

(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.

Unconsolidated Financial Statements
as at and for the Year Ended
31 December 2017

9 February 2018

*This report consists 3 pages of "Independent Auditors'
Report" and 107 pages of unconsolidated financial
statements and related disclosures and footnotes.*

Convenience Translation of the Independent Auditor's Report Originally Prepared and Issued in Turkish to English (See Note I in Section Three)

INDEPENDENT AUDITOR'S REPORT

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

A) Audit of Unconsolidated Financial Statements

Opinion

We have audited the accompanying unconsolidated financial statements of ING Bank A.Ş. ("the Bank") which comprise the unconsolidated balance sheet as at 31 December 2017 and the unconsolidated statements of income, income and expense items recognized under shareholders' equity, changes in shareholders' equity, cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the unconsolidated financial statements present fairly, in all material respects, the unconsolidated financial position of the Bank as at 31 December 2017, and its unconsolidated financial performance and its unconsolidated cash flows for the year then ended in accordance with the "Banking Regulation and Supervision Agency ("BRSA") Accounting and Reporting Legislation" which includes 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 Board and circulars and interpretations published by BRSA and requirements of Turkish Accounting Standards for the matters not regulated by the aforementioned legislations.

Basis for Opinion

We conducted our audit in accordance with the "Regulation on Independent Audit of the Banks" ("BRSA Auditing Regulation") published in the Official Gazette No.29314 dated 2 April 2015 by BRSA and Standards on Auditing which is a component of the Turkish Auditing Standards issued by the Public Oversight Accounting and Auditing Standards Authority ("POA") ("Standards on Auditing issued by POA"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Unconsolidated Financial Statements section of our report. We declare that we are independent of the Bank in accordance with the Code of Ethics for Auditors issued by POA (POA's Code of Ethics) and the ethical requirements in the regulations issued by POA that are relevant to audit of unconsolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with the POA's Code of Ethics and regulations. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Unconsolidated Financial Statements

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

In preparing the unconsolidated financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank's financial reporting process.

Auditors' Responsibilities for the Audit of the Unconsolidated Financial Statements

Responsibilities of auditors in an audit are as follows:

Our objectives are to obtain reasonable assurance about whether the unconsolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with BRSA Auditing Regulation and Standards on Auditing issued by POA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these unconsolidated financial statements.

As part of an audit in accordance with BRSA Auditing Regulation and Standards on Auditing issued by POA we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the unconsolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the unconsolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the unconsolidated financial statements, including the disclosures, and whether the unconsolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

B) Other Legal and Regulatory Requirements

Pursuant to the fourth paragraph of Article 402 of the Turkish Commercial Code ("TCC") No. 6102; no significant matter has come to our attention that causes us to believe that the Bank's bookkeeping activities for the period 1 January - 31 December 2017 are not in compliance with TCC and provisions of the Bank's articles of association in relation to financial reporting.

Pursuant to the fourth paragraph of Article 402 of the TCC; the Board of Directors provided us the necessary explanations and required documents in connection with the audit.

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

Funda Aslanoğlu, SMMM
Partner

9 February 2018
İstanbul, 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 31 December 2017

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The unconsolidated financial report includes the following sections in accordance with the "Communiqué on the Financial Statements and Related Explanation and Notes that will be Publicly Announced" as sanctioned by the Banking Regulation and Supervision Agency.

- General information about the Bank
- Unconsolidated financial statements of the Bank
- Explanations on accounting policies applied in the related period
- Information on financial position and risk management of the Bank
- Explanations and notes related to unconsolidated financial statements
- Other explanations
- Independent auditors' report

The accompanying unconsolidated year-end financial statements and notes 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 audited.

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. Sırrı ERKAN
Audit Committee Member

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

Name-Surname/Title : Nurgül BİLGİÇER FİLİS / Vice President
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ING Bank A.Ş.

Notes to unconsolidated financial statements

As of and for the year ended 31 December 2017

(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.

(Convenience translation of the independent auditors' report and financial statements originally issued in Turkish, See Note 1.b of section three)

ING Bank A.Ş.

Notes to unconsolidated financial statements

As of and for the year ended 31 December 2017 (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 December 2017 and 31 December 2016 are as follows:

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

As of 31 December 2017, 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 December 2017 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, Can Erol and A. Canan Ediboğlu with a nominal value of TL 1 (Full TL) each.

(Convenience translation of the independent auditors' report and financial statements originally issued in Turkish, See Note 1.b of section three)

ING Bank A.Ş.

Notes to unconsolidated financial statements

As of and for the year ended 31 December 2017 (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 December 2017, 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 and Audit Committee Member	Legally declared
Adrianus J. A. Kas	BoD and Chairman of the Audit Committee	Legally declared
Can Erol	BoD Member	Legally declared
A. Canan Ediboğlu	BoD Member	Legally declared
Pınar Abay	Chief Executive Officer and BoD Member	Legally declared
Ayşegül Akay	Executive Vice President	Financial Institutions and Debt Capital Markets
İhsan Çakır	Executive Vice President	Mid Corporate Banking
Çiğdem Dayan	Chief Legal Counsel	Legal Department
Nermin Güney	Executive Vice President	Corporate and Mid Corporate Credit Allocation
Gordana Hulina	Executive Vice President	Credits
İbrahim Huyugüzel	Executive Vice President	Internal Control
İlker Kayseri	Executive Vice President	Treasury
K. Atıl Özus	Chief Financial Officer	Financial Control and Treasury
Bohdan Robert Stepkowski	Executive Vice President	Financial Markets
İ. Bahadır Şamlı	Executive Vice President	Technology
Bahar Şansal	Executive Vice President	Human Resources
Murat Tursun	Chief Audit Executive	Internal Audit
Barbaros Uygun	Executive Vice President	Retail Banking
Ebru Sönmez Yanık	Executive Vice President	Corporate Customers Sales
Erdoğan Yılmaz	Executive Vice President	SME Banking and Payment Systems
Gökhan Yurtçu	Executive Vice President	Relations with Official Institutions and Legislation, Consumer Relations Coordination Officer
Alper Hakan Yüksel	Executive Vice President	Corporate Banking
N. Yücel Ölçer	Executive Vice President	Operation

At the Ordinary General Meeting of the Bank held on 29 March 2017, the number of board members including Chief Executive Officer who is a permanent member per the Banking Law has been defined as 6 and John T. Mc Carthy, Adrianus J. A. Kas, A. Canan Ediboğlu, M. Sırrı Erkan and Can Erol have been appointed as the Board Member for 2 years till the Ordinary General Meeting to be held in 2019.

The Bank Non-Financial Risk Management Executive Vice President Tuba Yapıcı has resigned from her duty as of 2 January 2017.

The Bank Human Resources Executive Vice President Seçil Refik has resigned from her duty as of 1 February 2017 to take responsibility in ING Group.

Bahar Şansal has been appointed as Human Resources Executive Vice President per the Board of Directors resolution No. 6/1 and dated 9 February 2017, after completion of the BRSA process, she started her duty as of 13 March 2017.

The Bank SME and Retail Banking Credit Allocation Executive Vice President Murat Sarı has resigned from his duty as of 18 June 2017 and has been appointed as Global Head of Consumer Credits of ING Group.

N. Yücel Ölçer has been appointed as Operation Executive Vice President per the Board of Directors resolution No. 34/2 and dated 7 August 2017, after completion of the BRSA process, he started his duty as of 1 September 2017.

The Bank Operation and Technology Executive Vice President Şükrü Görkem Köseoğlu has resigned from his duty as of 1 September 2017 to be Global Head of Robotics and Artificial Intelligence of ING Group as of 1 October 2017.

(Convenience translation of the independent auditors' report and financial statements originally issued in Turkish, See Note 1.b of section three)

ING Bank A.Ş.

Notes to unconsolidated financial statements

As of and for the year ended 31 December 2017 (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 (continued)

According to the decision of the Board of Directors dated 27 September 2017, it has been decided to elect M. Sırrı Erkan as Vice Chairman of the Board of Directors and also it has been decided that Adrianus J. A. Kas, previously served in this position, continue to serve as a member of the Board of Directors. In accordance with the same decision of the Board of Directors, it has been decided to elect Adrianus J. A. Kas as Chairman of the Audit Committee and M. Sırrı Erkan as Audit Committee Member.

The Bank Chief Financial Officer Erwin H.M. Olijslager has resigned from his duty as of 31 October 2017 to take responsibility in ING Group.

K. Atıl Özus has been appointed as Chief Financial Officer per the Board of Directors resolution No. 41/1 and dated 10 October 2017, after completion of the BRSA process, he started his duty as of 1 November 2017.

The Bank Chief Legal Counsel Çiğdem Dayan has resigned from her duty as of 31 December 2017.

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

IV. Information on the Bank's qualified shareholders

ING Bank N.V. has full control over the Bank's management with 3,486,267,792 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 261 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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- VII. Statement of profit distribution

(Convenience translation of the independent auditors' report and financial statements 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 December 2017**

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

Assets	Note (section five)	Audited Current period (31/12/2017)			Audited Prior period (31/12/2016)		
		TL	FC	Total	TL	FC	Total
I. Cash and balances with Central Bank	(I-1)	459,007	7,371,516	7,830,523	415,525	6,450,120	6,865,645
II. Financial assets at fair value through profit or loss (net)	(I-2)	417,317	196,781	614,098	284,725	249,168	533,893
2.1 Financial assets held for trading		417,317	196,781	614,098	284,725	249,168	533,893
2.1.1 Public sector debt securities		36,584	5,509	42,093	1,765	4,608	6,373
2.1.2 Equity securities		-	-	-	-	-	-
2.1.3 Derivative financial assets held for trading		380,688	191,272	571,960	282,928	244,560	527,488
2.1.4 Other marketable securities		45	-	45	32	-	32
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	6,624	149,039	155,663
IV. Money market placements		1,047,895	-	1,047,895	1,775,677	-	1,775,677
4.1 Interbank money market placements		-	-	-	-	-	-
4.2 Receivables from Istanbul Stock Exchange Money Market		-	-	-	455,063	-	455,063
4.3 Receivables from reverse repurchase agreements		1,047,895	-	1,047,895	1,320,614	-	1,320,614
V. Financial assets available for sale (net)	(I-4)	1,735,832	156	1,735,988	2,551,632	102,195	2,653,827
5.1 Equity securities		5,947	156	6,103	5,946	102,195	108,141
5.2 Public sector debt securities		1,729,885	-	1,729,885	2,545,686	-	2,545,686
5.3 Other marketable securities		-	-	-	-	-	-
VI. Loans and receivables	(I-5)	29,916,203	8,550,573	38,466,776	25,476,914	9,340,033	34,816,947
6.1 Loans and receivables		29,418,797	8,550,573	37,969,370	25,038,657	9,340,033	34,378,690
6.1.1 Loans to the Bank's risk group		147,304	-	147,304	102,367	2,029	104,396
6.1.2 Government debt securities		-	-	-	-	-	-
6.1.3 Other		29,271,493	8,550,573	37,822,066	24,936,290	9,338,004	34,274,294
6.2 Loans under follow-up		1,683,658	-	1,683,658	1,387,723	-	1,387,723
6.3 Specific provisions (-)		(1,186,252)	-	(1,186,252)	(949,466)	-	(949,466)
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	95,573	334	95,907
10.1 Unconsolidated financial subsidiaries		95,573	334	95,907	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	1,793,218	5	1,793,223
13.1 Fair value hedge		-	-	-	-	-	-
13.2 Cash flow hedge		1,571,395	-	1,571,395	1,793,218	5	1,793,223
13.3 Hedge of net investment risks in foreign operations		-	-	-	-	-	-
XIV. Property and equipment (net)	(I-12)	502,235	-	502,235	423,908	-	423,908
XV. Intangible assets (net)	(I-13)	39,215	-	39,215	44,473	-	44,473
15.1 Goodwill		-	-	-	-	-	-
15.2 Other		39,215	-	39,215	44,473	-	44,473
XVI. Investment properties (net)	(I-14)	-	-	-	-	-	-
XVII. Tax asset		31,525	-	31,525	76,480	-	76,480
17.1 Current tax asset		31,525	-	31,525	76,480	-	76,480
17.2 Deferred tax asset		-	-	-	-	-	-
XVIII. Property and equipment held for sale and related to discontinued operations (net)	(I-16)	660	-	660	660	-	660
18.1 Held for sale		660	-	660	660	-	660
18.2 Related to discontinued operations		-	-	-	-	-	-
XIX. Other assets	(I-17)	456,858	6,878	463,736	446,640	4,717	451,357
Total assets		36,275,162	16,606,945	52,882,107	33,392,049	16,295,611	49,687,660

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

(Convenience translation of the independent auditors' report and financial statements 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 December 2017**

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

Liabilities	Note (section five)	Audited Current period (31/12/2017)			Audited Prior period (31/12/2016)		
		TL	FC	Total	TL	FC	Total
I. Deposits	(II-1)	18,440,245	9,245,580	27,685,825	17,377,352	7,839,933	25,217,285
1.1 Deposits held by the Bank's risk group		50,113	49,496	99,609	30,784	38,515	69,299
1.2 Other		18,390,132	9,196,084	27,586,216	17,346,568	7,801,418	25,147,986
II. Derivative financial liabilities held for trading	(II-2)	279,974	189,342	469,316	375,448	199,599	575,047
III. Funds borrowed	(II-3)	377,902	13,586,378	13,964,280	587,141	13,191,605	13,778,746
IV. Money market balances		59,498	-	59,498	126,567	-	126,567
4.1 Funds from interbank money market		-	-	-	125,000	-	125,000
4.2 Funds from Istanbul Stock Exchange money market		57,207	-	57,207	59	-	59
4.3 Funds provided under repurchase agreements		2,291	-	2,291	1,508	-	1,508
V. Marketable securities issued (net)	(II-4)	-	-	-	246,634	-	246,634
5.1 Bills		-	-	-	246,634	-	246,634
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	303,817	32,786	336,603
VIII. Other liabilities	(II-5)	209,772	14,241	224,013	302,336	19,470	321,806
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	33,054	5,444	38,498
11.1 Fair value hedge		-	-	-	-	-	-
11.2 Cash flow hedge		21,299	4,155	25,454	33,054	5,444	38,498
11.3 Hedge of net investment in foreign operations		-	-	-	-	-	-
XII. Provisions	(II-8)	831,585	-	831,585	721,886	-	721,886
12.1 General loan loss provisions		645,238	-	645,238	581,083	-	581,083
12.2 Restructuring reserves		-	-	-	-	-	-
12.3 Reserve for employee benefits		40,358	-	40,358	38,813	-	38,813
12.4 Insurance technical provisions (net)		-	-	-	-	-	-
12.5 Other provisions		145,989	-	145,989	101,990	-	101,990
XIII. Tax liability	(II-9)	412,805	-	412,805	387,467	-	387,467
13.1 Current tax liability		78,458	-	78,458	69,821	-	69,821
13.2 Deferred tax liability		334,347	-	334,347	317,646	-	317,646
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	474,800	2,406,399	2,881,199
XVI. Shareholders' equity	(II-12)	5,772,985	(4,240)	5,768,745	4,967,096	88,826	5,055,922
16.1 Paid-in capital		3,486,268	-	3,486,268	3,486,268	-	3,486,268
16.2 Capital reserves		283,903	(4,240)	279,663	101,678	88,826	190,504
16.2.1 Share premium		-	-	-	-	-	-
16.2.2 Share cancellation profits		-	-	-	-	-	-
16.2.3 Marketable securities valuation differences		(17,656)	-	(17,656)	(30,406)	94,029	63,623
16.2.4 Revaluation surplus on tangible assets		46,732	-	46,732	26,644	-	26,644
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	103,747	(5,203)	98,544
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	1,693	-	1,693
16.3 Profit reserves		1,159,062	-	1,159,062	807,989	-	807,989
16.3.1 Legal reserves		148,416	-	148,416	99,858	-	99,858
16.3.2 Status reserves		-	-	-	-	-	-
16.3.3 Extraordinary reserves		1,010,320	-	1,010,320	707,805	-	707,805
16.3.4 Other profit reserves		326	-	326	326	-	326
16.4 Profit or loss		843,752	-	843,752	571,161	-	571,161
16.4.1 Prior periods' profit/loss		-	-	-	-	-	-
16.4.2 Current period profit/loss		843,752	-	843,752	571,161	-	571,161
Total liabilities		26,988,663	25,893,444	52,882,107	25,903,598	23,784,062	49,687,660

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

(Convenience translation of the independent auditors' report and financial statements 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 December 2017

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

Off-balance sheet items	Note (section five)	Audited Current period (31/12/2017)			Audited Prior period (31/12/2016)		
		TL	FC	Total	TL	FC	Total
A. Off-balance sheet commitments (I+II+III)		55,471,112	62,881,480	118,352,592	34,752,955	55,070,198	89,823,153
I. Guarantees and warranties	(III-1)	2,700,393	11,764,175	14,464,568	2,509,708	11,274,336	13,784,044
1.1 Letters of guarantee		2,698,982	3,962,013	6,660,995	2,508,860	3,865,431	6,374,291
1.1.1 Guarantees subject to state tender law		28,438	-	28,438	25,234	-	25,234
1.1.2 Guarantees given for foreign trade operations		-	-	-	-	-	-
1.1.3 Other letters of guarantee		2,670,544	3,962,013	6,632,557	2,483,626	3,865,431	6,349,057
1.2 Bank acceptances		-	80,948	80,948	-	109,750	109,750
1.2.1 Import letter of acceptance		-	80,948	80,948	-	109,750	109,750
1.2.2 Other bank acceptances		-	-	-	-	-	-
1.3 Letters of credit		910	1,620,795	1,621,705	-	1,200,417	1,200,417
1.3.1 Documentary letters of credit		910	1,620,795	1,621,705	-	1,200,417	1,200,417
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		-	5,976,892	5,976,892	-	5,894,829	5,894,829
1.9 Other warranties		501	-	-	848	-	204,757
II. Commitments	(III-1)	7,494,665	2,332,399	9,827,064	6,646,126	2,174,509	8,820,635
2.1 Irrevocable commitments		7,494,665	2,332,399	9,827,064	6,646,126	2,174,509	8,820,635
2.1.1 Forward asset purchase commitments		998,369	2,014,184	3,012,553	648,779	1,441,694	2,090,473
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		1,879,233	316,825	2,196,058	1,540,392	727,557	2,267,949
2.1.5 Securities underwriting commitments		-	-	-	-	-	-
2.1.6 Commitments for reserve requirements		-	-	-	-	-	-
2.1.7 Commitments for cheque payments		2,791,088	-	2,791,088	2,603,213	-	2,603,213
2.1.8 Tax and fund liabilities from export commitments		12,520	-	12,520	9,975	-	9,975
2.1.9 Commitments for credit card limits		1,808,006	-	1,808,006	1,838,986	-	1,838,986
2.1.10 Commitments for credit cards and banking services promotions		5,421	-	5,421	4,753	-	4,753
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	1,390	1,418	28	5,258	5,286
2.2 Revocable commitments		-	-	-	-	-	-
2.2.1 Revocable loan granting commitments		-	-	-	-	-	-
2.2.2 Other revocable commitments		-	-	-	-	-	-
III. Derivative financial instruments	(III-2)	45,276,054	48,784,906	94,060,960	25,597,121	41,621,353	67,218,474
3.1 Derivative financial instruments for hedging purposes		23,751,333	4,750,227	28,501,560	10,819,626	6,181,706	17,001,332
3.1.1 Fair value hedges		-	-	-	-	-	-
3.1.2 Cash flow hedges		23,751,333	4,750,227	28,501,560	10,819,626	6,181,706	17,001,332
3.1.3 Net foreign investment hedges		-	-	-	-	-	-
3.2 Derivative financial instruments for trading purposes		21,524,721	44,034,679	65,559,400	14,777,495	35,439,647	50,217,142
3.2.1 Forward foreign currency buy/sell transactions		3,064,560	10,453,676	13,518,236	2,419,449	10,246,506	12,665,955
3.2.1.1 Forward foreign currency transactions-buy		1,897,164	4,911,555	6,808,719	1,162,091	5,156,369	6,318,460
3.2.1.2 Forward foreign currency transactions-sell		1,167,396	5,542,121	6,709,517	1,257,358	5,090,137	6,347,495
3.2.2 Swap transactions related to foreign currency and interest rates		17,647,893	31,529,549	49,177,442	11,419,302	23,485,847	34,905,149
3.2.2.1 Foreign currency swap-buy		5,343,109	14,180,926	19,524,035	5,652,519	8,765,453	14,417,972
3.2.2.2 Foreign currency swap-sell		9,694,784	9,939,377	19,634,161	4,536,783	9,877,078	14,413,861
3.2.2.3 Interest rate swap-buy		1,305,000	3,704,623	5,009,623	615,000	2,421,658	3,036,658
3.2.2.4 Interest rate swap-sell		1,305,000	3,704,623	5,009,623	615,000	2,421,658	3,036,658
3.2.3 Foreign currency, interest rate and securities options		804,130	2,051,454	2,855,584	938,744	1,702,852	2,641,596
3.2.3.1 Foreign currency options-buy		402,065	1,025,727	1,427,792	469,372	851,426	1,320,798
3.2.3.2 Foreign currency options-sell		402,065	1,025,727	1,427,792	469,372	851,426	1,320,798
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		8,138	-	8,138	-	4,442	4,442
B. Custody and pledged items (IV+V+VI)		228,205,337	32,867,119	261,072,456	210,467,225	27,045,717	237,512,942
IV. Items held in custody		1,060,138	1,456,856	2,516,994	537,277	1,437,838	1,975,115
4.1 Customer fund and portfolio balances		792,222	-	792,222	152,224	-	152,224
4.2 Investment securities held in custody		74,144	204,151	278,295	73,592	188,220	261,812
4.3 Checks received for collection		31,885	378,545	410,430	107,275	412,912	520,187
4.4 Commercial notes received for collection		161,886	812,458	974,344	204,185	757,081	961,266
4.5 Other assets received for collection		-	-	-	-	-	-
4.6 Assets received for public offering		-	-	-	-	-	-
4.7 Other items under custody		1	61,702	61,703	1	79,625	79,626
4.8 Custodians		-	-	-	-	-	-
V. Pledged received		38,447,841	7,191,265	45,639,106	40,524,529	6,008,222	46,532,751
5.1 Marketable securities		224,505	6,551	231,056	137,506	9,444	146,950
5.2 Guarantee notes		7,738,243	1,459,527	9,197,770	8,471,012	1,447,577	9,918,589
5.3 Commodity		910	-	910	910	-	910
5.4 Warranty		-	-	-	-	-	-
5.5 Properties		25,875,776	4,781,593	30,657,369	27,298,988	3,752,251	31,051,239
5.6 Other pledged items		4,608,407	943,594	5,552,001	4,616,113	798,950	5,415,063
5.7 Pledged items-depository		-	-	-	-	-	-
VI. Accepted independent guarantees and warranties		188,697,358	24,218,998	212,916,356	169,405,419	19,599,657	189,005,076
Total off-balance sheet items (A+B)		283,676,449	95,748,599	379,425,048	245,220,180	82,115,915	327,336,095

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

(Convenience translation of the independent auditors' report and financial statements originally issued in Turkish, See Note 1.b of section three)

ING Bank A.Ş.

Unconsolidated statement of income for the year ended 31 December 2017

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

Income and expense items	Note (section five)	Audited	Audited
		Current period (01/01/2017- 31/12/2017)	Prior period (01/01/2016- 31/12/2016)
I. Interest income	(IV-1)	4,956,715	4,200,043
1.1 Interest on loans		4,410,087	3,784,739
1.2 Interest on reserve requirements		44,633	24,860
1.3 Interest on banks		42,705	25,519
1.4 Interest on money market transactions		214,885	37,865
1.5 Interest on marketable securities portfolio		244,050	326,281
1.5.1 Financial assets held for trading		7,520	10,215
1.5.2 Financial assets at fair value through profit or loss		-	-
1.5.3 Financial assets available for sale		236,530	316,066
1.5.4 Investments held to maturity		-	-
1.6 Financial lease income		-	-
1.7 Other interest income		355	779
II. Interest expense	(IV-2)	(2,266,507)	(1,977,859)
2.1 Interest on deposits		(1,822,264)	(1,534,445)
2.2 Interest on funds borrowed		(383,166)	(329,078)
2.3 Interest on money market transactions		(41,630)	(96,812)
2.4 Interest on securities issued		(9,934)	(8,128)
2.5 Other interest expenses		(9,513)	(9,396)
III. Net interest income (I – II)		2,690,208	2,222,184
IV. Net fees and commissions income		535,845	414,645
4.1 Fees and commissions received		747,477	585,536
4.1.1 Non-cash loans		194,952	129,294
4.1.2 Other	(IV-12)	552,525	456,242
4.2 Fees and commissions paid		(211,632)	(170,891)
4.2.1 Non-cash loans		(492)	(307)
4.2.2 Other	(IV-12)	(211,140)	(170,584)
V. Dividend income	(IV-3)	49,661	35,155
VI. Trading gain/(loss) (net)	(IV-4)	(438,183)	(206,483)
6.1 Trading gain/(loss) on securities		(578)	(806)
6.2 Gain/(loss) on derivative financial transactions		(25,647)	856,177
6.3 Foreign exchange gain/(loss)		(411,958)	(1,061,854)
VII. Other operating income	(IV-5)	374,171	201,005
VIII. Total operating income (III+IV+V+VI+VII)		3,211,702	2,666,506
IX. Provision for loan losses and other receivables (-)	(IV-6)	(639,233)	(590,172)
X. Other operating expenses (-)	(IV-7)	(1,508,651)	(1,359,723)
XI. Net operating profit/loss (VIII-IX-X)		1,063,818	716,611
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)	1,063,818	716,611
XVI. Tax expense from continuing operations (±)	(IV-9)	(220,066)	(145,450)
16.1 Current tax expense		(243,225)	-
16.2 Deferred tax expense		23,159	(145,450)
XVII. Net profit/loss from continuing operations (XV±XVI)	(IV-10)	843,752	571,161
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 expense from discontinued operations (±)	(IV-9)	-	-
21.1 Current tax expense		-	-
21.2 Deferred tax expense		-	-
XXII. Net profit/loss from discontinued operations (XX±XXI)	(IV-10)	-	-
XXIII. Net profit/loss (XVII+XXII)	(IV-11)	843,752	571,161
Earnings per share		0.2420	0.1638

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

(Convenience translation of the independent auditors' report and financial statements originally issued in Turkish, See Note 1.b of section three)

ING Bank A.Ş.

Unconsolidated statement of income and expenses recognized under unconsolidated shareholders' equity for the year ended 31 December 2017
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

Income and expense items recognized under shareholders' equity	Audited	Audited
	Current period (01/01/2017- 31/12/2017)	Prior period (01/01/2016- 31/12/2016)
I. Additions to marketable securities valuation differences from available for sale financial assets	(84,657)	69,104
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)	195,327	(84,029)
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	(1,739)	1,394
IX. Deferred tax related to valuation differences	(39,860)	16,676
X. Net income/expense directly recognized under shareholders' equity (I+II+...+IX)	69,071	3,145
XI. Profit/loss for the period	843,752	571,161
11.1 Net change in fair value of marketable securities (transfer to profit/loss)	94,029	-
11.2 Part of cash flow hedge derivative financial assets reclassified into income statement	4,258	1,081
11.3 Part of foreign investment hedge derivative financial assets reclassified into income statement	-	-
11.4 Other	745,465	570,080
XII. Total profit/loss recognized for the period (X±XI)	912,823	574,306

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

(Convenience translation of the independent auditors' report and financial statements originally issued in Turkish, See Note 1.b of section three)

ING Bank A.Ş.

Unconsolidated statement of changes in the shareholders' equity

for the year ended 31 December 2017

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

Changes in the unconsolidated shareholders' equity

Audited	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																	
(01/01/2016-31/12/2016)																	
I. Period opening balance	(V)	3,486,268	-	-	-	94,131	-	600,869	904	114,534	-	(5,630)	24,773	-	165,767	-	4,481,616
II. Changes in accounting policies according to TAS 8		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1 Effects of correction of errors		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Effect of changes in accounting policy		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III. New balance (I+ II)		3,486,268	-	-	-	94,131	-	600,869	904	114,534	-	(5,630)	24,773	-	165,767	-	4,481,616
Changes in the period																	
IV. Increase/decrease related to merger		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V. Marketable securities valuation differences		-	-	-	-	-	-	-	-	-	-	69,253	-	-	-	-	69,253
VI. Hedging funds (effective portion)		-	-	-	-	-	-	-	-	-	-	-	-	-	(67,223)	-	(67,223)
6.1 Cash flow hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	(67,223)	-	(67,223)
6.2 Hedge of net investments in foreign operations		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII. Property and equipment revaluation differences		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII. Intangible assets revaluation differences		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bonus shares from investments in associates, subsidiaries and joint ventures		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX. Foreign exchange differences		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X. Changes due to the disposal of assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI. Changes due to the reclassification of assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII. Effect of changes in equity of associates		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII. Capital increase		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14.1 Cash increase		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14.2 Internal resources		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV. Share premium		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI. Share cancellation profits		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVII. Inflation adjustment to paid-in capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVIII. Other		-	-	-	-	-	-	-	1,115	-	-	-	-	-	-	-	-
XIX. Current year profit or (loss)		-	-	-	-	-	-	-	-	571,161	-	-	-	-	-	-	571,161
XX. Profit distribution		-	-	-	-	5,727	-	106,936	-	(114,534)	-	-	1,871	-	-	-	-
20.1 Dividends paid		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
20.2 Transfers to reserves		-	-	-	-	5,727	-	106,936	-	(114,534)	-	-	1,871	-	-	-	-
20.3 Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Period end balance (III+IV+V+...+XVIII+XIX+XX)		3,486,268	-	-	-	99,858	-	707,805	2,019	571,161	-	63,623	26,644	-	98,544	-	5,055,922

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

(Convenience translation of the independent auditors' report and financial statements originally issued in Turkish, See Note 1.b of section three)

ING Bank A.Ş.

**Unconsolidated statement of changes in the shareholders' equity
for the year ended 31 December 2017**

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

Changes in the unconsolidated shareholders' equity (continued)

Audited	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
Current period																	
(01/01/2017-31/12/2017)																	
I.																	
	(V)	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.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.		-	-	-	-	-	-	-	-	-	-	(82,280)	-	-	-	-	(82,280)
IV.		-	-	-	-	-	-	-	-	-	-	-	-	-	152,874	-	152,874
4.1		-	-	-	-	-	-	-	-	-	-	-	-	-	152,874	-	152,874
4.2		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.		-	-	-	-	-	-	-	-	-	-	1,001	-	-	(1,130)	-	(129)
IX.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.1		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.2		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI.		-	-	-	-	-	-	-	(1,394)	-	-	-	-	-	-	-	(1,394)
XVII.		-	-	-	-	-	-	-	-	843,752	-	-	-	-	-	-	843,752
XVIII.		-	-	-	-	48,558	-	302,515	-	(571,161)	-	-	20,088	-	-	-	(200,000)
18.1	(V)	-	-	-	-	-	-	(200,000)	-	-	-	-	-	-	-	-	(200,000)
18.2	(V)	-	-	-	-	48,558	-	502,515	-	(571,161)	-	-	20,088	-	-	-	-
18.3		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Period end balance (I+II+III+...+XVI+XVII+XVIII)		3,486,268	-	-	-	148,416	-	1,010,320	625	843,752	-	(17,656)	46,732	-	250,288	-	5,768,745

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

(Convenience translation of the independent auditors' report and financial statements originally issued in Turkish, See Note 1.b of section three)

ING Bank A.Ş.

**Unconsolidated statement of cash flows
for the year ended 31 December 2017**

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

Cash flow table	Note	Audited	Audited
		Current period (01/01/2017- 31/12/2017)	Prior period (01/01/2016- 31/12/2016)
A. Cash flows from banking operations			
1.1 Operating profit before changes in operating assets and liabilities		555,923	696,301
1.1.1 Interest received		5,042,684	4,245,568
1.1.2 Interest paid		(2,223,976)	(1,961,820)
1.1.3 Dividend received		49,661	31,438
1.1.4 Fees and commissions received		747,477	587,008
1.1.5 Other income	(VI-2)	75,103	(55,524)
1.1.6 Collections from previously written-off loans and other receivables		328,151	319,253
1.1.7 Payments to personnel and service suppliers		(1,249,127)	(1,095,989)
1.1.8 Taxes paid		(202,776)	(115,378)
1.1.9 Other	(VI-2)	(2,011,274)	(1,258,255)
1.2 Changes in operating assets and liabilities		(713,345)	(255,413)
1.2.1 Net (increase)/decrease in trading securities		(35,737)	138,311
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		(57,771)	(7,369)
1.2.4 Net (increase)/decrease in loans		(3,669,378)	(320,515)
1.2.5 Net (increase)/decrease in other assets	(VI-2)	290,444	483,074
1.2.6 Net increase/(decrease) in bank deposits		(455,144)	364,647
1.2.7 Net increase/(decrease) in other deposits		2,912,174	1,205,103
1.2.8 Net increase/(decrease) in funds borrowed		316,780	(938,543)
1.2.9 Net increase/(decrease) in payables		-	-
1.2.10 Net increase/(decrease) in other liabilities	(VI-2)	(14,713)	(1,180,121)
I. Net cash provided from banking operations		(157,422)	440,888
B. Cash flow from investing activities			
II. Net cash provided from investing activities		713,918	363,104
2.1 Cash paid for acquisition of associates, subsidiaries and joint ventures		-	-
2.2 Cash obtained from disposal of associates, subsidiaries and joint ventures		-	-
2.3 Purchases of property and equipment		(178,920)	(134,013)
2.4 Disposals of property and equipment		88,860	22,626
2.5 Purchases of financial assets available for sale		(202,325)	(135,106)
2.6 Disposals of financial assets available for sale		1,022,397	637,250
2.7 Purchases of investment securities		-	(142)
2.8 Disposals of investment securities		-	480
2.9 Other	(VI-2)	(16,094)	(27,991)
C. Cash flows from financing activities			
III. Net cash provided from financing activities		(450,000)	7,611
3.1 Cash obtained from funds borrowed and securities issued	(II-4)	257,445	250,000
3.2 Cash used for repayment of funds borrowed and securities issued	(II-4)	(507,445)	(242,350)
3.3 Issued equity instruments		-	-
3.4 Dividends paid	(V)	(200,000)	-
3.5 Payments for finance leases		-	(39)
3.6 Other		-	-
IV. Effect of change in foreign exchange rate on cash and cash equivalents	(VI-2)	406,721	296,603
V. Net increase/(decrease) in cash and cash equivalents (I+II+III+IV)		513,217	1,108,206
VI. Cash and cash equivalents at beginning of the period	(VI-1)	4,371,973	3,263,767
VII. Cash and cash equivalents at the end of the period	(VI-1)	4,885,190	4,371,973

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

(Convenience translation of the independent auditors' report and financial statements originally issued in Turkish, See Note 1.b of section three)

ING Bank A.Ş.

Statement of profit distribution as of 31 December 2017

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

Profit distribution table	Audited	Audited
	Current period (31/12/2017) (*)	Prior period (31/12/2016)
I. Distribution of current year profit		
1.1 Current year profit	1,063,818	716,611
1.2 Taxes and duties payable (-)	(220,066)	(145,450)
1.2.1 Corporate tax (Income tax)	(243,225)	-
1.2.2 Income withholding tax	-	-
1.2.3 Other taxes and duties (**)	23,159	(145,450)
A. Net profit for the year (1.1-1.2)	843,752	571,161
1.3 Prior year losses (-)	-	-
1.4 First legal reserves (-)	-	28,558
1.5 Other statutory reserves (-)	-	-
B. Net profit available for distribution (A-(1.3+1.4+1.5))	843,752	542,603
1.6 First dividend to shareholders (-)	-	-
1.6.1 To owners of ordinary shares	-	-
1.6.2 To owners of privileged shares	-	-
1.6.3 To owners of preferred shares	-	-
1.6.4 To profit sharing bonds	-	-
1.6.5 To holders of profit and loss sharing certificates	-	-
1.7 Dividends to personnel (-)	-	-
1.8 Dividend to board of directors (-)	-	-
1.9 Second dividend to shareholders (-)	-	-
1.9.1 To owners of ordinary shares	-	-
1.9.2 To owners of privileged shares	-	-
1.9.3 To owners of preferred shares	-	-
1.9.4 To profit sharing bonds	-	-
1.9.5 To holders of profit and loss sharing certificates	-	-
1.10 Second legal reserves (-)	-	-
1.11 Statutory reserves (-)	-	-
1.12 Extraordinary reserves (***)	-	522,515
1.13 Other reserves	-	-
1.14 Special funds (***)	-	20,088
II. Distribution of reserves		
2.1 Appropriated reserves	-	-
2.2 Second legal reserves (-) (****)	-	20,000
2.3 Dividends to shareholders (-)	-	200,000
2.3.1 To owners of ordinary shares (****)	-	200,000
2.3.2 To owners of privileged shares	-	-
2.3.3 To owners of preferred shares	-	-
2.3.4 To profit sharing bonds	-	-
2.3.5 To holders of profit and loss sharing certificates	-	-
2.4 Dividends to personnel (-)	-	-
2.5 Dividends to board of directors (-)	-	-
III. Earnings per share		
3.1 To owners of ordinary shares	0.24	0.16
3.2 To owners of ordinary shares (%)	24.20%	16.38%
3.3 To owners of privileged shares	-	-
3.4 To owners of privileged shares (%)	-	-
IV. Dividend per share		
4.1 To owners of ordinary shares	-	0.06
4.2 To owners of ordinary shares (%)	-	5.74%
4.3 To owners of privileged shares	-	-
4.4 To owners of privileged shares (%)	-	-

(*) Profit distribution is realized in accordance with Bank's General Meeting decision and as of the preparation date of these financial statements, 2017 annual ordinary general meeting has not been held yet.

(**) As per the BRSA, income associated with deferred tax asset shall not be considered as cash or internally generated source and accordingly part of net period profit stemmed from such assets shall not be included in profit distribution and capital increase. For this reason, the Bank's deferred tax income amounting to TL 23,159 as of 31 December 2017 associated with the deferred tax asset will not be distributed.

(***) According to Ordinary General Meeting dated 29 March 2017, among total distributable profit for the year 2016 amounting to TL 542,603, TL 522,515 has been classified as extraordinary reserves by excluding benefit of Corporate Tax exemption on real estate sales profit of TL 20,088 as noted below. According to Ordinary General Meeting dated 29 March 2017, profit for the year 2016 amounting to TL 20,088 is composed of the benefit of Corporate Tax exemption on real estate sales profit and related amount is transferred to separate fund under equity in accordance with Corporate Tax Law 5520 article 5. and 1. paragraph clause (e).

(****) According to the decision of Ordinary General Assembly dated 29 March 2017, gross amount of TL 200,000 was distributed as cash dividend from the retained earnings of 2015 and prior years to the Bank's shareholders. Additionally TL 20,000 has been transferred from the extraordinary reserves to statutory legal reserves due to dividend distribution.

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 year ended 31 December 2017 (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 through profit or loss, available-for sale financial assets, trading financial assets, derivative financial assets and liabilities held for trading and derivative financial assets and liabilities held for hedging.

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.

It is expected that the changes and interpretations in TAS and TFRS announced but not in effect will have no material effect on the Bank's accounting policies, financial position and performance except for TFRS 9 Financial Instruments standard which replaces TAS 39 and will be effective as of 1 January 2018.

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.

The Bank's studies to comply with TFRS 9 has been continued and the Bank recognizes an adjustment to opening equity balance to reflect new requirements of classification, measurement and impairment as of 1 January 2018 without making any adjustment to the comparative periods

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".

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**Notes to the unconsolidated financial statements
for the year ended 31 December 2017 (continued)
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)**

I. Explanations on basis of presentation (continued)

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.

Based on the business models and contractual cash flow characteristics of the financial instruments, no significant impact is expected on the classification of financial assets in comparison to TAS 39 current classification requirements.

Loans and receivables are held to collect contractual. Contractual cash flow characteristics of these financial assets are analysed and decided to classify as financial assets measured at amortised cost. Accordingly, there is not any change in comparison to TAS 39 current classification.

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.

Impairment

In accordance with 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, the Group begins to calculate provision for impairment of financial instruments, loans and other receivables per TFRS 9 as of 1 January 2018.

In accordance with TFRS 9, loan loss provision is set aside for expected credit losses on financial assets classified as amortised cost or fair value through other comprehensive income, financial collateral agreements and loan commitments where impairment rules are applied. Expected credit loss estimation should include an unbiased, probability-weighted amount that is determined by evaluating reasonable and supportable information about past events, current conditions and forecasts of future economic conditions.

Financial assets within the scope of TFRS 9 are divided into three stages according to changes in the credit quality after initial recognition and expected credit losses are measured accordingly:

- Stage 1: These are financial assets that do not have a significant increase in credit risk at initial recognition or since initial recognition. 12-month expected credit losses are recognised for those financial assets.
- Stage 2: Financial assets for which there have been significant increases in credit risk since initial recognition are transferred into Stage 2. Lifetime expected credit losses are recognised for those financial assets.
- Stage 3: Stage 3 includes financial assets that have sufficient and objective evidence of impairment at the reporting date. Lifetime expected credit losses are recognised for those financial assets.

(Convenience translation of the independent auditors' report and financial statements originally issued in Turkish, See Note 1.b of section three)

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**Notes to the unconsolidated financial statements
for the year ended 31 December 2017 (continued)
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)**

I. Explanations on basis of presentation (continued)

The Bank is reviewing its accounting policies, processes and audit basis due to the transition of the impairment calculation based on expected credit loss model in accordance with TFRS 9. Accordingly, there might be changes in the anticipated impact of TFRS 9 on the financials until disclosure of the first time adopted financial statements including the opening balance sheet as of 1 January 2018. In addition, the Bank calculates deferred tax on the expected credit losses which are calculated on stage 1 and 2 and the impact regarding calculated deferred tax asset is accounted under equity during transition.

The effect of the change in accounting policy is expected to be approximately positive 50 bps on the consolidated capital adequacy ratio of the Bank.

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 XXIII below.

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

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**Notes to the unconsolidated financial statements
for the year ended 31 December 2017 (continued)
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)**

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 investments in associates and subsidiaries

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. The derivative instruments are accounted at their fair values as of the contract date and subsequently revalued at fair value in the following reporting periods. Fair value of derivative instruments are calculated by considering the fair values in the market or through discounted cash flow method.

The derivative instruments are accounted in accordance with "Financial Instruments: Recognition and Measurement" ("TAS 39") for the purpose of trading and hedging and followed under "Derivative financial assets/liabilities held for trading" and "Derivative financial assets/liabilities held for hedging" respectively. Gains or losses realised regarding these derivative instruments are recognized in the profit and loss statement. Unrealized gains or losses arising from the change in the fair value of the derivative transactions held for trading are accounted for under "Derivative financial transactions gains/losses" in profit and loss, and change in the fair value of derivative transactions held for hedging are accounted for under "Hedging funds (Effective portion)" within equity for the effective portion and "Derivative financial transactions gains/losses" in the profit and loss for the ineffective portion.

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**Notes to the unconsolidated financial statements
for the year ended 31 December 2017 (continued)
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)**

IV. Explanations on forward and options contracts and derivative instruments (continued)

The Bank has been applying cash flow hedges in order to hedge cash flow risk on its liabilities effective from 1 November 2008. Accordingly, hedging instruments are determined as TL and FX interest swaps with floating rate interest collection and fixed rate interest payment, and hedging element is determined as cash outflows in relation to the interest to be paid to TL and FX customer deposits.

The Bank has started applying other another cash flow hedge accounting method as from 1 April 2011. Accordingly, hedging instruments are determined as floating rate FX interest collection and fixed rate TL interest payment cross currency swaps; and hedged items are determined as cash outflows in relation to the interest to be paid to TL customer deposits and cash outflows due from the FX rate changes of FX borrowings.

Prospective efficiency tests are performed regularly at the inception of the hedge relationship and both prospective and retrospective efficiency tests are carried out through Dollar off-set method at each reporting period-end regularly. In this method, changes in the fair value of the hedged item and changes in the fair value of the hedging instruments are compared and effectiveness ratio is calculated. In the determination of the fair values of hedging instruments and hedged item, market yield curves are used. Hedge accounting principles are applied by assessing the calculated effectiveness ratio within the scope of TAS 39.

When the hedging instrument is expired, executed, sold or the hedge relationship has become ineffective as a result of the effectiveness test, the hedging gains and losses that were previously recognized under equity are transferred to profit or loss when the cash flows of the hedged item are realized. In accordance with TAS 39, the replacement or rollover of a hedging instrument into another hedging instrument is not an expiration or termination if such replacement or rollover is part of the entity's documented hedging strategy.

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.

In accordance with the related regulation, realized and unrealized interest accruals of the non-performing loans and other receivables are reversed and such amounts are excluded from interest income until they are collected.

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.

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**Notes to the unconsolidated financial statements
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VII. Explanations on financial assets

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.

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**Notes to the unconsolidated financial statements
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VII. Explanations on financial assets (continued)

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.

VIII. Explanations on impairment of financial assets

Financial assets or groups of financial assets are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If any indication exists, the impairment is booked based on the financial asset classifications as mentioned below.

a. Loans and receivables

The Bank sets aside provisions for the loans that may become doubtful in the future; and the amount is charged to the current period income statement. The loan loss provisioning is the amount that is set aside by the Bank's management in order to recognize the probable losses that may occur in the future for the current loan portfolio, assessing the quality of the loan portfolio in consideration of risk factors, economic conditions, other facts and related regulations.

If there is any indication that loans will not be collected, the Bank classifies such loans in group III, IV and V loans and sets aside provisions for such amounts in accordance 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 in the Official Gazette No. 26333, dated 1 November 2006. Interest income accruals for such loans are reversed through the income statement. The collections related to these loans are first deducted from the principal amount of the loan and the remaining collections are deducted from interest receivables.

The collections made based on the provisions set aside in the current period in relation to loans are offset against the "Provision for loans and other receivables losses" account in the income statement whereas the principal amount collections made for the loans for which the provisions were set aside in prior periods or which were written off in prior periods are recognized under "Other operating income".

Releases of loan loss provisions are reversed from the related provision account and "Impairment expenses - Special provision expense" account.

Collaterals for the mortgages that have been non-performing for three years and other consumer loans that have been non-performing for two years are not taken into consideration in the calculation of special provisions.

The Bank sets aside general provisions in accordance 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 in the Official Gazette No. 26333, dated 1 November 2006.

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

b. Held-to-maturity financial assets

If there is any objective evidence of impairment on held-to-maturity financial assets, the related impairment amount is measured as the difference between the net present value of estimated future cash flows of the financial assets discounted with the effective interest rate and the net book value. Provision is set aside for impairment and this provision is recognized through expense accounts.

c. Available for sale financial assets

If there is objective evidence of impairment on available for sale assets for which fair value decrease is recognized through shareholders equity, the total loss which was previously accounted for through shareholders equity is charged to the income statement.

The impairment loss that is accounted for the investments in equity instruments classified as available for sale cannot be reversed through profit/loss. If there is an objective evidence for impairment loss on equity instruments that are not registered in the stock exchange as they cannot be indicated at their fair value since the fair value cannot be accurately determined, such impairment amount will be measured as the difference between its present value calculated by discounting the expected cash flows from this instrument in the future with the effective interest rate of a comparable financial asset and its net book value. Such impairment losses cannot be reversed.

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 IAS 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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**Notes to the unconsolidated financial statements
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XVII. Explanations on taxation

a. Current tax

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

In Turkey, the corporate tax rate is 20%. 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 of 20% is calculated and paid based on earnings generated for each quarter. The amounts thus paid are deducted from the tax calculated over annual earning.

With the Law, No. 7061 Amendment of Certain Taxes and Laws and Other Acts promulgated in the Official Gazette, dated 5 December 2017, tax rate will applied as 22% for three years between 2018 and 2020. In addition, Council of Ministers is authorised to reduce the rate from 22% 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.

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

b. Deferred tax

The Bank calculates deferred tax assets and liabilities over timing differences which result from income and expense items that are subjected to tax in the periods following the periods when they were reflected on financial statements, and reflects these assets and liabilities on its records.

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 and according to tax legislation the Bank calculates 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. Deferred tax assets and liabilities are shown in the financial statements on a net basis.

Deferred tax is calculated on the tax rates applicable in the period when assets are made or liabilities are fulfilled or on those which are almost certain to be effective; and it is recorded as income or expense in the income statement. Moreover, deferred tax is recognised directly on equity accounts if it is related to the assets directly associated with the equity in the same or another period. Corporate Tax Law has been amended with Article 91 of the Law, No. 7061 effective upon promulgation in the Official Gazette, No. 30261, dated 5 December 2017; and the corporate tax levied on the corporate income has been increased from 20% to 22% to be applied for the income belonging to 2018, 2019 and 2020. The Bank calculates deferred tax at the relevant rates considering the periods in which deferred tax assets and liabilities will be fulfilled.

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**Notes to the unconsolidated financial statements
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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 Communiqué on Disguised Profit Distribution by way of Transfer Pricing" published on 18 November 2007 explains the application related issues in detail. According to this Communiqué, 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 Communiqué'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 recognizes its payables in accordance with the "Financial Instruments: Recognition and Measurement ("TAS 39")".

XIX. Explanation on issuance of equity securities

Shareholders participating in capital increase, are given equity securities in consideration of the amount increased.

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

In order to comply with the presentation of the financial statements as of 31 December 2017, some classification were made on the "Income Statement" as of 31 December 2016.

(Convenience translation of the independent auditors' report and financial statements originally issued in Turkish, See Note 1.b of section three)

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Notes to the unconsolidated financial statements for the year ended 31 December 2017 (continued) (Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

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 December 2017, the Bank's total capital is TL 8,956,433 and the capital adequacy ratio is 19.93%. As of 31 December 2016, the Bank's total capital amounted to TL 8,261,167 and capital adequacy ratio was 17.66%.

	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	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".

(Convenience translation of the independent auditors' report and financial statements 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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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	2,812,352	
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	
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 (%)	6,136	
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	41,169	
Limits related to provisions considered in Tier II calculation		
General provisions for standard based receivables (before ten thousand twenty five limitation)	645,238	
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	510,938	
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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**Notes to the unconsolidated financial statements
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(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)**

I. Explanations on unconsolidated capital (continued)

Information about capital items (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	807,989	
Other comprehensive income according to TAS	91,960	
Profit	571,161	
Net profit for the period	571,161	
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	4,957,378	
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	-	
Leasehold improvements on operational leases	25,035	
Goodwill netted off deferred tax liability	-	
Other intangibles netted off deferred tax liability except for mortgage servicing rights	26,684	44,473
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	51,719	
Total common equity Tier I capital	4,905,659	
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 (-)	17,789	
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)	4,887,870	

(*) 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".

(Convenience translation of the independent auditors' report and financial statements originally issued in Turkish, See Note 1.b of section three)

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Notes to the unconsolidated financial statements for the year ended 31 December 2017 (continued) (Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

I. Explanations on unconsolidated capital (continued)

Information about capital items (continued)

	Prior period	Amount related to implementation before 01.01.2014 (*)
TIER II CAPITAL		
Bank's borrowing instruments and issue premiums	2,403,321	
Bank's borrowing instruments and issue premiums (in scope of Temporary Article 4)	450,000	
Provisions (amounts stated in Article 8 of the Regulation on the Equity of Banks)	538,417	
Tier II Capital Before Deductions	3,391,738	
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	3,391,738	
Total capital (the sum of tier i capital and tier ii capital)	8,279,608	
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	586	
Other items to be defined by the BRSA	17,855	
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	8,261,167	
Total risk weighted amounts	46,793,259	
CAPITAL ADEQUACY RATIOS		
Core Capital Adequacy Ratio (%)	10.48	
Tier I Capital Adequacy Ratio (%)	10.45	
Capital Adequacy Ratio (%)	17.66	
BUFFERS		
Total buffer requirement	5.130	
Capital protection buffer requirement (%)	0.625	
Bank specific cyclical buffer requirement (%)	0.005	
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 (%)	4.484	
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	29,559	
Limits related to provisions considered in Tier II calculation		
General provisions for standard based receivables (before ten thousand twenty five limitation)	581,083	
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	538,417	
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".

(Convenience translation of the independent auditors' report and financial statements originally issued in Turkish, See Note 1.b of section three)

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Notes to the unconsolidated financial statements for the year ended 31 December 2017 (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 387 million) and EUR 90 million (TL 409 million)	USD 91 million (TL 345 million) and EUR 85 million (TL 386 million)	USD 62 million (TL 235 million) and EUR 231 million (TL 1,050 million)
Par value of instrument (Currency in million)	TL 200 million	USD 102 million (TL 387 million) and EUR 90 million (TL 409 million)	USD 91 million (TL 345 million) and EUR 85 million (TL 386 million)	USD 62 million (TL 235 million) and EUR 231 million (TL 1,050 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	-	-	-	-

(*) The subordinated loan amounting to TL 250 million (full TL) obtained from ING Bank N.V. on 21 December 2012 was paid on 21 December 2017, at the end of the fifth year by using the early redemption option, in accordance with the BRSA's approval letter dated 19 December 2017.

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**Notes to the unconsolidated financial statements
for the year ended 31 December 2017 (continued)
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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	5,768,745	5,768,745
Gains from cash flow hedge transactions	250,288	(250,288)
Leasehold improvements on operational leases	35,004	(35,004)
Goodwill and intangible assets	39,215	(29,482)
General provision	645,238	510,938
Subordinated debt	3,038,967	3,012,352
Other deductions from shareholders' equity	20,828	(20,828)
Capital		8,956,433

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

II. Explanations on unconsolidated credit risk

1. The Bank's credit risk management strategy consists of limit settings within legal limitations, conservative credit allocation structure, proper documentation structure in line with the standards and strong monitoring and follow-up systems. Risk management strategy also includes sector-specific, currency and customer diversification. With the credit evaluations and monthly reporting to the top level management, loans having high exposures and factors that may cause deterioration in the loan quality are closely monitored, preventing the credit quality to decrease. Additionally, various analysis about concentration risks is made for monitoring portfolio risk as well as within the scope of Internal Capital Adequacy Assessment Process ("ICAAP") and these activities are supported by stress tests. The sectoral distributions of loans are reported monthly and can be limited according to the conjunctions. However, geographical limitation is not implemented. Documentation for risk management strategy is revised at least once a year under the supervision of the Audit Committee.

As prescribed in the related legislation, the credit worthiness of the debtors is monitored regularly. The credit limits are determined by the Board of Directors, the Bank's Credit Committee and other related credit departments. The account statements related to given loans are obtained and reviewed as prescribed in the legislation. The Bank receives sufficient collateral for the loans given and other receivables. The received collaterals comprise of personal and legal entity guarantees, pledge of vehicle, mortgages, cash blockage and customer checks.

Loans that have overdue principal, interest or both for less than 90 days after the maturity or due date are considered past due loans by the Bank. Loans that have overdue principal, interest or both for more than 90 days after the maturity or due date or the debtors of which are deemed unworthy by the Bank are considered impaired loans.

The Bank calculates general loan loss provision for past due loans and special provision for impaired loans in accordance with the "Regulation on Principles and Procedures on Determining the Qualifications of Banks' Loans and Other Receivables and the Provision for These Loans and Other Receivables".

The sum of risk exposures that are offset and for which credit risk mitigation is not applied are presented monthly to the Audit Committee per different risk categories and types and monthly, periodically and annual changes are monitored by the senior management.

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**Notes to the unconsolidated financial statements
for the year ended 31 December 2017 (continued)**

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

II. Explanations on unconsolidated credit risk (continued)

Risk classifications	Current period risk amount (*)	Current period average (**)	Prior period risk amount (*)	Prior period average (**)
Conditional and unconditional receivables from central governments and Central Banks	7,322,499	8,137,414	8,846,778	9,860,462
Conditional and unconditional receivables from regional or local governments	525,771	318,778	267,382	321,433
Conditional and unconditional receivables from administrative bodies and non-commercial enterprises	7	3	1	1
Conditional and unconditional receivables from multilateral development banks	-	-	-	-
Conditional and unconditional receivables from international organizations	-	-	-	-
Conditional and unconditional receivables from banks and brokerage houses	5,910,962	6,507,071	6,568,945	4,716,344
Conditional and unconditional receivables from corporates	22,058,069	21,613,293	21,664,790	20,695,168
Conditional and unconditional receivables from retail portfolios	19,788,935	18,413,636	16,605,238	14,343,860
Conditional and unconditional receivables secured by mortgages	5,007,617	5,436,344	5,384,500	5,609,124
Past due receivables	94,557	96,096	107,876	127,439
Receivables defined under high risk category by BRSA	402,849	369,942	330,381	1,725,444
Securities collateralized by mortgages	-	-	-	-
Securitization positions	-	-	-	-
Short-term receivables from banks, brokerage houses and corporates	-	-	-	-
Investments similar to collective investment funds	-	-	-	-
Stock transactions	102,010	112,478	108,141	42,039
Other receivables	3,619,865	2,869,731	1,875,477	1,885,492
Total	64,833,141	63,874,786	61,759,509	59,326,806

(*) The figures represent total risk amounts before credit risk mitigation and after credit conversion factor.

(**) The average risk amount was calculated by taking the arithmetic average of the values in the monthly reports prepared in balance sheet period in regards to "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks".

2. Control limits exist on forward and option agreements and other similar agreements. The undertaken credit risk of these types of instruments is managed together with market risk.
3. Related to forward transactions, options and similar agreements, the bank operates the daily collateral management policies in accordance with ISDA agreements (CSA) and where needed the credit exposure is reduced by the usage of rights and performing of the acts.
4. Non-cash loans turned into cash loans are included in the same risk group as overdue cash loans which are not collected upon maturity.

When there is an issue or it is evaluated that the company might have an issue on repayments of the loan that are given in Corporate, Commercial, SME Banking segments, such companies have been transferred to Credits Restructuring and Recovery Group. The rating of all companies that were transferred to Credits Restructuring and Recovery Group have been reassessed. As a rule, the rating of the company has been reduced at the time of transfer, company's restructuring decision has been reconsidered and after decision is made the monitoring methods in the legislation have been applied. Existing ratings of the companies that are in legal follow up and are not restructured have been reduced again. On the other hand, companies that have issues on their financial positions or business operations but not restructured, have been monitored closely in terms of company operations and cash flows.

The Bank considers that long-term commitments are more exposed to credit risk than short-term commitments, and risk decomposition has been made according to that.

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II. Explanations on unconsolidated credit risk (continued)

5. Transactions in foreign countries have been made with many correspondent banks in many countries. The counterparty limits have been set for the risks that may arise in transactions with banks. Credit risks have been managed according to credit worthiness and limits of the counterparties.

The Bank does not have any material credit risk concentration as an active participant of international banking market when considered with financial operations of other financial institutions.

6. The proportion of the Bank's top 100 and 200 cash loan balances in total cash loans is 20% and 26% respectively (31 December 2016: 19% and 26%).

The proportion of the Bank's top 100 and 200 customers' non-cash loan balances in total non-cash loans is 81% and 85% (31 December 2016: 79% and 84%).

The proportion of the Bank's top 100 and 200 customers' cash and non-cash loan balances in total balance sheet assets and non-cash loans 36% and 41% (31 December 2016: 36% and 42%).

7. The Bank provided a general loan loss provision amounting to TL 645,238 (31 December 2016: TL 581,083).

(Convenience translation of the independent auditors' report and financial statements 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.)

II. Explanations on unconsolidated credit risk (continued)

8. Amount of profile on significant risks in significant regions

Profile on significant risks in significant regions (*)

	Risk categories (**)																	Total
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	
Current period																		
Domestic	7,322,499	525,771	7	-	-	2,796,853	21,584,588	19,785,091	5,006,570	94,525	402,849	-	-	-	-	5,947	3,619,865	61,144,565
European Union Countries	-	-	-	-	-	2,560,555	314,272	2,218	1,047	5	-	-	-	-	-	156	-	2,878,253
OECD Countries (***)	-	-	-	-	-	106,126	-	73	-	-	-	-	-	-	-	-	-	106,199
Off- Shore banking regions	-	-	-	-	-	16,864	-	-	-	-	-	-	-	-	-	-	-	16,864
USA, Canada	-	-	-	-	-	371,898	-	108	-	-	-	-	-	-	-	-	-	372,006
Other Countries	-	-	-	-	-	58,666	9,539	1,445	-	27	-	-	-	-	-	-	-	69,677
Investment and associates, subsidiaries and joint ventures	-	-	-	-	-	-	149,670	-	-	-	-	-	-	-	-	95,907	-	245,577
Undistributed assets / liabilities (****)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	7,322,499	525,771	7	-	-	5,910,962	22,058,069	19,788,935	5,007,617	94,557	402,849	-	-	-	-	102,010	3,619,865	64,833,141
	Risk categories (**)																	Total
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	
Prior period																		
Domestic	8,846,778	267,382	1	-	-	3,495,024	21,051,267	16,597,008	5,382,162	107,824	330,380	-	-	-	-	108,014	1,875,143	58,060,983
European Union Countries	-	-	-	-	-	2,547,939	407,072	4,105	1,250	1	-	-	-	-	-	127	-	2,960,494
OECD Countries (***)	-	-	-	-	-	32,009	-	303	-	-	-	-	-	-	-	-	-	32,312
Off- Shore banking regions	-	-	-	-	-	8,350	-	32	-	-	-	-	-	-	-	-	-	8,382
USA, Canada	-	-	-	-	-	362,576	-	46	533	-	-	-	-	-	-	-	-	363,155
Other Countries	-	-	-	-	-	123,047	-	3,744	555	51	1	-	-	-	-	-	-	127,398
Investment in associates, subsidiaries and joint ventures	-	-	-	-	-	-	206,451	-	-	-	-	-	-	-	-	-	334	206,785
Undistributed assets / liabilities (****)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	8,846,778	267,382	1	-	-	6,568,945	21,664,790	16,605,238	5,384,500	107,876	330,381	-	-	-	-	108,141	1,875,477	61,759,509

(*) The figures represent total risk amounts before credit risk mitigation and after credit conversion factor

(**) Risk categories that are defined in "Communiqué on Measurement and Assessment of Capital Adequacy of Banks"

1- Conditional and unconditional receivables from central governments and Central Banks

2- Conditional and unconditional receivables from regional or local governments

3- Conditional and unconditional receivables from administrative bodies and non-commercial enterprises

4- Conditional and unconditional receivables from multilateral development banks

5- Conditional and unconditional receivables from international organizations

6- Conditional and unconditional receivables from banks and brokerage houses

7- Conditional and unconditional receivables from corporates

8- Conditional and unconditional receivables from retail portfolios

9- Conditional and unconditional receivables secured by mortgages

10- Past due receivables

11- Receivables defined under high risk category by BRSA

12- Securities collateralized by mortgages

13- Securitization positions

14- Short-term receivables from banks, brokerage houses and corporates

15- Investments similar to collective investment funds

16- Stock transactions

17- Other receivables

(***) EU countries, OECD countries other than USA and Canada

(****) Assets and liabilities that are not distributed according to a consistent principle

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II. Explanations on unconsolidated credit risk (continued)

9. Risk profile according to sectors and counterparties(*)

Current period	Risk categories (**)																	TP	YP	Total
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17			
Agriculture	-	-	-	-	-	-	212,725	176,431	52,616	-	2,468	-	-	-	-	-	-	277,181	167,059	444,240
Farming and raising livestock	-	-	-	-	-	-	131,968	143,703	46,273	-	2,402	-	-	-	-	-	-	210,597	113,749	324,346
Forestry	-	-	-	-	-	-	32,545	21,315	4,862	-	64	-	-	-	-	-	-	54,373	4,413	58,786
Fishing	-	-	-	-	-	-	48,212	11,413	1,481	-	2	-	-	-	-	-	-	12,211	48,897	61,108
Manufacturing	-	-	-	-	-	-	10,426,259	2,719,543	1,186,119	-	141,375	-	-	-	-	-	-	5,440,480	9,032,816	14,473,296
Mining	-	-	-	-	-	-	2,040,316	106,867	59,225	-	6,627	-	-	-	-	-	-	199,284	2,013,751	2,213,035
Production	-	-	-	-	-	-	7,952,180	2,555,318	1,115,136	-	130,785	-	-	-	-	-	-	4,939,951	6,813,468	11,753,419
Electricity, gas, water	-	-	-	-	-	-	433,763	57,358	11,758	-	3,963	-	-	-	-	-	-	301,245	205,597	506,842
Construction	-	-	-	-	-	-	1,464,492	672,863	148,199	-	23,277	-	-	-	-	-	-	1,297,625	1,011,206	2,308,831
Services	5,561,085	-	2	-	-	5,905,556	9,778,839	5,184,383	2,124,822	-	224,659	-	-	-	-	101,548	-	14,676,042	14,204,852	28,880,894
Wholesale and retail trade	-	-	-	-	-	-	4,063,609	4,159,110	940,376	-	149,958	-	-	-	-	-	-	8,082,062	1,230,991	9,313,053
Hotel food, beverage services	-	-	-	-	-	-	575,018	159,763	959,140	-	61,332	-	-	-	-	-	-	571,472	1,183,781	1,755,253
Transportation and telecommunication	-	-	-	-	-	-	1,909,528	451,280	99,234	-	5,137	-	-	-	-	-	-	891,572	1,573,607	2,465,179
Financial Institutions	5,561,082	-	-	-	-	5,905,556	910,453	30,419	7,159	-	1,553	-	-	-	-	101,548	-	4,084,454	8,433,316	12,517,770
Real Estate and renting service	-	-	-	-	-	-	721,921	88,675	17,641	-	1,187	-	-	-	-	-	-	489,269	340,155	829,424
Self-employment service	3	-	-	-	-	-	1,134,916	199,464	32,429	-	3,163	-	-	-	-	-	-	342,414	1,027,561	1,369,975
Education services	-	-	-	-	-	-	49,905	26,238	30,300	-	859	-	-	-	-	-	-	68,278	39,024	107,302
Health and social services	-	-	2	-	-	-	413,489	69,434	38,543	-	1,470	-	-	-	-	-	-	146,521	376,417	522,938
Other	1,761,414	525,771	5	-	-	5,406	175,754	11,035,715	1,495,861	94,557	11,070	-	-	-	-	462	3,619,865	16,644,057	2,081,823	18,725,880
Total	7,322,499	525,771	7	-	-	5,910,962	22,058,069	19,788,935	5,007,617	94,557	402,849	-	-	-	-	102,010	3,619,865	38,335,385	26,497,756	64,833,141

(*) The figures represent total risk amounts before credit risk mitigation and after credit conversion factor.

(**) Stands for the risk categories listed in "Regulation on Measurement and Assessment of Capital Adequacy of Banks.

1- Conditional and unconditional receivables from central governments and Central Banks

2- Conditional and unconditional receivables from regional or local governments

3- Conditional and unconditional receivables from administrative bodies and non-commercial enterprises

4- Conditional and unconditional receivables from multilateral development banks

5- Conditional and unconditional receivables from international organizations

6- Conditional and unconditional receivables from banks and brokerage houses

7- Conditional and unconditional receivables from corporates

8- Conditional and unconditional receivables from retail portfolios

9- Conditional and unconditional receivables secured by mortgages

10- Past due receivables

11- Receivables defined under high risk category by BRSA

12- Securities collateralized by mortgages

13- Securitization positions

14- Short-term receivables from banks, brokerage houses and corporates

15- Investments similar to collective investment funds

16- Stock transactions

17- Other receivables

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II. Explanations on unconsolidated credit risk (continued)

9. Risk profile according to sectors and counterparties(*)

Prior period	Risk categories (**)																	TP	YP	Total
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17			
Agriculture	-	-	-	-	-	-	197,406	116,027	72,523	-	1,889	-	-	-	-	-	-	232,960	154,885	387,845
Farming and raising livestock	-	-	-	-	-	-	111,656	92,364	64,064	-	963	-	-	-	-	-	-	180,396	88,651	269,047
Forestry	-	-	-	-	-	-	24,310	16,776	7,150	-	872	-	-	-	-	-	-	44,107	5,001	49,108
Fishing	-	-	-	-	-	-	61,440	6,887	1,309	-	54	-	-	-	-	-	-	8,457	61,233	69,690
Manufacturing	-	-	-	-	-	10,451,005	1,934,291	1,324,515	-	99,853	-	-	-	-	-	-	-	4,298,722	9,510,942	13,809,664
Mining	-	-	-	-	-	1,670,125	79,492	103,488	-	11,253	-	-	-	-	-	-	-	166,728	1,697,630	1,864,358
Production	-	-	-	-	-	8,413,115	1,823,171	1,211,236	-	85,538	-	-	-	-	-	-	-	3,912,083	7,620,977	11,533,060
Electricity, gas, water	-	-	-	-	-	367,765	31,628	9,791	-	3,062	-	-	-	-	-	-	-	219,911	192,335	412,246
Construction	-	-	-	-	-	1,310,389	437,208	153,833	-	15,629	-	-	-	-	-	-	-	955,610	961,449	1,917,059
Services	6,224,608	-	1	-	-	6,559,851	9,558,106	3,637,719	2,368,921	-	197,806	-	-	-	-	5,640	334	13,445,291	15,107,695	28,552,986
Wholesale and retail trade	-	-	-	-	-	-	3,913,757	2,904,393	1,063,957	-	180,980	-	-	-	-	-	-	6,324,035	1,739,052	8,063,087
Hotel food, beverage services	-	-	-	-	-	-	661,381	116,848	1,040,221	-	4,077	-	-	-	-	-	-	507,332	1,315,195	1,822,527
Transportation and telecommunication	-	-	-	-	-	-	1,810,687	342,902	109,821	-	5,821	-	-	-	-	-	-	782,554	1,486,677	2,269,231
Financial Institutions	6,224,605	-	-	-	-	6,559,851	928,714	27,375	10,104	-	1,498	-	-	-	-	5,640	334	4,937,803	8,820,318	13,758,121
Real Estate and renting service	-	-	-	-	-	-	881,099	56,416	24,357	-	2,466	-	-	-	-	-	-	479,293	485,045	964,338
Self-employment service	3	-	-	-	-	-	977,129	126,198	40,862	-	1,745	-	-	-	-	-	-	258,385	887,552	1,145,937
Education services	-	-	-	-	-	-	87,373	17,918	37,999	-	212	-	-	-	-	-	-	73,494	70,008	143,502
Health and social services	-	-	1	-	-	-	297,966	45,669	41,600	-	1,007	-	-	-	-	-	-	82,395	303,848	386,243
Other	2,622,170	267,382	-	-	-	9,094	147,884	10,479,993	1,464,708	107,876	15,204	-	-	-	-	102,501	1,875,143	16,577,069	514,886	17,091,955
Total	8,846,778	267,382	1	-	-	6,568,945	21,664,790	16,605,238	5,384,500	107,876	330,381	-	-	-	-	108,141	1,875,477	35,509,652	26,249,857	61,759,509

(*) The figures represent total risk amounts before credit risk mitigation and after credit conversion factor.

(**) Stands for the risk categories listed in "Regulation on Measurement and Assessment of Capital Adequacy of Banks.

- 1- Conditional and unconditional receivables from central governments and Central Banks
- 2- Conditional and unconditional receivables from regional or local governments
- 3- Conditional and unconditional receivables from administrative bodies and non-commercial enterprises
- 4- Conditional and unconditional receivables from multilateral development banks
- 5- Conditional and unconditional receivables from international organizations
- 6- Conditional and unconditional receivables from banks and brokerage houses
- 7- Conditional and unconditional receivables from corporates
- 8- Conditional and unconditional receivables from retail portfolios
- 9- Conditional and unconditional receivables secured by mortgages
- 10- Past due receivables
- 11- Receivables defined under high risk category by BRSA
- 12- Securities collateralized by mortgages
- 13- Securitization positions
- 14- Short-term receivables from banks, brokerage houses and corporates
- 15- Investments similar to collective investment funds
- 16- Stock transactions
- 17- Other receivables

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II. Explanations on unconsolidated credit risk (continued)

10. Term distribution of risks with term structure (*)

Current Period Risk categories	Time to maturity						Demand	Unallocated	Total
	1 month	1-3months	3-6 months	6-12 months	Over 1 year				
Conditional and unconditional receivables from central governments and Central Banks	5,702,780	-	-	-	1,588,186	31,533	-	7,322,499	
Conditional and unconditional receivables from regional or local governments	1,429	-	-	53,851	470,486	5	-	525,771	
Conditional and unconditional receivables from administrative bodies and non-commercial enterprises	-	-	-	-	-	7	-	7	
Conditional and unconditional receivables from multilateral development banks	-	-	-	-	-	-	-	-	
Conditional and unconditional receivables from international organizations	-	-	-	-	-	-	-	-	
Conditional and unconditional receivables from banks and brokerage houses	1,554,455	630,371	375,389	399,511	2,707,712	243,524	-	5,910,962	
Conditional and unconditional receivables from corporates	1,003,106	1,761,869	1,758,261	2,235,821	12,803,048	2,495,964	-	22,058,069	
Conditional and unconditional receivables from retail portfolios	454,011	1,195,170	1,218,370	2,173,341	13,529,160	1,218,883	-	19,788,935	
Conditional and unconditional receivables secured by mortgages	56,883	197,251	135,255	258,727	3,669,027	690,474	-	5,007,617	
Past due receivables	-	-	-	-	-	-	94,557	94,557	
Receivables defined under high risk category by BRSA	-	-	-	-	-	402,849	-	402,849	
Securities collateralized by mortgages	-	-	-	-	-	-	-	-	
Securitization positions	-	-	-	-	-	-	-	-	
Short-term receivables from banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	
Investments similar to collective investment funds	-	-	-	-	-	-	-	-	
Stock transactions	-	-	-	-	-	102,010	-	102,010	
Other receivables	-	-	-	-	-	-	3,619,865	3,619,865	
Total	8,772,664	3,784,661	3,487,275	5,121,251	34,767,619	5,185,249	3,714,422	64,833,141	

(*) The figures represent total risk amounts before credit risk mitigation and after credit conversion factor.

Prior Period Risk categories	Time to maturity						Demand	Unallocated	Total
	1 month	1-3months	3-6 months	6-12 months	Over 1 year				
Conditional and unconditional receivables from central governments and Central Banks	6,224,604	-	-	1,012,703	1,532,982	76,489	-	8,846,778	
Conditional and unconditional receivables from regional or local governments	-	-	-	-	267,382	-	-	267,382	
Conditional and unconditional receivables from administrative bodies and non-commercial enterprises	-	-	-	-	-	1	-	1	
Conditional and unconditional receivables from multilateral development banks	-	-	-	-	-	-	-	-	
Conditional and unconditional receivables from international organizations	-	-	-	-	-	-	-	-	
Conditional and unconditional receivables from banks and brokerage houses	2,061,483	570,125	419,165	827,196	2,543,068	147,908	-	6,568,945	
Conditional and unconditional receivables from corporates	1,269,864	1,571,315	1,485,064	2,873,597	10,474,089	3,990,861	-	21,664,790	
Conditional and unconditional receivables from retail portfolios	447,643	1,361,807	1,229,800	1,926,715	9,793,169	1,846,104	-	16,605,238	
Conditional and unconditional receivables secured by mortgages	46,487	166,196	168,321	238,588	3,855,004	909,904	-	5,384,500	
Past due receivables	-	-	-	-	-	-	107,876	107,876	
Receivables defined under high risk category by BRSA	-	-	-	-	-	330,381	-	330,381	
Securities collateralized by mortgages	-	-	-	-	-	-	-	-	
Securitization positions	-	-	-	-	-	-	-	-	
Short-term receivables from banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	
Investments similar to collective investment funds	-	-	-	-	-	-	-	-	
Stock transactions	-	-	-	-	-	108,141	-	108,141	
Other receivables	-	-	-	-	-	-	1,875,477	1,875,477	
Total	10,050,081	3,669,443	3,302,350	6,878,799	28,465,694	7,409,789	1,983,353	61,759,509	

(*) The figures represent total risk amounts before credit risk mitigation and after credit conversion factor.

(Convenience translation of the independent auditors' report and financial statements originally issued in Turkish, See Note 1.b of section three)

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II. Explanations on unconsolidated credit risk (continued)

11. Explanations on risk categories as per the Article 6 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks

In determining the risk weights of the risk categories mentioned in article 6 of the Regulation on Measurement and Assessment of Capital Adequacy of Banks, the Bank uses the ratings provided by international rating firm, Fitch Ratings in the Credit Risk Based Amount calculations as of 31 December 2017. Fitch ratings are used for the risk exposures to banks where the counterparties are resident in abroad. Furthermore, Fitch ratings are used for foreign currency securities issued by Treasury and other foreign currency risks that are associated with Central governments.

Matching of the risk ratings used in calculations with the credit quality grades stated in the Regulation on Measurement and Assessment of Capital Adequacy of Banks is presented below.

Credit quality level	1	2	3	4	5	6
Fitch rating note	AAA and AA-	A+ and A-	BBB+ and BBB-	BB+ and BB-	B+ and B-	CCC+ and below

Risk amounts based on risk weights

Current Period	0%	10%	20%	35%	50%	75%	100%	150%	200%	250%	1250%	Deducted from equity
Amount before credit risk mitigation	10,160,281	-	1,810,340	-	2,645,136	22,326,332	27,700,591	190,461	-	-	-	85,314
Amount after credit risk mitigation	15,439,589	-	762,410	1,926,437	5,218,577	15,844,064	24,094,640	190,461	-	-	-	85,314

Prior Period	0%	10%	20%	35%	50%	75%	100%	150%	200%	250%	1250%	Deducted from equity
Amount before credit risk mitigation	4,010,425	-	2,248,844	-	10,868,043	19,324,170	25,182,888	125,139	-	-	-	87,949
Amount after credit risk mitigation	4,010,425	-	928,230	2,003,503	13,689,711	16,412,320	22,844,711	125,139	-	-	-	87,949

12. Miscellaneous information regarding important sectors or counterparty type

Loans that have overdue principal, interest or both for less than 90 days after the maturity or due date are considered past due loans by the Bank. Loans that have overdue principal, interest or both for more than 90 days after the maturity or due date or the debtors of which are deemed unworthy by the Bank are considered impaired loans.

The Bank calculates general loan loss provision for past due loans and special provision for impaired loans in accordance with the "Regulation on Principles and Procedures on Determining the Qualifications of Banks' Loans and Other Receivables and the Provision for These Loans and Other Receivables".

Current Period Important sectors	Loans (*)		Value adjustments	Provisions
	Impaired	Past due		
Agriculture	13,307	3,373	68	10,839
Farming and raising livestock	10,318	2,802	57	7,916
Forestry	1,885	571	11	1,821
Fishing	1,104	-	-	1,102
Manufacturing	313,235	47,542	1,229	171,860
Mining	30,280	956	37	23,653
Production	271,289	44,237	1,144	140,504
Electricity, gas, water	11,666	2,349	48	7,703
Construction	96,774	30,297	1,025	73,497
Services	570,763	159,801	3,759	346,103
Wholesale and retail trade	446,246	116,896	2,824	296,288
Hotel food, beverage services	83,159	15,560	385	21,827
Transportation and telecommunication	20,526	15,434	383	15,389
Financial institutions	2,667	913	24	1,113
Real estate and lending service	4,790	1,506	39	3,603
Self-employment service	8,248	3,078	51	5,085
Education service	1,458	6,255	46	599
Health and social services	3,669	159	7	2,199
Other	689,579	1,230,350	50,354	583,953
Total	1,683,658	1,471,363	56,435	1,186,252

(*) Represents the distribution of cash loans.

(Convenience translation of the independent auditors' report and financial statements originally issued in Turkish, See Note 1.b of section three)

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Notes to the unconsolidated financial statements for the year ended 31 December 2017 (continued)

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II. Explanations on unconsolidated credit risk (continued)

Prior Period Important sectors	Loans (*)		Value adjustments	Provisions
	Impaired	Past due		
Agriculture	12,026	1,535	40	10,138
Farming and raising livestock	9,024	1,431	37	8,062
Forestry	1,751	104	3	880
Fishing	1,251	-	-	1,196
Manufacturing	222,790	79,196	2,466	122,938
Mining	23,959	2,731	56	12,707
Production	193,658	74,964	2,359	108,120
Electricity, gas, water	5,173	1,501	51	2,111
Construction	61,723	15,542	347	46,095
Services	481,347	147,505	4,073	283,540
Wholesale and retail trade	423,206	105,309	2,946	242,224
Hotel food, beverage services	12,915	9,487	281	8,838
Transportation and telecommunication	24,767	22,348	604	18,946
Financial institutions	4,135	783	21	2,638
Real estate and lending service	5,533	1,903	37	3,067
Self-employment service	6,247	5,966	140	4,502
Education service	708	819	21	496
Health and social services	3,836	890	23	2,829
Other	609,837	1,119,534	47,487	486,755
Total	1,387,723	1,363,312	54,413	949,466

(*) Represents the distribution of cash loans.

13. Information related to value adjustments and credit provisions

Current Period	Opening balance	Provisions made within the term	Provision cancellations	Other adjustments (*)	Closing balance
Special provisions	949,466	505,462	(268,676)	-	1,186,252
General provisions	581,083	64,155	-	-	645,238

(*) Determined according to currency differences, merges, acquisitions and selling of subsidiaries.

Prior Period	Opening balance	Provisions made within the term	Provision cancellations	Other adjustments (*)	Closing balance
Special provisions	663,081	523,764	(237,379)	-	949,466
General provisions	553,780	27,382	(79)	-	581,083

(*) Determined according to currency differences, merges, acquisitions and selling of subsidiaries.

14. Explanations about exposures subject to private sector

Country name	RWA calculations for private sector loans in banking book	RWA calculations for trading book
Turkey	37,225,300	321,635
United Kingdom	712,529	127,113
France	230,448	85,395
USA	151,239	56,212
Switzerland	136,469	-
Belgium	68,763	-
Germany	63,902	104
Netherlands	61,378	16,170
Italy	26,075	-
Russian Federation	1,990	-
Other	163,695	158

(Convenience translation of the independent auditors' report and financial statements originally issued in Turkish, See Note 1.b of section three)

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**Notes to the unconsolidated financial statements
for the year ended 31 December 2017 (continued)
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III. 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 3.8416 (Full TL) and 4.5477 (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 December 2017)	3.7917	4.5455
Previous days;		
29 December 2017	3.7917	4.5455
28 December 2017	3.7775	4.5115
27 December 2017	3.8190	4.5446
26 December 2017	3.8096	4.5205
25 December 2017	3.8055	4.5160

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III. 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	2,759,034	3,477,309	1,135,173	7,371,516
Banks	341,680	42,587	96,440	480,707
Financial assets at fair value through profit or loss (net)	5,978	5,843	-	11,821
Interbank money market placements	-	-	-	-
Available for sale financial assets (net)	156	-	-	156
Loans and receivables	7,947,125	1,656,450	2,329	9,605,904
Investments in associates, subsidiaries and joint ventures	-	334	-	334
Held to maturity investments (net)	-	-	-	-
Hedging derivative financial assets	-	-	-	-
Tangible assets (net)	-	-	-	-
Intangible assets (net)	-	-	-	-
Other assets	4,390	2,476	12	6,878
Total assets	11,058,363	5,184,999	1,233,954	17,477,316
Liabilities				
Bank deposit	1,221,337	239,679	20	1,461,036
Foreign currency deposits	2,144,707	5,444,477	195,360	7,784,544
Funds from interbank money market	-	-	-	-
Borrowings	8,374,104	7,914,150	114,447	16,402,701
Marketable securities issued (net)	-	-	-	-
Miscellaneous payables	10,352	28,606	2,707	41,665
Hedging derivative financial liabilities	4,155	-	-	4,155
Other liabilities	9,467	9,964	650	20,081
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
Prior period				
Total assets	11,156,408	6,362,615	1,181,608	18,700,631
Total liabilities	11,190,589	12,168,065	143,785	23,502,439
Net on-balance sheet position	(34,181)	(5,805,450)	1,037,823	(4,801,808)
Net off-balance sheet position	39,510	5,879,669	(1,036,949)	4,882,230
Financial derivative assets	4,991,207	14,273,754	2,083,929	21,348,890
Financial derivative liabilities	4,951,697	8,394,085	3,120,878	16,466,660
Non-cash loans	5,658,993	5,385,451	229,892	11,274,336

In the foreign currency risk table:

The principal and accrual of TL 1,055,331 (31 December 2016: TL 2,646,205) of foreign currency indexed loans are shown under loans.

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III. 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 184,960 (31 December 2016: TL 241,147).
 Prepaid expenses: None (31 December 2016: TL 38).
 Held-for trading derivative financial liabilities: TL 183,502 (31 December 2016: TL 192,797).
 Hedge funds (Effective Portion): TL (4,240) (31 December 2016: TL (5,203)).
 Marketable securities valuation differences: None (31 December 2016: TL 94,029).
 Interest rate swap (buy) transactions and options (buy): TL 3,818,260 (31 December 2016: TL 2,623,749).
 Interest rate swap (sell) transactions and options (sell): TL 3,818,260 (31 December 2016: TL 2,623,749).

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

Forward foreign currency-buy transactions: TL 1,054,558 (31 December 2016: TL 797,588).
 Forward foreign currency-sell transactions: TL 959,626 (31 December 2016: TL 644,106).

Sensitivity to currency risk

Table below shows the sensitivity of the Bank to a 10% change in USD and EUR rates.

	Percentage change in exchange rates	Effect on profit / loss before tax		Effect on equity (*)	
		31 December 2017	31 December 2016	31 December 2017	31 December 2016
USD	10% increase	(613)	7,422	-	9,406
USD	10% decrease	613	(7,422)	-	(9,406)
EURO	10% increase	(296)	533	(424)	(523)
EURO	10% decrease	296	(533)	424	523

(*) Represents effect on equity excluding profit/loss before tax.

IV. 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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IV. 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	5,546,209	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.

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	6,218,315	5,833	-	-	-	641,497	6,865,645
Due from other banks and financial institutions	3,709	1,648	4,000	-	-	146,306	155,663
Financial assets at fair value through profit and loss	117,237	293,049	114,336	9,239	-	32	533,893
Money market placements	1,775,677	-	-	-	-	-	1,775,677
Available-for-sale financial assets	588,055	518,531	1,439,100	-	-	108,141	2,653,827
Loans and receivables	6,726,997	4,282,801	10,157,311	11,149,099	2,062,482	438,257	34,816,947
Held-to-maturity investments	-	-	-	-	-	-	-
Other assets (*)	565,819	1,227,404	-	-	-	1,092,785	2,886,008
Total assets	15,995,809	6,329,266	11,714,747	11,158,338	2,062,482	2,427,018	49,687,660
Liabilities							
Bank deposits	283,180	21	-	-	-	1,654,819	1,938,020
Other deposits	19,320,763	725,453	347,153	120	-	2,885,776	23,279,265
Money market borrowings	126,507	60	-	-	-	-	126,567
Miscellaneous payables	-	-	-	-	-	336,603	336,603
Securities issued	-	246,634	-	-	-	-	246,634
Funds provided from other financial institutions	1,650,840	10,240,402	1,900,067	2,621,361	247,275	-	16,659,945
Other liabilities (**)	143,502	203,933	259,403	8,105	-	6,485,683	7,100,626
Total liabilities	21,524,792	11,416,503	2,506,623	2,629,586	247,275	11,362,881	49,687,660
Balance sheet long position	-	-	9,208,124	8,528,752	1,815,207	-	19,552,083
Balance sheet short position	(5,528,983)	(5,087,237)	-	-	-	(8,935,863)	(19,552,083)
Off-balance sheet long position	2,389,391	8,243,436	-	-	-	-	10,632,827
Off-balance sheet short position	-	-	(3,128,825)	(4,981,471)	(820,909)	-	(8,931,205)
Total position	(3,139,592)	3,156,199	6,079,299	3,547,281	994,298	(8,935,863)	1,701,622

(*) 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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IV. 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
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

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	-	0.75	-	3.31
Due from other banks and financial institutions	0.25	-	-	9.72
Financial assets at fair value through profit and loss	5.32	5.90	-	6.21
Money market placements	-	-	-	10.97
Financial assets available-for-sale	-	-	-	9.14
Loans and receivables	3.09	4.08	-	13.79
Held-to-maturity investments	-	-	-	-
Liabilities				
Bank deposits	(0.69)	0.94	-	-
Other deposits	0.50	1.72	-	8.56
Money market borrowings	-	-	-	8.49
Miscellaneous payables	-	-	-	-
Securities issued	-	-	-	9.98
Funds provided from other financial institutions	0.69	1.96	-	11.45

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V. 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	51	51	51
Stock investments	51	51	51
Not quoted	6,052	871	871
Stock investments	6,052	871	871
Financials subsidiaries	95,907	-	-
Financials subsidiaries	95,907	-	-
Prior period	Carrying value	Fair value (*)	Market value
Quoted	50	50	50
Stock investments	50	50	50
Not quoted	108,091	103,540	103,540
Stock investments	108,091	103,540	103,540
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	-	16	-	16	16
Other stocks	126,380	111	-	(270)	(270)
Total	126,380	127	-	(254)	(254)
Prior period	Realized gains/losses during the period	Total	Including into the supplementary capital	Total	Including into the core capital
Private equity investments	-	-	-	-	-
Shares traded on a stock exchange	-	12	-	12	12
Other stocks	35,238	94,361	-	94,361	94,361
Total	35,238	94,373	-	94,373	94,373

4. Capital requirement as per equity shares

Current period	Carrying value	Total RWA	Minimum capital requirement (*)
Private sector investments	-	-	-
Shares traded on a stock exchange	51	51	4
Other equity shares	101,959	101,959	8,157
Prior period	Carrying value	Total RWA	Minimum capital requirement (*)
Private sector investments	-	-	-
Shares traded on a stock exchange	50	50	4
Other equity shares	203,998	108,425	8,674

(*) 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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VI. 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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**VI. 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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**VI. 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	151.23	29 December 2017	216.07	27 October 2017
FC	135.53	24 November 2017	204.33	6 October 2017

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			10,216,175	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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**VI. 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			7,057,140	4,456,284
Cash Outflows				
Real person and retail deposits	18,910,534	2,857,008	1,570,365	285,701
Stable deposits	6,413,768	-	320,688	-
Less stable deposits	12,496,766	2,857,008	1,249,677	285,701
Unsecured funding other than real person and retail deposits	6,314,837	4,035,838	4,243,661	2,894,275
Operational deposits	203,286	1,868	50,822	467
Non-operational deposits	5,009,702	3,541,834	3,099,937	2,401,672
Other unsecured debt	1,101,849	492,136	1,092,902	492,136
Secured funding			-	-
Other cash outflows	19,321,216	9,521,468	9,099,575	5,343,908
Derivative exposures and collateral completion liabilities	7,919,654	4,609,088	7,919,654	4,609,088
Payables due to structured financial instruments	-	-	-	-
Payment commitments and other off-balance sheet commitments granted for debts to financial markets	11,401,562	4,912,380	1,179,921	734,820
Other contractual funding obligations	-	-	-	-
Other irrevocable or conditionally revocable off balance sheet liabilities	-	-	-	-
Total cash outflows			14,913,601	8,523,884
Cash inflows				
Secured lending	313,492	-	-	-
Unsecured lending	3,854,458	791,588	2,507,818	539,776
Other cash inflows	7,712,035	3,438,154	7,424,739	3,434,015
Total cash inflows	11,879,985	4,229,742	9,932,557	3,973,791
				Total adjusted value
Total high quality liquid assets stock			7,057,140	4,456,284
Total net cash outflows			4,981,044	4,550,093
Liquidity coverage ratio (%)			142.97	100.93

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

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**VI. 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 2017. 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 December 2017 are summarized as follows:

Foreign currency borrowings constitute the majority of the foreign currency liabilities. 63% of the Bank's foreign currency liabilities consist of funds provided from other financial institutions and subordinated loans and 36% 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 December 2017 are summarized as follows:

The majority of Turkish Lira balance sheet's liability consists of deposits. 68% 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. 82% of the assets in Turkish Lira balance sheet are loans granted and 5% are marketable securities.

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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**VI. 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	2,270,536	5,546,209	13,778	-	-	-	-	7,830,523
Banks	243,091	231,820	7,243	-	-	-	-	482,154
Financial assets at fair value through profit or loss	45	172,026	125,466	294,613	12,525	9,423	-	614,098
Interbank money market placements	-	1,047,895	-	-	-	-	-	1,047,895
Available for sale financial assets	6,103	134,953	38,035	-	1,556,897	-	-	1,735,988
Loans and receivables	-	6,558,650	4,087,126	10,655,081	15,197,268	1,471,245	497,406	38,466,776
Held to maturity investments	-	-	-	-	-	-	-	-
Other assets (*)	-	14,896	96,753	281,988	1,122,908	54,850	1,133,278	2,704,673
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
Liabilities								
Bank deposits	1,481,773	-	-	-	-	-	-	1,481,773
Other deposits	3,298,842	21,941,260	715,535	134,658	113,757	-	-	26,204,052
Borrowings	-	903,720	1,147,327	5,491,803	6,227,649	3,232,748	-	17,003,247
Funds from interbank money market	-	59,498	-	-	-	-	-	59,498
Securities issued	-	-	-	-	-	-	-	-
Miscellaneous payables	401,619	-	-	-	-	-	-	401,619
Other liabilities (**)	224,013	144,603	108,055	218,644	23,206	262	7,013,135	7,731,918
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
Prior period								
Total assets	787,835	14,906,628	4,540,671	12,054,668	13,461,430	2,297,245	1,639,183	49,687,660
Total liabilities	5,197,605	20,106,637	1,484,657	5,956,406	6,793,793	4,063,966	6,084,596	49,687,660
Liquidity deficit/surplus	(4,409,770)	(5,200,009)	3,056,014	6,098,262	6,667,637	(1,766,721)	(4,445,413)	-
Net Off Balance Sheet Position	-	21,666	(20,662)	707,116	813,308	181,000	-	1,702,428
Derivative financial assets	-	8,708,107	8,834,962	8,814,433	7,101,040	1,001,909	-	34,460,451
Derivative financial liabilities	-	8,686,441	8,855,624	8,107,317	6,287,732	820,909	-	32,758,023
Net Off Balance Sheet Position	57,507	563,814	1,663,557	3,376,696	6,482,437	1,640,033	-	13,784,044

(*) 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 associates and subsidiaries, property and equipment, stationery, prepaid expenses, equity securities.

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

5. Breakdown of liabilities according to their remaining contractual maturities

The Bank's remaining maturities of the contractual liabilities excluding derivative transactions are presented below. Interests on liabilities are included in the distribution. The "Adjustments" column presents probable cash flow on later periods. These amounts are included into the maturity analysis, but not included into the carrying value of liabilities in the balance sheet.

Current period	Demand	Up to 1 month	1-3 months	3-12 months	1-5 years	5 years and over	Total	Adjustments	Carrying value
Liabilities									
Deposits	4,780,615	22,010,239	725,492	140,979	115,830	-	27,773,155	(87,330)	27,685,825
Funds borrowed from other financial institutions	-	919,673	1,232,003	5,563,586	6,228,128	3,232,748	17,176,138	(172,891)	17,003,247
Funds from interbank money market	-	59,516	-	-	-	-	59,516	(18)	59,498
Bonds	-	-	-	-	-	-	-	-	-
Prior period									
Liabilities									
Deposits	4,540,595	19,430,807	920,649	356,650	177	-	25,248,878	(31,593)	25,217,285
Funds borrowed from other financial institutions	-	231,994	260,994	5,527,739	9,520,394	1,210,645	16,751,766	(91,821)	16,659,945
Funds from interbank money market	-	126,597	-	-	-	-	126,597	(30)	126,567
Bonds	-	-	250,000	-	-	-	250,000	(3,366)	246,634

(Convenience translation of the independent auditors' report and financial statements originally issued in Turkish, See Note 1.b of section three)

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

6. Breakdown of derivative instruments according to their remaining contractual maturities

Current period	Up to 1 month	1 – 3 months	3 – 12 months	1 – 5 Years	5 years and over	Total
Derivative financial instruments held for hedging						
Transactions for fair value hedge (I)	-	-	-	-	-	-
Buying transactions	-	-	-	-	-	-
Selling transactions	-	-	-	-	-	-
Transactions for cash flow hedge (II)	628,103	1,112,174	12,142,730	18,427,711	893,277	33,203,995
Buying transactions	328,913	628,332	6,116,920	9,506,159	459,395	17,039,719
Selling transactions	299,190	483,842	6,025,810	8,921,552	433,882	16,164,276
Transactions for foreign net investment hedge (III)	-	-	-	-	-	-
Buying transactions	-	-	-	-	-	-
Selling transactions	-	-	-	-	-	-
A. Total derivative financial instruments held for hedging (I+II+III)	628,103	1,112,174	12,142,730	18,427,711	893,277	33,203,995
Derivative transactions held for trading						
Trading transactions (I)	24,306,172	13,944,988	17,034,616	439,394	-	55,725,170
Forward foreign currency transactions – buy	2,553,379	2,095,916	2,157,272	2,152	-	6,808,719
Forward foreign currency transactions – sell	2,535,829	2,054,428	2,117,214	2,046	-	6,709,517
Swap transactions- buy	9,706,469	4,630,517	5,608,036	181,523	-	20,126,545
Swap transactions – sell	8,585,568	4,667,677	5,699,905	182,173	-	19,135,323
Foreign currency options – buy	462,464	248,224	726,095	35,750	-	1,472,533
Foreign currency options – sell	462,463	248,226	726,094	35,750	-	1,472,533
Foreign currency futures – buy	-	-	-	-	-	-
Foreign currency futures – sell	-	-	-	-	-	-
Interest rate derivatives (II)	7,656	87,121	107,610	134,715	384	337,486
Interest rate swap - buy	3,944	39,172	55,046	67,727	280	166,169
Interest rate swap - sell	3,712	47,949	52,564	66,988	104	171,317
Interest rate options - buy	-	-	-	-	-	-
Interest rate options - sell	-	-	-	-	-	-
Securities options - buy	-	-	-	-	-	-
Securities options - sell	-	-	-	-	-	-
Interest futures - buy	-	-	-	-	-	-
Interest futures - sell	-	-	-	-	-	-
Other trading derivative transactions (III)	8,138	-	-	-	-	8,138
B. Total trading derivative transactions(I+II+III)	24,321,966	14,032,109	17,142,226	574,109	384	56,070,794
Derivative transaction total (A+B)	24,950,069	15,144,283	29,284,956	19,001,820	893,661	89,274,789
Prior period						
Derivative financial instruments held for hedging						
Transactions for fair value hedge (I)	-	-	-	-	-	-
Buying transactions	-	-	-	-	-	-
Selling transactions	-	-	-	-	-	-
Transactions for cash flow hedge (II)	970,835	1,179,024	4,345,908	10,824,725	1,925,646	19,246,138
Buying transactions	511,497	592,472	2,377,320	5,586,878	1,036,820	10,104,987
Selling transactions	459,338	586,552	1,968,588	5,237,847	888,826	9,141,151
Transactions for foreign net investment hedge (III)	-	-	-	-	-	-
Buying transactions	-	-	-	-	-	-
Selling transactions	-	-	-	-	-	-
A. Total derivative financial instruments held for hedging (I+II+III)	970,835	1,179,024	4,345,908	10,824,725	1,925,646	19,246,138
Derivative transactions held for trading						
Trading transactions (I)	19,632,611	9,487,444	13,283,605	1,622,899	2,136	44,028,695
Forward foreign currency transactions – buy	2,133,208	1,497,704	2,637,059	50,489	-	6,318,460
Forward foreign currency transactions – sell	2,123,576	1,508,986	2,658,619	56,314	-	6,347,495
Swap transactions- buy	7,331,177	2,881,697	3,799,906	758,196	236	14,771,212
Swap transactions – sell	6,285,281	2,951,231	3,728,596	757,900	1,900	13,724,908
Foreign currency options – buy	879,685	323,913	229,712	-	-	1,433,310
Foreign currency options – sell	879,684	323,913	229,713	-	-	1,433,310
Foreign currency futures – buy	-	-	-	-	-	-
Foreign currency futures – sell	-	-	-	-	-	-
Interest rate derivatives (II)	8,646	40,569	240,368	346,206	13,380	649,169
Interest rate swap - buy	4,525	29,522	115,781	168,193	-	318,021
Interest rate swap - sell	4,121	11,047	124,587	178,013	13,380	331,148
Interest rate options - buy	-	-	-	-	-	-
Interest rate options - sell	-	-	-	-	-	-
Securities options - buy	-	-	-	-	-	-
Securities options - sell	-	-	-	-	-	-
Interest futures - buy	-	-	-	-	-	-
Interest futures - sell	-	-	-	-	-	-
Other trading derivative transactions (III)	-	-	-	-	-	-
B. Total trading derivative transactions held for trading (I+II+III)	19,641,257	9,528,013	13,523,973	1,969,105	15,516	44,677,864
Derivative transaction total (A+B)	20,612,092	10,707,037	17,869,881	12,793,830	1,941,162	63,924,002

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VII. 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 December 2017, the Bank's leverage ratio is calculated by taking average of end of month leverage ratios for the last three months is 6.83% (31 December 2016: 6.80%). This ratio is higher than minimum ratio. Main reason for the variance compared to prior period is due to the fact that increase in the amount of exposure in the balance sheet is more than the decrease in the amount of 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)	51,547,848	47,071,102
Asset deducted from core capital	(56,965)	(46,529)
The total amount of risk on-balance sheet exposures	51,490,883	47,024,573
Derivative financial instruments and credit derivative exposures		
Replacement cost associated with derivative financial instruments and credit derivatives	2,528,731	2,044,627
The potential credit risk amount of derivative financial instruments and credit derivatives	567,755	512,489
The total risk amount of derivative financial instruments and credit derivatives	3,096,486	2,557,116
Securities or commodity guaranteed financing transactions		
Risk amount of securities or commodity collateral financing transactions (excluding on balance sheet items)	65,633	56,811
Risk amount of exchange brokerage operations	-	-
The total risk amount of securities or commodity collateral financing transactions	65,633	56,811
Off-balance sheet items		
Gross notional amount for off-balance sheet items	24,819,666	21,757,540
Adjustments for conversion to credit equivalent amounts	-	-
The total amount of risk for off-balance sheet items	24,819,666	21,757,540
Capital and total exposures		
Core capital	5,420,647	4,853,047
Total exposures	79,472,668	71,396,040
Leverage ratio		
Leverage ratio	6.83	6.80

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

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**Notes to the unconsolidated financial statements
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VIII. Explanations on presentation of financial assets and liabilities at their fair values

1. In the current and the prior period, the fair values of financial assets and liabilities are calculated as stated below.

The fair value of held-to-maturity and available for sale assets are determined based on market prices.

The fair value of the loans with fixed interest rates is determined by the discounted cash flows using the current market interest rates. For the loans with floating interest rates, the fair value is determined by discounted cash flows using the market interest rate, taking into account the repricing date of the loan.

The fair value of demand deposit represents the carrying value. The fair values of time deposits and funds are calculated by the discounted cash flows using the current market interest rates.

The fair value of funds borrowed from other financial institutions with fixed interest rates are determined by discounted cash flows using the current market interest rates. For funds with floating interest rates, it is determined by discounted cash flows using the market interest rate, taking into account the repricing date of the borrowing.

Carrying value of miscellaneous payables represents their fair value.

2. The following table summarizes the carrying values and fair values of financial assets and liabilities

	Carrying value		Fair value	
	Current period	Prior period	Current period	Prior period
Financial assets	41,732,813	39,402,114	42,377,911	40,385,419
Money market placements	1,047,895	1,775,677	1,046,736	1,772,414
Due from banks	482,154	155,663	481,741	153,875
Available-for-sale financial assets	1,735,988	2,653,827	1,735,988	2,653,827
Loans and receivables	38,466,776	34,816,947	39,113,446	35,805,303
Financial liabilities	45,150,189	42,587,034	44,683,316	42,507,881
Bank deposits	1,481,773	1,938,020	1,481,441	1,938,061
Other deposits	26,204,052	23,279,265	25,710,407	23,152,745
Funds borrowed	17,003,247	16,659,945	17,030,377	16,706,844
Money market borrowings	59,498	126,567	59,472	126,534
Securities issued	-	246,634	-	247,094
Miscellaneous payables	401,619	336,603	401,619	336,603

3. Hierarchy of valuation techniques which establishes basis for fair value calculation of financial assets and liabilities

Level 1: Quoted market prices (non-adjusted) for identical assets or liabilities.

Level 2: Directly (by way of prices) or indirectly (derived from prices) data for the assets or liabilities, other than quoted prices in the Level 1.

Level 3: Data not based on observable data regarding assets or liabilities.

(Convenience translation of the independent auditors' report and financial statements originally issued in Turkish, See Note 1.b of section three)

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VIII. Explanations on presentation of financial assets and liabilities at their fair values (continued)

Fair value hierarchy of the financial assets and liabilities of the Bank carried at fair value in financial statements as of 31 December 2017 and 31 December 2016 is presented in the table below:

Current period	Level 1	Level 2	Level 3	Total
Total assets	1,772,074	2,143,355	6,052	3,921,481
Financial assets at fair value through profit or loss	42,138	571,960	-	614,098
Government debt securities	42,093	-	-	42,093
Trading derivative financial assets	-	571,960	-	571,960
Other marketable securities	45	-	-	45
Available for sale financial assets	1,729,936	-	6,052	1,735,988
Equity securities	51	-	6,052	6,103
Government debt securities	1,729,885	-	-	1,729,885
Hedging derivative financial assets	-	1,571,395	-	1,571,395
Cash flow hedges	-	1,571,395	-	1,571,395
Total liabilities	-	494,770	-	494,770
Trading derivative financial liabilities	-	469,316	-	469,316
Hedging derivative financial liabilities	-	25,454	-	25,454
Cash flow hedges	-	25,454	-	25,454
Prior period	Level 1	Level 2	Level 3	Total
Total assets	2,552,181	2,413,700	15,062	4,980,943
Financial assets at fair value through profit or loss	6,405	527,488	-	533,893
Government debt securities	6,373	-	-	6,373
Trading derivative financial assets	-	527,488	-	527,488
Other marketable securities	32	-	-	32
Available for sale financial assets	2,545,776	92,989	15,062	2,653,827
Equity securities	90	92,989	15,062	108,141
Government debt securities	2,545,686	-	-	2,545,686
Hedging derivative financial assets	-	1,793,223	-	1,793,223
Cash flow hedges	-	1,793,223	-	1,793,223
Total liabilities	-	613,545	-	613,545
Trading derivative financial liabilities	-	575,047	-	575,047
Hedging derivative financial liabilities	-	38,498	-	38,498
Cash flow hedges	-	38,498	-	38,498

There are no transfers between the 1st and the 2nd levels as of 31 December 2017 and 31 December 2016.

The movement table of financial assets at Level 3 is presented in below.

	Current period	Prior period
Balance at the end of the prior period	15,062	39,038
Purchases	-	8,038
Redemption / sale	(9,039)	(26,784)
Valuation difference	29	(2,608)
Transfers	-	(2,622)
Balance at the end of the current period	6,052	15,062

IX. Explanations on the transactions carried out on behalf and account of other persons and fiduciary transactions

The Bank performs purchase, sale, custody, and fund management services on behalf of its customers, and information about these transactions are shown in the off-balance sheet statement.

The Bank has no trust transactions.

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X. 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. General explanations on Bank's risk management and risk weighted assets

a. Bank's risk management approach

Bank's risk management strategy and activities have been formed under the responsibility of the Board of Directors. The risk management strategy applied in the Bank is based on three lines of defence model.

1. Line of defence

Business units are the first line of defence and primarily responsible for performance, operation, compliance and control of the risks affecting the business line.

2. Line of defence

Risk Management, Financial Control and Asset Liability Management and Legal functions, which are the second line of defence, support the first line of defence for implementation, training, recommending, monitoring and reporting.

Risk Management is responsible for identifying, measuring, monitoring, controlling and reporting risks at corporate level. Bank's Risk Management consists of Financial Risk Management, Operational Risk Management and Information Risk Management departments and reports to the Audit Committee. Financial Risk Management includes Market Risk Management and Product Control, Credit Risk Management, Financial Risk Management and Technology and Validation departments.

3. Line of defence

Internal Audit Department is the third line of defence. Internal Audit Department carries out both risk based and general audits. In addition, Internal Audit Department is responsible for reviewing and ensuring the integrity of the whole governance structure including risk governance, and presence, effectiveness and implementation of policies and procedures.

According to this strategy, these lines of defence carry out their activities through certain decision making committees such as the Executive Committee, Asset Liability Management Committee, Credit Committee and Non-Financial Risk Committee. External auditors and relevant Regulators and Regulating Entities are considered as third line of defence.

Senior Management and Board of Directors are notified on the market risks monthly or on a more frequent basis; and this notification consists of balance sheet developments, market developments, assessment of the risks incurred despite the determined risk appetite and other risk developments. Furthermore credit risk reports focusing on development of performing and non-performing loan portfolios, rating distribution of portfolios, transitions and trends of ratings, concentration risks, business units and product based risk parameters and risk appetite indicators are closely followed.

In addition to measurement and assessment of the risks under normal market conditions, stress tests under the scope of ICAAP and for internal rating purposes are carried out for the purpose of evaluating possible risks under negative market conditions. In this stress test, all kinds of financial risks that can be faced by the Bank are taken as a basis and evaluated under negative and extremely negative scenarios, and reverse stress test which cause the Bank fall into legal limits is applied. The Bank prepares semi-annual stress test reports on a consolidated basis as per the Guide, numbered 6656, dated 14 January 2016 on the Stress Test to be Used in Banks' Capital and Liquidity Planning. The Stress Test provides a prospective perspective in possible negative incidents or negative situations.

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X. Explanations on unconsolidated risk management (continued)

In evaluating the consequences at Bank level, not only the simple sum of individual risk categories but also quantitative analyses and the correlation of these values are taken into account. For example, changes in the exchange rate effect both market risk weighted assets and credit risk weighted assets. These changes are calculated simultaneously and in relation with one another. The correlation between risk categories tend to increase during shocking. It is aimed that all important risks are defined and relations are established between them in order to perform sensitivity analyses in the most effective manner throughout the Bank. Accordingly, the Bank carries out the stress test together with all relevant units at a consolidated manner.

Detailed explanations on the Bank's risk appetite and credit risk can be found in section "Credit Risk", detailed explanations on market risk can be found in section "Market Risk" and detailed explanations on operational risk can be found in section "Operational Risk".

Overview of risk weighted amounts

	Risk weighted amount		Minimum capital requirement
	Current period	Previous period	Current period
Credit risk (excluding counterparty credit risk) (CCR)	38,042,652	41,324,634	3,043,412
Standardized approach (SA)	38,042,652	41,324,634	3,043,412
Internal rating-based (IRB) approach	-	-	-
Counterparty credit risk	2,832,393	1,748,753	226,591
Standardized approach for counterparty credit risk (SA-CCR)	2,832,393	1,748,753	226,591
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	212,263	489,725	16,981
Standardized approach (SA)	212,263	489,725	16,981
Internal model approaches (IMM)	-	-	-
Operational risk	3,853,637	3,230,147	308,291
Basic indicator approach	3,853,637	3,230,147	308,291
Standard approach	-	-	-
Advanced measurement approach	-	-	-
The amount of the discount threshold under the equity (subject to a 250% risk weight)	-	-	-
Floor adjustment	-	-	-
Total	44,940,945	46,793,259	3,595,275

(Convenience translation of the independent auditors' report and financial statements originally issued in Turkish, See Note 1.b of section three)

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X. Explanations on unconsolidated risk management (continued)

2. Linkages between financial statements and risk amounts

a. Differences and linkage between scope of accounting consolidation and regulatory consolidation

	Revalued amount in accordance with TAS					
	Revalued amount in accordance with TAS as reported in published financial statements	Subject to credit risk framework	Subject to counterparty credit risk framework	Subject to the securitisation framework	Subject to the market risk framework	Not subject to capital requirements or subject to deduction from capital
Assets						
Cash and balances with Central Bank	7,830,523	7,830,523	-	-	-	-
Financial assets held for trading	614,098	-	571,961	-	614,098	-
Financial assets designated at fair value through profit and loss	-	-	-	-	-	-
Banks	482,154	482,154	-	-	-	-
Money market placements	1,047,895	-	1,047,895	-	-	-
Financial assets available for sale (net)	1,735,988	1,735,988	-	-	-	-
Loans and receivables	38,466,776	38,466,776	-	-	-	13,458
Factoring receivables	-	-	-	-	-	-
Held-to maturity investments (net)	-	-	-	-	-	-
Associates (net)	-	-	-	-	-	-
Subsidiaries (net)	95,907	95,907	-	-	-	-
Joint ventures (net)	-	-	-	-	-	-
Financial lease receivables (net)	-	-	-	-	-	-
Derivative financial assets held for hedging purposes	1,571,395	-	1,571,395	-	-	-
Property and equipment (net)	502,235	467,231	-	-	-	35,004
Intangible assets (net)	39,215	-	-	-	-	36,852
Investment properties (net)	-	-	-	-	-	-
Tax asset	31,525	31,525	-	-	-	-
Property and equipment held for sale and related to discontinued operations (net)	660	660	-	-	-	-
Other assets	463,736	463,737	-	-	-	-
Total asset	52,882,107	49,574,501	3,191,251	-	614,098	85,314
Liabilities						
Deposits	27,685,825	-	-	-	-	27,685,825
Derivative financial liabilities held for trading	469,316	-	-	-	-	469,316
Funds borrowed	13,964,280	-	-	-	-	13,964,280
Money market balances	59,498	-	2,291	-	-	57,207
Marketable securities issued (net)	-	-	-	-	-	-
Funds	-	-	-	-	-	-
Miscellaneous payables	401,619	-	-	-	-	401,619
Other liabilities	224,013	-	-	-	-	224,013
Factoring payables	-	-	-	-	-	-
Leasing transaction payables	-	-	-	-	-	-
Derivative financial liabilities held for hedging purposes	25,454	-	-	-	-	25,454
Provisions	831,585	-	-	-	-	831,585
Tax liability	412,805	-	-	-	-	412,805
Liabilities for property and equipment held for sale and related to discontinued operations (net)	-	-	-	-	-	-
Subordinated loans	3,038,967	-	-	-	-	3,038,967
Shareholders' equity	5,768,745	-	-	-	-	5,768,745
Total liabilities	52,882,107	-	2,291	-	-	52,879,816

(Convenience translation of the independent auditors' report and financial statements originally issued in Turkish, See Note 1.b of section three)

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X. Explanations on unconsolidated risk management (continued)

b. Main differences between risk amounts and the amounts revalued in accordance with TAS financial statements

	Total	Subject to credit risk	Securitization positions	Subject to counterparty credit risk	Subject to market risk (*)
Assets carrying value in accordance with TAS	52,796,795	49,574,501	-	3,191,251	614,098
Liabilities carrying value in accordance with TAS under scope of regulatory consolidation	2,291	-	-	2,291	-
Total net amount under scope of regulatory consolidation	52,794,504	49,574,501	-	3,188,960	614,098
Off-balance sheet amount	24,262,340	11,552,756	-	508,018	-
Differences due to risk mitigation	-	(351,220)	-	(996,837)	-
Differences due to different netting rules	-	-	-	-	-
Differences due to consideration of provisions	-	-	-	-	-
Differences due to the applications of the Bank	-	-	-	-	(401,835)
Exposure amounts	-	60,776,037	-	2,700,141	212,263

(*) The amounts of financial instruments, which are measured according to TAS and included in trading accounts within the scope of the "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks", are represented in "Subject to market risk framework" column are presented.

c. Explanations on differences between carrying values in financial statements and risk amounts in capital adequacy calculation of assets and liabilities:

There is no material differences between the carrying values in financial statements and the risk amounts in capital adequacy calculation of assets and liabilities.

3. Explanations about credit risk

3.1. General Information on Credit Risk

a. General Qualitative Information on Credit Risk

Bank's Credit Risk Management reports to the Audit Committee. In order to carry out its functions and responsibilities more effectively, Credit Risk Management is structured as Credit Risk Control and Credit Risk Integration groups. Credit Risk Control team is responsible for developing, monitoring and sustaining the models to be used in Internal Ratings Based Method and TFRS 9 calculations. Credit Risk Integration team works for the integration of rating models in the bank systems, corporate risk management solution allowing bank based risk management, management of QRM system for credit portfolio, IRB calculations and reporting, forming ICAAP process and reports.

Risk appetite expresses the total risk level assumed by the Bank in order to realise its strategies. To ensure that the Bank's risk appetite is equal to or below risk capacity, in general there is a buffer between the risk capacity and risk appetite. Bank's risk appetite is compatible with the main shareholder's risk appetite, and the Bank pays sufficient attention to protect the interests of all stakeholders such as deposit holders and legal regulators.

Risk appetite is determined according to the risk identification and assessment results, the risk capacity formed by the Bank considering the legal qualitative and quantitative limits and similarly the Bank's risk management and control abilities. If it is possible to implement, risk appetite indicators are approved by the management units (committees) formed for the relevant risk type. Both the risk appetite structure and risk appetite indicators are revised by the Audit Committee and presented by the Audit Committee to the Board of Directors. The approval authority for risk appetite structure and indicators is the Board of Directors.

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X. Explanations on unconsolidated risk management (continued)

Bank's risk profile is regularly measured, monitored in comparison with the risk appetite and reported to the Board of Directors and certain senior committees. Under credit risk, general condition of the credit portfolio, non-performing loans, risk appetite indicators, firm and group concentrations, legal credit ratios, development of capital adequacy ratio, development and distribution of ratings based on business units, rating and risk transitions, Probability of Default ("PD"), loss given default ("LGD") and Exposure at Default ("EAD") parameters are followed. Reports prepared in scope of ICAAP study are presented to the senior management and Board of Directors before they are sent to the BRSA.

Many rating models and scorecards are used in different processes such as allocation, monitoring, collection, pricing, etc. for the purpose of managing credit risk. With these models, internal data sources and external data sources (such as CB credit risk and limit report, Credit Bureau) are used and creditworthiness of new clients is measured; and development of the existing credit portfolio is closely monitored. Performance of models is regularly monitored by Validation team under Financial Risk Management in addition to the teams developing the models.

b. Assets credit quality

	Gross carrying values of (according to TAS)		Allowances / amortization and impairment	Defaulted
	Defaulted	Non-defaulted		
Loans	1,683,658	37,969,370	1,779,102	37,873,926
Debt securities	-	1,735,988	61	1,735,927
Off-balance sheet exposures	77,152	24,214,480	81,620	24,210,012
Total	1,760,810	63,919,838	1,860,783	63,819,865

c. Changes in stock of defaulted loans and debt securities

	Current period
Defaulted loans and debt securities at the end of the previous reporting period	1,387,723
Loans and debt securities defaulted since the last reporting period	810,231
Transferred to non-defaulted status	(16,066)
Amounts written off (*)	(170,079)
Other changes (**)	(328,151)
Defaulted loans and debt securities at the end of the reporting period	1,683,658

(*) Specific provisions for undrawn non-cash loans are not included in the table.

(**) Collections within the period have included "Other changes" account.

ç. Additional explanations on the creditworthiness of assets

Definitions of overdue and provision set aside are presented in Section Four – II Explanations on Credit Risk footnote.

Portion of receivables whose collection is delayed (for more than 90 days) and for which no provision was set aside and reasons for this:

All loans and receivables exceeding the 90-day delay period at the end of the month are automatically taken under non-performing loan accounts and special provisions are set aside for them.

Definitions of the methods used in determining the provision amounts:

The methods used are presented in the footnote of Section Three VIII – explanations on impairment in financial assets.

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X. Explanations on unconsolidated risk management (continued)

Definitions of the restructured receivables:

The Bank can restructure the first and second group loans and other receivables, as well as non-performing loans and receivables. All loan products are considered together and a single restructuring protocol is formed; according to the legislation and general economic situation, variable or fixed terms are provided to enhance customers' ability to repay the loan.

Breakdown of receivables according to geographical regions, sector and remaining maturity:

Breakdown of receivables according to geographical regions, sector and remaining maturity is presented in footnote in Section Four II – explanations on credit risk.

Receivable amounts for which provisions are set aside on geographical regions and sectors and amounts written off with the provisions

Breakdown of receivables according to geographical regions

	Non-performing loans	Specific provision
Domestic	1,680,028	1,182,653
EU Countries	3,186	3,181
OECD Countries (*)	-	-
Off-Shore Banking Regions	-	-
USA, Canada	-	-
Other countries	444	418
Total	1,683,658	1,186,252

(*) OECD Countries other than EU countries, USA and Canada.

As of 31 December 2017, non-performing loans written-off is amounting to TL 170,079.

Sectoral receivables and related provisions are presented in Section Four - II. explanations on credit risk disclosure.

Aging of overdue exposures

	Current period
Due 31 – 60	361,498
Due 61 – 90	138,182
Total	499,680

Breakdown of restructured receivables by whether or not provisions are allocated

	Current period
Loans structured from standard loans and other receivables	127,946
Loans structured from closely monitored loans and other receivables	379,282
Loans restructured from non-performing loans	7,587

General provision is allocated for the loans restructured from standard loans and closely monitored loans, specific provision is allocated for the loans restructured from non-performing loans.

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X. Explanations on unconsolidated risk management (continued)

3.2. Credit risk mitigation techniques

a. Qualitative disclosure requirements related to credit risk mitigation techniques

The Bank pays specific attention to the fact that the risk is completely covered by the collaterals and the easiness of collateral conversion into cash in case of default. In addition, the primary repayment source of loan is the cash flows from operations. Therefore, the financial status and retrospective and prospective cash flows of the firms to which credit proposal is made (the debtor) are analysed with due care during loan disbursement.

Collaterals in the Bank are divided into two groups as financial collaterals and guarantees. Collaterals are considered as allowed by the related regulations.

If credit assignment is conditioned to a collateral extension, the data of the collaterals must be entered to the banking information system. Collaterals are entered in the main banking application Finsoft through branches. Collaterals are activated after the Credit Operation Centre ("CROM") teams' check and approval of the collateral entries.

The Bank monitors up to date value of the collaterals by type. As a general principle, the Bank revises all collaterals at least once a year. For the firms which still have a credit risk, the existing collaterals are not released unless the guarantees in the credit notification are fully ensured or risk amount is decreased.

The Bank makes the assessment according to the latest expert value in the real estate guarantees taken as a real property. For the loans above TL 3 million in all segments, the real estate valuation is reperformed at least every three years. For commercial loans the real properties are revised at least once a year. In addition, Credit Allocation Managers require renewal of expert assessment when considered necessary.

The Bank's credit risk exposure and mitigation techniques used in order to reduce the exposure level are taken into account according to the principles stated in the related regulation. The Bank applies credit risk mitigation according to the comprehensive method that includes risk mitigation calculations considering the volatility-adjusted values of financial collaterals. The standardized risk weights are applied to the rest of the loans and receivables that remained unprotected after credit risk mitigation techniques. Financial collaterals that are composed of cash or similar assets and instruments of a high credit quality as well as real estate mortgages have been used in credit risk mitigation.

b. Credit risk mitigation techniques

	Exposures unsecured carrying amount as per TAS	Exposures secured by collateral	Collateralized amount of exposures secured by collaterals	Exposures secured by financial guarantees	Collateralized amount of exposures secured by financial guarantees	Exposures secured by credit derivatives	Collateralized amount of exposures secured by credit derivatives
Loans (*)	24,369,731	13,504,195	11,452,641	7,019,482	6,346,182	-	-
Debt securities (*)	1,735,927	-	-	-	-	-	-
Total	26,105,658	13,504,195	11,452,641	7,019,482	6,346,182	-	-
Of which defaulted	1,683,658	-	-	-	-	-	-

(*) In accordance with the legislation, general loan provision has been shown by deducting from the related balance sheet amounts

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X. Explanations on unconsolidated risk management (continued)

c. Qualitative disclosures on Banks' use of external credit ratings under the standardised approach for credit risk

Explanations are disclosed in Section Four II - explanations on credit risk disclosures.

ç. Credit risk exposure and credit risk mitigation effects

Risk classes	Exposures before CCF and CRM		Exposures post CCF and CRM			RWA and RWA density
	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount
Claims on sovereigns and Central Banks	7,322,492	37	13,668,675	7	1,066,875	7.81%
Claims on regional governments or local authorities	525,766	24	467,086	5	241,038	51.60%
Claims on administrative bodies and other non-commercial undertakings	-	36	-	7	7	100.00%
Claims on multilateral development banks	-	-	-	-	-	-
Claims on international organizations	-	-	-	-	-	-
Claims on banks and intermediary institutions	3,377,161	6,170,499	2,329,266	2,533,801	2,069,038	42.55%
Claims on corporates	13,990,692	11,213,073	11,366,455	8,039,913	18,740,992	96.57%
Claims on retails	18,895,816	5,057,370	14,968,703	875,361	11,877,083	74.96%
Claims secured by residential property	1,927,952	55,785	1,927,951	18,434	694,201	35.67%
Claims secured by commercial property	2,978,822	167,661	2,978,821	82,411	1,774,512	57.97%
Past due loans	94,557	-	94,557	-	100,180	105.95%
Higher risk categories decided by the Board	402,850	-	402,850	-	444,963	110.45%
Secured by mortgages	-	-	-	-	-	-
Short-term claims and short-term corporate claims on banks and intermediary institutions	-	-	-	-	-	-
Undertakings for collective investments in mutual funds	-	-	-	-	-	-
Other receivables	3,198,690	2,105,873	3,198,690	421,175	931,753	25.74%
Equity securities	102,010	-	102,010	-	102,010	100.00%
Total	52,816,808	24,770,358	51,505,064	11,971,114	38,042,652	59.93%

d. Standard approach exposures by asset classes and risk weights

Risk classes	Risk weights										Total credit exposures amount (post CCF and post-CRM)
	0%	10%	20%	35%	50%	75%	100%	150%	200%	Others	
Claims on sovereigns and Central Banks	12,601,807	-	-	-	-	-	1,066,875	-	-	-	13,668,682
Claims on regional governments or local authorities	-	-	-	-	452,106	-	14,985	-	-	-	467,091
Claims on administrative bodies and other non-commercial undertakings	-	-	-	-	-	-	7	-	-	-	7
Claims on multilateral development banks	-	-	-	-	-	-	-	-	-	-	-
Claims on international organizations	-	-	-	-	-	-	-	-	-	-	-
Claims on banks and intermediary institutions	-	-	736,573	-	2,076,971	-	2,040,728	8,795	-	-	4,863,067
Claims on corporates	149,670	-	25,837	-	29,866	-	19,200,995	-	-	-	19,406,368
Claims on retails	-	-	-	-	-	15,844,064	-	-	-	-	15,844,064
Claims secured by residential property	-	-	-	1,926,437	-	-	19,948	-	-	-	1,946,385
Claims secured by commercial property	-	-	-	-	2,573,442	-	487,790	-	-	-	3,061,232
Past due loans	-	-	-	-	4,755	-	73,802	16,000	-	-	94,557
Higher risk categories decided by the Board	-	-	-	-	81,437	-	155,747	165,666	-	-	402,850
Secured by mortgages	-	-	-	-	-	-	-	-	-	-	-
Short-term claims and short-term corporate claims on banks and intermediary institutions	-	-	-	-	-	-	-	-	-	-	-
Undertakings for collective investments in mutual funds	-	-	-	-	-	-	-	-	-	-	-
Other receivables	2,688,112	-	-	-	-	-	931,753	-	-	-	3,619,865
Equity securities	-	-	-	-	-	-	102,010	-	-	-	102,010
Total	15,439,589	-	762,410	1,926,437	5,218,577	15,844,064	24,094,640	190,461	-	-	63,476,178

(Convenience translation of the independent auditors' report and financial statements originally issued in Turkish, See Note 1.b of section three)

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X. Explanations on unconsolidated risk management (continued)

4. Evaluation of counterparty credit risk according to measurement methods

a. Qualitative disclosure on counterparty credit risk

According to Appendix 2 of the Regulation on Measurement and Assessment of Capital Adequacy of Banks, promulgated in the Official Gazette, no. 29511, dated 23 October 2015, the counterparty credit risk arising from the transactions binding both parties such as derivatives and repo, is calculated. The sum of renewal cost for derivative transactions and potential credit risk amount is considered as the risk amount. Renewal cost is calculated with valuation of contracts at fair value and potential credit risk amount is calculated by multiplying the contract amounts with the credit conversion ratios stated in the appendix of the regulation.

For the forward, option and similar contracts, collateral management is conducted daily according to the International Swap and Derivative Association ("ISDA") and Credit Support Annex ("CSA") agreements concluded with international counterparties, and when needed, short term total credit risk is reduced by usage of rights and performance of duties.

For the forward, option and similar derivative transactions which are done with local agreements and not according to ISDA agreement, the credit risk is controlled with "Pre-Settlement" limit monitoring. Pre-settlement limit is allocated for the firms and organisations according to analysis and allocation processes. The basic rule for the Bank is that client risks do not exceed such limits. Risks are monitored simultaneously with the market and developed models are used in calculation.

The maximum risk that the counterparty may incur due to futures, options and similar derivative transactions are limited, monitored with daily and instant reports. Possible limit breaches are reported to the high level committees and senior management of the bank and related actions taken to close the risk.

(Convenience translation of the independent auditors' report and financial statements originally issued in Turkish, See Note 1.b of section three)

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X. Explanations on unconsolidated risk management (continued)

b. Counterparty credit risk (CCR) approach analysis

	Replacement cost	Potential future exposure	EEPE (*)	Alpha used for computing regulatory EAD	Exposure after CRM	RWA
Standardised Approach - CCR (for derivatives)	2,143,355	508,018	-	1.40	2,651,373	1,646,965
Internal Model Method (for derivative financial instruments, repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)	-	-	-	-	-	-
Simple Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)	-	-	-	-	-	-
Comprehensive Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)	-	-	-	-	48,767	9,785
Value-at-Risk (VaR) for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions	-	-	-	-	-	-
Total						1,656,750

(*) Effective expected positive exposure

c. Credit valuation adjustment (CVA) for capital charge

	Exposure at default post-CRM	RWA
Total portfolios subject to the advanced CVA capital charge	-	-
(i) VaR component (including the 3x multiplier)	-	-
(ii) Stressed VaR component (including the 3x multiplier)	-	-
All portfolios subject to the standardised CVA capital charge	2,651,373	1,175,643
Total subject to the CVA capital charge	2,651,373	1,175,643

ç. Analysis of counterparty credit risk (CCR) exposure

Asset classes/Risk weight	0%	10%	20%	50%	75%	100%	150%	Others	Total credit exposure (*)
Claims on sovereigns and Central Banks	1	-	-	-	-	-	-	-	1
Claims on regional governments or local authorities	-	-	-	-	-	-	-	-	-
Claims on administrative bodies and other non-commercial undertakings	-	-	-	-	-	-	-	-	-
Claims on multilateral development banks	-	-	-	-	-	-	-	-	-
Claims on international organizations	-	-	-	-	-	-	-	-	-
Claims on banks and intermediary institutions	-	-	216,061	1,734,317	-	260,312	-	-	2,210,690
Claims on corporates	468	-	1,069	139	-	479,819	-	-	481,495
Claims included in the regulatory retail portfolios	-	-	-	-	7,955	-	-	-	7,955
Claims secured by residential property	-	-	-	-	-	-	-	-	-
Past due loans	-	-	-	-	-	-	-	-	-
Higher risk categories decided by the Board	-	-	-	-	-	-	-	-	-
Secured by mortgages	-	-	-	-	-	-	-	-	-
Securitization positions	-	-	-	-	-	-	-	-	-
Short-term claims and short-term corporate claims on banks and intermediary institutions	-	-	-	-	-	-	-	-	-
Undertakings for collective investments in mutual funds	-	-	-	-	-	-	-	-	-
Stock investment	-	-	-	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-	-	-	-
Other assets (**)	-	-	-	-	-	-	-	-	-
Total	469	-	217,130	1,734,456	7,955	740,131	-	-	2,700,141

(*) Total credit exposure: After applying counterparty credit risk measurement techniques that are related to the amount of capital adequacy calculation.

(**) Other assets: Includes counterparty credit risk that does not reported in "central counterparty" table.

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X. Explanations on unconsolidated risk management (continued)

d. Collaterals for counterparty credit risk (CCR)

Related table is not presented due to not having derivative collaterals which is considered in the calculation of capital adequacy ratio.

e. Credit derivatives

There is no credit derivative transaction.

f. Exposures to central counterparties (CCP)

There is no central counterparty risk.

5. Securitisation

There is no securitisation transaction.

6. Explanations on market risk

The Bank has reviewed activities of market risk management and has taken necessary precautions in order to be protected from market risk within the framework of financial risk management purposes according to the "Regulation on the Internal Systems of Banks and Internal Capital Adequacy Valuation Process" and the "Regulation on Measurement and Assessment of Capital Adequacy of Banks", which was published in the Official Gazette No. 29057 and dated 11 July 2014.

Market risk is managed within the risk limits based on different product directions under banking and trading accounts and sensitivity based that is determined by Board of Directions in where related limits are monitored on a regular basis and measurement results are shared with top management and the Board of Directors. In addition, the impacts of change in balance sheet due to banking activities on risk appetite are simulated.

Audit Committee follows and interprets market risk closely. Recommendations are made to the Asset-Liability Committee and Board of Directors about the risk management.

Risk management strategies and policies are updated regarding to communiqué stated above and approved by Board of Director's. Legally, for the capital requirements, on consolidated and unconsolidated basis, standard method is used in measuring market risk. In addition to the standard method, for internal reporting purposes, value-at-risk (VaR) is used in daily calculation of amount subject to market risk and are reported to the top level management. Stress tests and scenario analyses are also applied within the scope of ICAAP to complement the risk analysis. In addition, ING Group's compliance with public policy related to market risk, especially for new international regulations (ILAAP - Internal Liquidity adequacy Assessment Process) was completed in parallel, carried out all these studies are reflected in the relevant written procedures and policies. Due to the increase of legislative regulations and the need for pursuing more sophisticated risk management in recent years, the project of a software setup has been initiated to manage risks related to asset liability management more integrated. On the other hand, in parallel with changing risk policies of the Bank, harmonization studies to measure and manage the risks of subsidiaries subject to consolidation in line with the volume, quality and complexity of operations of the relevant subsidiary have been completed.

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**Notes to the unconsolidated financial statements
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X. Explanations on unconsolidated risk management (continued)

	RWA
Outright products	212,263
Interest rate risk (general and specific)	106,563
Equity risk (general and specific)	-
Foreign exchange risk	105,700
Commodity risk	-
Options	-
Simplified approach	-
Delta-plus method	-
Scenario approach	-
Securitisation	-
Total	212,263

7. Explanations on operational risk

The "Basic Indicator Method" that is stated in "Regulation on Measurement and Assessment of Capital Adequacy of Banks" Communiqué published in the Official Gazette no. 28337 on 28 June 2012, is used in the annual operational risk calculation of the Bank. The amount subject to the operational risk as of 31 December 2017 is calculated by using the gross income of the Bank in 2014, 2015 and 2016.

Annual gross revenue is calculated by deduction of profit/loss derived from the sale of available-for-sale assets and held-to-maturity securities, extraordinary income and indemnity insurance gains from the total of net interest income and non-interest income.

Current period	2014 amount	2015 amount	2016 amount	Total / Number of years of positive gross income	Ratio (%)	Total
Gross income	1,698,022	1,978,288	2,489,508	2,055,273	15	308,291
Amount subject to operational risk (Amount*12,5)						3,853,637

8. Interest rate risk arising from banking book

Interest rate risk due to banking accounts is managed within the framework of sensitivity based risk limits which is internally determined by the Board of Directors with regarding VaR limits, and results are shared periodically with top management, Asset-Liability Committee, Audit Committee and Board of Directors. In addition, interest rate risk arising from banking book is calculated according to the interest structure profile of all interest sensitive assets and liabilities and the period remaining for their maturity or re-pricing dates under the Regulation on Measurement and Evaluation of the Interest Rate Risk Arising from Banking Book through Standard Shock Method published by the BRSA in the Official Gazette no: 28034 and dated 23 August 2011.

Under the regulation, core deposit is calculated only over demand deposits and separately for each currency. Maturity profile of demand deposit assumptions have been determined by taking into account the analyses conducted by the Bank through using historical data for demand deposit portfolio and the maximum hypothetical maturity limit stated in the Regulation.

In addition, analysis being performed about asset and liability accounts comprising different customer behaviour characteristics such as internal interest sensitivity and optionality, and effects on balance sheet risk are evaluated within the framework of analysis results and business expectations.

(Convenience translation of the independent auditors' report and financial statements originally issued in Turkish, See Note 1.b of section three)

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X. Explanations on unconsolidated risk management (continued)

Interest rate risk standard ratio arising from banking accounts is calculated at the end of months by measuring and evaluating the interest rate risk resulting from balance sheet and off-balance sheet positions in the Bank's accounts through standard shock method. Gains/losses refer to the gain/loss risk that might occur in the market value of financial assets and liabilities in the balance sheet as a result of applying upward/downward scenarios to the market interest rate.

Currency	Applied shock (+ / -x basis points)	Gains / (Losses)	Gains / Equity (Losses) / Equity
TL	(-) 400	569,248	6.36%
TL	(+) 500	(565,565)	(6.31)%
EURO	(-) 200	(2,498)	(0.03)%
EURO	(+) 200	(24,516)	(0.27)%
USD	(-) 200	(1,703)	(0.02)%
USD	(+) 200	1,211	0.01%
Total (for negative shocks)		565,047	6.31%
Total (for positive shocks)		(588,870)	(6.57)%

XI. Explanations on hedge transactions

Breakdown of the derivative transactions used in cash flow hedges

	Current period			Prior period		
	Notional	Assets	Liabilities	Notional	Assets	Liabilities
Interest rate swaps	20,770,104	170,815	25,454	7,177,020	27,525	38,498
Cross currency swaps	7,731,456	1,400,580	-	9,824,312	1,765,698	-
Total	28,501,560	1,571,395	25,454	17,001,332	1,793,223	38,498

Explanations on derivative transactions used in cash flow hedges

Current period							
Hedging instrument	Hedged item	Nature of risk hedged	Hedging instrument FV		Net gain/(loss) recognized in OCI during the period	Net gain(loss) reclassified to income statement during the year	Ineffective portion recognized in income statement (Net)
			Assets	Liabilities			
Interest rate swaps	TL/FCY customer deposits	Cash flow risk due to the changes in the interest rates of TL and FCY customer deposits	170,815	25,454	139,495	5,259	(2,867)
Cross currency swaps	TL customer deposits and FC borrowings	Cash flow risk due to the changes in the interest rates of deposits and currency risk of FC borrowings	1,400,580	-	55,832	(1,001)	-
Total			1,571,395	25,454	195,327	4,258	(2,867)
Prior period							
Hedging instrument	Hedged item	Nature of risk hedged	Hedging instrument FV		Net gain/(loss) recognized in OCI during the period	Net gain(loss) reclassified to income statement during the year	Ineffective portion recognized in income statement (Net)
			Assets	Liabilities			
Interest rate swaps	TL customer deposits	Cash flow risk due to the changes in the interest rates of customer deposits	27,525	38,498	(12,141)	2,341	(1,061)
Cross currency swaps	TL customer deposits and FC borrowings	Cash flow risk due to the changes in the interest rates of deposits and currency risk of FC borrowings	1,765,698	-	(71,888)	(1,260)	-
Total			1,793,223	38,498	(84,029)	1,081	(1,061)

Contractual maturity analysis of the derivative transactions subject to cash flow hedges:

Maturity analysis of the derivative transactions subject to cash flow hedges is provided in the Note VI of Section Four.

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XII. 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 December 2017	Corporate, SME and Commercial Banking	Retail Banking	Other	Total
Net interest income	978,054	784,382	927,772	2,690,208
Net commissions and fees income and other operating income	419,613	476,785	13,618	910,016
Trading gain/loss	998	(1,242)	(437,939)	(438,183)
Dividend income	-	-	49,661	49,661
Provision for impairment of loans and other receivables	(354,213)	(220,014)	(65,006)	(639,233)
Segment results	1,044,452	1,039,911	488,106	2,572,469
Other operating expenses (*)	-	-	-	(1,508,651)
Income from continuing operations before tax	-	-	-	1,063,818
Tax provision (*)	-	-	-	(220,066)
Net profit	-	-	-	843,752

Prior period – 31 December 2016	Corporate, SME and Commercial Banking	Retail Banking	Other	Total
Net interest income	822,584	644,108	755,492	2,222,184
Net commissions and fees income and other operating income	277,209	350,517	(12,076)	615,650
Trading gain/loss	2,656	181	(209,320)	(206,483)
Dividend income	-	-	35,155	35,155
Provision for impairment of loans and other receivables	(279,643)	(276,572)	(33,957)	(590,172)
Segment results	822,806	718,234	535,294	2,076,334
Other operating expenses (*)	-	-	-	(1,359,723)
Income from continuing operations before tax	-	-	-	716,611
Tax provision (*)	-	-	-	(145,450)
Net profit	-	-	-	571,161

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

Current 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

Prior period – 31 December 2016	Corporate, SME and Commercial Banking	Retail Banking	Other	Total
Asset	23,185,399	12,365,468	14,136,793	49,687,660
Liability	6,559,260	16,777,136	21,295,342	44,631,738
Equity	-	-	5,055,922	5,055,922

(Convenience translation of the independent auditors' report and financial statements originally issued in Turkish, See Note 1.b of section three)

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Notes to the unconsolidated financial statements for the year ended 31 December 2017 (continued) (Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

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	299,399	1,967,399	256,750	383,937
Balances with the Central Bank of Turkey	159,608	5,401,475	158,775	6,065,828
Other	-	2,642	-	355
Total	459,007	7,371,516	415,525	6,450,120

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

	Current period		Prior period	
	TL	FC	TL	FC
Unrestricted demand deposit	159,608	414,592	158,775	826,536
Unrestricted time deposit	-	-	-	-
Restricted time deposit	-	618,187	-	856,470
Restricted demand deposit	-	4,368,696	-	4,382,822
Total	159,608	5,401,475	158,775	6,065,828

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.

TL 158,512 (31 December 2016: TL 158,319) of the TL reserve deposits provided over the average balance and TL 414,592 (31 December 2016: TL 826,536) of the FC reserve deposits provided over the average balance are presented under unrestricted demand deposit account.

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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)

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	42,138	6,405
Repo transactions	-	-
Collateral/blocked	-	-
Total	42,138	6,405

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

	Current period		Prior period	
	TL	FC	TL	FC
Forward transactions	-	143,252	-	125,865
Swap transactions	379,985	45,495	282,831	110,118
Futures transactions	-	-	-	-
Options	703	2,525	97	8,577
Other	-	-	-	-
Total	380,688	191,272	282,928	244,560

3. Information on banks and foreign banks accounts

3.1. Information on banks

	Current period		Prior period	
	TL	FC	TL	FC
Banks	1,447	480,707	6,624	149,039
Domestic	1,447	438	6,624	1,607
Foreign	-	480,269	-	147,432
Headquarters and branches abroad	-	-	-	-
Total	1,447	480,707	6,624	149,039

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Notes to the unconsolidated financial statements

for the year ended 31 December 2017 (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)

3.2. Information on foreign banks

	Unrestricted amount		Restricted amount	
	Current period	Prior period	Current period	Prior period
EU countries	354,315	97,694	91,388	25,196
USA, Canada	15,718	13,253	-	1,641
OECD Countries (*)	7,058	5,609	-	-
Off-shore banking regions	-	-	-	-
Other	11,790	4,035	-	4
Total	388,881	120,591	91,388	26,841

(*) OECD countries except EU countries, USA and Canada

As of 31 December 2017, restricted bank balance amounting to TL 91,388 (31 December 2016: TL 26,841) all of which is comprised of (31 December 2016: All amount) collaterals that is held by counter banks under CSA contracts and is calculated based on related derivatives market price.

4. Information on financial assets available-for-sale

4.1. Financial assets available-for-sale subject to repo transactions and those given as collateral/blocked

Financial assets available-for-sale subject to repo transactions and those given as collateral/blocked with net amounts are shown in below table.

	Current period	Prior period
Bank's portfolio	1,196,020	1,979,253
Repo transactions	2,313	1,495
Collateral/blocked (*)	537,655	673,079
Total	1,735,988	2,653,827

(*) 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 available-for-sale

	Current period	Prior period
Debt securities	1,732,028	2,548,490
Quoted to stock exchange	1,732,028	2,548,490
Not quoted	-	-
Equity certificates	6,103	108,141
Quoted to stock exchange	51	50
Not quoted	6,052	108,091
Provision for impairment (-)	(2,143)	(2,804)
Total	1,735,988	2,653,827

(Convenience translation of the independent auditors' report and financial statements 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. 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	30	438,513	91	624,919
Corporate shareholders	-	438,513	-	624,919
Real person shareholders	30	-	91	-
Indirect loans granted to shareholders of the Bank	-	197,080	-	87,086
Loans granted to employees of the Bank	30,111	-	27,818	-
Total	30,141	635,593	27,909	712,005

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

Cash loans	Standard loans and other receivables			Loans and other receivables under close monitoring		
	Loans and other receivables (Total)	With revised contract terms		Loans and other receivables (Total)	With revised contract terms	
		Extension of payment plan	Other		Extension of payment plan	Other
	Non-specialized loans	36,601,294	127,946	-	1,368,076	379,282
Business loans	18,910,880	9,972	-	708,579	226,365	-
Export loans	4,307,861	-	-	42,343	7,995	-
Import loans	-	-	-	-	-	-
Loans given to financial sector	428,802	-	-	-	-	-
Consumer loans	10,971,477	117,974	-	509,236	93,683	-
Credit cards	987,850	-	-	84,767	51,239	-
Other	994,424	-	-	23,151	-	-
Specialized loans	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-
Total	36,601,294	127,946	-	1,368,076	379,282	-

Number of extensions	Standard loans and other receivables	Loans and other receivables under close monitoring
Extended by 1 or 2 times	127,934	379,282
Extended by 3, 4 or 5 times	12	-
Extended by 5 times and more	-	-
Total	127,946	379,282

(Convenience translation of the independent auditors' report and financial statements 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)

Extended periods	Standard loans and other receivables	Loans and other receivables under close monitoring
Up to 6 months	10,406	6,131
6-12 months	3,148	43,435
1-2 years	13,071	62,807
2-5 years	63,799	174,800
More than 5 years	37,522	92,109
Total	127,946	379,282

5.3. Loans according to their maturity structure

Cash loans	Standard loans and other receivables		Loans and other receivables under close monitoring	
	Loans and other receivables	With revised contract terms	Loans and other receivables	With revised contract terms
Short-term loans and other receivables	9,753,886	46	206,361	92,595
Non-specialized loans	9,753,886	46	206,361	92,595
Specialized loans	-	-	-	-
Other receivables	-	-	-	-
Medium and long-term loans and other receivables	26,847,408	127,900	1,161,715	286,687
Non-specialized loans	26,847,408	127,900	1,161,715	286,687
Specialized loans	-	-	-	-
Other receivables	-	-	-	-
Total	36,601,294	127,946	1,368,076	379,282

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Notes to the unconsolidated financial statements

for the year ended 31 December 2017 (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)

5.4. 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	608,017	10,620,571	11,228,588
Mortgage loans	239	4,200,781	4,201,020
Automotive loans	93,751	730,071	823,822
General purpose loans	514,027	5,689,719	6,203,746
Other	-	-	-
Consumer loans – indexed to FC	11	1,635	1,646
Mortgage loans	11	1,635	1,646
Automotive loans	-	-	-
General purpose loans	-	-	-
Other	-	-	-
Consumer loans – FC	-	-	-
Mortgage loans	-	-	-
Automotive loans	-	-	-
General purpose loans	-	-	-
Other	-	-	-
Consumer credit cards – TL	949,689	-	949,689
With installments	322,177	-	322,177
Without installments	627,512	-	627,512
Consumer credit cards – FC	-	-	-
With installments	-	-	-
Without installments	-	-	-
Personnel loans – TL	2,737	17,237	19,974
Mortgage loans	-	-	-
Automotive loans	-	-	-
General purpose loans	2,737	17,237	19,974
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	10,167	-	10,167
With installments	3,707	-	3,707
Without installments	6,460	-	6,460
Personnel credit cards – FC	-	-	-
With installments	-	-	-
Without installments	-	-	-
Overdraft accounts – TL (real person)	230,505	-	230,505
Overdraft accounts – FC (real person)	-	-	-
Total	1,801,126	10,639,443	12,440,569

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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)

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

	Short term	Medium and long term	Total
Commercial installment loans - TL	313,709	7,714,230	8,027,939
Real estate loans	-	71,268	71,268
Automotive loans	15,803	271,006	286,809
General purpose loans	-	-	-
Other	297,906	7,371,956	7,669,862
Commercial installment loans – indexed to FC	4,846	484,150	488,996
Real estate loans	-	6,702	6,702
Automotive loans	81	175,216	175,297
General purpose loans	-	-	-
Other	4,765	302,232	306,997
Commercial installment loans - FC	-	-	-
Real estate residential loans	-	-	-
Automotive loans	-	-	-
General purpose loans	-	-	-
Other	-	-	-
Corporate credit cards – TL	112,761	-	112,761
With installments	40,786	-	40,786
Without installments	71,975	-	71,975
Corporate credit cards – FC	-	-	-
With installments	-	-	-
Without installments	-	-	-
Overdraft loans – TL (legal entity)	397,078	-	397,078
Overdraft loans – FC (legal entity)	-	-	-
Total	828,394	8,198,380	9,026,774

5.6. Loans according to borrowers

	Current period	Prior period
Public	527,665	273,044
Private	37,441,705	34,105,646
Total	37,969,370	34,378,690

5.7. Domestic and foreign loans

	Current period	Prior period
Domestic loans	37,958,429	34,349,392
Foreign loans	10,941	29,298
Total	37,969,370	34,378,690

5.8. Loans granted to subsidiaries and associates

	Current period	Prior period
Direct loans granted to subsidiaries and associates	147,261	104,291
Indirect loans granted to subsidiaries and associates	-	-
Total	147,261	104,291

(Convenience translation of the independent auditors' report and financial statements originally issued in Turkish, See Note 1.b of section three)

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for the year ended 31 December 2017 (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)

5.9. Specific provisions set aside against loans

	Current period	Prior period
Loans and receivables with limited collectability	27,862	29,378
Loans and receivables with doubtful collectability	121,699	141,256
Uncollectible loans and receivables	1,036,691	778,832
Total	1,186,252	949,466

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	819	6,187	581
(Gross amounts before specific provision)			
Restructured loans and other receivables	819	6,187	581
Rescheduled loans and other receivables	-	-	-
Prior period	2	1,839	1,307
(Gross amounts before specific provision)			
Restructured loans and other receivables	2	1,839	1,307
Rescheduled loans and other receivables	-	-	-

5.10.2. Information on total non-performing loans

	III. Group Loans and receivables with limited collectability	IV. Group Loans and receivables with doubtful collectability	V. Group Uncollectible loans and receivables
Prior period end balance	173,597	338,049	876,077
Additions (+)	770,186	13,602	26,443
Transfers from other categories of non-performing loans (+)	-	623,558	591,148
Transfers to other categories of non-performing loans (-)	(623,558)	(591,148)	-
Transfers to standard loans (-)	(7,303)	(4,041)	(4,722)
Collections (-)	(110,507)	(64,708)	(152,936)
Write-offs (-) (*)	(672)	(9,434)	(159,973)
Corporate and commercial loans	(11)	(8,754)	(152,285)
Retail loans	(579)	(576)	(6,459)
Credit cards	(82)	(104)	(1,229)
Other	-	-	-
Current period end balance	201,743	305,878	1,176,037
Specific provisions (-)	(27,862)	(121,699)	(1,036,691)
Net balance on balance sheet	173,881	184,179	139,346

(*) The Bank sold non-performing loan portfolio amounting to TL 162,747 for an amount of TL 3,125 to domestic asset management companies at 23 November 2017.

(Convenience translation of the independent auditors' report and financial statements 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)

5.10.3. Information on specific provision movement

Current period	Corporate/commercial	Consumer	Credit cards	Total
Prior period balance	488,735	372,541	88,190	949,466
Additions during the period (+)	409,119	166,764	32,582	608,465
Collections during the period (-)	(110,737)	(92,277)	(6,359)	(209,373)
Write-offs (-)	(153,515)	(7,705)	(1,086)	(162,306)
Period end balance	633,602	439,323	113,327	1,186,252
Prior period	Corporate/commercial	Consumer	Credit cards	Total
Prior period balance	289,935	296,330	76,816	663,081
Additions during the period (+)	308,128	251,108	54,978	614,214
Collections during the period (-)	(65,390)	(96,773)	(12,999)	(175,162)
Write-offs (-)	(43,938)	(78,124)	(30,605)	(152,667)
Period end balance	488,735	372,541	88,190	949,466

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

The Bank follows the foreign currency non-performing loans in accounting records by translating these loans to TL with the exchange rates prevailing at the date of the default. Therefore, as of balance sheet date the Bank has no foreign currency non-performing loans and other receivables.

5.10.5. 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)	173,881	184,179	139,346
Loans granted to corporate entities and real person (gross)	201,743	305,878	1,176,037
Specific 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)	-	-	-
Specific provision amount (-)	-	-	-
Banks (net)	-	-	-
Other loans and receivables (gross)	-	-	-
Specific provision amount (-)	-	-	-
Other loans and receivables (net)	-	-	-
Prior period (net)	144,219	196,793	97,245
Loans granted to corporate entities and real person (gross)	173,597	338,049	876,077
Specific provision amount (-)	(29,378)	(141,256)	(778,832)
Loans granted to corporate entities and real person (net)	144,219	196,793	97,245
Banks (gross)	-	-	-
Specific provision amount (-)	-	-	-
Banks (net)	-	-	-
Other loans and receivables (gross)	-	-	-
Specific provision amount (-)	-	-	-
Other loans and receivables (net)	-	-	-

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

5.11. Liquidation policy for uncollectible loans and receivables

In case there are collaterals in accordance with the Article 8 of "Regulation on Principles and Procedures on Determining the Qualifications of Banks' Loans and Other Receivables and Provision for these Loans and other Receivables" the receivable shall be collected as soon as possible by either administrative or legal interferences by liquidating such collaterals.

In case there are no collaterals, even if the evidence of insolvency is provided, information gathered in various periods and legal procedures are followed to identify the assets acquired by the borrower after the insolvency.

Before and after the legal procedures, the Bank attempts to collect its receivables by means of restructuring the loans and receivables from the companies showing an indication of operating on ongoing basis and having a productive contribution in the economic environment.

5.12. Information on the write-off policy

In order to collect loans and other receivables classified as "Uncollectible Loans and Receivables", the Bank applies all legal procedures. At the end of the legal procedures, if the loans and receivables cannot be collected, the provisions provided for these receivables are reversed and the gross receivable amount is written down to 1 Kr (Trace cost) upon the receipt of the evidence of insolvency from the customers. The legal procedures start again for these loans and receivables carried at their trace costs if an improvement in the situation of the debtors or guarantors is identified.

The Bank writes down the loans and receivables to nil before initiating a legal follow-up in case the expected amount of recovery is lower than the expected cost of the legal follow-up. The Board of Directors has authorized the senior management to make the necessary assessments within certain limits.

6. Held-to-maturity investments (net)

6.1. Information on held-to-maturity investments subject to repurchase agreements and those given as collateral / blocked

In both current and prior year there are no held-to-maturity investments given as collateral/blocked or subject to repurchase agreements.

6.2. Information on public sector debt investments held-to-maturity

In both current and prior year there are no public sector debt investments held to maturity.

6.3. Information on held-to-maturity investments

None.

6.4. Movement of held-to-maturity investments

None.

7. Information on associates (net)

7.1. Explanations related to the associates

The Bank does not have any associates.

(Convenience translation of the independent auditors' report and financial statements originally issued in Turkish, See Note 1.b of section three)

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Notes to the unconsolidated financial statements for the year ended 31 December 2017 (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 December 2017 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	877	8,041	40,000	22,500	20,765
Profit reserves, capital reserves and prior year profit/loss	-	4,227	33,874	49,404	(754)
Profit/loss	53,844	4,181	13,079	26,827	1,035
Development cost of operating lease (-)	-	-	(5)	(5)	-
Intangible assets (-)	-	(27)	(561)	(212)	(38)
Total core capital	54,721	16,422	86,387	98,514	21,008
Supplementary capital	-	-	-	-	-
Capital	54,721	16,422	86,387	98,514	21,008
Net usable shareholder's equity	54,721	16,422	86,387	98,514	21,008

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 December 2017 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)	6,827,371	54,721	3	202,076	-	53,844	38,622	-
(2)	18,364	16,449	86	2,139	10	4,181	3,500	-
(3)	1,031,659	86,953	684	60,822	-	13,079	10,414	-
(4)	1,124,333	98,731	248	49,693	-	26,827	20,707	-
(5)	187,970	21,046	105	2,658	-	1,035	353	-

(*) Information on the audited financial statements is presented as of the period ended 31 December 2017.

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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	1,571,395	-	1,793,218	5
Net investment hedge	-	-	-	-
Total	1,571,395	-	1,793,218	5

(Convenience translation of the independent auditors' report and financial statements originally issued in Turkish, See Note 1.b of section three)

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for the year ended 31 December 2017 (continued)

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

12. Information on property and equipment (net)

Current period	Real estates	Leased tangible assets	Other fixed assets	Total
Cost				
Opening balance	254,928	56,591	594,331	905,850
Additions	11,402	20	167,498	178,920
Exchange rate differences	-	-	9	9
Disposals	(1,178)	(1,056)	(51,324)	(53,558)
Provisions for impairment	700	-	-	700
Closing balance	265,852	55,555	710,514	1,031,921
Accumulated depreciation				
Opening balance	(106,710)	(56,572)	(318,660)	(481,942)
Current year depreciation expense	(5,928)	(8)	(49,250)	(55,186)
Exchange rate differences	-	-	(9)	(9)
Disposals	539	1,056	5,856	7,451
Closing balance	(112,099)	(55,524)	(362,063)	(529,686)
Net book value	153,753	31	348,451	502,235

Prior period	Real estates	Leased tangible assets	Other fixed assets	Total
Cost				
Opening balance	235,756	58,936	509,134	803,826
Additions	18,452	3	115,558	134,013
Exchange rate differences	-	-	30	30
Disposals	-	(2,348)	(30,391)	(32,739)
Provisions for impairment	720	-	-	720
Closing balance	254,928	56,591	594,331	905,850
Accumulated depreciation				
Opening balance	(101,266)	(58,834)	(280,432)	(440,532)
Current year depreciation expense	(5,444)	(91)	(51,101)	(56,636)
Exchange rate differences	-	-	(29)	(29)
Disposals	-	2,353	12,902	15,255
Closing balance	(106,710)	(56,572)	(318,660)	(481,942)
Net book value	148,218	19	275,671	423,908

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

13. Information on intangible assets (net)

	Current period	Prior period
Cost		
Opening balance	164,137	137,920
Additions	16,067	32,837
Exchange rate differences	4	20
Disposals	27	(6,640)
Closing balance	180,235	164,137
Accumulated amortization		
Opening balance	(119,664)	(106,308)
Current year's amortization expense	(21,352)	(15,140)
Exchange rate differences	(4)	(10)
Disposals	-	1,794
Closing balance	(141,020)	(119,664)
Net book value	39,215	44,473

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

The Bank has current tax relating to corporation tax by the amount of TL 31,525 (31 December 2016: TL 76,480) under the asset items.

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.

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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	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

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	569,875	-	11,563,245	2,715,734	104,727	41,574	7,954	-	15,003,109
Foreign currency deposits	1,372,347	-	1,306,293	2,805,096	134,679	62,280	186,264	-	5,866,959
Residents in Turkey	1,112,585	-	1,292,070	2,708,350	129,354	51,646	185,711	-	5,479,716
Residents abroad	259,762	-	14,223	96,746	5,325	10,634	553	-	387,243
Public sector deposits	212,318	-	-	-	-	-	-	-	212,318
Commercial deposits	665,165	-	903,257	524,232	8,453	7,125	-	-	2,108,232
Other institutions deposits	21,120	-	1,768	19,840	714	229	25	-	43,696
Precious metals deposits	44,951	-	-	-	-	-	-	-	44,951
Interbank deposits	1,654,819	-	283,201	-	-	-	-	-	1,938,020
Central Bank of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	170	-	283,201	-	-	-	-	-	283,371
Foreign banks	1,654,649	-	-	-	-	-	-	-	1,654,649
Participation banks	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total	4,540,595	-	14,057,764	6,064,902	248,573	111,208	194,243	-	25,217,285

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	11,545,698	10,852,474	4,329,020	4,146,200
Foreign currency saving deposits	1,947,203	1,022,048	3,465,749	2,109,186
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 independent auditors' report and financial statements originally issued in Turkish, See Note 1.b of section three)

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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	13,887	9,628
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	-	43,848	-	124,579
Swap transactions	279,269	142,969	375,351	66,442
Future transactions	-	-	-	-
Options	705	2,525	97	8,578
Other	-	-	-	-
Total	279,974	189,342	375,448	199,599

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	122,395	13,234,167	74,648	408,364
Funds borrowed from foreign banks, institutions and funds	255,507	352,211	512,493	12,783,241
Total	377,902	13,586,378	587,141	13,191,605

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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	191,355	1,753,512	87,752	470,848
Medium and long term	186,547	11,832,866	499,389	12,720,757
Total	377,902	13,586,378	587,141	13,191,605

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)

The Bank does not have any securities issued at the reporting date (31 December 2016: TL 246,634).

Within the reporting period there is an issuance in amount of TL 257,445 (31 December 2016: TL 250,000) and refunds and repurchases in amount of TL 507,445 (31 December 2016: TL 242,350).

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 independent auditors' report and financial statements originally issued in Turkish, See Note 1.b of section three)

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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	21,299	4,155	33,054	5,444
Net investment hedge	-	-	-	-
Total	21,299	4,155	33,054	5,444

8. Information on provisions

8.1. Information on general provisions

	Current period	Prior period
General provisions	645,238	581,083
Provisions for group I. loans and receivables	506,371	444,822
<i>Additional provision for loans with extended payment period</i>	6,854	7,037
Provisions for group II. loans and receivables	56,832	58,007
<i>Additional provision for loans with extended payment period</i>	9,886	11,137
Provisions for non-cash loans	24,779	23,639
Other	57,256	54,615

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

As of 31 December 2017, provision for the foreign currency indexed loans' foreign exchange rate difference amounting to TL 1,067 (31 December 2016: TL 176) is netted off from loans under the assets on the balance sheet.

8.3. Information on specific provisions for undrawn non-cash loans

	Current period	Prior period
Specific provisions for undrawn non-cash loans (*)	29,293	27,829

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

8.4. Information on other provisions

8.4.1. Information on provisions for possible losses

As of 31 December 2017 and 31 December 2016, the Bank does not have any provision for possible losses.

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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)

8.4.2. Information on other provisions

	Current period	Prior period
Provision for credit card score promotion	1,922	2,209
Other provisions	114,774	71,952
Total	116,696	74,161

Amounting to 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. 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 TRY 21,8 million (Full TL) (the "First Case"), (ii) the second case relates to the second enforcement proceeding of approximately TRY 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 TRY 98,7 million (Full TL) (the "Third Case") and (iv) the fourth case relates to the fourth enforcement proceeding of approximately TRY 109,5 million (Full TL) (the "Fourth Case"). An appeal was filed by the Bank with respect to the sixth enforcement order of approximately TL 126 million (Full TL) initiated by the SDIF and subsequently filed a lawsuit by the SDIF for this amount.

The First Case, the Second Case, the Third Case and the Fourth Case appeared before the court of first instance on 16 November 2017. In the First Case, the first instance court ruled in favour of the Bank, which was later reversed by the Supreme Court of Appeals. 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 favour of the Bank. The first instance court will hold the hearing on 15 February 2018. 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 favour 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. The court's decision in the Second Case is subject to a two-tiered appeal, i.e., appeal before the regional appellate court and the Supreme Court of Appeals. The hearing of the Third Case and the Fourth Case will take place on 22 March 2018.

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

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 favour of the Bank to annul the SDIF Fund Board Decision, the Council of State (i.e., the Administrative Supreme Court of Appeals) 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.

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.

8.5. Information on provisions for employee benefits

As of 31 December 2017, TL 40,358 (31 December 2016: TL 38,813) of TL 23,112 (31 December 2016: TL 22,275) provisions for employee benefits is the unused vacation provision. Full provision is provided for the unused vacation liability.

TL 17,246 (31 December 2016: TL 16,538) of the provisions for employee benefits is the termination benefit provision. In accordance with the labour 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 4,732.48 (Full TL) at 31 December 2017 and TL 4,297.21 (Full TL) at 31 December 2016 per year of employment at the rate of pay applicable at the date of retirement or termination.

In the unconsolidated financial statements dated 31 December 2017 and 31 December 2016, the Group 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.

	Current period	Prior period
Inflation rate	7.0%	6.0%
Interest rate	11.9%	11.4%
Probability of severance	40.9%	43.6%

Movement of the provision for termination benefit:

	Current period	Prior period
Balance at the beginning of the period	16,538	16,831
Change during the year	10,911	18,018
Actuarial gain	1,739	(1,394)
Benefits paid during the year	(11,942)	(16,917)
Balance at the end of the period	17,246	16,538

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Notes to the unconsolidated financial statements

for the year ended 31 December 2017 (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. Explanations on tax liability

9.1. Explanations on current tax liability

9.1.1. Explanations on tax provision

Tax asset and liability are netted of on financials and shown as tax asset or liability in the balance sheet. The explanations about tax asset / liability for the current and previous period are disclosed in Note 15.1 of Section Five.

9.1.2. Information on taxes payable

	Current period	Prior period
Corporate tax payable	-	-
Taxation of securities	25,445	20,836
Property tax	1,168	1,090
Banking insurance transaction tax ("BITT")	26,613	26,066
Foreign exchange transaction tax	-	-
Value added tax payable	4,195	2,525
Other	9,763	8,860
Total	67,184	59,377

9.1.3. Information on premiums

	Current period	Prior period
Social security premiums-employee	4,184	3,873
Social security premiums-employer	6,202	5,751
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	296	273
Unemployment insurance-employer	592	547
Other	-	-
Total	11,274	10,444

9.2. Explanations on deferred tax liabilities

As of 31 December 2017, the net deferred tax liabilities of the Bank amounts to TL 334,347 (31 December 2016: TL 317,646) which is calculated based on the deductible temporary differences except general loan reserves and other free reserves.

Timing differences constituting the basis for deferred tax	Current period		Prior period	
	Accumulated temporary differences	Deferred tax asset / (liability)	Accumulated temporary differences	Deferred tax asset / (liability)
Base differences for tangible assets	(2,365)	(473)	(3,822)	(764)
Provisions	141,235	28,619	100,415	20,083
Fair value differences for financial assets and liabilities	(1,438,442)	(307,126)	(1,680,560)	(336,112)
Derivative valuation differences	(318,506)	(68,218)	(123,180)	(24,636)
Other	58,525	12,851	118,915	23,783
Total deferred tax assets / (liabilities) net		(334,347)		(317,646)

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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)

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

Deferred tax assets / (liabilities)	Current period (1 January – 31 December 2017)	Prior period (1 January – 31 December 2016)
Opening balance	(317,646)	(188,872)
Deferred tax income / (expense) net	23,159	(145,450)
Deferred tax recognized under equity	(39,860)	16,676
Balance at the end of the period	(334,347)	(317,646)

10. Information on liabilities regarding assets held for sale

As of 31 December 2017 and 31 December 2016, there are no liabilities regarding assets held for sale.

11. Explanations on the subordinated loans

	Current period		Prior period	
	TL	FC	TL	FC
From domestic banks	-	-	-	-
From other domestic associates	-	-	-	-
From foreign banks (*)	222,644	2,816,323	474,800	2,406,399
From other foreign associates	-	-	-	-
Total	222,644	2,816,323	474,800	2,406,399

(*) The subordinated loan amounting to TL 250 million (full TL) obtained from ING Bank N.V. on 21 December 2012 was paid on 21 December 2017, at the end of the fifth year by using the early redemption option, in accordance with the BRSA's approval letter dated 19 December 2017

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.

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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)

12.6. 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.

12.7. Information on preferred shares

There are no preferred shares.

12.8. Information on marketable securities revaluation reserve

	Current period		Prior period	
	TL	FC	TL	FC
From associates, subsidiaries, and entities under common control	-	-	-	-
Valuation difference	(17,656)	-	(30,406)	94,029
Foreign exchange difference	-	-	-	-
Total	(17,656)	-	(30,406)	94,029

Movement of marketable securities revaluation reserve and hedge reserves (effective portion) is as follows:

	Current period (1 January – 31 December 2017)	Prior period (1 January – 31 December 2016)
As of 1 January	162,167	160,137
Value increases/(decreases) of available for sale investments not recognized in the income statement	9,372	69,104
Net income/loss transferred from the shareholders' equity to profit/loss caused by disposal of investments classified as available for sale investments	(94,029)	-
Tax impact on gains from available for sale investments	3,378	149
Cash flow hedge transaction gains/(losses)	191,069	(85,110)
Cash flow hedge transaction (gains)/losses classified in income statement	4,258	1,081
Tax effect on gains from cash flow hedge	(43,583)	16,806
As of 31 December	232,632	162,167

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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	3,012,553	2,090,473
Forward deposit purchase and sales commitments	-	-
Loan granting commitments	2,196,058	2,267,949
Commitments for cheque payments	2,791,088	2,603,213
Commitments for credit card limits	1,808,006	1,838,986
Commitments for credit cards and banking services promotions	5,421	4,753
Other irrevocable commitments	13,938	15,261
Total	9,827,064	8,820,635

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	6,100,920	6,099,586
Letter of credits	1,621,705	1,200,417
Bank acceptance loans	80,948	109,750
Total	7,803,573	7,409,753

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

	Current period	Prior period
Irrevocable letters of guarantees	4,828,687	4,638,602
Cash loans letters of guarantees	931,793	1,124,230
Advance letters of guarantees	606,675	336,914
Temporary letters of guarantees	224,974	181,717
Other	68,866	92,828
Total	6,660,995	6,374,291

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	6,908,685	7,013,894
With original maturity of 1 year or less than 1 year	40,253	405,637
With original maturity of more than 1 year	6,868,432	6,608,257
Other non-cash loans	7,555,883	6,770,150
Total	14,464,568	13,784,044

(Convenience translation of the independent auditors' report and financial statements originally issued in Turkish, See Note 1.b of section three)

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

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

	Current period				Prior period			
	TL	(%)	FC	(%)	TL	(%)	FC	(%)
Agriculture	17,536	0.65	46,054	0.39	14,873	0.60	11,816	0.10
Farming and raising	7,548	0.28	44,134	0.37	8,943	0.36	11,276	0.10
Forestry	9,551	0.35	1,920	0.02	5,796	0.23	540	-
Fishing	437	0.02	-	-	134	0.01	-	-
Manufacturing	320,077	11.85	6,429,615	54.65	316,161	12.60	5,977,991	53.03
Mining	20,259	0.75	2,351,565	19.99	18,259	0.73	1,902,641	16.88
Production	258,161	9.56	3,749,262	31.87	265,162	10.57	3,871,357	34.34
Electric, gas and water	41,657	1.54	328,788	2.79	32,740	1.30	203,993	1.81
Construction	520,005	19.26	303,880	2.58	564,814	22.51	399,211	3.54
Services	1,783,153	66.03	4,981,750	42.36	1,553,242	61.89	4,877,332	43.24
Wholesale and retail trade	1,040,489	38.53	487,531	4.14	1,028,984	41.00	664,258	5.89
Hotel, food and beverage	16,972	0.63	822	0.01	16,441	0.66	5,952	0.05
Transportation and telecommunication	80,439	2.98	1,320,287	11.22	91,882	3.66	1,106,536	9.81
Financial institutions	429,570	15.91	2,433,119	20.68	212,922	8.48	2,279,086	20.21
Real estate and renting services	39,320	1.46	72,856	0.62	59,947	2.39	80,171	0.71
Self-employment services	148,357	5.49	311,223	2.65	121,865	4.86	440,609	3.91
Education services	3,396	0.13	25,402	0.22	3,025	0.12	52,424	0.46
Health and social services	24,610	0.90	330,510	2.82	18,176	0.72	248,296	2.20
Other	59,622	2.21	2,876	0.02	60,618	2.40	7,986	0.09
Total	2,700,393	100.00	11,764,175	100.00	2,509,708	100.00	11,274,336	100.00

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

	Group I		Group II	
	TL	FC	TL	FC
Non-cash loans	2,644,099	11,752,582	33,940	5,378
Letter of guarantees	2,642,689	3,953,556	33,940	2,241
Bank acceptances	-	80,948	-	-
Letter of credits	910	1,617,658	-	3,137
Endorsements	-	-	-	-
Underwriting commitments	-	-	-	-
Factoring commitments	-	-	-	-
Other	500	6,100,420	-	-

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**Notes to the unconsolidated financial statements
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III. Explanations and notes related to unconsolidated off-balance sheet accounts (continued)

2. Information on derivative transactions

	Current period	Prior period
Types of hedging transactions		
Fair value hedges (I)	-	-
Purchase transactions	-	-
Sale transactions	-	-
Cash flow hedges (II)	28,501,560	17,001,332
Purchase transactions	14,908,004	9,366,035
Sale transactions	13,593,556	7,635,297
Net investment hedges (III)	-	-
Purchase transactions	-	-
Sale transactions	-	-
A. Total derivatives held for hedging (I+II+III)	28,501,560	17,001,332
Derivative transactions held for trading		
Trading transactions (I)	55,532,016	44,139,384
Forward foreign currency transactions – buy	6,808,719	6,318,460
Forward foreign currency transactions – sell	6,709,517	6,347,495
Swap transactions- buy	19,524,035	14,417,972
Swap transactions – sell	19,634,161	14,413,861
Foreign currency options – buy	1,427,792	1,320,798
Foreign currency options – sell	1,427,792	1,320,798
Foreign currency futures – buy	-	-
Foreign currency futures – sell	-	-
Interest rate derivatives (II)	10,019,246	6,073,316
Interest rate swap - buy	5,009,623	3,036,658
Interest rate swap - sell	5,009,623	3,036,658
Interest rate options - buy	-	-
Interest rate options - sell	-	-
Securities options - buy	-	-
Securities options - sell	-	-
Interest futures - buy	-	-
Interest futures - sell	-	-
Other trading derivative transactions (III)	8,138	4,442
B. Total derivative transactions held for trading (I+II+III)	65,559,400	50,217,142
Total derivative transactions (A+B)	94,060,960	67,218,474

3. Information on credit swaps and related risks

As of 31 December 2017 and 31 December 2016, there are no credit derivative transactions.

4. Information on contingent liabilities and assets

As of 31 December 2017, provision of TL 88,147 (31 December 2016: TL 48,376) is set aside by considering legal assessment for the lawsuits with a high probability of resulting against by the Bank.

5. Information on the services provided on behalf of others

Related information is provided in note IX of section Four.

(Convenience translation of the independent auditors' report and financial statements 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

1. Information on interest income

1.1. Information on interest income from loans

	Current period		Prior period	
	TL	FC	TL	FC
Interest on loans (*)	4,068,447	341,640	3,457,549	327,190
Short term loans	1,329,510	44,088	1,427,735	57,153
Medium and long term loans	2,712,108	297,552	2,000,648	270,037
Interest on loans under follow-up	26,829	-	29,166	-
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		Prior period	
	TL	FC	TL	FC
From Central Bank of Turkey	-	338	-	1,080
From domestic banks	33,832	815	19,341	287
From foreign banks	580	7,140	195	4,616
From branches abroad	-	-	-	-
Total	34,412	8,293	19,536	5,983

1.3. Information on interest income received from marketable securities portfolio

	Current period		Prior period	
	TL	FC	TL	FC
Trading securities	6,121	1,399	9,027	1,188
Financial assets at fair value through profit and loss	-	-	-	-
Available for sale securities	236,530	-	316,066	-
Held to maturity securities	-	-	-	-
Total	242,651	1,399	325,093	1,188

1.4 Information on interest income received from associates and subsidiaries

	Current period	Prior period
Interest income from associates and subsidiaries	8,114	6,192

(Convenience translation of the independent auditors' report and financial statements originally issued in Turkish, See Note 1.b of section three)

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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		Prior period	
	TL	FC	TL	FC
Banks (*)	103,664	276,598	120,662	203,962
Central Bank of Turkey	-	-	69	-
Domestic banks	5,389	2,485	5,740	3,359
Foreign banks	98,275	274,113	114,853	200,603
Branches and offices abroad	-	-	-	-
Other institutions (*)	-	2,904	-	4,454
Total	103,664	279,502	120,662	208,416

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

2.2. Information on interest expenses paid to associates and subsidiaries

	Current period	Prior period
Interest expenses paid to associates and subsidiaries	2,524	1,375

2.3. Information on interest on securities issued

	Current period		Prior period	
	TL	FC	TL	FC
Interest on securities issued	9,934	-	8,128	-

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

Account name	Demand deposit	Time deposit					Accumulated deposits	Total
		Up to 1 month	Up to 3 months	Up to 6 months	Up to 1 year	More than 1 year		
Turkish lira								
Bank deposits	-	1,146	-	-	-	-	-	1,146
Saving deposits	-	1,250,575	262,668	9,975	1,990	2,412	-	1,527,620
Public sector deposits	-	-	468	38	-	-	-	506
Commercial deposits	-	116,348	47,752	1,495	3,596	1,795	-	170,986
Other deposits	-	196	1,334	921	738	10	-	3,199
7 days call accounts	-	-	-	-	-	-	-	-
Total	-	1,368,265	312,222	12,429	6,324	4,217	-	1,703,457
Foreign currency								
Foreign currency deposits	-	51,956	55,801	1,892	1,237	2,146	-	113,032
Banks deposits	-	5,775	-	-	-	-	-	5,775
7 days call accounts	-	-	-	-	-	-	-	-
Precious metal deposits	-	-	-	-	-	-	-	-
Total	-	57,731	55,801	1,892	1,237	2,146	-	118,807
Grand total	-	1,425,996	368,023	14,321	7,561	6,363	-	1,822,264

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

3. Information on dividend income

	Current period	Prior period
Financial assets held for trading	-	-
Financial assets at fair value through profit and loss	-	-
Financial assets available for sale	337	511
Other	49,324	34,644
Total	49,661	35,155

4. Information on trading income/loss (net)

	Current period	Prior period
Income	18,248,720	13,664,930
Gains on capital market transactions	17,342	13,796
Gains on derivative financial instruments	7,068,572	5,636,850
Foreign exchange gains	11,162,806	8,014,284
Loss (-)	(18,686,903)	(13,871,413)
Loss on capital market transactions	(17,920)	(14,602)
Loss on derivative financial instruments	(7,094,219)	(4,780,673)
Foreign exchange loss	(11,574,764)	(9,076,138)

Net profit on derivative financial instruments recognized in profit/loss resulting from fluctuations in foreign exchange rates is TL 48,425 (31 December 2016: TL 1,173,275 net profit).

5. Information on other operating income

	Current period	Prior period
Income arising from sale of assets (*)	169,474	42,320
Income from reversal of prior years' provisions	139,654	99,371
Banking services income	7,100	6,605
Other non-interest income	57,943	52,709
Total	374,171	201,005

(*) As of 31 December 2017, Bank obtains net income from sale of real estate amounting to TL 42,883 (31 December 2016: 5,356) and net income from sale of available for sale shares amounting to TL 126,380 (31 December 2016: None).

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

6. Provision expenses for loan losses and other receivables

	Current period	Prior period
Specific provisions for loans and other receivables	505,462	523,764
III. group loans and receivables	27,762	31,348
IV. group loans and receivables	114,338	147,175
V. group loans and receivables	363,362	345,241
General provision expenses	64,155	27,382
Provision expenses for possible losses	-	-
Marketable securities impairment losses	13	535
Financial assets at fair value through profit and loss	13	154
Available for sale securities	-	381
Impairment related to associates, subsidiaries and investment securities held to maturity	-	-
Associates	-	-
Subsidiaries	-	-
Joint ventures	-	-
Held to maturity investments	-	-
Other	69,603	38,491
Total	639,233	590,172

7. Information on other operating expenses

	Current period	Prior period
Personnel expenses	609,240	579,588
Reserves for termination benefits	-	1,101
Bank social aid fund deficit provision	-	-
Tangible assets impairment expense	-	-
Depreciation expense of tangible assets	55,186	54,837
Intangible assets impairment expense	-	-
Goodwill impairment expense	-	-
Amortisation expense of intangible assets	21,352	15,140
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	-	1,799
Impairment expense of held for sale tangible assets and discontinued operations	-	-
Other operating expenses	639,882	516,404
Operating lease expenses	111,859	108,443
Repair and maintenance expenses	27,031	20,553
Advertisement expenses	80,049	53,139
Other expenses	420,943	334,269
Loss on sales of assets	340	509
Other	182,651	190,345
Total	1,508,651	1,359,723

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

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

As of 31 December 2017, the income before taxes is TL 1,063,818 (31 December 2016: TL 716,611).

9. Information on tax provision for continued and discontinued operations

As of 31 December 2017, corporate tax provision expense is TL 243,225 (31 December 2016: None), and the deferred tax income is TL 23,159 (31 December 2016: TL 145,450 deferred tax expense).

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

As of 31 December 2017, the net operating income after taxes is TL 843,752 (31 December 2016: TL 571,161).

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

Interest income from regular banking transactions is TL 4,956,715 (31 December 2016: TL 4,200,043), while the interest expense is TL 2,266,507 (31 December 2016: TL 1,977,859).

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 552,525 (31 December 2016: TL 456,242) has included TL 143,065 (31 December 2016: 129,158 TL) credit card fees and commissions, TL 170,192 (31 December 2016: TL 147,731) service fees and commissions from contracted merchants and TL 133,380 (31 December 2016: TL 92,819) insurance commissions.

Other fees and commissions paid amounting to TL 211,140 (31 December 2016: TL 170,584) has included TL 173,247 (31 December 2016: TL 145,453) credit card exchange commissions.

V. Explanations and notes related to unconsolidated statement of changes in shareholders' equity

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.

The Ordinary General Assembly Meeting of the Bank was held on 29 March 2017. In the Ordinary General Assembly meeting, it was decided to transfer TL 571,161 unconsolidated net income from 2016 operations to statutory legal reserves, extraordinary reserves and revaluation surplus on tangible and intangible assets as a real estate sale income and utilized from the tax exemption amounting to TL 28,558, TL 522,515 and TL 20,088, respectively.

In the Ordinary General Assembly, gross amount of TL 200,000 cash dividend was distributed from retained earnings to the Bank's shareholders on 30 March 2017. Additionally TL 20,000 has been transferred from the extraordinary reserves to statutory legal reserves due to dividend distribution.

General Assembly of the Bank is authorized body for the profit appropriation decisions. The Ordinary General Assembly Meeting has not been held as of the date of these financial statements.

As of the balance sheet date, legal reserves amount to TL 148,416 (31 December 2016: TL 99,858), and TL 48,558 (31 December 2016: TL 5,727) of this amount consists of the amount transferred from the previous year profit within the current period.

As of the balance sheet date, extraordinary reserves amount to TL 1,010,320 (31 December 2016: TL 707,805).

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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.)

VI. Explanations and notes related to the unconsolidated statement of cash flows

1. Information on cash flow statements

Components of cash and cash equivalents are cash, cash in foreign currency, money in transit, cheques purchased, demand deposits including unrestricted deposits in the Central Bank of Turkey and time deposits in banks with original maturities less than three months.

1.1. Cash and cash equivalents at the beginning of the period

	Current period	Prior period
Cash	641,042	379,462
Cash in vault	256,750	203,924
Cash in foreign currency	384,292	175,538
Cash equivalents	3,730,931	2,884,305
Central Bank of Turkey	1,835,950	1,136,085
Banks	123,173	1,098,220
Interbank money market	1,771,808	650,000
Total	4,371,973	3,263,767

1.2. Cash and cash equivalents at the end of period:

	Current period	Prior period
Cash	2,269,440	641,042
Cash in vault	299,399	256,750
Cash in foreign currency	1,970,041	384,292
Cash equivalents	2,615,750	3,730,931
Central Bank of Turkey	1,178,608	1,835,950
Banks	390,341	123,173
Interbank money market	1,046,801	1,771,808
Total	4,885,190	4,371,973

2. Explanation about other line items included in the cash flow and about the effect of changes in foreign exchange rates on cash and cash equivalents line item included in the cash flow statement:

The "Other income" item under "Operating profit before changes in operating assets and liabilities" amounting to TL 75,103 (31 December 2016: TL (55,524)) consists of other operational incomes.

The "Other" item under "Operating profit before changes in operating assets and liabilities" amounting to TL (2,011,274) (31 December 2016: TL (1,258,255)) consists of profit/loss from capital market transactions, profit/loss from derivative transactions and other operational expenses.

The "Net increase in other assets" item under "Changes in operating assets and liabilities" amounting to TL 290,444 increase (31 December 2016: TL 483,074 increase) consists of mainly changes in prepaid expenses and changes in exchange accounts under other assets.

The "Net increase in other liabilities" item under "Changes in operating assets and liabilities" amounting to TL (14,713) decrease (31 December 2016: TL (1,180,121) decrease) consists of mainly changes in fees and commissions obtained in advance and changes in exchange account under other liabilities.

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**Notes to the unconsolidated financial statements
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VI. Explanations and notes related to the unconsolidated statement of cash flows (continued)

The "Other" item under "Net cash flow from investment operations" amounting to TL (16,094) decrease (31 December 2016: TL (27,991) decrease) consists of additions from mainly intangible fixed assets.

The effect of changes in the foreign currency rates on the cash and cash equivalents has been determined by the sum of exchange rate differences of translation into TL of cash and cash equivalents denominated in foreign currency in the beginning and the end of the period quarterly and as approximately TL 406,721 (31 December 2016: TL 296,603).

VII. 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	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	8,114	76,639	304	522	-	256

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	47,996	41,497	49	273,432	48	135,512
End of the period	104,291	15,790	91	624,919	14	87,086
Interest and commission income	6,192	50,572	6	382	-	164

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	64,607	102,061	1,064	3,745	3,628	38,620
End of the period	88,113	64,607	8,426	1,064	3,070	3,628
Interest expense on deposits	2,104	1,373	117	186	117	194

(Convenience translation of the independent auditors' report and financial statements originally issued in Turkish, See Note 1.b of section three)

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Notes to the unconsolidated financial statements for the year ended 31 December 2017 (continued) (Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

VII. 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	-	-	7,620,055	3,514,533	98,715	-
End of period	-	-	9,971,955	7,620,055	33,080	98,715
Total profit/loss	1,983	-	(81,494)	217,914	(26,685)	(6,651)
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	-	-	1,339	37	44,236	6,924
End of period	-	-	63,731	1,339	33,504	44,236
Interest income received	-	-	1,220	309	51	17

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	-	10,001	9,893,625	10,263,404	4,201	15,329
End of period	218,398	-	7,418,245	9,893,625	8,403	4,201
Interest and commission paid	420	2	140,603	122,270	407	339

The Bank also has subordinated loan amounting to TL 3,038,967 from main shareholder ING Bank NV as of 31 December 2017 (31 December 2016: TL 2,881,199).

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 25,886 (31 December 2016: TL 23,021).

(Convenience translation of the independent auditors' report and financial statements 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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VIII. Explanations and notes related to the domestic, foreign, off-shore branches and foreign representatives of the Bank

	Number	Number of employees		
Domestic branches	261	4,935		
			Country	
Foreign representative offices	-	-		-
			Total assets	Capital
Foreign branches	-	-	-	-
Off-shore banking region branches	-	-	-	-

(Convenience translation of the independent auditors' report and financial statements 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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Section six

Other explanations

I. Other explanations on the Bank's operations

None.

II. Explanations and notes related to subsequent events

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.

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 Relations with Official Institutions and Legislation Executive Vice President Gökhan Yurtçu has retired from his duty as of 2 January 2018. According to the decision of the Board of Directors, the Relations with Official Institutions and Legislation Executive Vice President position have been closed and after completion of the BRSA process, Consumer Affairs Coordination Affairs duty was transferred to N. Yücel Ölçer who served as Operation Executive Vice President.

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.

(Convenience translation of the independent auditors' report and financial statements originally issued in Turkish, See Note 1.b of section three)

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**Notes to the unconsolidated financial statements
for the year ended 31 December 2017 (continued)**
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

Section seven

Independent auditors' report

I. Explanations on the independent auditors' report

The unconsolidated financial statements of the Bank as of 31 December 2017, have been audited by KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi (The Turkish member firm of KPMG International Cooperative, a Swiss entity) and their independent audit report dated 9 February 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.