

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 1.b of section three)

ING Bank A.Ş.

Publicly Announced Unconsolidated Financial
Statements as of and for the Three-Month Period Ended
31 March 2018 and Independent
Auditors' Review Report Thereon

9 May 2018

This report consists 2 pages of "Independent Auditors' Review Report" and 95 pages of unconsolidated financial statements and related disclosures and footnotes.

Convenience Translation of the Independent Auditors' Review Report Originally Prepared and Issued in Turkish (See Section 3.1)

REVIEW REPORT ON INTERIM FINANCIAL INFORMATION

To the Board of Directors of ING Bank A.Ş:

Introduction

We have reviewed the statement of financial position of ING Bank A.Ş (the "Bank") as at 31 March 2018 and the unconsolidated statements of profit or loss, profit or loss and other comprehensive income, changes in equity, cash flows and a summary of significant accounting policies and other explanatory notes to the unconsolidated financial statements for the three-month-period then ended. The Bank Management is responsible for the preparation and fair presentation of interim financial statements in accordance with the "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published in the Official Gazette no.26333 dated 1 November 2006, and other regulations on accounting records of Banks published by Banking Regulation and Supervision Agency and circulars and interpretations published by Banking Regulation and Supervision Authority ("BRSA"), and Turkish Accounting Standard 34 "Interim Financial Reporting" for those matters not regulated by BRSA Legislation (together referred as "BRSA Accounting and Reporting Legislation"). Our responsibility is to express a conclusion on these interim financial statements based on our review.

Scope of review

We conducted our review in accordance with the Standard on Review Engagements ("SRE") 2410, "Limited Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial reporting process, and applying analytical and other review procedures. A review of interim financial information is substantially less in scope than an independent audit performed in accordance with the Independent Auditing Standards and the objective of which is to express an opinion on the financial statements. Consequently, a review of the interim financial information does not provide assurance that the audit firm will be aware of all significant matters which would have been identified in an audit. Accordingly, we do not express an opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying unconsolidated financial statements do not present fairly, in all material respects the financial position of ING Bank A.Ş as at 31 March 2018 and its financial performance and its cash flows for the three-month-period then ended in accordance with the BRSA Accounting and Reporting Legislation.

Report on other regulatory requirements arising from legislation

Based on our review, nothing has come to our attention that causes us to believe that the financial information provided in the accompanying interim activity report in Section VII, are not consistent with the reviewed unconsolidated interim financial statements and disclosures in all material respects.

KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi
A member firm of KPMG International Cooperative

Funda Aslanoğlu, SMMM
Partner

9 May 2018
Istanbul, Turkey

Additional paragraph for convenience translation to English:

The accounting principles summarized in Note 3.1, differ from the accounting principles generally accepted in countries in which the accompanying unconsolidated financial statements are to be distributed and International Financial Reporting Standards ("IFRS"). Accordingly, the accompanying financial statements are not intended to present the financial position and results of operations in accordance with accounting principles generally accepted in such countries of users of the unconsolidated financial statements and IFRS.

The unconsolidated financial report of ING Bank A.Ş. prepared as of and for the three month period ended 31 March 2018

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The three-month unconsolidated interim financial report includes the following sections in accordance with the "Communiqué on the Financial Statements and Related Disclosures and Footnotes that will be Publicly Announced" as regulated by the Banking Regulation and Supervision Agency.

- General information about the Bank
- Unconsolidated interim financial statements of the Bank
- Explanations on accounting policies applied in the related period
- Information on financial structure and risk management of the Bank
- Explanations and notes related to unconsolidated financial statements
- Independent Auditors' review report
- Interim activity report

The accompanying three month period unconsolidated interim financial statements and footnotes to these financial statements which are expressed, unless otherwise stated, in **thousands of Turkish Lira** (TL), have been prepared based on the accounting books of the Bank in accordance with the Regulation on Accounting Applications for Banks and Safeguarding of Documents, Turkish Accounting Standards, Turkish Financial Reporting Standards, relating appendices and interpretations on these, and are independently reviewed.

John T. Mc CARTHY
Chairman of the Board

Pınar ABAY
President and CEO

K. Atıl ÖZUS
CFO

Özden SERPEK
Financial Reporting
and Tax Director

Adrianus J. A. KAS
Chairman of the Audit
Committee

M. Semra KURAN
Audit Committee Member

Contact information of the personnel in charge of addressing questions regarding this financial report

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ING Bank A.Ş.

Notes to the unconsolidated financial statements for the three-month period ended 31 March 2018 (Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

Section one

General information

I. History of the Bank including its incorporation date, initial legal status, amendments to legal status

The foundations of ING Bank A.Ş. (“The Bank”) were laid in 1984 by the establishment of “The First National Bank of Boston Istanbul Branch”, and the current structure has been formed with the below mergers and takeovers. The establishment and historical developments of the Bank are explained below:

“The First National Bank of Boston Istanbul Branch” was established in 1984. In 1990, “The First National Bank of Boston A.Ş.” was established to accept deposits and carry out banking transactions, and the Articles of Association of the Bank were officially registered on 31 October 1990 and published in the Turkish Trade Registry Gazette on 5 November 1990. Upon the establishment of the Bank and permission to accept deposits, the assets and liabilities in the balance sheet of “The First National Bank of Boston Istanbul Branch” were transferred to the Bank.

The title of the Bank which was operating as a Turkish Bank with four shareholders including Ordu Yardımlaşma Kurumu (“OYAK”), was changed as “Türk Boston Bank A.Ş.” in 1991; and OYAK purchased all other shares and became the sole owner of the Bank in 1993. On 10 May 1996, the title of “Türk Boston Bank A.Ş.” was changed as “Oyak Bank A.Ş.”

On the other hand, on 22 December 1999, upon a Council of Ministers Decree, the shareholding rights, management and supervision of Sümerbank A.Ş. except for its dividend rights were transferred to Savings Deposit Insurance Fund (“the SDIF”) as per the third and fourth paragraphs of Article 14 of the Banking Law. In 2001, the SDIF decided to merge the assets and liabilities of the banks, namely Egebank A.Ş., Türkiye Tütüncüler Bankası Yaşarbank A.Ş., Yurt Ticaret ve Kredi Bankası A.Ş., Bank Kapital A.Ş. and Ulusal Bank T.A.Ş. that have been formerly transferred to the SDIF, into Sümerbank A.Ş.

According to a share transfer agreement executed between the SDIF and OYAK on 9 August 2001, all the shares constituting the capital of Sümerbank A.Ş. whose shares were transferred to the SDIF; were transferred to OYAK by the SDIF. As of 11 January 2002, it was resolved that Sümerbank A.Ş. would settle all its accounts and merge with the Bank and continue its banking operations under the Bank. The merger through transfer was performed on 11 January 2002 upon the approval of the Banking Regulation and Supervision Agency (“BRSA”).

In accordance with the permissions of the Competition Board with the decree number 07-69/856-324 dated 6 September 2007 and of the BRSA with the decree number 2416 dated 12 December 2007; the transfer of 1,074,098,150 shares of the Bank that represent the total capital which belongs to OYAK in amount of TL 1,074,098 to ING Bank N.V as of 24 December 2007 has been approved by the Board of Directors decision numbered 55/1 and dated 24 December 2007 and the share transfer has been recorded in Shareholders Stock Register as of the same date. It has been decided to change the title of the Bank from “Oyak Bank A.Ş.” to “ING Bank A.Ş.” effective from 7 July 2008. The Articles of Association of the Bank has been changed with the Extraordinary General Meeting dated 26 June 2014 in accordance with Turkish Trade Art numbered 6102 and published in Turkish Trade Registry Gazette numbered 8608 and dated 9 July 2014.

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ING Bank A.Ş.

**Notes to the unconsolidated financial statements
for the three-month period ended 31 March 2018 (continued)
(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)**

II. The Bank’s shareholder structure, management and internal audit, direct and indirect shareholders, change in shareholder structure during the year and information on bank’s risk group

The main shareholders and capital structure as of 31 March 2018 and 31 December 2017 are as follows:

	Current period		Prior period	
	Share amount Full TL	Share percentage	Share amount Full TL	Share percentage
ING Bank N.V.	3,486,267,793	100.00	3,486,267,792	100.00
Other shareholders total	4	-	5	-
Total	3,486,267,797	100.00	3,486,267,797	100.00

As of 31 March 2018, the Bank’s paid-in capital consists of 3,486,267,797 shares with a nominal value of TL 1 (Full TL) each.

The Bank’s paid-in capital is TL 3,486,268 as of 31 March 2018 and ING Bank N.V. has full control over the Bank’s capital.

Other shareholders total represent the total shares of Chairman of the Board John T. Mc Carthy, Vice Chairman of the Board M. Sırrı Erkan, the members Adrianus J. A. Kas and A. Canan Ediboğlu with a nominal value of TL 1 (Full TL) each.

One share amounting to TL 1 (full TL) belonging to the Board Member Can Erol, who resigned from his duty on 28 February 2018, was transferred to ING Bank N.V. on 28 February 2018.

(Convenience translation of the unconsolidated interim financial statements and related disclosures and footnotes originally issued in Turkish, See Note 1.b of section three)

ING Bank A.Ş.

Notes to the unconsolidated financial statements for the three-month period ended 31 March 2018 (continued) (Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

III. Information on the Bank’s board of directors chairman and members, audit committee members, chief executive officer, executive vice presidents and their responsibilities and shareholdings in the Bank

As of 31 March 2018, the Bank’s Board of Directors (BOD), Members of Audit Committee and Chief Executive Officer and Executive Vice Presidents are as follows:

Name and Surname	Title	Responsibility area
John T. Mc Carthy	Chairman of the BoD	Legally declared
M. Sırrı Erkan	Vice Chairman of the BoD	Legally declared
Adrianus J. A. Kas	BoD Member and Chairman of the Audit Committee	Legally declared
M. Semra Kuran	BoD Member and Audit Committee Member	Legally declared
A. Canan Edibođlu	BoD Member	Legally declared
Pınar Abay	Chief Executive Officer and BoD Member	Legally declared
Alper Hakan Yüksel	Executive Vice President	Corporate Banking
Alper İhsan Gökgöz	Executive Vice President	Retail Banking
Ayşegül Akay	Executive Vice President	Financial Institutions and Debt Capital Markets
Bahar Özen	Executive Vice President	Human Resources
Bohdan Robert Stepkowski	Executive Vice President	Financial Markets
Gordana Hulina	Executive Vice President	Credits
Günce Çakır İldun	Chief Legal Counsel	Legal Department
Ebru Sönmez Yanık	Executive Vice President	Corporate Customers Sales
Erdoğan Yılmaz	Executive Vice President	SME Banking and Payment Systems
İ. Bahadır Şamlı	Executive Vice President	Technology
İhsan Çakır	Executive Vice President	Mid Corporate Banking
İlker Kayseri	Executive Vice President	Treasury
K. Atıl Özus	Chief Financial Officer	Financial Control and Treasury
Murat Tursun	Chief Audit Executive	Internal Audit
Nermin Güney	Executive Vice President	Corporate and Mid Corporate Credit Allocation
N. Yücel Ölçer	Executive Vice President	Operation

Alper İhsan Gökgöz has been appointed as Retail Banking Executive Vice President per the Board of Directors resolution No. 45/6 and dated 21 November 2017, after completion of the BRSA process, he started his duty as of 1 January 2018.

The Bank Retail Banking Executive Vice President Barbaros Uygun has resigned from his duty as of 1 January 2018 and has been appointed as the CEO of ING Austria.

The Bank Chief Legal Counsel Çiğdem Dayan has resigned from her duty as of 31 December 2017. Günce Çakır İldun has been appointed as Chief Legal Counsel per the Board of Directors resolution No. 49/2 and dated 20 December 2017, after completion of the BRSA process, she started her duty as of 22 January 2018.

The Bank Internal Control Executive Vice President İbrahim Huyugüzel has resigned from his duty as of 22 January 2018 to take responsibility in ING Group. With the decision of the Board of Directors, the Internal Control unit will be reporting directly to the Audit Committee.

With the Board of Directors resolution, no. 10/1, dated 9 March 2018, Mürüvet Semra Kuran has been elected member of the Board of Directors to be effective as from 12 March 2018; substituting Mr. Can Erol who resigned from his duty on 28 February 2018; according to Article 363/1 of the Turkish Commercial Code.

The Bank’s Ordinary General Assembly meeting was held on 19 March 2018. The resolution, no. 12/1, dated 19 March 2018 was taken about division of duties. With the division of duties resolution, no. 12/1, dated 19 March 2018, Adrianus Johannes Antonius Kas was elected as Chairman and Mürüvet Semra Kuran was elected as member of the Audit Committee.

The SME Lending and Payment Systems Executive Vice President Erdoğan Yılmaz resigned from his duty effective from 15 April 2018.

Chief Executive Officer and Executive Vice Presidents have no share in the Bank.

(Convenience translation of the unconsolidated interim financial statements and related disclosures and footnotes originally issued in Turkish, See Note 1.b of section three)

ING Bank A.Ş.

**Notes to the unconsolidated financial statements
for the three-month period ended 31 March 2018 (continued)
(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)**

IV. Information on the Bank’s qualified shareholders

ING Bank N.V. has full control over the Bank’s management with 3,486,267,793 shares and 100% paid-in share.

V. Summary information on the Bank’s activities and services

The Bank is principally engaged in all types of banking transactions, accepting deposits and all kinds of legal transactions, activities and operations within banking license within the scope provided by the Banking Law, and all existing and/or future laws, regulations and decree laws and related legislation. The Bank carries out its operations with 257 domestic branches.

VI. Information on application differences between consolidation practices as per the Regulation on Preparation of Consolidated Financial Statements of Banks as per the Turkish Accounting Standards, and entities subject to full or proportional consolidation or deducted from equity or not subject to any of these three methods

Subsidiaries of the Bank are subject to consolidation within the scope of full consolidation, there is no difference consolidation process according to the Turkish Accounting Standards and the Communiqué of the Preparation of Consolidated Financial Statements of Banks in Turkey.

VII. Current or likely actual or legal barriers to immediate transfer of equity or repayment of debts between the Parent Bank and its subsidiaries

None.

Section two

Unconsolidated financial statements

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(Convenience translation of the unconsolidated interim financial statements and related disclosures and footnotes originally issued in Turkish, See Note 1.b of section three)

ING Bank A.Ş.

**Unconsolidated balance sheet (statement of financial position)
as of 31 March 2018**

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

		Reviewed			
		Current period			
Assets (*)		Note	TL	FC	Total
		(section five)			(31/03/2018)
I.	Financial assets (net)		6,131,131	8,033,111	14,164,242
1.1	Cash and cash equivalents		2,410,182	7,832,945	10,243,127
1.1.1	Cash and balances at Central Bank	(I-1)	536,444	7,457,786	7,994,230
1.1.2	Banks	(I-3)	231,936	375,159	607,095
1.1.3	Money market placements		1,641,802	-	1,641,802
1.2	Financial assets at fair value through profit or loss	(I-2)	15,285	5,162	20,447
1.2.1	Government securities		15,205	5,162	20,367
1.2.2	Equity instruments		54	-	54
1.2.3	Other financial assets		26	-	26
1.3	Financial assets at fair value through other comprehensive income	(I-4)	431,655	167	431,822
1.3.1	Government securities		425,742	-	425,742
1.3.2	Equity instruments		5,913	167	6,080
1.3.3	Other financial assets		-	-	-
1.4	Financial assets measured at amortised cost	(I-6)	1,195,334	-	1,195,334
1.4.1	Government securities		1,195,334	-	1,195,334
1.4.2	Other financial assets		-	-	-
1.5	Derivative financial assets		2,113,267	194,837	2,308,104
1.5.1	Derivative financial assets measured at fair value through profit or loss	(I-2)	361,310	194,837	556,147
1.5.2	Derivative financial assets measured at fair value through other comprehensive income	(I-11)	1,751,957	-	1,751,957
1.6	Non-performing financial assets		-	-	-
1.7	Expected credit losses (-)	(I-5)	(34,592)	-	(34,592)
II.	Loans (net)		29,975,024	8,859,836	38,834,860
2.1	Loans	(I-5)	29,758,506	8,859,836	38,618,342
2.1.1	Loans measured at amortised cost		29,758,506	8,859,836	38,618,342
2.1.2	Loans measured at fair value through profit or loss		-	-	-
2.1.3	Loans measured at fair value through other comprehensive income		-	-	-
2.2	Receivables from leasing transactions	(I-10)	-	-	-
2.2.1	Finance lease receivables		-	-	-
2.2.2	Operational lease receivables		-	-	-
2.2.3	Unearned income (-)		-	-	-
2.3	Factoring receivables		-	-	-
2.3.1	Factoring receivables measured at amortised cost		-	-	-
2.3.2	Factoring receivables measured at fair value through profit or loss		-	-	-
2.3.3	Factoring receivables measured at fair value through other comprehensive income		-	-	-
2.4	Non-performing loans		1,674,459	-	1,674,459
2.5	Expected credit losses (-)	(I-5)	(1,457,941)	-	(1,457,941)
2.5.1	12-month expected credit losses (Stage 1)		(114,412)	-	(114,412)
2.5.2	Lifetime expected credit losses significant increase in credit risk (Stage 2)		(163,684)	-	(163,684)
2.5.3	Lifetime expected credit losses impaired Credits (Stage 3)		(1,179,845)	-	(1,179,845)
III.	Non-currents assets or disposal groups "held for sale" and "from discontinued operations (net)	(I-16)	660	-	660
3.1	Assets Held for sale		660	-	660
3.2	Assets from discontinued operations		-	-	-
IV.	Equity investments		95,573	334	95,907
4.1	Investments in associates (net)	(I-7)	-	-	-
4.1.1	Associates consolidated by using equity method		-	-	-
4.1.2	Unconsolidated associates		-	-	-
4.2	Investments in subsidiaries (net)	(I-8)	95,573	334	95,907
4.2.1	Unconsolidated financial subsidiaries		95,573	334	95,907
4.2.2	Unconsolidated non-financial subsidiaries		-	-	-
4.3	Jointly Controlled Partnerships (Joint Ventures) (net)	(I-9)	-	-	-
4.3.1	Joint ventures consolidated by using equity method		-	-	-
4.3.2	Unconsolidated joint ventures		-	-	-
V.	Tangible assets (net)	(I-12)	552,449	-	552,449
VI.	Intangible assets (net)	(I-13)	34,545	-	34,545
6.1	Goodwill		-	-	-
6.2	Other		34,545	-	34,545
VII.	Investment property (net)	(I-14)	-	-	-
VIII.	Current tax asset	(I-15)	-	-	-
IX.	Deferred tax asset		-	-	-
X.	Other assets	(I-17)	539,315	5,030	544,345
Total assets			37,328,697	16,898,311	54,227,008

(*) The prior period financial statements are not restated as permitted by TFRS 9 transition rules. Since 2017 and 2018 financial statements are prepared by using different accounting principles, 2017 financial statements are presented separately, not comparatively with the financial statements as of 31 March 2018.

The accompanying explanations and notes form an integral part of these unconsolidated financial statements.

(Convenience translation of the unconsolidated interim financial statements and related disclosures and footnotes originally issued in Turkish, See Note 1.b of section three)

ING Bank A.Ş.

Unconsolidated balance sheet (statement of financial position) as of 31 March 2018

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

Assets (*)		Note (section five)	Audited		
			TL	FC	Prior period (31/12/2017) Total
I.	Cash and balances with Central Bank	(I-1)	459,007	7,371,516	7,830,523
II.	Financial assets at fair value through profit or loss (net)	(I-2)	417,317	196,781	614,098
2.1	Financial assets held for trading		417,317	196,781	614,098
2.1.1	Public sector debt securities		36,584	5,509	42,093
2.1.2	Equity securities		-	-	-
2.1.3	Derivative financial assets held for trading		380,688	191,272	571,960
2.1.4	Other marketable securities		45	-	45
2.2	Financial assets designated at fair value through profit and loss		-	-	-
2.2.1	Public sector debt securities		-	-	-
2.2.2	Equity securities		-	-	-
2.2.3	Loans		-	-	-
2.2.4	Other marketable securities		-	-	-
III.	Banks	(I-3)	1,447	480,707	482,154
IV.	Money market placements		1,047,895	-	1,047,895
4.1	Interbank money market placements		-	-	-
4.2	Receivables from Istanbul Stock Exchange Money Market		-	-	-
4.3	Receivables from reverse repurchase agreements		1,047,895	-	1,047,895
V.	Financial assets available for sale (net)	(I-4)	1,735,832	156	1,735,988
5.1	Equity securities		5,947	156	6,103
5.2	Public sector debt securities		1,729,885	-	1,729,885
5.3	Other marketable securities		-	-	-
VI.	Loans and receivables	(I-5)	29,916,203	8,550,573	38,466,776
6.1	Loans and receivables		29,418,797	8,550,573	37,969,370
6.1.1	Loans to the Bank's risk group		147,304	-	147,304
6.1.2	Government debt securities		-	-	-
6.1.3	Other		29,271,493	8,550,573	37,822,066
6.2	Loans under follow-up		1,683,658	-	1,683,658
6.3	Specific provisions (-)		(1,186,252)	-	(1,186,252)
VII.	Factoring receivables		-	-	-
VIII.	Held-to maturity investments (net)	(I-6)	-	-	-
8.1	Public sector debt securities		-	-	-
8.2	Other marketable securities		-	-	-
IX.	Associates (net)	(I-7)	-	-	-
9.1	Accounted for under equity method		-	-	-
9.2	Unconsolidated associates		-	-	-
9.2.1	Financial associates		-	-	-
9.2.2	Non-financial associates		-	-	-
X.	Subsidiaries (net)	(I-8)	95,573	334	95,907
10.1	Unconsolidated financial subsidiaries		95,573	334	95,907
10.2	Unconsolidated non-financial subsidiaries		-	-	-
XI.	Joint ventures (net)	(I-9)	-	-	-
11.1	Accounted for under equity method		-	-	-
11.2	Unconsolidated		-	-	-
11.2.1	Financial joint ventures		-	-	-
11.2.2	Non-financial joint ventures		-	-	-
XII.	Financial lease receivables (net)	(I-10)	-	-	-
12.1	Financial lease receivables		-	-	-
12.2	Operational lease receivables		-	-	-
12.3	Other		-	-	-
12.4	Unearned income (-)		-	-	-
XIII.	Derivative financial assets held for hedging purposes	(I-11)	1,571,395	-	1,571,395
13.1	Fair value hedge		-	-	-
13.2	Cash flow hedge		1,571,395	-	1,571,395
13.3	Hedge of net investment risks in foreign operations		-	-	-
XIV.	Property and equipment (net)	(I-12)	502,235	-	502,235
XV.	Intangible assets (net)	(I-13)	39,215	-	39,215
15.1	Goodwill		-	-	-
15.2	Other		39,215	-	39,215
XVI.	Investment property (net)	(I-14)	-	-	-
XVII.	Tax asset		31,525	-	31,525
17.1	Current tax asset		31,525	-	31,525
17.2	Deferred tax asset	(I-15)	-	-	-
XVIII.	Property and equipment held for sale and related to discontinued operations (net)	(I-16)	660	-	660
18.1	Held for sale		660	-	660
18.2	Related to discontinued operations		-	-	-
XIX.	Other assets	(I-17)	456,858	6,878	463,736
Total assets			36,275,162	16,606,945	52,882,107

(*) The prior period financial statements are not restated as permitted by TFRS 9 transition rules. Since 2017 and 2018 financial statements are prepared by using different accounting principles, 2017 financial statements are presented separately, not comparatively with the financial statements as of 31 March 2018.

The accompanying explanations and notes form an integral part of these unconsolidated financial statements.

(Convenience translation of the unconsolidated interim financial statements and related disclosures and footnotes originally issued in Turkish, See Note 1.b of section three)

ING Bank A.Ş.

**Unconsolidated balance sheet (statement of financial position)
as of 31 March 2018**

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

Liabilities (*)		Note (section five)	Reviewed Current period (31/03/2018)		
			TL	FC	Total
I.	Deposits	(II-1)	19,431,174	9,747,248	29,178,422
II.	Loans received	(II-3)	364,389	12,896,455	13,260,844
III.	Money market funds		3,029	-	3,029
IV.	Securities Issued (net)	(II-4)	246,856	-	246,856
4.1	Bills		246,856	-	246,856
4.2	Asset backed securities		-	-	-
4.3	Bonds		-	-	-
V.	Funds		-	-	-
5.1	Borrower funds		-	-	-
5.2	Other		-	-	-
VI.	Financial liabilities at fair value through profit or loss		-	-	-
VII.	Derivative financial liabilities		287,370	203,956	491,326
7.1	Derivative financial liabilities at fair value through profit or loss	(II-2)	231,247	199,867	431,114
7.2	Derivative financial liabilities at fair value through other comprehensive income	(II-7)	56,123	4,089	60,212
VIII.	Factoring payables		-	-	-
IX.	Lease payables	(II-6)	-	-	-
9.1	Finance lease payables		-	-	-
9.2	Operating lease payables		-	-	-
9.3	Other		-	-	-
9.4	Deferred finance lease expenses (-)		-	-	-
X.	Provisions	(II-8)	216,583	-	216,583
10.1	Provision for restructuring		-	-	-
10.2	Reserves for employee benefits		43,108	-	43,108
10.3	Insurance technical reserves (net)		-	-	-
10.4	Other provisions		173,475	-	173,475
XI.	Current tax liability	(II-9)	138,985	-	138,985
XII.	Deferred tax liability	(II-9)	316,055	-	316,055
XIII.	Liabilities for assets held for sale and assets of discontinued operations (net)	(II-10)	-	-	-
13.1	Held for sale		-	-	-
13.2	Related to discontinued operations		-	-	-
XIV.	Subordinated debt	(II-11)	202,616	2,988,702	3,191,318
14.1	Loans		202,616	2,988,702	3,191,318
14.2	Other debt instruments		-	-	-
XV.	Other liabilities	(II-5)	626,369	135,749	762,118
XVI.	Shareholders' equity	(II-11)	6,425,564	(4,092)	6,421,472
16.1	Paid-in capital		3,486,268	-	3,486,268
16.2	Capital reserves		-	-	-
16.2.1	Share premiums		-	-	-
16.2.2	Share cancellation profits		-	-	-
16.2.3	Other capital reserves		-	-	-
16.3	Other comprehensive income/expense items not to be recycled to Profit or Loss		139,951	-	139,951
16.4	Other comprehensive income/expense items to be recycled in Profit or Loss		364,677	(4,092)	360,585
16.5	Profit reserves		2,146,000	-	2,146,000
16.5.1	Legal reserves		190,604	-	190,604
16.5.2	Statutory reserves		-	-	-
16.5.3	Extraordinary reserves		1,955,396	-	1,955,396
16.5.4	Other profit reserves		-	-	-
16.6	Profit or (loss)		288,668	-	288,668
16.6.1	Prior years' profits or (loss)		-	-	-
16.6.2	Current period profit or (loss)		288,668	-	288,668
Total liabilities and shareholders' equity			28,258,990	25,968,018	54,227,008

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(Convenience translation of the unconsolidated interim financial statements and related disclosures and footnotes originally issued in Turkish, See Note 1.b of section three)

ING Bank A.Ş.

**Unconsolidated balance sheet (statement of financial position)
as of 31 March 2018**

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

Liabilities (*)		Note (section five)	Audited		
			Prior period (31/12/2017)		
			TL	FC	Total
I.	Deposits	(II-1)	18,440,245	9,245,580	27,685,825
1.1	Deposits held by the Bank's risk group		50,113	49,496	99,609
1.2	Other		18,390,132	9,196,084	27,586,216
II.	Derivative financial liabilities held for trading	(II-2)	279,974	189,342	469,316
III.	Funds borrowed	(II-3)	377,902	13,586,378	13,964,280
IV.	Money market balances		59,498	-	59,498
4.1	Funds from interbank money market		-	-	-
4.2	Funds from Istanbul Stock Exchange money market		57,207	-	57,207
4.3	Funds provided under repurchase agreements		2,291	-	2,291
V.	Marketable securities issued (net)	(II-4)	-	-	-
5.1	Bills		-	-	-
5.2	Asset backed securities		-	-	-
5.3	Bonds		-	-	-
VI.	Funds		-	-	-
6.1	Borrower funds		-	-	-
6.2	Other		-	-	-
VII.	Miscellaneous payables		359,954	41,665	401,619
VIII.	Other liabilities	(II-5)	209,772	14,241	224,013
IX.	Factoring payables		-	-	-
X.	Leasing transaction payables	(II-6)	-	-	-
10.1	Financial lease payables		-	-	-
10.2	Operational lease payables		-	-	-
10.3	Other		-	-	-
10.4	Deferred financial lease expenses (-)		-	-	-
XI.	Derivative financial liabilities held for hedging purposes	(II-7)	21,299	4,155	25,454
11.1	Fair value hedge		-	-	-
11.2	Cash flow hedge		21,299	4,155	25,454
11.3	Hedge of net investment in foreign operations		-	-	-
XII.	Provisions	(II-8)	831,585	-	831,585
12.1	General loan loss provisions		645,238	-	645,238
12.2	Restructuring reserves		-	-	-
12.3	Reserve for employee benefits		40,358	-	40,358
12.4	Insurance technical provisions (net)		-	-	-
12.5	Other provisions		145,989	-	145,989
XIII.	Tax liability	(II-9)	412,805	-	412,805
13.1	Current tax liability		78,458	-	78,458
13.2	Deferred tax liability		334,347	-	334,347
XIV.	Liabilities for property and equipment held for sale and related to discontinued operations (net)	(II-10)	-	-	-
14.1	Held for sale		-	-	-
14.2	Related to discontinued operations		-	-	-
XV.	Subordinated loans	(II-11)	222,644	2,816,323	3,038,967
XVI.	Shareholders' equity	(II-12)	5,772,985	(4,240)	5,768,745
16.1	Paid-in capital		3,486,268	-	3,486,268
16.2	Capital reserves		283,903	(4,240)	279,663
16.2.1	Share premium		-	-	-
16.2.2	Share cancellation profits		-	-	-
16.2.3	Marketable securities valuation differences		(17,656)	-	(17,656)
16.2.4	Revaluation surplus on tangible assets		46,732	-	46,732
16.2.5	Revaluation surplus on intangible assets		-	-	-
16.2.6	Revaluation surplus on investment property		-	-	-
16.2.7	Bonus shares from investment in associates, subsidiaries and joint ventures		-	-	-
16.2.8	Hedging funds (effective portion)		254,528	(4,240)	250,288
16.2.9	Valuation differences on property and equipment held for sale and related to discontinued operations		-	-	-
16.2.10	Other capital reserves		299	-	299
16.3	Profit reserves		1,159,062	-	1,159,062
16.3.1	Legal reserves		148,416	-	148,416
16.3.2	Status reserves		-	-	-
16.3.3	Extraordinary reserves		1,010,320	-	1,010,320
16.3.4	Other profit reserves		326	-	326
16.4	Profit or (loss)		843,752	-	843,752
16.4.1	Prior periods' profit or (loss)		-	-	-
16.4.2	Current period profit or (loss)		843,752	-	843,752
Total liabilities and shareholders' equity			26,988,663	25,893,444	52,882,107

(*) The prior period financial statements are not restated as permitted by IFRS 9 transition rules. Since 2017 and 2018 financial statements are prepared by using different accounting principles, 2017 financial statements are presented separately, not comparatively with the financial statements as of 31 March 2018.

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(Convenience translation of the unconsolidated interim financial statements and related disclosures and footnotes originally issued in Turkish, See Note 1.b of section three)

ING Bank A.Ş.

Unconsolidated statement of off-balance sheet items
as of 31 March 2018

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

Off-balance sheet items	Note (section five)	Reviewed Current period (31/03/2018)			Audited Prior period (31/12/2017)		
		TL	FC	Total	TL	FC	Total
A. Off-balance sheet commitments (I+II+III)		54,814,700	69,336,764	124,151,464	55,471,112	62,881,480	118,352,592
I. Guarantees and warranties	(III-1)	2,655,441	12,319,461	14,974,902	2,700,393	11,764,175	14,464,568
1.1 Letters of guarantee		2,654,854	4,088,341	6,743,195	2,698,982	3,962,013	6,660,995
1.1.1 Guarantees subject to state tender law		25,847	-	25,847	28,438	-	28,438
1.1.2 Guarantees given for foreign trade operations		-	-	-	-	-	-
1.1.3 Other letters of guarantee		2,629,007	4,088,341	6,717,348	2,670,544	3,962,013	6,632,557
1.2 Bank acceptances		-	81,224	81,224	-	80,948	80,948
1.2.1 Import letter of acceptance		-	81,224	81,224	-	80,948	80,948
1.2.2 Other bank acceptances		-	-	-	-	-	-
1.3 Letters of credit		587	1,896,888	1,897,475	910	1,620,795	1,621,705
1.3.1 Documentary letters of credit		587	1,896,888	1,897,475	910	1,620,795	1,621,705
1.3.2 Other letters of credit		-	-	-	-	-	-
1.4 Pre-financing given as guarantee		-	-	-	-	-	-
1.5 Endorsements		-	-	-	-	-	-
1.5.1 Endorsements to the Central Bank of Turkey		-	-	-	-	-	-
1.5.2 Other endorsements		-	-	-	-	-	-
1.6 Purchase guarantees for securities issued		-	-	-	-	-	-
1.7 Factoring guarantees		-	-	-	-	-	-
1.8 Other guarantees		-	6,139,942	6,139,942	-	5,976,892	5,976,892
1.9 Other warranties		-	113,066	113,066	501	123,527	124,028
II. Commitments	(III-1)	7,481,259	1,005,330	8,486,589	7,494,665	2,332,399	9,827,064
2.1 Irrevocable commitments		7,481,259	1,005,330	8,486,589	7,494,665	2,332,399	9,827,064
2.1.1 Forward asset purchase commitments		645,374	878,611	1,523,985	998,369	2,014,184	3,012,553
2.1.2 Forward deposit purchase and sales commitments		-	-	-	-	-	-
2.1.3 Share capital commitments to associates and subsidiaries		-	-	-	-	-	-
2.1.4 Loan granting commitments		1,858,096	125,214	1,983,310	1,879,233	316,825	2,196,058
2.1.5 Securities underwriting commitments		-	-	-	-	-	-
2.1.6 Commitments for reserve requirements		-	-	-	-	-	-
2.1.7 Commitments for cheque payments		3,171,030	-	3,171,030	2,791,088	-	2,791,088
2.1.8 Tax and fund liabilities from export commitments		-	-	-	12,889	-	12,520
2.1.9 Commitments for credit card limits		1,788,599	-	1,788,599	1,808,006	-	1,808,006
2.1.10 Commitments for credit cards and banking services promotions		5,243	-	5,243	5,421	-	5,421
2.1.11 Receivables from short sale commitments of marketable securities		-	-	-	-	-	-
2.1.12 Payables for short sale commitments of marketable securities		-	-	-	-	-	-
2.1.13 Other irrevocable commitments		28	1,505	1,533	28	1,390	1,418
2.2 Revocable commitments		-	-	-	-	-	-
2.2.1 Revocable loan granting commitments		-	-	-	-	-	-
2.2.2 Other revocable commitments		-	-	-	-	-	-
III. Derivative financial instruments	(III-2)	44,678,000	56,011,973	100,689,973	45,276,054	48,784,906	94,060,960
3.1 Derivative financial instruments for hedging purposes		25,728,318	4,614,170	30,342,488	23,751,333	4,750,227	28,501,560
3.1.1 Fair value hedges		-	-	-	-	-	-
3.1.2 Cash flow hedges		25,728,318	4,614,170	30,342,488	23,751,333	4,750,227	28,501,560
3.1.3 Net foreign investment hedges		-	-	-	-	-	-
3.2 Derivative financial instruments for trading purposes		18,949,682	51,397,803	70,347,485	21,524,721	44,034,679	65,559,400
3.2.1 Forward foreign currency buy/sell transactions		1,987,217	11,973,705	13,960,922	3,064,560	10,453,676	13,518,236
3.2.1.1 Forward foreign currency transactions-buy		1,194,827	5,825,353	7,020,180	1,897,164	4,911,555	6,808,719
3.2.1.2 Forward foreign currency transactions-sell		792,390	6,148,352	6,940,742	1,167,396	5,542,121	6,709,517
3.2.2 Swap transactions related to foreign currency and interest rates		16,072,279	36,392,465	52,464,744	17,647,893	31,529,549	49,177,442
3.2.2.1 Foreign currency swap-buy		5,387,173	16,143,244	21,530,417	5,343,109	14,180,926	19,524,035
3.2.2.2 Foreign currency swap-sell		9,685,106	11,901,621	21,586,727	9,694,784	9,939,377	19,634,161
3.2.2.3 Interest rate swap-buy		500,000	4,173,800	4,673,800	1,305,000	3,704,623	5,009,623
3.2.2.4 Interest rate swap-sell		500,000	4,173,800	4,673,800	1,305,000	3,704,623	5,009,623
3.2.3 Foreign currency, interest rate and securities options		890,028	3,027,892	3,917,920	804,130	2,051,454	2,855,584
3.2.3.1 Foreign currency options-buy		445,014	1,513,946	1,958,960	402,065	1,025,727	1,427,792
3.2.3.2 Foreign currency options-sell		445,014	1,513,946	1,958,960	402,065	1,025,727	1,427,792
3.2.3.3 Interest rate options-buy		-	-	-	-	-	-
3.2.3.4 Interest rate options-sell		-	-	-	-	-	-
3.2.3.5 Securities options-buy		-	-	-	-	-	-
3.2.3.6 Securities options-sell		-	-	-	-	-	-
3.2.4 Foreign currency futures		-	-	-	-	-	-
3.2.4.1 Foreign currency futures-buy		-	-	-	-	-	-
3.2.4.2 Foreign currency futures-sell		-	-	-	-	-	-
3.2.5 Interest rate futures		-	-	-	-	-	-
3.2.5.1 Interest rate futures-buy		-	-	-	-	-	-
3.2.5.2 Interest rate futures-sell		-	-	-	-	-	-
3.2.6 Other		158	3,741	3,899	8,138	-	8,138
B. Custody and pledged items (IV+V+VI)		230,406,267	34,520,519	264,926,786	228,205,337	32,867,119	261,072,456
IV. Items held in custody		1,231,091	1,524,237	2,755,328	1,060,138	1,456,856	2,516,994
4.1 Customer fund and portfolio balances		872,659	-	872,659	792,222	-	792,222
4.2 Investment securities held in custody		85,086	220,829	305,915	74,144	204,151	278,295
4.3 Checks received for collection		105,887	389,129	495,016	31,885	378,545	410,430
4.4 Commercial notes received for collection		167,458	846,811	1,014,269	161,886	812,458	974,344
4.5 Other assets received for collection		-	-	-	-	-	-
4.6 Assets received for public offering		-	-	-	-	-	-
4.7 Other items under custody		1	67,468	67,469	1	61,702	61,703
4.8 Custodians		-	-	-	-	-	-
V. Pledged received		37,681,322	7,428,009	45,109,331	38,447,841	7,191,265	45,639,106
5.1 Marketable securities		224,506	6,887	231,393	224,505	6,551	231,056
5.2 Guarantee notes		7,414,348	1,510,441	8,924,789	7,738,243	1,459,527	9,197,770
5.3 Commodity		910	-	910	910	-	910
5.4 Warrant		-	-	-	-	-	-
5.5 Properties		25,611,103	4,984,994	30,596,097	25,875,776	4,781,593	30,657,369
5.6 Other pledged items		4,430,455	925,687	5,356,142	4,608,407	943,594	5,552,001
5.7 Pledged items-depository		-	-	-	-	-	-
VI. Accepted independent guarantees and warranties		191,493,854	25,568,273	217,062,127	188,697,358	24,218,998	212,916,356
Total off-balance sheet items (A+B)		285,220,967	103,857,283	389,078,250	283,676,449	95,748,599	379,425,048

The accompanying explanations and notes form an integral part of these unconsolidated financial statements.

(Convenience translation of the unconsolidated interim financial statements and related disclosures and footnotes originally issued in Turkish, See Note 1.b of section three)

ING Bank A.Ş.

**Unconsolidated statement of income
for the three-month period ended 31 March 2018
(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)**

Income and expense items (*)	Note (section five)	Reviewed Current period (01/01/2018- 31/03/2018)
I. Interest income	(IV-1)	1,418,085
1.1 Interest on loans		1,288,756
1.2 Interest on reserve requirements		15,325
1.3 Interest on banks		7,148
1.4 Interest on money market transactions		43,005
1.5 Interest on marketable securities portfolio		63,744
1.5.1 Financial assets at fair value through profit or loss		17,476
1.5.2 Financial assets at fair value through other comprehensive income		11,906
1.5.3 Financial assets measured at amortised cost		34,362
1.6 Finance lease income		-
1.7 Other interest income		107
II. Interest expense (-)	(IV-2)	(643,698)
2.1 Interest on deposits		(534,711)
2.2 Interest on funds borrowed		(96,930)
2.3 Interest on money market transactions		(3,827)
2.4 Interest on securities issued		(2,585)
2.5 Other interest expenses		(5,645)
III. Net interest income/expense (I - II)		774,387
IV. Net fees and commissions income/expense		124,572
4.1 Fees and commissions received		188,768
4.1.1 Non-cash loans		45,490
4.1.2 Other	(IV-12)	143,278
4.2 Fees and commissions paid (-)		(64,196)
4.2.1 Non-cash loans		(143)
4.2.2 Other	(IV-12)	(64,053)
V. Personnel expenses (-)	(IV-7)	(175,837)
VI. Dividend income	(IV-3)	68,830
VII. Trading gain/(loss) (net)	(IV-4)	(141,086)
7.1 Trading gain/(loss) on securities		(16,279)
7.2 Gain/(loss) on derivative financial transactions		205,004
7.3 Foreign exchange gain/(loss)		(329,811)
VIII. Other operating income	(IV-5)	425,704
IX. Gross operating income (III+IV+V+VI+VII+VIII)		1,076,570
X. Expected credit loss (-)	(IV-6)	(443,970)
XI. Other operating expenses (-)	(IV-7)	(256,410)
XII. Net operating profit/(loss) (IX-X-XI)		376,190
XIII. Income resulted from mergers		-
XIV. Income/loss from investments under equity accounting		-
XV. Gain/loss on net monetary position		-
XVI. Operating profit/loss before taxes (XII+...+XV)	(IV-8)	376,190
XVII. Provision for taxes of continued operations (±)	(IV-9)	(87,522)
17.1 Current tax provision		(70,928)
17.2 Expense effect of deferred tax (+)		(16,594)
17.3 Income effect of deferred tax (-)		-
XVIII. Net profit/(loss) from continuing operations (XVI±XVII)	(IV-10)	288,668
XIX. Income from discontinued operations		-
19.1 Income from non-current assets held for resale		-
19.2 Profit from sales of associates, subsidiaries and joint ventures		-
19.3 Income from other discontinued operations		-
XX. Expenses for discontinued operations (-)		-
20.1 Expenses for non-current assets held for resale		-
20.2 Loss from sales of associates, subsidiaries and joint ventures		-
20.3 Loss from other discontinued operations		-
XXI. Profit/(loss) before tax from discontinued operations (XIX-XX)		-
XXII. Tax provision for discontinued operations (±)		-
22.1 Current tax provision		-
22.2 Expense effect of deferred tax (+)		-
22.3 Income effect of deferred tax (-)		-
XXIII. Net profit/(loss) from discontinued operations (XXI±XXII)		-
XXIV. Net profit/(loss) (XVIII+XXIII)	(IV-11)	288,668

Earnings per share

0.0828

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The accompanying explanations and notes form an integral part of these unconsolidated financial statements.

(Convenience translation of the unconsolidated interim financial statements and related disclosures and footnotes originally issued in Turkish, See Note 1.b of section three)

ING Bank A.Ş.

**Unconsolidated statement of income
for the three-month period ended 31 March 2018
(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)**

Income and expense items (*)	Note (section five)	Reviewed Prior Period (01/01/2017- 31/03/2017)
I. Interest income	(IV-1)	1,119,095
1.1 Interest on loans		985,895
1.2 Interest on reserve requirements		8,165
1.3 Interest on banks		14,737
1.4 Interest on money market transactions		51,099
1.5 Interest on marketable securities portfolio		59,039
1.5.1 Financial assets held for trading		1,970
1.5.2 Financial assets at fair value through profit or loss		-
1.5.3 Financial assets available for sale		57,069
1.5.4 Investments held to maturity		-
1.6 Financial lease income		-
1.7 Other interest income		160
II. Interest expense	(IV-2)	(509,693)
2.1 Interest on deposits		(387,702)
2.2 Interest on funds borrowed		(94,491)
2.3 Interest on money market transactions		(14,258)
2.4 Interest on securities issued		(6,322)
2.5 Other interest expenses		(6,920)
III. Net interest income (I – II)		609,402
IV. Net fees and commissions income		119,965
4.1 Fees and commissions received		167,352
4.1.1 Non-cash loans		38,685
4.1.2 Other	(IV-12)	128,667
4.2 Fees and commissions paid		(47,387)
4.2.1 Non-cash loans		(107)
4.2.2 Other	(IV-12)	(47,280)
V. Dividend income	(IV-3)	3,353
VI. Trading gain/(loss) (net)	(IV-4)	(53,658)
6.1 Trading gain/(loss) on securities		2,779
6.2 Gain/(loss) on derivative financial transactions		116,653
6.3 Foreign exchange gain/(loss)		(173,090)
VII. Other operating income	(IV-5)	63,152
VIII. Total operating income (III+IV+V+VI+VII)		742,214
IX. Provision for loan losses and other receivables (-)	(IV-6)	(167,811)
X. Other operating expenses (-)	(IV-7)	(354,057)
XI. Net operating profit/(loss) (VIII-IX-X)		220,346
XII. Income resulted from mergers		-
XIII. Profit/(loss) from investments under equity accounting		-
XIV. Profit/(loss) on net monetary position		-
XV. Profit/(loss) before tax from continuing operations (XI+XII+XIII+XIV)	(IV-8)	220,346
XVI. Tax provisions for continuing operations (±)	(IV-9)	(45,764)
16.1 Current tax provision		-
16.2 Deferred tax provision		(45,764)
XVII. Net profit/(loss) from continuing operations (XV±XVI)	(IV-10)	174,582
XVIII. Income from discontinued operations		-
18.1 Income from non-current assets held for resale		-
18.2 Profit from sales of associates, subsidiaries and joint ventures		-
18.3 Income from other discontinued operations		-
XIX. Expenses for discontinued operations (-)		-
19.1 Expenses for non-current assets held for resale		-
19.2 Loss from sales of associates, subsidiaries and joint ventures		-
19.3 Loss from other discontinued operations		-
XX. Profit/(loss) before tax from discontinued operations (XVIII-XIX)	(IV-8)	-
XXI. Tax provision for discontinued operations (±)	(IV-9)	-
21.1 Current tax provision		-
21.2 Deferred tax provision		-
XXII. Net profit/(loss) from discontinued operations (XX±XXI)	(IV-10)	-
XXIII. Net profit/(loss) (XVII+XXII)	(IV-11)	174,582

Earnings per share

0.0501

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The accompanying explanations and notes form an integral part of these unconsolidated financial statements.

(Convenience translation of the unconsolidated interim financial statements and related disclosures and footnotes originally issued in Turkish, See Note 1.b of section three)

ING Bank A.Ş.

**Unconsolidated statement profit or loss and other comprehensive income
for the three-month period ended 31 March 2018
(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)**

		Reviewed
Profit or loss and other comprehensive income (*)		Current period
		(01/01/2018-31/03/2018)
I.	Current period profit/loss	288,668
II.	Other comprehensive income	114,806
2.1	Other income/expense items not to be recycled to profit or loss	(1,033)
2.1.1	Gains/(losses) on revaluation of property, plant and equipment	-
2.1.2	Gains/(losses) on revaluation of intangible assets	-
2.1.3	Defined benefit plans' actuarial gains/(losses)	(1,298)
2.1.4	Other income/(expense) items not to be recycled to profit or loss	(5)
2.1.5	Deferred taxes on other comprehensive income not to be recycled to profit or loss	270
2.2	Other income/expense items to be recycled to profit or loss	115,839
2.2.1	Translation differences	-
2.2.2	Income/(Expenses) from valuation and/or reclassification of financial assets measured at FVOCI	(4,633)
2.2.3	Gains/(losses) from cash flow hedges	151,431
2.2.4	Gains/(losses) on hedges of net investments in foreign operations	-
2.2.5	Other income/(expense) items to be recycled to profit or loss	-
2.2.6	Deferred taxes on other comprehensive income to be recycled to profit or loss	(30,959)
III.	Total comprehensive income (I+II)	403,474

(*) The prior period financial statements are not restated as permitted by TFRS 9 transition rules. Since 2017 and 2018 financial statements are prepared by using different accounting principles, 2017 financial statements are presented separately, not comparatively with the financial statements as of 31 March 2018.

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(Convenience translation of the unconsolidated interim financial statements and related disclosures and footnotes originally issued in Turkish, See Note 1.b of section three)

ING Bank A.Ş.

**Unconsolidated statement profit or loss and other comprehensive income
for the three-month period ended 31 March 2018
(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)**

Income and expense items recognized under shareholders' equity (*)		Reviewed Prior period (01/01/2017-31/03/2017)
I.	Additions to marketable securities valuation differences from available for sale financial assets	18,912
II.	Property and equipment revaluation differences	-
III.	Intangible fixed assets revaluation differences	-
IV.	Foreign exchange differences from foreign currency transactions	-
V.	Profit/loss from derivative financial instruments for cash flow hedges (effective portion of fair value differences)	48,576
VI.	Profit/loss from derivative financial instruments for hedge of net investment in foreign operations (effective portion of fair value differences)	-
VII.	Effects of changes in accounting policies and corrections	-
VIII.	Other income/expense recognized under shareholders' equity in accordance with TAS	(1,255)
IX.	Deferred tax related to valuation differences	(11,297)
X.	Net income/expense directly recognized under shareholders' equity (I+II+...+IX)	54,936
XI.	Profit/loss for the period	174,582
11.1	Net change in fair value of marketable securities (transfer to profit/loss)	-
11.2	Part of cash flow hedge derivative financial assets reclassified into income statement	(588)
11.3	Part of foreign investment hedge derivative financial assets reclassified into income statement	-
11.4	Other	175,170
XII.	Total profit/loss recognized for the period (X±XI)	229,518

(*) The prior period financial statements are not restated as permitted by TFRS 9 transition rules. Since 2017 and 2018 financial statements are prepared by using different accounting principles, 2017 financial statements are presented separately, not comparatively with the financial statements as of 31 March 2018.

The accompanying explanations and notes form an integral part of these unconsolidated financial statements.

(Convenience translation of the unconsolidated interim financial statements and related disclosures and footnotes originally issued in Turkish, See Note 1.b of section three)

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Unconsolidated statement of changes in equity for the three-month period ended 31 March 2018 (Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

Changes in equity

Statement of changes in shareholders' equity						Other comprehensive income/expense items not to be recycled to profit or loss			Other comprehensive income/expense items to be recycled to profit or loss						
Reviewed (*)	Note	Paid-in capital	Share premium	Share cancellation profits	Other capital reserves	Revaluation surplus on tangible and intangible assets	Defined benefit plans' actuarial gains/losses	Other (1)	Translation differences	Income/expenses from valuation and/or reclassification of financial assets measured at FVOCI	Other (2)	Profit reserves	Prior period profit or (loss)	Current period profit or (loss)	Total shareholders' equity
Current period															
(01/01/2018-31/03/2018)															
I.	Balances at beginning of period	3,486,268	-	-	-	46,732	299	143	326	(17,799)	250,288	1,158,736	-	843,752	5,768,745
II.	Correction made as per TAS 8	-	-	-	-	-	-	(399)	-	11,951	-	406,451	-	-	418,003
2.1	Effect of corrections	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2	Effect of changes in accounting policies	(XXV)	-	-	-	-	-	(399)	-	11,951	-	406,451	-	-	418,003
III.	New balance (I+II)	3,486,268	-	-	-	46,732	299	(256)	326	(5,848)	250,288	1,565,187	-	843,752	6,186,748
IV.	Total comprehensive income	-	-	-	-	-	(1,028)	15	-	(3,726)	119,545	-	-	288,668	403,474
V.	Capital increase by cash	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI.	Capital increase by internal sources	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	Paid-in capital inflation adjustment difference	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.	Convertible bonds to shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.	Subordinated debt instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	Increase/decrease by other changes	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI.	Profit distribution	-	-	-	-	94,189	-	-	-	-	-	580,813	-	(843,752)	(168,750)
11.1	Dividends paid	(II-12)	-	-	-	-	-	-	-	-	-	(168,750)	-	-	(168,750)
11.2	Transfers to reserves	-	-	-	-	94,189	-	-	-	-	-	749,563	-	(843,752)	-
11.3	Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Period-end balance (III+IV+.....+X+XI)		3,486,268	-	-	-	140,921	(729)	(241)	326	(9,574)	369,833	2,146,000	-	288,668	6,421,472

(*) The prior period financial statements are not restated as permitted by TFRS 9 transition rules. Since 2017 and 2018 financial statements are prepared by using different accounting principles, 2017 financial statements are presented separately, not comparatively with the financial statements as of 31 March 2018.

- (1) Other (Shares of investments valued by equity method in other comprehensive income not to be recycled to profit or loss and other accumulated amounts of other comprehensive income items not to be recycled to other profit or loss)
(2) Other (Cash flow hedge gain/loss, shares of investments valued by equity method in other comprehensive income recycled to profit or loss and other accumulated amounts of other comprehensive income items recycled to other profit or loss)

The accompanying explanations and notes form an integral part of these unconsolidated financial statements.

(Convenience translation of the unconsolidated interim financial statements and related disclosures and footnotes originally issued in Turkish, See Note 1.b of section three)

ING Bank A.Ş.

Unconsolidated statement of changes in equity for the three-month period ended 31 March 2018 (Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

Changes in equity (continued)

Reviewed (*)	Note	Paid-in capital	Inflation adjustment to share capital	Share premium	Share cancellation profits	Legal reserves	Statutory reserves	Extraordinary reserves	Other reserves	Current period net profit/(loss)	Prior period net profit/(loss)	Marketable securities valuation differences	Revaluation surplus on tangible and intangible assets	Bonus shares from associates	Hedging funds	Valuation difference on prop. and equip. held for sale and related to discount. operations	Total equity
Prior period																	
(01/01/2017-31/03/2017)																	
I. Prior period closing balance		3,486,268	-	-	-	99,858	-	707,805	2,019	571,161	-	63,623	26,644	-	98,544	-	5,055,922
Changes in the period																	
II. Increase/decrease related to merger		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III. Marketable securities valuation differences		-	-	-	-	-	-	-	-	-	-	13,775	-	-	-	-	13,775
IV. Hedging funds (effective portion)		-	-	-	-	-	-	-	-	-	-	-	-	-	39,105	-	39,105
4.1 Cash flow hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	39,105	-	39,105
4.2 Hedge of net investments in foreign operations		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V. Property and equipment revaluation differences		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI. Intangible assets revaluation differences		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII. Bonus shares from investments in associates, subsidiaries and joint ventures		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII. Foreign exchange differences		-	-	-	-	-	-	-	-	-	-	3,304	-	-	(244)	-	3,060
IX. Changes due to the disposal of assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X. Changes due to the reclassification of assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI. Effect of changes in equity of associates		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII. Capital increase		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.1 Cash increase		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.2 Internal resources		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII. Share premium		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV. Share cancellation profits		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV. Inflation adjustment to paid-in capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI. Other		-	-	-	-	-	-	-	(1,004)	-	-	-	-	-	-	-	(1,004)
XVII. Current year profit or (loss)		-	-	-	-	-	-	-	-	174,582	-	-	-	-	-	-	174,582
XVIII. Profit distribution		-	-	-	-	48,558	-	302,515	-	(571,161)	-	-	20,088	-	-	-	(200,000)
18.1 Dividends paid		-	-	-	-	-	-	(200,000)	-	-	-	-	-	-	-	-	(200,000)
18.2 Transfers to reserves		-	-	-	-	48,558	-	502,515	-	(571,161)	-	-	20,088	-	-	-	-
18.3 Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Period end balance (I+II+III+...+XVI+XVII+XVIII)		3,486,268	-	-	-	148,416	-	1,010,320	1,015	174,582	-	80,702	46,732	-	137,405	-	5,085,440

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(Convenience translation of the unconsolidated interim financial statements and related disclosures and footnotes originally issued in Turkish, See Note 1.b of section three)

ING Bank A.Ş.

**Unconsolidated statement of cash flows
for the three-month period ended 31 March 2018
(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)**

Statement of Cash flows (*)	Note	Reviewed Current period (01/01/2018- 31/03/2018)
A. Cash flows from banking operations		
1.1 Operating profit/(loss) before changes in operating assets and liabilities		202,024
1.1.1 Interest received		1,414,296
1.1.2 Interest paid		(682,900)
1.1.3 Dividend received		68,830
1.1.4 Fees and commissions received		188,768
1.1.5 Other income		26,941
1.1.6 Collections from previously written-off loans and other receivables		188,153
1.1.7 Payments to personnel and service suppliers		(357,233)
1.1.8 Taxes paid		(80,526)
1.1.9 Other		(564,305)
1.2 Changes in operating assets and liabilities		41,109
1.2.1 Net increase/decrease in financial assets at fair value through profit or loss		21,702
1.2.2 Net (increase) decrease in due from bank		11,839
1.2.3 Net (increase) decrease in loans		(607,069)
1.2.4 Net (increase) decrease in other assets		(669,080)
1.2.5 Net increase (decrease) in bank deposits		153,221
1.2.6 Net increase (decrease) in other deposits		1,345,516
1.2.7 Net increase/decrease in financial liabilities at fair value through profit or loss		-
1.2.8 Net increase / (decrease) in funds borrowed		(536,083)
1.2.9 Net increase / (decrease) in payables		-
1.2.10 Net increase / (decrease) in other liabilities		321,063
I. Net cash provided from banking operations		243,133
B. Cash flow from investing activities		
II. Net cash provided from investing activities		(5,154)
2.1 Cash paid for acquisition of subsidiaries, investments in associates and joint ventures		-
2.2 Cash obtained from disposal of subsidiaries, investments in associates and joint ventures		-
2.3 Purchases of property and equipment		(84,314)
2.4 Disposals of property and equipment		(29,971)
2.5 Cash paid for purchase of investments available-for-sale		(130,102)
2.6 Cash obtained from sale of investments available-for-sale		98,195
2.7 Cash paid for purchase of investment securities		-
2.8 Cash obtained from sale of investment securities		142,040
2.9 Other		(1,002)
C. Cash flows from financing activities		
III. Net cash provided from financing activities		96,250
3.1 Cash obtained from funds borrowed and securities issued	(II-4)	265,000
3.2 Cash used for repayment of funds borrowed and securities issued	(II-4)	-
3.3 Issued equity instruments		-
3.4 Dividends paid	(II-12)	(168,750)
3.5 Payments for finance leases		-
3.6 Other		-
IV. Effect of change in foreign exchange rate on cash and cash equivalents		111,377
V. Net increase in cash and cash equivalents (I+II+III+IV)		445,606
VI. Cash and cash equivalents at beginning of the period		4,885,190
VII. Cash and cash equivalents at the end of the period		5,330,796

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(Convenience translation of the unconsolidated interim financial statements and related disclosures and footnotes originally issued in Turkish, See Note 1.b of section three)

ING Bank A.Ş.

**Unconsolidated statement of cash flows
for the three-month period ended 31 March 2018
(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)**

Statement of Cash flows (*)	Note	Reviewed Prior period (01/01/2017- 31/03/2017)
A. Cash flows from banking operations		
1.1 Operating profit/(loss) before changes in operating assets and liabilities		235,405
1.1.1 Interest received		1,011,384
1.1.2 Interest paid		(517,350)
1.1.3 Dividend received		228
1.1.4 Fees and commissions received		167,526
1.1.5 Other income		19,059
1.1.6 Collections from previously written-off loans and other receivables		73,874
1.1.7 Payments to personnel and service suppliers		(206,009)
1.1.8 Taxes paid		(6,937)
1.1.9 Other		(306,370)
1.2 Changes in operating assets and liabilities		42,825
1.2.1 Net (increase)/decrease in trading securities		(21,679)
1.2.2 Net (increase)/decrease in financial assets at fair value through profit/(loss)		-
1.2.3 Net (increase)/decrease in due from banks and other financial institutions		(24,474)
1.2.4 Net (increase)/decrease in loans		(550,722)
1.2.5 Net (increase)/decrease in other assets		(238,202)
1.2.6 Net increase/(decrease) in bank deposits		(198,745)
1.2.7 Net increase/(decrease) in other deposits		854,562
1.2.8 Net increase/(decrease) in funds borrowed		(69,651)
1.2.9 Net increase/(decrease) in payables		-
1.2.10 Net increase/(decrease) in other liabilities		291,736
I. Net cash provided from banking operations		278,230
B. Cash flow from investing activities		
II. Net cash provided from investing activities		(16,714)
2.1 Cash paid for acquisition of subsidiaries, investments in associates and joint ventures		-
2.2 Cash obtained from disposal of subsidiaries, investments in associates and joint ventures		-
2.3 Purchases of property and equipment		(28,508)
2.4 Disposals of property and equipment		11,693
2.5 Cash paid for purchase of investments available-for-sale		-
2.6 Cash obtained from sale of investments available-for-sale		226
2.7 Cash paid for purchase of investment securities		-
2.8 Cash obtained from sale of investment securities		-
2.9 Other		(125)
C. Cash flows from financing activities		
III. Net cash provided from financing activities		(192,555)
3.1 Cash obtained from funds borrowed and securities issued		257,445
3.2 Cash used for repayment of funds borrowed and securities issued		(250,000)
3.3 Issued equity instruments		-
3.4 Dividends paid		(200,000)
3.5 Payments for finance leases		-
3.6 Other		-
IV. Effect of change in foreign exchange rate on cash and cash equivalents		80,009
V. Net increase in cash and cash equivalents (I+II+III+IV)		148,970
VI. Cash and cash equivalents at beginning of the period		4,371,973
VII. Cash and cash equivalents at the end of the period		4,520,943

(*) The prior period financial statements are not restated as permitted by TFRS 9 transition rules. Since 2017 and 2018 financial statements are prepared by using different accounting principles, 2017 financial statements are presented separately, not comparatively with the financial statements as of 31 March 2018.

The accompanying explanations and notes form an integral part of these unconsolidated financial statements.

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**Notes to the unconsolidated financial statements
for the three-month period ended 31 March 2018 (continued)
(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)**

Section three

Accounting policies

I. Explanations on basis of presentation

a. The preparation of the unconsolidated financial statements and related notes and explanations in accordance with the Turkish Accounting Standards and regulation on the Regulation on Accounting Applications for Banks and Safeguarding of Documents

The unconsolidated financial statements have been prepared in accordance with the “Regulation on Accounting Applications for Banks and Safeguarding of Documents” and other regulations, communiqués, explanations and circulars promulgated by the Banking Regulation and Supervision Agency (“BRSA”) in relation to accounting and financial reporting principles of banks and for the issues not regulated by as per Turkish Accounting Standards issued by the Public Oversight Accounting and Auditing Standards Authority (hereafter, referred as “BRSA Accounting and Financial Reporting Legislation”). The Bank maintains its books in Turkish Lira in accordance with the Banking Law, Turkish Commercial Code and Turkish Tax Legislation.

The unconsolidated financial statements have been prepared at Turkish Lira on a historical cost basis, except for the financial assets designated at fair value.

The preparation of unconsolidated financial statements in conformity with BRSA Accounting and Financial Reporting Legislation requires the use of certain critical accounting estimates and assumptions by the Bank management to exercise its judgment on the assets and liabilities of the balance sheet and contingent issues as of the balance sheet date. These estimates and assumptions include fair value calculation of financial instruments and impairment of financial assets are being reviewed regularly and, when necessary, adjustments are made and the effects of these adjustments are reflected to the income statement.

b. Additional paragraph for convenience translation to English

The differences between accounting principles, as described in the preceding paragraphs, and the accounting principles generally accepted in countries, in which the accompanying financial statements are to be distributed, and International Financial Reporting Standards (“IFRS”), may have significant influence on the accompanying financial statements. Accordingly, the accompanying financial statements are not intended to present the financial position and results of operations in accordance with the accounting principles generally accepted in such countries and IFRS.

c. Accounting policies and valuation principles applied in the presentation of financial statements

The accounting policies and valuation principles applied in the preparation of unconsolidated financial statements are determined and applied in accordance with BRSA Accounting and Financial Reporting Legislation. These accounting policies and valuation principles are explained in Notes II to XXVI below.

The accounting policies adopted in the preparation of the unconsolidated financial statements are consistent with the standards used in the previous year.

d. Changes in accounting policies and disclosures

New and amended standards and interpretations

The Bank has started to apply TFRS 9 Financial Instruments (“TFRS 9”) published by Public Oversight Accounting and Auditing Standards Authority (“POA”) in the accompanying unconsolidated financial statements starting from 1 January 2018 for the first time based on the regulation published in the Official Gazette no. 29750 dated 22 June 2016 in connection with procedures and principals regarding classification of loans and allowances allocated for such loans which came into force starting from 1 January 2018.

TFRS 15 and other new TFRS/TAS amendments in effect do not have significant impact on the Bank’s accounting policies, financial position and performance.

In addition, the Bank’s adoption process continues regarding TFRS 16 Leases (“TFRS 16”) which will be in effect starting from 1 January 2019.

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**Notes to the unconsolidated financial statements
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(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)**

I. Explanations on basis of presentation (continued)

Standards effective as of 1 January 2018

IFRS 9 Financial instruments

As of 1 January 2018, the Bank has started to apply IFRS 9 standard which replaces TAS 39 Financial Instruments: Recognition and Measurement for the first time in the unconsolidated financial statements. IFRS 9 also includes new hedge accounting rules aiming alignment with risk management activities. IFRS 9 permits to defer application of IFRS 9 hedge accounting and continue to apply hedge accounting in accordance with TAS 39 as a policy choice. Accordingly, the Bank continued to apply hedge accounting in accordance with TAS 39 in this context.

The Bank has not restated comparative information for 2017 for financial instruments in the scope of IFRS 9 and the total difference arising from the adoption of IFRS 9 has been recognised directly in “Profit reserves” as of 1 January 2018 in the current period statement of changes in shareholders’ equity. In this context, the accompanying financial statements and the disclosures on these financial statements are not presented on a comparative basis due to the fact that the current and prior period financial statements are prepared by using different accounting principles.

The transition impact on the financial statements regarding the first time adoption of IFRS 9 as of 1 January 2018 is presented in Note XXV.

Accounting policies and valuation principles used in the preparation of financial statements are presented in Note II. and XXVI.

Changes regarding classification and measurement of financial assets

To determine their classification and measurement category, IFRS 9 requires all financial assets, except equity instruments and derivatives, to be assessed based on both the entity’s business model for managing the assets and the instruments’ contractual cash flow characteristics. The TAS 39 measurement categories of financial assets at fair value through profit/loss, available for sale and held-to-maturity have been replaced by: financial assets measured at fair value through profit/loss, financial assets measured at fair value through other comprehensive income and financial assets measured at amortised cost, respectively, as a consequence of IFRS 9.

The accounting for financial liabilities is substantially the same as it was under TAS 39, except for the treatment of gains or losses arising from an entity’s own credit risk relating to liabilities designated at fair value through profit/loss (in the case of not affecting accounting mismatch significantly).

The details regarding the Bank’s classification and measurement of its financial assets and liabilities is explained in Note VII.

In addition, the impact regarding adoption of IFRS 9 as of 1 January 2018 on the statement of financial position is explained in Note XXV.

Impairment

IFRS 9 has changed the accounting for loan loss impairments by replacing TAS 39’s incurred loss approach with a expected credit loss (“ECL”) approach.

The Bank formed an impairment model having 3 stages depending on the gradual increase in credit risk observed since their initial recognition. The approach of the Bank regarding measurement of loan loss reserve is presented in Note VIII.

IFRS 15 Revenue from contracts with customers

IFRS 15 Revenue from Contracts with Customers standard provides single and comprehensive model and guidance regarding recognition of revenue and replaces TAS 18 Revenue standard. The standard is effective starting from 1 January 2018 and does not have significant impact on the financial statements.

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I. Explanations on basis of presentation (continued)

TFRS 16 Leases

TFRS 16 Leases standard abolishes the dual accounting model currently applied for lessees through recognizing finance leases in the balance sheet whereas not recognizing operational lease. Instead, it is set forth a single model similar to the accounting of finance leases (on balance sheet). For lessors, the accounting stays almost the same. The standard will be effective from annual periods beginning on or after 1 January 2019 and the Bank's adoption process regarding the mentioned amendments continues as of the reporting date.

II. Explanations on the strategy of using financial instruments and foreign currency transactions

The Bank manages its financial instruments strategies according to its liability structure. The liability structure is mainly comprised of deposits. The investment instruments are generally chosen from liquid instruments. Thus, liquidity is sustained to meet liabilities. As of the balance sheet date, the Bank's asset and shareholder's equity structure is sufficient to meet its liabilities.

Due to the risks caused by the volatile currency regime, the Bank does not take significant currency positions. In case of a currency risk due from the customer transactions, the Bank makes contra transactions in order to close the position.

The investment decisions are made taking the balance sheet items' maturity structure and interest rates into consideration. Limits related to the balance sheet are determined. The distribution of assets is determined and income analyses are made according to this distribution.

When carrying out off-balance sheet forward transactions, the Bank aims to perform contra transactions as well, thus paying maximum attention to the currency and interest rate risks. The customer limits for transactions are determined.

The Bank aims to get long term funding in order to eliminate the risks arising from deposits having short term maturity and pays attention to increase the ratio of floating interest rate items within its assets.

Explanations on foreign currency transactions:

Translation gains and losses arising from foreign currency transactions are accounted for within the period in which the transaction occurs. In period-ends, foreign currency denominated monetary assets and liabilities are translated into TL with the exchange buying rates of the Bank prevailing at the balance sheet date. Gains and losses arising from such transactions are recognized in the income statement under the account of foreign exchange gains or losses.

III. Explanations on equity investments

Investments in associates and subsidiaries are accounted in accordance with the "Turkish Accounting Standard on Separate Financial Statements" ("TAS 27") in the unconsolidated financial statements and measured in the financial statements according to their costs. Dividends are recognized in the income statement when the right of dividend is obtained.

IV. Explanations on forward and options contracts and derivative instruments

The Bank's derivative instruments consist of forward buy/sell, swaps, futures, and options contracts.

Derivative financial instruments of the Bank are classified under "TFRS 9 Financial Instruments" ("TFRS 9"), "Derivative Financial Assets Designated at Fair Value through Profit or Loss" or "Derivative Financial Assets Designated at Fair Value through Other Comprehensive Income".

Payables and receivables arising from the derivative instruments are recorded in the off-balance sheet accounts at their contractual values.

Derivative transactions are valued at their fair values subsequent to their acquisition. In accordance with the classification of derivative financial instruments, if the fair value is positive, the amount is classified as "Derivative Financial Assets Designated at Fair Value Through Profit or Loss" or "Derivative Financial Assets Designated at Fair Value Through Other Comprehensive Income", if the fair value is negative, the amount is classified as "Derivative Financial Liabilities Designated at Fair Value Through Profit or Loss" or "Derivative Financial Liabilities Designated at Fair Value Through Other Comprehensive Income". The fair value differences of derivative financial instruments are recognized in the income statement under trading profit/loss line in profit/loss from derivative financial transactions. The fair value of derivative instruments is calculated by taking into account the market value of the derivatives or by using the discounted cash flow model.

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V. Explanations on interest income and expense

Interest income and expenses are recognized on an accrual basis using the effective interest method (the rate which equals the future cash flows of a financial asset or liability to its net book value) by taking into consideration present principal amount.

As of 1 January 2018, the Bank applies the effective interest rate on the amortized cost of the asset for subsequent reporting periods for the financial assets impaired and classified as non-performing loan. Such interest income calculation is based on contractual basis for all financial assets subject to impairment calculation. During calculation of loss given default rate in expected credit loss models effective interest rate is used, thus, calculation of expected credit losses includes calculated interest amount. Therefore, a reclassification is made between the accounts of “Expected Credit Losses” expense and “Interest Income From Loans” for such calculated interest amount. If the credit risk of the financial instrument improves to the extent that the financial asset is no longer considered as impaired and the improvement can be attributed to an incident that eventually takes place (such as an increase in the loan’s credit rating), the system calculates interest income at subsequent reporting periods by applying the effective interest rate to the gross amount.

VI. Explanations on fee and commission income and expenses

Commissions paid for the loans provided and fees and commissions collected from clients in return for these loans are reflected on the income statement in the period when they arise. On the other hand, of the fees and commissions collected from clients, the portions exceeding the amounts paid, and the fees and commissions collected without being associated with any cost are treated as an element of the effective interest of the loan, and they are recognized in the income statement during the term of the loan on an accrual basis. Fees and commission expenses paid to the institutions and companies granting the loan are treated as an element of the effective interest, and they are associated with the income statement during the term of the loan.

VII. Explanations on financial instruments

Initial recognition of financial instruments

A financial asset or a financial liability is recognized in the statement of financial position only when it is a party to the contractual provisions of the financial instrument. A regular way purchase or sale of financial assets shall be recognised and derecognised, as applicable, using trade date accounting or settlement date accounting. Purchase and sale transactions of securities are accounted at the settlement date.

Initial measurement of financial instrument

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

Classification of financial instruments

On which category a financial instruments shall be classified at initial recognition depends on both the business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. Thus, the Bank has classified all financial assets beginning from 1 January 2018 on the basis of the business model used for the management of these assets and the contractual cash flows.

As per TFRS 9, the Bank classifies a financial asset on the basis of its contractual cash flow characteristics if the financial asset is held within a business model whose objective is to hold assets to collect contractual cash flows or within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets. In order to assess whether the element provides consideration for only the passage of time, an entity applies judgement and considers relevant factors such as the currency in which the financial asset is denominated and the period for which the interest rate is set. When the contractual conditions are exposed to the risks which are not consistent with the basic lending arrangement or variability of cash flows, the relevant financial asset is measured at fair value through profit or loss. The Bank has tested the “Solely Payments of Principal and Interest” test for all financial assets within the scope of TFRS 9 transition and evaluated asset classifications within the business model.

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VII. Explanations on financial instruments (continued)

Assessment of business model

As per TFRS 9, the business model is determined at a level that reflects how groups of financial assets are managed together to achieve a particular business objective.

The Bank’s business models are divided into three categories.

A business model whose objective is to hold assets in order to collect contractual cash flows:

A business model whose objective is to hold assets in order to collect contractual cash flows are managed to realise cash flows by collecting contractual payments over the life of the instrument. The financial assets that are held within the scope of this business model are measured at amortised cost when the contractual terms of the financial asset meet the condition of giving rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Central Bank, banks, money market placements, financial assets measured at amortized cost, loans, lease receivables, factoring receivables and other receivables are evaluated within this business model.

A business model whose objective is achieved by both collecting contractual cash flows and selling financial assets:

The business model in which financial assets are held both for the collection of contractual cash flows and for the sale of financial assets. Fair value change of the financial assets that are held within the scope of this business model are accounted under other comprehensive income when the contractual terms of the financial asset meet the condition of giving rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Financial assets measured at fair value through other comprehensive income are evaluated within this business model.

Other business models:

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

Measurement categories of financial assets and liabilities

According to TFRS 9, Bank’s financial assets are classified in three main categories as listed below:

- Financial assets measured at fair value through profit/loss
- Financial assets measured at fair value through other comprehensive income and
- Financial assets measured at amortized cost (including credits).

Financial assets and liabilities measured at fair value through profit/loss:

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

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VII. Explanations on financial instruments (continued)

Financial assets measured at fair value through other comprehensive income:

As per TFRS 9, the financial investments are measured at fair value through other comprehensive income if financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at fair value through other comprehensive income are recognized by adding transaction cost to acquisition cost reflecting the fair value of the financial asset. After the recognition, financial assets at fair value through other comprehensive income are remeasured at fair value. Interest income calculated with effective interest rate method arising from financial assets at fair value through other comprehensive income and dividend income from equity securities are recorded to income statement. "Unrealized gains and losses" arising from the difference between the amortized cost and the fair value of financial assets at fair value through other comprehensive income are not reflected in the income statement of the period until the acquisition of the asset, sale of the asset, the disposal of the asset, and impairment of the asset and they are accounted under the "Other comprehensive income income/expense items to be recycled in Profit or Loss" under shareholders' equity.

Equity securities, which are classified as financial assets at fair value through other comprehensive income, that have a quoted market price in an active market and whose fair values can be reliably measured are carried at fair value. Equity securities that do not have a quoted market price in an active market and whose fair values cannot be reliably measured are carried at cost, less provision for impairment.

During initial recognition an entity can choose in an irrevocable way to record the changes of the fair value of the investment in an equity instrument that is not held for trading purposes in the other comprehensive income. In the case of this preference, the dividend from the investment is taken into the financial statements as profit or loss.

Financial assets measured at amortized cost:

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are classified as financial assets measured at amortized cost.

Financial assets measured at amortized cost are initially recognized at acquisition cost including the transaction costs which reflect the fair value of those instruments and subsequently recognized at amortized cost by using effective interest rate method. Interest income obtained from financial assets measured at amortized cost is accounted in income statement.

Loans:

Loans represents financial assets other than those held for trading in short term or generated through providing money, commodity and services to debtors.

Loans are financial assets with fixed or determinable payments and not quoted in an active market.

Loans are initially recognized at acquisition cost plus transaction costs presenting their fair value and thereafter measured at amortized cost using the effective interest rate method.

Bank's loans are recorded under the "Loans Measured at Amortized Cost" account.

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**Notes to the unconsolidated financial statements
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VIII. Explanations on impairment of financial assets

With the “Regulation on the Procedures and Principles for Determination of Qualifications of Loans and Other Receivables by Banks and Provisions to be Set Aside” promulgated by BRSA in the Official Gazette, no. 29750, dated 22 June 2016, the Bank has started calculating provisions as of 1 January 2018, in scope of TFRS 9 for financial instruments, loans and other receivables. Accordingly, the Bank sets aside provisions for expected loss for the financial assets measured by taking the difference between the amortised cost and fair value.

According to TFRS 9, loss provisions are set aside on their redeemed costs or for the expected credit losses in relation to the financial assets whose fair value is followed in other comprehensive income credit commitments and financial guarantee agreements. Expected credit loss estimates should include objective information weighted according to possibilities and that can be supported about past events, existing conditions and predictions about future economic conditions.

Financial assets within the scope of TFRS 9 are allocated to the three stages according to the change in the quality of the loan after initial recognition and are calculated on the basis of the expected loan loss stage:

- Stage 1: For the financial assets at initial recognition or that do not have a significant increase in credit risk since initial recognition. Impairment for credit risk is recorded in the amount of 12-month expected credit losses.
- Stage 2: In the event of a significant increase in credit risk since initial recognition, the financial asset is transferred to Stage 2. Impairment for credit risk is determined on the basis of the instrument's lifetime expected credit losses.
- Stage 3: Stage 3 includes financial assets that have objective evidence of impairment at the reporting date. For these assets, lifetime expected credit losses are recognized and interest revenue is calculated on the net carrying amount.

The following criteria are taken into consideration in determining the impairment:

- Delay of over 90 days
- Impairment of credit worthiness
- Collaterals and/or debtor's equities are insufficient for the timely payment of receivables
- It is thought that collection of receivables will be delayed for more than 90 days due to macroeconomic, industry specific or customer specific reasons.

The Bank has weighted the expected credit loss determined for the financial instruments above a certain amount in Stage 3 according to determined possibilities; and measures it individually by creating scenarios to reflect an objective amount, the time value of money and objective information weighted according to possibilities and that can be supported about past events, existing conditions and predictions about future economic conditions.

IX. Explanations on offsetting financial assets

Financial assets and liabilities are shown on the balance sheet at their net amounts when the Bank has a legally enforceable right to offset the recognized amounts and intends to settle the related financial assets and liabilities on a net basis, or to realize the asset and settle the liability simultaneously.

X. Explanations on sales and repurchase agreements and securities lending transactions

Marketable securities sold under repurchase agreements (“Repo”) are classified as financial assets whose fair value difference is reflected on profit-loss, and which are available for sale or will be held to maturity, in parallel to the classification of financial instruments. Funds provided in return for repo transactions are recognized in the “funds provided by repo transactions” accounts. The income related to repurchase agreements are reflected to the interest income on marketable securities and expenses paid in relation to repurchase agreements are recognized in “interest on money market borrowings” accounts.

Securities (“Reverse repo”) that are purchased with repurchase agreements are classified under receivables from reverse repo transactions. Interest income obtained from reverse repo transactions are recognized under the account “interest obtained from money market transactions”.

The Bank does not have any marketable securities that are subject to lending.

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XI. Explanations on property and equipment held for sale and related to discontinued operations and on payables regarding these assets

Property and equipment held-for-sale consist of tangible assets that were acquired due to non-performing loans and receivables, and are accounted in the financial statements in accordance with the regulations of “Turkish Financial Reporting Standard for Assets Held for Sale and Discontinued Operations (TFRS 5)”.

The assets that meet the criteria of being classified under assets held for sale are measured at the lower of their book values or fair value less costs to be incurred for sale, depreciation for these assets is ceased and these assets are presented separately in the balance sheet. In order for an asset to be classified as an asset held for sale, the related asset (or the asset group to be disposed) shall be ready to be sold immediately under usual conditions and should have a high possibility to be sold. To have a high possibility of sale, a plan should have been made for the sale of the asset (or the asset group to be disposed) and an active program should have been started by the management, aiming to complete the plan and determine the buyers.

The properties obtained from the Bank’s receivables are shown at the fixed assets held for sale line according to the execution of the forward sales agreement.

A discontinued operation is a part of an entity which is classified as to be disposed or held for sale. The results related to discontinuing operations are presented separately in the income statement. The Bank does not have any discontinued operations.

XII. Explanations on goodwill and other intangible assets

The intangible assets are measured at their cost calculated by adding the acquisition costs and other direct costs necessary for making the asset in working order. Subsequently, intangible assets are carried at cost less accumulated depreciation and provision for value decrease.

Intangible assets are depreciated according to straight line method and depreciation rates are determined in line with the useful lives of related assets.

The intangible assets 7% - 33%

The Bank does not have goodwill.

XIII. Explanations on property and equipment

Property and equipment are initially measured at cost calculated by adding the acquisition fees and any directly attributable costs for making the asset in working order. Subsequently, property and equipment - is carried at cost less accumulated depreciation and provision for value decrease.

According to precautionary and materiality principles, when the current value of property and equipment is less than their net cost, the net cost which exceeds their current value is recognized in expense account as provision for impairment.

Property and equipment are depreciated according to straight line method and depreciation rates are determined in line with the useful lives of related assets.

Immovables 2%
Movables, assets acquired by financial leasing 2% - 50%

The depreciation is set aside at the amount calculated through proportion of the yearly depreciation amount foreseen for the assets held for less than one accounting period to the time for which the asset is held in asset.

Gains and losses on the disposal of property and equipment are reflected to the profit and loss of the related period.

Expenditures for the repair and maintenance of property and equipment are recognized as expense.

There is no injunction, pledge or mortgage on property and equipment.

There is no purchase commitment related to property and equipment.

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**Notes to the unconsolidated financial statements
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XIV. Explanations on leasing transactions

a. Accounting of leasing operations as lessor

The Bank does not have any leasing operations as lessor.

b. Accounting of leasing operations as lessee

Assets acquired under financial leases are capitalized at lower of the fair values of leased assets or discounted value of lease installments. While the total amounts of lease amounts are recognized as liability, the related interest amounts are accounted for as deferred interest. Assets subject to financial leases are followed under property and equipment and are depreciated by using straight-line method. The estimated depreciation rates are determined according to their estimated useful lives.

The Bank enters into operational leasing transactions for some branch buildings and ATM machines. All operational leasing contracts are designated as prepaid agreements. There is no liability in the financial statements about operational leasing.

XV. Explanations on provisions, contingent assets and liabilities

Provisions and contingent liabilities are accounted in accordance with, “Turkish Accounting Standard for Provisions, Contingent Liabilities and Contingent Assets” (“TAS 37”).

Provisions are recognized when there is a present legal or constructive obligation as a result of past events at the balance sheet date; when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and when a reliable estimate can be made of the amount of the obligation

Provisions are set aside for highly probable and reliably estimated amount of liabilities arisen as a result of prior period events, at the time when such liabilities arise.

XVI. Explanations on obligations related to employee rights

Provision for employee severance benefits has been accounted for in accordance with TAS 19 “Employee Benefits”.

In accordance with the existing social legislation in Turkey, the Bank is required to make lump-sum termination indemnities including retirement and notice payments to each employee whose employment is terminated due to resignation or for reasons other than misconduct. The retirement pay is calculated for every working year within the Bank over salary for 30 days or the official ceiling amount per year of employment and the notice pay is calculated for the relevant notice period time as determined based on the number of years worked for the Bank.

The Bank has calculated provision for employee severance benefits in the attached financial statements in accordance with “Turkish Accounting Standard for Employee Benefits (“TAS 19”)” by using the “Projection Method” and discounted the total provision by using the current market yield on government bonds based on their previous experience in the issues of completion of personnel service period and severance pay eligibility. Actuarial gains and losses are recognized under equity in accordance with the “TAS 19” standard.

In accordance with the existing social legislation in Turkey, the Bank is required to make contribution to Social Security Institution (“SSI”) on behalf of their employees. Other than the contributions that the Bank is required to pay, there is no additional requirement to make payment to neither their employees nor SSI. These premiums are reflected to personnel expenses when they accrue.

Provision for the employees’ unused vacations has been booked in accordance with TAS 19 and reflected to the financial statements.

There are no foundations, pension funds or similar associations of which the employees are members.

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XVII. Explanations on taxation

a. Current tax

The Bank is subject to tax legislation and practices effective in Turkey.

While the corporate tax rate was at the rate of 20% since 1 January 2006, for all companies, such rate has been set as 22% for the tax bases of the years 2018, 2019, and 2020 based on the legislation of the Amendment on Certain Tax Laws and Other Laws no. 7061. Furthermore, the Council of Ministers has been authorized to reduce the rate of 22% down to 20%.

While according to the provisions of Corporate Tax Law, No. 5520, exemption shall be applied for 75% of the earnings from the sale of the properties and participation shares that corporations have kept among their assets for at least two full years (provided that they are added in the capital or kept in a special fund account in liabilities for five years as provided in the Law), and from the sales of founders' shares, preference shares and preferred rights they have kept for same duration; Article 89/a of the Law, No. 7061 effective upon promulgation in the Official Gazette, No. 30261, dated 5 December 2017 and Articles 5.1.e and 5.1.f of Corporate Tax Law have been amended, the exemption applied as 75% was decreased to 50% to be effective as of the promulgation of the Law for the above mentioned sale of properties.

Corporate tax rate is applied on the tax base calculated after the addition of the non-deductible expenses in the commercial income of corporations and deduction of exemptions stated in tax laws (such as participation income exemption) and deductions. No other tax is paid unless profit is distributed.

According to the Corporate Tax Law, financial losses can be carried forward to offset against corporate tax base of the related period for up to five years. Tax authorities inspect tax returns and the related accounting records within five years and check the tax calculations.

Corporate tax is required to be filed by the twenty-fifth day of the fourth month following the balance sheet date and taxes must be paid in one installment by the end of the fourth month. Pursuant to the tax legislation, an advance tax is calculated and paid based on earnings generated for each quarter. The amounts thus paid are deducted from the tax calculated over annual earning.

Current year tax amounts to be paid are netted off as they are related with prepaid tax amounts.

b. Deferred tax

The Bank calculates and accounts for deferred income taxes for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in these financial statements in accordance with “Turkish Accounting Standard for Income Taxes” (“TAS 12”) and the related decrees of the BRSA concerning income taxes. In the deferred tax calculation, the enacted tax rate, in accordance with the tax legislation, is used as of the balance sheet date. The Law regarding amendments on Certain Tax Laws was approved in The Grand National Assembly of Turkey on 28 November 2017 and the Law was published in the Official Gazette on 5 December 2017. Accordingly, the corporate income tax rate will be increased from 20% to 22% for the years 2018, 2019 and 2020. According to the Law that have been enacted, deferred tax asset and liabilities shall be measured at the tax rate 22% that are expected to apply to these periods when the assets is realised or the liability is settled. For the periods 2021 and after deferred tax assets and liabilities were measured by 20% tax rate.

If transactions and events are recorded in the statement of profit or loss, then the related tax effects are also recognized in the statement of profit or loss. However, if transactions and events are recorded directly in the shareholders' equity, the related tax effects are also recognized directly in the shareholders' equity.

The deferred tax assets and liabilities are reported as net in the financial statements.

Until 1 January 2018, the Bank calculated deferred tax liability on all deductible temporary differences except for general loan reserves, if sufficient taxable profit in future periods to recover such amounts is probable, in accordance with “Turkish Accounting Standard on Income Taxes” (“TAS 12”) and the changes stated in BRSA circular, No. BDDK.DZM.2/13/1-a-3, dated 8 December 2004. Beginning from 1 January 2018, the Bank has started to calculate deferred tax assets over temporary expected provision losses differences according to TFRS 9 articles.

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XVII. Explanations on taxation (continued)

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period. An entity shall reduce the carrying amount of a deferred tax asset to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of deferred tax asset to be utilized.

c. Transfer Pricing

The article no.13 of the Corporate Tax Law describes the issue of transfer pricing under the title of “disguised profit distribution” by way of transfer pricing. “The General Communique on Disguised Profit Distribution by way of Transfer Pricing” published on 18 November 2007 explains the application related issues in detail. According to this Communique, if the taxpayers conduct transactions like purchase and sale of goods or services with the related parties where the prices are not determined according to the arm’s length principle, then it will be concluded that there is a disguised profit distribution by way of transfer pricing. Such disguised profit distributions will not be deducted from the corporate tax base for tax purposes. Disguised profit distribution amount will be recognized as share in net profit and stoppage tax will be calculated depending on whether the profit distributing institution is a real or corporate entity, full-fledged or foreign based taxpayer, is subject to or exempt from tax.

As discussed under subject Communique’s “7.1 Annual Documentation” section, taxpayers are required to fill out the “Transfer Pricing, Controlled Foreign Entities and Thin Capitalization” form for the purchase and sale of goods or services conducted with their related parties in a taxation period, attach these forms to their corporate tax returns and submit to the tax offices.

XVIII. Explanations on borrowings

The Bank, whenever required, generates funds from domestic and foreign sources in the form of borrowings, syndications, securitizations, and bill and bond issuances in the local and international markets. The funds borrowed are recorded at their purchase costs and valued at amortised costs using the effective interest method.

XIX. Explanation on issuance of equity securities

There are no issuance of equity securities in 2018.

XX. Explanations on guarantees and acceptances

The Bank’s letters of acceptances with its customers are simultaneously realized with customers’ payments and are followed in off-balance sheet items.

XXI. Explanations on government incentives

As of the balance sheet date, there is no government grant for the Bank.

XXII. Explanations on segment reporting

An operating segment is a component of an entity:

- a. That engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity),
- b. Whose operating results are regularly reviewed by the entity's authorised decision maker for the purpose of taking decisions about resources to be allocated to the segment and assessing its performance, and
- c. For which discrete financial information is available.

Reporting according to the operational segment is presented in Note VIII of Section Four.

XXIII. Profit reserves and distribution of profit

Under the Turkish Commercial Code (“TCC”), legal reserves consist of first legal reserve and second legal reserve. First legal reserve, appropriated at the rate of 5%, until the total reserve is equal to 20% of issued and fully paid-in share capital. Second legal reserve, appropriated at the rate of at least 10% of distributions in excess of 5% of issued and fully paid-in share capital.

XXIV. Explanations on other disclosures

None.

(Convenience translation of the unconsolidated interim financial statements and related disclosures and footnotes originally issued in Turkish, See Note 1.b of section three)

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XXV. Explanation on TFRS 9 financial instruments standard

2017 version of TFRS 9 standard was promulgated in the Official Gazette, numbered 29953, dated 19 January 2017 by Public Oversight, Accounting and Auditing Standards Authority (“POA”) to be effective for the accounting periods starting from 1 January 2018. TFRS 9 standard sets out the new requirements for recognition and measurement, impairment and hedge accounting of financial assets and liabilities. Furthermore, it is stated that banks may calculate provision for financial instruments in accordance with the TFRS 9 at the “Regulation on the Classification of Loans and Provisions to be Set Aside for Those Loans” published in the Official Gazette, numbered 29750, dated 22 June 2016.

Recognition and Measurement of Financial Instruments

In accordance with TFRS 9 Financial Instrument standard, classification and measurement of financial assets are determined on the basis of the business model within which they are held and their contractual cash flow characteristics whether the cash flows represent “solely payments of principal and interest”.

Upon initial recognition, each financial asset is classified as either fair value through profit or loss (“FVTPL”), amortised cost or fair value through other comprehensive income (“FVOCI”). The classification and measurement of financial liabilities remain largely unchanged under TAS 39 current requirements.

Loans and receivables are held to collect contractual. According to TFRS 9 contractual cash flow characteristics of these financial assets are analysed and decided to classify as financial assets measured at amortised cost.

Some of the financial assets measured at fair value with changes in other comprehensive income are classified as amortised cost depending on the characteristics of their business models as they meet the requirement of contractual cash flows represent solely payments of principal and interest.

There is no change on the classification of the financial assets valued at fair value through profit or loss.

Hedge Accounting

During the selection of the accounting policies, TFRS 9 provides option of continuing with TAS 39 hedge accounting principles and deferring hedge accounting rules in accordance with TFRS 9. Accordingly, the Bank decided to continue with TAS 39 standard for hedge accounting.

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XXV. Explanation on TFRS 9 Financial Instruments Standard (continued)

Explanation of the effect of the Bank's application of TFRS 9 are presented in below:

Assets	Note	31.12.2017	TFRS 9 Reclassification Effect	TFRS 9 Measurement Effect	01.01.2018
Financial assets (net)		13,282,053	(42,703)	34,145	13,273,495
Cash and Cash Equivalents		9,360,572	-	-	9,360,572
Cash and Balances with Central Bank		7,830,523	-	-	7,830,523
Banks		482,154	-	-	482,154
Money market placements		1,047,895	-	-	1,047,895
Financial assets at fair value through profit or loss	(1)	42,138	49	-	42,187
Financial assets at fair value through other comprehensive income	(2)	-	434,350	-	434,350
Financial assets measured at amortised cost	(2)	-	1,301,589	15,347	1,316,936
Derivative financial assets		2,143,355	-	-	2,143,355
Derivative financial assets at fair value through profit or loss	(1)	-	571,960	-	571,960
Derivative financial assets at fair value through other comprehensive income	(1)	-	1,571,395	-	1,571,395
Derivative financial assets held for trading	(1)	571,960	(571,960)	-	-
Derivative financial assets held for hedging purposes	(1)	1,571,395	(1,571,395)	-	-
available-for-sale financial assets (net)	(2)	1,735,988	(1,735,988)	-	-
Held-to-maturity financial assets (net)		-	-	-	-
Expected credit losses (-)	(5)	-	(42,703)	18,798	(23,905)
Loans (net)		38,466,776	(566,621)	324,303	38,224,458
Loans (measured at amortized cost)	(3)	37,969,370	-	-	37,969,370
Performing loans	(3)	36,601,294	(5,128,875)	-	31,472,419
Loans under follow-up	(3)	1,368,076	5,128,875	-	6,496,951
Non-performing loans		-	1,683,658	-	1,683,658
Non-performing loans		1,683,658	(1,683,658)	-	-
Specific provisions (-)		(1,186,252)	1,186,252	-	-
Expected credit losses (-)	(5)	-	(1,752,873)	324,303	(1,428,570)
12-Month ECL (Stage 1)		-	(509,789)	386,163	(123,626)
Lifetime ECL significant increase in credit risk (Stage 2)		-	(56,832)	(117,001)	(173,833)
Lifetime ECL impaired credits (Stage 3)		-	(1,186,252)	55,141	(1,131,111)
Assets held for sale and assets of discontinued operations (net)		660	-	-	660
Equity investments (net)		95,907	-	-	95,907
Investments in Associates (net)		-	-	-	-
Investments in Subsidiaries (net)		95,907	-	-	95,907
Joint ventures (net)		-	-	-	-
Tangible assets (net)		502,235	-	-	502,235
Intangible assets (net)		39,215	-	-	39,215
Investment property (net)		-	-	-	-
Current tax asset		31,525	-	-	31,525
Deferred tax asset	(7)	-	(65,575)	65,575	-
Other assets		463,736	-	-	463,736
Total Assets		52,882,107	(674,899)	424,023	52,631,231

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XXV. Explanation on TFRS 9 Financial Instruments Standard (continued)

Liabilities	Note	31.12.2017	TFRS 9	TFRS 9	01.01.2018
			Reclassification Effect	Measurement Effect	
Deposits		27,685,825	-	-	27,685,825
Funds borrowed		13,964,280	-	-	13,964,280
Money market funds		59,498	-	-	59,498
Securities issued (net)		-	-	-	-
Financial liabilities at fair value through profit or loss		-	-	-	-
Derivative financial liabilities		-	494,770	-	494,770
Derivative financial liabilities at fair value through profit or loss	(4)	-	469,316	-	469,316
Derivative financial liabilities at fair value through other comprehensive income	(4)	-	25,454	-	25,454
Derivative financial liabilities held for trading	(4)	469,316	(469,316)	-	-
Derivative financial liabilities held for hedging purposes	(4)	25,454	(25,454)	-	-
Factoring payables		-	-	-	-
Lease payables		-	-	-	-
Provisions		831,585	(609,324)	6,020	228,281
General provision	(5)	645,238	(645,238)	-	-
Provision for restructuring		-	-	-	-
Reserve for employee benefits		40,358	-	-	40,358
Insurance technical provisions (net)		-	-	-	-
Other provisions	(5)	145,989	35,914	6,020	187,923
Current tax liability		78,458	-	-	78,458
Deferred tax liability	(7)	334,347	(65,575)	-	268,772
Liabilities for assets held for sale and assets of discontinued operations (net)		-	-	-	-
Subordinated debt		3,038,967	-	-	3,038,967
Other liabilities	(6)	-	625,632	-	625,632
Miscellaneous payables	(6)	401,619	(401,619)	-	-
Other external fundings payable	(6)	224,013	(224,013)	-	-
Shareholders' equity		5,768,745	-	418,003	6,186,748
Paid-in capital		3,486,268	-	-	3,486,268
Capital reserves		279,663	-	11,552	291,215
Share premiums		-	-	-	-
Share cancellation profits		-	-	-	-
Other capital reserves		299	-	-	299
Other comprehensive income items not to be recycled to Profit or Loss		-	(17,806)	11,951	(5,855)
Other comprehensive income items to be recycled to Profit or Loss		-	150	(399)	(249)
Marketable securities valuation differences		(17,656)	17,656	-	-
Revaluation surplus on tangible assets		46,732	-	-	46,732
Revaluation surplus on intangible assets		-	-	-	-
Revaluation surplus on investment property		-	-	-	-
Bonus shares from investment in associates, subsidiaries and joint ventures		-	-	-	-
Hedging funds (effective portion)		250,288	-	-	250,288
Valuation differences on property and equipment held for sale and related to discontinued operations		-	-	-	-
Profit reserves		1,159,062	-	406,451	1,565,513
Legal reserves		148,416	-	-	148,416
Status reserves		-	-	-	-
Extraordinary reserves		1,010,320	-	-	1,010,320
Other profit reserves		326	-	406,451	406,777
Profit or (loss)		843,752	-	-	843,752
Prior periods' profit or (loss)		-	-	-	-
Current period profit or loss		843,752	-	-	843,752
Total liabilities		52,882,107	(674,899)	424,023	52,631,231

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XXV. Explanation on TFRS 9 Financial Instruments Standard (continued)

- (1) As of 1 January 2018, the Bank classified “Derivative Financial Assets Held for Trading” and “Derivative Financial Assets Held for Hedging Purpose” in the prior year financial statements amounting to TL 571,960 and TL 1,571,395, respectively into “Derivative Financial Assets”. In addition, the Bank classified investment funds amounting to TL 49 from “Available for Sale Financial Assets” in the prior year financial statements into “Financial Assets at Fair Value through Profit or Loss” as of 1 January 2018.
- (2) As of 1 January 2018, the Bank classified debt securities previously classified as “Available for Sale Financial Assets” amounting to TL 1,301,589 into “Financial assets at amortized cost” due to the fact that they are assessed within the scope of a business model whose objective is achieved by both collecting contractual cash flows and the contractual terms of such financial assets meet the condition of giving rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. As a result, the impairment amounting to TL 15,347 and TL 3,396 deferred tax liability recognized under shareholders equity were cancelled. In addition, as of 1 January 2018, the Bank classified debt securities previously classified as “Available for Sale Financial Assets” amounting to TL 434,350 into “Financial assets at fair value through other comprehensive income” due to the fact that they are assessed within the scope of a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and the contractual cash flow test covering solely the principal and the interest on the outstanding principal amount.
- (3) As of 1 January 2018, the Bank does not have any loan balance which does not meet the condition of giving rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The Bank classified a loan balance previously classified as “Performing Loans” amounting to TL 5,128,875 as “Loans under Follow-up” due to having significant increase in credit risk as explained in the accounting policies section in details.
- (4) As of 1 January 2018, the Bank classified “Derivative Financial Liabilities Held for Trading” and “Derivative Financial Liabilities Held for Hedging Purpose” in the prior year financial statements amounting to TL 469,316 and TL 25,454, respectively into “Derivative Financial Liabilities”.
- (5) As of 1 January 2018, the Bank classified expected losses calculated based on TFRS 9 into the relevant line items through reversing General Provision amount in the prior year financial statements. While the Bank classifies expected losses calculated for financial assets and loans in the relevant expected losses line items under assets as per TFRS 9, expected losses calculated for non-cash loans are classified as “Other Provisions” under liabilities.
- (6) As of 1 January 2018, the Bank classified miscellaneous payables amounting to TL 401,619 and other external fundings amounting to TL 224,013 into “Other Liabilities”.
- (7) As of 1 January 2018, the Bank made a net deferred tax asset of TL 65,575, with an increase of TL 3,375 from the classification of financial assets and a loss of TL 68,950 from the calculation of the expected losses in the shareholders equity item on the first time adoption of TFRS 9.

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XXVI. Explanations on prior period accounting policies not valid for the current period

"IFRS 9 Financial Instruments" standard came into effect instead of "TAS 39 Financial Instruments: Recognition and Measurement" as of 1 January 2018. Accounting policies lost their validity with the transition of IFRS 9 are given below:

a. Financial assets at fair value through profit or loss

Financial assets at fair value through profit and loss are classified in two categories:

- (i) Trading financial assets are securities classified in this category for the purposes of short term profit making through sale or buy back in the near future. Derivative financial instruments are classified under trading financial assets unless they are designated as derivative financial assets held for hedging. Accounting of derivative financial instruments is explained in section three note IV.
- (ii) The financial assets classified as financial assets designated at fair value through profit or loss in the initial recognition by the Bank. The Bank does not have any financial instruments that are classified as financial assets designated at fair value through profit or loss in the initial recognition.

Financial assets in this group are initially recognized at costs that reflect their fair value and subsequently measured at fair value in the trial balance. Fair values of securities that are traded in active markets are determined based on quoted prices. Interest earned while holding trading financial assets is recognized under interest income, whereas gain/loss obtained from the disposal of the related financial asset before its maturity is recognized under capital market gain/loss.

b. Available for sale financial assets

Available for sale financial assets are initially recognized at costs that reflect their fair value trial balance. After the initial recognition, available for sale financial assets are subsequently measured at fair value and the unrealized gain/loss resulting from the difference between the amortized cost and the fair value is recognized in "Marketable securities value increase fund" under shareholders' equity. In the event of disposal of available for sale financial assets, value increases/decreases that are recognized in the securities value increase fund under shareholders' equity are transferred to income statement. Interest and profit shares of the related financial assets are accounted in the related interest income and dividend income accounts.

c. Held-to-maturity financial assets

Held-to-maturity financial assets include financial assets where there is an intention to hold till maturity and the requirements for fulfilment of such intention including the funding ability are met and the financial assets other than loans and receivables with fixed or determinable payments and fixed maturity. Held-to-maturity financial assets are initially recognized at costs that reflect their fair value and subsequently measured at amortized cost by using effective interest rate less impairment losses, if any. There are no financial assets which were previously acquired by the Bank and classified as held-to-maturity but cannot be subject to this classification for two years due to the contradiction of classification principles. Interest income from held-to-maturity financial assets is reflected as interest income in the income statement.

ç. Loans and receivables

Loans and receivables are initially recognized at cost reflecting their fair value including the transaction costs and subsequently measured at the amortized cost calculated using the effective interest method.

The retail and corporate loans under cash loans are accounted according to their original balances in the accounts stated in the Uniform Chart of Accounts (UCA) and the related explanations.

Foreign currency indexed retail and mid-corporate loans are followed in TL accounts at their TL equivalents according to the foreign currency rate as on the opening date of the loan. Valuation differences at the end of each period are presented under "Loans and receivables" in the financial statements. Repayments are calculated at the foreign currency rate on the payment date, the FX differences are shown in the foreign currency gains and losses accounts.

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Section four

Information on financial position and risk management of the Bank

I. Explanations on unconsolidated capital

Information about capital items

Unconsolidated total capital and capital adequacy ratio has been calculated in accordance with the "Regulation on Equity of Banks" and "Regulation on Measurement and Assessment of Capital Adequacy of Banks."

As of 31 March 2018, the Bank's total capital is TL 9,525,405 and the capital adequacy ratio is 20.44%. As of 31 December 2017, the Bank's total capital amounted to TL 8,956,433 and capital adequacy ratio was 19.93%.

	Current period	Amount related to implementation before 01.01.2014 (*)
COMMON EQUITY Tier I Capital		
Paid-in capital to be entitled for compensation after all creditors	3,486,268	-
Share premium	-	-
Legal reserves	2,146,326	-
Other comprehensive income according to TAS	140,192	-
Profit	288,668	-
Net profit for the period	288,668	-
Prior period profit	-	-
Bonus shares from investments in associates, subsidiaries and joint ventures that are not recognized in profit	-	-
Common equity Tier I capital before deductions	6,061,454	
Deductions from common equity		
Valuation adjustments calculated as per the article 9. (i) of the Regulation on the Capital of Banks	-	-
Portion of the current and prior periods' losses not covered by reserves and losses accounted under equity as per TAS	9,815	-
Leasehold improvements on operational leases	32,153	-
Goodwill netted off deferred tax liability	-	-
Other intangibles netted off deferred tax liability except for mortgage servicing rights	32,181	32,181
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	-
Differences not recognized at the fair value of assets and liabilities subject to hedge of cash flow risk	-	-
Portion of the total expected loss amount calculated as per Communiqué on Calculation of Credit Risk with the Internal Rating Based Approach, which exceeds total provisions	-	-
Gains arising from securitization transactions	-	-
Unrealized gains and losses due to changes in own credit risk on fair value of Bank's liabilities	-	-
Net amount of defined-benefit plan assets	-	-
Direct and indirect investments of the Bank in its own Common Equity Tier I Capital	-	-
Shares obtained contrary to the 4 th clause of the 56 th Article of the Law	-	-
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital, which exceeds 10% of common equity of the Bank	-	-
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital, which exceeds 10% of common equity of the Bank	-	-
Portion of mortgage servicing rights exceeding 10% of the common equity	-	-
Portion of deferred tax assets based on temporary differences exceeding 10% of the common equity	-	-
Amounts exceeding 15% of the common equity as per the 2 nd clause of the provisional article 2 of the Regulation on the Equity of Banks	-	-
Excess amount arising from the net long positions of investments in common equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital	-	-
Excess amount arising from mortgage servicing rights	-	-
Excess amount arising from deferred tax assets based on temporary differences	-	-
Other items to be defined by the BRSA	-	-
Deductions to be made from common equity in case adequate additional Tier I capital or Tier II capital is not available	-	-
Total deductions from common equity Tier I capital	74,149	
Total common equity Tier I capital	5,987,305	
ADDITIONAL TIER I CAPITAL		
Preferred Stock not Included in Common Equity Tier I capital and the Related Share Premiums	-	-
Debt instruments and premiums approved by BRSA	-	-
Debt instruments and premiums approved by BRSA (in scope of Temporary Article 4)	-	-
Additional Tier I capital before deductions	-	-
Deductions from additional Tier I capital		
Bank's direct and indirect investments in its own Additional Tier I capital	-	-
Investments in equity instruments issued by banks and financial institutions that have invested in Bank's additional Tier I Capital, which are compatible with Article 7 of the regulation	-	-
Portion of total Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital, which Exceeds 10% of Bank's Tier I Capital	-	-
The Total of Net Long Positions of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital	-	-
Other items to be defined by the BRSA	-	-
Items continuing to be deducted from Tier I Capital during the Transition Period	-	-
Portion of the goodwill and other intangible assets and related deferred tax liabilities which will not be deducted from Common Equity Tier I capital as per the first sub-paragraph of the Provisional Article 2 of the Regulation on the Equity of Banks (-)	-	-
Portion of the net deferred tax asset/liability not deducted from Common Equity Tier I capital as per the first sub-paragraph of the Provisional Article 2 of the Regulation on the Equity of Banks (-)	-	-
Deductions to be made from common equity in case adequate Additional Tier I Capital or Tier II Capital is not available (-)	-	-
Total deductions from additional Tier I capital	-	-
Total additional Tier I capital	-	-
Total Tier I capital (Tier I Capital = Common Equity + Additional Tier I Capital)	5,987,305	

(*) Amounts represent the amounts of items to be taken into consideration and subject to transition provisions in accordance with Temporary Articles of "Regulation on the Equity of Banks".

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I. Explanations on unconsolidated capital (continued)

Information about capital items (continued)

	Current period	Amount related to implementation before 01.01.2014 (*)
TIER II CAPITAL		
Bank's borrowing instruments and issue premiums	2,984,358	
Bank's borrowing instruments and issue premiums (in scope of Temporary Article 4)	200,000	
Provisions (amounts stated in Article 8 of the Regulation on the Equity of Banks)	365,277	
Tier II Capital Before Deductions	3,549,635	
Deductions From Tier II Capital		
Bank's direct and indirect investments in its own Tier II Capital (-)	-	
Bank's investments in in equity instruments issued by banks and financial institutions that have invested in Bank's additional Tier I Capital, which are compatible with Article 8 of the regulation.	-	
Portion of total Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital, which Exceeds 10% of Bank's Tier I Capital (-)	-	
The Total of Net Long Positions of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital	-	
Other items to be defined by the BRSA (-)	-	
Total Deductions from Tier II Capital	-	
Total Tier II Capital	3,549,635	
Total capital (the sum of tier i capital and tier ii capital)	9,536,940	
Total of core capital and additional capital (total equities)		
Loans granted against Article 50 and 51 of Banking Law	-	
Net Book Values of Movables and Immovables Exceeding the Limit Defined in Article 57, Clause 1 of the Banking Law and of Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Three Years	-	
Other items to be defined by the BRSA (-)	11,535	
Items to be deducted from the sum of Tier I and Tier II Capital (Capital) during transition period		
Portion of total Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital, exceeding 10% of Bank's Tier I Capital, which is not deducted from Tier I, Tier II and additional capital as per Temporary Article 2 of the Regulation on the Equity of Banks	-	
Portion of total Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital, exceeding 10% of Bank's Tier I Capital, which is not deducted from the tier II capital and additional capital as per Temporary Article 2 of the Regulation on the Equity of Banks (-)	-	
Portion of the total of net long positions of investments made in the common equity items of banks and financial institutions outside the scope of consolidation where the bank owns 10% or more of the issued common share capital, deferred tax assets based on temporary differences and mortgage servicing rights not deducted from Common Equity as per paragraph 1 and 2 of Provisional Article 2 of the Regulation on the Equity of Banks (-)	-	
TOTAL CAPITAL		
Total Capital	9,525,405	
Total risk weighted amounts	46,598,725	
CAPITAL ADEQUACY RATIOS		
Core Capital Adequacy Ratio (%)	12.85	
Tier I Capital Adequacy Ratio (%)	12.85	
Capital Adequacy Ratio (%)	20.44	
BUFFERS		
Total buffer requirement	6.390	
Capital protection buffer requirement (%)	1.875	
Bank specific cyclical buffer requirement (%)	0.015	
Systemically important banks buffer ratio (%)	-	
The ratio of Additional Common Equity Tier I capital to be calculated as per the first paragraph of Article 4 of Regulation on Capital Protection and Countercyclical Capital buffers to Risk Weighted Assets (%)	6.849	
Amounts below the Excess Limits as per the Deduction Principles		
Amounts arising from the net long positions of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital	-	
Amounts arising from the net long positions of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or more of the issued share capital	-	
Mortgage Servicing Rights	-	
Amount arising from deferred tax assets based on temporary differences	111,131	
Limits related to provisions considered in Tier II calculation		
General provisions for standard based receivables (before ten thousand twenty five limitation)	-	
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	365,277	
Amount of total provision exceeding the total expected loss amount calculated according to the Communiqué on the Calculation of the Credit Risk Based Amount as per the Internal Ratings Based Approach	-	
Amount up to 0.6% of the portion of total provision exceeding the total expected loss amount calculated according to the Communiqué on the Calculation of the Credit Risk Based Amount as per the Internal Ratings Based Approach	-	
Debt instruments subject to Temporary Article 4 (to be implemented between 1 January 2018 and 1 January 2022)		
Upper limit for Additional Tier I Capital subject to Temporary Article 4	-	
Amounts exceeding the upper limits of Additional Tier I Capital subject to Temporary Article 4	-	
Upper limit for Additional Tier II Capital subject to temporary Article 4	-	
Amounts exceeding the upper limits of Additional Tier II Capital subject to temporary Article 4	-	

(*) Amounts represent the amounts of items to be taken into consideration and subject to transition provisions in accordance with Temporary Articles of "Regulation on the Equity of Banks".

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I. Explanations on unconsolidated capital (continued)

	Prior period	Amount related to implementation before 01.01.2014 (*)
COMMON EQUITY Tier I Capital		
Paid-in capital to be entitled for compensation after all creditors	3,486,268	
Share premium	-	
Legal reserves	1,159,062	
Other comprehensive income according to TAS	47,031	
Profit	843,752	
Net profit for the period	843,752	
Prior period profit	-	
Bonus shares from investments in associates, subsidiaries and joint ventures that are not recognized in profit	-	
Common equity Tier I capital before deductions	5,536,113	
Deductions from common equity		
Valuation adjustments calculated as per the article 9. (i) of the Regulation on the Capital of Banks	-	
Portion of the current and prior periods' losses not covered by reserves and losses accounted under equity as per TAS	17,656	
Leasehold improvements on operational leases	35,004	
Goodwill netted off deferred tax liability	-	
Other intangibles netted off deferred tax liability except for mortgage servicing rights	29,482	36,852
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	
Differences not recognized at the fair value of assets and liabilities subject to hedge of cash flow risk	-	
Portion of the total expected loss amount calculated as per Communiqué on Calculation of Credit Risk with the Internal Rating Based Approach, which exceeds total provisions	-	
Gains arising from securitization transactions	-	
Unrealized gains and losses due to changes in own credit risk on fair value of Bank's liabilities	-	
Net amount of defined-benefit plan assets	-	
Direct and indirect investments of the Bank in its own Common Equity Tier I Capital	-	
Shares obtained contrary to the 4 th clause of the 56 th Article of the Law	-	
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital, which exceeds 10% of common equity of the Bank	-	
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital, which exceeds 10% of common equity of the Bank	-	
Portion of mortgage servicing rights exceeding 10% of the common equity	-	
Portion of deferred tax assets based on temporary differences exceeding 10% of the common equity	-	
Amounts exceeding 15% of the common equity as per the 2 nd clause of the provisional article 2 of the Regulation on the Equity of Banks	-	
Excess amount arising from the net long positions of investments in common equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital	-	
Excess amount arising from mortgage servicing rights	-	
Excess amount arising from deferred tax assets based on temporary differences	-	
Other items to be defined by the BRSA	-	
Deductions to be made from common equity in case adequate additional Tier I capital or Tier II capital is not available	-	
Total deductions from common equity Tier I capital	82,142	
Total common equity Tier I capital	5,453,971	
ADDITIONAL TIER I CAPITAL		
Preferred Stock not Included in Common Equity Tier I capital and the Related Share Premiums	-	
Debt instruments and premiums approved by BRSA	-	
Debt instruments and premiums approved by BRSA (in scope of Temporary Article 4)	-	
Additional Tier I capital before deductions	-	
Deductions from additional Tier I capital		
Bank's direct and indirect investments in its own Additional Tier I capital (-)	-	
Investments in equity instruments issued by banks and financial institutions that have invested in Bank's additional Tier I Capital, which are compatible with Article 7 of the regulation	-	
Portion of total Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital, which Exceeds 10% of Bank's Tier I Capital	-	
The Total of Net Long Positions of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital	-	
Other items to be defined by the BRSA	-	
Items continuing to be deducted from Tier I Capital during the Transition Period	-	
Portion of the goodwill and other intangible assets and related deferred tax liabilities which will not be deducted from Common Equity Tier I capital as per the first sub-paragraph of the Provisional Article 2 of the Regulation on the Equity of Banks (-)	7,370	
Portion of the net deferred tax asset/liability not deducted from Common Equity Tier I capital as per the first sub-paragraph of the Provisional Article 2 of the Regulation on the Equity of Banks (-)	-	
Deductions to be made from common equity in case adequate Additional Tier I Capital or Tier II Capital is not available (-)	-	
Total deductions from additional Tier I capital	-	
Total additional Tier I capital	-	
Total Tier I capital (Tier I Capital = Common Equity + Additional Tier I Capital)	5,446,601	

(*) Amounts represent the amounts of items to be taken into consideration and subject to transition provisions in accordance with Temporary Articles of "Regulation on the Equity of Banks".

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Notes to the unconsolidated financial statements for the three-month period ended 31 March 2018 (continued) (Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

I. Explanations on unconsolidated capital (continued)

	Prior period	Amount related to implementation before 01.01.2014 (*)
TIER II CAPITAL		
Bank's borrowing instruments and issue premiums	2,812,352	
Bank's borrowing instruments and issue premiums (in scope of Temporary Article 4)	200,000	
Provisions (amounts stated in Article 8 of the Regulation on the Equity of Banks)	510,938	
Tier II Capital Before Deductions	3,523,290	
Deductions From Tier II Capital		
Bank's direct and indirect investments in its own Tier II Capital (-)	-	
Bank's investments in in equity instruments issued by banks and financial institutions that have invested in Bank's additional Tier I Capital, which are compatible with Article 8 of the regulation.	-	
Portion of total Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital, which Exceeds 10% of Bank's Tier I Capital (-)	-	
The Total of Net Long Positions of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital	-	
Other items to be defined by the BRSA (-)	-	
Total Deductions from Tier II Capital	-	
Total Tier II Capital	3,523,290	
Total capital (the sum of tier i capital and tier ii capital)	8,969,891	
Total of core capital and additional capital (total equities)		
Loans granted against Article 50 and 51 of Banking Law	-	
Net Book Values of Movables and Immovables Exceeding the Limit Defined in Article 57, Clause 1 of the Banking Law and of Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Three Years	-	
Other items to be defined by the BRSA	13,458	
Items to be deducted from the sum of Tier I and Tier II Capital (Capital) during transition period		
Portion of total Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital, exceeding 10% of Bank's Tier I Capital, which is not deducted from Tier I, Tier II and additional capital as per Temporary Article 2 of the Regulation on the Equity of Banks	-	
Portion of total Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital, exceeding 10% of Bank's Tier I Capital, which is not deducted from the tier II capital and additional capital as per Temporary Article 2 of the Regulation on the Equity of Banks (-)	-	
Portion of the total of net long positions of investments made in the common equity items of banks and financial institutions outside the scope of consolidation where the bank owns 10% or more of the issued common share capital, deferred tax assets based on temporary differences and mortgage servicing rights not deducted from Common Equity as per paragraph 1 and 2 of Provisional Article 2 of the Regulation on the Equity of Banks (-)	-	
TOTAL CAPITAL		
Total Capital	8,956,433	
Total risk weighted amounts	44,940,945	
CAPITAL ADEQUACY RATIOS		
Core Capital Adequacy Ratio (%)	12.14	
Tier I Capital Adequacy Ratio (%)	12.12	
Capital Adequacy Ratio (%)	19.93	
BUFFERS		
Total buffer requirement	5.773	
Capital protection buffer requirement (%)	1.250	
Bank specific cyclical buffer requirement (%)	0.023	
The ratio of Additional Common Equity Tier I capital to be calculated as per the first paragraph of Article 4 of Regulation on Capital Protection and Countercyclical Capital buffers to Risk Weighted Assets (%)	-	
Amounts below the Excess Limits as per the Deduction Principles	6.136	
Amounts arising from the net long positions of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital	-	
Amounts arising from the net long positions of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or more of the issued share capital	-	
Mortgage Servicing Rights	-	
Amount arising from deferred tax assets based on temporary differences	-	
Limits related to provisions considered in Tier II calculation	41,169	
General provisions for standard based receivables (before ten thousand twenty five limitation)	-	
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	645,238	
Amount of total provision exceeding the total expected loss amount calculated according to the Communiqué on the Calculation of the Credit Risk Based Amount as per the Internal Ratings Based Approach	510,938	
Amount up to 0.6% of the portion of total provision exceeding the total expected loss amount calculated according to the Communiqué on the Calculation of the Credit Risk Based Amount as per the Internal Ratings Based Approach	-	
Debt instruments subject to Temporary Article 4 (to be implemented between 1 January 2018 and 1 January 2022)	-	
Upper limit for Additional Tier I Capital subject to Temporary Article 4	-	
Amounts exceeding the upper limits of Additional Tier I Capital subject to Temporary Article 4	-	
Upper limit for Additional Tier II Capital subject to temporary Article 4	-	
Amounts exceeding the upper limits of Additional Tier II Capital subject to temporary Article 4	-	

(*) Amounts represent the amounts of items to be taken into consideration and subject to transition provisions in accordance with Temporary Articles of "Regulation on the Equity of Banks".

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Notes to the unconsolidated financial statements for the three-month period ended 31 March 2018 (continued) (Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

I. Explanations on unconsolidated capital (continued)

Information about debt instruments that will be included in total capital calculation:

Issuer	ING Bank N.V.	ING Bank N.V.	ING Bank N.V.	ING Bank N.V.
Unique identifier (e.g. CUSIP, ISIN, etc.)	-	-	-	-
Governing law(s) of the instrument	BRSA	BRSA	BRSA	BRSA
Regulatory treatment	Supplementary capital	Supplementary capital	Supplementary capital	Supplementary capital
Subject to 10% deduction as of 1/1/2015	No	No	No	No
Eligible at stand-alone / consolidated	Stand alone - Consolidated	Stand alone - Consolidated	Stand alone - Consolidated	Stand alone - Consolidated
Instrument type (types to be specified by each jurisdiction)	Loan	Loan	Loan	Loan
Amount recognised in regulatory capital (Currency in million, as of most recent reporting date)	TL 200 million	USD 102 million (TL 403 million) and EUR 90 million (TL 438 million)	USD 91 million (TL 360 million) and EUR 85 million (TL 414 million)	USD 62 million (TL 245 million) and EUR 231 million (TL 1,125 million)
Par value of instrument (Currency in million)	TL 200 million	USD 102 million (TL 403 million) and EUR 90 million (TL 438 million)	USD 91 million (TL 360 million) and EUR 85 million (TL 414 million)	USD 62 million (TL 245 million) and EUR 231 million (TL 1,125 million)
Accounting classification	Subordinated Loans	Subordinated Loans	Subordinated Loans	Subordinated Loans
Original date of issuance	19 December 2013	11 March 2014	26 June 2014	26 May 2015
Perpetual or dated	Dated	Dated	Dated	Dated
Original maturity date	51 years	10 years	10 years	10 years
Issuer call subject to prior BRSA approval	Yes	Yes	Yes	Yes
Optional call date, contingent call dates and redemption amount	5th year	5th year	5th year	5th year
Subsequent call dates, if applicable	After 5th year	After 5th year	After 5th year	After 5th year
Coupons / dividends	-	-	-	-
Fixed or floating dividend/coupon	Floating	Floating	Floating	Floating
Coupon rate and any related index	USD/TL Swap rate+ 2.86%	Libor+2.775% and Euribor+2.29%	Libor+2.27% and Euribor+2.17%	Libor+2.19% and Euribor+1.68%
Existence of a dividend stopper	-	-	-	-
Fully discretionary, partially discretionary or mandatory	-	-	-	-
Existence of step up or other incentive to redeem	None	None	None	None
Noncumulative or cumulative	-	-	-	-
Convertible or non-convertible	None	None	None	None
If convertible, conversion trigger(s)	-	-	-	-
If convertible, fully or partially	-	-	-	-
If convertible, conversion rate	-	-	-	-
If convertible, mandatory or optional conversion	-	-	-	-
If convertible, specify instrument type convertible into	-	-	-	-
If convertible, specify issuer of instrument it converts into	-	-	-	-
Write-down feature	None	None	None	None
If write-down, write-down trigger(s)	-	-	-	-
If write-down, full or partial	-	-	-	-
If write-down, permanent or temporary	-	-	-	-
If temporary write-down, description of write-up mechanism	-	-	-	-
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	After the senior creditors primary subordinated loans and before the TIER I sub-debt, same with TIER II	After the senior creditors primary subordinated loans and before the TIER I sub-debt, same with TIER II	After the senior creditors primary subordinated loans and before the TIER I sub-debt, same with TIER II	After the senior creditors primary subordinated loans and before the TIER I sub-debt, same with TIER II
Whether conditions in Articles 7 and 8 of the Regulation on the Equity of Banks are met	None	None	None	None
Conditions in Articles 7 and 8 of the Regulation on the Equity of Banks, which are not met	-	-	-	-

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Notes to the unconsolidated financial statements for the three-month period ended 31 March 2018 (continued) (Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

I. Explanations on unconsolidated capital (continued)

Explanations on reconciliation of capital items to balance sheet

Risk classifications	Carrying amount	Amounts in equity calculation (*)
Shareholders' equity	6,421,472	6,421,472
Gains from cash flow hedge transactions	369,833	(369,833)
Leasehold improvements on operational leases	32,153	(32,153)
Goodwill and intangible assets	34,545	(32,181)
General provision	365,277	365,277
Subordinated debt	3,191,318	3,184,358
Other deductions from shareholders' equity	11,535	(11,535)
Capital		9,525,405

(*) General provisions limited by 1.25% of credit risk weighted assets is taken into consideration regarding to capital calculation.

The approach used to evaluate the adequacy of internal capital requirement for the purpose of current and future operations within the internal capital adequacy process

Not prepared as per Article 25 of the Communiqué on the Financial Statements and Related Explanations and Notes that will be Publicly Announced.

II. Explanation on unconsolidated currency risk

Management of foreign currency risk is differentiated on the basis of “Banking Book” and “Trading Book”, where trading book is managed in accordance with foreign currency trading position limits as well as value at risk (“VaR”) and banking book is managed foreign exchange position limits scope. The results of measurements are shared periodically with senior management, Asset-Liability Committee, Audit Committee and the Board of Directors. On the other hand, currency risk is also taken into account in the capital adequacy ratio calculation as part of the market risk under the standard method.

The simple arithmetic average of USD and EUR buying rates of the Bank for the thirty days before the balance sheet date are 3.8889 (Full TL) and 4.7931 (Full TL) respectively.

The Bank's USD and EUR buying rates as of balance sheet date and five business days prior to this date are as follows:

	1 USD	1 EURO
A. The Bank's “foreign exchange buying rates” (31 March 2018)	3.9520	4.8685
Previous days;		
30 March 2018	3.9520	4.8685
29 March 2018	3.9646	4.8832
28 March 2018	4.0070	4.9458
27 March 2018	3.9782	4.9326
26 March 2018	3.9806	4.9499

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Notes to the unconsolidated financial statements for the three-month period ended 31 March 2018 (continued) (Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

II. Explanation on unconsolidated currency risk (continued)

Information related to currency risk

	EURO	USD	Other FC	Total
Current period				
Assets				
Cash (cash in vault, foreign currency cash, money in transit, checks purchased) and balances with the Central Bank of Turkey	2,147,478	4,107,687	1,202,621	7,457,786
Banks	204,046	95,614	75,499	375,159
Financial assets at fair value through profit or loss	5,836	13,044	-	18,880
Money market placements	-	-	-	-
Financial assets measured at fair value through other comprehensive income	167	-	-	167
Loans	8,214,268	1,556,982	2,265	9,773,515
Investments in associates, subsidiaries and joint ventures	-	334	-	334
Financial assets measured at amortised cost	-	-	-	-
Hedging derivative financial assets	-	-	-	-
Tangible assets (net)	-	-	-	-
Intangible assets (net)	-	-	-	-
Other assets	4,205	817	8	5,030
Total assets	10,576,000	5,774,478	1,280,393	17,630,871
Liabilities				
Bank deposit	1,334,590	283,031	246	1,617,867
Foreign currency deposits	2,461,619	5,483,532	184,230	8,129,381
Funds from interbank money market	-	-	-	-
Borrowings	8,055,482	7,705,810	123,865	15,885,157
Marketable securities issued	-	-	-	-
Miscellaneous payables	975	24,189	2,800	27,964
Hedging derivative financial liabilities	4,089	-	-	4,089
Other liabilities	51,007	68,061	1,801	120,869
Total liabilities	11,907,762	13,564,623	312,942	25,785,327
Net on balance sheet position	(1,331,762)	(7,790,145)	967,451	(8,154,456)
Net off-balance sheet position	1,333,418	7,791,257	(968,558)	8,156,117
Financial derivative assets	8,211,687	18,718,445	1,297,163	28,227,295
Financial derivative liabilities	6,878,269	10,927,188	2,265,721	20,071,178
Non-cash loans	5,241,324	7,001,200	76,937	12,319,461
Prior period				
Total assets	11,058,363	5,184,999	1,233,954	17,477,316
Total liabilities	11,764,122	13,636,876	313,184	25,714,182
Net on-balance sheet position	(705,759)	(8,451,877)	920,770	(8,236,866)
Net off-balance sheet position	702,801	8,445,747	(919,681)	8,228,867
Financial derivative assets	6,914,832	17,978,148	802,738	25,695,718
Financial derivative liabilities	6,212,031	9,532,401	1,722,419	17,466,851
Non-cash loans	5,353,080	6,342,203	68,892	11,764,175

In the foreign currency risk table:

The principal and accrual of TL 913,679 (31 December 2017: TL 1,055,331) of foreign currency indexed loans are shown under loans.

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**Notes to the unconsolidated financial statements
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II. Explanation on unconsolidated currency risk (continued)

The foreign currency amounts not included in currency risk table according to the regulation about Foreign Currency Net General Position/Capital Adequacy Standard Ratio are explained below with the order in the table above.

Held-for-trading derivative financial assets: TL 181,119 (31 December 2017: TL 184,960).
Prepaid expenses: None (31 December 2017: None).
Held-for trading derivative financial liabilities: TL 186,783 (31 December 2017: TL 183,502).
Hedge funds (Effective Portion): TL (4,092) (31 December 2017: TL (4,240)).
Marketable securities valuation differences: None (31 December 2017: None).
Interest rate swap (buy) transactions and options (buy): TL 4,295,512 (31 December 2017: TL 3,818,260).
Interest rate swap (sell) transactions and options (sell): TL 4,295,512 (31 December 2017: TL 3,818,260).

Financial derivative assets/liabilities include the foreign currency buy/sell transactions indicated below.

Forward foreign currency-buy transactions: TL 374,006 (31 December 2017: TL 1,054,558).
Forward foreign currency-sell transactions: TL 507,259 (31 December 2017: TL 959,626).

III. Explanations on unconsolidated interest rate risk

Interest risk, which refers to the loss which interest sensitive assets and liabilities in and off balance sheet that might be subject to due to the changes in the interest rate as a result of maturity mismatch, is differentiated and managed on the basis of banking book and trading book as part of compliance with both Basel regulations and other international standards. Within this context, in addition to the value at risk limit, sensitivity limit against interest rate shocks has been determined under trading books and banking books. Capital requirement relating to market risk is calculated through the Standard Method according to Basel II.

In order to hedge interest rate risk, hedging strategies are applied through off-balance sheet transactions provided that the limits determined by the Board of Directors are not exceeded, and interest rate risk is managed by ensuring optimum balance between fixed and floating rate assets within the balance sheet.

The measurement and sensitivity analysis related to the interest rate risk on the balance sheet are performed regularly and the results are shared with the senior management, Asset and Liability Committee, the Audit Committee and the Board of Directors periodically. Internal calculations for the interest rate risk arising from banking books are made on a daily basis, whereas Interest rate risk standard ratio arising from banking books is reported on a monthly basis to BRSA.

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III. Explanations on unconsolidated interest rate risk (continued)

1. Information related to the interest rate sensitivity of assets, liabilities and off-balance sheet items (based on re-pricing dates)

Current period	Up to 1 month	1-3 months	3-12 months	1-5 years	5 years and over	Non-interest bearing	Total
Assets							
Cash (cash in vault, foreign currency cash, money in transit, checks-purchased) and balances with the Central Bank of Turkey	5,501,917	15,325	-	-	-	2,476,988	7,994,230
Banks	292,262	146,778	-	-	-	168,055	607,095
Financial assets at fair value through profit and loss	151,266	257,179	164,456	3,613	-	80	576,594
Money market placements	1,641,802	-	-	-	-	-	1,641,802
Financial assets measured at fair value through other comprehensive income	-	1,127	247,129	177,486	-	6,080	431,822
Loans	6,958,957	4,046,795	11,107,781	14,886,158	1,618,651	216,518	38,834,860
Financial assets measured at amortised cost	88,979	872,406	233,949	-	-	-	1,195,334
Other assets (*)	507,560	1,244,397	-	-	-	1,193,314	2,945,271
Total assets	15,142,743	6,584,007	11,753,315	15,067,257	1,618,651	4,061,035	54,227,008
Liabilities							
Bank deposits	-	-	-	-	-	1,635,212	1,635,212
Other deposits	22,854,451	1,059,111	292,169	20,839	-	3,316,640	27,543,210
Money market borrowings	3,029	-	-	-	-	-	3,029
Miscellaneous payables	-	-	-	-	-	330,771	330,771
Securities issued	-	-	246,856	-	-	-	246,856
Funds provided from other financial institutions	4,582,977	7,015,354	2,167,638	2,686,193	-	-	16,452,162
Other liabilities (**)	186,029	161,270	141,152	2,875	-	7,524,442	8,015,768
Total liabilities	27,626,486	8,235,735	2,847,815	2,709,907	-	12,807,065	54,227,008
Balance sheet long position	-	-	8,905,500	12,357,350	1,618,651	-	22,881,501
Balance sheet short position	(12,483,743)	(1,651,728)	-	-	-	(8,746,030)	(22,881,501)
Off-balance sheet long position	4,309,093	11,021,871	-	-	-	-	15,330,964
Off-balance sheet short position	-	-	(5,136,684)	(8,343,306)	(449,289)	-	(13,929,279)
Total position	(8,174,650)	9,370,143	3,768,816	4,014,044	1,169,362	(8,746,030)	1,401,685

(*) Non-interest bearing column in other assets line consists of subsidiaries, property and equipment, intangible assets, assets held for sale, expected loss provisions for non-credit financial assets and other assets.

(**) Non-interest bearing column in other liabilities line consists of other foreign liabilities, provisions, derivative financial liabilities, taxes payable and equity.

Prior year's information related to the interest rate sensitivity of assets, liabilities and off-balance sheet items (based on re-pricing dates)

Prior period	Up to 1 month	1-3 months	3-12 months	1-5 years	5 years and over	Non-interest bearing	Total
Assets							
Cash (Cash in vault, foreign currency cash, money in transit, checks purchased) and balances with the Central Bank of Turkey	5,546,209	13,778	-	-	-	2,270,536	7,830,523
Due from other banks and financial institutions	231,820	7,243	-	-	-	243,091	482,154
Financial assets at fair value through profit and loss	201,387	235,924	176,257	485	-	45	614,098
Money market placements	1,047,895	-	-	-	-	-	1,047,895
Available-for-sale financial assets	134,953	514,457	907,048	173,427	-	6,103	1,735,988
Loans and receivables	6,543,648	4,061,627	10,527,437	15,118,105	1,718,553	497,406	38,466,776
Held-to-maturity investments	-	-	-	-	-	-	-
Other assets (*)	445,567	1,125,828	-	-	-	1,133,278	2,704,673
Total assets	14,151,479	5,958,857	11,610,742	15,292,017	1,718,553	4,150,459	52,882,107
Liabilities							
Bank deposits	-	-	-	-	-	1,481,773	1,481,773
Other deposits	21,941,260	715,535	134,658	113,757	-	3,298,842	26,204,052
Money market borrowings	59,498	-	-	-	-	-	59,498
Miscellaneous payables	-	-	-	-	-	401,619	401,619
Securities issued	-	-	-	-	-	-	-
Funds provided from other financial institutions	4,805,996	7,364,846	2,057,625	2,736,277	38,503	-	17,003,247
Other liabilities (**)	169,236	185,769	139,419	346	-	7,237,148	7,731,918
Total liabilities	26,975,990	8,266,150	2,331,702	2,850,380	38,503	12,419,382	52,882,107
Balance sheet long position	-	-	9,279,040	12,441,637	1,680,050	-	23,400,727
Balance sheet short position	(12,824,511)	(2,307,293)	-	-	-	(8,268,923)	(23,400,727)
Off-balance sheet long position	4,514,666	11,910,222	-	-	-	-	16,424,888
Off-balance sheet short position	-	-	(6,730,620)	(7,997,098)	(386,222)	-	(15,113,940)
Total position	(8,309,845)	9,602,929	2,548,420	4,444,539	1,293,828	(8,268,923)	1,310,948

(*) Non-interest bearing column in other assets line consists of subsidiaries, property and equipment, intangible assets, current tax, deferred tax, assets held for sale and other assets.

(**) Non-interest bearing column in other liabilities line consists of other foreign liabilities, provisions, taxes payable and equity.

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III. Explanations on unconsolidated interest rate risk (continued)

2. Current period average interest rates applied to monetary financial instruments by the Bank

Current period	EURO (%)	USD (%)	Yen (%)	TL (%)
Assets				
Cash (Cash in vault, foreign currency cash, money in transit, checks purchased) and balances with the Central Bank of Turkey	-	1.50	-	4.00
Banks	0.75	1.74	-	12.67
Financial assets at fair value through profit and loss	4.69	6.30	-	10.83
Money market placements	-	-	-	12.70
Financial assets measured at fair value through other comprehensive income	-	-	-	11.98
Loans	3.43	5.74	-	15.89
Financial assets measured at amortised cost	-	-	-	11.61
Liabilities				
Bank deposits	-	-	-	-
Other deposits	0.36	2.85	-	10.84
Money market borrowings	-	-	-	7.50
Miscellaneous payables	-	-	-	-
Securities issued	-	-	-	15.04
Funds provided from other financial institutions	0.88	3.05	-	11.66

Prior period average interest rates applied to monetary financial instruments by the Bank

Prior period	EURO (%)	USD (%)	Yen (%)	TL (%)
Assets				
Cash (Cash in vault, foreign currency cash, money in transit, checks purchased) and balances with the Central Bank of Turkey	-	1.50	-	4.00
Due from other banks and financial institutions	(0.46)	-	-	-
Financial assets at fair value through profit and loss	4.40	6.29	-	9.06
Money market placements	-	-	-	12.73
Financial assets available-for-sale	-	-	-	11.22
Loans and receivables	3.45	5.39	-	15.45
Held-to-maturity investments	-	-	-	-
Liabilities				
Bank deposits	-	-	-	-
Other deposits	0.36	2.57	-	10.54
Money market borrowings	-	-	-	11.43
Miscellaneous payables	-	-	-	-
Securities issued	-	-	-	-
Funds provided from other financial institutions	0.80	2.67	-	10.82

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IV. Explanations on equity securities position risk derived from unconsolidated banking books

1. Explanations on accounting policies for equity investments in subsidiaries and associates

Accounting policies for equity investments in subsidiaries and associates are disclosed in section III disclosure III.

2. Comparison of carrying value, fair value and market value of equity investments

Current period	Carrying value	Fair value (*)	Market value
Quoted	-	-	-
Equity investments	-	-	-
Not quoted	6,080	887	887
Equity investments	6,080	887	887
Financials subsidiaries	95,907	-	-
Financials subsidiaries	95,907	-	-
Prior period	Carrying value	Fair value (*)	Market value
Quoted	51	51	51
Equity investments	51	51	51
Not quoted	6,052	871	871
Equity investments	6,052	871	871
Financials subsidiaries	95,907	-	-
Financials subsidiaries	95,907	-	-

(*) Only equity investments having market value are presented under "Fair Value" column.

3. Information on realized gains or losses on revaluation of securities, revaluation surplus and unrealized gains or losses and their included amounts in core and additional capital

Current period	Realized gains/losses during the period	Revaluation increases		Unrealized gains/ losses	
		Total	Including into the additional capital	Total	Including into the core capital
Private equity investments	-	-	-	-	-
Shares traded on a stock exchange	-	-	-	-	-
Other stocks	-	127	-	(254)	(254)
Total	-	127	-	(254)	(254)

Prior period	Realized gains/losses during the period	Revaluation increases		Unrealized gains/ losses	
		Total	Including into the supplementary capital	Total	Including into the core capital
Private equity investments	-	-	-	-	-
Shares traded on a stock exchange	-	16	-	16	16
Other stocks	126,380	111	-	(270)	(270)
Total	126,380	127	-	(254)	(254)

4. Capital requirement as per equity shares

Current period	Carrying value	Total RWA	Minimum capital requirement (*)
Private equity investments	-	-	-
Shares traded on a stock exchange	-	-	-
Other equity shares	101,987	101,987	8,159
Prior period	Carrying value	Total RWA	Minimum capital requirement (*)
Private equity investments	-	-	-
Shares traded on a stock exchange	51	51	4
Other equity shares	101,959	101,959	8,157

(*) The amount is calculated by using standard method within the scope of the "Regulation on Measurement and Evaluation of Capital Adequacy of Banks".

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V. Explanations on unconsolidated liquidity risk management and liquidity coverage ratio

1. Information on matters related to liquidity risk

a. Information on liquidity risk management, such as risk capacity, responsibilities and the structure of liquidity risk management, the Bank’s internal liquidity risk reporting, communication between the Board of Directors and business lines on liquidity risk strategy, policy and application

A policy (“Market Risk Policy”) which includes measures to be taken and practices that might be applied in normal and stressful economic conditions for liquidity risk management and responsibilities of the senior management. This policy has been approved by the Asset Liability Management Committee and by the Board of Directors. Within the scope of this policy, the liquidity risk has been managed under the Asset Liability Management Committee which senior representatives of businesses are members of the Committee.

In accordance with the provisions of the policy, a liquidity buffer that can supply adequate liquidity level under any economic circumstances and which is not subject to the collateral, has been determined. In addition, the emergency funding plan to be implemented in times of stress is currently in force. On the other hand, an Asset Liability Management Committee and Board of Directors certified liquidity risk appetite has been established in order to enable monitoring and managing the risk numerically. The relevant parameters are analysed regularly and reported to the members of Asset Liability Management Committee and Board of Directors.

On the other hand, the Bank’s liquidity buffers are evaluated under different stress scenarios with the comprehensive liquidity stress test approach established in accordance with ING Group’s common policies on market risk and particularly new international regulations (ILAAP-Internal Liquidity Adequacy Assessment Process). In addition, still in scope of ILAAP, in the Risk Control Self- Assessment process, comprehensive assessments are made related to liquidity risk, and after these risks are identified clearly, their potential financial impact on the Bank’s operations is evaluated periodical.

To ensure proactive management of funding liquidity risk, risk thresholds specified on deposit movements and early warning signals are monitored.

b. Information on the centralization degree of liquidity management and funding strategy and the functioning between the Bank and the Bank’s subsidiaries

The liquidity risk is managed by the Asset and Liability Board in Bank, but Subsidiaries of Parent Bank manage Liquidity risk themselves. On the other hand, in order to make a central funding strategy, a funding plan including subsidiaries is established every year. In addition, information about the implementation and realization of the funding plan is made to the Asset Liability Management Committee. According to the limits determined by the Board of Directors, liquidity deficit and surplus are tracked and actions are taken in accordance with the price, interest rate and term structure.

c. Information on the Bank’s funding strategy including the policies on funding types and variety of maturities

Resource diversification short, medium and long term targets are determined in parallel to business line planning as part of the budget process in the Bank. On the other hand, the Bank’s funding capacity is monitored regularly, and shared with senior management monthly within the Asset and Liability Management Group- Asset Liability Management Committee reporting. In this way, factors which may affect the ability to create additional funding can be followed closely by senior management and the validity of the funding estimates generation capacity can be monitored.

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**V. Explanations on unconsolidated liquidity risk management and liquidity coverage ratio
(continued)**

**ç. Information on liquidity management on the basis of currencies constituting a minimum of
five percent of the Bank’s total liabilities**

Almost all of the Bank’s liabilities are in TL, USD or EURO, and TL funds comprise of mainly equity, deposits and short-term bond issuance. The Bank’s liquidity in TL is managed with repurchase agreements and short-term money market transactions carried out at CBRT/BIST using high quality securities owned by the Bank. While the main purpose is using liabilities in TL in funding TL assets, when necessary money swap transactions and FC funds are used in creating assets in TL within the limits set by the Board of Directors. Foreign currency funds are obtained through foreign exchange deposit accounts and including syndications, foreign based and foreign currency loans. Liquidity shortage/surplus values are calculated daily by Asset and Liability Management Group and these values are reported in Asset Liability Management Committee. On the other hand, the TL and FC liquidity coverage ratio is calculated on a daily basis, and shared with all units and senior management, and reported separately to Asset Liability Management Committee. The Bank has TL/FC borrowing limits ready to use in Central Bank and other banks.

d. Information on liquidity risk mitigation techniques

The first measure towards the mitigation of the liquidity risk as part of the budget process is planning the reduction of funding diversity and maturity mismatch. Within this context, syndication, other foreign funding, sources provided by the shareholders and other domestic funding opportunities are used. In addition to this, active swap markets are used to provide liquidity in a particular currency. In addition to all these, emergency funding plan risk measurement metrics and early warning signals are continuously monitored and reported on a monthly basis to Asset Liability Management Committee. The pre-determination and prevention of the liquidity risk are ensured through these metrics by defining alarms indicating actions to be taken according to the trigger levels of actual inflows and outflows of deposits, stress testing, liquidity buffer level, loan/deposit ratio, legal and structural liquidity ratios and other similar measurement techniques.

e. Information on the use of stress tests

The Bank has a written liquidity stress testing procedure which includes the implementation of stress testing and related responsibilities and is approved by Asset Liability Management Committee. To ensure that the existing positions remain within risk tolerance, the Market Risk Management and Product Control Group plans, designs, manages, reports to Asset Liability Management Committee on a monthly basis and reviews annually the stress tests. Stress test scenarios which consider Bank specific, market-wide or both cases, and have short term or long term consequences, are used in stress testing application where the scenario and parameters are revised annually by the Asset and Liability Management Group and business lines. On the other hand, results of stress testing are used as the leading indicator within the process of activating the emergency funding plan.

f. Overview on emergency and contingency liquidity situation plans

The Bank has formed an emergency/contingency funding plan that includes policies and methods that can be applied in stress conditions or in case of a liquidity shortage and responsibilities of senior management and business lines. Early warning signals and crisis triggers, which are the leading indicators of emergency funding plan and considered as the precursors of the liquidity shortage or an unexpected situation, are monitored monthly and are presented to the senior management on a monthly basis at Asset Liability Management Committee meetings by Market Risk Management and Product Control Group. In addition, effective internal and external communication channels are determined and a crisis management team including realistic action plans are established in order to provide emergency liquidity crisis management and implement various elements of the plan. Measurement metrics of the emergency funding plan are revised yearly with regards to their compliance with changes in market and stress conditions.

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V. Explanations on unconsolidated liquidity risk management and liquidity coverage ratio (continued)

2. Liquidity coverage ratio

In accordance with BRSA's "Regulation on Banks' Liquidity Coverage Ratio Calculation", promulgated in the Official Gazette, No. 28948, dated 21 March 2014, the Bank calculates and shares the Liquidity Coverage Ratio to BRSA on a weekly basis. Liquidity Coverage Ratio is above the values stated in the regulation.

Dates and values of the lowest and highest FX and total liquidity coverage ratio calculated monthly over the last three months are presented in the below table.

	Minimum	Date	Maximum	Date
TL+FC	144.82	9 February 2018	167.55	30 March 2018
FC	154.41	5 January 2018	311.88	12 January 2018

Liquidity coverage ratio

Current period	Total unweighted value (*)		Total weighted value (*)	
	TL+FC	FC	TL+FC	FC
High quality liquid assets				
High quality liquid assets			10,277,794	7,905,314
Cash Outflows				
Real person and retail deposits	23,005,168	6,079,839	1,882,796	607,984
Stable deposits	8,354,399	-	417,720	-
Less stable deposits	14,650,769	6,079,839	1,465,076	607,984
Unsecured funding other than real person and retail deposits	6,931,992	4,451,085	4,855,581	3,354,440
Operational deposits	207,836	4,062	51,959	1,016
Non-operational deposits	5,054,543	3,575,473	3,191,771	2,481,874
Other unsecured debt	1,669,613	871,550	1,611,851	871,550
Secured funding			-	-
Other cash outflows	22,986,391	10,392,556	12,007,154	5,804,596
Derivative exposures and collateral completion liabilities	10,604,878	4,939,284	10,604,879	4,939,284
Payables due to structured financial instruments	-	-	-	-
Payment commitments and other off-balance sheet commitments granted for debts to financial markets	12,381,513	5,453,272	1,402,275	865,312
Other contractual funding obligations	-	-	-	-
Other irrevocable or conditionally revocable off balance sheet liabilities	-	-	-	-
Total cash outflows			18,745,531	9,767,020
Cash inflows				
Secured lending	171,543	-	-	-
Unsecured lending	3,860,224	751,826	2,237,000	482,053
Other cash inflows	10,244,390	5,712,382	9,940,251	5,707,824
Total cash inflows	14,276,157	6,464,208	12,177,251	6,189,877
			Total adjusted value	
Total high quality liquid assets stock			10,277,794	7,905,314
Total net cash outflows			6,568,280	3,598,066
Liquidity coverage ratio (%)			156.67	229.43

(*) Simple arithmetic average calculated for the last three months by using the amounts calculated based on weekly simple arithmetic averages.

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**V. Explanations on unconsolidated liquidity risk management and liquidity coverage ratio
(continued)**

Prior period	Total unweighted value (*)		Total weighted value (*)	
	TL+FC	FC	TL+FC	FC
High quality liquid assets				
High quality liquid assets			10,216,175	7,694,968
Cash Outflows				
Real person and retail deposits	22,101,319	5,312,568	1,794,388	531,257
Stable deposits	8,314,865	-	415,743	-
Less stable deposits	13,786,454	5,312,568	1,378,645	531,257
Unsecured funding other than real person and retail deposits	6,882,034	4,439,666	4,632,001	3,248,742
Operational deposits	254,270	4,007	63,567	1,002
Non-operational deposits	5,488,742	3,917,622	3,486,149	2,729,703
Other unsecured debt	1,139,022	518,037	1,082,285	518,037
Secured funding			-	-
Other cash outflows	23,837,879	11,352,490	13,291,652	7,204,451
Derivative exposures and collateral completion liabilities	11,909,327	6,380,471	11,909,328	6,380,471
Payables due to structured financial instruments	-	-	-	-
Payment commitments and other off-balance sheet commitments granted for debts to financial markets	11,928,552	4,972,019	1,382,324	823,980
Other contractual funding obligations	-	-	-	-
Other irrevocable or conditionally revocable off balance sheet liabilities	-	-	-	-
Total cash outflows			19,718,041	10,984,450
Cash inflows				
Secured lending	308,293	-	-	-
Unsecured lending	4,205,493	1,016,461	2,593,968	761,662
Other cash inflows	11,582,954	5,615,715	11,281,080	5,611,220
Total cash inflows	16,096,740	6,632,176	13,875,048	6,372,882
				Total adjusted value
Total high quality liquid assets stock			10,216,175	7,694,968
Total net cash outflows			5,868,451	4,611,568
Liquidity coverage ratio (%)			177.24	172.27

(*) Simple arithmetic average calculated for the last three months by using the amounts calculated based on weekly simple arithmetic averages.

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**V. Explanations on unconsolidated liquidity risk management and liquidity coverage ratio
(continued)**

3. Other explanations on unconsolidated liquidity coverage ratio

Short term liquidity is managed within the legal limits in the Bank, the liquid assets are managed by using “Liquidity Coverage Ratio” calculations to follow up the minimum liquidity limits and keep sufficient stock of high quality liquid assets to meet net cash outflows as of and for the year 2018. Liquidity coverage ratio is calculated as per the Regulation on Banks’ Liquidity Coverage Ratio Calculation. The ratio is affected from Bank’s quality liquid asset value not used as guarantee that can be converted to cash any time and Bank’s possible cash inflows and outflows arising from net cash assets, liability and off balance sheet transactions.

The Bank evaluates cash equivalents, time and demand deposit accounts held in Central Bank of Turkey, obligatory reserves and debt securities issued by the Treasury and not subject to collaterals as high level quality liquid assets.

The primary sources to meet the liquidity needs of the Bank are funds from interbank money market or available for sale security portfolio by repurchasing agreements or direct sales. Besides borrowing from the Parent Company in medium and long term, in order to manage concentration risk with respect to funding resources, the Bank aims to balance maturity mismatch and protect from liquidity risk by taking actions aiming to increase resources diversification. A strategy targeting small amount deposits is applied as another element of the strategy to protect against concentration risk.

In addition, although the Bank’s wide range deposit structure including Orange Account and a large number of individually small saving deposits, it represents a short term funding source as comparable to the sector. However, these deposits renew themselves at the maturity date and remain in the Bank’s structure for a longer period than their original maturity.

Details of the Bank’s foreign currency balance sheet as of 31 March 2018 are summarized as follows:

Foreign currency borrowings constitute the majority of the foreign currency liabilities. 61% of the Bank’s foreign currency liabilities consist of funds provided from other financial institutions and subordinated loans and 38% is composed of deposits. Loans comprise 52% of the foreign currency assets. The bank placements have the shortest maturity within the assets denominated in foreign currency.

Details of the Bank’s Turkish Lira balance sheet as of 31 March 2018 are summarized as follows:

The majority of Turkish Lira balance sheet’s liability consists of deposits. 69% of the Bank’s total Turkish Lira liabilities consists of deposits. However, in case of necessity, the Bank has borrowing opportunities from both domestic and foreign banks and Takasbank and ISE repo market. 80% of the assets in Turkish Lira balance sheet are loans granted, 4% are marketable securities and 4% are receivables from money markets.

In the calculation of the liquidity coverage ratio, cash outflows arising from derivative transactions are based on the calculation of net cash flows with 30-day maturity. Also, transactions with possibility of fulfilling guarantees are included in the calculation of liquidity coverage ratio by considering the largest amount in absolute value of net guarantee flows, realized within the last 24 months and 30-day periods and realized for the related transaction or obligation, as a cash outflow.

The liquidity needs and surpluses of consolidated subsidiaries of the Bank are regularly monitored and managed. There are no operational or legal constraints preventing liquidity transfer. In the analyses made, it is seen that the effect of subsidiaries on the liquidity structure of the Bank is limited compared to the size of the balance sheet. Liquidity needs and surpluses are met in the most appropriate manner among the subsidiaries.

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V. Explanations on unconsolidated liquidity risk management and liquidity coverage ratio (continued)

4. Breakdown of assets and liabilities according to their outstanding maturities

Current period	Demand	Up to 1 month	1-3 months	3-12 months	1-5 years	5 years and over	Unallocated	Total
Assets								
Cash (cash in vault, foreign currency cash, money in transit, checks purchased) and balances with the Central Bank of Turkey	2,476,988	5,501,917	15,325	-	-	-	-	7,994,230
Banks	168,055	292,262	146,778	-	-	-	-	607,095
Financial assets at fair value through profit or loss	80	143,097	213,196	179,968	27,810	12,443	-	576,594
Money market placements	-	1,641,802	-	-	-	-	-	1,641,802
Financial assets measured at fair value through other comprehensive income	6,080	-	1,435	-	424,307	-	-	431,822
Loans	-	6,994,842	4,098,282	11,214,100	14,973,462	1,337,656	216,518	38,834,860
Financial assets measured at amortised cost	-	-	-	-	1,195,334	-	-	1,195,334
Other assets (*)	-	1,945	4,476	474,481	1,215,477	55,577	1,193,315	2,945,271
Total assets	2,651,203	14,575,865	4,479,492	11,868,549	17,836,390	1,405,676	1,409,833	54,227,008
Liabilities								
Bank deposits	1,635,212	-	-	-	-	-	-	1,635,212
Other deposits	3,316,640	22,854,451	1,059,111	292,169	20,839	-	-	27,543,210
Borrowings	-	201,247	1,153,147	5,908,259	5,886,591	3,302,918	-	16,452,162
Funds from interbank money market	-	3,029	-	-	-	-	-	3,029
Securities issued	-	-	-	246,856	-	-	-	246,856
Miscellaneous payables	330,771	-	-	-	-	-	-	330,771
Other liabilities (**)	431,347	180,651	130,287	146,855	33,533	-	7,093,095	8,015,768
Total liabilities	5,713,970	23,239,378	2,342,545	6,594,139	5,940,963	3,302,918	7,093,095	54,227,008
Liquidity deficit/surplus	(3,062,767)	(8,663,513)	2,136,947	5,274,410	11,895,427	(1,897,242)	(5,683,262)	-
Net Off Balance Sheet Position	-	(32,520)	48,540	447,528	919,027	30,876	-	1,413,451
Derivative financial assets	-	14,527,088	8,714,384	16,218,847	11,111,230	480,165	-	51,051,714
Derivative financial liabilities	-	14,559,608	8,665,844	15,771,319	10,192,203	449,289	-	49,638,263
Net Off Balance Sheet Position	34,908	657,018	1,561,091	3,558,173	7,028,292	2,135,420	-	14,974,902
Prior period								
Total assets	2,519,775	13,706,449	4,368,401	11,231,682	17,889,598	1,535,518	1,630,684	52,882,107
Total liabilities	5,406,247	23,049,081	1,970,917	5,845,105	6,364,612	3,233,010	7,013,135	52,882,107
Liquidity deficit/surplus	(2,886,472)	(9,342,632)	2,397,484	5,386,577	11,524,986	(1,697,492)	(5,382,451)	-
Net Off Balance Sheet Position	-	52,147	109,457	195,672	910,039	44,348	-	1,311,663
Derivative financial assets	-	10,597,985	10,337,817	15,332,327	10,987,612	430,570	-	47,686,311
Derivative financial liabilities	-	10,545,838	10,228,360	15,136,655	10,077,573	386,222	-	46,374,648
Net Off Balance Sheet Position	48,236	431,043	1,944,381	3,444,884	6,672,943	1,923,081	-	14,464,568

(*) Unallocated column in other assets mainly consists of other assets that are necessary for banking activities and that cannot be liquidated in the short term as property and equipment, associates and subsidiaries, stationery, prepaid expenses, expected loss provisions for non-credit financial assets and equity securities.

(**) Unallocated column in other liabilities mainly consists of provisions, unallocated part of taxes payable and shareholders' equity.

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VI. Explanations on unconsolidated leverage ratio

Leverage ratio table prepared in accordance with the communique “Regulation on Measurement and Assessment of Leverage Ratios of Banks” published in the Official Gazette No.28812 dated 5 November 2013 is presented below. As of 31 March 2018, the Bank’s leverage ratio is calculated by taking average of end of month leverage ratios for the last three months is 7.51% (31 December 2017: 6.82%). This ratio is higher than minimum ratio. The most important reason for the increase between the current period and the previous period leverage ratio is the strengthening of the main capital.

Information on unconsolidated leverage ratio

	Current period (*)	Prior period (*)
On-balance sheet items		
On-balance sheet exposures (excluding derivatives and credit derivatives including collateral)	51,647,822	51,547,848
Asset deducted from core capital	(67,075)	(56,965)
The total amount of risk on-balance sheet exposures	51,580,747	51,490,883
Derivative financial instruments and credit derivative exposures		
Replacement cost associated with derivative financial instruments and credit derivatives	2,091,206	2,528,731
The potential credit risk amount of derivative financial instruments and credit derivatives	514,090	567,755
The total risk amount of derivative financial instruments and credit derivatives	2,605,296	3,096,486
Securities or commodity guaranteed financing transactions		
Risk amount of securities or commodity collateral financing transactions (excluding on balance sheet items)	55,536	65,633
Risk amount of exchange brokerage operations	-	-
The total risk amount of securities or commodity collateral financing transactions	55,536	65,633
Off-balance sheet items		
Gross notional amount for off-balance sheet items	25,549,098	24,819,666
Adjustments for conversion to credit equivalent amounts	-	-
The total amount of risk for off-balance sheet items	25,549,098	24,819,666
Capital and total exposures		
Core capital	5,995,798	5,420,647
Total exposures	79,790,677	79,472,668
Leverage ratio		
Leverage ratio	7.51	6.82

(*) The amounts in the table represents the average of last three months.

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VII. Explanations on unconsolidated risk management

Notes and explanations in this section have been prepared in accordance with the Communiqué on Disclosures about Risk Management to be announced to Public by Banks, promulgated in the Official Gazette, No. 29511, dated 23 October 2015 and became effective as of 31 March 2016. Due to usage of standard approach for credit risk in the calculation of capital adequacy by the Bank, tables required by Internal Rating Based approach (“IRB”) are not presented.

1. Overview of risk weighted amounts

	Risk weighted amount		Minimum capital requirement
	Current period	Previous period	Current period
Credit risk (excluding counterparty credit risk) (CCR)	39,015,093	38,042,652	3,121,207
Standardized approach (SA)	39,015,093	38,042,652	3,121,207
Internal rating-based (IRB) approach	-	-	-
Counterparty credit risk	2,710,541	2,832,393	216,843
Standardized approach for counterparty credit risk (SA-CCR)	2,710,541	2,832,393	216,843
Internal model method	-	-	-
Basic risk weight approach to internal models			
equity position in the banking account	-	-	-
Investments made in collective investment companies – look-through approach	-	-	-
Investments made in collective investment companies – mandate-based approach	-	-	-
Investments made in collective investment companies - 1250% weighted risk approach	-	-	-
Settlement Risk	-	-	-
Securitization positions in banking accounts	-	-	-
IRB ratings-based approach (RBA)	-	-	-
IRB Supervisory Formula Approach (SFA)	-	-	-
SA/simplified supervisory formula approach	-	-	-
Market risk	232,425	212,263	18,594
Standardized approach (SA)	232,425	212,263	18,594
Internal model approaches (IMM)	-	-	-
Operational risk	4,640,666	3,853,637	371,253
Basic indicator approach	4,640,666	3,853,637	371,253
Standard approach	-	-	-
Advanced measurement approach	-	-	-
The amount of the discount threshold under the equity (subject to a 250% risk weight)	-	-	-
Floor adjustment	-	-	-
Total	46,598,725	44,940,945	3,727,897

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**Notes to the unconsolidated financial statements
for the three-month period ended 31 March 2018 (continued)
(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)**

VII. Explanations on unconsolidated risk management (continued)

2. Credit risk explanations

a. Assets credit quality

Not prepared in accordance with the Communiqué on Banks' Declaration on Public Disclosure of Risk Management.

b. Changes in stock of defaulted loans and debt securities

Not prepared in accordance with the Communiqué on Banks' Declaration on Public Disclosure of Risk Management.

c. Credit risk mitigation techniques

Not prepared in accordance with the Communiqué on Banks' Declaration on Public Disclosure of Risk Management.

ç. Credit risk exposure and credit risk mitigation effects

Not prepared in accordance with the Communiqué on Banks' Declaration on Public Disclosure of Risk Management.

d. Standardised approach – Exposures by asset classes and risk weights

Not prepared in accordance with the Communiqué on Banks' Declaration on Public Disclosure of Risk Management.

3. Counterparty credit risk (CCR) approach analysis

Not prepared in accordance with the Communiqué on Banks' Declaration on Public Disclosure of Risk Management.

4. Credit valuation adjustment (CVA) capital charge

Not prepared in accordance with the Communiqué on Banks' Declaration on Public Disclosure of Risk Management.

5. Analysis of counterparty credit risk (CCR) exposure by approach

Not prepared in accordance with the Communiqué on Banks' Declaration on Public Disclosure of Risk Management.

6. Collaterals for counterparty credit risk (CCR)

Not prepared in accordance with the Communiqué on Banks' Declaration on Public Disclosure of Risk Management.

7. Credit derivatives

Not prepared in accordance with the Communiqué on Banks' Declaration on Public Disclosure of Risk Management.

8. Exposures to central counterparties (CCP)

Not prepared in accordance with the Communiqué on Banks' Declaration on Public Disclosure of Risk Management.

9. Explanations on securitisation

Not prepared in accordance with the Communiqué on Banks' Declaration on Public Disclosure of Risk Management.

10. Explanations on market risk

Not prepared in accordance with the Communiqué on Banks' Declaration on Public Disclosure of Risk Management.

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VIII. Explanations on segment reporting

The Bank operates mainly in corporate, SME, commercial and retail banking services. In scope of corporate, SME and commercial banking operations, customers are provided with special banking services including cash management service. In retail banking operations, customers are provided with debit and credit card, retail loan, online banking and private banking services. Spot TL, foreign exchange buy/sell transactions, derivative transactions, and treasury bill/government bond buy/sell transactions are performed at treasury operations.

Information on operating segments is prepared in accordance with the data provided by the Bank's Management Reporting System.

Current period – 31 March 2018	Corporate, SME and Commercial Banking	Retail Banking	Other	Total
Net interest income	219,040	204,048	351,299	774,387
Net commissions and fees income and other operating income	272,085	297,912	(19,721)	550,276
Trading gain/loss	58,361	(464)	(198,983)	(141,086)
Dividend income	-	-	68,830	68,830
Provision for impairment of loans and other receivables	(247,070)	(183,693)	(13,207)	(443,970)
Segment results	302,416	317,803	188,218	808,437
Other operating expenses (**)	-	-	-	(432,247)
Income from continuing operations before tax	-	-	-	376,190
Tax provision (*)	-	-	-	(87,522)
Net profit	-	-	-	288,668

Prior period – 31 March 2017	Corporate, SME and Commercial Banking	Retail Banking	Other	Total
Net interest income	226,495	198,203	184,704	609,402
Net commissions and fees income and other operating income	95,674	99,903	(12,460)	183,117
Trading gain/loss	349	487	(54,494)	(53,658)
Dividend income	-	-	3,353	3,353
Provision for impairment of loans and other receivables	(85,359)	(59,122)	(23,330)	(167,811)
Segment results	237,159	239,471	97,780	574,410
Other operating expenses (*)	-	-	-	(354,057)
Income from continuing operations before tax	-	-	-	220,346
Tax provision (*)	-	-	-	(45,764)
Net profit	-	-	-	174,582

(*) Other operational expenses and tax provision have been stated at total column due to inability to allocate among the sections.

(**) Includes “Personnel Expenses” that not exist in the income statement “Other Operating Expenses” line.

Current period – 31 March 2018	Corporate, SME and Commercial Banking	Retail Banking	Other	Total
Asset	27,194,470	13,054,179	13,978,359	54,227,008
Liability	8,764,720	20,556,143	18,484,673	47,805,536
Equity	-	-	6,421,472	6,421,472

Prior period – 31 December 2017	Corporate, SME and Commercial Banking	Retail Banking	Other	Total
Asset	26,364,801	13,193,750	13,323,556	52,882,107
Liability	6,722,117	19,571,693	20,819,552	47,113,362
Equity	-	-	5,768,745	5,768,745

(Convenience translation of the unconsolidated interim financial statements and related disclosures and footnotes originally issued in Turkish, See Note 1.b of section three)

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Section five

Information and disclosures related to unconsolidated financial statements

I. Explanations and notes related to assets of the unconsolidated balance sheet

1. Information related to cash equivalents and the account of the Central Bank of the Republic of Turkey

1.1. Information on cash equivalents

	Current period		Prior period	
	TL	FC	TL	FC
Cash in TL/foreign currency	260,392	2,210,908	299,399	1,967,399
Balances with the Central Bank of Turkey	275,553	5,244,083	159,608	5,401,475
Other	499	2,795	-	2,642
Total	536,444	7,457,786	459,007	7,371,516

1.2. Information related to the account of the Central Bank of Turkey

	Current period		Prior period	
	TL	FC	TL	FC
Unrestricted demand deposit	275,553	428,444	159,608	414,592
Unrestricted time deposit	-	-	-	-
Restricted time deposit	-	-	-	618,187
Restricted demand deposit	-	4,815,639	-	4,368,696
Total	275,553	5,244,083	159,608	5,401,475

As per the “Communiqué on Reserve Requirements” promulgated by the Central Bank, banks operating in Turkey must keep required reserves as of the balance sheet date in terms of TL, USD / EURO and gold at a rate ranging between 4% and 10.5% for Turkish lira deposits and liabilities depending on their maturity and at a rate ranging between 4% and 24% for foreign currency deposits and foreign currency other liabilities depending on their maturity. In accordance with the relevant communiqué, the Central Bank pays interest for the reserve requirements which are presented in terms of TL and USD.

Including accruals TL 273,159 (31 December 2017: TL 158,512) of the TL reserve deposits provided over the average balance and TL 428,444 (31 December 2017: TL 414,592) of the FC reserve deposits provided over the average balance are presented under unrestricted demand deposit account.

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Notes to the unconsolidated financial statements for the three-month period ended 31 March 2018 (continued) (Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

I. Explanations and notes related to assets of the unconsolidated balance sheet (continued)

2. Information on financial assets at fair value through profit/loss

2.1. Information on financial assets at fair value through profit/loss subject to repo transactions and those given as collateral/blocked

Financial assets at fair value through profit or loss subject to repo transactions and those given as collateral/blocked are stated below in net amount.

	Current period	Prior period
Bank's portfolio	20,447	42,138
Repo transactions	-	-
Collateral/blocked	-	-
Total	20,447	42,138

2.2. Positive differences related to derivative financial assets held for trading

	Current period		Prior period	
	TL	FC	TL	FC
Forward transactions	-	126,064	-	143,252
Swap transactions	361,035	61,345	379,985	45,495
Futures transactions	-	-	-	-
Options	275	7,424	703	2,525
Other	-	4	-	-
Total	361,310	194,837	380,688	191,272

3. Information on banks and foreign banks accounts

3.1. Information on banks

	Current period		Prior period	
	TL	FC	TL	FC
Banks	231,936	375,159	1,447	480,707
Domestic	231,936	146,621	1,447	438
Foreign	-	228,538	-	480,269
Headquarters and branches abroad	-	-	-	-
Total	231,936	375,159	1,447	480,707

As of 31 March 2018, restricted bank balance amounting to TL 78,842 (31 December 2017: TL 91,388) all of which is comprised of (31 December 2017: All amount) collaterals that is held by counter banks under CSA contracts and is calculated based on related derivatives market price.

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**Notes to the unconsolidated financial statements
for the three-month period ended 31 March 2018 (continued)
(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)**

I. Explanations and notes related to assets of the unconsolidated balance sheet (continued)

4. Information on financial assets at fair value through other comprehensive income

4.1. Financial assets at fair value through other comprehensive income subject to repo transactions and those given as collateral/blocked

Financial assets at fair value through other comprehensive income subject to repo transactions and those given as collateral/blocked with net amounts are shown in below table.

Financial assets measured at fair value through other comprehensive income:

	Current period
Bank’s portfolio	112,334
Repo transactions	3,026
Collateral/blocked (*)	316,462
Total	431,822

(*) Consists of bonds given as collaterals by the Bank to be a member of Interbank, BIST, Derivatives Exchange, Takasbank, Money Markets and to operate in those markets.

Information on financial assets available-for-sale:

	Prior period
Bank’s portfolio	1,196,020
Repo transactions	2,313
Collateral/blocked (*)	537,655
Total	1,735,988

(*) Consists of bonds given as collaterals by the Bank to be a member of Interbank, BIST, Derivatives Exchange, Takasbank, Money Markets and to operate in those markets.

4.2. Information on financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income:

	Current period
Debt securities	434,075
Quoted to stock exchange	434,075
Not quoted	-
Equity certificates	6,080
Quoted to stock exchange	-
Not quoted	6,080
Provision for impairment (-)	(8,333)
Total	431,822

Information on financial assets available-for-sale:

	Prior period
Debt securities	1,732,028
Quoted to stock exchange	1,732,028
Not quoted	-
Equity certificates	6,103
Quoted to stock exchange	51
Not quoted	6,052
Provision for impairment (-)	(2,143)
Total	1,735,988

(Convenience translation of the unconsolidated interim financial statements and related disclosures and footnotes originally issued in Turkish, See Note 1.b of section three)

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**Notes to the unconsolidated financial statements
for the three-month period ended 31 March 2018 (continued)
(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)**

I. Explanations and notes related to assets of the unconsolidated balance sheet (continued)

5. Information on loans

5.1. Information on the balance of all types of loans and advances given to shareholders and employees of the Bank

	Current period		Prior period	
	Cash	Non-cash	Cash	Non-cash
Direct loans granted to shareholders of the Bank	101	456,359	30	438,513
Corporate shareholders	-	456,359	-	438,513
Real person shareholders	101	-	30	-
Indirect loans granted to shareholders of the Bank	-	196,449	-	197,080
Loans granted to employees of the Bank	27,893	-	30,111	-
Total	27,994	652,808	30,141	635,593

5.2. Information on the first and second group loans and other receivables including restructured or rescheduled loans

Cash loans	Standard loans	Loans and other receivables under close monitoring		
		Loans and receivables not subject to restructuring	Restructured loans and receivables	
			Loans and receivables with contract terms	Refinance
Non-specialized loans	31,866,236	5,999,709	752,397	-
Business loans	15,935,198	3,374,485	484,737	-
Export loans	4,788,901	303,854	12,360	-
Import loans	-	-	-	-
Loans given to financial sector	241,771	-	-	-
Consumer loans	9,047,459	2,145,624	203,164	-
Credit cards	845,531	113,738	52,136	-
Other	1,007,376	62,008	-	-
Specialized loans	-	-	-	-
Other receivables	-	-	-	-
Total	31,866,236	5,999,709	752,397	-

(Convenience translation of the unconsolidated interim financial statements and related disclosures and footnotes originally issued in Turkish, See Note 1.b of section three)

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**Notes to the unconsolidated financial statements
for the three-month period ended 31 March 2018 (continued)
(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)**

I. Explanations and notes related to assets of the unconsolidated balance sheet (continued)

	Standard loans	Loans and other receivables under close monitoring
12 Month Expected Credit Losses	149,004	-
<i>Loans</i>	108,282	-
<i>Other assets</i>	6,130	-
<i>Banks and Money market placements</i>	34,439	-
<i>Marketable securities</i>	153	-
Lifetime expected credit losses significant increase in credit risk	-	163,684
<i>Loans</i>	-	163,684
Total	149,004	163,684

	Standard loans	Loans and other receivables under close monitoring
Number of extensions		
Extended by 1 or 2 times	525,416	752,384
Extended by 3, 4 or 5 times	77,943	13
Extended by 5 times and more	505	-
Total	603,864	752,397

	Standard loans and other receivables	Loans and other receivables under close monitoring
Extended periods		
Up to 6 months	208,402	506,653
6-12 months	90,525	18,082
1-2 years	178,981	45,529
2-5 years	125,956	121,515
More than 5 years	-	60,618
Total	603,864	752,397

5.3. Loans according to their maturity structure

Not prepared as per Article 25 of the Communiqué on the Financial Statements and Related Explanations and Notes that will be Publicly Announced.

(Convenience translation of the unconsolidated interim financial statements and related disclosures and footnotes originally issued in Turkish, See Note 1.b of section three)

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**Notes to the unconsolidated financial statements
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(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)**

I. Explanations and notes related to assets of the unconsolidated balance sheet (continued)

5.4. Information on consumer loans, individual credit cards, personnel loans and credit cards given to personnel

	Short term	Medium and long term	Total
Consumer loans – TL	663,166	10,485,572	11,148,738
Mortgage loans	220	4,047,408	4,047,628
Automotive loans	73,833	665,633	739,466
General purpose loans	589,113	5,772,531	6,361,644
Other	-	-	-
Consumer loans – indexed to FC	10	1,313	1,323
Mortgage loans	10	1,313	1,323
Automotive loans	-	-	-
General purpose loans	-	-	-
Other	-	-	-
Consumer loans – FC	-	-	-
Mortgage loans	-	-	-
Automotive loans	-	-	-
General purpose loans	-	-	-
Other	-	-	-
Consumer credit cards – TL	871,746	36,453	908,199
With installments	310,721	36,453	347,174
Without installments	561,025	-	561,025
Consumer credit cards – FC	-	-	-
With installments	-	-	-
Without installments	-	-	-
Personnel loans – TL	2,644	16,291	18,935
Mortgage loans	-	-	-
Automotive loans	-	-	-
General purpose loans	2,644	16,291	18,935
Other	-	-	-
Personnel loans – indexed to FC	-	-	-
Mortgage loans	-	-	-
Automotive loans	-	-	-
General purpose loans	-	-	-
Other	-	-	-
Personnel loans – FC	-	-	-
Mortgage loans	-	-	-
Automotive loans	-	-	-
General purpose loans	-	-	-
Other	-	-	-
Personnel credit cards – TL	9,059	-	9,059
With installments	3,426	-	3,426
Without installments	5,633	-	5,633
Personnel credit cards – FC	-	-	-
With installments	-	-	-
Without installments	-	-	-
Overdraft accounts – TL (real person)	227,251	-	227,251
Overdraft accounts – FC (real person)	-	-	-
Total	1,773,876	10,539,629	12,313,505

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**Notes to the unconsolidated financial statements
for the three-month period ended 31 March 2018 (continued)
(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)**

I. Explanations and notes related to assets of the unconsolidated balance sheet (continued)

5.5. Information on commercial loans with installments and corporate credit cards

	Short term	Medium and long term	Total
Commercial installment loans - TL	303,214	7,708,224	8,011,438
Real estate loans	-	69,928	69,928
Automotive loans	11,512	275,841	287,353
General purpose loans	-	-	-
Other	291,702	7,362,455	7,654,157
Commercial installment loans – indexed to FC	2,343	432,901	435,244
Real estate loans	-	6,888	6,888
Automotive loans	-	147,589	147,589
General purpose loans	-	-	-
Other	2,343	278,424	280,767
Commercial installment loans - FC	-	1,538	1,538
Real estate residential loans	-	-	-
Automotive loans	-	-	-
General purpose loans	-	-	-
Other	-	1,538	1,538
Corporate credit cards – TL	94,147	-	94,147
With installments	31,824	-	31,824
Without installments	62,323	-	62,323
Corporate credit cards – FC	-	-	-
With installments	-	-	-
Without installments	-	-	-
Overdraft loans – TL (legal entity)	442,189	-	442,189
Overdraft loans – FC (legal entity)	-	-	-
Total	841,893	8,142,663	8,984,556

5.6. Loans according to borrowers

Not prepared as per Article 25 of the Communiqué on the Financial Statements and Related Explanations and Notes that will be Publicly Announced.

5.7. Domestic and foreign loans

	Current period	Prior period
Domestic loans	38,613,898	37,958,429
Foreign loans	4,444	10,941
Total	38,618,342	37,969,370

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(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)**

I. Explanations and notes related to assets of the unconsolidated balance sheet (continued)

5.8. Loans granted to subsidiaries and associates

	Current period	Prior period
Direct loans granted to subsidiaries and associates	40,839	147,261
Indirect loans granted to subsidiaries and associates	-	-
Total	40,839	147,261

5.9. Specific provisions set aside against loans

	Current period
Loans and receivables with limited collectability	54,642
Loans and receivables with doubtful collectability	164,277
Uncollectible loans and receivables	960,926
Total	1,179,845

	Prior period
Loans and receivables with limited collectability	27,862
Loans and receivables with doubtful collectability	121,699
Uncollectible loans and receivables	1,036,691
Total	1,186,252

5.10. Information on non-performing loans (net)

5.10.1 Information on non-performing loans and other receivables restructured or rescheduled

	III. Group Loans and receivables with limited collectability	IV. Group Loans and receivables with doubtful collectability	V. Group Uncollectible loans and receivables
Current period			
Gross amounts before specific provision	4	4,998	102
Rescheduled Loans	4	4,998	102
Prior period			
Gross amounts before specific provision	819	6,187	581
Rescheduled Loans	819	6,187	581

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I. Explanations and notes related to assets of the unconsolidated balance sheet (continued)

5.10.2. Information on total non-performing loans

	III. Group	IV. Group	V. Group
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Prior period end balance	201,743	305,878	1,176,037
Additions (+)	166,913	9,925	5,699
Transfers from other categories of non-performing loans (+)	-	180,455	111,367
Transfers to other categories of non-performing loans (-)	(180,455)	(111,367)	-
Collections (-)	(58,511)	(90,051)	(39,591)
Write-offs (-)	(174)	(79)	(3,330)
Sold Portfolio	-	-	-
Corporate and commercial loans	-	-	-
Retail loans	-	-	-
Credit cards	-	-	-
Other	-	-	-
Current period end balance	129,516	294,761	1,250,182
Provisions (-)	(54,642)	(164,277)	(960,926)
Net balance on balance sheet	74,874	130,484	289,256

5.10.3. Information on foreign currency non-performing loans and other receivables

	III. Group	IV. Group	V. Group
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Current period			
Balance at the End of the Period	1,051	29,379	50,033
Provision (-)	577	21,570	38,875
Net Balance on Balance Sheet	474	7,809	11,158
Prior period			
Balance at the End of the Period	37,454	30,503	50,082
Provision (-)	2,030	12,283	26,105
Net Balance on Balance Sheet	35,424	18,220	23,977

Non-performing loans granted as foreign currency are followed under TL accounts of balance sheet.

(Convenience translation of the unconsolidated interim financial statements and related disclosures and footnotes originally issued in Turkish, See Note 1.b of section three)

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(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

I. Explanations and notes related to assets of the unconsolidated balance sheet (continued)

5.10.4. Gross and net amounts of non-performing loans per customer categories

	III. Group Loans and receivables with limited collectability	IV. Group Loans and receivables with doubtful collectability	V. Group Uncollectible loans and receivables
Current period (net)	74,874	130,484	289,256
Loans granted to corporate entities and real person (gross)	129,516	294,761	1,250,182
Provision amount (-)	(54,642)	(164,277)	(960,926)
Loans granted to corporate entities and real person (net)	74,874	130,484	289,256
Banks (gross)	-	-	-
Provision amount (-)	-	-	-
Banks (net)	-	-	-
Other loans (gross)	-	-	-
Provision amount (-)	-	-	-
Other loans (net)	-	-	-
Prior period (net)	173,881	184,179	139,346
Loans granted to corporate entities and real person (gross)	201,743	305,878	1,176,037
Provision amount (-)	(27,862)	(121,699)	(1,036,691)
Loans granted to corporate entities and real person (net)	173,881	184,179	139,346
Banks (gross)	-	-	-
Provision amount (-)	-	-	-
Banks (net)	-	-	-
Other loans (gross)	-	-	-
Provision amount (-)	-	-	-
Other loans (net)	-	-	-

5.10.5. According to TFRS 9, accruals, valuation differences and related provisions calculated for non-performing loans

None.

5.11. Liquidation policy for uncollectible loans and receivables

Not prepared as per Article 25 of the Communiqué on the Financial Statements and Related Explanations and Notes that will be Publicly Announced.

5.12. Information on the write-off policy

Not prepared as per Article 25 of the Communiqué on the Financial Statements and Related Explanations and Notes that will be Publicly Announced.

(Convenience translation of the unconsolidated interim financial statements and related disclosures and footnotes originally issued in Turkish, See Note 1.b of section three)

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Notes to the unconsolidated financial statements for the three-month period ended 31 March 2018 (continued) (Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

I. Explanations and notes related to assets of the unconsolidated balance sheet (continued)

6. Financial assets measured at amortised cost (net)

6.1. Financial assets subject to repurchase agreements and provided as collateral/blocked

	Current period	Prior period
Investments subject to repurchase agreements	-	-
Collateralised/blocked investments	862,245	-
Total	862,245	-

6.2. Government securities measured at amortised cost

	Current period	Prior period
Government bonds	1,195,334	-
Treasury bills	-	-
Other government securities	-	-
Total	1,195,334	-

6.3. Financial assets measured at amortised cost

	Current period	Prior period
Debt securities	1,195,334	-
Quoted to stock exchange	1,195,334	-
Not quoted	-	-
Impairment provision (-)	-	-
Total	1,195,334	-

6.4. Movement of financial assets measured at amortised cost

	Current period
Balances at beginning of period (1 January 2018) (*)	1,316,936
Foreign currency differences on monetary assets	-
Purchases during the period	-
Disposals through sales/redemptions	(142,040)
Provision for impairment (-)	-
Change in redemption cost	20,438
Period end balance	1,195,334

(*)The Bank has reassessed its management model for securities in accordance with TFRS 9 standard and has reviewed the securities previously classified as “Available for Sale Financial Assets” amounting to TL 1,301,589 into “Financial assets measured at amortized cost” due to the fact that they are assessed within the scope of a business model whose objective is achieved by both collecting contractual cash flows and the contractual terms of such financial assets meet the condition of giving rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. As a result, the impairment amounting to TL 15,347 which was accounted in the previous period was canceled.

7. Information on associates (net)

7.1. Explanations related to the associates

The Bank does not have any associates.

(Convenience translation of the unconsolidated interim financial statements and related disclosures and footnotes originally issued in Turkish, See Note 1.b of section three)

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Notes to the unconsolidated financial statements for the three-month period ended 31 March 2018 (continued) (Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

I. Explanations and notes related to assets of the unconsolidated balance sheet (continued)

8. Information on subsidiaries (net)

8.1. Information on equity of subsidiaries

As of 31 March 2018 information on the equities of subsidiaries is as follows:

	ING European Financial Services Plc.	ING Portfolio Management	ING Factoring	ING Leasing	ING Brokerage
Paid in capital and adjustment to paid-in capital	941	8,041	40,000	22,500	20,765
Profit reserves, capital reserves and prior year profit/loss	-	8,408	46,953	76,231	281
Profit/loss	11,831	681	4,677	7,187	1,109
Development cost of operating lease (-)	-	-	(5)	(4)	-
Intangible assets (-)	-	(23)	(574)	(238)	(35)
Total core capital	12,772	17,107	91,051	105,676	22,120
Supplementary capital	-	-	-	-	-
Capital	12,772	17,107	91,051	105,676	22,120
Net usable shareholder's equity	12,772	17,107	91,051	105,676	22,120

The Bank does not have any additional capital requirements due to the subsidiaries included in the consolidated calculation of capital requirement.

8.2. Information on consolidated subsidiaries

Title	Address (City / Country)	The Bank's share percentage-If different voting (%)	The Bank's risk group share (%)
(1) ING European Financial Services Plc.	Dublin/Ireland	100%	100%
(2) ING Portfolio Management	İstanbul/Turkey	100%	100%
(3) ING Factoring	İstanbul/Turkey	100%	100%
(4) ING Leasing	İstanbul/Turkey	100%	100%
(5) ING Brokerage	İstanbul/Turkey	100%	100%

As of 31 March 2018 financial information on consolidated subsidiaries as follows (*):

	Total assets	Shareholders' equity	Total fixed assets	Interest income	Income from marketable securities portfolio	Current period profit/ loss	Prior period profit/loss	Fair value
(1)	6,916,931	12,772	3	51,635	-	11,831	16,337	-
(2)	18,790	17,130	86	636	3	681	1,020	-
(3)	1,021,522	91,630	680	21,051	-	4,677	2,836	-
(4)	1,170,616	105,918	286	13,357	-	7,187	6,903	-
(5)	206,993	22,155	97	824	-	1,109	364	-

(*) Information on the unreviewed financial statements is presented as of the period ended 31 March 2018.

(Convenience translation of the unconsolidated interim financial statements and related disclosures and footnotes originally issued in Turkish, See Note 1.b of section three)

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**Notes to the unconsolidated financial statements
for the three-month period ended 31 March 2018 (continued)
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I. Explanations and notes related to assets of the unconsolidated balance sheet (continued)

8.3. Information on consolidated subsidiaries

	Current period	Prior period
Balance at the beginning of the period	95,907	95,907
Movements during the period	-	-
Purchases	-	-
Bonus shares obtained	-	-
Dividends from current year income	-	-
Sales	-	-
Revaluation increase	-	-
Provisions for impairment	-	-
Balance at the end of the period	95,907	95,907
Capital commitments	-	-
Share percentage at the end of the period (%)	100	100

8.4. Sectoral information on consolidated financial subsidiaries and the related carrying amounts

	Current period	Prior period
Banks	-	-
Insurance companies	-	-
Factoring companies	40,000	40,000
Leasing companies	22,500	22,500
Finance companies	-	-
Other financial subsidiaries	33,407	33,407

8.5. Subsidiaries quoted in a stock exchange

There are no subsidiaries quoted on a stock exchange.

9. Information on entities under common control (net)

9.1. Information on entities under common control (net)

There are no entities under common control.

10. Information on finance lease receivables (net)

The Bank has no receivables from finance lease.

11. Information on derivative financial assets held for hedging

11.1 Information on positive differences of derivative financial assets held for hedging

	Current period		Prior period	
	TL	FC	TL	FC
Fair value hedge	-	-	-	-
Cash flow hedge	1,751,957	-	1,571,395	-
Net investment hedge	-	-	-	-
Total	1,751,957	-	1,571,395	-

(Convenience translation of the unconsolidated interim financial statements and related disclosures and footnotes originally issued in Turkish, See Note 1.b of section three)

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I. Explanations and notes related to assets of the unconsolidated balance sheet (continued)

12. Information on property and equipment (net)

Not prepared as per Article 25 of the Communiqué on the Financial Statements and Related Explanations and Notes that will be Publicly Announced.

13. Information on intangible assets (net)

Not prepared as per Article 25 of the Communiqué on the Financial Statements and Related Explanations and Notes that will be Publicly Announced.

14. Information on investment properties (net)

The Bank does not have investment properties.

15. Explanations on deferred tax asset

15.1. Explanations on current tax asset

As of 31 March 2018, the current tax asset and corporate tax payable are netted and shown in liabilities of the balance sheet as a tax liability. Explanations about tax assets/liabilities for the current and previous period are disclosed in Note II.9 of Section Five (31 December 2017: TL 31,525 current tax asset).

15.2. Explanations on deferred tax asset

Deferred tax asset and liability are netted and shown in liabilities of unconsolidated balance sheet as deferred tax liability, and explanations about deferred tax asset / liability for the current and previous period are disclosed in Note II 9 of Section Five.

16. Explanations on assets held for sale and discontinued operations (net)

16.1. Explanations on assets held for sale

	Current period	Prior period
Opening balance (net)	660	660
Additions	-	-
Disposals (-)	-	-
Depreciation (-)	-	-
Balance at the end of the period (net)	660	660

16.2. Explanations on discontinued operations

The Bank does not have assets with respect to the discontinued operations.

17. Other assets exceed 10% of the balance sheet total (excluding off balance sheet commitments), breakdown of the names and amounts of accounts constructing at least 20% of grand totals

Other assets in the balance sheet excluding off balance sheet commitments do not exceed 10% of the balance sheet total.

(Convenience translation of the unconsolidated interim financial statements and related disclosures and footnotes originally issued in Turkish, See Note 1.b of section three)

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Notes to the unconsolidated financial statements for the three-month period ended 31 March 2018 (continued) (Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

II. Explanations and notes related to liabilities of the unconsolidated balance sheet

1. Information on deposits

1.1 Maturity structure of deposits

Current period	Demand	7 day call accounts	Up to 1 month	1-3 months	3-6 months	6 months – 1 year	1 year and over	Cumulative deposits	Total
Saving deposits	642,741	-	13,566,211	2,521,215	85,909	33,390	10,560	-	16,860,026
Foreign currency deposits	1,537,441	-	3,214,920	2,976,764	117,732	69,818	149,724	-	8,066,399
Residents in Turkey	1,287,470	-	3,164,375	2,877,577	113,669	61,524	149,175	-	7,653,790
Residents abroad	249,971	-	50,545	99,187	4,063	8,294	549	-	412,609
Public sector deposits	358,388	-	-	7,964	635	-	-	-	366,987
Commercial deposits	697,559	-	980,199	394,335	29,866	20,974	24,970	-	2,147,903
Other institutions deposits	17,529	-	2,835	17,736	527	236	50	-	38,913
Precious metals deposits	62,982	-	-	-	-	-	-	-	62,982
Interbank deposits	1,635,212	-	-	-	-	-	-	-	1,635,212
Central Bank of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	366	-	-	-	-	-	-	-	366
Foreign banks	1,634,846	-	-	-	-	-	-	-	1,634,846
Participation banks	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total	4,951,852	-	17,764,165	5,918,014	234,669	124,418	185,304	-	29,178,422

Prior period	Demand	7 day call accounts	Up to 1 month	1-3 months	3-6 months	6 months – 1 year	1 year and over	Cumulative deposits	Total
Saving deposits	627,269	-	12,608,060	2,512,221	88,650	32,922	9,660	-	15,878,782
Foreign currency deposits	1,496,345	-	3,184,475	2,741,264	103,199	63,082	118,671	-	7,707,036
Residents in Turkey	1,266,986	-	3,135,646	2,646,964	99,361	55,164	118,157	-	7,322,278
Residents abroad	229,359	-	48,829	94,300	3,838	7,918	514	-	384,758
Public sector deposits	259,284	-	-	7,681	621	-	-	-	267,586
Commercial deposits	816,474	-	972,739	398,882	14,154	11,199	22,555	-	2,236,003
Other institutions deposits	21,962	-	3,044	11,675	201	231	24	-	37,137
Precious metals deposits	77,508	-	-	-	-	-	-	-	77,508
Interbank deposits	1,481,773	-	-	-	-	-	-	-	1,481,773
Central Bank of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	397	-	-	-	-	-	-	-	397
Foreign banks	1,481,376	-	-	-	-	-	-	-	1,481,376
Participation banks	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total	4,780,615	-	16,768,318	5,671,723	206,825	107,434	150,910	-	27,685,825

1.2. Information on saving deposits under the guarantee of saving deposit insurance and exceeding the limit of saving deposit insurance

Saving deposits	Under the guarantee of saving deposit insurance		Exceeding the limit of saving deposit insurance	
	Current period	Prior period	Current period	Prior period
Saving deposit	12,010,506	11,545,698	4,843,341	4,329,020
Foreign currency saving deposits	1,825,179	1,947,203	3,974,949	3,465,749
Other deposits in the form of saving deposits	-	-	-	-
Foreign branches' deposits under foreign authorities' insurance	-	-	-	-
Deposits in off-shore banking regions' under foreign authorities' insurance	-	-	-	-

(Convenience translation of the unconsolidated interim financial statements and related disclosures and footnotes originally issued in Turkish, See Note 1.b of section three)

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Notes to the unconsolidated financial statements for the three-month period ended 31 March 2018 (continued) (Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

II. Explanations and notes related to liabilities of the unconsolidated balance sheet (continued)

1.3. Information on whether the saving deposits / private current accounts of real persons not subject to commercial transactions in the Turkey branch of the Bank headquartered abroad are in scope of insurance in the country where the head office is located

The Bank’s head office is in Turkey and its saving deposits are covered by saving deposit insurance.

1.4. Saving deposits of real persons not under the guarantee of saving deposit insurance fund

	Current period	Prior period
Deposits and other accounts in foreign branches	-	-
Saving deposits and other accounts of controlling shareholders and their mothers, fathers, spouses, children in care	-	-
Saving deposits and other accounts of president and members of board of directors, general manager and vice presidents, and their mothers, fathers, spouses and children in care	16,554	13,887
Saving deposits and other accounts in scope of the property holdings derived from crime defined in Article 282 of Turkish Criminal Law No: 5237, dated 26 September 2004	-	-
Saving deposits in deposit bank established in Turkey in order to engage solely in off-shore banking activities	-	-

2. Information on derivative financial liabilities held for trading

2.1. Table of negative differences for derivative financial liabilities held for trading

	Current period		Prior period	
	TL	FC	TL	FC
Forward transactions	-	39,675	-	43,848
Swap transactions	230,972	152,761	279,269	142,969
Future transactions	-	-	-	-
Options	275	7,424	705	2,525
Other	-	7	-	-
Total	231,247	199,867	279,974	189,342

3. Banks and other financial institutions

3.1. Information on banks and other financial institutions

	Current period		Prior period	
	TL	FC	TL	FC
Funds borrowed from Central Bank of Turkey	-	-	-	-
Funds borrowed from domestic banks and institutions	126,486	370,776	122,395	352,211
Funds borrowed from foreign banks, institutions and funds	237,903	12,525,679	255,507	13,234,167
Total	364,389	12,896,455	377,902	13,586,378

(Convenience translation of the unconsolidated interim financial statements and related disclosures and footnotes originally issued in Turkish, See Note 1.b of section three)

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**Notes to the unconsolidated financial statements
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(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)**

II. Explanations and notes related to liabilities of the unconsolidated balance sheet (continued)

3.2. Maturity analysis of funds borrowed

	Current period		Prior period	
	TL	FC	TL	FC
Short term	173,339	1,564,775	191,355	1,753,512
Medium and long term	191,050	11,331,680	186,547	11,832,866
Total	364,389	12,896,455	377,902	13,586,378

3.3. Funding industry group where the Bank’s liabilities are concentrated

The Bank’s liabilities are concentrated on the main shareholder, ING Bank NV.

4. Explanations on securities issued (net)

	Current period		Prior period	
	TL	FC	TL	FC
Bank bills	246,856	-	-	-
Bonds	-	-	-	-
Total	246,856	-	-	-

The Bank issued bond with 175 days maturity and nominal value of TL 160,000 with 14.50% simple interest rate on 23 February 2018 and issued bond with 270 days maturity and nominal value of TL 105,000 with 14.75% simple interest rate on 19 March 2018 by the method of sales to qualified investors not involving any public offering.

Within the current period the Bank issued in amount of TL 265,000 (31 December 2017: TL 257,445) and did not refunds and repurchases (31 December 2017: TL 507,445).

5. If other liabilities exceed 10% of the balance sheet total, names and amounts of the accounts constituting at least 20% of grand totals

Other liabilities do not exceed 10% of the balance sheet total.

6. Explanations on lease payables (net)

None.

(Convenience translation of the unconsolidated interim financial statements and related disclosures and footnotes originally issued in Turkish, See Note 1.b of section three)

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Notes to the unconsolidated financial statements for the three-month period ended 31 March 2018 (continued) (Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

II. Explanations and notes related to liabilities of the unconsolidated balance sheet (continued)

7. Information on derivative financial liabilities held for hedging

7.1. Negative differences related to derivative financial liabilities held for hedging

	Current period		Prior period	
	TL	FC	TL	FC
Fair value hedge	-	-	-	-
Cash flow hedge	56,123	4,089	21,299	4,155
Net investment hedge	-	-	-	-
Total	56,123	4,089	21,299	4,155

8. Information on provisions

8.1. Information on general provisions

The Bank calculates the expected loss provision according to TFRS 9 as of 31 March 2018 (I-5).

	Prior period
General provisions	645,238
Provisions for group I. loans and receivables	506,371
<i>Additional provision for loans with extended payment period</i>	6,854
Provisions for group II. loans and receivables	56,832
<i>Additional provision for loans with extended payment period</i>	9,886
Provisions for non-cash loans	24,779
Other	57,256

8.2. Information on the exchange rate decrease provision on foreign currency indexed loans and financial lease receivables

As of 31 March 2018, provision for the foreign currency indexed loans' foreign exchange rate difference amounting to TL 541 (31 December 2017: TL 1,067) is netted off from loans under the assets on the balance sheet.

8.3. Information on other provisions

8.3.1. Information on provisions for possible losses

As of 31 March 2018 and 31 December 2017, the Bank does not have any provision for possible losses.

8.3.2. Information on other provisions

	Current period
Specific provisions for undrawn non-cash loans	26,272
Provision for credit card score promotion	1,933
Other provisions	145,270
Allowance for expected credit losses (Stage 1 and Stage 2) (*)	52,589
<i>Other</i>	92,681
Total	173,475

(*) The amounts are included in other provisions in the financial statements.

	Prior period
Specific provisions for undrawn non-cash loans	29,293
Provision for credit card score promotion	1,922
Other provisions	114,774
Total	145,989

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**Notes to the unconsolidated financial statements
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(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)**

II. Explanations and notes related to liabilities of the unconsolidated balance sheet (continued)

Amounting to TL 84,274 (31 December 2017: TL 88,147) of the other provisions consist of provisions set aside as a result of the legal assessment for the lawsuits that are likely to result against the Bank and as a result of the public authorities' inspections.

The deposit holders of off-shore accounts held at Sümerbank A.Ş. (together with other dissolved banks merged into Sümerbank A.Ş., all of which were ultimately merged into the Bank), which were opened before Savings Deposit Insurance Fund (SDIF) seized these banks, initiates lawsuits against the Bank (former title Oyak Bank A.Ş.). As a result of these lawsuits, the Bank pays certain amounts to these off-shore deposit holders of the dissolved banks. SDIF indemnifies these amounts in accordance with the Share Transfer Agreement entered into between Turkish Armed Forces Assistance (and Pension) Fund (OYAK) and SDIF (STA).

SDIF, however, does not fully indemnify the Bank and pays these amounts subject to legal reservation against the STA provisions. SDIF initiated six enforcement proceedings to claim the amount it had indemnified, a total of approximately TL 377 million (Full TL). Upon the Bank's objection to legal grounds of the enforcement proceedings initiated by SDIF against the Bank, SDIF initiated cancellation of objection lawsuits against the Bank. Currently, there are four of such lawsuits: (i) the first case relates to the first enforcement proceeding of approximately TL 21,8 million (Full TL) (the "First Case"), (ii) the second case relates to the second enforcement proceeding of approximately TL 21,8 million (Full TL) (the "Second Case"), (iii) the third case relates to the third and fifth enforcement proceedings of a total of approximately TL 98,7 million (Full TL) (the "Third Case") and (iv) the fourth case relates to the fourth enforcement proceeding of approximately TL 109,5 million (Full TL) (the "Fourth Case"). SDIF has not yet initiated a case in connection with the sixth enforcement proceeding of approximately TL 126 million (Full TL) against which the Bank objected and SDIF filed a lawsuit (the "Sixth Case") for the cancellation of objection lawsuit. Furthermore, SDIF initiated the seventh enforcement procedure for approximately TL 52 million (Full TL) for payments made by SDIF in 2017 and the Bank objected to this payment request SDIF has not filed a lawsuit for this objection yet.

In the First Case, the first instance court ruled in favor of the Bank, which was later reversed by the Supreme Court of Appeals (Yargıtay). Currently, the First Case is before the first instance court following the appellate decision, where the court of first instance decided to obtain an expert opinion in accordance with the Supreme Court of Appeals' decision. Following the court appointed expert's examination of the case, the expert report is completed and it is in favor of the Bank. The first instance court decided in favor of the Bank however SDIF is entitled to appeal against the decision. The first instance court held the trial of the Second Case, Third Case and Fourth Case together due to the first instance court's earlier decision to merge these cases. However, the first instance court only ruled on the merits of the Second Case in favor of ING Bank A.Ş. and rejected SDIF's claims and decided to demerge each of the Third Case and the Fourth Case from the Second Case. In the proceedings held after the court's demerger decision, the court decided in favor of the Bank for each case. The court's decision in the Second Case and in the other cases are subject to a two-tiered appeal, i.e., appeal before the regional appellate court and the Supreme Court of Appeals.

On the other hand, there is an administrative law dispute between the Bank and SDIF. The Bank has filed a lawsuit for the annulment of the administrative resolution No. 2013/37 dated 31 January 2013 of SDIF's Fund Board (the "SDIF Fund Board Decision"), which constitutes the legal basis of the SDIF's abovementioned actions. Although the first instance administrative court ruled in favor of the Bank to annul the SDIF Fund Board Decision, the Council of State (i.e., the Administrative Supreme Court of Appeals, Danıştay) reversed the first instance court's decision on the grounds that the administrative courts lack jurisdiction because the dispute was a matter of private law and not one of administrative law. The Bank submitted a motion for the post judgment relief, i.e., correction of judgment which the Council of State rejected. Upon completion of the Council of State's review, the first instance court rendered a decision in line with the Council of State's decision against which the Bank (claiming the annulment of the SDIF Fund Board Decision) and SDIF (claiming the determination of the SDIF Fund Board Decision's legal validity by the administrative courts rather than a lack of jurisdiction decision) filed an appeal.

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**Notes to the unconsolidated financial statements
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(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)**

II. Explanations and notes related to liabilities of the unconsolidated balance sheet (continued)

No provisions were set aside in respect of the amounts that the Bank paid in connection with the off-shore lawsuits, court decisions on off-shore lawsuits and lawsuits filed by SDIF, considering the (i) relevant provisions of the STA, (ii) relevant provisions of the of the Share Purchase Agreement dated 18 June 2007 relating to the purchase of the Bank’s shares (owned by OYAK) by ING Bank N.V. and (iii) the course of the pending lawsuits against SDIF.

8.4. Information on provisions for employee benefits

As of 31 March 2018, TL 43,108 (31 December 2017: TL 40,358) of TL 24,064 (31 December 2017: TL 23,112) provisions for employee benefits is the unused vacation provision. Full provision is provided for the unused vacation liability.

TL 19,044 (31 December 2017: TL 17,246) of the provisions for employee benefits is the termination benefit provision. In accordance with the labor law, the Bank is required to make lump-sum payments to employees whose employment is terminated due to retirement or for reasons other than resignation and misconduct. The payments are calculated on the basis of 30 days’ pay limited to a maximum of historical TL 5,001.76 (Full TL) at 31 March 2018 and TL 4,732.48 (Full TL) at 31 December 2017 per year of employment at the rate of pay applicable at the date of retirement or termination.

In the unconsolidated financial statements dated 31 March 2018 and 31 December 2017, the Bank operating in Turkey has calculated severance pay by taking into account their experience in personnel service completion or termination, and by discounting it via using the forecasted annual inflation and interest rates.

9. Explanations on tax liability

9.1. Explanations on current tax liability

9.1.1. Explanations on tax provision

The Bank has current corporate tax liability as of 31 March 2018 amounting to TL 30,591 (31 December 2017: current tax asset TL 31,525).

9.1.2. Information on taxes payable

	Current period	Prior period
Corporate tax payable	30,591	-
Taxation of securities	28,808	25,445
Property tax	1,197	1,168
Banking insurance transaction tax (“BITT”)	30,610	26,613
Foreign exchange transaction tax	-	-
Value added tax payable	1,031	4,195
Other	33,448	9,763
Total	125,685	67,184

9.1.3. Information on premiums

	Current period	Prior period
Social security premiums-employee	4,933	4,184
Social security premiums-employer	7,321	6,202
Bank social aid pension fund premium-employee	-	-
Bank social aid pension fund premium-employer	-	-
Pension fund membership fees and provisions-employee	-	-
Pension fund membership fees and provisions-employer	-	-
Unemployment insurance-employee	349	296
Unemployment insurance-employer	697	592
Other	-	-
Total	13,300	11,274

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Notes to the unconsolidated financial statements for the three-month period ended 31 March 2018 (continued) (Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

II. Explanations and notes related to liabilities of the unconsolidated balance sheet (continued)

9.2. Explanations on deferred tax liabilities

As of 31 March 2018, the net deferred tax liabilities of the Bank amounts to TL 316,055 (31 December 2017: TL 334,347) which is calculated based on the deductible temporary differences except general loan reserves and other free reserves.

	Accumulated	Current period
Timing differences constituting the basis for deferred tax	temporary differences	Deferred tax asset / (liability)
Base differences for tangible assets	4,165	833
Provisions (*)	132,631	26,717
Fair value differences for financial assets and liabilities	(1,548,680)	(329,768)
Derivative valuation differences	(469,938)	(100,105)
Stage I. and II. credit losses	365,277	80,361
Other	27,934	5,907
Total deferred tax assets / (liabilities) net		(316,055)

(*) Consists of reserve for employee benefits, provision for promotion expenses of credit cards and other provisions.

	Accumulated	Prior period
Timing differences constituting the basis for deferred tax	temporary differences	Deferred tax asset / (liability)
Base differences for tangible assets	(2,365)	(473)
Provisions (*)	141,235	28,619
Fair value differences for financial assets and liabilities	(1,438,442)	(307,126)
Derivative valuation differences	(318,506)	(68,218)
Other	58,525	12,851
Total deferred tax assets / (liabilities) net		(334,347)

Deferred tax assets / liabilities movements of the current and previous years are as follows:

Deferred tax assets / (liabilities)	Current period (1 January – 31 March 2018)
Prior period beginning balance	(334,347)
TFRS 9 effect	65,575
Opening balance	(268,772)
Deferred tax income / (expense) net	(16,594)
Deferred tax recognized under equity	(30,689)
Balance at the end of the period	(316,055)
Deferred tax assets / (liabilities)	Prior period (1 January – 31 March 2017)
Opening balance	(317,646)
Deferred tax income / (expense) net	(45,764)
Deferred tax recognized under equity	(11,297)
Balance at the end of the period	(374,707)

10. Information on liabilities regarding assets held for sale

As of 31 March 2018 and 31 December 2018, there are no liabilities regarding assets held for sale.

(Convenience translation of the unconsolidated interim financial statements and related disclosures and footnotes originally issued in Turkish, See Note 1.b of section three)

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**Notes to the unconsolidated financial statements
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II. Explanations and notes related to liabilities of the unconsolidated balance sheet (continued)

11. Explanations on the subordinated loans

	Current period		Prior period	
	TL	FC	TL	FC
To be included in the calculation of additional capital borrowing instruments	-	-	-	-
Subordinated loans	-	-	-	-
Subordinated debt instruments	-	-	-	-
Debt instruments to be included in contribution capital calculation	202,616	2,988,702	222,644	2,816,323
Subordinated loans	202,616	2,988,702	222,644	2,816,323
Subordinated debt instruments	-	-	-	-
Total	202,616	2,988,702	222,644	2,816,323

12. Information on shareholders' equity

12.1. Paid-in capital

	Current period	Prior period
Common stock (*)	3,486,268	3,486,268
Preferred stock	-	-

(*) The amount represents nominal capital.

12.2. Paid-in capital amount, explanation as to whether the registered share capital system is applicable at bank; if so, the amount of registered share capital ceiling

Paid-in-capital amount is TL 3,486,268 and registered share capital system is not applied.

12.3. Information on share capital increases and their sources; other information on increased capital shares in current period

There is no capital increase in the current period by the capital increases and their sources.

12.4. Information on share capital increases from capital reserves

There is no capital increases from capital reserves in the current period.

12.5 Capital commitments in the last fiscal year and in the interim period following the last fiscal year, the general purpose of these commitments and projected resources required to meet these commitments

There are no capital commitments in the last fiscal year and in the interim period following the last fiscal year.

12.6. Indicators of the Bank's income, profitability and liquidity for the previous periods and possible effects of future assumptions made by taking into account the uncertainties of these indicators on the Bank's equity:

The Bank's balance sheet is managed in a conservative manner in order to be minimally affected by interest, currency and credit risks. The Bank's operations are aimed to be continued with a conservative approach and with an increasing profitability. The year-end income is transferred to the statutory reserves and extraordinary reserves under the shareholder's equity. The Bank tries to invest the majority of its shareholder's equity in interest bearing assets and to keep investments in non-banking assets such as tangible assets, investments in non-financial subsidiaries limited.

(Convenience translation of the unconsolidated interim financial statements and related disclosures and footnotes originally issued in Turkish, See Note 1.b of section three)

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**Notes to the unconsolidated financial statements
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II. Explanations and notes related to liabilities of the unconsolidated balance sheet (continued)

12.7. Information on preferred shares

There are no preferred shares.

12.8. Information on marketable securities revaluation reserve

	Current period	
	TL	FC
From associates, subsidiaries, and entities under common control	-	-
Valuation difference	(9,815)	-
Foreign exchange difference	-	-
Total	(9,815)	-
	Prior period	
	TL	FC
From associates, subsidiaries, and entities under common control	-	-
Valuation difference	(17,656)	-
Foreign exchange difference	-	-
Total	(17,656)	-

12.9. Profit reserves and profit distribution

Under the Turkish Commercial Code (“TCC”), legal reserves consist of first legal reserve and second legal reserve. First legal reserve, appropriated at the rate of 5%, until the total reserve is equal to 20% of issued and fully paid-in share capital. Second legal reserve, appropriated at the rate of at least 10% of distributions in excess of 5% of issued and fully paid-in share capital.

As per the decision made at the annual general assembly of shareholders of the Bank on 29 March 2018, the distribution of the net profit of the year 2017, is as follows. Dividend distribution was made on 29 March 2018.

Profit distribution table of 2017	
2017 net profit	843,752
A – I. Legal Reserve (TCC 519/A) 5%	(42,188)
B – The First Dividend for Shareholders	(168,750)
C – Extraordinary Reserves	(538,625)
D – Special funds	(94,189)

(Convenience translation of the unconsolidated interim financial statements and related disclosures and footnotes originally issued in Turkish, See Note 1.b of section three)

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**Notes to the unconsolidated financial statements
for the three-month period ended 31 March 2018 (continued)
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III. Explanations and notes related to unconsolidated off-balance sheet accounts

1. Explanations on off-balance sheet commitments

1.1. Type and amount of irrevocable commitments

	Current period	Prior period
Forward asset purchase commitments	1,523,985	3,012,553
Forward deposit purchase and sales commitments	-	-
Loan granting commitments	1,983,310	2,196,058
Commitments for cheque payments	3,171,030	2,791,088
Commitments for credit card limits	1,788,599	1,808,006
Commitments for credit cards and banking services promotions	5,243	5,421
Other irrevocable commitments	14,422	13,938
Total	8,486,589	9,827,064

1.2. Type and amount of probable losses and obligations arising from off-balance sheet items

1.2.1 Non-cash loans including guarantees, bank acceptances, collaterals and others deemed as financial commitments and other letter of credits

	Current period	Prior period
Commitments and contingencies	6,253,008	6,100,920
Letter of credits	1,897,475	1,621,705
Bank acceptance loans	81,224	80,948
Total	8,231,707	7,803,573

1.2.2. Irrevocable guarantees, temporary guarantees and other similar commitments and contingencies

	Current period	Prior period
Irrevocable letters of guarantees	4,851,652	4,828,687
Cash loans letters of guarantees	894,114	931,793
Advance letters of guarantees	742,105	606,675
Temporary letters of guarantees	177,306	224,974
Other	78,018	68,866
Total	6,743,195	6,660,995

1.3. Explanation on non-cash loans

1.3.1. Total amount of non-cash loans

	Current period	Prior period
Non-cash loans given against cash loans	7,034,057	6,908,685
With original maturity of 1 year or less than 1 year	78,190	40,253
With original maturity of more than 1 year	6,955,867	6,868,432
Other non-cash loans	7,940,845	7,555,883
Total	14,974,902	14,464,568

(Convenience translation of the unconsolidated interim financial statements and related disclosures and footnotes originally issued in Turkish, See Note 1.b of section three)

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**Notes to the unconsolidated financial statements
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(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)**

III. Explanations and notes related to unconsolidated off-balance sheet accounts (continued)

1.3.2. Information on sectoral risk concentrations of non-cash loans

Not prepared as per Article 25 of the Communiqué on the Financial Statements and Related Explanations and Notes that will be Publicly Announced.

1.3.3. Non-cash loans classified in Group I and Group II

Not prepared as per Article 25 of the Communiqué on the Financial Statements and Related Explanations and Notes that will be Publicly Announced.

2. Information on derivative transactions

Not prepared as per Article 25 of the Communiqué on the Financial Statements and Related Explanations and Notes that will be Publicly Announced.

3. Information on credit swaps and related risks

Not prepared as per Article 25 of the Communiqué on the Financial Statements and Related Explanations and Notes that will be Publicly Announced.

4. Information on contingent liabilities and assets

Not prepared as per Article 25 of the Communiqué on the Financial Statements and Related Explanations and Notes that will be Publicly Announced.

5. Information on the services provided on behalf of others

Not prepared as per Article 25 of the Communiqué on the Financial Statements and Related Explanations and Notes that will be Publicly Announced.

(Convenience translation of the unconsolidated interim financial statements and related disclosures and footnotes originally issued in Turkish, See Note 1.b of section three)

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**Notes to the unconsolidated financial statements
for the three-month period ended 31 March 2018 (continued)
(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)**

IV. Explanations and notes related to unconsolidated statement of income

1. Information on interest income

1.1. Information on interest income from loans

	Current period	
	TL	FC
Interest on loans (*)	1,197,327	91,429
Short term loans	419,915	10,299
Medium and long term loans	755,970	81,130
Interest on loans under follow-up	21,442	-
Premiums received from resource utilization support fund	-	-

(*) Commissions and fees received from cash loans are included.

	Prior period	
	TL	FC
Interest on loans (*)	902,485	83,410
Short term loans	352,834	13,430
Medium and long term loans	543,401	69,980
Interest on loans under follow-up	6,250	-
Premiums received from resource utilization support fund	-	-

(*) Commissions and fees received from cash loans are included.

1.2. Information on interest income received from banks

	Current period	
	TL	FC
From Central Bank of Turkey	-	-
From domestic banks	5,694	290
From foreign banks	49	1,115
From branches abroad	-	-
Total	5,743	1,405

	Prior period	
	TL	FC
From Central Bank of Turkey	-	338
From domestic banks	11,149	376
From foreign banks	27	2,847
From branches abroad	-	-
Total	11,176	3,561

(Convenience translation of the unconsolidated interim financial statements and related disclosures and footnotes originally issued in Turkish, See Note 1.b of section three)

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**Notes to the unconsolidated financial statements
for the three-month period ended 31 March 2018 (continued)**
(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

IV. Explanations and notes related to unconsolidated statement of income (continued)

1.3. Information on interest income received from marketable securities portfolio

	Current period	
	TL	FC
Financial Assets Measured at Fair Value through Profit or Loss	17,343	133
Financial Assets Measured at Fair Value through Other Comprehensive Income	11,906	-
Financial Assets Measured at Amortised Cost	34,362	-
Total	63,611	133

	Prior period	
	TL	FC
Trading securities	1,610	360
Financial assets at fair value through profit and loss	-	-
Available for sale securities	57,069	-
Held to maturity securities	-	-
Total	58,679	360

1.4 Information on interest income received from associates and subsidiaries

	Current period
Interest income from associates and subsidiaries	1,245
	Prior period
Interest income from associates and subsidiaries	2,388

(Convenience translation of the unconsolidated interim financial statements and related disclosures and footnotes originally issued in Turkish, See Note 1.b of section three)

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**Notes to the unconsolidated financial statements
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(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)**

IV. Explanations and notes related to unconsolidated statement of income (continued)

2. Information on interest expenses

2.1. Information on interest on funds borrowed

	Current period	
	TL	FC
Banks (*)	21,026	74,319
Central Bank of Turkey	-	-
Domestic banks	2,050	500
Foreign banks	18,976	73,819
Branches and offices abroad	-	-
Other institutions (*)	-	1,585
Total	21,026	75,904

(*) Commissions and fees paid for cash funds borrowed are included.

	Prior period	
	TL	FC
Banks (*)	29,261	63,318
Central Bank of Turkey	-	-
Domestic banks	1,203	792
Foreign banks	28,058	62,526
Branches and offices abroad	-	-
Other institutions (*)	-	1,912
Total	29,261	65,230

(*) Commissions and fees paid for cash funds borrowed are included.

2.2. Information on interest expenses paid to associates and subsidiaries

	Current period
Interest expenses paid to associates and subsidiaries	1,176
	Prior period
Interest expenses paid to associates and subsidiaries	548

2.3. Information on interest on securities issued

	Current period	
	TL	FC
Interest on securities issued	2,585	-
	Prior period	
	TL	FC
Interest on securities issued	6,322	-

(Convenience translation of the unconsolidated interim financial statements and related disclosures and footnotes originally issued in Turkish, See Note 1.b of section three)

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Notes to the unconsolidated financial statements for the three-month period ended 31 March 2018 (continued) (Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

IV. Explanations and notes related to unconsolidated statement of income (continued)

2.4. Allocation of interest expenses on deposits according to maturity of deposits

Account name	Demand deposit	Up to 1 month	Up to 3 months	Up to 6 months	Up to 1 year	More than 1 year	Time deposit	Total
							Accumulated deposits	
Turkish lira								
Bank deposits	-	-	-	-	-	-	-	-
Saving deposits	-	364,199	78,840	2,491	578	662	-	446,770
Public sector deposits	-	-	215	17	-	-	-	232
Commercial deposits	-	31,978	11,518	595	317	570	-	44,978
Other deposits	-	61	306	14	3	3	-	387
7 days call accounts	-	-	-	-	-	-	-	-
Total	-	396,238	90,879	3,117	898	1,235	-	492,367
Foreign currency								
Foreign currency deposits	-	19,805	19,132	470	127	603	-	40,137
Banks deposits	-	2,207	-	-	-	-	-	2,207
7 days call accounts	-	-	-	-	-	-	-	-
Precious metal deposits	-	-	-	-	-	-	-	-
Total	-	22,012	19,132	470	127	603	-	42,344
Grand total	-	418,250	110,011	3,587	1,025	1,838	-	534,711

3. Information on dividend income

Not prepared as per Article 25 of the Communiqué on the Financial Statements and Related Explanations and Notes that will be Publicly Announced.

4. Information on trading income/loss (net)

	Current period
Income	4,649,162
Gains on capital market transactions	4,814
Gains on derivative financial instruments	2,110,557
Foreign exchange gains	2,533,791
Loss (-)	(4,790,248)
Loss on capital market transactions	(21,093)
Loss on derivative financial instruments	(1,905,553)
Foreign exchange loss	(2,863,602)
	Prior period
Income	5,981,839
Gains on capital market transactions	8,364
Gains on derivative financial instruments	2,502,930
Foreign exchange gains	3,470,545
Loss (-)	(6,035,497)
Loss on capital market transactions	(5,585)
Loss on derivative financial instruments	(2,386,277)
Foreign exchange loss	(3,643,635)

Net profit on derivative financial instruments recognized in profit/loss resulting from fluctuations in foreign exchange rates is TL 208,341 (31 March 2017: TL 100,671 net profit).

(Convenience translation of the unconsolidated interim financial statements and related disclosures and footnotes originally issued in Turkish, See Note 1.b of section three)

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**Notes to the unconsolidated financial statements
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IV. Explanations and notes related to unconsolidated statement of income (continued)

5. Information on other operating income

	Current period
Income from reversal of prior years' provisions	398,764
Income arising from sale of assets	8,239
Banking services income	1,666
Other non-interest income	17,035
Total	425,704
	Prior period
Income from reversal of prior years' provisions	41,346
Income arising from sale of assets	3,316
Banking services income	2,086
Other non-interest income	16,404
Total	63,152

6. Provision expenses for loan losses and other receivables

Allowance for expected credit losses

	Current period
Expected Credit Losses	430,117
12-Month ECL (Stage 1)	62,839
Lifetime ECL Significant Increase in Credit Risk (Stage 2)	57,607
Lifetime ECL Impaired Credits (Stage 3)	309,671
Impairment Losses on Securities	40
Financial Assets Measured at Fair Value through Profit/Loss	40
Financial Assets Measured at Fair Value through Other Comprehensive Income	-
Impairment Losses on Associates, Subsidiaries and Joint-ventures	-
Associates	-
Subsidiaries	-
Joint ventures	-
Other	13,813
Total	443,970

(Convenience translation of the unconsolidated interim financial statements and related disclosures and footnotes originally issued in Turkish, See Note 1.b of section three)

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**Notes to the unconsolidated financial statements
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(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)**

IV. Explanations and notes related to unconsolidated statement of income (continued)

Provision for loan losses and other receivables

	Prior period
Specific provisions for loans and other receivables	136,016
III. group loans and receivables	26,469
IV. group loans and receivables	43,148
V. group loans and receivables	66,399
General provision expenses	5,194
Provision expenses for possible losses	-
Marketable securities impairment losses	50
Financial assets at fair value through profit and loss	50
Available for sale securities	-
Impairment related to associates, subsidiaries and investment securities held to maturity	-
Associates	-
Subsidiaries	-
Joint ventures	-
Held to maturity investments	-
Other	26,551
Total	167,811

7. Information on other operating expenses

	Current period
Personnel expenses (*)	175,836
Reserves for termination benefits	500
Bank social aid fund deficit provision	-
Tangible assets impairment expense	-
Depreciation expense of tangible assets	13,997
Intangible assets impairment expense	-
Goodwill impairment expense	-
Amortisation expense of intangible assets	5,672
Impairment expense of equity participations for which equity method is applied	-
Impairment expense for securities that to be disposed	-
Depreciation expense of securities that to be disposed	-
Impairment expense of held for sale tangible assets and discontinued operations	-
Other operating expenses	181,395
Operating lease expenses	29,023
Repair and maintenance expenses	6,683
Advertisement expenses	22,842
Other expenses	122,847
Loss on sales of assets	146
Other	54,701
Total	432,247

(*) Includes “Personnel Expenses” that not exist in the income statement “Other Operating Expenses” line.

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**Notes to the unconsolidated financial statements
for the three-month period ended 31 March 2018 (continued)
(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)**

IV. Explanations and notes related to unconsolidated statement of income (continued)

	Prior period
Personnel expenses	148,428
Reserves for termination benefits	792
Bank social aid fund deficit provision	-
Tangible assets impairment expense	-
Depreciation expense of tangible assets	13,643
Intangible assets impairment expense	-
Goodwill impairment expense	-
Amortisation expense of intangible assets	5,319
Impairment expense of equity participations for which equity method is applied	-
Impairment expense for securities that to be disposed	-
Depreciation expense of securities that to be disposed	-
Impairment expense of held for sale tangible assets and discontinued operations	-
Other operating expenses	137,192
Operating lease expenses	27,377
Repair and maintenance expenses	4,404
Advertisement expenses	15,677
Other expenses	89,734
Loss on sales of assets	1
Other	48,682
Total	354,057

8. Information on income / (loss) before taxes for continued and discontinued operations

Not prepared as per Article 25 of the Communiqué on the Financial Statements and Related Explanations and Notes that will be Publicly Announced.

9. Information on tax provision for continued and discontinued operations

As of 31 March 2018, corporate tax provision expense is TL 70,923 (31 March 2017: None), and the deferred tax expense is TL 16,594 (31 March 2017: TL 45,764 deferred tax expense).

10. Information on net operating income after taxes for continued and discontinued operations

Not prepared as per Article 25 of the Communiqué on the Financial Statements and Related Explanations and Notes that will be Publicly Announced.

11. The explanations on net income/loss for the period

Interest income from regular banking transactions is TL 1,418,085 (31 March 2017: TL 1,119,095), while the interest expense is TL 643,698 (31 March 2017: TL 509,693).

There are no changes in estimations related to the items in the financial statements

12. If the other items in the income statement exceed 10% of the income statement total, explanations on the sub-accounts amounting to at least 20% of these items

Other fees and commissions received amounting to TL 143,278 (31 March 2017: TL 128,667) has included TL 36,404 (31 March 2017: 33,400 TL) credit card fees and commissions, TL 53,127 (31 arch 2017: TL 38,521) service fees and commissions from contracted merchants and TL 27,972 (31 March 2017: TL 31,008) insurance commissions.

Other fees and commissions paid amounting to TL 64,053 (31 March 2017: TL 47,280) has included TL 53,524 (31 March 2017: TL 39,212) credit card exchange commissions.

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Notes to the unconsolidated financial statements for the three-month period ended 31 March 2018 (continued) (Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

V. Explanations and notes related to risk group of the Bank

1. Volume of related party transactions, income and expense amounts involved and outstanding loan and deposit balances

1.1. Current period

Risk group of the Bank	Subsidiaries, associates and joint ventures (partnerships)		Direct and indirect shareholders of the Bank		Other entities included in the risk group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans and other receivables						
Beginning of the period	147,261	6,092	30	438,513	13	197,080
End of the period	40,839	5,633	101	456,359	10	196,449
Interest and commission income	1,245	18,856	91	106	-	73

1.2 Prior period

Risk group of the Bank	Subsidiaries, associates and joint ventures (partnerships)		Direct and indirect shareholders of the Bank		Other entities included in the risk group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans and other receivables						
Beginning of the period	104,291	15,790	91	624,919	14	87,086
End of the period	147,261	6,092	30	438,513	13	197,080
Interest and commission income	2,388	12,348	-	132	-	80

1.3. Information on deposit balances of the risk group of the Bank

Risk group of the Bank	Subsidiaries, associates and joint ventures (partnerships)		Direct and indirect shareholders of the Bank		Other entities included in the risk group	
	Current period	Prior period	Current period	Prior period	Current period	Prior period
Deposit						
Beginning of the period	88,113	64,607	8,426	1,064	3,070	3,628
End of the period	16,795	88,113	6,875	8,426	5,817	3,070
Interest expense on deposits	775	548	53	39	53	39

(Convenience translation of the unconsolidated interim financial statements and related disclosures and footnotes originally issued in Turkish, See Note 1.b of section three)

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Notes to the unconsolidated financial statements for the three-month period ended 31 March 2018 (continued) (Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

V. Explanations and notes related to risk group of the Bank (continued)

1.4. Information on forward and option agreements and other similar agreements entered into with the risk group of the Bank

Risk group of the Bank	Subsidiaries, associates and joint ventures (partnerships)		Direct and indirect shareholders of the Bank		Other entities included in the risk group	
	Current period	Prior period	Current period	Prior period	Current period	Prior period
Transactions at fair value through profit / loss						
Beginning of the period	-	-	9,971,955	7,620,055	33,080	98,715
End of period	-	-	13,039,555	9,971,955	11,920	33,080
Total profit/loss	1,288	-	(33,956)	(35,942)	34,740	29,452
Transactions with hedging purposes						
Beginning of the period	-	-	-	-	-	-
End of period	-	-	-	-	-	-
Total profit/loss	-	-	-	-	-	-

1.5. Information on placements made with the risk group of the Bank

Risk group of the Bank	Subsidiaries, associates and joint ventures (partnerships)		Direct and indirect shareholders of the Bank		Other entities included in the risk group	
	Current period	Prior period	Current period	Prior period	Current period	Prior period
Banks						
Beginning of the period	-	-	63,731	1,339	33,504	44,236
End of period	-	-	46,747	63,731	3,260	33,504
Interest income received	-	-	82	304	3	-

1.6. Information on loans borrowed from the risk group of the Bank

Risk group of the Bank	Subsidiaries, associates and joint ventures (partnerships)		Direct and indirect shareholders of the Bank		Other entities included in the risk group	
	Current period	Prior period	Current period	Prior period	Current period	Prior period
Loans						
Beginning of the period	218,398	-	7,418,245	9,893,625	8,403	4,201
End of period	235,193	218,398	6,731,999	7,418,245	15,103	8,403
Interest and commission paid	401	-	37,957	35,449	74	45

The Bank also has subordinated loan amounting to TL 3,191,318 from main shareholder ING Bank NV as of 31 March 2018 (31 December 2017: TL 3,038,967).

1.7 Information regarding benefits provided to the Bank’s top management:

Benefits paid to key management personnel for the year ended is amounting to TL 10,205 (31 March 2017: TL 9,516).

VI. Explanations and notes related to subsequent events

None.

(Convenience translation of the unconsolidated interim financial statements and related disclosures and footnotes originally issued in Turkish, See Note 1.b of section three)

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**Notes to the unconsolidated financial statements
for the three-month period ended 31 March 2018 (continued)
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Section six

Interim review report

I. Explanations on the auditors’ review report

The unconsolidated financial statements of the Bank as of 31 March 2018, have been reviewed by Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi (The Turkish member firm of KPMG International Cooperative, a Swiss entity) and the review report dated 9 May 2018 is presented at the beginning of this report.

II. Explanations and notes prepared by independent auditors

There are no other significant footnotes and explanations related to the operations of the Bank that is not mentioned above.

(Convenience translation of the unconsolidated interim financial statements and related disclosures and footnotes originally issued in Turkish, See Note 1.b of section three)

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Notes to the unconsolidated financial statements for the three-month period ended 31 March 2018 (continued) (All amounts expressed in full of Turkish Lira ("TL") unless otherwise stated)

Section seven

Interim activity report

I. Interim unconsolidated activity report including the assessments of the Chairman and CEO on the interim activities

1. Overview

1.1. A summary of financial information relating to operating results for the year ended

Summary financial information on the unconsolidated financial statements of the Bank for the period 31 March 2018 and 31 December 2017 is as follows.

Main balance sheet items

Million TL	Current period	Prior period
Net loans	38,800	38,467
Deposits	29,178	27,686
Equity	6,421	5,769
Total assets	54,227	52,882

Main financial ratios

	Current period	Prior period
Capital adequacy ratio	20.44%	19.93%
Loans / Total assets	71.55%	72.74%
Deposits / Total assets	53.81%	52.35%
Non-performing loans / Total loans	4.16%	4.25%
Income / Average capital (*)	19.30%	15.59%
Income / Average assets (*)	2.30%	1.65%
Expense / Income ratio (**)	36.52%	46.97%

(**) Items related to income statement are included in the ratio calculation after annualization process.

(***) Prior period profit/loss amounts are for the three month period ended 31 March 2017.

1.2 Changes and the reason for changes made in the Articles of Association

In the accounting period, there has not been any change in the Articles of Association of the Bank.

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**Notes to the unconsolidated financial statements
for the three-month period ended 31 March 2018 (continued)
(All amounts expressed in full of Turkish Lira (“TL”) unless otherwise stated)**

I. Interim unconsolidated activity report including the assessments of the Chairman and CEO on the interim activities (continued)

1.3 Chairman’s assessments of the operating period and expectations for the future

Despite the increasingly apparent protectionist stance taken by the United States and reports of a relative slowdown in global activity as a result of the fluctuations in the stock exchange markets, global growth, which picked up pace last year, continued this performance into the first quarter of this year. In the meantime, signs of slowly increasing price pressures have also stood out. Considering strong domestic demand growth, competitive exchange rates, and a global economy that continues its recovery trend, the US economy is expected to perform positively. Yet, while growth remains strong in the Eurozone, inflation still falls well short of the target. However, the trade tensions between the United States and China pose a risk against global trade deals and global activity. Furthermore, the recent sanctions against Russia and geopolitical developments also lead to fluctuations on risk perception.

Domestically, the Q4 growth that surpassed expectations essentially came from domestic demand while the net external demand pulled down the growth. Overall, in 2017, private consumption and investment, and therefore, domestic demand drove performance while the contribution of net exports remained limited. Indicators for the first quarter of 2018 demonstrate that growth will remain strong despite losing some steam. Declining global risk appetite and Moody’s downgrading of Turkey’s credit rating took their toll on the domestic financial markets.

During this time, ING Bank continued to consistently grow the services it offers across a vast range from retail to wholesale banking with its robust equity and asset quality. Our Bank stands out within the ING Group not only with its successful performance and strong team but also with its innovation capacity and innovative products. We will continue with determination to correctly utilize the growth opportunities offered by the Turkish market and to provide the products, services and know-how that will help our customers build their financial future robustly. ING Bank’s unwavering goal is to offer the best banking experiences to its customers and to take them into the future by leveraging the most suitable and efficient technologies. I would like to thank all our stakeholders including our associates, customers and main shareholder for their invaluable support and contributions.

John T. Mc Carthy
Board Chairman

(Convenience translation of the unconsolidated interim financial statements and related disclosures and footnotes originally issued in Turkish, See Note 1.b of section three)

ING Bank A.Ş.

**Notes to the unconsolidated financial statements
for the three-month period ended 31 March 2018 (continued)
(All amounts expressed in full of Turkish Lira (“TL”) unless otherwise stated)**

I. Interim unconsolidated activity report including the assessments of the Chairman and CEO on the interim activities (continued)

1.4 CEO’s assessments of the operating period and expectations for the future

As a “tech company with a banking license,” ING Bank’s strong growth strategy rests on a long-term and sustainable plan. In the competitive and rapidly digitalizing banking industry, our strategy is focused on innovation and technology. Helping our customers take better financial decisions and always stay a step ahead continues to be our core goal in 2018 as well. With this vision, we serve our customers in a way that they can access us anytime, anywhere, easily and effortlessly.

Our Bank continued last year’s successful performance in the first quarter of 2018 as well. Based on our unconsolidated financial results, our Bank’s asset size reached TL 54.2 billion and its pre-tax profits to TL 376 million as of the first quarter of 2018. Our equity volume rose to TL 6.4 billion while our capital adequacy ratio increased to 20.44 percent. Our Bank’s total loans reached TL 38.8 billion and our deposits volume to TL 29.2 billion.

At ING Bank, we will continue to generate value for Turkey with our customers, stakeholders and strong human resources moving forward. I would like to thank both personally and on behalf of ING Bank executive team to all our team and business partners for their contributions in our Bank’s successful performance in the first quarter of 2018.

Pinar Abay

CEO

ING Bank A.Ş.

**Notes to the unconsolidated financial statements
for the three-month period ended 31 March 2018 (continued)
(All amounts expressed in full of Turkish Lira (“TL”) unless otherwise stated)**

I. Interim unconsolidated activity report including the assessments of the Chairman and CEO on the interim activities (continued)

1.5 Explanations on the Bank 's service types, activities, staff and branch number and Evaluation of the Bank's sector position

The Bank continues its services and operations with 4,671 employees and 257 domestic branches, as of 31 March 2018.

Sector information on December 2017 has not been published yet. According to the sector information disclosed as of the end of September 2017, Bank is the 8th biggest private bank in terms of assets and loans and 9th biggest private bank in terms of deposits.

1.6 Information on research and development about new services and activities

In the accounting period, there has not been any change in the Bank's research and development process about new service and operations.

2. Assessments about financial position and risk management

2.1 Information on Audit Committee's operations in accounting period

With the Board of Directors resolution, no. 10/1, dated 9 March 2018, Mürüvet Semra Kuran has been elected member of the Audit Committee substituting Mehmet Sırrı Erkan.

2.2 An assessment on financial status, profitability and solvency

According to the unconsolidated financial statements as of 31 March 2018, the asset size of the Bank is TL 54.2 billion and income before tax is TL 376 million. As of 31 March 2018, credits constitute 72% of total assets with TL 38.8 billion.

According to unconsolidated financial statements, in the first quarter of 2018, cash credits have been TL 38.8 billion and the most significant growth in cash credits has been in commercial business line. Deposits which is the primary funding source of the Bank, constitutes 54% of the balance sheet with TL 29.2 billion as of 31 March 2018. Even though the large base deposit structure covering small investments represents a short term source in the sector, it remains within the Bank for much longer compared to the original term.

Once the Bank joined ING Group, it has had the opportunity to provide long term sources from the main shareholder. Total of the funds borrowed amounted to TL 13.3 billion.

As of 31 March 2018, capital adequacy ratio of ING Bank has reached 20.44%. In addition, the Bank has received subordinated loans from its main shareholder amounting to TL 3 billion. As of 31 March 2018, total equities of ING Bank has reached TL 6.4 billion. The Bank distributed dividend amounting to TL 169 million after the BRSA approval and decision of the General Assembly dated 19 March 2018.

Both macroeconomic and increasing competition continued to affect the sustainable profitability of banks. Despite this outlook and the limitations of the sector, with its sound equities and strong asset quality, ING Bank has grown steadily in the first three months of 2018. In parallel to the developments in economy and Bank's balance sheet, in the first three months of 2018, compared to the same period of the previous year, the Bank net profit increased by 65% and reached TL 289 million.

(Convenience translation of the unconsolidated interim financial statements and related disclosures and footnotes originally issued in Turkish, See Note 1.b of section three)

ING Bank A.Ş.

**Notes to the unconsolidated financial statements
for the three-month period ended 31 March 2018 (continued)
(All amounts expressed in full of Turkish Lira (“TL”) unless otherwise stated)**

I. Interim unconsolidated activity report including the assessments of the Chairman and CEO on the interim activities (continued)

2.3 Information on the risk management policies applied by risk types

There has been no change in the accounting period.

2.4 Information on whether ratings are determined by rating agencies

International credit rating agency Fitch Ratings Ltd. has confirmed the Bank's credit ratings as of 7 March 2018 as follows:

Long-term Foreign Currency Rating: BBB- (Outlook: Stable)
Long-Term Local Currency: BBB- (Outlook: Stable)
Short-term Foreign Currency Rating: F3
Short Term Local Currency: F3
Support Rating: 2
National Long-Term Notes: AAA (tur) (Outlook: Stable)
Viability Rating: bb

International credit rating agency Moody's has confirmed the credit rating of the Bank as of 9 March 2018 as follows:

Turkish Lira Long Term Deposit Rating: Ba2 (Outlook: Stable)
Short-term Turkish Lira Deposit Notes: Not-Prime
Long-term Foreign Currency Deposit Rating: Ba3 (Outlook: Stable)
Short-term Foreign Currency Deposit Rating: Not-Prime
Baseline Credit Assessment – (BCA): b1
National Scale Note Aa1.tr/TR-1