

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

ING Bank A.Ş. and its Financial Subsidiaries

Publicly Announced Consolidated Financial
Statements as of and for the Six-Month Period Ended
30 June 2018 and Independent
Auditors' Review Report Thereon

6 August 2018

This report consists 2 pages of "Independent Auditors' Review Report" and 99 pages of consolidated financial statements and related disclosures and footnotes.

Convenience Translation of the Independent Auditors' Review Report Originally Prepared and Issued in Turkish (Note 1. b of Section Three)

REVIEW REPORT ON INTERIM CONSOLIDATED FINANCIAL INFORMATION

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

Introduction

We have reviewed the consolidated statement of financial position of ING Bank A.Ş (the "Bank") and its financial subsidiaries (together the "Group") as at 30 June 2018 and the consolidated statements of income, profit or loss, profit or loss and other comprehensive income, changes in equity, cash flows and a summary of significant accounting policies and other explanatory notes to the consolidated financial statements for the six-month period then ended. The Group Management is responsible for the preparation and fair presentation of consolidated interim financial statements in accordance with the "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published in the Official Gazette no.26333 dated 1 November 2006, and other regulations on accounting records of Banks published by Banking Regulation and Supervision Agency and circulars and interpretations published by Banking Regulation and Supervision Authority ("BRSA"), and Turkish Accounting Standard 34 "Interim Financial Reporting" for those matters not regulated by BRSA Legislation (together referred as "BRSA Accounting and Reporting Legislation"). Our responsibility is to express a conclusion on these consolidated interim financial statements based on our review.

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects the consolidated financial position of ING Bank A.Ş. and its financial subsidiaries as at 30 June 2018 and its consolidated financial performance and its consolidated cash flows for the six-month-period then ended in accordance with the BRSA Accounting and Reporting Legislation.

Report on other regulatory requirements arising from legislation

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

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

Funda Aslanoğlu, SMMM
Partner

6 August 2018
Istanbul, Turkey

Additional paragraph for convenience translation to English:

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

The consolidated financial report of ING Bank A.Ş. prepared as of and for the six month period ended 30 June 2018

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

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

Investment in associates, joint ventures, direct and indirect subsidiaries whose financial statements have been consolidated in this six-month period financial report are as follows.

Subsidiaries	Investments in associates	Joint ventures
1. ING European Financial Services Plc. 2. ING Portföy Yönetimi A.Ş. 3. ING Finansal Kiralama A.Ş. 4. ING Faktoring A.Ş. 5. ING Menkul Değerler A.Ş.	None	None

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

John T. Mc CARTHY Chairman of the Board	Pınar ABAY President and CEO	K. Atıl ÖZUS CFO	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**
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ING Bank A.Ş. and its Financial Subsidiaries

Notes to the consolidated interim financial statements for the six-month period ended 30 June 2018

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

Section one

General information

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

The foundations of ING Bank A.Ş. (“The Parent 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 Parent 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 Parent Bank and continue its banking operations under the Parent 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 Parent 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 Parent Bank from “Oyak Bank A.Ş.” to “ING Bank A.Ş.” effective from 7 July 2008. The Articles of Association of the Parent Bank has been changed with the Extraordinary General Meeting dated 26 June 2014 in accordance with Turkish Trade Art numbered 6102 and published in Turkish Trade Registry Gazette numbered 8608 and dated 9 July 2014.

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

ING Bank A.Ş. and its Financial Subsidiaries

Notes to the consolidated interim financial statements for the six-month period ended 30 June 2018

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

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

The main shareholders and capital structure as of 30 June 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 30 June 2018, the Parent Bank’s paid-in capital consists of 3,486,267,797 shares with a nominal value of TL 1 (Full TL) each.

The Parent Bank’s paid-in capital is TL 3,486,268 as of 30 June 2018, and ING Bank N.V. has full control over the Parent 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.

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

ING Bank A.Ş. and its Financial Subsidiaries

Notes to the consolidated interim financial statements

for the six-month period ended 30 June 2018

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

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

As of 30 June 2018, the Parent Bank’s Board of Directors (BOD), Members of Audit Committee and Chief Executive Officer and Executive Vice Presidents are as follows:

Name and Surname	Title	Responsibility area
John T. Mc Carthy	Chairman of the BoD	Legally declared
M. Sırrı Erkan	Vice Chairman of the BoD	Legally declared
Adrianus J. A. Kas	BoD Member and Chairman of the Audit Committee	Legally declared
M. Semra Kuran	BoD Member and Audit Committee Member	Legally declared
A. Canan Edibođlu	BoD Member	Legally declared
Pınar Abay	Chief Executive Officer and BoD Member	Legally declared
Alper Hakan Yüksel	Executive Vice President	Corporate Banking
Alper İhsan Gökgöz	Executive Vice President	Retail Banking
Ayşegül Akay	Executive Vice President	Financial Institutions and Debt Capital Markets
Bahar Özen	Executive Vice President	Human Resources
Bohdan Robert Stepkowski	Executive Vice President	Financial Markets
Gordana Hulina	Executive Vice President	Credits
Günce Çakır İldun	Chief Legal Counsel	Legal Department
Ebru Sönmez Yanık	Executive Vice President	Corporate Customers Sales
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	Corporate Loans Underwriting and Risk Analytics
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 Parent 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 Parent Bank Chief Legal Counsel Çiğdem Dayan has resigned from her duty as of 31 December 2017. Günce Çakır İldun has been appointed as Chief Legal Counsel per the Board of Directors resolution No. 49/2 and dated 20 December 2017, after completion of the BRSA process, she started her duty as of 22 January 2018.

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

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

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

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

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

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

ING Bank A.Ş. and its Financial Subsidiaries

Notes to the consolidated interim financial statements for the six-month period ended 30 June 2018

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

IV. Information on the Parent Bank’s qualified shareholders

ING Bank N.V. has full control over the Parent Bank’s management with 3,486,267,792 shares and 100% paid-in share.

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

The Parent 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 Parent Bank carries out its operations with 254 domestic branches.

The Parent Bank and its subsidiaries ING European Financial Services Plc, ING Portföy Yönetimi AŞ, ING Finansal Kiralama AŞ, ING Faktoring AŞ and ING Menkul Değerler AŞ has been included in the scope of consolidation. The Parent Bank together with its consolidated subsidiaries are referred to as the “Group” in these consolidated financial statements and notes to consolidated financial statements.

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

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

None.

Section two

Consolidated financial statements

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- III. Consolidated statement of profit or loss
- IV. Consolidated statement of profit or loss and other comprehensive income
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- VI. Consolidated statement of cash flows

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

ING Bank A.Ş. and its Financial Subsidiaries

Consolidated balance sheet (statement of financial position)

as of 30 June 2018

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

		Reviewed		
		Current period		
		(30/06/2018)		
Assets (*)	Note (section five)	TL	FC	Total
I. Financial assets (net)		5,982,392	11,251,046	17,233,438
1.1 Cash and cash equivalents		902,428	10,865,009	11,767,437
1.1.1 Cash and balances at Central Bank	(I-1)	650,757	7,768,412	8,419,169
1.1.2 Banks	(I-3)	83,423	3,096,597	3,180,020
1.1.3 Money market placements		168,248	-	168,248
1.2 Financial assets at fair value through profit or loss	(I-2)	11,226	13,760	24,986
1.2.1 Government securities		11,161	13,760	24,921
1.2.2 Equity instruments		35	-	35
1.2.3 Other financial assets		30	-	30
1.3 Financial assets at fair value through other comprehensive income	(I-4)	474,909	183	475,092
1.3.1 Government securities		466,832	-	466,832
1.3.2 Equity instruments		8,077	183	8,260
1.3.3 Other financial assets		-	-	-
1.4 Financial assets measured at amortised cost	(I-6)	1,179,416	-	1,179,416
1.4.1 Government securities		1,179,416	-	1,179,416
1.4.2 Other financial assets		-	-	-
1.5 Derivative financial assets		3,436,847	372,094	3,808,941
1.5.1 Derivative financial assets measured at fair value through profit or loss	(I-2)	604,050	372,094	976,144
1.5.2 Derivative financial assets measured at fair value through other comprehensive income	(I-11)	2,832,797	-	2,832,797
1.6 Non-performing financial assets		-	-	-
1.7 Expected credit losses (-)	(I-5)	(22,434)	-	(22,434)
II. Loans (net)		32,919,065	17,931,087	50,850,152
2.1 Loans	(I-5)	31,793,915	16,526,059	48,319,974
2.1.1 Loans measured at amortised cost		31,793,915	16,526,059	48,319,974
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)	65,002	1,035,590	1,100,592
2.2.1 Finance lease receivables		77,511	1,105,363	1,182,874
2.2.2 Operational lease receivables		-	-	-
2.2.3 Unearned income (-)		(12,509)	(69,773)	(82,282)
2.3 Factoring receivables		876,496	369,438	1,245,934
2.3.1 Factoring receivables measured at amortised cost		876,496	369,438	1,245,934
2.3.2 Factoring receivables measured at fair value through profit or loss		-	-	-
2.3.3 Factoring receivables measured at fair value through other comprehensive income		-	-	-
2.4 Non-performing loans		1,784,066	-	1,784,066
2.5 Expected credit losses (-)	(I-5)	(1,600,414)	-	(1,600,414)
2.5.1 12-month expected credit losses (Stage 1)		(141,875)	-	(141,875)
2.5.2 Lifetime expected credit losses significant increase in credit risk (Stage 2)		(219,321)	-	(219,321)
2.5.3 Lifetime expected credit losses impaired Credits (Stage 3)		(1,239,218)	-	(1,239,218)
III. Non-currents assets or disposal groups "held for sale" and "from discontinued operations (net)	(I-16)	660	-	660
3.1 Assets Held for sale		660	-	660
3.2 Assets from discontinued operations		-	-	-
IV. Equity investments		-	-	-
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)	-	-	-
4.2.1 Unconsolidated financial subsidiaries		-	-	-
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)	558,310	8	558,318
VI. Intangible assets (net)	(I-13)	32,213	-	32,213
6.1 Goodwill		-	-	-
6.2 Other		32,213	-	32,213
VII. Investment property (net)	(I-14)	-	-	-
VIII. Current tax asset	(I-15)	69,424	-	69,424
IX. Deferred tax asset	(II-9)	6,905	-	6,905
X. Other assets	(I-17)	460,173	39,663	499,836
Total assets		40,029,142	29,221,804	69,250,946

(*) The prior period financial statements are not restated as permitted by TFRS 9 transition rules. Since 2017 and 2018 consolidated financial statements are prepared by using different accounting principles, 2017 consolidated financial statements are presented separately, not comparatively with the consolidated financial statements as of 30 June 2018.

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

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

ING Bank A.Ş. and its Financial Subsidiaries

Consolidated balance sheet (statement of financial position) as of 30 June 2018

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

Assets (*)		Note (section five)	Audited		
			TL	FC	Prior period (31/12/2017) Total
I.	Cash and balances with Central Bank	(I-1)	459,010	7,371,517	7,830,527
II.	Financial assets at fair value through profit or loss (net)	(I-2)	420,432	196,781	617,213
2.1	Financial assets held for trading		420,432	196,781	617,213
2.1.1	Public sector debt securities		36,686	5,509	42,195
2.1.2	Equity securities		-	-	-
2.1.3	Derivative financial assets held for trading		383,701	191,272	574,973
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)	35,843	537,578	573,421
IV.	Money market placements		1,194,296	-	1,194,296
4.1	Interbank money market placements		-	-	-
4.2	Receivables from Istanbul Stock Exchange Money Market		146,401	-	146,401
4.3	Receivables from reverse repurchase agreements		1,047,895	-	1,047,895
V.	Financial assets available for sale (net)	(I-4)	1,737,789	156	1,737,945
5.1	Equity securities		7,904	156	8,060
5.2	Public sector debt securities		1,729,885	-	1,729,885
5.3	Other marketable securities		-	-	-
VI.	Loans and receivables	(I-5)	29,773,032	15,094,656	44,867,688
6.1	Loans and receivables		29,271,534	15,094,656	44,366,190
6.1.1	Loans to the Bank's risk group		43	-	43
6.1.2	Government debt securities		-	-	-
6.1.3	Other		29,271,491	15,094,656	44,366,147
6.2	Loans under follow-up		1,705,141	-	1,705,141
6.3	Specific provisions (-)		(1,203,643)	-	(1,203,643)
VII.	Factoring receivables		815,728	212,085	1,027,813
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)	-	-	-
10.1	Unconsolidated financial subsidiaries		-	-	-
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)	68,352	967,125	1,035,477
12.1	Financial lease receivables		84,501	1,037,499	1,122,000
12.2	Operational lease receivables		-	-	-
12.3	Other		-	-	-
12.4	Unearned income (-)		(16,149)	(70,374)	(86,523)
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)	502,518	3	502,521
XV.	Intangible assets (net)	(I-13)	40,055	-	40,055
15.1	Goodwill		-	-	-
15.2	Other		40,055	-	40,055
XVI.	Investment property (net)	(I-14)	-	-	-
XVII.	Tax asset		35,635	-	35,635
17.1	Current tax asset		31,812	-	31,812
17.2	Deferred tax asset	(I-15)	3,823	-	3,823
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)	473,429	15,850	489,279
Total assets			37,128,174	24,395,751	61,523,925

(*) The prior period financial statements are not restated as permitted by TFRS 9 transition rules. Since 2017 and 2018 consolidated financial statements are prepared by using different accounting principles, 2017 consolidated financial statements are presented separately, not comparatively with the consolidated financial statements as of 30 June 2018.

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

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

ING Bank A.Ş. and its Financial Subsidiaries

Consolidated balance sheet (statement of financial position)

as of 30 June 2018

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

Liabilities (*)		Note (section five)	Reviewed Current period (30/06/2018)		
			TL	FC	Total
I.	Deposits	(II-1)	19,346,844	12,512,832	31,859,676
II.	Loans received	(II-3)	892,863	22,822,792	23,715,655
III.	Money market funds		91,490	6,091	97,581
IV.	Securities Issued (net)	(II-4)	254,712	-	254,712
4.1	Bills		254,712	-	254,712
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		411,305	393,948	805,253
7.1	Derivative financial liabilities at fair value through profit or loss	(II-2)	359,019	389,589	748,608
7.2	Derivative financial liabilities at fair value through other comprehensive income	(II-7)	52,286	4,359	56,645
VIII.	Factoring payables		118	987	1,105
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)	181,564	27	181,591
10.1	Provision for restructuring		-	-	-
10.2	Reserves for employee benefits		50,363	-	50,363
10.3	Insurance technical reserves (net)		-	-	-
10.4	Other provisions		131,201	27	131,228
XI.	Current tax liability	(II-9)	90,819	307	91,126
XII.	Deferred tax liability	(II-9)	562,639	-	562,639
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)	209,997	3,334,605	3,544,602
14.1	Loans		209,997	3,334,605	3,544,602
14.2	Other debt instruments		-	-	-
XV.	Other liabilities	(II-5)	753,380	120,375	873,755
XVI.	Shareholders' equity	(II-11)	7,267,631	(4,380)	7,263,251
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		140,025	-	140,025
16.4	Other comprehensive income/expense items to be recycled in Profit or Loss		748,587	(4,380)	744,207
16.5	Profit reserves		2,297,792	-	2,297,792
16.5.1	Legal reserves		201,819	-	201,819
16.5.2	Statutory reserves		-	-	-
16.5.3	Extraordinary reserves		2,095,973	-	2,095,973
16.5.4	Other profit reserves		-	-	-
16.6	Profit or (loss)		594,959	-	594,959
16.6.1	Prior years' profits or (loss)		-	-	-
16.6.2	Current period profit or (loss)		594,959	-	594,959
16.7	Minority interest		-	-	-
Total liabilities and shareholders' equity			30,063,362	39,187,584	69,250,946

(*) The prior period financial statements are not restated as permitted by TFRS 9 transition rules. Since 2017 and 2018 consolidated financial statements are prepared by using different accounting principles, 2017 consolidated financial statements are presented separately, not comparatively with the consolidated financial statements as of 30 June 2018.

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

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

ING Bank A.Ş. and its Financial Subsidiaries

Consolidated balance sheet (statement of financial position) as of 30 June 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)	18,400,415	9,197,297	27,597,712
1.1	Deposits held by the Bank's risk group		10,283	1,213	11,496
1.2	Other		18,390,132	9,196,084	27,586,216
II.	Derivative financial liabilities held for trading	(II-2)	278,407	189,342	467,749
III.	Funds borrowed	(II-3)	731,094	21,575,164	22,306,258
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		526,732	50,327	577,059
VIII.	Other liabilities	(II-5)	199,766	39,125	238,891
IX.	Factoring payables		24	484	508
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)	877,732	-	877,732
12.1	General loan loss provisions		688,786	-	688,786
12.2	Restructuring reserves		-	-	-
12.3	Reserve for employee benefits		42,344	-	42,344
12.4	Insurance technical provisions (net)		-	-	-
12.5	Other provisions		146,602	-	146,602
XIII.	Tax liability	(II-9)	419,477	220	419,697
13.1	Current tax liability		85,130	220	85,350
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)	5,918,640	(4,240)	5,914,400
16.1	Paid-in capital		3,486,268	-	3,486,268
16.2	Capital reserves		285,016	(4,240)	280,776
16.2.1	Share premium		-	-	-
16.2.2	Share cancellation profits		-	-	-
16.2.3	Marketable securities valuation differences		(16,405)	-	(16,405)
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		161	-	161
16.3	Profit reserves		1,259,201	-	1,259,201
16.3.1	Legal reserves		157,288	-	157,288
16.3.2	Status reserves		-	-	-
16.3.3	Extraordinary reserves		1,075,575	-	1,075,575
16.3.4	Other profit reserves		26,338	-	26,338
16.4	Profit or (loss)		888,155	-	888,155
16.4.1	Prior periods' profit or (loss)		-	-	-
16.4.2	Current period profit or (loss)		888,155	-	888,155
16.5	Minority interest		-	-	-
Total liabilities and shareholders' equity			27,655,728	33,868,197	61,523,925

(*) The prior period financial statements are not restated as permitted by TFRS 9 transition rules. Since 2017 and 2018 consolidated financial statements are prepared by using different accounting principles, 2017 consolidated financial statements are presented separately, not comparatively with the consolidated financial statements as of 30 June 2018.

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

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

ING Bank A.Ş. and its Financial Subsidiaries

Consolidated statement of off-balance sheet items as of 30 June 2018

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

Off-balance sheet items	Note (section five)	Reviewed			Audited		
		TL	FC	Total	TL	FC	Total
A. Off-balance sheet commitments (I+II+III)		60,549,858	71,952,943	132,502,801	55,634,775	56,722,770	112,357,545
I. Guarantees and warranties	(III-1)	2,688,075	6,737,693	9,425,768	2,858,810	5,530,883	8,389,693
1.1 Letters of guarantee		2,622,432	3,944,568	6,567,000	2,696,573	3,333,183	6,029,756
1.1.1 Guarantees subject to state tender law		23,847	-	23,847	28,438	-	28,438
1.1.2 Guarantees given for foreign trade operations		-	-	-	-	-	-
1.1.3 Other letters of guarantee		2,598,585	3,944,568	6,543,153	2,668,135	3,333,183	6,001,318
1.2 Bank acceptances		-	75,752	75,752	-	80,948	80,948
1.2.1 Import letter of acceptance		-	75,752	75,752	-	80,948	80,948
1.2.2 Other bank acceptances		-	-	-	-	-	-
1.3 Letters of credit		417	2,112,077	2,112,494	910	1,648,799	1,649,709
1.3.1 Documentary letters of credit		417	2,112,077	2,112,494	910	1,648,799	1,649,709
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		64,503	252,212	316,715	160,826	110,632	271,458
1.8 Other guarantees		-	247,085	247,085	-	233,794	233,794
1.9 Other warranties		723	105,999	1,067,222	501	123,527	124,028
II. Commitments	(III-1)	8,178,678	3,306,502	11,485,180	7,496,227	2,404,441	9,900,668
2.1 Irrevocable commitments		8,178,678	3,306,502	11,485,180	7,496,227	2,404,441	9,900,668
2.1.1 Forward asset purchase commitments		1,222,668	3,173,839	4,396,507	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		2,069,617	131,029	2,200,646	1,879,083	388,867	2,267,950
2.1.5 Securities underwriting commitments		-	-	-	-	-	-
2.1.6 Commitments for reserve requirements		-	-	-	-	-	-
2.1.7 Commitments for cheque payments		3,129,331	-	3,129,331	2,791,088	-	2,791,088
2.1.8 Tax and fund liabilities from export commitments		16,055	-	16,055	12,520	-	12,520
2.1.9 Commitments for credit card limits		1,733,895	-	1,733,895	1,808,002	-	1,808,002
2.1.10 Commitments for credit cards and banking services promotions		5,345	-	5,345	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		1,767	1,634	3,401	1,744	1,390	3,134
2.2 Revocable commitments		-	-	-	-	-	-
2.2.1 Revocable loan granting commitments		-	-	-	-	-	-
2.2.2 Other revocable commitments		-	-	-	-	-	-
III. Derivative financial instruments	(III-2)	49,683,105	61,908,748	111,591,853	45,279,738	48,787,446	94,067,184
3.1 Derivative financial instruments for hedging purposes		24,958,322	5,188,161	30,146,483	23,751,333	4,750,227	28,501,560
3.1.1 Fair value hedges		-	-	-	-	-	-
3.1.2 Cash flow hedges		24,958,322	5,188,161	30,146,483	23,751,333	4,750,227	28,501,560
3.1.3 Net foreign investment hedges		-	-	-	-	-	-
3.2 Derivative financial instruments for trading purposes		24,724,783	56,720,587	81,445,370	21,528,405	44,037,219	65,565,624
3.2.1 Forward foreign currency buy/sell transactions		3,382,203	12,274,876	15,657,079	3,064,560	10,453,676	13,518,236
3.2.1.1 Forward foreign currency transactions-buy		2,376,980	5,440,485	7,817,465	1,897,164	4,911,555	6,808,719
3.2.1.2 Forward foreign currency transactions-sell		1,005,223	6,834,391	7,839,614	1,167,396	5,542,121	6,709,517
3.2.2 Swap transactions related to foreign currency and interest rates		20,896,220	42,650,799	63,547,019	17,651,577	31,532,089	49,183,666
3.2.2.1 Foreign currency swap-buy		7,440,032	19,873,868	27,313,900	5,395,281	14,134,174	19,529,455
3.2.2.2 Foreign currency swap-sell		12,796,188	14,444,485	27,240,673	9,646,296	9,988,669	19,634,965
3.2.2.3 Interest rate swap-buy		330,000	4,166,223	4,496,223	1,305,000	3,704,623	5,009,623
3.2.2.4 Interest rate swap-sell		330,000	4,166,223	4,496,223	1,305,000	3,704,623	5,009,623
3.2.3 Foreign currency, interest rate and securities options		414,268	1,794,912	2,209,180	804,130	2,051,454	2,855,584
3.2.3.1 Foreign currency options-buy		207,134	897,456	1,104,590	402,065	1,025,727	1,427,792
3.2.3.2 Foreign currency options-sell		207,134	897,456	1,104,590	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		32,092	-	32,092	8,138	-	8,138
B. Custody and pledged items (IV+V+VI)		234,794,317	39,334,151	274,128,468	228,257,795	32,898,594	261,156,389
IV. Items held in custody		1,110,058	1,783,352	2,893,410	1,112,596	1,488,331	2,600,927
4.1 Customer fund and portfolio balances		731,806	-	731,806	792,222	-	792,222
4.2 Investment securities held in custody		85,847	257,272	343,119	74,144	204,151	278,295
4.3 Checks received for collection		98,745	418,724	517,469	84,343	387,308	471,651
4.4 Commercial notes received for collection		181,178	1,015,952	1,197,130	161,886	835,170	997,056
4.5 Other assets received for collection		-	-	-	-	-	-
4.6 Assets received for public offering		-	-	-	-	-	-
4.7 Other items under custody		12,482	91,404	103,886	1	61,702	61,703
4.8 Custodians		-	-	-	-	-	-
V. Pledged received		37,694,180	8,318,017	46,012,197	38,447,841	7,191,265	45,639,106
5.1 Marketable securities		229,431	7,832	237,263	224,505	6,551	231,056
5.2 Guarantee notes		7,351,741	1,699,081	9,050,822	7,738,243	1,459,527	9,197,770
5.3 Commodity		910	-	910	910	-	910
5.4 Warrant		-	-	-	-	-	-
5.5 Properties		26,007,404	5,428,783	31,436,187	25,875,776	4,781,593	30,657,369
5.6 Other pledged items		4,104,694	1,182,321	5,287,015	4,608,407	943,594	5,552,001
5.7 Pledged items-depository		-	-	-	-	-	-
VI. Accepted independent guarantees and warranties		195,990,079	29,232,782	225,222,861	188,697,358	24,218,998	212,916,356
Total off-balance sheet items (A+B)		295,344,175	111,287,094	406,631,269	283,892,570	89,621,364	373,513,934

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

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

ING Bank A.Ş. and its Financial Subsidiaries

Consolidated statement of income for the six-month period ended 30 June 2018 (Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

Income and expense items (*)	Note (section five)	Reviewed	Reviewed
		Current period (01/01/2018- 30/06/2018)	Current period (01/04/2018- 30/06/2018)
I. Interest income	(IV-1)	3,138,900	1,630,672
1.1 Interest on loans		2,803,809	1,460,162
1.2 Interest on reserve requirements		33,587	18,262
1.3 Interest on banks		24,112	14,649
1.4 Interest on money market transactions		86,258	43,253
1.5 Interest on marketable securities portfolio		117,794	54,044
1.5.1 Financial assets at fair value through profit or loss		20,903	3,421
1.5.2 Financial assets at fair value through other comprehensive income		25,663	13,757
1.5.3 Financial assets measured at amortised cost		71,228	36,866
1.6 Finance lease income		24,961	13,006
1.7 Other interest income		48,379	27,296
II. Interest expense (-)	(IV-2)	(1,454,436)	(778,466)
2.1 Interest on deposits		(1,141,442)	(607,265)
2.2 Interest on funds borrowed		(287,600)	(157,864)
2.3 Interest on money market transactions		(6,935)	(3,108)
2.4 Interest on securities issued		(11,344)	(8,759)
2.5 Other interest expenses		(7,115)	(1,470)
III. Net interest income/expense (I - II)		1,684,464	852,206
IV. Net fees and commissions income/expense		227,682	116,564
4.1 Fees and commissions received		342,559	165,945
4.1.1 Non-cash loans		65,754	34,943
4.1.2 Other	(IV-12)	276,805	131,002
4.2 Fees and commissions paid (-)		(114,877)	(49,381)
4.2.1 Non-cash loans		(238)	(79)
4.2.2 Other	(IV-12)	(114,639)	(49,302)
V. Personnel expenses (-)	(IV-7)	(316,428)	(134,958)
VI. Dividend income	(IV-3)	2	-
VII. Trading gain/(loss) (net)	(IV-4)	(222,628)	(79,730)
7.1 Trading gain/(loss) on securities		(23,621)	(7,338)
7.2 Gain/(loss) on derivative financial transactions		1,406,601	1,202,005
7.3 Foreign exchange gain/(loss)		(1,605,608)	(1,274,397)
VIII. Other operating income	(IV-5)	581,660	141,779
IX. Gross operating income (III+IV+V+VI+VII+VIII)		1,954,752	895,861
X. Expected credit loss (-)	(IV-6)	(648,702)	(204,774)
XI. Other operating expenses (-)	(IV-7)	(537,979)	(279,545)
XII. Net operating profit/(loss) (IX-X-XI)		768,071	411,542
XIII. Income resulted from mergers		-	-
XIV. Income/loss from investments under equity accounting		-	-
XV. Gain/loss on net monetary position		-	-
XVI. Operating profit/loss before taxes (XII+...+XV)	(IV-8)	768,071	411,542
XVII. Provision for taxes of continued operations (±)	(IV-9)	(173,112)	(85,431)
17.1 Current tax provision		(4,568)	65,320
17.2 Expense effect of deferred tax (+)		(171,996)	(151,800)
17.3 Income effect of deferred tax (-)		3,452	1,049
XVIII. Net profit/(loss) from continuing operations (XVI±XVII)	(IV-10)	594,959	326,111
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)	594,959	326,111
24.1 Profit/(Loss) from the Group		-	-
24.2 Income/(Loss) from Minority Interest (-)		-	-
Earnings per share		0.1707	0.0935

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

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

ING Bank A.Ş. and its Financial Subsidiaries

Consolidated statement of income

for the six-month period ended 30 June 2018

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

Income and expense items (*)	Note (section five)	Reviewed	Reviewed
		Prior Period (01/01/2017- 30/06/2017)	Prior Period (01/04/2017- 30/06/2017)
I. Interest income	(IV-1)	2,494,858	1,304,315
1.1 Interest on loans		2,170,207	1,138,380
1.2 Interest on reserve requirements		18,815	10,650
1.3 Interest on banks		25,857	9,437
1.4 Interest on money market transactions		105,567	54,468
1.5 Interest on marketable securities portfolio		125,729	66,687
1.5.1 Financial assets held for trading		3,293	1,320
1.5.2 Financial assets at fair value through profit or loss		-	-
1.5.3 Financial assets available for sale		122,436	65,367
1.5.4 Investments held to maturity		-	-
1.6 Financial lease income		23,086	11,726
1.7 Other interest income		25,597	12,967
II. Interest expense	(IV-2)	(1,088,625)	(559,901)
2.1 Interest on deposits		(820,088)	(432,857)
2.2 Interest on funds borrowed		(227,254)	(113,261)
2.3 Interest on money market transactions		(23,262)	(9,004)
2.4 Interest on securities issued		(9,934)	(3,612)
2.5 Other interest expenses		(8,087)	(1,167)
III. Net interest income (I – II)		1,406,233	744,414
IV. Net fees and commissions income		231,941	125,293
4.1 Fees and commissions received		333,142	174,991
4.1.1 Non-cash loans		57,724	31,389
4.1.2 Other	(IV-12)	275,418	143,602
4.2 Fees and commissions paid		(101,201)	(49,698)
4.2.1 Non-cash loans		(201)	(79)
4.2.2 Other	(IV-12)	(101,000)	(49,619)
V. Dividend income	(IV-3)	382	153
VI. Trading gain/(loss) (net)	(IV-4)	(184,028)	(129,750)
6.1 Trading gain/(loss) on securities		2,660	(120)
6.2 Gain/(loss) on derivative financial transactions		(295,617)	(412,270)
6.3 Foreign exchange gain/(loss)		108,929	282,640
VII. Other operating income	(IV-5)	167,667	103,604
VIII. Total operating income (III+IV+V+VI+VII)		1,622,195	843,714
IX. Provision for loan losses and other receivables (-)	(IV-6)	(330,455)	(160,404)
X. Other operating expenses (-)	(IV-7)	(742,213)	(381,816)
XI. Net operating profit/(loss) (VIII-IX-X)		549,527	301,494
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)	549,527	301,494
XVI. Tax provisions for continuing operations (±)	(IV-9)	(120,833)	(69,573)
16.1 Current tax provision		(166,989)	(161,649)
16.2 Deferred tax provision		46,156	92,076
XVII. Net profit/(loss) from continuing operations (XV±XVI)	(IV-10)	428,694	231,921
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)	428,694	231,921
23.1 Profit/(Loss) from the Group		428,694	231,921
23.2 Income/(Loss) from Minority Interest (-)		-	-
Earnings per share		0.12297	0.06652

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

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

ING Bank A.Ş. and its Financial Subsidiaries

Consolidated statement profit or loss and other comprehensive income for the six-month period ended 30 June 2018 (Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

		Reviewed
Profit or loss and other comprehensive income (*)		Current period
		(01/01/2018-30/06/2018)
I.	Current period profit/loss	594,959
II.	Other comprehensive income	502,651
2.1	Other income/expense items not to be recycled to profit or loss	(820)
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)	(1,030)
2.1.4	Other income/(expense) items not to be recycled to profit or loss	(4)
2.1.5	Deferred taxes on other comprehensive income not to be recycled to profit or loss	214
2.2	Other income/expense items to be recycled to profit or loss	503,471
2.2.1	Translation differences	6,973
2.2.2	Income/(Expenses) from valuation and/or reclassification of financial assets measured at FVOCI	(23,175)
2.2.3	Gains/(losses) from cash flow hedges	653,869
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	(134,196)
III.	Total comprehensive income (I+II)	1,097,610

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

ING Bank A.Ş. and its Financial Subsidiaries

Consolidated statement profit or loss and other comprehensive income for the six-month period ended 30 June 2018

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

Income and expense items recognized under shareholders' equity (*)		Reviewed Prior period (01/01/2017-30/06/2017)
I.	Additions to marketable securities valuation differences from available for sale financial assets	1,684
II.	Property and equipment revaluation differences	-
III.	Intangible fixed assets revaluation differences	-
IV.	Foreign exchange differences from foreign currency transactions	8,789
V.	Profit/loss from derivative financial instruments for cash flow hedges (effective portion of fair value differences)	(27,744)
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	(856)
IX.	Deferred tax related to valuation differences	3,946
X.	Net income/expense directly recognized under shareholders' equity (I+II+...+IX)	(14,181)
XI.	Profit/loss for the period	428,694
11.1	Net change in fair value of marketable securities (transfer to profit/loss)	22,956
11.2	Part of cash flow hedge derivative financial assets reclassified into income statement	120
11.3	Part of foreign investment hedge derivative financial assets reclassified into income statement	-
11.4	Other	405,618
XII.	Total profit/loss recognized for the period (X±XI)	414,513

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

ING Bank A.Ş. and its Financial Subsidiaries

Consolidated statement of changes in equity for the six-month period ended 30 June 2018

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

Changes in equity

Reviewed (*)	Note	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			Income/expenses from revaluation and/or reclassification of financial assets measured at FVOCI	Profit reserves	Prior period profit or (loss)	Current period profit or (loss)	Total equity except from minority interest	Minority interest	Total shareholders' equity	
		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								Other (2)
Current period (01/01/2018-30/06/2018)																	
I.		3,486,268	-	-	-	46,732	161	143	26,338	(16,548)	250,288	1,232,863	-	888,155	5,914,400	-	5,914,400
II.		-	-	-	-	-	-	(399)	-	11,951	-	408,439	-	-	419,991	-	419,991
2.1		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2		-	-	-	-	-	-	(399)	-	11,951	-	408,439	-	-	419,991	-	419,991
III.	(XXV)	3,486,268	-	-	-	46,732	161	(256)	26,338	(4,597)	250,288	1,641,302	-	888,155	6,334,391	-	6,334,391
IV.		-	-	-	-	-	-	(816)	15	(17,598)	514,077	-	-	594,959	1,090,637	-	1,090,637
V.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.		-	-	-	-	-	-	-	(24,301)	-	-	31,274	-	-	6,973	-	6,973
XI.		-	-	-	-	94,189	-	-	-	-	-	625,216	-	(888,155)	(168,750)	-	(168,750)
11.1		-	-	-	-	-	-	-	-	-	-	(168,750)	-	-	(168,750)	-	(168,750)
11.2	(II-12)	-	-	-	-	94,189	-	-	-	-	-	793,966	-	(888,155)	-	-	-
11.3		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Period-end balance (III+IV+.....+X+XI)		3,486,268	-	-	-	140,921	(655)	(241)	2,037	(22,195)	764,365	2,297,792	-	594,959	7,263,251	-	7,263,251

(*) The prior period financial statements are not restated as permitted by TFRS 9 transition rules. Since 2017 and 2018 consolidated financial statements are prepared by using different accounting principles, 2017 consolidated financial statements are presented separately, not comparatively with the consolidated financial statements as of 30 June 2018.

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

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

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

ING Bank A.Ş. and its Financial Subsidiaries

Consolidated statement of changes in equity for the six-month period ended 30 June 2018

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

Changes in equity (continued)

Reviewed (*)	Note	Paid-in capital	Inflation adjustment to share capital	Share premium	Share cancellation profits	Legal reserves	Statutory reserves	Extraordinary reserves	Other reserves	Current period net profit/(loss)	Prior period net profit/(loss)	Marketable securities valuation differences	Revaluation surplus on tangible and intangible assets	Bonus shares from associates	Hedging funds	Valuation difference on prop. and equip. held for sale and related to discount operations	Minority interests	Total equity
Prior period																		
(01/01/2017-30/06/2017)																		
I.		3,486,268	-	-	-	106,883	-	754,162	13,286	591,906	-	64,874	26,644	-	98,544	-	-	5,142,567
II.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.		-	-	-	-	-	-	-	-	-	-	(9)	-	-	-	-	-	(9)
IV.		-	-	-	-	-	-	-	-	-	-	-	-	-	(21,781)	-	-	(21,781)
4.1		-	-	-	-	-	-	-	-	-	-	-	-	-	(21,781)	-	-	(21,781)
4.2		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.		-	-	-	-	-	-	-	8,789	-	-	(81)	-	-	(414)	-	-	8,294
IX.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.1		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.2		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI.		-	-	-	-	-	-	-	(685)	-	-	-	-	-	-	-	-	(685)
XVII.		-	-	-	-	-	-	-	-	428,694	-	-	-	-	-	-	-	428,694
XVIII.		-	-	-	-	50,405	-	321,413	-	(591,906)	-	-	20,088	-	-	-	-	(200,000)
18.1	(II-12)	-	-	-	-	-	-	(200,000)	-	-	-	-	-	-	-	-	-	(200,000)
18.2		-	-	-	-	50,405	-	521,413	-	(591,906)	-	-	20,088	-	-	-	-	-
18.3		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Period end balance (I+II+III+...+XVI+XVII+XVIII)		3,486,268	-	-	-	157,288	-	1,075,575	21,390	428,694	-	64,784	46,732	-	76,349	-	-	5,357,080

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ING Bank A.Ş. and its Financial Subsidiaries

Consolidated statement of cash flows for the six period ended 30 June 2018

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

Statement of Cash flows (*)		Note	Reviewed Current period (01/01/2018- 30/06/2018)
A.	Cash flows from banking operations		
1.1	Operating profit/(loss) before changes in operating assets and liabilities		(231,953)
1.1.1	Interest received		3,108,217
1.1.2	Interest paid		(1,459,833)
1.1.3	Dividend received		2
1.1.4	Fees and commissions received		342,559
1.1.5	Other income		44,571
1.1.6	Collections from previously written-off loans and other receivables		314,169
1.1.7	Payments to personnel and service suppliers		(59,559)
1.1.8	Taxes paid		(100,269)
1.1.9	Other		(2,421,810)
1.2	Changes in operating assets and liabilities		1,294,238
1.2.1	Net increase/decrease in financial assets at fair value through profit or loss		17,110
1.2.2	Net (increase) decrease in due from bank		(92,232)
1.2.3	Net (increase) decrease in loans		(3,887,920)
1.2.4	Net (increase) decrease in other assets		(2,202,568)
1.2.5	Net increase (decrease) in bank deposits		1,739,420
1.2.6	Net increase (decrease) in other deposits		2,522,954
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		1,912,274
1.2.9	Net increase / (decrease) in payables		-
1.2.10	Net increase / (decrease) in other liabilities		1,285,200
I.	Net cash provided from banking operations		1,062,285
B.	Cash flow from investing activities		
II.	Net cash provided from investing activities		(54,643)
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		(127,575)
2.4	Disposals of property and equipment		1,820
2.5	Cash paid for purchase of investments available-for-sale		(67,153)
2.6	Cash obtained from sale of investments available-for-sale		-
2.7	Cash paid for purchase of investment securities		-
2.8	Cash obtained from sale of investment securities		142,041
2.9	Other		(3,776)
C.	Cash flows from financing activities		
III.	Net cash provided from financing activities		95,250
3.1	Cash obtained from funds borrowed and securities issued	(II-4)	265,000
3.2	Cash used for repayment of funds borrowed and securities issued	(II-4)	(1,000)
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		578,379
V.	Net increase in cash and cash equivalents (I+II+III+IV)		1,681,271
VI.	Cash and cash equivalents at beginning of the period		5,183,052
VII.	Cash and cash equivalents at the end of the period		6,864,323

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ING Bank A.Ş. and its Financial Subsidiaries

Consolidated statement of cash flows for the six period ended 30 June 2018

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

Statement of Cash flows (*)	Note	Reviewed Prior period (01/01/2017- 30/06/2017)
A. Cash flows from banking operations		
1.1 Operating profit/(loss) before changes in operating assets and liabilities		759,853
1.1.1 Interest received		2,568,015
1.1.2 Interest paid		(1,076,718)
1.1.3 Dividend received		382
1.1.4 Fees and commissions received		359,110
1.1.5 Other income		71,587
1.1.6 Collections from previously written-off loans and other receivables		144,755
1.1.7 Payments to personnel and service suppliers		(602,299)
1.1.8 Taxes paid		(32,891)
1.1.9 Other		(672,088)
1.2 Changes in operating assets and liabilities		(2,503,088)
1.2.1 Net (increase)/decrease in trading securities		(21,776)
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		(109,866)
1.2.4 Net (increase)/decrease in loans		(2,756,067)
1.2.5 Net (increase)/decrease in other assets		498,535
1.2.6 Net increase/(decrease) in bank deposits		(145,206)
1.2.7 Net increase/(decrease) in other deposits		139,210
1.2.8 Net increase/(decrease) in funds borrowed		(882,184)
1.2.9 Net increase/(decrease) in payables		-
1.2.10 Net increase/(decrease) in other liabilities		774,266
I. Net cash provided from banking operations		(1,743,235)
B. Cash flow from investing activities		
II. Net cash provided from investing activities		(134,371)
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		(50,078)
2.4 Disposals of property and equipment		21,171
2.5 Cash paid for purchase of investments available-for-sale		(135,860)
2.6 Cash obtained from sale of investments available-for-sale		31,887
2.7 Cash paid for purchase of investment securities		-
2.8 Cash obtained from sale of investment securities		-
2.9 Other		(1,491)
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		80,417
V. Net increase in cash and cash equivalents (I+II+III+IV)		(2,247,189)
VI. Cash and cash equivalents at beginning of the period		4,580,980
VII. Cash and cash equivalents at the end of the period		2,333,791

(*) The prior period financial statements are not restated as permitted by TFRS 9 transition rules. Since 2017 and 2018 consolidated financial statements are prepared by using different accounting principles, 2017 consolidated financial statements are presented separately, not comparatively with the consolidated financial statements as of 30 June 2018.

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

ING Bank A.Ş. and its Financial Subsidiaries

Notes to the consolidated financial statements for the six-month period ended 30 June 2018 (continued) (Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

Section three

Accounting policies

I. Explanations on basis of presentation

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

b. Additional paragraph for convenience translation to English

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

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

The accounting policies and valuation principles applied in the preparation of consolidated 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 consolidated financial statements are consistent with the standards used in the previous year.

d. Changes in accounting policies and disclosures

The Group has started to apply TFRS 9 Financial Instruments (“TFRS 9”) published by POA in the accompanying consolidated 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 Group 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 Group’s accounting policies, financial position and performance.

New and amended standards and interpretations

TFRS 16 Leases

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

ING Bank A.Ş. and its Financial Subsidiaries

Notes to the consolidated financial statements for the six-month period ended 30 June 2018 (continued) (Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

I. Explanations on basis of presentation (continued)

Standards effective as of 1 January 2018

TFRS 9 Financial instruments

As of 1 January 2018, the Group has started to apply TFRS 9 standard which replaces TAS 39 Financial Instruments: Recognition and Measurement for the first time in the consolidated 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 Group 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 in Note 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 Group’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.

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 Group formed an impairment model having 3 stages depending on the gradual increase in credit risk observed since their initial recognition. The approach of the Group 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.

ING Bank A.Ş. and its Financial Subsidiaries

Notes to the consolidated financial statements for the six-month period ended 30 June 2018 (continued) (Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

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

The Group 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 reporting date, the Group’s asset and shareholder’s equity structure is sufficient to meet its liabilities.

Due to the risks caused by the volatile currency regime, the Group does not take significant currency positions. In case of a currency risk due from the customer transactions, the Group 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 Group 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 Group 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 Parent Bank prevailing at the reporting date. Gains and losses arising from such transactions are recognized in the income statement under the account of foreign exchange gains or losses.

Foreign currency denominated accounts of the subsidiaries within the Group have been valued with the foreign exchange buying rates applicable on the reporting date.

Regarding the financial statements of the foreign subsidiary of the Group, balance sheet items are converted to Turkish Lira at the period-end balance sheet exchange rates, and income statement items are converted at average exchange rate, and all resulting exchange differences are accounted in the shareholders’ equity under “Other profit reserves”.

III. Explanation on consolidated subsidiaries

According to the full consolidation method, all of the subsidiaries’ assets, liabilities, income, expense and off-balance sheet items are combined with the Parent Bank’s assets, liabilities, income, expense and off-balance sheet items. The book value of the Parent Bank’s investment in each subsidiary and the capital of each subsidiary are eliminated. Intercompany balances and profits and losses resulting from intercompany transactions are offset against each other. Parent Bank’s guarantees given for the cash loans granted by consolidated subsidiaries are eliminated at consolidation and such exposures are included under cash loans in assets.

Where different accounting policies have been applied by the subsidiaries, these accounting policies have been aligned with the accounting policies of the Parent Bank.

ING European Financial Services Plc.

ING European Financial Services Plc. was established in 1994, in Ireland, to operate in corporate finance, issuance of certificates of deposits and treasury services.

The financial statements of the Company are prepared in EUR in accordance with the accounting principles effective in Ireland. The required adjustments and re-classifications have been made on the financial statements of the Company in order to comply with the financial statements of the Parent Bank.

ING Portföy Yönetimi A.Ş. (ING Asset Management)

ING Asset Management was established in Turkey in 1997. The Company’s aim is to operate on capital market activities in accordance with Capital Market Law and the related regulations. In this context, portfolio management certificate has been obtained with the decision of Capital Markets Board dated 9 July 1997.

The financial statements of the Company are prepared in accordance with TAS enacted by POA as per Capital Markets Board legislation. The required adjustments and re-classifications have been made on the financial statements of the Company in order to comply with the financial statements of the Parent Bank.

ING Bank A.Ş. and its Financial Subsidiaries

Notes to the consolidated financial statements for the six-month period ended 30 June 2018 (continued) (Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

III. Explanation on consolidated subsidiaries (continued)

ING Faktoring A.Ş. (ING Factoring)

ING Factoring was established in 2008 for the purpose of engaging in import, export and local factoring activities. The Company was granted operation license by the BRSA Board Decision, No. 3564, dated 3 March 2010.

The Company prepares its financial statements in accordance with the communique on the Application of Uniform Chart of Accounts and its Guide Book for Financial Leasing, Factoring and Financing Companies, TAS, TFRS and other regulations, communiqués, explanations and circulars promulgated by the BRSA in relation to accounting and financial reporting principles. The required adjustments and re-classifications have been made on the financial statements of the Company in order comply with the financial statements of the Parent Bank.

ING Finansal Kiralama A.Ş. (ING Leasing)

ING Leasing was established in 2008 for the purpose of operating in financial leasing activities and execute all kinds of transactions and contracts related to these activities. The company was granted operating license with the BRSA Board Decision, No. 3564, dated 3 March 2010.

The Company prepares its financial statements in accordance with the communique on the Application of Uniform Chart of Accounts and its Guide Book for Financial Leasing, Factoring and Financing Companies, TAS, TFRS and other regulations, communiqués, explanations and circulars promulgated by the BRSA in relation to accounting and financial reporting principles. The required adjustments and re-classifications have been made on the financial statements of the Company in order comply with the financial statements of the Parent Bank.

ING Menkul Değerler A.Ş. (ING Securities)

ING Securities was established in 1991 under the title Universal Menkul Değerler A.Ş. in 1991, and was acquired by ING UK Holdings Limited on 30 October 2008, and the title of the Company was changed as ING Menkul Değerler A.Ş. at the date of 27 May 2009. 100% shares of ING Securities were purchased by the Parent Bank on 15 August 2012.

Capital Markets Board approved the Company’s application for continuing its operations and performing margin trading, short selling and lending and borrowing transactions of capital market instruments under its trading brokerage license as of 11 January 2013. On 26 July 2013, the Capital Markets Board approved the Company’s application for a license to operate as an intermediary in trading derivatives for the purpose of operating in the futures and options market. With the Capital Market Board letter, dated 19 November 2013, the application of ING Securities for the establishment of an agency was approved as from 15 November 2013.

The financial statements of the Company are prepared in accordance with the Capital Markets Board legislation with respect to TAS enacted by POA. The required adjustments and re-classifications have been made on the financial statements of the Company in order to comply with the financial statements of the Parent Bank.

IV. Explanations on forward and options contracts and derivative instruments

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

Derivative financial instruments of the Group 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.

ING Bank A.Ş. and its Financial Subsidiaries

Notes to the consolidated financial statements for the six-month period ended 30 June 2018 (continued) (Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

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

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

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

VII. Explanations on financial instruments

Initial recognition of financial instruments

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

Initial measurement of financial instrument

The classification of financial instruments at initial recognition depends on the contractual conditions and the relevant business model. Except for the assets in the scope of TFRS 15 Revenue from contracts with customers, at initial recognition, the Group 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 Group 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.

ING Bank A.Ş. and its Financial Subsidiaries

Notes to the consolidated financial statements for the six-month period ended 30 June 2018 (continued) (Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

VII. Explanations on financial instruments (continued)

As per TFRS 9, the Group 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 Group 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 Group’s business models are divided into three categories.

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

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

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

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

Other business models:

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

Measurement categories of financial assets and liabilities

According to TFRS 9, the 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).

ING Bank A.Ş. and its Financial Subsidiaries

Notes to the consolidated financial statements for the six-month period ended 30 June 2018 (continued) (Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

VII. Explanations on financial instruments (continued)

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 income statement. “Unrealized gains and losses” arising from the difference between the amortized cost and the fair value of financial assets at fair value through other comprehensive income are not reflected in the income statement of the period until the acquisition of the asset, sale of the asset, the disposal of the asset, and impairment of the asset and they are accounted under the “Other comprehensive income income/expense items to be recycled in profit or loss” under shareholders’ equity.

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

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

Financial assets measured at amortized cost:

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

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

ING Bank A.Ş. and its Financial Subsidiaries

Notes to the consolidated financial statements for the six-month period ended 30 June 2018 (continued) (Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

VII. Explanations on financial instruments (continued)

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.

Group’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” promulgated by BRSA in the Official Gazette, no. 29750, dated 22 June 2016, the Group 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 TFRS9, 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.
- **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 respect 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.

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

IX. Explanations on offsetting financial assets

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

ING Bank A.Ş. and its Financial Subsidiaries

**Notes to the consolidated financial statements
for the six-month period ended 30 June 2018 (continued)
(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)**

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

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

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

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

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

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

ING Bank A.Ş. and its Financial Subsidiaries

Notes to the consolidated financial statements for the six-month period ended 30 June 2018 (continued) (Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

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

Assets that are subject to financial leasing are reflected as receivable equal to the net leasing amount in consolidated balance sheet. Interest income is earned to form a fixed periodical interest rate on net investment amount of the related leased asset by the lessor and the portion relating to subsequent periods is followed in the unearned interest income account.

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 Parent 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.

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Notes to the consolidated financial statements for the six-month period ended 30 June 2018 (continued) (Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

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 Parent 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 Parent 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 Parent Bank.

The Parent 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 Parent Bank and its subsidiaries operating in Turkey are subject to tax legislation and practices effective in Turkey.

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

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

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

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

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

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

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Notes to the consolidated financial statements for the six-month period ended 30 June 2018 (continued) (Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

XVII. Explanations on taxation (continued)

b. Deferred tax

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

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

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

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

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 Group, 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.

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Notes to the consolidated financial statements for the six-month period ended 30 June 2018 (continued) (Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

XX. Explanations on guarantees and acceptances

The Group’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 Group.

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.

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

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Notes to the consolidated financial statements for the six-month period ended 30 June 2018 (continued) (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 Group's application of TFRS 9 are presented in below:

Assets	Not	31.12.2017	TFRS9 Reclassification Effect	TFRS9 Measurement Effect	01.01.2018
Financial assets (net)		13,524,797	(58,148)	38,334	13,504,983
Cash and Cash Equivalents		9,598,244	-	-	9,598,244
Cash and Balances with Central Bank		7,830,527	-	-	7,830,527
Banks		573,421	-	-	573,421
Money market placements		1,194,296	-	-	1,194,296
Financial assets at fair value through profit or loss	(1)	42,240	49	-	42,289
Financial assets at fair value through other comprehensive income	(2)	-	436,307	-	436,307
Financial assets measured at amortised cost	(2)	-	1,301,589	15,347	1,316,936
Derivative financial assets		2,146,368	-	-	2,146,368
Derivative financial assets at fair value through profit or loss	(1)	-	574,973	-	574,973
Derivative financial assets at fair value through other comprehensive income	(1)	-	1,571,395	-	1,571,395
Derivative financial assets held for trading	(1)	574,973	(574,973)	-	-
Derivative financial assets held for hedging purposes	(1)	1,571,395	(1,571,395)	-	-
Available-for-sale financial assets (net)	(2)	1,737,945	(1,737,945)	-	-
Held-to-maturity financial assets (net)		-	-	-	-
Expected credit losses (-)	(5)	-	(58,148)	22,987	(35,161)
Loans (net)		44,867,688	(616,524)	340,430	46,654,884
Loans (measured at amortized cost)	(3)	44,366,190	-	-	44,366,190
Performing loans	(3)	42,896,661	(5,027,422)	-	37,869,239
Loans and receivables under close monitoring	(3)	1,469,529	5,027,422	-	6,496,951
Non-performing loans		-	1,705,141	-	1,705,141
Non-performing loans		1,705,141	(1,705,141)	-	-
Specific provisions (-)		(1,203,643)	1,203,643	-	-
Factoring receivables		1,027,813	-	-	1,027,813
Leasing receivables		1,035,477	-	-	1,035,477
Expected credit losses (-)	(5)	-	(1,820,167)	340,430	(1,479,737)
12-Month ECL (Stage 1)		-	(559,692)	401,545	(158,147)
Lifetime ECL significant increase in credit risk (Stage 2)		-	(56,832)	(117,001)	(173,833)
Lifetime ECL impaired credits (Stage 3)		-	(1,203,643)	55,886	(1,147,757)
Assets held for sale and assets of discontinued operations (net)		660	-	-	660
Equity investments (net)		-	-	-	-
Investments in Associates (net)		-	-	-	-
Investments in Subsidiaries (net)		-	-	-	-
Joint ventures (net)		-	-	-	-
Tangible assets (net)		502,521	-	-	502,521
Intangible assets (net)		40,055	-	-	40,055
Investment property (net)		-	-	-	-
Current tax asset		31,812	-	-	31,812
Deferred tax asset	(7)	3,823	(77,316)	77,316	3,823
Other assets		489,279	-	-	489,279
Total Assets		61,523,925	(751,988)	456,080	61,228,017

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

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XXV. Explanation on TFRS 9 financial instruments standard (continued)

Liabilities	Not	31.12.2017	TFRS9 Reclassification Effect	TFRS9 Measurement Effect	01.01.2018
Deposits		27,597,712	-	-	27,597,712
Funds borrowed		22,306,258	-	-	22,306,258
Money market funds		59,498	-	-	59,498
Securities issued (net)		-	-	-	-
Financial liabilities at fair value through profit or loss		-	-	-	-
Derivative financial liabilities	(4)	-	493,203	-	493,203
Derivative financial liabilities at fair value through profit or loss	(4)	-	467,749	-	467,749
Derivative financial liabilities at fair value through other comprehensive income	(4)	-	25,454	-	25,454
Derivative financial liabilities held for trading	(4)	467,749	(467,749)	-	-
Derivative financial liabilities held for hedging purposes	(4)	25,454	(25,454)	-	-
Factoring payables		508	-	-	508
Lease payables		-	-	-	-
Provisions		877,732	(674,672)	36,089	239,149
General provision	(5)	688,786	(688,786)	-	-
Provision for restructuring		-	-	-	-
Reserve for employee benefits		42,344	-	-	42,344
Insurance technical provisions (net)		-	-	-	-
Other provisions	(5)	146,602	14,114	36,089	196,805
Current tax liability		85,350	-	-	85,350
Deferred tax liability	(7)	334,347	(77,316)	-	257,031
Liabilities for assets held for sale and assets of discontinued operations (net)		-	-	-	-
Subordinated debt		3,038,967	-	-	3,038,967
Other liabilities	(6)	-	815,950	-	815,950
Miscellaneous payables	(6)	577,059	(577,059)	-	-
Other external fundings payable	(6)	238,891	(238,891)	-	-
Shareholders' equity		5,914,400	-	419,991	6,334,391
Paid-in capital		3,486,268	-	-	3,486,268
Capital reserves		280,776	-	11,552	292,328
Share premiums		-	-	-	-
Share cancellation profits		-	-	-	-
Other capital reserves		161	-	-	161
Other comprehensive income items not to be recycled to Profit or Loss		-	(16,548)	11,951	(4,597)
Other comprehensive income items to be recycled to Profit or Loss		-	143	(399)	(256)
Marketable securities valuation differences		(16,405)	16,405	-	-
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		1,259,201	-	408,439	1,667,640
Legal reserves		157,288	-	-	157,288
Status reserves		-	-	-	-
Extraordinary reserves		1,075,575	-	-	1,075,575
Other profit reserves		26,338	-	408,439	434,777
Profit or (loss)		888,155	-	-	888,155
Prior periods' profit or (loss)		-	-	-	-
Current period profit or loss		888,155	-	-	888,155
Total liabilities		61,523,925	(751,988)	456,080	61,228,017

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XXV. Explanation on TFRS 9 financial instruments standard (continued)

- (1) As of 1 January 2018, the Group classified “Derivative Financial Assets Held for Trading” and “Derivative Financial Assets Held for Hedging Purpose” in the prior year financial statements amounting to TL 574,973 and TL 1,571,395, respectively into “Derivative Financial Assets”. In addition, the Group 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 Group 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 Group classified debt securities previously classified as “Available for Sale Financial Assets” amounting to TL 436,307 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 Group 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 Group classified a loan balance previously classified as “Performing Loans” amounting to TL 5,027,422 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 Group classified “Derivative Financial Liabilities Held for Trading” and “Derivative Financial Liabilities Held for Hedging Purpose” in the prior year financial statements amounting to TL 467,749 and TL 25,454, respectively into “Derivative Financial Liabilities”.
- (5) As of 1 January 2018, the Group 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 Group 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 Group classified miscellaneous payables amounting to TL 577,059 and other external fundings amounting to TL 238,891 into “Other Liabilities”.
- (7) As of 1 January 2018, the Group made a net deferred tax asset of TL 77,316, with an increase of TL 8,366 from the classification of financial assets and a loss of TL 68,950 from the calculation of the expected losses in the shareholders equity item on the first time adoption of TFRS 9.

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Notes to the consolidated financial statements for the six-month period ended 30 June 2018 (continued) (Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

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

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

a. Financial assets at fair value through profit or loss

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

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

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

b. Available for sale financial assets

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

c. Held-to-maturity financial assets

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

ç. Loans and receivables

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

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

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

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

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Section four

Information on financial position and risk management of the Group

I. Explanations on consolidated capital

Information about consolidated capital items

Consolidated 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 30 June 2018, the Group’s total capital is TL 10,375,820 and the consolidated capital adequacy ratio is 19.10%. As of 31 December 2017, the Group’s total capital amounted to TL 9,132,828 and capital adequacy ratio was 19.15%.

	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	2,297,792	-
Other comprehensive income according to TAS	142,303	-
Profit	594,959	-
Net profit for the period	594,959	-
Prior period profit	-	-
Bonus shares from investments in associates, subsidiaries and joint ventures that are not recognized in profit	-	-
Minority interest	-	-
Common equity tier I capital before deductions	6,521,322	
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	22,436	-
Leasehold improvements on operational leases (-)	29,372	-
Goodwill netted off deferred tax liability (-)	-	-
Other intangibles netted off deferred tax liability except for mortgage servicing rights	29,684	29,684
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	-
Differences not recognized at the fair value of assets and liabilities subject to hedge of cash flow risk	-	-
Portion of the total expected loss amount calculated as per Communiqué on Calculation of Credit Risk with the Internal Rating Based Approach, which exceeds total provisions	-	-
Gains arising from securitization transactions	-	-
Unrealized gains and losses due to changes in own credit risk on fair value of Bank’s liabilities	-	-
Net amount of defined-benefit plan assets	-	-
Direct and indirect investments of the Bank in its own Common Equity Tier I Capital	-	-
Shares obtained contrary to the 4 th clause of the 56 th Article of the Law	-	-
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital, which exceeds 10% of common equity of the Bank (-)	-	-
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital, which exceeds 10% of common equity of the Bank (-)	-	-
Portion of mortgage servicing rights exceeding 10% of the common equity (-)	-	-
Portion of deferred tax assets based on temporary differences exceeding 10% of the common equity (-)	-	-
Amounts exceeding 15% of the common equity as per the 2 nd clause of the provisional article 2 of the Regulation on the Equity of Banks (-)	-	-
Excess amount arising from the net long positions of investments in common equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital (-)	-	-
Excess amount arising from mortgage servicing rights (-)	-	-
Excess amount arising from deferred tax assets based on temporary differences (-)	-	-
Other items to be defined by the BRSA (-)	-	-
Deductions to be made from common equity in case adequate additional Tier I capital or Tier II capital is not available (-)	-	-
Total deductions from common equity tier I capital	81,492	
Total common equity tier I capital	6,439,830	
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)	-	-
Third parties’ share in the Additional Tier I capital	-	-
Third parties’ share in the Additional Tier I capital (in scope of Temporary Article 3)	-	-
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)	6,439,830	

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

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

ING Bank A.Ş. and its Financial Subsidiaries

Notes to the consolidated financial statements for the six-month period ended 30 June 2018 (continued) (Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

I. Explanations on consolidated capital (continued)

	Current period	Amount related to implementation before 01.01.2014 (*)
TIER II CAPITAL		
Bank's borrowing instruments and issue premiums	3,329,641	
Bank's borrowing instruments and issue premiums (in scope of Temporary Article 4)	200,000	
Third parties' share in the Tier II Capital	-	
Third parties' share in the Tier II Capital (in scope of Temporary Article 3)	-	
Provisions (amounts stated in Article 8 of the Regulation on the Equity of Banks)	416,310	
Tier II Capital Before Deductions	3,945,951	
Deductions From Tier II Capital		
Bank's direct and indirect investments in its own Tier II Capital (-)	-	
Bank's 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 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	3,945,951	
Total Capital (The sum of Tier I Capital and Tier II Capital)	10,385,781	
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 (-)	9,961	
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	10,375,820	
Total risk weighted amounts	54,311,545	
CAPITAL ADEQUACY RATIOS		
Core Capital Adequacy Ratio (%)	11.86	
Tier I Capital Adequacy Ratio (%)	11.86	
Capital Adequacy Ratio (%)	19.10	
BUFFERS		
Total buffer requirement	6.398	
Capital protection buffer requirement (%)	1.875	
Bank specific cyclical buffer requirement (%)	0.023	
Systemically important banks buffer ratio (%)	-	
The ratio of Additional Common Equity Tier I capital to be calculated as per the first paragraph of Article 4 of Regulation on Capital Protection and Countercyclical Capital buffers to Risk Weighted Assets (%)	5.857	
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	130,316	
Limits related to provisions considered in Tier II calculation		
General provisions for standard based receivables (before ten thousand twenty five limitation)	416,310	
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	-	
Amount of total provision exceeding the total expected loss amount calculated according to the Communiqué on the Calculation of the Credit Risk Based Amount as per the Internal Ratings Based Approach	-	
Amount up to 0.6% of the portion of total provision exceeding the total expected loss amount calculated according to the Communiqué on the Calculation of the Credit Risk Based Amount as per the Internal Ratings Based Approach	-	
Debt instruments subject to Temporary Article 4 (to be implemented between 1 January 2018 and 1 January 2022)		
Upper limit for Additional Tier I Capital subject to Temporary Article 4	-	
Amounts exceeding the upper limits of Additional Tier I Capital subject to Temporary Article 4	-	
Upper limit for Additional Tier II Capital subject to temporary Article 4	-	
Amounts exceeding the upper limits of Additional Tier II Capital subject to temporary Article 4	-	

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

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

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Notes to the consolidated financial statements for the six-month period ended 30 June 2018 (continued) (Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

I. Explanations on consolidated 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	1,259,201	
Other comprehensive income according to TAS	46,893	
Profit	888,155	
Net profit for the period	888,155	
Prior period profit	-	
Bonus shares from investments in associates, subsidiaries and joint ventures that are not recognized in profit	-	
Minority interest	-	
Common equity tier I capital before deductions	5,680,517	
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	16,405	
Leasehold improvements on operational leases (-)	35,013	
Goodwill netted off deferred tax liability (-)	-	
Other intangibles netted off deferred tax liability except for mortgage servicing rights	30,191	37,738
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	
Differences not recognized at the fair value of assets and liabilities subject to hedge of cash flow risk	-	
Portion of the total expected loss amount calculated as per Communiqué on Calculation of Credit Risk with the Internal Rating Based Approach, which exceeds total provisions	-	
Gains arising from securitization transactions	-	
Unrealized gains and losses due to changes in own credit risk on fair value of Bank's liabilities	-	
Net amount of defined-benefit plan assets	-	
Direct and indirect investments of the Bank in its own Common Equity Tier I Capital	-	
Shares obtained contrary to the 4 th clause of the 56 th Article of the Law	-	
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital, which exceeds 10% of common equity of the Bank (-)	-	
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital, which exceeds 10% of common equity of the Bank (-)	-	
Portion of mortgage servicing rights exceeding 10% of the common equity (-)	-	
Portion of deferred tax assets based on temporary differences exceeding 10% of the common equity (-)	-	
Amounts exceeding 15% of the common equity as per the 2 nd clause of the provisional article 2 of the Regulation on the Equity of Banks (-)	-	
Excess amount arising from the net long positions of investments in common equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital (-)	-	
Excess amount arising from mortgage servicing rights (-)	-	
Excess amount arising from deferred tax assets based on temporary differences (-)	-	
Other items to be defined by the BRSA (-)	-	
Deductions to be made from common equity in case adequate additional Tier I capital or Tier II capital is not available (-)	-	
Total deductions from common equity tier I capital	81,609	
Total common equity tier I capital	5,598,908	
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)	-	
Third parties' share in the Additional Tier I capital	-	
Third parties' share in the Additional Tier I capital (in scope of Temporary Article 3)	-	
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 (-)	7,547	
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)	5,591,361	

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

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

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Notes to the consolidated financial statements for the six-month period ended 30 June 2018 (continued) (Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

I. Explanations on consolidated 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	
Third parties' share in the Tier II Capital	-	
Third parties' share in the Tier II Capital (in scope of Temporary Article 3)	-	
Provisions (amounts stated in Article 8 of the Regulation on the Equity of Banks)	542,573	
Tier II Capital Before Deductions	3,554,925	
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	3,554,925	
Total Capital (The sum of Tier I Capital and Tier II Capital)	9,146,286	
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 Five 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	9,132,828	
Total risk weighted amounts	47,688,687	
CAPITAL ADEQUACY RATIOS		
Core Capital Adequacy Ratio (%)	11.74	
Tier I Capital Adequacy Ratio (%)	11.73	
Capital Adequacy Ratio (%)	19.15	
BUFFERS		
Total buffer requirement	5.772	
Capital protection buffer requirement (%)	1.250	
Bank specific cyclical buffer requirement (%)	0.022	
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	5.741	
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	45,634	
Limits related to provisions considered in Tier II calculation		
General provisions for standard based receivables (before ten thousand twenty five limitation)	688,786	
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	542,573	
Amount of total provision exceeding the total expected loss amount calculated according to the Communiqué on the Calculation of the Credit Risk Based Amount as per the Internal Ratings Based Approach	-	
Amount up to 0.6% of the portion of total provision exceeding the total expected loss amount calculated according to the Communiqué on the Calculation of the Credit Risk Based Amount as per the Internal Ratings Based Approach	-	
Debt instruments subject to Temporary Article 4 (to be implemented between 1 January 2018 and 1 January 2022)		
Upper limit for Additional Tier I Capital subject to Temporary Article 4	-	
Amounts exceeding the upper limits of Additional Tier I Capital subject to Temporary Article 4	-	
Upper limit for Additional Tier II Capital subject to temporary Article 4	-	
Amounts exceeding the upper limits of Additional Tier II Capital subject to temporary Article 4	-	

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

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

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Notes to the consolidated financial statements
for the six-month period ended 30 June 2018 (continued)
(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

I. Explanations on consolidated capital (continued)

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

Issuer	ING Bank N.V.	ING Bank N.V.	ING Bank N.V.	ING Bank N.V.
Unique identifier (e.g. CUSIP, ISIN, etc.)	-	-	-	-
Governing law(s) of the instrument	BRSA	BRSA	BRSA	BRSA
Regulatory treatment	Supplementary capital	Supplementary capital	Supplementary capital	Supplementary capital
Subject to 10% deduction as of 1/1/2015	No	No	No	No
Eligible at stand-alone / consolidated	Stand alone - Consolidated	Stand alone - Consolidated	Stand alone - Consolidated	Stand alone - Consolidated
Instrument type (types to be specified by each jurisdiction)	Loan	Loan	Loan	Loan
Amount recognised in regulatory capital (Currency in million, as of most recent reporting date)	TL 200 million	USD 102 million (TL 467 million) and EUR 90 million (TL 480 million)	USD 91 million (TL 416 million) and EUR 85 million (TL 453 million)	USD 62 million (TL 284 million) and EUR 231 million (TL 1,231 million)
Par value of instrument (Currency in million)	TL 200 million	USD 102 million (TL 467 million) and EUR 90 million (TL 480 million)	USD 91 million (TL 416 million) and EUR 85 million (TL 453 million)	USD 62 million (TL 284 million) and EUR 231 million (TL 1,231 million)
Accounting classification	Subordinated Loans	Subordinated Loans	Subordinated Loans	Subordinated Loans
Original date of issuance	19 December 2013	11 March 2014	26 June 2014	26 May 2015
Perpetual or dated	Dated	Dated	Dated	Dated
Original maturity date	51 years	10 years	10 years	10 years
Issuer call subject to prior BRSA approval	Yes	Yes	Yes	Yes
Optional call date, contingent call dates and redemption amount	5th year	5th year	5th year	5th year
Subsequent call dates, if applicable	After 5th year	After 5th year	After 5th year	After 5th year
Coupons / dividends	-	-	-	-
Fixed or floating dividend/coupon	Floating	Floating	Floating	Floating
Coupon rate and any related index	USD/TL Swap rate+ 2.86%	Libor+2.775% and Euribor+2.29%	Libor+2.27% and Euribor+2.17%	Libor+2.19% and Euribor+1.68%
Existence of a dividend stopper	-	-	-	-
Fully discretionary, partially discretionary or mandatory	-	-	-	-
Existence	None	None	None	None
Noncumulative or cumulative	-	-	-	-
Convertible or non-convertible	None	None	None	None
If convertible, conversion trigger(s)	-	-	-	-
If convertible, fully or partially	-	-	-	-
If convertible, conversion rate	-	-	-	-
If convertible, mandatory or optional conversion	-	-	-	-
If convertible, specify instrument type convertible into	-	-	-	-
If convertible, specify issuer of instrument it converts into	-	-	-	-
Write-down feature	None	None	None	None
If write-down, write-down trigger(s)	-	-	-	-
If write-down, full or partial	-	-	-	-
If write-down, permanent or temporary	-	-	-	-
If temporary write-down, description of write-up mechanism	-	-	-	-
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	After the senior creditors primary subordinated loans and before the TIER I sub-debt, same with TIER II	After the senior creditors primary subordinated loans and before the TIER I sub-debt, same with TIER II	After the senior creditors primary subordinated loans and before the TIER I sub-debt, same with TIER II	After the senior creditors primary subordinated loans and before the TIER I sub-debt, same with TIER II
Whether conditions in Articles 7 and 8 of the Regulation on the Equity of Banks are met	None	None	None	None
Conditions in Articles 7 and 8 of the Regulation on the Equity of Banks, which are not met	-	-	-	-

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

ING Bank A.Ş. and its Financial Subsidiaries

Notes to the consolidated financial statements for the six-month period ended 30 June 2018 (continued) (Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

I. Explanations on consolidated capital (continued)

Explanations on reconciliation of capital items to balance sheet

Risk classifications	Carrying amount	Amounts in equity calculation
Shareholders’ equity	7,263,251	7,263,251
Gains from cash flow hedge transactions	764,365	(764,365)
Leasehold improvements on operational leases	29,372	(29,372)
Goodwill and intangible assets	32,213	(29,684)
General provision	416,310	416,310
Subordinated debt	3,544,602	3,529,641
Other deductions from shareholders’ equity	9,961	(9,961)
Capital		10,375,820

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

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

II. Explanation on consolidated currency risk

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

The simple arithmetic average of USD and EUR buying rates of the Parent Bank for the thirty days before the balance sheet date are 4.6212 (Full TL) and 5.3932 (Full TL) respectively.

The Parent 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 Parent Bank’s “foreign exchange buying rates” (30 June 2018)	4.5740	5.3283
Previous days;		
29 June 2018	4.5740	5.3283
28 June 2018	4.5890	5.3177
27 June 2018	4.5997	5.3370
26 June 2018	4.6441	5.4132
25 June 2018	4.6900	5.4793

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Notes to the consolidated financial statements for the six-month period ended 30 June 2018 (continued) (Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

II. Explanation on consolidated currency risk (continued)

Information related to consolidated 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	3,781,355	2,897,299	1,089,758	7,768,412
Banks	1,071,556	1,713,711	311,330	3,096,597
Financial assets at fair value through profit or loss	10,363	18,995	-	29,358
Money market placements	-	-	-	-
Financial assets measured at fair value through other comprehensive income	183	-	-	183
Loans	14,076,150	4,644,456	19,573	18,740,179
Investments in associates, subsidiaries and joint ventures	-	-	-	-
Financial assets measured at amortised cost	-	-	-	-
Hedging derivative financial assets	-	-	-	-
Tangible assets (net)	8	-	-	8
Intangible assets (net)	-	-	-	-
Other assets	30,778	7,515	148	38,441
Total assets	18,970,393	9,281,976	1,420,809	29,673,178
Liabilities				
Bank deposit	2,392,726	374,213	129	2,767,068
Foreign currency deposits	3,026,671	6,369,833	349,260	9,745,764
Funds from interbank money market	6,091	-	-	6,091
Borrowings	14,781,056	11,231,132	145,209	26,157,397
Marketable securities issued (net)	-	-	-	-
Miscellaneous payables	10,645	32,659	3,358	46,662
Hedging derivative financial liabilities	4,359	-	-	4,359
Other liabilities	45,322	46,799	928	93,049
Total liabilities	20,266,870	18,054,636	498,884	38,820,390
Net on balance sheet position	(1,296,477)	(8,772,660)	921,925	(9,147,212)
Net off-balance sheet position	1,328,183	8,763,010	(920,242)	9,170,951
Financial derivative assets	9,049,463	22,389,521	1,441,363	32,880,347
Financial derivative liabilities	7,721,280	13,626,511	2,361,605	23,709,396
Non-cash loans	1,589,582	5,055,043	108,787	6,753,412
Prior period				
Total assets	16,812,930	7,538,271	1,244,112	25,595,313
Total liabilities	17,463,282	15,902,339	323,314	33,688,935
Net on-balance sheet position	(650,352)	(8,364,068)	920,798	(8,093,622)
Net off-balance sheet position	702,801	8,349,703	(919,681)	8,132,823
Financial derivative assets	6,914,832	17,931,396	802,738	25,648,966
Financial derivative liabilities	6,212,031	9,581,693	1,722,419	17,516,143
Non-cash loans	1,369,705	4,198,584	97,583	5,665,872

In the foreign currency risk table:

The principal and accrual of TL 657,106 (31 December 2017: TL 955,383) of foreign currency indexed loans and foreign currency indexed factoring receivables amounting to TL 151,986 (31 December 2017: TL 429,826) are presented under other assets.

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Notes to the consolidated financial statements for the six-month period ended 30 June 2018 (continued) (Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

II. Explanation on consolidated 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 356,496 (31 December 2017: TL 184,960)
Prepaid expenses: TL 1,222 (31 December 2017: TL 687)
Held-for trading derivative financial liabilities: TL 371,669 (31 December 2017: TL 183,502)
Hedge funds (Effective Portion): TL (4,380) (31 December 2017: TL (4,240))
Foreign currency indexed factoring liabilities: TL (95) (31 December 2017: None)
Marketable securities valuation differences: None (31 December 2017: None)
Interest rate swap (buy) transactions and options (buy): TL 4,246,147 (31 December 2017: TL 3,818,260)
Interest rate swap (sell) transactions and options (sell): TL 4,246,147 (31 December 2017: TL 3,818,260)

TL 15,719 (31 December 2017: TL 134,989) of foreign currency indexed factoring guarantees are stated in non-cash loans.

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

Forward foreign currency-buy transactions: TL 1,640,225 (31 December 2017: TL 1,054,558).
Forward foreign currency-sell transactions: TL 1,533,064 (31 December 2017: TL 959,626).

III. Explanations on consolidated interest rate risk

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

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

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

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Notes to the consolidated financial statements for the six-month period ended 30 June 2018 (continued) (Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

III. Explanations on consolidated 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 year and over	Non-interest bearing	Total
Assets							
Cash (cash in vault, foreign currency cash, money in transit, checks-purchased) and balances with the Central Bank of Turkey	6,951,715	18,262	-	-	-	1,449,192	8,419,169
Banks	2,904,472	15,753	-	-	-	259,795	3,180,020
Financial assets at fair value through profit and loss	296,243	407,529	284,218	13,075	-	65	1,001,130
Money market placements	168,248	-	-	-	-	-	168,248
Financial assets measured at fair value through other comprehensive income	1,599	234,426	-	230,807	-	8,260	475,092
Loans	8,750,336	6,299,968	16,182,891	17,338,529	2,094,776	183,652	50,850,152
Financial assets measured at amortised cost	-	241,386	938,030	-	-	-	1,179,416
Other assets (*)	787,565	2,045,232	-	-	-	1,144,922	3,977,719
Total assets	19,860,178	9,262,556	17,405,139	17,582,411	2,094,776	3,045,886	69,250,946
Liabilities							
Bank deposits	440,485	-	-	-	-	2,780,259	3,220,744
Other deposits	23,498,578	1,075,903	330,704	120	-	3,733,627	28,638,932
Money market borrowings	97,581	-	-	-	-	-	97,581
Miscellaneous payables	-	-	-	-	-	579,370	579,370
Securities issued	-	157,127	97,585	-	-	-	254,712
Funds provided from other financial institutions	5,573,251	12,097,966	5,797,363	3,496,423	295,254	-	27,260,257
Other liabilities (**)	237,467	245,633	307,833	11,184	-	8,397,233	9,199,350
Total liabilities	29,847,362	13,576,629	6,533,485	3,507,727	295,254	15,490,489	69,250,946
Balance sheet long position	-	-	10,871,654	14,074,684	1,799,522	-	26,745,860
Balance sheet short position	(9,987,184)	(4,314,073)	-	-	-	(12,444,603)	(26,745,860)
Off-balance sheet long position	4,478,773	11,534,447	-	-	-	-	16,013,220
Off-balance sheet short position	-	-	(5,406,369)	(8,125,362)	(362,985)	-	(13,894,716)
Total positions	(5,508,411)	7,220,374	5,465,285	5,949,322	1,436,537	(12,444,603)	2,118,504

(*) Non-interest bearing column in other assets line consists of property and equipment, intangible assets, current tax asset, deferred tax asset, assets held for sale, interest-free part of finance lease receivables, interest-free part of factoring receivables, 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, 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 year 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	-	-	-	2,270,540	7,830,527
Due from other banks and financial institutions	260,701	12,607	-	-	-	300,113	573,421
Financial assets at fair value through profit and loss	204,502	235,924	176,257	485	-	45	617,213
Money market placements	1,194,296	-	-	-	-	-	1,194,296
Available-for-sale financial assets	134,953	514,457	907,048	173,427	-	8,060	1,737,945
Loans and receivables	7,245,946	6,651,134	13,651,101	15,099,456	1,718,553	501,498	44,867,688
Held-to-maturity investments	-	-	-	-	-	-	-
Other assets (*)	564,968	1,489,806	437,368	985,688	154,832	1,070,173	4,702,835
Total assets	15,151,575	8,917,706	15,171,774	16,259,056	1,873,385	4,150,429	61,523,925
Liabilities							
Bank deposits	-	-	-	-	-	1,481,773	1,481,773
Other deposits	21,856,247	715,535	134,658	113,757	-	3,295,742	26,115,939
Money market borrowings	59,498	-	-	-	-	-	59,498
Miscellaneous payables	-	-	-	-	-	577,059	577,059
Securities issued	-	-	-	-	-	-	-
Funds provided from other financial institutions	5,962,280	10,658,734	4,935,705	3,445,511	342,995	-	25,345,225
Other liabilities (**)	168,129	185,817	139,419	346	-	7,450,720	7,944,431
Total liabilities	28,046,154	11,560,086	5,209,782	3,559,614	342,995	12,805,294	61,523,925
Balance sheet long position	-	-	9,961,992	12,699,442	1,530,390	-	24,191,824
Balance sheet short position	(12,894,579)	(2,642,380)	-	-	-	(8,654,865)	(24,191,824)
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	(8,379,913)	9,267,842	3,231,372	4,702,344	1,144,168	(8,654,865)	1,310,948

(*) Non-interest bearing column in other assets line consists of property and equipment, intangible assets, current tax asset, deferred tax asset, assets held for sale, interest-free part of finance lease receivables, interest-free part of factoring receivables, 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, taxes payable and equity.

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Notes to the consolidated financial statements for the six-month period ended 30 June 2018 (continued) (Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

III. Explanations on consolidated interest rate risk (continued)

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

Current period	EURO (%)	USD (%)	Yen (%)	TL (%)
Assets				
Cash (Cash in vault, foreign currency cash, money in transit, checks purchased) and balances with the Central Bank of Turkey	-	1.50	-	7.00
Banks	(0.64)	1.92	-	19.21
Financial assets at fair value through profit and loss	4.49	6.49	-	11.21
Money market placements	-	-	-	18.56
Financial assets measured at fair value through other comprehensive income	-	-	-	11.83
Loans	3.09	5.47	-	17.20
Financial assets measured at amortised cost	-	-	-	13.06
Liabilities				
Bank deposits	-	-	-	17.81
Other deposits	0.46	2.80	-	12.56
Money market borrowings	-	-	-	18.64
Miscellaneous payables	-	-	-	-
Securities issued	-	-	-	15.04
Funds provided from other financial institutions	0.63	3.40	-	14.57

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

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)	-	-	14.38
Financial assets at fair value through profit and loss	4.40	6.29	-	9.05
Money market placements	-	-	-	12.93
Financial assets available-for-sale	-	-	-	11.22
Loans and receivables	2.92	4.79	-	15.25
Held-to-maturity investments	-	-	-	-
Liabilities				
Bank deposits	-	-	-	-
Other deposits	0.37	2.57	-	10.54
Money market borrowings	-	-	-	11.43
Miscellaneous payables	-	-	-	-
Securities issued	-	-	-	-
Funds provided from other financial institutions	0.60	2.67	-	12.39

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

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

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

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

Current period	Carrying value	Fair value (*)	Market value
Quoted	-	-	-
Equity investments	-	-	-
Not quoted	8,260	3,052	3,052
Equity investments	8,260	3,052	3,052
Financials subsidiaries	-	-	-
Financials subsidiaries	-	-	-
Prior period	Carrying value	Fair value (*)	Market value
Quoted	51	51	51
Equity investments	51	51	51
Not quoted	8,009	2,828	2,828
Equity investments	8,009	2,828	2,828
Financials subsidiaries	-	-	-
Financials subsidiaries	-	-	-

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

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

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

4. Capital requirement as per equity shares

Current period	Carrying value	Total RWA	Minimum capital requirement (*)
Private equity investments	-	-	-
Shares traded on a stock exchange	-	-	-
Other equity shares	8,260	8,260	661
Prior period	Carrying value	Total RWA	Minimum capital requirement (*)
Private equity investments	-	-	-
Shares traded on a stock exchange	51	51	4
Other equity shares	8,009	8,009	641

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

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Notes to the consolidated financial statements for the six-month period ended 30 June 2018 (continued) (Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

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

1. Information on matters related to consolidated liquidity risk

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

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

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

On the other hand, the Parent Bank’s liquidity buffers are evaluated under different stress scenarios with the comprehensive liquidity stress test approach established in accordance with ING Group’s common policies on market risk and particularly new international regulations (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 periodical.

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 charts are not limited to this scope but also include other liquidity risk indicators. The Emergency Funding plan monitoring indicators 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 Parent Bank and the Parent Bank’s subsidiaries

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

c. Information on the Parent 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 Parent Bank. On the other hand, the Parent 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.

ING Bank A.Ş. and its Financial Subsidiaries

Notes to the consolidated financial statements for the six-month period ended 30 June 2018 (continued) (Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

V. Explanations on consolidated 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 Parent Bank’s total liabilities

Almost all of the Parent 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 Parent Bank. While the main purpose is using liabilities in TL in funding TL assets, when necessary money swap transactions and FC funds are used in creating assets in TL within the limits set by the Board of Directors. Foreign currency funds are obtained through foreign exchange deposit accounts and including syndications, foreign based and foreign currency loans. Liquidity shortage/surplus values are calculated daily by Asset and Liability Management Group and these values are reported in Asset Liability Management Committee. On the other hand, the TL and FC liquidity coverage ratio is calculated on a daily basis, and shared with all units and senior management, and reported separately to Asset Liability Management Committee. The Parent Bank has TL/FC borrowing limits ready to use in Central Bank and other banks.

d. Information on liquidity risk mitigation techniques

The first measure towards the mitigation of the liquidity risk as part of the budget process is planning the reduction of funding diversity and maturity mismatch. Within this context, syndication, other foreign funding, sources provided by the shareholders and other domestic funding opportunities are used. In addition to this, active swap markets are used to provide liquidity in a particular currency. In addition to all these, Emergency Funding Plan 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, legal and structural liquidity ratios and so on are defined and these intervals support the decision making process. Moreover, in the crisis period, the Emergency 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 Parent 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 annually the stress tests. Stress test scenarios which consider Bank specific, market-wide or both cases, and have short term or long term consequences, are used in stress testing application where the scenario and parameters are revised annually by the Asset and Liability Management 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 Parent Bank has established the Asset and Liability Management Committee and Board of Directors Emergency 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 yearly with regards to their compliance with changes in market and stress conditions.

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V. Explanations on consolidated 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 Parent Bank calculates and shares the Consolidated Liquidity Coverage Ratio to BRSA on a monthly basis Consolidated Liquidity Coverage Ratio is above the values stated in the regulation.

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

	Minimum	Date	Maximum	Date
TL+FC	104.97	30 June 2018	170.26	31 May 2018
FC	117.11	30 June 2018	251.12	31 May 2018

Liquidity coverage ratio

	Total unweighted value (*)		Total weighted value(*)	
	TL+FC	FC	TL+FC	FC
Current period				
High quality liquid assets				
High quality liquid assets			11,436,579	8,766,705
Cash Outflows				
Real person and retail deposits	24,940,503	7,069,489	2,063,116	706,949
Stable deposits	8,618,682	-	430,934	-
Less stable deposits	16,321,821	7,069,489	1,632,182	706,949
Unsecured funding other than real person and retail deposits	9,362,745	6,478,078	7,025,838	5,181,422
Operational deposits	235,322	5,185	58,830	1,296
Non-operational deposits	6,247,815	4,669,724	4,144,634	3,377,391
Other unsecured debt	2,879,608	1,803,169	2,822,374	1,802,735
Secured funding			-	-
Other cash outflows	29,194,065	14,004,191	17,163,566	8,654,080
Derivative exposures and collateral completion liabilities	15,643,137	7,691,031	15,643,137	7,691,031
Payables due to structured financial instruments	-	-	-	-
Payment commitments and other off-balance sheet commitments granted for debts to financial markets	13,550,928	6,313,160	1,520,429	963,049
Other contractual funding obligations	-	-	-	-
Other irrevocable or conditionally revocable off balance sheet liabilities	-	-	-	-
Total cash outflows			26,252,520	14,542,451
Cash inflows				
Secured lending	393,104	-	-	-
Unsecured lending	6,394,914	2,112,429	4,085,514	1,631,322
Other cash inflows	14,549,266	8,151,806	14,253,324	8,141,110
Total cash inflows	21,337,284	10,264,235	18,338,838	9,772,432
			Total adjusted value	
Total high quality liquid assets stock			11,436,579	8,766,705
Total net cash outflows			8,173,380	5,170,812
Liquidity coverage ratio (%)			148.06	196.00

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

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

Prior period	Total unweighted value (*)		Total weighted value (*)	
	TL+FC	FC	TL+FC	FC
High quality liquid assets				
High quality liquid assets			11,291,308	7,573,400
Cash Outflows				
Real person and retail deposits	22,268,949	5,425,054	1,812,118	542,505
Stable deposits	8,295,534	-	414,777	-
Less stable deposits	13,973,415	5,425,054	1,397,341	542,505
Unsecured funding other than real person and retail deposits	8,183,886	5,085,386	5,815,274	3,887,469
Operational deposits	441,320	3,465	110,330	866
Non-operational deposits	5,308,272	3,813,794	3,317,823	2,618,800
Other unsecured debt	2,434,294	1,268,127	2,387,121	1,267,803
Secured funding			-	-
Other cash outflows	24,115,320	11,826,797	13,224,871	7,438,667
Derivative exposures and collateral completion liabilities	11,800,564	6,584,486	11,800,564	6,584,487
Payables due to structured financial instruments	-	-	-	-
Payment commitments and other off-balance sheet commitments granted for debts to financial markets	12,314,756	5,242,311	1,424,307	854,180
Other contractual funding obligations	-	-	-	-
Other irrevocable or conditionally revocable off balance sheet liabilities	-	-	-	-
Total cash outflows			20,852,263	11,868,641
Cash inflows				
Secured lending	1,524,600	-	-	-
Unsecured lending	4,157,789	1,117,569	2,396,378	693,402
Other cash inflows	11,634,870	5,376,024	11,198,938	5,366,822
Total cash inflows	17,317,259	6,493,593	13,595,316	6,060,224
			Total adjusted value	
Total high quality liquid assets stock			11,291,308	7,573,400
Total net cash outflows			7,256,947	5,808,417
Liquidity coverage ratio (%)			156.91	130.52

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

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Notes to the consolidated financial statements for the six-month period ended 30 June 2018 (continued) (Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

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

3. Other explanations on consolidated liquidity coverage ratio

Short term liquidity is managed within the legal limits in the Group, 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 Group’s quality liquid asset value not used as guarantee that can be converted to cash any time and Group’s possible cash inflows and outflows arising from net cash assets, liability and off balance sheet transactions.

The Group 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 Group are funds from interbank money market or available for sale security portfolio by repurchasing agreements or direct sales. Besides borrowing from the Parent Company in medium and long term, in order to manage concentration risk with respect to funding resources, the Group 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 Parent 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 Group’s structure for a longer period than their original maturity.

Details of the Group’s foreign currency balance sheet as of 30 June 2018 are summarized as follows:

Foreign currency borrowings constitute the majority of the foreign currency liabilities. 67% of the Group’s total foreign currency liabilities consist of funds provided from other financial institutions and subordinated loans and 32% is composed of deposits. Loans comprise 61%, cash and cash equivalents comprise 37% of the foreign currency assets. The bank placements have the shortest maturity within the assets denominated in foreign currency.

Details of the Group’s Turkish Lira balance sheet as of 30 June 2018 are summarized as follows:

The majority of Turkish Lira balance sheet’s liability consists of deposits. 64% of the Group’s total Turkish Lira liabilities consists of deposits. However, in case of necessity, the Group has borrowing opportunities from both domestic and foreign banks and Takasbank and BIST repo market. 82% of the assets in Turkish Lira balance sheet are loans granted and 4% are marketable securities.

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

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Notes to the consolidated financial statements for the six-month period ended 30 June 2018 (continued) (Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

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

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

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	1,449,192	6,951,715	18,262	-	-	-	-	8,419,169
Banks	259,795	2,904,472	15,753	-	-	-	-	3,180,020
Financial assets at fair value through profit or loss	65	292,238	357,610	301,416	41,363	8,438	-	1,001,130
Money market placements	-	168,248	-	-	-	-	-	168,248
Financial assets measured at fair value through other comprehensive income	8,260	-	7,521	-	459,311	-	-	475,092
Loans	-	7,675,973	4,647,696	13,126,507	23,070,812	2,145,512	183,652	50,850,152
Financial assets measured at amortised cost	-	-	-	-	1,179,416	-	-	1,179,416
Other assets (*)	18,390	64,060	177,865	603,397	1,931,427	57,313	1,125,267	3,977,719
Total assets	1,735,702	18,056,706	5,224,707	14,031,320	26,682,329	2,211,263	1,308,919	69,250,946
Liabilities								
Bank deposits	2,780,259	440,485	-	-	-	-	-	3,220,744
Other deposits	3,733,627	23,498,578	1,075,903	330,704	120	-	-	28,638,932
Borrowings	-	3,619,516	2,224,810	3,907,359	13,142,510	4,366,062	-	27,260,257
Funds from interbank money market	-	97,581	-	-	-	-	-	97,581
Securities issued	-	-	157,127	97,585	-	-	-	254,712
Miscellaneous payables	375,311	807	-	-	-	-	203,252	579,370
Other liabilities (**)	283,546	245,047	231,177	302,160	49,459	15	8,087,946	9,199,350
Total liabilities	7,172,743	27,902,014	3,689,017	4,637,808	13,192,089	4,366,077	8,291,198	69,250,946
Liquidity deficit/surplus	(5,437,041)	(9,845,308)	1,535,690	9,393,512	13,490,240	(2,154,814)	(6,982,279)	-
Net Off Balance Sheet Position								
Derivative financial assets	-	83,884	262,965	369,861	1,354,977	-	-	2,071,687
Derivative financial liabilities	-	12,271,172	14,958,590	17,439,947	11,799,076	362,985	-	56,831,770
Derivative financial liabilities	-	12,187,288	14,695,625	17,070,086	10,444,099	362,985	-	54,760,083
Net Off Balance Sheet Position	333,556	614,514	1,037,118	5,520,213	1,041,671	878,696	-	9,425,768
Prior period								
Total assets	2,591,909	13,896,750	5,189,829	12,069,055	23,349,606	2,868,690	1,558,086	61,523,925
Total liabilities	5,420,331	23,269,880	2,644,307	6,676,358	11,702,180	4,455,195	7,355,674	61,523,925
Liquidity deficit/surplus	(2,828,422)	(9,373,130)	2,545,522	5,392,697	11,647,426	(1,586,505)	(5,797,588)	-
Net Off Balance Sheet Position								
Derivative financial assets	-	53,290	109,457	195,672	910,039	44,348	-	1,312,806
Derivative financial assets	-	10,601,669	10,337,817	15,332,327	10,987,612	430,570	-	47,689,995
Derivative financial liabilities	-	10,548,379	10,228,360	15,136,655	10,077,573	386,222	-	46,377,189
Net Off Balance Sheet Position	322,130	450,968	1,576,737	3,319,395	1,873,907	846,556	-	8,389,693

(*) 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, stationery, prepaid expenses, expected loss provisions for non-credit financial assets and equity securities.

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

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VI. Explanations on consolidated 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 30 June 2018, the Group’s consolidated leverage ratio calculated by taking average of end of month leverage ratios for the last three-month is 6.98% (31 December 2017: 6.78%). Minimum ratio is identified 3% in the aforementioned regulation. Main reason for the variance compared to prior period is the both increase in the amount of exposure in the balance sheet items and off- balance sheet items.

	Current period (**)	Prior period (**)
Total assets in the consolidated financial statements prepared in accordance with TAS (*)	126,482,244	104,739,458
The difference between total amount of asset in the consolidated financial statements prepared in accordance with TAS and the communiqué on preparation of consolidated financial statements of banks	(125,031)	27,459
The difference between total amount and total risk amount of derivative financial instruments with credit derivative in the communiqué on preparation of consolidated financial statements of banks	(35,928,844)	(22,820,959)
The difference between total amount and total risk amount of risk investment securities or commodity collateral financing transactions in the communiqué on preparation of consolidated financial statements of banks	82,600	65,633
The difference between total amount and total risk amount of off-balance sheet transactions in the communiqué on preparation of consolidated financial statements of banks	-	-
The other differences between amount of assets and risk in the communiqué on preparation of consolidated financial statements of banks	(61,398)	(57,760)
Total exposures	90,449,571	81,953,831

(*) Consolidated financial statements are prepared based on Article No 5 of Clause No 6 in the Communiqué on Preparation of Consolidated Financial Statements of Banks.

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

Explanations on leverage ratio

	Current period (*)	Prior period (*)
On-balance sheet items		
On-balance sheet exposures (excluding derivatives and credit derivatives including collateral)	64,763,177	60,539,134
Asset deducted from core capital	(61,399)	(57,760)
The total amount of risk on-balance sheet exposures	64,701,778	60,481,374
Derivative financial instruments and credit derivative exposures		
Replacement cost associated with derivative financial instruments and credit derivatives	3,427,524	2,528,810
The potential credit risk amount of derivative financial instruments and credit derivatives	614,001	567,755
The total risk amount of derivative financial instruments and credit derivatives	4,041,525	3,096,565
Securities or commodity guaranteed financing transactions		
Risk amount of securities or commodity collateral financing transactions (excluding on balance sheet items)	82,601	65,633
Risk amount of exchange brokerage operations	-	-
The total risk amount of securities or commodity collateral financing transactions	82,601	65,633
Off-balance sheet items		
Gross notional amount for off-balance sheet items	21,623,667	18,310,259
Adjustments for conversion to credit equivalent amounts	-	-
The total amount of risk for off-balance sheet items	21,623,667	18,310,259
Capital and total exposures		
Core capital	6,314,535	5,560,065
Total exposures	90,449,571	81,953,831
Leverage ratio		
Leverage ratio	6.98	6.78

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

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

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VII. Explanations on consolidated 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 Parent Bank, tables required by Internal Rating Based approach (“IRB”) are not presented.

1. Overview of risk weighted amounts

	Risk weighted amount		Minimum capital requirement
	Current period	Previous period	Current period
Credit risk (excluding counterparty credit risk) (CCR)	44,861,316	40,571,840	3,588,905
Standardized approach (SA)	44,861,316	40,571,840	3,588,905
Internal rating-based (IRB) approach	-	-	-
Counterparty credit risk	4,455,908	2,834,018	356,473
Standardized approach for counterparty credit risk (SA-CCR)	4,455,908	2,834,018	356,473
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	201,625	262,050	16,130
Standardized approach (SA)	201,625	262,050	16,130
Internal model approaches (IMM)	-	-	-
Operational risk	4,792,696	4,020,779	383,416
Basic indicator approach	4,792,696	4,020,779	383,416
Standard approach	-	-	-
Advanced measurement approach	-	-	-
The amount of the discount threshold under the equity (subject to a 250% risk weight)	-	-	-
Floor adjustment	-	-	-
Total	54,311,545	47,688,687	4,344,924

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

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Notes to the consolidated financial statements for the six-month period ended 30 June 2018 (continued) (Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

VII. Explanations on consolidated risk management (continued)

2. Credit risk explanations

a. Credit quality of assets

Current period	Gross carrying value of		Allowances/ impairment	Net values
	Defaulted exposures	Non-defaulted exposure		
Loans (*)	1,784,066	50,666,500	1,600,414	50,850,152
Debt securities	-	1,646,248	1,213 (**)	1,645,035
Off-balance sheet exposures	82,465	20,828,483	57,877	20,853,071
Total	1,866,531	73,141,231	1,659,504	73,348,258

(*) Factoring and leasing receivables was included into "Loans".

(**) The provision of the financial securities measured at fair value have been added.

b. Changes in stock of defaulted loans and debt securities

Defaulted loans and debt securities at end of the previous reporting period	1,705,141
Loans and debt securities that have defaulted since the last reporting period	408,047
Returned to non-defaulted status	-
Amounts written off	(14,953)
Other changes (**)	(314,169)
Defaulted loans and debt securities at end of the reporting period (*)	1,784,066

(*) Undrawn non-cash loans which are monitored in "Receivables to be liquidated" account are not included in the table.

(**) In term collections have included "Other changes" account.

c. Credit risk mitigation techniques

Current period	Exposures unsecured: carrying amount	Exposures secured by collateral	Exposures secured by collateral, of which: secured amount	Exposures secured by financial guarantees	Exposures secured by financial guarantees, of which: secured amount	Exposures secured by credit derivatives	Exposures secured by credit derivatives, of which: secured amount
Loans (*)	36,243,353	14,606,799	12,268,086	8,447,598	7,560,984	-	-
Debt securities (*)	1,645,035	-	-	-	-	-	-
Total	37,888,388	14,606,799	12,268,086	8,447,598	7,560,984	-	-
Of which defaulted	1,784,066	-	-	-	-	-	-

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

ç. Credit risk exposure and credit risk mitigation effects

Current period	Exposures before CCF and CRM		Exposures post-CCF and CRM		RWA and RWA density	
	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
Asset classes						
Claims on sovereigns and Central Banks	8,696,958	363	16,259,946	329	1,506,082	9.26%
Claims on regional governments or local authorities	750,178	28	681,393	6	349,488	51.29%
Claims on administrative bodies and other non-commercial undertakings	-	37	-	7	7	100.00%
Claims on multilateral development banks	-	-	-	-	-	-
Claims on international organizations	-	-	-	-	-	-
Claims on banks and intermediary institutions	7,980,607	5,755,546	7,980,606	1,268,302	2,507,035	27.11%
Claims on corporates	24,694,152	7,779,764	21,495,270	3,827,911	24,509,966	96.79%
Claims on retails	20,092,923	5,319,580	15,345,173	1,011,835	12,255,381	74.92%
Claims secured by residential property	1,667,663	55,731	1,667,664	17,641	597,170	35.43%
Claims secured by commercial property	2,736,575	164,907	2,736,574	78,451	1,614,978	57.37%
Past due loans	225,630	-	225,630	-	221,738	98.28%
Higher risk categories decided by the Board	319,218	-	319,218	-	260,949	81.75%
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	2,471,878	2,425,733	2,471,878	485,147	1,030,262	34.84%
Stock investments	8,260	-	8,260	-	8,260	100.00%
Total (*)	69,644,042	21,501,689	69,191,612	6,689,629	44,861,316	59.12%

(*) Counterparty credit risk is not included in the table.

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VII. Explanations on consolidated risk management (continued)

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

Current period	0%	10%	20%	35%	50%	75%	100%	150%	200%	Others	Total credit exposures amount (post CCF and post-CRM)
Asset classes											
Claims on sovereigns and Central Banks	14,754,193	-	-	-	-	-	1,506,082	-	-	-	16,260,275
Claims on regional governments or local authorities	-	-	-	-	663,823	-	17,576	-	-	-	681,399
Claims on administrative bodies and other non-commercial undertakings	-	-	-	-	-	-	7	-	-	-	7
Claims on multilateral development banks	-	-	-	-	-	-	-	-	-	-	-
Claims on international organizations	-	-	-	-	-	-	-	-	-	-	-
Claims on banks and intermediary institutions	-	3,670,945	-	3,835,657	-	1,742,306	-	-	-	-	9,248,908
Claims on corporates	-	92,318	-	137,542	-	25,093,321	-	-	-	-	25,323,181
Claims on retails	-	-	-	-	-	16,357,008	-	-	-	-	16,357,008
Claims secured by residential property	-	-	-	1,674,053	-	-	11,252	-	-	-	1,685,305
Claims secured by commercial property	-	-	-	-	2,400,095	-	414,930	-	-	-	2,815,025
Past due loans	-	-	-	-	14,207	-	205,000	6,423	-	-	225,630
Higher risk categories decided by the Board	-	-	-	-	194,496	-	46,768	77,954	-	-	319,218
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	1,926,763	-	-	-	-	-	1,030,262	-	-	-	2,957,025
Stock investments	-	-	-	-	-	-	8,260	-	-	-	8,260
Total	16,680,956	3,763,263	1,674,053	7,245,820	16,357,008	30,075,764	84,377	-	-	-	75,881,241

3. Counterparty credit risk (CCR) approach analysis

Current period	Replacement cost	Potential future exposure	EEPE (*)	Alpha used for computing regulatory EAD	EAD post-CRM	RWA
SA-CCR (for derivatives)	3,808,940	615,940	-	1.40	4,424,880	2,565,818
Internal Model Method (for derivatives and SFTs)	-	-	-	-	-	-
Simple Approach for credit risk mitigation (for SFTs)	-	-	-	-	-	-
Comprehensive Approach for credit risk mitigation (for SFTs)	-	-	-	-	4,442	4,433
VaR for SFTs	-	-	-	-	-	-
Total						2,570,251

(*) Effective expected positive exposure

4. Credit valuation adjustment (CVA) capital charge

	EAD 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	4,424,880	1,885,656
Total subject to the CVA capital charge	4,424,880	1,885,656

5. Analysis of counterparty credit risk (CCR) exposure

Current period	0%	10%	20%	50%	75%	100%	150%	Others	Total credit exposure (*)
Asset classes/Risk weight									
Claims on sovereigns and Central Banks	359	-	-	-	-	-	-	-	359
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	-	153,229	3,457,848	-	127,723	-	-	-	3,738,800
Claims on corporates	-	962	4,619	-	668,083	-	-	-	673,664
Claims included in the regulatory retail portfolios	-	-	-	-	16,499	-	-	-	16,499
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	359	154,191	3,462,467	16,499	795,806	-	-	-	4,429,322

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

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

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Notes to the consolidated financial statements
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VII. Explanations on consolidated risk management (continued)

6. 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.

7. Credit derivatives

There is no credit derivative transaction.

8. Exposures to central counterparties (CCP)

There is no exposures to central counterparties.

9. Explanations on securitisation

There is no securitisation transaction.

10. Explanations on market risk

	RWA
Outright products	
Interest rate risk (general and specific)	178,325
Equity risk (general and specific)	-
Foreign exchange risk	23,300
Commodity risk	-
Options	
Simplified approach	-
Delta-plus method	-
Scenario approach	-
Securitisation	-
Total	201,625

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Notes to the consolidated financial statements for the six-month period ended 30 June 2018 (continued) (Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

VIII. Explanations on segment reporting

The Group 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 Parent Bank’s Management Reporting System.

Current period – 30 June 2018	Corporate, SME and Commercial Banking	Retail Banking	Other	Total
Net interest income	571,762	414,693	698,009	1,684,464
Net commissions and fees income and other operating income	338,361	452,127	18,854	809,342
Trading gain/loss	141,099	731	(364,458)	(222,628)
Dividend income	-	-	2	2
Provision for impairment of loans and other receivables	(303,061)	(329,239)	(16,402)	(648,702)
Segment results	748,161	538,312	336,005	1,622,478
Other operating expenses (**)				(854,407)
Income from continuing operations before tax				768,071
Tax provision (*)				(173,112)
Net profit				594,959

Prior period – 30 June 2017	Corporate, SME and Commercial Banking	Retail Banking	Other	Total
Net interest income	585,646	381,232	439,355	1,406,233
Net commissions and fees income and other operating income	168,954	199,915	30,739	399,608
Trading gain/loss	554	(334)	(184,248)	(184,028)
Dividend income	-	-	382	382
Provision for impairment of loans and other receivables	(191,173)	(117,093)	(22,189)	(330,455)
Segment results	563,981	463,720	264,039	1,291,740
Other operating expenses (*)				(742,213)
Income from continuing operations before tax				549,527
Tax provision (*)				(120,833)
Net profit				428,694

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

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

Current period – 30 June 2018	Corporate, SME and Commercial Banking	Retail Banking	Other	Total
Asset	39,667,679	12,978,740	16,604,527	69,250,946
Liability	20,606,404	21,132,136	20,249,155	61,987,695
Equity	-	-	7,263,251	7,263,251

Prior period – 31 December 2017	Corporate, SME and Commercial Banking	Retail Banking	Other	Total
Asset	35,043,541	13,193,750	13,286,634	61,523,925
Liability	15,326,740	19,571,693	20,711,092	55,609,525
Equity	-	-	5,914,400	5,914,400

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Section five

Information and disclosures related to consolidated financial statements

I. Explanations and notes related to assets of the consolidated 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	270,913	1,170,855	299,402	1,967,400
Balances with the Central Bank of Turkey	379,844	6,594,498	159,608	5,401,475
Other	-	3,059	-	2,642
Total	650,757	7,768,412	459,010	7,371,517

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

	Current period		Prior period	
	TL	FC	TL	FC
Unrestricted demand deposit	379,844	1,110,355	159,608	414,592
Restricted time deposit	-	724,642	-	618,187
Restricted demand deposit	-	4,759,501	-	4,368,696
Total	379,844	6,594,498	159,608	5,401,475

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

TL 375,479 (31 December 2017: TL 158,512) of the TL reserve deposits provided over the average balance and TL 1,110,355 (31 December 2017: TL 414,592) of the FC reserve deposits provided over the average balance are presented under unrestricted demand deposit account.

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

ING Bank A.Ş. and its Financial Subsidiaries

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

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

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

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

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

	Current period	Prior period
Bank's portfolio	24,888	42,138
Repo transactions	-	-
Collateral / blocked	98	102
Total	24,986	42,240

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

	Current period		Prior period	
	TL	FC	TL	FC
Forward transactions	-	154,897	-	143,252
Swap transactions	603,246	202,020	382,998	45,495
Futures transactions	-	-	-	-
Options	582	15,177	703	2,525
Other	222	-	-	-
Total	604,050	372,094	383,701	191,272

3. Information on banks and foreign banks accounts

3.1. Information on banks

	Current period		Prior period	
	TL	FC	TL	FC
Banks	83,423	3,096,597	35,843	537,578
Domestic	83,423	20,185	35,843	438
Foreign	-	3,076,412	-	537,140
Headquarters and branches abroad	-	-	-	-
Total	83,423	3,096,597	35,843	537,578

As of 30 June 2018, restricted bank balance amounting to TL 13,520 (31 December 2017: TL 91,388) all of which is comprised of (31 December 2017: all amount) collaterals that is held by counter banks under CSA contracts and is calculated based on related derivatives market price.

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**Notes to the consolidated financial statements
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I. Explanations and notes related to assets of the consolidated 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 available-for-sale subject to repo transactions and those given as collateral / blocked with net amounts are shown in below table.

Financial assets measured at fair value through other comprehensive income:

	Current period
Bank’s portfolio	198,160
Repo transactions	94,596
Collateral / blocked (*)	182,336
Total	475,092

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

Information on financial assets available-for-sale:

	Prior period
Bank’s portfolio	1,197,976
Repo transactions	2,313
Collateral / blocked (*)	537,656
Total	1,737,945

(*) Consists of bonds given as collaterals by the Parent 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	487,548
Quoted to stock exchange	487,548
Not quoted	-
Equity certificates	8,260
Quoted to stock exchange	-
Not quoted	8,260
Provision for impairment (-)	(20,716)
Total	475,092

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	8,060
Quoted to stock exchange	51
Not quoted	8,009
Provision for impairment (-)	(2,143)
Total	1,737,945

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

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I. Explanations and notes related to assets of the consolidated 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 Parent Bank

	Current period		Prior period	
	Cash	Non-cash	Cash	Non-cash
Direct loans granted to shareholders of the Parent Bank	111	520,186	30	438,513
Corporate shareholders	-	520,186	-	438,513
Real person shareholders	111	-	30	-
Indirect loans granted to shareholders of the Parent Bank	-	200,364	-	197,080
Loans granted to employees of the Parent Bank	28,477	-	30,111	-
Total	28,588	720,550	30,141	635,593

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

Cash loans	Standard loans	Loans and other receivables under close monitoring		
		Loans and receivables not subject to restructuring	Restructured loans and receivables	
			Loans and receivables with contract terms	Refinance
Non-specialized loans	40,711,070	7,059,438	549,466	-
Business loans	22,798,402	4,020,955	271,320	-
Export loans	4,988,459	524,139	12,186	-
Import loans	-	-	-	-
Loans given to financial sector	1,577,551	302	-	-
Consumer loans	8,861,169	2,226,255	213,967	-
Credit cards	831,847	114,143	51,993	-
Other	1,653,642	173,644	-	-
Specialized loans	-	-	-	-
Other receivables	-	-	-	-
Total	40,711,070	7,059,438	549,466	-

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

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Notes to the consolidated financial statements
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I. Explanations and notes related to assets of the consolidated balance sheet (continued)

	Standard loans	Loans and other receivables under close monitoring
12 Month Expected Credit Losses	164,309	-
<i>Loans</i>	133,858	-
<i>Other assets</i>	8,017	-
<i>Banks and Money market placements</i>	22,281	-
<i>Marketable securities</i>	153	-
Lifetime expected credit losses significant increase in credit risk	-	219,321
<i>Loans</i>	-	219,321
Total	164,309	219,321

	Standard loans	Loans and other receivables under close monitoring
Number of extensions		
Extended by 1 or 2 times	486,007	547,269
Extended by 3, 4 or 5 times	1,554	1,668
Extended by 5 times and more	150	529
Total	487,711	549,466

	Standard loans and other receivables	Loans and other receivables under close monitoring
Extended periods		
Up to 6 months	336,314	406,529
6-12 months	12,929	43,456
1-2 years	2,096	27,817
2-5 years	136,372	66,381
More than 5 years	-	5,283
Total	487,711	549,466

5.3. Loans according to their maturity structure

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

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

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Notes to the consolidated financial statements
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I. Explanations and notes related to assets of the consolidated 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	676,208	10,391,578	11,067,786
Mortgage loans	143	3,865,486	3,865,629
Automotive loans	54,254	624,802	679,056
General purpose loans	621,811	5,901,290	6,523,101
Other	-	-	-
Consumer loans – indexed to FC	6	1,210	1,216
Mortgage loans	6	1,210	1,216
Automotive loans	-	-	-
General purpose loans	-	-	-
Other	-	-	-
Consumer loans – FC	-	-	-
Mortgage loans	-	-	-
Automotive loans	-	-	-
General purpose loans	-	-	-
Other	-	-	-
Consumer credit cards – TL	854,909	35,281	890,190
With installments	298,067	35,281	333,348
Without installments	556,842	-	556,842
Consumer credit cards – FC	-	-	-
With installments	-	-	-
Without installments	-	-	-
Personnel loans – TL	2,617	16,354	18,971
Mortgage loans	-	-	-
Automotive loans	-	-	-
General purpose loans	2,617	16,354	18,971
Other	-	-	-
Personnel loans – indexed to FC	-	-	-
Mortgage loans	-	-	-
Automotive loans	-	-	-
General purpose loans	-	-	-
Other	-	-	-
Personnel loans – FC	-	-	-
Mortgage loans	-	-	-
Automotive loans	-	-	-
General purpose loans	-	-	-
Other	-	-	-
Personnel credit cards – TL	9,617	-	9,617
With installments	3,510	-	3,510
Without installments	6,107	-	6,107
Personnel credit cards – FC	-	-	-
With installments	-	-	-
Without installments	-	-	-
Overdraft accounts – TL (real person)	213,418	-	213,418
Overdraft accounts – FC (real person)	-	-	-
Total	1,756,775	10,444,423	12,201,198

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

ING Bank A.Ş. and its Financial Subsidiaries

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I. Explanations and notes related to assets of the consolidated 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	418,616	8,475,284	8,893,900
Real estate loans	-	64,418	64,418
Automotive loans	13,177	266,081	279,258
General purpose loans	-	-	-
Other	405,439	8,144,785	8,550,224
Commercial installment loans – indexed to FC	1,562	365,235	366,797
Real estate loans	-	7,497	7,497
Automotive loans	-	132,099	132,099
General purpose loans	-	-	-
Other	1,562	225,639	227,201
Commercial installment loans-FC	-	1,548	1,548
Real estate residential loans	-	-	-
Automotive loans	-	-	-
General purpose loans	-	-	-
Other	-	1,548	1,548
Corporate credit cards – TL	98,176	-	98,176
With installments	29,953	-	29,953
Without installments	68,223	-	68,223
Corporate credit cards – FC	-	-	-
With installments	-	-	-
Without installments	-	-	-
Overdraft loans – TL (legal entity)	418,965	-	418,965
Overdraft loans – FC (legal entity)	-	-	-
Total	937,319	8,842,067	9,779,386

5.6. Loans according to borrowers

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

5.7. Domestic and foreign loans

	Current period	Prior period
Domestic loans	47,954,974	44,218,204
Foreign loans	365,000	147,986
Total	48,319,974	44,366,190

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

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Notes to the consolidated financial statements
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I. Explanations and notes related to assets of the consolidated balance sheet (continued)

5.8. Loans granted to subsidiaries and associates

The loans granted to subsidiaries and associates are eliminated at the consolidated financial statements.

5.9. Specific provisions set aside against loans

	Current period
Loans and receivables with limited collectability	49,904
Loans and receivables with doubtful collectability	118,272
Uncollectible loans and receivables	1,071,042
Total	1,239,218
	Prior period
Loans and receivables with limited collectability	31,078
Loans and receivables with doubtful collectability	121,699
Uncollectible loans and receivables	1,050,866
Total	1,203,643

5.10. Information on non-performing loans (net)

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

	III. Group	IV. Group	V. Group
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Current period			
Gross amounts before specific provision	1,081	80	4,839
Rescheduled Loans	1,081	80	4,839
Prior period			
Gross amounts before specific provision	819	6,187	581
Rescheduled Loans	819	6,187	581

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Notes to the consolidated financial statements
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I. Explanations and notes related to assets of the consolidated balance sheet (continued)

5.10.2. Information on total non-performing loans

	III. Group Loans and receivables with limited collectability	IV. Group Loans and receivables with doubtful collectability	V. Group Uncollectible loans and receivables
Prior period end balance	209,051	305,878	1,190,212
Additions (+)	377,082	13,032	17,933
Transfers from other categories of non-performing loans (+)	-	294,673	277,396
Transfers to other categories of non-performing loans (-)	(294,673)	(277,396)	-
Collections (-)	(117,580)	(106,782)	(89,807)
Write-offs (-)	(273)	(114)	(5,937)
Sold Portfolio	-	-	(8,629)
Corporate and commercial loans	-	-	(8,629)
Retail loans	-	-	-
Credit cards	-	-	-
Other	-	-	-
Current period end balance	173,607	229,291	1,381,168
Provisions (-)	(49,904)	(118,272)	(1,071,042)
Net balance on balance sheet	123,703	111,019	310,126

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

	III. Group Loans and receivables with limited collectability	IV. Group Loans and receivables with doubtful collectability	V. Group Uncollectible loans and receivables
Current period			
Balance at the End of the Period	-	1,051	75,591
Provision (-)	-	643	58,992
Net Balance on Balance Sheet	-	408	16,599
Prior period			
Balance at the End of the Period	37,454	30,503	50,082
Provision (-)	2,030	12,283	26,105
Net Balance on Balance Sheet	35,424	18,220	23,977

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

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

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**Notes to the consolidated financial statements
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I. Explanations and notes related to assets of the consolidated balance sheet (continued)

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

	III. Group	IV. Group	V. Group
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Current period (net)	123,703	111,019	310,126
Loans granted to corporate entities and real person (gross)	166,245	229,291	1,373,827
Provision amount (-)	(48,658)	(118,272)	(1,063,701)
Loans granted to corporate entities and real person (net)	117,587	111,019	310,126
Banks (gross)	-	-	-
Provision amount (-)	-	-	-
Banks (net)	-	-	-
Other loans (gross)	7,362	-	7,341
Provision amount (-)	(1,246)	-	(7,341)
Other loans (net)	6,116	-	-
Prior period (net)	177,973	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)	7,308	-	14,175
Provision amount (-)	(3,216)	-	(14,175)
Other loans (net)	4,092	-	-

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

None.

5.11. Liquidation policy for uncollectible loans and receivables

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

5.12. Information on the write-off policy

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

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

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Notes to the consolidated financial statements for the six-month period ended 30 June 2018 (continued) (Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

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

6. Financial assets measured at amortised cost (net)

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

	Current period	Prior period
Investments subject to repurchase agreements	-	-
Collateralised/blocked investments	431,237	-
Total	431,237	-

6.2. Government securities measured at amortised cost

	Current period	Prior period
Government bonds	1,179,416	-
Treasury bills	-	-
Other government securities	-	-
Total	1,179,416	-

6.3. Financial assets measured at amortised cost

	Current period	Prior period
Debt securities	1,179,416	-
Quoted to stock exchange	1,179,416	-
Not quoted	-	-
Impairment provision (-)	-	-
Total	1,179,416	-

6.4. Movement of financial assets measured at amortised cost

	Current period
Balances at beginning of period (1 January 2018) (*)	1,316,936
Foreign currency differences on monetary assets	-
Purchases during the period	-
Disposals through sales/redemptions	(142,040)
Provision for impairment (-)	-
Change in redemption cost	4,520
Period end balance	1,179,416

(*)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 Parent Bank does not have any associates.

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

8. Information on subsidiaries (net)

8.1. Information on equity of subsidiaries

As of 30 June 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	1,030	8,041	40,000	22,500	20,765
Profit reserves, capital reserves and prior year profit / loss	-	4,681	46,960	76,231	368
Profit / loss	24,560	1,290	10,112	15,247	2,082
Development cost of operating lease (-)	-	-	(4)	(4)	-
Intangible assets (-)	-	(21)	(585)	(256)	(33)
Total core capital	25,590	13,991	96,483	113,718	23,182
Supplementary capital	-	-	-	-	-
Capital	25,590	13,991	96,483	113,718	23,182
Net usable shareholder's equity	25,590	13,991	96,483	113,718	23,182

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

8.2. Information on consolidated subsidiaries

Title	Address (City / Country)	The Parent Bank's share percentage-If different voting (%)	The Parent 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 30 June 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)	7,605,989	25,590	8	114,019	-	24,560	27,602	-
(2)	15,660	14,012	80	1,494	5	1,290	2,040	-
(3)	1,253,402	97,072	675	48,257	-	10,112	5,924	-
(4)	1,210,385	113,978	299	27,427	-	15,247	13,740	-
(5)	216,994	23,215	104	1,737	-	2,082	595	-

(*) The financial information of ING European Financial Services Plc. and ING Finansal Kiralama A.Ş. are obtained from 30 June 2018 unreviewed financial statements, the financial information of ING Portföy Yönetimi A.Ş., ING Faktoring A.Ş. and ING Menkul Değerler A.Ş. are obtained from 30 June 2018 reviewed financial statements.

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

8.3. Information on consolidated subsidiaries

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

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

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

8.5. Subsidiaries quoted in a stock exchange

There are no subsidiaries quoted on a stock exchange.

9. Information on entities under common control (net)

9.1. Information on entities under common control (net)

There are no entities under common control.

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

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

10. Information on finance lease receivables (net)

10.1 Investments made in finance lease as per their maturity

	Current period	
	Gross	Net
Less than 1 year	55,559	54,351
1-5 years	969,662	903,975
More than 5 years	157,653	142,266
Total	1,182,874	1,100,592
	Prior period	
	Gross	Net
Less than 1 year	42,408	41,591
1-5 years	901,313	836,792
More than 5 years	178,279	157,094
Total	1,122,000	1,035,477

10.2 Information of the net investments made in finance lease

	Current period	Prior period
Gross financial lease investment	1,182,874	1,122,000
Unearned financial lease income (-)	(82,282)	(86,523)
Cancelled leases (-)	-	-
Net financial lease investment	1,100,592	1,035,477

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	2,832,797	-	1,571,395	-
Net investment hedge	-	-	-	-
Total	2,832,797	-	1,571,395	-

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

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

12. Information on property and equipment (net)

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

13. Information on intangible assets (net)

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

14. Information on investment properties (net)

The Group does not have investment properties.

15. Explanations on deferred tax asset

15.1. Explanations on current tax asset

The Group has current tax relating to corporation tax by the amount of TL 69,424 (31 December 2017: TL 31,812) under the asset items.

15.2. Explanations on deferred tax asset

Deferred tax asset and liability are netted of based on the Parent Bank and each company subject to consolidation, and shown as deferred tax asset or liability in the consolidated balance sheet. The 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 Group does not have assets with respect to the discontinued operations.

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

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

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

ING Bank A.Ş. and its Financial Subsidiaries

Notes to the consolidated financial statements for the six-month period ended 30 June 2018 (continued) (Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

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

1. Information on deposits

1.1 Maturity structure of deposits

Current period	Demand	7 day call accounts	Up to 1 month	1-3 months	3-6 months	6 months-1 year	1 year and over	Cumulative deposits	Total
Saving deposits	642,782	-	13,212,501	2,431,973	92,751	31,991	10,304	-	16,422,302
Foreign currency deposits	1,841,788	-	4,278,209	3,105,069	121,450	82,943	179,142	-	9,608,601
Residents in Turkey	1,476,413	-	4,217,810	2,998,613	117,087	74,296	178,589	-	9,062,808
Residents abroad	365,375	-	60,399	106,456	4,363	8,647	553	-	545,793
Public sector deposits	347,701	-	-	8,173	653	-	-	-	356,527
Commercial deposits	747,189	-	836,133	368,439	55,507	22,990	25,864	-	2,056,122
Other institutions deposits	17,004	-	879	17,281	15,982	6,984	87	-	58,217
Precious metals deposits	137,163	-	-	-	-	-	-	-	137,163
Interbank deposits	2,780,259	-	440,485	-	-	-	-	-	3,220,744
Central Bank of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	575	-	440,485	-	-	-	-	-	441,060
Foreign banks	2,779,684	-	-	-	-	-	-	-	2,779,684
Participation banks	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total	6,513,886	-	18,768,207	5,930,935	286,343	144,908	215,397	-	31,859,676

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	1,495,454	-	3,137,318	2,741,029	103,199	63,082	118,671	-	7,658,753
Residents in Turkey	1,266,095	-	3,088,489	2,646,729	99,361	55,164	118,157	-	7,273,995
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	-	958,353	375,647	14,154	11,199	22,555	-	2,198,382
Other institutions deposits	19,753	-	3,044	11,675	201	231	24	-	34,928
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	4,777,515	-	16,706,775	5,648,253	206,825	107,434	150,910	-	27,597,712

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

Saving deposits	Under the guarantee of saving deposit insurance		Exceeding the limit of saving deposit insurance	
	Current period	Prior period	Current period	Prior period
Saving deposit	11,747,899	11,545,698	4,668,355	4,329,020
Foreign currency saving deposits	2,353,984	1,947,203	4,669,589	3,465,749
Other deposits in the form of saving deposits	-	-	-	-
Foreign branches' deposits under foreign authorities' insurance	-	-	-	-
Deposits in off-shore banking regions' under foreign authorities' insurance	-	-	-	-

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

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Notes to the consolidated financial statements for the six-month period ended 30 June 2018 (continued) (Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

II. Explanations and notes related to liabilities of the consolidated 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 Parent Bank headquartered abroad are in scope of insurance in the country where the head office is located

The Parent 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	15,514	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	-	224,101	-	43,848
Swap transactions	358,436	150,311	277,702	142,969
Future transactions	-	-	-	-
Options	583	15,177	705	2,525
Other	-	-	-	-
Total	359,019	389,589	278,407	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	192,002	473,896	241,951	310,488
Funds borrowed from foreign banks, institutions and funds	700,861	22,348,896	489,143	21,264,676
Total	892,863	22,822,792	731,094	21,575,164

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

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

3.2. Maturity analysis of funds borrowed

	Current period		Prior period	
	TL	FC	TL	FC
Short term	476,052	3,280,229	389,006	2,813,751
Medium and long term	416,811	19,542,563	342,088	18,761,413
Total	892,863	22,822,792	731,094	21,575,164

3.3. Funding industry group where the Group liabilities are concentrated

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

4. Explanations on securities issued (net)

	Current period		Prior period	
	TL	FC	TL	FC
Bank bills	254,712	-	-	-
Bonds	-	-	-	-
Total	254,712	-	-	-

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

Within the current period the Group issued in amount of TL 265,000 (31 December 2017: TL 257,445) and repurchases in amount of TL 1,000 (31 December 2017: TL 507,445).

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

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

6. Explanations on lease payables (net)

The Group has no lease payables.

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**Notes to the consolidated financial statements
for the six-month period ended 30 June 2018 (continued)
(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)**

II. Explanations and notes related to liabilities of the consolidated 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	52,286	4,359	21,299	4,155
Net investment hedge	-	-	-	-
Total	52,286	4,359	21,299	4,155

8. Information on provisions

8.1. Information on general provisions

The Group calculates the expected loss provision according to TFRS 9 as of 30 June 2018 (I-5).

	Prior period
General provisions	688,786
Provisions for group I. loans and receivables	559,692
<i>Additional provision for loans with extended payment period</i>	6,854
Provisions for group II. loans and receivables	56,832
<i>Additional provision for loans with extended payment period</i>	9,886
Provisions for non-cash loans	14,114
Other	58,148

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 30 June 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	25,197
Provision for credit card score promotion	1,956
Other provisions	104,075
<i>Allowance for expected credit losses (Stage 1 and Stage 2) (*)</i>	32,680
<i>Other</i>	71,395
Total	131,228

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

	Prior period
Specific provisions for undrawn non-cash loans	29,293
Provision for credit card score promotion	1,922
Other provisions	115,387
Total	146,602

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Notes to the consolidated financial statements for the six-month period ended 30 June 2018 (continued) (Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

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

Amount to TL 67,777 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 Parent Bank and as a result of the public authorities' inspections.

The deposit holders of off-shore accounts held at Sümerbank A.Ş. (together with other dissolved banks merged into Sümerbank A.Ş., all of which were ultimately merged into the Parent Bank), which were opened before Savings Deposit Insurance Fund (SDIF) seized these banks, initiates lawsuits against the Parent Bank (former title Oyak Bank A.Ş.). As a result of these lawsuits, the Parent 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 Parent Bank and pays these amounts subject to legal reservation against the STA provisions. SDIF initiated six enforcement proceedings to claim the amount it had indemnified, a total of approximately TL 377 million. Upon the Parent Bank's objection to legal grounds of the enforcement proceedings initiated by SDIF against the Parent Bank, SDIF initiated cancellation of objection lawsuits against the Parent 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 Parent Bank objected and SDIF filed a lawsuit (the "Sixth Case") for the cancellation of objection lawsuit. Furthermore, SDIF initiated the seventh enforcement procedure for approximately TL 52 million (Full TL) for payments made by SDIF in 2017 and the Parent Bank objected to this payment request SDIF has not filed a lawsuit for this objection yet.

The law suits related to the first, second, third and fourth cases have occurred on 16 November 2017. In the First Case, the first instance court ruled in favor of the Bank, which was later reversed by the Supreme Court of Appeals. Currently, the First Case is before the first instance court following the appellate decision, where the court of first instance decided to obtain an expert opinion in accordance with the Supreme Court of Appeals' decision. Following the court appointed expert's examination of the case, the expert report is completed and it is in favor of the Bank. The first instance court decided in favor of the Bank however SDIF is entitled to appeal against the decision. The first instance court held the trial of the Second Case, Third Case and Fourth Case together due to the first instance court's earlier decision to merge these cases. However, the first instance court only ruled on the merits of the Second Case in favor of ING Bank A.Ş. and rejected SDIF's claims and decided to demerge each of the Third Case and the Fourth Case from the Second Case. In the proceedings held after the court's demerger decision, the court decided in favor of the Bank for each case. The court's decision in the Second Case and in the other cases are subject to a two-tiered appeal, i.e., appeal before the regional appellate court and the Supreme Court of Appeals.

On the other hand, there is an administrative law dispute between the Parent Bank and SDIF. The Parent 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 favour of the Parent Bank to annul the SDIF Fund Board Decision, the Council of State (i.e., the Administrative Supreme Court of Appeals) reversed the first instance court's decision on the grounds that the administrative courts lack jurisdiction because the dispute was a matter of private law and not one of administrative law. The Parent 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 Parent 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.

ING Bank A.Ş. and its Financial Subsidiaries

Notes to the consolidated financial statements for the six-month period ended 30 June 2018 (continued) (Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

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

No provisions were set aside in respect of the amounts that the Parent 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 Parent 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 employee benefits

As of 30 June 2018, TL 50,363 (31 December 2017: TL 42,344) of TL 29,730 (31 December 2017: TL 24,100) provisions for employee benefits is the unused vacation provision. Full provision is provided for the unused vacation liability.

TL 20,633 (31 December 2017: TL 18,244) of the provisions for employee benefits is the termination benefit provision. In accordance with the labor law, the Group is required to make lump-sum payments to employees whose employment is terminated due to retirement or for reasons other than resignation and misconduct. The payments are calculated on the basis of 30 days’ pay limited to a maximum of historical TL 5,001.76 (Full TL) at 30 June 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 consolidated financial statements dated 30 June 2018 and 31 December 2017, the Group operating in Turkey has calculated severance pay by taking into account their experience in personnel service completion or termination, and by discounting it via using the forecasted annual inflation and interest rates.

9. Explanations on tax liability

9.1. Explanations on current tax liability

9.1.1. Explanations on tax provision

The Group has current corporate tax liability as of 30 June 2018 amounting to TL 3,295 (31 December 2017: TL 1,910).

9.1.2. Information on taxes payable

	Current period	Prior period
Corporate tax payable	3,295	1,910
Taxation of securities	33,195	25,445
Property tax	1,071	1,168
Banking insurance transaction tax (“BITT”)	31,312	27,168
Foreign exchange transaction tax	-	-
Value added tax payable	1,775	7,211
Other	8,289	10,531
Total	78,937	73,433

9.1.3. Information on premiums

	Current period	Prior period
Social security premiums-employee	4,599	4,452
Social security premiums-employer	6,618	6,518
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	340	326
Unemployment insurance-employer	632	621
Other	-	-
Total	12,189	11,917

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

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Notes to the consolidated financial statements for the six-month period ended 30 June 2018 (continued) (Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

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

9.2. Explanations on deferred tax liabilities

As of 30 June 2018, deferred tax asset and deferred tax liability of the Group amounts to TL 6,905 and TL 562,639, respectively (31 December 2017: deferred tax asset is TL 3,823 and deferred tax liability is TL 334,347) which is calculated based on the deductible temporary differences except general loan reserves.

Timing differences constituting the basis for deferred tax	Accumulated temporary differences	Current period
		Deferred tax asset / (liability)
Base differences for tangible assets	7,089	1,418
Provisions (*)	133,702	26,931
Fair value differences for financial assets and liabilities	38,761	9,409
Derivative valuation differences	(3,272,310)	(698,191)
Expected credit losses of Stage I. and II.	396,298	87,186
Other	81,649	17,513
Total deferred tax assets / (liabilities) net		(555,734)

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

Timing differences constituting the basis for deferred tax	Accumulated temporary differences	Prior period
		Deferred tax asset / (liability)
Base differences for tangible assets	(2,371)	(474)
Provisions	142,449	28,862
Fair value differences for financial assets and liabilities	(1,428,039)	(305,045)
Derivative valuation differences	(318,506)	(68,218)
Other	66,027	14,351
Total deferred tax assets / (liabilities) net		(330,524)

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

Deferred tax assets / (liabilities) net	Current period (1 January – 30 June 2018)
Prior period beginning balance	(330,524)
TFRS 9 effect	77,316
Opening balance	(253,208)
Deferred tax income / (expense) net	(168,544)
Deferred tax recognized under equity	(133,982)
Balance at the end of the period	(555,734)
Deferred tax assets / (liabilities) net	Prior period (1 January – 30 June 2017)
Opening balance	(313,601)
Deferred tax income / (expense) net	46,156
Deferred tax recognized under equity	3,946
Balance at the end of the period	(263,499)

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

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

10. Information on liabilities regarding assets held for sale

As of 30 June 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	209,997	3,334,605	222,644	2,816,323
Subordinated loans	209,997	3,334,605	222,644	2,816,323
Subordinated debt instruments	-	-	-	-
Total	209,997	3,334,605	222,644	2,816,323

12. Information on shareholders' equity

12.1. Paid-in capital

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

(*) The amount represents nominal capital.

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

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

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

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

12.4. Information on share capital increases from capital reserves

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

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

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

12.6. Indicators of the Group'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 Group's equity:

The Group's consolidated balance sheet is managed in a conservative manner in order to be minimally affected by interest, currency and credit risks. The Group'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 Group 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.

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

ING Bank A.Ş. and its Financial Subsidiaries

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

12.8. Information on marketable securities revaluation reserve

	Current period	
	TL	FC
From associates, subsidiaries, and entities under common control	-	-
Valuation difference	(22,436)	-
Foreign exchange difference	-	-
Total	(22,436)	-
	Prior period	
	TL	FC
From associates, subsidiaries, and entities under common control	-	-
Valuation difference	(16,405)	-
Foreign exchange difference	-	-
Total	(16,405)	-

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)

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

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**Notes to the consolidated financial statements
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III. Explanations and notes related to consolidated 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	4,396,507	3,012,553
Forward deposit purchase and sales commitments	-	-
Loan granting commitments	2,200,646	2,267,950
Commitments for cheque payments	3,129,331	2,791,088
Commitments for credit card limits	1,733,895	1,808,002
Commitments for credit cards and banking services promotions	5,345	5,421
Other irrevocable commitments	19,456	15,654
Total	11,485,180	9,900,668

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
Letter of credits	2,112,494	1,649,709
Commitments and contingencies	670,522	629,280
Bank acceptance loans	75,752	80,948
Total	2,858,768	2,359,937

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

	Current period	Prior period
Irrevocable letters of guarantees	4,757,613	4,197,447
Cash loans letters of guarantees	932,769	931,793
Advance letters of guarantees	635,797	606,675
Temporary letters of guarantees	158,059	224,974
Other	82,762	68,867
Total	6,567,000	6,029,756

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	620,387	778,548
With original maturity of 1 year or less than 1 year	84,049	40,253
With original maturity of more than 1 year	536,338	738,295
Other non-cash loans	8,805,381	7,611,145
Total	9,425,768	8,389,693

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

ING Bank A.Ş. and its Financial Subsidiaries

**Notes to the consolidated financial statements
for the six-month period ended 30 June 2018 (continued)
(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)**

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

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

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

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

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

2. Information on derivative transactions

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

3. Information on credit swaps and related risks

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

4. Information on contingent liabilities and assets

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

5. Information on the services provided on behalf of others

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

ING Bank A.Ş. and its Financial Subsidiaries

**Notes to the consolidated financial statements
for the six-month period ended 30 June 2018 (continued)
(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)**

IV. Explanations and notes related to consolidated statement of income

1. Information on interest income

1.1. Information on interest income from loans

	Current period	
	TL	FC
Interest on loans (*)	2,488,600	315,209
Short term loans	897,344	22,880
Medium and long term loans	1,549,053	292,329
Interest on loans under follow-up	42,203	-
Premiums received from resource utilization support fund	-	-

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

	Prior period	
	TL	FC
Interest on loans (*)	1,907,374	262,833
Short term loans	671,502	26,991
Medium and long term loans	1,222,471	235,842
Interest on loans under follow-up	13,401	-
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	17,837	1,858
From foreign banks	302	4,115
From branches abroad	-	-
Total	18,139	5,973

	Prior period	
	TL	FC
From Central Bank of Turkey	-	338
From domestic banks	19,640	1,436
From foreign banks	77	4,366
From branches abroad	-	-
Total	19,717	6,140

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

ING Bank A.Ş. and its Financial Subsidiaries

**Notes to the consolidated financial statements
for the six-month period ended 30 June 2018 (continued)**
(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

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

1.3. Information on interest income received from marketable securities portfolio

	Current period	
	TL	FC
Financial Assets Measured at Fair Value through Profit or Loss	20,648	255
Financial Assets Measured at Fair Value through Other Comprehensive Income	25,663	-
Financial Assets Measured at Amortised Cost	71,228	-
Total	117,539	255

	Prior period	
	TL	FC
Trading securities	2,241	1,052
Financial assets at fair value through profit and loss	-	-
Available for sale securities	122,436	-
Held to maturity securities	-	-
Total	124,677	1,052

1.4 Information on interest income received from associates and subsidiaries

The interest income from subsidiaries is eliminated in the accompanying consolidated financial statements.

2. Information on interest expenses

2.1. Information on interest on funds borrowed

	Current period	
	TL	FC
Banks (*)	65,634	218,429
Central Bank of Turkey	-	-
Domestic banks	7,449	2,158
Foreign banks	58,185	216,271
Branches and offices abroad	-	-
Other institutions (*)	-	3,537
Total	65,634	221,966

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

	Prior period	
	TL	FC
Banks (*)	65,346	158,058
Central Bank of Turkey	-	-
Domestic banks	4,167	1,534
Foreign banks	61,179	156,524
Branches and offices abroad	-	-
Other institutions (*)	-	3,850
Total	65,346	161,908

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

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

ING Bank A.Ş. and its Financial Subsidiaries

**Notes to the consolidated financial statements
for the six-month period ended 30 June 2018 (continued)**
(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

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

2.2. Information on interest expenses paid to associates and subsidiaries

The interest expenses paid to subsidiaries are eliminated in the consolidated financial statements.

2.3. Information on interest on securities issued

	Current period	
	TL	FC
Interest on securities issued	11,344	-
	Prior period	
	TL	FC
Interest on securities issued	9,934	-

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

Account name	Demand deposit	Up to 1 month	Up to 3 months	Up to 6 months	Up to 1 year	More than 1 year	Time deposit	Total
							Accumulated deposits	
Turkish lira								
Bank deposits	-	1,179	-	-	-	-	-	1,179
Saving deposits	-	782,058	161,831	5,138	1,220	1,393	-	951,640
Public sector deposits	-	-	469	39	-	-	-	508
Commercial deposits	-	66,157	25,886	2,080	1,035	1,548	-	96,706
Other deposits	-	133	1,225	405	184	7	-	1,954
7 days call accounts	-	-	-	-	-	-	-	-
Total	-	849,527	189,411	7,662	2,439	2,948	-	1,051,987
Foreign currency								
Foreign currency deposits	-	40,897	40,816	1,228	378	1,620	-	84,939
Banks deposits	-	4,516	-	-	-	-	-	4,516
7 days call accounts	-	-	-	-	-	-	-	-
Precious metal deposits	-	-	-	-	-	-	-	-
Total	-	45,413	40,816	1,228	378	1,620	-	89,455
Grand total	-	894,940	230,227	8,890	2,817	4,568	-	1,141,442

3. Information on dividend income

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

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

ING Bank A.Ş. and its Financial Subsidiaries

**Notes to the consolidated financial statements
for the six-month period ended 30 June 2018 (continued)**
(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

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

4. Information on trading income/loss (net)

	Current period
Income	14,267,031
Gains on capital market transactions	13,480
Gains on derivative financial instruments	6,397,482
Foreign exchange gains	7,856,069
Loss (-)	(14,489,659)
Loss on capital market transactions	(37,101)
Loss on derivative financial instruments	(4,990,881)
Foreign exchange loss	(9,461,677)
	Prior period
Income	9,340,343
Gains on capital market transactions	11,503
Gains on derivative financial instruments	3,223,952
Foreign exchange gains	6,104,888
Loss (-)	(9,524,371)
Loss on capital market transactions	(8,843)
Loss on derivative financial instruments	(3,519,569)
Foreign exchange loss	(5,995,959)

Net profit on derivative financial instruments recognized in profit/loss resulting from fluctuations in foreign exchange rates is TL 1,285,922 (30 June 2017: TL 230,683 net loss).

5. Information on other operating income

	Current period
Income from reversal of prior years' provisions	537,089
Income arising from sale of assets	11,513
Banking services income	2,646
Other non-interest income	30,412
Total	581,660
	Prior period
Income arising from sale of assets	35,926
Income from reversal of prior years' provisions	96,315
Banking services income	4,162
Other non-interest income	31,264
Total	167,667

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

ING Bank A.Ş. and its Financial Subsidiaries

**Notes to the consolidated financial statements
for the six-month period ended 30 June 2018 (continued)**
(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

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

6. Provision expenses for loan losses and other receivables

Allowance for expected credit losses

	Current period
Expected credit losses	623,934
12-Month expected credit loss (Stage 1)	112,456
Expected credit loss significant increase in credit risk (Stage 2)	80,041
Expected credit loss impaired credits (Stage 3)	431,437
Impairment losses on securities	259
Financial assets measured at fair value through profit/loss	239
Financial assets measured at fair value through other comprehensive income	20
Impairment losses on associates, subsidiaries and joint-ventures	-
Associates	-
Subsidiaries	-
Joint ventures	-
Other	24,509
Total	648,702

Provision for loan losses and other receivables

	Prior period
Specific provisions for loans and other receivables	271,007
III. group loans and receivables	22,524
IV. group loans and receivables	104,017
V. group loans and receivables	144,466
General provision expenses	30,482
Provision expenses for possible losses	-
Marketable securities impairment losses	30
Financial assets at fair value through profit and loss	30
Available for sale securities	-
Impairment related to associates, subsidiaries and investment securities held to maturity	-
Associates	-
Subsidiaries	-
Joint ventures	-
Held to maturity investments	-
Other	28,936
Total	330,455

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

ING Bank A.Ş. and its Financial Subsidiaries

Notes to the consolidated financial statements for the six-month period ended 30 June 2018 (continued) (Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

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

7. Information on other operating expenses

	Current period
Personnel expenses (*)	316,428
Reserves for termination benefits	1,372
Bank social aid fund deficit provision	-
Tangible assets impairment expense	-
Depreciation expense of tangible assets	27,897
Intangible assets impairment expense	-
Goodwill impairment expense	-
Amortisation expense of intangible assets	11,617
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	381,185
Operating lease expenses	58,187
Repair and maintenance expenses	14,523
Advertisement expenses	42,011
Other expenses	266,464
Loss on sales of assets	239
Other	115,669
Total	854,407

(*) Includes “Personnel Expenses” that is presented separately in the income statement.

	Prior period
Personnel expenses	309,192
Reserves for termination benefits	1,568
Bank social aid fund deficit provision	-
Tangible assets impairment expense	-
Depreciation expense of tangible assets	27,588
Intangible assets impairment expense	-
Goodwill impairment expense	-
Amortisation expense of intangible assets	10,877
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	293,107
Operating lease expenses	55,146
Repair and maintenance expenses	11,153
Advertisement expenses	31,406
Other expenses	195,402
Loss on sales of assets	28
Other	99,853
Total	742,213

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

ING Bank A.Ş. and its Financial Subsidiaries

**Notes to the consolidated financial statements
for the six-month period ended 30 June 2018 (continued)
(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)**

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

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

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

9. Information on tax provision for continued and discontinued operations

As of 30 June 2018, the corporate tax provision expense for the period is TL 4,568 (30 June 2017: TL 166,989), and the deferred tax expense is TL 168,544 (30 June 2017: TL 46,156 deferred tax income).

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

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

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

Interest income from regular banking transactions is TL 3,138,900 (30 June 2017: TL 2,494,858), while the interest expense is TL 1,454,436 (30 June 2017: TL 1,088,625).

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

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

Other fees and commissions received amounting to TL 276,805 (30 June 2017: TL 275,418) has included TL 75,798 (30 June 2017: TL 68,991) the credit card fees and commissions, TL 78,009 (30 June 2017: TL 77,833) service fees and commissions from contracted merchants and TL 62,722 (30 June 2017: TL 67,007) insurance commissions.

Other fees and commissions paid amounting to TL 114,639 (30 June 2017: TL 101,000) has included TL 83,408 (30 June 2017: TL 78,869) credit card exchange commissions.

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

ING Bank A.Ş. and its Financial Subsidiaries

Notes to the consolidated financial statements for the six-month period ended 30 June 2018 (continued) (Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

V. Explanations and notes related to risk group of the Parent 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 Group	Subsidiaries, associates and joint ventures (partnerships)		Direct and indirect shareholders of the Parent 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	-	-	30	438,513	13	197,080
End of the period	-	-	111	520,186	32	200,364
Interest and commission income	-	-	79	290	-	196

1.1. Prior period

Risk group of the Group	Subsidiaries, associates and joint ventures (partnerships)		Direct and indirect shareholders of the Parent 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	-	-	91	624,919	14	87,086
End of the period	-	-	30	438,513	13	197,080
Interest and commission income	-	-	11	264	-	180

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

Risk group of the Group	Subsidiaries, associates and joint ventures (partnerships)		Direct and indirect shareholders of the Parent 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	-	-	8,426	1,064	3,070	3,628
End of the period	-	-	25,519	8,426	2,692	3,070
Interest expense on deposits	-	-	16	64	55	64

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

Risk group of the Group	Subsidiaries, associates and joint ventures (partnerships)		Direct and indirect shareholders of the Parent 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 and loss						
Beginning of the period	-	-	9,971,955	7,620,055	33,080	98,715
End of period	-	-	13,542,904	9,971,955	18,010	33,080
Total profit/loss	-	-	(116,001)	(63,648)	72,901	(3,768)
Transactions with hedging purposes						
Beginning of the period	-	-	-	-	-	-
End of period	-	-	-	-	-	-
Total profit/loss	-	-	-	-	-	-

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

ING Bank A.Ş. and its Financial Subsidiaries

**Notes to the consolidated financial statements
for the six-month period ended 30 June 2018 (continued)**
(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

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

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

Risk group of the Group	Subsidiaries, associates and joint ventures (partnerships)		Direct and indirect Shareholders of the Parent 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	-	-	63,734	1,342	90,087	85,241
End of period	-	-	635,881	63,734	90,629	90,087
Interest income received	-	-	650	537	61	5

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

Risk group of the Group	Subsidiaries, associates and joint ventures (partnerships)		Direct and indirect Shareholders of the Parent 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	-	-	15,505,498	17,786,543	8,403	4,201
End of period	-	-	16,787,884	15,505,498	9,804	8,403
Interest and commission paid	-	-	138,250	106,075	181	178

The Group also has subordinated loan amounting to TL 3,544,602 from main shareholder ING Bank NV as of 30 June 2018 (31 December 2017: TL 3,038,967).

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

Benefits paid to key management personnel for the year ended is amounting to TL 18,697 (30 June 2017: TL 17,745).

VI. Explanations and notes related to subsequent events

The Parent Bank has signed a syndication loan agreement at 3 July 2018 with a maturity of 367 days, amounting to EUR 498.5 million and USD 42 million. The total cost of the syndication loan provided by the participation of 28 banks and used in the financing of trade was realized as Euribor + 1.20% for Euro and Libor + 1.30% for US Dollar.

Referring to the Board of Directors’ authorization to Head Office, the Parent Bank applied to Istanbul Stock Exchange and Capital Markets Board of Turkey on 12 July 2018 in terms of Turkish Lira and on sequences, in order to export commercial bill and/or securities, through selling one or more than one time to qualified domestic investors with different types and maturities (maximum 3 years of maturity) up to TL 4,000,000 amount in Turkish Lira within the regulation limitations. Aforementioned application has been approved by Capital Markets Board of Turkey on 20 July 2018.

The Parent Bank’s Commercial Banking Executive Vice President İhsan Çakır has been appointed as SME and Mid Corporate Banking Executive Vice President as of 1 August 2018.

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

ING Bank A.Ş. and its Financial Subsidiaries

**Notes to the consolidated financial statements
for the six-month period ended 30 June 2018 (continued)**
(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

Section six

Interim review report

I. Explanations on the independent review report

The consolidated financial statements of the Parent Bank and its financial subsidiaries as of 30 June 2018, have been reviewed by KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (The Turkish member firm of KPMG International Cooperative, a Swiss entity) and the review report dated 6 August 2018 is presented at the beginning of this report.

II. Explanations and notes prepared by independent auditors

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

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

ING Bank A.Ş.

**Notes to the consolidated financial statements
for the six-month period ended 30 June 2018 (continued)
(All amounts expressed in full of Turkish Lira ("TL") unless otherwise stated)**

Section seven

Interim activity report

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

1. Overview

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

Summary financial information on the consolidated financial statements of the Bank and the consolidated financial subsidiaries (Group) for the period 30 June 2018 and 31 December 2017 is as follows.

Main balance sheet items

Million TL	Current period	Prior period
Net loans	50,850	46,931
Deposits	31,860	27,598
Equity	7,263	5,914
Total assets	69,251	61,524

Main financial ratios

	Current period	Prior period
Capital adequacy ratio	19.10%	19.15%
Loans / Total assets	73.43%	76.28%
Deposits / Total assets	46.01%	44.86%
Non-performing loans / Total loans	3.40%	3.51%
Income / Average capital (*)	18.09%	16.39%
Income / Average assets (*)	1.88%	1.49%
Expense / Income ratio (**)	48.32%	47.15%

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

(**) Prior period profit/loss amounts are for the nine month period ended 30 June 2017.

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

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

ING Bank A.Ş.

**Notes to the consolidated financial statements
for the six-month period ended 30 June 2018 (continued)
(All amounts expressed in full of Turkish Lira (“TL”) unless otherwise stated)**

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

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

While the growth projections for 2018 are positive partly thanks to the impact of the performance observed last year, it is believed that the protectionist tendencies that dominated the second quarter in particular as well as the subsequent tensions between nations may have a somewhat negative impact on the global economic outlook. In the United States, second quarter growth was strong thanks to tax cuts, the recovering labor market and increased wages. Although the US Dollar continued its appreciation, it has remained competitive and supported exports in an environment of continued healthy global demand. Under these circumstances, the Federal Reserve continued its policy of slow monetary tightening, which can be described as quarterly rate increases. Eurozone, in the meantime, continues its growth, which is still robust compared to the previous years despite having lost steam recently. Therefore, the European Central Bank signaled the end of its quantitative easing program this year.

Domestically, despite the strong growth performance in the first quarter, which was mostly due to the domestic demand, the declared preliminary indicators show that a balancing process in economic activity would stand out from the second quarter. The tightening in financial conditions, contributed by the rate increases by the Central Bank, supports this tendency. Furthermore, the assessments and decisions of rating agencies as well as the decline in global risk appetite in the second quarter also had an impact on domestic financial markets.

In this period, ING Bank continued to improve and provide its services across a vast range with the motivation it derived from its belief in the strength of Turkish economy. And moving forward, it will continue to take advantage of the growth opportunities Turkey has to offer through its innovative products and services, investments in technology and digitalization, and its expert human resources. I would like to thank all our stakeholders particularly our business partners, customers, and main shareholder for their invaluable support and contributions.

John T. Mc Carthy
Board Chairman

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

ING Bank A.Ş.

**Notes to the consolidated financial statements
for the six-month period ended 30 June 2018 (continued)
(All amounts expressed in full of Turkish Lira (“TL”) unless otherwise stated)**

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

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

In line with its long term strong and sustainable growth strategy, ING Bank continues its services and investments in Turkey. Defining itself as a “tech company with a banking licence”, ING Bank continued to keep its clients in its focus in 2018 and take steps in innovation and digitalisation. Ensuring our clients to take better financial decisions and be one step ahead continues to be our basic purpose in 2018, too. Thanks to our vision, we provide our clients with the service they can easily access anytime and anywhere.

Our Bank continued last year’s successful performance in the first half of 2018 as well. Based on our consolidated financial results, our Bank’s asset size reached TL 69.3 billion and its pre-tax profits to TL 768 million as of 30 June 2018. Our equity volume rose to TL 7.3 billion while our capital adequacy ratio increased to 19.10%. Our Bank’s total loans reached TL 50.9 billion and our deposits volume to TL 31.9 billion.

As ING Bank, we will continue our business believing in the sustainable development of Turkey in the future. I would like to thank to our team and business partners contributing to the successful performance of our Bank in the first half of 2018 on behalf of myself and ING Bank management.

Pınar Abay

CEO

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

ING Bank A.Ş.

**Notes to the consolidated financial statements
for the six-month period ended 30 June 2018 (continued)
(All amounts expressed in full of Turkish Lira (“TL”) unless otherwise stated)**

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

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

The Parent Bank continues its services and operations with 4,530 employees and 254 domestic branches, as of 30 June 2018.

Sector information on June 2018 has not been published yet. According to the sector information disclosed as of the end of March 2018, Parent Bank is the 8th biggest private bank in terms of assets, loans and deposits.

1.6 Information on research and development about new services and activities

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

2. Assessments about financial position and risk management

2.1 Information on Audit Committee's operations in accounting period

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

2.2 An assessment on financial status, profitability and solvency

According to the consolidated financial statements as of 30 June 2018, the asset size of the Group is TL 69.3 billion, and income before tax is TL 768 million. As of 30 June 2018, credits constitute 73.4% of total assets with TL 50.9 billion.

According to consolidated financial statements, in the second quarter of 2018, cash credits have been TL 50.9 billion and the most significant growth in cash credits has been in corporate business line. Deposits which is the primary funding source of the Parent Bank, constitutes 46.01% of the balance sheet with TL 31.9 billion as of 30 June 2018. Even though the large base deposit structure covering small investments represents a short term source in the sector, it remains within the Parent Bank for much longer compared to the original term.

As of 30 June 2018, capital adequacy ratio of ING Bank has reached 19.10%. In addition, the Parent Bank has received subordinated loans from its main shareholder amounting to TL 3.5 billion. As of 30 June 2018, total equities of ING Bank has reached TL 7.3 billion. The Parent Bank distributed dividend amounting to TL 169 million after the BRSA approval and decision of the General Assembly dated 19 March 2018.

Both macroeconomic and increasing competition continued to affect the sustainable profitability of banks. Despite this outlook and the limitations of the sector, with its sound equities and strong asset quality, ING Bank has grown steadily in the first half of 2018. In parallel to the developments in economy and Parent Bank's balance sheet, in the first half of 2018, compared to the same period of the previous year, group net profit increased by 39% and reached TL 595 million.

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

ING Bank A.Ş.

Notes to the consolidated financial statements for the six-month period ended 30 June 2018 (continued) (All amounts expressed in full of Turkish Lira ("TL") unless otherwise stated)

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

2.3 Information on the risk management policies applied by risk types

There has been no change in the accounting period.

2.4 Information on whether ratings are determined by rating agencies

International credit rating agency Fitch Ratings Ltd. has confirmed the Bank's credit ratings as of 20 July 2018 as follows:

Long-term Foreign Currency Rating: BB (Outlook: Negative)
Long-Term Local Currency: BB+ (Outlook: Negative)
Short-term Foreign Currency Rating: B
Short Term Local Currency: B
Support Rating: 3
National Long-Term Notes: AAA (tur) (Outlook: Stable)
Viability Rating: bb-

International credit rating agency Moody's has confirmed the credit rating of the Parent Bank as of 7 June 2018 as follows:

Turkish Lira Long Term Deposit Rating: Ba2 (Outlook: Under Review)
Short-term Turkish Lira Deposit Notes: Not-Prime
Long-term Foreign Currency Deposit Rating: Ba3 (Outlook: Under Review)
Short-term Foreign Currency Deposit Rating: Not-Prime
Baseline Credit Assessment – (BCA): b2
National Scale Note Aa1.tr/TR-1