JCR Eurasia Rating
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nurolBANK

Corporate Credit & Issue Rating

☐New ☒Update

Sector: Banking

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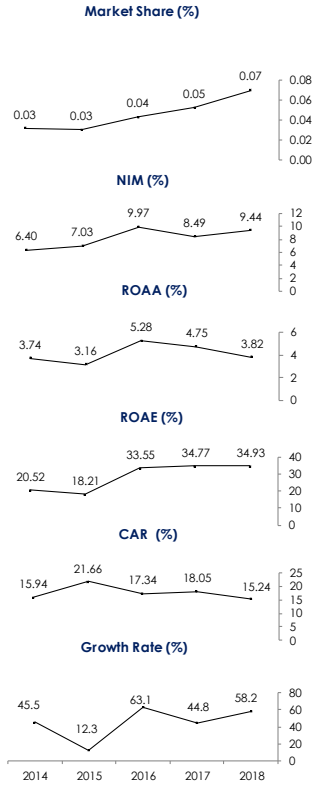
RATINGS

			Long Term	Short Term
International	Foreign Currency		BBB-	A-3
	Local Currency		BBB	A-3
	Outlook	FC	Negative	Negative
		LC	Negative	Negative
	Issue Rating		n.a.	n.a.
National	Local Rating		AA(Trk)	A-1(Trk)
	Outlook		Stable	Stable
	Issue Rating		AA(Trk)	A-1(Trk)
Sponsor Support			1	-
Stand-Alone			AB	-
Sovereign*	Foreign Currency		BBB-	-
	Local Currency		BBB-	-
	Outlook	FC	Negative	-
		LC	Negative	-

*** Affirmed by JCR on November 27, 2018**



Nurol Yatırım BankasıA.Ş.

Company Overview

Financial Data	2018*	2017*	2016*	2015*	2014*	2013*
Total Assets (000 TRY)	509,321	444,615	390,417	246,300	275,358	206,021
Total Assets (000 TRY)	2,679,487	1,694,160	1,169,651	716,141	638,527	438,907
Total Net Loans (000 TRY)	1,846,509	1,064,933	742,918	431,711	356,456	241,190
Equity (000 TRY)	254,711	222,964	168,218	128,936	106,222	90,422
Net Profit (000 TRY)	64,990	54,291	41,083	16,381	15,867	516
Market Share (%) **	0.007	0.052	0.043	0.031	0.032	0.025
ROAA (%)	3.82	4.75	5.29	3.16	3.74	0.09
ROAE (%)	34.93	34.77	33.55	18.21	20.52	0.31
Equity/Assets (%)	9.51	13.16	14.38	18	16.64	20.6
CAR - Capital Adequacy Ratio	15.24	18.05	17.34	21.66	16.89	14.2
Asset Growth Rate (Annual) (%)	58.16	44.84	63.33	12.16	45.48	73.21

** End of Year ** On Solo Basis*

Nurol Yatırım Bankası A.Ş. (hereinafter "**Nurol Bank**" or the "**Bank**"), incorporated on 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 50 people in FYE2018.

The Bank with a total asset size of TRY 2,679mn., had 0.07% (FYE2017: 0.05%) and 1.04 % (FYE2017: 0.97%) market shares in the entire banking sector and Turkish Development and Investment Banking Sector as of December 31,2018.

The majority shareholders of the Bank were Nurol Holding A.Ş. (78.16%) and Nurol İnşaat ve Tic. A.Ş. (15.96%), which also has direct and indirect control over the Nurol Group- Nurol Holding Inc., founded in 1989, engaged in construction and contracting, defense, manufacturing, real estate investment, energy, tourism, mining, finance, trade, and service sectors in Turkey and internationally sectors through 48 companies within the Group.

Strengths

- Sound growth performance in assets and loans book, outperforming the sector averages,
- Continuous and progressive profit generation throughout the reviewed period,
- Reasonable earning power with recurring income streams,
- High level of compliance with corporate governance best practices and continuity of well-established risk management practices,
- Diversification of funding sources via short-term debt issues and possible positive effects maturity mismatch,
- Maintaining liquidity position via matched funding profile and the funding diversification.

Constraints

- Deterioration in NPL ratio pressuring asset quality,
- A slight decrease in capital adequacy ratio due to expansion in risk-weighted assets,
- Ongoing credit risk concentration among the top ten cash and non-cash loans customers deteriorating asset quality,
- Current global financing circumstances, persistence of high geopolitical risks and economic slowdown exerting pressure on profit margins and impacts on debt-servicing capabilities of the real,
- Potential increase in the sector's NPLs.

1. Rating Rationale

The rating study is primarily based on Nurol Bank's consolidated independent audit reports prepared in accordance with the BRSA's Communiqué on Financial Statements to be Announced to the Public and the Related Explanations and Footnotes. Additionally, the banking sector comparison is based on unconsolidated financial statements compiled according to Banking Regulation and Supervision Agency (BRSA) regulations which have been independently audited. In addition to financial indicators such as equity strength, asset quality, profitability, funding mix and growth performance rates, the Bank's market power, widespread network and corporate & risk management practices were also taken into consideration in the assignment of the ratings.

JCR Eurasia Rating has affirmed Nurol Bank's National Local Rating Notes of '**AA** (Trk)' on the Long Term and '**A-1 (Trk)**' on the Short Term. The Bank's International Long-Term Foreign Currency note has been affirmed as **"BBB-"** with **"Stable"** outlooks.

The Key Rating Drivers are;

Sustained Growth Supported Profitability
Nurol Yatirim Bank's total asset growth outperformed the Banking Sector, thanks to solid increases in total loans. Nurol Yatirim Bank has seen a noticeable improvement in its profitability ratios, mainly driven by strong NIM in 2018. Several developments underpin this improvement in profitability. The Bank's resilient profitability is foreseen to be the first line of protection against unexpected losses.

Sector's profitability indicators maintained its stable trend as was the case for Nurol Bank. Return on assets and equity ratios maintained its level as of FYE2018 thanks to a sound net profit increase of 19.71% YoY according to the IFRS compliant consolidated financial statements. The growth in net profit was supported by the expansion in net interest income (NII). The share of net fee and commission income within the total income composition was also notable. Its share among the total income (4.27%) was remarkably below the Turkish Investment Banking Sector average (7.49%).

The Bank's profit figures, the Bank's ROAA and ROAE ratios were 3.82% and 34.93% at FYE2018 respectively and exhibited a decrease from 4.75% and an increase from 34.77% at FYE2017. The ratios of the sector also contracted during 2018. The Bank overperformed the Turkish Investment Banking Sector average regarding ROAA, whilst ROAE ratio outperformed the sector over the reviewed period.

Slowdown in Capitalization Level
In the last two consecutive years, the Bank's unconsolidated capital adequacy ratio (CAR) exhibited progress and reached 15.24% at FYE2018 and 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 263,50mn particularly in FY2018 - specifies the success of the management - buttressed the strengthening of CAR ratio. The CAR ratio remained well above the minimum CAR requirements set by the Basel Accord (8%) and recommended by the BRSA (12%). The Bank's IFRS-based CAR ratio also displayed a similar pattern and decreased to 15.24% at FYE2018 from 18.05% at FYE2017.

The Bank has also remained compliant with minimum requirements of Common Equity Tier 1 Ratio (4.5%) and Tier 1 Ratio (6%) set by the BRSA. The Bank's CET1 ratios was 11.28% as of FYE2018 (FYE2017: 13.69%). The Bank's net interest margin over the sector averages and net positive effect of possible regulatory changes and CET1 share absorb incidental losses support sustainability.

Eased Liquidity Structure
Nurol Yatirim executes its liquidity risk within the liquidity risk management framework through sustaining adequate liquid assets to fulfill its obligations on time as well as complying with the regulations established by the BRSA. The Bank's liquidity ratios (Average LCRs) of were well above the required levels and remained compliant with BRSA parameters.

Nurol Bank continued its efforts to diversify and extend the maturity of provided funds. 27.48% of total liabilities were driven by bond issues in FY2018 (FY2017:37.71%). In addition to the provided long term borrowing from overseas financial markets, the Bank has also facilitated a subordinated loan from the international financial institutions. The Bank issued USD10mn. Eurobond as of March 31, 2016 as subordinated debt which is accounted as Tier 2 Capital. Additionally, Overseas Private Investment Corporation (OPIC) provided USD10mn. loans as of December 12, 2016.

Portfolio Vulnerability
The loon book portfolio was well diversified in terms of industrial composition while customer concentration remains a risk factor despite improving in 2018. The Bank focuses to fund large projects that continue to improve its interest margin. The Bank's largest 10 corporate customers constituted 57.60% (FYE2017:67.6%) of the total corporate cash outstanding loans and 76.6% (FYE2017: 48.9%) of total non-cash loans, maintaining still high concentration levels.

The Cash Loan Book Composition were well distributed with respect to sectoral breakdown including; 21.5% in energy, 17.6% in other, 16.6% in textile, 10.7% in automotive,7.7% in Non-Bank FIs. The Non-Cash Loan Book Composition includes 34.8% in Banks, 17.6% in other, 28.2% in Energy, 12.3% in Infrastructure,7.8% in Fuel Oil Trade, 3.7% in Real Estate.

Deterioration in NPL Ratio Pressuring on Asset Quality
Despite the Bank's NPLs ratios appear to remain highly below the sector averages until FYE2017, according to solo financial statements within the scope of IFRS 9, the Bank's net non-performing loans portfolio was TRY 159.60mn and increased by 4,785% YoY compared to the previous year's figure of 3.27mn as of FYE2018.

Non-performing loans amounting to TRY44.4mn has been written off by the Bank during 2018 while the sector's non-performing loans increased by 50.98%. When including non-performing loans, which were sold and written off from the assets (frequently observed in the sector), the sector's NPLs ratio would be nearly 6% at FYE2018.

The clean-up of NPLs at the Bank is still certain in line with the management's latest strategy since 2014 to tackle the high levels of non-performing loans from balance sheet. Due to high collection capability of current NPLs, the Bank is projected to decrease its NPL ratio to approximately 3% in FYE2019. The Bank expects that NPLs pertaining to the previous years' activities will not be reflected in FYE2019 financial statements. In addition, a 75 % of non-performing loans is expected to be collected due to the collateral structure.

On the flip side, upward trend of NPLs have double-whammy effect on the income statement, as provisioning typically rises while income contracts.

High Level of Compliance regarding Corporate Governance Implementations and Sustainability
Nurol has high compliance level with the corporate governance principles 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.

Fragile Economic Condition
Severe depreciation of the TRY against the hard currencies, high interests rates though tending to decrease, deteriorated debt service capacity of the borrowers, ongoing tension in the nearby region and cross border military operations, feeble growth outlook for the ongoing year following contraction in economy in the last quarter of FY2018, limited fund flows from the developed countries to emerging economies, altering to conservative economy models through the increase in customs tariffs as well as increase in socio-economic and political risks in international arena, increase the concerns in investment climate.

However, the FED's recent decision indicating no more rate hikes for FY2019 and the completion of the balance sheet roll-off program by the end of September is expected to relieve the pressure on interest rate increases and fund inflows to a certain extent.

Under the challenging operating environment, the Bank and Turkish Banking Sector have achieved enough robustness enough to offset the negative effects of speculative economic attacks. However, in the upcoming period, both the sector and the Bank's profits and asset quality will be further deteriorating to a small extent.

2. Outlook

JCR Eurasia Rating has affirmed "**Stable**" outlooks on the short and long term national ratings perspectives of Nurol Yatırım Bank, regarding its capability to maintain sound balance sheet composition and the capital adequacy ratio well above the legal and targeted boundaries indicating the capacity to absorb incidental losses as well as positive growth prospects in the Turkish economy even under arising worrisome circumstances.

JCR Eurasia Rating has also affirmed a '**Negative'** outlook on the international long-term local currency rating perspectives of Nurol Yatırım A.Ş., which is that of the long-term sovereign rating outlook of the Republic of Turkey.

Crucial considerations which would constrain the ratings and outlook status are (i) developments in the sovereign rating level of Turkey, (ii) probable adversities in accessing external financing sources, (iii) deterioration in asset quality through accelerated increase in NPLs, (iv) weakening of profitability indicators, (v) diminishing capital adequacy strength, (vi) deterioration in liquidity ratios, (vii) developments in international politics particularly relating to Turkey's neighbouring countries and in domestic politics and (viii) possible regulatory actions that would restrain the profitability & growth performance of the sector.

3. Sponsor Support and Stand Alone

Sponsor Support notes and risk assessments reflect the financial strength and expected assistance of the controlling shareholders. It is considered that the utmost shareholder has the tendency and

satisfactory financial strength to offer financial support when liquidity needs arise in the short- or long-term perspective. Based on these assessments, the Sponsor Support Note of the Bank has been affirmed as "**1**", which denotes a strong external support possibility.

The stand-alone note has been constituted particularly regarding asset quality, internal resource generation capacity, profitability ratios, adequate capital and liquidity levels, balance sheet structure, risk management practices, market share and the development of existing risks in the markets and business environment. Within this context, the Stand-Alone Grade of the Bank has been affirmed as "**AB**" in JCR Eurasia's notation system, which signifies a strong and credible bank.

4. Company Profile

a. History

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 Turkey (BRSA), provides services in the field of Corporate Banking, Investment Banking and Treasury & Financial Institutions via its a branch with a staff force of 50 people as of 2018.

b. Organization & Employees

The Bank's headquarters is located in Istanbul. The Bank has employed a staff force of 50 (FY2017: 52). 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 Risk Committee, Information Systems Strategy Committee under the BoD and also 2 chief assistant general managers, 5 assistant general managers.

c. Shareholders, Subsidiaries

The main shareholder of Nurol Bank is Nurol Holding A.Ş., which holds 78.16% 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 table below indicates the detailed shareholding structure of the Bank in FYE2018-17. Nurol Bank has not accepted a registered capital system.

Shareholders Structure	2018		2017	
	Share Amount	Share %	Share Amount	Share %
Nurol Holding A.Ş.	125,052	78.1578	97,697	78.1578
Nurol İnş ve Tic A.Ş.	25,536	15.96	19,950	15.96
Nurol Otelcilik ve Tur İşl. A.Ş.	1,412	0.8822	1,103	0.8822
Nurettin Çarmıklı	1,422	0.8889	1,111	0.8889
Erol Çarmıklı	1,422	0.8889	1,111	0.8889
Mehmet Oğuz Çarmıklı	1,422	0.8889	1,111	0.8889
Eyüp Sabri Çarmıklı	1,244	0.7778	972	0.7778
Oğuzhan Çarmıklı	1,244	0.7778	972	0.7778
Gürol Çarmıklı	622	0.3889	486	0.3889
Gürhan Çarmıklı	622	0.3889	486	0.3889
Paid Capital (000 TRY)	**160,000**	**100.00**	**125,000**	**100.00**

Nurol Holding A.Ş has engaged in 5 various industries, such as Construction and Contracting & Defence and Production & Finance & Commercial and Services, Tourism Sectors through 33 companies, 4 Joint Ventures and 11 domestic - overseas subsidiaries and affiliates. The Holding is of the most known conglomerate headquartered in Ankara with operations spread out over fifteen countries across three Continents. Prime business activities are based in Turkey, the Middle East, North Africa and the Turkic Republics. Nurol Holding, trace back to the establishment of its flagship company Nurol İnşaat ve Ticaret A.Ş which was was incorporated in 1966 as a contracting company.

As of December 31, 2017, the consolidated asset size was approximately USD3.7bn, the turnover amounted to USD1.3 bn and the total project size reached USD32bn. Construction and real estate sector, which has the largest share with 55% in turnover, is followed by defence and manufacturing industry with 35%.

The following table shows Nurol Holding A.Ş.'s engaged sectors as of December 31,2018.

Nurol Holding A.Ş.'s Engaged Sectors
Construction and Contracting
Nurol İnşaat ve Tic. A.Ş.
Nurol Gayrimenkul Yatırım Ort. A.Ş.
Otoyol Yatırım ve İşletme A.Ş.
Defence and Production
Nurol Makina ve Sanayi A.Ş.
Nurol Teknoloji San. ve Mad. Tic. A.Ş.
FNSS Savunma Sistemleri A.Ş.
Financial Services
Nurol Yatırım Bankası A.Ş.
Nurol Sigorta Aracılık Hizmetleri A.Ş.
Commercial and Services
Nurol Havacılık A.Ş
Botim İşletme Yönetim ve Tic. A.Ş.
Nurol Şirketler Topluluğu İletişim Bilgileri
Nurol Eğtim Kültür ve Spor Vakfı
Energy and Mining Sector
TÜMAD Madencilik San. ve Tic. A.Ş.
Nurol Enerji Üretim ve Pazarlama A.Ş.
Nurol Göksu Elektrik Üretim A.Ş.
Enova Enerji Üretim A.Ş.
Tourism
Turser Turizm Serv. ve Tic. A.Ş.
Bosfor Turizm İşletmecilik A.Ş.
Nurol Kulüp Salima Tatil Köyü ve Turizm İşletmeleri A. Ş.
Sheraton Batumi Otel

The following table shows the current shareholder structure of Nurol Holding A.Ş. as of December 31,2018.

Shareholders Structure	2018 (TRY)	Share %
Nurettin Çarmıklı	258,454,800	0.3330603
Erol Çarmıklı	258,454,800	0.3330603
Mehmet Oğuz Çarmıklı	258,454,800	0.3330603
Eyüp Sabri Çarmıklı	93,030	0.0001199
Gaye Çarmıklı	93,030	0.0001199
Gürol Çarmıklı	62,020	0.0000799
Gürhan Çarmıklı	62,020	0.0000799
Gözde Çarmıklı	62,020	0.0000799
Eda Çarmıklı Yolcu	62,020	0.0000799
S. Ceyda Çarmıklı	62,020	0.0000799
Oğuzhan Çarmıklı	62,020	0.0000799
Aynur Türkan Çarmıklı	38,710	0.0000499
Müjgan Sevgi Kayaalp	22,408	0.0000289
Melih Kayaalp	8,151	0.0000105
Semih Kayaalp	8,151	0.0000105
Paid Capital (000 TRY)	**776,000,000**	**100.00**

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 Turkey Trade Registry Gazette numbered 9351 dated September 20, 2017. Nurol Varlık Kiralama A.Ş.'s paid in capital is amounting to TRY50k as of December 31, 2018.

Balance Sheet (TRY)	2018	2017
Current Assets	174,892,967	62,377
Non-Current Assets	-	-
Total Assets	174,891,967	62,377
Short Term Liabilities	174,841,967	12,377
Long Term Liabilities	-	-
Equity	50,000	50,000
Total Liabilities	174,891,967	62,377

Income Statement (TRY)	2018	2017
Revenue	20,442,103	-
Cost of Sales	(20,442,103)	-
Gross Profit	-	-
Profit Before Tax	-	-

d. Corporate Governance

Although Nurol Bank is not a publicly traded company, Nurol Bank carries out its operations under Banking Law and the Banking Regulation and Supervision Authority (BRSA) regulations. The Bank mostly complies with the Communiqué on Corporate Governance Principles of Banks' published on November 1, 2006 by BRSA. In accordance with the regulation, the Bank has a Corporate and Remuneration committee and disclosed its mission, vision, strategies, periodic financials, annual reports and ethical rules. In addition, The Bank's web site provides information and documentation in terms of transparency and contains the shareholder structure, curriculum vitae of the BoD and top management, articles of association and organization chart.

Nurol Bank has a Corporate Governance Committee responsible for monitoring whether the Corporate Governance Principles are complied with expressing the issues that may originate stemming from non-compliance and submitting reformative activity to its Board of Directors. In this regard, the compliance level of the Bank is satisfactory. The Bank revises the articles of association and other internal regulations as deemed necessary. Moreover, the Bank has an Investor Relations Department.

The Bank's Board is composed of nine members and qualifications of the members meet the terms expressed in the principles. As can be seen in the resumes found on the Bank's website, the members possess the necessary qualifications in terms of education, professional and managerial experience. 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.

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.

5. Sector Analysis

The banking sector is the largest and the most significant element of the financial system in Turkey. All potential changes in the Turkish banking sector might have direct impacts on the financial stability of the Turkish economy and the real sector. The Turkish banking sector, which is closely monitored by the regulatory authorities and directly affected by financial innovations and developments in the information technologies, has the major share in the overall financial system in Turkey. The pivotal role of the banking sector is reinforced by the high share of the households in total financial assets. The Turkish banking sector, which is pervasively regulated by the BRSA-the Banking Regulation and Supervision Agency, consists of deposit banks, development and investment banks, and participation banks whose operations are designed based on the Islamic principles of profit or loss sharing. Total asset size of the banking sector amounts to USD 735bn (TRY 3,867bn) as of FYE2018.

SUMMARY OF KEY INDICATORS OF THE TURKISH BANKING SECTOR				
(000,000)	**2018**	**2017**	**2016**	**2015**
Asset Size -TL	3,867,135	3,257,814	2,731,016	2,357,387
Asset Size-USD	735,071	863,706	799,150	807,850
Equity-TL	421,185	358,676	300,264	262,214
Profit-TL	53,522	48,648	37,530	26,052
ROAA%	1.85	2.05	1.86	1.52
ROAE%	16.86	18.63	16.81	13.39
NPL Ratio%	3.86	2.95	3.23	3.09
Capital Adequacy Ratio%	17.27	16.87	15.57	15.56
Equity / Total Assets	10.89	11.01	10.99	11.12

Turkey's "Bank Assets to GDP" ratio is in parallel with the average of the developing countries but much lower than the average of the developed ones, so that the growth potential of the Turkish banking sector is still high.

Although the Turkish banking sector has nominally increased its profits by 10.02% in 2018, the total profit of the sector denominated in USD has declined by 21.42% due to the extraordinary depreciation of the Turkish Lira.

Despite the fact that the potential of the Turkish banking sector to boost economic activities and growth has been constrained and weakened in parallel with the extraordinary depreciation of the Turkish Lira in 2018, the capacity of the sector to have an access to external financial sources is still maintained.

Alongside with the global developments, the political and diplomatic issues came up during 2018 put an upward pressure on the exchange and interest rates, as a result general business conditions of the banking sector have deteriorated. There have been remarkable additional regulations put into practice regarding the banking sector, following the worsening of the general circumstances during the year.

As the Turkish banks' cost of borrowing increased, the growth trend has slowed down. Although the deterioration in asset quality was limited, cost increases were the main reason for the rising pressure on the profitability indicators. On the other hand, we expect a positive trend in profitability due to the deceleration in cost increases. However, non-performing loans will continue to be a critical factor in the future trend of the profitability of the sector.

As a result of the technological developments and innovative approaches which ensure more efficiency in business processes with smaller operational organizations, the need for personnel and the tendency for opening new branches have diminished. Consequently, the total number of both branches and personnel declined during the period between 3Q2018 and 3Q2017.

In 2019, the most determining factors for the prospective outlook of the sector will be the capability of accessing international financial sources and the trend of non-performing loans. Even though we expect the sector to perform better in 2019 than 2018 and maintain its profitability level, the growth of

the sector would still be limited due to the limited level of appetite. The loan growth is predicted to restart by the second half of the year. We estimate that the sector has enough means of liquidity and equity to satisfy the prospective demand for credits. Furthermore, state-led investment incentives may create new opportunities for the banking sector during 2019. The damage of the high volatility of the financial markets to the banking sector was managed successfully during 2018. On the other hand, the uncertainties about the real sector and the likelihood of propagation of the current risk factors still create an ambiguity about the medium-term outlook of the banking sector.

The loan restructuring processes of the middle-sized and large corporations were the main focal point of the banking sector in 2018. Through loan restructuring, the banking sector provided a remarkable contribution to the real sector firms dealing with the difficulties in the economy.

We do not observe any refinancing risk for the Turkish banks. In addition, the Turkish banking sector still has the capacity to enlarge its loan portfolio and balance sheet further thanks to high levels of capital adequacy ratios it has already attained. Furthermore, all the Turkish banks are able to meet the requirement of two extra buffers added to the capital adequacy ratios. As a result, we assess that the Turkish banking sector has a stable outlook. However, through allowing the implementation of certain methods which kept risk-weighted assets at lower and Tier 1 Capital at higher levels, the decline in the capital adequacy ratios was somewhat concealed during 2018.

The net interest margin of the Turkish banking sector, which was 4.60% in 2018, is still quite above the average of the developed countries. On the other hand, this margin has been achieved through launching credits which provide working capital rather than investment capital, which did not generate a capacity to create new businesses and employment. The Turkish banking sector still maintains a high level of asset profitability in terms of local currency, a high net interest margin average, and ensures the continuation of the progress of its noninterest income.

Despite their limited asset size, the Turkish banks maintained their well-established structure by means of satisfactory level of profitability, high share of t deposits, high noninterest expenditure, high level of equity, high inflation and depreciated local currency in 2018. On the other hand, the growth trend in 2019 will be heavily related to the stabilization of the local currency, the decline in the inflation rates and the capability to have access to domestic and foreign financial sources.

The total number of the banks operating in the sector was 52 in 2018. In order to deepen the penetration of the banking sector, the investments in the internet, ATM and POS based banking services are increasing in an accelerated manner. The concentration of the assets, loans and deposits are at a high level in the sector. In all these three categories, the top 5 banks hold approximately a 60% share in the whole sector. The highest concentration is observed in deposits, loans and profits respectively. Non-domestic banks have a quite large share in terms of equity in the sector.

Bank-Branch-Employee Numbers in the Turkish banking sector (*)		Deposit Banks (*)	Development % Investment Banks (*)	Participation Banks (**)	Total
Number of Banks	State Banks	3	4	2	**9**
	Private Banks	9	5		**14**
	SDIF Bank	1			**1**
	Foreign Banks	21	2	3	**26**
	Branches of Foreign Banks		2		**2**
	Total	**34**	**13**	**5**	**52**
Number of Branches	State Banks	3,715	33	171	**3,919**
	Private Banks	3,988	16		**4,004**
	SDIF Bank	1			**1**
	Foreign Banks	2,748	2	949	**3,699**
	Branches of Foreign Banks		2		**2**
	Total	**10,452**	**53**	**1,120**	**11,625**
Number of Staff	State Banks	60,061	**4,058**	2,135	**66,254**
	Private Banks	72,932	**1,173**		**74,105**
	SDIF Bank	219			**219**
	Foreign Banks	54,707	**117**	13,543	**68,367**
	Branches of Foreign Banks		**76**		**76**
	Total	**187,919**	**5,424**	**15,678**	**209,021**
	(*) As of September 30, 2018. (**) As of December,31,2018				

Apart from the branch network abroad and deposit insurance, the Turkish banking sector's legal framework is in general compatible with the EU regulations and structured according to the Basel requirements and the capital requirement directives (CRD) in order to ensure full integration with the global economy. In this respect, in December 2016, it was acknowledged by the EU Commission that the regulatory and internal systems framework of the Turkish banking sector are in parallel with and equivalent to the EU regulations. The advanced implementation of the Basel III framework ensured the acceptance of the above stated equivalence. Regarding risk management, the Turkish banking sector is able to manage its balance sheet structure and pricing mechanisms at international standards.

Small-sized banks in the sector operate under the circumstances which are shaped by oligopolist competition in terms of resource management strategy and monopolist competition by means of wealth management strategy. Large banks, on the other hand, enjoy the advantages of full monopolist competition in terms of

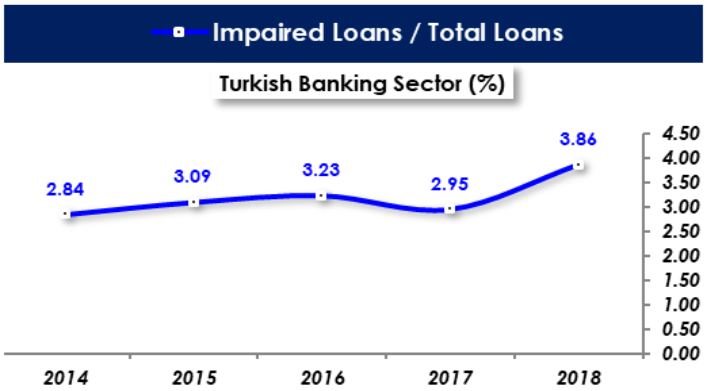
balance sheet management strategies. So that a tight competition exists among small-sized banks but large banks still do not demonstrate a tendency for competitive behavior due to the impact of concentration.

The banking sector is completely subject to change and progress due to the domestic and international regulations, continuously altering customer demands, improving technology, and changes in social and political structures. Regarding its revolutionary character; the banking sector focuses/will focus more on the capital adequacy, liquidity, profitability, cost management and digitalization in internal processes. Especially in 2019, digitalization for efficiency in cost management and competition will remain to be a significant topic.

Since the sector revises and updates its infrastructure in a flexible manner in parallel with the continuously changing expectations of the credit and deposit customers and investors in terms of progressive and sustainable business models, it has a very dynamic structure regarding the offering of new products and services. We expect that the Turkish banks will maintain their advantages regarding deposit collection and domestic and international funding activities thanks to their strong capital structure and the deepening of the capital markets.The Turkish banking sector will concentrate its growth strategy more on the scale and cost efficiency issues, in which it did not yet reach the desired level. Although there have been innovative approaches regarding branch-opening strategies in the Turkish banking sector, branches still maintain their importance among all the sales channels. The loan provision capacity of the Turkish banking sector is quite above the global optimum levels in terms of the interest rate volatility and flexibility against regulation pressures. Even though the legal regulations improve the banks' resilience against the crises, they create a downward impact on their efficiency and profitability. However, the financial innovations, which are created at domestic and international level, could bypass the negative effects of the legal regulations.

Even though the Turkish banks still heavily rely on deposit collection regarding fund raising, the use of alternative sources also increases. In the developed countries, in parallel with the enlargement in the size, the international liabilities of the banks ascended due to the developments in the funding opportunities. Similarly, in the Turkish banking sector, the roll-over ratios of the foreign debts of the banks exceed 100%, and by the help of the longer-term structure of the international sources, the average term of the liabilities is lengthening. Additionally, the security issuances grow in an accelerated manner.

The ratio of the non-performing loans to the equity was 17.84% in 2017 but reached 22.94% in 2018. There has been a nominal increase of 50.98% in non-performing loans in 2018, and since the nominal increase rate in total loans (14.13%) was lower than the increase in non-performing loans, the share of non-performing loans in total loans has increased in comparison to the previous year. The NPL conversion rate was 2.95% in 2017 but reached 3.86% in 2018. Additionally, even though we in general know about the loan restructuring and other special methods applied for the companies which had difficulties in the repayment of their loans which took place during 2018, there is no clear data about the exact volume of these sorts of concealment practices. On the other hand, it is obvious that these practices kept the NPL conversion rates seen on the balance sheets at lower levels.



The average capital adequacy ratio of the Turkish banks was 17.27% in 2018. The fact that 80.88% of the regulatory capital consists of the core capital shows that the banking sector still keeps up its strong capital structure, the levels around 90% which were achieved in the previous years could not be maintained.

As in the previous years, the banking sector has funded its asset growth which is out of loans given and accrued interests by deposits, equity, issued securities and loans to other banks in 2018.

Market Share %	2011	2012	2013	2014	2015	2016	2017	2018
PARTICIPATION BANKS	4.61	5.13	5.55	5.23	5.10	4.87	4.92	5.35
DEVELOPMENT&INVESTMENT BANKS	3.42	3.85	4.05	4.24	4.52	5.23	5.37	6.65
DEPOSIT BANKS	91.97	91.02	90.41	90.53	90.37	89.91	89.71	88.00
SECTOR	100	100	100	100	100	100	100	100

As of FYE2018, the deposit banks have a total share of 88% in the sector, while participation banks hold a share of 5.35% and development and investment banks have a share of 6.65%. The share of deposit banks still follows a decreasing trend.

In the last 9 years, the Turkish banking sector achieved growth in each year in a cumulative manner, and the total cumulative growth rate between 2010 and 2018 amounts to approximately 400%.

By means of the U.S. Dollars, on the other hand, the Turkish banking sector attained a cumulative growth rate of 1.2% between 2010 and 2018. In the last two years, the growth of the sector in terms of the U.S. Dollars has decreased due to the rapid depreciation of the Turkish Lira.

The fastest growing type of banks was development and investment banks with a 47.04% growth rate in 2018. In the same year, the yearly growth rate of the participation banks was 29.14%, whereas deposit banks attained a yearly growth rate of 16.43%.

In 2018, the foreign currency liabilities of the banking sector increased by 26.38% whereas the TRY liabilities rose by 10.50%, which brought a yearly growth rate of 18.85% in total liabilities. The growth of total assets, on the other hand, was provided by an increase of 34.43% in the assets denominated in foreign currencies and 8.82% growth in the assets denominated in the Turkish Lira.

Regarding the contribution to the growth; foreign currency deposits held the largest share among liabilities in 2018, whereas foreign currency debts to other banks ranked the second and domestic currency deposits had the third place. On the asset size; foreign currency loans contributed most to the asset growth, whereas accrued interests came the second and securities were the third. The amount of required reserves decreased in comparison to the previous year due to the easing in its regulations.

In the framework of the macro prudential policies of the Central Bank of Republic of Turkey, liquidity reserves and required reserves have always been significant parts of the liquidity management. In 2018, however, since some of the liquidity demand was fulfilled from these reserves, the share of required reserves in total assets decreased to 3.98%, which was 6.96% in 2017. Although the profitability indicators started to demonstrate a downward inclination, their relatively high levels were still maintained in 2018. The large share of deposits in funding necessitates a well-established branch network which leads to increasing operating expenses, and this puts a downward pressure on the profitability of the sector. On the other hand, based on the assessment of the expected losses in the given loans, the banks cannot completely reflect their risk on their net interest margins. This weakens the banks' asset profitability indicators. The high levels of non-interest expenses indicate that there is still need for progress in terms of operational efficiency of the banks.

In 2018, the Turkish banking sector attained a return on asset level of 1.85% and a return on equity level of 16.86%.

Profitability Indicators of the Turkish Banking Sector	2018	2017	2016	2015	2014	2013
Interest Margin (%)	4.60	4.15	3.90	3.84	3.80	4.02
ROAA (%)	1.85	2.05	1.86	1.52	1.69	2.01
ROAE (%)	16.86	18.63	16.81	13.39	14.81	16.59
Net Profit Margin %	22.25	29.68	27.97	22.60	23.79	25.98

Although the cost of funding was increased at nationwide level, the banking sector has not been affected badly from it thanks to its wide net interest margins. Furthermore, the interest margin increased to 4.60% in 2018 from the levels of 3.84% in 2015, 3.90% in 2016 and 4.15% in 2017. However, provision expenses continue their negative pressure on the financial statements of the banks.

The main source of income for the Turkish banks could not be diversified enough that net interest income is still the main driver of income generation. Regarding the composition of the net interest margin, it is analyzed that provision expenses have a bigger impact on the Turkish banks' income statement than their EU counterparts. The main source of income for the Turkish banks is net interest income that constituted 60.77% of all income in 2018 and decreased from the previous year's figure of 69.19% due to the hike in cost of funding. The ratio of non-interest income to total income of the sector is quite below the average of the banks operating in the EU.

Regardless of the temporary yearly improvements, the average of the return on equity of the Turkish banking sector is in general lower than the returns of the government debt securities and the interest rates offered for deposits, taking into account the risks taken in a relative manner. This shows that the sector performs still lower than its potential by means of profitability.

Two of the major indicators of the sector's net foreign exchange position, namely "total foreign exchange position to assets" and "total foreign exchange position to equity" ratios, were 0.40% and 3.69% respectively as of FYE2018. The low levels of these two ratios demonstrate that the foreign currency risk has a negligible impact on the revenue generation capabilities of the sector. However, the use of derivative instruments to hedge the short positions in the balance-sheets with off balance-sheet

transactions increased the renewal risk and counterparty risk of the Turkish banking sector.

Regarding the balance-sheet items, there are liquidity gaps in almost all of the term structures. By the effect of the increased level of provisions, the largest liquidity surplus was observed in 7-day and yearly terms. The off balance-sheet transactions create liquidity shortage as well. On the other hand, the Turkish banking system has an overall liquidity surplus since the sector operates with a combined structure of highly liquid assets and liabilities.

The sector finances 52.65% of its assets by deposits and/or participation accounts as of 2018. Despite the tax incentives provided since 2013 to lengthen the term structure of the deposits; the average term of the deposits could not exceed the level of 73.93 days in 2018, which was 74 days in 2012, 72.77 days in 2014, 84.8 days in 2015, 72.27 days in 2016 and 71.06 days in 2017.

Regarding the total balance-sheet of the sector, 62.01% of total assets consist of loans and leasing receivables, whereas securities, primarily government debt securities, make up 12.27% of it. The share of securities in total assets decreased, while the share of loans has slightly increased.

The credit risk, market risk and operational risk of the Turkish banking system are calculated according to the internal ratings-based approach and the BRSA regulations. Primarily regarding credit risk, independent external rating institutions have not yet taken part in the assessment of these risks. According to the data provided by the BRSA, the total risk calculated for the capital adequacy ratio consists of credit risk by 90.79%, operational risk by 7.35% and market risk by 1.86% in 2018. The total risk calculated was TRY 2,983,385mn.

In general, the Turkish banking sector covers its in balance-sheet short foreign exchange position by its off balance-sheet long foreign exchange position. The net total foreign exchange position has been remaining at a quite low level for a long period of time.

The share of total equity in the total balance-sheet of the sector was 13.17% in 2012, 11.19% in 2013, 11.64% in 2014, 11.12% in 2015 and decreased to 10.99% in 2016. The ratio has become 11.01% in 2017 but declined to 10.89% in 2018. The lowest share of equity in the sector belongs to the participation banks.

On the other hand, even though the development and investment banks lost their attractiveness and reputation in the developed countries due to their weakening equity structure, they maintain their high levels of equity and capital adequacy ratios in Turkey and continue to be attractive for investments.

In 2018, although the profitability and capital adequacy ratios increased, the rapid hike in NPL ratios could not be prevented despite the restructured loans and the non-performing loans which were sold to the asset management companies. The main reason for this hike was the deterioration in the financial structures of the companies in parallel with the increasing trend of the exchange rates.

A deceleration in loan growth and difficulties in profitability could be expected for the upcoming period together with the rising cost of funding, high rates of loan to deposit ratio and hardships in creating additional financial sources.

As the risk premium of Turkey increased in the recent period, the average cost of syndication loans that the Turkish banks provide from the international banking system has risen but we do not expect a deterioration in the roll-over capabilities of the sector. The financial and managerial strength of the sector, which has a dynamic character as well, is enough to balance possible external shocks and maintain its growth performance.

The Turkish banking sector's combination of loan and funding is quite balanced. In addition, its asset quality and financial sources are managed in a sustainable and steady manner.

A well-established capital structure, profitability and asset quality facilitate the ways in which the banks provide loans and the real sector firms have access to these financial sources. Although we expect that the cost of funding will remain to be high and the net interest margin of the banks would contract, the general outlook of the sector will continue to be stable.

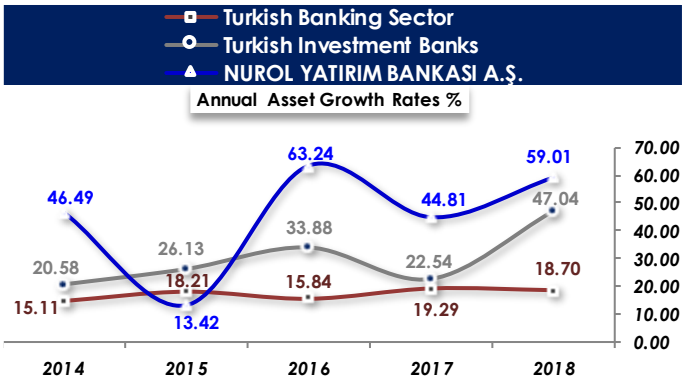
6. Financial Analysis

a) Financial Indicators & Performance

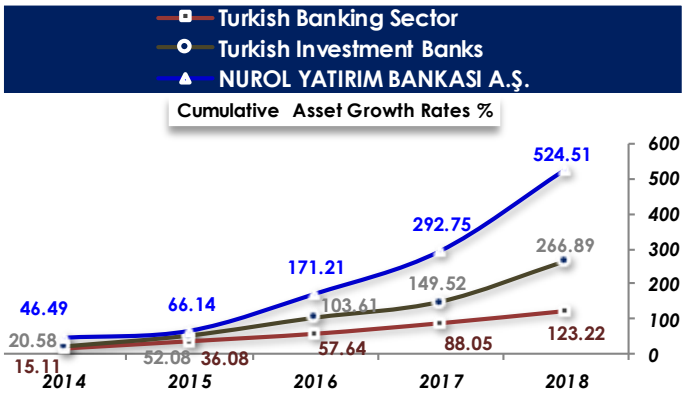
i. Indices Relating to Size

At FYE2018, NurolBank's asset size growth was 59.01% YoY, whereas those of the Turkish Banking Sector and the Turkish Development and Investment Banking Sector as a whole were 18.70% and 47.07%, respectively, and as such outpaced the sector averages.

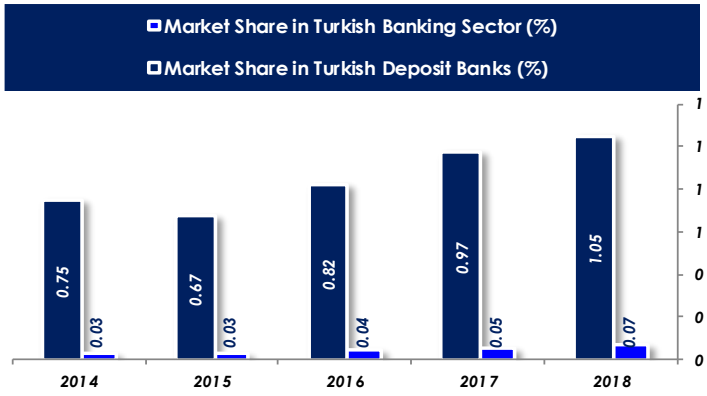
Turkish development and investment banking sector continued to experience a moderate growth reflecting the uncertainties in the domestic market and macro-prudential measures enacted by the regulatory. In this financial environment, loans & receivables, accounted for 68.91% of total assets at FYE2018, and increased by 72.83% YoY, principally underpinned the growth of the assets. The graph below presents the growth of the Bank's asset base in comparison with the sector.



The Bank's strategy is to create a diversified corporate loan book targeting high-quality corporate credits with a range of customers. Nurol Bank has focused on developing its capacity to offer a wide range of products to its current and new corporate clients.



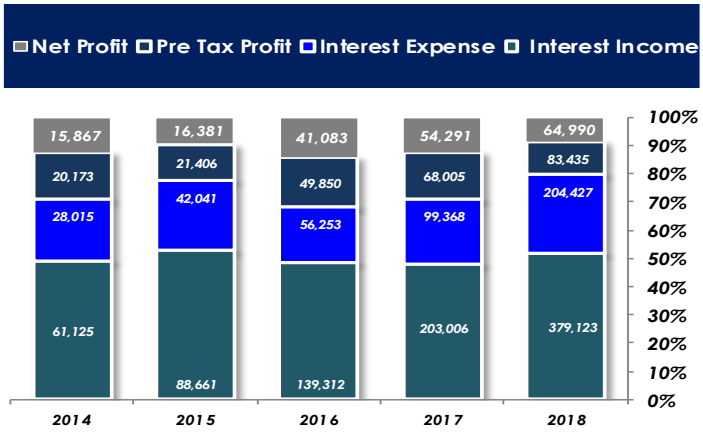
Cumulative asset-based growth performance of the Nurol Bank remained above the average growth performance of the Turkish Banking Sector and the Turkish Development and Investment Banking Sector since 2013.



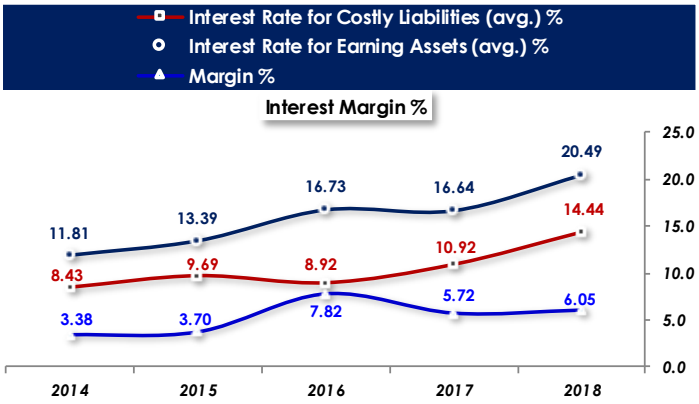
The Bank's asset size market shares figures, with regard to both Development & Investment banks and the entire Turkish Banking Sector, demonstrate a decrease and standing at 1.05% (FYE2017:0.97%) and 0.07% (FYE2017:0.05%), respectively as of December 31, 2018.

ii. Indices Relating to Profitability

According to the financial statements prepared in line with BRSA standards, Nurol Bank achieved a net profit of TRY 64.98mn in FY2018, increased by 13.01% compared to the previous year's net profit of TRY 57.50mn, despite the challenging operating environment. In the same period, the Turkish Development and Investment Banking Sector's net profit increased by 38% on a YoY basis. Net Profit related performance of Nurol Bank Yatırım outperformed the the Turkish Banking Sector (10.02%) in FY2018.

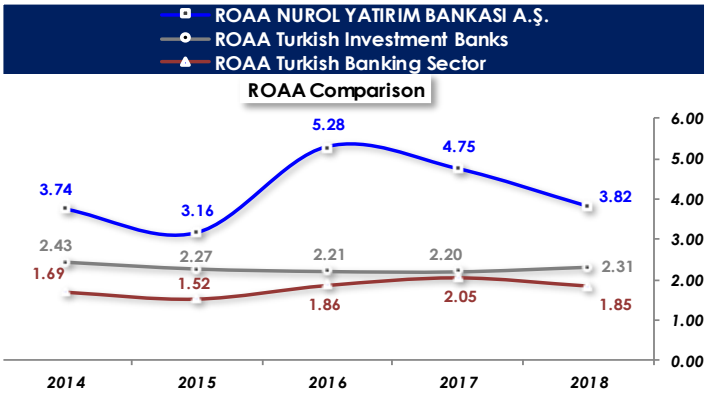


The improvement in net profit generation was. supported by interest income in particular, increased by 86.75% YoY in FYE2018. As the foremost core income component, the NII accounted for 66.49% of total income at FYE2018 and its share in total income contracted in the last two consecutive years.

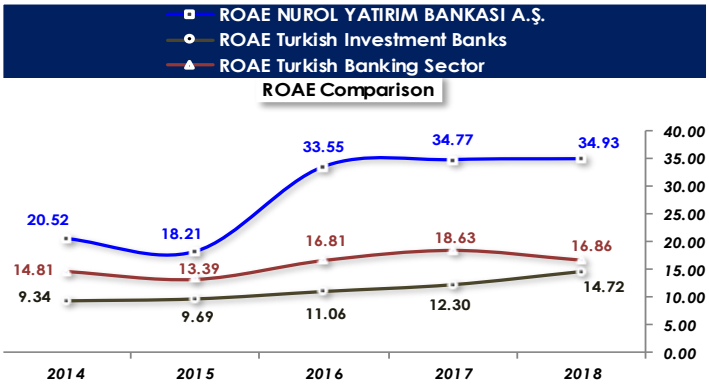


While the Bank's net interest income increased by 68.56%, the net fee & commission income increase reached to 14.25% on a YoY basis and net interest income along with net fee & commission income which represent sustainable income streams, together constituted 70.75% (FYE2017: 82.58%) of its total

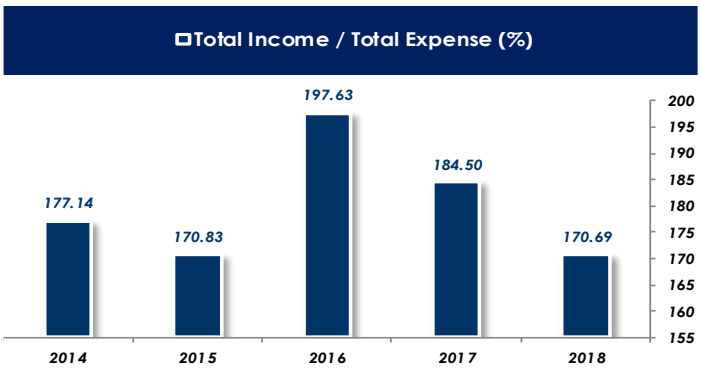
income. Total operating expenses reached TRY -29.01mn., constituted of 18.85% of total income, excluding TRY 25.38mn of provisions, which also represents sustainable expense sources.



The indicators of both ROAAs and ROAEs have outperformed the sector during the previous 5 years while they continued to follow an upward path in line with those of the Turkish banking sector and the Turkish development and investment banking sector.

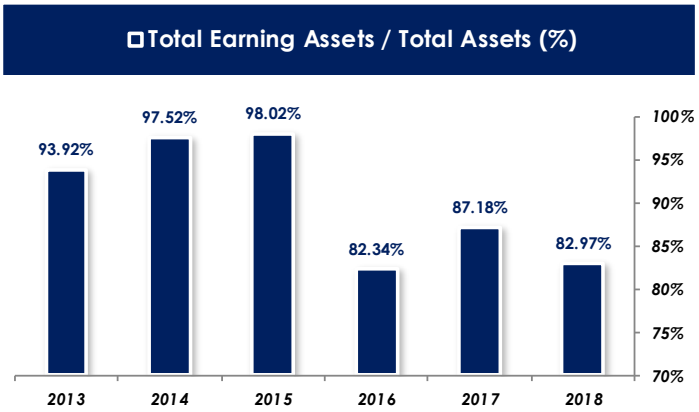


IFRS based return on assets and equity ratios were 3.82% and 34.93%, respectively, at the end of 2018, representing a slight improvement in ROAE compared to the previous year.

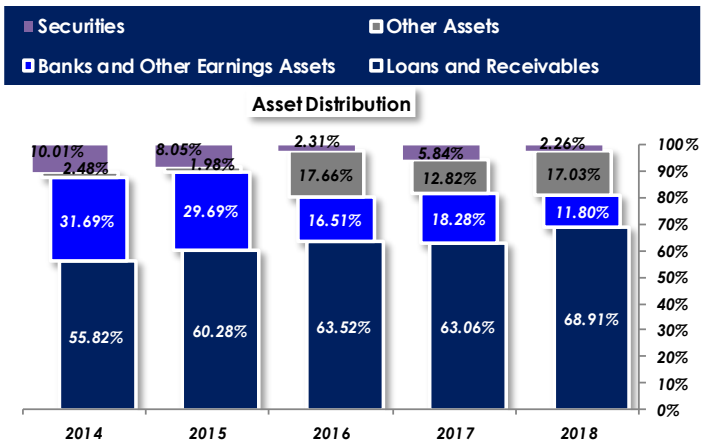


The Bank's total expenses to average total assets ratio increased to 7.04% at FYE2018 from 4.39% at FYE2017. The Bank's total income to total expenses ratio was 170.69% at FYE2018 and was down from the previous year's figure of 184.50%.

b) Asset Quality



As in the previous year, loans constituted the largest share in the Bank's total asset dispersal with the share of 82.97%, stood below the Turkish Development and Investment Banking and Turkish Banking Sector averages of 94.97% and 87.82%, respectively in FYE2018. The loans-weighted asset structure exhibits the efficiency of the Bank's financial intermediary function, on the other it increases the risk and yield levels.

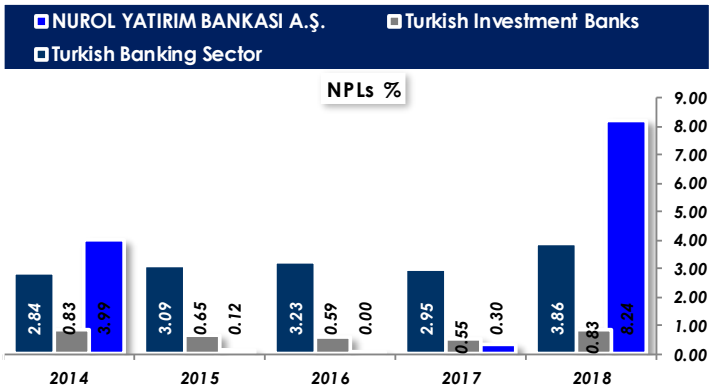


As per to the consolidated financial statements, the non-performing loans portfolio of Nurol Bank was TRY 152.29mn at FYE2018 and increased by 45.61x compared to the previous year's figure of TRY 3.27mn. A notable growth in overdue loans than that of the loan receivables drove to an upsurge in the NPLs ratio to 8.24 % at FYE2018 from 0.30% at FYE2017. The ratio exceeded the averages for both the Turkish Banking Sector and Turkish Development and Investment Banking Sector over the reviewed period. Non-performing loans amounting to TRY44.4mn has been written off by the Bank during 2018. The clean-up of NPLs at the Bank is still certain in line with the

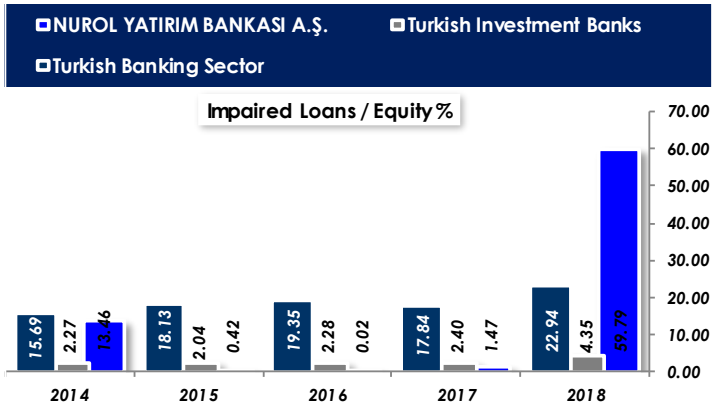
management's latest strategy since 2014 to tackle the high levels of non-performing loans from balance sheet. Due to high collection capability of current NPLs, the Bank is projected to decrease its NPL ratio to approximately 3% in FYE2019. The Bank expects that NPLs pertaining to the previous years' activities will not be reflected in FYE2019 financial statements. In addition, a 75 % of non-performing loans is expected to be collected due to the collateral structure.

On the flip side, upward trend of NPLs have double-whammy effect on the income statement, as provisioning typically rises while income contracts. Therefore, heftier provisioning will continue to deplete profitability ratios.

Since January 1, 2018, the Bank has adopted provisions for impairment in accordance with the TFRS 9 "Regulation on Procedures and Principles for the Classification of Loans by Banks and the Provisions to be Reserved" published in the Official Gazette dated June 22, 2016. In line with the notice of BRSA, dated 17 April 2018, FYE2017 statements were presented in the old format. The transition effect of implementation of TFRS 9 was quite limited regarding the figures of FYE2017. Specific Provision (Default- Stage 3) and General Provision (12 Months Expected Credit Loss – Stage 1, Lifetime Expected Credit Loss – Stage 2) decreased to TRY 1.06mn. as of January 1,2018.



Nurol Bank transferred its non-performing loan which is classified in the portfolio of overdue receivables amounting to TR9.04mn. to an asset management company through revenue sharing method in FYE2015. Nurol Bank recognized aforementioned receivables as transferred asset in loan and advances to customers line in FYE2017 and purchased the property which was obtained by the asset management company by levy, on account of revenue sharing agreement and receivables in 2018. Nurol Bank started monitoring that property under the investment property account with re-evaluating the appraisal report (appraisement value TRY27.66mn.). Investment properties held by the Bank amounted TRY34.39mn. in FYE2018(FYE2017: TRY4.44mn.) Additionally, the Bank accounts its investment property under fair value model.

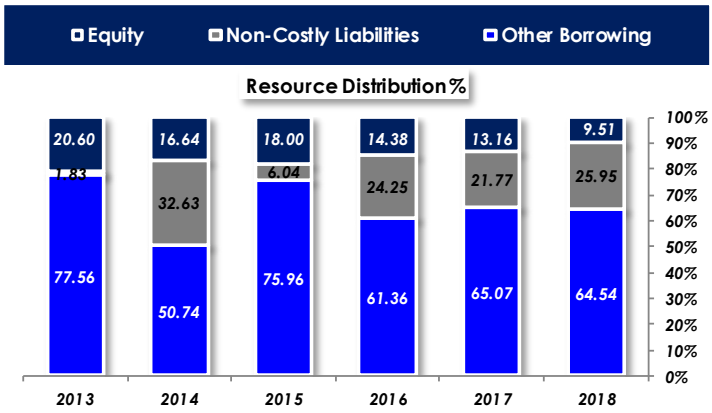


The non-performing loans portfolio of the Bank as a proportion of its equity deteriorated to 59.79% at FYE2018 from 1.47% at FYE2017.The impaired loans to equity ratio for the Turkish Banking Sector and Turkish Development and Investment Banking Sector stood at 22.94% and 4.35%, respectively in FYE2018.

c. Funding & Adequacy of Capital

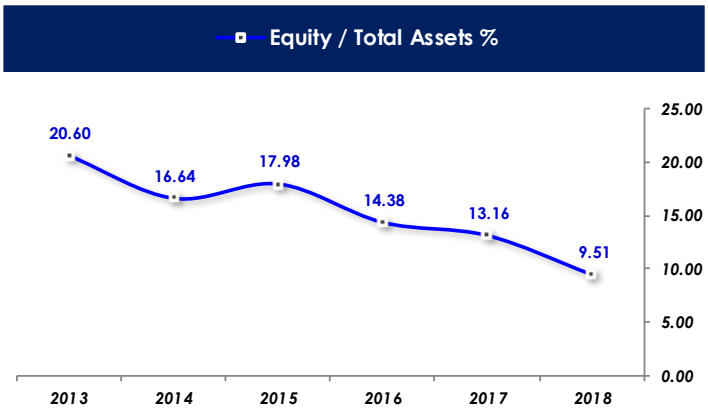
Development and Investment Banks are not entitled to collect customer deposits. Therefore, their funding sources are principally composed of equity, loans from domestic institutions and debt securities issues, current balances of its loan customers as well as obligations under repurchase agreements.

The Bank's capability to access alternative funding sources such as funds borrowed from overseas financial markets and bond issues increased.

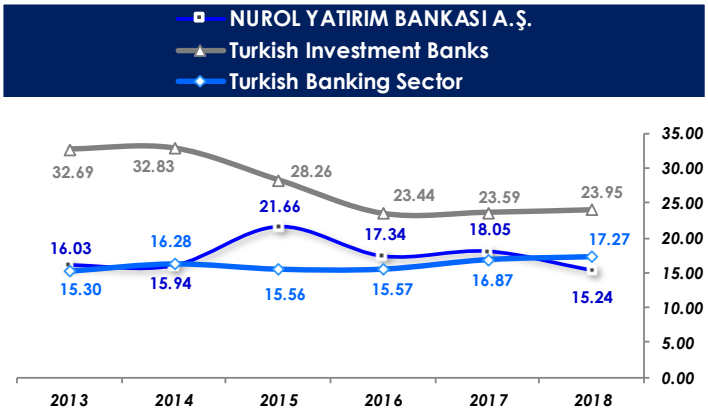


According to the audited IFRS report, the Bank's funds borrowed comprised 30.42% (FYE2017:23.75%), followed by total debt securities with the share of 27.48% (FYE2017:37.71%) of total sources in FYE2018. Obligations under repurchase agreements accounts for 3.51% of total liabilities in FYE2018

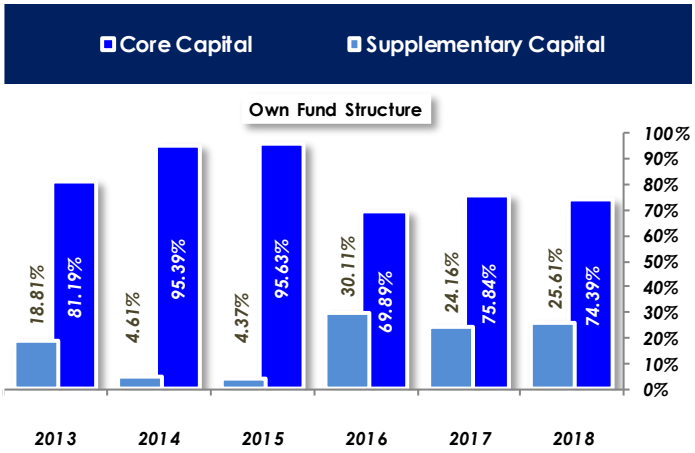
(FYE2017:3.54%). The Bank issued USD10mn. Eurobond as of March 31, 2016 and received loans from World Business Capital at an amount of USD 5mn. as of December 27, 2016, as subordinated debt which is accounted as Tier 2 Capital.



Additionally, the Bank's paid-up capital was increased to TRY160mn. from TRY125mn. through internal sources During 2018. TRY35mn. of the capital increase has been covered by capital reserves.



In the last two consecutive years, the Bank's unconsolidated capital adequacy ratio (CAR) exhibited progress and reached 15.24% at FYE2018 and 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 263,50mn particularly in FY2018 - specifies the success of the management - buttressed the strengthening of CAR ratio. The CAR ratio remained well above the minimum CAR requirements set by the Basel Accord (8%) and recommended by the BRSA (12%). The Bank's IFRS-based CAR ratio also displayed a similar pattern and decreased to 15.24% at FYE2018 from 18.05% at FYE2017. The Bank has also remained compliant with minimum requirements of Common Equity Tier 1 Ratio (4.5%) and Tier 1 Ratio (6%) set by the BRSA. The Bank's CET1 ratios was 11.28% as of FYE2018(FYE2017: 13.69%). The Bank's net interest margin over the sector averages and net positive effect of possible regulatory changes and CET1 share absorb incidental losses support sustainability.



The Bank's consolidated own fund dispersion is given in the chart above. The share of core capital, principally consisting of paid-up capital and retained earnings, comprised 74.39% of the Bank's total own fund structure at FYE2018 and indicates capital strength. The supplementary capital accounted for 25.61% of the Bank's own fund structure at FYE2018 and stayed above the Turkish Banking Sector's average of 16.69%.
Accordingly, we, as JCR Eurasia Rating, assume that the current CAR ratio offers a reasonable shield against potential incidental losses.

7. Risk Profile & Management

a. Risk Management Organization & Its Function – General Information

Nurolbank 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.

b. Credit Risk

The Bank's credit risk management policy is initially set on three pillars; customer selection, credit allocation and credit pricing for its corporate, commercial and medium sized enterprise loan portfolio, involving statistical methods on historical data to assess its customers based on objective criteria and assigning grades. In this sense, through the guides of comprehensive risk management framework, credit allocation takes place within the limits determined separately for each borrower. the Bank manages its credit Each customer who is engaged in a credit transaction has to be subjected to a credit limit allocated by the Board of Directors.

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, mortgages, pledges, cheques & notes and personal or corporate guarantees are required in line with the financial position of the debtor and its creditworthiness.

The Bank granted 83.64% (FYE2016: 98.91%) of its loan book as performing corporate loans and the remaining 7.37% and 8.99% were corporate loans under close monitoring and non-performing corporate loans in FYE2018. On the other hand, 9% 2% and 40% (FYE2017: 0%, 3% and 22%, respectively) of the Bank's cash loans, non-cash loans and borrowed funds to total loans directly or indirectly were given to group companies, respectively in FYE2018.

The loon book portfolio was well diversified in terms of industrial composition while customer concentration remains a risk factor despite improving in 2018. The Bank focuses to fund large projects that continue to improve its interest margin. The Bank's largest 10 corporate customers constituted 57.60% (FYE2017:67.6%) of the total corporate cash outstanding loans and 76.6% (FYE2017: 48.9%) of total non-cash loans, maintaining still high concentration levels in FYE2018.
The Cash Loan Book Composition were well distributed with respect to sectoral breakdown including; 21.5% in energy, 17.6% in other, 16.6% in textile, 10.7% in automotive,7.7% in Non-Bank FIs. The Non-Cash Loan Book Composition includes 34.8% in Banks, 17.6% in other, 28.2% in Energy, 12.3% in Infrastructure,7.8% in Fuel Oil Trade, 3.7% in Real Estate. The table shows the customer concentration levels in cash and non-cash loan book composition of the Bank in FYE2018-17.

Customer Concentration (Cash)	2018	2017
First 10	57.60%	67.6%
First 20	81.60%	83.9%
First 50	100.0%	100.0%

Customer Concentration (Non-Cash)	2018	2017
First 10	55.10%	48.90%
First 20	76.60%	72.70%
First 50	97.60%	97.60%

Nurol Bank has exposure to concentration risk where its business activities focus particularly on a similar type of customers and industrial sectors in Turkey. The Bank's regional concentration in loans book increased to 77.11% in FYE2017 from 83.10% in FYE2017.

Nurol is constrained by customer and sector concentrations which are applicable for most banks in Turkey and high related party lending. Although we, as JCR Eurasia Rating, have not assessed the individual risk level of those companies and allocated credits, these credits are presumed to be paid back.

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.

c. Market Risk

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.

FYE2018 and FYE2017 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 analysed 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 was short in USD and Euro in denominated liabilities. The Bank's gross foreign currency position to assets and equity ratios were -4.51 % and -47.48% (FYE2017: -5.31% and -39.32%), at the end of FYE2018.

d. 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. In November 2006, BRSA issued a new communique on the measurement of liquidity adequacy of the banks. The Group's liquidity ratios in FYE2018 and FYE2017 are as follows:

Period (Avg.)	First Maturity Bracket (Weekly)		Second Maturity Bracket (Monthly)	
	FC (%)	Total (%)	FC (%)	Total (%)
2017	203	249	111	139
2016	222	253	113	144

As of December 31, 2018, the average Liquidity Coverage Ratios of Nurol Bank on BRSA Solo basis for the average are 80.23% and 70.37%, for respectively (FYE2017: 124.16%; 27.94%)

Within the framework of the Basel III harmonization process, the BRSA published an initial Communiqué (the Regulation on Liquidity Coverage Ratios) dated March 21, 2014 published in the Official Gazette no. 28948 and an amendment Communiqués dated 20 August 2015 and January 20, 2016; February 28,2017 ; July 13, 2017 and latest August 15, 2017 stipulating therein that the Banks must maintain an adequate level of high quality liquid assets (HQLA) on consolidated and unconsolidated bases to meet the net cash outflows. The ratios of the HQLA stock to the net cash outflows have been kept to a minimum of 100% in respect of total consolidated and unconsolidated liquidity and 80% in respect of total consolidated and unconsolidated foreign currency liquidity.

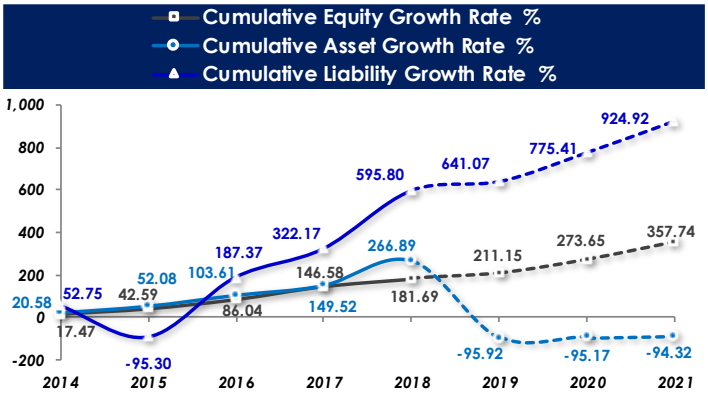
Additionally, each figure above will be increased by ten percent each year up to January 1,2019. Those ratios for 2018 are 90% and 70%. Recent regulations on August 15, 2017 stipulated that reserves held by the banks in the Central Bank is considered 100% "high quality liquid assets" for the calculation of the liquidity coverage rate. (It was considered 50% before the amendment).

8. Budget & Debt Issue

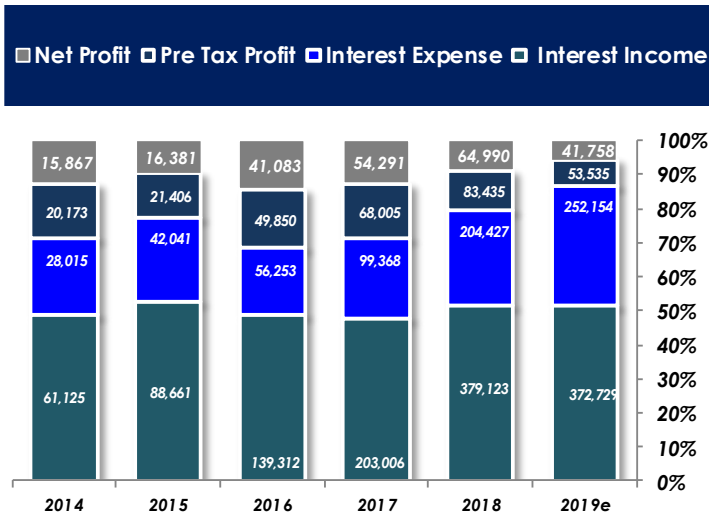
The estimated budget projection between the years of FYE2019 and FYE2020 submitted by Nurol Bank. Within the framework of projections and budgeting activities developed by the Nurol Bank Management, some of the planned topics are shown in the chart and graph below;

Projections	2019e	2020e	2021e
Assets – 000, TRY	2,863,856	3,388,525	3,985,594
Loans – 000, TRY	1,553,233	1,866,979	2,188,219
Equity – 000, TRY	281,352	337,860	413,898
CAR %	13.68	13.40	13.56
ROA %	1.96	3.07	4.73
ROE %	20.60	31.69	46.92

According to Nurolbank's projections, the Bank expects to record growths of 10.40% and 19.13% in asset and equity, respectively and, the Bank's CAR, ROA and ROE are projected to stand at 13.68%, 1.96% and 20.60% in FYE2019, along with a contraction of 24.974% in profit before tax, on a solo basis, compared to the results of FY2018.



In addition, the Bank projected a 2019 year-end interest income and net profit sizes of TRY372.73mn. and TRY41.76mn., respectively.



Taking into account past performance of the Bank, JCR-ER is of the opinion that the projections are quite conservative and easily achievable.

NUROL YATIRIM BANKASI A.Ş. BALANCE SHEET - ASSET (000)	FYE 2018 USD (Converted)	FYE 2018 TRY (Original)	FYE 2018 TRY (Average)	FYE 2017 TRY (Original)	FYE 2017 TRY (Average)	FYE 2016 TRY (Original)	FYE 2016 TRY (Average)	FYE 2015 TRY (Original)	As % of 2018 Assets (Original)	As % of 2017 Assets (Original)	As % of 2016 Assets (Original)	FYE 2018 Growth Rate %	FYE 2017 Growth Rate %	FYE 2016 Growth Rate %
A- TOTAL EARNING ASSETS (I+II+III)	**422,600**	**2,223,258**	**1,850,089**	**1,476,920**	**1,220,002**	**963,084**	**833,034**	**702,984**	**82.97**	**87.18**	**82.34**	**50.53**	**53.35**	**37.00**
I- LOANS AND LEASING RECEIVABLES (net)	**350,987**	**1,846,509**	**1,457,453**	**1,068,396**	**905,657**	**742,918**	**587,815**	**432,711**	**68.91**	**63.06**	**63.52**	**72.83**	**43.81**	**71.69**
a) Short Term Loans	178,916	941,257	724,494	507,730	371,776	235,822	236,532	237,241	35.13	29.97	20.16	85.39	115.30	-0.60
b) Lease Assets	0	0	0	0	0	0	4,396	8,792	n.a	n.a	n.a	n.a	n.a	-100.00
c) Medium & Long Term Loans	143,574	755,331	657,983	560,634	530,937	501,239	345,344	189,449	28.19	33.09	42.85	34.73	11.85	164.58
d) Over Due Loans	28,947	152,285	77,776	3,267	1,648	28	284	540	5.68	0.19	0.00	4,561.31	11,567.86	-94.81
e) Others	0	0	0	0	0	0	0	0	n.a	n.a	n.a	n.a	n.a	n.a
f) Receivable from Customer due to Brokerage Activities	0	0	0	0	0	0	0	0	n.a	n.a	n.a	n.a	n.a	n.a
g) Allowance for Loan and Receivables Losses (-)	-449	-2,364	-2,800	-3,235	1,297	5,829	1,259	-3,311	-0.09	-0.19	0.50	-26.92	-155.50	-276.05
II- OTHER EARNING ASSETS	**60,081**	**316,079**	**312,853**	**309,627**	**251,394**	**193,161**	**202,901**	**212,640**	**11.80**	**18.28**	**16.51**	**2.08**	**60.29**	**-9.16**
a) Balance With Banks -Time Deposits	15,659	82,382	52,806	23,230	58,386	93,541	100,073	106,604	3.07	1.37	8.00	254.64	-75.17	-12.25
b) Money Market Placements	0	0	16,500	33,000	37,730	42,459	52,406	62,353	n.a	1.95	3.63	-100.00	-22.28	-31.91
c) Reserve Deposits at CB (*)	44,421	233,697	243,547	253,397	155,279	57,161	50,412	43,663	8.72	14.96	4.89	-7.77	343.30	30.91
d) Balance With CB- Demand Deposits (**)	0	0	0	0	0	0	10	20	n.a	n.a	n.a	n.a	n.a	-100.00
III- SECURITIES AT FAIR VALUE THROUGH P/L	**11,532**	**60,670**	**79,784**	**98,897**	**62,951**	**27,005**	**42,319**	**57,633**	**2.26**	**5.84**	**2.31**	-38.65	266.22	-53.14
a) Treasury Bills and Government Bonds	11,532	60,670	79,784	98,897	58,944	18,991	23,253	27,514	2.26	5.84	1.62	-38.65	420.76	-30.98
b) Other Investment	0	0	0	0	4,007	8,014	19,067	30,119	n.a	n.a	0.69	n.a	-100.00	-73.39
c) Repurchase Agreement	0	0	0	0	0	0	0	0	n.a	n.a	n.a	n.a	n.a	n.a
B- INVESTMENTS IN ASSOCIATES (NET) + EQUITY SHARE	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**n.a**	**n.a**	**n.a**	**n.a**	**n.a**	**n.a**
a) Investments in Subsidiaries (Net)	0	0	0	0	0	0	0	0	n.a	n.a	n.a	n.a	n.a	n.a
b) Investments in Associates (Net)	0	0	0	0	0	0	0	0	n.a	n.a	n.a	n.a	n.a	n.a
C- NON-EARNING ASSETS	**86,721**	**456,229**	**336,735**	**217,240**	**211,904**	**206,567**	**110,362**	**14,157**	**17.03**	**12.82**	**17.66**	**110.01**	**5.17**	**1,359.12**
a) Cash and Cash Equivalents	1,219	6,414	6,326	6,238	3,199	160	160	160	0.24	0.37	0.01	2.82	3,798.75	0.00
b) Balance With Banks - Current Accounts	16,600	87,333	73,114	58,895	42,900	26,905	14,967	3,029	3.26	3.48	2.30	48.29	118.90	788.25
c) Financial Assets at Fair Value through P/L	0	0	0	0	0	0	0	0	n.a	n.a	n.a	n.a	n.a	n.a
d) Accrued Interest from Loans and Lease	0	0	0	0	0	0	0	0	n.a	n.a	n.a	n.a	n.a	n.a
e) Other	68,901	362,482	257,295	152,107	165,805	179,502	95,235	10,968	13.53	8.98	15.35	138.31	-15.26	1,536.60
- Intangible Assets	416	2,190	1,783	1,375	1,381	1,387	1,271	1,154	0.08	0.08	0.12	59.27	-0.87	20.19
- Property and Equipment	768	4,040	3,181	2,322	2,400	2,478	2,040	1,601	0.15	0.14	0.21	73.99	-6.30	54.78
- Deferred Tax	0	0	0	0	0	0	0	0	n.a	n.a	n.a	n.a	n.a	n.a
- Other	67,717	356,252	252,331	148,410	162,024	175,637	91,925	8,213	13.30	8.76	15.02	140.05	-15.50	2,038.52
TOTAL ASSETS	**509,321**	**2,679,487**	**2,186,824**	**1,694,160**	**1,431,906**	**1,169,651**	**943,396**	**717,141**	**100.00**	**100.00**	**100.00**	**58.16**	**44.84**	**63.10**

(*) Included in 'Other' item

NUROL YATIRIM BANKASI A.Ş. BALANCE SHEET LIABILITIES & SHAREHOLDERS' EQUITY (000)	FYE 2018 USD (Converted)	FYE 2018 TRY (Original)	FYE 2018 TRY (Average)	FYE 2017 TRY (Original)	FYE 2017 TRY (Average)	FYE 2016 TRY (Original)	FYE 2016 TRY (Average)	FYE 2015 TRY (Original)	As % of 2018 Assets (Original)	As % of 2017 Assets (Original)	As % of 2016 Assets (Original)	FYE 2018 Growth Rate %	FYE 2017 Growth Rate %	FYE 2016 Growth Rate %
A- COST BEARING RESOURCES (I+II)	**328,730**	**1,729,416**	**1,415,862**	**1,102,308**	**910,025**	**717,742**	**630,846**	**543,950**	**64.54**	**65.07**	**61.36**	**56.89**	**53.58**	**31.95**
I- DEPOSIT	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**n.a**	**n.a**	**n.a**	**n.a**	**n.a**	**n.a**
a) TL Deposit	0	0	0	0	0	0	0	0	n.a	n.a	n.a	n.a	n.a	n.a
b) FC Deposit	0	0	0	0	0	0	0	0	n.a	n.a	n.a	n.a	n.a	n.a
c) FC & LC Banks Deposits	0	0	0	0	0	0	0	0	n.a	n.a	n.a	n.a	n.a	n.a
II- BORROWING FUNDING LOANS & OTHER	**328,730**	**1,729,416**	**1,415,862**	**1,102,308**	**910,025**	**717,742**	**630,846**	**543,950**	**64.54**	**65.07**	**61.36**	**56.89**	**53.58**	**31.95**
a) Borrowing From Domestic Market	312,757	1,645,383	1,373,337	1,101,290	901,552	701,814	622,519	543,223	61.41	65.01	60.00	49.41	56.92	29.19
b) Borrowing From Overseas Markets	0	0	0	0	0	0	0	0	n.a	n.a	n.a	n.a	n.a	n.a
c) Borrowing from Interbank	0	0	0	0	0	0	0	0	n.a	n.a	n.a	n.a	n.a	n.a
d) Securities Sold Under Repurchase Agreements	15,973	84,033	42,526	1,018	8,473	15,928	8,328	727	3.14	0.06	1.36	8,154.72	-93.61	2,090.92
e) Subordinated Loans & Others	0	0	0	0	0	0	0	0	n.a	n.a	n.a	n.a	n.a	n.a
B- NON-COST BEARING RESOURCES	**132,175**	**695,360**	**532,124**	**368,888**	**326,290**	**283,691**	**163,473**	**43,255**	**25.95**	**21.77**	**24.25**	**88.50**	**30.03**	**555.86**
a) Provisions	1,716	9,027	5,891	2,754	2,733	2,712	3,176	3,640	0.34	0.16	0.23	227.78	1.55	-25.49
b) Current & Deferred Tax Liabilities	386	2,032	2,644	3,256	3,169	3,082	3,601	4,119	0.08	0.19	0.26	-37.59	5.65	-25.18
c) Trading Liabilities (Derivatives)	4,739	24,929	13,297	1,665	7,234	12,803	6,630	457	0.93	0.10	1.09	1,397.24	-87.00	2,701.53
d) Other Liabilities	125,334	659,372	510,293	361,213	313,154	265,094	150,067	35,039	24.61	21.32	22.66	82.54	36.26	656.57
C- TOTAL LIABILITIES	**460,905**	**2,424,776**	**1,947,986**	**1,471,196**	**1,236,315**	**1,001,433**	**794,319**	**587,205**	**90.49**	**86.84**	**85.62**	**64.82**	**46.91**	**70.54**
E- EQUITY	**48,416**	**254,711**	**238,838**	**222,964**	**195,591**	**168,218**	**148,577**	**128,936**	**9.51**	**13.16**	**14.38**	**14.24**	**32.54**	**30.47**
a) Prior Year's Equity	34,078	179,283	173,751	168,218	148,577	128,936	117,579	106,222	6.69	9.93	11.02	6.58	30.47	21.38
b) Equity (Added From Internall & External Resourses At This Year)	1,984	10,438	5,447	455	-673	-1,801	2,266	6,333	0.39	0.03	-0.15	2,194.07	-125.26	-128.44
c) Profit & Loss	12,353	64,990	59,641	54,291	47,687	41,083	28,732	16,381	2.43	3.20	3.51	19.71	32.15	150.80
d) Minority Interest	0	0	0	0	0	0	0	0	n.a	n.a	n.a	n.a	n.a	n.a
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**509,321**	**2,679,487**	**2,186,824**	**1,694,160**	**1,431,906**	**1,169,651**	**942,896**	**716,141**	**100.00**	**100.00**	**100.00**	**58.16**	**44.84**	**63.33**
(*) This Item Is Included In Other Item	**USD Rates 1=TRY**	**5.2609**		**3.8104**		**3.5192**		**2.9076**						

NUROL YATIRIM BANKASI A.Ş. INCOME STATEMENT (000) TRY	FY 2018	FY 2017	FY 2016	FY 2015	FY 2014
Net Interest Income	**174,696.00**	**103,638.00**	**83,059.00**	**46,620.00**	**33,110.00**
a) Interest Income	379,123.00	203,006.00	139,312.00	88,661.00	61,125.00
b) Interest Expense	204,427.00	99,368.00	56,253.00	42,041.00	28,015.00
Net Fee and Commission Income	**11,207.00**	**9,809.00**	**14,171.00**	**9,263.00**	**9,699.00**
a) Fee and Commission Income	21,952.00	25,835.00	19,732.00	12,256.00	11,710.00
b) Fee and Commission Expense	10,745.00	16,026.00	5,561.00	2,993.00	2,011.00
Total Operating Income	**-29,013.00**	**-4,852.00**	**-19,985.00**	**-9,270.00**	**-3,949.00**
Net Trading income (+/-)	54,234.00	-28,777.00	-15,767.00	9,701.00	5,092.00
Foreign Exchange Gain or Loss (net) (+/-)	-85,079.00	14,108.00	-13,513.00	-17,994.00	-11,932.00
Gross Profit from Retail Business	0.00	0.00	0.00	0.00	0.00
Premium Income From Insurance Business	0.00	0.00	0.00	0.00	0.00
Income on Sale of Equity Participations and Consolidated Affiliates	0.00	0.00	0.00	0.00	0.00
Gains from Investment Securities (Net)	-20,777.00	1,546.00	1,145.00	1,258.00	1,386.00
Other Operating Income	22,609.00	8,271.00	8,150.00	-2,235.00	1,505.00
Taxes Other Than Income	0.00	0.00	0.00	0.00	0.00
Dividend	0.00	0.00	0.00	0.00	0.00
Provisions	**25,379.00**	**-5,090.00**	**2,774.00**	**5,382.00**	**1,945.00**
Provision for Impairment of Loan and Trade Receivables	21,186.00	-5,321.00	2,542.00	4,282.00	1,571.00
Other Provision	4,193.00	231.00	232.00	1,100.00	374.00
Total Operating Expense	**48,076.00**	**45,680.00**	**24,621.00**	**19,825.00**	**16,742.00**
Salaries and Employee Benefits	16,684.00	14,618.00	12,231.00	9,725.00	7,937.00
Depreciation and Amortization	1,980.00	1,208.00	752.00	522.00	784.00
Other Expenses	29,412.00	29,854.00	11,638.00	9,578.00	8,021.00
Profit from Operating Activities Before Income Tax	**83,435.00**	**68,005.00**	**49,850.00**	**21,406.00**	**20,173.00**
Income Tax – Current	0.00	0.00	0.00	0.00	0.00
Income Tax – Deferred	18,445.00	13,714.00	8,767.00	5,025.00	4,306.00
Net Profit for the Period	**64,990.00**	**54,291.00**	**41,083.00**	**16,381.00**	**15,867.00**
Total Income	**262,746.00**	**137,372.00**	**106,525.00**	**64,607.00**	**50,792.00**
Total Expenses	**153,932.00**	**74,457.00**	**53,901.00**	**37,819.00**	**28,674.00**
Provision	**25,379.00**	**-5,090.00**	**2,774.00**	**5,382.00**	**1,945.00**
Pre-tax Profit	**83,435.00**	**68,005.00**	**49,850.00**	**21,406.00**	**20,173.00**

NUROL YATIRIM BANKASI A.Ş. FINANCIAL RATIOS %	FY 2018	FY 2017	FY 2016
I. PROFITABILITY & PERFORMANCE			
1. ROAA - Pretax Profit / Total Assets (avg.)	3.82	4.75	5.28
2. ROAE - Pretax Profit / Equity (avg.)	34.93	34.77	33.55
3. Total Income / Equity (avg.)	110.01	70.23	71.70
4. Total income / Total Assets (avg.)	12.01	9.59	11.29
5. Provisions / Total Income	9.66	3.71	2.60
6. Total Expense / Total Liabilities (avg.)	7.90	6.02	6.79
7. Net Profit for the Period / Total Assets (avg.)	2.97	3.79	4.35
8. Total Income / Total Expenses	170.69	184.50	197.63
9. Non Cost Bearing Liabilities + Equity- Non Earning Assets / Total Assets	18.43	22.11	20.98
10. Non Cost Bearing Liabilities - Non Earning Assets / Total Assets	8.92	8.95	6.59
11. Total Operating Expenses / Total Income	18.30	33.25	23.11
12. Net Interest Margin	9.44	8.49	9.97
13. Operating ROAA (avg.)	13.16	11.69	11.25
14. Operating ROAE (avg.)	120.53	85.57	71.41
15. Interest Coverage – EBIT / Interest Expenses	140.81	168.44	188.62
16. Net Profit Margin	24.73	39.52	38.57
17. Gross Profit Margin	31.76	49.50	46.80
18. Market Share in Turkish Investment Banks	1.05	0.97	0.82
19. Market Share in Entire Banking System	0.07	0.05	0.04
20. Growth Rate	58.16	44.84	63.33
II. CAPITAL ADEQUACY (year end)			
1. Equity Generation / Prior Year's Equity	5.82	0.27	-1.40
2. Internal Equity Generation / Previous Year's Equity	36.25	32.27	31.86
3. Equity / Total Assets	9.51	13.16	14.38
4. Core Capital / Total Assets	9.83	12.94	13.32
5. Supplementary Capital / Total Assets	3.39	4.12	5.74
6. Tier 1 / Risk Waighted Asset	12.27	15.13	13.30
7. Capital / Total Assets	13.22	17.06	19.07
8. Own Fund / Total Assets	13.22	17.06	19.07
9. Standard Capital Adequacy Ratio	15.24	18.05	17.34
10. Surplus Own Fund	47.49	55.68	53.86
11. Free Equity / Total Assets	9.27	12.94	14.05
12. Equity / Total Guarantees and Commitments + Equity	21.73	24.18	26.63
III. LIQUIDITY (year end)			
1. Liquidity Management Success (On Demand)	99.27	96.30	98.47
2. Liquidity Management Success (Up to 1 Month)	93.69	94.16	95.55
3. Liquidity Management Success (1 to 3 Months)	86.21	89.57	86.05
4. Liquidity Management Success (3 to 6 Months)	97.58	98.18	99.99
5. Liquidity Management Success (6 to 12 Months)	95.32	96.35	92.02
6. Liquidity Management Success (Over 1 Year & Unallocated)	93.23	92.78	92.01
IV. ASSET QUALITY			
1. Loan and Receivable's Loss Provisions / Total Loans and Receivables	0.13	0.30	-0.79
2. Total Provisions / Profit Before Provision and Tax	23.32	-8.09	5.27
3. Non-Performing Loans	8.24	0.30	0.00
4. Impaired Loans / Equity	59.79	1.47	0.02
5. Loss Reserves for Loans / Impaired Loans	1.55	99.02	-20,817.86
6. Total FX Position / Total Assets	4.77	5.98	6.67
7. Total FX Position / Equity	50.17	45.45	46.39
8. Assets / Total Guarantees and Commitments + Assets	74.50	70.79	71.62

The Rating Results Issued by JCR-ER			April 10,2019		March 30, 2018		March 22,2017		June 1,2016		May 22,2015		October 23,2014		July 31,2013	
			Long Term	Short Term	Long Term	Short Term	Long Term	Short Term	Long Term	Short Term	Long Term	Short Term	Long Term	Short Term	Long Term	Short Term
International	Foreign Currency		BBB-	A-3	BBB-	A-3	BBB-	A-3	BBB-	A-3	BBB-	A-3	BBB-	A-3	BBB-	A-3
	Local Currency		BBB	A-3	BBB	A-3	BBB	A-3	BBB	A-3	BBB	A-3	BBB	A-3	BBB-	A-3
	Outlook	FC	Negative	Negative	Stable	Stable	Stable	Stable	Stable	Stable	Stable	Stable	Stable	Stable	Stable	Stable
		LC	Negative	Negative	Stable	Stable	Stable	Stable	Stable	Stable	Stable	Stable	Stable	Stable	Stable	Stable
	Issue Rating		n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
National	Local Rating		AA (Trk)	A-1 (Trk)	AA (Trk)	A-1 (Trk)	AA (Trk)	A-1 (Trk)	AA (Trk)	A-1 (Trk)	AA (Trk)	A-1 (Trk)	AA- (Trk)	A-1 (Trk)	A+ (Trk)	A-1 (Trk)
	Outlook		Stable	Stable	Stable	Stable	Stable	Stable	Stable	Stable	Stable	Stable	Stable	Stable	Stable	Stable
	Issue Rating		AA (Trk)	A-1 (Trk)	AA (Trk)	A-1 (Trk)	AA (Trk)	A-1 (Trk)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Sponsor Support			1	-	1	-	1	-	1	-	1	-	1	-	1	-
Stand-Alone			AB	-	AB	-	AB	-	AB	-	AB	-	AB	-	AB	-
Sovereign	Foreign Currency		BBB-	-	BBB-	-	BBB-	-	BBB-	-	BBB-	-	BBB-	-	BBB-	-
	Local Currency		BBB-	-	BBB-	-	BBB-	-	BBB-	-	BBB-	-	BBB-	-	BBB-	-
	Outlook	FC	Negative		Stable		Stable	-	Stable	-	Stable	-	Stable	-	-	-
		LC	Negative		Stable		Stable	-	Stable	-	Stable	-	Stable	-	-	-