

**NUROL YATIRIM BANKASI  
ANONİM ŐİRKETİ**

**CONDENSED INTERIM FINANCIAL STATEMENTS  
FOR THE THREE MONTH PERIOD ENDED  
31 MARCH 2016**

## REPORT ON REVIEW OF CONDENSED INTERIM FINANCIAL INFORMATION

To the Board of Directors of  
Nurol Yatırım Bankası Anonim Şirketi

### *Introduction*

We have reviewed the accompanying interim condensed financial statements of Nurol Yatırım Bankası A.Ş. (the Bank) as at March 31, 2016, comprising of interim statement of financial position as at March 31, 2016 and the related interim statements of income, comprehensive income, changes in equity and cash flows for the three-month period then ended and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed financial statements in accordance with International Financial Reporting Standard 34, "Interim financial reporting" (IAS 34). Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

### *Scope of review*

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

### *Conclusion*

Based on our review nothing has come to our attention that causes us to believe that the accompanying interim condensed financial statements are not prepared, in all material respects, in accordance with IAS 34.

### *Other Matter*

The financial statements of the Bank as of December 31, 2015 were audited by another independent audit firm, who expressed an unqualified opinion in their audit report dated March 11, 2016. However, the financial statements of the Bank as of March 31, 2015 were not reviewed by an independent audit firm.



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

09 June 2016

## TABLE OF CONTENTS

	<b>Page</b> -----
Condensed Statement of Financial Position	1
Condensed Statement of Profit or Loss and Other Comprehensive Income	2
Condensed Statement of Changes in Equity	3
Condensed Statement of Cash Flows	4
Notes to the Condensed Interim Financial Statements	5 – 44

**NUROL YATIRIM BANKASI ANONİM ŞİRKETİ****CONDENSED STATEMENT OF FINANCIAL POSITION  
AS OF 31 MARCH 2016***(Currency - In thousands of Turkish Lira)*

	Note	Reviewed 31 March 2016	Audited 31 December 2015
<b>Assets</b>			
Cash and cash equivalents	5	85,329	169,136
Reserve deposits at Central Bank	6	88,788	46,692
Derivative financial assets		10,663	23,049
Available for sale investments	7	57,890	34,584
Loans and advances to customers	8	496,099	431,711
Property and equipment	9	1,506	1,601
Investment property	11	4,440	3,427
Intangible assets	10	1,189	1,154
Other assets	12	86,593	4,786
<b>Total assets</b>		<b>832,497</b>	<b>716,140</b>
<b>Liabilities</b>			
Funds borrowed	13	74,230	161,550
Debt securities issued	14	320,290	382,400
Other liabilities	16	269,289	35,038
Derivative financial instruments		2,694	457
Subordinated debts	15	28,201	-
Provisions	17	2,657	3,640
Current tax liability		481	-
Deferred tax liability	18	1,866	4,119
<b>Total liabilities</b>		<b>699,708</b>	<b>587,204</b>
<b>Equity</b>			
Share capital	20	45,000	45,000
Reserves	20	26,596	28,306
Retained earnings		61,193	55,630
<b>Total equity</b>		<b>132,789</b>	<b>128,936</b>
<b>Total liabilities and equity</b>		<b>832,497</b>	<b>716,140</b>

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

**NUROL YATIRIM BANKASI ANONİM ŞİRKETİ**

**CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE PERIOD ENDED 31 MARCH 2016**

*(Currency - In thousands of Turkish Lira)*

	Note	Reviewed 1 January- 31 March 2016	Unreviewed January- 31 March 2015
Interest income	21	28,362	16,329
Interest expense	21	(14,252)	(6,598)
<b>Net interest income</b>		<b>14,110</b>	<b>9,731</b>
Fee and commission income	22	2,223	5,600
Fee and commission expense	22	(584)	(323)
<b>Net fee and commission income</b>		<b>1,639</b>	<b>5,277</b>
Net trading income / (loss)	23	(4,215)	(2,658)
Other operating income	24	1,795	2,606
		<b>(2,420)</b>	<b>(52)</b>
<b>Operating income</b>		<b>13,329</b>	<b>14,956</b>
Net impairment/recoveries on financial assets	8	(450)	(4,248)
Other provision expenses		(306)	(231)
Personnel expenses	25	(2,431)	(3,059)
Depreciation and amortization		(180)	(108)
Administrative expenses	26	(2,185)	(1,999)
<b>Profit before income tax</b>		<b>7,777</b>	<b>5,311</b>
Income tax expense	18	(1,273)	(1,293)
		<b>6,504</b>	<b>4,018</b>
<b>Profit for the period</b>		<b>6,504</b>	<b>4,018</b>
<b>Other comprehensive income to be reclassified to profit or loss in subsequent periods</b>			
<b>Available-for-sale financial assets</b>			
Gain / (Loss) arising during the period		(2,805)	(2,676)
Income tax relating to components of other comprehensive income	19	154	85
<b>Other comprehensive income (loss) for the period, net of income tax</b>		<b>(2,651)</b>	<b>(2,591)</b>
<b>Total comprehensive income for the period</b>		<b>3,853</b>	<b>1,427</b>

The accompanying notes are an integral part of these financial statements

**NUROL YATIRIM BANKASI ANONİM ŞİRKETİ**  
**CONDENSED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE PERIOD ENDED 31 MARCH 2016**  
*(Currency - In thousands of Turkish Lira)*

Unreviewed	Note	Share capital	Fair value reserve of available for sale financial assets	Legal reserves	Retained earnings	Total equity
Balances at 1 January 2015		45,000	21,883	1,151	38,188	106,222
Total comprehensive income for the period		-	-	-	4,018	4,018
- Profit for the period		-	(2,591)	-	-	(2,591)
- Other comprehensive income for the period, net of tax		-	(2,591)	-	-	-
<b>Total comprehensive income for the period</b>		-	<b>(2,591)</b>	-	<b>4,018</b>	<b>1,427</b>
<b>Balance at 31 March 2015</b>		<b>45,000</b>	<b>19,292</b>	<b>1,151</b>	<b>42,206</b>	<b>107,649</b>
Reviewed						
Balances at 1 January 2016		45,000	26,334	1,972	55,630	128,936
Transfer to reserves		-	-	941	(941)	-
Total comprehensive income for the period		-	-	-	6,504	6,504
- Profit for the period		-	-	-	-	-
- Other comprehensive income for the period, net of tax		-	(2,651)	-	-	(2,651)
<b>Total comprehensive income for the period</b>		-	<b>(2,651)</b>	-	<b>6,504</b>	<b>3,853</b>
<b>Balance at 31 March 2016</b>		<b>45,000</b>	<b>23,683</b>	<b>2,913</b>	<b>61,193</b>	<b>132,789</b>

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

**NUROL YATIRIM BANKASI ANONİM ŞİRKETİ**

**CONDENSED STATEMENT OF CASH FLOWS  
FOR THE PERIOD ENDED 31 MARCH 2016**

(Currency - In thousands of Turkish Lira)

	<i>Note</i>	<b>Reviewed 1 January- 31 March 2016(*)</b>	<b>Unreviewed 1 January- 31 March 2015(*)</b>
<b>Cash flows from operating activities</b>			
Net profit for the period		6,504	4,018
<b>Adjustments:</b>			
Depreciation and amortisation	<i>9,10</i>	180	108
Current tax expense	<i>18</i>	3,372	1,605
Deferred tax (income)/expense	<i>18</i>	(2,099)	(312)
Provision for loan losses	<i>8</i>	450	4,248
Other provisions		306	231
Other accruals		(1,896)	(3,336)
Foreign exchange loss / (gain)		(111)	(4,240)
Fair value gain on investment property		(779)	-
		<b>5,927</b>	<b>2,322</b>
<b>Changes in operating assets and liabilities</b>			
Change in derivative financial assets		12,386	(7,278)
Change in loans and advances to customers		(66,008)	(88,033)
Change in reserve deposits		(42,050)	(10,326)
Change in other assets		(82,072)	20
Change in other liabilities		229,981	(82,323)
Change in derivative financial liabilities		2,237	7,919
Change in borrowings		(87,080)	(55,594)
Taxes paid		(157)	(740)
<b>Net cash provided by / (used in) operating activities</b>		<b>(26,836)</b>	<b>(234,033)</b>
<b>Cash flows from investing activities</b>			
Purchase of available for sale investments		(57,616)	(53,123)
Sale of of available for sale investments		31,957	33,217
Purchase of property and equipment	<i>9</i>	(31)	(527)
Purchase of intangible assets	<i>10</i>	(89)	(54)
<b>Net cash (used in) / provided by investing activities</b>		<b>(25,779)</b>	<b>(20,487)</b>
Proceeds from debt securities issued		129,000	229,970
Repayment from debt securities issued		(188,495)	(142.859)
Proceeds from subordinated debts		28,192	-
<b>Net cash provided by /(used in) financing activities</b>		<b>(31,303)</b>	<b>87,111</b>
<b>Effect of foreign exchange rate change on cash and cash equivalents</b>			
		111	4,240
<b>Net increase in cash and cash equivalents</b>		<b>(83,807)</b>	<b>(163,169)</b>
Cash and cash equivalents at 1 January	<i>5</i>	169,136	194,901
<b>Cash and cash equivalents at 31 March</b>	<i>5</i>	<b>85,329</b>	<b>31,732</b>

(\*) Cash flows from interest received and paid disclosed together. Interest received is amounting to TL 29,311( 31 March 2015: 13,374) and interest paid is amounting to TL 17,101( 31 March 2015: 2,280).

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

# NUROL YATIRIM BANKASI ANONİM ŞİRKETİ

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS AS OF AND FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2016

(Currency - In thousands of Turkish Lira)

### 1. Corporate information

#### General

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

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

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

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



**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS  
AS OF AND FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2016**

*(Currency - In thousands of Turkish Lira)*

**2. The new standards, amendments and interpretations**

The accounting policies adopted in preparation of the interim condensed financial statements as at 31 March 2016 are consistent with those followed in the preparation of the Bank's financial statements for the year ended December 31,2015 , except for the adoption of new and amended IFRS and IFRIC interpretations effective as of 1 January 2016. The Bank has not adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The nature and effects of these changes on the Bank's financial position and performance have been disclosed below.

**i) The new standards, amendments and interpretations which are effective as at 1 January 2016 are as follows:**

**IFRS 11 Acquisition of an Interest in a Joint Operation (Amendment)**

IFRS 11 is amended to provide guidance on the accounting for acquisitions of interests in joint operations in which the activity constitutes a business. This amendment clarifies that the acquirer of an interest in a joint operation in which the activity constitutes a business, as defined in IFRS 3 Business Combinations, to apply all of the principles on business combinations accounting in IFRS 3 and other IFRSs except for those principles that conflict with the guidance in this IFRS. In addition, the acquirer shall disclose the information required by IFRS 3 and other IFRSs for business combinations. The amendments did not have an impact on the financial position or performance of the Bank.

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

The amendments to IAS 16 and IAS 38, have prohibited the use of revenue-based depreciation for property, plant and equipment and significantly limiting the use of revenue-based amortisation for intangible assets. The amendments did not have an impact on the financial position or performance of the Bank.

**IAS 16 Property, Plant and Equipment and IAS 41 Agriculture (Amendment) – Bearer Plants**

IAS 16 is amended to provide guidance that bearer plants, such as grape vines, rubber trees and oil palms should be accounted for in the same way as property, plant and equipment in IAS 16. Once a bearer plant is mature, apart from bearing produce, its biological transformation is no longer significant in generating future economic benefits. The only significant future economic benefits it generates come from the agricultural produce that it creates. Because their operation is similar to that of manufacturing, either the cost model or revaluation model should be applied. The produce growing on bearer plants will remain within the scope of IAS 41, measured at fair value less costs to sell. The amendment is not applicable for the Bank and did not have an impact on the financial position or performance of the Bank.

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

IASB issued an amendment to IAS 27 to restore the option to use the equity method to account for investments in subsidiaries and associates in an entity's separate financial statements. Therefore, an entity must account for these investments either:

- At cost
- In accordance with IFRS 9, or
- Using the equity method defined in IAS 28

The entity must apply the same accounting for each category of investments. The amendment is not applicable for the Bank and did not have an impact on the financial position or performance of the Bank.

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS  
AS OF AND FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2016**

*(Currency - In thousands of Turkish Lira)*

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

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

Amendments issued to IFRS 10, IFRS 12 and IAS 28, address the issues that have arisen in applying the investment entities exception under IFRS 10 Consolidated Financial Statements. The amendment is not applicable for the Bank and did not have an impact on the financial position or performance of the Bank.

**IAS 1: Disclosure Initiative (Amendments to IAS 1)**

Amendments issued to IAS 1. Those amendments include narrow-focus improvements in the following five areas: Materiality, Disaggregation and subtotals, Notes structure, Disclosure of accounting policies, presentation of items of other comprehensive income (OCI) arising from equity accounted investments. These amendments did not have significant impact on the notes to the interim condensed financial statements of the Bank.

**Annual Improvements to IFRSs - 2012-2014 Cycle**

IASB issued, Annual Improvements to IFRSs 2012-2014 Cycle. The document sets out five amendments to four standards, excluding those standards that are consequentially amended, and the related Basis for Conclusions. The standards affected and the subjects of the amendments are:

- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations – clarifies that changes in methods of disposal (through sale or distribution to owners) would not be considered a new plan of disposal, rather it is a continuation of the original plan
- IFRS 7 Financial Instruments: Disclosures – clarifies that i) the assessment of servicing contracts that includes a fee for the continuing involvement of financial assets in accordance with IFRS 7; ii) the offsetting disclosure requirements do not apply to condensed interim financial statements, unless such disclosures provide a significant update to the information reported in the most recent annual report
- IAS 19 Employee Benefits – clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located
- IAS 34 Interim Financial Reporting – clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the interim financial report

These amendments did not have significant impact on the financial position or performance of the Bank.

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS  
AS OF AND FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2016**

*(Currency - In thousands of Turkish Lira)*

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

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

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

**IFRS 15 Revenue from Contracts with Customers**

The IASB issued IFRS 15 Revenue from Contracts with Customers. The new five-step model in the standard provides the recognition and measurement requirements of revenue. The standard applies to revenue from contracts with customers and provides a model for the sale of some non-financial assets that are not an output of the entity's ordinary activities (e.g., the sale of property, plant and equipment or intangibles). IFRS 15 effective date is 1 January 2018, with early adoption permitted. Entities will transition to the new standard following either a full retrospective approach or a modified retrospective approach. The modified retrospective approach would allow the standard to be applied beginning with the current period, with no restatement of the comparative periods, but additional disclosures are required.

***Clarifications to IFRS 15 'Revenue from Contracts with Customers' (Amendment)***

IASB has published final clarifications to IFRS 15 in April 2016. The amendments address three of the five topics identified (identifying performance obligations, principal versus agent considerations, and licensing) and provide some transition relief for modified contracts and completed contracts. The amendments are effective for annual reporting periods beginning on or after 1 January 2018. Earlier application is permitted.

IFRS 15 scopes out(a) lease contracts within the scope of IAS 17 Leases; (b) insurance contracts within the scope of IFRS 4 Insurance Contracts;(c) financial instruments and other contractual rights or obligations within the scope of IFRS 9 Financial Instruments, IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, IAS 27 Separate Financial Statements and IAS 28 Investments in Associates and Joint Ventures; consequently the Bank estimates that the impact of the standard on financial position or performance of the Bank will not be significant.

**IFRS 9 Financial Instruments - Final standard (2014)**

The IASB published the final version of IFRS 9 Financial Instruments. The final version of IFRS 9 brings together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 is built on a logical, single classification and measurement approach for financial assets that reflects the business model in which they are managed and their cash flow characteristics. Built upon this is a forward-looking expected credit loss model that will result in more timely recognition of loan losses and is a single model that is applicable to all financial instruments subject to impairment accounting. In addition, IFRS 9 addresses the so-called 'own credit' issue, whereby banks and others book gains through profit or loss as a result of the value of their own debt falling due to a decrease in credit worthiness when they have elected to measure that debt at fair value. The Standard also includes an improved hedge accounting model to better link the economics of risk management with its accounting treatment. IFRS 9 is effective for annual periods beginning on or after 1 January 2018. However, the Standard is available for early application. In addition, the own credit changes can be early applied in isolation without otherwise changing the accounting for financial instruments. The Bank is in the process of assessing the impact of the standard on financial position or performance of the Bank.

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS  
AS OF AND FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2016**

*(Currency - In thousands of Turkish Lira)*

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

**IFRS 16 Leases**

The IASB has published a new standard, IFRS 16 'Leases'. The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained. IFRS 16 supersedes IAS 17 'Leases' and related interpretations and is effective for periods beginning on or after January 1, 2019, with earlier adoption permitted if IFRS 15 'Revenue from Contracts with Customers' has also been applied. The Bank is in the process of assessing the impact of the standard on financial position or performance of the Bank.

**IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses (Amendments)**

The IASB issued amendments to IAS 12 Income Taxes. The amendments clarify how to account for deferred tax assets related to debt instruments measured at fair value. The amendments clarify the requirements on recognition of deferred tax assets for unrealised losses, to address diversity in practice. These amendments are to be retrospectively applied for annual periods beginning on or after 1 January 2017 with earlier application permitted. However, on initial application of the amendment, the change in the opening equity of the earliest comparative period may be recognised in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. If the Bank applies this relief, it shall disclose that fact. The Bank is in the process of assessing the impact of the amendments on financial position or performance of the Bank.

**IAS 7 'Statement of Cash Flows (Amendments)**

The IASB issued amendments to IAS 7 'Statement of Cash Flows'. The amendments are intended to clarify IAS 7 to improve information provided to users of financial statements about an entity's financing activities. The improvements to disclosures require companies to provide information about changes in their financing liabilities. These amendments are to be applied for annual periods beginning on or after 1 January 2017 with earlier application permitted. When the Bank first applies those amendments, it is not required to provide comparative information for preceding periods. The Bank is in the process of assessing the impact of the amendments on financial position or performance of the Bank.

**3. Significant accounting policies**

**3.1 Statement of compliance**

The Bank maintains its book of account and prepares its statutory financial statements in Turkish Lira ("TL") in accordance with the accounting principles as promulgated by the Banking Regulation and Supervision Agency ("BRSA"), Capital Markets Board of Turkey, the Turkish Commercial Code and tax legislation. The accompanying financial statements are derived from statutory financial statements with adjustments and reclassifications for the purpose of fair presentation in accordance with IFRS.

The interim condensed financial statements for the three months ended March 30, 2016 have been prepared in accordance with IAS 34 Interim Financial Reporting.

The interim condensed financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Bank's annual financial statements as at December 31, 2015.

The interim condensed financial statements were authorised for issue by the Bank's management on 9 June 2016.

# NUROL YATIRIM BANKASI ANONİM ŞİRKETİ

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS AS OF AND FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2016

(Currency - In thousands of Turkish Lira)

### 3. Significant accounting policies (continued)

#### 3.2 Basis of measurement

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

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

#### 3.3 Foreign currency transactions

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

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

	USD / TL (full)	EUR / TL (full)
31 March 2016	2.8249	3.2090
31 December 2015	2.9181	3.1838

#### 3.4 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.

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS  
AS OF AND FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2016**

*(Currency - In thousands of Turkish Lira)*

**3. Significant accounting policies (continued)**

**3.5 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.

**3.6 Net trading income**

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

**3.7 Dividends**

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

**3.8 Taxation and deferred income taxes**

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

*Current tax*

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

*Deferred tax*

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

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

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS  
AS OF AND FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2016

(Currency - In thousands of Turkish Lira)

**3. Significant accounting policies (continued)**

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

**3.9 Financial assets and liabilities**

**3.9.1 Financial Assets**

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

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

*Effective interest method*

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

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

*Financial assets at FVTPL*

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

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS  
AS OF AND FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2016

(Currency - In thousands of Turkish Lira)

3. Significant accounting policies (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 amounts 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.

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss are subject to impairment testing at each balance sheet date to determine whether there is any indication of impairment of financial asset or financial asset group. An entity shall assess at each balance sheet date whether there is any objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred, if and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset and that loss event or events has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. For loans and receivables, the amount of impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate.



## NUROL YATIRIM BANKASI ANONİM ŞİRKETİ

### NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS AS OF AND FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2016 (Currency - In thousands of Turkish Lira)

#### 3. Significant accounting policies (continued)

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

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

#### Repossessed assets

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

#### Cash and cash equivalents

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

# NUROL YATIRIM BANKASI ANONİM ŞİRKETİ

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS AS OF AND FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2016 (Currency - In thousands of Turkish Lira)

### 3. Significant accounting policies (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.

#### **3.9.2 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.

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

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS  
AS OF AND FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2016**  
(Currency - In thousands of Turkish Lira)

**3. Significant accounting policies (continued)**

Derivative financial instruments

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

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

**3.10 Property and equipment**

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

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

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

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

**3.11 Intangible assets**

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

# NUROL YATIRIM BANKASI ANONİM ŞİRKETİ

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS AS OF AND FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2016

*(Currency - In thousands of Turkish Lira)*

### 3. Significant accounting policies (continued)

#### 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.

### 3.12 Investment properties

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

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

Gains or losses arising from changes in the fair values of investment properties are included in the profit or loss in the period in which they arise.

When the use of a property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

If owner occupied property becomes an investment property, the Bank accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognized.

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS  
AS OF AND FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2016**  
*(Currency - In thousands of Turkish Lira)*

**3. Significant accounting policies (continued)**

**3.13 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.

**The Bank as lessor**

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.

**3.14 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.

**3. Significant accounting policies (continued)**

**3.15 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.

**3.16 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.

**3.17 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.

# NUROL YATIRIM BANKASI ANONİM ŞİRKETİ

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS AS OF AND FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2016

(Currency - In thousands of Turkish Lira)

### 4. Segment reporting

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

The Bank operates in investment, retail 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 retail customers and also provides service packages consisting of foreign trade operations, investment products, cash management, financial leasing, factoring, and other banking products.

Major financial statement items according to business lines:

31 March 2016	Corporate banking	Other(*)	Total operations of the Bank
Operating income	12,459	980	13,439
Expenses	(5,662)	-	(5,662)
Profit before income tax	6,797	980	7,777
Income tax income/expense	-	-	(1,273)
Profit from continued operations	6,797	980	6,504
<b>Profit for the period</b>	<b>5,524</b>	<b>980</b>	<b>6,504</b>
Segment assets	832,389	108	832,497
Non-distributed Asset	-	-	-
<b>Total assets</b>	<b>832,389</b>	<b>108</b>	<b>832,497</b>
Segment liabilities	699,708	-	699,708
Shareholders' equity	-	132,789	132,789
<b>Total liabilities</b>	<b>699,708</b>	<b>132,789</b>	<b>832,497</b>

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

31 March 2015	Corporate banking	Other(*)	Total operations of the Bank
Operating income	14,845	111	14,956
Other expenses	(9,644)	-	(9,644)
Profit before income tax	5,200	111	5,311
Income tax income/expense	-	-	(1,293)
Profit from continued operations	3,907	111	4,018
<b>Profit for the period</b>	<b>3,907</b>	<b>111</b>	<b>4,018</b>
Segment assets	715,931	209	716,140
Non-distributed Asset	-	-	-
<b>Total assets</b>	<b>715,931</b>	<b>209</b>	<b>716,140</b>
Segment liabilities	587,204	-	587,204
Shareholders' equity	-	128,936	128,936
<b>Total liabilities</b>	<b>587,204</b>	<b>128,936</b>	<b>716,140</b>

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

**NUROL YATIRIM BANKASI ANONİM ŞİRKETİ**

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS  
AS OF AND FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2016**  
(Currency - In thousands of Turkish Lira)

**5. Cash and cash equivalents**

	31 March 2016	31 December 2015
Cash and balances with central banks	169	179
- Cash on hand	91	159
- Balances with central banks	78	20
Due from banks and financial institutions	69,304	106,604
Placements at money markets	15,856	62,353
<b>Cash and cash equivalents in the balance sheet</b>	<b>85,329</b>	<b>169,136</b>

**6. Reserve deposits at Central Bank**

	31 March 2016	31 December 2015
Turkish Lira	78,441	43,663
Foreign currency	10,347	3,029
	<b>88,788</b>	<b>46,692</b>

**7. Available for sale investments**

	31 March 2016		31 December 2015	
	Amount	Effective interest rate	Amount	Effective interest rate
<b>Available-for-sale investments at fair value</b>				
Debt instruments <sup>(a)</sup>	30,850	15.45%	4,465	11.83%
Equity instruments – listed <sup>(b)</sup>	26,880		29,959	
Equity instruments – unlisted	160		160	
<b>Total available-for-sale investments at fair value</b>	<b>57,890</b>		<b>34,584</b>	

(a) Available for sale debt instruments include government bonds denominated in TL amounting to TL 0 (31 December 2015: TL 1,130), bank bonds amounting to TL 240 (31 December 2015: None) and Eurobonds amounting to TL 1,468 (31 December 2015: None) and the remaining portion amounting to TL 29,142 Thousand (31 December 2015: TL 3,335 Thousand) consists of private sector bonds.

(b) The Bank holds 15.97% of Nurol Gayrimenkul Yatırım Ortaklığı A.Ş. ("Company")'s shares as of 31 March 2016 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 24,664 Thousand is accounted under equity (31 December 2015: TL 27,743 Thousand).



# NUROL YATIRIM BANKASI ANONİM ŞİRKETİ

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS AS OF AND FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2016

(Currency - In thousands of Turkish Lira)

### 8. Loans and advances to customers

	31 March 2016		
	Amount		
	TL	Foreign currency	Total
Short-term loans	289,833	9,369	299,202
Medium and long-term loans	115,426	79,170	194,596
<b>Total performing loans</b>	<b>405,259</b>	<b>88,539</b>	<b>493,798</b>
<b>Less: Portfolio provision</b>	<b>(3,714)</b>	-	<b>(3,714)</b>
Non-performing loans	47	-	47
Less: Reserve for possible loan losses	(47)	-	(47)
<b>Total non-performing loans (net)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Transferred assets (*)</b>	<b>6,015</b>	-	<b>6,015</b>
<b>Total loans, net</b>	<b>407,560</b>	<b>88,539</b>	<b>496,099</b>

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

	31 December 2015		
	Amount		
	TL	Foreign currency	Total
Finance lease receivables	8,792	-	8,792
Factoring receivables	-	-	-
Short-term loans	208,477	28,764	237,241
Medium and long-term loans	113,544	69,137	182,681
<b>Total performing loans</b>	<b>330,813</b>	<b>97,901</b>	<b>428,714</b>
<b>Less: Portfolio provision</b>	<b>(3,161)</b>	-	<b>(3,161)</b>
Non-performing loans	540	-	540
Less: Reserve for possible loan losses	(150)	-	(150)
<b>Total non-performing loans (net)</b>	<b>390</b>	<b>-</b>	<b>390</b>
<b>Transferred assets (*)</b>	<b>5,768</b>	-	<b>5,768</b>
<b>Total loans, net</b>	<b>333,810</b>	<b>97,901</b>	<b>431,711</b>

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

**NUROL YATIRIM BANKASI ANONİM ŞİRKETİ**

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS  
AS OF AND FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2016**

*(Currency - In thousands of Turkish Lira)*

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

Movements in non-performing loans:

	<b>31 March 2016</b>	<b>31 March 2015</b>
Reserve at beginning of period	3,311	1,912
Provision for possible loan losses	560	4,248
Recoveries	(110)	-
Provision, net of recoveries	450	4,282
Amount written off	-	-
<b>Reserve at end of period</b>	<b>3,761</b>	<b>6,160</b>

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

	<b>31 March 2016</b>	<b>31 December 2015</b>
Gross investment in finance leases, receivable:		
Less than one year	-	7,484
Between one and five years	-	2,381
	-	<b>9,865</b>
Unearned future income on finance leases	-	(1,073)
<b>Net investment in finance leases</b>	<b>-</b>	<b>8,792</b>
The net investment in finance leases comprises:		
Less than one year	-	6,492
Between one and four years	-	2,300
	-	<b>8,792</b>

**NUROL YATIRIM BANKASI ANONİM ŞİRKETİ**

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS  
AS OF AND FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2016**

*(Currency - In thousands of Turkish Lira)*

**9. Property and equipment**

	Office equipment	Furniture and fixtures	Other fixed assets	Total
<b>Cost</b>				
Balance at 1 January 2016	1,666	319	1,309	3,294
Acquisitions	29	2	-	31
<b>Balance at 31 March 2016</b>	<b>1,695</b>	<b>321</b>	<b>1,309</b>	<b>3,325</b>
<b>Depreciation</b>				
Balance at 1 January 2016	(1,297)	(76)	(320)	(1,693)
Depreciation charge for the period	(54)	(13)	(59)	(126)
<b>Balance at 31 March 2016</b>	<b>(1,351)</b>	<b>(89)</b>	<b>(379)</b>	<b>(1,819)</b>
<b>Carrying value as of 31 March 2016</b>	<b>344</b>	<b>232</b>	<b>930</b>	<b>1,506</b>

	Office Equipment	Furniture and fixtures	Other fixed assets	Total
<b>Cost</b>				
Balance at 1 January 2015	1,668	652	591	2,911
Acquisitions	44	27	456	527
<b>Balance at 31 March 2015</b>	<b>1,712</b>	<b>679</b>	<b>1,047</b>	<b>3,438</b>
<b>Depreciation</b>				
Balance at 1 January 2015	(1,366)	(615)	(442)	(2,423)
Depreciation charge for the period	(41)	(3)	(18)	(62)
<b>Balance at 31 March 2015</b>	<b>(1,407)</b>	<b>(618)</b>	<b>(460)</b>	<b>(2,485)</b>
<b>Carrying value as of 31 March 2015</b>	<b>305</b>	<b>61</b>	<b>587</b>	<b>953</b>

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

# NUROL YATIRIM BANKASI ANONİM ŞİRKETİ

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS AS OF AND FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2016

(Currency - In thousands of Turkish Lira)

### 10. Intangible assets

	Software	Total
<b>Cost</b>		
Balance at 1 January 2016	4,311	4,311
Additions	89	89
<b>Balance at 31 March 2016</b>	<b>4,400</b>	<b>4,400</b>
<b>Amortization and impairment</b>		
Balance at 1 January 2016	(3,157)	(3,157)
Amortization charge for the period	(54)	(54)
<b>Balance at 31 March 2016</b>	<b>(3,211)</b>	<b>(3,211)</b>
<b>Carrying value as of 31 March 2016</b>	<b>1,189</b>	<b>1,189</b>
	Software	Total
<b>Cost</b>		
Balance at 1 January 2015	4,038	4,038
Additions	54	54
<b>Balance at 31 March 2015</b>	<b>4,092</b>	<b>4,092</b>
<b>Amortization and impairment</b>		
Balance at 1 January 2015	(3,017)	(3,017)
Amortization charge for the period	(46)	(46)
<b>Balance at 31 March 2015</b>	<b>(3,063)</b>	<b>(3,063)</b>
<b>Carrying value as of 31 March 2015</b>	<b>1,029</b>	<b>1,029</b>

### 11. Investment Property

As of 31 March 2016, the Bank has investment property amounting to TL 4,440 (31 December 2015: 3,427).

The Bank accounts its investment property under fair value model.

### 12. Other Assets

The Bank concluded a "Pre-emption agreement" having 2 years term with Alkela over the real estate property with a value of 24,4 million USD on March 28, 2016. The Bank recognises the aforementioned amount in other assets.

# NUROL YATIRIM BANKASI ANONİM ŞİRKETİ

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS AS OF AND FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2016

(Currency - In thousands of Turkish Lira)

### 13. Funds borrowed

	31 March 2016			31 December 2015		
	TL	Foreign currency	Total	TL	Foreign currency	Total
Funds borrowed	2,675	70,909	73,584	40,531	120,292	160,823
Obligations under repurchase agreements	646	-	646	727	-	727
	<b>3,321</b>	<b>70,909</b>	<b>74,230</b>	<b>41,258</b>	<b>120,292</b>	<b>161,550</b>

The effective interest rate for funds borrowed denominated in USD is 2.41% (31 December 2015 – 1.74%), in EUR is 3.78% (31 December 2015 – 3.45%) and in TL is 11.04% (31 December 2015 – 10.36 %), As at 31 March 2016 and 31 December 2015, funds borrowed have fixed interest rates,

As at 31 March 2016 and 31 December 2015, 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 March 2016 (31 December 2015 – None).

### 14. Debt securities issued

The Bank has issued bonds on January 8, 2016 with a nominal value of TL 39,000, interest rate of 11.59% and 91 days maturity; on January 8, 2016 with a nominal value of TL 30,000 , interest rate of 12.05, 170 days maturity; on February 29, 2016 with a nominal value of TL 60,000 , interest rate 11.66% and 179 days maturity.

	31 March 2016			31 December 2015		
	TL	Foreign currency	Total	TL	Foreign currency	Total
Bonds	320,290	-	320,290	382,400	-	382,400
	<b>320,290</b>	<b>-</b>	<b>320,290</b>	<b>382,400</b>	<b>-</b>	<b>382,400</b>

### 15. Subordinated debts

	31 March 2016			31 December 2015		
	TL	Foreign currency	Total	TL	Foreign currency	Total
Bonds (*)	-	28,201	28,201	-	-	-
	<b>-</b>	<b>28,201</b>	<b>28,201</b>	<b>-</b>	<b>-</b>	<b>-</b>

(\*) The Bank has issued Eurobond on March 31, 2016 with a nominal value of USD 10,000,000, 10 years maturity and fixed interest rate of 10% ,having a coupon payments every six months (December 31, 2015: None).

# NUROL YATIRIM BANKASI ANONİM ŞİRKETİ

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS AS OF AND FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2016 (Currency - In thousands of Turkish Lira)

### 16. Other liabilities

	31 March 2016	31 December 2015
Cash collaterals (*)	247,635	21,405
Taxes and funds payable	2,076	1,381
Others	19,578	12,252
	<b>269,289</b>	<b>35,038</b>

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

### 17. Provisions

	31 March 2016	31 December 2015
Provision for non -cash loans	906	1,029
Employee termination benefits	590	685
Unused vacation accrual	504	460
Provision for lawsuits	407	450
Bonus accrual	250	1,000
Other	-	16
	<b>2,657</b>	<b>3,640</b>

### 18. Taxation

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

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

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

#### Income tax recognised in the income statement

The components of income tax expense as stated below:

	31 March 2016	31 March 2015
<b>Current tax</b>		
Current income tax	(3,372)	(1,605)
<b>Deferred income / (expense) tax</b>		
Relating to origination and reversal of temporary differences	2,099	312
<b>Income tax expense reported in the income statement</b>	<b>(1,273)</b>	<b>(1,293)</b>

# NUROL YATIRIM BANKASI ANONİM ŞİRKETİ

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS AS OF AND FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2016

(Currency - In thousands of Turkish Lira)

### 18. Taxation (continued)

#### Reconciliation of effective tax rate

Reconciliation between tax expense and the accounting profit multiplied by the statutory income tax rate for the years ended 31 March 2016 and 31 March 2015 is as follows:

	31 March 2016	31 March 2015
Profit before income tax	7,777	5,312
Income tax using the domestic corporate tax rate 20%	(1,555)	(1,062)
Disallowable expenses	282	(231)
<b>Total income tax expense in the profit or loss</b>	<b>(1,273)</b>	<b>(1,293)</b>

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

	31 March 2016	31 March 2015
Deferred tax assets / (liability), net at 1 January	(4,119)	(657)
Deferred tax recognised in the profit or loss	2,099	312
Deferred income tax recognised in other comprehensive income	154	85
<b>Deferred tax assets/(liabilities), net at end of March</b>	<b>(1,866)</b>	<b>(260)</b>

#### Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	31 March 2016			31 December 2015		
	Assets	Liabilities	Net	Assets	Liabilities	Net
Liability for employee benefits	269	-	269	229	-	229
Valuation of available for sale financial assets	-	(1,175)	(1,175)	-	(1,388)	(1,388)
Economic life property and equipment	-	(54)	(54)	-	(60)	(60)
Derivatives	-	(1,594)	(1,594)	-	(4,518)	(4,518)
Prepaid commissions	-	-	-	1,248	-	1,248
Other	887	(199)	688	568	(198)	370
	<b>1,156</b>	<b>(3,022)</b>	<b>(1,866)</b>	<b>2,045</b>	<b>(6,164)</b>	<b>(4,119)</b>

# NUROL YATIRIM BANKASI ANONİM ŞİRKETİ

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS AS OF AND FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2016

(Currency - In thousands of Turkish Lira)

### 19. 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 March 2016; commitments and contingencies comprised the following:

	31 March 2016	31 December 2015
Letters of guarantee	243,648	260,755
Bank acceptance	5,776	5,731
Letters of credit	2,609	3,025
Other commitments	248	235
<b>Total</b>	<b>252,281</b>	<b>269,746</b>

### 20. Share capital and reserves

#### Share capital

As at 31 March 2016 and 31 December 2015, the composition of shareholders and their respective percentage of ownership are summarised as follows:

	31 March 2016		31 December 2015	
	Amount	%	Amount	%
Nurol Holding A.Ş.	35,171	78	35,171	78
Nurol İnşaat ve Tic. A.Ş.	7,182	16	7,182	16
Nurol Otelcilik ve Turizm İşletmeciliği A.Ş.	397	1	397	1
Others	2,250	5	2,250	5
<b>Total</b>	<b>45,000</b>		<b>45,000</b>	

As at 31 March 2016 and 31 December 2015, the authorised share capital comprised of 45,000 ordinary shares having a par value of TL full 1,000. All issued shares are paid.



**NUROL YATIRIM BANKASI ANONİM ŞİRKETİ**

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS  
AS OF AND FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2016**  
(Currency - In thousands of Turkish Lira)

**21. Net interest income**

	31 March 2016	31 March 2015
<b>Interest income</b>		
Loans and advances to customers	27,352	14,059
Deposits with banks and other financial institutions	473	458
Held for trading and available for sale investments	378	1,129
Financial leases	26	398
Other	133	285
	<b>28,362</b>	<b>16,329</b>
<b>Interest expense</b>		
Funds borrowed	2,195	537
Debt securities issued	11,643	947
Interbank funds borrowed	414	5,114
	<b>14,252</b>	<b>6,598</b>
<b>Net interest income</b>	<b>14,110</b>	<b>9,731</b>

**22. Net fee and commission income**

	31 March 2016	31 March 2015
<b>Fee and commission income</b>		
Non-cash loans	1,240	1,200
Other	983	4,400
<b>Total fee and commission income</b>	<b>2,223</b>	<b>5,600</b>
<b>Fee and commission expense</b>		
Non-cash loans	167	90
Other	417	233
<b>Total fee and commission expense</b>	<b>584</b>	<b>323</b>
<b>Net fee and commission income</b>	<b>1,639</b>	<b>5,277</b>

**NUROL YATIRIM BANKASI ANONİM ŞİRKETİ**

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS  
AS OF AND FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2016**

*(Currency - In thousands of Turkish Lira)*

**23. Net trading income/loss**

	31 March 2016	31 March 2015
Gain / (loss) on foreign exchange rate fluctuations	4,354	15
Gain / (loss) from securities	558	7,714
Gain / (loss) on derivatives	(9,127)	(10,387)
<b>Total</b>	<b>(4,215)</b>	<b>(2,658)</b>

**24. Other operating income**

	31 March 2016	31 March 2015
Provision cancellation	208	2,575
Fair value gain on investment properties	779	-
Other	808	31
<b>Total</b>	<b>1,795</b>	<b>2,606</b>

**25. Personnel expenses**

	31 March 2016	31 March 2015
Wages and salaries	2,119	2,747
Compulsory social security obligations	203	148
Other fringe benefits	-	-
Other benefits	109	164
<b>Total</b>	<b>2,431</b>	<b>3,059</b>

**26. Administrative expenses**

	31 March 2016	31 March 2015
Nurol Holding recharges	720	533
Taxes and duties expenses	286	206
Rent expenses	278	238
Computer expenses	234	230
Audit and advisory expenses	228	125
Transportation expenses	136	24
Hosting expenses	46	15
Maintenance expenses	41	29
Telecommunication expenses	27	22
Advertising expenses	6	7
Other various administrative expenses	183	570
<b>Total</b>	<b>2,185</b>	<b>1,999</b>

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS  
AS OF AND FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2016**

*(Currency - In thousands of Turkish Lira)*

**27. Financial risk management objectives and policies**

**a) Introduction and overview**

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

- credit risk
- market risks

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

*Risk management framework*

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

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

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

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

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

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

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

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

# NUROL YATIRIM BANKASI ANONİM ŞİRKETİ

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS AS OF AND FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2016

(Currency - In thousands of Turkish Lira)

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

#### b) Credit risk

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

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

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

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

#### Credit risk by risk groups

	Individual	Corporate	Leasing	Total
<b>31 March 2016</b>				
Performing loans	108	490,532	-	490,640
Loans under close monitoring	-	3,158	-	3,158
Non-performing loans	-	47	-	47
<b>Gross</b>	<b>108</b>	<b>493,737</b>	<b>-</b>	<b>493,845</b>
Transferred asset	-	6,015	-	6,015
Reserve for possible loan losses	-	(47)	-	(47)
Collective impairment	-	(3,714)	-	(3,714)
<b>Total</b>	<b>108</b>	<b>495,991</b>	<b>-</b>	<b>496,099</b>
<b>31 December 2015</b>				
Performing loans	201	419,721	8,792	428,714
Loans under close monitoring	-	-	-	-
Non-performing loans	24	516	-	540
<b>Gross</b>	<b>225</b>	<b>420,237</b>	<b>8,792</b>	<b>429,254</b>
Transferred asset	-	5,768	-	5,768
Reserve for possible loan losses	(24)	(126)	-	(150)
Collective impairment	-	(3,161)	-	(3,161)
<b>Total</b>	<b>201</b>	<b>422,718</b>	<b>8,792</b>	<b>431,711</b>

**NUROL YATIRIM BANKASI ANONİM ŞİRKETİ**

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS  
AS OF AND FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2016**  
(Currency - In thousands of Turkish Lira)

**27. Financial risk management objectives and policies (continued)**

**b) Credit risk (continued)**

*Exposure to credit risk*

	Due from banks		Loans and advances to customers		
	Notes	31 March 2016	31 December 2015	31 March 2016	31 December 2015
<b>Carrying amount</b>		<b>163,601</b>	<b>212,620</b>	<b>496,099</b>	<b>431,711</b>
Individually impaired					
- Non-performing financial assets		-	-	47	540
<b>Gross amount</b>		-	-	<b>47</b>	<b>540</b>
Reserve for possible loan losses	8	-	-	(47)	(150)
Collective impairment		-	-	(3,714)	(3,161)
<b>Carrying amount</b>		-	-	<b>(3,714)</b>	<b>(2,771)</b>
Past due but not impaired		-	-	-	-
<b>Carrying amount</b>		-	-	-	-
Neither past due nor impaired		163,601	212,620	455,039	421,855
<b>Carrying amount</b>		<b>163,601</b>	<b>212,620</b>	<b>455,039</b>	<b>421,855</b>
Restructured and rescheduled loans and other receivables		-	-	44,774	12,627
<b>Carrying amount</b>		-	-	<b>44,774</b>	<b>12,627</b>
<b>Carrying amount (amortised cost)</b>		<b>163,601</b>	<b>212,620</b>	<b>496,099</b>	<b>431,711</b>

*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.

## NUROL YATIRIM BANKASI ANONİM ŞİRKETİ

### NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS AS OF AND FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2016

(Currency - In thousands of Turkish Lira)

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

##### b) Credit risk (continued)

*Exposure to credit risk (continued)*

*Reserve for possible loan losses*

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

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

*Write-off policy*

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

*Collateral policy*

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

**NUROL YATIRIM BANKASI ANONİM ŞİRKETİ**

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS  
AS OF AND FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2016**

(Currency - In thousands of Turkish Lira)

**27. Financial risk management objectives and policies (continued)**

**b) Credit risk (continued)**

*Collateral policy (continued)*

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

<b>Cash loans</b>	<b>31 March 2016</b>	<b>31 December 2015</b>
Secured cash loans	414,214	360,892
<i>Secured by cash collateral</i>	-	60,208
<i>3<sup>rd</sup> party guarantees</i>	148,216	131,504
<i>Secured by mortgages</i>	79,525	94,787
<i>Secured by customer cheques &amp; acts</i>	118,158	15,019
<i>Leasing</i>	-	8,450
<i>Vehicle pledge</i>	20,662	19,346
<i>Marketable securities</i>	-	-
<i>Assignment of receivables</i>	47,653	31,578
Non-secured cash loans	73,149	60,358
Accrued interest income on loans	6,435	7,464
<b>Total performing cash loans</b>	<b>493,798</b>	<b>428,714</b>
<b>Non-cash loans<sup>(1)</sup></b>	<b>31 March 2016</b>	<b>31 December 2015</b>
Secured non-cash loans	148,567	160,641
<i>Personal guarantees</i>	148,053	158,881
<i>Secured by cash collateral</i>	14	14
<i>Assignment of receivables</i>	-	246
<i>Secured by customer cheques &amp; acts</i>	500	1,500
Non-secured non cash loans	103,466	100,114
<b>Total non-cash loans</b>	<b>252,033</b>	<b>260,755</b>

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

*Fair value through profit or loss (FVTPL)*

At 31 March 2016, the Bank has financial assets at FVTPL amounting to TL 10,663 Thousand (31 December 2015– TL 23,049 Thousand). An analysis of the credit quality of the maximum credit exposure is as follows:

	<i>Note</i>	<b>31 March 2016</b>	<b>31 December 2015</b>
Derivatives	7	10,663	23,049
<b>Fair value and carrying amount</b>		<b>10,663</b>	<b>23,049</b>

# NUROL YATIRIM BANKASI ANONİM ŞİRKETİ

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS AS OF AND FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2016

(Currency - In thousands of Turkish Lira)

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

#### c) Capital management

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

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

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

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

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

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

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

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

	31 March 2016	31 December 2015
Amount subject to credit risk (I)	619,612	518,975
Amount subject to market risk (II)	13,884	44,288
Amount subject to operational risk (III)	64,002	42,162
<b>Total risk-weighted assets and value at market risk and operational risk (IV) = (I+II+III)</b>	<b>697,498</b>	<b>605,425</b>
Shareholders' equity:		
Tier 1 capital	121,164	125,414
Tier 2 capital	37,792	5,727
<b>Total regulatory capital</b>	<b>158,906</b>	<b>131,141</b>
<b>Capital adequacy ratio</b>	<b>22.79%</b>	<b>21.66%</b>



# NUROL YATIRIM BANKASI ANONİM ŞİRKETİ

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS AS OF AND FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2016

(Currency - In thousands of Turkish Lira)

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

#### d) Fair values

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

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

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

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

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

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

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

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

31 March 2016	Note	Level 1	Level 2	Level 3	Total
Derivative financial assets		-	10,663	-	10,663
Available for sale investments	7	57,890	-	-	57,890
Derivative financial liabilities		-	(2,694)	-	(2,694)
		57,890	7,969	-	65,859
31 December 2015	Note	Level 1	Level 2	Level 3	Total
Derivative financial assets		-	23,049	-	23,049
Available for sale investments	7	34,584	-	-	34,584
Derivative financial liabilities		-	(457)	-	(457)
		34,584	22,592	-	57,176

**NUROL YATIRIM BANKASI ANONİM ŞİRKETİ**

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS  
AS OF AND FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2016**  
(Currency - In thousands of Turkish Lira)

**27. Financial risk management objectives and policies (continued)**

**e) Market risk**

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

The Board of Directors of the 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.

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

*Currency risk*

The 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.

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

	USD	Euro	JPY	Others	Total
<b>2016</b>					
<b>Assets</b>					
Cash and cash equivalents	29,204	29,984	-	44	59,232
Reserve deposits at Central Bank	750	9,730	-	-	10,480
Loans and advances to customers	22,379	66,160	-	-	88,539
Available for sale investments	1,468	-	-	-	1,468
Other assets	73,891	-	-	-	73,891
<b>Total assets</b>	<b>127,692</b>	<b>105,874</b>	<b>-</b>	<b>44</b>	<b>233,610</b>
<b>Liabilities</b>					
Funds borrowed	12,712	45,365	-	-	58,077
Debt securities issued	28,901	-	-	-	28,901
Other liabilities	16,031	255,168	-	-	271,199
<b>Total liabilities</b>	<b>57,644</b>	<b>300,533</b>	<b>-</b>	<b>-</b>	<b>358,177</b>
<b>Gross exposure</b>	<b>70,048</b>	<b>(194,659)</b>	<b>-</b>	<b>44</b>	<b>(124,567)</b>
<b>Off-balance sheet position</b>					
Net notional amount of derivatives	(68,148)	195,296	-	-	127,148
<b>Net exposure</b>	<b>1,900</b>	<b>637</b>	<b>-</b>	<b>44</b>	<b>2,581</b>

**NUROL YATIRIM BANKASI ANONİM ŞİRKETİ**

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS  
AS OF AND FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2016**

*(Currency - In thousands of Turkish Lira)*

**27. Financial risk management objectives and policies (continued)**

**e) Market risk (continued)**

*Currency risk (continued)*

	USD	Euro	JPY	Others	Total
<b>2015</b>					
<b>Assets</b>					
Cash and cash equivalents	2,692	85,754	-	54	88,500
Reserve deposits at Central Bank	-	3,112	-	-	3,112
Loans and advances to customers	33,566	64,335	-	-	97,901
Available for sale investments	-	-	-	-	-
Other assets	58	-	-	-	58
<b>Total assets</b>	<b>36,316</b>	<b>153,201</b>	<b>-</b>	<b>54</b>	<b>189,571</b>
<b>Liabilities</b>					
Funds borrowed	11,496	108,796	-	-	120,292
Other liabilities	12,977	777	-	-	13,754
<b>Total liabilities</b>	<b>24,473</b>	<b>109,573</b>	<b>-</b>	<b>-</b>	<b>134,046</b>
<b>Gross exposure</b>	<b>11,843</b>	<b>43,628</b>	<b>-</b>	<b>54</b>	<b>55,525</b>
<b>Off-balance sheet position</b>					
Net notional amount of derivatives	(11,367)	(43,251)	-	-	(54,618)
<b>Net exposure</b>	<b>476</b>	<b>377</b>	<b>-</b>	<b>54</b>	<b>907</b>

*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.

**NUROL YATIRIM BANKASI ANONİM ŞİRKETİ**

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS  
AS OF AND FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2016**

(Currency - In thousands of Turkish Lira)

**27. Financial risk management objectives and policies (continued)**

**e) Market risk (continued)**

*Interest rate risk (continued)*

The following table indicates the periods in which financial assets and liabilities reprice as of 31 March 2016 and 31 December 2015:

	Less than 1 month	1-3 months	3-12 months	1-5 years	More than 5 years	Non interest bearing	Total
<b>As at 31 March 2016</b>							
<b>Assets</b>							
Cash and cash equivalents	55,382	-	-	-	-	29,947	85,329
Reserve deposits at Central Bank	10,347	-	-	-	-	78,441	88,788
FVTPL investments	1,184	2,101	7,378	-	-	-	10,663
Available for sale investments	4,856	20,488	240	5,267	-	27,039	57,890
Loans and advances to customers	129,970	108,415	128,678	92,636	36,400	-	496,099
Other assets	-	-	-	-	-	93,728	93,728
<b>Total assets</b>	<b>201,739</b>	<b>131,004</b>	<b>136,296</b>	<b>97,903</b>	<b>36,400</b>	<b>229,155</b>	<b>832,497</b>
<b>Liabilities</b>							
Funds borrowed	29,330	35,597	9,303	-	-	-	74,230
Debt securities issued <sup>(1)</sup>	166,596	104,225	77,640	-	-	-	348,491
Other liabilities <sup>(2)</sup>	37,072	197,273	139	-	-	175,322	409,776
<b>Total liabilities</b>	<b>232,998</b>	<b>337,095</b>	<b>87,082</b>	<b>-</b>	<b>-</b>	<b>175,322</b>	<b>832,497</b>
On balance sheet interest sensitivity gap	(31,259)	(206,091)	49,214	97,903	36,400	53,833	-
Off balance sheet interest sensitivity gap	-	-	-	-	-	-	-
<b>Total interest sensitivity gap</b>	<b>(31,259)</b>	<b>(206,091)</b>	<b>49,214</b>	<b>97,903</b>	<b>36,400</b>	<b>53,833</b>	<b>-</b>

<sup>(1)</sup> includes subordinated debts amounting to TL 28,201

<sup>(2)</sup> Derivative financial instruments include in other liabilities.

**NUROL YATIRIM BANKASI ANONİM ŞİRKETİ**

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS  
AS OF AND FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2016**

*(Currency - In thousands of Turkish Lira)*

**28. Financial risk management objectives and policies (continued)**

**e) Market risk (continued)**

*Interest rate risk (continued)*

	Less than 1 month	1-3 months	3-12 months	1-5 years	More than 5 years	Non interest bearing	Total
<b>As at 31 December 2015</b>							
<b>Assets</b>							
Cash and cash equivalents	166,529	-	-	-	-	2,607	169,136
Reserve deposits at Central Bank	-	-	-	-	-	46,692	46,692
FVTPL investments	14,353	1,401	7,295	-	-	-	23,049
Available for sale investments	589	2,747	1,129	-	-	30,119	34,584
Loans and advances to customers	68,998	127,722	104,488	124,345	5,768	390	431,711
Other assets	-	-	-	-	-	10,968	10,968
<b>Total assets</b>	<b>250,469</b>	<b>131,870</b>	<b>112,912</b>	<b>124,345</b>	<b>5,768</b>	<b>90,776</b>	<b>716,140</b>
<b>Liabilities</b>							
Funds borrowed	49,061	91,598	20,891	-	-	-	161,550
Debt securities issued	69,559	73,609	208,488	30,744	-	-	382,400
Customer accounts <sup>(1)</sup>	-	-	-	-	-	4,164	4,164
Other liabilities <sup>(2)</sup>	22,985	-	56	-	-	144,985	168,026
<b>Total liabilities</b>	<b>141,605</b>	<b>165,207</b>	<b>229,435</b>	<b>30,744</b>	<b>-</b>	<b>149,149</b>	<b>716,140</b>
On balance sheet interest sensitivity gap	108,864	(33,337)	(116,523)	93,601	5,768	(58,373)	-
Off balance sheet interest sensitivity gap	-	-	-	-	-	-	-
<b>Total interest sensitivity gap</b>	<b>108,864</b>	<b>(33,337)</b>	<b>(116,523)</b>	<b>93,601</b>	<b>5,768</b>	<b>(58,373)</b>	<b>-</b>

<sup>(1)</sup> included in other liabilities.

<sup>(2)</sup> Derivative financial instruments include in other liabilities

**NUROL YATIRIM BANKASI ANONİM ŞİRKETİ**

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS  
AS OF AND FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2016**

(Currency - In thousands of Turkish Lira)

**28. Financial risk management objectives and policies (continued)**

**e) Market risk (continued)**

*Interest rate risk (continued)*

*Summary of average interest rates*

As at 31 March 2016 and 31 December 2015, the summary of average interest rates for different assets and liabilities are as follows:

	31 March 2016			31 December 2015		
	Euro	USD	TL	Euro	USD	TL
<b>Assets</b>						
Cash and balances with the Central Bank	-	-	-	-	-	-
Due from banks	0.50	0.96	11.68	0.25	0.40	11.44
FVTPL investments	-	-	-	-	-	-
Placements at money markets	-	-	-	-	-	10.93
Available for sale financial assets	-	8.23	13.74	-	-	12.10
Loans and advances to customers	6.56	9.75	16.25	5.67	9.75	13.44
Other	-	-	-	-	-	-
<b>Liabilities</b>						
Other money market deposits	-	-	6.75	-	-	10.88
Funds borrowed	3.78	2.41	11.04	3.45	1.74	10.36
Debt securities issued	-	10.00	12.15	-	-	10.89
Funds from other financial institutions	0.79	0.55	11.36	2.41	2.26	10.47

**29. 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. The volumes of related party transactions, outstanding balances at year-end and relating expense and income for the period are as follows:

31 March 2016	Balance	Percentage of
		the financial statement amount (%)
Cash loans	-	-
Non-cash loans	34,844	14%
Funds borrowed	15,507	21%

# NUROL YATIRIM BANKASI ANONİM ŞİRKETİ

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS AS OF AND FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2016

(Currency - In thousands of Turkish Lira)

### 29. Related parties (continued)

		Percentage of the financial statement amount (%)
<b>31 December 2015</b>	<b>Balance</b>	
Cash loans	70	0%
Non-cash loans	36,253	13%
Funds borrowed / Current accounts of loan customers	16,573	14%
<b>31 March 2016</b>	<b>Balance</b>	<b>Percentage of the financial statement amount (%)</b>
Interest income	4,697	17%
Interest expense	-	-
Other operating expense	907	16%
<b>31 March 2015</b>	<b>Balance</b>	<b>Percentage of the financial statement amount (%)</b>
Interest income	2,473	15%
Interest expense	-	-
Other operating expense	679	7%

As at 31 March 2016, no provisions have been recognised in respect of loans given to related parties (2015 – none).

### Compensation of key management personnel of the Bank

The executive and non-executive member of Board of Directors and management received remuneration and fees amounted to TL 2,206 comprising salaries and other benefits for the period 1 January-31 March 2016 (1 January -31 March 2015: TL 2,071).

### 30. Events after balance sheet date

None.