

**Nurol Yatırım Bankası  
Anonim Şirketi and its  
Subsidiaries**

**Interim condensed consolidated financial  
statements at March 31, 2021 together with  
independent auditor's review report**



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## REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

To the Board of Directors of  
Nurol Yatırım Bankası Anonim Şirketi

### *Introduction*

We have reviewed the accompanying interim condensed consolidated financial statements of Nurol Yatırım Bankası A.Ş. and its subsidiaries (“the Group”) as at March 31, 2021, comprising of the interim consolidated statement of financial position as at March 31, 2021 and the related interim consolidated profit or loss and other comprehensive income, changes in equity and cash flows for the three-month period then ended and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Financial Reporting Standard IAS 34, “Interim financial reporting” (IAS 34). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

### *Scope of review*

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

### *Conclusion*

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

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

Yaşar Bivas, SMMM  
Partner

May 28, 2021  
İstanbul, Turkey

## TABLE OF CONTENTS

	<b>Page</b> -----
Condensed Consolidated Statement of Financial Position	1
Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income	2
Condensed Consolidated Statement of Changes in Equity	3
Condensed Consolidated Statement of Cash Flows	4
Notes to the Condensed Consolidated Financial Statements	5 – 53

**NUROL YATIRIM BANKASI ANONİM ŞİRKETİ****CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS OF 31 MARCH 2021***(Currency - In thousands of Turkish Lira)*

	<b>Note</b>	<b>Reviewed 31 March 2021</b>	<b>Audited 31 December 2020</b>
<b>Assets</b>			
Cash and cash equivalents	6	506,036	390,227
Reserve deposits at Central Bank	7	145,661	128,832
Derivative financial assets		60,566	39,179
Financial assets measured at fair value through other comprehensive income	8	594,392	321,953
Loans and advances to customers	9	3,265,359	3,092,029
Property and equipment		16,611	13,843
Investment property	10	296,500	296,500
Intangible assets		9,275	8,594
Deferred tax assets	16	6,727	7,602
Current tax assets		-	7,324
Other assets		18,524	19,261
<b>Total assets</b>		<b>4,919,651</b>	<b>4,325,344</b>
<b>Liabilities</b>			
Funds borrowed	11	1,250,114	1,120,098
Debt securities issued	12	815,574	722,790
Other liabilities	14	1,702,718	1,635,898
Derivative financial liabilities		141,486	81,844
Subordinated debts	13	41,689	113,214
Provisions	15	37,805	32,510
Current tax liability		15,918	-
<b>Total liabilities</b>		<b>4,005,304</b>	<b>3,706,354</b>
<b>Equity</b>			
Share capital	18	360,000	360,000
Reserves		420,518	131,824
Retained earnings		133,829	127,166
<b>Total equity</b>		<b>914,347</b>	<b>618,990</b>
<b>Total liabilities and equity</b>		<b>4,919,651</b>	<b>4,325,344</b>

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

**NUROL YATIRIM BANKASI ANONİM ŞİRKETİ**

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE THREE MONTH PERIOD THEN ENDED 31 MARCH 2021**

(Currency - In thousands of Turkish Lira)

	Note	Reviewed 1 January- 31 March 2021	Reviewed 1 January- 31 March 2020
Interest income	19	133,732	101,070
Interest expense	19	(60,570)	(45,324)
<b>Net interest income</b>		<b>73,162</b>	<b>55,746</b>
Fee and commission income	20	27,788	12,618
Fee and commission expense	20	(2,821)	(2,342)
<b>Net fee and commission income</b>		<b>24,967</b>	<b>10,276</b>
<b>Net trading income / (loss)</b>	21	<b>(21,480)</b>	<b>146</b>
<i>Net gains/(losses) on financial assets/liabilities at fair value through profit or loss</i>		(32,594)	(8,279)
<i>Net gains/(losses) on derecognition of financial assets measured at fair value through other comprehensive income</i>		11,114	8,425
Other operating income	22	1,145	4,076
		<b>(20,335)</b>	<b>4,222</b>
<b>Operating income</b>		<b>77,794</b>	<b>70,244</b>
Net impairment/recoveries on financial assets	9	(7,730)	(1,160)
Other provision expenses		(5,220)	(4,064)
Personnel expenses	23	(7,462)	(5,747)
Depreciation and amortization		(2,252)	(1,685)
Administrative expenses	24	(7,028)	(9,257)
<b>Profit before income tax</b>		<b>48,102</b>	<b>48,331</b>
Income tax expense	16	(8,048)	(12,185)
<b>Profit for the period</b>		<b>40,054</b>	<b>36,146</b>
<b>Other comprehensive income (items to be recycled subsequently to profit or loss)</b>			
<b>Financial assets measured at fair value through other comprehensive income</b>			
Gain / (Loss) arising during the period		(83)	(7,545)
Income tax relating to components of other comprehensive income		-	1,265
<b>(items not to be recycled subsequently to profit or loss)</b>			
Gains / (Loss) arising during the year		271,455	(32,926)
Income tax relating to components of other comprehensive income		(16,069)	-
<b>Other comprehensive income (loss) for the period, net of income tax</b>		<b>255,303</b>	<b>(39,206)</b>
<b>Total comprehensive income for the period</b>		<b>295,357</b>	<b>(3,060)</b>

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

**NUROL YATIRIM BANKASI ANONİM ŞİRKETİ**

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE THREE MONTH PERIOD THEN ENDED 31 MARCH 2021**

(Currency - In thousands of Turkish Lira)

Reviewed	Note	Share capital	Fair value reserve of financial assets at fair value through other comprehensive income	Legal reserves	Retained earnings	Total equity
<b>Balances at 1 January 2020</b>		<b>300,000</b>	<b>45,028</b>	<b>9,969</b>	<b>81,345</b>	<b>436,342</b>
Transfer to reserves		-	-	-	-	-
<b>Capital Increase</b>		-	-	-	-	-
Internal Resources		-	-	-	-	-
Cash Resources		-	-	-	-	-
<b>Increase / Decrease Due to Other Changes</b>		-	-	-	<b>98</b>	<b>98</b>
<b>Total comprehensive income for the period</b>		-	-	-	-	-
- Profit for the period		-	-	-	36,146	<b>36,146</b>
- Other comprehensive income for the period, net of tax		-	(39,206)	-	-	<b>(39,206)</b>
<b>Total comprehensive income for the period</b>		-	<b>(39,206)</b>	-	<b>36,146</b>	<b>(3,060)</b>
<b>Balance at 31 March 2020</b>		<b>300,000</b>	<b>5,822</b>	<b>9,969</b>	<b>117,589</b>	<b>433,380</b>
<b>Reviewed</b>						
<b>Balances at 1 January 2021</b>		<b>360,000</b>	<b>118,773</b>	<b>13,051</b>	<b>127,166</b>	<b>618,990</b>
Transfer to reserves		-	-	-	-	-
<b>Capital Increase</b>		-	-	-	-	-
Internal Resources		-	-	-	-	-
Cash Resources		-	-	-	-	-
<b>Increase / Decrease Due to Other Changes</b>		-	-	<b>33,391</b>	<b>(33,391)</b>	-
<b>Total comprehensive income for the period</b>		-	-	-	-	-
- Profit for the period		-	-	-	40,054	<b>40,054</b>
- Other comprehensive income for the period, net of tax		-	255,303	-	-	<b>255,303</b>
<b>Total comprehensive income for the period</b>		-	<b>255,303</b>	-	<b>40,054</b>	<b>295,357</b>
<b>Balance at 31 March 2021</b>		<b>360,000</b>	<b>374,076</b>	<b>46,442</b>	<b>133,829</b>	<b>914,347</b>

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

**NUROL YATIRIM BANKASI ANONİM ŞİRKETİ**

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE THREE MONTH PERIOD THEN ENDED 31 MARCH 2021**

(Currency - In thousands of Turkish Lira)

	<i>Note</i>	<b>Reviewed 1 January- 31 March 2021(*)</b>	<b>Reviewed 1 January- 31 March 2020(*)</b>
<b>Cash flows from operating activities</b>			
Net profit for the period		40,054	36,146
<b>Adjustments:</b>			
Depreciation and amortisation		2,252	1,685
Current tax expense	16	23,242	13,617
Deferred tax (income)/expense	16	(15,194)	(1,432)
Provision for loan losses	9	6,922	1,160
Other provisions		6,027	4,064
Other accruals		(1,251)	14,778
Foreign exchange loss / (gain)		(57,913)	(34,302)
Fair value gain on investment property		-	-
		<b>4,139</b>	<b>35,716</b>
<b>Changes in operating assets and liabilities</b>			
Change in derivative financial assets		(21,387)	(3,435)
Change in loans and advances to customers		(175,863)	36,950
Change in reserve deposits		(16,359)	38,259
Change in other assets		773	(73,461)
Change in other liabilities		145,958	(140,835)
Change in derivative financial liabilities		59,642	19,463
Change in borrowings		54,726	223,856
Taxes paid		(581)	(7,962)
<b>Net cash provided by / (used in) operating activities</b>		<b>46,909</b>	<b>92,835</b>
<b>Cash flows from investing activities</b>			
Purchase of financial assets measured at fair value through other comprehensive income		(3,386,267)	(2,462,163)
Sale of financial assets measured at fair value through other comprehensive income		3,383,698	2,425,041
Purchase of property and equipment		(1,840)	(3,280)
Purchase of intangible assets		(1,721)	(695)
<b>Net cash (used in) / provided by investing activities</b>		<b>(6,130)</b>	<b>(41,097)</b>
Proceeds from debt securities issued		1,824,538	946,524
Repayment from debt securities issued		(1,810,565)	(950,474)
Payment of lease liabilities		(994)	(944)
<b>Net cash provided by / (used in) financing activities</b>		<b>12,979</b>	<b>(4,894)</b>
<b>Effect of foreign exchange rate change on cash and cash equivalents</b>			
		<b>57,913</b>	<b>34,302</b>
<b>Net increase in cash and cash equivalents</b>		<b>115,809</b>	<b>116,862</b>
Cash and cash equivalents at 1 January	6	390,227	473,645
<b>Cash and cash equivalents at 31 December</b>	<b>6</b>	<b>506,036</b>	<b>590,507</b>

(\*) Cash flows from interest received and paid disclosed together. Interest received is amounting to TL 130,098 (31 March 2020: 134,887) and interest paid is amounting to TL 61,348 (31 March 2020: 63,988),

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

# NUROL YATIRIM BANKASI ANONİM ŞİRKETİ

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS OF AND FOR THE THREE MONTH PERIOD THEN ENDED 31 MARCH 2021

(Currency - In thousands of Turkish Lira)

### 1. Corporate information

#### General

Nurol Yatırım Bankası A.Ş. (the “Bank” or “Nurolbank”) was established in 1998 by the permission of the council of Ministers Decree No. 98/11565 dated 6 August 1998, to finance investment and foreign trade activities, and started its financial banking activities in May 1999. Nurolbank is owned controlled by the Nurol Holding A.Ş.

Nurol Varlık Kiralama A.Ş. is established in 2017 to operate in asset leasing sector. Nurol Varlık Kiralama A.Ş. has been registered in trade register as of June 14, 2017 and published in Turkey Trade Registry Gazette numbered 9351 dated 20 September 2017. Nurol Varlık Kiralama A.Ş.’s paid in capital is amounting to TL 50 as of March 31, 2020.

Nurol Portföy Yönetim A.Ş. is established in 2020 to operate in portfolio management services sector and has been registered in trade register as of December 17, 2020 and published in Turkey Trade Registry Gazette numbered 10226 dated 17 December 2020. Nurol Portföy Yönetim A.Ş.’s paid in capital is amounting to 3,000 TL and paid all by Nurol Yatırım Bankası A.Ş.

Ortak Varlık Yönetim A.Ş. is established by Nurol Yatırım Bankası A.Ş.. Ortak Varlık Yönetim A.Ş.’s paid in capital is amounting to 30,000 TL and paid all by the Nurol Yatırım Bankası A.Ş.. Ortak Varlık Yönetim A.Ş. has been registered in trade register as of January 22, 2021 and published in Turkey Trade Registry Gazette numbered 10251 dated 22 January 2021.

#### Nature of Activities of the Group

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

Nurolbank operates as an investment bank and according to the current legislation for investment banks, the Bank is not authorised to receive deposits from customers. The Bank’s head office is located at Nurol Plaza in Maslak in İstanbul, Turkey.

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

Shareholders	Total nominal value of the shares	Share percentage (%)
Nurol Holding A,Ş,	284,337	78.98
Nurol İnşaat ve Tic, A,Ş,	60,134	16.70
Others	15,529	4.32

The Parent Bank does not have any capital increase during the current period (January 1- December 31, 2020: The Parent Bank's paid in capital has been increased by TL 60,000 provided from internal resources).

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



# NUROL YATIRIM BANKASI ANONİM ŞİRKETİ

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS OF AND FOR THE THREE MONTH PERIOD THEN ENDED 31 MARCH 2021

(Currency - In thousands of Turkish Lira)

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

The accounting policies adopted in preparation of the consolidated financial statements as at 31 March 2020 are consistent with those of the previous financial year, except for the adoption of new and amended IFRS and IFRIC interpretations effective as of 1 January 2020. The effects of these standards and interpretations on the Group's financial position and performance have been disclosed in the related paragraphs.

#### i) The new standards, amendments and interpretations which are effective as at 1 January 2019 are as follows:

##### 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.

Lessees have recognition exemptions to applying this standard in case of short-term leases (i.e., leases with a lease term of 12 months or less) and leases of 'low-value' assets (e.g., personal computers, office equipment, etc.). At the commencement date of a lease, a lessee measures the lease liability at the present value of the lease payments that are not paid at that date (i.e., the lease liability), at the same date recognises an asset representing the right to use the underlying asset (i.e., the right-of-use asset) and depreciates it during the lease term. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the lessee shall use the lessee's incremental borrowing rate. Lessees are required to recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset separately.

Lessees are required to remeasure the lease liability upon the occurrence of certain events (e.g. a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). Under these circumstances, the lessee recognises the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

The standard is applied for annual periods beginning on or after 1 January 2019. The Group disclosed the impact of the standard on financial position or performance of the Group. As of 31 December 2019, The Group recognized right of use asset classified under tangible assets and lease liability amounting to TL 4,797 and TL 3, 167 respectively due to application of IFRS 16.

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

In October 2017, the IASB issued amendments to IAS 28 *Investments in Associates and Joint Ventures*. The amendments clarify that a company applies IFRS 9 *Financial Instruments* to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture.

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

These amendments are applied for annual periods beginning on or after 1 January 2019. The amendments did not have a significant impact on the financial position or performance of the Group.

# NUROL YATIRIM BANKASI ANONİM ŞİRKETİ

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS OF AND FOR THE THREE MONTH PERIOD THEN ENDED 31 MARCH 2021

(Currency - In thousands of Turkish Lira)

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

#### IFRIC 23 Uncertainty over Income Tax Treatments

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

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

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

The interpretation is effective for annual reporting periods beginning on or after 1 January 2019. The interpretation did not have a significant impact on the financial position or performance of the Group

#### Annual Improvements – 2015–2017 Cycle

In December 2017, the IASB issued Annual Improvements to IFRS Standards 2015–2017 Cycle, amending the following standards:

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

The amendments are effective from annual periods beginning on or after 1 January 2019. The amendments did not have a significant impact on the financial position or performance of the the Group.

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

On 7 February 2018, the IASB published Amendments to IAS 19 “Plan Amendment, Curtailment or Settlement” The amendments require entities to use updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after a plan amendment, curtailment or settlement occurs. These amendments are applied for annual periods beginning on or after 1 January 2019. The amendments are not applicable for the Group and did not have an impact on the financial position or performance of the Group.

## **NUROL YATIRIM BANKASI ANONİM ŞİRKETİ**

### **NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS OF AND FOR THE THREE MONTH PERIOD THEN ENDED 31 MARCH 2021**

*(Currency - In thousands of Turkish Lira)*

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

##### **Prepayment Features with Negative Compensation (Amendments to IFRS 9)**

The IASB issued minor amendments to IFRS 9 Financial Instruments to enable companies to measure some prepayable financial assets at amortised cost.

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

These amendments are applied for annual periods beginning on or after 1 January 2019. The amendments are not applicable for the Group and did not have an impact on the financial position or performance of the Group.

##### **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 consolidated financial statements are as follows. The Group will make the necessary changes if not indicated otherwise, which will be affecting the consolidated financial statements and disclosures, when the new standards and interpretations become effective.

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

In December 2015, the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. Early application of the amendments is still permitted. The Group will wait until the final amendment to assess the impacts of the changes.

##### **IFRS 17 - The new Standard for insurance contracts**

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

##### **Definition of a Business (Amendments to IFRS 3)**

In October 2018, the IASB issued amendments to the definition of a business in IFRS 3 Business Combinations. The amendments are intended to assist entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition.

The amendments:

- clarify the minimum requirements for a business;
- remove the assessment of whether market participants are capable of replacing any missing elements;
- add guidance to help entities assess whether an acquired process is substantive;
- narrow the definitions of a business and of outputs; and
- introduce an optional fair value concentration test.

# NUROL YATIRIM BANKASI ANONİM ŞİRKETİ

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS OF AND FOR THE THREE MONTH PERIOD THEN ENDED 31 MARCH 2021

(Currency - In thousands of Turkish Lira)

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

The amendments to IFRS 3 are effective for annual reporting periods beginning on or after 1 January 2020 and apply prospectively. Earlier application is permitted.

The amendments are not applicable for the Company / the Group and will not have an impact on the financial position or performance of the Group.

#### Definition of Material (Amendments to IAS 1 and IAS 8)

In October 2018, the IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements.

The amendments to IAS 1 and IAS 8 are required to be applied for annual periods beginning on or after 1 January 2020. The amendments must be applied prospectively and earlier application is permitted.

The amendments are not applicable for the Group and will not have an impact on the financial position or performance of the Group.

#### Amendments to IFRS 9, IAS 39 and IFRS 7- Interest Rate Benchmark Reform

The amendments issued to IFRS 9 and IAS 39 which are effective for periods beginning on or after 1 January 2020 provide certain reliefs for 4 fundamental matters in connection with interest rate benchmark reform. These reliefs are related to hedge accounting as follows:

- Highly probable requirement
- Prospective Assessments
- Retrospective Assessments
- Separately identifiable risk components

Reliefs used as a result of amendments in IFRS 9 and IAS 39 is aimed to be disclosed in financial statements based on the amendments made in IFRS 7.

### 3. Consolidation

#### 3.1 Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Parent Bank and its subsidiary, which is the entity controlled by the Parent Bank. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. When necessary, adjustments are made to the consolidated financial statements of subsidiary to bring their accounting policies into line with those of the Group. Nurol Yatırım Bankası A.Ş. has 100% ownership of Nurol Varlık Kiralama A.Ş. and 100% ownership of Nurol Portföy Yönetim A.Ş. and 100% ownership of Ortak Varlık Yönetim A.Ş.

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

# NUROL YATIRIM BANKASI ANONİM ŞİRKETİ

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS OF AND FOR THE THREE MONTH PERIOD THEN ENDED 31 MARCH 2021

(Currency - In thousands of Turkish Lira)

### 4. Significant accounting policies

#### 4.1 Statement of compliance

The consolidated financial statements have been prepared in accordance with international Financial Reporting Standards (“IFRS”) as issued by the international Accounting Standards Board (“IASB”).

The Parent Bank maintains its book of account and prepares their statutory consolidated 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 consolidated financial statements are derived from statutory consolidated financial statements with adjustments and reclassifications for the purpose of fair presentation in accordance with IFRS. The subsidiary maintains its books of accounts based on statutory rules and regulations applicable in its jurisdiction. The accompanying consolidated financial statements are derived from statutory financial statements with adjustments and reclassifications For the purpose of fair presentation in accordance with IFRS. The consolidated financial statements were authorised for issue by the Group’s management on May 28, 2021.

The ongoing COVID-19 pandemic, which has recently emerged in China, has spread to various countries in the world, causing potentially fatal respiratory infections, negatively affects both regional and global economic conditions, as well as it causes disruptions in operations, especially countries that are exposed to the epidemic. As a result of the spread of COVID-19 around the world, several measures have been taken in Turkey as well as in the world in order to prevent the spread of the virus and measures are still being taken. In addition to these measures, economic measures are also taken to minimize the economic impact of the virus outbreak on individuals and businesses in Turkey and worldwide.

Since it is aimed to update the most recent financial information in the interim financial statements prepared as of March 31, 2021, considering the magnitude of the economic changes due to COVID-19, the Group made certain estimates in the calculation of expected credit losses in footnote numbered IX.

#### 4.2 Basis of measurement

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

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

#### 4.3 Foreign currency transactions

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

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

	USD / TL (full)	EUR / TL (full)
31 March 2021	8,3258	9,7688
31 December 2020	7,4194	9,1164

# NUROL YATIRIM BANKASI ANONİM ŞİRKETİ

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS OF AND FOR THE THREE MONTH PERIOD THEN ENDED 31 MARCH 2021

(Currency - In thousands of Turkish Lira)

### 4. Significant accounting policies

#### 4.4 Interest income and interest expense

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

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

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

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

#### 4.5 Fees and commission

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

#### 4.6 Net trading income

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

#### 4.7 Dividends

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

#### 4.8 Taxation and deferred income taxes

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

# NUROL YATIRIM BANKASI ANONİM ŞİRKETİ

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS OF AND FOR THE THREE MONTH PERIOD THEN ENDED 31 MARCH 2021

(Currency - In thousands of Turkish Lira)

### 4. Significant accounting policies

#### *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.

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

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

#### *Current and deferred tax for the period*

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

### 4.9 Financial instruments

#### **Initial recognition of financial instruments**

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

# NUROL YATIRIM BANKASI ANONİM ŞİRKETİ

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS OF AND FOR THE THREE MONTH PERIOD THEN ENDED 31 MARCH 2021

(Currency - In thousands of Turkish Lira)

### 4. Significant accounting policies

#### Initial measurement of financial instruments

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

#### Classification of financial instruments

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

As per IFRS 9, the Parent Bank classifies a financial asset on the basis of its contractual cash flow characteristics if the financial asset is held within a business model whose objective is to hold assets to collect contractual cash flows or within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets. In order to assess whether the element provides consideration for only the passage of time, an entity applies judgement and considers relevant factors such as the currency in which the financial asset is denominated and the period for which the interest rate is set.

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

#### Assessment of business model

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

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

This is a model whose objective is to hold assets in order to collect contractual cash flows are managed to realise cash flows by collecting contractual payments over the life of the instrument. The financial assets that are held within the scope of this business model are measured at amortized cost when the contractual terms of the financial asset meet the condition of giving rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Receivables from the Central Bank, Banks, Money Market Placements, investments under financial assets measured at amortized cost, loans, leasing receivables, factoring receivables and other receivables are assessed within this business model.



# NUROL YATIRIM BANKASI ANONİM ŞİRKETİ

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS OF AND FOR THE THREE MONTH PERIOD THEN ENDED 31 MARCH 2021

(Currency - In thousands of Turkish Lira)

### 4. Significant accounting policies

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

This is a model whose objective is achieved by both collecting contractual cash flows and selling financial assets: the Parent Bank may hold financial assets in a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets. Fair value change of the financial assets that are held within the scope of this business model are accounted under other comprehensive income when the contractual terms of the financial asset meet the condition of giving rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Financial Assets Measured at Fair Value through Other Comprehensive Income are assessed in this business model.

#### **Other business models**

Financial assets are measured at fair value through profit or loss when they are not held within a business model whose objective is to hold assets to collect contractual cash flows or within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets. Financial assets measured at fair value through profit/loss are assessed in this business model.

#### **4.9.1 Financial assets**

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

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

#### **Financial assets at the fair value through profit or loss**

Financial assets at fair value through profit/loss are financial assets other than the ones that are managed with business model that aims to hold to collect contractual cash flows or business model that aims to collect both the contractual cash flows and cash flows arising from the sale of the assets; and if the contractual terms of the financial asset do not lead to cash flows representing solely payments of principal and interest at certain date; that are either acquired for generating a profit from short-term fluctuations in prices or are financial assets included in a portfolio aiming to short-term profit making. Financial assets at the fair value through profit or loss are initially recognized at fair value and measured at their fair value after recognition. All gains and losses arising from these valuations are reflected in the income statement.

#### **Financial Assets at Fair Value Through Other Comprehensive Income**

In addition to Financial assets within a business model that aims to hold to collect contractual cash flows and aims to hold to sell, financial asset with contractual terms that lead to cash flows are solely payments of principal and interest at certain dates, they are classified as fair value through other comprehensive income. Financial assets at fair value through other comprehensive income are recognized by adding transaction cost to acquisition cost reflecting the fair value of the financial asset. After the recognition, financial assets at fair value through other comprehensive income are measured at fair value. Interest income calculated with effective interest rate method arising from financial assets at fair value through other comprehensive income and dividend income from equity securities are recorded to income statement.

“Unrealized gains and losses” arising from the difference between the amortized cost and the fair value of financial assets at fair value through other comprehensive income are not reflected in the income statement of the period until the acquisition of the asset, sale of the asset, the disposal of the asset, and

# NUROL YATIRIM BANKASI ANONİM ŞİRKETİ

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS OF AND FOR THE THREE MONTH PERIOD THEN ENDED 31 MARCH 2021

(Currency - In thousands of Turkish Lira)

### 4. Significant accounting policies

impairment of the asset and are accounted under the “Other comprehensive income/expense items to be recycled to profit/loss” under shareholders’ equity. Equity securities, which are classified as financial assets at fair value through other comprehensive income, that have a quoted market price in an active market and whose fair values can be reliably measured are carried at fair value. Equity securities that do not have a quoted market price in an active market and whose fair values cannot be reliably measured are carried at cost, less provision for impairment.

#### **Financial Assets Measured at Amortized Cost**

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

#### **Loans and Advances to Customers**

Loans are financial assets that have fixed or determinable payments terms and are not quoted in an active market. Loans are initially recognized at acquisition cost plus transaction costs presenting their fair value and thereafter measured at amortized cost using the "Effective Interest Rate (internal rate of return) Method".

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

#### **Due from banks**

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

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

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

#### **Repossessed assets**

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

# NUROL YATIRIM BANKASI ANONİM ŞİRKETİ

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS OF AND FOR THE THREE MONTH PERIOD THEN ENDED 31 MARCH 2021

(Currency - In thousands of Turkish Lira)

### 4. Significant accounting policies

#### Cash and cash equivalents

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

#### 4.9.2 Financial liabilities

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

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

#### Financial liabilities at fair value through profit or loss

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

#### Other financial liabilities

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

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

#### Deposits, funds borrowed and debt securities issued

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

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

#### 4.9.3 Derivative financial instruments

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

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

# NUROL YATIRIM BANKASI ANONİM ŞİRKETİ

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS OF AND FOR THE THREE MONTH PERIOD THEN ENDED 31 MARCH 2021

(Currency - In thousands of Turkish Lira)

### 4. Significant accounting policies

#### 4.10 Expected Credit Loss

As of 31 March 2021, the Group recognizes a loss allowance for expected credit losses on financial assets and loans measured at amortized cost and fair value through other comprehensive income and loan commitments not measured at fair value through profit/loss based and non-cash loans on IFRS 9.

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

The expected credit loss estimates are required to be unbiased, probability-weighted and include supportable information about past events, current conditions, and forecasts of future economic conditions. These financial assets are divided into three categories depending on increase in credit risk observed since their initial recognition:

##### Stage 1:

For the financial assets at initial recognition or that do not have a significant increase in credit risk since initial recognition. Impairment for credit risk is recorded in the amount of expected credit losses on the 12-month default risk. It is calculated 12-month expected credit loss based on a probability of default realized within 12 months after the reporting date. Such expected 12-month probability of default is applied on an expected exposure at default, multiplied with loss given default rate and discounted with the original effective interest rate. Such calculation is performed for each of three scenarios explained above.

##### Stage 2:

As of the reporting date of the financial asset, in the event of a significant increase in credit risk since initial recognition, the financial asset is transferred to Stage 2. Impairment for credit risk is determined on the basis of the instrument's lifetime expected credit losses. Calculation approach is quite similar with approach mentioned above, but probability of default and loss amount in default ratios estimated for the lifetime of instruments.

##### Stage 3:

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

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

#### Calculation of expected credit losses

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

As of 1 January 2018, the Parent Bank has started to apply IFRS 9 for the classification of loans and receivables, measuring credit quality and calculating expected loss provisions. The Parent Bank calculates PDs, LGD and EAD (Exposure at default) and ECL (expected credit losses) for each financial

# NUROL YATIRIM BANKASI ANONİM ŞİRKETİ

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS OF AND FOR THE THREE MONTH PERIOD THEN ENDED 31 MARCH 2021

(Currency - In thousands of Turkish Lira)

### 4. Significant accounting policies

asset, rather than group or portfolio basis. PDs are determined by the parent bank based on internal rating scores calculated within own model. The Parent Bank's policy is to use standard PDs published based on historical data published by international rating agencies. PDs are available for the next ten years as annual and cumulative basis. Annual periods are calculated by interpolating. For noncash loans, prior to calculating EAD, cash equivalent risk exposures are calculated by a credit conversion factor (CCF). Credit Conversion Factors are determined based on the ratios specified in the "Capital Adequacy Regulation" settled by BRSA. The present value of the ECLs are then calculated using the effective interest rates of the related financial assets.

The Parent bank calculated the average PD and LGD as 0.11% and 27.42%, respectively for cash financial assets, 0.33% and 41.21% for noncash loans as of 31 March 2021. 100% PD is applied for all financial assets in stage 3.

#### Probability of Default ("PD")

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

In order to measure risk, internal rating systems, credit ratings issued by external rating agencies, payment performance of customers, and risk center credit notes for commercial customers are used to a certain extent.

Historical datas which are issued by international rating agencies are considered in order to calculate probability of default for customers and countries. The probabilities of default are cumulative in the next ten years and are calculated in the annual periods based on the estimation method.

In addition, the probability of default calculation includes historical data, current conditions and prospective macroeconomic they are updated considering expectations.

#### Loss Given Default ("LGD")

The LGD represents an estimate of the economic loss at the time of a potential default occurring during the life of a financial instrument. The LGD is calculated taking into account expected future cash flows from collateral and other credit enhancements by considering time value of money.

LGD calculation are also considered collaterals based on specified rate according to 'Determining the Qualifications of Loans and Other Receivables by Banks Regulation on Procedures and Principles for Provisions'

#### Exposure at Default ("EAD")

The EAD represents an estimate of the exposure to credit risk at the time of a potential default occurring during the life of a financial instrument. It represents the cash flows outstanding at the time of default, considering expected repayments, interest payments and accruals, discounted at the effective interest rate.

# NUROL YATIRIM BANKASI ANONİM ŞİRKETİ

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS OF AND FOR THE THREE MONTH PERIOD THEN ENDED 31 MARCH 2021

(Currency - In thousands of Turkish Lira)

### 4. Significant accounting policies

#### Consideration of the Macroeconomic Factors

The probability of default is determined by basic macroeconomic factors such as unemployment, GDP growth, inflation and interest rates. Also, Turkey's 5-year credit risk (CDS Spreads) that has high correlation are based in order to update to "PD". While updating "PD", average amount for a year and the end of period value are considered for CDS Spreads.

#### Calculating the Expected Loss Period

Lifetime ECL is calculated by taking into account maturity extensions, repayment options and the period during which the Parent Bank will be exposed to credit risk. The time in financial guarantees and other irrevocable commitments represents the credit maturity for which the liabilities of the Parent Bank. Estimated periods for the parent bank's exposure to risk were calculated by considering at historical data for full guarantee letters.

#### Significant increase in credit risk

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

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

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

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

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

### 4.11 Derecognition, reclassification and refinancing of financial instrument

#### Derecognition of financial assets due to change in contractual terms

Based on IFRS 9, the renegotiation or modification of the contractual cash flows of a financial asset could lead to the derecognition of the existing financial asset. When the modification of a financial asset results in the derecognition of the existing financial asset and the subsequent recognition of the modified financial asset, the modified asset is considered a 'new' financial asset. When the Parent Bank assesses the characteristics of the new contractual terms of the financial asset, it evaluates the contractual cash flows including foreign currency rate changes, conversion to equity, counterparty changes and solely principal and interest on principle. When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial asset, it is recalculated the gross carrying amount of the financial asset and recognized a modification gain or loss in profit or loss.

# NUROL YATIRIM BANKASI ANONİM ŞİRKETİ

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS OF AND FOR THE THREE MONTH PERIOD THEN ENDED 31 MARCH 2021

(Currency - In thousands of Turkish Lira)

### 4. Significant accounting policies

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

#### **Derecognition of financial assets without any change in contractual terms**

The Parent Bank derecognizes the asset if the contractual rights to cash flows from the financial asset are expired or the related financial asset and all risks and rewards of ownership of the asset are transferred to another party. Except for equity instruments measured at fair value through other comprehensive income, the total amount consisting of the gain or loss arising from the difference between the book value and the amount obtained and any accumulated gain directly accounted in equity shall be recognized in profit/loss.

#### **Derecognition of financial liabilities**

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

#### **Reclassification of financial instruments**

Based on IFRS 9, it shall be reclassified all affected financial assets at amortised cost to financial assets measured at fair value through other comprehensive income and fair value through profit or loss in the subsequent accounting when, it is changed the business model for managing financial assets.

#### **Restructuring and refinancing of financial instruments**

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

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

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

Corporate and commercial companies which have been restructured and refinanced can be removed from the watchlist when the following conditions are met:

- Subsequent to the thorough review of company's financial data and its owners' equity position, at circumstances when it is not anticipated that the owner of the company will face financial difficulties; and it is assessed that the restructured debt will be paid on time (starting from the date when the debt is restructured all due principal and interest payments are made on time)
- At least 2 years should pass over the date restructuring (or if it is later), the date of removal from non-performing loan category, at least 10% (or the ratio specified in the legislation) of the total principal amount at the time restructuring/refinancing shall be paid and no overdue amount (principal and interest) shall remain at the date of restructuring/refinancing.

# NUROL YATIRIM BANKASI ANONİM ŞİRKETİ

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS OF AND FOR THE THREE MONTH PERIOD THEN ENDED 31 MARCH 2021

(Currency - In thousands of Turkish Lira)

### 4. Significant accounting policies (continued)

In order for the restructured non-performing corporate and commercial loans to be classified to the watchlist category, the following conditions are met:

- Recovery in debt service,
- At least 1 year should pass over the date of restructuring,
- Payment of all accrued and overdue amounts by debtor (interest and principal) since the date of restructuring/refinancing or the date when the debtor is classified as non-performing (earlier date to be considered) and fulfilment or the payment condition of all overdue amounts as of the date of restructuring/refinancing.
- Collection of all overdue amounts, disappearance of the reasons for classification as non-performing receivable (based on the conditions mentioned above) and having no overdue more than 30 days os of the date of reclassification.

During the follow-up period of at least two years following the date of restructuring/refinancing, if there is a new structuring/refinancing or a delay of more than 30 days, the transactions which were non-performing at the beginning of the follow-up period are classified as non-performing loans again. The performing or non-performing retail loans being subject to restructuring shall be removed from the watchlist only if the debt is paid in full.

#### 4.12 Property and equipment

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

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

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

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

#### 4.13 Intangible assets

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

##### Computer software

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

Costs associated with developing or maintaining computer software programmes are recognized as an expense as incurred. Costs that are directly associated with the development of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding



## NUROL YATIRIM BANKASI ANONİM ŞİRKETİ

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS OF AND FOR THE THREE MONTH PERIOD THEN ENDED 31 MARCH 2021

(Currency - In thousands of Turkish Lira)

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

costs beyond one year, are recognized as intangible assets. Costs include the software development employee costs and an appropriate portion of relevant overheads.

#### 4.14 Investment properties

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

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

#### 4.14 Investment properties (continued)

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

#### 4.15 Leases

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

##### The Group as lessee

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

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

##### The Group as lessor

Amounts due from lessees under finance leases are recognized as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases. Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

# NUROL YATIRIM BANKASI ANONİM ŞİRKETİ

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS OF AND FOR THE THREE MONTH PERIOD THEN ENDED 31 MARCH 2021

(Currency - In thousands of Turkish Lira)

### 4. Significant accounting policies (continued)

#### 4.16 Provisions

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

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

#### 4.17 Employee benefits

Termination and retirement benefits

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

Profit-sharing and bonus plans

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

#### 4.18 Fiduciary assets

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

#### 4.19 Use of estimates and judgments

The preparation of the consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

#### 4.20 Key sources of estimation uncertainty

##### Expected credit loss

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

##### Determining fair values

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

## NUROL YATIRIM BANKASI ANONİM ŞİRKETİ

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS OF AND FOR THE THREE MONTH PERIOD THEN ENDED 31 MARCH 2021

(Currency - In thousands of Turkish Lira)

#### 5. Segment reporting

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

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

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

Major financial statement items according to business lines:

	Corporate banking	Other (*)	Total operations of the Group
<b>31 March 2021</b>			
Operating income	77,098	696	77,794
Other expenses	(29,692)	-	(29,692)
Profit before income tax	47,406	696	48,102
Income tax income/expense	-	-	(8,048)
Profit from continued operations	47,406	696	40,054
<b>Profit for the period</b>	<b>39,358</b>	<b>696</b>	<b>40,054</b>
Segment assets	4,917,603	2,048	4,919,651
Non-distributed Asset	-	-	-
<b>Total assets</b>	<b>4,917,603</b>	<b>2,048</b>	<b>4,919,651</b>
Segment liabilities	4,005,304	0	4,005,304
Shareholders' equity	0	914,347	914,347
<b>Total liabilities</b>	<b>4,005,304</b>	<b>914,347</b>	<b>4,919,651</b>

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

	Corporate banking	Other (*)	Total operations of the Group
<b>31 March 2020</b>			
Operating income	70,222	22	70,244
Other expenses	(21,913)	-	(21,913)
Profit before income tax	48,309	22	48,331
Income tax income/expense	-	-	(12,185)
<b>Profit for the period</b>	<b>36,124</b>	<b>22</b>	<b>36,146</b>
Segment assets	3,343,633	16	3,343,649
Non-distributed Asset	-	-	-
<b>Total assets</b>	<b>3,343,633</b>	<b>16</b>	<b>3,343,649</b>
Segment liabilities	2,910,269	-	2,910,269
Shareholders' equity	-	433,380	433,380
<b>Total liabilities</b>	<b>2,910,269</b>	<b>433,380</b>	<b>3,343,649</b>

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

# NUROL YATIRIM BANKASI ANONİM ŞİRKETİ

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS OF AND FOR THE THREE MONTH PERIOD THEN ENDED 31 MARCH 2021

(Currency - In thousands of Turkish Lira)

### 6. Cash and cash equivalents

	31 March 2021	31 December 2020
Cash and balances with central banks	2,000	1,263
- Cash on hand	1,997	1,259
- Balances with central banks	3	4
Due from banks and financial institutions(*)	504,036	388,964
<b>Cash and cash equivalents in the balance sheet</b>	<b>506,036</b>	<b>390,227</b>

(\*)As a result of IFRS 9 adoption, amount of TL 95 provision booked for due from banks and financial institutions as of March 31, 2021 (December 31, 2020: 97).

### 7. Reserve deposits at Central Bank

	31 March 2021	31 December 2020
Turkish Lira	13,051	6,418
Foreign currency	132,610	122,414
	<b>145,661</b>	<b>128,832</b>

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

	31 March 2021		31 December 2020	
	Amount	Effective interest rate	Amount	Effective interest rate
<b>Financial assets measured at fair value through other comprehensive income</b>				
Debt instruments <sup>(a)</sup>	112,686	12,8%	112,115	19,34%
Equity instruments – listed <sup>(b)</sup>	475,535		203,608	
Equity instruments – unlisted	6,414		6,414	
<b>Financial assets measured at fair value through other comprehensive income</b>	<b>594,643</b>		<b>322,137</b>	
<b>Expected Credit Losses (-)<sup>(c)</sup></b>	<b>(243)</b>		<b>(184)</b>	
<b>Total FVTOCI</b>	<b>594,392</b>		<b>321,953</b>	

(a) Financial assets measured at fair value through other comprehensive income include government bonds denominated in TL amounting to TL 5,972 (31 December 2020: TL 7,237), bank bonds amounting to TL 6,186 (31 December 2020: TL 6,137), private sector securities amounting to 9,541 TL (31 December 2020: TL 4,343), Private sector bonds amounting to TL 96,929 (31 December 2020: TL 94,213).

(b) The Group holds 9,43% of Nurol Gayrimenkul Yatırım Ortaklığı A.Ş. ("Company")'s shares as of 31 March 2021 and the investment is accounted under fair value through other comprehensive income investments, as the Group has no significant influence on the Company, As of the balance sheet date the shares are accounted for using the market price and fair value reserve of TL 392,626 is accounted under equity (31 December 2020: TL 120,699).

(c) The Group calculates expected credit loss for financial assets measured at fair value through other comprehensive income with the adoption of IFRS 9. As of 31 March 2021, the expected credit loss that is calculated for financial assets measured at fair value through other comprehensive income is TL 243 (December 31, 2020: 184).

**NUROL YATIRIM BANKASI ANONİM ŞİRKETİ**

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
AS OF AND FOR THE THREE MONTH PERIOD THEN ENDED 31 MARCH 2021**

(Currency - In thousands of Turkish Lira)

**9. Loans and advances to customers**

	<b>31 March 2021</b>		
	<b>Amount</b>		
	<b>TL</b>	<b>Foreign currency</b>	<b>Total</b>
Short-term loans	1,225,159	1,125,312	2,350,471
Medium and long-term loans	384,677	542,979	927,656
<b>Total performing loans</b>	<b>1,609,836</b>	<b>1,668,291</b>	<b>3,278,127</b>
<b>Generic provisions for Stage 1 and Stage 2</b>	<b>(28,532)</b>	<b>-</b>	<b>(28,532)</b>
Non-performing loans	92,230	-	92,230
Provisions for Stage 3	(76,466)	-	(76,466)
<b>Total non-performing loans (net)</b>	<b>15,764</b>	<b>-</b>	<b>15,764</b>
<b>Total loans, net</b>	<b>1,597,068</b>	<b>1,668,291</b>	<b>3,265,359</b>
	<b>31 December 2020</b>		
	<b>Amount</b>		
	<b>TL</b>	<b>Foreign currency</b>	<b>Total</b>
Short-term loans	1,451,084	813,337	2,264,421
Medium and long-term loans	384,307	455,157	839,464
<b>Total performing loans</b>	<b>1,835,391</b>	<b>1,268,494</b>	<b>3,103,885</b>
<b>Generic provisions for Stage 1 and Stage 2</b>	<b>(25,550)</b>	<b>-</b>	<b>(25,550)</b>
Non-performing loans	86,220	-	86,220
Provisions for Stage 3	(72,526)	-	(72,526)
<b>Total non-performing loans (net)</b>	<b>13,694</b>	<b>-</b>	<b>13,694</b>
<b>Total loans, net</b>	<b>1,823,535</b>	<b>1,268,494</b>	<b>3,092,029</b>

**NUROL YATIRIM BANKASI ANONİM ŞİRKETİ**

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
AS OF AND FOR THE THREE MONTH PERIOD THEN ENDED 31 MARCH 2021**

(Currency - In thousands of Turkish Lira)

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

Lending structure of the Group:

	31 March 2021	31 December 2020
Corporate Lending	3,000,951	2,920,236
SME Lending	9,053	74,054
Other Lending	360,353	195,815
Less: Allowance for ECL/impairment losses	(104,998)	(98,076)
<b>Total</b>	<b>3,265,359</b>	<b>3,092,029</b>

Expected Credit Loss Expense Movement of the Group:

	31 March 2021				31 December 2020			
	ECL allowance				ECL allowance			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Cash and cash equivalents (including reserves at Central Bank)	(2)	-	-	(2)	(4)	-	-	(4)
Securities	59	-	-	59	70	-	-	70
Derivatives	-	-	-	-	-	-	-	-
Loans and advances to customers	(108)	3,089	3,941	6,922	886	15,924	45,107	61,917
Other financial assets	(22)	-	-	(22)	30	-	-	30
Guarantees	19	(27)	787	779	446	220	3,250	3,916
LCs and Acceptances	(3)	-	-	(3)	(3)	-	-	(3)
	<b>(57)</b>	<b>3,062</b>	<b>4,728</b>	<b>7,733</b>	<b>1,425</b>	<b>16,144</b>	<b>48,357</b>	<b>65,914</b>

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

	31 March 2021							
	Carrying Amount				ECL Allowance			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Cash and cash equivalents (including reserves at Central Bank)	651,697	-	-	651,697	95	-	-	95
Securities	594,392	-	-	594,392	243	-	-	243
Derivatives	60,566	-	-	60,566	-	-	-	-
Loans and advances to customers	3,164,594	113,534	92,229	3,370,357	1,410	27,122	76,466	104,998
<i>of which : Large corporate clients</i>	2,795,188	113,534	92,229	3,000,951	1,339	27,122	76,466	104,927
<i>of which : SME clients</i>	9,053	-	-	9,053	-	-	-	-
<i>of which : Others</i>	360,353	-	-	360,353	71	-	-	71
Other financial assets	4,743	-	-	4,743	70	-	-	70
<b>Total on-balance sheet financial assets in scope of ECL requirements</b>	<b>4,475,992</b>	<b>113,534</b>	<b>92,229</b>	<b>4,681,755</b>	<b>1,818</b>	<b>27,122</b>	<b>76,466</b>	<b>105,406</b>

**NUROL YATIRIM BANKASI ANONİM ŞİRKETİ**

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
AS OF AND FOR THE THREE MONTH PERIOD THEN ENDED 31 MARCH 2021**

(Currency - In thousands of Turkish Lira)

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

	31 December 2020							
	Carrying Amount				ECL Allowance			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Cash and cash equivalents (including reserves at Central Bank)	519,059	-	-	519,059	97	-	-	97
Securities	321,953	-	-	321,953	184	-	-	184
Derivatives	39,179	-	-	39,179	-	-	-	-
Loans and advances to customers	2,997,374	106,511	86,220	3,190,105	1,518	24,032	72,526	98,076
<i>of which : Large corporate clients</i>	2,727,505	106,511	86,220	2,920,236	1,463	24,032	72,526	98,021
<i>of which : SME clients</i>	74,054	-	-	74,054	13	-	-	13
<i>of which : Others</i>	195,815	-	-	195,815	42	-	-	42
Other financial assets	6,176	-	-	6,176	92	-	-	92
<b>Total on-balance sheet financial assets in scope of ECL requirements</b>	<b>3,883,741</b>	<b>106,511</b>	<b>86,220</b>	<b>4,076,472</b>	<b>1,891</b>	<b>24,032</b>	<b>72,526</b>	<b>98,448</b>

Impairment allowance for loans and advances to customers	31 March 2021			
	Stage 1	Stage 2	Stage 3	Total
<b>Internal rating grade</b>				
<b>Performing</b>				
High grade	340	-	-	340
Standard grade	271	-	-	271
Sub-standard grade	799	27,122	-	27,921
Past due but not impaired	-	-	-	-
<b>Non-performing</b>				
Individually impaired	-	-	76,466	76,466
	<b>1,410</b>	<b>27,122</b>	<b>76,466</b>	<b>104,998</b>

Impairment allowance for loans and advances to customers	31 December 2020			
	Stage 1	Stage 2	Stage 3	Total
<b>Internal rating grade</b>				
<b>Performing</b>				
High grade	242	-	-	242
Standard grade	389	-	-	389
Sub-standard grade	887	24,032	-	24,919
Past due but not impaired	-	-	-	-
<b>Non-performing</b>				
Individually impaired	-	-	72,526	72,526
	<b>1,518</b>	<b>24,032</b>	<b>72,526</b>	<b>98,076</b>

## NUROL YATIRIM BANKASI ANONİM ŞİRKETİ

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS OF AND FOR THE THREE MONTH PERIOD THEN ENDED 31 MARCH 2021

(Currency - In thousands of Turkish Lira)

#### 10. Investment Property

As of 30 November 2015, the Parent Bank transferred the loan which is classified in the portfolio of The Pre-emption agreement on the real estate properties registered to the Serik District of Antalya Province which is owned by the Parent Bank account in "Other Assets" has not been realized due to the counterparty Vera Varlık Yönetim A.Ş. is not fullfilling the obligations and the legal process is ongoing aforementioned real estate properties have been removed from "Other Assets" and recognized to "Investment Properties" in TL Currency and reevaluated with and independent valuation report (appraisal value: TL 135,245). Similarly, the Right to repurchase agreement on the real estate properties registered to which is owned by the Parent Bank account in "Other Assets" has not been realized due to the counterparty Palmali International is not fullfilling the obligations and the legal process is ongoing aforementioned real estate properties have been removed from "Other Assets" and recognized to "Investment Properties" in TL Currency and reevaluated with and independent valuation report (appraisal value: TL 39,940). In the first quarter of 2020, Ressulla Turizm San.ve Tic. A.Ş., the real estates amounting to TL 82,440, which were purchased and deducted from receivables, have been followed up in the "Investment Properties" account.

Also, other investment properties accounted amounting to TL 38,875 in the account. As of 31 March 2021, the Group has investment property amounting to TL 296,500 (31 December 2020: 296,500).

#### 11. Funds borrowed

	31 March 2021			31 December 2020		
	TL	Foreign currency	Total	TL	Foreign Currency	Total
Funds borrowed	446,142	736,272	1,182,414	365,170	682,614	1,047,784
Obligations under repurchase agreements	1,726	65,974	67,700	2,203	70,111	72,314
	<b>447,868</b>	<b>802,246</b>	<b>1,250,114</b>	<b>367,373</b>	<b>752,725</b>	<b>1,120,098</b>

The effective interest rate for funds borrowed denominated in USD is 0,51% (31 December 2020 – 2,58%), in EUR is 1,16% (31 December 2020 – 2,06%) and in TL is 10,07% (31 December 2020 – 16,45%).

The Group has not had any defaults of principal, interest or redemption amounts or other breaches of loan covenants as at 31 March 2021 (31 December 2020 – None).



## NUROL YATIRIM BANKASI ANONİM ŞİRKETİ

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS OF AND FOR THE THREE MONTH PERIOD THEN ENDED 31 MARCH 2021

(Currency - In thousands of Turkish Lira)

#### 12. Debt securities issued

	31 March 2021			31 December 2020		
	TL	Foreign currency	Total	TL	Foreign currency	Total
Bonds	661,490	-	661,490	571,405	-	571,405
Bills	154,084	-	154,084	151,385	-	151,385
	<b>815,574</b>	<b>-</b>	<b>815,574</b>	<b>722,790</b>	<b>-</b>	<b>722,790</b>

#### Debt securities issued – Cash flow movement

	31 March 2021
Balance as at 1 January 2020	722,790
Proceed during the year	1,824,538
Repayments during the year	(1,810,565)
Other non-cash movements	78,811
<b>Balance as at 31 March 2021</b>	<b>815,574</b>

As of March 31, 2021, the list of the issued bills and bonds by the Parent Bank are shown below:

ISSUE TYPE	ISSUE DATE	MATURITY DATE	DAYS	NOMINAL VALUE (full TL)	INTEREST RATE
BOND	27.05.2020	26.05.2021	364	50,000,000	9.00%
BILL	01.06.2020	01.06.2022	730	50,000,000	9.00%
BILL	25.06.2020	27.06.2022	732	50,000,000	9.25%
BILL	11.09.2020	13.09.2022	732	50,000,000	14.00%
BILL	26.11.2020	28.11.2022	732	50,000,000	15.75%
BOND	24.12.2020	08.04.2021	105	100,000,000	18.00%
BOND	13.01.2021	16.04.2021	93	100,000,000	18.50%
BOND	28.01.2021	07.05.2021	99	50,000,000	18.50%
BOND	05.02.2021	14.05.2021	98	30,000,000	18.50%
BOND	05.02.2021	14.05.2021	98	50,000,000	18.50%
BOND	12.02.2021	13.04.2021	60	50,000,000	17.25%
BOND	23.02.2021	12.08.2021	170	100,000,000	14.25%
BOND	04.03.2021	03.06.2021	91	50,000,000	14.25%
BOND	31.03.2021	23.09.2021	176	26,930,000	14.25%
BOND	31.03.2021	02.07.2021	93	43,070,000	14.25%
BOND	11.12.2020	13.05.2021	153	100,000,000	17.50%
BOND	22.03.2021	08.09.2021	170	50,000,000	19.75%

Nurol Varlık Kiralama Şirketi A.Ş. issued “Lease certificates” amounting to TL 50,000,000 (full TL) first quarter in 2021.

#### 13. Subordinated debts

## NUROL YATIRIM BANKASI ANONİM ŞİRKETİ

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS OF AND FOR THE THREE MONTH PERIOD THEN ENDED 31 MARCH 2021

(Currency - In thousands of Turkish Lira)

	31 March 2021			31 December 2020		
	TL	Foreign Currency	Total	TL	Foreign currency	Total
Bonds (*)	-	-	-	-	37,158	37,158
Loan (*)	-	41,689	41,689	-	76,056	76,056
	-	<b>41,689</b>	<b>41,689</b>	-	<b>113,214</b>	<b>113,214</b>

(\*) The Parent Bank received a loan on December 27, 2016 from World Business Capital at an amount of USD 5,000,000 with an interest rate of 6.65%, 10 years maturity, floating rate and quarterly interest payment (31 December 2020 - The Parent Bank has issued Eurobond on March 31, 2016 with a nominal value of USD 10,000,000, 10 years maturity and fixed interest rate of 10%, having a coupon payments every six months and received a loan on December 27, 2016 from World Business Capital at an amount of USD 5,000,000 with an interest rate of 6.65%, 10 years maturity, floating rate and quarterly interest payment).

#### 14. Other liabilities

	31 March 2021	31 December 2020
Cash collaterals (*)	1,667,689	1,598,528
Taxes and funds payable	10,247	9,330
Lease Liabilities	8,471	6,996
Others	16,311	21,044
	<b>1,702,718</b>	<b>1,635,898</b>

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

#### 15. Provisions

	31 March 2021	31 December 2020
Provision for non - cash loans	7,010	6,234
Employee termination benefits	1,808	1,644
Bonus accrual	1,500	2,622
Unused vacation accrual	2,924	-
Provision for lawsuits	24,564	22,010
	<b>37,805</b>	<b>32,510</b>

#### Employee termination benefits

# NUROL YATIRIM BANKASI ANONİM ŞİRKETİ

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS OF AND FOR THE THREE MONTH PERIOD THEN ENDED 31 MARCH 2021

(Currency - In thousands of Turkish Lira)

Under Turkish Labor Law, the Group is required to pay termination benefits to each employee who has completed certain years of service and whose employment is terminated without due cause, who is called up for military service, dies or retires after completing 25 years (20 years for women) of service and reaches the retirement age (58 for women and 60 for men).

The amount payable consists of one month's salary limited to a maximum of TL 7,638.96 for each period of service at 31 March 2021 (31 December 2020: TL 7,117.17).

Retirement pay liability is not subject to any kind of funding legally. Provision for retirement pay liability is calculated by estimating the present value of probable liability amount arising due to retirement of employees. IAS 19 *Employee Benefits* stipulates the development of company's liabilities by using actuarial valuation methods under defined benefit plans. In this direction, actuarial assumptions used in calculation of total liabilities are described as follows:

The principal assumption is that the maximum liability for each year of service will increase parallel with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Consequently, in the accompanying consolidated financial statements as at 31 March 2021, the provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees. The provisions at the respective balance sheet dates have been calculated by using 13.60% (31 December 2020: 13.60%) annual inflation rate and 9.50% (31 December 2020: 9.50%) discount rate.

### 15. Provision (continued)

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

31 March 2021								
Expected credit loss measurement	Carrying Amount				ECL Allowance(*)			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Guarantees	921,920	12,968	4,861	939,749	1,095	1,683	4,232	7,010
LCs and Acceptances	-	-	-	-	-	-	-	-
<b>Total</b>	<b>921,920</b>	<b>12,968</b>	<b>4,861</b>	<b>939,749</b>	<b>1,095</b>	<b>1,683</b>	<b>4,232</b>	<b>7,010</b>

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

31 December 2020								
Expected credit loss measurement	Carrying Amount				ECL Allowance(*)			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Guarantees	857,489	12,510	4,092	874,091	1,075	1,710	3,446	6,231
LCs and Acceptances	2,425	-	-	2,425	3	-	-	3
<b>Total</b>	<b>859,914</b>	<b>12,510</b>	<b>4,092</b>	<b>876,516</b>	<b>1,078</b>	<b>1,710</b>	<b>3,446</b>	<b>6,234</b>

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

Impairment allowance for off-balance sheet financial assets:

## NUROL YATIRIM BANKASI ANONİM ŞİRKETİ

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS OF AND FOR THE THREE MONTH PERIOD THEN ENDED 31 MARCH 2021

(Currency - In thousands of Turkish Lira)

	31 March 2021			
	Stage 1	Stage 2	Stage 3	Total
<b>Internal rating grade</b>				
<b>Performing</b>				
High grade	2	-	-	2
Standart grade	645	-	-	645
Sub-standart grade	448	1,683	-	2,131
Past due but not impaired	-	-	-	-
<b>Non-performing</b>				
Individually impaired	-	-	4,232	4,232
<b>Total</b>	<b>1,095</b>	<b>1,683</b>	<b>4,232</b>	<b>7,010</b>

Movement for impairment allowance for off-balance sheet financial assets:

	31 March 2021			
	Financial guarantees	Letters of credit and acceptances	Other undrawn commitments	Total
<b>At 1 January 2021</b>	<b>6,231</b>	<b>3</b>	<b>-</b>	<b>6,234</b>
Charge for the year	779	(3)	-	776
Recoveries	-	-	-	-
Amounts written off	-	-	-	-
Unwind of transformed into cash	-	-	-	-
Unwind of discount (recognized in interest income)	-	-	-	-
<b>At 31 March 2021</b>	<b>7,010</b>	<b>-</b>	<b>-</b>	<b>7,010</b>

#### 16. Taxation

The Group is subject to taxation in accordance with the tax procedures and the legislation effective in Turkey. In Turkey, corporate tax rate is 20% (31 December 2020: 22%). The tax legislation provides for a temporary tax of 22% to be calculated and paid based on earnings generated for each quarter. The amounts which are calculated and paid are offset against the final corporate tax liability for the year.

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

#### Income tax recognised in the income statement

The components of income tax expense as stated below:

	31 March 2021	31 March 2020
<b>Current tax</b>		
Current income tax	23,242	13,617
<b>Deferred income / (expense) tax</b>		
Relating to origination and reversal of temporary differences	(15,194)	(1,432)
<b>Income tax expense reported in the income statement</b>	<b>8,048</b>	<b>12,185</b>

# NUROL YATIRIM BANKASI ANONİM ŞİRKETİ

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS OF AND FOR THE THREE MONTH PERIOD THEN ENDED 31 MARCH 2021

(Currency - In thousands of Turkish Lira)

### 16. 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 2021 and 31 March 2020 is as follows:

	31 March 2021	31 March 2020
Profit before income tax	48,102	48,331
Income tax using the domestic corporate tax rate	(12,026)	(10,633)
Other	(11,216)	(2,984)
<b>Total income tax expense in the profit or loss</b>	<b>(23,242)</b>	<b>(13,617)</b>

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

	31 March 2021	31 March 2020
Deferred tax assets / (liability), net at 1 January	7,602	8,741
Deferred tax recognised in the profit or loss	15,194	1,432
Deferred income tax recognised in other comprehensive income	(16,069)	1,265
<b>Deferred tax assets/(liabilities), net at end of December</b>	<b>6,727</b>	<b>11,438</b>

#### Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	31 March 2021			31 December 2020		
	Assets	Liabilities	Net	Assets	Liabilities	Net
Liability for employee benefits	(658)	-	(658)	853	-	853
Valuation of financial assets at FVOCI	1,183	-	1,183	-	(5,965)	(5,965)
Economic life property and equipment	-	(22,630)	(22,630)	-	(579)	(579)
Derivatives	19,356	-	19,356	8,533	-	8,533
Expected Loss Provision	7,931	-	7,931	5,745	-	5,745
Other	6,141	-	6,141	-	(659)	(659)
Provisions for realty	-	(4,303)	(4,303)	-	(4,728)	(4,728)
Provisions for lawsuits	-	(293)	(293)	4,402	-	4,402
	<b>33,953</b>	<b>(27,226)</b>	<b>6,727</b>	<b>19,533</b>	<b>(11,931)</b>	<b>7,602</b>

## NUROL YATIRIM BANKASI ANONİM ŞİRKETİ

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS OF AND FOR THE THREE MONTH PERIOD THEN ENDED 31 MARCH 2021

(Currency - In thousands of Turkish Lira)

#### 17. Commitments and contingencies

In the normal course of business, the Group enters into a number of contractual commitments on behalf of its customers and is a party to financial instruments with off-balance sheet risk to meet the financing needs of its customers. These contractual commitments consist of commitments to extend credit, commercial letters of credit and standby letters of credit and guarantees. Commitments to extend credit are agreements to lend to a customer as long as there is no violation of the conditions established in the contract. Commercial letters of credit ensure payment by a bank to a third party for a customer's foreign or domestic trade transactions, generally to finance a commercial contract for the shipment of goods.

Standby letters of credit and financial guarantees are conditional commitments issued by the Group to guarantee the performance of a customer to a third party. All of these arrangements are related to the normal lending activities of the Group. The Group's exposure to credit loss in the event of non-performance by the other party to the financial instrument for commitments to extend credit and commercial and standby letters of credit is represented by the contractual notional amount of those instruments. The Group uses the same credit policies in making commitments and conditional obligations as it does for on-balance-sheet instruments.

#### 17. Commitments and contingencies (continued)

As at 31 March 2021; commitments and contingencies comprised the following:

	31 March 2021	31 December 2020
Letters of guarantee	939,749	874,091
Bank acceptance	-	-
Letters of credit	-	2,425
Other commitments	-	-
<b>Total</b>	<b>939,749</b>	<b>876,516</b>

#### 18. Share capital and reserves

##### Share capital

As at 31 March 2021 and 31 December 2020, the composition of shareholders and their respective percentage of ownership are summarised as follows:

	31 March 2021		31 December 2020	
	Amount	%	Amount	%
Nurol Holding A.Ş,	284,337	78,98	284,337	78,98
Nurol İnşaat ve Tic, A.Ş,	60,134	16,7	60,134	16,70
Others	15,529	4,32	15,529	4,32
<b>Total</b>	<b>360,000</b>		<b>360,000</b>	

As at 31 March 2021, the authorised share capital comprised of 360,000 ordinary shares having a par value of TL full 1,000 (As at 31 December 2020, the authorised share capital comprised of 360,000 ordinary shares having a par value of TL full 1,000). All issued shares are paid.

The Ordinary General Assembly Meeting of the Bank has been performed on March 29, 2021. Profit of 2020, has been registered as of April 2, 2021 and published in Turkey Trade Registry Gazette numbered 10301 dated 2 April 2021. However profit distribution has been unaccomplished yet.

# NUROL YATIRIM BANKASI ANONİM ŞİRKETİ

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS OF AND FOR THE THREE MONTH PERIOD THEN ENDED 31 MARCH 2021

(Currency - In thousands of Turkish Lira)

### Legal Reserves

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

As at 31 March 2021, the Group's legal reserves amounted to TL 13,051 (31 December 2020 – TL 13,051).

### 19. Net interest income

	31 March 2021	31 March 2020
<b>Interest income</b>		
Loans and advances to customers	112,338	70,169
Deposits with banks and other financial institutions	5,038	2,166
Financial assets measured at fair value through profit/loss and financial assets measured at fair value through other comprehensive income	7,559	20,246
Other	8,797	8,489
	<b>133,732</b>	<b>101,070</b>
<b>Interest expense</b>		
Funds borrowed	(21,120)	(11,987)
Debt securities issued	(2,893)	(529)
Interbank funds borrowed	(32,529)	(26,201)
Financial leases	(311)	(232)
Other	(3,717)	(6,375)
	<b>(60,570)</b>	<b>(45,324)</b>
<b>Net interest income</b>	<b>73,162</b>	<b>55,746</b>

### 20. Net fee and commission income

	31 March 2021	31 March 2020
<b>Fee and commission income</b>		
Non-cash loans	3,825	4,533
Other	23,963	8,085
<b>Total fee and commission income</b>	<b>27,788</b>	<b>12,618</b>
<b>Fee and commission expense</b>		
Non-cash loans	(629)	(536)
Other	(2,192)	(1,806)
<b>Total fee and commission expense</b>	<b>(2,821)</b>	<b>(2,342)</b>
<b>Net fee and commission income</b>	<b>24,967</b>	<b>10,276</b>

## NUROL YATIRIM BANKASI ANONİM ŞİRKETİ

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS OF AND FOR THE THREE MONTH PERIOD THEN ENDED 31 MARCH 2021

(Currency - In thousands of Turkish Lira)

#### 21. Net trading income/loss

	31 March 2021	31 March 2020
Net gains/(losses) on derecognition of financial assets measured at fair value through other comprehensive income	11,114	8,425
Net gains/(losses) on financial assets/liabilities at fair value through profit or loss	(32,594)	(8,279)
Gain / (losses) from derivatives	(61,712)	(2,287)
Gain / (losses) from FX losses	29,118	(5,992)
<b>Total</b>	<b>(21,480)</b>	<b>146</b>

#### 22. Other operating income

	31 March 2021	31 March 2020
Reversal of provision	758	205
Gain on sales of assest	-	1
Communication expenses reflected to the customers	37	64
Other(*)	350	3,806
	<b>1,145</b>	<b>4,076</b>

(\*)The parent bank's rental income is TL 76 and other commission income is TL 274. (31 March 2021; The parent bank's Takasbank income is TL 23, other communication income is TL 1, swift income is TL 270, rental income is TL 3,458 and other income is TL 54)

#### 23. Personnel expenses

	31 March 2021	31 March 2020
Wages and salaries	6,301	4,830
Compulsory social security obligations	697	542
Other benefits	464	375
<b>Total</b>	<b>7,462</b>	<b>5,747</b>



## NUROL YATIRIM BANKASI ANONİM ŞİRKETİ

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS OF AND FOR THE THREE MONTH PERIOD THEN ENDED 31 MARCH 2021

(Currency - In thousands of Turkish Lira)

#### 24. Administrative expenses

	31 March 2021	31 March 2020
Nurol Holding re-charges	1,865	1,696
Audit and advisory expenses	1,705	968
Taxes and duties expenses	580	2,113
Rent expenses	123	44
Telecommunication expenses	880	643
Computer expenses	123	370
Hosting expenses	170	419
Maintenance expenses	238	64
Notary expenses	85	42
Advertising expenses	-	9
Transportation expenses	164	114
Other various administrative expenses	1,095	2,775
<b>Total</b>	<b>7,028</b>	<b>9,257</b>

#### 25. Financial risk management objectives and policies

##### a) Introduction and overview

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

- credit risk
- market risks

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

##### *Risk management framework*

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

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

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

## NUROL YATIRIM BANKASI ANONİM ŞİRKETİ

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS OF AND FOR THE THREE MONTH PERIOD THEN ENDED 31 MARCH 2021

(Currency - In thousands of Turkish Lira)

#### 25. Financial risk management objectives and policies (Continued)

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

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

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

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

In summary, in order not to be exposed to any liquidity, interest rate, market and foreign currency risk, the Parent 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 Parent Bank does not take any speculative positions on currency, interest rate and maturity that might create any liquidity or market risk to the Group.

#### b) Credit risk

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

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

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

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

**NUROL YATIRIM BANKASI ANONİM ŞİRKETİ**

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
AS OF AND FOR THE THREE MONTH PERIOD THEN ENDED 31 MARCH 2021**

(Currency - In thousands of Turkish Lira)

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

**b) Credit risk (continued)**

*Credit risk by risk groups*

	Individual	Corporate	Total
<b>31 March 2021</b>			
Performing loans	2,048	3,162,546	3,164,594
Loans under close monitoring	-	113,533	113,534
Non-performing loans	-	92,230	92,229
<b>Gross</b>	<b>2,048</b>	<b>3,368,309</b>	<b>3,370,357</b>
Transferred asset	-	-	-
Specific provisions for Stage 3	-	(76,466)	(76,466)
Generic provisions for Stage 1 and Stage 2	-	(28,532)	(28,532)
<b>Total</b>	<b>2,048</b>	<b>3,263,311</b>	<b>3,265,359</b>
<b>31 December 2020</b>			
Performing loans	35	2,997,339	2,997,374
Loans under close monitoring	-	106,511	106,511
Non-performing loans	-	86,220	86,220
<b>Gross</b>	<b>35</b>	<b>3,190,070</b>	<b>3,190,105</b>
Transferred asset	-	-	-
Specific provisions for Stage 3	-	(72,526)	(72,526)
Generic provisions for Stage 1 and Stage 2	-	(25,550)	(25,550)
<b>Total</b>	<b>35</b>	<b>3,091,994</b>	<b>3,092,029</b>

*Exposure to credit risk*

	Notes	Due from banks		Loans and advances to customers	
		31 March 2021	31 December 2020	31 March 2021	31 December 2020
<b>Carrying amount</b>		<b>506,131</b>	<b>390,324</b>	<b>3,265,359</b>	<b>3,092,029</b>
Non-performing financial assets		-	-	92,230	86,220
<b>Gross amount</b>		<b>-</b>	<b>-</b>	<b>92,230</b>	<b>98,076</b>
Specific provision for Stage 3	9	-	-	(76,466)	(72,526)
Generic provision for Stage 1 and 2	9	(95)	(97)	(28,532)	(25,550)
Neither past due nor impaired		506,036	390,227	3,153,050	2,985,518
<b>Carrying amount</b>		<b>506,036</b>	<b>390,227</b>	<b>3,153,050</b>	<b>2,985,518</b>
Restructured and rescheduled loans and other receivables		-	-	112,309	106,511
<b>Carrying amount</b>		<b>-</b>	<b>-</b>	<b>112,309</b>	<b>106,511</b>
<b>Carrying amount (amortised cost)</b>		<b>506,036</b>	<b>390,227</b>	<b>3,265,359</b>	<b>3,092,029</b>

# NUROL YATIRIM BANKASI ANONİM ŞİRKETİ

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS OF AND FOR THE THREE MONTH PERIOD THEN ENDED 31 MARCH 2021

(Currency - In thousands of Turkish Lira)

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

#### b) Credit risk (continued)

*Exposure to credit risk (continued)*

##### *Write-off policy*

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

##### *Collateral policy*

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

31 March 2021		Collaterals after rate of consideration								
Type of collateral or credit enhancement	Maximum exposure to credit risk	Securities (Cheques & Acts & Stock Share)		Property (Mortgages)	Assignment of receivables	Vehicle Pledge	Other	Total collateral	Net exposure	Associated ECLs
		Cash	Share							
<b>Financial assets</b>										
Cash and cash equivalents (including reserves at Central Bank)	649,754	-	-	-	-	-	-	-	649,754	95
Loans and advances to customers	3,791,694	15,310	343,050	25,770	249,639	318,572	-	952,341	2,839,353	104,998
of which : Large corporate clients	3,403,226	15,310	275,415	18,280	249,639	318,572	-	877,216	2,526,010	104,926
of which : SME clients	9,053	-	1,510	7,490	-	-	-	9,000	53	-
of which : Others	379,415	-	66,125	-	-	-	-	66,125	313,290	72
Other financial assets	4,743	-	-	-	-	-	-	-	4,743	70
Derivative financial instruments	60,566	-	-	-	-	-	-	-	60,566	-
Securities at fair value through OCI	599,529	-	-	-	-	-	-	-	599,529	243
Guarantees (after Credit Conversion Factor)	534,075	6,264	70,590	17,140	17,603	54,564	54	166,215	367,860	2,778
LCs and Acceptances (after Credit Conversion Factor)	-	-	-	-	-	-	-	-	-	-

## NUROL YATIRIM BANKASI ANONİM ŞİRKETİ

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS OF AND FOR THE THREE MONTH PERIOD THEN ENDED 31 MARCH 2021

(Currency - In thousands of Turkish Lira)

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

*Fair value through profit or loss (FVTPL)*

At 31 March 2021, the Parent Bank has derivative financial assets at FVTPL amounting to TL 60,566 (31 December 2020 – TL 39,179). An analysis of the credit quality of the maximum credit exposure is as follows:

	<b>31 March 2021</b>	<b>31 December 2020</b>
Derivative financial assets	60,566	39,179
<b>Fair value and carrying amount</b>	<b>60,566</b>	<b>39,179</b>

#### c) Capital management

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

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

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

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

## NUROL YATIRIM BANKASI ANONİM ŞİRKETİ

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS OF AND FOR THE THREE MONTH PERIOD THEN ENDED 31 MARCH 2021

(Currency - In thousands of Turkish Lira)

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

##### c) Capital management (continued)

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

The Group and the Group's regulated operations have complied with externally imposed capital requirements throughout the period.

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

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

	<b>31 March 2021</b>	<b>31 December 2020</b>
Amount subject to credit risk (I)	4,527,840	4,121,232
Amount subject to market risk (II)	118,126	79,894
Amount subject to operational risk (III)	309,373	216,763
<b>Total risk-weighted assets and value at market risk and operational risk (IV) = (I+II+III)</b>	<b>4,955,339</b>	<b>4,417,889</b>
Shareholders' equity:		
Tier 1 capital	904,632	615,732
Tier 2 capital	73,104	139,818
<b>Total regulatory capital</b>	<b>977,736</b>	<b>755,550</b>
<b>Capital adequacy ratio</b>	<b>%19.73</b>	<b>17.10%</b>

## NUROL YATIRIM BANKASI ANONİM ŞİRKETİ

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS OF AND FOR THE THREE MONTH PERIOD THEN ENDED 31 MARCH 2021

(Currency - In thousands of Turkish Lira)

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

##### d) Fair values

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

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

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

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

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

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

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

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

## NUROL YATIRIM BANKASI ANONİM ŞİRKETİ

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS OF AND FOR THE THREE MONTH PERIOD THEN ENDED 31 MARCH 2021

(Currency - In thousands of Turkish Lira)

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

##### d) Fair values (continued)

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:

<b>31 March 2021</b>	<b>Note</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Derivative financial assets		60,566	-	-	60,566
Financial assets measured at fair value through other comprehensive income	8	594,392	-	-	594,392
Investment property		-	296,500	-	296,500
Derivative financial liabilities		-	141,486	-	141,486
<b>31 December 2020</b>	<b>Note</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Derivative financial assets		39,179	-	-	39,179
Financial assets measured at fair value through other comprehensive income	8	321,953	-	-	321,953
Investment property		-	296,500	-	296,500
Derivative financial liabilities		-	81,844	-	81,844

##### 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 Parent Bank's income or the value of its holdings of financial instruments.

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

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



**NUROL YATIRIM BANKASI ANONİM ŞİRKETİ**

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
AS OF AND FOR THE THREE MONTH PERIOD THEN ENDED 31 MARCH 2021**

(Currency - In thousands of Turkish Lira)

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

**e) Market risk (continued)**

*Currency risk*

The Group takes on exposure to effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. Foreign currency risk indicates the possibility of the potential losses that the Group is subject to due to the exchange rate movements in the market.

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

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

	USD	Euro	Others	Total
<b>2021</b>				
<b>Assets</b>				
Cash and cash equivalents	196,474	194,067	34,828	425,369
Reserve deposits at Central Bank	50,346	82,264	-	132,610
Loans and advances to customers	366,700	1,361,195	-	1,727,895
Financial assets measured at fair value through other comprehensive income	96,929	-	-	96,929
Other assets	-	-	-	-
<b>Total assets</b>	<b>710,449</b>	<b>1,637,526</b>	<b>34,828</b>	<b>2,382,803</b>
<b>Liabilities</b>				
Funds borrowed	135,401	253,812	35,913	425,126
Subordinated debts	41,689	-	-	41,689
Other liabilities	254,307	1,729,883	-	1,984,190
<b>Total liabilities</b>	<b>431,397</b>	<b>1,983,695</b>	<b>35,913</b>	<b>2,451,005</b>
<b>Gross exposure</b>	<b>279,052</b>	<b>(346,169)</b>	<b>(1,085)</b>	<b>(68,202)</b>
<b>Off-balance sheet position</b>				
Net notional amount of derivatives	(278,779)	348,254	-	69,475
<b>Net exposure</b>	<b>273</b>	<b>2,085</b>	<b>(1,085)</b>	<b>1,273</b>

**NUROL YATIRIM BANKASI ANONİM ŞİRKETİ**

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
AS OF AND FOR THE THREE MONTH PERIOD THEN ENDED 31 MARCH 2021**

(Currency - In thousands of Turkish Lira)

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

**e) Market risk (continued)**

*Currency risk (continued)*

	USD	Euro	Others	Total
<b>2020</b>				
<b>Assets</b>				
Cash and cash equivalents	57,661	180,875	54,001	292,537
Reserve deposits at Central Bank	62,783	59,631	-	122,414
Loans and advances to customers	254,166	1,067,922	-	1,322,088
Financial assets measured at fair value through other comprehensive income	94,212	-	-	94,212
Other assets	-	-	-	-
<b>Total assets</b>	<b>468,822</b>	<b>1,308,428</b>	<b>54,001</b>	<b>1,831,251</b>
<b>Liabilities</b>				
Funds borrowed	186,718	272,195	54,755	513,668
Subordinated debts	104,384	-	-	104,384
Other liabilities	204,564	1,568,302	-	1,772,866
<b>Total liabilities</b>	<b>495,666</b>	<b>1,840,497</b>	<b>54,755</b>	<b>2,390,918</b>
<b>Gross exposure</b>	<b>(26,844)</b>	<b>(532,069)</b>	<b>(754)</b>	<b>(559,667)</b>
<b>Off-balance sheet position</b>				
Net notional amount of derivatives	26,658	538,798	-	563,456
<b>Net exposure</b>	<b>(186)</b>	<b>4,729</b>	<b>(754)</b>	<b>3,789</b>

# NUROL YATIRIM BANKASI ANONİM ŞİRKETİ

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS OF AND FOR THE THREE MONTH PERIOD THEN ENDED 31 MARCH 2021

(Currency - In thousands of Turkish Lira)

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

#### e) Market risk (continued)

##### Interest rate risk

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

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

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

The following table indicates the periods in which financial assets and liabilities reprice as of 31 March 2021 and 31 December 2020:

	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 2021</b>							
<b>Assets</b>							
Cash and cash equivalents	170,391	-	-	-	-	335,645	506,036
Reserve deposits at Central Bank	132,610	-	-	-	-	13,051	145,661
FVTPL investments	36,249	13,309	10,158	850	-	-	60,566
Financial assets at fair value through other comprehensive income	18,003	28,037	66,402	-	-	481,950	594,392
Loans and advances to customers	2,194,555	285,864	354,761	403,060	11,355	15,764	3,265,359
Other assets	-	-	-	-	-	347,637	347,637
<b>Total assets</b>	<b>2,551,808</b>	<b>327,210</b>	<b>431,321</b>	<b>403,910</b>	<b>11,355</b>	<b>1,194,047</b>	<b>4,919,651</b>
<b>Liabilities</b>							
Funds borrowed <sup>(*)</sup>	364,696	13,303	290,584	-	68,319	554,901	1,291,803
Debt securities issued	198,746	266,611	195,647	154,570	-	-	815,574
Other liabilities <sup>(**)</sup>	1,105,277	394,829	261,131	4,916	-	1,046,121	2,812,274
<b>Total liabilities</b>	<b>1,668,719</b>	<b>674,743</b>	<b>747,362</b>	<b>159,486</b>	<b>68,319</b>	<b>1,601,022</b>	<b>4,919,651</b>
On balance sheet interest sensitivity gap	883,089	(347,533)	(316,041)	244,424	(56,964)	(406,975)	-
Off balance sheet interest sensitivity gap	-	-	-	-	-	-	-
<b>Total interest sensitivity gap</b>	<b>883,089</b>	<b>(347,533)</b>	<b>(316,041)</b>	<b>244,424</b>	<b>(56,964)</b>	<b>(406,975)</b>	<b>-</b>

(\*) Includes subordinated loans amounting to TL 41,689.

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

# NUROL YATIRIM BANKASI ANONİM ŞİRKETİ

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS OF AND FOR THE THREE MONTH PERIOD THEN ENDED 31 MARCH 2021

(Currency - In thousands of Turkish Lira)

### 25. 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 2020</b>							
<b>Assets</b>							
Cash and cash equivalents	3,228	-	-	-	-	386,939	390,227
Reserve deposits at Central Bank	122,414	-	-	-	-	6,418	128,832
FVTPL investments	38,505	674	-	-	-	-	39,179
Available for sale investments	25,469	53,561	32,901	-	-	210,022	321,953
Loans and advances to customers	1,949,277	308,728	470,183	333,114	17,033	13,694	3,092,029
Other assets	-	-	-	-	-	353,124	353,124
<b>Total assets</b>	<b>2,138,953</b>	<b>362,963</b>	<b>503,084</b>	<b>333,114</b>	<b>17,033</b>	<b>970,197</b>	<b>4,325,344</b>
<b>Liabilities</b>							
Funds borrowed (*)	212,957	170,048	212,464	8	61,925	499,854	1,157,256
Debt securities issued(**)	97,343	289,348	185,105	150,994	76,056	-	798,846
Other liabilities(***)	1,054,626	558,604	21,898	-	-	734,114	2,369,242
<b>Total liabilities</b>	<b>1,364,926</b>	<b>1,018,800</b>	<b>419,467</b>	<b>151,002</b>	<b>137,981</b>	<b>1,233,968</b>	<b>4,325,344</b>
On balance sheet interest sensitivity gap	774,027	(655,037)	83,617	182,112	(120,948)	(263,771)	-
Off balance sheet interest sensitivity gap	-	-	-	-	-	-	-
<b>Total interest sensitivity gap</b>	<b>774,027</b>	<b>(655,037)</b>	<b>83,617</b>	<b>182,112</b>	<b>(120,948)</b>	<b>(263,771)</b>	<b>-</b>

(\*) Includes subordinated loans amounting to TL 76,056.

(\*\*) Includes subordinated bonds amounting to TL 37,158.

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

#### Summary of average interest rates

As at 31 March 2021 and 31 December 2020, the summary of average interest rates for different assets and liabilities are as follows:

	31 March 2021			31 December 2020		
	Euro	USD	TL	Euro	USD	TL
<b>Assets</b>						
Cash and balances with the Central Bank	-	-	5,00	-	-	5,00
Due from banks	0,01	0,21	16,58	0,02	0,49	9,57
FVTPL investments	-	-	-	-	-	-
Placements at money markets	-	-	-	-	-	8,66
FVTOCI investments	-	8,41	18,89	-	8,73	19,34
Loans and advances to customers	7,81	9,09	19,62	6,91	8,48	17,26
Other	-	-	-	-	-	-
<b>Liabilities</b>						
Money market borrowings	0,55	0,79	10,72	0,18	0,58	5,34
Funds borrowed	5,02	8,66	15,74	6,87	8,02	9,89
Debt securities issued	-	10,00	15,96	-	10,00	12,65
Funds from other financial institutions	0,23	0,15	16,87	1,16	0,51	10,07

# NUROL YATIRIM BANKASI ANONİM ŞİRKETİ

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS OF AND FOR THE THREE MONTH PERIOD THEN ENDED 31 MARCH 2021

(Currency - In thousands of Turkish Lira)

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

#### e) Market risk (continued)

##### Liquidity risk

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

Liquidity risk is a substantial risk in the Turkish market, which exhibits significant volatility 25.

##### Exposure to liquidity risk

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

31 March 2021	Demand	Less than one month	1-3 months	3-12 months	1-5 years	Over 5 years	Unidentified maturity	Total
Cash and cash equivalents	335,645	170,391	-	-	-	-	-	506,036
Reserve deposits at Central Bank	13,051	132,610	-	-	-	-	-	145,661
FVTPL investments	-	37,099	13,309	10,158	-	-	-	60,566
FVOCI investments	-	-	-	3,353	49,718	59,372	481,949	594,392
Loans and advances to customers	-	2,194,555	285,864	354,761	414,415	-	15,764	3,265,359
Other assets	-	25,251	-	-	-	-	322,386	347,637
<b>Total assets</b>	<b>348,696</b>	<b>2,559,906</b>	<b>299,173</b>	<b>368,272</b>	<b>464,133</b>	<b>59,372</b>	<b>820,099</b>	<b>4,919,651</b>
Funds borrowed (*)	554,901	364,696	13,303	290,584	-	68,319	-	1,291,803
Debt securities issued	-	198,746	266,600	195,658	154,570	-	-	815,574
Other liabilities(**)	103,799	1,105,285	394,829	261,124	4,916	-	942,321	2,812,274
<b>Total liabilities</b>	<b>658,700</b>	<b>1,668,727</b>	<b>674,732</b>	<b>747,366</b>	<b>159,486</b>	<b>68,319</b>	<b>942,321</b>	<b>4,919,651</b>
<b>Liquidity gap</b>	<b>(310,004)</b>	<b>891,179</b>	<b>(375,559)</b>	<b>(379,094)</b>	<b>304,647</b>	<b>(8,947)</b>	<b>(122,222)</b>	<b>-</b>
<b>Off Balance Sheet Position</b>	<b>-</b>	<b>(54,870)</b>	<b>(258)</b>	<b>(16,265)</b>	<b>(50,758)</b>	<b>-</b>	<b>-</b>	<b>(122,151)</b>
Receivables from derivatives	-	2,402,729	403,477	238,682	48,904	-	-	3,093,792
Liabilities from derivatives	-	2,457,599	403,735	254,947	99,662	-	-	3,215,943
<b>Non cash loans</b>	<b>-</b>	<b>376</b>	<b>10,500</b>	<b>243,153</b>	<b>27,532</b>	<b>658,188</b>	<b>-</b>	<b>939,749</b>

(\*) Includes subordinated loans amounting to TL 41,689.

(\*\*) Derivative financial instruments are included in other liabilities,

**NUROL YATIRIM BANKASI ANONİM ŞİRKETİ**

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
AS OF AND FOR THE THREE MONTH PERIOD THEN ENDED 31 MARCH 2021**

(Currency - In thousands of Turkish Lira)

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

**e) Market risk (continued)**

<b>31 December 2020</b>	<b>Demand</b>	<b>Less than one month</b>	<b>1-3 months</b>	<b>3-12 months</b>	<b>1-5 years</b>	<b>Over 5 years</b>	<b>Unidentified maturity</b>	<b>Total</b>
Cash and cash equivalents	386,939	3,288	-	-	-	-	-	390,227
Reserve deposits at Central Bank	6,418	122,414	-	-	-	-	-	128,832
FVTPL investments	-	38,505	674	-	-	-	-	39,179
FVOCI investments	-	-	-	4,342	43,649	63,940	210,022	321,953
Loans and advances to customers	-	1,949,277	308,728	470,183	350,147	-	13,694	3,092,029
Other assets	8	34,183	-	-	-	-	318,933	353,124
<b>Total assets</b>	<b>393,365</b>	<b>2,147,667</b>	<b>309,402</b>	<b>474,525</b>	<b>393,796</b>	<b>63,940</b>	<b>542,649</b>	<b>4,325,344</b>
Funds borrowed (*)	499,854	212,957	170,048	212,464	8	61,925	-	1,157,256
Debt securities issued (**)	-	97,343	289,348	185,105	150,994	76,056	-	798,846
Other liabilities (***)	104,143	1,054,634	558,604	21,890	-	-	629,971	2,369,242
<b>Total liabilities</b>	<b>603,997</b>	<b>1,364,934</b>	<b>1,018,000</b>	<b>419,459</b>	<b>151,002</b>	<b>137,981</b>	<b>629,971</b>	<b>4,325,344</b>
<b>Liquidity gap</b>	<b>(210,632)</b>	<b>782,733</b>	<b>(708,598)</b>	<b>55,066</b>	<b>242,794</b>	<b>(74,041)</b>	<b>(87,322)</b>	<b>-</b>
<b>Off Balance Sheet Position</b>	<b>-</b>	<b>(5,560)</b>	<b>(10,179)</b>	<b>(673)</b>	<b>(38,854)</b>	<b>-</b>	<b>-</b>	<b>(55,266)</b>
Receivables from derivatives	-	2,444,288	553,662	14,383	35,340	-	-	3,047,673
Liabilities from derivatives	-	2,449,848	563,841	15,056	74,194	-	-	3,102,939
<b>Non cash loans</b>	<b>-</b>	<b>3,000</b>	<b>35,841</b>	<b>46,381</b>	<b>99,959</b>	<b>691,335</b>	<b>-</b>	<b>876,516</b>

(\*) Includes subordinated loans amounting to TL 76,056.

(\*\*) Includes subordinated bonds amounting to TL 37,158.

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

## NUROL YATIRIM BANKASI ANONİM ŞİRKETİ

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS OF AND FOR THE THREE MONTH PERIOD THEN ENDED 31 MARCH 2021

(Currency - In thousands of Turkish Lira)

#### 26. Related parties

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

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

<b>31 March 2021</b>	<b>Balance</b>	<b>Percentage of the financial statement amount (%)</b>
Cash loans	1,067,544	33%
Non-cash loans	22,893	2%
Borrower funds / Funds borrowed	223,605	18%

  

<b>31 December 2020</b>	<b>Balance</b>	<b>Percentage of the financial statement amount (%)</b>
Cash loans	840,248	26%
Non-cash loans	22,184	3%
Borrower funds / Funds borrowed	158,758	23%

  

<b>31 March 2021</b>	<b>Balance</b>	<b>Percentage of the financial statement amount (%)</b>
Interest income and commissions	27,793	21%
Other operating expense (-)	1,865	20%

  

<b>31 March 2020</b>	<b>Balance</b>	<b>Percentage of the financial statement amount (%)</b>
Interest income and commissions	17,893	4%
Other operating expense (-)	1,696	15%

As at 31 March 2021 no provisions have been recognised in respect of loans given to related parties (31 December 2020 – 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 2,562 comprising salaries and other benefits for the period 1 January-31 March 2021 (1 January - 31 March 2020: TL 2,691).

## NUROL YATIRIM BANKASI ANONİM ŞİRKETİ

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS OF AND FOR THE THREE MONTH PERIOD THEN ENDED 31 MARCH 2021

*(Currency - In thousands of Turkish Lira)*

#### **27. Events after balance sheet date**

According to Article 11 of the Law No. 7316 on the Procedure for Collection of Public Receivables and the Law on Amendment to Certain Laws published in the Official Gazette on April 22, 2021, and the Provisional Article 13 added to the Corporate Tax Law, the corporate tax rate, which is 20%, is not until the 2021 taxation period, 25% for the corporate earnings belonging to the company, 23% for 2022. In accordance with Article 14 of the Law, the rate to be applied for 2021 will start from the declarations to be submitted as of July 1, 2021 and will be valid for the corporate earnings for the taxation period starting from January 1, 2021.

Based on the decision taken at the Ordinary General Assembly held on March 29, 2021, the paid-up capital of the Bank was increased to TL 460,000, fully covered by internal resources. The Ordinary General Assembly resolution regarding the capital increase was announced in the Turkish Trade Registry Gazette No. 10301 dated April 2, 2021.