(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)

ING Bank A.Ş.

Publicly Announced Unconsolidated Financial Statements, Related Disclosures and Independent Auditors' Report Thereon as of and for the Year Ended 31 December 2018

8 February 2019

This report consists 4 pages of "Independent Auditors' Report" and 124 pages of unconsolidated financial statements and its disclosures and footnotes.

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

To the Shareholders of ING Bank Anonim Şirketi

A) Report on the Audit of the Unconsolidated Financial Statements

Opinion

We have audited the accompanying unconsolidated financial statements of ING Bank Anonim Şirketi ("the Bank") which comprise the unconsolidated statement of financial position as at 31 December 2018 and the unconsolidated statements of profit or loss, profit or loss and other comprehensive income, 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 accompanying unconsolidated financial statements present fairly, in all material respects, the unconsolidated financial position of ING Bank Anonim Şirketi 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 Financial Reporting Standards ("TFRS") for the matters not regulated by the aforementioned legislations.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the unconsolidated financial statements of the current period. These matters were addressed in the context of our audit of the unconsolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment of loans measured at amortised cost

Refer to Section III, No: VII to the unconsolidated financial statements relating to the details of accounting policies and significant judgments of for impairment of loans measured at amortised cost.

<table>
<tr><th>Key audit matter</th><th>How the matter is addressed in our audit</th></tr>
<tr><td>
As of 31 December 2018, loans measured at amortised cost comprise 65% of the Bank's total assets.
The Bank recognizes its loans measured at amortised cost in accordance with the Regulation on the Procedures and Principles for Classification of Loans by Banks and Provisions to be set aside (the "Regulation") published on the Official Gazette No. 29750 dated 22 June 2016 which became effective on 1 January 2018 and TFRS 9 Financial Instruments standard ("Standard").
As of 1 January 2018, due to the new adoption of the Standard, in determining the impairment of financial assets the Bank started to apply "expected credit loss model" rather than the "incurred loss model". The new model contains significant assumptions and estimates.
The significant assumptions and estimates of the Bank's management are as follows:

significant increase in credit risk
incorporating the forward looking macroeconomic information in calculation of credit risk
design and implementation of expected credit loss model

The determination of the impairment of loans measured at amortised cost depends on the credit default status, the model based on the change in the credit risk at the first recognition date and the classification of the loans measured at amortised cost according to the model. Establishing an accurate classification is a significant process as the calculation of expected credit loss varies to the staging of the financial assets.
The Bank estimates expected credit losses on both an individual and a collective basis. Individual provisions consider the estimated future performance of the business and the market value of the collateral provided for credit transactions.
</td><td>
Our procedures for auditing the expected credit losses on loans include below:

We tested the design and operating effectiveness of the controls on lending, collateralization, collection, follow-up, classification and impairment procedures are tested with the involvement of information risk management specialists.
We evaluated the Bank's business model whose objective is to hold financial assets in order to collect contractual cash flows and we tested the appropriateness of the loan agreements with the model by selecting samples.
We evaluated the adequacy of the subjective and objective criteria that is defined in the Bank's impairment accounting policy compared with the Regulation and Standard.
We evaluated the Banks's business model and methodology and the evaluation of the calculations carried out with the control testing and detail analysis by the involvement of specialist.
We performed loan reviews for selected loan samples which include a detailed examination of loan files and related information and evaluation of their classification. In this context, the current status of the loan customer has been evaluated by including forward looking information and macroeconomic expectations.
We evaluated the adequacy of the expected credit loss calculations by selecting sample for the loans which are assessed on individual basis.
We tested the accuracy and completeness of the data in calculation of the data in the calculation models for the loans which are assessed on collective basis. We recalculated the expected credit loss calculation. The models used for the calculation of the risk parameters were

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</table>

The collective basis expected credit loss calculation is based on complex processes which are modelled by using current and past data sets and incorporating the future expectations. Impairment on loans calculation is determined as a key audit matter, due to the significance of the estimates and the level of judgments and its complex structure as explained above	examined and the risk parameters for the selected sample portfolios were recalculated. • We assessed the macroeconomic models which are used to reflect forward looking expectations and tested the effect of the risk parameters by recalculation method. • We evaluated the subjective and objective criteria which are used in determining the significant increase in credit risk. • Additionally, we also evaluated the adequacy of the disclosures in the unconsolidated financial statements related to impairment provisions.

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 Regulation and TSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error. Misstatements 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 Audit Regulation TSAs, 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the unconsolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

B) Report on Other Legal and Regulatory Requirements

1) Pursuant to the fourth paragraph of Article 402 of the Turkish Commercial Code No. 6102 ("TCC"); 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 2018 are not in compliance with TCC and provisions of the Bank's articles of association in relation to financial reporting.

2) 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.

Additional paragraph for convenience translation to English:

The accounting principles summarized in Note I Section Three, 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 unconsolidated financial statements are not intended to present the unconsolidated 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.

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

Funda Aslanoğlu, SMMM
Partner

8 February 2019
İstanbul, Turkey

The unconsolidated year-end financial report of ING Bank A.Ş. prepared as of and for the year-ended 31 December 2018

Address of the Bank	:	**Reşitpaşa Mahallesi Eski Büyükdere Caddesi No: 8 34467 Sarıyer / İstanbul**
Phone and fax numbers of the Bank	:	**(212) 335 10 00** **(212) 286 61 00**
Web-site of the Bank	:	www.ingbank.com.tr
E-mail	:	disyazisma@ingbank.com.tr

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

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

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

John T. Mc CARTHY Chairman of the Board	Pınar ABAY President and CEO	K. Atıl ÖZUS CFO	M. Gökçe ÇAKIT Financial Reporting and Tax Director

Adrianus J. A. KAS Chairman of the Audit Committee	M. Semra KURAN Audit Committee Member

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

Name-Surname/Title	:	Nurgül BİLGİÇER FİLİS / Vice President
Phone No	:	(212) 403 72 66
Fax No	:	(212) 286 61 00

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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.

(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 2018 and 31 December 2017 are as follows:

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

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

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

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

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

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

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

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

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

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

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

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

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

The SME Lending and Payment Systems Executive Vice President Erdoğan Yılmaz resigned from his duty effective of his own accord from 15 April 2018. İhsan Çakır has been appointed as the SME and Mid Corporate Banking Executive Vice President starting from 1 August 2018.

The Business Lending and Risk Analytics Executive Vice President Nermin Güney has been appointed as the Executive Vice President for Financial Risk Management starting from 5 November 2018.

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 3,486,267,793 shares and 100% paid-in share.

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

The Bank is principally engaged in all types of banking transactions, accepting deposits and all kinds of legal transactions, activities and operations within banking license within the scope provided by the Banking Law, and all existing and/or future laws, regulations and decree laws and related legislation. The Bank carries out its operations with 226 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 Bank and its subsidiaries

None.

Section two

Unconsolidated financial statements

I. Unconsolidated balance sheet (statement of financial position)
II. Unconsolidated statement of off-balance sheet items
III. Unconsolidated statement of profit or loss
IV. Unconsolidated statement profit or loss and other comprehensive income
V. Unconsolidated statement of changes in equity
VI. Unconsolidated statement of cash flows
VII. Statement of profit distribution

Unconsolidated balance sheet (statement of financial position)
as of 31 December 2018
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

					Audited
					Current period
	Assets (*)	**Note**			**(31/12/2018)**
		(section five)	**TL**	**FC**	**Total**
I.	**Financial assets (net)**		**9,972,706**	**9,070,957**	**19,043,663**
1.1	**Cash and cash equivalents**		**4,902,391**	**8,725,244**	**13,627,635**
1.1.1	Cash and balances at Central Bank	(I-1)	698,872	8,211,359	8,910,231
1.1.2	Banks	(I-3)	1,082	513,885	514,967
1.1.3	Money market placements		4,202,437	-	4,202,437
1.2	**Financial assets at fair value through profit or loss**	**(I-2)**	**1,962**	**26,814**	**28,776**
1.2.1	Government securities		1,914	26,814	28,728
1.2.2	Equity instruments		35	-	35
1.2.3	Other financial assets		13	-	13
1.3	**Financial assets at fair value through other comprehensive income**	**(I-4)**	**645,710**	**208**	**645,918**
1.3.1	Government securities		639,797	-	639,797
1.3.2	Equity instruments		5,913	208	6,121
1.3.3	Other financial assets		-	-	-
1.4	**Financial assets measured at amortised cost**	**(I-6)**	**1,194,996**	**-**	**1,194,996**
1.4.1	Government securities		1,194,996	-	1,194,996
1.4.2	Other financial assets		-	-	-
1.5	**Derivative financial assets**		**3,231,821**	**318,691**	**3,550,512**
1.5.1	Derivative financial assets measured at fair value through profit or loss	(I-2)	262,910	318,691	581,601
1.5.2	Derivative financial assets measured at fair value through other comprehensive income	(I-11)	2,968,911	-	2,968,911
1.6	**Non-performing financial assets**		**-**	**-**	**-**
1.7	**Expected credit losses (-)**	**(I-5)**	**(4,174)**	**-**	**(4,174)**
II.	**Loans (net)**		**28,668,973**	**9,392,241**	**38,061,214**
2.1	**Loans**	**(I-5)**	**28,152,578**	**9,392,241**	**37,544,819**
2.1.1	Loans measured at amortised cost		28,152,578	9,392,241	37,544,819
2.1.2	Loans measured at fair value through profit or loss		-	-	-
2.1.3	Loans measured at fair value through other comprehensive income		-	-	-
2.2	**Receivables from leasing transactions**	**(I-10)**	**-**	**-**	**-**
2.2.1	Finance lease receivables		-	-	-
2.2.2	Operational lease receivables		-	-	-
2.2.3	Unearned income (-)		-	-	-
2.3	**Factoring receivables**		**-**	**-**	**-**
2.3.1	Factoring receivables measured at amortised cost		-	-	-
2.3.2	Factoring receivables measured at fair value through profit or loss		-	-	-
2.3.3	Factoring receivables measured at fair value through other comprehensive income		-	-	-
2.4	**Non-performing loans**		**2,053,925**	**-**	**2,053,925**
2.5	**Expected credit losses (-)**	**(I-5)**	**(1,537,530)**	**-**	**(1,537,530)**
2.5.1	12-month expected credit losses (Stage 1)		(113,298)	-	(113,298)
2.5.2	Lifetime expected credit losses significant increase in credit risk (Stage 2)		(378,466)	-	(378,466)
2.5.3	Lifetime expected credit losses impaired credits (Stage 3)		(1,045,766)	-	(1,045,766)
III.	**Non-currents assets or disposal groups "held for sale" and "from discontınued operatıons (net)**	**(I-16)**	**660**	**-**	**660**
3.1	Assets Held for sale		660	-	660
3.2	Assets from discontinued operations		-	-	-
IV.	**Equity investments**		**95,573**	**334**	**95,907**
4.1	**Investments in associates (net)**	**(I-7)**	**-**	**-**	**-**
4.1.1	Associates consolidated by using equity method		-	-	-
4.1.2	Unconsolidated associates		-	-	-
4.2	**Investments in subsidiaries (net)**	**(I-8)**	**95,573**	**334**	**95,907**
4.2.1	Unconsolidated financial subsidiaries		95,573	334	95,907
4.2.2	Unconsolidated non-financial subsidiaries		-	-	-
4.3	**Jointly Controlled Partnerships (Joint Ventures) (net)**	**(I-9)**	**-**	**-**	**-**
4.3.1	Joint ventures consolidated by using equity method		-	-	-
4.3.2	Unconsolidated joint ventures		-	-	-
V.	**Tangible assets (net)**	**(I-12)**	**683,472**	**-**	**683,472**
VI.	**Intangible assets (net)**	**(I-13)**	**39,804**	**-**	**39,804**
6.1	Goodwill		-	-	-
6.2	Other		39,804	-	39,804
VII.	**Investment property (net)**	**(I-14)**	**-**	**-**	**-**
VIII.	**Current tax asset**	**(I-15)**	**-**	**-**	**-**
IX.	**Deferred tax asset**		**-**	**-**	**-**
X.	**Other assets**	**(I-17)**	**581,179**	**12,763**	**593,942**
	Total assets		**40,042,367**	**18,476,295**	**58,518,662**

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

ING Bank A.Ş.

Unconsolidated balance sheet (statement of financial position) as of 31 December 2018
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

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

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

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

ING Bank A.Ş.

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

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

					Audited
					Current period
	Liabilities (*)	Note			(31/12/2018)
		(section five)	TL	FC	Total
I.	**Deposits**	**(II-1)**	**20,015,191**	**12,324,071**	**32,339,262**
II.	**Loans received**	**(II-3)**	**312,222**	**11,533,127**	**11,845,349**
III.	**Money market funds**		**2,166**	**20,450**	**22,616**
IV.	**Securities Issued (net)**	**(II-4)**	**-**	**-**	**-**
4.1	Bills		-	-	-
4.2	Asset backed securities		-	-	-
4.3	Bonds		-	-	-
V.	**Funds**		**-**	**-**	**-**
5.1	Borrower funds		-	-	-
5.2	Other		-	-	-
VI.	**Financial liabilities at fair value through profit or loss**		**-**	**-**	**-**
VII.	**Derivative financial liabilities**		**911,803**	**199,998**	**1,111,801**
7.1	Derivative financial liabilities at fair value through profit or loss	(II-2)	652,925	195,470	848,395
7.2	Derivative financial liabilities at fair value through other comprehensive income	(II-7)	258,878	4,528	263,406
VIII.	**Factoring payables**		**-**	**-**	**-**
IX.	**Lease payables**	**(II-6)**	**-**	**-**	**-**
9.1	Finance lease payables		-	-	-
9.2	Operating lease payables		-	-	-
9.3	Other		-	-	-
9.4	Deferred finance lease expenses (-)		-	-	-
X.	**Provisions**	**(II-8)**	**316,879**	**-**	**316,879**
10.1	Provision for restructuring		-	-	-
10.2	Reserves for employee benefits		50,903	-	50,903
10.3	Insurance technical reserves (net)		-	-	-
10.4	Other provisions		265,976	-	265,976
XI.	**Current tax liability**	**(II-9)**	**239,595**	**-**	**239,595**
XII.	**Deferred tax liability**	**(II-9)**	**430,595**	**-**	**430,595**
XIII.	**Liabilities for assets held for sale and assets of discontinued operations (net)**	**(II-10)**	**-**	**-**	**-**
13.1	Held for sale		-	-	-
13.2	Related to discontinued operations		-	-	-
XIV.	**Subordinated debt**	**(II-11)**	**-**	**3,813,522**	**3,813,522**
14.1	Loans		-	3,813,522	3,813,522
14.2	Other debt instruments		-	-	-
XV.	**Other liabilities**	**(II-5)**	**874,613**	**102,183**	**976,796**
XVI.	**Shareholders' equity**	**(II-11)**	**7,426,729**	**(4,482)**	**7,422,247**
16.1	Paid-in capital		3,486,268	-	3,486,268
16.2	Capital reserves		-	-	-
16.2.1	Share premiums		-	-	-
16.2.2	Share cancellation profits		-	-	-
16.2.3	Other capital reserves		-	-	-
16.3	Other comprehensive income/expense items not to be recycled to Profit or Loss		139,558	-	139,558
16.4	Other comprehensive income/expense items to be recycled in Profit or Loss		593,143	(4,482)	588,661
16.5	Profit reserves		2,146,000	-	2,146,000
16.5.1	Legal reserves		190,604	-	190,604
16.5.2	Statutory reserves		-	-	-
16.5.3	Extraordinary reserves		1,955,396	-	1,955,396
16.5.4	Other profit reserves		-	-	-
16.6	Profit or (loss)		1,061,760	-	1,061,760
16.6.1	Prior years' profits or (loss)		-	-	-
16.6.2	Current period profit or (loss)		1,061,760	-	1,061,760
	Total liabilities and shareholders' equity		**30,529,793**	**27,988,869**	**58,518,662**

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

ING Bank A.Ş.

Unconsolidated balance sheet (statement of financial position) as of 31 December 2018
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

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

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

Unconsolidated statement of off-balance sheet items
as of 31 December 2018
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

				Audited				Audited
					Current period			Prior period
	Off-balance sheet items	**Note (section five)**			(31/12/2018)			(31/12/2017)
			TL	**FC**	**Total**	**TL**	**FC**	**Total**
A.	**Off-balance sheet commitments (I+II+III)**		**46,860,923**	**71,444,884**	**118,305,807**	**55,471,112**	**62,881,480**	**118,352,592**
I.	**Guarantees and warranties**	**(III-1)**	**2,140,362**	**13,989,602**	**16,129,964**	**2,700,393**	**11,764,175**	**14,464,568**
1.1	Letters of guarantee		2,137,639	5,110,252	7,247,891	2,698,982	3,962,013	6,660,995
1.1.1	Guarantees subject to state tender law		14,570	-	14,570	28,438	-	28,438
1.1.2	Guarantees given for foreign trade operations		-	-	-	-	-	-
1.1.3	Other letters of guarantee		2,123,069	5,110,252	7,233,321	2,670,544	3,962,013	6,632,557
1.2	Bank acceptances		-	39,370	39,370	-	80,948	80,948
1.2.1	Import letter of acceptance		-	39,370	39,370	-	80,948	80,948
1.2.2	Other bank acceptances		-	-	-	-	-	-
1.3	Letters of credit		396	1,763,942	1,764,338	910	1,620,795	1,621,705
1.3.1	Documentary letters of credit		396	1,763,942	1,764,338	910	1,620,795	1,621,705
1.3.2	Other letters of credit		-	-	-	-	-	-
1.4	Pre-financing given as guarantee		-	-	-	-	-	-
1.5	Endorsements		-	-	-	-	-	-
1.5.1	Endorsements to the Central Bank of Turkey		-	-	-	-	-	-
1.5.2	Other endorsements		-	-	-	-	-	-
1.6	Purchase guarantees for securities issued		-	-	-	-	-	-
1.7	Factoring guarantees		-	-	-	-	-	-
1.8	Other guarantees		-	6,977,654	6,977,654	-	5,976,892	5,976,892
1.9	Other warranties		2,327	98,384	100,711	501	123,527	124,028
II.	**Commitments**	**(III-1)**	**4,142,884**	**913,196**	**5,056,080**	**7,494,665**	**2,332,399**	**9,827,064**
2.1	Irrevocable commitments		4,142,884	913,196	5,056,080	7,494,665	2,332,399	9,827,064
2.1.1	Forward asset purchase commitments		403,269	895,834	1,299,103	998,369	2,014,184	3,012,553
2.1.2	Forward deposit purchase and sales commitments		-	-	-	-	-	-
2.1.3	Share capital commitments to associates and subsidiaries		-	-	-	-	-	-
2.1.4	Loan granting commitments		1,807,625	15,526	1,823,151	1,879,233	316,825	2,196,058
2.1.5	Securities underwriting commitments		-	-	-	-	-	-
2.1.6	Commitments for reserve requirements		-	-	-	-	-	-
2.1.7	Commitments for cheque payments		352,249	-	352,249	2,791,088	-	2,791,088
2.1.8	Tax and fund liabilities from export commitments		20,545	-	20,545	12,520	-	12,520
2.1.9	Commitments for credit card limits		1,553,689	-	1,553,689	1,808,006	-	1,808,006
2.1.10	Commitments for credit cards and banking services promotions		5,479	-	5,479	5,421	-	5,421
2.1.11	Receivables from short sale commitments of marketable securities		-	-	-	-	-	-
2.1.12	Payables for short sale commitments of marketable securities		-	-	-	-	-	-
2.1.13	Other irrevocable commitments		28	1,836	1,864	28	1,390	1,418
2.2	Revocable commitments		-	-	-	-	-	-
2.2.1	Revocable loan granting commitments		-	-	-	-	-	-
2.2.2	Other revocable commitments		-	-	-	-	-	-
III.	**Derivative financial instruments**	**(III-2)**	**40,577,677**	**56,542,086**	**97,119,763**	**45,276,054**	**48,784,906**	**94,060,960**
3.1	Derivative financial instruments for hedging purposes		21,984,936	4,734,539	26,719,475	23,751,333	4,750,227	28,501,560
3.1.1	Fair value hedges		-	-	-	-	-	-
3.1.2	Cash flow hedges		21,984,936	4,734,539	26,719,475	23,751,333	4,750,227	28,501,560
3.1.3	Net foreign investment hedges		-	-	-	-	-	-
3.2	Derivative financial instruments for trading purposes		18,592,741	51,807,547	70,400,288	21,524,721	44,034,679	65,559,400
3.2.1	Forward foreign currency buy/sell transactions		3,095,729	11,074,747	14,170,476	3,064,560	10,453,676	13,518,236
3.2.1.1	Forward foreign currency transactions-buy		2,553,730	4,648,919	7,202,649	1,897,164	4,911,555	6,808,719
3.2.1.2	Forward foreign currency transactions-sell		541,999	6,425,828	6,967,827	1,167,396	5,542,121	6,709,517
3.2.2	Swap transactions related to foreign currency and interest rates		15,281,888	39,024,040	54,305,928	17,647,893	31,529,549	49,177,442
3.2.2.1	Foreign currency swap-buy		3,562,681	18,118,592	21,681,273	5,343,109	14,180,926	19,524,035
3.2.2.2	Foreign currency swap-sell		10,579,207	11,726,454	22,305,661	9,694,784	9,939,377	19,634,161
3.2.2.3	Interest rate swap-buy		570,000	4,589,497	5,159,497	1,305,000	3,704,623	5,009,623
3.2.2.4	Interest rate swap-sell		570,000	4,589,497	5,159,497	1,305,000	3,704,623	5,009,623
3.2.3	Foreign currency, interest rate and securities options		181,758	1,708,760	1,890,518	804,130	2,051,454	2,855,584
3.2.3.1	Foreign currency options-buy		90,879	854,380	945,259	402,065	1,025,727	1,427,792
3.2.3.2	Foreign currency options-sell		90,879	854,380	945,259	402,065	1,025,727	1,427,792
3.2.3.3	Interest rate options-buy		-	-	-	-	-	-
3.2.3.4	Interest rate options-sell		-	-	-	-	-	-
3.2.3.5	Securities options-buy		-	-	-	-	-	-
3.2.3.6	Securities options-sell		-	-	-	-	-	-
3.2.4	Foreign currency futures		-	-	-	-	-	-
3.2.4.1	Foreign currency futures-buy		-	-	-	-	-	-
3.2.4.2	Foreign currency futures-sell		-	-	-	-	-	-
3.2.5	Interest rate futures		-	-	-	-	-	-
3.2.5.1	Interest rate futures-buy		-	-	-	-	-	-
3.2.5.2	Interest rate futures-sell		-	-	-	-	-	-
3.2.6	Other		33,366	-	33,366	8,138	-	8,138
B.	**Custody and pledged items (IV+V+VI)**		**236,760,446**	**46,229,628**	**282,990,074**	**228,205,337**	**32,867,119**	**261,072,456**
IV.	**Items held in custody**		**939,226**	**1,929,120**	**2,868,346**	**1,060,138**	**1,456,856**	**2,516,994**
4.1	Customer fund and portfolio balances		401,049	-	401,049	792,222	-	792,222
4.2	Investment securities held in custody		89,196	291,567	380,763	74,144	204,151	278,295
4.3	Checks received for collection		279,585	411,616	691,201	31,885	378,545	410,430
4.4	Commercial notes received for collection		169,395	1,131,833	1,301,228	161,886	812,458	974,344
4.5	Other assets received for collection		-	-	-	-	-	-
4.6	Assets received for public offering		-	-	-	-	-	-
4.7	Other items under custody		1	94,104	94,105	1	61,702	61,703
4.8	Custodians		-	-	-	-	-	-
V.	**Pledged received**		**36,573,782**	**9,371,568**	**45,945,350**	**38,447,841**	**7,191,265**	**45,639,106**
5.1	Marketable securities		223,731	7,819	231,550	224,505	6,551	231,056
5.2	Guarantee notes		7,252,373	1,944,017	9,196,390	7,738,243	1,459,527	9,197,770
5.3	Commodity		910	-	910	910	-	910
5.4	Warranty		-	-	-	-	-	-
5.5	Properties		25,499,601	6,140,983	31,640,584	25,875,776	4,781,593	30,657,369
5.6	Other pledged items		3,597,167	1,278,749	4,875,916	4,608,407	943,594	5,552,001
5.7	Pledged items-depository		-	-	-	-	-	-
VI.	**Accepted independent guarantees and warranties**		**199,247,438**	**34,928,940**	**234,176,378**	**188,697,358**	**24,218,998**	**212,916,356**
	Total off-balance sheet items (A+B)		**283,621,369**	**117,674,512**	**401,295,881**	**283,676,449**	**95,748,599**	**379,425,048**

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

ING Bank A.Ş.

Unconsolidated statement of profit or loss
for the year ended 31 December 2018
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

	Income and expense items (*)	Note (section five)	Audited Current period (01/01/2018-31/12/2018)
I.	**Interest income**	**(IV-1)**	**6,793,042**
1.1	Interest on loans		6,085,489
1.2	Interest on reserve requirements		76,719
1.3	Interest on banks		79,060
1.4	Interest on money market transactions		281,594
1.5	Interest on marketable securities portfolio		269,804
1.5.1	Financial assets at fair value through profit or loss		33,128
1.5.2	Financial assets at fair value through other comprehensive income		73,946
1.5.3	Financial assets measured at amortised cost		162,730
1.6	Finance lease income		-
1.7	Other interest income		376
II.	**Interest expense (-)**	**(IV-2)**	**(3,440,895)**
2.1	Interest on deposits		(2,915,974)
2.2	Interest on funds borrowed		(480,878)
2.3	Interest on money market transactions		(15,070)
2.4	Interest on securities issued		(20,632)
2.5	Other interest expenses		(8,341)
III.	**Net interest income/expense (I - II)**		**3,352,147**
IV.	**Net fees and commissions income/expense**		**583,567**
4.1	Fees and commissions received		787,227
4.1.1	Non-cash loans		236,319
4.1.2	Other	(IV-12)	550,908
4.2	Fees and commissions paid (-)		(203,660)
4.2.1	Non-cash loans		(338)
4.2.2	Other	(IV-12)	(203,322)
V.	**Personnel expenses (-)**	**(IV-7)**	**(626,921)**
VI	**Dividend income**	**(IV-3)**	**68,844**
VII.	**Trading gain/(loss) (net)**	**(IV-4)**	**(159,764)**
7.1	Trading gain/(loss) on securities		(40,879)
7.2	Gain/(loss) on derivative financial transactions		3,278,583
7.3	Foreign exchange gain/(loss)		(3,397,468)
VIII.	**Other operating income**	**(IV-5)**	**630,118**
IX.	**Gross operating income (III+IV+V+VI+VII+VIII)**		**3,847,991**
X.	**Expected credit loss (-)**	**(IV-6)**	**(1,380,387)**
XI.	**Other operating expenses (-)**	**(IV-7)**	**(1,122,777)**
XII.	**Net operating profit/(loss) (IX-X-XI)**		**1,344,827**
XIII.	**Income resulted from mergers**		**-**
XIV.	**Income/loss from investments under equity accounting**		**-**
XV.	**Gain/loss on net monetary posıtıon**		**-**
XVI.	**Operating profit/loss before taxes (XII+...+XV)**	**(IV-8)**	**1,344,827**
XVII.	**Provision for taxes of continued operations (±)**	**(IV-9)**	**(283,067)**
17.1	Current tax provision		(214,013)
17.2	Expense effect of deferred tax (+)		(289,707)
17.3	Income effect of deferred tax (-)		220,653
XVIII.	**Net profit/(loss) from continuing operations (XVI±XVII)**	**(IV-10)**	**1,061,760**
XIX.	**Income from discontinued operations**		**-**
19.1	Income from non-current assets held for resale		-
19.2	Profit from sales of associates, subsidiaries and joint ventures		-
19.3	Income from other discontinued operations		-
XX.	**Expenses for discontinued operations (-)**		**-**
20.1	Expenses for non-current assets held for resale		-
20.2	Loss from sales of associates, subsidiaries and joint ventures		-
20.3	Loss from other discontinued operations		-
XXI.	**Profit/(loss) before tax from discontinued operations (XIX-XX)**		**-**
XXII.	**Tax provision for discontinued operations (±)**		**-**
22.1	Current tax provision		-
22.2	Expense effect of deferred tax (+)		-
22.3	Income effect of deferred tax (-)		-
XXIII.	**Net profit/(loss) from discontinued operations (XXI±XXII)**		**-**
XXIV.	**Net profit/(loss) (XVIII+XXIII)**	**(IV-11)**	**1,061,760**
	Earnings per share		0.3046

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Unconsolidated statement of profit or loss
for the year ended 31 December 2018
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

	Income and expense items (*)	Note (section five)	Audited Prior Period (01/01/2017-31/12/2017)
I.	**Interest income**	**(IV-1)**	**4,956,715**
1.1	Interest on loans		4,410,087
1.2	Interest on reserve requirements		44,633
1.3	Interest on banks		42,705
1.4	Interest on money market transactions		214,885
1.5	Interest on marketable securities portfolio		244,050
1.5.1	Financial assets held for trading		7,520
1.5.2	Financial assets at fair value through profit or loss		-
1.5.3	Financial assets available for sale		236,530
1.5.4	Investments held to maturity		-
1.6	Financial lease income		-
1.7	Other interest income		355
II.	**Interest expense**	**(IV-2)**	**(2,266,507)**
2.1	Interest on deposits		(1,822,264)
2.2	Interest on funds borrowed		(383,166)
2.3	Interest on money market transactions		(41,630)
2.4	Interest on securities issued		(9,934)
2.5	Other interest expenses		(9,513)
III.	**Net interest income (I – II)**		**2,690,208**
IV.	**Net fees and commissions income**		**535,845**
4.1	Fees and commissions received		747,477
4.1.1	Non-cash loans		194,952
4.1.2	Other	(IV-12)	552,525
4.2	Fees and commissions paid		(211,632)
4.2.1	Non-cash loans		(492)
4.2.2	Other	(IV-12)	(211,140)
V.	**Dividend income**	**(IV-3)**	**49,661**
VI.	**Trading gain/(loss) (net)**	**(IV-4)**	**(438,183)**
6.1	Trading gain/(loss) on securities		(578)
6.2	Gain/(loss) on derivative financial transactions		(25,647)
6.3	Foreign exchange gain/(loss)		(411,958)
VII.	**Other operating income**	**(IV-5)**	**374,171**
VIII.	**Total operating income (III+IV+V+VI+VII)**		**3,211,702**
IX.	**Provision for loan losses and other receivables (-)**	**(IV-6)**	**(639,233)**
X.	**Other operating expenses (-)**	**(IV-7)**	**(1,508,651)**
XI.	**Net operating profit/(loss) (VIII-IX-X)**		**1,063,818**
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**
XVI.	**Tax provisions for continuing operations (±)**	**(IV-9)**	**(220,066)**
16.1	Current tax provision		(243,225)
16.2	Deferred tax provision		23,159
XVII.	**Net profit/(loss) from continuing operations (XV±XVI)**	**(IV-10)**	**843,752**
XVIII.	**Income from discontinued operations**		**-**
18.1	Income from non-current assets held for resale		-
18.2	Profit from sales of associates, subsidiaries and joint ventures		-
18.3	Income from other discontinued operations		-
XIX.	**Expenses for discontinued operations (-)**		**-**
19.1	Expenses for non-current assets held for resale		-
19.2	Loss from sales of associates, subsidiaries and joint ventures		-
19.3	Loss from other discontinued operations		-
XX.	**Profit/(loss) before tax from discontinued operations (XVIII-XIX)**	**(IV-8)**	**-**
XXI.	**Tax provision for discontinued operations (±)**	**(IV-9)**	**-**
21.1	Current tax provision		-
21.2	Deferred tax provision		-
XXII.	**Net profit/(loss) from discontinued operations (XX±XXI)**	**(IV-10)**	**-**
XXIII.	**Net profit/(loss)(XVII+XXII)**	**(IV-11)**	**843,752**
	Earnings per share		0.2420

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

ING Bank A.Ş.

Unconsolidated statement profit or loss and other comprehensive income for the year ended 31 December 2018

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

		Audited
	Profit or loss and other comprehensive income (*)	**Current period**
		(01/01/2018-31/12/2018)
I.	**Current period profit/loss**	**1,061,760**
II.	**Other comprehensive income**	**342,489**
2.1	**Other income/expense items not to be recycled to profit or loss**	**(1,406)**
2.1.1	Gains/(losses) on revaluation of property, plant and equipment	-
2.1.2	Gains/(losses) on revaluation of intangible assets	-
2.1.3	Defined benefit plans' actuarial gains/(losses)	(1,794)
2.1.4	Other income/(expense) items not to be recycled to profit or loss	15
2.1.5	Deferred taxes on other comprehensive income not to be recycled to profit or loss	373
2.2	**Other income/expense items to be recycled to profit or loss**	**343,895**
2.2.1	Translation differences	-
2.2.2	Income/(Expenses) from valuation and/or reclassification of financial assets measured at FVOCI	(10,864)
2.2.3	Gains/(losses) from cash flow hedges	447,901
2.2.4	Gains/(losses) on hedges of net investments in foreign operations	-
2.2.5	Other income/(expense) items to be recycled to profit or loss	-
2.2.6	Deferred taxes on other comprehensive income to be recycled to profit or loss	(93,142)
III.	**Total comprehensive income (I+II)**	**1,404,249**

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Unconsolidated statement profit or loss and other comprehensive income for the year ended 31 December 2018

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

	Income and expense items recognized under shareholders' equity (*)	**Audited Prior period (01/01/2017-31/12/2017)**
I.	**Additions to marketable securities valuation differences from available for sale financial assets**	**(84,657)**
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**
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)**
IX.	**Deferred tax related to valuation differences**	**(39,860)**
X.	**Net income/expense directly recognized under shareholders' equity (I+II+…+IX)**	**69,071**
XI.	**Profit/loss for the period**	**843,752**
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 statement of profit or loss	4,258
11.3	Part of foreign investment hedge derivative financial assets reclassified into statement of profit or loss	-
11.4	Other	745,465
XII.	**Total profit/loss recognized for the period (X±XI)**	**912,823**

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Unconsolidated statement of changes in equity
for the year ended 31 December 2018
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

Changes in equity

	Statement of changes in shareholders' equity						Other comprehensive income/expense items not to be recycled to profit or loss			Other comprehensive income/expense items to be recycled to profit or loss						
	Audited (*)	**Note**	**Paid-in capital**	**Share premium**	**Share cancellation profits**	**Other capital reserves**	**Revaluation surplus on tangible and intangible assets**	**Defined benefit plans' actuarial gains/losses**	**Other (1)**	**Translation differences**	**Income/expenses from valuation and/or reclassification of financial assets measured at FVOCI**	**Other (2)**	**Profit reserves**	**Prior period profit or (loss)**	**Current period profit or (loss)**	**Total shareholders' equity**
	Current period (01/01/2018-31/12/2018)															
I.	**Balances at beginning of period**		**3,486,268**	**-**	**-**	**-**	**46,732**	**299**	**143**	**326**	**(17,799)**	**250,288**	**1,158,736**	**-**	**843,752**	**5,768,745**
II.	**Correction made as per TAS 8**		**-**	**-**	**-**	**-**	**-**	**-**	**(399)**	**-**	**11,951**	**-**	**406,451**	**-**	**-**	**418,003**
2.1	Effect of corrections		-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2	Effect of changes in accounting policies	(XXV)	-	-	-	-	-	-	(399)	-	11,951	-	406,451	-	-	418,003
III.	**New balance (I+II)**		**3,486,268**	**-**	**-**	**-**	**46,732**	**299**	**(256)**	**326**	**(5,848)**	**250,288**	**1,565,187**	**-**	**843,752**	**6,186,748**
IV.	Total comprehensive income		-	-	-	-	-	(1,421)	15	-	(8,781)	352,676	-	-	1,061,760	1,404,249
V.	Capital increase by cash		-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI.	Capital increase by internal sources		-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	Paid-in capital inflation adjustment difference		-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.	Convertible bonds to shares		-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.	Subordinated debt instruments		-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	Increase/decrease by other changes		-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI.	Profit distribution		-	-	-	-	94,189	-	-	-	-	-	580,813	-	(843,752)	(168,750)
11.1	Dividends paid	(II-12)	-	-	-	-	-	-	-	-	-	-	(168,750)	-	-	(168,750)
11.2	Transfers to reserves	(II-12)	-	-	-	-	94,189	-	-	-	-	-	749,563	-	(843,752)	-
11.3	Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Period-end balance (III+IV+…...+X+XI)		**3,486,268**	**-**	**-**	**-**	**140,921**	**(1,122)**	**(241)**	**326**	**(14,629)**	**602,964**	**2,146,000**	**-**	**1,061,760**	**7,422,247**

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(1) Other (Shares of investments valued by equity method in other comprehensive income not to be recycled to profit or loss and other accumulated amounts of other comprehensive income items not to be recycled to other profit or loss)

(2) Other (Cash flow hedge gain/loss, shares of investments valued by equity method in other comprehensive income recycled to profit or loss and other accumated amounts of other comprehensive income items recycled to other profit or loss)

ING Bank A.Ş.

Unconsolidated statement of changes in equity
for the year ended 31 December 2018
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

Changes in 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 discont. operations	Total equity
	Prior period																	
	(01/01/2017-31/12/2017)																	
I.	**Prior period closing balance**		**3,486,268**	**-**	**-**	**-**	**99,858**	**-**	**707,805**	**2,019**	**571,161**	**-**	**63,623**	**26,644**	**-**	**98,544**	**-**	**5,055,922**
	Changes in the period																	
II.	**Increase/decrease related to merger**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	**Marketable securities valuation differences**		-	-	-	-	-	-	-	-	-	-	**(82,280)**	-	-	-	-	**(82,280)**
IV.	**Hedging funds (effective portion)**		-	-	-	-	-	-	-	-	-	-	-	-	-	**152,874**	-	**152,874**
4.1	Cash flow hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	152,874	-	152,874
4.2	Hedge of net investments in foreign operations		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V.	**Property and equipment revaluation differences**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI.	**Intangible assets revaluation differences**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	**Bonus shares from investments in associates, subsidiaries and joint ventures**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.	**Foreign exchange differences**		-	-	-	-	-	-	-	-	-	-	**1,001**	-	-	**(1,130)**	-	**(129)**
IX.	**Changes due to the disposal of assets**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	**Changes due to the reclassification of assets**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI.	**Effect of changes in equity of associates**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII.	**Capital increase**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.1	Cash increase		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.2	Internal resources		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII.	**Share premium**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV.	**Share cancellation profits**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV.	**Inflation adjustment to paid-in capital**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI.	**Other**		-	-	-	-	-	-	-	**(1,394)**	-	-	-	-	-	-	-	**(1,394)**
XVII.	**Current year profit or (loss)**		-	-	-	-	-	-	-	-	**843,752**	-	-	-	-	-	-	**843,752**
XVIII.	**Profit distribution**		-	-	-	-	**48,558**	-	**302,515**	-	**(571,161)**	-	-	**20,088**	-	-	-	**(200,000)**
18.1	Dividends paid		-	-	-	-	-	-	(200,000)	-	-	-	-	-	-	-	-	(200,000)
18.2	Transfers to reserves		-	-	-	-	48,558	-	502,515	-	(571,161)	-	-	20,088	-	-	-	-
18.3	Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Period end balance (I+II+III+...+XVI+XVII+XVIII)		**3,486,268**	**-**	**-**	**-**	**148,416**	**-**	**1,010,320**	**625**	**843,752**	**-**	**(17,656)**	**46,732**	**-**	**250,288**	**-**	**5,768,745**

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Unconsolidated statement of cash flows for the year ended 31 December 2018

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

	Statement of Cash flows (*)	Note	Audited Current period (01/01/2018-31/12/2018)
A.	**Cash flows from banking operations**		
1.1	**Operating profit/(loss) before changes in operating assets and liabilities**		**3,388,855**
1.1.1	Interest received		6,569,712
1.1.2	Interest paid		(3,406,406)
1.1.3	Dividend received		68,844
1.1.4	Fees and commissions received		780,011
1.1.5	Other income	(VI-2)	82,549
1.1.6	Collections from previously written-off loans and other receivables		614,267
1.1.7	Payments to personnel and service suppliers		(1,429,263)
1.1.8	Taxes paid		(114,687)
1.1.9	Other	(VI-2)	223,828
1.2	**Changes in operating assets and liabilities**		**1,508,751**
1.2.1	Net increase/decrease in financial assets at fair value through profit or loss		13,302
1.2.2	Net (increase) decrease in due from bank		(152,173)
1.2.3	Net (increase) decrease in loans		(1,903,890)
1.2.4	Net (increase) decrease in other assets	(VI-2)	92,775
1.2.5	Net increase (decrease) in bank deposits		(37,866)
1.2.6	Net increase (decrease) in other deposits		735,161
1.2.7	Net increase/decrease in financial liabilities at fair value through profit or loss		-
1.2.8	Net increase / (decrease) in funds borrowed		1,232,260
1.2.9	Net increase / (decrease) in payables		-
1.2.10	Net increase / (decrease) in other liabilities	(VI-2)	1,529,182
I.	**Net cash provided from banking operations**		**4,897,606**
B.	**Cash flow from investing activities**		
II.	**Net cash provided from investing activities**		**(316,147)**
2.1	Cash paid for acquisition of subsidiaries, investments in associates and joint ventures		-
2.2	Cash obtained from disposal of subsidiaries, investments in associates and joint ventures		-
2.3	Purchases of property and equipment		(332,402)
2.4	Disposals of property and equipment		135,125
2.5	Cash paid for purchase of financial assets at fair value through other comprehensive income		(241,088)
2.6	Cash obtained from sale of financial assets at fair value through other comprehensive income		3,049
2.7	Cash paid for purchase of financial assets measured at amortised cost		-
2.8	Cash obtained from sale of financial assets measured at amortised cost		142,041
2.9	Other	(VI-2)	(22,872)
C.	**Cash flows from financing activities**		
III.	**Net cash provided from financing activities**		**(168,750)**
3.1	Cash obtained from funds borrowed and securities issued	(II-4)	265,000
3.2	Cash used for repayment of funds borrowed and securities issued	(II-4)	(265,000)
3.3	Issued equity instruments		-
3.4	Dividends paid	(II-12)	(168,750)
3.5	Payments for finance leases		-
3.6	Other		-
IV.	**Effect of change in foreign exchange rate on cash and cash equivalents**	**(VI-2)**	**1,332,484**
V.	**Net increase in cash and cash equivalents (I+II+III+IV)**		**5,745,193**
VI.	**Cash and cash equivalents at beginning of the period**	**(VI-1)**	**4,885,190**
VII.	**Cash and cash equivalents at the end of the period**	**(VI-1)**	**10,630,383**

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Unconsolidated statement of cash flows
for the year ended 31 December 2018
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

	Statement of Cash flows (*)	Note	Audited Prior period (01/01/2017-31/12/2017)
A.	**Cash flows from banking operations**		
1.1	**Operating profit/(loss) before changes in operating assets and liabilities**		**555,923**
1.1.1	Interest received		5,042,684
1.1.2	Interest paid		(2,223,976)
1.1.3	Dividend received		49,661
1.1.4	Fees and commissions received		747,477
1.1.5	Other income		75,103
1.1.6	Collections from previously written-off loans and other receivables		328,151
1.1.7	Payments to personnel and service suppliers		(1,249,127)
1.1.8	Taxes paid		(202,776)
1.1.9	Other		(2,011,274)
1.2	**Changes in operating assets and liabilities**		**(713,345)**
1.2.1	Net (increase)/decrease in trading securities		(35,737)
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)
1.2.4	Net (increase)/decrease in loans		(3,669,378)
1.2.5	Net (increase)/decrease in other assets		290,444
1.2.6	Net increase/(decrease) in bank deposits		(455,144)
1.2.7	Net increase/(decrease) in other deposits		2,912,174
1.2.8	Net increase/(decrease) in funds borrowed		316,780
1.2.9	Net increase/(decrease) in payables		-
1.2.10	Net increase/(decrease) in other liabilities		(14,713)
I.	**Net cash provided from banking operations**		**(157,422)**
B.	**Cash flow from investing activities**		
II.	**Net cash provided from investing activities**		**713,918**
2.1	Cash paid for acquisition of subsidiaries, investments in associates and joint ventures		-
2.2	Cash obtained from disposal of subsidiaries, investments in associates and joint ventures		-
2.3	Purchases of property and equipment		(178,920)
2.4	Disposals of property and equipment		88,860
2.5	Cash paid for purchase of investments available-for-sale		(202,325)
2.6	Cash obtained from sale of investments available-for-sale		1,022,397
2.7	Cash paid for purchase of investment securities		-
2.8	Cash obtained from sale of investment securities		-
2.9	Other		(16,094)
C.	**Cash flows from financing activities**		
III.	**Net cash provided from financing activities**		**(450,000)**
3.1	Cash obtained from funds borrowed and securities issued		257,445
3.2	Cash used for repayment of funds borrowed and securities issued		(507,445)
3.3	Issued equity instruments		-
3.4	Dividends paid		(200,000)
3.5	Payments for finance leases		-
3.6	Other		-
IV.	**Effect of change in foreign exchange rate on cash and cash equivalents**		**406,721**
V.	**Net increase in cash and cash equivalents (I+II+III+IV)**		**513,217**
VI.	**Cash and cash equivalents at beginning of the period**		**4,371,973**
VII.	**Cash and cash equivalents at the end of the period**		**4,885,190**

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

ING Bank A.Ş.

Statement of profit distribution
for the year ended 31 December 2018
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

	Profit distribution table	Audited Current period (31/12/2018) (*)	Audited Prior period (31/12/2017)
I.	**Distribution of current year profit**		
1.1	Current year profit	1,344,827	1,063,818
1.2	Taxes and duties payable (-)	283,067	220,066
1.2.1	Corporate tax (Income tax)	214,013	243,225
1.2.2	Income withholding tax	-	-
1.2.3	Other taxes and duties	69,054	(23,159)
A.	**Net profit for the year (1.1-1.2)**	**1,061,760**	**843,752**
1.3	Prior year losses (-)	-	-
1.4	First legal reserves (-)	-	42,188
1.5	Other statutory reserves (-)	-	-
B.	**Net profit available for distribution (A-(1.3+1.4+1.5))**	**1,061,760**	**801,564**
1.6	First dividend to shareholders (-)	-	168,750
1.6.1	To owners of ordinary shares	-	168,750
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 (**)	-	538,625
1.13	Other reserves	-	-
1.14	Special funds (***)	-	94,189
II.	**Distribution of reserves**		
2.1	Appropriated reserves	-	-
2.2	Second legal reserves (-)	-	-
2.3	Dividends to shareholders (-)	-	-
2.3.1	To owners of ordinary shares	-	-
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	0.30	0.24
3.2	To owners of ordinary shares (%)	30.46%	24.20%
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	-	0.05
4.2	To owners of ordinary shares (%)	-	4.84%
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 the financial statements, 2018 annual ordinary general meeting has not been held yet. In accordance with the regulations in Turkey, companies do not make profit distribution based on consolidated financials. In this respect, the profit distribution tables stated above belong to the Bank.

(**) According to Ordinary General Meeting dated 19 March 2018, among total distributable profit for the year 2017, TL 174,313 has been classified as first dividend share, TL 168,750 as gross amount before tax has been paid in cash while TL 5,563 of first dividend payment and TL 533,062 are kept as extraordinary reserves.

(***) According to Ordinary General Meeting dated 19 March 2018, profit for the year 2017 amounting to TL 94,189 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).

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 ("POA") (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 and financial liabilities measured on a fair value basis.

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 statement of profit or loss.

b. Additional paragraph for convenience translation to English

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

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

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

The accounting policies adopted in the preparation of the unconsolidated financial statements are consistent with the standards used in the previous year except for the items explained in the article 1-d.

d. Changes in accounting policies and disclosures

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

TFRS 15 and other new Turkish Financial Reporting Standards ("TFRS") / Turkish Accounting Standards ("TAS") amendments in effect do not have significant impact on the Bank's accounting policies, financial position and performance.

I. Explanations on basis of presentation (continued)

New and amended standards and interpretations

TFRS 16 Leases

TFRS16 Leases ("TFRS 16"), effective starting from 1 January 2019, removes the distinction between operating and finance leases applied by the lessee in TMS 17 Leases ("TMS 17"). Instead, it is set forth a single accounting model similar to the accounting of finance leases on balance sheet. For lessors, the accounting stays almost the same. The standard will be effective from annual periods beginning on or after 1 January 2019 and the Bank's adoption process regarding the mentioned amendments continues as of the reporting date. The Bank does not expect a significant impact in its financials with the adaptation of TFRS 16 at 1 January 2019. The Bank intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

Standards effective as of 1 January 2018

TFRS 9 Financial instruments

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

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

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

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

Changes regarding classification and measurement of financials assets

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

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

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

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

I. Explanations on basis of presentation (continued)

Impairment

TFRS 9 has changed the accounting for loan loss impairments by replacing incurred loss approach of TAS 39 with an expected credit loss ("ECL") approach.

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

TFRS 15 Revenue from contracts with customers

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

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 reporting 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 reporting date. Gains and losses arising from such transactions are recognized in the statement of profit or loss under the account of foreign exchange gains or losses.

III. Explanations on equity investments

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

IV. Explanations on forward and options contracts and derivative instruments

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

Derivative financial instruments of the Bank are classified as "Derivative Financial Assets Designated at Fair Value through Profit or Loss" or "Derivative Financial Assets Designated at Fair Value through Other Comprehensive Income" per TFRS 9.

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

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

V. Explanations on interest income and expense

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

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

VI. Explanations on fee and commission income and expenses

Commissions paid for the loans provided and fees and commissions collected from clients in return for these loans are reflected on the statement of profit or loss 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 statement of profit or loss 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 statement of profit or loss during the term of the loan.

VII. Explanations on financial instruments

Initial recognition of financial instruments

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

Initial measurement of financial instrument

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

Classification of financial instruments

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

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

Assessment of business model

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

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

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

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

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

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

VII. Explanations on financial instruments (continued)

Other business models:

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

Measurement categories of financial assets and liabilities

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

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

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

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

Financial assets measured at fair value through other comprehensive income:

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

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

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

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

VII. Explanations on financial instruments (continued)

Financial assets measured at amortized cost:

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

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

Loans:

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

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

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

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

VIII. Explanations on impairment of financial assets

With the "Regulation on the Procedures and Principles for Determination of Qualifications of Loans and Other Receivables by Banks and Provisions to be Set Aside (Provision Regulation)" promulgated by BRSA in the Official Gazette, no. 29750, dated 22 June 2016, the Bank has started calculating provisions as of 1 January 2018, in scope of TFRS 9 for financial instruments, loans and other receivables. Accordingly, loss allowance for expected credit losses is recognized for the financial assets measured at amortised cost and financial assets measured at fair value through other comprehensive income.

Per TFRS 9, loss allowance for expected credit losses is recognised on financial assets measured at amortised cost, financial assets measured at fair value through other comprehensive income, loan commitments and financial guarantee contracts not measured at fair value through profit or loss. Expected credit loss estimates should include objective information weighted according to possibilities and that can be supported about past events, existing conditions and predictions about future economic conditions.

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

- **Stage 1:** For the financial assets at initial recognition or that do not have a significant increase in credit risk since initial recognition. Impairment for credit risk is recorded in the amount of 12-month expected credit losses.
- **Stage 2:** In the event of a significant increase in credit risk since initial recognition, the financial asset is transferred to Stage 2. Impairment for credit risk is determined on the basis of the instrument's lifetime expected credit losses.
  A financial asset is transferred from Stage 1 to Stage 2 when there is a significant increase in credit risk after initial recognition. Bank has established a framework which incorporates quantitative and qualitative information to identify significant risk increase on an asset level applying a relative assessment. Each financial asset is assessed at the reporting date to determine significant risk increase.

  Bank considers the following criteria.

  Quantitative criteria: The change in lifetime probability of default is the main trigger the transfer between Stage 1 and Stage 2. The trigger compares probability of default at the origination date versus probability of default at the reporting date, considering the remaining maturity. Assets can be transferred in both directions between Stage 1 and Stage 2. In order to determine if movements can be considered as significant, Bank implements different probability of default thresholds to evaluate absolute and relative changes occurring in both retail and corporate portfolios.

VIII. Explanations on impairment of financial assets (continued)

Qualitative criteria: Bank considers several indicators aligned with those used in credit risk management. Specific qualitative criteria for retail and corporate portfolio has been defined, according to its particularities and with the policies currently in use. The use of these qualitative criteria is complemented with the use of expert judgement.

- Having past due more than 30 days,
- Loans classified to watch list status according to the decision of the Bank's management,
- Restructured loans in compliance with "Regulation on the Procedures and Principles for Determination of Qualifications of Loans and Other Receivables by Banks and Provisions to be Set Aside ",
- Restructured loans according to an administrative judgement,
- Other consumer loans of individual clients whose one of the consumer loan transferred to non-performing loan portfolio.

- **Stage 3:** Stage 3 includes financial assets that have objective evidence of impairment at the reporting date. For these assets, lifetime expected credit losses are recognized and interest revenue is calculated on the net carrying amount.

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

  - Having past due more than 90 days
  - Problems in aspect of client's creditworthiness
  - Collaterals and/or debtor's equities are insufficient for the timely payment of receivables
  - Collection of receivables is considered to be delayed for more than 90 days due to macroeconomic, industry specific or customer specific reasons.

Use of present, past, future information and macroeconomic predictions: Expected loss estimations take into consideration multiple macroeconomic scenarios for which the probability is measured according to past events, existing conditions and predictions about future economic conditions for economic variables (such as unemployment rates, GDP growth, FX rate fluctuations, real estate prices, and short-term interest rates). Bank has defined three macroeconomic scenarios to use for future predictions, a baseline, an up-scenario and a down-scenario. Macroeconomic models are used to convert the parameters used in expected loss estimations to forward looking versions. Different models exist for large corporate, financial institutions, corporate, retail mortgage and retail portfolios.

Expected credit loss measurement:

Bank applies "Probability of Default x Exposure at Default x Loss Given Default" method which also takes the time value of money into account. For Stage 1 financial assets; a forward-looking approach on a twelve-month period is applied in order to calculate expected credit loss. For Stage 2 financial assets; a lifetime expected loss is calculated. The lifetime expected loss is the discounted sum of the portions of lifetime losses related to default events within each period of twelve months till maturity. For Stage 3 financial assets; the probability of default equals 100%, the loss given default and the exposure at default represent a lifetime expected loss calculated based on properties of the defaulted loan.

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 intents 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 other comprehensive income or will be measured at amortised cost, 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".

Securities lending transactions are classified under "money market placements" and accruals are calculated for the interest expense occurred.

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 statement of profit or loss. 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.

XIV. Explanations on leasing transactions

a. Accounting of leasing operations as lessor

The Bank does not have any leasing operations as lessor.

b. Accounting of leasing operations as lessee

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

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

XV. Explanations on provisions, contingent assets and liabilities

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

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

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

XVI. Explanations on obligations related to employee rights

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

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

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

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

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

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

XVII. Explanations on taxation

a. Current tax

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

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

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

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

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

XVII. Explanations on taxation (continued)

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

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

b. Deferred tax

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

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

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

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

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

c. Transfer Pricing

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

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

XVIII. Explanations on borrowings

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

XIX. Explanation on issuance of equity securities

There are no issuance of equity securities in 2018.

XX. Explanations on guarantees and acceptances

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

XXI. Explanations on government incentives

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

XXII. Explanations on segment reporting

An operating segment is a component of an entity:

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

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

XXIII. Profit reserves and distribution of profit

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

XXIV. Explanations on other disclosures

None.

XXV. Explanation on TFRS 9 financial instruments standard

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

Recognition and Measurement of Financial Instruments

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

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

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

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

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

Hedge Accounting

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

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

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

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

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

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

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

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

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

(1) As of 1 January 2018, the Bank classified "Derivative Financial Assets Held for Trading" and "Derivative Financial Assets Held for Hedging Purpose" in the prior year financial statements amounting to TL 571,960 and TL 1,571,395, respectively into "Derivative Financial Assets". In addition, the Bank classified investment funds amounting to TL 49 from "Available for Sale Financial Assets" in the prior year financial statements into "Financial Assets at Fair Value through Profit or Loss" as of 1 January 2018.

(2) As of 1 January 2018, the Bank classified debt securities previously classified as "Available for Sale Financial Assets" amounting to TL 1,301,589 into "Financial assets at amortized cost" due to the fact that they are assessed within the scope of a business model whose objective is achieved by both collecting contractual cash flows and the contractual terms of such financial assets meet the condition of giving rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. As a result, the impairment amounting to TL 15,347 and TL 3,396 deferred tax liability recognized under shareholders equity were cancelled. In addition, as of 1 January 2018, the Bank classified debt securities previously classified as "Available for Sale Financial Assets" amounting to TL 434,350 into "Financial assets at fair value through other comprehensive income" due to the fact that they are assessed within the scope of a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and the contractual cash flow test covering solely the principal and the interest on the outstanding principal amount.

(3) As of 1 January 2018, the Bank does not have any loan balance which does not meet the condition of giving rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The Bank classified a loan balance previously classified as "Performing Loans" amounting to TL 5,128,875 as "Loans and Receivables under close monitoring" due to having significant increase in credit risk as explained in the accounting policies section in details.

(4) As of 1 January 2018, the Bank classified "Derivative Financial Liabilities Held for Trading" and "Derivative Financial Liabilities Held for Hedging Purpose" in the prior year financial statements amounting to TL 469,316 and TL 25,454, respectively into "Derivative Financial Liabilities".

(5) As of 1 January 2018, the Bank classified expected losses calculated based on TFRS 9 into the relevant line items through reversing General Provision amount in the prior year financial statements. While the Bank classifies expected losses calculated for financial assets and loans in the relevant expected losses line items under assets as per TFRS 9, expected losses calculated for non-cash loans are classified as "Other Provisions" under liabilities.

(6) As of 1 January 2018, the Bank classified miscellaneous payables amounting to TL 401,619 and other external fundings amounting to TL 224,013 into "Other Liabilities".

(7) As of 1 January 2018, the Bank made a net deferred tax asset of TL 65,575, with an increase of TL 3,375 from the classification of financial assets and a loss of TL 68,950 from the calculation of the expected losses in the shareholders equity item on the first time adoption of TFRS 9.

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

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

a. Financial assets at fair value through profit or loss

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

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

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

b. Available for sale financial assets

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

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.

(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

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 2018, the Bank's total capital is TL 11,119,321 and the capital adequacy ratio is 21.74%. As of 31 December 2017, the Bank's total capital amounted to TL 8,956,433 and capital adequacy ratio was 19.93%.

	Current period	Amount related to implementation before 01.01.2014 (*)
COMMON EQUITY Tier I Capital		
Paid-in capital to be entitled for compensation after all creditors	3,486,268	
Share premium	-	
Legal reserves	2,146,000	
Other comprehensive income according to TAS	140,125	
Profit	1,061,760	
Net profit for the period	1,061,760	
Prior period profit	-	
Bonus shares from investments in associates, subsidiaries and joint ventures that are not recognized in profit	-	
Common equity Tier I capital before deductions	**6,834,153**	
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	14,870	
Leasehold improvements on operational leases	39,955	
Goodwill netted off deferred tax liability	-	
Other intangibles netted off deferred tax liability except for mortgage servicing rights	36,215	36,215
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 4th clause of the 56th 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 2nd 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	**91,040**	
Total common equity Tier I capital	**6,743,113**	
ADDITIONAL TIER I CAPITAL		
Preferred Stock not Included in Common Equity Tier I capital and the Related Share Premiums	-	
Debt instruments and premiums approved by BRSA	-	
Debt instruments and premiums approved by BRSA (in scope of Temporary Article 4)	-	
Additional Tier I capital before deductions	-	
Deductions from additional Tier I capital		
Bank's direct and indirect investments in its own Additional Tier I capital	-	
Investments in equity instruments issued by banks and financial institutions that have invested in Bank's additional Tier I Capital, which are compatible with Article 7 of the regulation	-	
Portion of total Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital, which Exceeds 10% of Bank's Tier I Capital	-	
The Total of Net Long Positions of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital	-	
Other items to be defined by the BRSA	-	
Items continuing to be deducted from Tier I Capital during the Transition Period		
Portion of the goodwill and other intangible assets and related deferred tax liabilities which will not be deducted from Common Equity Tier I capital as per the first sub-paragraph of the Provisional Article 2 of the Regulation on the Equity of Banks (-)	-	
Portion of the net deferred tax asset/liability not deducted from Common Equity Tier I capital as per the first sub-paragraph of the Provisional Article 2 of the Regulation on the Equity of Banks (-)	-	
Deductions to be made from common equity in case adequate Additional Tier I Capital or Tier II Capital is not available (-)	-	
Total deductions from additional Tier I capital	**-**	
Total additional Tier I capital	**-**	
Total Tier I capital (Tier I Capital = Common Equity + Additional Tier I Capital)	**6,743,113**	

(*) 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".

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

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	3,807,119	
Bank's borrowing instruments and issue premiums (in scope of Temporary Article 4)	-	
Provisions (amounts stated in Article 8 of the Regulation on the Equity of Banks)	577,011	
Tier II Capital Before Deductions	**4,384,130**	
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	**4,384,130**	
Total capital (the sum of tier i capital and tier ii capital)	**11,127,243**	
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 (-)	7,922	
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	11,119,321	
Total risk weighted amounts	51,146,897	
CAPITAL ADEQUACY RATIOS		
Core Capital Adequacy Ratio (%)	13.18	
Tier I Capital Adequacy Ratio (%)	13.18	
Capital Adequacy Ratio (%)	21.74	
BUFFERS		
Total buffer requirement	1.937	
Capital protection buffer requirement (%)	1.875	
Bank specific cyclical buffer requirement (%)	0.062	
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 (%)	7.184	
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	177,124	
Limits related to provisions considered in Tier II calculation	-	
General provisions for standard based receivables (before ten thousand twenty five limitation)	593,394	
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	577,011	
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".

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

I. Explanations on unconsolidated capital (continued)

	Prior period	Amount related to implementation before 01.01.2014 (*)
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 4th clause of the 56th 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 2nd 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".

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

I. Explanations on unconsolidated capital (continued)

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

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

(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.
Unique identifier (e.g. CUSIP, ISIN, etc.)	-	-	-
Governing law(s) of the instrument	BRSA	BRSA	BRSA
Regulatory treatment	Supplementary capital	Supplementary capital	Supplementary capital
Subject to 10% deduction as of 1/1/2015	No	No	No
Eligible at stand-alone / consolidated	Stand alone -Consolidated	Stand alone -Consolidated	Stand alone -Consolidated
Instrument type (types to be specified by each jurisdiction)	Loan	Loan	Loan
Amount recognised in regulatory capital (Currency in million, as of most recent reporting date)	USD 102 million (TL 540 million) and EUR 90 million (TL 545 million)	USD 91 million (TL 482 million) and EUR 85 million (TL 514 million)	USD 62 million (TL 328 million) and EUR 231 million (TL 1,398 million)
Par value of instrument (Currency in million)	USD 102 million (TL 540 million) and EUR 90 million (TL 545 million)	USD 91 million (TL 482 million) and EUR 85 million (TL 514 million)	USD 62 million (TL 328 million) and EUR 231 million (TL 1,398 million)
Accounting classification	Subordinated Loans	Subordinated Loans	Subordinated Loans
Original date of issuance	11 March 2014	26 June 2014	26 May 2015
Perpetual or dated	Dated	Dated	Dated
Original maturity date	10 years	10 years	10 years
Issuer call subject to prior BRSA approval	Yes	Yes	Yes
Optional call date, contingent call dates and redemption amount	5th year	5th year	5th year
Subsequent call dates, if applicable	After 5th year	After 5th year	After 5th year
Coupons / dividends	-	-	-
Fixed or floating dividend/coupon	Floating	Floating	Floating
Coupon rate and any related index	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
Noncumulative or cumulative	-	-	-
Convertible or non-convertible	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
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
Whether conditions in Articles 7 and 8 of the Regulation on the Equity of Banks are met	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 200 million (full TL) obtained from ING Bank N.V. on 19 December 2013 was paid on 19 December 2018, at the end of the fifth year by using the early redemption option, in accordance with the BRSA's approval letter dated 11 December 2018.

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

I. Explanations on unconsolidated capital (continued)

Explanations on reconciliation of capital items to balance sheet

Risk classifications	Carrying amount	Amounts in equity calculation
Shareholders' equity	7,422,247	7,422,247
Gains from cash flow hedge transactions	602,964	(602,964)
Leasehold improvements on operational leases	39,955	(39,955)
Goodwill and intangible assets	39,804	(36,215)
General provision	593,394	577,011
Subordinated debt	3,813,522	3,807,119
Other deductions from shareholders' equity	7,922	(7,922)
Capital		**11,119,321**

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 and Credit Guarantee Fund suretyship having Treasury guarantee.

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 has started to apply TFRS 9 Financial Instruments ("TFRS 9") published by POA in the accompanying consolidated financial statements starting from 1 January 2018. Bank calculates Expected Credit Loss based provisions for credit losses.

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.

(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	9,103,955	8,646,802	7,322,499	8,137,414
Conditional and unconditional receivables from regional or local governments	814,597	677,616	525,771	318,778
Conditional and unconditional receivables from administrative bodies and non-commercial enterprises	6	7	7	3
Conditional and unconditional receivables from multilateral development banks	-	-	-	-
Conditional and unconditional receivables from international organizations	-	-	-	-
Conditional and unconditional receivables from banks and brokerage houses	10,427,244	8,810,914	5,910,962	6,507,071
Conditional and unconditional receivables from corporates	25,888,395	25,459,379	22,058,069	21,613,293
Conditional and unconditional receivables from retail portfolios	17,832,597	19,442,478	19,788,935	18,413,636
Conditional and unconditional receivables secured by mortgages	3,850,485	4,507,580	5,007,617	5,436,344
Past due receivables	205,904	225,036	94,557	96,096
Receivables defined under high risk category by BRSA	802,255	408,005	402,849	369,942
Securities collateralized by mortgages	-	-	-	-
Securitization positions	-	-	-	-
Short-term receivables from banks, brokerage houses and corporates	-	-	-	-
Investments similar to collective investment funds	-	-	-	-
Stock transactions	102,028	101,998	102,010	112,478
Other receivables	2,882,590	3,284,246	3,619,865	2,869,731
Total	**71,910,056**	**71,564,061**	**64,833,141**	**63,874,786**

(*) 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.

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 26% and 33% respectively (31 December 2017: 20% and 26%).

The proportion of the Bank's top 100 and 200 customers' non-cash loan balances in total non-cash loans is 86% and 89% (31 December 2017: 81% and 85%).

The proportion of the Bank's top 100 and 200 customers' cash and non-cash loan balances in total cash and non-cash loans 44% and 49% (31 December 2017: 36% and 41%).

7. Stage 1 and Stage 2 expected losses for unconsolidated credit risk amount to TL 593,394 (General provision as of 31 December 2017: TL 645,238).

(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 (**)																	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	Total
Current period																		
Domestic	9,103,955	814,597	6	-	-	5,720,521	24,760,701	17,829,659	3,849,736	205,789	802,052	-	-	-	-	5,912	2,882,590	65,975,518
European Union Countries	-	-	-	-	-	3,794,703	565,640	1,744	653	53	203	-	-	-	-	209	-	4,363,205
OECD Countries (***)	-	-	-	-	-	93,750	-	138	-	-	-	-	-	-	-	-	-	93,888
Off- Shore banking regions	-	-	-	-	-	68,589	-	-	-	-	-	-	-	-	-	-	-	68,589
USA, Canada	-	-	-	-	-	532,646	-	2	96	-	-	-	-	-	-	-	-	532,744
Other Countries	-	-	-	-	-	217,035	2,646	1,054	-	62	-	-	-	-	-	-	-	220,797
Investment and associates, subsidiaries and joint ventures	-	-	-	-	-	-	559,408	-	-	-	-	-	-	-	-	95,907	-	655,315
Undistributed assets / liabilities (****)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	**9,103,955**	**814,597**	**6**	**-**	**-**	**10,427,244**	**25,888,395**	**17,832,597**	**3,850,485**	**205,904**	**802,255**	**-**	**-**	**-**	**-**	**102,028**	**2,882,590**	**71,910,056**

	Risk categories (**)																	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	Total
Prior 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 in 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**

(*) 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

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

II. Explanations on unconsolidated credit risk (continued)

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

	Risk categories (**)																			
Current period	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**	**12**	**13**	**14**	**15**	**16**	**17**	**TP**	**YP**	**Total**
Agriculture	**-**	**-**	**-**	**-**	**-**	**-**	**247,131**	**140,022**	**20,277**	**-**	**6,553**	**-**	**-**	**-**	**-**	**-**	**-**	**257,491**	**156,492**	**413,983**
Farming and raising livestock	-	-	-	-	-	-	177,700	119,994	17,546	-	6,159	-	-	-	-	-	-	205,593	115,806	321,399
Forestry	-	-	-	-	-	-	31,599	10,858	2,566	-	308	-	-	-	-	-	-	33,930	11,401	45,331
Fishing	-	-	-	-	-	-	37,832	9,170	165	-	86	-	-	-	-	-	-	17,968	29,285	47,253
Manufacturing	**-**	**-**	**-**	**-**	**-**	**-**	**13,754,334**	**2,575,294**	**973,131**	**-**	**266,279**	**-**	**-**	**-**	**-**	**-**	**-**	**6,462,331**	**11,106,707**	**17,569,038**
Mining	-	-	-	-	-	-	3,048,085	121,295	44,403	-	7,220	-	-	-	-	-	-	275,220	2,945,783	3,221,003
Production	-	-	-	-	-	-	10,276,619	2,409,726	919,512	-	226,746	-	-	-	-	-	-	5,939,078	7,893,525	13,832,603
Electricity, gas, water	-	-	-	-	-	-	429,630	44,273	9,216	-	32,313	-	-	-	-	-	-	248,033	267,399	515,432
Construction	**-**	**-**	**-**	**-**	**-**	**-**	**1,458,993**	**531,550**	**60,313**	**-**	**89,798**	**-**	**-**	**-**	**-**	**-**	**-**	**1,114,945**	**1,025,709**	**2,140,654**
Services	**7,269,162**	**-**	**-**	**-**	**-**	**10,426,458**	**10,287,277**	**4,325,858**	**1,610,984**	**-**	**423,332**	**-**	**-**	**-**	**-**	**101,513**	**-**	**18,457,040**	**15,987,544**	**34,444,584**
Wholesale and retail trade	-	-	-	-	-	-	4,377,849	3,512,691	685,427	-	355,420	-	-	-	-	-	-	7,516,361	1,415,026	8,931,387
Hotel food, beverage services	-	-	-	-	-	-	728,920	158,352	757,021	-	7,271	-	-	-	-	-	-	423,723	1,227,841	1,651,564
Transportation and telecommunication	-	-	-	-	-	-	1,716,867	314,311	67,037	-	35,938	-	-	-	-	-	-	763,718	1,370,435	2,134,153
Financial institutions	7,269,162	-	-	-	-	10,426,458	1,163,097	19,419	5,228	-	1,147	-	-	-	-	101,513	-	8,723,963	10,262,061	18,986,024
Real estate and renting service	-	-	-	-	-	-	852,926	85,262	26,406	-	2,953	-	-	-	-	-	-	566,212	401,335	967,547
Self-employment service	-	-	-	-	-	-	1,131,150	149,947	16,497	-	16,108	-	-	-	-	-	-	274,833	1,038,869	1,313,702
Education services	-	-	-	-	-	-	6,801	25,123	21,965	-	2,436	-	-	-	-	-	-	41,194	15,131	56,325
Health and social services	-	-	-	-	-	-	309,667	60,753	31,403	-	2,059	-	-	-	-	-	-	147,036	256,846	403,882
Other	**1,834,793**	**814,597**	**6**	**-**	**-**	**786**	**140,660**	**10,259,873**	**1,185,780**	**205,904**	**16,293**	**-**	**-**	**-**	**-**	**515**	**2,882,590**	**15,746,294**	**1,595,503**	**17,341,797**
Total	**9,103,955**	**814,597**	**6**	**-**	**-**	**10,427,244**	**25,888,395**	**17,832,597**	**3,850,485**	**205,904**	**802,255**	**-**	**-**	**-**	**-**	**102,028**	**2,882,590**	**42,038,101**	**29,871,955**	**71,910,056**

(*) 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

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

II. Explanations on unconsolidated credit risk (continued)

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

	Risk categories (**)																			
Prior period	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**	**12**	**13**	**14**	**15**	**16**	**17**	**TP**	**YP**	**Total**
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

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

II. Explanations on unconsolidated credit risk (continued)

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

Current Period	Time to maturity						
Risk categories	1 month	1-3months	3-6 months	6-12 months	Over 1 year	Demand	Total
Conditional and unconditional receivables from central governments and Central Banks	7,267,861	-	-	-	1,834,793	1,301	9,103,955
Conditional and unconditional receivables from regional or local governments	-	18,474	135	-	795,988	-	814,597
Conditional and unconditional receivables from administrative bodies and non-commercial enterprises	-	-	-	-	-	6	6
Conditional and unconditional receivables from multilateral development banks	-	-	-	-	-	-	-
Conditional and unconditional receivables from international organizations	-	-	-	-	-	-	-
Conditional and unconditional receivables from banks and brokerage houses	4,774,714	454,048	246,473	606,806	3,844,136	501,067	10,427,244
Conditional and unconditional receivables from corporates	2,584,023	2,178,425	2,432,949	1,851,993	14,118,186	2,722,819	25,888,395
Conditional and unconditional receivables from retail portfolios	478,906	1,008,714	1,175,250	1,901,591	12,389,588	878,548	17,832,597
Conditional and unconditional receivables secured by mortgages	53,285	145,919	113,102	332,315	2,613,933	591,931	3,850,485
Past due receivables	-	-	-	-	-	205,904	205,904
Receivables defined under high risk category by BRSA	-	-	-	-	-	802,255	802,255
Securities collateralized by mortgages	-	-	-	-	-	-	-
Securitization positions	-	-	-	-	-	-	-
Short-term receivables from banks, brokerage houses and corporates	-	-	-	-	-	-	-
Investments similar to collective investment funds	-	-	-	-	-	-	-
Stock transactions	-	-	-	-	-	102,028	102,028
Other receivables	-	-	-	-	-	2,882,590	2,882,590
Total	**15,158,789**	**3,805,580**	**3,967,909**	**4,692,705**	**35,596,624**	**8,688,449**	**71,910,056**

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

Prior Period	Time to maturity						
Risk categories	1 month	1-3months	3-6 months	6-12 months	Over 1 year	Demand	Total
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**	**8,899,671**	**64,833,141**

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

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

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 2018. 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	8,596,365	-	5,283,414	-	4,233,105	19,862,297	33,445,185	489,690	-	-	-	98,962
Amount after credit risk mitigation	13,375,331	-	1,060,531	1,475,610	6,294,247	14,100,057	30,502,022	489,690	-	-	-	98,962

Prior 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

12. Miscellaneous information regarding important sectors or counterparty type

The Bank evaluates its financial assets in 3 stages based on TFRS 9 as explained in section three note VIII. In this respect, the life time expected credit losses are recognized for impaired loans (defaulted) and the probability of default is considered as 100%.

When the loan is not defaulted yet, but there is a significant increase in the credit risk since origination date, the life time expected credit losses are calculated for these loans (stage 2).

For loans in stage 1, 12-month default probability is calculated. The expected credit loss within 12 months from the date of reporting is recognized in the financial statements.

Current period	Loans (*)		Expected credit losses (TFRS 9)
	Impaired (TFRS 9)		
Important sectors / Counterparties	Significant increase in credit risk (Stage 2)	Defaulted (Stage 3)	
Agriculture	**163,544**	**13,415**	**12,596**
Farming and raising livestock	118,544	11,690	10,408
Forestry	1,962	1,531	1,336
Fishing	43,038	194	852
Manufacturing	**2,578,795**	**489,805**	**322,286**
Mining	107,150	38,347	36,930
Production	2,433,384	406,325	270,946
Electricity, gas, water	38,261	45,133	14,410
Construction	**505,825**	**189,315**	**127,311**
Services	**4,188,331**	**793,308**	**577,802**
Wholesale and retail trade	2,483,410	682,325	427,699
Hotel food, beverage services	849,866	14,814	50,095
Transportation and telecommunication	234,763	56,276	37,790
Financial institutions	20,025	2,029	2,677
Real estate and lending service	324,667	6,232	31,774
Self-employment service	218,546	23,565	20,597
Education service	18,917	3,567	2,692
Health and social services	38,137	4,500	4,478
Other	**3,146,543**	**568,082**	**490,790**
Total	**10,583,038**	**2,053,925**	**1,530,785**

(*) Represents the distribution of cash loans.

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

II. Explanations on unconsolidated credit risk (continued)

Prior Period Important sectors	Loans (*) Impaired	 Past due	Value adjustments	Provisions
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.

13. Information related to value adjustments and credit provisions

Current period	Opening balance	Provisions made within the term	Provision cancellations	Other adjustments (*)	Closing balance
Stage 3 provision	1,157,762	566,058	(649,759)	-	**1,074,061**
Stage 1 and stage 2 provisions (**)	365,940	530,029	(298,514)	-	**597,455**

Prior 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.

(**) Includes provisions accounted under equity for financial assets at fair value through other comprehensive income.

14. Exposures subject to countercyclical capital buffer

Country name	RWA calculations for private sector loans in banking book	RWA calculations for trading book	Total
Turkey	39,130,676	506,944	39,637,620
United Kingdom	980,726	59,886	1,040,612
France	530,419	127,324	657,743
Ireland	426,484	-	426,484
Belgium	290,740	-	290,740
USA	254,069	27,089	281,158
Romania	101,263	-	101,263
China	92,826	-	92,826
Holland	85,687	46,572	132,259
Germany	61,365	49	61,414
Other	217,935	72	218,007

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

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. Besides, 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 5.3078 (Full TL) and 6.0401 (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 2018)	5.2928	6.0528
Previous days;		
28 December 2018	5.2713	6.0420
27 December 2018	5.2815	6.0177
26 December 2018	5.2830	6.0173
25 December 2018	5.2930	6.0139
24 December 2018	5.2850	6.0371

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

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	5,474,168	1,726,926	1,010,265	8,211,359
Banks	182,726	81,757	249,402	513,885
Financial assets at fair value through profit or loss	23,664	19,902	-	43,566
Money market placements	-	-	-	-
Financial assets measured at fair value through other comprehensive income	208	-	-	208
Loans	7,951,607	1,900,540	2,910	9,855,057
Investments in associates, subsidiaries and joint ventures	-	334	-	334
Financial assets measured at amortised cost	-	-	-	-
Hedging derivative financial assets	-	-	-	-
Tangible assets (net)	-	-	-	-
Intangible assets (net)	-	-	-	-
Other assets	8,546	4,015	202	12,763
Total assets	**13,640,919**	**3,733,474**	**1,262,779**	**18,637,172**
Liabilities				
Bank deposit	1,958,571	315,852	144	2,274,567
Foreign currency deposits	2,875,181	6,662,158	512,165	10,049,504
Funds from interbank money market	20,450	-	-	20,450
Borrowings	8,185,699	7,160,950	-	15,346,649
Marketable securities issued (net)	-	-	-	-
Miscellaneous payables	19,491	43,627	375	63,493
Hedging derivative financial liabilities	4,528	-	-	4,528
Other liabilities	18,559	33,736	189	52,484
Total liabilities	**13,082,479**	**14,216,323**	**512,873**	**27,811,675**
Net on balance sheet position	**558,440**	**(10,482,849)**	**749,906**	**(9,174,503)**
Net off-balance sheet position	**(539,563)**	**10,469,558**	**(748,022)**	**9,181,973**
Financial derivative assets	7,987,608	19,445,937	1,196,112	28,629,657
Financial derivative liabilities	8,527,171	8,976,379	1,944,134	19,447,684
Non-cash loans	**5,566,823**	**8,243,943**	**178,836**	**13,989,602**
Prior period				
Total assets	**11,058,363**	**5,184,999**	**1,233,954**	**17,477,316**
Total liabilities	**11,764,122**	**13,636,876**	**313,184**	**25,714,182**
Net on-balance sheet position	**(705,759)**	**(8,451,877)**	**920,770**	**(8,236,866)**
Net off-balance sheet position	**702,801**	**8,445,747**	**(919,681)**	**8,228,867**
Financial derivative assets	6,914,832	17,978,148	802,738	25,695,718
Financial derivative liabilities	6,212,031	9,532,401	1,722,419	17,466,851
Non-cash loans	**5,353,080**	**6,342,203**	**68,892**	**11,764,175**

In the foreign currency risk table:

The principal and accrual of TL 462,816 (31 December 2017: TL 1,055,331) of foreign currency indexed loans are shown under loans.

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

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 301,939 (31 December 2017: TL 184,960).
Held-for trading derivative financial liabilities: TL 181,676 (31 December 2017: TL 183,502).
Hedge funds (Effective Portion): TL (4,482) (31 December 2017: TL (4,240)).
Interest rate swap (buy) transactions and options (buy): TL 4,680,290 (31 December 2017: TL 3,818,260).
Interest rate swap (sell) transactions and options (sell): TL 4,680,290 (31 December 2017: TL 3,818,260).

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

Forward foreign currency-buy transactions: TL 454,812 (31 December 2017: TL 1,054,558).
Forward foreign currency-sell transactions: TL 441,022 (31 December 2017: TL 959,626).

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 2018	31 December 2017	31 December 2018	31 December 2017
USD	10% increase	(1,329)	(613)	-	-
USD	10% decrease	1,329	613	-	-
EURO	10% increase	1,888	(296)	(448)	(424)
EURO	10% decrease	(1,888)	296	448	424

(*) 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 for trading book, 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 and monthly basis, whereas Interest rate risk standard ratio arising from banking books is reported on a monthly basis to BRSA.

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

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	7,244,807	23,054	-	-	-	1,642,370	8,910,231
Banks	13,873	821	-	-	-	500,273	514,967
Financial assets at fair value through profit and loss	155,358	191,223	247,324	16,424	-	48	610,377
Money market placements	4,202,437	-	-	-	-	-	4,202,437
Financial assets measured at fair value through other comprehensive income	30	263,210	8,849	367,708	-	6,121	645,918
Loans	7,805,448	4,551,347	10,018,565	14,216,678	952,781	516,395	38,061,214
Financial assets measured at amortised cost	-	245,961	949,035	-	-	-	1,194,996
Other assets (*)	796,624	2,172,287	-	-	-	1,409,611	4,378,522
Total assets	**20,218,577**	**7,447,903**	**11,223,773**	**14,600,810**	**952,781**	**4,074,818**	**58,518,662**
Liabilities							
Bank deposits	-	-	-	-	-	2,291,934	2,291,934
Other deposits	24,562,173	1,597,554	434,870	170	-	3,452,561	30,047,328
Money market borrowings	2,188	-	-	-	20,428	-	22,616
Miscellaneous payables	-	-	-	-	-	373,211	373,211
Securities issued	-	-	-	-	-	-	-
Funds obtained from other financial institutions	2,811,720	10,135,758	1,819,912	891,481	-	-	15,658,871
Other liabilities (**)	353,325	337,360	405,863	15,253	-	9,012,901	10,124,702
Total liabilities	**27,729,406**	**12,070,672**	**2,660,645**	**906,904**	**20,428**	**15,130,607**	**58,518,662**
Balance sheet long position	-	-	8,563,128	13,693,906	932,353	-	23,189,387
Balance sheet short position	(7,510,829)	(4,622,769)	-	-	-	(11,055,789)	(23,189,387)
Off-balance sheet long position	4,426,576	10,107,379	-	-	-	-	14,533,955
Off-balance sheet short position	-	-	(4,805,614)	(7,375,467)	(530,121)	-	(12,711,202)
Total position	**(3,084,253)**	**5,484,610**	**3,757,514**	**6,318,439**	**402,232**	**(11,055,789)**	**1,822,753**

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

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

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

Prior period	Up to 1 month	1-3 months	3-12 months	1-5 years	5 years and over	Non-interest bearing	Total
Assets							
Cash (Cash in vault, foreign currency cash, money in transit, checks purchased) and balances with the Central Bank of Turkey	5,546,209	13,778	-	-	-	2,270,536	7,830,523
Due from other banks and financial institutions	231,820	7,243	-	-	-	243,091	482,154
Financial assets at fair value through profit and loss	201,387	235,924	176,257	485	-	45	614,098
Money market placements	1,047,895	-	-	-	-	-	1,047,895
Available-for-sale financial assets	134,953	514,457	907,048	173,427	-	6,103	1,735,988
Loans and receivables	6,543,648	4,061,627	10,527,437	15,118,105	1,718,553	497,406	38,466,776
Held-to-maturity investments	-	-	-	-	-	-	-
Other assets (*)	445,567	1,125,828	-	-	-	1,133,278	2,704,673
Total assets	**14,151,479**	**5,958,857**	**11,610,742**	**15,292,017**	**1,718,553**	**4,150,459**	**52,882,107**
Liabilities							
Bank deposits	-	-	-	-	-	1,481,773	1,481,773
Other deposits	21,941,260	715,535	134,658	113,757	-	3,298,842	26,204,052
Money market borrowings	59,498	-	-	-	-	-	59,498
Miscellaneous payables	-	-	-	-	-	401,619	401,619
Securities issued	-	-	-	-	-	-	-
Funds obtained 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.

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

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	-	2.00	-	13.00
Banks	(0.36)	2.39	-	-
Financial assets at fair value through profit and loss	2.14	6.95	-	15.16
Money market placements	-	-	-	24.31
Financial assets measured at fair value through other comprehensive income	-	-	-	15.24
Loans	3.92	6.52	-	20.89
Financial assets measured at amortised cost	-	-	-	19.82
Liabilities				
Bank deposits	(0.36)	2.39	-	-
Other deposits	0.48	2.71	-	18.73
Money market borrowings	-	-	-	15.00
Miscellaneous payables	-	-	-	-
Securities issued	-	-	-	-
Funds obtained from other financial institutions	0.94	3.89	-	11.74

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

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

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

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	**-**	**-**	**-**
Stock investments	-	-	-
Not quoted	**6,121**	**887**	**887**
Stock investments	6,121	887	887
Financials subsidiaries	**95,907**	**-**	**-**
Financials subsidiaries	95,907	-	-

Prior 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	-	-

(*) 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

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

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

4. Capital requirement as per equity shares

Current period	Carrying value	Total RWA	Minimum capital requirement (*)
Private sector investments	-	-	-
Shares traded on a stock exchange	-	-	-
Other equity shares	102,028	102,028	8,162

Prior 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

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

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 Management 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 is 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 Contingency Funding Plan to be implemented in times of stress is currently in force. Besides, an Asset Liability Management Committee and Board of Directors approved 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.

Furthermore, 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 global regulations (Internal Liquidity Adequacy Assessment Process / 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 periodically.

To ensure proactive management of funding liquidity risk, risk thresholds specified on deposit movements and early warning signals are monitored. The Emergency Funding Plan monitoring metrics are not limited to this scope but also include other liquidity risk indicators. The Emergency Funding plan monitoring metrics can trigger decision-making conditions on whether the Bank will implement the Emergency Funding Plan in order to anticipate the potential development of liquidity stress incidents.

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 of the Bank is managed by the Asset and Liability Management. Furthermore, subsidiaries manage their own liquidity risk by themselves. 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. Besides, 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.

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 FX 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 foreign based foreign currency loans including syndications. Liquidity shortage/surplus values are calculated daily by Asset and Liability Management and these values are reported in Asset Liability Management Committee. Besides, the Total 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 maturity mismatch and funding diversity. 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, Contingency Funding Plan monitoring indicators are continuously monitored and reported on a monthly basis to Asset Liability Management Committee. With these indicators, intervals indicating the actions to be taken according to the triggering levels and measurement methods such as actual deposit inputs and outputs, stress test, liquidity buffer level, regulatory and structural liquidity ratios and so on are defined and these intervals support the decision making process. Moreover, in the crisis period, the Contingency Funding Plan has set some measures to bring the Bank's liquidity buffer back to reasonable levels. The important factors that will support the decision making mechanism, including the feasibility of these measures depending on the financial impact, implementation time and stress scenarios of the measures concerned, are explained.

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 and Board of Directors on a regularly basis and reviews the stress tests annually. 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 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 established the Asset and Liability Management Committee and Board of Directors approved Contingency Funding Plan, which includes the policies, methods and responsibilities of senior management and business lines that can be applied in stressful situations or when liquidity shortages are experienced. Early warning indicators, 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 and Board of Directors 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 annually with regards to their compliance with changes in market and stress conditions.

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

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.

Per BRSA declaration numbered 7940 and dated 7 September 2018, margin calls obtained from derivative transactions are not considered in outflow calculations of liquidity coverage ratio starting from 31 July 2018 until 31 December 2018. As a result there is a notable increase in both FC and total liquidity coverage ratios of the Bank.

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	224.84	23 November 2018	280.70	21 December 2018
FC	217.07	14 December 2018	385.02	12 October 2018

Liquidity coverage ratio

	Total unweighted value (*)		Total weighted value (*)	
Current period	**TL+FC**	**FC**	**TL+FC**	**FC**
High quality liquid assets				
High quality liquid assets			12,811,309	9,060,653
Cash Outflows				
Real person and retail deposits	26,669,120	8,112,135	2,250,646	811,214
Stable deposits	8,325,320	-	416,266	-
Less stable deposits	18,343,800	8,112,135	1,834,380	811,214
Unsecured funding other than real person and retail deposits	5,034,631	2,777,166	2,816,450	1,464,280
Operational deposits	170,631	6,595	42,658	1,649
Non-operational deposits	3,654,503	2,287,246	1,637,933	979,306
Other unsecured debt	1,209,497	483,325	1,135,859	483,325
Secured funding			-	-
Other cash outflows	25,452,156	13,747,026	14,316,939	8,244,974
Derivative exposures and collateral completion liabilities	12,670,710	7,085,663	12,670,711	7,085,663
Payables due to structured financial instruments	-	-	-	-
Payment commitments and other off-balance sheet commitments granted for debts to financial markets	12,781,446	6,661,363	1,646,228	1,159,311
Other contractual funding obligations	-	-	-	-
Other irrevocable or conditionally revocable off balance sheet liabilities	-	-	-	-
Total cash outflows			**19,384,035**	**10,520,468**
Cash inflows				
Secured lending	2,092,071	-	-	-
Unsecured lending	7,453,684	2,768,947	4,886,237	2,275,437
Other cash inflows	9,696,966	5,586,141	9,451,375	5,579,664
Total cash inflows	**19,242,721**	**8,355,088**	**14,337,612**	**7,855,101**
				Total adjusted value
Total high quality liquid assets stock			12,811,309	9,060,653
Total net cash outflows			5,300,357	3,123,270
Liquidity coverage ratio (%)			**243.33**	**298.06**

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

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

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

	Total unweighted value (*)		Total weighted value (*)	
Prior period	**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.

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 regulatory 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. 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 financial assets at fair value through other comprehensive income 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 2018 are summarized as follows:

Foreign currency borrowings constitute the majority of the foreign currency liabilities. 55% of the Bank's foreign currency liabilities consist of funds obtained from other financial institutions and subordinated loans and 44% is composed of deposits. Cash and cash equivalents comprise 47% and loans comprise 51% 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 2018 are summarized as follows:

The majority of Turkish Lira balance sheet's liability consists of deposits. 66% 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 BIST repo market. 72% of the assets in Turkish Lira balance sheet are loans granted and 5% are marketable securities.

The cash flows from derivative financial instruments are included in LCR calculations according to the terms of Regulation. The Bank also considers changes in fair value of the liabilities that result in margin calls when calculating cash outflows.

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

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	1,642,370	7,244,807	23,054	-	-	-	-	8,910,231
Banks	500,273	13,873	821	-	-	-	-	514,967
Financial assets at fair value through profit or loss	48	149,707	160,807	203,478	72,080	24,257	-	610,377
Money market placements	-	4,202,437	-	-	-	-	-	4,202,437
Financial assets measured at fair value through other comprehensive income	6,121	-	28,227	-	611,570	-	-	645,918
Loans	-	7,835,928	4,602,691	10,218,811	13,934,608	952,781	516,395	38,061,214
Financial assets measured at amortised cost	-	-	-	-	1,194,996	-	-	1,194,996
Other assets (*)	-	34,471	277,631	681,792	1,927,238	47,779	1,409,611	4,378,522
Total assets	**2,148,812**	**19,481,223**	**5,093,231**	**11,104,081**	**17,740,492**	**1,024,817**	**1,926,006**	**58,518,662**
Liabilities								
Bank deposits	2,291,934	-	-	-	-	-	-	2,291,934
Other deposits	3,452,561	24,562,173	1,597,554	434,870	170	-	-	30,047,328
Borrowings	-	172,734	1,592,984	5,465,474	4,620,560	3,807,119	-	15,658,871
Funds from interbank money market	-	2,188	-	-	-	20,428	-	22,616
Securities issued	-	-	-	-	-	-	-	-
Miscellaneous payables	373,211	-	-	-	-	-	-	373,211
Other liabilities (**)	603,585	347,723	301,544	222,880	178,291	61,363	8,409,316	10,124,702
Total liabilities	**6,721,291**	**25,084,818**	**3,492,082**	**6,123,224**	**4,799,021**	**3,888,910**	**8,409,316**	**58,518,662**
Liquidity deficit/surplus	**(4,572,479)**	**(5,603,595)**	**1,601,149**	**4,980,857**	**12,941,471**	**(2,864,093)**	**(6,483,310)**	**-**
Net Off Balance Sheet Position	**-**	**(115,403)**	**63,692**	**428,261**	**1,479,268**	**-**	**-**	**1,855,818**
Derivative financial assets	-	10,465,186	14,187,788	12,174,323	12,130,335	530,159	-	49,487,791
Derivative financial liabilities	-	10,580,589	14,124,096	11,746,062	10,651,067	530,159	-	47,631,973
Net Off Balance Sheet Position	**45,754**	**903,255**	**1,583,809**	**4,696,551**	**7,268,474**	**1,632,121**	**-**	**16,129,964**
Prior period								
Total assets	2,519,775	13,706,449	4,368,401	11,231,682	17,889,598	1,535,518	1,630,684	52,882,107
Total liabilities	5,406,247	23,049,081	1,970,917	5,845,105	6,364,612	3,233,010	7,013,135	52,882,107
Liquidity deficit/surplus	**(2,886,472)**	**(9,342,632)**	**2,397,484**	**5,386,577**	**11,524,986**	**(1,697,492)**	**(5,382,451)**	**-**
Net Off Balance Sheet Position	**-**	**52,147**	**109,457**	**195,672**	**910,039**	**44,348**	**-**	**1,311,663**
Derivative financial assets	-	10,597,985	10,337,817	15,332,327	10,987,612	430,570	-	47,686,311
Derivative financial liabilities	-	10,545,838	10,228,360	15,136,655	10,077,573	386,222	-	46,374,648
Net Off Balance Sheet Position	**48,236**	**431,043**	**1,944,381**	**3,444,884**	**6,672,943**	**1,923,081**	**-**	**14,464,568**

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

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

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	5,744,495	24,562,173	1,653,639	484,107	242	-	32,444,656	(105,394)	32,339,262
Funds borrowed from other financial institutions	-	175,123	1,594,984	5,478,845	4,740,697	3,821,533	15,811,182	(152,311)	15,658,871
Funds from interbank money market	-	2,188	-	-	-	20,428	22,616	-	22,616
Bonds	-	-	-	-	-	-	-	-	-

Prior period	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and over	Total	Adjustments	Balance sheet 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	-	-	-	-	-	-	-	-	-

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

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)	**1,543,800**	**2,106,396**	**11,923,291**	**16,091,268**	**1,382,875**	**33,047,630**
Buying transactions	858,019	1,261,672	6,217,391	8,566,341	645,306	17,548,729
Selling transactions	685,781	844,724	5,705,900	7,524,927	737,569	15,498,901
Transactions for foreign net investment hedge (III)	**-**	**-**	**-**	**-**	**-**	**-**
Buying transactions	-	-	-	-	-	-
Selling transactions	-	-	-	-	-	-
A. Total derivative financial instruments held for hedging (I+II+III)	**1,543,800**	**2,106,396**	**11,923,291**	**16,091,268**	**1,382,875**	**33,047,630**
Derivative transactions held for trading						
Trading transactions (I)	**19,239,172**	**25,450,670**	**13,020,500**	**2,710,799**	**-**	**60,421,141**
Forward foreign currency transactions – buy	1,499,128	3,639,760	1,992,154	71,607	-	7,202,649
Forward foreign currency transactions – sell	1,453,596	3,583,350	1,870,979	59,902	-	6,967,827
Swap transactions- buy	7,400,047	8,857,256	4,325,756	1,284,820	-	21,867,879
Swap transactions – sell	7,624,606	9,139,488	4,433,702	1,294,470	-	22,492,266
Foreign currency options – buy	625,678	115,053	198,796	-	-	939,527
Foreign currency options – sell	636,117	115,763	199,113	-	-	950,993
Foreign currency futures – buy	-	-	-	-	-	-
Foreign currency futures – sell	-	-	-	-	-	-
Interest rate derivatives (II)	**667,000**	**1,529,287**	**1,824,097**	**6,594,540**	**36,519**	**10,651,443**
Interest rate swap - buy	334,099	769,152	918,357	3,299,023	18,291	5,338,922
Interest rate swap - sell	332,901	760,135	905,740	3,295,517	18,228	5,312,521
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)	33,366	-	-	-	-	**33,366**
B. Total trading derivative transactions(I+II+III)	**19,939,538**	**26,979,957**	**14,844,597**	**9,305,339**	**36,519**	**71,105,950**
						-
Derivative transaction total (A+B)	**21,483,338**	**29,086,353**	**26,767,888**	**25,396,607**	**1,419,394**	**104,153,580**

Prior 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 derivative transactions held for trading (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**

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

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 2018, the Bank's leverage ratio is calculated by taking average of end of month leverage ratios for the last three months is 7.93% (31 December 2017: 6.82%). This ratio is higher than minimum ratio. While the capital increased by 24% mainly as a result of increase in net profits, total risk amount increased by 6%.Therefore, the current period leverage ratio increased by 111 basis points compared to prior period.

Information on unconsolidated leverage ratio

	Current period (*)	Prior period (*)
On-balance sheet items		
On-balance sheet exposures (excluding derivatives and credit derivatives including collateral)	*56,779,302*	*51,547,848*
Asset deducted from core capital	*(55,823)*	*(56,965)*
The total amount of risk on-balance sheet exposures	56,723,479	51,490,883
Derivative financial instruments and credit derivative exposures		
Replacement cost associated with derivative financial instruments and credit derivatives	*4,408,227*	*2,528,731*
The potential credit risk amount of derivative financial instruments and credit derivatives	*606,490*	*567,755*
The total risk amount of derivative financial instruments and credit derivatives	5,014,717	3,096,486
Securities or commodity guaranteed financing transactions		
Risk amount of securities or commodity collateral financing transactions (excluding on balance sheet items)	*145,863*	*65,633*
Risk amount of exchange brokerage operations	-	-
The total risk amount of securities or commodity collateral financing transactions	145,863	65,633
Off-balance sheet items		
Gross notional amount for off-balance sheet items	*22,659,380*	*24,819,666*
Adjustments for conversion to credit equivalent amounts	-	-
The total amount of risk for off-balance sheet items	22,659,380	24,819,666
Capital and total exposures		
Core capital	6,703,342	5,420,647
Total exposures	84,543,439	79,472,668
Leverage ratio		
Leverage ratio	7.93	6.82

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

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

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 financial assets at fair value through other comprehensive income and financial assets measured at amortised cost (financial assets available for sale in the prior period) 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	**Current period**
Financial assets	**44,619,532**	**42,905,438**
Money market placements	4,202,437	4,200,232
Due from banks	514,967	514,170
Financial assets at fair value through other comprehensive income	645,918	645,918
Financial assets measured at amortised cost	1,194,996	1,192,821
Loans	38,061,214	36,352,297
Financial liabilities	**48,393,960**	**47,061,147**
Bank deposits	2,291,934	2,291,209
Other deposits	30,047,328	28,673,083
Funds borrowed	15,658,871	15,701,134
Money market borrowings	22,616	22,510
Securities issued	-	-
Miscellaneous payables	373,211	373,211

	Carrying value	**Fair value**
	Prior period	**Prior period**
Financial assets	**41,732,813**	**42,377,911**
Money market placements	1,047,895	1,046,736
Due from banks	482,154	481,741
Available-for-sale financial assets	1,735,988	1,735,988
Loans and receivables	38,466,776	39,113,446
Financial liabilities	**45,150,189**	**44,683,316**
Bank deposits	1,481,773	1,481,441
Other deposits	26,204,052	25,710,407
Funds borrowed	17,003,247	17,030,377
Money market borrowings	59,498	59,472
Securities issued	-	-
Miscellaneous payables	401,619	401,619

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

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

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.

Fair value hierarchy of the financial assets and liabilities of the Bank carried at fair value in financial statements as of 31 December 2018 and 31 December 2017 is presented in the table below:

Current period	**Level 1**	**Level 2**	**Level 3**	**Total**
Total assets	**668,573**	**3,550,512**	**6,121**	**4,225,206**
Financial assets at fair value through profit or loss	28,776	581,601	-	610,377
Government debt securities	28,728	-	-	28,728
Trading derivative financial assets	-	581,601	-	581,601
Equity instruments	35	-	-	35
Other marketable securities	13	-	-	13
Financial assets at fair value through other comprehensive income	639,797	-	6,121	645,918
Equity instruments	-	-	6,121	6,121
Government debt securities	639,797	-	-	639,797
Hedging derivative financial assets	-	2,968,911	-	2,968,911
Cash flow hedges	-	2,968,911	-	2,968,911
Total liabilities	**-**	**1,111,801**	**-**	**1,111,801**
Trading derivative financial liabilities	-	848,395	-	848,395
Hedging derivative financial liabilities	-	263,406	-	263,406
Cash flow hedges	-	263,406	-	263,406

Prior 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

There are no transfers between the 1st and the 2nd levels as of 31 December 2018 and 31 December 2017.

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	6,052	15,062
Purchases	-	-
Redemption / sale	-	(9,039)
Valuation difference	69	29
Transfers	-	-
Balance at the end of the current period	**6,121**	**6,052**

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.

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 and Information Risk Management, Compliance Risk Management departments and reports to the Audit Committee. Financial Risk Management includes Market Risk Management and Product Control, Credit Risk Management, Validation, Risk&Capital Integrationand Reporting 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.

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

X. Explanations on unconsolidated risk management (continued)

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 stress test reports within the context of ICAAP 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.

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".

b. Overview of risk weighted amounts

	Risk weighted amount		Minimum capital requirement
	Current period	**Previous period**	**Current period**
Credit risk (excluding counterparty credit risk) (CCR)	**43,238,474**	**38,042,652**	**3,459,078**
Standardized approach (SA)	43,238,474	38,042,652	3,459,078
Internal rating-based (IRB) approach	-	-	-
Counterparty credit risk	**2,922,432**	**2,832,393**	**233,795**
Standardized approach for counterparty credit risk (SA-CCR)	2,922,432	2,832,393	233,795
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	**345,325**	**212,263**	**27,626**
Standardized approach (SA)	345,325	212,263	27,626
Internal model approaches (IMM)	-	-	-
Operational risk	**4,640,666**	**3,853,637**	**371,253**
Basic indicator approach	4,640,666	3,853,637	371,253
Standard approach	-	-	-
Advanced measurement approach	-	-	-
The amount of the discount threshold under the equity (subject to a 250% risk weight)	-	-	-
Floor adjustment	-	-	-
Total	**51,146,897**	**44,940,945**	**4,091,752**

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

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				
Assets	**Revalued amount in accordance with TAS as reported in published financial statements**	**Subject to credit risk**	**Subject to counterparty credit risk**	**Securitization positions**	**Subject to market risk**	**Not subject to capital requirements or subject to deduction from capital**
Cash and balances with Central Bank	8,910,231	8,910,231	-	-	-	-
Financial assets at fair value through profit and loss	610,377	-	581,601	-	610,377	28,776
Banks	514,967	514,967	-	-	-	-
Money market placements	4,202,437	-	4,202,437	-	-	-
Financial assets measured at fair value through other comprehensive income	645,918	645,918	-	-	-	-
Financial assets measured at amortised cost	1,194,996	1,194,996	-	-	-	-
Expected credit losses (-)	4,174	-	-	-	-	4,174
Loans (Net)	**38,061,214**	**38,552,978**	**-**	**-**	**-**	**(483,842)**
Loans	37,544,819	37,544,820	-	-	-	7,922
Lease receivables	-	-	-	-	-	-
Factoring receivables	-	-	-	-	-	-
Non performing receivables	2,053,925	2,053,925	-	-	-	-
Expected credit losses (-)	1,537,530	1,045,767	-	-	-	491,764
Associates (net)	-	-	-	-	-	-
Subsidiaries (net)	95,907	95,907	-	-	-	-
Joint ventures (net)	-	-	-	-	-	-
Derivative financial assets held for hedging	2,968,911	-	2,968,911	-	-	-
Tangible assets (net)	683,472	643,517	-	-	-	39,955
Intangible assets (net)	39,804	-	-	-	-	36,215
Investment property (net)	-	-	-	-	-	-
Tax asset	-	-	-	-	-	-
Property and equipment held for sale and related to discontinued operations (net)	660	660	-	-	-	-
Other assets	593,942	593,942	-	-	-	-
Total assets	**58,518,662**	**51,153,116**	**7,752,949**	**-**	**610,377**	**(383,070)**
Liabilities						
Deposit	32,339,262	-	-	-	-	32,339,262
Derivative financial liabilities at fair value through profit or loss	848,395	-	-	-	-	848,395
Loans received	11,845,349	-	-	-	-	11,845,349
Money market funds	22,616	-	22,616	-	-	-
Securities Issued	-	-	-	-	-	-
Funds	-	-	-	-	-	-
Factoring payables	-	-	-	-	-	-
Lease payables	-	-	-	-	-	-
Derivative financial liabilities at fair value through other comprehensive income	263,406	-	-	-	-	263,406
Provisions	316,879	28,294	-	-	-	191,129
Tax liability	670,190	-	-	-	-	670,190
Liabilities for assets held for sale and assets of discontinued operations (net)	-	-	-	-	-	-
Subordinated debt	3,813,522	-	-	-	-	3,813,522
Other liabilities	976,796	-	-	-	-	-
Shareholders' equity	7,422,247	-	-	-	-	7,418,187
Total liabilities	**58,518,662**	**28,294**	**22,616**	**-**	**-**	**57,389,440**

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

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	**58,901,731**	**51,153,116**	-	**7,752,949**	**610,377**
Liabilities carrying value in accordance with TAS under scope of regulatory consolidation	1,129,222	28,294	-	22,616	0
Total net amount under scope of regulatory consolidation	**57,772,509**	**51,124,822**	-	**7,730,333**	**610,377**
Off-balance sheet amount	21,157,749	12,304,973	-	567,903	-
Differences due to risk mitigation	-	(440,478)	-	(3,990,065)	-
Differences due to different netting rules	-	-	-	-	-
Differences due to consideration of provisions	-	-	-	-	-
Differences due to the applications of the Bank	-	-	-	-	(265,052)
Exposure amounts	-	**62,989,317**	-	**4,308,171**	**345,325**

(*) 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 Department and Risk&Capital Integration and Reporting Department. Credit Risk team is responsible for developing, monitoring and sustaining the models to be used in Internal Ratings Based Method and TFRS 9 calculations and the integration of rating models in the bank systems. Also management of QRM system which is a credit portfolio corporate risk management solution allowing bank based risk management, IRB calculations and reporting are other responsibilities. Risk&Capital Integration is responsible to form ICAAP process to carry out stress testing and reporting.

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.

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

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)			
	Defaulted	**Non-defaulted**	**Provisions / amortization and impairment**	**Defaulted**
Loans	2,053,925	37,544,819	1,537,530	38,061,214
Debt securities (*)	-	1,834,793	4,214	1,830,579
Off-balance sheet exposures	101,475	21,084,569	125,750	21,060,294
Total	**2,155,400**	**60,464,181**	**1,667,494**	**60,952,087**

(*) Includes provisions accounted under equity for financial assets at fair value through other comprehensive income.

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	1,683,658
Loans and debt securities defaulted since the last reporting period	1,526,664
Transferred to non-defaulted status	-
Amounts written off (*)	(542,130)
Other changes (**)	(614,267)
Defaulted loans and debt securities at the end of the reporting period	**2,053,925**

(*) Specific provisions for undrawn non-cash loans are not included in the table. Amounts written off also includes the NPL sale of the Bank amounting to TL 533,027.

(**) 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.

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.

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

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	2,050,405	1,042,565
EU Countries	3,277	3,021
OECD Countries (*)	-	-
Off-Shore Banking Regions	-	-
USA, Canada	-	-
Other countries	243	180
Total	**2,053,925**	**1,045,766**

(*) OECD countries other than EU countries, USA and Canada.
(**) Non-cash loans are not included.

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	554,476
Due 61 – 90	267,993
Total	**822,469**

Breakdown of restructured receivables by whether or not provisions are allocated

	Current period
Loans structured from standard loans and other receivables	-
Loans structured from closely monitored loans and other receivables	689,761
Loans restructured from non-performing loans	5,451

The Bank classifies all of its loans and receivables as Stage 2 if they meet the restructured loan conditions while being in the performing loan portfolio according to the "Provision Regulation". Restructured loans classified as Stage 2 are subject to Stage 2 expected credit losses while restructured loans classified as non-performing loan are subject to specific provision.

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

X. Explanations on unconsolidated risk management (continued)

Information on expected credit loss

	Stage 1	Stage 2	Stage 3	Total
Opening balance (1 January 2018) (*)	**185,001**	**180,939**	**1,157,762**	**1,523,702**
Additional provision during the period	67,855	78,018	275,053	420,926
Disposals (-)	11,845	10,677	193,830	216,352
Amounts written off (-)	-	-	455,929	455,929
Transferred to Stage 1	16,530	(54,827)	-	(38,297)
Transferred to Stage 2	(73,389)	367,626	-	294,237
Transferred to Stage 3	-	(147,776)	291,005	143,229
Ending balance	**184,152**	**413,303**	**1,074,061**	**1,671,516**

(*) Includes provisions for non-cash loans and provisions accounted under equity for financial assets at fair value through other comprehensive income.

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.

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.

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

X. Explanations on unconsolidated risk management (continued)

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 (*)	26,182,615	11,878,599	10,128,308	6,957,940	6,149,756	-	-
Debt securities (*)	1,830,579	-	-	-	-	-	-
Total	**28,013,194**	**11,878,599**	**10,128,308**	**6,957,940**	**6,149,756**	**-**	**-**
Of which defaulted	2,053,925	-	-	-	-	-	-

(*) Stage 1 and Stage 2 expected credit losses are deducted from the related balance sheet amounts according to regulation.

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

	Exposures before CCF and CRM		Exposures post CCF and CRM		RWA and RWA density	
Risk classes	**On-balance sheet amount**	**Off-balance sheet amount**	**On-balance sheet amount**	**Off-balance sheet amount**	**RWA**	**RWA density**
Claims on sovereigns and Central Banks	9,103,956	1	15,253,711	-	3,652,713	23.95%
Claims on regional governments or local authorities	814,597	-	736,458	-	427,271	58.02%
Claims on administrative bodies and other non-commercial undertakings	-	28	-	6	6	100.00%
Claims on multilateral development banks	-	-	-	-	-	-
Claims on international organizations	-	-	-	-	-	-
Claims on banks and intermediary institutions	7,970,885	4,500,827	3,748,002	2,456,359	1,935,985	31.20%
Claims on corporates	16,492,351	12,651,099	13,792,533	9,367,100	22,308,660	96.33%
Claims on retails	17,022,369	4,303,470	13,322,142	777,915	10,556,414	74.87%
Claims secured by residential property	1,463,756	49,775	1,463,756	19,046	523,657	35.32%
Claims secured by commercial property	2,261,857	199,883	2,261,857	105,825	1,337,111	56.47%
Past due loans	205,904	-	205,904	-	207,148	100.60%
Higher risk categories decided by the Board	802,255	-	802,255	-	945,964	117.91%
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	2,878,477	20,571	2,878,477	4,114	1,241,517	43.07%
Equity securities	102,028	-	102,028	-	102,028	100.00%
Total	**59,118,435**	**21,725,654**	**54,567,123**	**12,730,365**	**43,238,474**	**64.25%**

d. Standard approach exposures by asset classes and risk weights

Risk classes	0%	10%	20%	35%	50%	75%	100%	150%	200%	Others	Total credit exposures amount (post CCF and post-CRM)
Claims on sovereigns and Central Banks	11,600,998	-	-	-	-	-	3,652,713	-	-	-	15,253,711
Claims on regional governments or local authorities	-	-	-	-	618,374	-	118,084	-	-	-	736,458
Claims on administrative bodies and other non-commercial undertakings	-	-	-	-	-	-	6	-	-	-	6
Claims on multilateral development banks	-	-	-	-	-	-	-	-	-	-	-
Claims on international organizations	-	-	-	-	-	-	-	-	-	-	-
Claims on banks and intermediary institutions	-	-	1,047,738	-	3,323,212	-	1,799,409	34,002	-	-	6,204,361
Claims on corporates	133,260	-	12,793	-	125,744	-	22,887,836	-	-	-	23,159,633
Claims on retails	-	-	-	-	-	14,100,057	-	-	-	-	14,100,057
Claims secured by residential property	-	-	-	1,475,610	-	-	7,192	-	-	-	1,482,802
Claims secured by commercial property	-	-	-	-	2,061,142	-	306,540	-	-	-	2,367,682
Past due loans	-	-	-	-	13,992	-	175,431	16,481	-	-	205,904
Higher risk categories decided by the Board	-	-	-	-	151,783	-	211,265	439,207	-	-	802,255
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	1,641,073	-	-	-	-	-	1,241,518	-	-	-	2,882,591
Equity securities	-	-	-	-	-	-	102,028	-	-	-	102,028
Total	**13,375,331**	**-**	**1,060,531**	**1,475,610**	**6,294,247**	**14,100,057**	**30,502,022**	**489,690**	**-**	**-**	**67,297,488**

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.

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

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)	3,550,512	567,903	-	1.40	4,118,415	2,410,851
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)	-	-	-	-	189,756	37,969
Value-at-Risk (VaR) for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions	-	-	-	-	-	-
Total						**2,448,820**

(*) 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 3×multiplier)	-	-
(ii) Stressed VaR component (including the 3×multiplier)	-	-
All portfolios subject to the standardised CVA capital charge	4,118,415	473,612
Total subject to the CVA capital charge	4,118,415	473,612

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	-	-	-	-	-	-	-	-	-
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	-	-	421,977	2,984,287	-	209,042	-	-	3,615,306
Claims on corporates	18,357	-	382	9,506	-	639,778	-	-	668,023
Claims included in the regulatory retail portfolios	-	-	-	-	24,842	-	-	-	24,842
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	**18,357**	**-**	**422,359**	**2,993,793**	**24,842**	**848,820**	**-**	**-**	**4,308,171**

(*) 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.

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 up 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. In relation to the regulatory 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 the regulatory regulations and the need for pursuing more sophisticated risk management in recent years, the project of a software setup has been maintained to manage risks related to asset liability management in a more integrated structure. Besides, 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.

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

X. Explanations on unconsolidated risk management (continued)

	RWA
Outright products	**345,325**
Interest rate risk (general and specific)	214,850
Equity risk (general and specific)	-
Foreign exchange risk	130,475
Commodity risk	-
Options	**-**
Simplified approach	-
Delta-plus method	-
Scenario approach	-
Securitisation	-
Total	**345,325**

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 2018 is calculated by using the gross income of the Bank in 2015, 2016 and 2017.

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	2015 amount	2016 amount	2017 amount	Total / Number of years of positive gross income	Ratio (%)	Total
Gross income	1,997,083	2,524,151	2,903,831	2,475,022	15	371,253
Amount subject to operational risk (Amount*12,5)						**4,640,666**

8. Interest rate risk arising from banking book

Interest rate risk in the banking book is managed within the framework of sensitivity based risk limits which is internally determined by the Board of Directors, 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.

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

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	385,039	3.46%
TL	(+) 500	(399,374)	(3.59) %
EURO	(-) 200	(1,535)	(0.01) %
EURO	(+) 200	(26,454)	(0.24) %
USD	(-) 200	(202)	(0.00) %
USD	(+) 200	287	0.00%
Total (for negative shocks)		**383,302**	**3.45%**
Total (for positive shocks)		**(425,541)**	**(3.83)%**

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	19,825,586	519,311	263,406	20,770,104	170,815	25,454
Cross currency swaps	6,893,889	2,449,600	-	7,731,456	1,400,580	-
Total	**26,719,475**	**2,968,911**	**263,406**	**28,501,560**	**1,571,395**	**25,454**

Explanations on derivative transactions used in cash flow hedges

Current period

Hedging instrument	Hedged item	Nature of risk hedged	Hedging instrument FV Assets	Hedging instrument FV Liabilities	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)
Interest rate swaps	TL/FC customer deposits	Cash flow risk due to the changes in the interest rates of TL and FC customer deposits	519,311	263,406	294,768	9,555	(8,075)
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	2,449,600	-	153,133	3,792	-
Total			**2,968,911**	**263,406**	**447,901**	**13,347**	**(8,075)**

Prior period

Hedging instrument	Hedged item	Nature of risk hedged	Hedging instrument FV Assets	Hedging instrument FV Liabilities	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)
Interest rate swaps	TL customer deposits	Cash flow risk due to the changes in the interest rates of 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)**

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.

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

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 2018	Corporate, SME and Commercial Banking	Retail Banking	Other	Total
Net interest income	1,203,048	1,160,071	989,028	3,352,147
Net commissions and fees income and other operating income	819,695	335,340	58,650	1,213,685
Trading gain/loss	333,939	55,582	(549,285)	(159,764)
Dividend income	-	-	68,844	68,844
Provision for impairment of loans and other receivables	(901,692)	(378,893)	(99,802)	(1,380,387)
Segment results	1,454,990	1,172,100	467,435	3,094,525
Other operating expenses (**)	-	-	-	(1,749,698)
Income from continuing operations before tax	-	-	-	1,344,827
Tax provision (*)	-	-	-	(283,067)
Net profit	**-**	**-**	**-**	**1,061,760**

Prior period – 31 December 2017	Corporate, SME and Commercial Banking	Retail Banking	Other	Total
Net interest income	757,486	804,543	1,128,179	2,690,208
Net commissions and fees income and other operating income	428,520	443,647	37,849	910,016
Trading gain/loss	300,675	27,375	(766,233)	(438,183)
Dividend income	-	-	49,661	49,661
Provision for impairment of loans and other receivables	(342,830)	(205,922)	(90,481)	(639,233)
Segment results	1,143,851	1,069,643	358,975	2,572,469
Other operating expenses (**)	-	-	-	(1,508,651)
Income from continuing operations before tax	-	-	-	871,365
Tax provision (*)	-	-	-	(220,066)
Net profit	**-**	**-**	**-**	**843,752**

(*) Other operational expenses and tax provision have been stated at total column due to inability to allocate among the sections.
(**) Includes "Personnel Expenses" that not exist in the statement of profit or loss "Other Operating Expenses" line.

Current period – 31 December 2018	Corporate, SME and Commercial Banking	Retail Banking	Other	Total
Asset	27,589,411	11,908,013	19,021,238	58,518,662
Liability	9,070,641	23,402,180	18,623,594	51,096,415
Equity	-	-	7,422,247	7,422,247

Prior period – 31 December 2017	Corporate, SME and Commercial Banking	Retail Banking	Other	Total
Asset	26,557,045	13,056,502	13,268,560	52,882,107
Liability	9,008,100	18,856,012	19,249,250	47,113,362
Equity	-	-	5,768,745	5,768,745

(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	291,076	1,349,619	299,399	1,967,399
Balances with the Central Bank of Turkey	407,796	6,861,366	159,608	5,401,475
Other	-	374	-	2,642
Total	**698,872**	**8,211,359**	**459,007**	**7,371,516**

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

	Current period		Prior period	
	TL	FC	TL	FC
Unrestricted demand deposit	407,796	1,850,723	159,608	414,592
Restricted time deposit	-	2,281,923	-	618,187
Restricted demand deposit	-	2,728,720	-	4,368,696
Total	**407,796**	**6,861,366**	**159,608**	**5,401,475**

As per the "Communiqué on Reserve Requirements" promulgated by the Central Bank, banks operating in Turkey must keep required reserves as of the balance sheet date in terms of TL, USD / EURO and gold at a rate ranging between 1.5% and 8% for Turkish lira deposits and liabilities depending on their maturity and at a rate ranging between 4% and 20% for foreign currency deposits and foreign currency other liabilities depending on their maturity. In accordance with the relevant communiqué, the Central Bank pays interest for the reserve requirements which are presented in terms of TL and USD.

Including accruals TL 406,495 (31 December 2017: TL 158,512) of the TL reserve deposits provided over the average balance and TL 1,850,723 (31 December 2017: TL 414,592) of the FC reserve deposits provided over the average balance are presented under unrestricted demand deposit account.

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
Unrestricted portfolio	21,385	42,138
Collateral/blocked	7,391	-
Total	**28,776**	**42,138**

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

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

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

	Current period		Prior period	
	TL	**FC**	**TL**	**FC**
Forward transactions	52	232,495	-	143,252
Swap transactions	262,703	82,758	379,985	45,495
Futures transactions	-	-	-	-
Options	155	3,438	703	2,525
Other		-	-	-
Total	**262,910**	**318,691**	**380,688**	**191,272**

3. Information on banks and foreign banks accounts

3.1. Information on banks

	Current period		Prior period	
	TL	**FC**	**TL**	**FC**
Banks	1,082	513,885	1,447	480,707
Domestic	1,082	813	1,447	438
Foreign	-	513,072	-	480,269
Headquarters and branches abroad	-	-	-	-
Total	**1,082**	**513,885**	**1,447**	**480,707**

3.2. Information on foreign banks

	Unrestricted amount		Restricted amount	
	Current period	**Prior period**	**Current period**	**Prior period**
EU countries	137,856	354,315	232,219	91,388
USA, Canada	29,202	15,718	-	-
OECD Countries (*)	4,863	7,058	-	-
Off-shore banking regions	-	-	-	-
Other	108,932	11,790	-	-
Total	**280,853**	**388,881**	**232,219**	**91,388**

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

As of 31 December 2018, restricted bank balance amounting to TL 232,219 (31 December 2017: TL 91,388) all of which is comprised of (31 December 2017: All amount) collaterals that is held by counter banks under CSA contracts and is calculated based on related derivatives market price.

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

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

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

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

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

Financial assets measured at fair value through other comprehensive income:

	Current period
Unrestricted portfolio	643,752
Repo transactions	2,166
Collateral/blocked (*)	-
Total	**645,918**

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

Information on financial assets available-for-sale:

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

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

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

Financial assets measured at fair value through other comprehensive income:

	Current period
Debt securities	658,605
Quoted to stock exchange	658,605
Not quoted	-
Equity certificates	6,121
Quoted to stock exchange	-
Not quoted	6,121
Provision for impairment (-)	(18,808)
Total	**645,918**

Information on financial assets available-for-sale:

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

(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	71	570,374	30	438,513
Corporate shareholders	-	570,374	-	438,513
Real person shareholders	71	-	30	-
Indirect loans granted to shareholders of the Bank	-	200,958	-	197,080
Loans granted to employees of the Bank	29,302	-	30,111	-
Total	**29,373**	**771,332**	**30,141**	**635,593**

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

Cash loans	Standard loans	Loans and other receivables under close monitoring		
		Loans and receivables not subject to restructuring	Restructured loans and receivables	
			Revised contract terms	Refinance
Non-specialized loans	26,961,781	9,893,277	689,761	-
Business loans	12,079,360	5,732,878	346,158	-
Export loans	4,124,127	1,258,112	37,778	-
Import loans	-	-	-	-
Loans given to financial sector	676,957	12,929	-	-
Consumer loans	7,654,218	2,598,485	261,262	-
Credit cards	777,877	152,642	44,563	-
Other	1,649,242	138,231	-	-
Specialized loans	-	-	-	-
Other receivables	-	-	-	-
Total	**26,961,781**	**9,893,277**	**689,761**	**-**

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

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

	Standard loans	Loans and other receivables under close monitoring
12 Month Expected Credit Losses	117,472	-
Loans	*106,554*	-
Other assets	*6,744*	-
Banks and money market placements	*4,021*	-
Marketable securities	*153*	-
Lifetime expected credit losses significant increase in credit risk	-	378,466
Loans	-	*378,466*
Total	**117,472**	**378,466**

Number of extensions	Standard loans	Loans and other receivables under close monitoring
Extended by 1 or 2 times	180,943	666,750
Extended by 3, 4 or 5 times	229,881	6,431
Extended by 5 times and more	2,671	16,580
Total	**413,495**	**689,761**

Extended periods	Standard loans and other receivables	Loans and other receivables under close monitoring
Up to 6 months	234,292	407,903
6-12 months	49,962	62,494
1-2 years	-	52,250
2-5 years	129,241	116,250
More than 5 years	-	50,864
Total	**413,495**	**689,761**

5.3. Loans according to their maturity structure

	Standard loans and other receivables		Loans and other receivables under close monitoring	
Cash loans	**Loans and other receivables**	**With revised contract terms**	**Loans and other receivables**	**With revised contract terms**
Short-term loans and other receivables	8,112,867	266,666	1,965,086	155,278
Non-specialized loans	8,112,867	266,666	1,965,086	155,278
Specialized loans	-	-	-	-
Other receivables	-	-	-	-
Medium and long-term loans and other receivables	18,435,419	146,829	7,928,191	534,483
Non-specialized loans	18,435,419	146,829	7,928,191	534,483
Specialized loans	-	-	-	-
Other receivables	-	-	-	-
Total	**26,548,286**	**413,495**	**9,893,277**	**689,761**

(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	**650,656**	**9,620,682**	**10,271,338**
Mortgage loans	1,573	3,601,829	3,603,402
Automotive loans	41,158	493,820	534,978
General purpose loans	607,925	5,525,033	6,132,958
Other	-	-	-
Consumer loans – indexed to FC	**5**	**829**	**834**
Mortgage loans	5	829	834
Automotive loans	-	-	-
General purpose loans	-	-	-
Other	-	-	-
Consumer loans – FC	**-**	**-**	**-**
Mortgage loans	-	-	-
Automotive loans	-	-	-
General purpose loans	-	-	-
Other	-	-	-
Consumer credit cards – TL	**868,440**	**25,561**	**894,001**
With installments	273,637	25,561	299,198
Without installments	594,803	-	594,803
Consumer credit cards – FC	**-**	**-**	**-**
With installments	-	-	-
Without installments	-	-	-
Personnel loans – TL	**2,864**	**16,413**	**19,277**
Mortgage loans	-	-	-
Automotive loans	-	-	-
General purpose loans	2,864	16,413	19,277
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	**10,096**	**-**	**10,096**
With installments	3,126	-	3,126
Without installments	6,970	-	6,970
Personnel credit cards – FC	**-**	**-**	**-**
With installments	-	-	-
Without installments	-	-	-
Overdraft accounts – TL (real person)	**222,516**	**-**	**222,516**
Overdraft accounts – FC (real person)	**-**	**-**	**-**
Total	**1,754,577**	**9,663,485**	**11,418,062**

(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	**525,680**	**6,776,296**	**7,301,976**
Real estate loans	-	48,280	48,280
Automotive loans	4,888	207,074	211,962
General purpose loans	-	-	-
Other	520,792	6,520,942	7,041,734
Commercial installment loans – indexed to FC	**-**	**245,252**	**245,252**
Real estate loans	-	4,341	4,341
Automotive loans	-	94,833	94,833
General purpose loans	-	-	-
Other	-	146,078	146,078
Commercial installment loans - FC	**-**	**1,447**	**1,447**
Real estate residential loans	-	-	-
Automotive loans	-	-	-
General purpose loans	-	-	-
Other	-	1,447	1,447
Corporate credit cards – TL	**70,985**	**-**	**70,985**
With installments	20,706	-	20,706
Without installments	50,279	-	50,279
Corporate credit cards – FC	**-**	**-**	**-**
With installments	-	-	-
Without installments	-	-	-
Overdraft loans – TL (legal entity)	**341,710**	**-**	**341,710**
Overdraft loans – FC (legal entity)	**-**	**-**	**-**
Total	**938,375**	**7,022,995**	**7,961,370**

5.6. Loans according to borrowers

	Current period	Prior period
Public	814,597	527,665
Private	36,730,222	37,441,705
Total	**37,544,819**	**37,969,370**

5.7. Domestic and foreign loans

	Current period	Prior period
Domestic loans	36,709,457	37,958,429
Foreign loans	835,362	10,941
Total	**37,544,819**	**37,969,370**

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

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

5.8. Loans granted to subsidiaries and associates

	Current period	Prior period
Direct loans granted to subsidiaries and associates	535,713	147,261
Indirect loans granted to subsidiaries and associates	-	-
Total	**535,713**	**147,261**

5.9. Specific provisions set aside against loans

	Current period
Loans and receivables with limited collectability	136,996
Loans and receivables with doubtful collectability	164,068
Uncollectible loans and receivables	744,702
Total	**1,045,766**

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

5.10. Information on non-performing loans (net)

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

	Group III	Group IV	Group V
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Current period			
Gross amounts before specific provision	222	509	4,720
Rescheduled Loans	222	509	4,720
Prior period			
Gross amounts before specific provision	819	6,187	581
Rescheduled Loans	819	6,187	581

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

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

5.10.2. Information on total non-performing loans

	Group III	Group IV	Group V
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Prior period end balance	**201,743**	**305,878**	**1,176,037**
Additions (+)	1,424,420	23,697	78,547
Transfers from other categories of non-performing loans (+)	-	697,833	487,194
Transfers to other categories of non-performing loans (-)	(697,833)	(487,194)	-
Collections (-)	(251,562)	(156,498)	(206,207)
Write-offs (-)	(513)	(403)	(8,187)
Sold Portfolio	(2)	(21)	(533,004)
Corporate and commercial loans	(2)	(11)	(265,658)
Retail loans	-	(4)	(212,945)
Credit cards	-	(6)	(54,401)
Other	-	-	-
Current period end balance	**676,253**	**383,292**	**994,380**
Provisions (-)	(136,996)	(164,068)	(744,702)
Net balance on balance sheet	**539,257**	**219,224**	**249,678**

(*) The Bank sold non-performing loan portfolio amounting to TL 533,027 for an amount of TL 10,100 to domestic asset management companies at 17 October 2018.

5.10.3. Information on expected loan loss provision

Current period	Corporate / Commercial	Consumer	Credit cards	Total
Prior period balance	**659,079**	**366,799**	**105,233**	**1,131,111**
Additions during the period (+)	372,447	159,681	32,286	564,414
Collections during the period (-)	(129,420)	(59,403)	(5,007)	(193,830)
Write-offs (-)	(218,116)	(184,524)	(53,289)	(455,929)
Period end balance	**683,990**	**282,553**	**79,223**	**1,045,766**

Information on specific provision movement

Prior 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**

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

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

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

	Group III	Group IV	Group V
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Current period			
Balance at the end of the period	19,589	2,647	41,827
Provision (-)	4,191	1,447	32,414
Net balance on balance sheet	**15,398**	**1,200**	**9,413**
Prior period			
Balance at the end of the period	37,454	30,503	50,082
Provision (-)	2,030	12,283	26,105
Net balance on balance sheet	**35,424**	**18,220**	**23,977**

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

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

	Group III	Group IV	Group V
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Current period (net)	**539,257**	**219,224**	**249,678**
Loans granted to corporate entities and real person (gross)	676,253	383,292	994,380
Provision amount(-)	(136,996)	(164,068)	(744,702)
Loans granted to corporate entities and real person (net)	539,257	219,224	249,678
Banks (gross)	-	-	-
Provision amount (-)	-	-	-
Banks (net)	-	-	-
Other loans (gross)	-	-	-
Provision amount (-)	-	-	-
Other loans (net)	-	-	-
Prior period (net)	**173,881**	**184,179**	**139,346**
Loans granted to corporate entities and real person (gross)	201,743	305,878	1,176,037
Provision amount (-)	(27,862)	(121,699)	(1,036,691)
Loans granted to corporate entities and real person (net)	173,881	184,179	139,346
Banks (gross)	-	-	-
Provision amount (-)	-	-	-
Banks (net)	-	-	-
Other loans (gross)	-	-	-
Provision amount (-)	-	-	-
Other loans (net)	-	-	-

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

	Group III	Group IV	Group V
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectable loans and receivables
Current period (Net)	**16,522**	**4,492**	**-**
Interest accruals and valuation differences	20,065	6,287	-
Provision (-)	3,543	1,795	-

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

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

5.11. 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. Financial assets measured at amortised cost (net)

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

	Current period	Prior period
Investments subject to repurchase agreements	-	-
Collateralised/blocked investments	386,219	-
Total	**386,219**	**-**

6.2. Government securities measured at amortised cost

	Current period	Prior period
Government bonds	1,194,996	-
Treasury bills	-	-
Other government securities	-	-
Total	**1,194,996**	**-**

6.3. Financial assets measured at amortised cost

	Current period	Prior period
Debt securities	1,194,996	-
Quoted to stock exchange	1,194,996	-
Not quoted	-	-
Impairment provision (-)	-	-
Total	**1,194,996**	**-**

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

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

6.4. Movement of financial assets measured at amortised cost

	Current period
Balances at the beginning of the period (1 January 2018) (*)	1,316,936
Foreign currency differences on monetary assets	-
Purchases during the period	-
Disposals through sales/redemptions	(142,041)
Provision for impairment (-)	-
Change in redemption cost	20,101
Period end balance	**1,194,996**

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

7. Information on associates (net)

7.1. Explanations related to the associates

The Bank does not have any associates.

8. Information on subsidiaries (net)

8.1. Information on equity of subsidiaries

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

	ING European Financial Services Plc.	ING Portfolio Management	ING Factoring	ING Leasing	ING Brokerage
Paid in capital and adjustment to paid-in capital	1,169	8,041	40,000	22,500	20,765
Profit reserves, capital reserves and prior year profit/loss	-	4,658	46,920	76,233	329
Profit/loss	58,258	2,619	32,261	33,605	5,267
Development cost of operating lease (-)	-	-	(4)	(4)	-
Intangible assets (-)	-	(16)	(612)	(329)	(27)
Total core capital	**59,427**	**15,302**	**118,565**	**132,005**	**26,334**
Supplementary capital	**-**	**-**	**-**	**-**	**-**
Capital	**59,427**	**15,302**	**118,565**	**132,005**	**26,334**
Net usable shareholder's equity	**59,427**	**15,302**	**118,565**	**132,005**	**26,334**

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

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

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

8.2. 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 2018 financial information on consolidated subsidiaries as follows (*):

	Total assets	Shareholders' equity	Total fixed assets	Interest income	Income from marketable securities portfolio	Current period profit/ loss	Prior period profit/loss	Fair value
(1)	8,386,079	59,427	7	282,724	-	58,258	16,337	-
(2)	17,456	15,318	224	2,977	17	2,619	1,020	-
(3)	763,046	119,181	834	128,259	-	32,261	2,836	-
(4)	1,299,680	132,338	495	65,431	-	33,605	6,903	-
(5)	223,447	26,361	250	4,700	-	5,267	364	-

(*) The financial information of subsidiaries are obtained from 31 December 2018 audited financial statements.

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.

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

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

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	2,968,911	-	1,571,395	-
Net investment hedge	-	-	-	-
Total	**2,968,911**	**-**	**1,571,395**	**-**

12. Information on property and equipment (net)

Current period	**Real estates**	**Leased tangible assets**	**Other fixed assets**	**Total**
Cost				
Opening balance	265,852	55,555	710,514	1,031,921
Additions	7,033	612	324,757	332,402
Disposals	(1,116)	(4,838)	(115,620)	(121,574)
Provisions for impairment	704	-	(7,000)	(6,296)
Closing balance	272,473	51,329	912,651	1,236,453
Accumulated depreciation				
Opening balance	(112,099)	(55,524)	(362,063)	(529,686)
Current year depreciation expense	(6,433)	(96)	(48,272)	(54,801)
Disposals	551	4,839	26,116	31,506
Closing balance	(117,981)	(50,781)	(384,219)	(552,981)
Net book value	**154,492**	**548**	**528,432**	**683,472**

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

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

Prior 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
Disposals	(1,178)	(1,056)	(51,324)	(53,558)
Provisions for impairment	700	-	-	700
Closing balance	265,852	55,555	710,505	1,031,912
Accumulated depreciation				
Opening balance	(106,710)	(56,572)	(318,660)	(481,942)
Current year depreciation expense	(5,928)	(8)	(49,250)	(55,186)
Disposals	539	1,056	5,856	7,451
Closing balance	(112,099)	(55,524)	(362,054)	(529,677)
Net book value	**153,753**	**31**	**348,451**	**502,235**

13. Information on intangible assets (net)

	Current period	Prior period
Cost		
Opening balance	180,235	164,137
Additions	22,872	16,094
Disposals	-	-
Closing balance	203,107	180,231
Accumulated amortization		
Opening balance	(141,020)	(119,664)
Current year's amortization expense	(22,283)	(21,352)
Disposals	-	-
Closing balance	(163,303)	(141,016)
Net book value	**39,804**	**39,215**

14. Information on investment properties (net)

The Bank does not have investment properties.

15. Explanations on deferred tax asset

15.1. Explanations on current tax asset

As of 31 December 2018 current tax asset and corporation tax payable are netted of and accounted as current tax liability in the unconsolidated balance sheet. The explanations about current tax asset / liability for the current and previous period are disclosed in Note II.9 of Section Five (31 December 2017: TL 31,525).

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

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

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.

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

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

1. Information on deposits

1.1 Maturity structure of deposits

Current period	Demand	7 day call accounts	Up to 1 month	1-3 months	3-6 months	6 months – 1 year	1 year and over	Cumulative deposits	Total
Saving deposits	536,506	-	13,392,719	3,403,652	410,389	159,553	59,788	-	17,962,607
Foreign currency deposits	1,925,323	-	4,813,121	2,677,231	139,011	122,450	202,156	-	9,879,292
Residents in Turkey	1,705,199	-	4,744,197	2,563,934	131,998	114,289	201,221	-	9,460,838
Residents abroad	220,124	-	68,924	113,297	7,013	8,161	935	-	418,454
Public sector deposits	241,369	-	-	9,941	719	-	-	-	252,029
Commercial deposits	561,915	-	833,785	297,246	13,975	7,281	37,585	-	1,751,787
Other institutions deposits	17,236	-	2,647	11,085	195	161	77	-	31,401
Precious metals deposits	170,212	-	-	-	-	-	-	-	170,212
Interbank deposits	2,291,934	-	-	-	-	-	-	-	2,291,934
Central Bank of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	726	-	-	-	-	-	-	-	726
Foreign banks	2,291,208	-	-	-	-	-	-	-	2,291,208
Participation banks	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total	**5,744,495**	**-**	**19,042,272**	**6,399,155**	**564,289**	**289,445**	**299,606**	**-**	**32,339,262**

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

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

	Under the guarantee of saving deposit insurance		Exceeding the limit of saving deposit insurance	
Saving deposits	**Current period**	**Prior period**	**Current period**	**Prior period**
Saving deposit	12,397,645	11,545,698	5,560,491	4,329,020
Foreign currency saving deposits	2,783,584	1,947,203	4,649,289	3,465,749
Other deposits in the form of saving deposits		-	-	-
Foreign branches' deposits under foreign authorities' insurance	-	-	-	-
Deposits in off-shore banking regions' under foreign authorities' insurance	-	-	-	-

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

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

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

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

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

	Current period	Prior period
Deposits and other accounts in foreign branches	-	-
Saving deposits and other accounts of controlling shareholders and their mothers, fathers, spouses, children in care	-	-
Saving deposits and other accounts of president and members of board of directors, general manager and vice presidents, and their mothers, fathers, spouses and children in care	14,738	13,887
Saving deposits and other accounts in scope of the property holdings derived from crime defined in Article 282 of Turkish Criminal Law No: 5237, dated 26 September 2004	-	-
Saving deposits in deposit bank established in Turkey in order to engage solely in off-shore banking activities	-	-

2. Information on derivative financial liabilities held for trading

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

	Current period		Prior period	
	TL	FC	TL	FC
Forward transactions	-	88,476	-	43,848
Swap transactions	652,663	103,240	279,269	142,969
Future transactions	-	-	-	-
Options	262	3,754	705	2,525
Other	-	-	-	-
Total	**652,925**	**195,470**	**279,974**	**189,342**

3. Banks and other financial institutions

3.1. Information on banks and other financial institutions

	Current period		Prior period	
	TL	FC	TL	FC
Funds borrowed from Central Bank of Turkey	-	-	-	-
Funds borrowed from domestic banks and institutions	107,924	648,641	122,395	352,211
Funds borrowed from foreign banks, institutions and funds	204,298	10,884,486	255,507	13,234,167
Total	**312,222**	**11,533,127**	**377,902**	**13,586,378**

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

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

3.2. Maturity analysis of funds borrowed

	Current period		Prior period	
	TL	**FC**	**TL**	**FC**
Short term	128,190	1,716,863	191,355	1,753,512
Medium and long term	184,032	9,816,264	186,547	11,832,866
Total	**312,222**	**11,533,127**	**377,902**	**13,586,378**

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

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

4. Explanations on securities issued (net)

The Bank does not have any securities issued end of the reporting period (31 December 2017: None).

Within the current period, the Bank issued bonds in the amount of TL 265,000 (31 December 2017: TL 257,445) and made repurchase in amount of TL 265,000 (31 December 2017: 507,445).

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

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

6. Explanations on lease payables (net)

None.

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

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

7. Information on derivative financial liabilities held for hedging

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

	Current period		Prior period	
	TL	FC	TL	FC
Fair value hedge	-	-	-	-
Cash flow hedge	258,878	4,528	21,299	4,155
Net investment hedge	-	-	-	-
Total	**258,878**	**4,528**	**21,299**	**4,155**

8. Information on provisions

8.1. Information on general provisions

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

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

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

None (31 December 2017: TL 1,067).

8.3. Information on other provisions

8.3.1. Information on provisions for possible losses

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

8.3.2. Information on other provisions

	Current period
Specific provisions for undrawn non-cash loans (Stage 3)	28,295
Provision for credit card score promotion	1,833
Other provisions	235,848
Allowance for expected credit losses (Stage 1 and Stage 2) (*)	*97,456*
Other	*138,392*
Total	**265,976**

(*) Non-cash loan provisions are included.

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

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

8.3.2. Information on other provisions (continued)

Amounting to TL 71,338 (31 December 2017: TL 88,147) of the other provisions consist of provisions set aside as a result of the legal assessment for the lawsuits that are likely to result against the Bank.

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

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

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

On the other hand, there is an administrative law dispute between the Bank and SDIF. The Bank has filed a lawsuit for the annulment of the administrative resolution No. 2013/36 dated 31 January 2013 of SDIF's Fund Board (the "SDIF Fund Board Decision"), which constitutes the legal basis of the SDIF's abovementioned actions. Although the first instance administrative court ruled in favor of the Bank to annul the SDIF Fund Board Decision, the Council of State (i.e., the Administrative Supreme Court of Appeals, Danıştay) reversed the first instance court's decision on the grounds that the administrative courts lack jurisdiction because the dispute was a matter of private law and not one of administrative law. The Bank submitted a motion for the post judgment relief, i.e., correction of judgment which the Council of State rejected. Upon completion of the Council of State's review, the first instance court rendered a decision in line with the Council of State's decision against which the Bank (claiming the annulment of the SDIF Fund Board Decision) and SDIF (claiming the determination of the SDIF Fund Board Decision's legal validity by the administrative courts rather than a lack of jurisdiction decision) filed an appeal.

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

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

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

8.4. Information on provisions for employee benefits

As of 31 December 2018, TL 50,903 (31 December 2017: TL 40,358) of TL 29,418 (31 December 2017: TL 23,112) provisions for employee benefits is the unused vacation provision. Full provision is provided for the unused vacation liability.

TL 21,485 (31 December 2017: TL 17,246) of the provisions for employee benefits is the termination benefit provision. In accordance with the labor law, the Bank is required to make lump-sum payments to employees whose employment is terminated due to retirement or for reasons other than resignation and misconduct. The payments are calculated on the basis of 30 days' pay limited to a maximum of historical TL 5,434.42 (Full TL) at 31 December 2018 and TL 4,732.48 (Full TL) at 31 December 2017 per year of employment at the rate of pay applicable at the date of retirement or termination.

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

	Current period	Prior period
Net discount rate	3.84%	4.62%
Inflation rate	9.3%	7.0%
Interest rate	13.5%	11.9%
Probability of severance	30.9%	40.9%

Movement of the provision for termination benefit:

	Current period	Prior period
Balance at the beginning of the period	17,246	16,538
Change during the year	14,278	10,911
Actuarial gain	1,794	1,739
Benefits paid during the year	(11,833)	(11,942)
Balance at the end of the period	**21,485**	**17,246**

9. Explanations on tax liability

9.1. Explanations on current tax liability

9.1.1. Explanations on tax provision

The Bank has current corporate tax liability as of 31 December 2018 amounting to TL 131,125 (31 December 2017: TL 31,525 current tax asset).

9.1.2. Information on taxes payable

	Current period	Prior period
Corporate tax payable	131,125	-
Taxation of securities	42,224	25,445
Property tax	1,250	1,168
Banking insurance transaction tax ("BITT")	37,741	26,613
Foreign exchange transaction tax	-	-
Value added tax payable	4,553	4,195
Other	10,100	9,763
Total	**226,993**	**67,184**

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

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

9.1.3. Information on premiums

	Current period	Prior period
Social security premiums-employee	4,681	4,184
Social security premiums-employer	6,926	6,202
Bank social aid pension fund premium-employee	-	-
Bank social aid pension fund premium-employer	-	-
Pension fund membership fees and provisions-employee	-	-
Pension fund membership fees and provisions-employer	-	-
Unemployment insurance-employee	332	296
Unemployment insurance-employer	663	592
Other	-	-
Total	**12,602**	**11,274**

9.2. Explanations on deferred tax liabilities

As of 31 December 2018, the net deferred tax liabilities of the Bank amounts to TL 430,595 (31 December 2017: TL 334,347) which is calculated based on the deductible temporary differences.

		Current period
Timing differences constituting the basis for deferred tax	**Accumulated temporary differences**	**Deferred tax asset / (liability)**
Provisions (*)	208,885	43,493
Fair value differences for financial assets and liabilities	(38,036)	(6,850)
Derivative valuation differences	(2,844,627)	(599,098)
Expected credit losses of Stage I and II	593,394	130,547
Other	10,028	1,313
Total deferred tax assets / (liabilities) net		**(430,595)**

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

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

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

Deferred tax assets / (liabilities)	**Current period (1 January – 31 December 2018)**
Prior period beginning balance	**(334,347)**
TFRS 9 effect	65,575
Opening balance	**(268,772)**
Deferred tax income / (expense) net	(69,054)
Deferred tax recognized under equity	(92,769)
Balance at the end of the period	**(430,595)**

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

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

Deferred tax assets / (liabilities)	Prior period (1 January – 31 December 2017)
Opening balance	**(317,646)**
Deferred tax income / (expense) net	114,241
Deferred tax recognized under equity	883
Balance at the end of the period	**(202,522)**

10. Information on liabilities regarding assets held for sale

As of 31 December 2018 and 31 December 2017, there are no liabilities regarding assets held for sale.

11. Explanations on the subordinated loans

	Current period		Prior period	
	TL	FC	TL	FC
To be included in the calculation of additional capital borrowing instruments	-	-	-	-
Subordinated loans	-	-	-	-
Subordinated debt instruments	-	-	-	-
Debt instruments to be included in contribution capital calculation	-	**3,813,522**	**222,644**	**2,816,323**
Subordinated loans (*)	-	3,813,522	222,644	2,816,323
Subordinated debt instruments	-	-	-	-
Total	-	**3,813,522**	**222,644**	**2,816,323**

(*) The subordinated loan amounting to TL 200 million (full TL) obtained from ING Bank N.V. on 19 December 2013 was paid on 19 December 2018, at the end of the fifth year by using the early redemption option, in accordance with the BRSA's approval letter dated 11 December 2018.

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.

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

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	
	TL	**FC**
From associates, subsidiaries, and entities under common control	-	-
Valuation difference	(14,870)	-
Foreign exchange difference	-	-
Total	**(14,870)**	**-**

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

12.9. Profit reserves and profit distribution

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

As per the decision made at the annual general assembly of shareholders of the Bank on 19 March 2018, the distribution of the net profit of the year 2017, is as follows. Dividend distribution was made on 29 March 2018.

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

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

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

1. Explanations on off-balance sheet commitments

1.1. Type and amount of irrevocable commitments

	Current period	Prior period
Forward asset purchase commitments	1,299,103	3,012,553
Forward deposit purchase and sales commitments	-	-
Loan granting commitments	1,823,151	2,196,058
Commitments for cheque payments	352,249	2,791,088
Commitments for credit card limits	1,553,689	1,808,006
Commitments for credit cards and banking services promotions	5,479	5,421
Other irrevocable commitments	22,409	13,938
Total	**5,056,080**	**9,827,064**

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

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

	Current period	Prior period
Commitments and contingencies	7,078,365	6,100,920
Letter of credits	1,764,338	1,621,705
Bank acceptance loans	39,370	80,948
Total	**8,882,073**	**7,803,573**

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

	Current period	Prior period
Irrevocable letters of guarantees	5,554,763	4,828,687
Cash loans letters of guarantees	990,029	931,793
Advance letters of guarantees	569,482	606,675
Temporary letters of guarantees	54,865	224,974
Other	78,752	68,866
Total	**7,247,891**	**6,660,995**

1.3. Explanation on non-cash loans

1.3.1. Total amount of non-cash loans

	Current period	Prior period
Non-cash loans given against cash loans	7,967,682	6,908,685
With original maturity of 1 year or less than 1 year	248,412	40,253
With original maturity of more than 1 year	7,719,270	6,868,432
Other non-cash loans	8,162,282	7,555,883
Total	**16,129,964**	**14,464,568**

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

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

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

	Current period				Prior period			
	TL	(%)	FC	(%)	TL	(%)	FC	(%)
Agriculture	**11,866**	**0.55**	**16,673**	**0.11**	**17,536**	**0.65**	**46,054**	**0.39**
Farming and raising	8,334	0.39	15,391	0.10	7,548	0.28	44,134	0.37
Forestry	3,095	0.14	1,282	0.01	9,551	0.35	1,920	0.02
Fishing	437	0.02	-	-	437	0.02	-	-
Manufacturing	**294,239**	**13.75**	**8,165,656**	**58.36**	**320,077**	**11.85**	**6,429,615**	**54.65**
Mining	12,546	0.59	3,306,262	23.63	20,259	0.75	2,351,565	19.99
Production	252,450	11.79	4,397,336	31.43	258,161	9.56	3,749,262	31.87
Electric, gas and water	29,243	1.37	462,058	3.30	41,657	1.54	328,788	2.79
Construction	**392,703**	**18.35**	**432,424**	**3.09**	**520,005**	**19.26**	**303,880**	**2.58**
Services	**1,425,628**	**66.61**	**5,372,179**	**38.42**	**1,783,153**	**66.03**	**4,981,750**	**42.36**
Wholesale and retail trade	968,697	45.26	733,841	5.25	1,040,489	38.53	487,531	4.14
Hotel, food and beverage	12,867	0.60	115,526	0.83	16,972	0.63	822	0.01
Transportation and telecommunication	70,038	3.27	1,217,822	8.71	80,439	2.98	1,320,287	11.22
Financial institutions	274,600	12.83	2,600,651	18.59	429,570	15.91	2,433,119	20.68
Real estate and renting services	33,172	1.55	53,699	0.38	39,320	1.46	72,856	0.62
Self-employment services	55,491	2.59	421,765	3.01	148,357	5.49	311,223	2.65
Education services	151	0.01	-	-	3,396	0.13	25,402	0.22
Health and social services	10,612	0.50	228,875	1.65	24,610	0.90	330,510	2.82
Other	**15,926**	**0.74**	**2,670**	**0.02**	**59,622**	**2.21**	**2,876**	**0.02**
Total	**2,140,362**	**100.00**	**13,989,602**	**100.00**	**2,700,393**	**100.00**	**11,764,175**	**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	1,987,818	13,885,012	109,549	95,699
Letter of guarantees	1,985,095	5,086,373	109,549	15,299
Bank acceptances	-	31,501	-	7,869
Letter of credits	396	1,757,318	-	6,313
Endorsements	-	-	-	-
Underwriting commitments	-	-	-	-
Factoring commitments	-	-	-	-
Other	2,327	7,009,820	-	66,218

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

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)	**26,719,475**	**28,501,560**
Purchase transactions	14,465,746	14,908,004
Sale transactions	12,253,729	13,593,556
Net investment hedges (III)	**-**	**-**
Purchase transactions	-	-
Sale transactions	-	-
A. Total derivatives held for hedging (I+II+III)	**26,719,475**	**28,501,560**
Derivative transactions held for trading		
Trading transactions (I)	**60,047,928**	**55,532,016**
Forward foreign currency transactions – buy	7,202,649	6,808,719
Forward foreign currency transactions – sell	6,967,827	6,709,517
Swap transactions- buy	21,681,273	19,524,035
Swap transactions – sell	22,305,661	19,634,161
Foreign currency options – buy	945,259	1,427,792
Foreign currency options – sell	945,259	1,427,792
Foreign currency futures – buy	-	-
Foreign currency futures – sell	-	-
Interest rate derivatives (II)	**10,318,994**	**10,019,246**
Interest rate swap - buy	5,159,497	5,009,623
Interest rate swap - sell	5,159,497	5,009,623
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)	33,366	8,138
B. Total derivative transactions held for trading (I+II+III)	**70,400,288**	**65,559,400**
Total derivative transactions (A+B)	**97,119,763**	**94,060,960**

3. Information on credit swaps and related risks

As of 31 December 2018 and 31 December 2017, there are no credit derivative transactions.

4. Information on contingent liabilities and assets

As of 31 December 2018, provision of TL 71,338 (31 December 2017: TL 88,147) is set aside by considering legal assessment for the lawsuits with a high probability of resulting against the Bank.

5. Information on the services provided on behalf of others

Related information is provided in note IX of Section Four.

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

IV. Explanations and notes related to unconsolidated statement of profit or loss

1. Information on interest income

1.1. Information on interest income from loans

	Current period	
	TL	**FC**
Interest on loans (*)	5,636,796	448,693
Short term loans	2,248,376	61,986
Medium and long term loans	3,288,437	386,707
Interest on loans under follow-up	99,983	-
Premiums received from resource utilization support fund	-	-

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

	Prior period	
	TL	**FC**
Interest on loans (*)	4,068,447	341,640
Short term loans	1,329,510	44,088
Medium and long term loans	2,712,108	297,552
Interest on loans under follow-up	26,829	-
Premiums received from resource utilization support fund	-	-

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

1.2. Information on interest income received from banks

	Current period	
	TL	**FC**
From Central Bank of Turkey	-	-
From domestic banks	45,332	2,089
From foreign banks	9,598	22,041
From branches abroad	-	-
Total	**54,930**	**24,130**

	Prior period	
	TL	**FC**
From Central Bank of Turkey	-	338
From domestic banks	33,832	815
From foreign banks	580	7,140
From branches abroad	-	-
Total	**34,412**	**8,293**

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

IV. Explanations and notes related to unconsolidated statement of profit or loss (continued)

1.3. Information on interest income received from marketable securities portfolio

	Current period	
	TL	**FC**
Financial assets measured at fair value through profit or loss	32,278	850
Financial assets measured at fair value through other comprehensive income	73,946	-
Financial assets measured at amortised cost	162,730	-
Total	**268,954**	**850**

	Prior period	
	TL	**FC**
Trading securities	6,121	1,399
Financial assets at fair value through profit and loss	-	-
Available for sale securities	236,530	-
Held to maturity securities	-	-
Total	**242,651**	**1,399**

1.4 Information on interest income received from associates and subsidiaries

	Current period
Interest income from associates and subsidiaries	8,011

	Prior period
Interest income from associates and subsidiaries	8,114

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

IV. Explanations and notes related to unconsolidated statement of profit or loss (continued)

2. Information on interest expenses

2.1. Information on interest on funds borrowed

	Current period	
	TL	**FC**
Banks (*)	80,197	393,239
Central Bank of Turkey	-	-
Domestic banks	9,882	1,973
Foreign banks	70,315	391,266
Branches and offices abroad	-	-
Other institutions (*)	-	7,442
Total	**80,197**	**400,681**

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

	Prior period	
	TL	**FC**
Banks (*)	103,664	276,598
Central Bank of Turkey	-	-
Domestic banks	5,389	2,485
Foreign banks	98,275	274,113
Branches and offices abroad	-	-
Other institutions (*)	-	2,904
Total	**103,664**	**279,502**

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

2.2. Information on interest expenses paid to associates and subsidiaries

	Current period
Interest expenses paid to associates and subsidiaries	7,372

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

2.3. Information on interest on securities issued

	Current period	
	TL	**FC**
Interest on securities issued	20,632	-

	Prior period	
	TL	**FC**
Interest on securities issued	9,934	-

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

IV. Explanations and notes related to unconsolidated statement of profit or loss (continued)

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

		Time deposit						
Account name	**Demand deposit**	**Up to 1 month**	**Up to 3 months**	**Up to 6 months**	**Up to 1 year**	**More than 1 year**	**Accumulated deposits**	**Total**
Turkish lira								
Bank deposits	-	2,132	-	-	-	-	-	2,132
Saving deposits	-	1,970,449	473,320	25,138	8,320	5,742	-	2,482,969
Public sector deposits	-	-	1,374	114	-	-	-	1,488
Commercial deposits	-	150,711	57,085	3,760	2,057	4,218	-	217,831
Other deposits	-	265	2,264	635	523	16	-	3,703
7 days call accounts	-	-	-	-	-	-	-	-
Total	**-**	**2,123,557**	**534,043**	**29,647**	**10,900**	**9,976**	**-**	**2,708,123**
Foreign currency								
Foreign currency deposits	-	98,460	89,091	3,064	1,386	3,904	-	195,905
Banks deposits	-	11,946	-	-	-	-	-	11,946
7 days call accounts	-	-	-	-	-	-	-	-
Precious metal deposits	-	-	-	-	-	-	-	-
Total	**-**	**110,406**	**89,091**	**3,064**	**1,386**	**3,904**	**-**	**207,851**
Grand total	**-**	**2,233,963**	**623,134**	**32,711**	**12,286**	**13,880**	**-**	**2,915,974**

3. Information on dividend income

	Current period
Financial assets at fair value through profit and loss	-
Financial assets at fair value through other comprehensive income	16
Other	68,828
Total	**68,844**

	Prior period
Financial assets held for trading	-
Financial assets at fair value through profit and loss	-
Financial assets available for sale	337
Other	49,324
Total	**49,661**

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

IV. Explanations and notes related to unconsolidated statement of profit or loss (continued)

4. Information on trading income/loss (net)

	Current period
Income	**45,552,599**
Gains on capital market transactions	41,619
Gains on derivative financial instruments	21,361,014
Foreign exchange gains	24,149,966
Loss (-)	**(45,712,363)**
Loss on capital market transactions	(82,498)
Loss on derivative financial instruments	(18,082,431)
Foreign exchange loss	(27,547,434)

	Prior period
Income	**18,248,720**
Gains on capital market transactions	17,342
Gains on derivative financial instruments	7,068,572
Foreign exchange gains	11,162,806
Loss (-)	**(18,686,903)**
Loss on capital market transactions	(17,920)
Loss on derivative financial instruments	(7,094,219)
Foreign exchange loss	(11,574,764)

Net profit on derivative financial instruments recognized in profit/loss resulting from fluctuations in foreign exchange rates is TL 2,788,257 (31 December 2017: TL 48,425 net profit).

5. Information on other operating income

	Current period
Income from reversal of prior years' provisions	547,569
Income arising from sale of assets	16,138
Banking services income	4,625
Other non-interest income	61,786
Total	**630,118**

	Prior period
Income from reversal of prior years' provisions	139,654
Income arising from sale of assets	169,474
Banking services income	7,100
Other non-interest income	57,943
Total	**374,171**

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

IV. Explanations and notes related to unconsolidated statement of profit or loss (continued)

6. Provision expenses for loan losses and other receivables

Allowance for expected credit losses:

	Current period
Expected credit losses	1,282,223
12-Month expected credit loss (Stage 1)	128,558
Expected credit loss significant increase in credit risk (Stage 2)	267,837
Expected credit loss impaired credits (Stage 3)	885,828
Impairment losses on securities	91
Financial assets measured at fair value through profit/loss	65
Financial assets measured at fair value through other comprehensive income	26
Impairment losses on associates, subsidiaries and joint-ventures	-
Associates	-
Subsidiaries	-
Joint ventures	-
Other	98,073
Total	**1,380,387**

Provision for loan losses and other receivables:

	Prior period
Specific provisions for loans and other receivables	505,462
III. group loans and receivables	27,762
IV. group loans and receivables	114,338
V. group loans and receivables	363,362
General provision expenses	64,155
Provision expenses for possible losses	-
Marketable securities impairment losses	13
Financial assets at fair value through profit and loss	13
Available for sale securities	-
Impairment related to associates, subsidiaries and investment securities held to maturity	-
Associates	-
Subsidiaries	-
Joint ventures	-
Held to maturity investments	-
Other	69,603
Total	**639,233**

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

IV. Explanations and notes related to unconsolidated statement of profit or loss (continued)

7. Information on other operating expenses

	Current period
Personnel expenses (*)	626,921
Reserves for employee termination benefits	2,445
Bank social aid fund deficit provision	-
Tangible assets impairment expense	7,000
Depreciation expense of tangible assets	54,801
Intangible assets impairment expense	-
Goodwill impairment expense	-
Amortisation expense of intangible assets	22,285
Impairment expense of equity participations for which equity method is applied	-
Impairment expense for securities that to be disposed	-
Depreciation expense of securities that to be disposed	-
Impairment expense of held for sale tangible assets and discontinued operations	-
Other operating expenses	802,339
Operating lease expenses	116,461
Repair and maintenance expenses	31,754
Advertisement expenses	86,394
Other expenses	567,730
Loss on sales of assets	2,586
Other	231,321
Total	**1,749,698**

(*) Includes "Personnel Expenses" that is presented separately in the statement of profit or loss.

	Prior period
Personnel expenses	609,240
Reserves for employee termination benefits	-
Bank social aid fund deficit provision	-
Tangible assets impairment expense	-
Depreciation expense of tangible assets	55,186
Intangible assets impairment expense	-
Goodwill impairment expense	-
Amortisation expense of intangible assets	21,352
Impairment expense of equity participations for which equity method is applied	-
Impairment expense for securities that to be disposed	-
Depreciation expense of securities that to be disposed	-
Impairment expense of held for sale tangible assets and discontinued operations	-
Other operating expenses	639,882
Operating lease expenses	111,859
Repair and maintenance expenses	27,031
Advertisement expenses	80,049
Other expenses	420,943
Loss on sales of assets	340
Other	182,651
Total	**1,508,651**

IV. Explanations and notes related to unconsolidated statement of profit or loss (continued)

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

As of 31 December 2018, the income before taxes is TL 1,344,827 (31 December 2017: TL 1,063,818).

9. Information on tax provision for continued and discontinued operations

As of 31 December 2018, the corporate tax provision expense for the period is TL 214,013 (31 December 2017: TL 243,225), and the deferred tax expense is TL 69,054 (31 December 2017: TL 23,159 deferred tax income).

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

As of 31 December 2018, the net operating income after taxes is TL 1,061,760 (31 December 2017: TL 843,752).

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

Interest income from regular banking transactions is TL 6,793,042 (31 December 2017: TL 4,956,715), while the interest expense is TL 3,440,895 (31 December 2017: TL 2,266,507).

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

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

Other fees and commissions received amounting to TL 550,908 (31 December 2017: TL 552,525) has included TL 170,786 (31 December 2017: TL 143,065) resulting from the credit card fees and commissions, TL 125,396 (31 December 2017: TL 170,192) resulting from service fees and commissions from contracted merchants and TL 118,079 (31 December 2017: TL 133,380) resulting from insurance commissions.

Other fees and commissions paid amounting to TL 203,322 (31 December 2017: TL 211,140) has included TL 157,276 (31 December 2017: TL 173,247) coming from 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 comprise 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 19 March 2018. In the Ordinary General Assembly meeting, it was decided to transfer TL 843,752 unconsolidated net income from 2018 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 42,188, TL 538,625 and TL 94,189, respectively.

In the Ordinary General Assembly, gross amount of TL 168,750 cash dividend was distributed from retained earnings to the Bank's shareholders on 29 March 2018.

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, unconsolidated legal reserves amount to TL 190,604 (31 December 2017: TL 148,416), and TL 94,189 (31 December 2017: TL 48,558) of this amount consists of the amount transferred from the previous year profit within the current period.

As of the balance sheet date, consolidated extraordinary reserves amount to TL 1,955,396 (31 December 2017: 1,010,320 TL).

(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

	31 December 2017	31 December 2016
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**

1.2. Cash and cash equivalents at the end of period

	31 December 2018	31 December 2017
Cash	**1,641,069**	**2,269,440**
Cash in vault	291,076	299,399
Cash in foreign currency	1,349,993	1,970,041
Cash equivalents	**8,989,314**	**2,615,750**
Central Bank of Turkey	4,517,388	1,178,608
Banks	281,926	390,341
Interbank money market	4,190,000	1,046,801
Total	**10,630,383**	**4,885,190**

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 82,549 (31 December 2017: TL 75,103) consists of other operational incomes.

The "Other" item under "Operating profit before changes in operating assets and liabilities" amounting to TL 223,828 (31 December 2017: TL (2,011,274)) 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 92,775 increase (31 December 2017: TL 290,444 increase) consists of mainly changes in prepaid expenses, factoring and leasing receivables 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 1,529,182 increase (31 December 2017: TL 14,713 decrease) consists of mainly changes in fees and commissions obtained in advance and changes in exchange account under other liabilities.

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

VI. Explanations and notes related to the consolidated statement of cash flows (continued)

The 'Other' item under "Net cash flow from investment activities" amounting to TL 22,872 decrease (31 December 2017: TL 16,094 decrease) consists of mainly additions from 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 1,332,484 (31 December 2017: TL 406,721).

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	147,261	6,092	30	438,513	13	197,080
End of the period	535,713	23,051	71	570,374	47	200,958
Interest and commission income	8,011	89,211	675	890	-	344

1.2 Prior period

Risk group of the Bank	Subsidiaries, associates and joint ventures (partnerships)		Direct and indirect shareholders of the Bank		Other entities included in the risk group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans and other receivables						
Beginning of the period	104,291	15,790	91	624,919	14	87,086
End of the period	147,261	6,092	30	438,513	13	197,080
Interest and commission income	8,114	76,639	304	522	-	256

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

Risk group of the Bank	Subsidiaries, associates and joint ventures (partnerships)		Direct and indirect shareholders of the Bank		Other entities included in the risk group	
	Current period	Prior period	Current period	Prior period	Current period	Prior period
Deposit						
Beginning of the period	88,113	64,607	8,426	1,064	3,070	3,628
End of the period	61,826	88,113	25,152	8,426	2,400	3,070
Interest expense on deposits	5,776	2,104	478	117	279	117

(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	-	-	9,971,955	7,620,055	33,080	98,715
End of period	-	-	11,502,875	9,971,955	20,039	33,080
Total profit/loss	26,176	1,983	(96,605)	(81,494)	101,253	(26,685)
Transactions with hedging purposes						
Beginning of the period	-	-	-	-	-	-
End of period	-	-	-	-	-	-
Total profit/loss	-	-	-	-	-	-

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

Risk group of the Bank	Subsidiaries, associates and joint ventures (partnerships)		Direct and indirect shareholders of the Bank		Other entities included in the risk group	
	Current period	Prior period	Current period	Prior period	Current period	Prior period
Banks						
Beginning of the period	-	-	63,731	1,339	33,504	44,236
End of period	-	-	13,735	63,731	4,087	33,504
Interest income received	-	-	10,509	1,220	236	51

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

Risk group of the Bank	Subsidiaries, associates and joint ventures (partnerships)		Direct and indirect shareholders of the Bank		Other entities included in the risk group	
	Current period	Prior period	Current period	Prior period	Current period	Prior period
Loans						
Beginning of the period	218,398	-	7,418,245	9,893,625	8,403	4,201
End of period	-	218,398	5,309,702	7,418,245	7,702	8,403
Interest and commission paid	1,596	420	182,238	140,603	915	407

The Bank also has subordinated loan amounting to TL 3,813,522 from its shareholder ING Bank NV as of 31 December 2018 (31 December 2017: TL 3,038,967).

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

Benefits paid to key management personnel for the year ended is amounting to TL 26,173 (31 December 2017: TL 26,551).

VIII. Explanations and notes related to the domestic, foreign, off-shore branches and foreign representatives of the Bank

	Number	Number of employees
Domestic branches	226	4,520

			Country
Foreign representative offices	-	-	-

				Total assets	Capital
Foreign branches	-	-		-	-
Off-shore banking region branches	-	-		-	-

Section six

Other Explanations

I. Other explanations on the Bank's operations

None.

II. Explanations and notes related to subsequent events

The Bank Credit Monitoring, Restructuring and Follow-up Director Öcal Ağar has been appointed as the Business Lending and Risk Analytics Executive Vice President starting from 1 January 2019.

Section seven

Independent auditors' report

I. Explanations on the independent auditors' report

The unconsolidated financial statements of the Bank as of 31 December 2018, have been audited by KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (The Turkish member firm of KPMG International Cooperative, a Swiss entity) and the independent audit report dated 8 February 2019 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 Group that is not mentioned above.