Corporate Credit Rating

☐New ☒Update

Sector: Banking
Publishing Date: 29.04.2024

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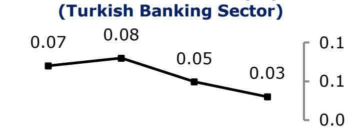
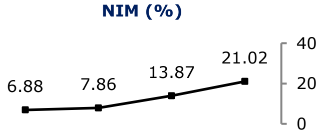
RATINGS		Long Term	Short Term
ICRs (Issuer Credit Rating Profile)	National ICR	AA (tr)	J1+ (tr)
	National ICR Outlooks	Stable	Stable
	International FC ICR	BB	-
	International FC ICR Outlooks	Negative	-
	International LC ICR	BB	-
	International LC ICR Outlooks	Negative	-
ISRs (Issue Specific Rating Profile)	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*

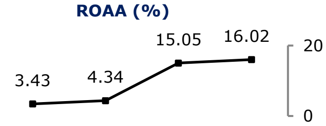
Asset Market Share (%) (Turkish Banking Sector)



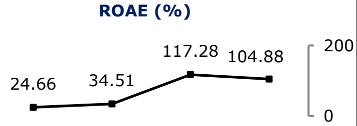
NIM (%)



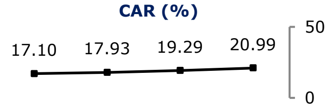
ROAA (%)



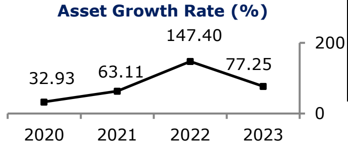
ROAE (%)



CAR (%)



Asset Growth Rate (%)



NUROL YATIRIM BANKASI A.Ş.

JCR Eurasia Rating has evaluated the consolidated structure of **"Nurol Yatırım Bankası A.Ş."** in the very high investment level category 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 the sovereign 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 105 people in FY2023.

The majority shareholders of the Bank were Nurol Holding A.Ş. (96.33%), 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
• Improvement in the net interest margin in FY2023, • Decreasing trend in NPL ratio supporting asset quality in the analysed period, • Increasing capital adequacy ratios in FYE2023, • Diversified funding structure supporting financial flexibility, • Compliance with corporate governance practices and continuity of well-established risk management organization, • Country-specific advantages encouraging investment which contributes to the investment banks' operations.	• Need for expanding customer granularity to reduce concentration risk, • Short-term weighted borrowing profile of the sector, • Volatile environment for Turkish Banking Sector due to weakened TL and inflationary headwinds despite tighter post-election monetary policies of CBRT including interest rate hikes.

Considering the aforementioned points, the Bank's 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, net interest income generation capacity and liquidity profile; 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

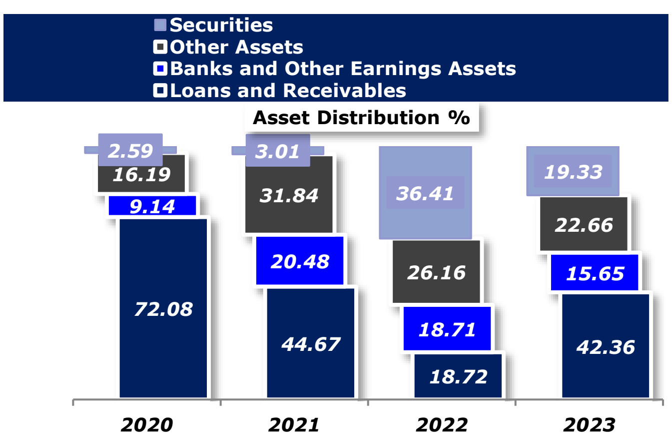
With respect to the factors mentioned below, JCR Eurasia Rating affirmed the Long-Term National Issuer Credit Rating of the Company at **'AA (tr)'** and the Short-Term National Issuer Credit Rating at **'J1+ (tr)'** in JCR Eurasia Rating's notation system which denotes very high investment level category.

When the global and national scale rating matching published by JCR Eurasia Rating is considered, the Company's Long-Term International Issuer Credit Ratings are determined as **'BB'** in line with the sovereign ratings of Republic of Türkiye.

<u>Improvement in the Net Interest Margin in FY2023</u>

The Bank's total asset size robustly increased by 77.25% YoY and reached TRY 30.94bn as of FYE2023, while those of Turkish development & investment banking sector and Turkish entire banking sector as a whole were 64.03% and 64.14%, respectively. The market share of the Bank, based on its asset size, decreased slightly in FYE2023 and amounted 0.03% (FYE2022: 0.05%).

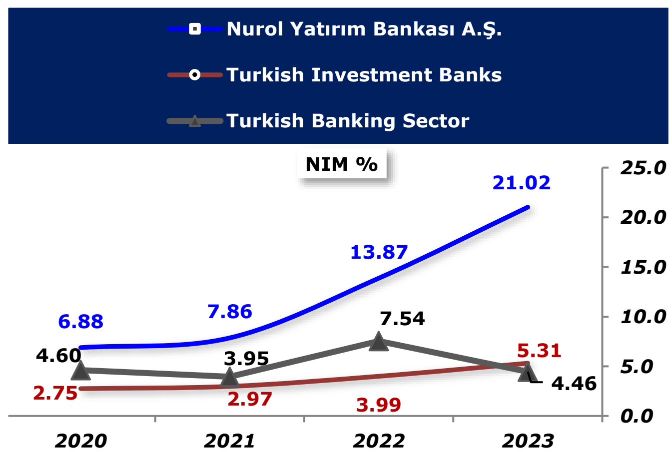
The Bank's earning assets constituted 77.34% of total asset size (FYE2022: 73.84%; FYE2021: 68.16%) and reached TRY 23.93bn as of FYE2023. The high share of earning assets among total assets indicates the potential revenue increase in the following periods.The earning assets of the Bank was mainly derived from loans book. As of FYE2023, the Bank's net loans and leasing receivables was realized as TRY 13.25bn constituting 42.82% of total asset size. As of FYE2023, besides loans book, the Bank's asset quality is supported by interbank placements and investment securities portfolio as indicated in the below table.



The Bank's net interest income increased from TRY 1.23bn in FYE2022 to TRY 3.87bn as of FYE2023 through the earning assets increase.

The net interest margin is calculated as net interest income over average earning assets, excluding net fees and commissions.

An examination of The Bank's net interest margin demonstrates its superior performance compared to both the Turkish Banking Sector and the Turkish Investment Banking Sector across the analyzed periods. During the transition from the FY2022 period to the FY2023 period, the net interest margin surged to 21.02%, marking a significant increase. This uptick can be attributed to the positive impact of the rise in current accounts, demand funds, and funds approaching demand funds on the net interest margin.

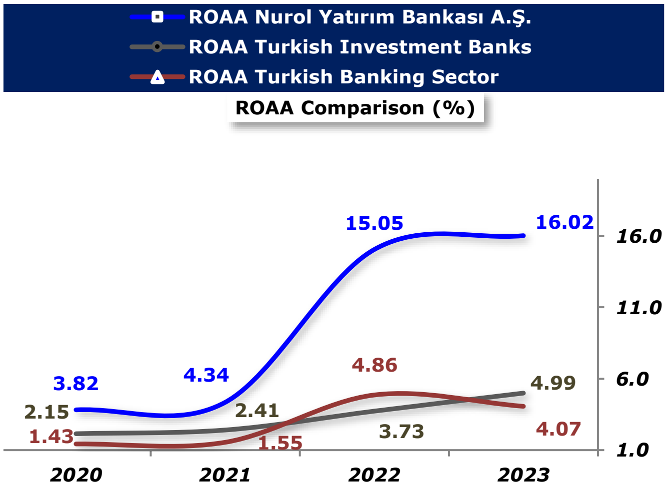


Despite adopting a conservative approach to loan growth, the Bank successfully maintained a high net interest margin (NIM) by controlling the rate of loan expansion. This cautious stance on loan growth was implemented in response to measures aimed at combating inflation.

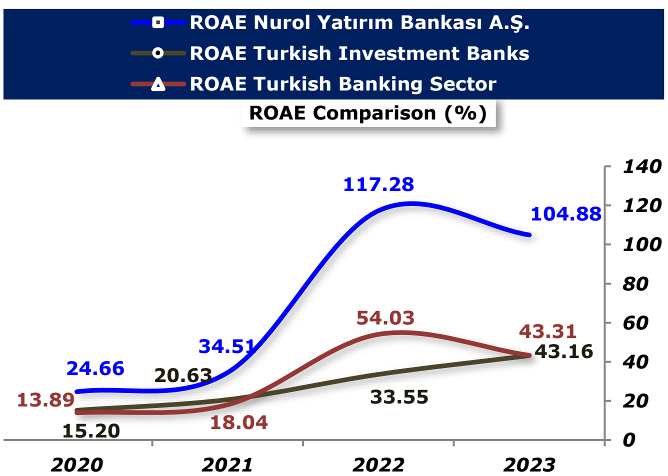
Nurol Bank achieved a net profit of TRY 2,975.86mn in FY2023, exhibiting an improvement of 104.06% compared to the previous year's figure of TRY 1,458.33mn. In the same period, the Turkish banking sector's net profit exhibited increase of 54.00% and while the development & investment banking sector's net profit figure demonstrated an increase of 97.20%.

Additionally, the Bank's 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:



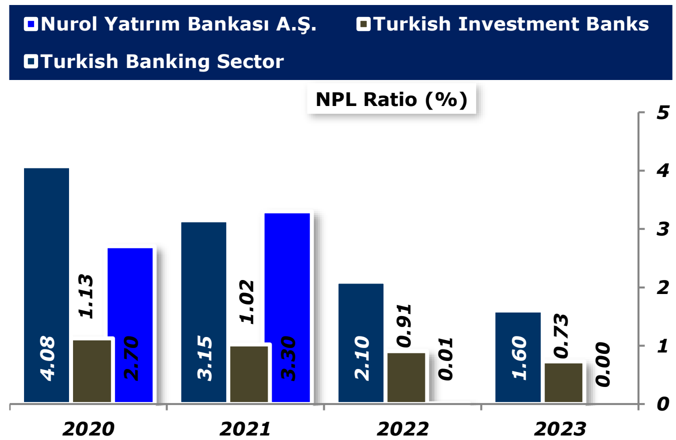
The return on average assets (ROaA) ratio of Nurol Bank increased to 16.02% in FY2023 from 15.05% in FY2022 and outperformed the Turkish Banking Sector and the Turkish Development and Investment Banking sector averages of 4.07% and 4.99%, respectively during FY2023.



The return on average equity (ROaE) ratio of Nurol Bank experienced a slightly decline from 117.28% in 2022 to 104.88% in 2023. However, it continued to surpass the averages of both the Turkish Banking Sector and the Turkish Development and Investment Banking Sector.

Decreasing Trend in NPL Ratio Supporting Asset Quality in the Analysed Period

Nurol Bank's NPL ratio has a decreasing trend over years and stayed below the entire banking sector of Türkiye. As of FYE2023, Nurol Bank's NPL ratio decreased to 0.00% from 0.01% in FYE2022.



Currently, there are no customers causing delays between 90/180 days. There is no significant increase in credit risk to be considered.

The cash loan book portfolio breakdown based on stage I-II and III are provided below:

Cash Loans	FYE2021	FYE2022	FYE2023
(000, TRY)			
Stage I	3,252,861	3,417,409	12,204,605
Stage II	83,678	42,171	74,058
Stage III*	281,149	291,264	1,069,850
Total	**3,617,688**	**3,750,844**	**13,348,513**

**Bank retail and purchases from Ortak Varlık Yönetim A.Ş.*

Although the Bank has maintained the NPL ratios below entire banking sector averages of Türkiye as of FYE2022 and FYE2023, national and international developments, volatility and depreciation of the Turkish Lira against hard currencies, contractions in economic activities and deterioration in debt service capacity of real sector firms, rise in international political tensions could induce upward pressure on NPL levels in the upcoming periods.

According to data provided by the Bank, Stage II and Stage III coverage ratios for cash loans are provided below:

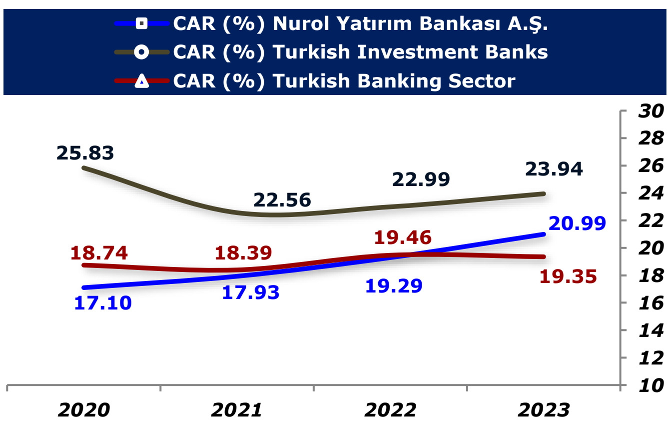
Coverage Ratios (%) *	FYE2021	FYE2022	FYE2023
Stage II	44.20	33.20	18.00
Stage III	100.00	0.00	100.00

Data provided by the Bank

Increasing Capital Adequacy Ratios in FYE2023

Nurol Bank's IFRS-based Capital Adequacy Ratio (CAR) was 20.99% at the end of FY2023, increased from 19.29% in FY2022 (FY2021: 17.93%) 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 20.88% as of FYE2023 (excluding BRSA Forbearance Measures: 19.38%) (FYE2022: The Bank's Tier 1 ratio was 18.49% as of FYE2022 (excluding BRSA Forbearance Measures:17.28%)).

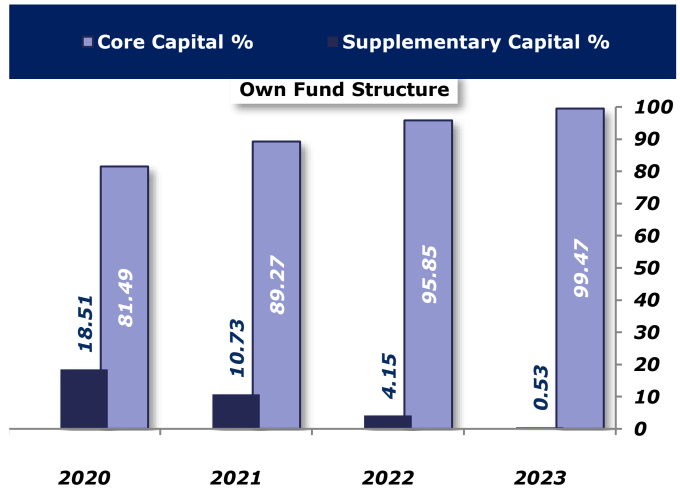
The BRSA regulation had a positive effect of 150 bps on CAR as of FYE2023 (December 31, 2022: 126 bps).



Throughout the periods under review, the unconsolidated capital adequacy ratio (CAR) of the Bank remained lower than that of both the Turkish Banking Sector and the Turkish Investment Banking Sector. However, as of FYE2023, the Bank's capital adequacy ratio surpassed that of the Turkish Banking Sector, reaching 20.99%. This brought it closer in alignment with the capital adequacy ratio of the 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 4,972.04mn in FY2023 (FY2022: TRY 2,298.60mn.) particularly in FY2023- specifies the success of the management - supported the strengthening of capital adequacy ratio.

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



The share of core capital, principally consisting of paid-up capital and retained earnings, accounted for 99.47% of the Bank's total own fund structure in FY2023 (FY2022: 95.85%). 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 0.53% of the Bank's own fund structure at FYE2023. (FYE2022: 4.15%)

Nurol Bank have capital increase TRY 1,050.00mn provided from internal resources in FY2023 (FY2022: The Bank's paid in capital has been increased by TRY 290.00mn provided from internal resources).

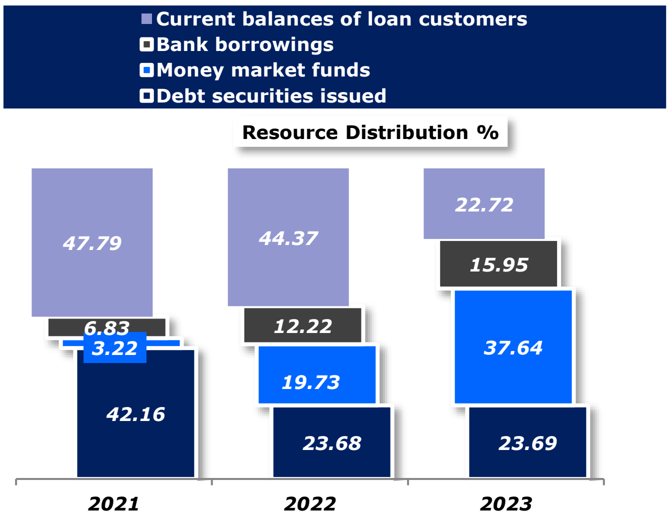
Diversified Funding Structure Supporting Financial Flexibility

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 16.36% of total assets as of FYE2023. As of FYE2023, cost bearing resources amounting TRY 11,781.37mn constituted 38.08% of total assets.

Cost Bearing Resources	FYE2021	FYE2022	FYE2023
(000, TRY)			
Bank borrowings	245,514	1,467,210	1,879,030
Money market funds	115,867	2,368,934	4,434,551
Debt securities issued	1,515,554	2,843,300	2,790,998
Current balances of loan customers	1,717,798	5,327,119	2,676,796
Total	**3,594,733**	**12,006,563**	**11,781,375**

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 FYE2023 as well. According to data received from the Bank's website, it has been issued a total of TRY 8,7bn of debt instruments during FYE2023.

Compliance with Corporate Governance Practices and Continuity of Well-Established Risk Management Organization

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 10 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.

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 Turkey are listed below:

- **Robust Economy**

Over the past 18 years, Türkiye has put in a noteworthy performance by increasing the size of its overall economy. According to the Turkish Statistical Institute Turkish economy grew by 4.5% in 2023, reaching USD 1.12 trillion with current prices while the GDP per capita was at USD 13,110.

According to World Economic Outlook Report by IMF published in January 2024, growth is projected to remain at 4.1% in 2024 to slighlty rise to 4.2% in 2025. On the flip side, Türkiye's GDP growth rate is projected to be 3.1% and 3.2% in 2024 and 2025, respectively.

- **Large Domestic and Regional Markets**

More than 23 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**

According to the Turkish Statistical Institute data as of July, 2023, Türkiye's overall labour-force is around 34.96 million people, which makes the country the 3rd largest labour force in Europe. Türkiye's young and dynamic population with half under 32 years old 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.

- **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.

Need for Expanding Customer Granularity to Reduce Concentration Risk

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 are limited due to narrow product variety and customer portfolio.

As of FYE2023, the Bank's first 10, 20 and 50 cash loan customers constituted 68.15%, 87.41% and 96.90% indicating notably high concentration levels over the analyzed period.

When the sectoral breakdown of risks is analyzed, due from banks realized as TRY 2.22bn, loans and advances to customers realized as TRY 13.25bn as of FYE2023 (FYE2022: TRY 2.70bn and TRY 3.73bn, respectively).

The Bank's cash loan book composition was well distributed with respect to sectoral breakdown including, 75.46% in services, 9.67% in manufacturing and 14.87% in others. On the other hand, the Bank's net non-performing loans reached TRY 1,069.85mn as of FYE2023 (FYE2021: TRY 291.26mn). According to data received from the Bank, when the NPL ratios are analyzed without including the group companies, it is seen that the sector is far below FYE2023 NPL ratio is 0.00% (FYE 2022: 0.01%).

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.

Volatile Environment for Turkish Banking Sector Due to Weakened TL and Inflationary Headwinds Despite Tighter Post-Election Monetary Policies of CBRT Including Interest Rate Hikes

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 forbearance measures by the authorities and recently global energy shock affects the macro landscape in Türkiye in recent years, though Turkish Banking maintains its core characteristics; reasonable capitalization, low NPL ratios, strict and competent risk management, short-term weighted deposit profile, notable share of FX deposits.

Weakened TL, increasing cost of production and inflationary pressures over the last two years led real sector to hold more liquid assets, this led their profitability moderately worsened, which impacts on debt-payment capabilities. Turkish real sectors financing need was boosted in 2022 and continued in 2023 since inflationary environment and high commodity prices lead to higher working capital financing needs of the firms. As robust loan demand was met with lending from the banking side, banks' assets quality was maintained.

In the first quarter of 2022, FX volatility was reduced in Türkiye and the introduction of the FX- Protected Deposits have allowed TL deposits to increase moderately.

The regulatory measures of the CBRT and BRSA have been maintaining to impact directly the banking sector. In addition, new regulations and interest rate decisions since June, 2023 also changed the strategy of banks.

Robust risk management by the banks' management and long track record in operating in a highly dynamic environment reduce the net exposure as well.

There have been critical changes in monetary policy since June, 2023. In addition to gradually increasing policy rate to 50% as of August, 2023, a series have changes to macroprudential measures have been implemented, presented a positive opinion about transforming to orthodox macroeconomic policies, but inflationary pressures would be still on the agenda. CBRT has currently revised inflation forecast to be around 44.16% at the end of the year.

The changes in the regulations regarding the TRY deposit share, which directly affected the sector, the decision to convert TRY FDP accounts to standard TRY deposits, and the interest rate increases that were above market expectations changed the forecasts regarding the banking sector. The latest regulations will have softened the security purchase mandate of the banks. Loans for investments and exports continue to receive preferential treatment.

Eased caps on loan interest rates, which had forcefully limited the interest rates charged on loans, particularly commercial segment, pressured the net interest margins. Afterwards, credit-deposit interest rate has started to rise again, allowing the banks to widen their NIM. Since this situation narrows the credit-deposit gap, bank profitability may remain under pressure in the coming period.

Türkiye's credit default swaps had fluctuated over the last two-year period, pressuring external funding cost of Turkish banks. However, Turkish Banking Sector's external debt maintained its decreasing trend. The share of FC deposits continued its decreasing trend as of FYE2023, though FC- Protected Deposit demand could reverse its momentum due to current macroeconomic measures in 2024 which was detailed previously.

The debt rollover ratio of the banking sector has realized above 100% thanks to normalization in external funding cost of Turkish Banking Sector, as of January, 2024.

The macroeconomic indicators at national and international markets, as well as 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.

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, net interest income generation capacity and liquidity profile; 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 Company's outlook for Long-Term International Foreign and Local Currency Issuer Credit Ratings has been determined 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 and Debt Instruments

The Bank's balance sheet and income statement forecast throughout for 2024 is provided in the below table. These figures have been provided by the Bank.

Nurol Yatırım Bankası A.Ş.	**Income Statement**
(TRY 000')	**2024P***
Net Interest Income	2,840,870
Non-Interest Incomes	2,810,977
Non-Interest Expenses	706,697
Net Operating Income	4,945,149
General and administrative expenses	1,038,504
Provisions	235,425
Pre-tax profit	3,671,220
Profit for the Period	**2,569,854**

**Figures provided by the Bank*

Nurol Yatırım Bankası A.Ş.	**Balance Sheet**
(TRY 000')	**2024P***
Cash and Cash Equivalents	9,798,595
Financial Assets	12,772,358
Loan Portfolio	19,266,304
Property Plant and Equipment	69,325
Other assets	1,006,305
Total Assets	**42,912,889**
Payables to Banks	4,249,399
Funds Borrowed	4,631,024
Subordinated Borrowings	-
Debt securities issued	3,557,039
Other liabilities	21,884,087
Total Liabilities	**34,321,549**
Equity	**8,591,340**
Total Liabilities & Shareholder's Equity	**42,912,889**

**Figures provided by the Bank*

The Bank projected a 2024 year-end asset size of TRY 42,912.89mn. According to the Bank's projections, net interest income is projected to realize as TRY 2,840.87mn in FY2024. Accordingly, net profit of the Bank is projected to reach to TRY 2,569.85mn in FY2024.

Taking into consideration, the future projections of the Bank relating to P2024, 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 Issuer Credit 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 105 people in FY2023.

Organization and Employees

The Board of Nurol Bank consists of ten 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 96.33% 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, increased by TRY 290mn to TRY 750mn in 2022 provided from internal sources and also increased by TRY 1,050.00mn to TRY 1,800.00mn in 2023 provided from internal sources. The table below indicates the detailed shareholding structure of the Bank in FYE2023-22. Nurol Bank has not accepted a registered capital system.

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

000 TRY	2023 Share Amount	2023 Share %	2022 Share Amount	2022 Share %
Nurol Holding A.Ş.	1,734,000	96.33	717,648	95.68
Others	66,000	3.67	32,352	4.32
Paid-in Capital (000 TRY)	**1,800,000**	**100.00**	**750,000**	**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, 2023.

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

Macroeconomic conditions, administration and/or abolishment of regulations/macroprudential measures and global financial conditions shape the outlook of Turkish banking sector. Majority of the macroprudential measures have been abolished as of the beginning of 2024, though policies to implement quantitative tightening and slowdown in the credit growth rate is still in place.

Central Bank of Republic of Türkiye (CBRT) administration state their commitment to a tight policy stance to achieve disinflation as their top priority. In this perspective, we expect the current policy rate to persist with a potential hike depending on the core trend of monthly inflation and a gradual rate cut potentially towards the end of 2024.

Another major objective, related to the first one is to achieve "Liraisation" defined as increasing the share of regular Lira deposits and gradually quitting FX-Protected Deposits (FPD). In this perspective, option to open up new FX-converted FPD accounts is postponed for both real and legal persons, though LCY FPD mechanism is no longer available for renewal. Considering the vast majority of the existing FPD deposits are FX-converted types, their conversion to LCY deposits at expiry is of utmost importance in order to control FX demand. In addition to measures by CBRT, Banking Regulation and Supervision Agency (BRSA) contributes to the policy set by introducing measures to curb consumption via credit cards and consumer loans.

Since the new economic policy set is implemented, loan growth and interest rates on loans are market-driven, though existing regulations to promote full Liraisation via encouraging transition from FX-Protected Deposits to LCY deposits still is in place. Along with these regulations, the concerns arising from foreign exchange risk, maturity mismatch, international reserves and deceleration in economic activity will guide the outlook of the Turkish banking sector in the next year.

Rapid monetary tightening reduced net interest income to earning assets of the sector. While return on equity seems high in nominal terms, it is negative in inflation adjusted terms and inflation-adjusted equity would have resulted in much more muted ratios. Provided that CBRT increases its FX position via purchasing FX from the market, Lira funding needs of the system would fall, which would reduce the total funding cost of the system. On the other hand, since the administration is focused on increasing the appeal of Lira deposits and reducing consumption, we would expect measures to maintain a floor on deposit rates, which would balance a potential decline in funding costs.

Whereas net interest margins compressed in 2023, banks boosted their fee & commission income to protect their profitability.

Banking Sector operates with 60 banks maintaining 10,870 branches within the country (79 abroad). ATM network is comprehensive, around 50K as of December 2023. The sector employs a workforce of 208K.

Selected Balance Sheet Items

	2020	2021	2022	2023
Total Assets	6,106	9,213	14,347	23,519
TRY Loan	2,353	2,832	5,110	7,894
FX Loan	1,224	2,069	2,471	3,783
Percentages (%)	34.2	42.2	32.6	32.4
NPL	153	160	163	192
Percentages (%)	4.1	3.2	2.2	1.6
Securities	1,022	1,476	2,370	3,969
Total Liabilities	5,507	8,502	12,942	21,398
TRY Deposit	1,546	1,880	4,779	8,897
FX Deposit	1,909	3,423	4,083	5,955
Percentages (%)	55.3	64.5	46.1	40.1
Repo	255	586	540	723
Equity	599	714	1,406	2,122
Net Income	59	92	432	604

Source: BRSA, JCR-ER

The sector is relatively concentrated. According to the Banks Association of Türkiye 3Q2023 data, top 5 banks accounted for 61.3% of total assets, 68.7% of deposits and 62.4% of total loans.

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 forbearance measures by the authorities and recently global energy shock affects the macro landscape in Türkiye in recent years, though Turkish Banking sector maintains its core characteristics; reasonable capitalization, low NPL ratios, strict and competent risk management, short-term weighted deposit profile, notable share of FX deposits.

Asset quality continues strong

Inflationary environment and commodity prices increased Turkish real sector's financing need in 2022. This trend continued in 2023 since inflationary environment prices led to higher working capital financing needs of the firms. As robust loan demand was met with lending from the banking side, banks' assets quality was maintained.

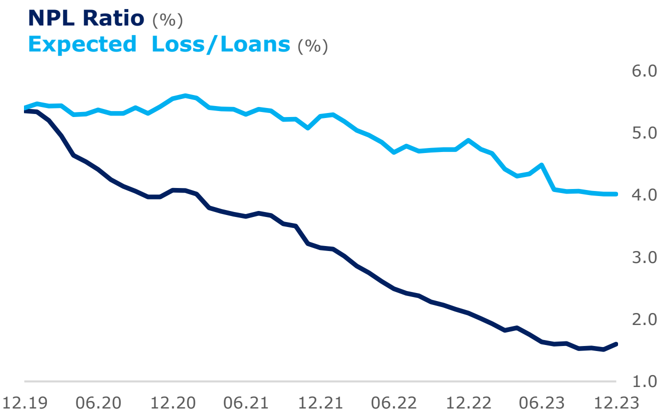
In fact, NPL ratio of the system declined below the 2% level and realized as 1.6% at the end of the 2023. While the special provision coverage ratio is around 82%, banks allocate significant amounts of free provisions by applying a prudent policy. This contributes positively to asset quality. While banks occasionally write-off certain non-performing loans from their books in accordance with IFRS 9, asset quality is still at a reasonable level. On the other hand, given the highly leveraged balance sheets of the non-financial companies (NFC), a shock to the system where marginal lending stops or severely contracts would pressure the banking sector.

	Loans (Share in Total, %)	NPL (%)
Wholesale and Retail	12.13	1.20
Construction	6.77	4.59
Real Estate Brokerage, Renting and Business Activities	5.53	2.12
Electric, Gas and Water Resources	5.36	3.75
Transportation, Storage and Communication	5.23	1.12
Agriculture	4.92	0.35
Main Metal Industry	3.81	0.65
Research, Consulting, Advertising and Other Activities	3.23	0.94
Textile and Textile Products Industry	3.14	1.57
Hotels and Restaurants (Tourism)	2.98	2.17
Others	46.88	1.32

Source: BRSA, JCR-ER

The sectors such as wholesale and retail, construction and electricity generation, which are more affected by fluctuation in the exchange rate are highly dependent on bank financing. According to the data of the BRSA dated December 2023, the share of retail, construction and electricity sectors in total commercial loans decreased from 27% at the end of 2022 to 24.3%. While the NPL ratio of wholesale and retail sector stay below the NPL ratio of banking sector, construction and utilities are well above the banking sector.

Construction appears as another sector needed to be closely monitored where its NPL ratio stay above the sector's NPL ratio which is 2.1%. On the other hand, despite the loan growth that started with the pandemic in FY2020, there has been a clear 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 at the initial stages of pandemic, the ratio continued to decline in following periods because of high quality assets. Additionally, high asset quality is observed in expected loss/total loans ratio where it shrunk to 4.02% which implies sector acted proactively to possible losses in loans. Therefore, prudential structure of overall system made allowances for credit losses more than double than the non-performing loans.

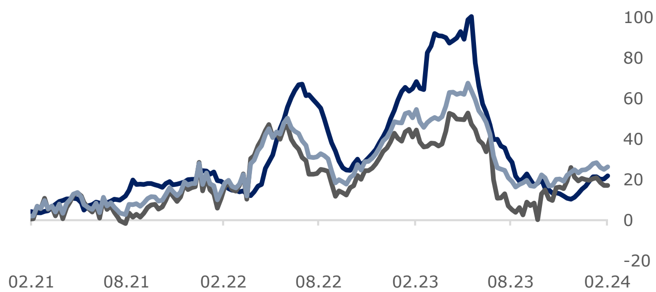


Source: BRSA, JCR-ER

Credit growth impetus is slowing

The changes in monetary policy that have taken place since the second half of 2023 have been maintained in 2024. Monetary tightness, which is expected to be shaped according to the course of inflation in the coming period, is likely to continue in the first half of the year. The CBRT's active use of its tools to withdraw excess liquidity from the market is considered an important step for the markets. Together with the sterilizations made through open market operations (OMO) such as TRY deposit buying auctions and the quotation, the regulations made in required reserves show how determined the CBRT is in monetary and quantitative tightness.

Loans Growth
(13-Week FX Adjusted Growth, Annualized)
Consumer, Commercial, Total

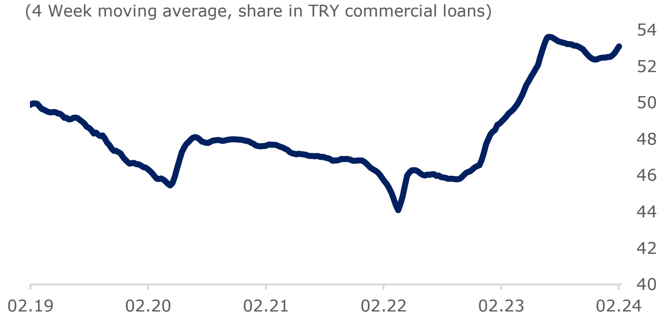


Source: BRSA, JCR-ER

Significant simplification steps in macroprudential measures had been continued in order to ensure financial stability by CBRT. In this sense, the practice of allocation securities based on interest rate which was abolished to single level and the practice of security allocation over cash loans has terminated as of October 2023.

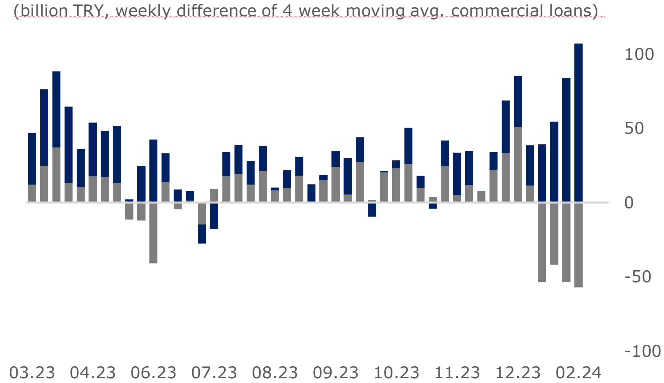
However, to limit credit growth and tighten monetary conditions was regulation on the allocation of securities against credit growth maintained as 2.5% for TRY commercial loans.

TRY SME Loans' Share (%)
(4 Week moving average, share in TRY commercial loans)



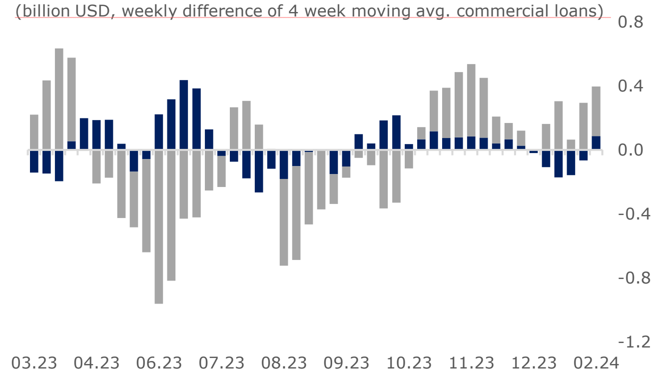
Source: BRSA, JCR-ER

Weekly TRY Loan Difference
Non-SME Loans SME Loans
(billion TRY, weekly difference of 4 week moving avg. commercial loans)



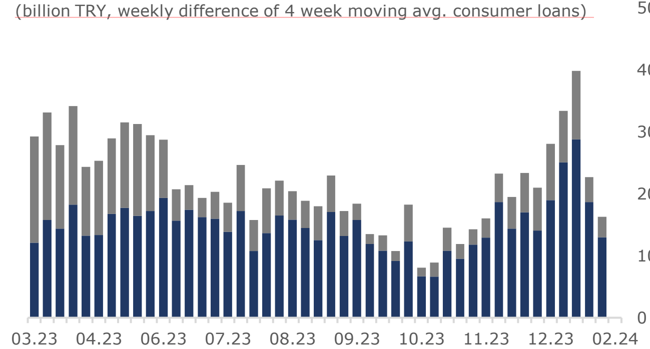
Source: BRSA, JCR-ER

Weekly FX Loan Difference
Non-SME Loans SME Loans
(billion USD, weekly difference of 4 week moving avg. commercial loans)

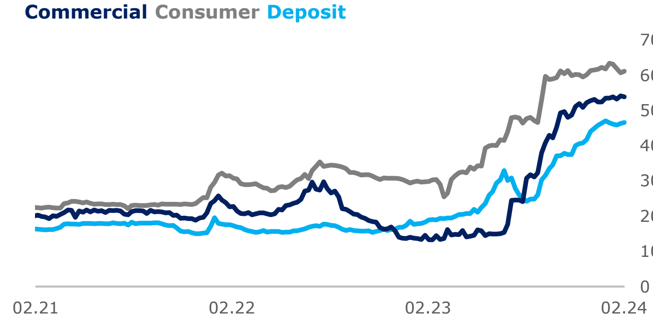


All the aforementioned changes increased the interest rates on both the deposit and loan side. While the increase in policy rate expectations decreased the spending tendencies, it also increased the interest rates.

Weekly Consumer Loan Difference
Other Consumer Loans Credit Cards
(billion TRY, weekly difference of 4 week moving avg. consumer loans)



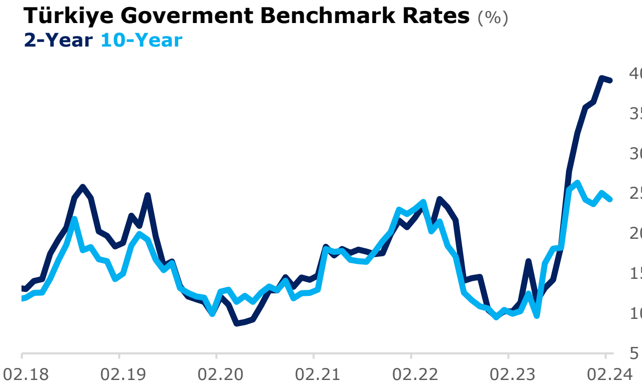
TRY Lending and Deposit Rates (%)
Commercial Consumer Deposit



Source: CBRT, JCR-ER

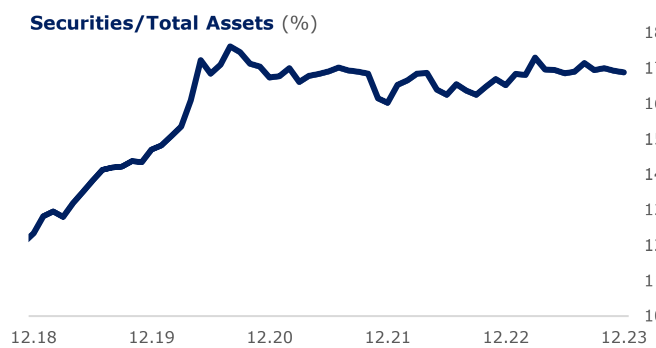
Macroprudential measures to influence banks to achieve "Liraisation" mandate, namely government bond purchase mandate in case of failure to reach the CBRT-determined thresholds had forced the banks to purchase government bonds without regards to their yields.

In fact, mandated purchases had decreased the yields in the secondary market notably at first, where benchmark rates fell to as low as 8.7%. However, as the government bond purchase mandate is gradually eased, market pricing of treasury securities started to rise from their policy anchored low yields. As of early February 2024, benchmark 2-year rate had risen to as high as 39% whilst 10-years was at 24.26%.



Source: Refinitiv, JCR-ER

With the obligation to hold securities brought by the regulations, the ratio of banks' securities portfolio to total assets had increased. However, since the securities portfolios of the banks consisted of highly diversified assets, no systemic risk is expected. The decrease in the securities liability in the latest regulations reduces the interest risk of banks. Meanwhile, along with the simplification steps, banks are not required to hold most amount of the securities, possible sell off of the certain fixed rates portfolio, could negatively weight on the net income of the banks.



Source: BRSA, JCR-ER

Despite of sharp movements in the yields, we note that the share of fixed rate securities is less than half (circa. 45% according to CBRT Financial Stability Report). Also noteworthy is that share of float rate bank loans have been steadily increasing, exceeding 45% as of September 2023. Turkish banks' portfolios are well hedged against market rate risk with floating rate bonds and CPI-linkers. Thus, increases in bond rates are not expected to exert significant pressure to the banking system.

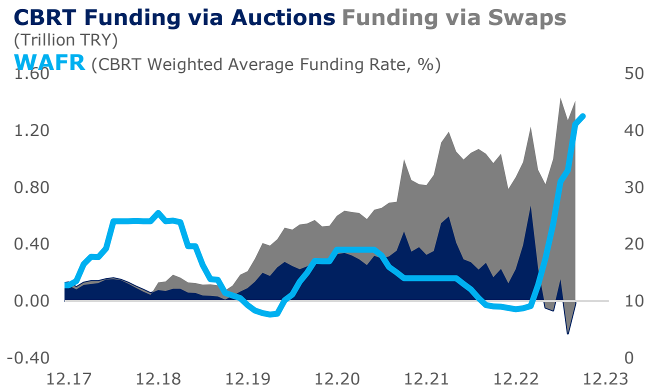
Second phase of dedollarization is aimed with transition from FX Protected Deposits to Lira Deposits

Current economic administration plans to achieve a strong Liraisation via transforming FPD to regular TRY denominated term deposits. In this regard, certain conversion target has been set for banks. However, given the popularity of FPDs as a free option on exchange rate risk for the depositors, a rapid conversion is not expected. In the presence of FPD to TRY deposit conversion regulation, FPD balance started to decline. As of early November, FX protected deposits balance had regressed to TRY 2.4 trillion accounting for approx. The current balance of the FPD is estimated to be around USD 85bn, using a 3-month average exchange rate to proxy for the average tenor of the aforementioned deposits.

In August, CBRT terminated the conversion target from foreign currency deposits to FPD and the practice of establishing additional/discounted securities based on TRY share. Instead, a criterion was introduced for banks to convert maturing exchange rate protected deposit accounts into standard TRY deposits. Banks that fail to meet the criteria in this regard will be obliged to create additional securities. Conversion from FX deposits to FPDs had supported the gross reserves of the CBRT as the FX sold by banks were purchased by the CBRT. In this sense FPD depositors' decision to convert to Lira vs request FX deposits will impact the CBRT reserves & system's funding needs. As FPDs offer a free option to the depositors and Turkish depositors tend to hedge themselves via FX deposits, abolishing FPDs will likely take a long time with sustained high interest rates.

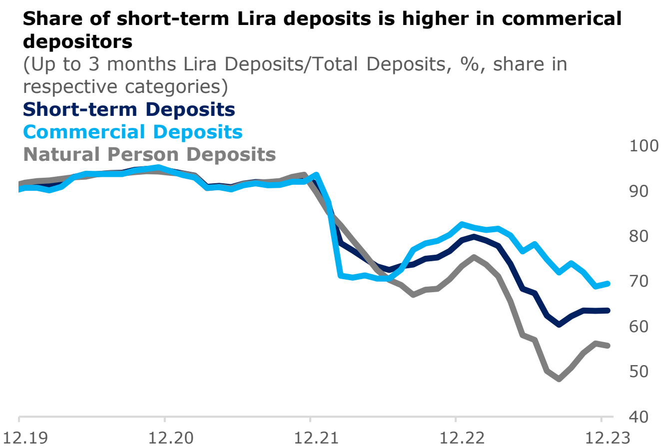
Strong liquidity position maintained

Majority of the banking system's Lira funding stems from FX swaps between CBRT and local banks. Liquidity exceeding the system's need is sterilized by CBRT via deposit purchasing auctions, among other tools. Additionally, CBRT is managing the liquidity via adjusting required reserved rates. In this context, at the beginning of 2024, the required reserve ratio applied for FPD accounts was reduced from 30% to 25%, while the reserve requirement ratio applied for foreign currency deposit accounts was increased from 4% to 8%. With the change in rates, a quantitative tightening of approximately TRY 125 billion was achieved (CBRT, First Inflation Report of 2024).



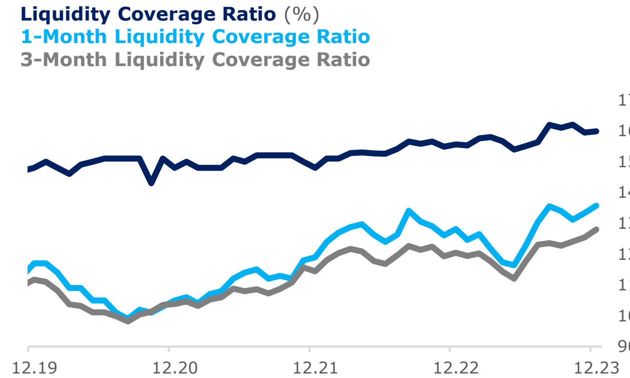
Source: CBRT, JCR-ER

According to CBRT data, terminated FPDs have mostly converted to regular Lira deposits. However, it should be noted that the remaining stock of FPDs are mostly FX-converted accounts, which might be harder to convert to regular Lira deposits at maturity. CBRT administration states that the level of Lira deposit rates will be instrumental and therefore CBRT recently began paying interest on required reserves to entice banks to attract deposits. In fact, the interest applied on FPD accounts is determined with a formula which positively discriminates higher Lira deposit conversion rates.



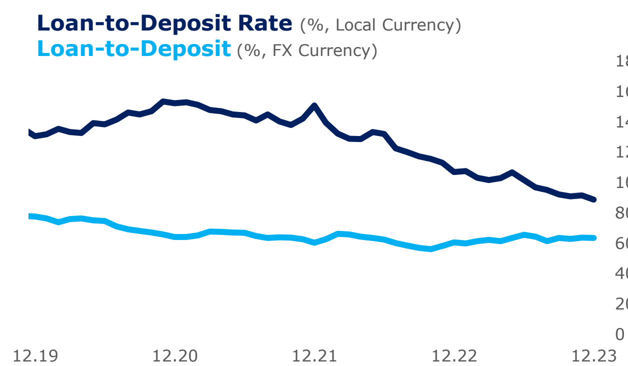
Source: BRSA, JCR-ER

With the interest rate increases that started in the second half of 2023, there was a significant improvement in the medium and long terms deposits of the banking system. 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) directed to minimum 3-month deposit accounts. This development supported the upturn in LCRs, both 1-month and 3-month.



Source: BRSA, JCR-ER

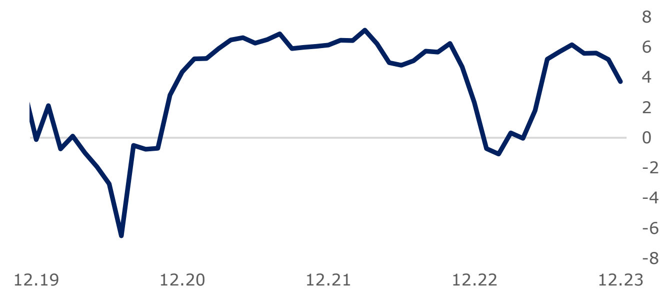
Interest rate increases and regulatory changes in banking are also reflected in loan-deposit (LTD) rates. Demand for FPD, which started at the end of 2021, has been strong throughout 2022. This demand continues to be alive in the first half of the 2023 but damped in the second half. With the increase in TRY deposits and the restrictions imposed by the CBRT on loans, the LTD rate began to decline.



Source: BRSA, JCR-ER

Although the system does not have short positions in foreign currency, the net foreign currency equity ratio has been decreasing since August 2023. However, the Turkish banking system can manage foreign currency risks with its strong experience in this field. It was observed that Turkish banks did not experience any problems in accessing international markets, especially with the foreign currency borrowings made in the last quarter of 2023.

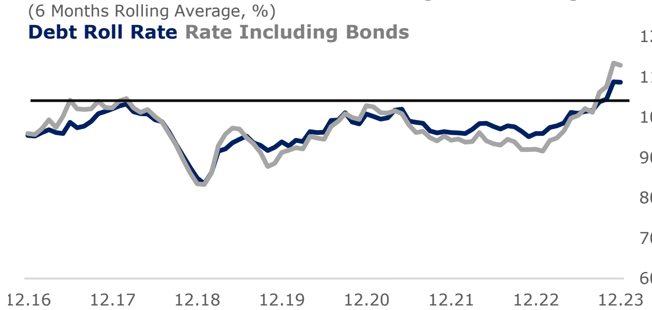
Net FX Position/Equity (%)



Source: BRSA, JCR-ER

In addition to tightly managed FX positions, banks tend to roll over their foreign debts at a rate above 100%. The debt rollover ratio of the banking sector increased to 112.9% as of December 2023.

External debt roll rates are strong for banking
(6 Months Rolling Average, %)
Debt Roll Rate **Rate Including Bonds**



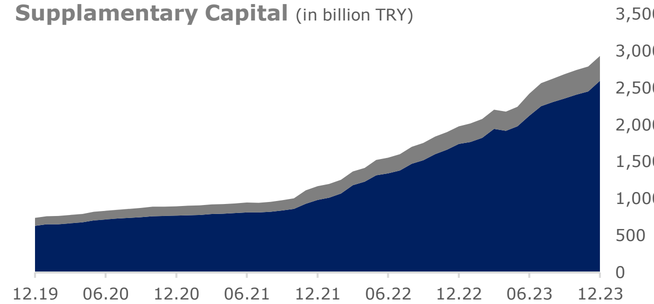
Source: CBRT, JCR-ER

Strong capital structure preserved

In terms of capital adequacy, Turkish banking sector is on solid ground. Total regulatory capital of sector recorded 49.3% yearly growth in December 2023 from TRY 1.74 trillion in December 2022 to TRY 2.60 trillion, in nominal terms reflecting the high inflationary environment.

Capital injections to state banks made Turkish banking system capital structure stronger. Türkiye Wealth Fund (TWF) completed capital raise operations in state banks in March, 2023 and totally TRY 32bn was injected to the system. Reduced capital adequacy of the state banks due to heavy lending was remedied via injections.

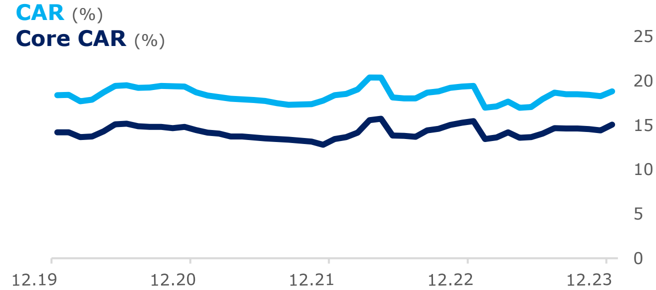
Regulatory Capital (in billion TRY)
Supplamentary Capital (in billion TRY)



Source: BRSA, JCR-ER

The capital adequacy ratio (CAR), which is one of the main strength indicators of the sector, exhibited small decrease compared to 2022 and realized as 19.5%, as of December 2023, which was 18.9% in the similar period of 2022 which is well above the Basel III requirement of 8%.

CAR (%)
Core CAR (%)



Source: BRSA, JCR-ER

Slowing underwriting and higher funding rates reduces net income in 2023 and inflation adjusted return metrics are much lower

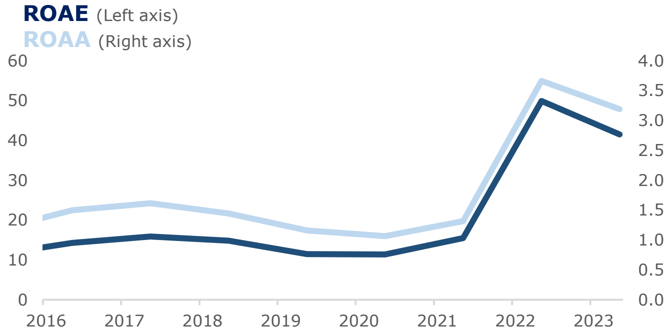
The cumulative net income of the sector increased by 39.9% in 2023 compared to the 2022, reaching TRY 604bn. Profits from capital market activities, which realized as TRY 86bn showed a marked increase from the previous years. However net interest income during this period fell compared to previous year due to high interest payments in rising interest rate environment.

Selected P&L Items

	2020	2021	2022	2023
Net Interest	214,796	265,518	764,278	718,278
Special Provision for NPL	41,560	47,226	77,001	75,534
Banking Service Revenues	42,635	66,835	85,687	361,627
Personnel Expenses	39,332	46,781	85,687	187,493
Capital Market P&L	-22,487	38,394	10,639	86,197
FX P&L	3,730	-59,467	63,733	123,558
Net Income	58,503	92,942	431,614.0	603,634

Source: BRSA, JCR-ER

Monetary easing cycle which had started in September 2021 and the introduction of FPDs which had effectively reduced the funding costs of the system contributed to profitability. On the other hand, currently eased caps on loan interest rates, which had forcefully limited the interest rates charged on loans, particularly commercial segment, pressured the net interest margins. However, as the aforementioned caps are gradually lifted, credit-deposit interest rate has started to rise again, allowing the banks to widen their NIM. Since this situation narrows the credit-deposit gap, bank profitability may remain under pressure in the coming period.



Source: BRSA, JCR-ER

ROAE realized as 41.5 as of FYE2023 which were crawling at 49.9 at the end of FYE2022. Additionally, ROAA were about the 3.19 in FYE2023.

It is however essential to note that the equity return metrics do not account for the inflation adjustment. We note that inflated to current prices, as opposed to historical transaction prices as the current accounting practice, banking system would face notable inflation-accounting related costs and the current-price-inflated equity base would give a much more realistic and modest return metric.

Selected KPIs

	2020	2021	2022	2023
Core CAR	14.5	13.4	15.5	15.1
CAR	18.7	18.4	19.5	18.8
ROAA	1.4	1.7	4.9	3.2
ROAE	11.4	15.5	49.9	41.5
Loan-to-Deposit	108.3	95.9	87.9	80.7
NII/Average Interest-Bearing Assets	8.3	9.7	12.7	14.9
NIE/Average Interest-Bearing Liabilities	5.5	7.9	8.4	15.8
Loan-to-GDP	62.0	68.0	51.0	-
Loan-to-Deposit (TRY)	152.2	150.6	106.9	0.0
Loan-to-Deposit (FX)	64.1	60.4	60.5	0.0
Securities-to-Total Assets	16.7	16.0	16.5	16.9

Source: BRSA, JCR-ER

Digitalization and Climate Initiatives Banking Sector

Effects of digitalization are quite strong on the banking sector. 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 founded with a capital of equal or more than TRY 1bn. These banks would have only head offices and no physical branches and their customer segment would be individuals and SMEs.

Even though they have not officially started operating in Türkiye so far, certain digital banks have received digital banking operating permits. More banks are also in the process of operating permits. Banks that have received operating permits are expected to begin banking activities in the last quarter of 2023.

On the sustainability front, 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 TRY 2,217.14mn in FY2023 from scratch in FY2022 and the share of non-cash loans increased to TRY 48.96mn in FY2023 from 34.25mn FYE2022.

The below table shows the customer concentration levels in cash loan book composition of the Bank in FYE2023-2022.

Customer Concentration *(Cash) (%)**	**2022**	**2023**
First 10	82.20	68.15
First 20	95.20	87.41
First 50	99.50	96.90

**Data provided by the Bank*

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 98.25% in FYE2023 from 99.62% in FYE2022.

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.

FYE2023 and FYE2022 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 -4,734.18mn in FY2023. (FY2022: TRY -1,507.27mn) Net foreign currency position to asset ratio is 15.30% and 8.64% at the end of FYE2023-2022, 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, 2023, the average liquidity coverage ratios of Nurol Bank on BRSA Solo basis are 48.92% and 18.33%, 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)	**FYE2020**	**FYE2021**	**FYE2022**	**FYE2023**
Total Earning Assets	**3,933,041**	**6,519,768**	**15,533,626**	**26,105,228**
Loans and Leasing Receivables, net	*3,092,029*	*3,457,231*	*3,729,782*	*13,246,484*
Other Earning Assets	*841,012*	*3,062,537*	*11,803,844*	*12,858,744*
Non-Earning Assets	**392,303**	**535,305**	**1,920,715**	**4,833,104**
Total Assets	**4,325,344**	**7,055,073**	**17,454,341**	**30,938,332**
Cost Bearing Resources	**1,842,888**	**3,594,733**	**12,006,563**	**11,781,375**
Non-Cost Bearing Resources	**1,863,466**	**2,646,374**	**3,117,093**	**14,096,625**
Total Liabilities	**3,706,354**	**6,241,107**	**15,123,656**	**25,878,000**
Equity	**618,990**	**813,966**	**2,330,685**	**5,060,332**
Total Liabilities and Shareholders' Equity	**4,325,344**	**7,055,073**	**17,454,341**	**30,938,332**

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

NUROL YATIRIM BANKASI A.Ş. (Consolidated Financials)	Income Statement			
(000, TRY)	**FY2020**	**FY2021**	**FY2022**	**FY2023**
Net Interest Income / Expense	**218,554**	**331,305**	**1,227,162**	**3,868,978**
a) Interest Income	402,863	657,555	2,075,660	5,612,780
b) Interest Expense	-184,309	-326,250	-848,498	-1,743,802
Net Fee and Commission Income / Expense	**23,676**	**100,397**	**256,063**	**761,376**
a) Fee and Commission Income	33,197	111,851	369,238	1,106,520
b) Fee and Commission Expense	-9,521	-11,454	-113,175	-345,144
Total Operating Income / Loss, net	**-31,634**	**-65,249**	**503,920**	**-77,083**
Total Provisions	**-83,882**	**-119,223**	**-143,141**	**-677,564**
Total Operating Expense	**-74,640**	**-96,042**	**-241,386**	**-915,304**
Salaries and Employee Benefits	-25,842	-35,215	-73,207	-227,763
Other Expenses	-48,798	-60,827	-168,179	-687,541
Profit from Operating Activities before Income Tax	**130,120**	**247,230**	**1,844,004**	**3,875,707**
Income Tax – Current	-26,521	-31,034	-381,635	-1,040,938
Income Tax – Deferred	5,304	-25,053	-4,037	141,093
Net Profit for the Period	**108,903**	**191,143**	**1,458,332**	**2,975,862**

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

NUROL YATIRIM BANKASI A.Ş. (Consolidated Financials)	Financial Ratios			
Profitability &Performance (%)	**FY2020**	**FY2021**	**FY2022**	**FY2023**
Return on Average Assets (ROAA) - Pretax Profit / Total Assets (avg.)	3.43	4.34	15.05	16.02
Return on Average Equity (ROAE) - Pretax Profit / Equity (avg.)	24.66	34.51	117.28	104.88
Provisions / Total Income	23.43	14.39	5.64	9.95
Net Interest Margin	6.88	7.86	13.87	21.02
Asset Market Share in Turkish Investment Banks	1.14	1.15	2.13	2.30
Asset Market Share in Entire Banking System	0.07	0.08	0.05	0.03
Asset Growth Rate	32.93	63.11	147.40	77.25
Capital Adequacy (%)				
Internal Equity Generation / Previous Year's Equity	24.96	30.88	179.16	127.68
Equity / Total Assets	14.31	11.54	13.35	16.36
Core Capital / Total Assets	14.24	11.33	13.17	16.07
Supplementary Capital / Total Assets	3.23	1.36	0.57	0.08
Capital / Total Assets	17.47	12.69	13.74	16.16
Standard Capital Adequacy Ratio	17.10	17.93	19.29	20.99
Liquidity (%)				
Liquidity Management Success (On Demand)	97.57	92.22	96.72	97.99
Liquidity Management Success (Up to 1 Month)	90.95	98.44	92.04	93.30
Liquidity Management Success (1 to 3 Months)	91.81	92.99	98.7	95.88
Liquidity Management Success (3 to 12 Months)	99.36	97.88	95.43	95.85
Liquidity Management Success (Over 1 Year & Unallocated)	99.06	99.78	92.03	83.02
Asset Quality (%)				
Loan and Receivable's Loss Provisions / Total Loans and Receivables	2.27	3.66	0.08	0.62
Total Provisions / Profit Before Provision and Tax	38.21	32.53	7.20	14.88
Impaired Loans / Gross Loans*	2.70	3.30	0.01	0.00
Total FX Position / Total Assets	3.86	7.85	8.55	15.61
Total FX Position / Equity	28.77	68.01	64.00	95.43

**Data provided by the Bank, 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:	01.04.2024 - 25.04.2024
Rating Publishing Date:	29.04.2024
Rating Expiration Date:	1 full year after publishing date, unless otherwise stated
Audited Financial Statements:	FYE2023-FYE2022-FYE2021-FYE2020 | Consolidated and Solo Audit Report
Previous Rating Results:	27/04/2023 | Long-Term National Issuer Credit Rating at AA (tr).
Rating Committee Members:	Z. M. Çoktan *(Executive Vice President),* M. Hayat *(Manager),* Ö. Sucu *(Manager)*

Disclaimer

The ratings affirmed by JCR Eurasia Rating are a reflection of the Bank'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.

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