

**NUROL YATIRIM BANKASI  
ANONİM ŐİRKETİ**

FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
31 DECEMBER 2015 AND  
INDEPENDENT AUDITOR'S REPORT

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
Nurol Yatırım Bankası Anonim Şirketi

We have audited the accompanying financial statements of Nurol Yatırım Bankası Anonim Şirketi, which comprise the statement of financial position as at 31 December 2015, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

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

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

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



*Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of Nurol Yatırım Bankası Anonim Şirketi as at 31 December 2015, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

*DRT Bağımsız Denetim ve Şahin A.Ş.*

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

İstanbul, 11 March 2016

## TABLE OF CONTENTS

	<b>Page</b> -----
Statement of Financial Position	1
Statement of Profit or Loss and Other Comprehensive Income	2
Statement of Changes in Equity	3
Statement of Cash Flows	4
Notes to the Financial Statements	5 – 62

**NUROL YATIRIM BANKASI ANONİM ŞİRKETİ****STATEMENT OF FINANCIAL POSITION  
AS OF 31 DECEMBER 2015***(Currency - In thousands of Turkish Lira)*

	Note	31 December 2015	31 December 2014
<b>Assets</b>			
Cash and cash equivalents	5	169,136	194,901
Reserve deposits at Central Bank	6	46,692	17,491
Financial assets at fair value through profit or loss	7	23,049	5,136
Available for sale investments	8	34,584	58,755
Loans and advances to customers	9	431,711	356,456
Property and equipment	10	1,601	488
Intangible assets	11	1,154	1,021
Investment property	12	3,427	1,372
Other assets	13	4,786	2,907
<b>Total assets</b>		<b>716,140</b>	<b>638,527</b>
<b>Liabilities</b>			
Funds borrowed	14	161,550	119,332
Debt securities issued	15	382,400	204,629
Other liabilities	16	35,038	200,469
Derivative financial liabilities	19	457	2,211
Provisions	17	3,640	2,974
Current tax liability	18	-	2,033
Deferred tax liability	18	4,119	657
<b>Total liabilities</b>		<b>587,204</b>	<b>532,305</b>
<b>Equity</b>			
Share capital	20	45,000	45,000
Reserves		28,306	23,034
Retained earnings		55,630	38,188
<b>Total equity</b>		<b>128,936</b>	<b>106,222</b>
<b>Total liabilities and equity</b>		<b>716,140</b>	<b>638,527</b>

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

**NUROL YATIRIM BANKASI ANONİM ŞİRKETİ**  
**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 DECEMBER 2015**

*(Currency - In thousands of Turkish Lira)*

	Note	1 January- 31 December 2015	1 January- 31 December 2014
Interest income	21	88,661	61,125
Interest expense	21	(42,041)	(28,015)
<b>Net interest income</b>		<b>46,620</b>	<b>33,110</b>
Fee and commission income	22	12,256	11,710
Fee and commission expense	22	(2,993)	(2,011)
<b>Net fee and commission income</b>		<b>9,263</b>	<b>9,699</b>
Net trading income / (loss)	23	(7,037)	(5,454)
Other operating income/(expense), net	24	(2,235)	1,505
		<b>(9,272)</b>	<b>(3,949)</b>
<b>Operating income</b>		<b>46,611</b>	<b>38,860</b>
Net impairment/recoveries on financial assets	9	(4,282)	(1,571)
Other provision expenses	25	(1,100)	(374)
Personnel expenses	26	(9,725)	(7,937)
Depreciation and amortization	10,11	(522)	(784)
Administrative expenses	27	(9,576)	(8,021)
<b>Profit before income tax</b>		<b>21,406</b>	<b>20,173</b>
Income tax expense	18	(5,025)	(4,306)
<b>Profit from continued operations</b>		<b>16,381</b>	<b>15,867</b>
Income from discontinued operations		-	-
Income tax provision from discontinued operations		-	-
<b>Profit from discontinued operations</b>		<b>-</b>	<b>-</b>
<b>Profit for the period</b>		<b>16,381</b>	<b>15,867</b>
<b>Other comprehensive income</b>			
<b>Available-for-sale financial assets</b>			
Gains / (Loss) arising during the period		4,751	(10)
Income tax relating to components of other comprehensive income	18	(300)	(57)
<b>Other comprehensive income for the period, net of income tax</b>		<b>4,451</b>	<b>(67)</b>
<b>Total comprehensive income for the period</b>		<b>20,832</b>	<b>15,800</b>

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

**NUROL YATIRIM BANKASI ANONİM ŞİRKETİ**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2015**

(Currency- In thousands of Turkish Lira)

	Note	Share capital	Fair value reserve of available for sale financial assets	Legal reserves	Other reserves	Retained earnings	Total equity
<b>Balances at 1 January 2014</b>		45,000	21,950	1,151	-	22,321	90,422
<b>Total comprehensive income for the period</b>							
- Profit for the year		-	-	-	-	15,867	15,867
Other comprehensive income for the period, net of tax		-	(67)	-	-	-	(67)
<b>Total other comprehensive income</b>							
<b>Total comprehensive income for the period</b>			(67)			15,867	15,800
<b>Balance at 31 December 2014</b>		45,000	21,883	1,151	-	38,188	106,222
<b>Balances at 1 January 2015</b>		45,000	21,883	1,151	-	38,188	106,222
Transfer to legal reserves		-	-	821	-	(891)	(70)
Change in accounting policy	3.22	-	-	-	-	1,952	1,952
<b>Total comprehensive income for the period</b>							
- Profit for the year		-	-	-	-	16,381	16,381
- Other comprehensive income for the period, net of tax		-	4,381	-	70	-	4,451
<b>Total other comprehensive income</b>							
<b>Total comprehensive income for the period</b>			4,381		70	16,381	20,832
<b>Balance at 31 December 2015</b>		45,000	26,264	1,972	70	55,630	128,936

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

**NUROL YATIRIM BANKASI ANONİM ŞİRKETİ**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 DECEMBER 2015**

(Currency - In thousands of Turkish Lira)

	<i>Note</i>	1 January- 31 December 2015	1 January- 31 December 2014
<b>Cash flows from operating activities</b>			
Net profit for the period		16,381	15,867
<b>Adjustments:</b>			
Depreciation and amortisation	<i>10,11</i>	522	508
Current tax expense	<i>18</i>	1,966	4,346
Deferred tax (income)/expense	<i>18</i>	3,059	(40)
Provision for loan losses	<i>9</i>	4,282	1,571
Other provisions		968	442
Accrual on derivative instruments		(24,160)	(2,843)
Other accruals		6,008	2,167
Foreign exchange loss / (gain)		(7,700)	14,678
		<b>1,326</b>	<b>36,696</b>
<b>Changes in operating assets and liabilities</b>			
Change in held for trading investments		-	7,006
Change in loans and advances to customers		(70,480)	(114,785)
Change in reserve deposits		(29,216)	(11,389)
Change in other assets		(3,934)	15,309
Change in other liabilities		(170,015)	194,098
Change in borrowings		41,851	(118,575)
Taxes paid		(3,999)	(2,313)
<b>Net cash provided by / (used in) operating activities</b>		<b>(234,467)</b>	<b>6,047</b>
<b>Cash flows from investing activities</b>			
Purchase of available for sale investments		30,710	(27,284)
Proceed from sale of available for sale investments		-	51,350
Purchase of property and equipment	<i>10</i>	(1,531)	(193)
Purchase of intangible assets	<i>11</i>	(273)	(154)
<b>Net cash (used in) / provided by investing activities</b>		<b>28,906</b>	<b>(23,719)</b>
Proceeds from debt securities issued		172,130	98,422
Other		(34)	-
<b>Net cash provided by financing activities</b>		<b>172,096</b>	<b>98,422</b>
<b>Effect of foreign exchange rate change on cash and cash equivalents</b>		<b>7,700</b>	<b>(14,678)</b>
<b>Net increase in cash and cash equivalents</b>		<b>(25,765)</b>	<b>113,510</b>
Cash and cash equivalents at 1 January		194,901	81,391
<b>Cash and cash equivalents at 31 December</b>		<b>169,136</b>	<b>194,901</b>

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



**NUROL YATIRIM BANKASI ANONİM ŞİRKETİ**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AS OF AND FOR THE YEAR ENDED 31 DECEMBER 2015**

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

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

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

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

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

Nurettin Çarmıklı (*)	<i>Chairman</i>
Erol Çarmıklı	<i>Deputy Chairman of Board</i>
M. Oğuz Çarmıklı	<i>Deputy Chairman of Board</i>
Dr. Ahmet Paşaoğlu	<i>Board Member</i>
S. Ceyda Çarmıklı	<i>Board Member</i>
Ahmet Şirin	<i>Board Member (Audit Committee Member)</i>
Yusuf Serbest	<i>Board Member</i>
Mehmet Mete Başol	<i>Board Member (Audit Committee Member)</i>
Özgür Altuntaş	<i>Board Member – General Manager</i>
Ahmet Kerim Kemahlı	<i>Board Member</i>

(\*) Due to the resignation of Nurettin Çarmıklı on 10 February 2016, Ziya Akkurt is assigned as the chairman.

**NUROL YATIRIM BANKASI ANONİM ŞİRKETİ**

**NOTES TO THE FINANCIAL STATEMENTS**

**AS OF AND FOR THE YEAR ENDED 31 DECEMBER 2015**

*(Currency - In thousands of Turkish Lira)*

**2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs)**

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

None.

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

Amendments to IAS 19	<i>Defined Benefit Plans: Employee Contributions 1</i>
Annual Improvements to 2010-2012 Cycle	<i>IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16 and IAS 38, IAS 24<sup>1</sup></i>
Annual Improvements to 2011-2013 Cycle	<i>IFRS 1, IFRS 3, IFRS 13, IAS 40<sup>1</sup></i>

<sup>1</sup> Effective for annual periods beginning on or after 1 July 2014.

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

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

**Annual Improvements to 2010-2012 Cycle**

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

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

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

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

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

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

**Annual Improvements to 2011-2013 Cycle**

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

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

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

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

**NUROL YATIRIM BANKASI ANONİM ŞİRKETİ**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AS OF AND FOR THE YEAR ENDED 31 DECEMBER 2015**

(Currency - In thousands of Turkish Lira)

**2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs) (continued)**

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

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

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

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2016.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2018.

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2019.

**IFRS 9 Financial Instruments**

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

**IFRS 14 Regulatory Deferral Accounts**

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

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

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

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

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

**NUROL YATIRIM BANKASI ANONİM ŞİRKETİ**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AS OF AND FOR THE YEAR ENDED 31 DECEMBER 2015**

*(Currency - In thousands of Turkish Lira)*

**2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs) (continued)**

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

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

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

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

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

The five steps in the model are as follows:

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

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

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

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

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

***Annual Improvements 2012-2014 Cycle***

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

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

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

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

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

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

**NUROL YATIRIM BANKASI ANONİM ŞİRKETİ**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AS OF AND FOR THE YEAR ENDED 31 DECEMBER 2015**

(Currency - In thousands of Turkish Lira)

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

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

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

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

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

**IFRS 16 *Leases***

This 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 1 January 2019, with earlier adoption permitted if IFRS 15 'Revenue from Contracts with Customers' has also been applied.

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

**3. Significant accounting policies**

**3.1 Statement of compliance**

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

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

The financial statements were authorised for issue by the Bank's management on 11 March 2016. The Bank's General Assembly and the other reporting bodies have the power to amend the financial statements after their issue.

**3.2 Basis of measurement**

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

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

**NUROL YATIRIM BANKASI ANONİM ŞİRKETİ**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AS OF AND FOR THE YEAR ENDED 31 DECEMBER 2015**

*(Currency - In thousands of Turkish Lira)*

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

**3.3 Accounting in hyperinflationary economies**

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

**3.4 Foreign currency transactions**

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

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

	USD / TL (full)	EUR / TL (full)
31 December 2015	2.9181	3.1838
31 December 2014	2.3189	2.8207

**3.5 Interest income and interest expense**

Interest income and expense are recognised in the profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. When calculating the effective interest rate, the Bank estimates future cash flows considering all contractual terms of financial instrument, but not future credit losses. The effective interest rate is established on initial recognition of the financial asset and liability and is not revised subsequently.

The calculation of the effective interest rate includes all fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or liability.

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

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

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

**3.6 Fees and commission**

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

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

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

**NUROL YATIRIM BANKASI ANONİM ŞİRKETİ**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AS OF AND FOR THE YEAR ENDED 31 DECEMBER 2015**  
*(Currency - In thousands of Turkish Lira)*

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

**3.7 Net trading income**

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

**3.8 Dividends**

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

**3.9 Taxation and deferred income taxes**

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

*Current tax*

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

*Deferred tax*

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

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

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

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

**NUROL YATIRIM BANKASI ANONİM ŞİRKETİ**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AS OF AND FOR THE YEAR ENDED 31 DECEMBER 2015**

*(Currency - In thousands of Turkish Lira)*

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

**3.9 Taxation and deferred income taxes (continued)**

*Current and deferred tax for the period*

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

*Investment Incentives*

The phrase " ... only attributable to 2006, 2007 and 2008", which was included in the paragraph set out in Provisional Article 69 of Income Tax Law No: 193 is deleted upon the Constitutional Court's resolution no: 2009/144 and the related decision was published in the Official Gazette on 8 January 2010. Investment incentive application was revised based on Article 5 of Law No: 6009, which had been published in the Official Gazette No: 27659 on 1 August 2010. Under the revised law, the investment incentive amount which would be used as a discount in determining the tax basis should not exceed 25% of the related period's profit, only to the extent that it is applicable to profit for the related period, whereas corporate tax would be calculated based on the applicable tax rate over the remaining profit. The requirement stating that deductible investment incentive amount cannot exceed the 25% of annual earnings has been annulled upon the Constitutional Court's decision no:2010/93, K: 2012/9 issued on 9 February 2012. The full annulment decision has not been published in the Official Gazette as of the report date but the decision for the stay of execution is published in the Official Gazette on 18 February 2012. As of 31 December 2015, there is no investment incentive amount that is planned to be deducted by the Bank from its corporate income in the future and therefore there is no deferred tax asset recognized in the Bank's financial statements related to the investment incentive (31 December 2014: None).

**3.10 Financial assets and liabilities**

**Financial Assets**

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

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

*Effective interest method*

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

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



**NUROL YATIRIM BANKASI ANONİM ŞİRKETİ**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AS OF AND FOR THE YEAR ENDED 31 DECEMBER 2015**

*(Currency - In thousands of Turkish Lira)*

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

**3.10 Financial assets and liabilities (continued)**

Financial Assets (continued)

Financial assets at FVTPL

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

Held-to-maturity investments

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

Available for sale financial assets

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

Dividends on available for sale equity instruments are recognized in profit and loss when the Bank has the right to receive any payment.

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

Due from banks and loans and advances to customers

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

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

**NUROL YATIRIM BANKASI ANONİM ŞİRKETİ**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AS OF AND FOR THE YEAR ENDED 31 DECEMBER 2015**

*(Currency - In thousands of Turkish Lira)*

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

**3.10 Financial assets and liabilities (continued)**

Financial Assets (continued)

*Due from banks and loans and advances to customers (continued)*

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

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

*Impairment of financial assets*

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

The carrying amount of the financial asset is reduced by impairment loss directly for all financial assets with the exception of lease receivables where the carrying amount is reduced through the use of an allowance account. When a loan is uncollectible, it is written off against the allowance account. Changes in allowance accounts are recognized in profit or loss.

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

*Cash and cash equivalents*

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

**NUROL YATIRIM BANKASI ANONİM ŞİRKETİ**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AS OF AND FOR THE YEAR ENDED 31 DECEMBER 2015**

*(Currency - In thousands of Turkish Lira)*

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

**3.10 Financial assets and liabilities (continued)**

Financial Assets (continued)

*Derecognition of financial assets*

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

Financial Liabilities

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

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

*Financial liabilities at fair value through profit or loss*

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

*Other financial liabilities*

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

Other financial liabilities are subsequently measured at amortized cost using the effective interest method plus the interest expense recognized on an effective yield basis. The effective interest method is calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate discounts the estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

*Deposits, funds borrowed and debt securities issued*

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

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

*Derecognition of financial liabilities*

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

**NUROL YATIRIM BANKASI ANONİM ŞİRKETİ**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AS OF AND FOR THE YEAR ENDED 31 DECEMBER 2015**

*(Currency - In thousands of Turkish Lira)*

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

**3.10 Financial assets and liabilities (continued)**

*Derivative financial instruments*

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

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

**3.11 Property and equipment**

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

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

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

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

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

**3.12 Intangible assets**

Intangible assets acquired separately

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

**NUROL YATIRIM BANKASI ANONİM ŞİRKETİ**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AS OF AND FOR THE YEAR ENDED 31 DECEMBER 2015**

*(Currency - In thousands of Turkish Lira)*

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

**3.12 Intangible assets (continued)**

Computer software

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

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

**3.13 Impairment of non-financial assets**

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

**3.14 Investment properties**

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

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

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

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

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

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

**NUROL YATIRIM BANKASI ANONİM ŞİRKETİ**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AS OF AND FOR THE YEAR ENDED 31 DECEMBER 2015**  
*(Currency - In thousands of Turkish Lira)*

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

**3.15 Leases**

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

**The Bank as lessee**

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

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

**The Bank as lessor**

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

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

**3.16 Provisions**

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

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

**NUROL YATIRIM BANKASI ANONİM ŞİRKETİ**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AS OF AND FOR THE YEAR ENDED 31 DECEMBER 2015**

*(Currency - In thousands of Turkish Lira)*

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

**3.17 Employee benefits**

Termination and retirement benefits

Under Turkish law and union agreements, lump sum payments are made to employees retiring or involuntarily leaving the Bank. Such payments are considered as being part of defined retirement benefit plan as per International Accounting Standard No. 19 (revised) "Employee Benefits" ("IAS 19").

The retirement benefit obligation recognized in the balance sheet represents the present value of the defined benefit obligation.

Profit-sharing and bonus plans

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

**3.18 Fiduciary assets**

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

**3.19 Use of estimates and judgments**

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in note 3.20.

**3.20 Key sources of estimation uncertainty**

*Allowances for credit losses*

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

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

**NUROL YATIRIM BANKASI ANONİM ŞİRKETİ**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AS OF AND FOR THE YEAR ENDED 31 DECEMBER 2015**

*(Currency - In thousands of Turkish Lira)*

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

**3.20 Key sources of estimation uncertainty (continued)**

*Determining fair values*

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

*Critical accounting judgements in applying the Bank's accounting policies*

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

*Impairment of investment in equity securities*

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

*Valuation of financial instruments*

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

*Financial asset and liability classification*

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

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

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

**3.21 Functional and presentation currency**

These financial statements are presented in TL, which is the Bank's functional currency. Except as indicated, financial information presented in TL has been rounded to the nearest thousand.

**3.22 Change in accounting policy**

The Company has previously accounted its investment property under cost model and has changed its accounting policy to fair value model in the current period. The Company has accounted the effect of this accounting policy change directly in equity in the accompanying financial statements.



**NUROL YATIRIM BANKASI ANONİM ŞİRKETİ**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AS OF AND FOR THE YEAR ENDED 31 DECEMBER 2015**

(Currency - In thousands of Turkish Lira)

**4. Segment reporting**

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

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

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

Major financial statement items according to business lines:

<b>2015</b>	<b>Retail banking</b>	<b>Corporate banking</b>	<b>Investment banking</b>	<b>Other</b>	<b>Total operations of the Bank</b>
Operating income	38	44,447	2,126	-	46,611
Expenses	-	(25,205)	-	-	(25,205)
Profit before income tax	38	19,242	2,126	-	21,406
Income tax income/expense	-	-	-	-	(5,025)
Profit from continued operations	38	19,242	2,126	-	16,381
Profit from discontinued operations	-	-	-	-	-
<b>Profit for the period</b>	<b>38</b>	<b>19,242</b>	<b>2,126</b>	<b>-</b>	<b>16,381</b>
<b>31 December 2015</b>					
Segment assets	209	715,931	-	-	716,140
Non-distributed Asset	-	-	-	-	-
<b>Total assets</b>	<b>209</b>	<b>715,931</b>	<b>-</b>	<b>-</b>	<b>716,140</b>
Segment liabilities	-	587,204	-	-	587,204
Shareholders' equity	-	-	-	128,936	128,936
<b>Total liabilities</b>	<b>-</b>	<b>587,204</b>	<b>-</b>	<b>128,936</b>	<b>716,140</b>

**NUROL YATIRIM BANKASI ANONİM ŞİRKETİ**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AS OF AND FOR THE YEAR ENDED 31 DECEMBER 2015**

(Currency - In thousands of Turkish Lira)

4. Segment reporting (continued)

2014	Retail banking	Corporate banking	Investment banking	Other	Total operations of the Bank
Operating income	50	37,543	1,499	8	39,100
Other expenses	-	(18,687)	-	(240)	(18,927)
Profit before income tax	50	18,856	1,499	(232)	20,173
Income tax income/expense	-	-	-	-	(4,306)
Profit from continued operations	50	18,856	1,499	(232)	15,867
Profit from discontinued operations	-	-	-	-	-
<b>Profit for the year</b>	<b>50</b>	<b>18,856</b>	<b>1,499</b>	<b>(232)</b>	<b>15,867</b>

31 December 2014	Retail Banking	Corporate Banking	Investment banking	Other	Total operations of the Bank
Segment assets	319	631,013	-	7,195	638,527
Non-distributed Asset	-	-	-	-	-
<b>Total assets</b>	<b>319</b>	<b>631,013</b>	<b>-</b>	<b>7,195</b>	<b>638,527</b>
Segment liabilities	-	532,305	-	-	532,305
Shareholders' equity	-	-	-	106,222	106,222
<b>Total liabilities</b>	<b>-</b>	<b>532,305</b>	<b>-</b>	<b>106,222</b>	<b>638,527</b>

*Geographical concentration*

	Assets	Liabilities	Non-cash loans	Capital expendi- tures	Net profit / (loss)
<b>31 December 2015</b>					
Domestic	713,832	716,140	269,511	1,601	16,381
European Union countries	1,361	-	-	-	-
OECD countries	17	-	-	-	-
USA, Canada	930	-	-	-	-
Other countries	-	-	-	-	-
<b>Total</b>	<b>716,140</b>	<b>716,140</b>	<b>269,511</b>	<b>1,601</b>	<b>16,381</b>
<b>31 December 2014</b>					
Domestic	631,973	630,398	308,225	488	15,867
European Union countries	361	-	-	-	-
OECD countries	5,146	-	-	-	-
USA, Canada	1,047	-	-	-	-
Other countries	-	8,129	-	-	-
<b>Total</b>	<b>638,527</b>	<b>638,527</b>	<b>308,225</b>	<b>488</b>	<b>15,867</b>

**NUROL YATIRIM BANKASI ANONİM ŞİRKETİ**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AS OF AND FOR THE YEAR ENDED 31 DECEMBER 2015**  
*(Currency - In thousands of Turkish Lira)*

**5. Cash and cash equivalents**

	31 December 2015	31 December 2014
Cash and balances with central banks	179	638
- Cash on hand	159	187
- Balances with central banks	20	451
Due from banks and financial institutions	106,604	109,210
Placements at money markets	62,353	85,053
<b>Cash and cash equivalents in the balance sheet</b>	<b>169,136</b>	<b>194,901</b>

As at 31 December 2015 and 31 December 2014, the details of the balances with central banks and due from banks and financial institutions are as follows:

	31 December 2015			
	Amount		Effective interest rate	
	Turkish Lira	Foreign currency	Turkish Lira	Foreign currency
Balances with Central Bank	3	17	-	-
Due from banks and financial institutions	18,121	88,483	11.43%	-
Placement at money markets	62,353	-	14.41%	-
<b>Total</b>	<b>80,477</b>	<b>88,500</b>		

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

**NUROL YATIRIM BANKASI ANONİM ŞİRKETİ**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AS OF AND FOR THE YEAR ENDED 31 DECEMBER 2015**

(Currency - In thousands of Turkish Lira)

**6. Reserve deposits at Central Bank**

	31 December 2015	31 December 2014
Turkish Lira	43,663	7,616
Foreign currency	3,029	9,875
	<b>46,692</b>	<b>17,491</b>

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

As of 31 December 2015, the compulsory rates for the reserve deposits at the Central Bank of Turkey for Turkish Lira are implemented within an interval from 5% to 11.5% depending on the maturity of deposits (31 December 2014: 5% - 11.5 %) and the compulsory rates for the foreign currency liabilities are within an interval from 6% to 13% depending on the maturity of deposits (31 December 2014: 6% - 13%).

**7. Financial assets at fair value through profit or loss**

	31 December 2015	31 December 2014
Derivative financial assets-held for trading	23,049	5,136
<b>Total FVTPL</b>	<b>23,049</b>	<b>5,136</b>

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

**8. Available for sale investments**

	31 December 2015		31 December 2014	
	Amount	Effective interest rate	Amount	Effective interest rate
<b>Available-for-sale investments at fair value</b>				
Debt instruments – TL denominated <sup>(a)</sup>	4,465	11.83%	33,363	17.00%
Equity instruments – listed <sup>(b)</sup>	29,959		25,232	
Equity instruments – unlisted	160		160	
<b>Total available-for-sale investments at fair value</b>	<b>34,584</b>		<b>58,755</b>	

(a) Available for sale debt instruments include government bonds denominated in TL amounting to TL 1,130 Thousand (31 December 2014: TL 4,096 Thousand); private sector bonds amounting to TL 3,334 Thousand (31 December 2014: TL 24,261 Thousand) and the remaining portion consists of investment funds.

(b) The Bank holds 15.97% of Nurol Gayrimenkul Yatırım Ortaklığı A.Ş. ("Company")'s shares as of 31 December 2015 and the investment is accounted under available for sale investments, as the Bank has no significant influence on the Company. As of the balance sheet date the shares are accounted for using the market price and fair value reserve of TL 27,743 Thousand is accounted under equity (31 December 2014: TL 23,016 Thousand).

**NUROL YATIRIM BANKASI ANONİM ŞİRKETİ**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AS OF AND FOR THE YEAR ENDED 31 DECEMBER 2015**

(Currency - In thousands of Turkish Lira)

**9. Loans and advances to customers**

	<b>31 December 2015</b>			
	<b>Amount</b>			
	<b>TL</b>	<b>Foreign currency</b>	<b>Foreign currency indexed</b>	<b>Total</b>
Finance lease receivables	8,792	-	-	8,792
Factoring receivables	-	-	-	-
Short-term loans	208,477	28,764	-	237,241
Medium and long-term loans	113,544	69,137	-	182,681
<b>Total performing loans</b>	<b>330,813</b>	<b>97,901</b>	<b>-</b>	<b>428,714</b>
Less: Portfolio provision	(3,161)	-	-	(3,161)
Non-performing loans	540	-	-	540
Less: Reserve for possible loan losses	(150)	-	-	(150)
<b>Total non-performing loans (net)</b>	<b>390</b>	<b>-</b>	<b>-</b>	<b>390</b>
<b>Transferred assets (*)</b>	<b>5,768</b>	<b>-</b>	<b>-</b>	<b>5,768</b>
<b>Total loans, net</b>	<b>333,808</b>	<b>97,903</b>	<b>-</b>	<b>431,711</b>

(\*) The Bank sold its non-performing loan amounting to TL 9,035 Thousand to an asset management company using revenue sharing method. However, since the Bank has retained substantially all the risks and rewards of ownership of the transferred asset, TL 5,768 Thousand has not been derecognized from the statement of financial position.

	<b>31 December 2014</b>			
	<b>Amount</b>			
	<b>TL</b>	<b>Foreign currency</b>	<b>Foreign currency indexed</b>	<b>Total</b>
Finance lease receivables	11,728	608	-	12,336
Factoring receivables	-	-	-	-
Short-term loans	127,548	22,936	-	150,484
Medium and long-term loans	144,240	37,010	-	181,250
<b>Total performing loans</b>	<b>283,516</b>	<b>60,554</b>	<b>-</b>	<b>344,070</b>
Non-performing loans	507	13,791	-	14,298
Less: Reserve for possible loan losses	(342)	(1,570)	-	(1,912)
<b>Total non-performing loans (net)</b>	<b>165</b>	<b>12,221</b>	<b>-</b>	<b>12,386</b>
<b>Total loans, net</b>	<b>283,681</b>	<b>72,775</b>	<b>-</b>	<b>356,456</b>

**NUROL YATIRIM BANKASI ANONİM ŞİRKETİ**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AS OF AND FOR THE YEAR ENDED 31 DECEMBER 2015**

*(Currency - In thousands of Turkish Lira)*

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

Movement in reserve for loan losses:

	31 December 2015	31 December 2014
Reserve at beginning of period	1,912	390
Provision for possible loan losses	4,282	1,571
Recoveries	-	(49)
Provision, net of recoveries	4,282	1,522
Disposal of non-performing loans	(2,883)	-
<b>Reserve at end of period</b>	<b>3,311</b>	<b>1,912</b>

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

	31 December 2015	31 December 2014
Gross investment in finance leases, receivable:		
Less than one year	7,484	6,401
Between one and five years	2,381	8,998
	<b>9,865</b>	<b>15,399</b>
Unearned future income on finance leases	(1,073)	(3,063)
<b>Net investment in finance leases</b>	<b>8,792</b>	<b>12,336</b>
The net investment in finance leases comprises:		
Less than one year	6,492	5,033
Between one and four years	2,300	7,303
	<b>8,792</b>	<b>12,336</b>

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

The receivables are secured by way of the underlying assets.

**NUROL YATIRIM BANKASI ANONİM ŞİRKETİ**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AS OF AND FOR THE YEAR ENDED 31 DECEMBER 2015**

(Currency - In thousands of Turkish Lira)

**10. Property and equipment**

	Office equipment	Furniture and fixtures	Other fixed assets	Total
<b>Cost</b>				
Balance at 1 January 2015	1,668	652	591	2,911
Acquisitions	253	250	1,028	1,531
Disposals	(255)	(583)	(310)	(1,148)
<b>Balance at 31 December 2015</b>	<b>1,666</b>	<b>319</b>	<b>1,309</b>	<b>3,294</b>
<b>Depreciation</b>				
Balance at 1 January 2015	(1,366)	(615)	(442)	(2,423)
Depreciation charge for the period	(163)	(34)	(185)	(382)
Disposals	232	573	307	1,112
<b>Balance at 31 December 2015</b>	<b>(1,297)</b>	<b>(76)</b>	<b>(320)</b>	<b>(1,693)</b>
<b>Carrying value as of 31 December 2015</b>	<b>369</b>	<b>243</b>	<b>989</b>	<b>1,601</b>

	Office Equipment	Furniture and fixtures	Other fixed assets	Total
<b>Cost</b>				
Balance at 1 January 2014	1,543	652	523	2,718
Acquisitions	125	-	68	193
<b>Balance at 31 December 2014</b>	<b>1,668</b>	<b>652</b>	<b>591</b>	<b>2,911</b>
<b>Depreciation</b>				
Balance at 1 January 2014	(1,118)	(609)	(411)	(2,138)
Depreciation charge for the period	(248)	(6)	(31)	(285)
<b>Balance at 31 December 2014</b>	<b>(1,366)</b>	<b>(615)</b>	<b>(442)</b>	<b>(2,423)</b>
<b>Carrying value as of 31 December 2014</b>	<b>302</b>	<b>37</b>	<b>149</b>	<b>488</b>

As of 31 December 2015 tangible assets were insured to the extent to TL 1,601 Thousand in total.

The estimated useful lives are as follows:

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

NUROL YATIRIM BANKASI ANONİM ŞİRKETİ  
 NOTES TO THE FINANCIAL STATEMENTS  
 AS OF AND FOR THE YEAR ENDED 31 DECEMBER 2015

(Currency - In thousands of Turkish Lira)

11. Intangible assets

	Software	Total
<b>Cost</b>		
Balance at 1 January 2015	4,038	4,038
Additions	273	273
<b>Balance at 31 December 2015</b>	<b>4,311</b>	<b>4,311</b>
<b>Amortization and impairment</b>		
Balance at 1 January 2015	(3,017)	(3,017)
Amortization charge for the period	(140)	(140)
<b>Balance at 31 December 2015</b>	<b>(3,157)</b>	<b>(3,157)</b>
<b>Carrying value as of 31 December 2015</b>	<b>1,154</b>	<b>1,154</b>
<b>Cost</b>		
Balance at 1 January 2014	3,884	3,884
Additions	154	154
<b>Balance at 31 December 2014</b>	<b>4,038</b>	<b>4,038</b>
<b>Amortization and impairment</b>		
Balance at 1 January 2014	(2,794)	(2,794)
Amortization charge for the period	(223)	(223)
<b>Balance at 31 December 2014</b>	<b>(3,017)</b>	<b>(3,017)</b>
<b>Carrying value as of 31 December 2014</b>	<b>1,021</b>	<b>1,021</b>



**NUROL YATIRIM BANKASI ANONİM ŞİRKETİ**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AS OF AND FOR THE YEAR ENDED 31 DECEMBER 2015**

*(Currency - In thousands of Turkish Lira)*

**12. Investment property**

	<b>1 January- 31 December 2015</b>
Balance at the beginning of the year	1,372
Effect of change in accounting policy recognized in equity	2,055
Balance at end of year	<u><u>3,427</u></u>

	<b>Land</b>	<b>Total</b>
<b>Cost</b>		
Balance at 1 January 2014	1,372	1,372
Additions	-	-
<b>Balance at 31 December 2014</b>	<u><u>1,372</u></u>	<u><u>1,372</u></u>
<b>Amortization and impairment</b>		
Balance at 1 January 2014	-	-
Amortization charge for the period	-	-
<b>Balance at 31 December 2014</b>	<u><u>-</u></u>	<u><u>-</u></u>
<b>Carrying value as of 31 December 2014</b>	<u><u>1,372</u></u>	<u><u>1,372</u></u>

**NUROL YATIRIM BANKASI ANONİM ŞİRKETİ**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AS OF AND FOR THE YEAR ENDED 31 DECEMBER 2015**

(Currency - In thousands of Turkish Lira)

**13. Other assets**

	31 December 2015	31 December 2014
Receivables from Nurol Holding	98	483
Current tax assets	2,872	-
Others	1,816	2,424
	<b>4,786</b>	<b>2,907</b>

**14. Funds borrowed**

	31 December 2015			31 December 2014		
	TL	Foreign currency	Total	TL	Foreign currency	Total
Funds borrowed	40,531	120,292	160,823	32,673	35,154	67,827
Obligations under repurchase agreements	727	-	727	51,505	-	51,505
	<b>41,258</b>	<b>120,292</b>	<b>161,550</b>	<b>84,178</b>	<b>35,154</b>	<b>119,332</b>

The effective interest rate for funds borrowed denominated in USD is 1.36% (2014 -2.00%); in EUR it is 2.14% (2014 - 2.93%) and in TL it is 8.76% (2014 - 11.23 %). As at 31 December 2015 and 31 December 2014, funds borrowed have fixed interest rates.

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

**15. Debt securities issued**

The Bank has issued floating rate debt securities amounting to TL 100,000,000, interest rate of 9.18% at 29 January 2015 with 546 days maturity and three-month period interest payment. Bank reclaimed securities worth TL 1,150,000 in nominal value that was issued, as of balance sheet date. The Bank has also issued bills on 3 September 2015 with nominal value of TL 75,000,000, interest rate of 11.92% and term of 179 days; bonds on 10 July 2015 with nominal value of TL 70,000,000, interest rate of 10.83% and term of 182 days; bonds on 20 November 2015 with nominal value of TL 60,000,000, interest rate of 11.56% and term of 179 days; bonds on 20 October 2015 with nominal value of TL 30,000,000, interest rate of 3.10% and term of 545 days, coupon payments as every three months with variable interest, and bonds on 3 June 2015 with nominal value of TL 50,000,000, interest rate of 2.94% and term of 539 days, coupon payments as every three months with variable interest, through sales to the qualified investors. As at 31 December 2015, debt securities are as follows:

	31 December 2015			31 December 2014		
	TL	Foreign currency	Total	TL	Foreign currency	Total
Bonds	382,400	-	382,400	204,629	-	204,629
	<b>382,400</b>	<b>-</b>	<b>382,400</b>	<b>204,629</b>	<b>-</b>	<b>204,629</b>

NUROL YATIRIM BANKASI ANONİM ŞİRKETİ  
NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED 31 DECEMBER 2015

(Currency - In thousands of Turkish Lira)

16. Other liabilities

	31 December 2015	31 December 2014
Current accounts of loan customers	25,569	192,074
Taxes and funds payable	1,381	1,323
Others	8,088	7,072
	<b>35,038</b>	<b>200,469</b>

17. Provisions

	31 December 2015	31 December 2014
Provision for non -cash loans	1,029	963
Bonus accrual	1,000	247
Employee termination benefits	685	565
Unused vacation accrual	460	404
Provision for lawsuits	450	380
Other	16	415
	<b>3,640</b>	<b>2,974</b>

**NUROL YATIRIM BANKASI ANONİM ŞİRKETİ**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AS OF AND FOR THE YEAR ENDED 31 DECEMBER 2015**

*(Currency - In thousands of Turkish Lira)*

**17. Provisions (continued)**

The movement in vacation pay liability is as follows:

	2015	2014
At 1 January	404	263
Provision provided /(reversal)	56	141
<b>At 31 December</b>	<b>460</b>	<b>404</b>

The movement in provision for bonus accrual is as follows:

	2015	2014
At 1 January	247	-
Provision provided	1,000	247
Bonus paid	(247)	-
<b>At 31 December</b>	<b>1,000</b>	<b>247</b>

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

	2015	2014
At 1 January	565	431
Service cost	160	187
Interest cost	15	10
Benefits paid	(55)	(63)
Provision reversal	-	-
Actuarial gain /loss	-	-
<b>At 31 December</b>	<b>685</b>	<b>565</b>

**NUROL YATIRIM BANKASI ANONİM ŞİRKETİ**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AS OF AND FOR THE YEAR ENDED 31 DECEMBER 2015**

(Currency - In thousands of Turkish Lira)

**17. Provisions (continued)**

Employee termination benefits

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 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 3,828.37 for each period of service at 31 December 2015 (2014: TL 3,438.22).

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 financial statements as at 31 December 2015, 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 with the assumption of 2.26% real discount rate (31 December 2014: 2.86%) calculated by using 6.00% annual inflation rate and 8.40% discount rate. Ceiling amount of TL 4.092,53 which is in effect since 1 January 2016 is used in the calculation of Groups' provision for retirement pay liability (1 January 2015: TL 3.541,37).

**18. Taxation**

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

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

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

**Income tax recognised in the statement of profit or loss**

The components of income tax expense as stated below:

	2015	2014
<b>Current tax</b>		
Current income tax	(1,966)	(4,346)
<b>Deferred income / (expense) tax</b>		
Relating to origination and reversal of temporary differences	(3,059)	40
<b>Income tax expense reported in the income statement</b>	<b>(5,025)</b>	<b>(4,306)</b>

**NUROL YATIRIM BANKASI ANONİM ŞİRKETİ**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AS OF AND FOR THE YEAR ENDED 31 DECEMBER 2015**

(Currency - In thousands of Turkish Lira)

**18. Taxation (continued)**

**Reconciliation of effective tax rate**

Reconciliation between tax expense and the accounting profit multiplied by the statutory income tax rate for the years ended 31 December 2015 and 31 December 2014 is as follows:

	2015	2014
Profit before income tax	21,406	20,173
Income tax using the domestic corporate tax rate 20%	(4,281)	(4,035)
Disallowable expenses	(744)	(271)
<b>Total income tax expense in the profit or loss</b>	<b>(5,025)</b>	<b>(4,306)</b>

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

	31 December 2015	31 December 2014
Deferred tax assets / (liability), net at 1 January	(657)	(640)
Deferred tax recognised in the profit or loss	(3,059)	40
Deferred income tax recognised in other comprehensive income	(403)	(57)
<b>Deferred tax assets/(liabilities), net at end of the year</b>	<b>(4,119)</b>	<b>(657)</b>

**Deferred tax assets and liabilities**

Deferred tax assets and liabilities are attributable to the following:

	31 December 2015			31 December 2014		
	Assets	Liabilities	Net	Assets	Liabilities	Net
Liability for employee benefits	229	-	229	194	-	194
Valuation of available for sale financial assets	-	(1,388)	(1,388)	-	(1,155)	(1,155)
Economic life property and equipment	-	(60)	(60)	-	(35)	(35)
Derivatives	-	(4,518)	(4,518)	-	(581)	(581)
Prepaid commissions	1,248	-	1,248	920	-	920
Other	568	(198)	370	-	-	-
	<b>2,045</b>	<b>(6,164)</b>	<b>(4,119)</b>	<b>1,114</b>	<b>(1,771)</b>	<b>(657)</b>

**NUROL YATIRIM BANKASI ANONİM ŞİRKETİ**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AS OF AND FOR THE YEAR ENDED 31 DECEMBER 2015**

(Currency - In thousands of Turkish Lira)

**19. Commitments and contingencies**

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

As at 31 December 2015; commitments and contingencies comprised the following:

	31 December 2015	31 December 2014
Letters of guarantee	260,755	300,991
Letters of credit	3,025	5,084
Bank acceptances	5,731	2,150
Other commitments	235	236
<b>Total</b>	<b>269,746</b>	<b>308,461</b>

As at 31 December 2015; derivative financial instruments are comprised the following. This table shows the fair values of derivative financial liabilities.

	31 December 2015		31 December 2014	
	Fair Value	Notional Amount in Turkish Lira equivalent	Fair Value	Notional Amount in Turkish Lira equivalent
Derivative financial liabilities - FVTPL	457	581,510	2,211	763,140
	457	581,510	2,211	763,140

**NUROL YATIRIM BANKASI ANONİM ŞİRKETİ**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AS OF AND FOR THE YEAR ENDED 31 DECEMBER 2015**

(Currency - In thousands of Turkish Lira)

**20. Share capital and reserves**

**Share capital**

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

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

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

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

**Legal reserves**

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

As at 31 December 2015, the Bank's legal reserves amounted to TL 1,972 Thousand (31 December 2014 - TL 1,151 Thousand).

**Available-for-sale reserve**

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

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

<b>At 31 December 2014</b>	<b>21,883</b>
At 1 January 2015	21,883
Change in fair value of available-for-sale financial assets (net of tax)	4,381
<b>At 31 December 2015</b>	<b>26,264</b>



NUROL YATIRIM BANKASI ANONİM ŞİRKETİ  
 NOTES TO THE FINANCIAL STATEMENTS  
 AS OF AND FOR THE YEAR ENDED 31 DECEMBER 2015

(Currency - In thousands of Turkish Lira)

21. Net interest income

	1 January- 31 December 2015	1 January- 31 December 2014
<b>Interest income</b>		
Loans and advances to customers	82,207	51,962
Deposits with banks and other financial institutions	2,229	1,940
Held for trading and available for sale investments	2,111	3,348
Financial leases	1,353	2,684
Other	761	1,191
	<b>88,661</b>	<b>61,125</b>
<b>Interest expense</b>		
Funds borrowed	4,929	3,425
Debt securities issued	35,387	19,747
Interbank funds borrowed	1,725	4,843
	<b>42,041</b>	<b>28,015</b>
<b>Net interest income</b>	<b>46,620</b>	<b>33,110</b>

22. Net fee and commission income

	1 January- 31 December 2015	1 January- 31 December 2014
<b>Fee and commission income</b>		
Non-cash loans	5,062	4,546
Other	7,194	7,164
<b>Total fee and commission income</b>	<b>12,256</b>	<b>11,710</b>
<b>Fee and commission expense</b>		
Non-cash loans	544	678
Other	2,449	1,333
<b>Total fee and commission expense</b>	<b>2,993</b>	<b>2,011</b>
<b>Net fee and commission income</b>	<b>9,263</b>	<b>9,699</b>

23. Net trading income / (loss)

	1 January- 31 December 2015	1 January- 31 December 2014
Gain / (loss) on foreign exchange rate fluctuations	(17,994)	(11,932)
Gain / (loss) from securities	1,258	1,386
Gain / (loss) on derivatives	9,701	5,092
<b>Total</b>	<b>(7,037)</b>	<b>(5,454)</b>

NUROL YATIRIM BANKASI ANONİM ŞİRKETİ  
 NOTES TO THE FINANCIAL STATEMENTS  
 AS OF AND FOR THE YEAR ENDED 31 DECEMBER 2015

(Currency - In thousands of Turkish Lira)

24. Other operating income/(expense), net

	1 January- 31 December 2015	1 January- 31 December 2014
Loss on disposal of non-performing loans	(1,816)	-
Communication income	59	166
Other	(478)	1,339
<b>Total</b>	<b>(2,235)</b>	<b>1,505</b>

25. Other provision expenses

	1 January- 31 December 2015	1 January- 31 December 2014
Bonus expenses	1,000	-
Unused vacation expenses	92	90
Other expenses	8	284
<b>Total</b>	<b>1,100</b>	<b>374</b>

26. Personnel expenses

	1 January- 31 December 2015	1 January- 31 December 2014
Wages and salaries	8,449	6,536
Compulsory social security obligations	610	507
Other benefits	666	894
<b>Total</b>	<b>9,725</b>	<b>7,937</b>

NUROL YATIRIM BANKASI ANONİM ŞİRKETİ  
NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED 31 DECEMBER 2015

(Currency - In thousands of Turkish Lira)

27. Administrative expenses

	1 January- 31 December 2015	1 January- 31 December 2014
Nurol Holding recharges	3,033	3,119
Rent expenses	1,041	871
Telecommunication expenses	719	591
Audit and advisory expenses	569	400
Notary expenses	623	754
Computer expenses	715	711
Maintenance expenses	145	135
Transportation expenses	131	144
Taxes and duties expenses	239	293
Office supplies	24	16
Hosting expenses	191	95
Advertising expenses	6	19
Expenses for the disposal of assets	180	-
Other various administrative expenses	1,960	873
<b>Total</b>	<b>9,576</b>	<b>8,021</b>

**NUROL YATIRIM BANKASI ANONİM ŞİRKETİ**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AS OF AND FOR THE YEAR ENDED 31 DECEMBER 2015**

*(Currency - In thousands of Turkish Lira)*

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

**a) Introduction and overview**

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

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

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

*Risk management framework*

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

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

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

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

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

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

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

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

**NUROL YATIRIM BANKASI ANONİM ŞİRKETİ**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AS OF AND FOR THE YEAR ENDED 31 DECEMBER 2015**

(Currency - In thousands of Turkish Lira)

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

**b) Credit risk**

Credit risk represents the risk arising from the counter party's not fulfilling its responsibilities stated in the agreement either partially or totally. Credit Risk Management Committee is responsible for managing credit risk at the Bank. Furthermore, concentration risk is monitored on monthly basis in terms of industry, rating by risk group and customer.

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

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

*Credit risk by risk groups*

	<b>Individual</b>	<b>Corporate</b>	<b>Leasing</b>	<b>Total</b>
<b>31 December 2015</b>				
Performing loans	201	419,721	8,792	428,714
Loans under close monitoring	-	-	-	-
Non-performing loans	24	516	-	540
<b>Gross</b>	<b>225</b>	<b>420,237</b>	<b>8,792</b>	<b>429,254</b>
Transferred asset	-	5,768	-	5,768
Reserve for possible loan losses	(24)	(126)	-	(150)
Collective impairment	-	(3,161)	-	(3,161)
<b>Total</b>	<b>201</b>	<b>422,718</b>	<b>8,792</b>	<b>431,711</b>
<b>31 December 2014</b>				
Performing loans	315	331,419	12,336	344,070
Non-performing loans	2	14,296	-	14,298
<b>Gross</b>	<b>317</b>	<b>345,715</b>	<b>12,336</b>	<b>358,368</b>
Reserve for possible loan losses	(2)	(1,910)	-	(1,912)
<b>Total</b>	<b>315</b>	<b>343,805</b>	<b>12,336</b>	<b>356,456</b>

NUROL YATIRIM BANKASI ANONİM ŞİRKETİ  
 NOTES TO THE FINANCIAL STATEMENTS  
 AS OF AND FOR THE YEAR ENDED 31 DECEMBER 2015

(Currency - In thousands of Turkish Lira)

28. Financial risk management objectives and policies (continued)

b) Credit risk (continued)

*Exposure to credit risk*

At 31 December	Notes	Loans and advances to customers			
		Due from banks			
		2015	2014	2015	2014
<b>Carrying amount</b>		<b>168,957</b>	<b>194,263</b>	<b>431,711</b>	<b>356,456</b>
Individually impaired					
- Non-performing financial assets		-	-	540	14,298
<b>Gross amount</b>		<b>-</b>	<b>-</b>	<b>540</b>	<b>14,298</b>
Reserve for possible loan losses	9	-	-	(150)	(1,912)
Collective impairment		-	-	(3,161)	-
<b>Carrying amount</b>		<b>-</b>	<b>-</b>	<b>(2,771)</b>	<b>12,386</b>
Past due but not impaired		-	-	-	-
<b>Carrying amount</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Neither past due nor impaired		168,957	194,263	421,855	344,070
<b>Carrying amount</b>		<b>168,957</b>	<b>194,263</b>	<b>421,855</b>	<b>344,070</b>
Restructured and rescheduled loans and other receivables		-	-	12,627	-
<b>Carrying amount</b>		<b>-</b>	<b>-</b>	<b>12,627</b>	<b>-</b>
<b>Carrying amount (amortised cost)</b>	9	<b>168,957</b>	<b>194,263</b>	<b>431,711</b>	<b>356,456</b>

*Impaired loans and advances*

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

*Past due but not impaired loans*

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

**NUROL YATIRIM BANKASI ANONİM ŞİRKETİ**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AS OF AND FOR THE YEAR ENDED 31 DECEMBER 2015**

*(Currency - In thousands of Turkish Lira)*

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

**b) Credit risk (continued)**

*Exposure to credit risk (continued)*

*Reserve for possible loan losses*

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

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

*Write-off policy*

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

*Collateral policy*

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

**NUROL YATIRIM BANKASI ANONİM ŞİRKETİ**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AS OF AND FOR THE YEAR ENDED 31 DECEMBER 2015**

(Currency - In thousands of Turkish Lira)

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

**b) Credit risk (continued)**

*Collateral policy (continued)*

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

Cash loans	31 December 2015	31 December 2014
Secured cash loans	360,892	259,351
<i>Secured by cash collateral</i>	60,208	25,005
<i>3<sup>rd</sup> party guarantees</i>	131,504	93,021
<i>Secured by mortgages</i>	94,787	8,744
<i>Secured by customer cheques &amp; acts</i>	15,019	9,573
<i>Leasing</i>	8,450	12,262
<i>Vehicle pledge</i>	19,346	18,202
<i>Marketable securities</i>	-	2,500
<i>Assignment of receivables</i>	31,577	90,044
Non-secured cash loans	60,358	82,030
Accrued interest income on loans	7,464	2,689
<b>Total performing cash loans</b>	<b>428,714</b>	<b>344,070</b>
Non-cash loans <sup>(1)</sup>	31 December 2015	31 December 2014
Secured non-cash loans	160,641	225,790
<i>3<sup>rd</sup> party guarantees</i>	158,881	224,276
<i>Secured by cash collateral</i>	14	14
<i>Assignment of receivables</i>	246	-
<i>Secured by customer cheques &amp; acts</i>	1,500	1,500
Non-secured non cash loans	100,114	75,201
<b>Total non-cash loans</b>	<b>260,755</b>	<b>300,991</b>

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



**NUROL YATIRIM BANKASI ANONİM ŞİRKETİ**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AS OF AND FOR THE YEAR ENDED 31 DECEMBER 2015**

(Currency - In thousands of Turkish Lira)

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

**b) Credit risk (continued)**

*Segment concentration*

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

	Due from banks		Loans and advances to customers	
	2015	2014	2015	2014
Banks	168,957	194,263	-	-
Manufacturing	-	-	38,536	67,168
<i>Production</i>	-	-	38,536	67,168
Construction	-	-	28,050	51,883
Services	-	-	223,912	169,723
<i>Wholesale and retail trade</i>	-	-	115,900	126,274
<i>Hotel food and beverage services</i>	-	-	-	10,756
<i>Financial institutions</i>	-	-	65,179	3,198
<i>Communication services</i>	-	-	23,417	4,185
<i>Health and social services</i>	-	-	-	1,345
<i>Renting Service</i>	-	-	19,416	23,965
Other	-	-	140,823	55,296
Non-performing loans net	-	-	390	12,386
<b>Total</b>	<b>168,957</b>	<b>194,263</b>	<b>431,711</b>	<b>356,456</b>

	Due from banks		Loans and advances to customers		
	Notes	2015	2014	2015	2014
Turkey		166,649	187,709	307,272	274,589
Europe		1,361	361	-	-
Other		947	6,193	124,439	81,867
	<i>4, 9</i>	<b>168,957</b>	<b>194,263</b>	<b>431,711</b>	<b>356,456</b>

**NUROL YATIRIM BANKASI ANONİM ŞİRKETİ**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AS OF AND FOR THE YEAR ENDED 31 DECEMBER 2015**

(Currency - In thousands of Turkish Lira)

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

**b) Credit risk (continued)**

*Fair value through profit or loss*

At 31 December 2015, the Bank has FVTPL investments amounting to TL 23,049 Thousand (31 December 2014- TL 5,136 Thousand). An analysis of the credit quality of the maximum credit exposure is as follows:

	<i>Note</i>	<b>2015</b>	<b>2014</b>
Derivatives	7	23,049	5,136
<b>Fair value and carrying amount</b>		<b>23,049</b>	<b>5,136</b>

**c) Liquidity risk**

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

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

*Management of liquidity risk*

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

The calculation method used to measure the banks compliance with the liquidity limit is set by Banking Regulatory and Supervision Agency ("BRSA"). In November 2006, BRSA issued a new communique on the measurement of liquidity adequacy of the banks. The Bank's liquidity ratios in 2015 and 2014 are as follows:

	<b>First maturity bracket (weekly)</b>		<b>Second maturity bracket (monthly)</b>	
	<b>Foreign currency (%)</b>	<b>Total (%)</b>	<b>Foreign currency (%)</b>	<b>Total (%)</b>
2015 average	302	262	108	137
2014 average	159	210	99	129

**NUROL YATIRIM BANKASI ANONİM ŞİRKETİ**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AS OF AND FOR THE YEAR ENDED 31 DECEMBER 2015**  
*(Currency - In thousands of Turkish Lira)*

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

**c) Liquidity risk (continued)**

As at 31 December 2015 and 31 December 2014, the following table provides the contractual maturities of the Bank's financial liabilities.

	31 December 2015						
	Carrying Amount	Contractual cash flows	6 month or less	6 to 12 months	1 to 2 years	2 to 5 years	more than 5 Years
Funds borrowed	161,550	200,694	200,694	-	-	-	-
Debt securities issued	382,400	389,140	204,700	153,511	30,929	-	-
	<b>543,950</b>	<b>550,340</b>	<b>365,900</b>	<b>153,511</b>	<b>30,929</b>	<b>-</b>	<b>-</b>
	31 December 2014						
	Carrying Amount	Contractual cash flows	6 month or less	6 to 12 months	1 to 2 years	2 to 5 years	more than 5 Years
Funds borrowed	119,332	130,697	130,686	-	-	11	-
Debt securities issued	204,629	206,897	176,616	30,281	-	-	-
	<b>323,961</b>	<b>337,594</b>	<b>307,302</b>	<b>30,281</b>	<b>-</b>	<b>11</b>	<b>-</b>

**NUROL YATIRIM BANKASI ANONİM ŞİRKETİ**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AS OF AND FOR THE YEAR ENDED 31 DECEMBER 2015**  
*(Currency - In thousands of Turkish Lira)*

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

**c) Liquidity risk (continued)**

*Exposure to liquidity risk*

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

<b>31 December 2015</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	2,588	166,548	-	-	-	-	-	169,136
Reserve deposits at Central Bank	-	46,692	-	-	-	-	-	46,692
FVTPL investments	-	14,353	1,401	7,295	-	-	-	23,049
Available for sale investments	-	-	-	2,463	2,000	-	30,121	34,584
Loans and advances to customers	-	68,998	127,722	104,488	124,345	5,768	390	431,711
Other assets	3,427	1,915	1,491	-	-	-	4,135	10,968
<b>Total assets</b>	<b>3,427</b>	<b>301,094</b>	<b>130,614</b>	<b>114,246</b>	<b>124,345</b>	<b>5,768</b>	<b>34,646</b>	<b>716,140</b>
Funds borrowed	-	49,061	91,392	21,097	-	-	-	161,550
Debt securities issued	-	69,559	73,609	208,488	30,744	-	-	382,400
Derivative financial liabilities	-	457	-	-	-	-	-	457
Other liabilities	13,466	29,275	-	56	-	-	128,936	171,733
<b>Total liabilities</b>	<b>13,466</b>	<b>148,352</b>	<b>165,001</b>	<b>229,641</b>	<b>30,744</b>	<b>-</b>	<b>128,936</b>	<b>716,140</b>
<b>Liquidity gap</b>	<b>(10,039)</b>	<b>152,742</b>	<b>(34,387)</b>	<b>(115,395)</b>	<b>95,601</b>	<b>5,768</b>	<b>(94,290)</b>	<b>-</b>

**NUROL YATIRIM BANKASI ANONİM ŞİRKETİ**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AS OF AND FOR THE YEAR ENDED 31 DECEMBER 2015**  
*(Currency - In thousands of Turkish Lira)*

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

**c) Liquidity risk (continued)**

*Exposure to liquidity risk (continued)*

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

**NUROL YATIRIM BANKASI ANONİM ŞİRKETİ**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AS OF AND FOR THE YEAR ENDED 31 DECEMBER 2015**  
*(Currency - In thousands of Turkish Lira)*

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

**d) Market risk**

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

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

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. The Bank's value at market risks as at

31 December 2015 and 31 December 2014 calculated as per the statutory financial statements prepared for BRSA reporting purposes within the scope of "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks" published in Official Gazette no. 28337 dated 28 June 2012, are as follows:

	2015			2014		
	Average	Highest	Lowest	Average	Highest	Lowest
Interest rate risk	651	1,425	257	222	614	-
Equity price risk	-	-	-	-	-	-
Currency risk	1,389	2,817	710	563	1289	126
Counter party risk	1,915	3,244	888	343	760	2
<b>Total value-at-risk</b>	<b>3,955</b>	<b>7,486</b>	<b>1,855</b>	<b>1,128</b>	<b>2,663</b>	<b>128</b>

**NUROL YATIRIM BANKASI ANONİM ŞİRKETİ**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AS OF AND FOR THE YEAR ENDED 31 DECEMBER 2015**  
*(Currency - In thousands of Turkish Lira)*

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

**d) Market risk (continued)**

*Currency risk*

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

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

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

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

**NUROL YATIRIM BANKASI ANONİM ŞİRKETİ**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AS OF AND FOR THE YEAR ENDED 31 DECEMBER 2015**  
*(Currency - In thousands of Turkish Lira)*

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

**d) Market risk (continued)**

*Currency risk (continued)*

	USD	Euro	JPY	Others	Total
<b>2014</b>					
<b>Assets</b>					
Cash and cash equivalents	39,808	7,533	-	141	47,482
Reserve deposits at Central Bank	9,875	-	-	-	9,875
Loans and advances to customers	27,123	33,431	-	-	60,554
Available for sale investments	-	-	-	-	-
Other assets	-	-	-	-	-
<b>Total assets</b>	<b>76,806</b>	<b>40,964</b>	<b>-</b>	<b>141</b>	<b>117,911</b>
<b>Liabilities</b>					
Funds borrowed	26,884	8,270	-	-	35,154
Other liabilities	180,585	30	-	111	180,726
<b>Total liabilities</b>	<b>207,469</b>	<b>8,300</b>	<b>-</b>	<b>111</b>	<b>215,880</b>
<b>Gross exposure</b>	<b>(130,663)</b>	<b>32,664</b>	<b>-</b>	<b>30</b>	<b>(97,969)</b>
<b>Off-balance sheet position</b>					
Net notional amount of derivatives	131,742	(32,765)	-	-	98,977
<b>Net exposure</b>	<b>1,079</b>	<b>(101)</b>	<b>-</b>	<b>30</b>	<b>1,008</b>



**NUROL YATIRIM BANKASI ANONİM ŞİRKETİ**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AS OF AND FOR THE YEAR ENDED 31 DECEMBER 2015**  
*(Currency - In thousands of Turkish Lira)*

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

**d) Market risk (continued)**

*Currency risk (continued)*

*Sensitivity analysis*

A 10 percent weakening of TL against the foreign currencies at 31 December 2015 and 31 December 2014 would have effect on the equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2014.

<b>2015</b>	<b>Equity</b>	<b>Profit or loss</b>
EUR	38	38
USD	48	48
Other currencies	5	5
	<b>91</b>	<b>91</b>

  

<b>2014</b>	<b>Equity</b>	<b>Profit or loss</b>
EUR	(10)	(10)
USD	108	108
Other currencies	3	3
	<b>101</b>	<b>101</b>

A 10 percent strengthening of the TL against the foreign currencies at 31 December 2015 and 31 December 2014 would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

*Interest rate risk*

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

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

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

**NUROL YATIRIM BANKASI ANONİM ŞİRKETİ**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AS OF AND FOR THE YEAR ENDED 31 DECEMBER 2015**  
*(Currency - In thousands of Turkish Lira)*

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

**d) Market risk (continued)**

*Interest rate risk (continued)*

The following table indicates the periods in which financial assets and liabilities reprice as of 31 December 2015 and 31 December 2014:

	Less than 1 month	1-3 months	3-12 months	1-5 years	More than 5 years	Non interest bearing	Total
<b>As at 31 December 2015</b>							
<b>Assets</b>							
Cash and cash equivalents	166,529	-	-	-	-	2,607	169,136
Reserve deposits at Central Bank	-	-	-	-	-	46,692	46,692
FVTPL investments	14,353	1,401	7,295	-	-	-	23,049
Available for sale investments	589	2,747	1,129	-	-	30,119	34,584
Loans and advances to customers	68,998	127,722	104,488	124,345	5,768	390	431,711
Other assets	-	-	-	-	-	10,968	10,968
<b>Total assets</b>	<b>250,469</b>	<b>131,870</b>	<b>112,912</b>	<b>124,345</b>	<b>5,768</b>	<b>90,776</b>	<b>716,140</b>
<b>Liabilities</b>							
Funds borrowed	49,061	91,598	20,891	-	-	-	161,550
Debt securities issued	69,559	73,609	208,488	30,744	-	-	382,400
Customer accounts <sup>(1)</sup>	-	-	-	-	-	4,164	4,164
Other liabilities	22,985	-	56	-	-	144,985	168,026
<b>Total liabilities</b>	<b>141,605</b>	<b>165,207</b>	<b>229,435</b>	<b>30,744</b>	<b>-</b>	<b>149,149</b>	<b>716,140</b>
On balance sheet interest sensitivity gap	102,117	(33,131)	(116,729)	93,601	5,768	(51,626)	-
Off balance sheet interest sensitivity gap	-	-	-	-	-	-	-
<b>Total interest sensitivity gap</b>	<b>102,117</b>	<b>(33,131)</b>	<b>(116,729)</b>	<b>93,601</b>	<b>5,768</b>	<b>(51,626)</b>	<b>-</b>

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

**NUROL YATIRIM BANKASI ANONİM ŞİRKETİ**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AS OF AND FOR THE YEAR ENDED 31 DECEMBER 2015**  
*(Currency - In thousands of Turkish Lira)*

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

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

**NUROL YATIRIM BANKASI ANONİM ŞİRKETİ**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AS OF AND FOR THE YEAR ENDED 31 DECEMBER 2015**  
*(Currency - In thousands of Turkish Lira)*

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

**d) Market risk (continued)**

*Exposure to interest rate risk sensitivity*

The sensitivity of the income statement is the effect of the assumed changes in interest rates on the net interest income based on the floating rate non-trading financial assets and financial liabilities and trading financial assets and liabilities held at 31 December 2015 and 31 December 2014. The sensitivity of equity is calculated by revaluing available for sale financial assets at 31 December 2015 and 31 December 2014 for the effects of the assumed changes in interest rates. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

2015	Profit or loss		Equity	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
Financial assets designated at fair value through profit or loss	-	-	-	-
Available for sale financial assets	-	-	(33)	33
Floating rate financial assets	-	-	-	-
<b>Total net</b>	-	-	<b>(33)</b>	<b>33</b>

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

**NUROL YATIRIM BANKASI ANONİM ŞİRKETİ**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AS OF AND FOR THE YEAR ENDED 31 DECEMBER 2015**  
*(Currency - In thousands of Turkish Lira)*

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

**d) Market risk (continued)**

*Summary of average interest rates*

As at 31 December 2015 and 31 December 2014, the summary of average interest rates for different assets and liabilities are as follows:

	31 December 2015			31 December 2014		
	Euro	USD	TL	Euro	USD	TL
<b>Assets</b>						
Cash and balances with the Central Bank	-	-	-	-	-	-
Due from banks	0.25	0.40	11.44	0.20	0.30	10.75
FVTPL investments	-	-	-	-	-	-
Placements at money markets	-	-	10.93	-	-	11.23
Available for sale financial assets	-	-	12.10	-	-	17.00
Loans and advances to customers	5.67	9.75	13.44	7.03	9.73	14.66
Other	-	-	-	-	6.00	-
<b>Liabilities</b>						
Other money market deposits	-	-	10.88	-	-	10.21
Funds borrowed	3.45	1.74	10.36	1.93	2.00	11.23
Debt securities issued	-	-	10.89	-	-	10.49
Funds from other financial institutions	2.41	2.26	10.47	0.60	0.41	9.60

**e) Operational risk**

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

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

The Bank calculated the value at operational risk in accordance with the "Computation of Value of Operational Risk" of the circular, "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks" published in the Official Gazette no. 28337 dated 28 June 2012 and, using gross profit of the last three years, 2012, 2013 and 2014. The amount calculated as TL 42,161 Thousand as at 31 December 2015 (31 December 2014 - TL 24,188 Thousand) represents the operational risk that the Bank may expose and the amount of minimum capital requirement to eliminate this risk.

**NUROL YATIRIM BANKASI ANONİM ŞİRKETİ**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AS OF AND FOR THE YEAR ENDED 31 DECEMBER 2015**  
*(Currency - In thousands of Turkish Lira)*

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

**f) Capital management**

The BRSA sets and monitors capital requirements for the Bank as a whole. The parent company and individual banking operations are directly supervised by their local regulators. In implementing current capital requirements, the BRSA requires the banks to maintain a prescribed ratio of minimum 8% of total capital to total value at credit, market and operational risks. The Bank and its affiliates' consolidated regulatory capital is analysed into two tiers:

- Tier 1 capital, which includes paid-in capital, share premium, legal reserves, retained earnings, other comprehensive income, translation reserve and non-controlling interests after deductions for goodwill and certain cost items.

- Tier 2 capital, which includes qualifying subordinated liabilities and general provisions.

The BRSA also requires the banks to maintain prescribed ratios of minimum 6% and 4.5% of Tier 1 and Tier 2 capital, respectively, to total value at credit, market and operational risks starting from 1 January 2014.

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

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

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

The Bank's capital position at 31 December 2015 and 31 December 2014 are as follows:

	31 December 2015	31 December 2014
Amount subject to credit risk (I)	518,975	552,350
Amount subject to market risk (II)	44,288	20,713
Amount subject to operational risk (III)	42,163	24,188
<b>Total risk-weighted assets and value at market risk and operational risk (IV) = (I+II+III)</b>	<b>605,425</b>	<b>597,251</b>
Shareholders' equity:		
Tier 1 capital	125,414	96,168
Tier 2 capital	5,727	4,654
<b>Total regulatory capital</b>	<b>131,141</b>	<b>100,822</b>
<b>Capital adequacy ratio</b>	<b>21.66%</b>	<b>16.88%</b>

**NUROL YATIRIM BANKASI ANONİM ŞİRKETİ**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AS OF AND FOR THE YEAR ENDED 31 DECEMBER 2015**  
*(Currency - In thousands of Turkish Lira)*

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

**g) Fair values**

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

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

	Notes	Trading	Loans and receivables	Available for sale	Other amortised cost	Total carrying amount	Fair value
<b>2015</b>							
Cash and cash equivalents	5	-	169,136	-	-	169,136	169,136
Reserve deposits at Central Bank		-	46,692	-	-	46,692	46,692
FVTPL investments	6	23,049	-	-	-	23,049	23,049
Available for sale investments	7	-	-	34,584	-	34,584	34,584
Loans and advances to customers	8	-	431,711	-	-	431,711	431,711
Other asset		-	-	-	8,213	8,213	8,213
		<b>23,049</b>	<b>650,539</b>	<b>34,584</b>	<b>8,213</b>	<b>713,385</b>	<b>713,385</b>
Funds borrowed <sup>(2)</sup>	11	-	-	-	161,550	161,550	161,550
Debt securities issued	12	-	-	-	382,400	382,400	382,400
Current account of loan customers <sup>(1)</sup>		-	-	-	4,164	4,164	4,164
		-	-	-	<b>548,114</b>	<b>548,114</b>	<b>548,114</b>

(1) Included in other liabilities.

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

	Notes	Trading	Loans and receivables	Available for sale	Other amortised cost	Total carrying amount	Fair value
<b>2014</b>							
Cash and cash equivalents	5	-	194,901	-	-	194,901	194,901
Reserve deposits at Central Bank		-	17,491	-	-	17,491	17,491
Held for trading investments	6	5,136	-	-	-	5,136	5,136
Available for sale investments	7	-	-	58,755	-	58,755	58,755
Loans and advances to customers <sup>(2)</sup>	8	-	356,456	-	-	356,456	356,456
Other asset		-	-	-	4,279	4,279	4,279
		<b>5,136</b>	<b>568,848</b>	<b>58,755</b>	<b>4,279</b>	<b>637,018</b>	<b>637,018</b>
Funds borrowed <sup>(2)</sup>	11	-	-	-	119,332	119,332	119,332
Debt securities issued <sup>(2)</sup>	12	-	-	-	204,629	204,629	204,629
Current account of loan customers <sup>(1)</sup>		-	-	-	13,133	13,133	13,133
		-	-	-	<b>337,094</b>	<b>337,094</b>	<b>337,094</b>

(1) Included in other liabilities.

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

Loans and advances to customers

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

**NUROL YATIRIM BANKASI ANONİM ŞİRKETİ**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AS OF AND FOR THE YEAR ENDED 31 DECEMBER 2015**  
*(Currency - In thousands of Turkish Lira)*

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

**g) Fair values (continued)**

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

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

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

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

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

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

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

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

<b>2015</b>	<i>Note</i>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
FVTPL investments	7	-	23,049	-	23,049
Available for sale investments	8	34,424	-	-	34,424
Derivative financial liabilities	18	-	(457)	-	(457)
		<b>34,424</b>	<b>(22,592)</b>	<b>-</b>	<b>57,016</b>



**NUROL YATIRIM BANKASI ANONİM ŞİRKETİ**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AS OF AND FOR THE YEAR ENDED 31 DECEMBER 2015**  
*(Currency - In thousands of Turkish Lira)*

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

**g) Fair values (continued)**

2014	Note	Level 1	Level 2	Level 3	Total
Held for trading investments	7	-	5,136	-	5,136
Available for sale investments	8	58,595	-	-	58,595
Derivative financial liabilities		-	(2,211)	-	(2,211)
		<b>58,595</b>	<b>2,925</b>	-	<b>61,520</b>

**29. Related parties**

Parties are considered to be related if one party has control or joint control over the reporting entity, has significant influence over the reporting entity or is a member of the key management personnel of the reporting entity.

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

2015	Balance	Percentage of the financial statement amount (%)
Cash loans	70	0%
Non-cash loans	36,253	13%
Funds borrowed / Current accounts of loan customers	16,573	14%

  

2014	Balance	Percentage of the financial statement amount (%)
Cash loans	24,650	7%
Non-cash loans	134,406	44%
Funds borrowed / Current accounts of loan customers	20,742	45%

**NUROL YATIRIM BANKASI ANONİM ŞİRKETİ**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AS OF AND FOR THE YEAR ENDED 31 DECEMBER 2015**  
*(Currency - In thousands of Turkish Lira)*

**29. Related parties (continued)**

		Percentage of the financial statement amount (%)
<b>2015</b>	<b>Balance</b>	
Interest income	2,473	3%
Interest expense	-	-
Other operating expense	(3,033)	15%
<b>2014</b>	<b>Balance</b>	Percentage of the financial statement amount (%)
Interest income	21,948	36%
Interest expense	-	-
Other operating expense	(3,119)	19%

As at 31 December 2015, no provisions have been recognised in respect of loans given to related parties (2014 – none).

**Compensation of key management personnel of the Bank**

The executive and non-executive member of Board of Directors and management received remuneration and fees amounted to TL 5,185 Thousand comprising salaries and other benefits for the period 1 January-31 December 2015 (1 January-31 December 2014: TL 3,672 Thousand).

**30. Events after balance sheet date**

Due to the resignation of Nurettin Çarmıklı on 10 February 2016, Ziya Akkurt is assigned as the chairman.

Based on the Board decision dated 24 February 2016, it is decided that the Bank will sign a put option contract with the asset management company for the promise to buy a real estate.