Corporate Credit Rating

☐New ☒Update

Sector: Banking
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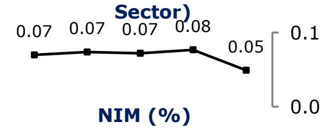
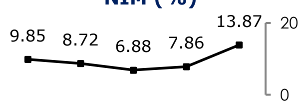
RATINGS		Long Term	Short Term
ICRs (Issuer Credit Rating Profile)	**National ICR**	**AA (tr)**	**J1+ (tr)**
	National ICR Outlooks	Stable	Stable
	International FC ICR	BB	-
	International FC ICR Outlooks	Negative	-
	International LC ICR	BB	-
	International LC ICR Outlooks	Negative	-
ISRs (Issue Specific Rating Profile)	National ISR	**AA (tr)** (Stable)	**J1+(tr)** (Stable)
	International FC ISR	-	-
	International LC ISR	-	-
Sovereign *	Foreign Currency	BB (Negative)	-
	Local Currency	BB (Negative)	-

** Assigned by JCR on August 18, 2022*

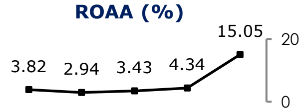
Market Share (%) (Turkish Banking Sector)



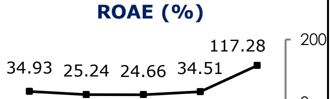
NIM (%)



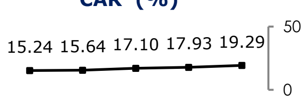
ROAA (%)



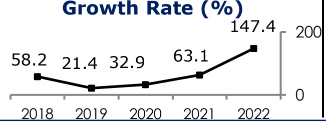
ROAE (%)



CAR (%)



Growth Rate (%)



NUROL YATIRIM BANKASI A.Ş.

JCR Eurasia Rating has evaluated the consolidated structure of **"Nurol Yatırım Bankası A.Ş."** in the investment level category with very high credit quality and affirmed the Long-Term National Issuer Credit Rating at **'AA (tr)'** and the Short-Term National Issuer Credit Rating at **'J1+ (tr)'** with **'Stable'** outlooks. On the other hand, the Long-Term International Foreign and Local Currency Issuer Credit Ratings and outlooks were determined as **'BB/Negative'**, as parallel to international ratings and outlooks of Republic of Türkiye.

Nurol Yatırım Bankası A.Ş. (hereinafter referred to as "**Nurol Bank**" or **"the Bank"**), incorporated in August, 1998, is a national private bank. The Bank provides services in the field of Corporate Banking, Investment Banking and Treasury & Financial Institutions through its diversified corporate clientele with a staff force of 97 people in FY2022.

The majority shareholders of the Bank were Nurol Holding A.Ş. (95.68%), which also has direct and indirect control over the Nurol Group- Nurol Holding Inc., founded in 1989, has operations in construction, defense, finance, tourism, mining, real estate, marketing and manufacturing industries through 35+ firms within the Nurol Group 4 joint ventures and 11 domestic-foreign associates and subsidiaries.

Key rating drivers, as strengths and constraints, are provided below.

Strengths	Constraints
• Ongoing improvement in the core profitability indicators, • Maintenance of loan-driven moderate growth strategy accompanied by defending margins, • Diversified funding structure through debt security issuances, providing financial flexibility, • Country - specific advantages encouraging investment which contributes to the investment banks' operations, • High level of compliance with corporate governance best practices and continuity of well-established risk management practices.	• Capital adequacy ratios standing below sector average despite being compatible with the requirements, • Lack of revenue stream to provide continuity of efficiency rates although sector-specific distribution channels have been established, • Ongoing credit risk concentration among the top ten cash and non-cash loans customers pressuring asset quality, • Short-term weighted borrowing profile of the sector.

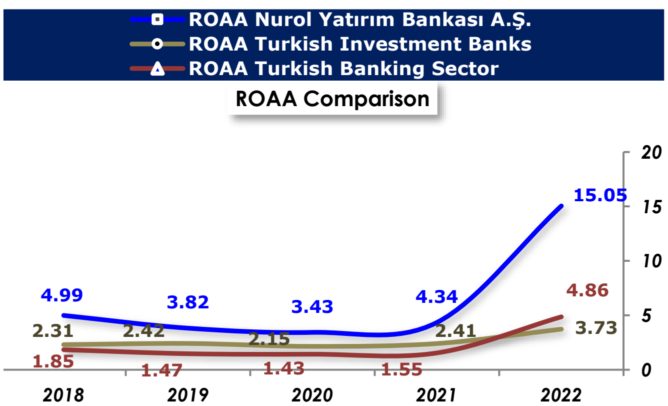
Considering the aforementioned points, the Bank's the Long-Term National Issuer Credit Rating has been affirmed at **'AA (tr)'**. Taking into account the capability to independently survive irrespective of the support from the current shareholders and at the system level, adequate capitalization structure, internal resource generation capacity, ability to access international funding markets and roll-over debt and the asset quality accompanied by selective and efficiency focused credit policies as well as the possible negative effects of the RU-UA war on the Turkish banking sector; the ratings and the outlooks for Long and Short-Term National Issuer Credit Ratings are determined as '**Stable**'. Non-performing loans due to downward efficiency in economic activities caused by the geopolitical risks driven uncertainties and the erosion in the debt payment capacity raising provisioning requirement, resulting a higher credit risk cost, and the impact of the decisions taken by the regulatory authorities on the sector will be closely monitored by JCR Eurasia Rating in the upcoming periods. The macroeconomic indicators at national and international markets, as well as market conditions and legal framework about the sector will be monitored as well.

1. Rating Rationale

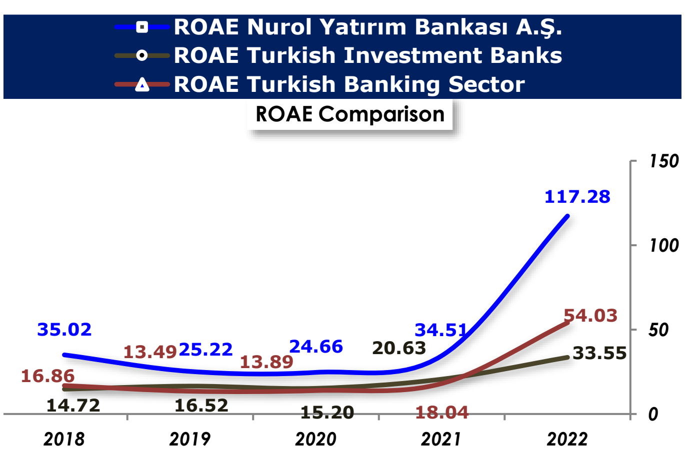
Ongoing Improvement in the Core Profitability Indicators

As per the IFRS compliant financials, Nurol Bank achieved a net profit of TRY 1,458.33mn in FY2022, exhibiting an improvement of 662.95% compared to the previous year's TRY 191.14mn. In the same period, the Turkish banking sector's net profit exhibited increase of 364.39% and while the development & investment banking sector's net profit figure demonstrated an increase of 121.71%.

Additionally, the indicators of both ROaA and ROaE ratios have outperformed the sector averages during the analyzed period. The Bank's core profitability ratios are shown in the below graphs:



The return on average assets (ROaA) ratio of Nurol Bank increased to 15.05% in FY2022 from 4.34% in FY2021 and outperformed the Turkish Banking Sector and the Turkish Development and Investment Banking sector averages of 4.86% and 3.73%, respectively during FY2022.



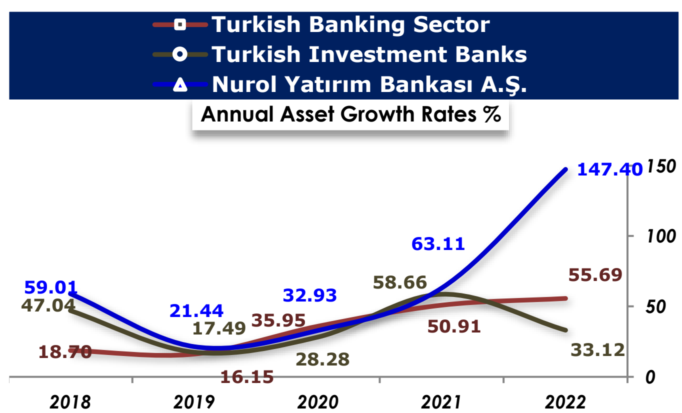
Return on average equity (ROaE) ratio of Nurol Bank increased to 117.28% in FY2022 from 34.51% in FY2021 staying above the Turkish Banking Sector and the Turkish Development and Investment Banking Sector averages.

Additionally, the Bank's Net Interest Margin (NIM) increased from 7.86% in FY2021 to 13.87% in FY2022 staying above the Turkish Banking Sector and the Turkish Development and Investment Banking Sector averages.

The Bank's resilient profitability is foreseen to be the first line of protection against unexpected losses. Nurol Bank has sufficient profitability, that can absorb additional impairment charges, if needed.

Maintenance of Loan-Driven Moderate Growth Strategy Accompanied by Defending Margins

Nurol Bank experienced visible growth performance through almost all principal banking segments in FY2022. According to the IFRS based financials, the growth in assets and loans were 147.40% and 14.31% respectively as of FYE2022. At the same time, the averages of the Turkish Banking Sector were 55.69% and 54.68% and the averages of the Turkish Development and Investment Banking Sector were 33.12% and 17.36%, respectively. The graph below presents the growth of the Bank's cumulative asset growth rate in comparison with the sector.



Cumulative asset-based growth performance of the Nurol Bank remained above the average growth performance of the Turkish Banking Sector since 2018, except 2020. In addition, the Bank remained above the average growth performance of the Turkish Development and Investment Banking Sector during the analyzed period. Nurol Bank's strategy is to create a diversified corporate loan book targeting high-quality.

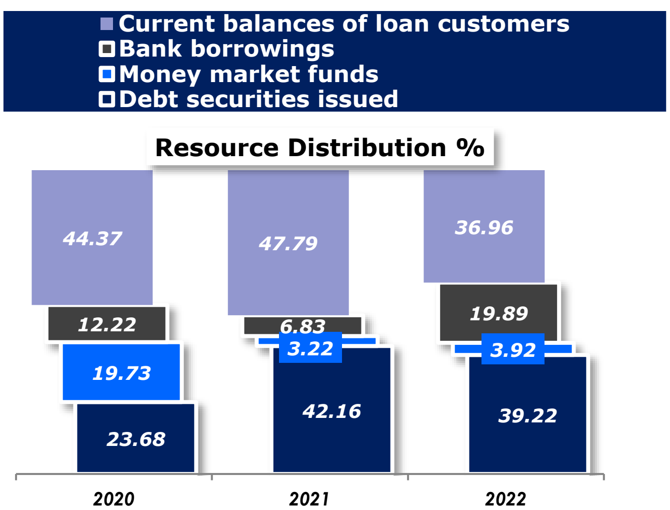
Diversified Funding Structure Through Debt Security Issuances, Providing Financial Flexibility

As an investment bank, Nurol Yatırım Bankası A.Ş. is not entitled to collect customer deposits and has funded itself through issued debt securities, borrowed funds from banks, current balances of its loan customers in addition to the equity base corresponding to 13.35% of total assets as of FYE2022. As of FYE2022, cost bearing resources amounting TRY 12,006.56mn constituted 68.79% of total assets.

Cost Bearing Resources	FYE2020	FYE2021	FYE2022
(000, TRY)			
Bank borrowings	366,584	245,514	1,467,210
Money market funds	72,314	115,867	2,368,934
Debt securities issued	722,790	1,515,554	2,843,300
Current balances of loan customers	681,200	1,717,798	5,327,119
Total	**1,842,888**	**3,594,733**	**12,006,563**

The Bank taps the interbank borrowings and local bond market as major sources of its funding while aiming to diversify the funding base by securing opportunities from various financial institutions.

The cost bearing resource distribution of the Bank is provided in the below graph:



Diversified funding profile of the Bank enables it to manage its funding costs effectively. The Bank uses debt instruments with 3-6 months tenor on average. Considering the average maturity of the loan book portfolio around short term, the ability to raise relatively long-term funding provides financial agility for the Bank. The Bank taps the local bond market as a major source of its funding while aiming to diversify the funding base by securing opportunities from various financial institutions.

The Bank continued to issue capital market debt instruments in FYE2022 as well. According to data received from the Bank's website, it has been issued a total of TRY 7,435mn of debt instruments during FYE2022.

Country - Specific Advantages Encouraging Investment Which Contributes to the Investment Banks' Operations

The main purpose of investment banks is to provide long-term funding for small to large-scale companies. They operate to assist corporate and commercial companies in relation to their working capital and refinancing needs and also support their new investments.

These banks also play an active role in the capital markets. They ensure the development of capital markets and thus better valuation of investment instruments. In addition to financial support for new entrepreneurs, they also help with administrative and technical issues. The fact that investments are supported by the state in Türkiye as a developing country creates an opportunity when evaluated in terms of investment banking.

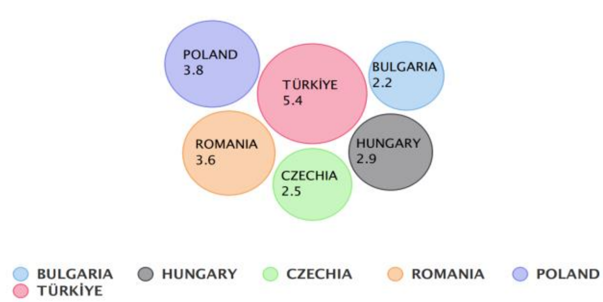
According to the Presidency of the Republic Türkiye Investment Office, top reasons to invest in Türkiye are listed below:

- **Robust Economy**

Over the past 20 years, Türkiye has put in a noteworthy performance by increasing the size of its overall economy from USD 236 billion in 2002 to USD 906 billion in 2022.

As shown in the below chart, Türkiye has outpaced its peer economies, and the growth momentum is set to continue in the coming years.

Average Annual GDP Growth (%) – FYE2002-2022



- **Large Domestic and Regional Markets**

More than 24 urban centres, each with populations of over 1 million, support Türkiye's thriving domestic market through their production of goods and services. In terms of population, Istanbul is the largest city in Europe.

- **Strategic Location**

Türkiye is a natural bridge between both the East-West and the North-South axes, thus creating an efficient and cost-effective hub to major markets. Multinationals are increasingly choosing Türkiye as a preferred hub for manufacturing, exports, as well as management.

- **Favourable Demographics and Competitive Labour Force**

Türkiye's overall labour force is around 33.3 million people, which makes the country the 3rd largest labour force in Europe.

Türkiye's young population is an important contributor to labour force growth and has boosted the country's rank over peer countries. Türkiye has posted the largest labour force growth among the EU countries.

A rapid expansion in the number of universities has allowed Türkiye to have more university graduates, enabling Türkiye to transform its young population and large labour force into a skilled workforce.

  - More than 8 million students are enrolled in higher education currently
  - Over 900,000 university graduates annually
  - World-class engineering education

- **Continuous Reform Process**

The Turkish government has always prioritized reforms for a qualified workforce, innovative production, sustainable growth, a sustainable environment, and international cooperation for development.

Thanks to the extensive reforms made over the years, today Türkiye is well below the OECD average in terms of the number of restrictions imposed on foreign investors.

- **Liberal Investment Climate**

Türkiye's investment legislation is simple and complies with international standards while offering equal treatment for all investors.

The fundamental parts of the overall investment legislation include the Encouragement of Investments and Employment Law No. 5084, Foreign Direct Investment Law No. 4875, the Regulation on the Implementation of the Foreign Direct Investment Law, multilateral and bilateral investment treaties, and various laws and related sub-regulations on the promotion of sectorial investments.

- **Lucrative Incentives**

Applicable both for greenfield and brownfield projects, Türkiye offers a comprehensive investment incentives program with a wide range of instruments that helps to minimize the upfront cost burden and accelerate the returns on investments.

These incentives may also be tailored for projects in priority sectors classified as key areas for the transfer of technology and economic development.

In addition, the Turkish government provides generous support programs for R&D and innovation projects, employee training initiatives, and for exporters through various grants, incentives, and loans.

- **Advantageous R&D Ecosystem**

Extensive R&D incentives in Türkiye are further supported by well-educated and highly qualified labour force, competitive cost advantages, and several global companies that are active in the market. All together these form a dynamic ecosystem in Türkiye.

In current situation, over 100 top global companies are taking advantage of the competitive R&D incentives and growing ecosystem in Türkiye.

- **Sectoral Opportunities**

Türkiye offers abundant opportunities in a wide variety of sectors where it has a competitive edge such as automotive, machinery, defence & aerospace, energy, agri-food, infrastructure and financial services.

High Level of Compliance with Corporate Governance Best Practices and Continuity of Well-Established Risk Management Practices.

As the Bank is not a publicly traded company, the Capital Market Board's Corporate Governance discipline is not a field that the Bank is required to take into consideration.

On the other hand, Regulations on the Principles of Corporate Governance of Banks, corporate governance provisions in Turkish Commercial Code along with Banking Regulation and Supervision Agency's enforcements of strict regulation and supervision on the Turkish Banking Sector and labor force together with its financial figures and long operating track record in the sector have provided the Bank with a corporate organizational structure, a comprehensive internal control, audit and risk management systems.

Nurol Bank has high compliance level with the corporate governance practices particularly regarding the exercise of shareholders' rights, efficient and comprehensive system of public disclosure and the Bank website together serving as an effective platform in their supporting the transparency level, comprehensive risk management system with functionalized organizational units of internal control and internal audit, contributions to publicly known event and project.

The Bank's Board of Directors incorporates 9 members all of whom, including the general manager. The Board of the Bank contains the committees of Audit, Corporate Governance, Pricing, Disciplinary and Personnel, Assets and Liabilities, Credit, Information Systems Strategy. The Bank's articles of association, disclosed to the public, involve a detailed declaration of the working principles of its Board. It is concluded that the Board Members have the adequate qualifications and experience to administer their duties and the Board successfully performs its duties of leading, supervising and inspecting.

The Bank's website with a separate investor relations heading has a high compliance level to Corporate Governance practices through providing sufficient information and disclosed documentation regarding transparency such as the annual and interim reports, organizational structure, board members' and audit committee members' CVs, audit reports, rating notes, updated articles of association, general assembly meeting documents, disclosure policy, internal directive, material disclosures, money laundering policy and vision and mission.

On the other hand, the shortcomings of the Company's website such as the absence of dividend policy, remuneration policy, corporate governance principles compliance statement and reports restrain the Company's relatively high compliance level to corporate governance principles.

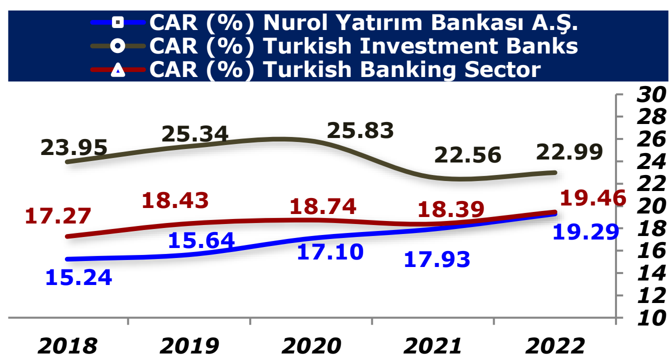
Within the scope of social responsibility, Nurol Bank transfers a part of its profit to "Professional Women Network" (PWN Istanbul) which aims to share the knowledge and experience gained by women in business life and to support each other-that benefit the community. The activity is given sufficient space on the Bank's website.

We, as JCR Eurasia Rating, are of the opinion that the senior management of the Company is adequate in terms of education, experience and managerial skills.

Capital Adequacy Ratios Standing Below Sector Average Despite Being Compatible with the Requirements

Nurol Bank's IFRS-based Capital Adequacy Ratio (CAR) was 19.29% at the end of FY2022, increased from 17.93% in FY2021 (FY2020: 17.10%) and remained above the minimum CAR requirements set by the Basel Accord (8%) and the target level by the BRSA (12%). The Bank's Tier 1 ratio was 18.49% as of FYE2022 (excluding BRSA Forbearance Measures: 17.28%) (FYE2021: The Bank's Tier 1 ratio was 16.00% as of FYE2021 (excluding BRSA Forbearance Measures:13.97%)).

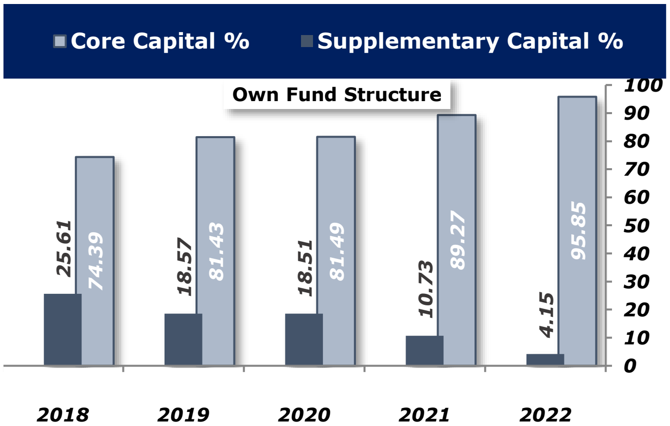
The BRSA regulation had a positive effect of 126 bps on CAR as of FYE2022 (December 31, 2021: 227 bps).



Since FY2018, the Bank's unconsolidated capital adequacy ratio (CAR) stood below the average of the Turkish Banking Sector and Turkish Investment Banking Sector.

In addition to growth in Common Equity Tier 1 Capital and Tier 2 Capital, Additional Tier 1 Capital amounting to TRY 2,298.60mn in FY2022 (FY2021: TRY 799.28mn.) particularly in FY2022- specifies the success of the management - supported the strengthening of CAR ratio.

Despite, the Bank's unconsolidated capital adequacy ratio (CAR) stood below the average of the Turkish Banking Sector and Turkish Investment Banking Sector, we, as JCR Eurasia Rating, assume that the current CAR ratio provides satisfactory capital to buffer potential incidental losses.



The share of core capital, principally consisting of paid-up capital and retained earnings, accounted for 95.85% of the Bank's total own fund structure in FY2022 (FY2021: 89.27%). Above ratios specify the Bank's lower reliance on Tier 2 capital, which is not considered to be loss absorbing. The supplementary capital accounted for 4.15% of the Bank's own fund structure at FYE2022. (FYE2021: 10.73%)

Nurol Bank have capital increase TRY 290.00mn provided from internal resources in FY2022. (FY2021: The Bank's paid in capital has been increased by TRY 100.00mn provided from internal resources).

Lack of Revenue Stream to Provide Continuity of Efficiency Rates Although Sector-Specific Distribution Channels Have Been Established

The investment banks operate to assist corporate and commercial companies in relation to their working capital and refinancing needs and also support their new investments. Vast majority of the investment banks provide relatively narrow range of products and services when compared to particularly the deposit banks. Due to the nature of investment banking, the investment banks carry both the risk of interest rate and exchange rate risk, due to long-term TRY and FX loans they will provide. Accordingly, hedging these risks may be limited due to narrow product variety and customer portfolio.

Despite, in parallel with the Bank's developing foreign trade and treasury transaction volumes, accounts were opened in new foreign currencies and the product range offered to customers was expanded does not have sufficient effect.

Ongoing Credit Risk Concentration Among the Top Ten Cash and Non-Cash Loans Customers Pressuring Asset Quality

The loan book portfolio was well diversified in terms of industrial composition while customer concentration remains a risk factor continued in FY2022. The Bank focuses to fund large projects that continue to improve its interest margin. As of FYE2022, the Bank's largest 10, 20 and 50 corporate customers constituted 82.20%, 95.20% and 99.50% (FYE2021: 78.60%, 92.10% and 97.80%) of the total corporate cash loans and 69.00%, 82.40% and 90.40% (FYE2021: 64.10%, 81.70% and 90.60%) of total non-cash loans, maintaining still high concentration levels, respectively.

When the sectoral breakdown of risks is analyzed, due from banks realized as TRY 2.70bn, loans and advances to customers realized as TRY 3.73bn as of FYE2022 (FYE2021: TRY 1.31bn and TRY 3.46bn, respectively).

The Bank's cash loan book composition was well distributed with respect to sectoral breakdown including, 71.62% in services, 17.91% in manufacturing and 10.47% in others. On the other hand, the Bank's net non-performing loans reached TRY 291.26mn as of FYE2022 (FYE2021: TRY 161.31mn). According to data received from the Bank management, when the NPL ratios are analyzed without including the group companies, it is seen that the sector is far below FYE 2022 NPL ratio is 0.01% (FYE 2021: 3.3%).

Short-Term Weighted Borrowing Profile of the Sector

The fact that the Turkish Investment Banking Sector has had short-term borrowing structure as a major characteristic. The long-term weighted loans structure together with short-term weighted borrowing structure such as Issued Debt Instruments within the concern of interest rate exposure constitutes maturity mismatch risk for the Bank.

As detailed under the heading " Diversified Funding Structure Through Debt Security Issuances, Providing Financial Flexibility", the Bank targets to diversify its funding structure and maturity.

However, still short maturity profile of the funding exerts pressure on liquidity management through renewal risks along with dependence on capital markets under the challenging operating environment.

With respect to the factors mentioned above, JCR Eurasia Rating affirmed the Long-Term National Issuer Credit Rating of the Bank at **'AA (tr)'** and the Short-Term National Issuer Credit Rating at '**J1+ (tr)'** in JCR Eurasia Rating's notation system which denote investment level category with very high credit quality.

When the global and national scale rating matching published by JCR Eurasia Rating is considered, the Bank's Long-Term International Foreign and Local Currency Issuer Credit Ratings have been assigned as **'BB'** as parallel to international ratings of Republic of Türkiye.

2. Rating Outlook

Taking into account the capability to independently survive irrespective of the support from the current shareholders and at the system level, adequate capitalization structure, internal resource generation capacity, ability to access international funding markets and roll-over debt and the asset quality accompanied by selective and efficiency focused credit policies as well as the possible negative effects of the RU-UA war on the Turkish banking sector; the ratings and the outlooks for Long and Short-Term National Issuer Credit Ratings are determined as '**Stable**'.

Non-performing loans due to downward efficiency in economic activities caused by the geopolitical risks driven uncertainties and the erosion in the debt payment capacity raising provisioning requirement, resulting a higher credit risk cost, and the impact of the decisions taken by the regulatory authorities on the sector will be closely monitored by JCR Eurasia Rating in the upcoming periods.

The macroeconomic indicators at national and international markets, as well as market conditions and legal framework about the sector will be monitored as well.

Additionally, the Bank's outlook for Long-Term International Foreign and Local Currency Issuer Credit Ratings has been assigned as '**Negative**' in line with the sovereign rating outlooks of the Republic of Türkiye.

Significant factors that may be taken into consideration for any future change in ratings and outlook status include;

Factors that Could Lead to an Upgrade

- Significant improvements in diversification of customer base and loan portfolio,
- Ease of access to financial resources from both national and international organizations,
- Growing income stream through diversified sources,
- Solid growth performance in assets volume,
- Increasing net interest margin,
- Robust improvement of profitability indicators,
- Reduction in financing costs and robust economic growth in the domestic and international markets,
- Upgrades in sovereign ratings and economic growth prospects of Türkiye.

Factors that Could Lead to a Downgrade

- Deteriorating asset quality and liquidity profile,
- Increasing cost of funding and its effect on profitability,
- Diminishing capital adequacy strength,
- Possible regulatory actions that would restrain the profitability & growth performance of the sector,
- A sharp slump in growth in the domestic and international markets,
- Downgrades in the sovereign rating level of Türkiye.

3. Projections

The Bank's balance sheet and income statement forecast throughout for 2023 is provided in the below table. These figures have been provided by the Bank management.

Nurol Yatırım Bankası A.Ş.	**Income Statement**
(TRY mn)	**2023P***
Net Interest Income	1,405,712
Non-Interest Incomes	881,713
Non-Interest Expenses	236,333
Net Operating Income	2,051,092
General and administrative expenses	503,342
Provisions	177,909
Pre-tax profit	1,369,841
Profit for the Period	**1,027,381**

**Figures provided by the Bank management*

Nurol Yatırım Bankası A.Ş.	Balance Sheet
(TRY mn)	**2023P***
Cash and Cash Equivalents	7,079,915
Financial Assets	10,803,869
Loan Portfolio	4,406,393
Property Plant and Equipment	245,320
Other assets	1,797,265
Total Assets	**24,332,763**
Payables to Banks	5,374,873
Funds Borrowed	1,718,448
Subordinated Borrowings	115,000
Debt securities issued	3,693,522
Other liabilities	9,868,424
Total Liabilities	**20,770,266**
Equity	**3,562,497**
Total Liabilities & Shareholder's Equity	**24,332,763**

**Figures provided by the Bank management*

The Bank projected a 2023 year-end asset size of TRY 24,332.76mn. According to the Bank management projections, net interest income is projected to realize as TRY 1,405.71mn in FY2023. Accordingly, net profit of the Bank is projected to reach to TRY 1,027.38mn in FY2023.

Taking into consideration, the future projections of the Bank relating to P2023, we, as JCR Eurasia Rating, are of the opinion that Nurol Yatırım Bankası A.Ş. shall fulfil the obligations in a timely manner and without distress as long as it preserves its current management perspective along with no deterioration in the general macro-economic context and sector dynamics.

The Bank's realistic approach on financial and strategic projections are enough to maintain its healthy asset structure and profitability.

Considering the assumption that there will be no additional legal or financial collateral guarantees provided separately for the repayment of the bonds-to-be-issued, as is the general case in the Turkish corporate bond market, the TRY dominated bond issuance rating is determined as the same as the Company's Long- and Short-Term National Local Ratings which are '**AA (tr)**' and '**J1+(tr)**'.

4. Company Profile & Industry

a. History and Activities

Nurol Yatırım Bank has started investment banking activities in 1999 and commenced its operations in May 1999, falls under the regulatory purview of the Banking Regulation and Supervision Agency of Türkiye (BRSA), provides services in the field of Corporate Banking, Investment Banking and Treasury & Financial Institutions with a staff force of 97 people in FY2022.

Organization and Employees

The Board of Nurol Bank consists of nine members, three of whom are independent members and a general manager. According to Capital Market Board (CMB) principles three of Board Members should be independent and the members of the audit committee of the BoD are accepted as independent members. The Bank has Audit Committee, Corporate Governance Committee, Pricing Committee, Disciplinary and Personnel Committee, Assets and Liabilities Committee, Credit Committee, Information Systems Strategy Committee under the BoD and also 2 chief assistant general managers, 4 assistant general managers.

b. Shareholders and Subsidiaries

The main shareholder of Nurol Bank is Nurol Holding A.Ş., which holds 95.68% of total shares. Nurol Holding A.Ş., although set up in 1989; trace back to the establishment of its flagship company Nurol İnşaat ve Ticaret A.Ş in 1966. The Parent Bank's paid in capital has been increased by TRY 140mn to TRY300mn in FY2019; rose by TRY 60mn to TRY360mn in 2020, increased by TRY 100mn to TRY 460mn in 2021 and also increased by TRY 290mn to TRY 750mn in 2022 provided from internal sources. The table below indicates the detailed shareholding structure of the Bank in FYE2022-21. Nurol Bank has not accepted a registered capital system.

Nurol Bank's current shareholder structure is shown in the table below.

000 TRY	2022		2021	
	Share Amount	Share %	Share Amount	Share %
Nurol Holding A.Ş.	717,648	95.68	363,319	78.98
Nurol İnş ve Tic A.Ş.	-	-	76,838	16.70
Others	32,352	4.32	19,843	4.32
Paid Capital (000 TRY)	**750,000**	**100.00**	**460,000**	**100.00**

Nurol Holding A.Ş has engaged in various industries, such as Construction and Contracting, Defence and Production, Financial, Commercial and Services, Energy and Mining Sector, Tourism sectors continues its activities with industries through app. 35+ firms within the Nurol Group with joint ventures and domestic foreign associates and subsidiaries in Türkiye and the Middle East, North Africa, Turkic Republics. Nurol Holding, trace back to the establishment of its flagship company Nurol İnşaat ve Ticaret A.Ş which was incorporated in 1966 as a contracting company.

Nurol Varlık Kiralama Şirketi A.Ş., Nurol Portföy Yönetim A.Ş. and Ortak Varlık Yönetim A.Ş., the subsidiaries of the Bank, are within the scope of full consolidation.

Nurol Varlık Kiralama A.Ş., 100% subsidiary of Nurol Bank, is established in 2017 to operate in asset leasing sector. Nurol Varlık Kiralama A.Ş. has been registered in trade register as of June 14, 2017 and published in Türkiye Trade Registry Gazette numbered 9351 dated September 20, 2017. Nurol Varlık Kiralama A.Ş.'s paid in capital is amounting to TRY 50k as of December 31, 2021.

Nurol Portföy Yönetim A.Ş is established in 2020 to operate in portfolio management services sector and has been registered in trade register as of December 17, 2020 and published in Türkiye Trade Registry Gazette numbered 10226 dated December 17, 2020. Nurol Portföy Yönetim A.Ş's paid in capital is amounting to TRY 15mn and paid all by Nurol Yatırım Bankası A.Ş.

Ortak Varlık Yönetim A.Ş is established by Nurol Yatırım Bankası A.Ş. Ortak Varlık Yönetim A.Ş.'s paid in capital is amounting to TRY 50mn and paid all by the Nurol Yatırım Bankası A.Ş. Ortak Varlık Yönetim A.Ş. has been registered in trade register as of January 22, 2021 and published in Türkiye Trade Registry Gazette numbered 10251 dated January 22, 2021.

c. Industry Assessment

As the core of the financial system in Türkiye, banking sector is the primary source of funding for the real sector and main destination of savings. Several external factors such as the pandemic, subsequent forebearance measures by the authorities and recently global energy shock affects the macro landscape in Türkiye, though Turkish Banking maintains its characteristics; reasonable capitalization, low NPL ratios, strict risk management, short-term weighted deposit profile, notable share of FX deposits.

Regulation taken by BRSA and CBRT continue to be strategic issues of banking outlook in the second half of 2022 as well as in the first half. Recently announced measures on the FX-Protected Deposits (FPD) and holding extra government securities for the loans with high interest are the current issues in banking environment.

Selected Balance Sheet Items

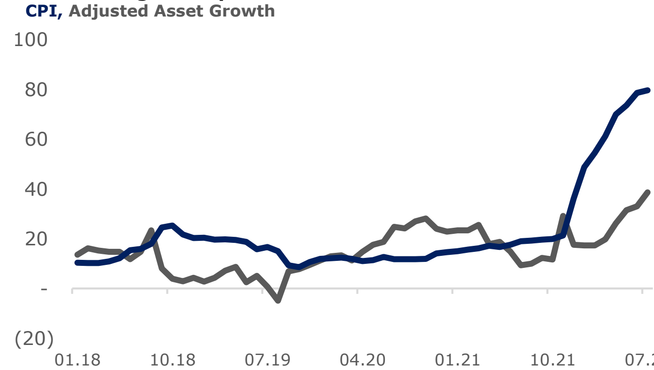
	2019	2020	2021	2022*
Total Assets	4,491	6,106	9,213	12,304
TRY Loan	1,642	2,353	2,832	3,981
FX Loan	1,014	1,224	2,069	2,531
Percentages (%)	38.2	34.2	42.2	38.9
NPL	151	153	160	162
Percentages (%)	5.4	4.1	3.2	2.5
Securities	661	1,023	1,477	2,036
Total Liabilities	3,999	5,507	8,502	11,256
TRY Deposit	1,259	1,546	1,880	3,248
FX Deposit	1,308	1,909	3,423	4,210
Percentages (%)	51.0	55.3	64.5	56.4
Repo	154	255	586	522
Equity	492	599	711	1,048
Net Income	49	59	92	208

*January to July
Source: BRSA, JCR-ER

Banking Sector operates with 55 banks maintaining 11,024 branches within the country (76 abroad). ATM network is comprehensive, around 49K as of July 2022. The sector employs a workforce of circa. 200K.

The Sector is relatively concentrated. According to the Banks Association of Türkiye 3Q2021 data, top 5 banks account for 58.90% of total assets, 65.94% of deposits and 59.13% of total loans.

Asset size growth paralell to CPI
CPI, Adjusted Asset Growth



Source: BRSA, TurkStat, JCR-ER

Banking sector adjusted asset size has grown by 38.1% in first seven months of 2022 compered to same period of previous year and exceeded the TRY 12.3trn, reflecting the inflation dynamics as yearly CPI reached 80.21% and PPI reached 143.75% as of 2022/8. Given 2022 year-end CPI expectations above 70%, nominal asset growth will persist.

Asset quality continues strong

At the initial stages of the pandemic, real sector debt profile was uncertain, though various subsidies, tax and social security premium rebates and postponements of debt repayments supported the liquidity. However, Türkiye's solid economic performanc in and after pandemic reflected in NPL figures. As of 2022/7, the Sector's NPL ratio improved to 2.42% from 3.71% in 2021/7.

The sectors such as retail, construction and electricity generation, which are more affected by fluctuation in the exchange rate are highly dependent on bank financing. Additionnaly, these three sector are the most sensitive ones to change in commodity prices. Therefore, extra working capital needs have arised during after-pandemic period where commodity prices stay high as a consequence of the supply-change bottlenecks and Russian invasion on Ukraine. According to the data dated July 2022 published by the BRSA, the share of retail, construction and electricity sectors in total commercial loans reached almost 30%. NPL ratio's of these three has been surpassing well above NPL ratio of the banking sector. Tourism appears as another sector need to be closely monitored where its NPL ratio detoriated in pandemic and have not been restored yet.

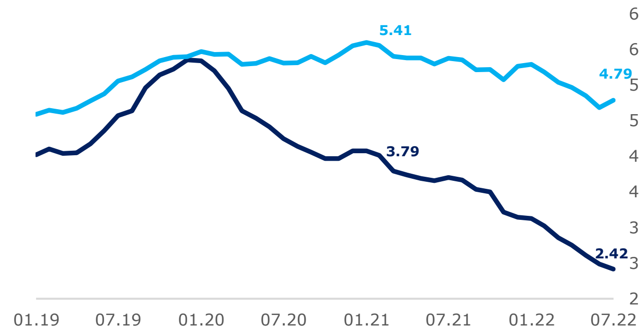
	Loans (Share in Total, %)	NPL (%)	Std. NPL Multiplier
Wholesale and Retail	12.41	3.46	0.28
Construction	8.52	6.70	0.79
Electric, Gas and Water	7.69	4.52	0.59
Transportation, Storage and Communication	6.34	1.98	0.31
Real Estate Brokerage	5.86	3.15	0.54
Metal Industry	3.91	1.70	0.43
Tourism	3.81	4.08	1.07
Textile	3.47	2.27	0.65
Agriculture	3.30	2.39	0.72
Food, Beverage and Tobacco	3.24	2.17	0.67
Others	41.45	2.25	0.05

Source: BRSA, JCR-ER

On the other hand, despite the loan growth that started with the pandemic in FY2020, there has been an obvious decrease in NPL rates which shows high asset quality.

Although this decrease observed in NPL rates was due to incentive packages such as the ease of access to this new loan, the postponement of debts and credit expansion, the ratio of expected loss provisions to total loans also followed a similar path to the NPL rate.

Impaired loan rates recorded sharpe decline
NPL Ratio (%), Expected Loss/Loans (%)



Source: BRSA, JCR-ER

Credit conditions getting tightened

Forbearance measures have been rolled back as authorities began to tighten financial conditions in the second half of FY2022.

Even though easy monetory policy countinued by CBRT by lowering its policy rate to 13%, BRSA and CBRT regulate banking enviroment with new policy sets in accordance with the various macroprudential policies, limiting credit growth in particularly consumer segment and prioritizing investment & export loans.

First step on tight the credit conditions has been taken by CBRT in April under macroprudential measures. CBRT introduced new regulation which requires banks to set up reserves by 10% of lira denominated cash loans on April 2022.[1]

[1] Regulation excludes some loan types from reserve requirement. The exclusions are;

- Loans extended to businesses that are under the scope of SMEs
- Tradesmen loans,
- Export and investment loans,
- Agricultural loans,
- Loans extended to institutions and organizations, state economic enterprises and their establishments, subsidiaries and affiliates included in tables (I), (II), (III) and (IV) in the annex of the Law No.5018 on Public Finance Management and Control Law,
- Commercial credit cards,
- Loans extended to financial institutions

This rate was up to 20% on June 2022 and 30% in August 2022. CBRT also annouced another measure raleted with the FPP conversion retes. With in the scope, banks with a conversion ratio below 5% are required to allocate an additional 500 basis points, and banks with a conversion ratio between 5% and 10% are required to allocate an additional 300 basis points. To do this, CBRT aimed to decrease lendable amounts and support liralization strategy.

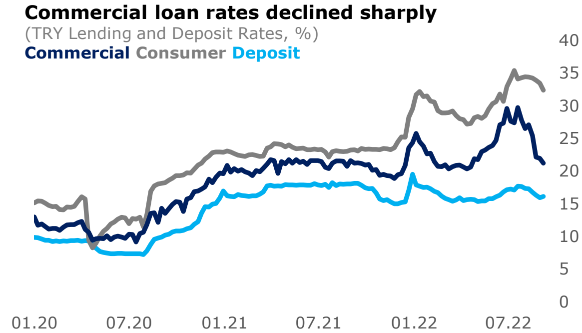
Source: BRSA, JCR-ER

Together with the CBRT, the BRSA introduced a number of regulations for the banking system within the scope of macroprudential measures. The BRSA supported the Liralization strategy with the regulation it made in June. In this context, it is prohibited extend loans to companies whose total assets in foreign currency accounts exceed TRY15mn equivalent, or whose FX assets exceed the 10% of total assets or total sales.

As a result of measures taken by regulators reflected in loan growth rates. TRY denominated loan growth, which reached its highest level at 114% in mid-June, started to slow down. TRY denomineted loans' growth, which fell to 68% in September, is expected to continue to slow down in the rest of the year with the continuation of macroprudential measures.

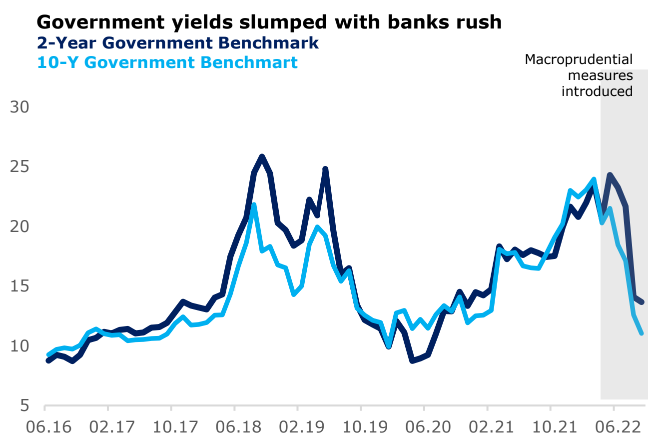
After another measure taken by the CBRT in August 2022, especially commercial loan growth is expected to slow down further. The CBRT mandated that in case of applying commercial loan interest 1.4 times the policy rate for commercial loans, 20% of the loan amount is required to be kept in TL denominated government domestic debt securities. If the commercial loan interest rate is 1.9 times or more than the CBRT reference rate, the required reserve ratio will be 90% of the loan amount.

While this measure significantly lowered commercial loan rates, it also reduced banks' appetite for lending. Because the period when the interest rates started to decrease and the period when the loan growth rate started to weaken coincide.



Source: Refinitiv, JCR-ER

On the consumer loans side, interest rates have weakened compared to the first half of the year. However, with the regulations made by the BRSA regarding the maturity structure of consumer loans, credit conditions have also tightened for consumers. The tightening in consumer loans is also clearly visible in the loan growth rate. As of September, 2022, consumer loans growth rate shrunk to 29%



Source: Refinitiv, JCR-ER

In the scope of macroprudential measures, banks turned toward government securities to meet reserve requirement. As a result of banks' rush into securities, yields slumped dramatically.

This also allowed to boost profitability since prices up. For the coming period, in case of rise in government yields, it will result with the loss for the banks.

Dollarization retreat with introduction of FPD

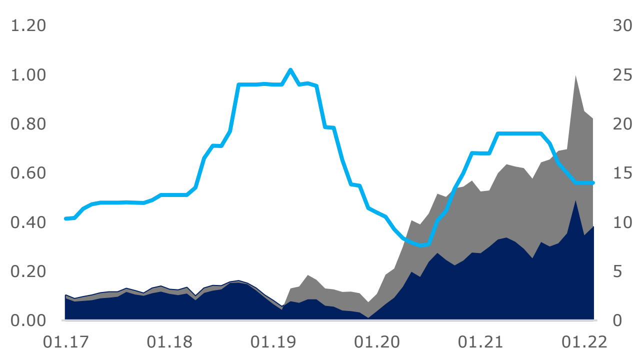
The total deposits of the banking system increased yearly by 98% in September, 2022 and reached TRY 7.86trn where it was TRY 3.97trn in September, 2021. Short-term nature of system deposits had historically created maturity mismatch between assets and liabilities and the rapid episode of dollarization leading to volatility in FX rates resulted in a peak. Sudden FX rate jumps in 2021, resulted in FX deposits share reaching its highest value in December, 2021 with 69%.

With the onset of the FPD, it received sizable interest in response to the dollarization trend and markedly high FX rate volatility. At the beginning of the implementation, the ratio of foreign currency deposits to total deposits decreased to 55%. As a result, the FPD balance reached TL 3.58 trillion as of September 9, 2022.

Strong liquidity position maintained

Besides the deposits, CBRT funding plays critical role in liability side of banking sector. CBRT provide funding to sector via tender and derivatives channel. As of September 2022, CBRT provide TRY 1.052trn (410bn via tender and 642bn via derivatives) funding to the sector at a WAFR 14%.

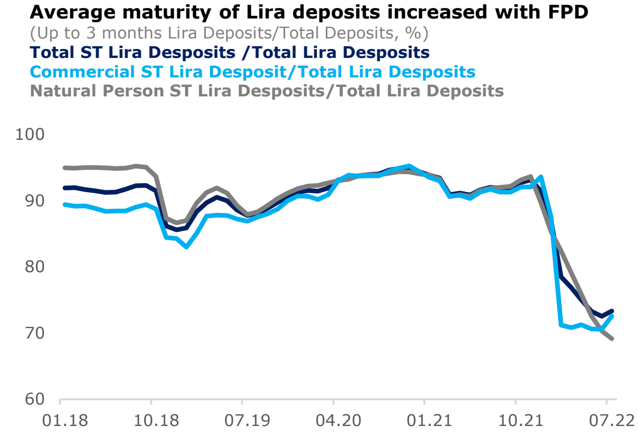
FX sales to CBRT reduced system's funding needs



Source: CBRT, JCR-ER

In this period, besides the CBRT's funding composition, FPD also became a source of liquidity for banks. With the conversion of foreign currency accounts to TL deposits, the maturity of the deposits extended. The ratio of short-term deposits to total TL deposits in TL deposits declined rapidly with the onset of the FPD.

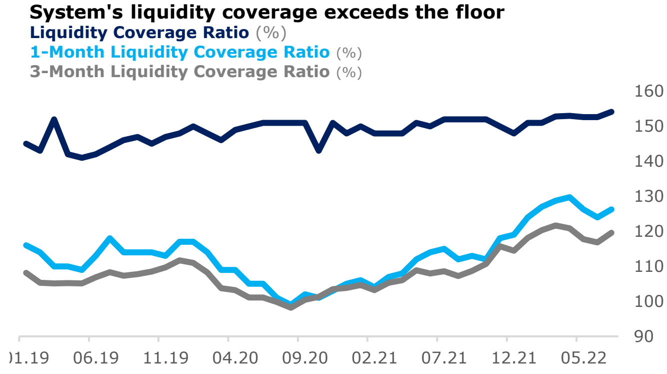
Average maturity of Lira deposits increased with FPD



Source: BRSA, JCR-ER

Another foremost effect of FDP is observed in banking sectors liquidity coverage ratio (LCR) improvement. In particular, short term cash outflows in which significant portion has been composed of short-term deposits (demand, up to 1-month, and 1-3-month deposits) are restricted by minimum 3-month deposits requirement of FDP deposits requirement of FDP. This development supported the upturn in LCRs, both 1-month and 3-months.

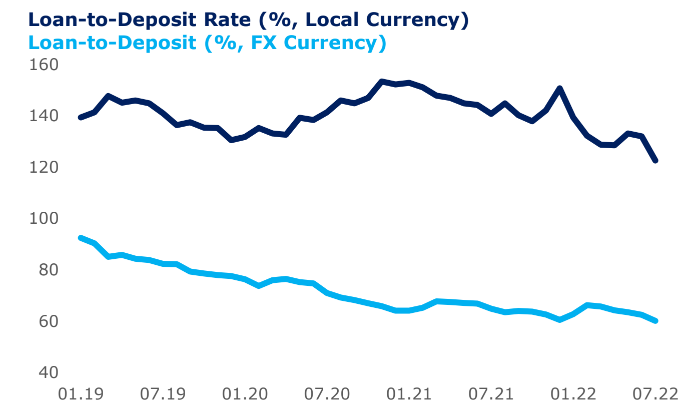
System's liquidity coverage exceeds the floor



Source: BRSA, JCR-ER

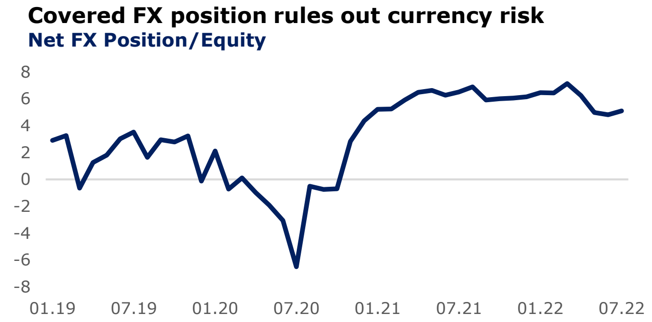
Current de-dollarization efforts also reflected in loan-to-deposit (LTD) ratios. Initial movement to FDP started at the end of 2021 gain momentum in 2022 and FDP accounts balance which is kept in TRY started to soar. With that effort FX deposit account balances also started to shrink. This state lead to decrease in LTD in TRY ratio and vice-a-versa for LTD in FX.

Graph presented below depict recent developments in LTD ratios. Accordingly, LTD in TRY which was 151% at FYE2021 was calculated as 123%, as of September, 2022. In addition, LTD in FX soared to 60%.



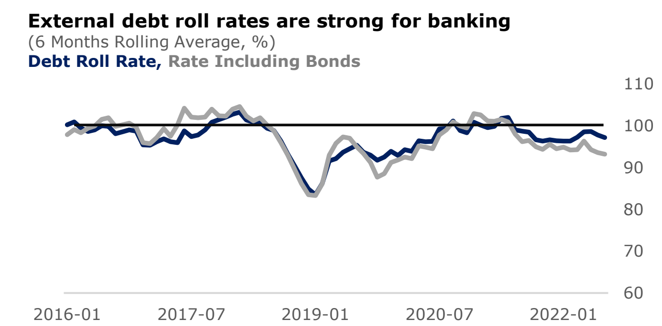
Source: BRSA, JCR-ER

Covered FX position via off-balance sheet assets, disposed of the currency risk of sector and remove the new equity requirements.



Source: BRSA, JCR-ER

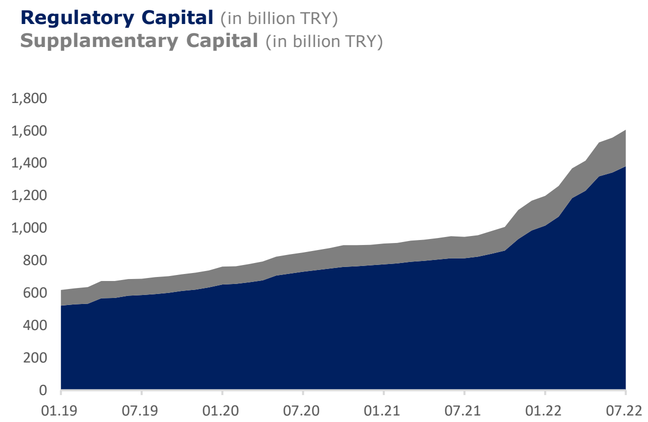
Whilst strong FX positions, banks tend to roll over nearly whole amount of external debts. Debt roll rate for the banking sector materialized as 93.2 in 2022/7.



Strong capital structure maintained

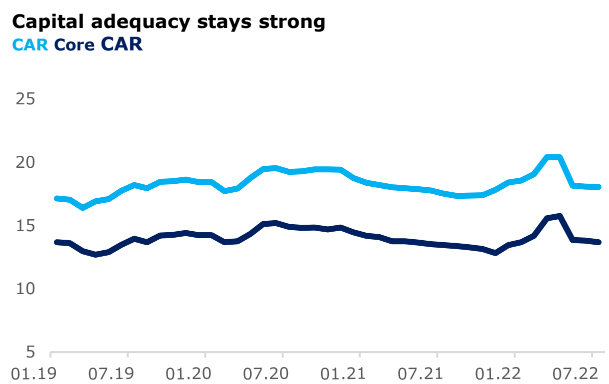
In terms of capital adequacy, Turkish banking sector is on solid ground. Total regulatory capital of sector increased by %40 in the first seven month of 2022 from TRY 1.17bn in FY2021 to TRY 1.38trn as of September, 2022.

Capital injections to state banks made Turkish banking system capital structure stronger. Turkish Wealth Fund (TWF) had completed capital raise operations in state banks in March, 2022 and totally TRY 48.6bn has been injected to system. Reduced capital adequacy of the state banks due to heavy lending had been remedied via injections.



Source: BRSA, JCR-ER

The CAR ratio, which is one of the main strength indicators of the sector, shows small decline compared to previous year and realized as %18.39 which is well above the Basel III requirement 8%.



Source: BRSA, JCR-ER

CBRT policies boosted profitability

Sectors profitability boosted in the seven months of 2022 with TRY 209bn after-tax income that was TRY 93bn at the end of 2021. The biggest contribution to profitability came from FX activities with TRY 27bn profit whilst banking services revenues made TRY 66.8bn contribution.

Selected P&L Items

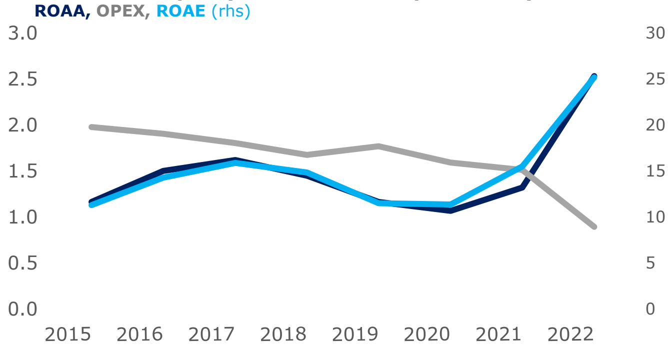
	2019	2020	2021	2022*
Net Interest	162,355	214,796	265,518	358,680
Special Provision for NPL	56,555	41,560	47,226	50,544
Banking Service Revenues	49,640	42,635	66,835	66,726
Personnel Expenses	34,119	39,332	46,781	42,585
Capital Market P&L	-17,472	-22,487	38,394	12,154
FX P&L	-5,510	3,730	-59,467	26,724
Net Income	49,043	58,503	92,952	208,860

*January to July

Source: BRSA, JCR-ER

Monetary easing cycle started in September 2021 contributed to boost in profitability. While CBRT's funding cost declines, macroeconomic risks raised the credit-deposit interest rate gap. The situation boosts banks profitability.

Inflation and policy rates will share profitability



Source: BRSA, JCR-ER

Boosted profitability were also observed in profitability ratios. ROAE increased to 25.2 as of September, 2022 which were crawling at 15.3 at the end of 2021. ROAA also jumped to 2.53 in September, 2022

Selected KPIs

	2019	2020	2021	2022*
Core CAR	14.22	14.45	13.44	13.67
CAR	18.40	18.74	18.39	18.02
ROAA	1.44	1.38	1.68	2.53
ROAE	11.48	11.36	15.48	25.17
Loan-to-Deposit	109.64	108.26	95.92	89.99
NII/Average Assets	3.85	3.91	3.76	3.37
NIE/Average Interest-Bearing Liabilities	8.45	5.52	7.89	4.53
Loan-to-GDP	65.00	62.00	68.00	-
Loan-to-Deposit (TRY)	130.40	152.20	150.60	122.55
Loan-to-Deposit (FX)	77.50	64.10	60.40	60.13
Securities-to-Total Assets	14.70	16.70	16.00	16.55

*January to July

Source: BRSA, JCR-ER

Current Topics in Banking Sector

Banking can be seen as a conventional sector where current trends do not have effect on it. However, it does not. Trends like digitalization and sustainability have transforming sector nowadays.

Banking sector is of the areas where the effects of digitalization seen mostly. Besides the technological developments used in banking like mobile apps, BRSA's regulation in digital banking has formalized the evolution process of conventional banking into digital era. With the regulation in which the principles of digital banking were determined, the concept of branchless (digital) banking became official.

In this context, digital banks can be found with a capital of equal or more than TRY 1bn. Also, digital banks will not have branch other than the head office, and customer segment will be individuals and SMEs. According to the data on the BRSA's website, there are 4 different institutions that have obtained digital Banking permission. One of these institutions got permission to establish a digital deposit bank, while the remaining three got permission to establish a digital participation Bank.

On the other hand, the efforts to solve the emerging problems, especially the climate crisis and inequality, were also reflected in the banking sector. The Responsible Banking declaration put forward by the UN Finance Initiative was signed by 7 Turkish banks. Turkish banks started to allocate some of the resources to the sustainability related (environmental, social) projects.

5. Additional Rating Assessments

Nurol Bank is principally exposed to Credit, Market, Liquidity and Operational risks stemming from the nature of its operations and utilization of financial instruments. Risks are executed under the effective risk management framework and principals in line with regulations and the Bank's risk appetite, strategy, and activities.

The Bank's risk management system embraces all processes of decision-making, executing, monitoring, controlling, and auditing activities and includes the bodies of the Board of Directors, Senior Management, Internal Systems Units, and Committees established by the Board of Directors within Risk Management System and Committees established by the Senior Management within the Risk Management System.

The Bank has set up Audit Committee, Corporate Governance Committee, Pricing Committee, Disciplinary and Personnel Committee, Assets and Liabilities Committee, Credit Risk Committee, Information Systems Strategy Committee under the BoD.

In order to maintain a thorough and complete risk management system, an Anti-Fraud Monitoring Committee, Sustainability Committee, Internal Control Unit and departments of Risk Management, Internal Audit, Anti- Fraud Monitoring and Compliance were also set up for further surveillance.

The Bank's Risk Management Department carries out activities regarding the measurement, monitoring, control and reporting of the risks which are identified in line with relevant implementation principles and risk management policies and procedures approved and periodically reviewed by the Board.

Analyses, simulations, scenarios, stress tests and the Internal Capital Adequacy Assessment Process (ICAAP) report, as being part of the risk management, provide a key role in the strategic decisions taken by the senior management of the Bank.

Credit Risk

The Bank's credit risk management policy is initially set on three pillars; customer selection, credit allocation and credit pricing. In this sense, through the guides of comprehensive risk management framework, the Bank manages its credit risk by the allocation of loan limits for customers and customer groups as well as the definition of limits for sectors with considerations of maximizing risk-adjusted returns.

The Bank continuously monitors customer credit assessments, takes necessary precautions and reviews allocated limits when necessary. In accordance with the lending policies, collaterals such as cash, bank guarantees, pledges, cheques & notes and personal or corporate guarantees are required in line with the financial position of the debtor and its creditworthiness. The share of cash loans decreased in absolute term to none in FY2022 from TRY 718.94mn in FY2021 and the share of non-cash loans increased to TRY 34.25mn in FY2022 from 27.21mn FYE2021.

The below table shows the customer concentration levels in cash and non-cash loan book composition of the Bank in FYE2022-2021.

Customer Concentration *(Cash) (%)**	**2022**	**2021**
First 10	82.20	78.60
First 20	95.20	92.10
First 50	99.50	97.80
Customer Concentration *(Non-Cash) (%)**	**2022**	**2021**
First 10	69.00	64.10
First 20	82.40	81.70
First 50	90.40	90.60

**Data provided by the Bank management*

Nurol Bank has exposure to concentration risk where its business activities focus particularly on a similar type of customers and industrial sectors in Türkiye. The Bank's regional concentration in loans book increased to 99.62% in FYE2022 from 93.17% in FYE2021.

The Bank's foreign currency risk exposure complies with BRSA regulations. The Bank's interest rate risk is also limited and risk arising from interest rate fluctuations is monitored on a daily basis and managed by the asset and liability committee.

Market Risk

In the scope of market risk, the Bank is principally exposed to the fluctuations in the interest rates and foreign currency risks. Overall authority for market risk is assigned in the Asset- Liability Committee (ALCO). To manage any particular interest rate risk, pre-approved limits of re-pricing bands have been set and interest rate gaps are continuously monitored by ALCO and is assisted by Risk Management Department.

The Bank measures the interest rate sensitivity of assets, liabilities and off-balance sheet items in meetings of the Asset-Liability Committee. The Group manages its exposure to all types of risks through the Asset and Liability Committee, comprising members of senior management, and a representative of main shareholder.

Market risk shows the 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 and use the 'Standard Method', in line with the methodology outlined in the regulations of BRSA. The monthly market risk report and the weekly currency risk reports prepared are reported to BRSA.

FYE2022 and FYE2021 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 June 28, 2012.

The BoD of the Bank defines the risk limits for primary risks carried by the Bank and periodically updated the limits. Nurol Bank measures its market risk daily through the value at risk (VaR) methodology, related with trading and available-for-sale portfolios.

VAR measurements calculated using internal methods, and exchange rate and overall market risks calculated using standard methods, as well as stress tests and scenarios, are analyzed within the scope of the market risk and regularly reported by the Risk Management Department to the Senior Management and Audit Committee.

In the scope of market risk, the Bank is mostly exposed to the fluctuations in interest rates and currency exchanges, although risks arising from those fields are quite restricted under reasonable fluctuations course. The Bank's foreign currency risk exposure is restricted and complies with BRSA regulations.

The Bank's net foreign currency is in long position of TRY -1,507.27mn in FY2022. (FY2021: TRY 553.58mn) Net foreign currency position to asset ratio is 8.64% and 7.85% at the end of FYE2022-2021, respectively.

Liquidity Risk

Treasury and financial institutions department manages liquidity risk in order to take necessary measures in a timely and accurate manner to meet its obligations even in stressed conditions and accomplishes the regulations regarding liquidity implemented by the BRSA. The Bank calculates and follows up the liquidity risk, cash flows, gap analyses, stress tests and scenario analyses which are periodically reported by the Risk Management Department to the Senior Management and Audit Committee. The Bank uses liquidity gap analyses and liquidity stress tests through executing liquidity risk by internal means. Liquidity risk is a substantial risk in the Turkish market, which exhibits significant volatility.

In addition to the requirement of legal liquidity ratios, by the Assets and Liabilities Committee (ALCO) sets internal liquidity ratios such as liquid assets to total assets and liquid assets to portfolio of issued bank bonds. Risk management unit closely monitors the liquidity conditions under the pre-determined limits.

In overcoming the liquidity risk considering short and long-term liquidity requirements, the Bank has been in an effort to develop alternative funding channels and to diversify its funding sources through instruments such as bond issuances, local and foreign borrowings.

The calculation method used to measure the banks compliance with the liquidity limit is set by BRSA. Since November 2006, BRSA issued a new communique on the measurement of liquidity adequacy of the banks.

Liquidity Coverage Ratio (LCR), aims for the banks having the ability to cover 30 days of liquidity needs with their own cash and high-quality liquid assets that are easy to convert to cash during liquidity shortages in the markets. With that perspective and according to "Regulation for Banks' Liquidity Coverage Ratio Calculations" terms LCR ratio is calculated by having high quality liquid assets divided by net cash outflows. In both bank-only and consolidated basis, LCR ratio should be at least 80% for foreign currency and 100% for total.

According to the Regulation on Banks' Liquidity Coverage Ratio Calculation, it has been decided to apply the consolidated and unconsolidated total and foreign currency liquidity coverage ratios for development and investment banks as zero percent until the contrary is determined by the BRSA, and within this framework, compliance with the legal ratio is not sought.

As of December 31, 2022, the average liquidity coverage ratios of Nurol Bank on BRSA Solo basis are 97.48% and 59.66%, for respectively. The banking sector remains resilient in the face of short-term liquidity shocks.

Operational, Legal Regulatory & Other Risks

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. Information systems, internal control policies, and procedures outline the overall operational risk management profile.

The Bank places importance on compliance with the regulations set by the authorities and changes to the legal framework such as Regulations on the Principles of Corporate Governance of Banks, corporate governance provisions in Turkish Commercial Code along with Banking Regulation and Supervision Agency (BRSA)'s enforcements of strict regulation and supervision on the Turkish Banking Sector.

Operational risks are managed effectively through the formation and implementation of risk management policies, network security and human resources. Business continuity is ensured by implementing back-up and disaster recovery plans and systems. In addition to the Bank's timely risk management applications assisted by the risk management, internal audit, internal control and compliance departments. A stress test is performed at least once a year for operational risk, and in any case, at year-ends.

According to the Bank's assessments, there were no significant lawsuits brought against the Bank or its managers as of reporting date that may result in material losses considering the Bank's assets size.

NUROL YATIRIM BANKASI A.Ş. (Consolidated Financials) **Balance Sheet**

(000, TRY)	**FYE2022**	**FYE2021**	**FYE2020**
Total Earning Assets	**15,533,626**	**6,519,768**	**3,933,041**
Loans and Leasing Receivables, net	*3,729,782*	*3,457,231*	*3,092,029*
Other Earning Assets	*11,803,844*	*3,062,537*	*841,012*
Non-Earning Assets	**1,920,715**	**535,305**	**392,303**
Total Assets	**17,454,341**	**7,055,073**	**4,325,344**
Cost Bearing Resources	**12,006,563**	**3,594,733**	**1,842,888**
Non-Cost Bearing Resources	**3,117,093**	**2,646,374**	**1,863,466**
Total Liabilities	**15,123,656**	**6,241,107**	**3,706,354**
Equity	**2,330,685**	**813,966**	**618,990**
Total Liabilities and Shareholders' Equity	**17,454,341**	**7,055,073**	**4,325,344**

- *According to JCR Eurasia Rating's Calculations,*

NUROL YATIRIM BANKASI A.Ş. (Consolidated Financials)	**Income Statement**		
(000, TRY)	**FY2022**	**FY2021**	**FY2020**
Net Interest Income / Expense	**1,227,162**	**331,305**	**218,554**
a) Interest Income	2,075,660	657,555	402,863
b) Interest Expense	-848,498	-326,250	-184,309
Net Fee and Commission Income / Expense	**256,063**	**100,397**	**23,676**
a) Fee and Commission Income	369,238	111,851	33,197
b) Fee and Commission Expense	-113,175	-11,454	-9,521
Total Operating Income / Loss, net	**503,920**	**-65,249**	**-31,634**
Total Provisions	**-143,141**	**-119,223**	**-83,882**
Total Operating Expense	**-241,386**	**-96,042**	**-74,640**
Salaries and Employee Benefits	-73,207	-35,215	-25,842
Other Expenses	-168,179	-60,827	-48,798
Profit from Operating Activities before Income Tax	**1,844,004**	**247,230**	**130,120**
Income Tax – Current	-381,635	-31,034	-26,521
Income Tax – Deferred	-4,037	-25,053	5,304
Net Profit for the Period	**1,458,332**	**191,143**	**108,903**

- *According to JCR Eurasia Rating's Calculations,*

NUROL YATIRIM BANKASI A.Ş. (Consolidated Financials)	**Financial Ratios**		
Profitability &Performance (%)	**FY2022**	**FY2021**	**FY2020**
Return on Average Assets (ROAA) - Pretax Profit / Total Assets (avg.)	15.05	4.34	3.43
Return on Average Equity (ROAE) - Pretax Profit / Equity (avg.)	117.28	34.51	24.66
Provisions / Total Income	5.64	14.39	23.43
Net Interest Margin	13.87	7.86	6.88
Asset Market Share in Turkish Investment Banks	1.15	1.15	1.14
Asset Market Share in Entire Banking System	0.05	0.08	0.07
Asset Growth Rate	147.40	63.11	32.93
Capital Adequacy (%)			
Internal Equity Generation / Previous Year's Equity	179.16	30.88	24.96
Equity / Total Assets	13.35	11.54	14.31
Core Capital / Total Assets	13.17	11.33	14.24
Supplementary Capital / Total Assets	0.57	1.36	3.23
Capital / Total Assets	13.74	12.69	17.47
Standard Capital Adequacy Ratio	19.29	17.93	17.10
Liquidity (%)			
Liquidity Management Success (On Demand)	96.72	92.22	97.57
Liquidity Management Success (Up to 1 Month)	92.04	98.44	90.95
Liquidity Management Success (1 to 3 Months)	98.70	92.99	91.81
Liquidity Management Success (3 to 12 Months)	95.43	97.88	99.36
Liquidity Management Success (Over 1 Year & Unallocated)	92.03	99.78	99.06
Asset Quality (%)			
Loan and Receivable's Loss Provisions / Total Loans and Receivables	0.08	3.66	2.27
Total Provisions / Profit Before Provision and Tax	7.20	32.53	38.21
Impaired Loans / Gross Loans*	0.01	3.30	2.70
Total FX Position / Total Assets	8.64	7.85	3.86
Total FX Position / Equity	64.67	68.01	28.77

**Data provided by the Bank management, after NPL sales*

- *According to JCR Eurasia Rating's Calculations*

Rating Info

Rated Company:	Nurol Yatırım Bankası A.Ş. Büyükdere Cad. Nurol Plaza No:255 K:15, 34485 Şişli/İstanbul TEL: +90 212 286 81 00
Rating Report Preparation Period:	01.04.2023 - 27.04.2023
Rating Publishing Date:	27.04.2023
Rating Expiration Date:	1 full year after publishing date, unless otherwise stated
Audited Financial Statements:	FYE2022- FYE2020 | Consolidated and Solo
Previous Rating Results:	29/04/2022 | Long-Term National Issuer Credit Rating at AA (tr). Other rating results for the Company are available at www.jcrer.com.tr
Rating Committee Members:	Z. M. Çoktan *(Executive Vice President),* O. İnan *(Director),* M. Hayat *(Manager)*

Disclaimer

The ratings affirmed by JCR Eurasia Rating are a reflection of the Company's independent audit reports prepared in conformity with Turkish Financial Reporting Standards (TFRS) and International Financial Reporting Standards (IFRS), on and off-balance sheet figures, general market conditions in its fields of activity, unaudited financial statements, information and clarifications provided by the Company, and non-financial figures. Certain financial figures of the Company for previous years have been adjusted in line with the JCR Eurasia Rating's criteria.

The Company's balance sheet composition, asset quality, risk management practices, business profile, liquidity management, history in the sector, profitability figures, revenues, debt structure, growth rates, off-balance sheet commitments, and the financial and non-financial positions of the main shareholders were taken into consideration while determining the risk assessment of the long-term international local currency and foreign currency ratings as well as national ratings.

Considering the fact that there are no additional legal or financial collateral guarantees provided separately for the repayment of the bonds issued, the note assigned for the TRY dominated bond issuance is assigned as the same as the Company's Long and Short-Term National Local Ratings, unless otherwise stated.

Previous rating results and other relevant information can be accessed on www.jcrer.com.tr

This rating report has been composed within the methodologies registered with and certified by the SPK (CMB-Capital Markets Board of Türkiye), BDDK (BRSA-Banking Regulation and Supervision Agency) and internationally accepted rating principles and guidelines but is not covered by NRSRO regulations.

JCR Eurasia Rating
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