviewed	Note	Share capital	Fair value reserve of financial assets at fair value through other comprehensive income	Legal reserves	Retained earnings	Total equity
Balances at 1 January 2017		45,000	24,533	2,913	95,772	168,218
Transfer to reserves		-	-	1,587	(1,587)	-
Total comprehensive income for the period						
- Profit for the period		-	-	-	14,022	14,022
Other comprehensive income for the period, net of tax		-	4,688	-	-	4,688
Total comprehensive income for the period		-	4,688	-	14,022	18,710
Balance at 31 March 2017		45,000	29,221	4,500	108,207	186,928
Reviewed						
Priod period end balance		125,000	30,988	4,500	68,476	228,964
Impact of adopting IFRS 9 (*)	4.21	-	-	-	(20,164)	(20,164)
Balances at 1 January 2018		125,000	30,988	4,500	48,312	208,800
Transfer to reserves		-	-	-	-	-
Capital Increase		-	-	-	-	-
Total comprehensive income for the period						
- Profit for the period		-	-	-	18,914	18,914
- Other comprehensive income for the period, net of tax		-	607	-	-	607
Total comprehensive income for the period		-	607	-	18,914	19,521
Balance at 31 March 2018		125,000	31,595	4,500	67,226	228,321

(*)The prior period financial statements and related disclosures are not restated as permitted by IFRS 9 transition rules and the difference between the book value of 1 January 2018 at the date of application reflected in the opening aspect of equity. The explanations about the transition effects to IFRS 9 are described in accounting policy 4.21.

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

NUROL YATIRIM BANKASI ANONİM ŞİRKETİ

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE THREE MONTH PERIOD THEN ENDED 31 MARCH 2018**

(Currency - In thousands of Turkish Lira)

	<i>Note</i>	Reviewed 1 January- 31 March 2018(*)	Reviewed 1 January- 31 March 2017(*)
Cash flows from operating activities			
Net profit for the period		18,914	14,022
Adjustments:			
Depreciation and amortisation		409	261
Current tax expense	17	6,062	2,424
Deferred tax (income)/expense	17	(1,481)	1,058
Provision for loan losses	9	3,023	1,684
Other provisions		421	210
Other accruals		(533)	(9,334)
Loss from asset sale		-	-
Foreign exchange loss / (gain)		(12,049)	(857)
Fair value gain on investment property		(9,173)	-
Fair value gain on other assets	23	-	6,931
		5,593	16,399
Changes in operating assets and liabilities			
Change in derivative financial assets		(2,768)	(556)
Change in loans and advances to customers		(517,483)	(214,928)
Change in reserve deposits		143,921	791
Change in other assets		(21,736)	(27,509)
Change in other liabilities		60,274	54,256
Change in derivative financial liabilities		6,466	337
Change in borrowings		95,965	76,939
Taxes paid		(6,364)	(4,201)
Net cash provided by / (used in) operating activities		(236,132)	(98,472)
Cash flows from investing activities			
Purchase of financial assests measured at fair value through other comprehensive income		(636,679)	(183,341)
Sale of financial assests measured at fair value through other comprehensive income		693,083	190,210
Purchase of property and equipment		(2,593)	(20)
Proceeds from sale of investment property		-	-
Purchase of intangible assets		(226)	(31)
Net cash (used in) / provided by investing activities		53,585	6,818
Proceeds from debt securities issued		1,032,916	444,640
Repayment from debt securities issued		(826,046)	(426,001)
Proceeds from subordinated debts		-	-
Net cash provided by /(used in) financing activities		206,870	18,639
Effect of foreign exchange rate change on cash and cash equivalents			
		12,049	857
Net increase in cash and cash equivalents			
		36,372	(72,158)
Cash and cash equivalents at 1 January	6	26,682	136,314
Cash and cash equivalents at 31 March	6	63,054	64,156

(*) Cash flows from interest received and paid disclosed together. Interest received is amounting to TL 67,435 (31 March 2017: 28,423) and interest paid is amounting to TL 33,911 (31 March 2017: 18,023).

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

NUROL YATIRIM BANKASI ANONİM ŞİRKETİ

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS OF AND FOR THE THREE MONTH PERIOD THEN ENDED 31 MARCH 2018

(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.

Nurol Varlık Kiralama A.Ş. is established in 2017 to operate in asset leasing sector. Nurol Varlık Kiralama A.Ş. has been registered in trade register as of June 14, 2017 and published in Turkey Trade Registry Gazette numbered 9351 dated 20 June 2017. Nurol Varlık Kiralama A.Ş.’s paid in capital is amounting to TL 50 as of March 31, 2018.

Nature of Activities of the Group

The Group activities include investment banking and corporate services such as asset and financial leasing, lending and trade finance.

Nurolbank operates as an investment bank and 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.	97,697	78.16
Nurol İnşaat ve Tic. A.Ş.	19,950	15.96
Nurol Otelcilik ve Turizm İşletmeciliği A.Ş.	1,103	0.88
Other	6,250	5.00

The shareholder having direct or indirect control over the shares of the Bank is Nurol Group. Nurol 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.

NUROL YATIRIM BANKASI ANONİM ŞİRKETİ

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS OF AND FOR THE THREE MONTH PERIOD THEN ENDED 31 MARCH 2018

(Currency - In thousands of Turkish Lira)

2. The new standards, amendments and interpretations

The accounting policies adopted in preparation of the interim condensed consolidated financial statements as at 31 March 2018 are consistent with those of the previous financial year, except for the adoption of new and amended IFRS and IFRIC interpretations effective as of 1 January 2017. The effects of these standards and interpretations on the Group's financial position and performance have been disclosed in the related paragraphs.

i) The new standards, amendments and interpretations which are effective as at 1 January 2018 are as follows:

IFRS 15 Revenue from Contracts with Customers

The IASB issued IFRS 15 Revenue from Contracts with Customers. The new five-step model in the standard provides the recognition and measurement requirements of revenue. The standard applies to revenue from contracts with customers and provides a model for the sale of some non-financial assets that are not an output of the entity's ordinary activities (e.g., the sale of property, plant and equipment or intangibles). IFRS 15 effective date is 1 January 2018. The Group assessed the effect of IFRS 15 "Revenue from Contracts with Customers" standard and the amendments did not have an impact on the financial position or performance of the Group.

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments. Effective 1 January 2018, the Group adopted IFRS 9, Financial Instruments, which replaces IAS 39, Financial Instruments: Recognition and Measurement and substantially changes the classification, measurement and impairment of financial assets, income statement and balance sheet presentation and disclosure of financial instruments and other arrangements in scope. As permitted by IFRS 9, the Group elected not to restate prior-period information. The adoption of IFRS 9 has resulted in a TL 20.1 million reduction in the Group's IFRS consolidated equity, net of tax as of 1 January 2018. Explanations on adoption of IFRS 9 is explained in Note 4.21.

IFRS 7 Financial Instruments: Disclosures

IFRS 7, Financial Instruments: Disclosures was updated in line with IFRS 9, Financial Instruments. The Group adopted the revised standard on 1 January 2018. Given the first quarter of 2018 includes the date of initial application of IFRS 9, and to meet the general disclosure requirements for interim periods to describe the nature and effects of changes to policies and methods made since the last annual reporting, the Group provides the IFRS 9 transition disclosures as set out by IFRS 7 in the first quarter of 2018. A full set of disclosures as required by revised IFRS 7 will be provided in the Group's annual Financial Statements as of and for the year ended 31 December 2018.

IFRS 2 Classification and Measurement of Share-based Payment Transactions (Amendments)

The IASB issued amendments to IFRS 2 Share-based Payment, clarifying how to account for certain types of share-based payment transactions. The amendments, provide requirements on the accounting for:

- a. the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;
- b. share-based payment transactions with a net settlement feature for withholding tax obligations; and
- c. a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

NUROL YATIRIM BANKASI ANONİM ŞİRKETİ

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS OF AND FOR THE THREE MONTH PERIOD THEN ENDED 31 MARCH 2018

(Currency - In thousands of Turkish Lira)

2. The new standards, amendments and interpretations (continued)

These amendments are applied for annual periods beginning on or after 1 January 2018. The amendments are not applicable for the Group and did not have an impact on the financial position or performance of the Group.

IFRS 4 Insurance Contracts (Amendments)

In September 2016, the IASB issued amendments to IFRS 4 Insurance Contracts. The amendments introduce two approaches: an overlay approach and a deferral approach. These amendments are applied for annual periods beginning on or after 1 January 2018. The amendments are not applicable for the Group and did not have an impact on the financial position or performance of the Group.

IAS 40 Investment Property: Transfers of Investment Property (Amendments)

The IASB issued amendments to IAS 40 'Investment Property'. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. These amendments are applied for annual periods beginning on or after 1 January 2018. The amendments did not have a significant impact on the financial position or performance of the Group.

IFRIC 22 Foreign Currency Transactions and Advance Consideration

The interpretation clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency.

The Interpretation states that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income is the date on which an entity initially recognizes the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. An entity is not required to apply this Interpretation to income taxes; or insurance contracts (including reinsurance contracts) it issues or reinsurance contracts that it holds.

The interpretation is effective for annual reporting periods beginning on or after 1 January 2018. The interpretation is not applicable for the Group and did not have an impact on the financial position or performance of the Group.

Annual Improvements to IFRSs - 2014-2016 Cycle

The IASB issued Annual Improvements to IFRS Standards 2014–2016 Cycle, amending the following standards:

- IFRS 1 First-time Adoption of International Financial Reporting Standards: This amendment deletes the short-term exemptions about some IFRS 7 disclosures, IAS 19 transition provisions and IFRS 10 Investment Entities. These amendments are applied for annual periods beginning on or after 1 January 2018.

IAS 28 Investments in Associates and Joint Ventures: This amendment clarifies that the election to measure an investment in an associate or a joint venture held by, or indirectly through, a venture capital organisation or other qualifying entity at fair value through profit or loss applying IFRS 9 Financial Instruments is available for each associate or joint venture, at the initial recognition of the associate or joint venture. These amendments are applied for annual periods beginning on or after 1 January 2018. The amendments are not applicable for the Group and did not have an impact on the financial position or performance of the Group.

NUROL YATIRIM BANKASI ANONİM ŞİRKETİ

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS OF AND FOR THE THREE MONTH PERIOD THEN ENDED 31 MARCH 2018

(Currency - In thousands of Turkish Lira)

2. The new standards, amendments and interpretations (continued)

ii) Standards issued but not yet effective and not early adopted

Standards, interpretations and amendments to existing standards that are issued but not yet effective up to the date of issuance of the interim condensed consolidated financial statements are as follows. The Group will make the necessary changes if not indicated otherwise, which will be affecting the consolidated financial statements and disclosures, when the new standards and interpretations become effective.

IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments)

In December 2015, the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. Early application of the amendments is still permitted. An entity shall apply those amendments prospectively. The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

IFRS 16 Leases

The IASB has published a new standard, IFRS 16 'Leases'. The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained. IFRS 16 supersedes IAS 17 'Leases' and related interpretations and is effective for periods beginning on or after January 1, 2019, with earlier adoption permitted. The Group is in the process of assessing the impact of the standard on financial position or performance of the Group.

IFRIC 23 Uncertainty over Income Tax Treatments

The interpretation clarifies how to apply the recognition and measurement requirements in "IAS 12 Income Taxes" when there is uncertainty over income tax treatments.

When there is uncertainty over income tax treatments, the interpretation addresses:

- (a) whether an entity considers uncertain tax treatments separately;
- (b) the assumptions an entity makes about the examination of tax treatments by taxation authorities;
- (c) how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and
- (d) how an entity considers changes in facts and circumstances.

An entity shall apply this Interpretation for annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted. If an entity applies this Interpretation for an earlier period, it shall disclose that fact. On initial application, an entity shall apply the interpretation either retrospectively applying IAS 8, or retrospectively with the cumulative effect of initially applying the Interpretation recognised at the date of initial application. The Group is in the process of assessing the impact of the interpretation on financial position or performance of the Group.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
AS OF AND FOR THE THREE MONTH PERIOD THEN ENDED 31 MARCH 2018**

(Currency - In thousands of Turkish Lira)

2. The new standards, amendments and interpretations (continued)

IFRS 17 - The new Standard for insurance contracts

The IASB issued IFRS 17, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. IFRS 17 model combines a current balance sheet measurement of insurance contract liabilities with the recognition of profit over the period that services are provided. IFRS 17 will become effective for annual reporting periods beginning on or after 1 January 2021; early application is permitted. The amendments are not applicable for the Group and did not have an impact on the financial position or performance of the Group.

Prepayment Features with Negative Compensation (Amendments to IFRS 9)

In October 2017, the IASB issued minor amendments to IFRS 9 Financial Instruments to enable companies to measure some prepayable financial assets at amortised cost.

Applying IFRS 9, a company would measure a financial asset with so-called negative compensation at fair value through profit or loss. Applying the amendments, if a specific condition is met, entities will be able to measure at amortised cost some prepayable financial assets with so-called negative compensation.

The amendments are effective from annual periods beginning on or after 1 January 2019, with early application permitted. The amendments are not applicable for the Group and will not have an impact on the financial position or performance of the Group.

Amendments to IAS 28 Investments in Associates and Joint Ventures (Amendments)

In October 2017, the IASB issued amendments to IAS 28 Investments in Associates and Joint Ventures. In this amendment the IASB clarified that the exclusion in IFRS 9 applies only to interests a company accounts for using the equity method. A company applies IFRS 9 to other interests in associates and joint ventures, including long-term interests to which the equity method is not applied and that, in substance, form part of the net investment in those associates and joint ventures.

The amendments are effective for annual periods beginning on or after 1 January 2019, with early application permitted. Overall, the Group expects no significant impact on its balance sheet and equity.

Annual Improvements – 2015–2017 Cycle

In December 2017, the IASB announced Annual Improvements to IFRS Standards 2015–2017 Cycle, containing the following amendments to IFRSs:

- IFRS 3 Business Combinations and IFRS 11 Joint Arrangements — The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.
- IAS 12 Income Taxes — The amendments clarify that all income tax consequences of dividends (i.e. distribution of profits) should be recognised in profit or loss, regardless of how the tax arises.
- IAS 23 Borrowing Costs — The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.

NUROL YATIRIM BANKASI ANONİM ŞİRKETİ

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS OF AND FOR THE THREE MONTH PERIOD THEN ENDED 31 MARCH 2018

(Currency - In thousands of Turkish Lira)

2. The new standards, amendments and interpretations (continued)

The amendments are effective from annual periods beginning on or after 1 January 2019, with early application permitted. The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)

On 7 February 2018, the IASB published Amendments to IAS 19 “Plan Amendment, Curtailment or Settlement” to harmonise accounting practices and to provide more relevant information for decision-making. The amendments require entities to use updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after a plan amendment, curtailment or settlement occurs. An entity shall apply these amendments for annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted. If an entity applies these amendments for an earlier period, it shall disclose that fact. The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

3. Consolidation

3.1 Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Parent Bank and its subsidiary, which is the entity controlled by the Parent Bank. Control is achieved when the Group is exposed, 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. When necessary, adjustments are made to the consolidated financial statements of subsidiary to bring their accounting policies into line with those of the Group. Nurol Yatırım Bankası A.Ş. has 100% ownership of Nurol Varlık Kiralama A.Ş.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

4. Significant accounting policies

4.1 Statement of compliance

These interim condensed consolidated financial statements for the three month period then ended March 31, 2018 have been prepared in accordance with IAS 34, “Interim Financial Reporting”. The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group’s annual consolidated financial statements prepared in accordance with International Financial Reporting Standards (IFRS) for the year ended December 31, 2017.

The Bank maintains its book of account and prepares their 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 accompanying financial statements are derived from statutory financial statements with adjustments and reclassifications for the purpose of fair presentation in accordance with IFRS. The subsidiary maintains its books of accounts based on statutory rules and regulations applicable in their jurisdictions. The accompanying financial statements are derived from statutory financial statements with adjustments and reclassifications for the purpose of fair presentation in accordance with IFRS. The interim condensed consolidated financial statements were authorised for issue by the Group’s management on 25 May 2018.

NUROL YATIRIM BANKASI ANONİM ŞİRKETİ

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS OF AND FOR THE THREE MONTH PERIOD THEN ENDED 31 MARCH 2018

(Currency - In thousands of Turkish Lira)

4. Significant accounting policies (continued)

4.2 Basis of measurement

The consolidated financial statements have been prepared on historical cost basis except for the following which are measured at fair value:

- § derivative financial instruments
- § financial instruments measured at fair value through profit or loss,
- § financial instruments measured at fair value through other comprehensive income,
- § Investment property

4.3 Foreign currency transactions

Transactions in currencies other than TL (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Foreign currency differences arising on retranslation are recognised in profit or loss.

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

	USD / TL (full)	EUR / TL (full)
31 March 2018	3.9489	4.8673
31 December 2017	3.7719	4.5155

4.4 Interest income and interest expense

Interest income and expense are recognised in the profit or loss using the effective interest method. Interest income is recorded according to the effective interest rate method (rate equal to net present value of future cash flows or financial assets and liabilities) defined in the IFRS 9 “Financial Instruments” standard by applying the effective interest rate to the gross carrying amount of a financial asset except for: purchased or originated credit-impaired financial assets or financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets.

If the financial asset is impaired and classified as a non-performing receivable, the Parent Bank applies the effective interest rate on the amortized cost of the asset for subsequent reporting periods. Such interest income calculation is made on an individual contract basis for all financial assets subject to impairment calculation. It is used effective interest rate during calculation of loss given default rate in expected credit loss models and accordingly, the calculation of expected credit losses includes an interest amount. If the credit risk of the financial instrument improves to the extent that the financial asset is no longer considered as impaired and the improvement can be attributed to an incident that eventually takes place (such as an increase in the loan's credit rating), interest income at subsequent reporting periods are calculated by applying the effective interest rate to the gross amount.

Interest income and expense presented in the statement of comprehensive income statement include:

- The interest income on financial assets and liabilities at amortized cost on an effective interest rate basis
- The interest income on held for trading investments and fair value through other comprehensive income investments.

NUROL YATIRIM BANKASI ANONİM ŞİRKETİ

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS OF AND FOR THE THREE MONTH PERIOD THEN ENDED 31 MARCH 2018

(Currency - In thousands of Turkish Lira)

4. Significant accounting policies (continued)

4.5 Fees and commission

Except for fees and commissions that are integral part of the effective interest rates of financial instruments measured at amortized costs, the fees and commissions are accounted for in accordance with IFRS 15 Revenue from Contracts with Customers. Except for certain fees related with certain banking transactions and recognized when the related service is given, fees and commissions received or paid, and other fees and commissions paid to financial institutions are accounted under accrual basis of accounting throughout the service period. Income from asset purchases to a third party or by natural or legal persons contracts are recognized in the period they occur.

4.6 Net trading income

Net trading income comprises gains less loss related to derivative financial and liabilities, and includes all realised and unrealised fair value changes and interest. Any realised or unrealised fair value changes and interest of derivative financial assets and liabilities are recorded as trading income.

4.7 Dividends

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

4.8 Taxation and deferred income taxes

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases which are used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

NUROL YATIRIM BANKASI ANONİM ŞİRKETİ

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS OF AND FOR THE THREE MONTH PERIOD THEN ENDED 31 MARCH 2018

(Currency - In thousands of Turkish Lira)

4. Significant accounting policies (continued)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax are recognized as an expense or income in profit or loss, except when they relate to items that are recognized outside profit or loss (whether in other comprehensive income or directly in equity), in which case the tax is also recognized outside profit or loss, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost.

4.9 Financial instruments

Initial recognition of financial instruments

The Parent Bank shall recognize a financial asset or a financial liability in its statement of financial position when, and only when, the entity becomes party to the contractual provisions of the instrument. A regular way purchase or sale of financial assets shall be recognized and derecognized, as applicable, using trade date accounting or settlement date accounting. Purchase and sale transactions of securities are accounted.

Initial measurement of financial instruments

The classification of financial instruments at initial recognition depends on the contractual conditions and the relevant business model. Except for the assets in the scope of IFRS 15 Revenue from contracts with customers, at initial recognition, the Parent Bank measures financial asset or financial liabilities at fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit/loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Classification of financial instruments

On which category a financial instruments shall be classified at initial recognition depends on both the business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

As per IFRS 9, the Parent Bank classifies a financial asset on the basis of its contractual cash flow characteristics if the financial asset is 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. In order to assess whether the element provides consideration for only the passage of time, an entity applies judgement and considers relevant factors such as the currency in which the financial asset is denominated and the period for which the interest rate is set.

NUROL YATIRIM BANKASI ANONİM ŞİRKETİ

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS OF AND FOR THE THREE MONTH PERIOD THEN ENDED 31 MARCH 2018

(Currency - In thousands of Turkish Lira)

4. Significant accounting policies (continued)

When the contractual conditions are exposed to the risks which are not consistent with the basic lending arrangement or variability of cash flows, the relevant financial asset is measured at fair value through profit or loss. The Parent Bank tested all financial assets whether their “contractual cash-flows solely represent payments of principal and interest” and assessed the asset classification within the business model.

Assessment of business model

As per IFRS 9, the Parent Bank’s business model is determined at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. The Parent Bank’s business models are divided into three categories.

Business model aimed to hold assets in order to collect contractual cash flows

This is a 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 amortized 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. Receivables from the Central Bank, Banks, Money Market Placements, investments under financial assets measured at amortized cost, loans, leasing receivables, factoring receivables and other receivables are assessed within this business model.

Business model aimed to collect contractual cash flows and sell financial assets

This is a model whose objective is achieved by both collecting contractual cash flows and selling financial assets: the Parent Bank may hold 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 accounted 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. Financial Assets Measured at Fair Value through Other Comprehensive Income are assessed in this business model.

Other business models

Financial assets are measured at fair value through profit or loss when 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. Financial assets measured at fair value through profit/loss are assessed in this business model.

4.9.1 Financial assets

Financial assets are classified in three main categories as listed below:

- Financial assets measured at fair value through profit/loss
- Financial assets measured at fair value through other comprehensive income and
- Financial assets measured at amortized cost

NUROL YATIRIM BANKASI ANONİM ŞİRKETİ

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS OF AND FOR THE THREE MONTH PERIOD THEN ENDED 31 MARCH 2018

(Currency - In thousands of Turkish Lira)

4. Significant accounting policies (continued)

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 measured at their fair value after recognition. All gains and losses arising from these valuations are reflected in the income statement.

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 measured 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 are accounted under the “Other comprehensive income/expense items to be recycled to profit/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. Equity securities that do not have a quoted market price in an active market and whose fair values cannot be reliably measured are carried at cost, less provision for impairment.

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 accounted in income statement.

Loans and Advances to Customers

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".

All loans of the Parent Bank has classified under Measured at Amortized Cost, after loan portfolio passed the test of “All cash flows from contracts are made only by interest and principal” during the transition period.

NUROL YATIRIM BANKASI ANONİM ŞİRKETİ

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS OF AND FOR THE THREE MONTH PERIOD THEN ENDED 31 MARCH 2018

(Currency - In thousands of Turkish Lira)

4. Significant accounting policies (continued)

Due from banks

Due from banks are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Group does not intend to sell immediately or in the near term.

When the Group purchases a financial asset and simultaneously enters into an agreement to resell the asset (or a substantially similar asset) at a fixed price on a future date ("reverse repo or stock borrowing"), the arrangement is accounted for as amounts due from banks, and the underlying asset is not recognised in the Group's financial statements.

Due from banks are initially measured at fair value plus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method.

Repossessed assets

As part of its treatment of defaulted loans and guarantees, the Group in a number of cases takes over assets as security for such exposures. Upon repossession the assets are valued at their presumed realisable value. Any deviation from the carrying value of a defaulted or written down exposure upon takeover is classified as a loan write-down. Repossessed assets are carried according to type. Upon final disposal, the deviation from carrying value is entered in profit or loss based on the asset's type in the accounts.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments which their maturities are three months or less from date of acquisition and that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

4.9.2 Financial liabilities

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities.

Financial liabilities at fair value through profit or loss

Financial liabilities are classified as at FVTPL where the financial liability is either held for trading or it is designated as at FVTPL. Financial liabilities at FVTPL are stated at fair value, with any resultant gain or loss recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest paid on the financial liability.

Other financial liabilities

Other financial liabilities, including funds borrowed, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method plus the interest expense recognized on an effective yield basis.

NUROL YATIRIM BANKASI ANONİM ŞİRKETİ

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS OF AND FOR THE THREE MONTH PERIOD THEN ENDED 31 MARCH 2018

(Currency - In thousands of Turkish Lira)

4. Significant accounting policies (continued)

Deposits, funds borrowed and debt securities issued

The Group is not entitled to collect deposits. Current accounts of loan customers and funds borrowed are the Group's sources of debt funding.

Current accounts of loan customers and funds borrowed are initially measured at fair value plus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method.

4.9.3 Derivative financial instruments

Derivative financial instruments are initially recognised at fair value on the date which a derivative contract is entered into and subsequently remeasured at fair value. Any gains or losses arising from changes in fair value of derivatives that do not qualify for hedge accounting are recognised in profit or loss.

Fair values are obtained from quoted market prices in active markets, including recent market transactions, to the extent publicly available, and valuation techniques, including discounted cash flow models and options pricing models as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

4.10 Expected Credit Loss

As of 1 January 2018, the Group recognizes a loss allowance for expected credit losses on financial assets and loans measured at amortized cost and fair value through other comprehensive income and loan commitments not measured at fair value through profit/loss based and non cash loans on IFRS 9. IFRS 9 introduces a forward-looking expected credit loss (ECL) approach, which is intended to result in an earlier recognition of credit losses based on an ECL impairment approach compared with the incurred-loss impairment approach for financial instruments under IAS 39, Financial Instruments: Recognition and Measurement and the loss-provisioning approach for financial guarantees and loan commitments.

At each reporting date, the Group shall assess whether the credit risk on a financial instrument has increased significantly since initial recognition. The Group Bank considers the changes in the default risk of financial instrument, when making the assessment.

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 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:

As of the reporting date of the financial asset, in the event of a significant increase in credit risk since initial recognition or met criterias below 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.

NUROL YATIRIM BANKASI ANONİM ŞİRKETİ

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS OF AND FOR THE THREE MONTH PERIOD THEN ENDED 31 MARCH 2018

(Currency - In thousands of Turkish Lira)

4. Significant accounting policies (continued)

- Loans overdue more than 30 days as of the reporting date
- When there is a change in the payment plan due to restructuring

Stage 3:

Financial assets considered as impaired at the reporting date are classified as stage 3. The probability of default is taken into account as 100% in the calculation of impairment provision and the Group accounts lifetime expected credit losses. In determining the impairment, the Parent Bank takes into consideration the following criteria:

- Delay of over 90 days
- Do not carry the necessary conditions for Stage 1 and Stage 2

Calculation of expected credit losses

The Parent Bank measured expected credit losses with the reasonable, objective and supportable information based on a probability-weighted including estimations about time value of money, past events, current conditions and future economic conditions as of the reporting date, without undue cost or effort. The calculation of expected credit losses consists of three main parameters: probability of default (PD), loss given default (LGD) and exposure at default (EAD).

Prior to 01 January 2018, the Parent Bank applied portfolio-based valuation method using its historical data for the calculation of impairment allowance for loans and advances as per IAS 39. Based on the historical data, an average PD (Probability of Default) and LGD (Loss Given Default) was determined. (Average PD was 0.85% and Average LGD was 87.76% according to the last calculations made on 31 December 2017). As of 01 January 2018, the Bank has started to apply IFRS 9 for the classification of loans and receivables, measuring credit quality and calculating expected loss provisions. The Bank calculates PDs, LGD and EAD (Exposure at default) and ECL (expected credit losses) for each financial asset, rather than group or portfolio basis. PDs are determined by the bank based on internal rating scores calculated within own model. The Bank's policy is to use standard PDs published based on historical data published by international rating agencies. PDs are available for the next ten years as annual and cumulative basis. Interim periods are calculated by interpolating. For noncash loans, prior to calculating EAD, cash equivalent risk exposures are calculated by a credit conversion factor (CCF). Credit Conversion Factors are determined based on the ratios specified in the "Capital Adequacy Regulation" settled by BRSA. The present value of the ECLs are then calculated using the effective interest rates of the related financial assets.

The bank calculated the average PD and LGD as 1.56% and 26.78%, respectively for cash financial assets, % 1.10% and 39.42% for noncash loans as of 31 March 2018. 100% PD is applied for all financial assets in stage 3.

Probability of Default ("PD")

The PD represents the likelihood of a default over a specified time period. A 12-month PD represents the likelihood of default determined for the next 12 months and a lifetime PD represents the probability of default over the remaining lifetime of the instrument. The lifetime PD calculation is based on a series of 12-month PIT PDs that are derived from TTC PDs and scenario forecasts.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
AS OF AND FOR THE THREE MONTH PERIOD THEN ENDED 31 MARCH 2018**

(Currency - In thousands of Turkish Lira)

4. Significant accounting policies (continued)

Exposure at Default (“EAD”)

The EAD represents an estimate of the exposure to credit risk at the time of a potential default occurring during the life of a financial instrument. It represents the cash flows outstanding at the time of default, considering expected repayments, interest payments and accruals, discounted at the effective interest rate. Future drawdowns on facilities are considered through a credit conversion factor (CCF) that is reflective of historical drawdown and default patterns and the characteristics of the respective portfolios.

Calculating the Expected Loss Period

Lifetime ECL is calculated by taking into account maturity extensions, repayment options and the period during which the Parent Bank will be exposed to credit risk. The time in financial guarantees and other irrevocable commitments represents the credit maturity for which the liabilities of the Parent Bank.

Significant increase in credit risk

The Parent Bank makes qualitative and quantitative assessments regarding assessment of significant increase in credit risk of financial assets to be classified as stage 2 (Significant Increase in Credit Risk).

Within the scope of quantitative assessment, The quantitative reason explaining the significant increase in the credit risk is based on a comparison of the probability of default calculated at the origination of the loan and the probability of default assigned for the same loan as of the reporting date. If there is a significant deterioration in PD , it is considered that there is a significant increase in credit risk and the financial asset is classified as stage 2. In this context, the Parent Bank has calculated thresholds at which point the relative change is a significant deterioration.

When determining the significant increase in bank credit risk, The Parent Bank also assessed the absolute change in the PD date on the transaction date and on the reporting date. If the absolute change in the PD ratio is above the threshold values, the related financial asset is classified as stage 2.

The Parent Bank classifies the financial asset as Stage 2 (Significant Increase in Credit Risk) where any of the following conditions are satisfied as a result of a qualitative assessment:

- Loans overdue more than 30 days as of the reporting date
- When there is a change in the payment plan due to restructuring

NUROL YATIRIM BANKASI ANONİM ŞİRKETİ

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS OF AND FOR THE THREE MONTH PERIOD THEN ENDED 31 MARCH 2018

(Currency - In thousands of Turkish Lira)

4. Significant accounting policies (continued)

4.11 Derecognition of financial instruments

Derecognition of financial assets due to change in contractual terms

Based on IFRS 9, the renegotiation or modification of the contractual cash flows of a financial asset could 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 the Parent Bank assesses the characteristics of the new contractual terms of the financial asset, it evaluates 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 recognized a modification gain or loss in profit or loss.

Where all risks and rewards of ownership of the asset have not been transferred to another party and the Parent Bank retains control of the asset, the Parent Bank continues to recognize the remaining portion of the asset and liabilities arising from such asset. When the Parent Bank retains substantially all the risks and rewards of ownership of the transferred asset, the transferred asset continues to be recognized in its entirety and the consideration received is recognized as a liability.

Derecognition of financial assets without any change in contractual terms

The Parent Bank derecognizes the asset 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 fair value through other comprehensive income, 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 recognized in profit/loss.

Derecognition of financial liabilities

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

4.12 Property and equipment

Property and equipment are carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is charged so as to write off the cost or valuation of assets, over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

NUROL YATIRIM BANKASI ANONİM ŞİRKETİ

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS OF AND FOR THE THREE MONTH PERIOD THEN ENDED 31 MARCH 2018

(Currency - In thousands of Turkish Lira)

4. Significant accounting policies (continued)

4.13 Intangible assets

Intangible assets acquired separately are reported at cost less accumulated amortization and accumulated impairment losses. Amortization is charged on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Computer software

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over their estimated useful lives (three to five years).

Costs associated with developing or maintaining computer software programmes are recognized as an expense as incurred. Costs that are directly associated with the development of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognized as intangible assets. Costs include the software development employee costs and an appropriate portion of relevant overheads.

4.14 Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation, including property under construction for such purposes. Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value.

The Group's investment properties are valued by external, independent valuation companies on a periodic basis. The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction. In the absence of available current prices in an active market, the valuations are based on estimated cash flows expected to be received.

Gains or losses arising from changes in the fair values of investment properties are included in the profit or loss in the period in which they arise. When the use of a property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting. If owner occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use. An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognized.

4.15 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Assets held under finance leases are initially recognized as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

NUROL YATIRIM BANKASI ANONİM ŞİRKETİ

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS OF AND FOR THE THREE MONTH PERIOD THEN ENDED 31 MARCH 2018

(Currency - In thousands of Turkish Lira)

4. Significant accounting policies (continued)

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognized immediately in profit or loss, unless they are directly attributable to qualifying assets.

The Group as lessor

Amounts due from lessees under finance leases are recognized as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

4.16 Provisions

Provisions are recognized when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

4.17 Employee benefits

Termination and retirement benefits

Under Turkish law and union agreements, lump sum payments are made to employees retiring or involuntarily leaving the Group. Such payments are considered as being part of defined retirement benefit plan as per International Accounting Standard No. 19 (revised) "Employee Benefits" ("IAS 19"). The retirement benefit obligation recognized in the balance sheet represents the present value of the defined benefit obligation.

Profit-sharing and bonus plans

The Group recognizes a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

4.18 Fiduciary assets

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

NUROL YATIRIM BANKASI ANONİM ŞİRKETİ

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS OF AND FOR THE THREE MONTH PERIOD THEN ENDED 31 MARCH 2018

(Currency - In thousands of Turkish Lira)

4. Significant accounting policies (continued)

4.19 Use of estimates and judgments

The preparation of the consolidated financial statements requires management to make judgements, 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 estimate is revised and in any future periods affected.

4.20 Key sources of estimation uncertainty

Expected credit loss

Expected credit loss calculation methodology of the Group described in accounting policy 4.10.

Determining fair values

The determination of fair value for financial assets and liabilities of the Group described in accounting policy 4.9.

4.21. Adoption effect of IFRS 9 Financial Instruments

Effective 1 January 2018, the Group adopted IFRS 9, Financial Instruments, which replaces IAS 39, Financial Instruments: Recognition and Measurement and substantially changes the classification, measurement and impairment of financial assets, income statement and balance sheet presentation and disclosure of financial instruments and other arrangements in scope. IFRS 9 sets out the new principles for the classification and measurement of financial instruments, impairment for credit risk on financial assets and general hedge accounting.

In accordance with the transition rules option provided by the IFRS 9 "Financial Instruments", the Group is not restated the prior period financial statements and recognized the transition effect of the standard as of January 1, 2018 under equity's "Retained earnings" accounts. Explanation of the effect of the Group's application of IFRS 9 is stated below:

Reconciliation of statement of financial position balances as at the transition of IFRS 9

	Before IFRS 9		IFRS 9	
	Measurement Method	Book Value	Measurement Method	Book Value
		31 December		1 January
		2017		2018
Financial Assets				
Cash and cash equivalents	Amortised cost	26,682	Amortised cost	26,682
Reserve deposits at Central Bank	Amortised cost	312,292	Amortised cost	312,292
Marketable securities	Financial assets at measured fair value through other comprehensive income	136,519	Financial assets at measured fair value through other comprehensive income	136,519
	Amortised Cost	-	Amortised Cost	-
Derivative financial assets	Financial assets measured at fair value through profit or loss	1,665	Financial assets measured at fair value through profit or loss	1,665
	Financial assets at measured fair value through other comprehensive income	-	Financial assets at measured fair value through other comprehensive income	-
Loans and advances to customers (Gross)	Amortised Cost	1,061,634	Amortised Cost	1,061,634

NUROL YATIRIM BANKASI ANONİM ŞİRKETİ

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS OF AND FOR THE THREE MONTH PERIOD THEN ENDED 31 MARCH 2018

(Currency - In thousands of Turkish Lira)

4. Significant accounting policies (continued)

Reconciliation of the opening balances of the provision for expected credit losses to IFRS 9

	Book Value Before IFRS 9 31 December 2017	Remeasurements	Book Value After IFRS 9 1 January 2018
Loans			
Stage 1 & Stage 2	7,943	(3,364)	4,579
Stage 3	3,235	25,418	28,653
Financial Assets^(*)	-	194	194
Non-Cash Loans	908	3,604	4,512
Stage 1 and Stage 2	-	1,468	1,468
Stage 3	908	2,136	3,044
Total	12,086	25,852	37,938

(*)Within the scope of IFRS 9, provisions include provisions for Financial Assets Fair Value through Other Comprehensive Income, Receivables from Banks and Receivables from Money Markets

Effects on equity with IFRS 9 transition

As permitted in IFRS 9, the difference between the book value of 1 January 2018 at the date of application reflected in the opening aspect of equity. The explanations about the transition effects to IFRS 9 presented in the equity items are given below:

After deducting amounting to TL 5,688 positive tax effect, amounting to TL 20,164 which is an expense between the provision for impairment of the previous period of the Group and the provision for loss that is measured in accordance with IFRS 9 impairment model as of 1 January 2018 is classified as "Retained Earnings" in shareholders' equity.

4.22 Explanations on prior period accounting policies not valid for the current period

Interest income and interest expense

Interest income and expense are recognised in the 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 future cash flows considering all contractual terms of financial instrument, but not future credit losses. The effective interest rate is established on initial recognition of the financial asset and liability and is not revised subsequently. The calculation of the effective interest rate includes all fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or liability. Interest income and expense presented in the statement of comprehensive income statement include:

- the interest income on financial assets and liabilities at amortised cost on an effective interest rate basis
- the interest income on held for trading investments and available for sale investments.

Interest income is suspended when loans are impaired and is excluded from interest income until received.

NUROL YATIRIM BANKASI ANONİM ŞİRKETİ

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS OF AND FOR THE THREE MONTH PERIOD THEN ENDED 31 MARCH 2018

(Currency - In thousands of Turkish Lira)

4. Significant accounting policies (continued)

Fees and commission

Fees and commission income and expense that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate.

Other fees and commission income, including account servicing fees, investment management fees, sales commission and placement fees are recognised as the related services are performed.

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

Financial assets and liabilities

a) Financial Assets

All financial assets are initially measured at fair value, plus transaction costs.

Financial assets are classified into the following specified categories: financial assets as 'at fair value through profit or loss' (FVTPL), 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Income is recognized on an effective interest basis for debt instruments other than those financial assets designated as at FVTPL.

Financial assets at FVTPL

Financial assets at fair value through profit or loss are financial assets held for trading and financial assets designated under this category upon initial recognition. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term or achieved more relevant accounting measurement. Derivatives are also categorized as held for trading unless they are designated as hedges.

Available for sale financial assets

Quoted equity investments and quoted certain debt securities held by the Group that are traded in an active market are classified as being available-for-sale financial assets and are stated at fair value. The unquoted equity investments that are not traded in an active market but are also classified as available-for-sale financial assets are stated at cost since their value cannot be reliably measured. Gains and losses arising from changes in fair value are recognized in other comprehensive income and accumulated in the investments revaluation reserve with the exception of impairment losses, interest calculated using the effective interest method, and foreign exchange gains and losses on monetary assets, which are recognized in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. Dividends on available for sale equity instruments are recognized in profit and loss when the Group has the right to receive any payment.

NUROL YATIRIM BANKASI ANONİM ŞİRKETİ

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS OF AND FOR THE THREE MONTH PERIOD THEN ENDED 31 MARCH 2018

(Currency - In thousands of Turkish Lira)

4. Significant accounting policies (continued)

The fair value of available for sale monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the prevailing exchange rate at the reporting date. The change in fair value attributable to translation differences that result from a change in amortized cost of the asset is recognized in profit or loss, and other changes are recognized in equity.

Due from banks and loans and advances to customers

Due from banks and loans and advances to customers are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Group does not intend to sell immediately or in the near term.

When the Group is the lessor in a lease agreement that transfers substantially all of the risks and rewards incidental to ownership of an asset to the lessee, the arrangement is classified as a finance lease and a receivable equal to the net investment in the lease is recognised and presented within loans and advances.

When the Group purchases a financial asset and simultaneously enters into an agreement to resell the asset (or a substantially similar asset) at a fixed price on a future date ("reverse repo or stock borrowing"), the arrangement is accounted for as amounts due from banks, and the underlying asset is not recognised in the Group's consolidated financial statements.

Due from banks and loans and advances to customers are initially measured at fair value plus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method.

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss are subject to impairment testing at each balance sheet date to determine whether there is any indication of impairment of financial asset or financial asset group. An entity shall assess at each balance sheet date whether there is any objective evidence that a financial asset or group of financial assets is impaired.

A financial asset or group of financial assets is impaired and impairment losses are incurred, if and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset and that loss event or events has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. For loans and receivables, the amount of impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced through the use of an allowance account. Changes in allowance accounts are recognized in profit or loss.

With the exception of available for sale equity instruments, if, in a subsequent period the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized. Increase in fair value of available for sale financial assets subsequent to impairment is recognized in directly in equity.

NUROL YATIRIM BANKASI ANONİM ŞİRKETİ

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS OF AND FOR THE THREE MONTH PERIOD THEN ENDED 31 MARCH 2018

(Currency - In thousands of Turkish Lira)

4. Significant accounting policies (continued)

Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

Derecognition of financial liabilities

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

NUROL YATIRIM BANKASI ANONİM ŞİRKETİ

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS OF AND FOR THE THREE MONTH PERIOD THEN ENDED 31 MARCH 2018

(Currency - In thousands of Turkish Lira)

5. Segment reporting

An operating segment is a component of an entity: that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

The Group operates in investment, retail and corporate banking and asset leasing. Accordingly, the Group 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 Group provides investment and operating loans to its commercial and retail 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:

31 March 2018	Corporate banking	Other(*)	Total operations of the Group
Operating income	22,939	14,082	37,021
Other expenses	(13,526)	-	(13,527)
Profit before income tax	9,413	14,082	23,495
Income tax income/expense	-	-	(4,581)
Profit from continued operations	9,413	14,082	18,913
Profit for the period	4,832	14,082	18,914
Segment assets	2,090,231	49	2,090,280
Non-distributed Asset	-	-	-
Total assets	2,090,231	49	2,090,280
Segment liabilities	1,861,959	-	1,861,959
Shareholders' equity	-	228,321	228,321
Total liabilities	1,861,959	228,321	2,090,280

(*) includes investment, retail and other banking business lines.

31 March 2017	Corporate banking	Other(*)	Total operations of the Group
Operating income	24,002	1,938	25,940
Other expenses	(8,436)	-	(8,436)
Profit before income tax	15,556	1,938	17,504
Income tax income/expense	-	-	(3,482)
Profit from continued operations	15,566	1,938	14,022
Profit for the period	12,084	1,938	14,022
Segment assets	1,337,038	105	1,337,143
Non-distributed Asset	-	-	-
Total assets	1,337,038	105	1,337,143
Segment liabilities	1,150,215	-	1,150,215
Shareholders' equity	-	186,928	186,928
Total liabilities	1,150,215	186,928	1,337,143

(*) includes investment, retail and other banking business lines.

NUROL YATIRIM BANKASI ANONİM ŞİRKETİ

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
AS OF AND FOR THE THREE MONTH PERIOD THEN ENDED 31 MARCH 2018**

(Currency - In thousands of Turkish Lira)

6. Cash and cash equivalents

	31 March 2018	31 December 2017
Cash and balances with central banks	59	3,452
- Cash on hand	-	99
- Balances with central banks	59	3,353
Due from banks and financial institutions	57,991	23,230
Placements at money markets	5,004	-
Cash and cash equivalents in the balance sheet	63,054	26,682

7. Reserve deposits at Central Bank

	31 March 2018	31 December 2017
Turkish Lira	102,053	253,397
Foreign currency	66,261	58,895
	168,314	312,292

8. Financial assets measured at fair value through other comprehensive income

	31 March 2018		31 December 2017	
	Amount	Effective interest rate	Amount	Effective interest rate
Financial assets measured at fair value through other comprehensive income				
Debt instruments ^(a)	40,960	14.00%	98,897	13.38%
Equity instruments – listed ^(b)	32,220		31,384	
Equity instruments – unlisted	6,414		6,238	
Financial assets measured at fair value through other comprehensive income	79,594		136,519	
Expected Credit Losses (-)^(c)	25		-	

(a) Financial assets measured at fair value through other comprehensive income include government bonds denominated in TL amounting to TL 790 (31 December 2017: TL 813), bank bonds amounting to TL 5,040 (31 December 2017: TL 5,042), private sector securities amounting to TL 7,003 as of 31 December 2017, Private sector bonds amounting to TL 35,152 (31 December 2017: TL 86,039).

(b) The Group holds 15.97% of Nurol Gayrimenkul Yatırım Ortaklığı A.Ş. ("Company")'s shares as of 31 March 2018 and the investment is accounted under fair value through other comprehensive income investments, as the Group 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 30,004 is accounted under equity (31 December 2017: TL 29,167).

(c) The Group began calculating expected credit loss for financial assets measured at fair value through other comprehensive income with the adoption of IFRS 9.

NUROL YATIRIM BANKASI ANONİM ŞİRKETİ

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
AS OF AND FOR THE THREE MONTH PERIOD THEN ENDED 31 MARCH 2018**

(Currency - In thousands of Turkish Lira)

9. Loans and advances to customers

	31 March 2018		
	Amount		
	TL	Foreign currency	Total
Short-term loans	923,568	98,256	1,021,824
Medium and long-term loans	344,898	220,476	565,374
Total performing loans	1,268,466	318,732	1,587,198
Generic provisions for Stage 1 and Stage 2	(5,509)	-	(5,509)
Non-performing loans	31,685	-	31,685
Provisions for Stage 3	(31,685)	-	(31,685)
Total non-performing loans (net)	-	-	-
Total loans, net	1,262,957	318,732	1,581,689

	31 December 2017		
	Amount		
	TL	Foreign currency	Total
Factoring receivables	-	-	-
Short-term loans	504,726	3,004	507,730
Medium and long-term loans	238,454	315,450	553,904
Total performing loans	743,180	318,454	1,061,634
Less: Portfolio provision	7,943	-	7,943
Non-performing loans	3,267	-	3,267
Less: Reserve for possible loan losses	(3,235)	-	(3,235)
Total non-performing loans (net)	32	-	32
Transferred assets (*)	6,730	-	6,730
Total loans, net	741,999	318,454	1,060,453

(*) Transferred assets comprise non-performing loans amounting to TL 9,035, in gross transferred to an asset management company under revenue sharing arrangement in 2015, but have not been derecognized by the Parent Bank as the Parent Bank has retained substantially all the risks and rewards of ownership of the transferred asset. The Parent Bank reflects such loans at amortized cost net of impairment in the statement of financial position.

NUROL YATIRIM BANKASI ANONİM ŞİRKETİ

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
AS OF AND FOR THE THREE MONTH PERIOD THEN ENDED 31 MARCH 2018**

(Currency - In thousands of Turkish Lira)

9. Loans and advances to customers (continued)

Lending structure of the Group:

	31 March 2018	31 December 2017
Corporate Lending	1,383,131	874,616
SME Lending	71,992	47,078
Other Lending	163,758	149,937
Less: Allowance for ECL/impairment losses	(37,194)	(11,178)
Total	1,581,689	1,060,453

Expected Credit Loss Expense Movement of the Group:

	31 March 2018			
	ECL allowance			
	Stage 1	Stage 2	Stage 3	Total
Cash and cash equivalents (including reserves at Central Bank)	-	-	-	-
Securities	(91)	-	-	(91)
Derivatives	-	-	-	-
Loans and advances to customers	172	756	3,032	3,960
Other financial assets	(44)	-	-	(44)
Guarantees	76	9	(852)	(767)
LCs and Acceptances	(35)	-	-	(35)
	(78)	765	2,180	3,023

Provision movement of the Group as of 31 March 2017:

	31 March 2017
Reserve at beginning of period	5,857
Provision for possible loan losses	1,684
Recoveries	-
Provision, net of recoveries	1,684
Disposal of non-performing loans	-
Reserve at end of period	7,541

Expected Credit Loss Measurement of On-Balance Sheet Financial Assets:

	31 March 2018							
	Carrying Amount				ECL Allowance			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Cash and cash equivalents (including reserves at Central Bank)	231,368	-	-	231,368	-	-	-	-
Securities	79,594	-	-	79,594	25	-	-	25
Derivatives	4,433	-	-	4,433	-	-	-	-
Loans and advances to customers	1,395,490	191,708	31,685	1,618,883	614	4,895	31,685	37,194
<i>of which : Large corporate clients</i>	<i>1,159,784</i>	<i>191,708</i>	<i>31,641</i>	<i>1,383,133</i>	<i>565</i>	<i>4,895</i>	<i>31,641</i>	<i>37,100</i>
<i>of which : SME clients</i>	<i>71,948</i>	<i>-</i>	<i>44</i>	<i>71,992</i>	<i>6</i>	<i>-</i>	<i>44</i>	<i>50</i>
<i>of which : Others</i>	<i>163,758</i>	<i>-</i>	<i>-</i>	<i>163,758</i>	<i>44</i>	<i>-</i>	<i>-</i>	<i>44</i>
Other financial assets	2,240	-	-	2,240	33	-	-	33
Total on-balance sheet financial assets in scope of ECL requirements	1.713.125	191.708	31.685	1.936.518	672	4.895	31.685	37.252

NUROL YATIRIM BANKASI ANONİM ŞİRKETİ

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS OF AND FOR THE THREE MONTH PERIOD THEN ENDED 31 MARCH 2018

(Currency - In thousands of Turkish Lira)

9. Loans and advances to customers (continued)

Impairment allowance for loans and advances to customers	31 March 2018			
	Stage 1	Stage 2	Stage 3	Total
Internal rating grade				
Performing				
High grade	45	-	-	45
Standart grade	544	102	-	646
Sub-standart grade	25	4,793	-	4,818
Past due but not impaired	-	-	-	-
Non-performing				
Individually impaired	-	-	31,685	31,685
	614	4,895	31,685	37,194

10. Investment Property

As of 30 November 2015, the Parent Bank transferred the loan which is classified in the portfolio of overdue receivables amounting to TL 9,035, to an asset management company through revenue sharing method. The Parent Bank made provision amounting to TL 2,259 to the unguaranteed portion of these transferred receivables before transfer with revenue sharing method. As of 31 December 2017, the Parent Bank recognized aforementioned receivables as transferred asset in "loan and advances to customers" line. In the current period, the Parent Bank purchased the property which was obtained by the asset management company by levy, on account of revenue sharing agreement and receivables. The Parent Bank started monitoring that property under the investment property account with re-evaluating the appraisal report (appraisement value: TL 22,570). As of 31 March 2018, the Group has investment property amounting to TL 27,010 (31 December 2017: 4,440).

The Company accounts its investment property under fair value model.

11. Other Assets

The Group concluded a "Pre-emption agreement" over the real estate property, for the twelve months period with the value of 24.4 million USD and for the eighteen months period with the value of 26.25 million USD. As of 31 March 2018 the first twelve months of agreement has expired and based on the agreement the Group has recognized 26.25 million USD in other assets.

The Group concluded a "Right to repurchase agreement" over the real estate property with the value of 8.5 million USD.

NUROL YATIRIM BANKASI ANONİM ŞİRKETİ

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
AS OF AND FOR THE THREE MONTH PERIOD THEN ENDED 31 MARCH 2018**

(Currency - In thousands of Turkish Lira)

12. Funds borrowed

	31 March 2018			31 December 2017		
	TL	Foreign currency	Total	TL	Foreign currency	Total
	Funds borrowed	92,831	463,157	555,988	69,506	332,915
Obligations under repurchase agreements	1,994	3,478	5,472	1,018	59,002	60,020
	94,825	466,635	561,460	70,524	391,917	462,441

The effective interest rate for funds borrowed denominated in USD is 4.29% (31 December 2017 – 4.51%), in EUR is 3.00% (31 December 2017 – 2.69%) and in TL is 15.57% (31 December 2017 – 12.34 %).

The Group has not had any defaults of principal, interest or redemption amounts or other breaches of loan covenants as at 31 March 2018 (31 December 2017 – None).

13. Debt securities issued

	31 March 2018			31 December 2017		
	TL	Foreign currency	Total	TL	Foreign currency	Total
	Bonds	754,777	-	754,777	559,703	-
Bills	93,885	-	93,885	79,146	-	79,146
	848,662	-	848,662	638,849	-	638,849

Debt securities issued – Cash flow movement

	31 March 2018
Balance as at 1 January 2018	638,849
Proceed during the year	1,032,916
Repayments during the year	(826,046)
Other non-cash movements	2,943
Balance as at 31 March 2018	848,662

As of March 31, 2018, the list of the issued bonds by the Parent Bank are shown below:

ISSUE TYPE	ISSUE DATE	MATURITY DATE	DAYS	NOMINAL VALUE (full TL)	INTEREST RATE
BOND	12.01.2018	24.05.2018	132	100,000,000	15.00%
BOND	07.02.2018	18.07.2018	161	100,000,000	14.75%
BOND	08.03.2018	09.08.2018	154	185,000,000	14.70%
BOND	26.01.2018	07.06.2018	132	60,000,000	14.75%
BOND	16.02.2018	03.08.2018	168	40,000,000	14.75%
BOND	14.03.2018	06.09.2018	176	72,000,000	14.70%

Nurol Varlık Kiralama Şirketi A.Ş. issued “Lease certificates” amounting to TL 100,000,000 (full TL) in 2018.

NUROL YATIRIM BANKASI ANONİM ŞİRKETİ

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS OF AND FOR THE THREE MONTH PERIOD THEN ENDED 31 MARCH 2018

(Currency - In thousands of Turkish Lira)

14. Subordinated debts

	31 March 2018			31 December 2017		
	TL	Foreign currency	Total	TL	Foreign currency	Total
Bonds (*)	-	58,980	58,980	-	57,267	57,267
	-	58,980	58,980	-	57,267	57,267

(*) The Bank has issued Eurobond on March 31, 2016 with a nominal value of USD 10,000,000, 10 years maturity and fixed interest rate of 10%, having a coupon payments every six months and received a loan on December 27, 2016 from World Business Capital at an amount of USD 5,000,000 with an interest rate of 6.65%, 10 years maturity, floating rate and quarterly interest payment (31 December 2017 – USD 15,000,000).

15. Other liabilities

	31 March 2018	31 December 2017
Cash collaterals (*)	341,654	265,129
Taxes and funds payable	2,781	3,831
Others	17,163	10,148
	361,598	279,108

(*) The balance includes cash collaterals received for the derivative transactions made with the corporate customers.

16. Provisions

	31 March 2018	31 December 2017
Provision for non -cash loans (*)	3,710	908
Employee termination benefits	892	857
Bonus accrual	859	-
Unused vacation accrual	126	863
Provision for lawsuits	375	126
	5,962	2,754

Expected credit loss measurement of off-balance sheet financial assets:

Expected credit loss measurement	31 March 2018							
	Carrying Amount				ECL Allowance(*)			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Guarantees	597,848	12,141	2,695	612,684	485	982	2,193	3,660
LCs and Acceptances	37,640	-	-	37,640	50	-	-	50
Total	635,488	12,141	2,695	650,324	535	982	2,193	3,710

(*) ECL allowance for off-balance sheet financial assets are recognized in Liabilities' "Provisions" line.

NUROL YATIRIM BANKASI ANONİM ŞİRKETİ

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS OF AND FOR THE THREE MONTH PERIOD THEN ENDED 31 MARCH 2018

(Currency - In thousands of Turkish Lira)

Impairment allowance for off-balance sheet financial assets

	31 March 2018			
	Stage 1	Stage 2	Stage 3	Total
Internal rating grade				
Performing				
High grade	9	-	-	9
Standart grade	320	-	-	320
Sub-standart grade	206	982	-	1,188
Past due but not impaired	-	-	-	-
Non-performing				
Individually impaired	-	-	2,193	2,193
Total	535	982	2,193	3,710

Movement for impairment allowance for off-balance sheet financial assets

	31 March 2018			
	Financial guarantees	Letters of credit and acceptances	Other undrawn commitments	Total
At 1 January 2018	4,427	85	-	4,512
Charge for the year	203	(35)	-	168
Recoveries	-	-	-	-
Amounts written off	-	-	-	-
Unwind of transformed into cash	(970)	-	-	(970)
Unwind of discount (recognized in interest income)	-	-	-	-
At 31.03.2018	3,660	50	-	3,710

17. Taxation

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

In Turkey, corporate tax rate is 22%. The tax legislation provides for a temporary tax of 22% 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:

	31 March 2018	31 March 2017
Current tax		
Current income tax	(6,062)	(2,424)
Deferred income / (expense) tax		
Relating to origination and reversal of temporary differences	1,481	(1,058)
Income tax expense reported in the income statement	(4,581)	(3,482)

NUROL YATIRIM BANKASI ANONİM ŞİRKETİ

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS OF AND FOR THE THREE MONTH PERIOD THEN ENDED 31 MARCH 2018

(Currency - In thousands of Turkish Lira)

Reconciliation of effective tax rate

Reconciliation between tax expense and the accounting profit multiplied by the statutory income tax rate for the years ended 31 March 2018 and 31 March 2017 is as follows:

	31 March 2018	31 March 2017
Profit before income tax	23,495	17,504
Income tax using the domestic corporate tax rate	(5,169)	(3,501)
Other	(893)	19
Total income tax expense in the profit or loss	(6,062)	(3,482)

17. Taxation (continued)

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

	31 March 2018	31 March 2017
Deferred tax assets / (liability), net at 1 January	2,882	3,082
Deferred tax recognised in the profit or loss	1,481	(1,058)
Deferred income tax recognised in other comprehensive income	177	(189)
Deferred tax assets/(liabilities), net at end of March	4,540	1,835

Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	31 March 2018			31 December 2017		
	Assets	Liabilities	Net	Assets	Liabilities	Net
Liability for employee benefits	385	-	385	379	-	379
Valuation of financial assets at FVOCI	-	(13)	(13)	-	-	-
Economic life property and equipment	-	(135)	(135)	-	(171)	(171)
Derivatives	4,590	-	4,590	3,737	-	3,737
Other	-	(287)	(287)	(689)	-	(689)
	4,975	(435)	4,540	3,427	(171)	3,256

18. Commitments and contingencies

In the normal course of business, the Group 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 Group to guarantee the performance of a customer to a third party. All of these arrangements are related to the normal lending activities of the Group. The Group'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

NUROL YATIRIM BANKASI ANONİM ŞİRKETİ

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS OF AND FOR THE THREE MONTH PERIOD THEN ENDED 31 MARCH 2018

(Currency - In thousands of Turkish Lira)

commercial and standby letters of credit is represented by the contractual notional amount of those instruments. The Group uses the same credit policies in making commitments and conditional obligations as it does for on-balance-sheet instruments.

As at 31 March 2018; commitments and contingencies comprised the following:

	31 March 2018	31 December 2017
Letters of guarantee	612,684	552,202
Bank acceptance	1,084	3,183
Letters of credit	36,556	51,052
Other commitments	273	273
Total	650,597	606,710

19. Share capital and reserves

Share capital

As at 31 March 2018 and 31 December 2017, the composition of shareholders and their respective percentage of ownership are summarised as follows:

	31 March 2018		31 December 2017	
	Amount	%	Amount	%
Nurol Holding A.Ş.	97,697	78	97,697	78
Nurol İnşaat ve Tic. A.Ş.	19,950	16	19,950	16
Nurol Otelcilik ve Turizm İşletmeciliği A.Ş.	1,103	1	1,103	1
Others	6,250	5	6,250	5
Total	125,000		125,000	

As at 31 March 2018, the authorised share capital comprised of 125,000 ordinary shares having a par value of TL full 1,000 (As at 31 December 2017, the authorised share capital comprised of 125,000 ordinary shares having a par value of TL full 1,000). All issued shares are paid.

20. Net interest income

	31 March 2018	31 March 2017
Interest income		
Loans and advances to customers	67,127	36,882
Deposits with banks and other financial institutions	1,365	842
Held for trading and Financial assets measured at fair value through other comprehensive income	3,686	474
Financial leases	-	-
Other	1,105	25
	73,283	38,223
Interest expense		
Funds borrowed	7,243	2,553
Debt securities issued	1,941	15,369
Interbank funds borrowed	29,424	567
Other	594	-
	39,202	18,489
Net interest income	34,081	19,734

NUROL YATIRIM BANKASI ANONİM ŞİRKETİ

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS OF AND FOR THE THREE MONTH PERIOD THEN ENDED 31 MARCH 2018

(Currency - In thousands of Turkish Lira)

21. Net fee and commission income

	31 March 2018	31 March 2017
Fee and commission income		
Non-cash loans	2,511	2,432
Other	1,396	369
Total fee and commission income	3,907	2,801
Fee and commission expense		
Non-cash loans	184	200
Other	3,445	2,297
Total fee and commission expense	3,629	2,497
Net fee and commission income	278	304

22. Net trading income/loss

	31 March 2018	31 March 2017
Net gains/(losses) on derecognition of financial assets measured at fair value through other comprehensive income	(172)	10,229
Net gains/(losses) on financial assets/liabilities at fair value through profit or loss	(7,155)	(15,152)
<i>Gain / (losses) from securities</i>	<i>(6,868)</i>	<i>65</i>
<i>Gain / (losses) on derivatives</i>	<i>(287)</i>	<i>(15,217)</i>
Total	(7,327)	(4,923)

23. Other operating income

	31 March 2018	31 March 2017
Gain on Increase in purchase right(*)	-	6,931
Reversal of provision	-	-
Fair value gain on investment properties(***)	9,173	-
Gain on purchase right (**)	-	3,884
Communication expenses reflected to the customers	9	-
Other	807	10
	9,989	10,825

(*) The Bank has gained income from the increase in the value of the purchase right over the real estate is passed into the ownership of the Bank because of the loan debt.

(**) Right to purchase, which is calculated with respect to real estate right to purchase agreement concluded with a company, is recognized as revenue through rediscounting the premium amount.

(***)As of 30 November 2015, the Parent Bank transferred the loan which is classified in the portfolio of overdue receivables amounting to TL 9,035, to an asset management company through revenue sharing method. The Parent Bank made provision amounting to TL 2,259 to the unguaranteed portion of these transferred receivables before transfer with revenue sharing method. As of 31 December 2017, the Parent Bank recognized aforementioned receivables as transferred asset in "loan and advances to customers" line. In the current period, the Parent Bank purchased the property which was obtained by the asset management company by levy, on account of revenue sharing agreement and receivables. The Parent Bank started monitoring that property under the investment property account with re-evaluating the appraisal report (appraisal value: TL 22,570). As of 31 March 2018, the Group has investment property amounting to TL 27,010 (31 December 2017: 4,440). As a result of this transaction the Parent Bank recognized fair value gain amounting to TL 9,173.

NUROL YATIRIM BANKASI ANONİM ŞİRKETİ

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS OF AND FOR THE THREE MONTH PERIOD THEN ENDED 31 MARCH 2018

(Currency - In thousands of Turkish Lira)

24. Personnel expenses

	31 March 2018	31 March 2017
Wages and salaries	3,082	2,512
Compulsory social security obligations	319	261
Other benefits	363	211
Total	3,764	2,984

25. Administrative expenses

	31 March 2018	31 March 2017
Nurol Holding re-charges	1,908	1,281
Audit and advisory expenses	675	406
Rent expenses	519	339
Taxes and duties expenses	1,214	259
Telecommunication expenses	228	255
Computer expenses	248	192
Hosting expenses	51	54
Maintenance expenses	40	65
Transportation expenses	-	32
Other various administrative expenses	1,026	332
Total	5,909	3,215

26. Financial risk management objectives and policies

a) Introduction and overview

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

§ credit risk

§ market risks

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

Risk management framework

The Group'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 Group 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 Group is exposed to a number of risks such as credit risk, liquidity risk, market risk and operational risk, The Group'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

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
AS OF AND FOR THE THREE MONTH PERIOD THEN ENDED 31 MARCH 2018**

(Currency - In thousands of Turkish Lira)

26. Financial risk management objectives and policies (continued)

In accordance with the Group's general risk management strategy; the Group aims to eliminate and hedge its currency, interest rate and maturity positions that might create liquidity or market risk to the Group. 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 Group 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 Group 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 Group.

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 Group.

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 Group is assessed periodically. Loan limits of the loan customers are revised periodically in line with the Group'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 Group's current rating system besides the follow up method determined in the related regulation.

NUROL YATIRIM BANKASI ANONİM ŞİRKETİ

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
AS OF AND FOR THE THREE MONTH PERIOD THEN ENDED 31 MARCH 2018**

(Currency - In thousands of Turkish Lira)

26. Financial risk management objectives and policies (continued)

Credit risk by risk groups

	Individual	Corporate	Leasing	Total
31 March 2018				
Performing loans	50	1,395,440	-	1,395,490
Factoring loans	-	-	-	-
Loans under close monitoring	-	191,708	-	191,708
Non-performing loans	-	31,685	-	31,685
Gross	50	1,618,833		1,618,883
Transferred asset	-	-	-	-
Specific provisions for Stage 3	-	(31,685)	-	(31,685)
Generic provisions for Stage 1 and Stage 2	-	(5,509)	-	(5,509)
Total	50	1,581,639	-	1,581,689
31 December 2017				
Performing loans	77	1,053,237	-	1,053,304
Factoring loans	-	-	-	-
Loans under close monitoring	-	8,320	-	8,320
Non-performing loans	-	3,267	-	3,267
Gross	77	1,064,824	-	1,064,901
Transferred asset	-	6,730	-	6,730
Reserve for possible loan losses	-	(3,235)	-	(3,235)
Collective impairment	-	(7,943)	-	(7,943)
Total	77	1,060,344	-	1,060,453

NUROL YATIRIM BANKASI ANONİM ŞİRKETİ

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
AS OF AND FOR THE THREE MONTH PERIOD THEN ENDED 31 MARCH 2018**

(Currency - In thousands of Turkish Lira)

26. Financial risk management objectives and policies (continued)

b) Credit risk (continued)

Exposure to credit risk

	<i>Notes</i>	Due from banks		Loans and advances to customers	
		31 March 2018	31 December 2017	31 March 2018	31 December 2017
Carrying amount		62,995	23,230	1,581,689	1,060,453
Non-performing financial assets		-	-	31,685	3,267
Gross amount		-	-	31,685	3,267
Specific provision for Stage 3	9	-	-	(31,685)	(3,235)
Generic provision for Stage 1 and 2	9	-	-	(5,509)	(7,943)
Neither past due nor impaired		62,995	23,230	1,518,377	979,959
Carrying amount		62,995	23,230	1,518,377	979,959
Restructured and rescheduled loans and other receivables		-	-	68,821	88,405
Carrying amount		-	-	68,821	88,405
Carrying amount (amortised cost)		62,995	23,230	1,581,689	1,060,453

NUROL YATIRIM BANKASI ANONİM ŞİRKETİ

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS OF AND FOR THE THREE MONTH PERIOD THEN ENDED 31 MARCH 2018

(Currency - In thousands of Turkish Lira)

26. Financial risk management objectives and policies (continued)

b) Credit risk (continued)

Exposure to credit risk (continued)

Write-off policy

The Group writes off a loan balance and any related allowances for impairment losses, when Group 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 Group 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. The breakdown of financial assets by type of collateral is as follows:

31 March 2018		Collaterals after rate of consideration								
Type of collateral or credit enhancement	Maximum exposure to credit risk	Cash	Securities (Cheques & Acts & Stock Share)	Property (Mortgages)	Assignment of receivables	Vehicle Pledge	Other	Total collateral	Net exposure	Associated ECLs
Financial assets										
Cash and cash equivalents (including reserves at Central Bank)	230,579	-	-	-	-	-	-	-	230,579	-
Loans and advances to customers	1,881,177	84,161	244,059	131,933	184,793	67,147	1,580	713,671	1,167,506	37,194
of which : Large corporate clients	1,642,485	84,161	184,060	131,933	167,643	67,147	1,580	636,523	1,050,962	37,100
of which : SME clients	73,867	-	24,965	-	17,149	-	-	42,114	31,753	50
of which : Others	164,825	-	35,034	-	-	-	-	35,034	129,791	44
Other financial assets	2,240	-	-	-	-	-	-	-	2,240	33
Derivative financial instruments	4,433	-	-	-	-	-	-	-	4,433	-
Securities at fair value through OCI	82,338	-	-	-	-	-	-	-	82,338	25
Guarantees (after Credit Conversion Factor)	380,885	2,566	9,883	868	29,718	12,437	-	55,472	325,413	3,660
LCs and Acceptances (after Credit Conversion Factor)	18,820	-	-	40	206	-	-	246	18,574	50

The Parent Bank's internal credit rating grades

The Bank's independent Credit Risk Department operates its internal rating models. The Bank runs models for its key portfolios in which its customers are rate from 1 to 100 using internal grades. The models incorporate both qualitative and quantitative information and, in addition to information specific to the borrower, utilise supplemental external information that could affect the borrower's behaviour. These information sources are first used to determine the PDs within the Bank's IFRS 9 ECL calculation.

NUROL YATIRIM BANKASI ANONİM ŞİRKETİ

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS OF AND FOR THE THREE MONTH PERIOD THEN ENDED 31 MARCH 2018

(Currency - In thousands of Turkish Lira)

Internal rating grades of the Parent Bank:

Cash Loans

Internal rating grade	Internal rating description	Internal rating category	12 month PD range	Good Rating Agency's rating	Average Exposure at default	Average PDs	Average LGD
Performing							
100-90	Highest	High grade	0.0001-0.02	AAA	18,620	0.00%	45.00%
89-87	Very high+	High grade	0.0001-0.02	AA+	17,089	0.02%	45.00%
86-84	Very high	High grade	0.0001-0.02	AA	5,265	0.00%	45.00%
83-81	Very high-	High grade	0.0001-0.03	AA-	-	-	0.00%
80-78	High+	High grade	0.0001-0.05	A+	168,396	0.00%	45.00%
77-75	High	High grade	0.0002-0.06	A	-	-	0.00%
74-72	High-	High grade	0.0002-0.07	A-	170,582	0.08%	35.46%
71-69	Adequate level+	Standard grade	0.0003-0.12	BBB+	213,228	0.03%	32.50%
68-66	Adequate level	Standard grade	0.0005-0.17	BBB	260,447	0.03%	13.31%
65-63	Adequate level-	Standard grade	0.0007-0.26	BBB-	195,191	0.08%	43.48%
62-60	Depends on economic conditions+	Standard grade	0.001-0.36	BB+	86,758	0.14%	42.90%
59-57	Depends on economic conditions	Standard grade	0.0016-0.58	BB	264,882	0.45%	29.02%
56-54	Depends on economic conditions-	Standard grade	0.0029-1.05	BB-	224,951	0.56%	16.95%
53-51	Low level+	Sub-standard grade	0.0059-2.15	B+	69,284	2.84%	0.92%
50-48	Low level	Sub-standard grade	0.0107-3.89	B	5,111	0.32%	45.00%
47-45	Low level-	Sub-standard grade	0.0205-7.49	B-	579,050	8.12%	45.00%
44-36	Possibility of default	Sub-standard grade	0.0734-26.78	CCC	192,307	12.74%	28.99%
35-33	High default risk	Sub-standard grade	0.0734-26.78	CC	-	-	0.00%
32-30	Very high default risk	Sub-standard grade	0.0734-26.78	C	-	-	0.00%
Total Performing					1,892,689	1.56%	26.78%

Non-performing

29-0	In default		100-100	D	31,685	100.00%	100.00%
Total Nonperforming					31,685	100.00%	100.00%

Noncash Loans

Internal rating grade	Internal rating description	Internal rating category	12 month PD range	Good Rating Agency's rating	Average Exposure at default (after CCF)	Average PDs	Average LGD
Stage 1 & Stage 2							
100-90	Highest	High grade	0.0001-0.02	AAA	-	-	-
89-87	Very high+	High grade	0.0001-0.02	AA+	-	-	-
86-84	Very high	High grade	0.0001-0.02	AA	-	-	-
83-81	Very high-	High grade	0.0001-0.03	AA-	-	-	-
80-78	High+	High grade	0.0001-0.05	A+	27,800	0.05%	45.00%
77-75	High	High grade	0.0002-0.06	A	811,223	0.04%	45.00%
74-72	High-	High grade	0.0002-0.07	A-	17,115	0.04%	45.00%
71-69	Adequate level+	Standard grade	0.0003-0.12	BBB+	27,765	0.08%	34.82%
68-66	Adequate level	Standard grade	0.0005-0.17	BBB	56,428	0.11%	45.00%
65-63	Adequate level-	Standard grade	0.0007-0.26	BBB-	65,302	0.16%	45.00%
62-60	Depends on economic conditions+	Standard grade	0.001-0.36	BB+	7,532	0.24%	45.00%
59-57	Depends on economic conditions	Standard grade	0.0016-0.58	BB	83,459	0.46%	42.24%
56-54	Depends on economic conditions-	Standard grade	0.0029-1.05	BB-	74,277	0.91%	12.24%
53-51	Low level+	Sub-standard grade	0.0059-2.15	B+	20,619	1.31%	41.69%
50-48	Low level	Sub-standard grade	0.0107-3.89	B	8,192	2.74%	45.00%
47-45	Low level-	Sub-standard grade	0.0205-7.49	B-	35,200	1.25%	0.00%
44-36	Possibility of default	Sub-standard grade	0.0734-26.78	CCC	7,627	33.61%	45.00%
35-33	High default risk	Sub-standard grade	0.0734-26.78	CC	-	-	-
32-30	Very high default risk	Sub-standard grade	0.0734-26.78	C	-	-	-
Total Stage 1 & 2					396,964	1.10%	39.42%

Noncash Loans

Internal rating grade	Internal rating description	Internal rating category	12 month PD range	Good Rating Agency's rating	Total Exposure	Average PDs	Average LGD
Stage 3							
29-0	In default		100-100	D	2,695	100.00%	79.96%
Total Stage 3					2,695	100.00%	37.10%

NUROL YATIRIM BANKASI ANONİM ŞİRKETİ

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS OF AND FOR THE THREE MONTH PERIOD THEN ENDED 31 MARCH 2018

(Currency - In thousands of Turkish Lira)

26. Financial risk management objectives and policies (continued)

Fair value through profit or loss (FVTPL)

At 31 March 2018, the Bank has derivative financial assets at FVTPL amounting to TL 4,433 (31 December 2017 – TL 1,665). An analysis of the credit quality of the maximum credit exposure is as follows:

	31 March 2018	31 December 2017
Derivative financial assets	4,433	1,665
Fair value and carrying amount	4,433	1,665

NUROL YATIRIM BANKASI ANONİM ŞİRKETİ

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS OF AND FOR THE THREE MONTH PERIOD THEN ENDED 31 MARCH 2018

(Currency - In thousands of Turkish Lira)

26. 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 Group'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 financial assets measured at fair value through other comprehensive income 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 Group'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 Group and the Group's regulated operations have complied with externally imposed capital requirements throughout the period.

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

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

	31 March 2018	31 December 2017
Amount subject to credit risk (I)	1,761,713	1,449,011
Amount subject to market risk (II)	49,057	51,433
Amount subject to operational risk (III)	140,160	101,003
Total risk-weighted assets and value at market risk and operational risk (IV) = (I+II+III)	1,950,930	1,601,447
Shareholders' equity:		
Tier 1 capital	237,640	219,195
Tier 2 capital	64,801	69,846
Total regulatory capital	302,441	289,041
Capital adequacy ratio	15.50%	18.05%

NUROL YATIRIM BANKASI ANONİM ŞİRKETİ

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS OF AND FOR THE THREE MONTH PERIOD THEN ENDED 31 MARCH 2018

(Currency - In thousands of Turkish Lira)

26. Financial risk management objectives and policies (continued)

d) Fair values

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 Group 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 Group 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 Group 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:

31 March 2018	<i>Note</i>	Level 1	Level 2	Level 3	Total
Derivative financial assets		4,433	-	-	4,433
Financial assets measured at fair value through other comprehensive income	8	79,594	-	-	79,594
Investment property		-	-	27,010	27,010
Derivative financial liabilities		-	25,297	-	25,297
		84,027	25,297	27,010	136,334
31 December 2017	<i>Note</i>	Level 1	Level 2	Level 3	Total
Derivative financial assets		-	1,665	-	1,665
Available for sale investments	8	136,519	-	-	136,519
Investment property		-	-	4,440	4,440
Derivative financial liabilities		-	18,831	-	18,831
		136,519	20,496	4,440	161,455

NUROL YATIRIM BANKASI ANONİM ŞİRKETİ

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS OF AND FOR THE THREE MONTH PERIOD THEN ENDED 31 MARCH 2018

(Currency - In thousands of Turkish Lira)

26. Financial risk management objectives and policies (continued)

e) Market risk

Market risk is the risk that changes in market prices such as interest rate, equity prices, foreign exchange rates and credit spreads will affect the Bank's income or the value of its holdings of financial instruments.

The Board of Directors of the Group determines the risk limits for primary risks carried by the Group and periodically revises these limits. For the purpose of hedging market risk, the Group primarily aims to balance the foreign currency position, collateralise the loans and manage liquidity.

The market risk arising from trading portfolio is monitored, measured and reported using Standardised Approach to the legal legislation. The monthly market risk report and the weekly currency risk reports prepared are reported to BRSA.

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.

Position limit of the Group related with currency risk is determined according to Foreign Currency Net Position Standard ratio determined by BRSA.

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

	USD	Euro	Others	Total
2018				
Assets				
Cash and cash equivalents	3,857	21,394	2,299	27,550
Reserve deposits at Central Bank	31,992	34,269	-	66,261
Loans and advances to customers	26,052	292,680	-	318,732
Financial assets measured at fair value through other comprehensive income	22,576	12,561	-	35,137
Other assets	137,095	24	-	137,119
Total assets	221,572	360,928	2,299	584,799
Liabilities				
Funds borrowed	226,637	237,017	82	463,736
Subordinated debts	58,980	-	-	58,980
Other liabilities	17,090	316,959	1,712	335,761
Total liabilities	302,707	553,976	1,794	858,477
Gross exposure	(81,135)	(193,048)	505	(273,678)
Off-balance sheet position				
Net notional amount of derivatives	85,358	191,709	-	277,067
Net exposure	4,223	(1,339)	505	3,389

NUROL YATIRIM BANKASI ANONİM ŞİRKETİ

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
AS OF AND FOR THE THREE MONTH PERIOD THEN ENDED 31 MARCH 2018**

(Currency - In thousands of Turkish Lira)

26. Financial risk management objectives and policies (continued)

e) Market risk (continued)

Currency risk (continued)

	USD	Euro	Others	Total
2017				
Assets				
Cash and cash equivalents	15,969	9,988	245	26,201
Reserve deposits at Central Bank	31,958	26,936	-	58,895
Loans and advances to customers	25,181	293,273	-	318,454
Available for sale investments	86,039	-	-	86,039
Other assets	131,716	45	-	131,761
Total assets	290,863	330,242	245	621,350
Liabilities				
Funds borrowed	201,747	181,340	8,830	391,917
Subordinated debts	57,267	-	-	57,267
Other liabilities	13,576	248,630	-	262,206
Total liabilities	272,590	429,970	8,830	711,390
Gross exposure	18,273	(99,728)	(8,585)	(90,040)
Off-balance sheet position				
Net notional amount of derivatives	(13,418)	100,366	8,737	95,685
Net exposure	4,855	638	152	5,645

Interest rate risk

Interest rate risk that would arise from the changes in interest rates depending on the Group's position is managed by the Asset and Liability Committee of the Group.

Interest rate sensitivity of assets, liabilities and off balance sheet items is analysed by top management in the Asset and Liability Committee meetings held every week by taking the market developments into consideration.

The Management of the Group follows the interest rates in the market on a daily basis and revises interest rates of the Group when necessary.

NUROL YATIRIM BANKASI ANONİM ŞİRKETİ

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
AS OF AND FOR THE THREE MONTH PERIOD THEN ENDED 31 MARCH 2018**

(Currency - In thousands of Turkish Lira)

26. Financial risk management objectives and policies (continued)

e) Market risk (continued)

Interest rate risk (continued)

The following table indicates the periods in which financial assets and liabilities reprice as of 31 March 2018 and 31 December 2017:

	Less than 1 month	1-3 months	3-12 months	1-5 years	More than 5 years	Non interest bearing	Total
As at 31 March 2018							
Assets							
Cash and cash equivalents	35,235	-	-	-	-	27,819	63,054
Reserve deposits at Central Bank	66,261	-	-	-	-	102,053	168,314
FVTPL investments	3,160	1,273	-	-	-	-	4,433
Financial assets at fair value through other comprehensive income	21,595	5,184	788	-	13,369	38,633	79,569
Loans and advances to customers	797,867	129,944	208,570	394,661	50,647	-	1,581,689
Other assets	-	-	-	-	-	193,221	193,221
Total assets	924,118	136,401	209,358	394,661	64,016	361,726	2,090,280
Liabilities							
Funds borrowed ^(*)	82,435	145,074	128,530	-	39,026	186,183	581,248
Debt securities issued ^(**)	117,136	199,964	535,475	35,279	-	-	887,854
Other liabilities ^(***)	122,473	129,311	16,432	96,740	-	256,222	621,178
Total liabilities	322,044	474,349	680,437	132,019	39,026	442,405	2,090,280
On balance sheet interest sensitivity gap	602,074	(337,948)	(471,079)	262,642	24,990	(80,679)	-
Off balance sheet interest sensitivity gap	-	-	-	-	-	-	-
Total interest sensitivity gap	602,074	(337,948)	(471,079)	262,642	24,990	(80,679)	-

(*) Includes subordinated loans amounting to TL 19,788.

(**) Includes subordinated bonds amounting to TL 39,192.

(***) Derivative financial instruments are included in other liabilities.

	Less than 1 month	1-3 months	3-12 months	1-5 years	More than 5 years	Non interest bearing	Total
As at 31 December 2017							
Assets							
Cash and cash equivalents	11,317	452	-	-	-	14,913	26,682
Reserve deposits at Central Bank	58,895	-	-	-	-	253,397	312,292
FVTPL investments	1,075	590	-	-	-	-	1,665
Available for sale investments	1,975	5,536	86,344	-	5,042	37,622	136,519
Loans and advances to customers	325,081	131,237	160,172	370,650	73,313	-	1,060,453
Other assets	-	-	-	-	-	156,549	156,549
Total assets	398,343	137,815	246,516	370,650	78,355	462,481	1,694,160
Liabilities							
Funds borrowed ^(*)	81,361	123,561	99,632	49,133	37,797	89,858	481,342
Debt securities issued ^(**)	107,644	292,706	242,577	34,288	-	-	677,215
Other liabilities ^(***)	7,987	2,496	-	8,348	-	516,772	535,604
Total liabilities	196,992	418,763	342,209	91,769	37,797	606,630	1,694,160
On balance sheet interest sensitivity gap	201,351	(280,948)	(95,693)	278,881	40,558	(144,148)	-
Off balance sheet interest sensitivity gap	-	-	-	-	-	-	-
Total interest sensitivity gap	201,351	(280,948)	(95,693)	278,881	40,558	(144,148)	-

(*) Includes Subordinated loans amounting to TL 18,901.

(**) Includes Subordinated bonds amounting to TL 38,366.

(***) Derivative financial instruments include in other liabilities.

NUROL YATIRIM BANKASI ANONİM ŞİRKETİ

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS OF AND FOR THE THREE MONTH PERIOD THEN ENDED 31 MARCH 2018

(Currency - In thousands of Turkish Lira)

26. Financial risk management objectives and policies (continued)

e) Market risk (continued)

Interest rate risk (continued)

Summary of average interest rates

As at 31 March 2018 and 31 December 2017, the summary of average interest rates for different assets and liabilities are as follows:

	31 March 2018			31 December 2017		
	Euro	USD	TL	Euro	USD	TL
Assets						
Cash and balances with the Central Bank	-	1.5	3.85	-	1.5	3.85
Due from banks	0.04	1.53	12.49	0.05	1.15	11.92
FVTPL investments	-	-	-	-	-	-
Placements at money markets	-	-	-	-	-	-
FVTOCI investments	-	10.84	15.03	-	9.72	14.01
Loans and advances to customers	6.19	9.89	18.72	6.52	9.81	17.82
Other	-	-	-	-	-	-
Liabilities						
Other money market deposits	-	-	-	-	-	-
Funds borrowed	-	-	-	2.87	5.16	14.13
Debt securities issued	3.67	5.21	15.48	-	10.00	13.11
Funds from other financial institutions	-	10.00	14.39	2.69	4.09	11.94

NUROL YATIRIM BANKASI ANONİM ŞİRKETİ

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS OF AND FOR THE THREE MONTH PERIOD THEN ENDED 31 MARCH 2018

(Currency - In thousands of Turkish Lira)

26. Financial risk management objectives and policies (continued)

e) Market risk (continued)

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

Liquidity risk is a substantial risk in the Turkish market, which exhibits significant volatility.

Exposure to liquidity risk

Maturity analysis of monetary assets and liabilities according to their remaining maturities is presented below:

31 March 2018	Demand	Less than one month	1-3 months	3-12 months	1-5 years	Over 5 years	Unidentified maturity	Total
Cash and cash equivalents	27,818	35,236	-	-	-	-	-	63,054
Reserve deposits at Central Bank	102,053	66,261	-	-	-	-	-	168,314
FVTPL investments	-	3,160	1,273	-	-	-	-	4,433
FVOCI investments	-	-	-	788	16,562	23,586	38,633	79,569
Loans and advances to customers	-	797,867	129,944	208,570	394,661	50,647	-	1,581,689
Other assets	-	160,127	-	-	-	-	33,094	193,221
Total assets	129,871	1,062,651	131,217	209,358	411,223	74,233	71,727	2,090,280
Funds borrowed (*)	186,184	82,435	145,074	128,530	-	39,026	-	581,248
Debt securities issued (**)	-	117,136	199,964	460,913	70,655	39,186	-	887,854
Other liabilities (***)	24,255	114,953	136,831	16,432	96,740	-	231,966	621,178
Total liabilities	210,439	314,524	481,869	605,875	167,395	78,212	231,966	2,090,280
Liquidity gap	(80,568)	748,127	(350,652)	(396,517)	243,828	(3,979)	(160,239)	-

(*) Includes subordinated loans amounting to TL 19,788.

(**) Includes subordinated bonds amounting to TL 39,192.

(***) Derivative financial instruments are included in other liabilities.

NUROL YATIRIM BANKASI ANONİM ŞİRKETİ

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
AS OF AND FOR THE THREE MONTH PERIOD THEN ENDED 31 MARCH 2018**

(Currency - In thousands of Turkish Lira)

26. Financial risk management objectives and policies (continued)

e) Market risk (continued)

Liquidity risk (continued)

31 December 2017	Demand	Less than one month	1-3 months	3-12 months	1-5 years	Over 5 years	Unidentified maturity	Total
Cash and cash equivalents	14,913	11,317	452	-	-	-	-	26,682
Reserve deposits at Central Bank	253,397	58,895	-	-	-	-	-	312,292
FVTPL investments	-	1,075	590	-	-	-	-	1,665
Available for sale investments	-	1,075	5,536	305	-	91,081	37,622	136,519
Loans and advances to customers	-	325,049	131,237	160,172	370,650	73,313	32	1,060,453
Other assets	-	146,637	-	-	-	-	9,912	156,549
Total assets	268,310	544,948	137,815	160,477	370,650	164,394	37,622	1,694,160
Funds borrowed (*)	89,858	81,362	123,560	99,632	49,133	37,797	-	481,342
Debt securities issued (**)	-	107,644	292,706	169,840	68,659	38,366	-	677,215
Other liabilities (***)	53,034	158,226	74,933	14,719	8,349	-	226,342	535,603
Total liabilities	142,892	347,232	491,199	284,191	126,141	76,163	226,342	1,694,160
	125,418	197,716	(353,384)	(123,714)	244,509	88,231	(188,720)	-
Liquidity gap	-	(4,515)	(2,891)	(395)	1,452	-	-	(6,349)

(*) Includes Subordinated loans amounting to TL 18,901.

(**) Includes Subordinated bonds amounting to TL 38,366.

(***) Derivative financial instruments are included in other liabilities.

NUROL YATIRIM BANKASI ANONİM ŞİRKETİ

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS OF AND FOR THE THREE MONTH PERIOD THEN ENDED 31 MARCH 2018

(Currency - In thousands of Turkish Lira)

27. 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 Group conducted various business transactions with related parties. These include loans, customer accounts, funds borrowed and non-cash transactions. The volumes of related party transactions, outstanding balances at year-end and relating expense and income for the period are as follows:

	Balance	Percentage of the financial statement amount (%)
31 March 2018		
Cash loans	-	-
Non-cash loans	17,283	3%
Funds borrowed / Current accounts of loan customers	50,153	17%
		Percentage of the financial statement amount (%)
31 December 2017	Balance	
Cash loans	-	-
Non-cash loans	16,475	3%
Funds borrowed / Current accounts of loan customers	100,707	22%
		Percentage of the financial statement amount (%)
31 March 2018	Balance	
Interest income and commissions	1,931	3%
Interest expense	-	-
Other operating expense (-)	1,908	19%
		Percentage of the financial statement amount (%)
31 March 2017	Balance	
Interest income and commissions	1,196	3%
Interest expense	-	-
Other operating expense (-)	-	-

As at 31 March 2018, no provisions have been recognised in respect of loans given to related parties (31 March 2017 – 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 2,046 comprising salaries and other benefits for the period 1 January-31 March 2018 (1 January -31 March 2017: TL 1,498).

28. Events after balance sheet date

None.