ANNUAL REPORT 2014

nurolBANK

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PERFECT HARMONY OF INVESTMENT INSTRUMENTS

Imagine that all your investments are conducted by an orchestra…
An impeccable orchestra led by a professional investment officer acting as the conductor, thanks to whom not even a single key is "off-the-tune" to spoil the investment process – an orchestra in which maestros of each instrument step in at the most accurate point and each step is perfectly harmonized with the other…

Rendering a wealth of investment and corporate banking services, Nurol Investment Bank has been offering customers efficient and flexible solutions relying on its well-chosen investment instruments in the fields of Corporate Banking, Investment Banking, and Treasury and Financial Institutions since 1999. Nurol Investment Bank evaluates all investments in guidance of a banking approach based on an Investment Banking model which complies with European standards, and a planning process that generates added-value for resources. Aware of today's increasing volume of transactions, new risks assumed by the private sector and the needs of Turkish financial sector, Nurolbank is committed to maintaining the significant role it has assumed with regards to investment banking products in the years to come.

While Nurolbank provides the highest quality service coupled with a professional management attitude and proper investment instruments, all you need to do is to confidently and delightedly witness how your investments turn into lucrative profits.

CHAIRMAN'S MESSAGE

Distinguished Business Partners and Employees,

First of all, I would like to extend my gratitude to those who have contributed to how our Bank stands today, by trusting and supporting us throughout 2014.

In the aftermath of the financial crisis that originated from the United States of America in 2008, FED took several measures to stimulate growth and economic activity, one of which was the Bond Purchase Program that came to an end in October 2014, in parallel with the stability of economic recovery. However, it remains uncertain when FED will begin increasing its policy interest rates, having forced developing countries – such as Turkey – to undergo structural reforms in a period during which liquidity will shrink.

In light of positive developments in global markets, the Central Bank of Turkey (CBRT) started to cautiously decrease weekly interest rates as of May. Despite the hikes in inflation in the first half of the year, a downward trend was observed in the second half, resulting in a year-end 8.2%. In spite of increasing geopolitical risks, perils of a possible recession in the EU, and the fragile outlook in developing countries, Nurolbank has demonstrated how it swiftly and successfully positioned itself against ever-changing economic conditions.

In 2015, we will carry on our activities in line with our growth and improvement targets which we reinforce with our accomplishments in a diverse range of fields. I believe that Nurolbank will achieve a much stronger and more successful standing thanks to its employees who generate and benefit from knowledge. I also firmly believe that our Bank will cement its values by maintaining its effective workflows in 2015 as well. Let me take the chance to wish further achievements, and extend my thanks and regards on behalf of the Board of Directors to our customers for their unwavering confidence in Nurolbank and to our employees for their efforts.

Nurettin Çarmıklı
Chairman of the Board of Directors

GENERAL MANAGER'S MESSAGE

Distinguished Business Partners,

2014 has left a stamp in Nurolbank's history as a year which bore witness to frontal thrusts in our activities. Changing global economies, decreasing oil prices, and clouds of uncertainty disappearing after presidential elections in Turkey had a positive impact on Turkish economy, while following new geopolitical risks brought about fluctuations in financial markets. In such a climate, Nurolbank has improved its key indicators and focused on profitable growth.

The Bank's non-consolidated Capital Adequacy Standard Ratio reached 16.88% on 31 December 2014, with an Average Return on Equity of 19.9%. A 55% growth in our Cash Loans volume was generated in added-value fields, resulting in a 94% jump in our interest yields that in the end amounted to 61.1 million TL. Moreover, our pre-tax net income reached 20.8 million TL with a YoY increase of 2013%.

In 2014, Nurolbank issued bills of 150 million TL and bonds of 30 million, by selling those to eligible investors.

Our bank's achievements in 2014 indicate that we are capable of achieving the targets described in our mission statement. Relying on such pride and enthusiasm, I fully believe that we will take firmer steps towards our 2015 targets. I would like to thank our employees for their contributions.
Kind regards,

Özgür Altuntaş
Member of the Board of Directors and General Manager

ABOUT US, OUR VISION, OUR MISSION, OUR STRATEGIES

About Us

Having incepted in 1999 and headquartered in Istanbul, Nurolbank offers a wide range of investment and corporate banking services to customers.

Equipped with a firm capital structure and qualified human resources, Nurolbank is aware of what it means to be among the leading banks in the field of investment banking, and therefore aims to serve customers dedicated to generating economic value and in need of various financing products, throughout long-lasting relations.

Nurolbank provides services that help increase the productivity of its customers while lowering their existing risk levels, and enable them to significantly keep their costs under control and expand their market shares.

Boasting a team of professionals with technical know-how and extensive experience in local markets, Nurolbank addresses customers' needs with the following products and services:

- Finance tools structured to provide alternative source of funds
- Complex financial modelling
- Optimum financial package structuring
- Equity finance consulting
- Creative and innovative products and services that enable generation of new funding sources from local and international institutions and capital markets.

Nurolbank taps into bank management policies built on prudent and firm insights. Our bank will carry on its operations by providing on-time information and flexible financial solutions for businesses, in today's ever-changing, interdependent, and fiercely competitive markets.

Our Vision

Offering solutions in line with globally-acclaimed standards to organizations in Turkey that are in need of financial support.

Our Mission

Identifying customers' problems and needs accurately, and offering tailor-made solutions; becoming a bank which can put these solutions into action; offering investor revenue of at least as equal as market conditions; and transforming into a niche bank that can stand on its own feet independently of the group.

Our Strategy

- Making sure that all our staff is equipped with the corporate culture and team spirit with a focus on our goals
- Placing importance on diversity of sources and products
- Developing products and services based on accurate identification of customers' needs, acting as an intermediary
- Becoming Turkey's best investment bank, as defined in international standards.

CAPITAL, SHAREHOLDING STRUCTURE and SHARES OF BOARD MEMBERS

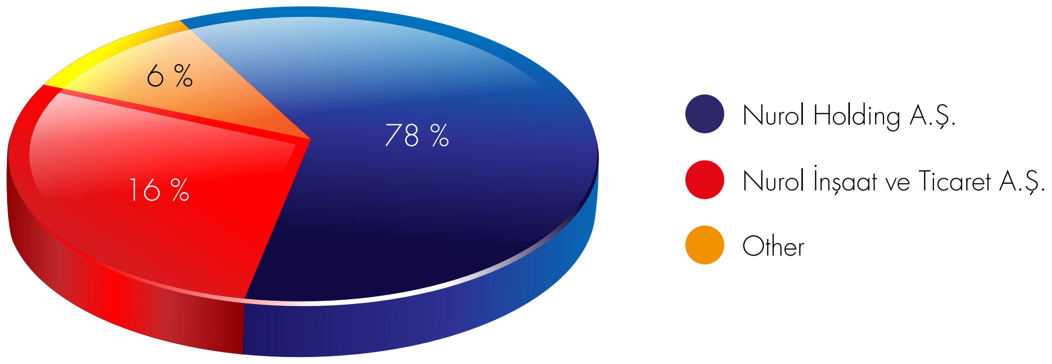
Shareholders and the capital structure of Nurolbank as of 31 December 2014 are provided in the following table:

Name-Surname/ Trade Name	Number of Shares	Amount of Shares (TL 1000)	Percentage of Shares (%)
Nurol Holding A.Ş.	35.171	35.171	78,16%
Nurol İnşaat ve Ticaret A.Ş.	7.182	7.182	15,96%
Nurol Otelcilik ve Turizm İşletmeleri A.Ş.	397	397	0,88%
Nurettin Çarmıklı	400	400	0,89%
Erol Çarmıklı	400	400	0,89%
M. Oğuz Çarmıklı	400	400	0,89%
E. Sabri Çarmıklı	350	350	0,78%
Oğuzhan Çarmıklı	350	350	0,78%
Gürol Çarmıklı	175	175	0,39%
Gürhan Çarmıklı	175	175	0,39%
	45.000	45.000	100,00%

Chairman's and Vice Chairman's shares as of 2014 year-end are given in the following table. General Manager and Board Members except those who are listed in the table do not hold any shares in the bank:

	Number of Shares	Percentage of Shares (%)
Nurettin Çarmıklı - Chairman of the Board	400	0,89%
Erol Çarmıklı - Vice Chairman of the Board	400	0,89%
M. Oğuz Çarmıklı - Vice Chairman of the Board	400	0,89%

NUROLBANK SHAREHOLDING STRUCTURE



No amendment has been made to the Articles of Association in 2014.

GLOBAL ECONOMIC OUTLOOK

Despite strong signals of recovery in the beginning of 2014, US economy shrank by 2.10% in Q1, while demonstrating a 4.60%, 5.00% and 2.60% growth in Q2, Q3 and Q4, respectively. Having performed an overall 2.40% growth in 2014, it witnessed recovery in labor markets and a recent stimulation in domestic demand. With the economy contracting by 1.10 to 5.60% throughout 2014, the US ended the bond-buying program in October 2014 after having achieved a stable outlook in the economic recovery.

Threatening possibility of a recession is ongoing for the EU. Ukrainian crisis coupled with the newly-elected political party that swept into power in Greece add to the clouds of uncertainty over the EU economy. Despite estimations that the bond-buying program announced by the European Central Bank to kick off in year-end will have a limited impact compared to the program implemented by FED in the previous period, it is expected to bring about many positive implications for developing countries.

On the other hand, developing countries took actions towards structural reforms to back their growth, in such a period where global liquidity relatively decreased. India, in particular, implemented a new economic program upon the new government established in Q2, and took significant steps to become the center of labor-intensive production, following which credit rating agency S&P upgrading India's credit rating outlook to "stable" in October.

In Russia, sanctions imposed due to the Ukrainian crisis and decreasing oil prices created a dent in private sector spending, with the ruble having sharply deteriorated. Given ongoing outflows of capital, Russia's exports that are strongly reliant on energy, and decreasing prices, ruble's recovery is expected to take a while.

It seems that China, despite a 7.40% growth in 2014, will continue witnessing a slowdown and struggle to achieve growth rates of 7.0% in the upcoming period. An inflated real estate sector, accumulated idle capacity, increasing debt stocks of local administrations, and ever-growing credits risks add further to the concerns over China's economy.

TURKISH ECONOMY

Faced with an environment drenched in political risks that multiplied towards 2013 year-end and persisted until April 2014, Turkish Lira entered the year with significant deterioration. As a measure against persistent uncertainty, CBRT took a resolution in a meeting held on 21 January 2014 to fix interest rates in the interbank market at 9.00% instead of 7.75% pursuant to monetary tightening policies. However, this measure fell short of expectations, with CBRT deciding on a stronger monetary tightening policy in an interim meeting held a week after, as a result of which one-week repo rate was jacked up from 4.5% to 10%. This made it possible to keep TL's deterioration under control. Increasing global risk appetite as of February, and relatively mitigating concerns over political uncertainty in the aftermath of local elections in March, helped decrease risk premium indicators in Turkey. Therefore, one week repo rate was lowered by 50 bps, 75 bps and 50 bps following the Monetary Policy Committee (MPC) meetings held in May, June and July, respectively. In its July meeting, MPC also lowered overnight borrowing rate by 50 bps, decreasing it down to 7.50%. While one-week repo auction rate remained intact at 8.25%, MPC cut overnight lending rates from 12.00% to 11.25% in its August meeting. CBRT maintained its tight monetary policies in the remaining periods of the year with no specific modifications in the interest rates.

In an MPC meeting held by CBRT in 2014 year-end, it was emphasized that credit growth rates were reasonable; positive implications on the core inflation trend were ongoing; and the negative implications of foreign currency developments on annual inflation rates were incrementally mitigating, driven by tight monetary policies and macro-prudential measures. On the other hand, CBRT signaled that it would implement policies to support 'prudential borrowing' in the upcoming year.

With regards to growth, Turkish economy performed better than estimations, in spite of looming political risks pervading the domestic landscape, and signals of economic normalization especially in the US in 2013-end and Q1 2014. Closing 2013 with a growth of 4.10%, Turkey achieved a 3.30% growth in the first half of 2014 vis-à-vis local elections, monetary tightening and macro-prudential measures. However, it remained significantly below the market expectations which hovered around 3%, recording a YoY 1.70% growth in Q3 2014. Therefore, relatively decent growth figures observed in the first half of the year demonstrated the weakest quarterly performance since Q4 2012. Following a 4.80% growth in Q1 and a 2.20% growth in Q2 according to the revised rates, it was realized as 1.70% in Q3, which revealed a YoY 2.80% increase in the first nine months of the year.

TURKISH ECONOMY

Acting as a key indicator of economic growth, confidence indices – consumer confidence index in particular – stand out to be consistently decreasing since April 2014, which fell to 67.70 in December, hitting the lowest level since January 2010. This downward trend indicates the improbability of stimulation in special consumption spending. Having performed a more-than-average annual growth in the last three quarters of 2013 and in Q1 2014, industrial production index gradually decreased since February 2014: it fell short of expectations with an annual 2.40% in October 2014, only to drop further by 0.10% in November compared to October. Therefore, the industrial production index is not expected to contribute positively to the growth rates of Q4 2014.

Unemployment figures seem to have jumped especially towards the end of 2014. The key reason behind this may be the fact that the number of people who could contribute to production has increased in a period stricken with limited production and growth rates.

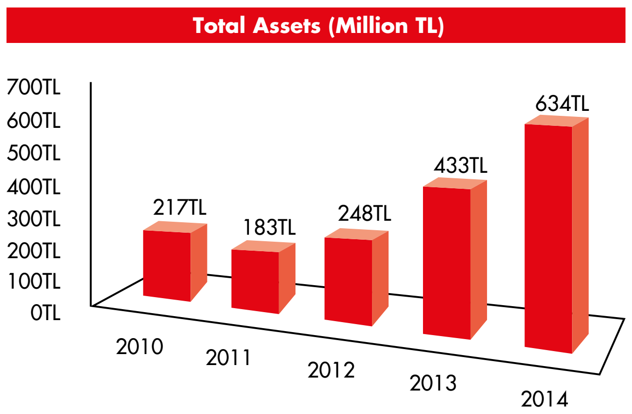
When it comes to the banking sector, restrictions on credit cards and loan/value ratio driven by the macro-prudential measures implemented in February 2014 led to a year-end fall below 20.00% in credit growth rates which used to be hovering around 40.00% in the beginning of 2014. Naturally, one may say that these measures had a negative impact on profitability of banks. On the other hand, there was a remarkable jump in loan demand, eroding the capacity of deposits to cover the loans. As of 2014 year-end, loan/deposit ratio in the banking sector is approximately 110%. In a report published in August, international credit rating agency Fitch warned Turkish banks against the situation.

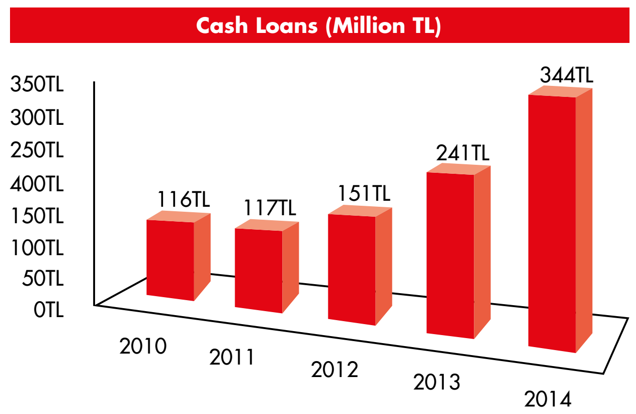
Inflation jumped up to 9.70% in May, paving the way for people to anticipate two-digit inflation rates for the year-end. However, as a result of the noticeable fall realized in December, inflation rates were recorded to be 8.20% in 2014 year-end. Sharp fall in oil may potentially have had an impact on the decrease of inflation rates in December. Another development to note for 2014 is that the core inflation – which is calculated excluding energy products, food products, non-alcoholic beverages, alcoholic beverages, tobacco products, and gold – persisted higher than average CPI rates throughout the year. An overview of 2014 proves food products and non-alcoholic beverages to be the largest contributor to the year-end inflation rates.

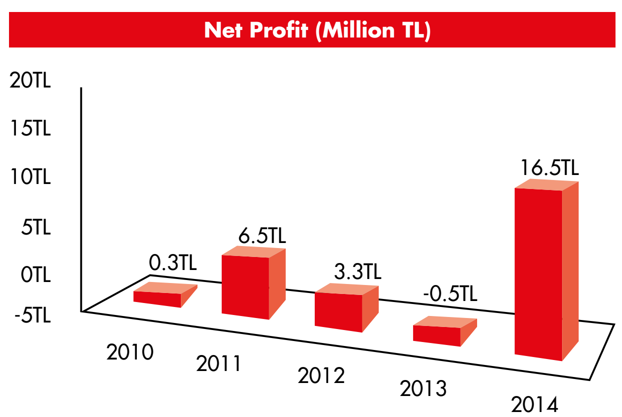
From the beginning of 2014, a significant YoY shrinkage was observed in the current account deficit, decreasing by 18.8 billion US dollars that in the end equaled 45.8 billion US dollars in 2014. An annual 20.30% in shrinkage of foreign trade deficit had a key role in these figures. Moreover, in spite of the problems encountered in our major export markets such as Iraq and Russia, our export volume generated from the EU – Germany and the UK in particular – and the US expanded throughout 2014. In this period, fragile domestic demand, and the sharp fall in oil prices observed in the second half of the year led to a drop in import volume. Overall, Turkey's foreign trade deficit was recorded to be 84.5 billion US dollars with shrinkage by 15.40% in 2014.

FINANCIAL INDICATORS

The Bank's size of assets is 634.2 million TL as of 31.12.2014, with Cash Loans constituting approximately 53.57% of the total assets. Loans received by our Bank represent 109.2 million TL, and a total of 45.7 million TL was derived from borrower funds. As of 2014 year-end, our paid-in capital is 45 million TL, while equities are recorded to be 97.5 million TL. Securities issued constitute 204.629 million TL.







Credit Note By Credit Rating Agency

JCR-Eurasia categorized Nurol Yatırım Bankası A.Ş. as "highly investable", and

- Upgraded the Bank's Long-Term National Note to an 'AA-(Trk)'/stable outlook
- Raised Long-Term International Local Currency Note to 'BBB' above Country Ceiling Note.

BRIEF FINANCIAL INFORMATION COVERING 2010-2014

(TL 1,000) KEY FINANCIAL INDICATORS	December 31,2014	December 31,2013	December 31,2012	December 31,2011	December 31,2010
Total Assets	634.212	432.949	248.461	182.601	217.056
Banks and Other Financial Institutions	109.210	58.814	12.849	11.620	51.025
Securities	58.755	89.759	64.956	33.580	21.652
Total Cash Loans	344.070	223.596	150.576	116.885	116.162
Leasing Receivables (Net)	12.336	17.594	-	38	216
Securities Issued	204.629	102.308	-	-	-
Loans Received	22.077	77.993	52.501	82.717	48.238
Borrower Funds	45.750	36.691	21.686	13.509	104.994
Equities	97.579	81.231	104.933	63.965	55.550
Net Profit/Loss	16.415	-551	3.258	6.481	333

FINANCIAL INDICATORS

	December 31,2014 (TL 1,000)	December 31,2013 (TL 1,000)	Change %
Total Assets	634.212	432.949	46%
Banks and Other Financial Institutions	109.210	58.814	86%
Securities	58.755	89.759	-35%
Cash Loans Extended	344.070	241.190	43%
Leasing Receivables (Net)	12.336	17.594	-30%
Securities Issued	204.629	102.308	100%
Loans Received	22.077	77.993	-72%
Borrower Funds	45.750	36.691	25%
Equities	97.579	81.231	20%
Net In-Period Profit/Loss	16.415	-551	3079%

PERFORMANCE RATIOS

	December 31,2014	December 31,2013
Capital Adequacy Standard Ratio	16,88%	14,20%
Average Return on Equity	19,90%	-0,59%
Return on Paid-In Capital	36,48%	-1,22%
Return on Assets	3,23%	-0,13%
Fixed Assets / Equities	12,36%	4,19%
Fixed Assets / Total Assets	1,90%	0,79%
Interest Bearing Assets / Total Assets	94,15%	99,21%
Cash Loans / Total Assets	51,88%	51,64%

NUROLBANK 2014 ACTIVITIES and POSITION IN THE INDUSTRY

In light of the financial information regarding 2014 year-end, our bank's paid-in capital has been 45 million TL, with equities of 97.5 million TL.

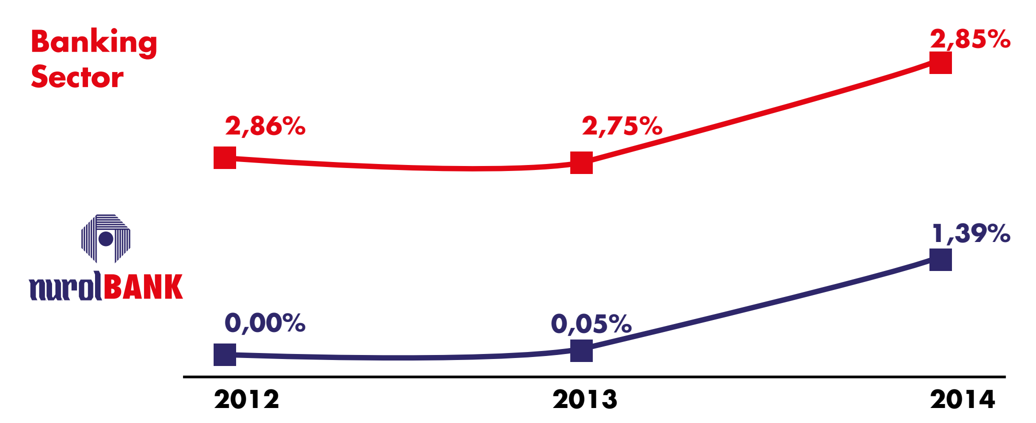
Our Total Loan Portfolio, which closed 2013 with 616.4 million TL, demonstrated a growth of 5.8% in 2014 year-end, which has equaled 652.2 million TL. 451 million TL (69%) of our Portfolio is represented by Turkish Lira, with remaining 201.2 million TL (31%) represented by Foreign Currency loans.

As of 2014, Cash loans constituted 344 million TL (53%) of our Loan Portfolio, while Non-Cash loans constituted 308 million TL (47%).

Our Capital Adequacy Ratio of 13.96% in 2013 year-end increased up to 16.88% in 2014.

Pursuing an approach to determine reliable lending standards that ensure a sound and sustainable loan portfolio, and taking into account our strategies and targets, the Bank's ratio of non-performing loans has remained significantly below the average figures in the Banking Sector.

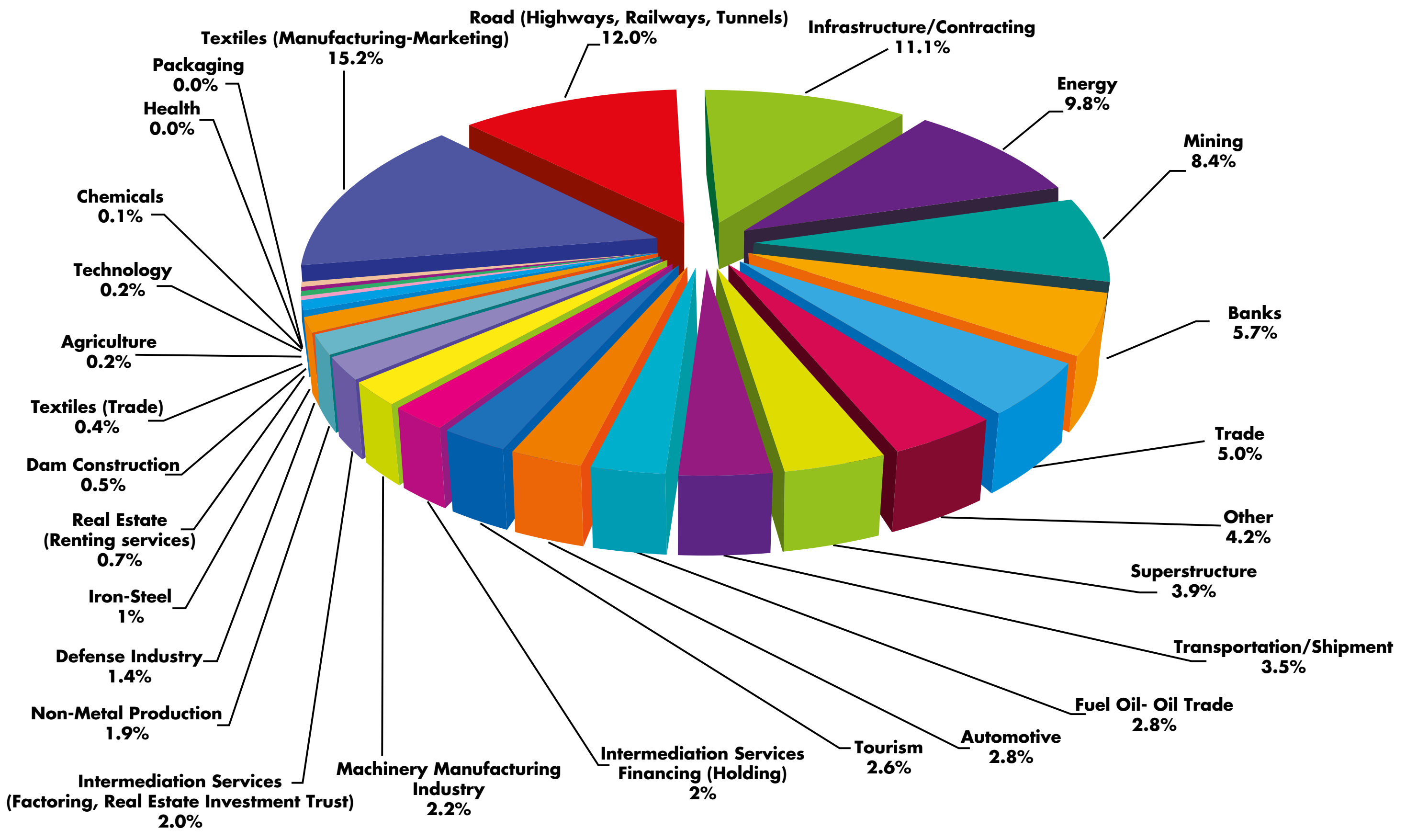
Ratio of Non-Performing Loans



In parallel with evolving market conditions, we are encouraged to be a more active Investment Bank that makes the most of, and finances, investment projects. Finance needs of sub-sectors, including road construction and infrastructure in particular, which are categorized under ever-growing construction industry, have turned into a significant agenda item for our Bank, as well.

Nurol Group continues to prove itself as a competent and responsible bank which duly evaluates options of finance for production, investment, trade, operation etc. to be offered to firms engaged in all industries, Construction in particular, while determining suitable cash and non-cash finance needs of these firms in accordance with their performance criteria.

DISTRIBUTION OF TOTAL RISKS BY INDUSTRY



NUROLBANK 2015 TARGETS and EXPECTATIONS

- Inclusion of firms operating in the commercial segment in our portfolio which currently covers Corporate Banking, thereby increasing diversity of sectors
- Popularization of our factoring product
- Acting as an intermediary for bond issuance of the private sector, therefore creating synergy which can increase profits from interest rates and commission fees
- Ensuring customer diversity, and development of new products and services in line with accurate identification of customers' needs
- Strengthening the structure of sources by issuing short-term bills

We aim to walk towards these targets by continuously observing the balance between the customers in- and outside the group, taking measures to increase efficiency, ensuring efficient evaluation of the sources to be generated from bond/bill issuance by our Bank, maintaining efforts to enhance recognition of the bank, and taking all these steps in line with systematic risk analyses and controls.

OUR BANKING SERVICES

Investment Banking

Investment banking primarily aims to identify corporate and commercial customers' needs and craft "tailor-made" solutions that suit their requests, demands and structures. As Nurolbank and as the Group, we tap into our vast experience and knowledge in transportation, energy and telecommunication industries while carrying out project feasibility analyses in the scope of key infrastructure investment projects. Supporting such projects, we earn strategic/financial partners and provide consulting services in the fields of structured finance and project finance.

Nurolbank boasts a fully-equipped team that can play key roles in each phase of a sound and productive project, offering a wealth of products ranging from mid- and long-term finance to bridging loans.

Corporate Finance

Relying on a strong and qualified team, Nurolbank renders corporate finance-related consulting services such as consulting on financing solutions to ensure domestic and international institutions make the most of capital and borrowing markets, and consulting on mergers and acquisitions, intermediation in public offerings, financial restructuring, and privatization projects.

Corporate finance team offers six main services:
- Financial restructuring
- Intermediation in public offerings
- Company mergers and acquisitions
- Consulting on Privatization
- Financial and/or Strategic partner
- Private capital or similar investments

Thanks to its portfolio of credit customers, our bank enjoys the opportunity to closely follow up many firms and industries in Turkey. It has also accumulated vast knowledge through exemplary projects carried out either by the bank or the group and the relations established with international and national institutions throughout these projects. Insights and experience derived enhance our capacity to spot diverse needs of each customer and craft custom solutions, while enabling us to achieve a distinct position in the field of investment banking in Turkey.

The group also relies on its experience in real estate industry which – in parallel with an improving Turkish economy and expanding capital stock – has been rapidly growing. Therefore, Nurolbank offers consulting services to real estate investment partners.

The Investment Banking Department aims to identify growing businesses in the industries we picked in 2014, provide M&A consulting to potential firms by benefiting from our international contacts, act as an intermediary to find financial partners for the firms in need of finance, offer such firms financing products with low-risk sources tailored to their financial needs, and contribute to the return on assets that the bank can derive.

OUR BANKING SERVICES

Treasury and Financial Institutions

2014 has been a year during which the Treasury Management Department has witnessed remarkably increasing volumes in key fields of activity. Thanks to our experience and knowledge in treasury services, we have fulfilled all our undertakings promptly and thoroughly. Like in previous years, we have been focused in 2014 on diversification of our balance sheet, finding alternative investment channels, diversification and minimization of the risks, decreasing costs and increasing profits. Our Department has successfully positioned itself vis-à-vis market developments; taken necessary actions together with a team of experienced professionals and experts to guard the Bank's standing; avoided any liquidity-related bottlenecks thanks to right timing; ensured rapid information flows, and helped customers access first-hand information about the market.

In 2014, Nurol Investment Bank Treasury Department has successfully increased productivity and achieved sustainable profitability. In 2015, we will continue to provide new products that contribute to the Bank's profitability and efficiency; manage risks revolving around markets, exchange rates, interests, liquidity and operations effectively; ensure necessary flow of information through market analyses; and support customers with regards to product pricing. We will make distinction hand in hand with our expert team and innovative approach once again in 2015.

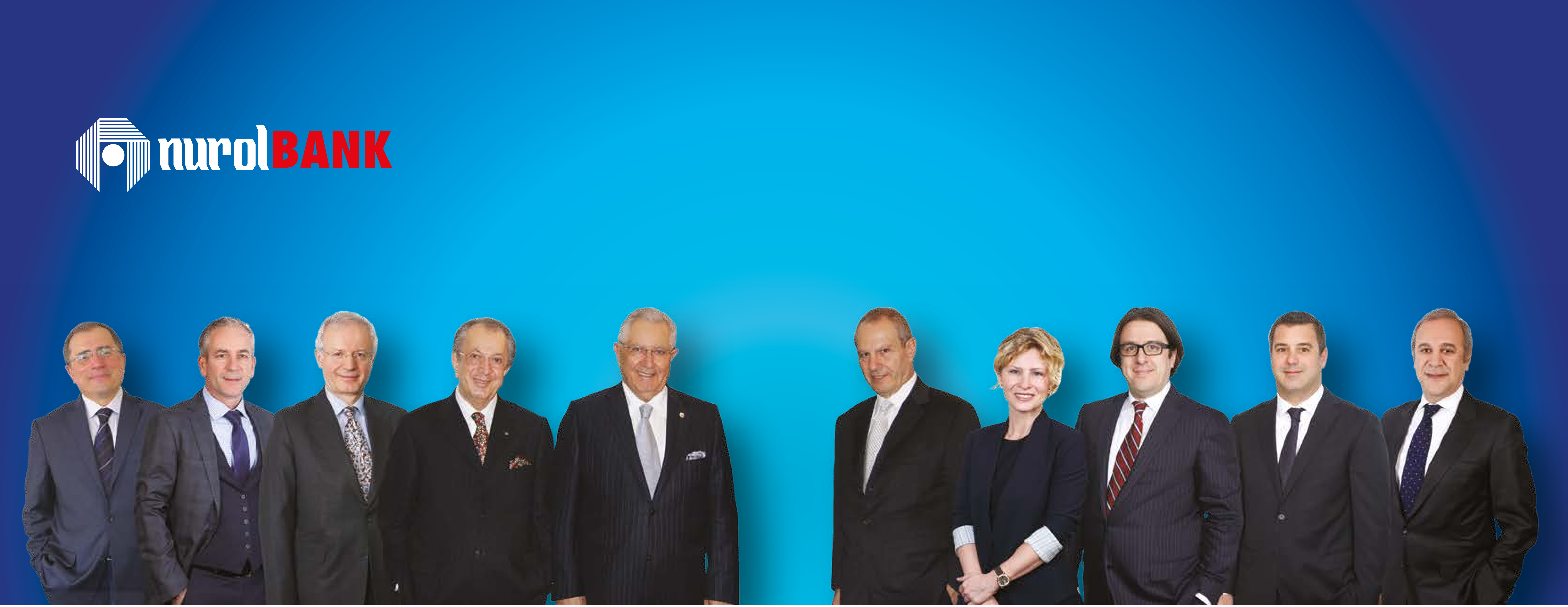
Financial Institutions Department

Financial Institutions Department works to achieve broader recognition of the Bank in national and international markets; maintain existing correspondent relations with national and international banks and institutions established and strengthened through transactions of the Treasury Department; and help establish contacts with new organizations and institutions in line with future needs.

In 2014, Treasury and Financial Institutions Department has worked hard to reinforce the relations with correspondent banks; establish new relations in line with emerging needs and working opportunities; craft solutions with alternative products to address customers' needs; contribute to intensive marketing activities of the branches; and fully engage with the project finance department to ensure utilization of advanced products that fulfill project finance needs. All these efforts have reflected on profitability and transaction volumes. Throughout the year, it has cemented customer satisfaction thanks to sound management of relations, sustainable transaction volumes with correspondent banks, and quality services both at home and abroad, while providing finance from correspondent banks despite fluctuations in financial markets. The department boasts firm correspondent relations, with an open mind to new relations and development, as required by the economic conjuncture.

Research and Development for New Services and Activities

No R&D study has been conducted with regards to new services and activities in 2014.



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Members of Board of Directors

① *Nurettin Çarmıklı*
Chairman of the Board of Directors

② *Erol Çarmıklı*
Vice Chairman

③ *M. Oğuz Çarmıklı*
Vice Chairman

④ *Dr. Ahmet Paşaoğlu*
Member

⑤ *Yusuf Serbest*
Member

⑥ *S. Ceyda Çarmıklı Kılıçaslan*
Member

⑦ *A. Kerim Kemahlı*
Member

⑧ *Ahmet Şirin*
Member

⑨ *M. Mete Başol*
Member

⑩ *Özgür Altuntaş*
Member and General Manager

MEMBERS OF THE BOARD OF DIRECTORS

Nurettin ÇARMIKLI,
Chairman of the Board of Directors

Having led the foundation of Nurol İnşaat ve Ticaret Kollektif Şirketi in 1966, Nurettin Çarmıklı envisaged the need to invest in non-construction industries in late 1970's. He acted as a founding partner to businesses in various industries including primarily tourism, industrial production, printing, defense, foreign trade, banking, insurance and securities. ÇARMIKLI helped implementation of numberless key construction projects in Turkey and abroad, and significantly contributed to the stable growth of Nurol Holding with his eagerness to keep abreast of technological advances. He is the Board Chairman of Nurol Investment Bank since the beginning of 1999. He holds an Order of Merit and acts as the Honorary Consul to Georgia.

Erol ÇARMIKLI
Vice Chairman – Pricing Committee Member

Erol Çarmıklı is among the founders of Nurol İnşaat ve Ticaret Kollektif Şirketi founded in 1966. Also the founding partner of other companies under the umbrella of Nurol Group of Companies, ÇARMIKLI has been part of several key national and international initiatives taken by Nurol Holding. He has played an active role in further development of Nurol Holding for years, and acted as the Vice Chairman of the Board since 1999. On 13.12.2011, he was appointed as a member to the Pricing Committee of the Bank.

M. Oğuz ÇARMIKLI
Vice Chairman – Pricing Committee Member

M. Oğuz Çarmıklı is a graduate of Department of Civil Engineering under Yıldız School of Engineering at Istanbul State Engineering and Architecture Academy. He worked as a senior executive at Nurol İnşaat, which later became Nurol İnşaat v Ticaret A.Ş., the first company of Nurol Group of Companies. Since 1999, he has been acting as the Vice Chairman of the Board. He was appointed as a member to the Pricing Committee on 13.12.2011.

MEMBERS OF THE BOARD OF DIRECTORS

Dr. Ahmet PAŞAOĞLU
Board Member – Credit Committee Chairman

A graduate of Department of Business Administration-Finance, Faculty of Economics, Istanbul University, he pursued an MA in Columbia University and PhD in Faculty of Political Sciences, Ankara University. In 1974, he started working for Central Bank of Turkey, Istanbul Foreign Exchange Branch, to be followed by TPAO (Turkish Petroleum Corporation), Islamic Development Bank in Jeddah, and Türkiye Emlak Bankası (Turkish Land Bank). Since 1999, he has been acting as a board member to Nurol Investment Bank. He was appointed as a Board Member to Nurol Holding in 2009 and Credit Committee Chairman in 2011.

Yusuf SERBEST
Board Member

He graduated from Department of Business Administration, Istanbul University. His professional life started in 1989 at the Treasury Department of Töbank T.A.Ş., to be followed by Nurol Menkul Kıymetler A.Ş. (Nurol Securities), in addition to his titles including Deputy Chairman of the Board at Istanbul Stock Exchange and Executive Board Member at Aydın Örme San. Ve Tic. A.Ş. Since 2001, he has been acting as a Board Member to Nurol Investment Bank.

S. Ceyda ÇARMIKLI KILIÇASLAN
Board Member –Credit Committee Member

She graduated from Department of Business Administration, Bilkent University, which was followed by an MBA in Pepperdine University. Having started working for Arthur Andersen in 2000, she served Nurol Investment Bank and Nurol Holding A.Ş. later. She is a Board Member since 2008 and Credit Committee Member since 2011.

A. Kerim KEMAHLI
Board Member

A graduate of St. Edwards School, Oxford. He completed the Business Organization program at Heriot-Watt University. In 1990, he started working for West LB, to be followed by Finansbank, Abalıoğlu Holding and Çelebi Holding, respectively. He has been acting as Nurol Holding Finance Coordinator since 2010 and Board Member of Nurol Investment Bank since 2011.

MEMBERS OF THE BOARD OF DIRECTORS

Ahmet ŞİRİN
Board Member – Audit Committee Chairman and Corporate Governance Committee Chairman

A graduate of the Faculty of Political Sciences, Ankara University. He pursued an MA in the University of Leeds. His professional career started at the Inspection Committee of the Ministry of Finance in 1980, followed by titles including Head of Office at Directorate General of Revenues, Deputy Undersecretary at Ministry of Finance, Head of Finance at Ministry of Public Works and Settlement, Vice President at BRSA (Banking Regulation and Supervision Agency), and Advisor to the BRSA Chairman. Since July 2013, he has been acting as the Board Member of Nurol Yatırım Bankası A.Ş., Audit Committee Chairman and Corporate Governance Committee Chairman.

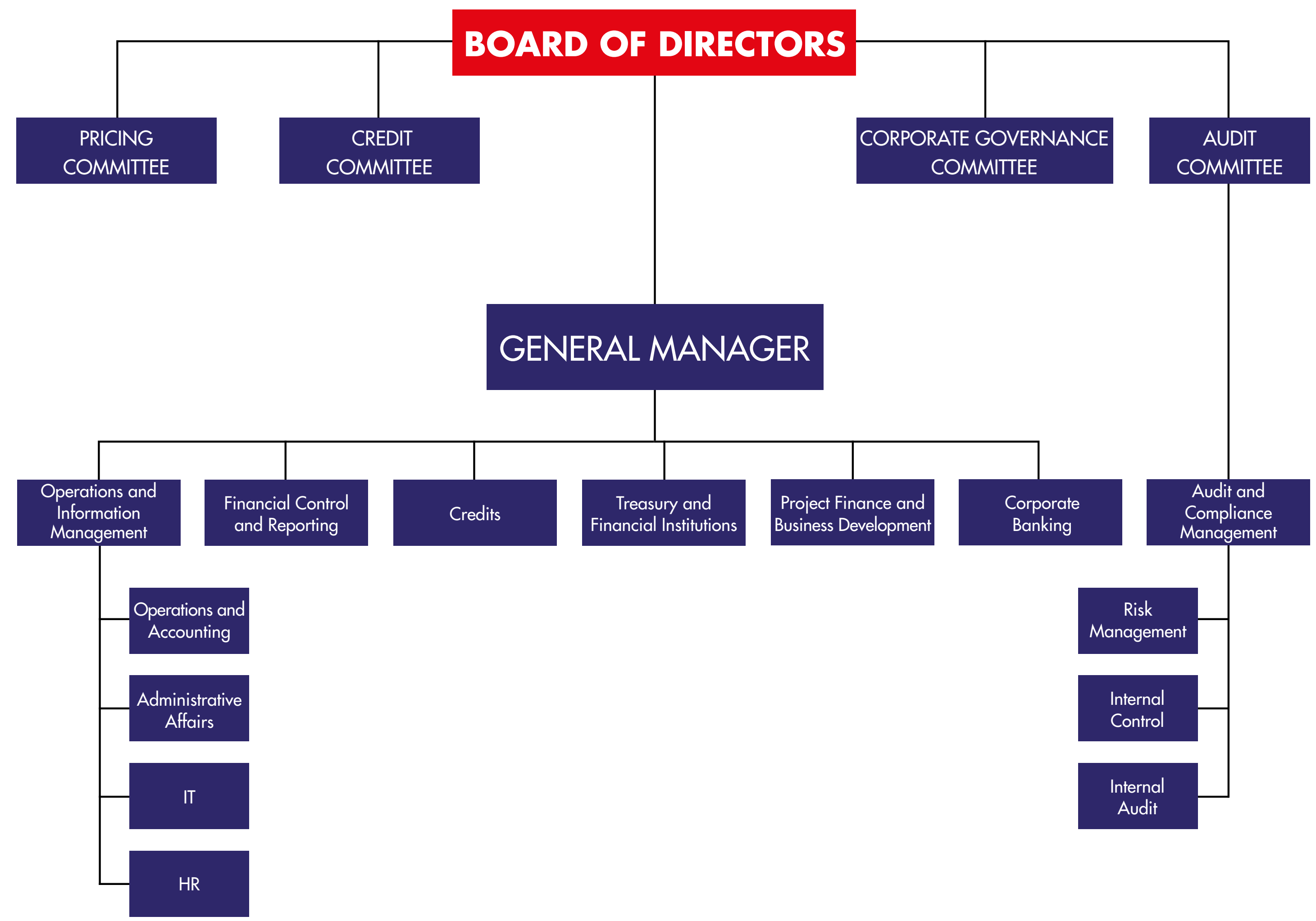
M. Mete BAŞOL
Board Member – Corporate Governance Committee Member

He received a B.S. in the Department of Economics, Arizona University. Having embarked upon the profession in 1984, he worked in several positions at Interbank, Bankers Trust, and Deutsche Bank, respectively, in addition to acting as the Executive Director of Public Banks' Board. He still holds the titles of Board Member and Advisor for several companies. Since August 2014, he is a Board Member and Corporate Governance Committee Member at Nurol Yatırım Bankası A.Ş.

Özgür ALTUNTAŞ
Board Member and General Manager

He graduated from Department of Managerial Engineering, Istanbul Technical University. Joining Istanbul Bankers Trust in 1993, he worked for Garanti Bank, Amex Bank, Credit Suisse and Morgan Stanley in Amsterdam, Bucharest and London, respectively. He held the title of Emerging Markets Director and President of the Turkey Region at Morgan Stanley. He returned home in August 2011 and worked for Royal Bank of Scotland as Managing Director until June 2013. On 16 September 2013, he became a Board Member and General Manager for Nurol Yatırım Bankası A.Ş.

NUROL YATIRIM BANKASI ANONİM ŞİRKETİ ORGANIZATION CHART



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Senior Management

① *Özgür ALTUNTAŞ*
Board Member and General Manager

② *Z. Babür HAKARAR*
Chief of Assistant General Manager, Treasury and Financial Institutions Department

③ *Dr. Murat ÇİMEN*
Chief of Assistant General Manager, Investment Banking

④ *A. Murat KAVURGA*
Assistant General Manager, Operations and Information Management

⑤ *Tamer DİRİ*
Assistant General Manager, Financial Control

⑥ *Semih S. NEZİR*
Assistant General Manager, Audit and Compliance Management

⑦ *Serhat KUTLU*
Assistant General Manager, Corporate Banking

SENIOR MANAGEMENT

Özgür ALTUNTAŞ
Board Member and General Manager

He graduated from Department of Managerial Engineering, Istanbul Technical University. Joining Istanbul Bankers Trust in 1993, he worked for Garanti Bank, Amex Bank, Credit Suisse and Morgan Stanley in Amsterdam, Bucharest and London, respectively. He held the title of Emerging Markets Director and President of the Turkey Region at Morgan Stanley. He returned home in August 2011 and worked for Royal Bank of Scotland as Managing Director until June 2013. On 16 September 2013, he became a Board Member and General Manager for Nurol Yatırım Bankası A.Ş.

Z. Babür HAKARAR
Treasury and Financial Institutions, Chief of Assistant General Managers

He graduated from Department of Mechanical Engineering, Boğaziçi University. In 1995, he started working as a Specialist in Finansbank, followed by Credit Europe in Amsterdam, and Tosyalı Holding under the title of Finance and Business Development Director. Hakarar has been acting as Chief of Assistant General Managers in Nurol Yatırım Bankası A.Ş. since September 2013.

Dr. Murat ÇİMEN
Investment Banking, Chief of AGMs

A graduate of Civil Engineering, Istanbul Technical University, he made his MA and PhD in Boğaziçi University. In 1996, he started working for İnterbank. Later on in 1999, he joined Nurol Investment Bank, holding various titles including Senior Specialist in Project Finance and Leasing Department, Head of Investment Banking, Chief of Assistant General Manager responsible for Investment Banking. Since September 2013, he has been acting as Chief of Assistant General Manager in Investment Banking Department.

SENIOR MANAGEMENT

A. Murat KAVURGA
Operations and Information Management, Assistant General Manager

A graduate of Department of Foreign Languages, Marmara University, Kavurga started working for Adabank in 1986 as a Senior Officer. Then, he joined Chase Manhattan Bank Turkey, Garanti Bank Romania and Credit Europe Bank Moscow, respectively. Since February 2014, Nurolbank has been acting as Assistant General Manager in Operations and Information Management Department at Nurolbank.

Tamer DİRİ
Financial Control, Assistant General Manager

He graduated from Department of Business Administration, Dokuz Eylül University. In 1993, he started working for Istanbul Revenue Office under the Ministry of Finance, followed by Dışbank and Sitebank, respectively. He joined Nurol Investment Bank in 1999, and was appointed as Assistant General Manager responsible for Budget and Financial Control & Reporting in February 2014.

Semih S. NEZİR
Audit and Compliance Management, Assistant General Manager

A graduate of Economics, Faculty of Economics and Administrative Sciences, Middle East Technical University. In 1986, he started working for Interbank. Later on, he served Esbank Headquarters holding the title of Head of Credit Follow-up and Monitoring. He joined Nurol Investment Bank in 2001 and was appointed as Assistant General Manager responsible for Audit and Compliance Management in March 2014.

Serhat KUTLU
Corporate Banking, Assistant General Manager

He graduated from Political Sciences and Public Administration, Middle East Technical University. He completed an MBA at Yeditepe University. In 1995, he started forking for Finansbank as Trainee Manager (MT) and went on to serve as Finans Leasing Marketing Officer, Finansbank Corporate Banking Marketing Manager, Oyabank Mecidiyeköy Corporate Branch Manager, ING Bank Corporate Banking Group President, Sardes Factoring A.Ş. GM and Turkish Factoring A.Ş. GM. Since November 2014, he has been acting as Assistant General Manager responsible for Corporate Banking at Nurol Investment Bank.

SENIOR MANAGEMENT

Baki ARSLAN
Head of Internal Control Department

He graduated from the Department of Economics, Faculty of Economic and Administrative Sciences, Anadolu University. His professional life started in 1995 at Turkish Bank, in the Head Office for Financial and Administrative Affairs. Later on, he worked for EGS Bank and Bayındırbank. He joined Nurol Investment Bank in April 2002, and was appointed as Head of Internal Control Department in August 2009.

Ozan ALPARSLAN
Internal Control Department, Chief Auditor

He graduated from Department of Economics, Bilkent University. In 2005, he started working as Assistant Inspector at Oyakbank, followed by his title as Internal Control Inspector at Akbank. He joined Nurol Investment Bank in December 2012, acting as Chief Inspector for Internal Control.

Tuğba USKUAY
Risk Management Department, Director

She studied in Department of Econometrics, Uludağ University. In 2007, she started working for Turkishbank as Assistant Specialist. She joined Nurol Investment Bank in 2008 and was appointed as Director of Risk Management Department in May 2014.

COMMITTEES OF THE BOARD OF DIRECTORS

Audit Committee

The Committee was established to monitor whether or not the Bank is compliant with Bank's internal policies and implementation procedures approved by the Board of Directors, and the Provisions regarding Internal Control as set forth in BRSA's Regulation on Banks' Internal Systems and Internal Capital Adequacy Evaluation published in the Official Gazette dated 11.07.2014 under no 29057. The Committee also aims to ensure that audit and monitoring activities of the Board are duly performed. It convened 16 times in 2014 in order to submit proposals to the Board of Directors.

Title	Name	Main Title
Chairman	Ahmet ŞİRİN	Board Member
Member	A. Kerim KEMAHLI	Board Member

Corporate Governance Committee

The Committee was established in order to monitor and manage Bank's corporate governance procedures, as stipulated in Article 22 of Banking Law no. 5411. It carries out its tasks in accordance with the provisions of BRSA "Regulation on Corporate Governance Principles of Banks" published in the Official Gazette dated 01.11.2006, under no. 26333. It operates under the Board of Directors and convened twice in 2014 to monitor and improve Bank's compliance with corporate governance principles, and to submit proposals to the Board of Directors.

Title	Name	Main Title
Chairman	Ahmet ŞİRİN	Board Member
Member	M. Mete BAŞOL	Board Member

Pricing Committee

The committee operates under the Board of Directors. It was established upon the Board Resolution on 13.12.2011 no. 449, in accordance with BRSA's regulation on "Corporate Governance Principles of Banks" published in the Official Gazette dated 01.11.2006 under no 26333, one of the provisions of which was as follows: "A Pricing Committee shall be established which consists of at least 2 members to monitor and audit pricing practices on behalf of the Board of Directors". The Committee convened twice in 2014.

Title	Name	Main Title
Chairman	Erol ÇARMIKLI	Vice Chairman
Member	M. Oğuz ÇARMIKLI	Vice Chairman

COMMITTEES OF THE BOARD OF DIRECTORS

Disciplinary and Personnel Committee

It was established to observe and enforce mandatory provisions of the Labor Law no. 4857 and relevant legislation, including those on responsibilities of Bank's personnel, conditions of service, personal rights and disciplinary procedures, upon the proposal of the HR department and approval of the General Manager.

Directly reporting to General Manager, the Committee identifies levels of misbehavior and possible damages arising from procedures and actions that are determined to be subject to disciplinary punishment in accordance with Labor Law, other legislation, Bank's regulations and disciplinary rules. Chaired by General Manager, the Committee convenes with the participation of relevant executives when necessary and takes resolutions on relevant agenda items.

Title	Name	Main Title
Chairman	Özgür ALTUNTAŞ	Board Member – General Manager
Member	Dr. Murat ÇİMEN	Investment Banking – Chief of AGMs
Member	A. Murat KAVURGA	Operations and Information Management – Assistant GM

Information Systems Strategy Committee

Operating under the Board of Directors, the Committee was established in accordance with the Communique on the "Principles for Banks' Management of Information Systems" published in the Official Gazette dated 14.09.2007, under no. 26643. It informs the Board with regards to management and administration of IT-related legislation/provisions, determination of strategic actions, and resolution on IT governance goals. Upon the Board resolution dated 17/06/2008 under no 336, it was established to incorporate IT-related matters in the agenda of corporate governance at the level of the Board. It convened 4 times in 2014.

Title	Name	Main Title
Chairman	Özgür ALTUNTAŞ	Board Member – General Manager
Member	Z. Babür HAKARAR	Treasury and Financial Institutions – Chief AGM
Member	A. Murat KAVURGA	Operations and Information Management – Assistant GM
Member	Ayşegül CABOĞLU	Information Technologies Manager

COMMITTEES OF THE BOARD OF DIRECTORS

Credit Committee

Established pursuant to BRSA's Regulation on "Credit Transactions of Banks", the Committee operates under the Board of Directors, in accordance with the working procedures set forth in the same regulation. The Committee convenes once a week except extraordinary situations.

The Credit Committee provides Board of Directors with the results of the activities conducted by relevant units, and its opinions on the required practices and other matters that it deems critical for the Bank to safely carry out its activities. It convened

Title	Name	Main Title
Chairman	Dr. Ahmet PAŞAOĞLU	Board Member
Member	S. Ceyda ÇARMIKLI KILIÇASLAN	Board Member
Member	Özgür ALTUNTAŞ	Board Member – General Manager

Assets & Liabilities Committee

Convening once a week, Assets & Liabilities Committee is chaired by the General Manager, and with the participation of Assistant General Managers and Unit Directors who are responsible for activities that may have an impact on the balance sheet. The meeting agenda comprises of Bank's balance sheet, business units' activities, general economic data, evaluation of current political and economic developments, and determination of weekly strategies. It convened 22 times in 2014.

Title	Name	Main Title
Chairman	Özgür ALTUNTAŞ	Board Member – General Manager
Member	Z. Babür HAKARAR	Treasury and Financial Institutions – Chief of AGM
Member	Dr. Murat ÇİMEN	Investment Banking, Chief of AGM
Member	Serhat KUTLU	Corporate Banking, AGM
Member	A. Murat KAVURGA	Operations and Information Management, AGM

HUMAN RESOURCES PRACTICES

Our Success is Driven by Our Employees

Capitalizing on our hard work, integrity, commitment to ethical values, and determination to create added value for our customers, our HR policy targets continuous development when it comes to professional expertise, competency, and skills, which represents the core of our success.

Performance Management

Our performance management system has been expanded in the previous period of activity to determine periodical performance standards for the Bank and employees, focus on employees' development and reward their achievements.

Our performance plans have been restructured and put in practice in a way to cover competency and development planning, along with concrete, measurable, time-bound targets.

Employee Development

Our HR policy aims to ensure that all our employees can swiftly adapt to the Bank's development; have a broad vision of investment banking; are focused on generating solutions for customers' needs; guarantee sustainability of a quality service approach; and are welcoming to new ideas.

Therefore, we place ultimate importance on maximizing employees' level of proficiency and knowledge, and equipping them with training sessions on multiple skills so that they can support and back each other up in critical business flows.

In 2014, employees attended training sessions and seminars in the fields deemed necessary, within the framework of our continuous development approach.

Throughout the activity period, they also attended vocational training and certification programs organized by Banks' Association of Turkey, Capital Markets Board and Istanbul Stock Exchange.

Furthermore, several training seminars were held that covered various topics including those on amendments to laws such as Turkish Commercial Code and Law of Obligations in particular, in addition to training courses on ICAAP International Practices, Basel Criteria, Emergency Management, and Information Systems Management.

As of 2014 year-end, we have 39 employees, 90% of whom are university graduates, with an average age of 38. Bank's average seniority is 4.5 years; however our employees' average experience in the industry is 11 years. 33% of our employees are female, and the rate of female executives is 37.5%.

CORPORATE GOVERNANCE, ETHICS REQUIREMENTS AND PRACTICES

Statement of Compliance with Corporate Governance and Ethics Requirements, and commitment to transparency and ethical values is an all-time top priority for our Bank.

Social Responsibility

Prepared in line with Social Responsibility principles, our Guideline on Corporate Governance and Ethics Requirements always guide us in our banking activities.

We observe benefits to the society in all our activities.

Following these ethics requirements, we fulfill our duty of social responsibility in collaboration with our employees and stakeholders, while encouraging our employees to volunteer for social responsibility activities in and outside the bank.

As set forth in the Bank Guideline of Compliance Policy and Compliance Risks, services we offer do not constitute any risks against public health, public safety and environment. Furthermore, we observe the same principles in choosing the projects to be financed by our bank, making sure that all our activities are carried out in compliance with these principles.

Stakeholders

Prepared in light of the provisions in BRSA's Regulation on Banks' Corporate Governance and Ethics Requirements, our Corporate Governance and Ethics Requirements Guideline entered into force upon approval by the Board of Directors. According to the guideline, Corporate Governance Committee coordinates our processes regarding the shareholders.

For Our Shareholders:

- We inform our shareholders of any relevant updates pursuant to the principles of public disclosure.
- We make sure that our Bank helps shareholders, depositors, market participants and the public have access to sufficient level of information on the bank's structure and goals so that they can evaluate the role of the senior management in the management of the bank.
- We make relevant information on the bank available to the public, in a timely, thorough, clear, impartial, easily-accessible and equal manner to help relevant persons and organizations have proper understanding of our Bank.
- We conduct public disclosure activities as part of which we consolidate and publish, based on Turkish Accounting Standards, financial statements of our subsidiaries, jointly-controlled subsidiaries and affiliates which may or may not constitute a credit or financial institution, in year-ends and on a quarterly basis.

CORPORATE GOVERNANCE, ETHICS REQUIREMENTS AND PRACTICES

For Customers:

- In order to improve our organization and services, we have developed systems and processes that allow customers to share their requests, recommendations or complaints.
- We use our website or dedicated phone line for such recommendations and complaints. Customer Complaint Line and Arbitration Committee actively work to receive and handle customer complaints.

For Employees:

- We prioritize employee development, notification, and engagement in management, and design our processes in a way to reinforce this priority.
- Internal notifications are coordinated and governed through internal notification portal of the HR Department, employee meetings, employee satisfaction and feedback questionnaires, and performance planning and assessment processes.

Public Disclosure and Transparency

Prepared in light of the provisions in BRSA's Regulation on Banks' Corporate Governance and Ethics Requirements, our Corporate Governance and Ethics Requirements Guideline entered into force upon approval by the Board of Directors. According to the guideline, we observe the principles of public disclosure and transparency stipulated as follows with regards to Principles and Procedures of Banks' Corporate Governance:

- Equality: Equal treatment of shareholders and stakeholders; prevention of possible conflicts of interests
- Transparency: Prompt, accurate, thorough, clear, interpretable, low-cost and easily-accessible disclosure of financial and non-financial information about the bank, except trade secrets and information which is not publicly available
- Responsibility: Ensuring, and auditing whether or not the activities carried out by Bank Management on behalf of the Bank comply with laws, Articles of Association and Bank's internal regulations.
- Accountability: We fully observe Board Members' obligation to be accountable for primarily Bank's legal entity and shareholders, ensuring transparency in corporate governance.

For the purposes of public disclosure, we actively use the website of our bank which incorporates the following headlines and content:

- Corporate (About Us, Our Vision and Our Mission, Our Strategy, Chairman's Message, General Manager's Message, Corporate Governance)
- Banking Services (Investment Banking, Corporate Banking)
- Investor Relations (Annual Reports, Audit Reports, Minutes of General Assembly Meetings, Governance Policies and Announcements (AML Policies, US Patriot Act, Public Disclosure Platform, Investors' Rights, Arbitration Committee of Banks' Association of Turkey, BRSA Announcements, Capital Markets Board Announcements, Product and Service Fees)
- Communication (Human Resources Policy, Career, Announcements, Application Form)
- Contact Us (Customer Complaints, Addresses)

INFORMATION ON TRANSACTIONS WITH THE BANK'S RISK GROUP

Our Bank offers commercial banking and investment banking services to Nurol Group Companies via its branch and departments under the Headquarters.

Scope of Bank's Activities:

- Cash and Non-Cash lending
- Cash and deposit payment, fund transfer transactions, use of correspondent banking accounts
- Custody services
- Selling and purchasing money market instruments
- FX transactions, including effective transactions
- Selling and purchasing capital market instruments
- Repurchase and buyback of capital market instruments
- Leasing transactions
- Derivative product transactions
- Intermediary role in FX-based futures contracts
- Interbank forward exchange transactions
- Guarantee transactions

Investment banking services include feasibility studies for projects developed either by Nurol Group of Companies or by public and other private institutions; project finance; extending long-term investment loans or their syndication; extending high-amount non-cash loans or their syndication; hedging/derivative products developed for the purposes of preventing interest rate or exchange risks; and intermediary roles in securing against non-standard risks (country-related risks, political risks, loss of profit risk, contract risks, etc.) of national and international projects; as well as leasing and factoring transactions.

ACTIVITIES FOR WHICH SUPPORT SERVICES ARE PROCURED PURSUANT TO REGULATION ON BANK'S PROCUREMENT OF SUPPORT SERVICES

Pursuant to BRSA Regulation on Banks' Procurement of Support Services published on 5.11.2011, support services are procured from following providers:

- Intertech Bilgi İşlem ve Pazarlama A.Ş. (Audited in collaboration with Internal Control and Internal Audit Departments on 11.12.2014, in line with the regulation)

- Bonded Kayıt Sistemleri, Dağıtım Hizmetleri ve Tic. A.Ş. (Audited in collaboration with Internal Control and Internal Audit Departments on 26.05.2014, in line with the regulation)

- Platin S.M.M.M. Ltd. Şti (Contract on Payroll and Accounting Services was executed on 13.05.2014) services have been received in accordance the provisions of relevant regulation.

Audit Committee Report

Distinguished Business Partners,

According to relevant law and legislation, the Audit Committee assesses in periodical meetings the activities carried out by internal systems (Internal Audit, Internal Control and Risk Management). The Committee takes resolutions on measures, implementations and other matters deemed important for the Bank to observe, and submits related opinions to the attention of the Board of Directors.

The Audit Committee convened 16 times throughout 2014, and took various resolutions regarding the practices of internal systems. An Audit Committee Annual Report, which covered a time span of the first six months of 2014, was published, examined by the Audit Committee and submitted to the attention of the Board of Directors. Moreover, assessment letters were prepared with regards to the reports on the activities audited, and actions were taken accordingly.

Emergency preparedness practice is performed in the Bank regularly and on an annual basis. A scenario for the practice is drafted by the emergency preparedness working group before the actual implementation, and this scenario is examined by the Executive Committee which will announce its approval for implementation. Compliant with the practice scenario, practices are implemented with intensive participation of all business units.

Internal Control Department

Operating under the Board of Directors, the Internal Control Department is structured to keep all financial and operational risks identified with regards to the activities under continuous and reasonable control, while ensuring that Bank's assets are protected; its activities are compliant with relevant law, internal legislation and regulations, internal policies, strategies and targets; and accounting and bookkeeping activities and financial reporting system are safely implemented.

The Department is tasked to examine, monitor and assess the compliance, sufficiency and effectivity of the controls with regards to the Bank's activities, as well as to report the findings to relevant parties. As part of internal control efforts, risk- and process-oriented analyses and controls are performed.

Activities and transactions are performed effectively, accurately, regularly and safely thanks to functional allocation of tasks, authorizations and limits on transactions and approvals, system controls, post-transaction controls and other transaction-specific control mechanisms. These activities also play a defining role in ensuring that processes and controls behind financial reports are reliable, efficient and effective. Furthermore, IT controls are carried out as an extension and part of process implementation controls.

Operational errors and deficiencies identified during internal control activities are first notified to the personnel carrying out the activity, and then necessary complementary and preventive measures are swiftly taken. Operational errors and deficiencies yet to be corrected are incorporated in relevant reports and saved in the database with corresponding risk matrix codes.

As part of the business plan for internal controls in 2014, a total of 5 companies were subjected to onsite controls, three of which provided Banking Process services and other two providing Support Services. In addition to remote controls under which accuracy of Bank's records is monitored, bank's procedures and compliance with relevant laws, as well as other transactions are analyzed via sampling. As part of onsite controls, compliance of transactions, loans, contracts, collaterals and documentation with internal and external regulations is monitored. Findings, opinions and recommendations are notified to relevant personnel responsible for relevant activity, depending on the risk level, severity, and whether or not a preventive/corrective measure has been taken. Following necessary joint assessments, observations are also reported to the Senior Management and Audit Committee.

Internal Audit Department

Internal Audit Department operates under the Board of Directors and performs internal audit functions in a way to cover all the activities carried out by the Bank. Accordingly, the department audits and inspects whether or not Bank's activities are conducted in compliance with relevant laws, and internal strategies, policies, principles and targets.

For the internal audit system to fulfill its intended purpose and derive expected benefits, all the activities carried out by the Bank are periodically audited without any restrictions. Which activities are to be audited are determined based on a risk-oriented approach along with the requirements of relevant laws.

The Internal Audit Department checks these activities against relevant laws and legislation, and internal strategies and targets, while assessing the effectivity and sufficiency of internal control and risk management systems. As part of periodical and risk-based audits, and in addition to the inspections on the structure of Bank's internal processes, the Department assesses compliance of activities with law; sufficiency of internal regulations; whether or not Bank's activities are sufficient, accurate and effective; and whether or not reports, book entries and financial reports submitted to BRSA and Senior Management are accurate, reliable and compliant with time restrictions. Audits are intended to identify deficiencies, errors and any possible misconduct in the activities performed. The approach adopted in these studies aim to convey opinions and recommendations on how to prevent re-occurrence of the issues identified, and how to use Bank's sources in an effective and efficient manner.

Internal Audit Department examines information systems, including electronic banking information system, in line with the principles and procedures stipulated under Section 5 "Information Systems and Principles Regarding Audits on Banking Processes" of the "Regulation on Principles of Auditing Bank Information Systems and Banking Processes to be Performed by Independent Audit Agencies".

FINANCIAL INFORMATION AND ASSESSMENT OF RISK MANAGEMENT ENVIRONMENT

Internal audits on risk management assess whether or not the results derived from risk measurement models and methods employed in the Bank are incorporated in daily risk management efforts. These audits examine pricing models and valuation systems used in the Bank, risks covered by the risk measurement models in the Bank, and accuracy and appropriateness of the data and assumptions in these models. Reliability, integrity, and prompt accessibility of the source of data, as well as accuracy of retrospective tests are also audited. Internal assessment process regarding the Bank's capital adequacy is examined, as well, in line with the legislation on this process and internal regulations.

Audit reports issued after internal controls are shared with the Audit Committee, Senior Management and relevant units. Efforts to eliminate findings are monitored by the Internal Audit Department. The Board also closely follows up the efforts of Internal Audit Department through quarterly activity reports which are submitted by the Audit Committee.

Risk Management Department

Risk Management Department is independent of executive functions, and directly operates under the Board of Directors. It carries out activities such as measurement, monitoring, control and reporting of the risks which are identified in line with relevant implementation principles and risk management policies and procedures approved and periodically reviewed by the Board.

Bank's quantitative and qualitative risks are regularly reviewed against Capital Risk Matrix in coordination with Bank's Senior Management and Risk Management Department to be submitted at the approval of the Board. In order to manage, measure and follow up the key risks identified in light of the capital risk matrix, as well as the risks that the Bank may be subject to due to its activities, Risk Appetite and limits are determined and reviewed, taking into account ICAAP report results, stress tests and risk developments as defined in periodical legal reports, all of which are subject to an approval by the Board. Approved Risk Appetite and limits are announced internally in the bank to ensure that all the employees are aware of such risks.

Risk management system intends to define, measure, report, monitor and control the risks faced, through policies, procedures and limits determined to monitor the nature and level of the activities; keep them under control; and change the same when necessary. It also helps determine internal capital adequacy in accordance with risk profiles. Taking into account the risk capacity, Board of Directors defines, and regularly reviews, the risk appetite level that indicates the level of risk it is willing to bear in order to achieve its targets.

In coordination with the Risk Management Department, stress tests were performed in light of the negative scenarios agreed together with the Senior Management and of the scenarios stipulated by BRSA, as part of the Stress Test Program for 3-Year Budgets approved by the Board. An ICAAP report and stress test report were prepared and approved by the Board that covered ICAAP risk measurement, capital and liquidity planning and assessments regarding risk management.

Analyses, simulations, scenarios, stress tests and ICAAP report as part of the risk management processes play a role in the strategic decisions taken by the Senior Management, in addition to supporting the decision-making mechanism.

Within the framework of the Risk Management Program in 2014, risk analyses were carried out to determine the technical competency and potential risks of the organizations from which Support Services were procured. These analyses were approved by the Audit Committee and submitted to the approval of the Board.

AGENDA OF THE ORDINARY GENERAL ASSEMBLY

Agenda of 2014 Ordinary General Assembly to Be Held on 30 March 2015

1- Opening Remarks and Election of the Chair to the Meeting

2- Presentation for discussion and approval of the Annual Report of BoD for the year 2014

3- Presentation of the Independent Audit Agency's Report

4- Presentation for discussion and approval of the financial statements for the year 2014

5- Release of each member of the Board of Directors from liability for the affairs for the year 2014

6- Approval by the BoD of the change in memberships

7- Discussion and resolution on BoD Members' remunerations and attendance fees

8- Discussion and resolution on whether or not 2014 profits are to be distributed

9- Discussion and resolution on whether or not premium payments are to be made to the personnel

10- Election of Independent Audit Agency

11- Authorizing BoD to issue bonds, profit-loss sharing certificates, financing bills, bank bills, asset-based securities, and other borrowing instruments to be accepted by laws

12- Authorizing BoD Members as per the provisions of Articles 395 and 396 in Turkish Commercial Code

13- Wishes, opinions and closing remarks

INFORMATION REGARDING RISK MANAGEMENT POLICIES IMPLEMENTED BY TYPES OF RISKS

Risk Management Department is intended to measure, monitor, control, and report the risks, through risk management policies, procedures and principles of implementation approved and regularly reviewed by the BoD.

Credit Risk

Credit risk studies include measurement, analysis, reporting and monitoring of credit risks. The term refers to the possible risks a contractual party may be exposed in cases where the other party fails to fulfill its contractual obligations. Credit risks are managed through credit policies and procedures implemented in the Bank. For the purposes of credit risk management, criteria including but not limited to structure and attributes of credit, provisions of the credit agreement and financial conditions, structure of risk profile until the maturity date in parallel with possible developments in the market, guarantees and collaterals, concentrations, and compliance with the limits set by the BoD are taken into account.

Credit allocation takes place within the limits determined separately for each borrower. Each customer who is engaged in a credit transaction has to to be subjected to a credit limit allocated by the BoD. Systematically, a customer is not allowed to exceed the credit risk limit.

Our credit portfolio is analyzed in terms of distribution and concentration of type of credit, currency, industry, credit borrower, and holding and group, taking into account criteria including average maturity dates and sensitivity to interest rate. These analyses are submitted as monthly reports to the Senior Management and the Audit Committee. Amounts calculated based on credit risk are found with the standard approach method.

Counterparty risks arising from treasury transactions and relevant limits are monitored and reported on a daily basis.

Market Risk

The Bank measures market risk based on the standard method. In order to keep market risks under control, internal limits have been set in addition to legal limits. Market risk limits are covered in the Risk Appetite documentation which provides a detailed business flow to determine the process, control and early warning limits, subject to BoD's approval, upon which they are announced internally. Daily controls carried out to this end are reported to the Senior Management and Audit Committee.

For the purposes of market risk calculations within the Bank, internal models are also used, in addition to measurement and monitoring efforts. Market risks are closely followed with Value At Risk (VAR) methods that are supported by sensitivity analyses and stress tests. As part of risk management activities, global and national developments are also followed to be used in scenario analyses.

VAR measurements calculated using internal methods, and exchange rate and overall market risks calculated using standard methods are regularly reported by the Risk Management Department to the Senior Management and Audit Committee.

INFORMATION REGARDING RISK MANAGEMENT POLICIES IMPLEMENTED BY TYPES OF RISKS

Operational Risk

Operational risk studies include identification, classification and analyses of the risks. Amounts calculated based on operational risk are found using key indicator approach. In measuring operational risks, operational risk loss data is systematically collected and evaluated in operational risk database, in compliance with Basel II criteria. With operational risk limit determined using key indicators and records retained from the database, loss and near-miss amounts are calculated and reported to the Senior Management and Audit Committee.

Interest Rate Risk Arising From Banking Accounts

Interest rate risk is measured using standard shock method by the Risk Management Department, and reported monthly to the Banking Regulation and Supervision Agency. Legal limits with regards to risk appetite are observed in measuring interest rate risks.

With regards to interest rate risk arising from banking accounts, liquidity gap and interest rate sensitivity analyses are carried out in order to determine the interest rate risk faced by the Bank due to maturity mismatch in off-balance and in-balance positions. All analyses and ratios calculated using standard shock method are reported on a monthly basis to the Senior Management and Audit Committee.

Liquidity Risk

Liquidity risk is managed by the Treasury and Financial Institutions Department pursuant to the risk management policies approved by the Board of Directors, in order to take necessary measures in a timely and accurate manner to prevent liquidity bottlenecks that may arise from market conditions and Bank's balance sheet structure.

To ensure effective management of liquidity risk, Bank and market data is regularly monitored. Balance sheet, maturity structure of assets and liabilities, and market borrowing volumes are analyzed. With regards to the risk appetite, compliance with legal liquidity ratio is observed.

While calculating and following up liquidity risk, cash flows, gap analyses, stress tests and scenario analyses are periodically reported by the Risk Management Department to the Senior Management and Audit Committee.

Other Risks

Country and transfer risks, strategic risks, concentration and residual risks are managed in the Bank in compliance with the policies approved by the Board of Directors.

Deloitte.

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COMPLIANCE OPINION

on the

Annual Report

To the Board of Directors of Nurol Yatırım Bankası Anonim Şirketi:

We have completed auditing the accuracy and consistency of the financial data covered in the annual report of Nurol Yatırım Bankası Anonim Şirketi (the "Bank") issued as of 31 December 2014 with the independent audit report prepared as of relevant accounting period. The annual report is the responsibility of the Bank's management. Our responsibility, as the agency that has conducted the independent audit, is to express an opinion on the annual report which has been audited for consistency of the financial data in the annual report with the financial statements covered in Bank's independent audit report dated 11 February 2015.

Our audit was conducted in accordance with the regulations on preparation and issuance of annual report in Banking Law no. 5411 and Turkish Commercial Code (TCC) no. 6102; Independent Audit Standards incorporated into Turkish Audit Standards published by the Public Oversight Accounting and Auditing Standards Authority ("KGK"); and provisions on independent audit principles as specified in Article 397 of Turkish Commercial Code no. 6102. Those regulations require that we plan and perform the audit obtain reasonable assurance with regards to whether or not the annual report is free of material misstatement. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

In our opinion, the financial information covered in the accompanying annual report represents fairly, in all material respects, the information regarding the financial standing of Nurol Yatırım Bankası Anonim Şirketi as of 31 December 2014, in accordance the effective regulations described in Article 40 of Banking Law no. 5411, and procedures and principles specified in the regulations in force as required by TCC. The report incorporates the summary report of the Board of Directors and the independent auditor's opinion issued by us, and it complies with the information provided in the previous financial statements that were also subjected to an independent audit.

Other Obligations Required by Legislation

Pursuant to subparagraph 3, Article 402 of TCC, and within the framework of BDS 570 "Business Sustainability", no matter of reportable significance has been found to suggest that the Bank may fail to maintain its operational continuity in the foreseeable future.

DRT BAĞIMSIZ DENETİM VE SERBEST MUHASEBECİ MALİ MÜŞAVİRLİK A.Ş.
Member of DELOITTE TOUCHE TOHMATSU LIMITED

Müjde Şehsuvaroğlu, SMMM
Auditor in Charge

Istanbul, 10 March 2015

NUROL YATIRIM BANKASI ANONİM ŞİRKETİ FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Nurol Yatırım Bankası Anonim Şirketi

Report on the Financial Statements

We have audited the accompanying financial statements of Nurol Yatırım Bankası Anonim Şirketi, which comprise the statement of financial position as at 31 December 2014, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Nurol Yatırım Bankası Anonim Şirketi as at 31 December 2014, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

DRT BAĞIMSIZ DENETİM VE SERBEST MUHASEBECİ MALİ MÜŞAVİRLİK A.Ş.
Member of DELOITTE TOUCHE TOHMATSU LIMITED

DRT Bağımsız Denetim ve SMMM A.Ş.

İstanbul, 4 March 2015

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NUROL YATIRIM BANKASI ANONİM ŞİRKETİ STATEMENT OF FINANCIAL POSITION AS OF 31 DECEMBER 2014

(Currency - In thousands of Turkish Lira)

	Note	31 December 2014	31 December 2013
Assets			
Cash and cash equivalents	4	194,901	81,391
Reserve deposits at Central Bank	5	17,491	6,013
Held for trading investments	6	5,136	7,186
Available for sale investments	7	58,755	82,573
Loans and advances to customers	8	356,456	241,190
Property and equipment	9	488	580
Intangible assets	10	1,021	1,090
Other assets	11	4,279	18,884
Total assets		638,527	438,907
Liabilities			
Funds borrowed	12	119,332	238,126
Debt securities issued	13	204,629	102,308
Other liabilities	14	200,469	4,737
Derivative financial instruments	17	2,211	79
Provisions	15	2,974	2,595
Current tax liability		2,033	-
Deferred tax liability	16	657	640
Total liabilities		532,305	348,485
Equity			
Share capital	18	45,000	45,000
Reserves	18	23,034	23,101
Retained earnings		38,188	22,321
Total equity		106,222	90,422
Total liabilities and equity		638,527	438,907

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

NUROL YATIRIM BANKASI ANONİM ŞİRKETİ STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2014

(Currency - In thousands of Turkish Lira)

	Note	1 January 31 December 2014	1 January 31 December 2013
Interest income	19	61,125	32,500
Interest expense	19	(28,015)	(18,266)
Net interest income		33,110	14,234
Fee and commission income	20	11,710	4,967
Fee and commission expense	20	(2,011)	(1,780)
Net fee and commission income		9,699	3,187
Net trading income / (loss)	21	(5,454)	(374)
Other operating income	22	1,505	657
		(3,949)	283
Operating income		38,860	17,704
Net impairment/recoveries on financial assets	8	(1,571)	(135)
Other provision expenses		(374)	(489)
Personnel expenses	23	(7,937)	(8.920)
Depreciation and amortization	9,10	(784)	(563)
Administrative expenses	24	(8,021)	(7,281)
Profit before income tax		20,173	316
Income tax expense	16	(4,306)	200
Profit from continued operations		15,867	516
Income from discontinued operations		-	-
Income tax provision from discontinued operations		-	-
Profit from discontinued operations		-	-
Profit for the year		15,867	516
Other comprehensive income			
Available-for-sale financial assets			
Gains / (Loss) arising during the year		(10)	(24,377)
Less: Reclassification adjustments for gains included in profit or loss		-	-
Income tax relating to components of other comprehensive income	16	(57)	1,226
Other comprehensive income for the year, net of income tax		(67)	(23,151)
Total comprehensive (loss) / income for the year		15,800	(22,635)

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

NURUL YATIRIM BANKASI ANONİM ŞİRKETİ STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2014

(Currency - In thousands of Turkish Lira)

	Note	Share capital	Adjustment to share capital	Fair value reserve of available for sale financial assets	Legal reserves	Accumulated gain/ (losses)	Total equity
Balances at 1 January 2013		45,000	-	45,171	988	21,898	113,057
Transfers to legal reserves		-	-	-	163	(163)	-
Total comprehensive income for the year							
- Profit for the year		-	-	-	-	516	516
Other comprehensive income for the year, net of tax	18	-	-	(23,221)	-	70	(23,151)
Total other comprehensive income		-	-	-	-	-	-
Total comprehensive income for the year		-	-	(23,221)	-	586	(22,635)
Balance at 31 December 2013		45,000	-	21,950	1,151	22,321	90,422
Balances at 1 January 2014		45,000	-	21,950	1,151	22,321	90,422
Transfers to legal reserves		-	-	-	-	-	-
Total comprehensive income for the year							
- Profit for the year		-	-	-	-	15,867	15,867
Other comprehensive income for the year, net of tax	18	-	-	(67)	-	-	(67)
Total other comprehensive income		-	-	-	-	-	-
Total comprehensive income for the year		-	-	(67)	-	15,867	15,800
Balance at 31 December 2014		45,000	-	21,883	1,151	38,188	106,222

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

NURUL YATIRIM BANKASI ANONİM ŞİRKETİ STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2014

(Currency - In thousands of Turkish Lira)

	Note	1 January 31 December 2014	1 January 31 December 2013
Cash flows from operating activities			
Net profit for the year		15,867	516
Adjustments:			
Depreciation and amortisation		508	563
Current tax provision	16	4,346	-
Deferred tax	16	(40)	(130)
Provision for loan losses	8	1,571	281
Other provisions		442	588
Accrual on derivative instruments		(2,843)	373
Other accruals		2,167	(461)
Foreign exchange loss / (gain)		14,678	(1,196)
Other		-	(2,583)
		36,696	(2,049)
Changes in operating assets and liabilities			
Change in held for trading investments		7,006	540
Change in loans and advances to customers		(114,785)	(90,641)
Change in reserve deposits		(11,389)	(788)
Change in other assets		15,309	2,750
Change in other liabilities		194,098	(7,011)
Change in borrowings		(118,575)	114,313
Taxes paid		(2,313)	-
Net cash provided by / (used in) operating activities		6,047	17,114
Cash flows from investing activities			
Purchase of available for sale investments		(27,284)	(50,354)
Proceed from sale of available for sale investments		51,350	-
Purchase of property and equipment	9	(193)	(72)
Proceeds from sale of property and equipment		-	3
Purchase of intangible assets	10	(154)	(553)
Net cash (used in) / provided by investing activities		23,719	(50,976)
Proceeds from debt securities issued		98,422	100,000
Net cash provided by financing activities		98,422	100,000
Effect of foreign exchange rate change on cash and cash equivalents		(14,678)	1,196
Net increase/(decrease) in cash and cash equivalents		113,510	67,334
Cash and cash equivalents at 1 January		81,391	14,057
Cash and cash equivalents at 31 December		194,901	81,391

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

1. CORPORATE İNFORMATİON
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 and controlled by the Nurol Holding A.Ş.. Nurolbank operates as an investment bank and is also involved in corporate services such as financial leasing, lending and trade finance. According to the current legislation for investment banks, the Bank is not authorised to receive deposits from customers. The Bank's head office is located at Nurol Plaza in Maslak in Istanbul, Turkey.

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

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

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

The Board of Directors comprised the following members:

Nurettin Çarmıklı	Chairman
Erol Çarmıklı	Deputy Chairman of Board
M. Oğuz Çarmıklı	Deputy Chairman of Board
Dr. Ahmet Paşaoğlu	Board Member
S. Ceyda Çarmıklı	Board Member
Ahmet Şirin	Board Member (Audit Committee Member)
Yusuf Serbest	Board Member
Mehmet Meşe Başol	Board Member (Corporate Governance Committee Member)
Özgür Altuntaş	Board Member - General Manager
Ahmet Kerim Kemahlı	Board Member (Audit Committee Member)

NUROL YATIRIM BANKASI ANONİM ŞİRKETİ
NOTES TO THE FINANCIAL STATEMENTS AS OF
AND FOR THE YEAR ENDED 31 DECEMBER 2014

(Currency - In thousands of Turkish Lira)

2. Application of new and revised international financial reporting standards (IFRSs)

a. Amendments to IFRSs affecting amounts reported and/or disclosures in the financial statements
None.

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

Amendments to IFRS 10, 12, IAS 27	12, IAS 27 Investment Entities[1]
Amendments to IAS 32	Offsetting Financial Assets and Financial Liabilities[1]
Amendments to IAS 36	Recoverable Amount Disclosures for Non-Financial Assets[1]
Amendments to IAS 39	Novation of Derivatives and Continuation of Hedge Accounting[1]
IFRIC 21	Levies[1]

1 Effective for annual periods beginning on or after 1 January 2014.

Amendments to IFRS 10, 12, IAS 27 Investment Entities

This amendment with the additional provisions of IFRS 10 provide 'investment entities' (as defined) an exemption from the consolidation of particular subsidiaries and instead require that an investment entity measure the investment in each eligible subsidiary at fair value through profit or loss.

Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities

The amendments to IAS 32 clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realization and settlement'.

Amendments to IAS 36 Recoverable Amount Disclosures for Non-Financial Assets

As a consequence of IFRS 13 Fair Value Measurements, there are amendments in the explanations about the measurement of the recoverable amount of an impaired asset. This amendment is limited to non-financial assets and paragraphs 130 and 134 of IAS 36 have been changed.

Amendments to IAS 39 Novation of Derivatives and Continuation of Hedge Accounting

This amendment to IAS 39 makes it clear that there is no need to discontinue hedge accounting if a hedging derivative is novated, provided certain criteria are met.

IFRIC 21 Levies

IFRIC 21 identifies the obligating event for the recognition of a liability as the activity that triggers the payment of the levy in accordance with the relevant legislation.

2. Application of new and revised international financial reporting standards (IFRSs) (continued)

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

The following new and revised standards below have been applied in the current year. The standards have not affected the amounts reported in the financial statements for the current and previous years but may affect the accounting of the transactions that will be made in the future.

IFRS 9	Financial Instruments[5]
Amendments to IAS 19	Defined Benefit Plans: Employee Contributions[1]
Annual Improvements to 2010-2012 Cycle	IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16 and IAS 38 IAS 24[1]
Annual Improvements to 2011-2013 Cycle	IFRS 1, IFRS 3, IFRS 13, IAS 40[1]
IFRS 14	Regulatory Deferral Accounts[2]
Amendments to IFRS 11	Accounting for Acquisition of Interests in Joint operations[2]
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[2]
Amendments to IAS 16 and IAS 41	Agriculture: Bearer Plants[2]
IFRS 15	Revenue from Contracts with Customers[4]
Amendments to IAS 27	Equity Method in Separate Financial Statements[2]
Amendments to IAS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Annual Improvements to 2012-2014 Cycle	IFRS 5, IFRS 7, IAS 9, IAS 34[3]
Amendments to IAS 1	Disclosure Initiative[2]
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception[2]

1 Effective for annual periods beginning on or after 1 July 2014.
2 Effective for annual periods beginning on or after 1 January 2016.
3 Effective for annual periods beginning on or after 1 July 2016.
4 Effective for annual periods beginning on or after 1 January 2017.
5 Effective for annual periods beginning on or after 1 January 2018.

NUROL YATIRIM BANKASI ANONİM ŞİRKETİ
NOTES TO THE FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED 31 DECEMBER 2014

(Currency - In thousands of Turkish Lira)

2. Application of new and revised international financial reporting standards (IFRSs) (continued)

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

IFRS 9 Financial Instruments

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

Amendments to IAS 19 Defined Benefit Plans: Employee Contributions

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

Annual Improvements to 2010-2012 Cycle

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

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

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

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

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

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

2. Application of new and revised international financial reporting standards (IFRSs) (continued)

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

Annual Improvements to 2011-2013 Cycle

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

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

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

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

IFRS 14 Regulatory Deferral Accounts

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

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

Amendments to IFRS 11 Accounting for Acquisition of Interests in Joint operations

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

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

NUROL YATIRIM BANKASI ANONİM ŞİRKETİ
NOTES TO THE FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED 31 DECEMBER 2014

(Currency - In thousands of Turkish Lira)

2. Application of new and revised international financial reporting standards (IFRSs) (continued)

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

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

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

Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants

This amendment include "bearer plants" within the scope of IAS 16 rather than IAS 41, allowing such assets to be accounted for a property, plant and equipment and measured after initial recognition on a cost or revaluation basis in accordance with IAS 16. The amendment also introduces a definition of 'bearer plants' as a living plant that is used in the production or supply of agricultural produce, is expected to bear produce for more than one period and has a remote likelihood of being sold as agricultural produce, except for incidental scrap sales, and clarifies that produce growing on bearer plants remains within the scope of IAS 41.

IFRS 15 Revenue from Contracts with Customers

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

The five steps in the model are as follows:
- Identify the contract with the customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contracts
- Recognise revenue when the entity satisfies a performance obligation.

2. Application of new and revised international financial reporting standards (IFRSs) (continued)

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

Amendments to IAS 27 Equity Method in Separate Financial Statements

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

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

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

Annual Improvements 2012-2014 Cycle

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

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

IAS 9: Clarify that the high quality corporate bonds used in estimating the discount rate for post-employment benefits should be denominated in the same currency as the benefits to be paid

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

Amendments to IAS 1 Disclosure Initiative

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

NUROL YATIRIM BANKASI ANONİM ŞİRKETİ
NOTES TO THE FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED 31 DECEMBER 2014

(Currency - In thousands of Turkish Lira)

2. Application of new and revised international financial reporting standards (IFRSs) (continued)

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

Amendments to IFRS 10, 11, IAS 28 Investment Entities: Applying the Consolidation Exception

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

- The exemption from preparing consolidated financial statements for an intermediate parent entity is available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures all of its subsidiaries at fair value.

- A subsidiary that provides services related to the parent's investment activities should not be consolidated if the subsidiary itself is an investment entity.

- When applying the equity method to an associate or a joint venture, a non-investment entity investor in an investment entity may retain the fair value measurement applied by the associate or joint venture to its interests in subsidiaries.

- An investment entity measuring all of its subsidiaries at fair value provides the disclosures relating to investment entities required by IFRS 12.

The Company evaluates the effects of these standards on the financial statements.

NUROL YATIRIM BANKASI ANONİM ŞİRKETİ NOTES TO THE FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED 31 DECEMBER 2014

(Currency - In thousands of Turkish Lira)

3. Significant accounting policies

3.1 Statement of compliance:

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

The Bank maintains its books of account and prepares its statutory financial statements in accordance with Turkish Accounting Standards, Financial Reporting Standards and other regulations on accounting and reporting standards promulgated by the Banking Regulation and Supervision Agency ("BRSA").

The financial statements have been prepared from statutory financial statements of the Bank and presented in accordance with IFRS in Turkish Lira ("TL") with adjustments and certain reclassifications for the purpose of fair presentation in accordance with IFRS.

The accompanying financial statements as of 31 December 2014 are authorised for issue by the Board of Directors on 4 March 2015.

3.2 Basis of preparation:

The financial statements have been prepared on the historical cost basis except for the revaluation of financial instruments. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

3.3 Accounting in hyperinflationary economies

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

3.4 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.

3. Significant accounting policies (continued)

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

	USD / TL (full)	EUR / TL (full)
31 December 2014	2.3189	2.8207
31 December 2013	2.1343	2.9365

3.5 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 Bank 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.

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3. Significant accounting policies (continued)

3.6 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.

3.7 Net trading income

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

3.8 Dividends

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

3.9 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.

3. Significant accounting policies (continued)

3.9 Taxation and deferred income taxes

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.

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 Bank 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 Bank 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.

Investment Incentives

The phase " ... only attributable to 2006, 2007 and 2008", which was included in the paragraph set out in Provisional Article 69 of Income Tax Law No: 193 is deleted upon the Constitutional Court's resolution no: 2009/144 and the related decision was published in the Official Gazette on 8 January 2010. Investment incentive application was revised based on Article 5 of Law No: 6009, which had been published in the Official Gazette No: 27659 on 1 August 2010. Under the revised law, the investment incentive amount which would be used as a discount in determining the tax basis should not exceed 25% of the related period's profit, only to the extent that it is applicable to profit for the related period, whereas corporate tax would be calculated based on the applicable tax rate over the remaining profit. The requirement stating that deductible investment incentive amount cannot exceed the 25% of annual earnings has been annulled upon the Constitutional Court's decision no:2010/93, K: 2012/9 issued on 9 February 2012. The full annulment decision has not been published in the Official Gazette as of the report date but the decision for the stay of execution is published in the Official Gazette on 18 February 2012. As of 31 December 2014, there is no investment incentive amount that is planned to be deducted by the Bank from its corporate income in the future and therefore there is no deferred tax asset recognized in the Bank's financial statements related to the investment incentive (31 December 2013: None).

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3. Significant accounting policies (continued)

3.10 Financial assets and liabilities

Financial Assets

All financial assets are initially measured at fair value, plus transaction costs except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value and recognized or derecognized on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned.

Financial assets are classified into the following specified categories: financial assets as 'at fair value through profit or loss' (FVTPL), 'held-to-maturity investments', '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.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Bank has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are recorded at amortized cost using the effective interest method less impairment, with revenue recognized on an effective yield basis.

3. Significant accounting policies (continued)

3.10 Financial assets and liabilities (continued)

Available for sale financial assets

Quoted equity investments and quoted certain debt securities held by the Bank 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 Bank has the right to receive any payment.

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 Bank does not intend to sell immediately or in the near term.

When the Bank 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 Bank 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 a due from banks, and the underlying asset is not recognised in the Bank's 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.

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3. Significant accounting policies (continued)

3.10 Financial assets and liabilities (continued)

Financial Assets (continued)

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 there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset. That loss event or events must also have an impact on the estimated future cash flows of the financial asset or group of financial assets. 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 by impairment loss directly for all financial assets with the exception of lease receivables where the carrying amount is reduced through the use of an allowance account. When a loan is uncollectible, it is written off against the 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.

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. The carrying amount of the assets approximates their fair value.

3. Significant accounting policies (continued)

3.10 Financial assets and liabilities (continued)

Derecognition of financial assets

The Bank 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 Bank neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Bank recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Bank retains substantially all the risks and rewards of ownership of a transferred financial asset, the Bank continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

Financial Liabilities

Financial liabilities and equity instruments issued by the Bank 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 Bank 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. The effective interest method is calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate discounts the estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

3. Significant accounting policies (continued)

3.10 Financial assets and liabilities (continued)

Financial Assets (continued)

Deposits, funds borrowed and debt securities issued

The Bank is not entitled to collect deposits. Current accounts of loan customers and funds borrowed are the Bank'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.

Derecognition of financial liabilities

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

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.

3.11 Property and equipment

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

Properties in the course of construction for production, rental or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognized impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalized. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

3. Significant accounting policies (continued)

3.11 Property and equipment (continued)

Depreciation is charged so as to write off the cost or valuation of assets, other than land and properties under construction, 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 or, where shorter, the term of the relevant lease.

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.

3.12 Intangible assets

Intangible assets acquired separately

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 Bank, 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.

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3. Significant accounting policies (continued)

3.13 Impairment of non-financial assets

Assets that have an indefinite useful life, for example goodwill, are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

3.14 Investment properties

Investment property, which is property, held to earn rentals and/or for capital appreciation is carried at cost less accumulated depreciation and any accumulated impairment losses. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day to day servicing of an investment property. Depreciation is provided on investment property on a straight line basis. The depreciation period for investment property is 50 years.

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 Bank accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in profit or loss in the year of retirement or disposal.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Bank accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

No assets held under operating lease have been classified as investment properties.

(Currency - In thousands of Turkish Lira)

3. Significant accounting policies (continued)

3.15 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 Bank as lessee

Assets held under finance leases are initially recognized as assets of the Bank 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.

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.

Amounts due from lessees under finance leases are recognized as receivables at the amount of the Bank'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 Bank'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.

3.16 Provisions

Provisions are recognized when the Bank has a present obligation as a result of a past event, and it is probable that the Bank 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.

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3. Significant accounting policies (continued)

3.17 Employee benefits

Termination and retirement benefits

Under Turkish law and union agreements, lump sum payments are made to employees retiring or involuntarily leaving the Bank. 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 Bank recognizes a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

3.18 Fiduciary assets

Assets held by the Bank 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 Bank.

3.19 Segment reporting

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

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

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

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3. Significant accounting policies (continued)

3.19 Segment reporting (continued)

Major financial statement items according to business lines:

2014	Retail banking	Corporate banking	Investment banking	Other (*)	Total operations of the Bank
Operating income	50	37,543	1,499	8	39,100
Other expenses	-	(18,687)	-	(240)	(18,927)
Profit before income tax	50	18,856	1,499	(232)	20,173
Income tax income/expense	-	-	-	-	(4,306)
Profit from continued operations	50	18,856	1,499	(232)	15,867
Profit from discontinued operations	-	-	-	-	-
Profit for the year	50	18,856	1,499	(232)	15,867
30 December 2014					
Segment assets	319	631,013	-	7,195	638,527
Non-distributed Asset	-	-	-	-	-
Total assets	319	631,013	-	7,195	638,527
Segment liabilities	-	536,633	-	-	536,633
Shareholders' equity	-	-	-	101,894	101,894
Total liabilities	-	536,633	-	101,894	638,527

3. Significant accounting policies (continued)

2013	Retail banking	Corporate banking	Investment banking	Other (*)	Total operations of the Bank
Operating income	47	13,743	2,183	1,731	17,704
Other expenses	-	(17,388)	-	-	(17,388)
Profit before income tax	47	(3,645)	2,183	1,731	316
Income tax income/expense	-	-	-	-	200
Profit from continued operations	47	(3,645)	2,183	1,731	516
Profit from discontinued operations	-	-	-	-	-
Profit for the year	47	(3,645)	2,183	1,731	516
30 December 2013					
Segment assets	319	429,318	-	8,999	438,636
Non-distributed Asset	-	-	-	271	271
Total assets	319	429,318	-	9,541	438,907
Segment liabilities	-	351,447	-	-	351,447
Shareholders' equity	-	-	-	87,460	87,460
Total liabilities	-	351,447	-	87,460	438,907

(*) Operating income in "Other" column is the interest income on receivable from the sale of Bank's property (flour factory), on 20 November 2011 at an amount of USD 11,354 Thousand which includes 6% of interest and which will be paid in 96 installments.

Geographical concentration

	Assets	Liabilities	Non-cash loans	Capital expenditures	Net profit / (loss)
2014					
Domestic	631,973	630,398	308,225	488	15,867
European Union countries	361	-	-	-	-
OECD countries	5,146	-	-	-	-
USA, Canada	1,047	-	-	-	-
Other countries	-	8,129	-	-	-
Total	638,527	638,527	308,225	488	15,867
2013					
Domestic	433,457	416,867	375,445	580	516
European Union countries	535	-	-	-	-
OECD countries	23	-	-	-	-
USA, Canada	4,892	-	-	-	-
Other countries	-	22,040	-	-	-
Total	438,907	438,907	375,445	580	516

3 Significant accounting policies (continued)

3.20 Use of estimates and judgments

The preparation of the 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.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in note 3.21.

3.21 Key sources of estimation uncertainty

Allowances for credit losses

Assets accounted for at amortised cost are evaluated for impairment on a basis described in accounting policy 3.10.

The specific counterparty component of the total allowances for impairment applies to financial assets evaluated individually for impairment and is based upon management's best estimate of the present value of the cash flows that are expected to be received. In estimating these cash flows, management makes judgements about counterparty's financial situation and the net realisable value of any underlying collateral. Each impaired asset is assessed on its merits, and the workout strategy and estimate of cash flows considered recoverable are independently approved by the Credit Risk Function.

Determining fair values

The determination of fair value for financial assets and liabilities for which there is no observable market price requires the use of valuation techniques as described in accounting policy 3.10. For financial instruments that require varying degrees of judgement depending liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument. See also "Valuation of financial instruments" below.

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3 Significant accounting policies (continued)

3.21 Key sources of estimation uncertainty (continued)

Critical accounting judgements in applying the Bank's accounting policies

Critical accounting judgements made in applying the Bank's accounting policies include:

Impairment of investment in equity securities

Investments in equity securities are evaluated for impairment on the basis described in accounting policy 3.10.

Valuation of financial instruments

The Bank's accounting policy on fair value measurements is discussed in accounting policy 3.10.

Financial asset and liability classification

The Bank's accounting policies provide scope for assets and liabilities to be designated at inception into different accounting categories in certain circumstances:

- In classifying financial assets and liabilities as "trading", the Bank has determined that it meets the description of held for trading investments and liabilities set out in accounting policy 3.10.

- In classifying financial assets as "available for sale", the bank has determined that it meets the description of available for sale investments set out in accounting policy 3.10 and note 7.

Details of the Bank's classification of financial assets and liabilities are given in note 25.

(Currency - In thousands of Turkish Lira)

4. Cash and cash equivalents

	31 December 2014	31 December 2013
Cash and balances with central banks	638	3,565
- Cash on hand	187	114
- Balances with central banks	451	3,451
Due from banks and financial institutions	109,210	58,814
Placements at money markets	85,053	19,012
Cash and cash equivalents in the balance sheet	194,901	81,391

As at 31 December 2014 and 31 December 2013, the details of the balances with central banks and due from banks and financial institutions are as follows:

	31 December 2014			
	Amount		Effective interest rate	
	Turkish Lira	Foreign currency	Turkish Lira	Foreign currency
Balances with Central Bank	1	450	-	-
Due from banks and financial institutions	62,232	46,978	10.75%	-
Placements at money markets	85,053	-	11.23%	-
Total	147,286	47,428		

	31 December 2013			
	Amount		Effective interest rate	
	Turkish Lira	Foreign currency	Turkish Lira	Foreign currency
Balances with Central Bank	33,082	69	-	-
Due from banks and financial institutions	57,111	1,703	9.00%	-
Placements at money markets	19,012	-	6.72%	-
Total	79,505	1,772		

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5. Reserve deposits at Central Bank

	31 December 2014	31 December 2013
Turkish Lira	7,616	-
Foreign currency	9,875	6,013
	17,491	6,013

According to the regulations of Central Bank of the Republic of Turkey ("Central Bank"), banks are required to reserve a portion of certain liability accounts as specified in the related decrees. Such mandatory reserves are not available for use in the Bank's day to day operations.

As of 31 December 2014, the compulsory rates for the reserve deposits at the Central Bank of Turkey for Turkish Lira are implemented within an interval from 5% to 11.5% depending on the maturity of deposits (31 December 2013 – 5% - 11.5 %) and the compulsory rates for the foreign currency liabilities are within an interval from 6% to 13% depending on the maturity of deposits (31 December 2013 – 6% - 13%).

6. Held for trading investments

	31 December 2014	31 December 2013
Debt instruments		
Turkish government bonds-TL denominated	5,136	7,186
Total held for trading investments	5,136	7,186

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

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7. Available for sale investments

	31 December 2014		31 December 2013	
	Amount	Effective interest rate	Amount	Effective interest rate
Available-for-sale investments at fair value				
Debt instruments – TL denominated [a]	33,363	17,00%	56,797	9.96%
Equity instruments – listed [b]	25,392		25,776	
Total available-for-sale investments at fair value	58,755		82,573	

(a) Available for sale debt instruments include government bonds denominated in TL amounting to TL 4,096 (31 December 2013: TL 51,718); mutual funds denominated in TL amounting to TL 5,006 (31 December 2013: TL None) the remaining portion amounting to TL 24,261 (31 December 2013: TL 5,079) consists of private sector bonds.

(b) The Bank holds 15.97% of Nurol Gayrimenkul Yatırım Ortaklığı A.Ş. ("Company")'s shares as of 31 December 2014 and the investment is accounted under available for sale investments, as the Bank has no significant influence on the Company. As of the balance sheet date the shares are accounted for using the market price and fair value reserve of TL 23,016 is accounted under equity (31 December 2013: TL 23,398).

8. Loans and advances to customers

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

	31 December 2013			
	Amount			
	TL	Foreign currency	Foreign currency indexed	Total
Finance lease receivables	15,512	2,082	-	17,594
Factoring receivables	4,027	-	-	4,027
Short-term loans	134,442	29,879	-	164,321
Medium and long-term loans	29,699	25,383	-	55,082
Total performing loans	183,680	57,344	-	241,024
Non-performing loans	556	-	-	556
Less: Reserve for possible loan losses	(390)	-	-	(390)
Total loans, net	183,846	57,344	-	241,190

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8. Loans and advances to customers (continued)

Movements in non-performing loans:

	31 December 2014	31 December 2013
Reserve at beginning of year	390	255
Provision for possible loan losses	1,571	281
Recoveries	(49)	(146)
Provision, net of recoveries	1,522	135
Amount written off	-	-
Reserve at end of year	1,912	390

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

	31 December 2014	31 December 2013
Less than one year	6,401	9,122
Between one and five years	8,998	13,542
	15,399	22,664
Unearned future income on finance leases	(3,063)	(5,070)
Net investment in finance leases	12,336	17,594
The net investment in finance leases comprises:		
Less than one year	5,033	6,779
Between one and four years	7,303	10,815
	12,336	17,594

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

The receivables are secured by way of the underlying assets.

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9. Property and equipment

	Office equipment	Furniture and fixtures	Other fixed assets	Total
Cost value				
Balance at 1 January 2014	1,543	652	523	2,718
Acquisitions	125	-	68	193
Disposals	-	-	-	-
Balance at 31 December 2014	**1,668**	**652**	**591**	**2,911**
Accumulated Depreciation				
Balance at 1 January 2014	(1,118)	(609)	(411)	(2,138)
Depreciation for the year	(248)	(6)	(31)	(285)
Disposals	-	-	-	-
Balance at 31 December 2014	**(1,366)**	**(615)**	**(442)**	**(2,423)**
Cost value				
Balance at 1 January 2013	1,502	652	498	2,652
Acquisitions	47	-	25	72
Disposals	(6)	-	-	(6)
Balance at 31 December 2013	**1,543**	**652**	**523**	**2,718**
Accumulated Depreciation				
Balance at 1 January 2013	(871)	(595)	(388)	(1,854)
Depreciation for the year	(250)	(14)	(23)	(287)
Disposals	3	-	-	3
Balance at 31 December 2013	**(1,118)**	**(609)**	**(411)**	**(2,138)**
Carrying amounts				
Balance at 31 December 2013	425	43	112	580
Balance at 31 December 2014	302	37	149	488

As of 31 December 2014 tangible assets were insured to the extent to TL 3,022 Thousand in total.

The estimated useful lives are as follows:

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

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10. Intangible assets

	Software	Total
Cost		
Balance at 1 January 2014	3,884	3,884
Additions	154	154
Balance at 31 December 2014	**4,038**	**4,038**
Amortization and impairment		
Balance at 1 January 2014	(2,794)	(2,794)
Amortization charge for the year	(223)	(223)
Balance at 31 December 2014	**(3,017)**	**(3,017)**
Cost		
Balance at 1 January 2013	3,331	3,331
Additions	553	553
Balance at 31 December 2013	**3,884**	**3,884**
Amortization and impairment		
Balance at 1 January 2013	(2,518)	(2,518)
Amortization charge for the year	(276)	(276)
Balance at 31 December 2013	**(2,794)**	**(2,794)**
Carrying amounts		
Balance at 31 December 2013	1,090	1,090
Balance at 31 December 2014	1,021	1,021

11. Other assets

	31 December 2014	31 December 2013
Receivables from Nurol Holding	483	144
Receivables from disposal of property (*)	-	15,731
Assets held for sale	1,371	1,371
Others	2,425	1,638
	4,279	**18,884**

(*) The Bank sold its investment property, that comprise the building (flour factory) purchased from a loan customer on 7 October 2011 for USD 11,354 thousand which includes 6% of interest and which will be paid in 96 installments amounting to USD 118 thousand each. As of 31 December 2014 the amortised carrying value of the receivable from this disposal amounts to TL 13,791 (31 December 2013: TL 15,731). The receivable was presented in Other Assets as of 31 December 2013; but it is classified as non-performing loans, under Loans and Advances to Customers as of 31 December 2014, as a result of the collection performance in the current year. 1,571 TL of provision is provided for this receivable as of the balance sheet date.

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12. Funds borrowed

	31 December 2014			31 December 2013		
	TL	Foreign currency	Total	TL	Foreign currency	Total
Funds borrowed	32,673	35,154	67,827	27,356	87,328	114,684
Obligations under repurchase agreements	51,505	-	51,505	123,442	-	123,442
	84,178	35,154	119,332	150,798	87,328	238,126

The effective interest rate for funds borrowed denominated in USD is 2.00% (2013 -3.22%), in EUR is 2.93% (2013 - 3.2%) and in TL is 11.23% (2013 - 7.9%). As at 31 December 2014 and 31 December 2013, funds borrowed have fixed interest rates.

As at 31 December 2014 and 31 December 2013, funds borrowed are unsecured. The Bank has not had any defaults of principal, interest or redemption amounts or other breaches of loan covenants as at 31 December 2014 (31 December 2013 - None).

13. Debt securities issued

The Bank has issued floating rate debt securities amounting to TL 100,000,000 at 24 January 2013 with 728 days maturity and three-month period interest payment. Bank reclaimed securities worth TL 1,330,000 TL in nominal value that was issued, as of balance sheet date. The Bank has also issued bills on 29 April 2014 with nominal value of TL 30,000,000, interest rate of 5.27% and term of 179 days; bonds on 29 April 2014 with nominal value of TL 30,000,000, interest rate of 3.06% and term of 540 days, with variable interest, coupon payments as every three months, bonds on 2 June 2014 with nominal value of TL 40,000,000, interest rate of 4.72% and term of 179 days and bonds on 08 July 2014 with nominal value of TL 40,000,000, interest rate of 4.49% through and term of 178 days sales to the qualified investors. As at 31 December 2014, debt securities are as follows:

	31 December 2014			31 December 2013		
	TL	Foreign currency	Total	TL	Foreign currency	Total
Bonds	204,629	-	204,629	102,308	-	102,308
	204,629	-	204,629	102,308	-	102,308

(Currency - In thousands of Turkish Lira)

14. Other liabilities

	31 December 2014	31 December 2013
Current accounts of loan customers	192,074	1,578
Taxes and funds payable	3,356	985
Others	5,039	2,174
	200,469	4,737

15. Provisions

	30 December 2014	31 December 2013
Employee termination benefits	565	431
Bonus accrual	247	-
Unused vacation accrual	404	263
Provision for non -cash loans	963	1,103
Provision for lawsuits	380	398
Other	415	400
	2,974	2,595

The movement in vacation pay liability is as follows:

	2014	2013
At 1 January	263	368
Provision (reversal) / provided	141	(105)
At 31 December	404	263

The movement in provision for bonus accrual is as follows:

	2014	2013
At 1 January	-	300
Provision provided	247	-
Bonus paid	-	(300)
At 31 December	247	-

The movement in provision for employee termination benefits is as follows:

	2014	2013
At 1 January	431	684
Service cost	187	380
Interest cost	10	17
Benefits paid	(63)	(292)
Provision reversal	-	(271)
Actuieryal gain /(loss)	-	(87)
At 31 December	565	431

15. Provisions (continued)

Employee termination benefits

Under Turkish Labor Law, the Company is required to pay termination benefits to each employee who has completed certain years of service and whose employment is terminated without due cause, is called up for military service, dies or achieves the retirement age (58 for women and 60 for men).

The amount payable consists of one month's salary limited to a maximum of TL 3.438,22 for each period of service at 31 December 2014 (2013: TL 3.254,44)

There are no agreements for pension commitments other than the legal requirement as explained above. In addition, the liability is not funded, as there is no funding requirement.

The provisions for employment termination benefits of the Company is calculated over TL 3.541,37 that is effective commencing on 1 January 2015 (1 January 2014: TL 3.438,22). The provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of employees. IAS 19 requires actuarial valuation methods to be developed to estimate the enterprise's obligation under defined benefit plans. Accordingly, the following actuarial assumptions were used in the calculation of the total liability:

The principal assumption is that the maximum liability for each year of service will increase parallel with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Consequently, in the accompanying financial statements as at 31 December 2014, the provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees. The Bank used 2.86% discount rate, 5.00% inflation rate and 8.00% interest rate for provision of severance payment (31 December 2013 – discount rate: 3.78%, inflation rate: 6.21%, interest rate: 10.22%).

16. Taxation

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

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

Corporate tax losses can be carried forward for a maximum period of five years following the year in which the losses were incurred. The tax authorities can inspect tax returns and the related accounting records for a retrospective maximum period of five years. Corporate tax returns are required to be filed by the twenty-fifth day of the fourth month following the year-end balance sheet date and taxes must be paid in one instalment by the end of the fourth month.

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16. Taxation (continued)

Income tax recognised in the income statement

The components of income tax expense as stated below:

	2014	2013
Current tax		
Current income tax	(4,346)	-
Deferred income / (expense) tax		
Relating to origination and reversal of temporary differences	40	200
Income tax expense reported in the income statement	(4,306)	200

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 December 2014 is as follows:

	2014	2013
Profit before income tax	20,173	316
Income tax using the domestic corporate tax rate 20%	(4,035)	(63)
Disallowable expenses	(64)	(80)
Other	(207)	343
Total income tax expense in the profit or loss	(4,306)	200

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

	2014	2013
Deferred tax assets / (liability), net at 1 January	(640)	(2,115)
Prior year adjustment	-	49
Deferred tax recognised in the profit or loss	40	200
Deferred income tax recognised in other comprehensive income	(57)	1,226
Deferred tax assets/(liabilities), net at end of December	(657)	(640)

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16. Taxation (continued)

Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	31 December 2013			31 December 2013		
	Assets	Liabilities	Net	Assets	Liabilities	Net
Liability for employee benefits	194	-	194	156	-	156
Valuation of available for sale	-	(1,155)	(1,155)	-	(1,101)	(1,101)
financial assets	-	304	304	-	305	305
Other						
	194	(851)	(657)	156	(796)	(640)

17. Commitments and contingencies

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

As at 31 December 2014; commitments and contingencies comprised the following:

	31 December 2014	31 December 2013
Letters of guarantee	300,991	368,319
Letters of credit	5,084	6,126
Bank acceptance	2,150	-
Other commitments	236	220
Total	308,461	375,665

17. Commitments and contingencies (continued)

As at 31 December 2014; derivative financial instruments are comprised the following. This table shows the fair values of derivative financial liabilities.

	31 December 2014		31 December 2013	
	Fair value	Notional amount in Turkish Lira equivalent	Fair value	Notional amount in Turkish Lira equivalent
Derivative financial liabilities - held for trading	2,211	763,140	79	106,421
	2,211	763,140	79	106,421

18. Share capital and reserves

Share capital

As at 31 December 2014 and 31 December 2013, the composition of shareholders and their respective percentage of ownership are summarised as follows:

	2014		2013	
	Amount	%	Amount	%
Nurol Holding A.Ş.	35,169	78	35,169	78
Nurol İnşaat ve Tic. A.Ş.	7,180	16	7,180	16
Nurol Otelcilik ve Turizm İşletmeciliği A.Ş.	395	1	395	1
Others	2,256	5	2,256	5
Total	45,000		45,000	

As at 31 December 2014 and 31 December 2013, the authorised share capital comprised of 45,000 ordinary shares having a par value of TL full 1,000. All issued shares are paid.

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

Legal reserves

The legal reserves consist of first and second legal reserves in accordance with the Turkish Commercial Code. The first legal reserve is appropriated out of the statutory profits at the rate of 5%, until the total reserve reaches a maximum of 20% of the entity's share capital. The second legal reserve is appropriated at the rate of 10% of all distributions in excess of 5% of the entity's share capital. The first and second legal reserves are not available for distribution unless they exceed 50% of the share capital, but may be used to absorb losses in the event that the general reserve is exhausted.

As at 31 December 2014, the Bank's legal reserves amounted to TL 1,151 Thousand (31 December 2013 – TL 1,151 Thousand).

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18. Share capital and reserves (continued)

Available-for-sale reserve

The available-for-sale reserve includes the cumulative net change in the fair value of available-for-sale available for sale investments until the investment is derecognised or impaired.

Movement in available-for-sale reserve is as follows:

At 31 December 2013	21,950
Change in fair value of available-for-sale financial assets (net of tax)	(67)
At 31 December 2014	21,883

19. Net interest income

	1 January-31 December 2014	1 January-31 December 2013
Interest income		
Loans and advances to customers	51,962	25,801
Deposits with banks and other financial institutions	1,940	871
Held for trading and available for sale investments	3,348	3,251
Financial leases	2,684	1,591
Other	1,191	986
	61,125	32,500
Interest expense		
Funds borrowed	3,425	4,619
Debt securities issued	19,747	10,341
Interbank funds borrowed	4,843	3,306
	28,015	18,266
Net interest income	33,110	14,234

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20. Net fee and commission income

	1 January-31 December 2014	1 January-31 December 2013
Fee and commission income		
Non-cash loans	4,546	2,655
Other	7,164	2,312
Total fee and commission income	11,710	4,967
Fee and commission expense		
Non-cash loans	678	720
Other	1,333	1,060
Total fee and commission expense	2,011	1,780
Net fee and commission income	9,699	3,187

21. Net trading income / (loss)

	1 January-31 December 2014	1 January-31 December 2013
Gain / (loss) on foreign exchange rate fluctuations	(11,932)	3,475
Gain / (loss) from securities	1,386	(1,914)
Gain / (loss) on derivatives	5,092	(1,935)
Total	(5,454)	(374)

22. Other operating income

	1 January-31 December 2014	1 January-31 December 2013
Communication income	166	59
Other	1,339	598
Total	1,505	657

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23. Personnel expenses

	1 January-31 December 2014	1 January-31 December 2013
Wages and salaries	6,536	7,101
Compulsory social security obligations	507	663
Other fringe benefits	-	278
Other benefits	894	878
Total	7,937	8,920

24. Administrative expenses

	1 January-31 December 2014	1 January-31 December 2013
Nurol Holding recharges	3,119	2,318
Rent expenses	871	846
Telecommunication expenses	591	578
Audit and advisory expenses	400	321
Notary expenses	754	659
Computer expenses	711	733
Maintenance expenses	135	197
Transportation expenses	144	216
Taxes and duties expenses	293	250
Office supplies	16	8
Hosting expenses	95	60
Advertising expenses	19	24
Other various administrative expenses	873	1,071
Total	8,021	7,281

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25. Financial risk management objectives and policies

a) Introduction and overview

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

- credit risk
- liquidity risk
- market risks
- operational risks

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

Risk management framework

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

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

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

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

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

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

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

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

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25. Financial risk management objectives and policies (continued)

b) Credit risk (continued)

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

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

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

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

Credit risk by risk groups

	Individual	Corporate	Leasing	Factoring	Total
31 December 2014					
Performing loans	315	331,419	12,336	-	344,070
Loans under close monitoring	-	-	-	-	-
Non-performing loans	2	14,296	-	-	14,298
	317	345,715	12,336	-	358,368
Gross					
Reserve for possible loan losses	(2)	(1,910)	-	-	(1,912)
Total	315	343,805	12,336	-	356,456
31 December 2013					
Performing loans	357	219,046	17,594	4,027	241,024
Loans under close monitoring	-	-	-	-	-
Non-performing loans	2	554	-	-	556
Gross	359	219,600	17,594	4,027	241,580
Reserve for possible loan losses	(2)	(388)	-	-	(390)
Total	357	219,212	17,594	4,027	241,190

25. Financial risk management objectives and policies (continued)

b) Credit risk (continued)

Exposure to credit risk

		Due from banks		Loans and advances to customers	
At 31 December	Notes	2014	2013	2014	2013
Carrying amount		194,263	77,826		241,190
Individually impaired					
- Non-performing financial assets		-	-	14,298	556
Gross amount		-	-	14,298	556
Reserve for possible loan losses	8	-	-	(1,912)	(390)
Carrying amount		-	-	12,386	166
Past due but not impaired		-	-	-	-
Carrying amount		-	-	-	-
Neither past due nor impaired		194,263	77,826	344,070	241,024
Carrying amount		194,263	77,826	344,070	241,024
Includes account with renegotiated terms		-	-	-	-
Carrying amount		-	-	-	-
Carrying amount (amortised cost)	4, 8	194,263	77,826	356,456	241,190

Impaired loans and advances

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

Past due but not impaired loans

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

25. Financial risk management objectives and policies (continued)

b) Credit risk (continued)

Exposure to credit risk (continued)

Reserve for possible loan losses

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

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

Write-off policy

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

Collateral policy

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

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

Cash loans	31 December 2014	31 December 2013
Secured cash loans	236,678	131,053
Secured by cash collateral	-	-
Personal guarantees	173,679	88,145
Secured by mortgages	8,744	39
Secured by customer cheques & acts	16,919	21,248
Leasing	12,336	17,594
Factoring	-	4,000
Non-secured cash loans	104,703	107,837
Accrued interest income on loans	2,689	2,134
Total performing cash loans	344,070	241,024

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25. Financial risk management objectives and policies (continued)

b) Credit risk (continued)

Collateral policy (continued)

Non-cash loans[1]	31 December 2014	31 December 2013
Secured non-cash loans	225,667	228,948
Personal guarantees	225,415	228,685
Secured by cash collateral	252	263
Secured by customer cheques & acts	-	-
Non-secured non cash loans	75,324	140,371
Total non-cash loans	300,991	369,319

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

Segment concentration

The Bank monitors concentrations of credit risk by sector and by geographic location. An analysis of concentrations of credit risk from due from banks and loans and advances to customers at the reporting date is shown below:

	Due from banks		Loans and advances to customers	
	2014	2013	2014	2013
Banks	194,263	77,826	-	-
Manufacturing	-	-	67,168	23,601
Mining	-	-	-	-
Production	-	-	67,168	23,601
Natural resources	-	-	-	-
Construction	-	-	51,883	36,646
Services	-	-	169,723	149,685
Wholesale and retail trade	-	-	126,274	58,124
Hotel, food and beverage services	-	-	10,756	12,636
Financial institutions	-	-	3,198	11,595
Educational services	-	-	-	-
Communication expenses	-	-	4,185	3,822
Health and social services	-	-	1,345	194
Renting Service	-	-	23,965	63,314
Other	-	-	55,296	31,092
Non-performing loans, net	-	-	12,386	166
Total	194,263	77,826	356,456	241,190

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25. Financial risk management objectives and policies (continued)

b) Credit risk (continued)

Concentration risk by location

	Notes	Due from banks 2014	Due from banks 2013	Loans and advances to customers 2014	Loans and advances to customers 2013
Turkey		187,709	76,198	274,589	219,591
Europe		361	535	-	-
Other		6,193	1,093	81,867	21,599
	4, 8	194,263	77,826	356,456	241,190

Held for trading investments

At 31 December 2014, the Bank has held for trading investments amounting to TL 5,136 Thousand (31 December 2013– TL 7,186 Thousand). An analysis of the credit quality of the maximum credit exposure is as follows:

	Note	2014	2013
Government bonds and treasury bills	6	5,136	7,168
Fair value and carrying amount		5,136	7,168

c) Liquidity risk

Liquidity risk is the risk that the Bank 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.

25. Financial risk management objectives and policies (continued)

c) Liquidity risk (continued)

Management of liquidity risk

In order to manage this risk, the Bank measures and manages its cash flow commitments on a daily basis and maintains liquid assets, which it judges sufficient to meet its commitments.

The calculation method used to measure the banks compliance with the liquidity limit is set by Banking Regulatory and Supervision Agency ("BRSA"). In November 2006, BRSA issued a new communiqué on the measurement of liquidity adequacy of the banks. This new legislation requires the banks to meet 80% liquidity ratio of foreign currency assets/liabilities and 100% liquidity ratio of total assets/liabilities based on arithmetic average computations on a weekly and monthly basis effective from 1 June 2007. The Bank's liquidity ratios in 2014 and 2013 are as follows:

	First maturity bracket (weekly)		Secondmaturity bracket (monthly)	
	Foreign currency (%)	Total (%)	Foreign currency (%)	Total (%)
2014 average	159	210	99	129
2013 average	204	203	151	157

As at 31 December 2014 and 31 December 2013, the following table provides the contractual maturities of the Bank's financial liabilities.

	31 December 2014						
	Carrying amount	Contractual cash flows	6 month or less	6 to 12 months	1 to 2 years	2 to 5 years	More than 5 years
Funds borrowed	119,332	130,697	130,686	-	-	11	-
Debt securities issued	204,629	206,897	176,616	30,281	-	-	-
	323,961	337,594	307,302	30,281	-	11	-

	31 December 2014						
	Carrying amount	Contractual cash flows	6 month or less	6 to 12 months	1 to 2 years	2 to 5 years	More than 5 years
Funds borrowed	238,126	242,989	239,598	3,379	-	12	-
Debt securities issued	102,308	111,748	5,874	5,874	100,000	-	-
	340,434	354,737	245,472	9,253	100,000	12	-

25. Financial risk management objectives and policies (continued)

c) Liquidity risk (continued)

Exposure to liquidity risk

The calculation method used to measure the Bank's compliance with the liquidity limit is set by BRSA.

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

31 December 2014	Demand	Less than one month	1-3 months	3-12 months	1-5 years	Over 5 years	Unidentified maturity	Total
Cash and cash equivalents	8,076	186,825	-	-	-	-	-	194,901
Reserve deposits at Central Bank	-	17,491	-	-	-	-	-	17,491
Held for trading investments	-	-	5,136	-	-	-	-	5,136
Available for sale investments	-	2,063	238	5,293	20,763	-	30,398	58,755
Loans and advances to customers	-	59,528	21,909	73,695	174,493	18,760	8,071	356,456
Other assets	1,371	2,510	-	-	-	-	1,907	5,788
Total assets	9,447	268,417	27,283	78,988	195,256	18,760	40,376	638,527
Funds borrowed	-	100,951	18,381	-	-	-	-	119,332
Debt securities issued	-	135,932	38,661	30,036	-	-	-	204,629
Derivative financial instruments	-	2,211	-	-	-	-	-	2,211
Other liabilities	18,303	107,806	75,696	1,893	2,513	-	106,144	312,355
Total liabilities	18,303	346,900	132,738	31,929	2,513	-	106,144	638,527
Liquidity gap	(8,856)	(78,483)	(105,455)	47,059	192,743	18,760	(65,768)	-

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25. Financial risk management objectives and policies (continued)

c) Liquidity risk (continued)

31 December 2013	Demand	Less than one month	1-3 months	3-12 months	1-5 years	Over 5 years	Unidentified maturity	Total
Cash and cash equivalents	5,365	76,026	-	-	-	-	-	81,391
Reserve deposits at Central Bank	-	6,013	-	-	-	-	-	6,013
Held for trading investments	-	161	-	7,025	-	-	-	7,186
Available for sale investments	-	-	2,061	46,742	7,994	-	25,776	82,573
Loans and advances to customers	-	35,816	55,124	82,700	63,557	3,827	166	241,190
Other assets	-	179	359	1,614	12,402	1,178	4,822	20,554
Total assets	5,365	118,195	57,544	138,081	83,953	5,005	30,764	438,907
Funds borrowed	-	189,034	24,034	25,047	-	11	-	238,126
Debt securities issued	-	-	-	-	102,308	-	-	102,308
Derivative financial instruments	1,593	2,533	1,251	-	-	-	93,017	98,394
Other liabilities	-	79	-	-	-	-	-	79
Total liabilities	1,593	191,646	25,285	25,047	102,308	11	93,017	438,907
Liquidity gap	3,772	(73,451)	32,259	113,034	(18,355)	4,994	(62,253)	-

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

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25. Financial risk management objectives and policies (continued)

d) Market risk (continued)

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 using Standardised Approach are reported to BRSA. The Bank's value at market risks as at 31 December 2014 and 31 December 2013 calculated as per the statutory financial statements prepared for BRSA reporting purposes within the scope of "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks" published in Official Gazette no. 28337 dated 28 June 2012, are as follows:

	2014			2013		
	Average	Highest	Lowest	Average	Highest	Lowest
Interest rate risk	222	614	-	34	161	-
Equity price risk	-	-	-	-	-	-
Currency risk	563	1,289	126	370	819	124
Counter party risk	343	760	2	9	26	-
Total value-at-risk	1,128	2,663	128	413	1,006	124

Currency risk

The Bank 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 Bank is subject to due to the exchange rate movements in the market.

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

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25. Financial risk management objectives and policies (continued)

d) Market risk (continued)

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

	USD	Euro	JPY	Others	Total
2014					
Assets					
Cash and cash equivalents	39,808	7.533	-	141	47,482
Reserve deposits at Central Bank	9,875	-	-	-	9,875
Loans and advances to customers	27,123	33,431	-	-	60,554
Available for sale investments	-	-	-	-	-
Other assets	-	-		-	-
Total assets	76,806	40,964	-	141	117,911
Liabilities					
Funds borrowed	26,884	8,270	-	-	35,154
Other liabilities	180,585	30	-	111	180,726
Total liabilities	207,469	8,300		111	215,880
			-		
Gross exposure	(130,663)	32,664	-	30	(97,969)
Off-balance sheet position					
Net notional amount of derivatives	131,742	(32,765)	-	-	98,977
Net exposure	1,079	(101)	-	30	1,008

25. Financial risk management objectives and policies (continued)

d) Market risk (continued)

Currency risk (continued)

	USD	Euro	JPY	Others	Total
2013					
Assets					
Cash and cash equivalents	1,194	394	24	211	1,823
Reserve deposits at Central Bank	6,013	-	-	-	6,013
Loans and advances to customers	23,041	34,303	-	-	57,344
Available for sale investments	-	-	-	-	-
Other assets	9,773	-	-	-	9,773
Total assets	40,021	34,697	24	211	74,953
Liabilities					
Funds borrowed	52,018	35,310	-	-	87,328
Other liabilities	375	347	-	24	746
Total liabilities	52,393	35,657	-	24	88,074
Gross exposure	(12,372)	(960)	24	187	(13,121)
Off-balance sheet position					
Net notional amount of derivatives	24,114	(9,099)	-	-	15,015
Net exposure	11,742	(10,059)	24	187	1,894

Sensitivity analysis

A 10 percent weakening of TL against the foreign currencies at 31 December 2014 and 31 December 2013 would have effect on the equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2013.

2014	Equity	Profit or loss
EUR	(10)	(10)
USD	108	108
Other currencies	3	3
	101	101

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25. Financial risk management objectives and policies (continued)

d) Market risk (continued)

Sensitivity analysis (continued)

2013	Equity	Profit or loss
EUR	(1,006)	(1,006)
USD	1,174	1,174
Other currencies	21	21
	189	189

A 10 percent strengthening of the TL against the foreign currencies at 31 December 2014 and 31 December 2013 would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

Interest rate risk

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

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

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25. Financial risk management objectives and policies (continued)

d) Market risk (continued)

Interest rate risk (continued)

The following table indicates the periods in which financial assets and liabilities reprice as of 31 December 2014 and 31 December 2013:

31 December 2014	Less than one month	1-3 months	3-12 months	1-5 years	More than 5 years	Non interest bearing	Total
As at 31 December 2014							
Assets							
Cash and cash equivalents	186,825	-	-	-	-	8,076	194,901
Reserve deposits at Central Bank	-	-	-	-	-	17,491	17,491
Held for trading investments	-	5,136	-	-	-	-	5,136
Available for sale investments	3,693	18,111	2,518	4,035	-	30,398	58,755
Loans and advances to customers	60,063	22,842	76,651	170,069	18,760	8,071	356,456
Other	-	-	-	-	-	5,788	5,788
Total assets	250,581	46,089	79,169	174,104	18,760	69,824	638,527
Liabilities							
Funds borrowed	100,951	18,381	-	-	-	-	119,332
Debt securities issued	135,932	38,661	30,036	-	-	-	204,629
Current account of loans customers	-	-	-	-	-	13,133	13,133
Other	110,017	75,696	1,893	2,513	-	111,314	301,433
Total liabilities	346,900	132,738	31,929	2,513	-	124,447	638,527
On balance sheet interest sensitivity gap	(96,319)	(86,649)	47,240	171,591	18,760	(54,623)	-
Off balance sheet interest sensitivity gap	-	-	-	-	-	-	-
Total interest sensitivity gap	(96,319)	(86,649)	47,240	171,591	18,760	(54,623)	-

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25. Financial risk management objectives and policies (continued)

d) Market risk (continued)

Interest rate risk (continued)

31 December 2014	Less than one month	1-3 months	3-12 months	1-5 years	More than 5 years	Non interest bearing	Total
As at 31 December 2013							
Assets							
Cash and cash equivalents	76,026	-	-	-	-	5,365	81,391
Reserve deposits at Central Bank	-	-	-	-	-	6,013	6,013
Held for trading investments	-	161	7,025	-	-	-	7,186
Available for sale investments	-	2,061	46,742	7,994	-	25,776	82,573
Loans and advances to customers	35,825	5	137,810	63,557	3,827	166	241,190
Other	179	359	1,614	12,402	1,178	4,822	20,554
Total assets	112,030	2,586	193,191	83,953	5,005	42,142	438,907
Liabilities							
Funds borrowed	189,034	24,034	25,047	-	11	-	238,126
Debt securities issued	102,308	-	-	-	-	-	102,308
Current account of loans customers	-	-	-	-	-	1,593	1,593
Other	2,612	1,251	-	-	-	93,017	96,880
Total liabilities	293,954	25,285	25,047	-	11	94,610	438,907
On balance sheet interest sensitivity gap	(181,924)	(22,699)	168,144	83,953	4,994	(52,468)	-
Off balance sheet interest sensitivity gap	-	-	-	-	-	-	-
Total interest sensitivity gap	(181,924)	(22,699)	168,144	83,953	4,994	(52,468)	-

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25. Financial risk management objectives and policies (continued)

d) Market risk (continued)

Exposure to interest rate risk sensitivit

The sensitivity of the income statement is the effect of the assumed changes in interest rates on the net interest income based on the floating rate non-trading financial assets and financial liabilities and trading financial assets and liabilities held at 31 December 2014 and 31 December 2013. The sensitivity of equity is calculated by revaluing available for sale financial assets at 31 December 2014 and 31 December 2013 for the effects of the assumed changes in interest rates. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

2014	Profit or loss		Equity	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
Financial assets designated at fair value through profit or loss	-	-	-	-
Available for sale financial assets	(2,073)	2,073	(2,073)	2,073
Floating rate financial assets	-	-	-	-
Total, net	(2,073)	2,073	(2,073)	2,073

2013	Profit or loss		Equity	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
Financial assets designated at fair value through profit or loss	-	-	-	-
Available for sale financial assets	-	-	(50)	50
Floating rate financial assets	-	-	-	-
Total, net	-	-	(50)	50

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25. Financial risk management objectives and policies (continued)

d) Market risk (continued)

Interest rate risk (continued)

Summary of average interest rates

As at 31 December 2014 and 31 December 2013, the summary of average interest rates for different assets and liabilities are as follows:

	31 December2013			31 December2013		
	Euro	USD	TL	Euro	USD	TL
Assets						
Cash and balances with the Central Bank	-	-	-	-	-	-
Due from banks	0.20	0.30	10.75	0.33	0.33	8.05
Held for trading investments	-	-	-	-	-	-
Placementsat money markets	-	-	11.23	-	-	7.75
Available for sale financial assets	-	-	17.00	-	-	9.96
Loans and advances to customers	7.03	9.73	14.66	6.30	6.50	13.31
Other asset	-	6.00	-	-	6.00	-
Liabilities						
Other money market deposits	-	-	10.21	-	-	5.16
Funds borrowed	1.93	2.00	11.23	1.60	2.92	3.29
Debt securities issued	-	-	10.49	-	-	11.78
Funds from other financial institutions	0.60	0.41	9.60	1.18	1.23	7.24

e) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Bank's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Bank's operations and are faced by all business entities.

The operational risk items in the Bank are determined in accordance with the definition of operational risk by considering the whole processes, products and departments. The control areas are set for operational risks within the Bank and all operational risks are followed by assigning the risks to these control areas. In this context, appropriate monitoring methodology is developed for each control area that covers all operational risks and control frequencies are determined.

25. Financial risk management objectives and policies (continued)

e) Operational risk (continued)

The Bank calculated the value at operational risk in accordance with the "Computation of Value of Operational Risk" of the circular, "Regulation Regarding Measurement and Assessment of Capital Adequacy Ratios of Banks" published in the Official Gazette dated 1 November 2006, using gross profit of the last three years, 2011, 2012 and 2013. The amount calculated as TL 24,188 as at 31 December 2014 (31 December 2013 – TL 20,713) represents the operational risk that the Bank may expose and the amount of minimum capital requirement to eliminate this risk.

f) Capital management

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

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

- Tier 1 capital, capital is composed of the total amount of paid up capital, legal, voluntary and extra reserves, profits for the period after tax provisions and profits for previous years. The total amount of banks' losses for the period and losses for previous years is taken into account as a deduction item, in the calculation of Tier 1 capital.

- Tier 2 capital, is composed of the total amount of general provisions for credits, fixed assets revaluation fund, revaluation of available-for-sale financial assets and equity investments, subordinated loans received, free reserves set aside for contingencies and the fund for increase in the value of securities.

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

The Bank's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Bank and its individually regulated operations have complied with externally imposed capital requirements throughout the period.

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

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25. Financial risk management objectives and policies (continued)

f) Capital management (continued)

The Bank's capital position at 31 December 2014 and 31 December 2013 is as follows:

	2014	2013
Amount subject to credit risk (I)	552,350	479,950
Amount subject to market risk (II)	20,713	3,988
Amount subject to operational risk (III)	24,188	20,713
Total risk-weighted assets and value at market risk and operational risk (IV) = (I+II+III)	597,251	504,651
Shareholders' equity:		
Tier 1 capital	96,168	58,191
Tier 2 capital	4,654	13,485
Total regulatory capital	100,822	71,676
Capital adequacy ratio	16.88%	14.20%

g) Fair values

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

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

	Notes	Trading	Loans and receivables	Availablefor sale	Other amortised cost	Total carrying amount	Fair value
2014							
Cash and cash equivalents	4	194,901	-	-	-	194,901	194,901
Reserve deposits at Central Bank	5	-	17,491	-	-	17,491	17,491
Held for trading investments	6	5,136	-	-	-	5,136	5,136
Available for sale investments	7	-	-	58,755	-	58,755	58,755
Loans and advances to customers[2]	8	-	356,456	-	-	356,456	356,456
Other asset		-	-	-	4,315	4,315	4,315
		200,037	373,947	58,755	4,315	637,054	637,054
Funds borrowed[2]	12	-	-	-	119,332	119,332	119,332
Debt securities issued	13	-	-	-	204,629	204,629	204,629
Current account of loan customers[1]	14	-	-	-	13,133	13,133	13,133
		-	-	-	337,094	337,094	337,094

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

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25. Financial risk management objectives and policies (continued)

g) Fair values (continued)

	Notes	Trading	Loans and receivables	Availablefor sale	Other amortised cost	Total carrying amount	Fair value
2013							
Cash and cash equivalents	4	194,901	81,391	-	-	81,391	81,391
Reserve deposits at Central Bank	5	-	-	-	-	6,013	6,013
Held for trading investments	6	5,136	7,186	-	-	7,186	7,186
Available for sale investments	7	-	-	82,573	-	82,573	82,573
Loans and advances to customers[2]	8	-	-	-	-	241,190	241,190
Other asset		-	-	-	15,731	15,731	15,731
		200,037	88,577	82,573	15,731	434,084	434,084
Funds borrowed[2]	12	-	-	-	238,126	238,126	238,126
Debt securities issued	13	-	-	-	102,308	102,308	102,308
Current account of loan customers[1]	14	-	-	-	1,593	1,593	1,593
		-	-	-	342,027	342,027	342,027

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

Loans and advances to customers

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

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

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

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

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

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25. Financial risk management objectives and policies (continued)

g) Fair values (continued)

Loans and advances to customers (continued)

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

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

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

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

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

2013	Note	Level 1	Level 2	Level 3	Total
Held for trading investments		7,025	161	-	7,186
Available for sale investments	6	82,573	-	-	82,573
Derivative financial liabilities held for trading	7	-	(79)	-	(79)
		89,598	82	-	89,680

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26. Related parties

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

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

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

2013	Balance	Percentage of the financial statement amount (%)
Cash loans	118,185	54%
Non-cash loans	217,227	58%
Funds borrowed / Current accounts of loan customers	36,416	15%

As at 31 December 2014, no provisions have been recognised in respect of loans given to related parties (2013 – none).

Interest and commission income from related parties for the period ended 31 December 2014 amount to TL 21,948 for cash loans and TL 161 for non-cash loans (2013: TL 2,912 for cash loans and TL 118 for non-cash loans).

Compensation of key management personnel of the Bank

The executive and non-executive member of Board of Directors and management received remuneration and fees amounted to TL 3,672 comprising salaries and other benefits (2013: TL 4,032).

27. Events after balance sheet date

None.

Perfect
harmony of
investment
instruments.

Genel Müdürlük, İstanbul

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