

## Annual Report 2017



ING  BANK

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# Independent Auditor's Report on the Board of Directors' Annual Report

CONVENIENCE TRANSLATION INTO ENGLISH OF THE INDEPENDENT AUDITORS' REPORT  
RELATED TO ANNUAL REPORT ORIGINALLY ISSUED IN TURKISH

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

## 1) Opinion

We have audited the Banking annual report of ING Bank A.Ş. ("the Bank") and its financial subsidiaries (together the "Group") for the period between 1 January 2017 and 31 December 2017.

In our opinion, the financial information included in the annual report and the analysis of the Board of Directors about the consolidated financial position of the Bank are consistent, in all material respects, with the audited complete set of financial statements and information obtained during the audit and provides a fair presentation.

## 2) Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing which is a component of the Turkish Auditing Standards ("TAS") issued by the Public Oversight, Accounting and Auditing Standards Authority ("POA") ("Standards on Auditing issued by POA"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Annual Report section of our report. We declare that we are independent of the Bank in accordance with the Code of Ethics for Auditors issued by POA ("POA's Code of Ethics") and the ethical requirements in the regulations issued by POA that are relevant to audit of financial statements, and we have fulfilled our other ethical responsibilities in accordance with the POA's Code of Ethics and regulations. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## 3) Auditors' Opinion on Complete Set of Consolidated Financial Statements

We have expressed unmodified opinion on the complete set of consolidated financial statements of the Bank for the period between 1 January 2017 and 31 December 2017 on 9 February 2018.

## 4) Board of Directors' Responsibility for the Annual Report

In accordance with the Articles 514 and 516 of the Turkish Commercial Code Numbered 6102 ("TCC") the Bank's management is responsible for the following regarding the annual report:

- a) The Bank's management prepares its annual report within the first three months following the reporting date of statement of financial position and submits it to the general meeting.
- b) The Bank's management prepares its annual report in such a way that it presents accurately, completely, directly, true and fairly the flow of annual operations and

financial position of the Bank. In this report, the financial position of the Bank is assessed in accordance with the Bank's financial statements. The annual report shall also clearly state the details about the Bank's development and risks that might be encountered. The assessment of the board of directors on these matters is included in the report.

c) The annual report also includes:

- Significant events after the reporting period,
- The Bank's research and development activities.
- Employee benefits such as wages, premiums and bonuses paid to board members and key management personnel, appropriations, travel, accommodation and representation expenses, cash and cash facilities, insurance and similar guarantees.

When preparing the annual report, the Board of Directors also consider the related regulations issued by the Ministry of Customs and Trade and related institutions.

#### 5) Auditor's Responsibility for the Audit of the Annual Report

Our objective is to express an opinion on whether the financial information included in the annual report and analysis of the Board of Directors in relation to the consolidated financial position of the Bank are consistent with the audited consolidated financial statements of the Bank and the information obtained during the audit and give a true and fair view and form a report that include this opinion in accordance with the TCC.

We conducted our audit in accordance with the Standards on Auditing issued by POA. Those standards are required that compliance with ethical requirements and planning of audit to obtain reasonable assurance on whether the financial information included in the annual report and analysis of the Board of Directors for the financial position of the Bank are consistent with the financial statements and the information obtained during the audit and provides a fair presentation.

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

  
Funda Aşkanlı, SMMM  
Partner

2 March 2018  
İstanbul, Turkey



We focus on our customers to create an innovative brand.

# Corporate Profile

ING Bank has developed its banking model based on being a bank that provides rapid financial solutions anywhere at any time in the most convenient way.

ING Bank, Turkey's 8<sup>th</sup> biggest\* private sector bank, has been offering world-class financial services to its customers since 2008.

ING Bank is a member of the Netherlands-based ING Group, which is one of the world's key financial institutions operating in more than 40 countries in Europe, North and Latin America, Asia and Australia.

ING Bank serves its customers in the areas of Consumer Banking, SME Banking, Mid-Corporate Banking and Wholesale Banking with 5,055 employees in its Istanbul Head Office and 261 branches located throughout Turkey. In addition to the physical service network, the Bank offers its products, services and solutions over the internet branch, mobile banking applications and call center, which are used widely.

ING Bank aims to be one of the leading lights in digital banking in the new era. The Bank continues to generate innovative solutions for providing customers with the right information at any time and from any place to ensure that they take the most efficient and best financial decisions.

\* The ranking is based on the total assets of banks in the sector as of the third quarter of 2017.

**ING Bank's subsidiaries, which cooperate in a synergic formation, enhance the Bank's product and service range as well as its competitive power.**

ING Bank's subsidiaries portfolio is comprised of the 5 companies listed below and which have the common characteristics of creating added value, contributing to product diversity and marketing process consolidation, increasing operational efficiency, decreasing cost of services and possessing the potential to offer the services customers need in rapid, qualified and healthy manner.

ING Bank's subsidiaries in financial services:

- ING European Financial Services (Financial services)
- ING Portfolio Management (Portfolio management services)
- ING Factoring (Factoring services)
- ING Leasing (Leasing services)
- ING Securities (Securities brokerage services)

ING Bank, which realized healthy growth in 2017 as it had every year, remains the respected, trusted and leading brand of the Turkish banking sector and international markets thanks to its policies that place importance on the risk-reward balance as much as they do profitability, along with accurately defined strategies and efficient business processes.



# Highlights from ING Bank

ING Bank rounded off 2017 with a successful balance sheet performance. The Bank met its targets for profitability, efficiency and growth, exceeding expectations.

## TL 44.9 billion in consolidated lending volume

Consolidated lending volume reached TL 44.9 billion by the end of 2017.

## TL 27.6 billion of consolidated deposits

Expanding its deposit base, the Bank's consolidated deposits reached TL 27.6 billion by the year-end.

## 261 branches

With a widespread branch network, ING Bank had 261 branches at the end of 2017.

## 5,055 employees

Believing its most fundamental strength is its human capital, ING Bank -including its subsidiaries- had 5,055 employees at the end of 2017.

## TL 5.9 billion of consolidated equity

ING Bank's consolidated equity had reached TL 5.9 billion by the end of 2017.

## 1,541 ATMs

Continuously working to improve its alternative distribution channels, ING Bank has a total of 1,541 ATMs.

## TL 62 billion of consolidated assets

The Bank's total assets reached TL 62 billion by the end of 2017.

## TL 2.9 billion of consolidated net interest income

The Bank earned TL 2.9 billion in net interest income during 2017.

## Consolidated pre-tax profit of TL 1.1 billion

ING Bank recorded a profit of TL 1.1 billion before tax in 2017.

The financial information in this annual report, including on this page, represents ING Bank's consolidated figures unless stated otherwise.

261  
branches

5,055  
employees

# Strategy

The Orange Code, comprising of ING Values and ING Behavior, defines ING employees' expectations from each other, every day, in every task.

## Strategies which enable employees and customers to be one step ahead in their professional and private lives

ING Bank believes that sustainable progress can be achieved by those who dream of a better future for themselves and others in a determined manner. The Bank helps individuals and corporations realize their future visions.

ING Bank defines its global strategy as "Accelerating Think Forward" and the strategy aims to enable employees and customers always remain one step ahead in their professional and private lives.

The aim of ING Bank's strategy is to create a differentiated customer experience by simplifying the current organization in an appropriate manner, devoting more effort to operational excellence and developing a performance culture within the Bank.

## Investments focusing on innovation in an environment of change

At a time when customers expect an individualized, flawless experience tailored to their needs at anytime and anywhere, ING Bank has placed technology and innovation at the heart of its activities. The Bank continues to search for various ways of accessing service excellency with new solutions and approaches.

Within the framework of ING Bank's vision of being a "Tech company with a banking license", the Bank prioritizes innovation in its operations, focusing on digital leadership and creating its own eco-system. The Bank maintains its activities in collaboration with FinTechs on a platform open to both its current and potential customers, as well as its business partners.

## A devotion to improving the work culture and leadership atmosphere

ING Bank is focused on the target of helping employees and customers to be one step ahead in their professional and private lives within the scope of the Bank's global strategy of "Accelerating Think Forward".

In 2015, the Bank announced the Orange Code that embodies the road map to achieving this goal, and this serves as a declaration of the type of organization that ING represents.

Composed of ING Values and ING Behaviors, the Orange Code defines ING employees' expectations from one another, every day, for every task.

The ING Values are the principles ING employees will live up to in all circumstances. These principles are as follows:

- We are honest
- We are prudent
- We are responsible

ING Behaviors, on the other hand, can be described as a way of existence that differentiates ING employees from other individuals. These are the standards by which Bank's employees declare they need to work in a manner that compliments solidarity and where performances is measured in line with common goals to maximize the success and contribution of the Bank's employees.

The ING Behaviors have three principles:

- We take it on and make it happen
- We help others succeed
- We are always one step ahead



# Awards

ING Bank's services, broad product portfolio and innovative solutions have received a number of awards from some of the world's respected and prestigious institutions on the basis of a wide range of criteria.



## Real IT Awards

The ING Mobil and CeptenYapp, which were developed by ING Bank IT teams, reached the finals of the Real IT Awards organized by The Corporate IT Forum, a global knowledge and experience sharing platform. After evaluations conducted by the judges, the renewed ING Mobil was selected as the "Acclaimed Digital Project of the Year". ING Mobil was given the award in recognition of the product enabling customers to easily carry out their financial transactions at any time from any place, and in view of its contributions to the Bank's strategy, which prioritizes digitalization, innovation and mobility.



## Stevie

The CeptenYapp application, which allows ING Bank employees to carry out their business processes on a mobile platform was awarded the Golden Stevie in the category of "New Product and Product Development" in the Stevie International Business Awards 2017. The CeptenYapp application was selected as the product of the year in the area of "Mobile Development Solution or On-Demand Application-Software" under the contest's "New Product and Product Development" category. The application forms an important pillar of the infrastructure in ING Bank's agile and flexible work model. The application gathers employees on a common platform and enables them to easily carry out their tasks, anytime, anywhere. CeptenYapp offers rapid and effective solutions in realizing various operations.



## Global Finance

ING Bank won the "World's Best Bank" award, given for the first time by the "Global Finance" magazine within the scope of the "World's Best Global Banks 2017 Awards". The awards handed out by "Global Finance", which regularly reviews and awards the most successful banks and other financial service providers, are deemed as a reliable excellence standard by global financial service providers.

A year  
packed  
with  
successes

## Prestigious awards



### Effie

ING Bank won its fourth award in the 9<sup>th</sup> Effie Turkey Advertisement Competition, rounding off a hat trick of awards for three consecutive years. The Bank was awarded with the Golden Effie in the category of “Sustainable Success” among all sectors thanks to its communication platform of “New Wine in Old Bottles”. The award stands as testament to how well ING Bank’s long-term communication campaigns have been reflected to successful business results.



### Mediacat Felis Awards

The Money Issues content platform, which aims to explain the subject of saving and what can consumers do in this area was awarded with the Success Award in the Mediacat Felis Awards’ “Transformative Marketing” category.

### 2017 Finance Technology Awards

Xtrong, which was developed by ING Bank and is the first and only FIDO (Fast IDentity Online) certified product in Turkey, was awarded in the categories of “Security and Fraud Management” and “Customer Experience” in the “2017 Finance Technology Awards” organized by IDC Turkey. Xtrong is a mobile identity recognition product which was designed and developed by the ING Innovation Workshop Orange Lab team, which stands as a fine example of intra-corporation entrepreneurship. The product was ranked as number 1 in the category of “Security and Fraud Management” and number 2 in the category of “Customer Experience”.

### Midas Awards

The Midas awards are given to the World’s Best Financial Advertisements, and is the only competition placing importance and priority on communication activities in the area of finance on a global scale. Awards are given for the banking, insurance, credit cards, accounting and consulting sectors. ING Bank participated in the competition with its Father’s Day film, where it sought to answer the question of “When is the Father’s Day?” - which is the most frequently asked question about father’s day on search engines. This question was placed under the “New Wine in Old Bottles” communication platform. Three fathers were selected and asked “when is your father’s day?” in the film, which questions why Father’s day is the same, while each father felt he was in fact a father every day, not just on Father’s day. The film, which is entirely based on true stories, was awarded with the Silver Midas award in the Social Media category.

# ING Bank from Past to Present

**1984** The foundations of ING Bank are laid in 1984 when the İstanbul Branch of the Bank of Boston was opened.

**1990** In 1990, the Bank of Boston İstanbul Branch is given the title of the First National Bank of Boston A.Ş. as 75% of the Bank's shares are sold to Turkish investors. OYAK becomes the biggest shareholder, with a 34.25% stake.

**1991** The Bank's name is changed to Türk Boston Bank A.Ş. in 1991.

**1993** In 1993, OYAK purchases all of the Bank's shares.

**1996** In 1996, the Bank's name is changed to Oyak Bank A.Ş.

**2001** In August 2001, OYAK purchases Sümerbank A.Ş., which incorporates Egebank A.Ş., Bank Kapital T.A.Ş., Türkiye Tütüncüler Bankası (Yaşarbank A.Ş.), Yurt Ticaret ve Kredi Bankası A.Ş. and Ulusal Bank T.A.Ş., from the Savings Deposit Insurance Fund.

**2002**

A merger with Sümerbank A.Ş. takes place in 2002 under Oyak Bank, setting the stage for a rapid and healthy growth process for the Bank.

**2007**

At the end of 2007, OYAK sells all of its shares in Oyak Bank to the ING Group.

**2008**

Oyak Bank's name is changed to ING Bank A.Ş. in 2008. With its renewed corporate identity, strategy and goals, ING Bank successfully continues its operations.

**2013**

The Kahramanmaraş Operations and Call Center, which is ING Bank Turkey's banking base, is opened.

**2017**

ING Bank celebrates its 10<sup>th</sup> year in Turkey.

# Summary Financial Information for the Last Five Years

With a focus on sustainable and efficient growth with value creation, ING Bank achieved significant progress with respect to its service network and diversity, its number of customers and its balance sheet in 2017.

## ING Bank's Capital Structure, Changes in the Capital Structure and Articles of Association

The paid capital of the Bank amounted to TL 3,486,267,797 as of December 31, 2017, and ING Bank N.V. exercises full control over the capital.

No changes were made to the Bank's Articles of Association in the given accounting period.

Pursuant to the decision reached during the Annual General Meeting dated March 29, 2017, a cash dividend of TL 200 million from the distributable profit in 2015 and previous years was paid to the Bank's shareholders.

## Non-consolidated Summary Financial Information for the Last Five Years (TL million)

TL million	31.12.17	31.12.16	31.12.15	31.12.14	31.12.13
<b>Balance Sheet</b>					
Loans, Net <sup>(1)</sup>	38,467	34,817	35,205	28,046	24,481
Securities Portfolio, Net <sup>(1)</sup>	1,778	2,660	3,229	2,692	2,810
Deposits <sup>(1)</sup>	27,686	25,217	23,649	19,098	17,164
Equity	5,769	5,056	4,482	3,467	3,392
Total Assets	52,882	49,688	49,245	38,014	33,395
<b>Income Statement</b>					
Interest Income	4,957	4,200	3,726	3,166	2,395
Interest Cost	2,267	1,978	1,700	1,461	1,000
Interest Income (Net)	2,690	2,222	2,026	1,705	1,395
Fees and Commissions (Net)	536	415	288	269	233
Profit Before Tax	1,064	717	168	246	233
Net Profit	844	571	115	176	175
<b>Ratios</b>					
<b>Equity</b>					
CAR Ratio (%)	19.9	17.7	15.8	14.4	12.6
Equity/Total Assets (%)	10.9	10.2	9.1	9.1	10.2
<b>Balance Sheet</b>					
Loans/Total Assets (%)	72.7	70.1	71.5	73.8	73.3
Deposits/Total Assets (%)	52.4	50.8	48.0	50.2	51.4
<b>Asset Quality</b>					
Fixed Assets/Total Assets (%)	1.4	1.3	1.1	1.3	1.4
NPL/Total Loans (%)	4.2	3.9	2.9	2.7	2.3
<b>Profitability and Efficiency <sup>(2)</sup></b>					
Net Profit/Average Equity (%)	15.6	12.0	2.9	5.1	5.4
Net Profit/Average Assets (%)	1.6	1.2	0.3	0.5	0.6
Net Profit/FTE(TL x 1,000)	171	108	21	29	30
Cost/Income Ratio (%)	47.0	53.6	67.8	67.5	67.9

<sup>(1)</sup> To be in line with the financial statements, loans, securities and deposits were presented including their accrual balances in the table above, and the ratios involving these items were calculated based on their balances including accruals.

<sup>(2)</sup> Average assets and average equity values were calculated as an average of the year-end figure and prior year figures.

ING Bank's consolidated pre-tax profit increased by 50% YoY to TL 1.1 billion. The Bank's total assets stood at TL 62 billion at the end of the same period.

#### Consolidated Summary Financial Information for the Last Five Years (TL million)

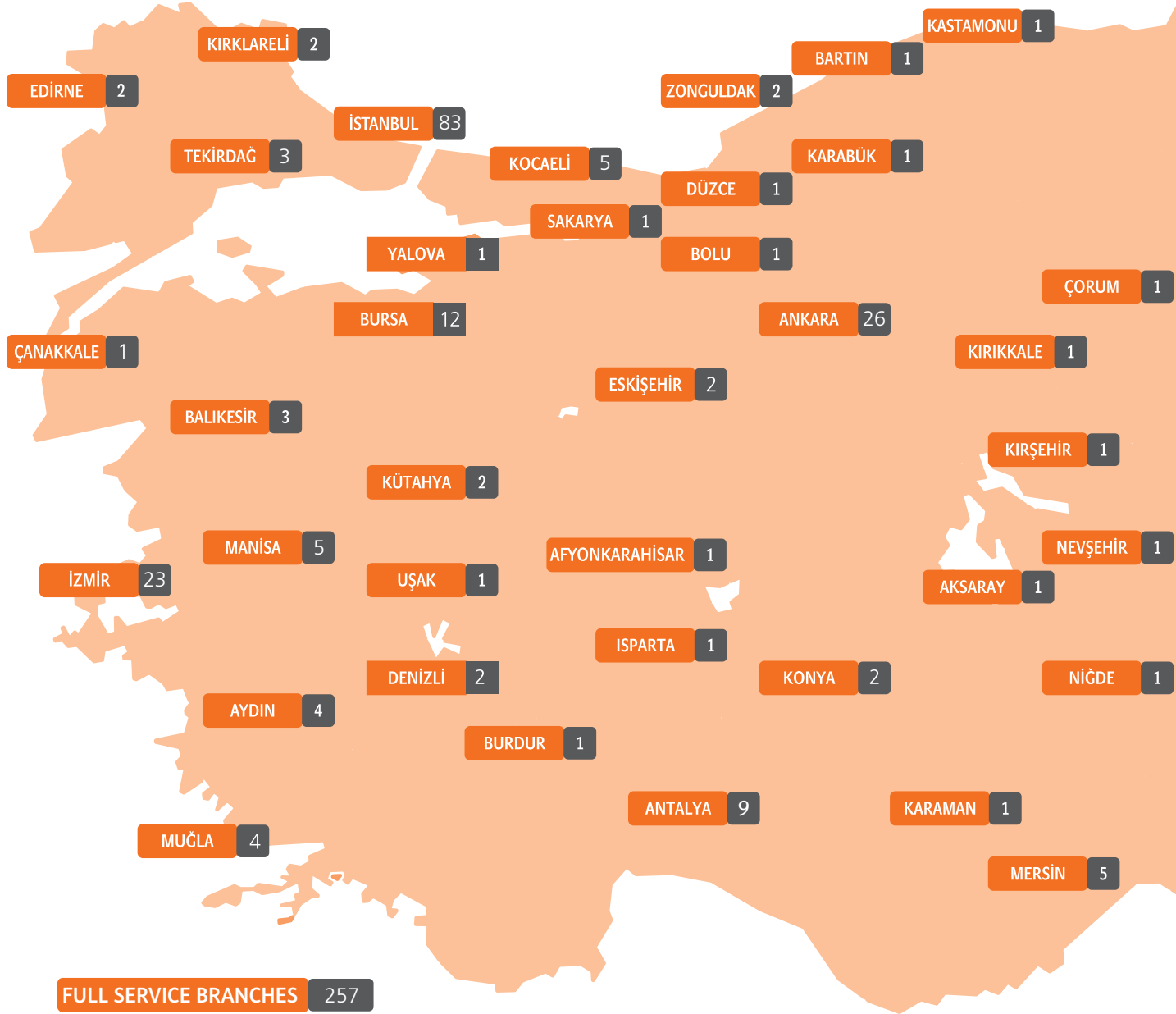
TL million	31.12.17	31.12.16	31.12.15	31.12.14	31.12.13
<b>Balance Sheet</b>					
Loans, Net <sup>(1)</sup>	44,868	41,306	38,936	29,727	25,794
Securities Portfolio, Net <sup>(1)</sup>	1,780	2,662	3,230	2,693	2,811
Deposits <sup>(1)</sup>	27,598	25,153	23,547	18,986	16,971
Equity	5,914	5,143	4,537	3,496	3,409
Total Assets	61,524	57,987	54,565	40,927	35,698
<b>Income Statement</b>					
Interest Income	5,269	4,425	3,864	3,263	2,476
Interest Cost	2,358	2,037	1,737	1,494	1,029
Interest Income (Net)	2,911	2,388	2,127	1,769	1,447
Fees and Commissions (Net)	452	368	274	266	230
Profit Before Tax	1,127	749	201	264	252
Net Profit	888	592	140	189	190
<b>Ratios</b>					
<b>Equity</b>					
CAR Ratio (%)	19.2	17.1	15.4	13.9	12.1
Equity/Total Assets (%)	9.6	8.9	8.3	8.5	9.5
<b>Balance Sheet</b>					
Loans/Total Assets (%)	72.9	71.2	71.4	72.6	72.3
Deposits/Total Assets (%)	44.9	43.4	43.2	46.4	47.5
<b>Asset Quality</b>					
Fixed Assets/Total Assets (%)	1.1	0.9	0.8	1.0	1.1
NPL/Total Loans (%)	3.7	3.3	2.7	2.6	2.3
<b>Profitability and Efficiency <sup>(2)</sup></b>					
Net Profit/Average Equity (%)	16.1	12.2	3.5	5.5	5.9
Net Profit/Average Assets (%)	1.5	1.1	0.3	0.5	0.6
Net Profit/FTE (TL Thousand)	176	112	25	34	34
Cost/Income Ratio (%)	46.5	50.4	66.2	66.5	66.9

<sup>(1)</sup> To be in line with the financial statements, loans, securities and deposits, including their accrual balances, were presented in the table above, and the ratios involving these items were calculated based on their balances including accruals.

<sup>(2)</sup> Average assets and average equity values were calculated as an average of the year-end figure and prior year figures.



# ING Bank Current Branch Network





# ING Bank's Subsidiaries

ING Bank has 5 subsidiaries operating in the area of financial services.

## ING European Financial Services PLC

ING European Financial Services PLC, which was founded in Dublin, the capital of Ireland, in 1994 offers financial services to its customers.

All of the Company's operations are subject to Irish laws and regulations.

At the end of 2017, the Company had a loan portfolio of EUR 1.4 billion, and wrote a net profit of EUR 12 million.

## ING Portfolio Management

ING Portfolio Management was the first portfolio management company to be established in Turkey. The Company has offered portfolio management services to both corporate and individual customers since 1997.

The Company successfully manages the funds it holds with the support of its superior know-how and experience in financial markets. The Company offers qualified and privileged portfolio management services to its 24 individual and corporate customers. The Company also manages the mutual funds of ING Bank and NN Hayat ve Emeklilik.

Total volume of the portfolio under ING Portfolio's management reached TL 3 billion at the end of 2017. The Company wrote a net profit of TL 4.2 million in 2017 with a year-end asset size of TL 18.4 million.

## ING Factoring

Established in 2008, ING Factoring is active in imports, exports and domestic factoring operations.

ING Factoring's factoring receivables had exceeded TL 1 billion as of the end of 2017 while it wrote a net profit of TL 13.1 million in 2017.

## ING Leasing

ING Leasing was established in 2008. The Company received official authorization to offer services in the area of leasing on March 3, 2010.

The Company extended a total of TL 338 million worth of financing to various industries in 2017 through financial leasing services, which constitute its main line of business.

ING Leasing's Net profit reached TL 26.8 million in 2017 while its leasing receivables exceeded TL 1 billion.

## ING Securities

ING Securities started operations in 1991 under the name of Universal Menkul Değerler A.Ş and it was acquired by ING Bank on August 15, 2012.

The Company's area of activity is to engage in brokerage activities for securities and other assets which are negotiable instruments and certificates representing the financial assets and liabilities of issuers within the scope of the secondary market.

The total assets of ING Securities stood at TL 188 million at the end of 2017, while the trading volume under its management had reached TL 13.4 billion in the BIST Derivatives Exchange Market, and TL 4.3 billion in the BIST Shares Market.

Subsidiaries  
that create  
added  
value

# ING Group

ING Group is a Netherlands based group that offers global financial services with a strong European base, while operating in the Turkish banking sector with ING Bank.

EUR **846**  
billion

total asset  
size

ING Group was established in 1991 as a result of a merger between NMB Postbank, which has a distinguished 150 year history, and the Netherlands' leading insurance company, Nationale-Nederlanden. ING became a global financial service provider with the merger. ING offers comprehensive products, services and solutions to its customers in the retail, corporate/mid-corporate banking, investment banking and portfolio management segments.

ING Group meets the financial needs of wide customer base which encompasses individuals, families, small enterprises and big corporate companies, corporations and governments with the experience and expertise that it accumulated over long years, its approach to excellence in service and its global scale.

Its strong brand, solid financial structure, multi-channel distribution strategy and international service network stand as the most important tools helping ING Group reach its target of offering more growth and higher returns to its shareholders than its competitors.

ING Group operates in more than 40 countries with approximately 51,000 employees. The Group helps its customers manage their financial futures by placing them at the heart of its focus in line with its mission. The Group realizes this mission by carefully applying principles such as cost, risk and reputation management in addition to customer satisfaction.

In line with decision taken as a result of the Back to Basics strategy, ING Group completed a restructuring program which oversaw the splitting of the banking and insurance operations with the sale of the insurance company, NN Group, in April 2016.

In the year ending December 31, 2017, ING Group had

- EUR 846 billion of total assets,
- EUR 575 billion in total lending,
- EUR 540 billion in total deposits,
- EUR 51.1 billion in equity and
- EUR 4.9 billion net profit.

ING Group shares are traded in the Amsterdam (with the tickers of INGA NA, INGA.AS), Brussels and New York stock exchanges (with tickers of ADRs: ING US, ING.N).

Sustainability is ING's integral element. This is approved by being the leader in its peer group of 350 companies in the Sustainalytics ranking with a score of 85 points, and being ranked in 7<sup>th</sup> position in all sectors.

As well as being included on the FTSE4Good, ING Group shares are included on the Dow Jones Sustainability index in the world and in Europe. The Group's shares are among the leaders in the banking sector in these indices.

For detailed information regarding ING Group please visit the website at [www.ing.com](http://www.ing.com).

# Chairman's Message



John T. Mc Carthy  
Chairman of the Board of Directors

Esteemed Stakeholders,

The emergence of geopolitical risks in different regions of the world frequently came to the forefront of the global agenda in 2017. Despite this, the growth of the world economy gained pace during the year with the help of positive developments in developed markets. An increase in the rate of global growth was recorded after a long period of time in the doldrums.

The main political developments affecting the agenda in global markets and creating periodical volatility were political developments in the USA under the Trump presidency, a packed election calendar in European countries, mainly in Germany, Austria and the Netherlands, the Brexit negotiations, statements and actions from North Korea threatening world peace, the conflicts in the Middle East and the independence referendum in the Catalonian Region of Spain.

A common point is observed when all these developments are analyzed. Geopolitical risks that arise in different regions of the world lead to the notion of political leadership and the competence of political players being questioned more than ever.

Despite the volatilities, the global economy demonstrated a recovery in 2017 thanks to the strong economical foundations in many countries and the determined approach taken by the private sector. While low interest rates have dominated monetary policy, an increase in investment expenditures, world trade and industrial production on a global scale

The geopolitical risks that have emerged in different regions of the world have placed the notion of political leadership and the competence of political actors under question more than ever.

have been other driving forces of the growth in the global economy. At the same time, consumer and real sector confidence has continued to grow.

While the pick-up in growth in developed countries was remarkable in 2017, developing countries contributed to global economic activity with their own growth performances as well. Accordingly, the world economy recovered extensively, and expectations for the future were revised upward.

#### Three interest rate hikes from the Fed

In 2017, the Federal Reserve Bank (Fed) in the US increased interest rates three times as expected and entered a period of balance sheet reduction. Despite the contradictions in economic policies, the US economy continued to demonstrate a strong improvement. The labor market approached full employment in this process, although inflation remained far from its 2% target.

The US economy's growth rate in the 3<sup>rd</sup> quarter of 2017, which had been announced as 3.3%, was revised to 3.2% due to adjustments in consumption expenditures and net exports.

#### Further normalization steps from the ECB

The ECB, which started to apply a looser monetary policy later than Fed, decided to reduce its asset purchases as part of its related program in 2017 and began to take normalization steps in monetary policy.

Despite a packed political calendar in 2017 with elections in Europe, economic activity on the continent improved steadily. According to the ECB's projections, the Eurozone posted 2.4% growth in 2017, and the ECB expects 2.3% growth in 2018. The ECB believes the deflation risk has abated, even though inflation remains low.

#### Turkish economy maintains its strong and promising stance.

The Turkish economy posted strong growth in

2017, recording a growth rate of 11.1% YoY in the third quarter of the year, exceeding expectations in what was the strongest performance in six years.

An analysis of GDP finds that private consumption expenditures were the biggest item contributing to growth in the third quarter, alone contributing 7 percentage points to the growth. Public consumption expenditures also increased.

The structure of the Turkish economy, with its dependence on foreign investment and financing, will remain its biggest source of vulnerability. On the other hand, political developments may place upward pressure on Turkish companies' risk premiums.

We anticipate that the rise of the Turkish economy and its positive growth on strong foundations will continue, although we doubt that the high growth scenario in 2018 is sustainable. In parallel with this, we also think inflation will decrease.



# Chairman's Message

The Turkish economy posted strong growth in 2017.

Credit volume of banking sector increased importantly.

2017 was a positive year for the Turkish banking sector.

The sector's credit stock grew in 2017 thanks to the Credit Guarantee Fund (KGF). The depreciation of the TL kept foreign exchange denominated credits relatively low. Turkish Lira denominated credit volumes posted a significant expansion with the contribution of credits allocated within the scope of the KGF. According to data for the 2017 year-end, the sector's credit volume grew by 21% YoY to reach TL 2.1 trillion. We are confident that the healthy development of the Turkish banking sector will continue in 2018, with the sector remaining the largest supporter of the real sector.

Esteemed Stakeholders,

Now having shared my thoughts about the global and Turkish economy and our sector, I would now like to briefly discuss ING

Bank's progress in 2017, our approach to human resources and social responsibility and our targets for the future.

Proudly celebrating the 10<sup>th</sup> year of ING in the Turkish market

More than 5,000 ING Bank employees gathered in the İstanbul Ülker Sports and Event Hall on September 16, 2017 to celebrate the 10<sup>th</sup> year of the Bank's Turkish operations with great enthusiasm.

In my capacity as a professional who has represented the ING brand in Turkey for 27 years, I would like to declare that the level the Bank has reached within the space of 10 years is a source of great pride and satisfaction.

Our progress and performance in this process, which started with the acquisition of Oyak Bank in 2007, is a real success story in all its dimensions. Managers and employees in Turkey were brought together with our values of

honesty, prudence and responsibility, values that are held dear to our hearts at every point of our global network and which are energized in ING's Orange Code. Our Turkey managers and employees succeeded in building a sustainable, efficient and productive platform not only in the axis of financial performance but also in the customer experience, innovation and alternative distribution channels.

Our value proposition, which is dedicated to solidifying the ING brand, has gained a place in the hearts of millions of customers from the business world to households over the last 10 years. Our value proposition has indeed put new wine into old bottles.

The technological innovations that we offer and our banking approach, which helps bring ease to peoples' lives, has gained the approval and favor of our customers. These innovations are accepted as the best practices in our sector and have inspired a

10<sup>th</sup>  
year

43  
countries

whole gamut of products, services and applications.

ING Bank's unwavering target is to provide the best customer experience in banking by using the most appropriate and efficient technologies and to bring this to the future. Our teams, who are dedicated to developing and offering the best practices in the sector, will continue to develop numerous innovations in the area of technology in the coming period within the scope of our strategic cycle. They will also continue to simplify and ease the banking process for everybody.

**Our 2017 financial results indicate a 10 year peak and maturity.**

ING Bank recorded a strong financial performance in 2017.

Our performance in 2017 was the crowning glory of 10 years of devoted work. This performance positions the Turkey operations at the forefront within the ING Group's subsidiaries located in 43 countries.

Our financial metrics bring satisfaction to our shareholder at all points. The Bank's qualified and healthy balance sheet structure, its liquidity, its income/cost balance, the capital adequacy and the very low level

of non-performing loan stock explicitly all serve to confirm the aptness and sustainability of ING's investment in Turkey.

I am delighted to state that our shareholder has always retained their strong belief in their investment in Turkey, including in the most challenging periods of the 2008 global crisis.

Our shareholder views the Turkish market, where we have a 3% market share, as a high growth market. Our shareholder has always provided the assurance that every kind of support, financial or otherwise, will be provided.

**Managing our service offering channels by focusing on a rational perspective and efficiency**

ING Bank is a pioneering and groundbreaking service provider in product innovation. The Bank brings the best practices of mobile banking and technology utilization to Turkey. The Bank is accepted as the "focal point for innovation in the market".

Although we are a young player in the market, we are at the forefront when it comes to the utilization of both internet and mobile channels.

We are highly focused and principled when it comes

to managing our product and service distribution network. In the world and in Turkey, the new facet of banking is directed at non-branch banking. Banks increasingly serve their customers over the internet and through mobile channels, instead of traditional physical service points.

The frequency which customers visit our branches and the number of transactions being carried out in our branches has been steadily decreasing with each passing period. In other words, the increased use of mobile devices, which have become such an indispensable element of human life as much as technological developments, has resulted in a decreasing trend in physical demand for branches in banking.

In the short and medium term, ING Bank aims to manage its branch network with a rational perspective and to develop its mobile channels at the same time.

# Chairman's Message

We held our Board of Directors meeting in Kahramanmaraş on October 31, 2017.

We held our Board of Directors meeting in Kahramanmaraş on October 31, 2017.

We established Kahramanmaraş Operations and Call Center in 2013. With the recent increase in activity and number of employees reaching 695 in 2017, the Center carries out 80% of the Bank's central operations processes.

Our Center is an exemplary banking base, where women account for 70% of all employees. For the first time, the Center hosted the ING Bank Board of Directors meeting on October 31, 2017.

We evaluate the Center, which stands as one of the key milestones in our banking service cycle, in the sense of its contributions to the employment and welfare of the population settled in this region and we view the Center as an important marker in our sustainability commitment. Working in the Kahramanmaraş Operations and Call Center and being with

our employees was an exceptional and unforgettable experience for me and the members of the Board of Directors.

The level of success that our human resources have reached is another area that gives us tremendous pride.

**Our human resources are the key driver of our success.**

ING Bank aims to bring the market's best talents together and strives to be a preferred employer. The Bank undertakes investments to prepare its human resources for the future in all aspects.

Contributing to female employment is another area that we attach importance and priority to within the scope of our human resources strategy. We are the only bank that is managed by a female CEO in Turkey. Currently 55% of the Bank's employees are women, while 36% of the senior management are women. We aim to increase the proportion of women in the senior management to 50% within 5 years.

Another development in the last two years that has given us great satisfaction and which indicates the level of competence of our human resources was the appointment of four of our colleagues from the Bank's management to managerial positions within the ING Group in different regions. Mr. Alp Sivrioğlu, who had been working as the CFO in ING Bank, started a new role as the CFO in ING Netherlands. Mr. Murat Sari, who had been serving as the Executive Vice President of SME and Retail Credit Allocation, started his new role as the Global President of Retail Credits. Mr. Görkem Köseoğlu, who was working as the Vice President of Operations, started his new role as Global President of Artificial Intelligence and Robotics, while Mrs. Seçil Refik, who had been serving as the Executive Vice President of Human Resources, took up her new role as Change Management and Communication Director of ING Group Human Resources Transformation Project.

36%

ratio of women in senior management

## Exporting managers abroad

On behalf of myself and the Board of Directors at ING Bank, I would like to wish success to our friends who we send-off to positions all over the world, in these new chapters of their careers.

The fact that ING Bank's managers hold different responsibilities in ING Group indicates the success and determination of Turkish professionals, as well as how flexible and open the Group is.

### Supporting public development with social projects

ING Bank carries out its activities with the guidance of ING Group's global policies. The Bank has adopted a sustainable and responsible banking approach. Within this scope, the Bank has designed and conducted several social responsibility projects. ING Bank shares these projects with society through different communication channels.

Some of our long term projects include the Orange Drop, which focuses on financial literacy; the Orange Hearts, which unifies our employees who take part in volunteering activities work under a single roof; the Research on Turkey's Saving Tendencies; the Orange Schools; and our work on empowering women.

One of the activities that I would like to emphasize within this scope is the HeForShe campaign which we have supported since March 2016. We strongly believe in this United Nations campaign, which highlights the issue of gender discrimination and promotes equality between men and women. We express our support for the campaign on every occasion and support women working in ING Bank through various applications.

We are one of the countries that stand out within the ING Group thanks to our efforts in the area of female empowerment, and one of the ING countries, along with Belgium and the Netherlands, to have selected "Woman of the Year" under the ING roof last year for the first time.

I would like to take this opportunity to thank to all of the employees who have supported our social responsibility projects and voluntarily contributed to these projects, and to our stakeholders with whom we cooperated.

We enter 2018 with determined steps as we move towards the future.

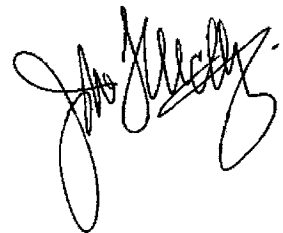
ING Bank is focused on maintaining the growth momentum which it achieved in its 10<sup>th</sup> year. The Bank possesses all

of the infrastructure and superstructures required for this.

Our Bank is determined to transform challenges into motivation and potential into performance with its competent management team and employees who have devoted themselves to ING's Orange Code.

On behalf of myself and the Board of Directors I would like to offer my sincerest thanks to our all of stakeholders, primarily our shareholders who have been an integral part of the Bank's success.

Very Truly Yours,



John T. Mc Carthy  
Chairman of the Board of Directors

# Message from the CEO



Pinar Abay  
CEO

Dear Stakeholders,

Technological developments are ushering in a comprehensive transformation in the banking sector.

The ING Group has always led change globally. In Turkey, the Group works to the target of supporting production, savings, entrepreneurship and innovation. Together with this vision and the impact of digitalization, we place our customers at the heart of our services by considering the new demands that we face. We aim to ensure our customers gain the maximum benefit from this transformation. We continue to attach the highest priority to the “customer experience” with our investments in innovation and digital areas, and in our activities oriented at customer satisfaction.

As a “tech company with a banking license”, we celebrated our 10<sup>th</sup> year in Turkey in 2017, a year in which we reached new and important achievements within the scope of our target to offer innovation-based fast and easy banking. By maintaining our focus on technology, we continued to invest in projects that will bring us the most advanced technologies in banking.

Our 10-year journey has allowed us to lead a new banking approach as well as reflecting the potential of the Turkish market to our performance. We set ourselves apart in Turkey’s competitive banking sector by working to create an ecosystem which reaches far beyond banking. With our difference in the sector, we help our customers become more digital by placing digitalization and technology at the core of our strategy. Internal customers are also affected by this to an important extent. We continue our work to add new projects, where

## Always leading change globally, ING Group aims to strengthen production, savings, entrepreneurship and innovation in Turkey.

we have started to use robotics and expand the usage of this technology in a wide range of operational processes.

In 2017, we have continued to attach priority to bringing our customers one step ahead in their professional and private lives, which is the main goal of our strategy. In line with this, we achieved growth in the mobile and digital platforms in 2017 by achieving important gains with the motivation of easing the banking process.

ING Bank has become an exemplary corporation, not only in its sector but also the business world as a whole thanks to the applications it offers women employees and that focus on the work-life balance. Our applications, which promote diversity among employees and a richness borne from different perspectives, were positively reflected to the service quality ING Bank offers its customers and to our financial performance.

### Growth trend maintained in 2017 as well.

2017 was a period of recovery for the Turkish economy. In this period, ING Bank reached its targets and maintained its growth trend.

According to the year-end consolidated financial statements, ING Bank ended 2017 with total assets of TL 62 billion and a pre-tax profit of TL 1.1 billion. In the same period, our shareholders' equity increased to TL 5.9 billion, our capital adequacy ratio increased to 19.2%, our total loans expanded to TL 44.9 billion and our deposits increased to TL 27.6 billion. Based on the unconsolidated figures for September 2017, ING Bank was Turkey's 8<sup>th</sup> largest private bank in terms of asset size and total loans, while the Bank was ranked 9<sup>th</sup> in terms of total deposits.

Total number of retail banking primary customers hit 570 thousand

In retail banking, the total number of active customers exceeded 2.5 million, with the Bank serving 570,000 of these customers as their primary bank.

In 2017, the Orange Sterling account was added to the Orange Account product group, a group the Bank continues enrichment activities for. With the introduction of the Orange Account, which is one of the most important bases of ING Bank's deposit growth target that is spread over a wide base, the Bank's market share in the free term deposit segment reached 20%.

2017 was also a successful year in the consumer loans segment. While the first half of the year was a highly successful period in terms of mortgages, all consumer loans demonstrated a strong performance in the second half of the year, despite the cost of credits.

The ratio of active customers using digital channels in "the digital year" approached 30%.

### Digitalization is an indispensable priority for ING Bank.

Our Bank achieved important progress in the area of digitalization in 2017. By expanding the product range of digital channels, the Bank achieved an increase in the number of customers using these channels.



# Message from the CEO

ING Bank has entered strategic business partnerships since 2012 within the scope of its integrated multi-channel strategy. The Bank cooperates with Turkey's leading brands.

The proportion of ING Bank's digital active customers increased by 6.1 percentage points to 29.9% and the proportion of active ING Mobile users increased by 8.7 percentage points to 27.4%.

The ING Assistant feature was added to the ING mobile and internet banking services, while corporate and retail mobile applications were brought together. With the positioning of the ParaMara application, work continued on transforming the application to a mobile payment and wallet application that allows users to carry out their daily money transactions easily and quickly.

Rapid growth in e-Orange, which combines ING's targets of digitalization and being Turkey's leading savings bank, further improved the net promoter score, which was already high. This contributed positively to ING Bank's prestigious position and brand perception in the market.

Number of contact points exceeds 7,000 thanks to multi-channel strategy.

ING Bank has formed strategic business partnerships since 2012 within the scope of its integrated multi-channel strategy, where the Bank cooperates with some of Turkey's leading brands. With the support of collaborative agreements with almost 30 leading institutions and companies from different sectors such as the PTT, TeknoSA, Arçelik, Pegasus, Apple and Samsung, 27.5% of consumer loans and 56.5% of sales were executed through business partnerships.

ING Bank's number of customer contact points exceeded 7,000 with the support of this model, which empowers a multi-channel strategy.

Growth in SME Banking realized with the support of new technological infrastructures and the KGF.

ING Bank chalked up a rate of growth in excess of the sector in SME Banking by maintaining its successful performance in 2017 with its innovative perspective

and accurately defined strategy.

The volume of cash loan support provided to SMEs increased by 63% YoY to reach TL 9.2 billion. The volume of non-cash loans issued in the same period expanded by 59% to reach TL 1.5 billion.

KGF backed resource allocation has been an important driver of the strong growth in loans. In contrast with the general practices in the sector, ING Bank launched an analytic based reporting system that will provide updated follow-up of risks in KGF loans. Within this scope, the Bank deployed robotics to process applications quickly and flawlessly. A process enabling rapid transfer of KGF offers to the system which can operate 24 hours a day without human intervention was developed.

TL 5.2 billion was allocated to 7,156 SMEs in KGF loans.

In this vein, many processes have been rendered mobile with the purpose of delivering services to customers wherever they happen to be. The focus of the

27.37%

ING Mobile  
user rate

TL 8.3  
billion

KGF loan  
allocation

Mobile Sales Team was determined as “service to SMEs”. Mobile Sales Team offered artisans, wherever they were, with banking products over the tablet application. Steps were taken to effectively bring the ING Bank branch to work places.

ING Bank launched the customer data based cash loan pricing system for SMEs, in what is a first in the sector. This application is aimed at ensuring the most appropriate and fair pricing for customers and their financing needs in a more effective manner.

**A year of preparation for the future in Mid-Corporate Banking**

Our biggest investment for Mid-Corporate Banking in 2017 was in “Mid-Corporate Banking of the future”. In the Mid-Corporate Banking unit, significant attention was placed on digital investments, primarily the OLE project which will maximize customer satisfaction. There was a considerable increase in the use of ING FX, a platform enabling customers to carry out all hedging and FX transactions without needing to reach any customer representative. User-friendly features and new transactions were added to the Corporate ING Mobile, which was renewed at the end of the year.

The volume of Mid-Corporate cash and non-cash loans reached TL 10.3 billion and TL 1.8 billion in 2017, respectively. Customer investments were supported with medium-long term KGF loans, with TL 3.1 billion of KGF loans allocated to 765 mid-sized corporate customers in 2017. Support was extended to projects which created employment and added value.

Another important development in the Mid-Corporate Banking segment was that ING Bank started to allocate foreign currency denominated loans only to exporter customers. We believe that this decision, which we took to manage potential foreign exchange losses and financing expenses in the right manner, stands as an example of our guiding and responsible banking approach. This step will further reinforce our contribution to customers' economic cycles in the medium and long term.

The number of customers for whom we are the main bank in the Corporate Banking segment continued to increase.

In 2017, ING Bank executed the strategy of being the primary bank for customers in the Corporate Banking segment with its wide product range and the added value offered by its global service network. Within the scope of growth target in companies that have foreign shareholders and are settled in Turkey,

many global and leading companies were added to the portfolio.

The volume of cash and non-cash loans allocated to corporate customers in 2017 reached TL 12 billion and TL 4.8 billion, respectively. Total cash and non-cash loans increased by 14% YoY and the Bank's total loan volume in Corporate Banking came in at TL 16.8 billion.

Our syndication loan increased to USD 540 million in 2017, with a renewal rate of 106%. The total external funding we obtained for the Bank reached USD 1.6 billion.

**Turkey's first FIDO certified product developed in the Orange Lab.**

Our innovation laboratory, the Orange Lab, which was established in 2016, bore its first fruit in 2017. “Xtrong”, which was developed in the Digital Innovation Workshop, became Turkey's first and only FIDO certified product, leading the way in ING for Turkey and on a global scale with its security license, which it received from Silicon Valley.

We are the first country to apply the ING Assistant, which was developed in ING's global innovation processes. We aim to export the ING Assistant to other countries in the coming period.

# Message from the CEO

The amount of time required for our customers to reach an ING Bank customer representative decreased by 16%.

Centralization of operational processes paves the way for increased efficiency and an increase in collections.

The Kahramanmaraş Operations and Call Center, which became a center creating added value, carried out transactions including money transfers of more than TL 100 billion, the allocation of more than TL 60 billion in loans to mid-sized corporations and more than 5 million transactions within the scope of various operational processes.

The amount of time required for our customers to reach an ING Bank customer representative decreased by 16%. As a Call Center which sets itself apart in terms of Customer Experience, we ensure our customers can reach a customer representative within 30 seconds. The ratio of customers who claimed to be “very satisfied” with the service we provide increased from 59% to 71%.

More impetus given to efforts to create value for society in 2017

ING Bank unwaveringly continued activities that will create social value.

Lessons on saving have been given to 808 teachers and 29,172 children in 236 schools throughout 7 cities so far, with the Orange Drop program which was initiated in 2013.

Within the scope of Orange Drop program, which is cited in the academic articles and is closely followed in the world of science, renewed content aimed at developing innovation, curiosity and researching behavior in children will be trialed for the first time in 2018.

The ING Survey on Savings Tendencies in Turkey, which is Turkey’s most comprehensive saving research, was carried out for a fifth year in 2017. This quarterly research, which generates data for the Bank’s many stakeholders including public institutions, will continue to serve as a body of reference in the period ahead.

Support for the Orange School, which serves as a clear indicator of the importance ING Bank places on education and volunteering and which was opened in 2016, continued in 2017. In addition, support was

provided to two schools in Hatay and Ağrı, whose needs and technological infrastructure were provided under the leadership of ING Bank employees.

ING Bank is a part of the ING family which was selected as the world’s most sustainable bank in 2016. ING Bank continued to lead the sustainability of the banking sector in Turkey while carrying out the transformation of its activities regarding social and environmental sustainability.

ING Bank was actively involved in the preparation and declaration processes of the United Nations Global Compact Turkey Declaration of Sustainable Finance. In its activities and applications, the Bank exceeded the commitments stated in the declaration.

Support for women in their career journey

ING Bank’s applications, launched to support the work-life balance as part of efforts to increase the number of woman employees and managers, are taken as example by both the banking sector and the business world.

71%

ratio of very satisfied customers

## Innovation ecosystem

Our aim is to encourage women employees to believe in themselves and to push their limits, while changing current mentalities by creating awareness among men.

As a result of ING Bank's activities in line with this target, the ratio of women in senior management reached 36%. The Bank aims to increase this ratio to 50% within the next 5 years.

### Expanding the innovation ecosystem for next generation banking

ING Bank unwaveringly maintains its investments in technological infrastructure and innovation, as required by its vision of being a "tech company with a banking licence". The Bank continued to take steps to reinforce its internal and external innovation ecosystem in 2017.

Steps have been taken to further develop our innovation ecosystem, which includes the Innovation Camp and Innovation Fund, where innovative ideas are supported at global scale; the ING Hackathon, where young entrepreneurs compete with each other to develop innovative projects; the innovation workshop, which was opened last year; and the Orange Lab, which serves as a laboratory for the banking sector.

The "early stage businesses" in the area of Fintech was supported by the "ING Bank Fintech Special Award" in the İTÜ Big Bang Start-Up Challenge. These start-ups are given the privilege of being able to utilize Orange Lab for one year.

ING Bank undertook 2018 Training Camp sponsorship of the "Bu Gençlikte İş Var" business ideas competition, which has been organized by TÜSİAD since 2011.

### Working to enhance a corporate culture which supports success

ING Bank's corporate culture, which is shaped by the Orange Code and employees who adopt and feed this culture, has played a major role in ING Bank's strong performance and the Bank's innovative structure that undertakes leadership in the banking of the future.

This culture, which is based on passion, belief and mutual trust among teammates, is one of the main pillars of our approach to provide our customers with a completely different banking experience. This culture will sustain our efforts to put "New Wine in Old Bottles" in the coming period.

On behalf of myself and the management team at ING Bank, I would like to thank all of our team, our business partners, our shareholders and all of other stakeholders who have contributed to our successful performance and who further enhanced ING Bank's position in the sector in 2017.

Kindest regards,



Pinar Abay  
CEO

# Review of ING Bank's Activities in 2017

ING Bank continued to apply its business approach of keeping its cost base low and its power to create value added high throughout 2017. The Bank achieved operational and financial results which were in line with its targets by demonstrating a successful performance in its service platform, which is shaped by updated technology.

## Enhancing its competitive advantages to adapt to the current economic environment

ING Bank applied its corporate strategies in 2017 by considering all foreseeable factors. The Bank maintained its steady growth despite the challenging competitive conditions. The combination of the Bank's competence in preparing for the changing business environment in a timely and accurate manner, the successful applications realized in its business processes, its effective management and its marketing and sales activities all served to enhance the Bank's competitive advantages.

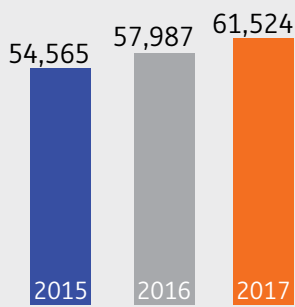
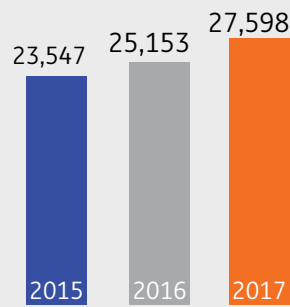
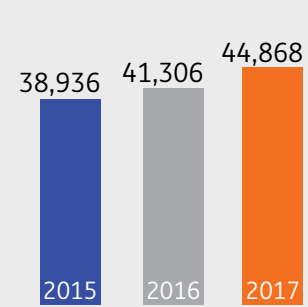
ING Bank benefits from an extensive and rich product range, an experienced and expert team, strong distribution channels and sound technological infrastructure. The Bank successfully took advantage of the opportunities offered by the market and recorded another set of successful results in 2017.

ING Bank's total consolidated assets grew by 7% from TL 58 billion at the end of 2016 to TL 62 billion at the end of 2017. The Bank's consolidated equity, which stood at TL 5.1 billion at the end of 2016, increased by 15% YoY to reach TL 5.9 billion. The Bank's consolidated

capital adequacy ratio reached 19.2% in 2017. Meanwhile, ING Bank's consolidated profit before tax grew by 50% YoY to TL 1.1 billion.

## Significant developments in the service network and diversity with a rise in customer numbers and balance sheet growth

ING Bank developed its relations with Retail, SME, Mid-Corporate and Corporate customers in 2017. The Bank prioritized product-service promotion and marketing activities and diversified the mass it reached in terms of sectors and numbers.

Total Consolidated Assets  
(TL million)Total Consolidated Deposits  
(TL million)Consolidated Cash Loans  
(TL million)

ING Bank continued to meet the financial needs of its customers with an effective pricing policy and a gradually expanding product range. The Bank's deposit volume grew by 10% to TL 27.6 billion in 2017.

ING Bank achieved an important expansion in its loan base and its consolidated cash loans increased by 9% YoY to TL 44.9 billion in 2017. The growth in the Credit Guarantee Fund (KGF) and mortgages in the Corporate and SME business lines were the main factors behind the expansion of ING Bank's loan portfolio.

Despite the higher rate of growth in loan volume in the last year, the total consolidated non-performing loan ratio was realized at just 3.7%. This ratio is the most explicit indicator of the Bank's

business philosophy, which places importance on risk management as much as it does on profitability.

**Maintaining organic growth under every economic cycle thanks to ING Bank's carefully crafted strategies**

In 2017, ING Bank continued to utilize the advantages provided by its right strategy, strong distribution network, extensive range of products and services and its human resources.

ING Bank's year-end growth and profitability rates enabled the Bank to maintain its market share in the sector. According to unconsolidated figures for September 2017, ING Bank was Turkey's 8<sup>th</sup> largest private bank with respect to its asset size. In the same period, the Bank was ranked 9<sup>th</sup> with respect to total deposits.

ING Bank will continue to offer its customers a world class service with the backing of ING Group's deeply rooted international experience, and generate an ever-increasing level of added value for the Turkish economy in the coming years.

19.2%

consolidated  
capital  
adequacy  
ratio





We work to ensure our customers are always one step ahead with our fast and easy mobile solutions.



# Retail Banking

ING Bank's strong and wide customer base, and the Bank's extensive and qualified product range which meets all requirements, are the main building blocks of the development in the retail banking business line.

TL 12.4  
billion

retail loan  
volume

ING Bank offers customized solutions in the ever more competitive area of retail banking. The Bank continues its efforts to launch projects that will create a difference in individuals' lives and permanently contribute to their welfare.

In 2017, the volume of loans allocated in the retail banking segment, which contributes significantly to ING Bank's profitability, grew by 4.9% YoY to TL 12.4 billion.

**A brand new era in general purpose loans with "Kredim Sonsuz (No end to my credit)"**

ING Bank aims to keep its customers one step ahead of the rest and to support them whenever they need the Bank with its award-winning "New Wine in Old Bottles" approach. The Bank achieved a first in the general purpose loans sector in 2017 when it introduced the "Kredim Sonsuz (No end to my credit)" product, where customers can borrow without needing to repeatedly submit applications over digital banking channels and branches when they need credit. Customers using

the Kredim Sonsuz (No end to my credit) product may borrow with both general purpose loans and credit cards, as well as overdraft accounts thanks to the limit cap defined to them with a single application. Moreover, they can use their credit card and overdraft account limits as a general purpose loan that can be repaid in up to 48 monthly instalments if they wish. Furthermore, as they pay back their instalments, they can re-use general purpose loans from these limits. ING Bank customers may easily meet their need for cash whenever they wish over all banking channels without going through the stress of applying, thanks to the Kredim Sonsuz (No end to my credit) limit, which is live and updated by tracking payment performances.

In addition to this brand new limit approach in general purpose loans, ING Bank transformed its rating based pricing model, which has been used for 4 years, into a customized pricing model by analyzing customers' needs and segments in a more detailed manner. By doing so, customers may

utilize the general purpose loan options offered with special conditions when they need cash, thanks to the deeper and more customer oriented pricing strategy.

**Pensioners who will receive pensions for the first time were given the opportunity to choose ING Bank.**

Pensioners who will receive pension for the first time were given the chance to choose ING Bank thanks to the work completed in August 2017 and the agreement reached with the Social Security Institution (SGK). From this date, pensioners and entitled persons who will start to receive pensions from the SGK for the first time will be able to choose any ING Bank branch of their choice for receiving their pension payments. Under the agreement entered into with the SGK, in addition to a cash promotion of up to TL 450, they may receive a cash promotion of up to TL 900 by choosing the most appropriate campaign for themselves. Moreover, pensioners gain the opportunity to withdraw money from all other ATMs in Turkey, free of charge.

# Retail Banking

Offered to the market in January 2011 as a key element of ING Bank's growth strategy, the Orange Account has been used by more than 1.7 million customers so far.

Pensioners who chose to receive their salary from ING Bank have the privilege of being able to reach special customer representatives on a 24/7 basis whenever they wish on any subject of their choosing thanks to telephone banking. In addition to telephone banking, they will always be able to meet their needs from the branches by receiving prioritized service.

**Record high market share was achieved in vehicle loans.**

Thanks to ING Bank's effective dealer management, campaigns offering attractive payment terms and a procedure where vehicle loans can be arranged at the dealer without requiring a visit to the branch, the Bank was able to enhance its strength and competitive advantage in the vehicle loans segment in 2017. ING Bank recorded 35% growth in vehicle loans, a rate in excess of the market rate. The Bank's market share came to 11.4%.

In addition to new brand partnerships, successful campaigns were conducted where only ING Bank offered vehicle loans for select new models for a key vehicle manufacturer with an important market share in the sector.

The Bank will maintain its effectiveness in dealers by adding new cooperative agreements with Turkey's leading brands and distributors and by improving the allocation process in 2018.

**Effective portfolio management in mortgages**

ING Bank adapted itself to rapidly changing mortgage market conditions in 2017. In addition to improvements in loan allocation processes, the Bank conducted effective portfolio management by carrying out customer based campaigns and enhancing its relations with estate agents.

**The Orange Account remains the driving force for ING Bank in deposits.**

ING Bank's free savings account product, the Orange Account, continued to be the driving force of the Bank in deposits, providing a significant contribution in the expansion of the customer base and increasing the number of customers in 2017.

The Orange Account was offered to the market in January 2011 as a key element of ING Bank's growth strategy. The Orange Account has been used by more than 1.7 million customers so far. The Bank offered e-Orange to the market for its customers using digital channels and aimed to reach younger masses.

In 2017, the rate of growth in the Orange Account exceeded the rate of deposit growth in the sector. The Bank accordingly reached a market share of 19% in deposits with maturities of up to one month.

ING Bank's deposits reached the widest base of any bank in 2017 thanks to the saving

11.4%

market share in vehicle loans

**ParaMara  
Card**  
the first  
digital pre-  
paid card

products it developed. Since the beginning of 2017, ING Bank has offered USD, Euro and Sterling deposit options for Orange Account customers wishing to keep their savings in foreign currency, in addition to Turkish Lira.

**Steady growth in number of credit card customers and transaction volumes**

ING Bank steadily expanded the number of its credit cards in circulation and its transaction volumes in 2017.

The main developments regarding credit cards realized in 2017 are summarized below:

- ING Bank added two new products - Pegasus Classic and Pegasus Premium - to its Pegasus Card platform which the Bank has continued to offer in cooperation with Pegasus Airlines. Pegasus cards, which are the Bank's first contactless credit cards, allow customers to utilize the advantages in a more effective manner. Users can enjoy a more comfortable travel experience thanks to a number of services, especially in the Pegasus Premium product, such as being able to collect 1% flight points from shopping, a 50% discount on valet parking in Sabiha Gökçen Airport and use of the Lounge and Fast Track at no extra cost.
- Customers were offered the ING Light Card, a credit card with no annual membership fee.
- With the "Welcome to ING Bonus", customers receiving a Bonus credit card from ING Bank for the first time could benefit from three different special offers.
- Customers were able to choose from the following special offers through a single SMS: A cash advance of TL 1,000, payable with instalments and no interest or cost; interest-free payment by three instalments over a period of 6 months in advance transactions of more than TL 100; or a 10% Bonus on shopping (capped at a maximum of TL 50 in total).
- With the "Kredim Sonsuz (No end to my credit)" application, customers who applied for general purpose loans are automatically offered a credit card and their different needs are considered in a single application.
- The integration of the ING debit cards and prepaid cards with Masterpass, Mastercard's digital wallet, was completed.
- Delaying and splitting Bank statement into the instalments service was also made available on the ING Bank internet branch.
- ING Bank introduced

TROY (Turkey's Payment Method) branded debit cards to its customers by working with BKM.

- By moving to debit cards with the Chip feature, the card security of customers was maximized.
- The first digital prepaid card, the "ParaMara Card", was developed and offered to customers through the digital wallet application, ParaMara. Contactless shopping can be carried out via the ParaMara Card with NFC featured Android phones.
- With the "SME Card" product, all cash and shopping needs of SMEs started to be met from a single product. The SME Card product enables customers to withdraw money with their debit cards; it meets urgent cash needs even if there is no cash in the account, thanks to the KMH feature; it allows shopping the world over with its credit card feature; and it provides access to commercial loans with equal instalments from the ING internet branch, with its loan feature.

# Retail Banking

Improvements for facilitating usage have been carried out by analyzing customer behavior thanks to the analytical reporting products used in ING Bank's internet banking business line.

## Alternative Distribution Channels

Effective usage of distribution channels contributed to the expansion in the Bank's customer base, the deepening of its customer relations, increasing customer loyalty and the development of ING Bank's complimentary product and service offering power.

ING Bank continued to extensively use its distribution channels in 2017 to offer an uninterrupted and qualified service 24 hours a day, 7 days a week. The Bank's distribution channels consist of the following:

- ATMs,
- Internet Banking,
- Mobile Banking and
- Telephone Banking

ING Bank is focused on reducing operational expenses and increasing effectiveness through the intensive use of technology primarily in its branch network. In accordance with this, transferring the operational burden from its physical service network to distribution

channels became a prioritized target.

For ING Bank, the constantly developing distribution channels started to be used as a driving force in enhancing customer portfolio and sales activities, going beyond a service channel.

ING Bank became one of the most successful users in recent years with its product-service- distribution channel integration and performance recorded in utilization rates.

The number of sales conducted through the distribution channels continued to grow in 2017. The quantity based share of sales from distribution channels in total sales reached 37%.

Within the framework of the Hybrid project, where everyone -whether or not they are customer of the Bank- can select products without visiting the branch, 47% of loans were made available through non-branch channels in 2017.

The e-Orange Account, which is offered through digital channels and

has the advantage of a Welcome Rate for 1 year, was introduced in 2016. A total of 132,000 accounts were opened with this product during the year, and the balance of these accounts reached TL 3.9 billion by the end of the year.

## ATMs

ING Bank has one of the biggest and most effective ATM networks in the sector with its 1,541 installed ATMs, where it commands a 3.2% market share and 41% active usage rate.

In 2017, renewal work on preface and transaction flows started to provide customers with more qualified service over ING Bank ATMs. Cash withdrawal through QR, which provides user authentication from digital channels and location verification from the ATM, was developed and offered to customers. Moreover, emphasis was placed on modernization efforts in system infrastructure to introduce customers to new technology products more quickly.

Work continued to replace ING Bank ATMs with state-of-the art ATMs in 2017.

TL 3.9  
billion  
e-Orange  
Account  
balance

## ING Assistant

making transactions automatically

Functional developments that allow customers to conduct foreign exchange transactions were completed and launched. The Bank also established and made available infrastructure where users who are not customers of the bank may also apply for products.

ING Bank also used data obtained from the customer segmentation project to position its ATMs at the right locations so customers to be served adequately while optimizing the location of ATMs. The project, which achieved significant progress, provided positive outcomes in the volume and performance rates of ATMs.

Continuously developing the range of transactions offered from its ATMs to meet the needs of both its individual and corporate customers, ING Bank aims to turn its ATMs into service points that are integrated with other digital channels and provide an uninterrupted 24/7 service.

### Internet Banking

In a first for banking internet branches in Turkey, ING Bank continues to offer its customers Retail and Corporate Internet branches with a design and content compatible with all digital platforms, from desktop computers to mobile devices.

Improvements aimed at facilitating usage have

been made by analyzing customer behavior thanks to analytical reporting products used in ING Bank's internet banking business line. Moreover, any problematical areas which give rise to customer dissatisfaction are rapidly detected and related solutions are generated, thanks to surveys carried out at the end of the transactions.

Work on the Retail and Corporate Internet Branches became continuous at ING Bank, enabling customers to carry out their daily banking transactions over the internet quickly and securely for the entire and growing product range. The Bank continued its developments in light of the customer feedback.

Developments in internet banking in 2017:

- Foreign currency trade is offered to customers, with features of freezing the rate for 20 seconds and live monitoring of rates.
- Games of Chance payments were launched for retail users in both the ING Mobile and Internet Branch.
- Corporate users were able to easily carry out discount of receivables from the Direct Debiting System (DBS) and house property insurance over Corporate Internet Branch.
- The ING Assistant, where customers can receive notification by SMS and/or e-mail by

defining conditions in money transfers, and can carry out automatic transfers.

- Within the scope of accessible banking, preliminary work started to be carried out to simplify the process of internet banking for the use of disabled individuals.

### Mobile Banking

ING Mobile, where customers can carry out transactions on their mobile phones, enables the Bank's customers to carry out their daily banking transactions quickly and securely, while also allowing them to apply for products that meet their other banking needs. The application can be used on devices with either the iOS or Android operating systems.

The share of ING Mobile active users in total digital channels reached 92% in 2017.

As a banking application that meets all of the banking requirements of ING Bank customers in Turkey, ING Mobile updated its interface in 2017. Within this scope, two applications -retail and corporate- are unified as a single application and its transaction set was expanded. The objective of this update was to offer a banking application that is fast, offers a high-quality user experience, is secure, and listens to user feedback.

# Retail Banking

Activities on the “New Wine in Old Bottles” communication platform continued to gain pace in 2017.

Additionally, the ING Corporate Mobile Branch, ParaMara, ING Trader, ING Field Sales Application (in separate modules for individual and corporate customers) and the Branch Tablet Applications -all services in the ING Bank Mobile range- continue to serve the customers.

ING Assistant feature was added to the ING Mobile application in 2017. With this feature, customers can automatically follow their financial transactions without any burden by defining various rules such as getting information and carrying out smart moves.

In addition, a broad range of innovations such as FX Trader (foreign exchange transactions), Fund Trading, Live Support (over online chat), Games of Chance Payments, the ING Pegasus Plus Classic/Premium Card and QR Code Flow for Fast Track transits (Fast Track System in Sabiha Gökçen Airport) were offered to all customers.

**ParaMara application maintains its successful performance in 2017.**

ParaMara is an application which does away with the requirement to hold a bank account or only carry out transactions in working hours for actions such as shopping on the internet, transferring money, creating a pre-paid card, carrying out bill payments or buying digital codes, while enabling users to satisfy their daily financial needs from their smart phones both rapidly and easily.

Thanks to ParaMara's new financial solution, non-Bank customers can now send and receive money, thereby creating a new financial auxiliary product. ING Bank Turkey has earned a special place among ING countries thanks to the ParaMara application, and significant resources have been provided from the ING Global Fund, which is a pool of funds set up by the ING Group to support innovation. ParaMara was one of the first initiatives to be chosen to benefit from this fund, which is open for all countries to take advantage of.

For the first time in Turkey, ParaMara users are able to carry out contactless payments over Android devices. This feature, which makes a difference in the sector by allowing smart devices to be used as credit cards, enables ParaMara to easily meet today's demand for fast and easy payments.

Moreover, users can shop on the internet with special discounts for ParaMara using the pre-paid card, that is free of charge and commission, and that has been created in the application itself.

Thanks to ParaMara's new feature, even in situations where the recipient has no bank account, users may send their friends digital codes through global social, music and gaming platforms using ParaMara where they can enjoy the world of entertainment.

ParaMara provides an improved pace and ease in transferring and receiving money. The QR code money withdrawal feature was developed to speed up money withdrawal transactions without the use of a card and to offer customers a safe and

92%

share of mobile active users number in total digital channels



# 30%

share of active users of digital channels in the Bank's customers

easy means of doing so in ParaMara. This feature was enabled at the end of 2017.

ParaMara allows users to carry out their daily payments quickly. ParaMara allows all users to pay the bills of any institutions of the users' choice over a single application with bank cards, whether they are an ING customer or not. This was one of the first such features among banks, and was enabled in December 2017.

#### Digital Channels

With its device-compatible internet banking and mobile applications, ING Bank offers its customers a unique banking experience, regardless of their location or device.

The share of the active digital channel, which consists of ING Bank's Internet Banking and Mobile Banking channels, had reached 30% in the Bank's overall customer base by the end of 2017.

#### Brand Strategy

##### Bringing "New Wine in Old Bottles" continued.

Activities in the "New Wine in Old Bottles" communication platform continued to gain pace in 2017. The face of the brand, Kerem Tunçeri, and antagonist, Şinasi Yurtsever, continued to present information about the main benefits of the products through different stories with the strategy of the brand that challenges the

system. The Bank's target audience was reached in above the line platforms throughout the year with the communication of the Orange Account, the e-orange account, risk based loan products, promotion campaigns for pensioners, the Pegasus gift ticket campaign, the ING Mobile launch and basketball.

This steady communication strategy paved the way for the highest levels in brand scores. Spontaneous brand familiarity maintained its level of 70%. Moreover, the rate of the brand being taken into the evaluation basket of the target mass increased to 67.5%

The Bank's communication platform was awarded with the Golden Effie Award in the category of Sustainable Success in the Effie Awards, which awards steady success, in recognition of the consistent brand tone and effective campaign results.

##### Promotion of ING Assistant feature with launch of ING Mobile was made.

In 2017, launch of ING Mobile with the feature of "ING Assistant" was made as a reflection of ING Bank's easy and convenient banking approach.

The ING mobile and internet banking application went beyond being a reminder for financial transactions thanks to the addition of the assistant feature.

These applications perform transactions on behalf of users when necessary, and notify them of the results.

The ING Assistant allows users to follow their accounts more closely on a daily basis. Users can create rules in their financial management agendas thanks to the "Notify me" and "Move smart" features. These rules include the options to "Transfer my salary to my Orange Account" and "Warn me when my credit card spending has reached the cap that I have determined".

An advertising campaign which was broadcast under the slogan of "ING Mobile - Consider It Done", which met the target audience in many platforms such as TV, digital, mobile, movie theatres and outdoor advertising.

##### e-Orange Account celebrates its first year.

The e-Orange Account, which is the Orange Account -a flexible deposit account- that is fully used over digital channels, celebrated its 1<sup>st</sup> year in 2017.

The advantages of the digital channel and the high interest rate were emphasized in the campaign where the e-Orange Account was expressed over the "New Wine in Old Bottles" communication platform.



# Retail Banking

The services and terms related to the banking and finance world are expressed to followers in simple language in the videos prepared with the participation of social media celebrities and ING Bank employees.

In addition to television commercials, the e-Orange Account campaign, which was broadcast throughout the year encouraged customers to save with adverts in printed newspapers, digital newspapers, outdoor advertising, radio, movie theatres and digital platforms as well.

ING Bank continued its main sponsorship of Basketball Super League in 2017.

In 2017, ING Bank remained the main sponsor of the Basketball Super League, which it has been sponsoring for 3 years under the slogan of "the unchanging color of basketball". It aimed to emphasize the harmony of basketball with ING's brand identity by agreeing on comprehensive sponsorship for a mass sport area.

This year, the essence of basketball was mentioned by entering the field. The focus was on the exciting moments of players who have shown determination to challenge and who have changed games by demonstrating their courage to express the fact that the dynamic and

innovative attitude of the brand's challenger exists in basketball.

A television commercial which was broadcast throughout the season started in a monochrome form and the field and player were then brought into color at the moment the game changed. Sometimes the fans who cheered their team to success with their slogans were also brought into color. The fact that these situations, which make basketball so miraculous, changed the game was visualized.

**Updating of the ING Bank Human Resources website**

The Human Resources page, which is under the ING Bank website, was updated to bring it in line with the layout used in all ING countries. New content and a colorful world were created for the ING career web site which was restructured by using a global platform.

Information about ING Bank and human resources was included on the Human Resources web site, which aims to ensure that the visiting candidate can easily find

the information they are searching for and that they know the brand. The design and content of the website were given a local flavor. Information that will help candidates know about ING and to understand whether they are a good fit for each other was included on the website.

The application tab on the Human Resources web site was renewed. Sections providing information about the "Young Talent" special program, the working atmosphere at ING, social rights and processes and departments were added to the website. In doing so, candidates who plan to apply have the chance to assess in what department they can be most efficient. In addition, a game which aims at improving the relationship with the candidate and which reflect ING's recruitment strategy was included on the main page.

1  
year old

e-Orange  
Account

“Money Issues” is a platform that teaches smart money management

### Introducing the YouTube “Money Issues” channel - a first in banking sector

The Money Issues content platform broke the mold in the banking sector as being the first YouTube channel to be opened with the purpose of teaching smart money management to consumers, encouraging them to save and enhancing financial literacy in Turkey. With this channel, a new activity was added to ING Bank’s activities in the area of saving. It was aimed at establishing emotional ties with customers.

The purpose of the Money Issues platform is to express and teach consumers that saving does not only depend on income or expenses, and that people can also save without changing their quality of life. Services and terms related to the world of banking and finance are expressed to followers in simple terms in the videos that are prepared with the participation of social media celebrities and ING Bank employees. It aims to make followers move in a more conscious manner while taking financial decisions for the future.

The Money Issues channel had more than 73,000 subscribers as of the end of 2017 while its total number of views had reached 18.5 million. Mast-Head activity was viewed more than 82 million times

and exceeded YouTube’s Mast-Head benchmark of 75.1 million.

The Money Issues channel was given the Success Award in the Transformative Marketing category of the Mediacat Felis Awards. It was also awarded in the Marketing Communication category of the Empowerment Awards 2017.

### High brand interaction achieved through active social media management

In 2017, ING Bank determined its social media strategy as creating special content that will fit digital platforms’ dynamics and sharing content with media investments and timing offered by platforms. Facebook was selected as the main communication platform for social media. The Bank also created content fitting the structures of Twitter, Instagram, YouTube and LinkedIn.

Special day interactions are one of the most important items that support the interaction pillar of this strategy. Special projects and content was created for the April 23<sup>rd</sup> National Sovereignty and Children’s Day, Valentine’s Day, Father’s Day and various other special days.

With the project conducted on April 23<sup>rd</sup>, world children’s day, this special day of children not only from Turkey but also from other countries was celebrated. By interacting with ING Spain, ING Poland and ING Italy, ING Bank’s international power was emphasized with three different videos specific to each country and a total 866,000 people were reached by celebrating all of the children’s festivities.

For Father’s Day, the “happy father’s days” project, which considers the day from different perspectives based on the New Wine in Old Bottles strategy, was prepared. The project reached a total of 3.5 million people on social media.

ING Bank’s “Students’ Report Card Day Leave” which creates difference in the sector was also considered as a social media project and the importance of employees’ accompany with their children on students’ report card day was expressed. The importance that ING Bank gives to its employees was expressed by reaching 1,485,000 people on social media.

# SME Banking

ING Bank SME Banking has been solution partner in all SMEs' success stories.

ING Bank, as the sector's strong and reliable bank with a modern banking approach, continues to support all entrepreneurs who contribute to the increase in production, investment and employment as well as craftsmen, artisans and SMEs.

## Continuing to work shoulder to shoulder with SMEs

Within the framework of its vision, ING Bank which works shoulder to shoulder with SMEs, the Bank has been the solution partner of all SMEs in their sustainable success stories from providing them access to finance to consultancy in any topic they need. The SME Banking unit, as the SME Dream Team, offers special solutions by using ING's global network for those who want to operate or invest in abroad in addition to provide consultancy in branches through portfolio managers.

ING Bank is aware that accessing financing with reasonable costs and opportunities is one of the primary needs of SMEs. Keeping this in mind, the Bank supported SMEs with various campaigns and programs throughout 2017. ING Bank made low-cost loan options with grace periods available for SMEs and rapidly provided SMEs and artisans with the financing they need.

## Meeting the financial needs of SME's with annual turnover of up to TL 40 million

In parallel with its innovative approach and strong road map, ING Bank SME Banking maintained its successful performance in 2017 and achieved growth in excess of the market and sector rates once again. The volume of cash loan support provided to SMEs increased by 63% YoY to reach TL 9.2 billion. The volume of non-cash loans grew by 59% YoY in the same period to reach TL 1.5 billion. Loans allocated with the support of the Credit Guarantee

Fund (KGF) are key driver of the exemplary loan performance of the SME Banking segment.

## SMEs are able to benefit from easier access to financing and expanding their businesses, thanks to the KGF project.

In the project that the KGF started in 2017, SMEs have been provided with easier access to financing with ING expertise and have benefited from the opportunity to expand their businesses. Unlike the other applications in offer in the sector, the ING Bank SME Banking unit has launched analytics based reporting systems that will provide updated follow-up of risks. The Bank utilized robotics to rapidly establish applications without any problems, helping the Bank wrap up a very successful period with respect to KGF loans in a process which provides automatic transferring of KGF offers to the system in KGF loans and which can operate 24 hours a day without the need for any human intervention.

63%

growth in SME cash loans

7,156  
companies  
obtained  
KGF support

The ING SME Banking unit offered TL 5.2 billion of KGF support to 7,156 companies in 2017.

#### Innovative products and services offered to SMEs in a different range of areas

In line with the Bank's digitalization vision, the ING SME Banking unit provided SMEs with a number of important advantages. New digital processes were designed in many areas to increase SME's customer satisfaction and enabled them to utilize loans in the fastest and easiest manner.

ING Bank continued to support SMEs through channels such as the Web SME Loan, the SMS SME Loan and the Corporate Mobile Branch. Users of the corporate internet branch can perform derivative transactions such as forward contracts and swaps online. Both retail and corporate applications are gathered under a single roof with the development and the updates made for ING Mobile. SMEs and artisans can accordingly use ING Mobile's modern and user friendly interface and can confirm their transactions over ING Mobile.

Moreover, they can conduct FX transactions with the privilege of FX rate freezing for a period of 20 seconds. With ING Corporate, they can carry out payment and transfer transactions for

their companies via smart devices such as mobile phones and tablets. ING SME Telephone Banking is also offered to use of customers on a 24/7 basis so SMEs can use their time more effectively and continue their work without interruption.

The Bank developed Winning Packages which are designed to meet the needs of SMEs and artisans to accurately manage their costs and which offer most frequently used banking transactions such as EFT/Money Transfer free of charge. Moreover, cheque collection transactions, which SMEs and artisans frequently use in their daily lives, were also added to the scope of the package. Customers were given the advantage of carrying out transactions related to ING Bank and other bank cheques which they give for collections and guarantees, free of charge.

By meeting the insurance needs of SMEs, ING Bank ensures that they take measures against possible adversities in advance, thereby contributing to an uninterrupted activity cycle. Thanks to "My SME Loan is Secure" product which was launched in 2017, SMEs and artisans are provided with security through life insurance that fits the loan amount and maturity.

Findeks products, which were launched by the Credit Bureau (KKB) which was established with the partnership of Turkey's leading nine banks, started to be offered to those who need it with the lead of SME Banking. Findeks membership and package sales transaction can be made over the ING Bank system.

Similarly, ING Bank takes into account cash flows as well, and designs alternative products that fit the needs of all sectors from foreign trade to tourism, all professional groups from pharmacists to certified accountants and notaries, and tradespeople of all scales.

#### ING Bank aims to diversify product and service range offered to SMEs.

ING Bank aims to diversify solutions that are offered to SMEs and that ease access to low cost loans and financing. Within this scope, European Investment Bank and Eximbank resources are allocated to SMEs in medium and long term investment loans. The Bank intermediates in the support provided by the European Investment Fund (EIF), KOSGEB and the Undersecretariat of the Treasury the Republic of Turkey, as well as in KGF support.

# SME Banking

Additional support was offered to member merchants with the “Refreshing POS” product, which does not charge any fees or commissions for the first 3 months.

## Placing importance on the sustainability of SMEs

ING Bank is aware that sustainability is one of the most important issues for SMEs in changing world and market conditions. Within the scope of a project that has been carried out with ING Global, the sustainability of SMEs has started to be evaluated from different perspectives.

The project is focused on achieving healthy financials, access to financing, financial training, surviving under extraordinary conditions, new technological applications, investing in sustainable energy resources and environmental protection.

## Bringing banking transactions to the customers' doorstep with the Mobile Sales Team

Moving with the mobile age and changing global dynamics, ING Bank has invested in the corporate mobile branch and tablet applications, and went mobile in its processes, enabling the mobile and branch field teams to sell products over this channel.

Many processes in that context have been made mobile with the purpose of delivering services to customers wherever they are. Acting with this perspective, SME Banking revised the end-to-end focus of its Mobile Sales Team as it fully serves SMEs.

In parallel with the needs of SMEs, the Mobile Sales Team has expanded the range of products and services it offers on the tablet platform. With the tablet application, the Mobile Sales Team introduces banking products to artisans in their work places. The team aims to offer products that will bring ease to the lives of artisans such as POS machines and company credit cards, with preferential fees along with easy and fast processes. The Team also aims to offer customers a faster service during direct sales. Activities and investments aimed at effectively transforming customers' workplaces into ING branches will continue going forward.

## Further growth in the member merchant market share

The ING Bank SME Banking continued unwaveringly to expand its member merchant market share. The Bank focused on the active status of member merchants in 2017, and increased its profitability by 22% while continuing to offer different products for customers' needs.

Within this scope, additional support was offered to member merchants with the “Refreshing POS” product, in addition to various product packages where no fees or commissions are payable for the first three months. The Bank rolled out customized campaigns and pricing by applying smart campaign processes. Thanks to these smart models, merchant memberships were extended and the efficiency of member merchants was improved by creating satisfied customers.

Refreshing  
POS

additional  
support for  
SMEs

333

SME and  
SME Plus  
portfolio  
managers**Revolutionizing pricing culture in SME Banking**

ING Bank developed a dynamic and analytical system for SME loans in 2017, which is unparalleled in the banking sector. The customer data based cash loan pricing system was launched.

The Bank started to quickly meet the financing needs of its customers by offering the most convenient and fair prices over the system thanks to new pricing approach. Those customers preferring to work with ING Bank could benefit from more competitive prices, thanks to analyses of their financial and sectoral data as well as the tracking of such data.

In addition to providing customer satisfaction and taking quick actions, one of the biggest benefits of the new pricing approach is that the sales teams who best know customers' needs have more influence in pricing decisions.

While all these innovations contributed to customer satisfaction, they also kept ING Bank one step ahead of the competition. Work also started on developing the pricing model, which has been successfully applied to the SME business line, for ING Bank's Mid-Corporate and Retail business lines as well.

**Important progress achieved in the quality of SME Banking's loan offers**

With the contributions of SME Loan Offer Management team, which was established with a group of expert staff at the beginning of 2017, significant progress was achieved in the number of portfolio managers' loan offers of TL 1 million or more, and their quality. Thanks to the improvements made as a result of the disciplined and pre-planned work by the SME Loan Offer Management team, the rate of cancellations from loan teams decreased from 29% to 19%.

Approximately 333 SME and SME Plus portfolio managers received comprehensive training about financial analysis, bank and credit policies and offer preparation processes. On-the-job training, regional training and coaching for the Loan Offer Management team will be continued in 2018 in a planned manner.

**Customer and employee satisfaction is one of the most important topics.**

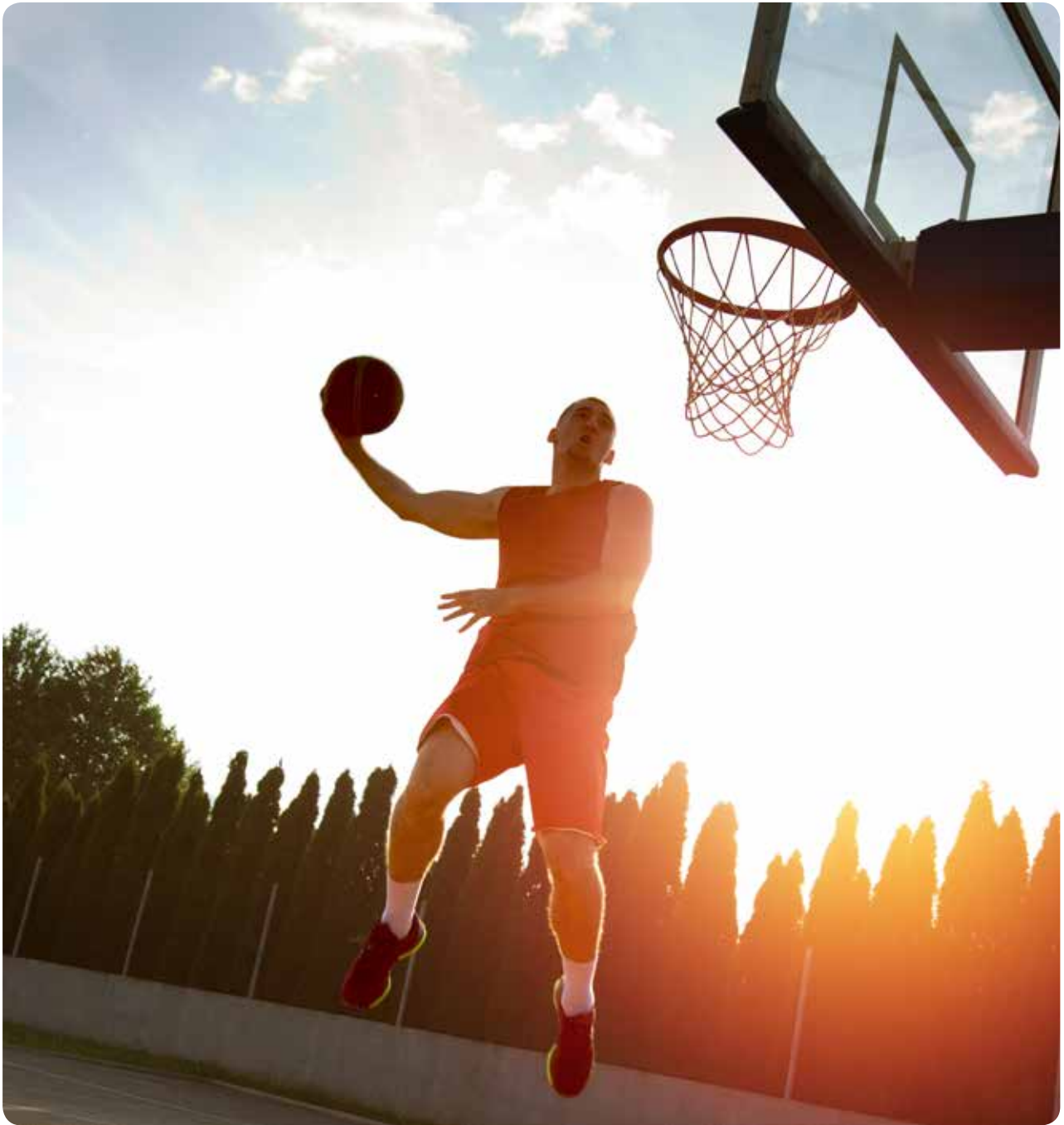
ING Bank SME Banking offers its customers with new products and easy processes via different channels. ING Bank SME Banking considers happy customer approach among its biggest priorities.

Quality level of product and service that was offered is measured by making certain number of customer calls after the completion of transactions within the scope of products and services that were offered to customers. Feedbacks obtained from these calls are used in improvements that will be made for increasing quality of service, product and process.

Knowing that happy customers depend on happy employees, ING Bank SME Banking puts the customer portfolios satisfaction among the top priorities. Various events and activities which aim to increase the motivation of SME business line portfolios were continued in 2017.

**SME Banking business line that adopts digitalization vision will have digitalization of products, services, and customers among their priorities in 2018.**





We are the unchanging color of basketball with our sponsorship of the Turkey Basketball League!



# Mid-Corporate Banking

The ING Mid-Corporate Banking unit meets the short, medium and long term needs of its customers with products that are tailored for the size of their business and operations, by considering segmentation criteria and rating models.

As part of its strategy of being the main bank for its customers, ING offers high quality services and generates special solutions for needs, and in this vein the Bank continued to expand its customer portfolio with new products and applications in 2017. ING Bank offers all of its customers the benefit of its international experience and attractive financing opportunities. The Bank served its customers with its expert portfolio teams in 15 Commercial and 17 Hybrid branches throughout Turkey during the year.

ING Bank supports its customers' production and trade activities with its high value added foreign trade products. The Bank achieved a significant increase in its capital adequacy ratio in 2017 thanks to its diversified foreign trade products, effective use of the international banking network and customer-centric service approach. At the end of 2017, its cash and non-cash loan

volume in mid-corporate loans came in at TL 10.3 billion and TL 1.8 billion.

In the area of mid-corporate banking, ING Bank undertook its biggest investment in "Mid-Corporate Banking of the Future" in 2017. Digital investments, primarily the OLE project, are given added weight in the Mid-Corporate Banking business line. The OLE project promises to maximize customer satisfaction and revolutionize the customer experience. In parallel with the process of digitalization, the use of ING FX has increased considerably. ING FX allows customers to carry out all Hedging and FX transactions without needing to contact any customer representative.

ING Bank's target for 2018 is to further improve the experience on this platform and offer a faster and more technological service for its customers.

In addition, in 2017 ING Bank Mid-Corporate Customer Representatives

started to offer all customer pricing transactions online without needing approval. With this application, the Bank started to instantly and flawlessly offer the right pricing to the right customer. User-friendly features and new transaction options were added to ING Mobile, which was updated at the end of the year. The Bank plans to continue these activities in 2018.

A total of EUR 160 million in resources provided from the European Investment Bank by the ING Mid-Corporate Banking unit was allocated for investment financing. Support was extended for customers' investments and their needs for long term working capital were met through this resource.

With the long term loans allocated within the scope of KGF guaranteed loans, support was extended to customers' projects and investments deemed to create employment and add value. The Bank contributed to the economic cycle by

extending short term loans to long term loans. As of the end of 2017, the ING Mid-Corporate Banking unit had allocated TL 3.1 billion of cash loans with the KGF guarantee.

A wide array of features was launched for the ING Mobile platform, which was renewed at the end of 2017. With these features, customers may easily carry out all kinds of transactions over the Mobile Banking platform. ING Bank continues to establish new digital platforms for all banking products. The Bank initiated work on the digital and mobile innovations that it will launch in 2018.

In 2018, ING Bank will continue to focus on growth with a wide array of innovations, technologies, digitalization, new products and new experiences that are designed for customers.

# Wholesale Banking

ING Bank offers prestigious products with high added value to its customers, which include national and multinational companies, in the area of Wholesale Banking - a key business line that has long been an area of strength for the Bank.

ING Group's global accumulation, international customer portfolio and experience reinforce ING Bank's competitive advantages in Wholesale Banking. ING Bank utilizes the advantages of being an international bank and offers tailor-made products, specialized services and clear solutions to customers with its three Wholesale Banking Centers.

The Bank offers its wholesale clients an extensive product mix including loans, project and trade finance, treasury products, risk management products and domestic and international cash management services. ING Bank's innovations and its power to develop products based on customers' needs were fundamental in achieving its growth in the number of customers and building business volumes in 2017.

ING Bank's primary goal is to create an effective and efficient working atmosphere with its

current customers and to ensure active utilization of allocated limits, in addition to expanding the customer portfolio with new customers. As a result of marketing activities that the Bank has attached weight to in line with this target, ING Bank has deepened relations with its current customers and added new customers to its portfolio.

Once again, ING Bank proved itself to be an active market player in the club and syndicated deals that it sealed for its wholesale clients. Assuming the roles of the "arranger bank" and "coordinator bank", the Bank continued to increase its market share.

The volume of cash and non-cash loans allocated to wholesale customers reached TL 12 billion and TL 4.8 billion, respectively. The total volume of cash and non-cash loans grew by 14% YoY and the Bank's total Wholesale Banking loan volume reached TL 16.8 billion.

## Structured Finance

**ING Bank commands a differentiated and specialized position in structured finance, backed by the support of ING Group's worldwide service network.**

### Increasing demand for project and structured finance products in Turkey

There has been an increasing trend in the number of privatizations, mergers and acquisitions in Turkey, along with investment projects with long-term funding needs. This trend has attracted the interest of local and foreign investors, paving the way for the growth of the structured finance market.

ING Bank provides long term resources to investor Turkish companies and intermediary services. Structured finance portfolio of the Bank includes infrastructure, energy, natural resources, telecommunications, media and technology sectors.

14%

increase  
in total  
wholesale  
loans

## ING FX

The ING FX platform is within mobile banking

ING Bank employs a team of experts who are specialized in the area of structured finance. When allocating long term loans, the Bank generates special solutions for companies' cash flows, offers products that differ from classical financing methods in the sector and undertakes detailed project/cash flow analysis to minimize risk. ING Bank deploys effective mechanisms aimed at monitoring cash flow and risk. The Bank also diligently implements its strong collateralization policy in the structured finance business.

### One of the most active participants in the Turkish syndication market

Undertaking diverse roles such as being a coordinator bank, a hedging bank and a security agent, the Bank attracts a significant share of companies' medium and long-term syndication and club deals. At the same time, ING Bank offers Turkish companies intermediary services and long-term funding as part of the subsidy programs carried out by export credit agencies.

### Financial Markets

**ING Bank generates solutions to meet the needs of its customers with its innovative and rigorous approaches. Pursuing a quality-based service approach and placing priority on transparently offering all products to customers to meet their needs are the underlying reasons behind ING Bank's popularity in financial markets transactions.**

The ING Bank Financial Markets Group, which consists of the Financial Markets Trading, Financial Markets Sales and Marketing, and Economic Research units, accurately assesses financial markets with a synergetic approach.

The ING Bank Financial Markets Group carries out brokerage activities and uses current and proven market risk management techniques and capitalizes on short- and medium-term movements in the financial markets. The Group offers risk management solutions in value added products including foreign exchange, interest and commodity derivatives. The quality oriented service approach and priority placed on transparently offering high value added products which meet customer needs are the underlying reasons behind ING Bank

popularity in financial markets transactions.

### ING FX platform launched.

The ING FX platform was launched as part of its mobile banking service in 2017 as a result of joint efforts carried out with digital banking teams to meet the needs of Financial Markets Group customers in FX markets in a fast and straightforward manner.

Customers can access instantly to the changing foreign exchange rates and conduct transactions over this platform. All legal entities are able to easily carry out derivative transactions such as forward contracts and swaps digitally over the ING FX platform by using mobile banking applications. Thanks to this platform, the financial Markets Group made it possible for customers to access FX products instantly and simply from any location.

### An increase in transaction volumes...

Working to realize its mission of becoming a foreign trade bank, ING Bank meets customers' changing needs thanks to its diversity in derivative products.

ING Bank is one of the market makers in the public sector's bonds and bills transactions, a position the Bank maintained in 2017. ING

# Wholesale Banking

The ING Bank Financial Markets Group uses current and proven market risk management techniques and takes advantage of the short- and medium-term movements in financial markets and brokerage activities.

Bank ranked among Turkey's leading banks in terms of treasury transaction. The Bank increased its market share in transactions of bonds, TL and foreign exchange.

ING Bank intermediated in USD 40 billion of foreign currency transactions in 2017, of which USD 15 billion was customer-originated. The Bank also carried out TL 22 billion of transactions in treasury bills and government bonds, excluding auctions.

#### A service based on accurate and objective information

Focusing on the Turkish market, the Economic Research Group shares macroeconomic research reports prepared by the Bank as well as its own forecasts with the ING Group's local and international customers.

The Economic Research Group provides a significant contribution to the Bank with the accurate and objective information it obtains as a result of its research, as well as its valuable assessments.

#### Financial Institutions

**ING Bank is a widely renowned service provider and a business partner in international markets, as well as in Turkey with its brand which is synonymous with efficiency, effectiveness, quality, devotion to ethical values and innovation.**

**One of the most preferred Turkish Banks as a business partner in the international arena**

ING Bank increasingly maintains its cooperation with international financial institutions to provide its customers with accurate financial solution offers that create value.

ING Bank has long term and widespread correspondent relations with more than 1,000 banks in over 100 countries that are deeply rooted in mutual trust. The Bank diversified its widespread correspondent bank network in 2017 in parallel with customer demands and cycles and trends in the world economy. The Bank continued to take steps to

obtain funds from foreign and domestic markets in 2017.

By combining its traditional and deeply rooted international relations with the contribution of being a member of the ING Group, ING Bank intermediates in its customers' foreign trade transactions and financing needs, offering attractive conditions.

Within the scope of foreign trade financing, ING Bank successfully continued to provide pre-financing loans, post-financing loans, working capital and general purpose loans through international markets during 2017.

ING Bank aims to be the biggest supporter of Turkey's exports among the banks. The Bank provided significant contributions to Turkish exporters with the loans allocated in 2017. ING Bank has unwaveringly progressed towards its target.

USD 40

Billion foreign exchange transaction volume

USD 540  
million

Syndication  
loan

**ING Bank continues to diversify its funding resources.**

In line with its strategy to diversify its sources of funding, ING Bank continued to take necessary steps to obtain funds from international and local markets in 2017.

**TL bills market retains its importance.**

Attaching great importance to the TL bills markets as it seeks to diversify sources of funding, ING Bank makes use of bill issues which appeal to qualified investors in particular.

**USD 540 million syndication loan was renewed in 2017.**

The renewal of the syndicated loan in July 2017 provided ING Bank with approximately USD 540 million of funding (EUR 462.5 million and USD 12 million) with a maturity of 367 days. The syndication deal was closed with the participation of 22 banks from 11 countries.

**ING Bank maintained its efforts for providing funding from financial institutions above nations.**

ING Bank has built up successful and long lasting collaborative agreements with leading supranational financial institutions such as the European Development Bank and International Bank for Reconstruction and Development.

ING Bank continued to meet the investment and working capital needs of SMEs' and mid-sized corporations thanks to the funding provided from supranational financial institutions. A total of EUR 200 million in resources was obtained by ING Bank this way in 2017.

ING Bank obtains cheap and long term credit thanks to its expertise and know-how in funds obtained internationally. Helping SMEs and mid-sized corporations grow by investing is one of ING Bank's key targets and priorities.

**The highest credit rating given by rating agencies for banks in Turkey**

Moody's, the international credit rating agency, maintained ING Bank's long term local currency deposit rating, which was issued in March 2017, as "Ba1" in line with Turkey's sovereign rating. In October 2017, The Bank's

foreign currency deposit rating, on the other hand, was maintained at "Ba2" - the highest limit for financial institutions in Turkey.

Fitch Ratings kept ING Bank's long term local and foreign currency credit ratings at the investment grade of "BBB-" in March 2017.

ING Bank obtained the highest possible credit rating given for a bank in Turkey by the rating agencies, Moody's and Fitch Ratings, in view of the sovereign ratings.

**An important role in the foreign currency resource procurement of Turkish Banks**

ING Group undertook active roles both in swap deals and international bill issues of Turkish Banks in debt capital markets. The Group also played an active role in syndication, securitization and structured finance transactions.

This situation is one of the most important sources of proof that ING Bank and the ING Group, which continue to intermediate in resource procurement to Turkey, place trust in Turkey and the Turkish economy.

# Wholesale Banking

ING Bank continued to meet the investment and working capital needs of SMEs' and medium sized corporations thanks to funds provided from financial institutions above nations. A total of EUR 200 million in resources was obtained by ING Bank in 2017.

In 2018 ING Bank will continue to:

- Closely monitor the needs of its customers in all of their international activities,
- Support its customers in terms of correspondent banking needs and financing,
- Enhance its cooperation with exporters, which are among the most important players in the Turkish economy,
- Support exporters on international platforms by taking full advantage of being a member of the ING Group.

## Cash Management

**The quality and technology oriented cash management solutions that ING Bank offers to its customers for their needs contribute to customer satisfaction and loyalty while supporting sustainable profitability and curbing operational expenses.**

Attaching weight to cash management projects in 2017, ING Bank diversified its wholesale and mid-corporate banking products and services within this scope. By effectively using the widespread branch network and distribution channels, the Bank reached more customers.

**Digitalization efforts continued in cash management.**

As the first private integrator bank in e-Invoicing in 2014, ING Bank continued to generate solutions for the e-Transformation of companies in 2017 with its e-Archiving services, allowing both export and SSI invoices to be sent over

the e-Invoicing system throughout the year.

Work was carried out to ensure system integration with the Ministry of Customs to help smooth the customs transactions of clients who were importing. The need to submit a physical transfer notification form for advance import payments was abolished thanks to this system integration. Transactions were fully transferred to an electronic platform.

ING Bank's products for the financing of new and second hand cars were diversified in 2017. Dealers' access to funding was further simplified by developing systems where financing transactions are fully carried out on electronic platforms with instalments.

Accordingly, the integration to an electronic auction system for Turkey's leading second-hand car seller company was carried out for the first time in Turkey within the framework of the cooperation entered

## e-Invoice

the sector's  
first private  
integrator  
bank



34%

increase in  
customs duty  
payments via  
SMS

into with the company. By doing so, a financing solution was launched that allows dealers who buy second hand cars through the system to use online credit easily.

The number and volume of ING Bank's cash management products has recorded a significant increase as a response to the Bank's long-lasting investments. DBS limits increased by 39% while second hand inventory financing loans grew by 29% and collective payments by 71%. Customs duty payments via SMS, which was offered for the first time in the sector by ING Bank and which was awarded by Global Finance, grew by 34%.

#### Making a difference in foreign exchange payments

ING Bank allows its customers to carry out their free and advance import payments to their suppliers collectively and at once, quickly and effectively, and to confirm payments via a mobile application thanks to the Bank's "FX Collective Payment".

#### Cash management products and services offered to international customers in more than 40 countries

With the support of the ING Group, which operates in more than 40 countries, the ING Bank Cash Management offers international cash management products and services to its international customers in Turkey.

The Bank's current MT101/MT940 infrastructure allows international companies to manage their accounts at ING Bank Turkey and view their detailed account history over the global electronic banking channels of the ING Group. In addition, ING Global started to offer wholesale customers Virtual Cash Management products.

Another cash management service offered by ING Bank is to intermediate in the opening of accounts of international subsidiaries of Turkish companies at the ING Bank organization in respective countries, and to enable the management of these accounts from either Turkey or that country. In addition, it is now possible for companies operating in several countries to consolidate their accounts, whether they are at ING Bank or third-party banks,

on a company/country basis, and to view them on a single screen.

#### ING Bank generates solutions that help customers use their working capital more efficiently.

ING Bank generates solutions that help customers use their working capital more efficiently by more effectively managing receivables and payments.

The Working Capital Solutions unit, which was established in 2015 under the Cash Management and Trade Finance, started to actively deliver its Supplier Finance product to its buyer and supplier customers in 2016. The number of buyer and supplier companies incorporated in the system increased in 2017.

In addition to these products, the Direct Debiting System Discount solution was launched in 2017. ING Bank continues to expand its product portfolio and offer new solutions to meet the working capital need of companies.



# Wholesale Banking

ING Bank generates solutions that help customers use their working capital more efficiently by managing receivables and payments more effectively.

## Trade Finance

**Providing the financing that traders need is a business line where ING Bank has recently enhanced its presence and competitive clout.**

In line with the main targets and strategies of sustainable growth and profitability, ING Bank diversifies the resources it offers customers. The Bank also maintained its pioneering role in the area of trade finance by establishing new relations with companies from all sectors and enhancing its current relations.

ING Bank aims to create a difference in its customers' foreign trade transactions and financing thanks to its expertise and the support of the ING Group, and to help its customers stay one step ahead in business by offering them high value-added products and services.

In 2017 ING Bank continued to intermediate in forfeiting transactions for the L/Cs of customers who are exporting.

Within the scope of the agreement with ING Asia, ING Bank undertook forfeiting transactions for the L/Cs of exporting customers. This transaction ensures that exporters are paid early at preferential terms without having to wait for the end of the term, by buying the risk of export receivables from the banks that issue the L/C.

**External guarantees are issued using ING Bank's global network.**

ING Bank's global network is benefited for customers who need a letter of guarantee issued by a bank with an A-credit rating as required by their interlocutors abroad.

ING Bank aims to reach more customers with increased service quality and an extensive product range.

With the strength it draws from the long-established experience and expertise of the ING Group, ING Bank develops solutions that focus on supply and sales cycles in national and international trade finance.

**Strong synergy cooperation with the ING network**

# Kahramanmaraş Operations and Call Center

The Kahramanmaraş Operations and Call Center has been up and running since 2013.

John T. Mc Carthy, Chairman, visited the Kahramanmaraş Operations and Call Center (31 October 2017)

695

employees

Kahramanmaraş  
Operations and  
Call Center



The Kahramanmaraş Operations and Call Center started operations in 2013, and 80% of ING Bank's central operations are carried out from the Kahramanmaraş Banking Base. The Center continued to grow in 2017 with its number of employees increasing to 695, as its activities continued to expand.

**Systemic improvements have been made in the Banking Base.** System and application improvements have been made in the Kahramanmaraş Banking Base to carry out operations more efficiently and to decrease the operational burden of branch teams by ensuring that current processes are easier, leaner and better.

Some of the best examples of this are the developments achieved in domestic money transfers and some collection processes that were 100% centralized.



We are responsible for children's education, for helping to realize the dreams of young people, and for giving women hope and equality!

# ING Bank's Social Investments

As Turkey's first and only financial literacy training program for primary school children, the Orange Drop has so far reached approximately 30,000 school pupils.

## The Orange Drop

first and only



ING Bank comes to the forefront with its corporate activities and social contributions. The Bank stands out on both national and international stage with its esteemed brand identity.

### Continuing efforts to put social sharing projects into practice

The ING Group has initiated a wide array of programs aimed at supporting the education of children and financial literacy in the countries it operates in. Since 2005, the ING Group has supported the education and futures of nearly 1 million children around the world together with its global business partner, UNICEF. Together with UNICEF, the ING Group aims to reach 335,000 young people in 8 countries by 2018.

ING Bank carries out its activities under the guidance of ING Group's global policies.

ING Bank has adopted a sustainable and responsible banking approach. The Bank has designed and applied a plethora of social

responsibility projects and shared them with the society through the use of rational communication methods.

There are three main components under the focus of ING Bank, which is advancing towards the point of being the leading savings bank in Turkey:

1. ING Bank informs its customers of saving and encourages them to save with the innovative products and services it offers them. The Bank's products, like the Orange Account, e-Orange Account, Orange Children's Account or the Orange FX Account help bring the Bank closer to its target of becoming the leading bank in Turkey in terms of savings.
2. The social responsibility program, "The Orange Drop", that ING Bank introduced in 2013 aims to raise awareness of saving among children and to help them acquire financial skills.
3. Since 2011, ING Bank has been contributing to the creation of a

statistical database with its Research Study of Turkey's Saving Tendencies.

### The Orange Drop - a corporate social responsibility project focused on raising financial literacy

By virtue of its model, execution and measurement, the Orange Drop is the first and only financial literacy education program that addresses primary school children in Turkey with a focus on saving.

The "Orange Drop" social responsibility program initiated by ING Bank in 2013, which the Bank has been implementing since then, aims to raise the awareness of children on saving and help them acquire financial skills. The program is run under the auspices of the Provincial Directorate of National Education in Istanbul in partnership with Koç University and the Regional Environmental Center (REC Turkey).

The main idea of the Orange Drop is to create an educational model by

# ING Bank's Social Investments

As part of its responsible banking approach, ING Bank has been contributing to the creation of a statistical database with its Survey on Savings Tendencies in Turkey since October 2011.

associating the ability of taking rational financial decisions with other character abilities that encourage success in other aspects of life as well. The program focuses on fundamental traits such as patience, determination, perseverance, self-confidence and leadership, which have all been proven to bring success in areas besides financial subjects. The eight-week program also helps develop the perspective of children with education on future-oriented behavior, limited resources, resisting attractive products, seeing the difference between wants and needs, budgeting, acting patiently and taking group decisions.

ING Bank measures the impact of its Orange Drop program scientifically and shares the results with the international scientific community as well as both Turkish and international academia. By the end of the 2016-2017 academic year, the program had reached 808 teachers and 29,172 school pupils in 236 schools in 7 provinces.

## Results of the Orange Drop program

According to the results of the financial literacy impact analysis and academic research conducted in Turkey for the first time;

- Students became 21% more patient after the program.
- Students learned to be future-oriented and to wait for bigger gains.
- While boys were less patient than girls at the beginning of the program, a stronger change in behavior was observed in boys afterwards, and boys became 23% more patient.
- A positive relationship was established between patience in spending and academic success.
- The impact on relatively poorly achieving pupils in school was a more pronounced 36%.

## Survey on Savings Tendencies in Turkey

As part of its responsible banking approach, ING Bank has been contributing to the creation of a statistical database with its Saving Tendencies Research since October 2011, and has been seeking to understand the saving habits of Turkish people. In addition, with the support of the ING Group, ING Bank is participating in international surveys on saving, which allows it to compare and analyze data. All of the data is available on the [www.tasarrufegilimleri.com](http://www.tasarrufegilimleri.com) website.

## ING International Surveys (IIS)

By conducting the ING International Survey, one of the biggest in this field in Europe, the ING Group is taking a closer look at attitudes to the spending, saving, investment and money of its existing and potential customers.

29,172

number of students reached by the Orange Drop

Türkiye'nin Tasarruf Eğilimleri Araştırması  
ING Bank

**Orange  
Hearts**  
1,011 hours  
of voluntary  
work



ING International Surveys has been publishing annual reports on main topics such as saving, mobile banking and real estate in line with its mission of being an opinion leader.

Research activities within the scope of ING International Surveys, which supports ING Group's goal of empowering people to stay one step ahead in life and in business, are conducted by Ipsos in 12 countries, including Turkey, in cooperation with the ING Group Surveys team, economists, market researchers and communication experts as well as respondents taking part in the survey.

**1,011 hours of volunteer work carried out by "Orange Hearts" in 2017.**

The Orange Hearts corporate volunteering program, which aims to encourage ING Bank employees to take part in voluntary activities, while bringing together those participating in different voluntary activities under a single roof, was initiated at the end of 2014.

Orange Hearts not only encourages employees to contribute to social responsibility projects with their time, skills and financial contributions, it also offers them the chance to share their own projects. Implemented in cooperation with the Private Sector Volunteers

Association (ÖSGD), the Program continues to work under the motto of "Set Your Heart on Doing Good".

**Employee Volunteering Week (May 9-15)**

Various events were held within the framework of the Employee Volunteering Week held in Turkey every year by the Private Sector Volunteering Association.

To celebrate the 4<sup>th</sup> year of the Orange Drop, a financial literacy program focused on saving was rolled out throughout Volunteering Week, where Orange Hearts voluntarily provided training to 3<sup>rd</sup> and 4<sup>th</sup> grade primary school pupils about smart shopping and saving, which are included in the program's curriculum.

**Cooperation between Orange Hearts and the Turkish Red Crescent**

Information about blood donation and being a stem cell donor was provided throughout the day. Blood donations were collected, with 90 volunteer employees donating blood during the course of the event.

**AKUT Seminar on Raising Awareness for Earthquake**

During the seminar, the Orange Hearts gained awareness about things to do before, during, and after earthquake and related disasters.

**Mother's Day Visit**

The Orange Hearts visited a nursing home in Kahramanmaraş on Mother's Day, and spent an enjoyable day with the residents of the nursing home, and played music for them.

**World Environment Day (June 5<sup>th</sup>)**

On the June 5<sup>th</sup> World Environment Awareness Day, the Orange Hearts supported the "Coastal Cleanup Movement", a project undertaken by the Deniz Temiz Association and TURMEPA (Turkish Marine Environment Protection Association). A total of 56 volunteer employees collected 116 kg of rubbish from beaches in Kınalıada in İstanbul and also in İzmir. The first step towards a cleaner environment was taken by cleaning the Muhsin Yazıcıoğlu park in Kahramanmaraş.

**Support to Schools with İhtiyaç Haritası**

In 10<sup>th</sup> year event, stationery supplies were collected with joint efforts of all ING Bank employees and İhtiyaç Haritası representatives. 11 schools that are located in Anatolia were supported with stationery supplies collected.



# ING Bank's Social Investments

Ensuring gender equality and protecting the work-life balance of women employees are ING Bank's priorities.

## Learning Kid: Responsible Individual Program

The Orange Hearts participated in the "The Learning Kid - the Responsible Individual Program" which was launched by the Private Sector Volunteers Association in 2017. The School Friend Program, which supports the personal development of children, consists of five different projects:

- Democracy and Participation
- Gender Equality
- Volunteerism and Solidarity
- Financial Literacy
- Secure Use of Technology
- Environmental Awareness.

The Orange hearts have voluntarily worked as coaches in these projects and helped children develop creative thinking, curiosity and environmental awareness.

## December 3<sup>rd</sup> International Day of Persons with Disabilities

For a project that will create awareness for December 3<sup>rd</sup> International Day of Persons with Disabilities, the Orange Hearts spent time in schools that give special training to persons with disabilities in Kahramanmaraş and İskenderun. The Orange Hearts watched the children's dancing show.

## Continuing to support access to qualified education

ING Bank continues to support the Anatolian Scholarship Students Program initiated by Koç University to facilitate access to high-quality education. The Bank maintained its support to cover the five-year tuition and daily expenses of three students selected as a result of an assessment carried out by the university administration. One of the students graduated in 2017.

## Support for the Özyeğin University Equality of Opportunity in Education Program

Within the scope of Özyeğin University Equality of Opportunity in Education Scholarship Program, the education of one student's full scholarship has been supported by ING Bank.

## Orange Schools

### Kahramanmaraş

ING Bank started working on a refurbishment project at the Dulkadiroğlu Karacasu Primary School in Kahramanmaraş with the support of the Ministry of National Education and UNICEF Turkey. The "Orange School" was prepared by ING Bank employees for the 2016-2017 school year with the support of the ING Group and the Provincial Directorate of National Education.

### Hatay

With Mediterranean Regional Directorate's initiative, the Harlısu Primary School which is located in Hatay-Arsuz, where the first support project was started,

Orange  
School

Dulkadiroğlu  
Karacasu Primary  
School  
Harlısu Primary  
School

## Me and My Child

### leave of absence

was determined as the “Orange School”. The transportation, electricity, heating and communication infrastructure needs of the school, which actively operates with mobile teaching, were met through the contributions of ING Bank employees. Moreover, the school is supported by books, stationery supplies, clothing and shoes in line with the needs of the pupils.

#### Full speed ahead on ING Bank's efforts to empower women

In 2017, ING Bank continued to support various NGO's that support the social and economic empowerment of women. The Bank aims to gradually help more women enter positions in professional life and support their development. ING Bank aims to increase the ratio of women in senior management positions from their current level of 36% to 50%.

#### HeForShe

Since March 2016, ING Bank has supported United Nations' HeForShe campaign which provides visibility and expansion in the context of gender discrimination and equality between men and women. In the “HeForShe Dinners” which are held four times a year, ideas are shared with different women's groups to improve the work-life balance.

#### Me and My Child

The “Me and My Child” leave was introduced to support the work-life balance of parents working at ING Bank and to help them spend more time with their families. The “First Day of School”, “School Report Day”, “Orange Day with My Child”, and the “I'm Having a Baby” leave, which were used in 2015 and 2016 within the scope of different forms of leave, were also offered in 2017.

Within the scope of activities for mothers and expectant mothers, test-tube baby support, all-day leave for monthly check-ups for expectant mothers and the right to work half an hour less per day for expectant mothers and breastfeeding mothers were also introduced in 2017. Having offered lactation rooms for its employees in the head office, İOTM and Kahramanmaraş Call and Operations Center, ING Bank started to offer these rooms at its branches. Within the scope of the application, which was mainly applied in branches where are employees were using maternity leave and breastfeeding leave, and lactation rooms are expected to be rolled out in all branches in 2018.

Psychological support was offered to employees with infants of less than 1 year of age. In departments with night shifts such as

the Customer Solution Center, these employees were given exemption from working on night shifts for 3 years. Moreover, employees with babies less than 6 months' old are offered a telephone support line service where they can obtain support from specialized nurses.

#### Cooperation with YenidenBİZ - Association of Women who are Back in Business

ING Bank believes that increasing female employment and the participation of women in the labor force is of high importance economically and is an important driving force behind sustainable development. In 2017, the Bank maintained its cooperation with the “YenidenBİZ Association” which it set up in 2016. The YenidenBİZ Association carries out activities to help educated and experienced women who have taken a break from work life get back into business.

#### From Generation to Generation Management Academy

The “Management Academy from One Generation to the Next”, which is organized in cooperation between ING Bank and the Boğaziçi University Lifelong Learning Center has been operating since 2015. The 2017-2017 program of the “From One Generation to the Next”

# ING Bank's Social Investments

ING Bank celebrated its 10<sup>th</sup> year in Turkey in the Ülker Sports and Events Hall with the participation of more than 5,000 employees on Saturday, September 16, 2017.



The main sponsor of the Turkish Basketball League

includes training programs aimed at increasing the competitive clout of family companies, sustainability and a corporate approach. As of the end of 2017, 47 family company managers from Turkey's 11 cities had graduated from the Academy.

#### Main sponsorship of the Turkish Basketball League

ING Bank has been the main sponsor of the Turkish Basketball League for three years since the 2014-2015 season, under the slogan "The Unchanging Color of Basketball". Its sponsorship is aimed at emphasizing the harmony of basketball with ING's brand identity by agreeing on comprehensive

sponsorship for a mass sport area.

ING Bank considers the investment made in basketball as social investment. The Bank believes in the importance of improving access to sport. ING bank contributes to the improvement of Turkish basketball which has strong potential and which has achieved international successes.

#### Celebrating ING's 10<sup>th</sup> year in Turkey together with all of its employees

Within the scope of the event organized for the anniversary, more than 5,000 ING employees from all over Turkey gathered in the Ülker Sports and Event Hall on September 16, 2017. After a fascinating

opening show which brought technology and the arts together, John McCarthy, the Chairman of the ING Bank's Board of Directors, and Wilfred Nagel, the first CEO of ING Bank Turkey, shared their own experiences.

Pinar Abay, CEO, explained the story of last 10 years by focusing on courage, determination and passion. Pinar Abay stated that the Bank had acted with "courage" in handling the difficulties faced during this period, and that the Bank could attain success thanks to the "determination" of each employee and ING Family, which belongs to the Orange Spirit with "passion".

A signatory  
to the  
Sustainable  
Finance  
Declaration

**Environmental investments that will add value to development**

ING Group believes that institutions with production and service operations should lead the world in creating a healthy and sustainable world by reducing their environment footprint. In that sense, sustainability is at the core of the Bank's business strategy, and the Bank undertakes environmental investments that support development.

The ING Group has committed itself to reducing its carbon footprint, waste and water usage by 20%, pledged to purchase 100% of its energy from renewable sources and planned to extend EUR 35 billion of financing to sustainable transformation projects by 2020.

Having published sustainability reports periodically for many years, the ING Group has been maintaining its activities with a zero carbon footprint since 2007, and has been publishing integrated reports since 2015.

ING Bank transfers this sensitive approach taken by ING Group to its activities both directly and indirectly. In terms of its direct activities, the Bank -which is committed to reducing its carbon, waste and water footprint by 20% by 2020- procures 90% of its electricity from renewable energy sources. The target,

which is set for 2020, is to guarantee that all electricity procurements are completed with internationally accepted certificates.

**Equator Principles**

Since 2003, the ING Group has been one of the international banks to voluntarily abide by the Equator Principles. These principles are built on the environmental and social responsibility standards of the International Finance Corporation (IFC) and are accepted to apply to the financing of all projects of USD 10 million or more.

In that context, ING Bank considers social responsibility and environmental risks in project finance, and acts in line with relevant standards.

**ING Bank is a signatory to Global Compact Turkey's "Sustainable Finance Declaration".**

ING Bank, along with 7 banks, signed the "Sustainable Finance Declaration" which was formed under the initiative of Global Compact Turkey. Within this scope, a study of environmental and social risks in the finance of investment projects became a component of the credit evaluation process.

**Indices and memberships**

The ING Group also signed the United Nations Global Compact in 2006. The ING Group's conformity with global responsibility standards

has been reaffirmed with its inclusion in global sustainability indices such as the FTSE4Good and the Dow Jones Sustainability Index.

ING Bank is;

- a signatory to the United Nations Women's Empowerment Principles (WEPs).
- a supporter of the "HeForShe" movement, a United Nations program calling on men and women of all ages to be an advocate and representative for change in gender equality and women's rights.
- a member of the Global Compact Turkey Sustainable Banking and Finance Working Group.
- a member of the TÜSİAD (Turkish Industry and Business Association) STEM (Science, Technology, Engineering, Mathematics) Working Group.
- a member of the Global Compact Turkey Women's Empowerment Working Group.
- a member of the YASED (International Investors Association) Women's Working Subgroup.
- a member of the Private Sector Volunteers Association of Turkey.
- a member of the Financial Literacy Association (FODER).

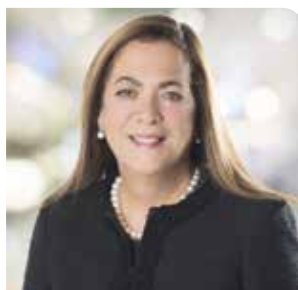
# Board of Directors



**John T. Mc Carthy**  
Chairman of the Board of Directors



**M. Sırrı Erkan**  
Vice Chairman of the Board of Directors



**A. Canan Ediboğlu**  
Member of the Board of Directors



**Adrianus J. A. Kas**  
Member of the Board of Directors



**Pınar Abay**  
CEO & Member of the Board of Directors



# Senior Management



**Pınar Abay**  
CEO



**Alper Gökgöz**  
Retail Banking Executive Vice  
President



**Alper Hakan Yüksel**  
Wholesale Banking  
Executive Vice President



**K. Atıl Özus**  
Financial Control and Treasury  
Executive Vice President



**İ. Bahadır Şamlı**  
Technology Executive  
Vice President



**Bahar Özen Şansal**  
Human Resources  
Executive Vice President



**Erdoğan Yılmaz**  
SME Banking and Payment  
Systems  
Executive Vice President



**Gordana Hulina**  
Credits Executive Vice  
President



**İhsan Çakır**  
Mid-Corporate Banking  
Executive Vice President



**N. Yücel Ölçer**  
Operations Executive Vice  
President



# Senior Management



**Ayşegül Akay**  
Financial Institutions and Debt  
Capital Markets  
Executive Vice President



**Bohdan Robert Stepkowski**  
Financial Markets Executive  
Vice President



**Ebru Sönmez Yanık**  
Corporate Customers  
Executive Vice President



**Günce Çakır İldun**  
Legal Affairs  
Executive Vice President



**İlker Kayseri**  
Treasury Executive Vice  
President



**Murat Tursun**  
Chief Audit Executive



**Nermin Güney**  
Corporate and Mid-Corporate  
Credits Allocation Executive  
Vice President

# Information on Governance and Corporate Governance Practices

## The Chairman and Board Members, Appointment Dates, Areas of Responsibility, Education and Experience

The chairman and board members of the Bank as of 31 December 2017 were as follows:

Name and Surname	Title	Appointment Date	Responsibility	Education	Experience	Experience in Banking and Business Administration
John T. Mc Carthy	Chairman of BoD	25.12.2007 (*)	As stated in the Law.	Masters	Worked in various private banks.	46 years
M. Sirri Erkan	Vice Chairman of BoD and Audit Committee Member	27.02.2012 (*) (**)	As stated in the Law.	University	Worked in various public and private companies.	35 years
Adrianus J. A. Kas	BoD Member and Chairman of the Audit Committee	01.01.2016 (*) (**)	As stated in the Law.	University	Worked in various public companies and the ING Group.	33 years
Can Erol	BoD Member	25.12.2007 (*) (***)	As stated in the Law.	University	Worked in various public and private companies.	37 years
A. Canan Edibođlu	BoD Member	30.03.2010 (*)	As stated in the Law.	University	Worked in various private companies.	37 years
Pinar Abay	Chief Executive Officer and BoD Member	01.10.2011	As stated in the Law.	Masters	Worked in the global management consultancy company.	17 years

(\*) At the Ordinary General Assembly Meeting of the Bank held on March 29, 2017, the members of the Board of Directors were elected. Following the General Assembly Meeting, with the Board of Directors' decision dated 29.03.2017 and numbered 14/1, Mr. John T. Mc Carthy was appointed as the Chairman of the Board of Directors and Mr. Adrianus JA Kas was appointed as the Deputy Chairman of the Board of Directors.

(\*\*) According to the Bank's the Board of Directors' decision dated 27 September 2017 and numbered 38/1, it has been decided that Mr. M. Sirri Erkan is to be appointed as the Deputy Chairman of the Board of Directors, Mr. Adrianus J. A. Kas, who previously held this position, is to continue to serve as the member of the Board of Directors. According to the same decision of the Board of Directors, Mr. Adrianus J. A. Kas was elected as the Chairman of the Audit Committee and Mr. M. Sirri Erkan as a member.

(\*\*\*) Mr. Can Erol, who served as the Member of the Board of Directors at our Bank, with the decision of the Board of Directors of our Bank on February 28, 2018, left this position as of February 28, 2018.

# Information on Governance and Corporate Governance Practices

Explanations on the Bank Shares Owned by the Chairman and Board Members, Audit Committee Members, General Manager and Executive Vice Presidents of the Bank, If Any

The shareholders and capital structure of the Bank, as of 31 December 2017, was as follows:

Name Surname / Commercial Title	Share Amount TL	Share Percentage (%)	Paid in Capital TL	Unpaid Amount
ING Bank N.V. (*)	3,486,267,792	100.00	3,486,267,792	-
John T. Mc Carthy	1	0.00	1	-
Adrianus J. A. Kas	1	0.00	1	-
A.Canan Edibođlu	1	0.00	1	-
M.Sirri Erkan	1	0.00	1	-
Can Erol	1	0.00	1	-
Total	3,486,267,797	100.00	3,486,267,797	-

(\*) The main shareholder is ING Bank N.V., and each of the five Board Members holds one share with a nominal value of TL 1 (full TL).

(\*\*) Mr. Can Erol, who served as the Member of the Board of Directors at our Bank, with the decision of the Board of Directors of our Bank on February 28, 2018, left this position as of February 28, 2018. Mr. Can Erol's 1 share with a nominal value of TL 1 has been transferred to ING Bank N.V.

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

## The Chief Executive Officer and Executive Vice Presidents, Appointment Date, Responsible Areas, Education and Experience

The chief executive officer and executive vice presidents of the Bank as of 31 December 2017 are as follows:

Name and Surname	Title	Appointment Date	Responsibility	Education	Experience	Experience in Banking and Business Administration
Pınar Abay	Chief Executive Officer	01.10.2011 - Continues		Masters	Worked in a global management consultancy company.	17 years
Ayşegül Akay	Executive Vice President	28.04.2008 - Continues	Financial Institutions and Debt Capital Markets	University	Worked in various private banks.	28 years
İhsan Çakır	Executive Vice President	02.04.2012 - Continues	Mid Corporate Banking	Masters	Worked in various private companies and private banks.	24 years
Çiğdem Dayan	Chief Legal Counsel	15.02.2006 - Continues	Legal Department	Masters	Worked in various private companies and private banks.	28 years
Nermin Güney	Executive Vice President	16.06.2003 - Continues	Corporate and Mid Corporate Credit Allocation	University	Worked in various private banks.	18 years
Gordana Hulina	Executive Vice President	09.06.2016 - Continues	Credits	Masters	Worked in a private bank.	23 years
İbrahim Huyugüzel	Executive Vice President	06.12.1999 - Continues	Internal Control	University	Worked in various private banks.	19 years
İlker Kayseri	Executive Vice President	02.05.2016 - Continues	Treasury	Masters	Worked in various private companies and private banks.	19 Years
K. Atıl Özus	Executive Vice President	01.11.2017- Continues	Financial Control and Treasury	University	Worked in a global audit company, in various private banks	24 years
Bohdan Robert Stepkowski	Executive Vice President	22.12.2015- Continues	Financial Markets	University	Worked in various private banks.	26 years
İ. Bahadır Şamlı	Executive Vice President	03.05.2012- Continues	Technology	Masters	Worked in various private companies and private banks.	23 years
Bahar Özen Şansal	Executive Vice President	13.03.2017- Continues	Human Resources	University	Worked in a global audit company, in various private companies	21 Years
Murat Tursun	Executive Vice President	01.10.2015- Continues	Internal Audit	Masters	Worked in a private bank.	19 years
Barbaros Uygun	Executive Vice President	23.01.2012- Continues	Retail Banking	Masters	Worked in various private companies and a private bank.	21 years
Ebru Sönmez Yanık	Executive Vice President	04.05.2016- Continues	Corporate Customers Sales and Marketing	Masters	Worked in a management consultancy company and in various private banks.	19 years
Erdoğan Yılmaz	Executive Vice President	17.05.2012- Continues	SME Banking and Payment Systems	University	Worked in various private companies and in a private bank.	25 years
Gökhan Yurtçu	Executive Vice President	26.03.2001- Continues	Relations with Official Institutions and Legislation, Consumer Affairs Coordination Affairs	PHD	Worked in public companies, various private companies and in a private bank.	34 years
Alper Hakan Yüksel	Executive Vice President	01.07.2015- Continues	Corporate Banking	Masters	Worked in various private banks.	27 years
N. Yücel Ölçer	Executive Vice President	06.02.2013- Continues	Operations	Masters	Worked in a global audit company, in various private companies	17 years

Bank Non-Financial Risk Management Executive Vice President Tuba Yapıcı resigned from her duty with effect from 2 January 2017.

# Information on Governance and Corporate Governance Practices

Ms. Seil Refik, who served as the Assistant General Manager of Human Resources at the Bank, has left her position at the Bank as of February 1, 2017 in order to serve at the ING Group.

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

Mr. Murat Sarı, who has been serving as the Assistant General Manager of the SME and Personal Loan Allocation at the Bank, left the Bank on June 18, 2017 and he was appointed as a promotion to serve as the Global President of the ING Group Personal Loans.

N. Yücel Öler was appointed as the Assistant General Manager of Operations with the decision of the Board of Directors dated August 7, 2017 and numbered 34/2. Following the completion of the BRSA process, he started his duty on September 1, 2017.

Şükrü Görkem Köseođlu, who has been working as the Assistant General Manager of Operations and Technology at the Bank, left the bank on September 1, 2017. On October 1, 2017, he was appointed as a promotion to serve as the "Global President responsible for managing the ING Group Robot Technologies and Artificial Intelligence".

Erwin H.M. Olijslager, who served as the Assistant General Manager of Financial Control and Treasury at the Bank, left his position at the Bank to serve at the ING Group as of October 31, 2017.

K. Atıl Özus was appointed as the Assistant General Manager responsible for Financial Control and Treasury with the decision of the Board of Directors dated October 10, 2017 and numbered 41/1, and began his duty on November 1, 2017 following the completion of the BRSA process.

Ms. iđdem Dayan left the office of the Chief Legal Counsel on December 31, 2017.

As of January 22, 2018, Günce akır İldun started his career as the Assistant General Manager responsible for Legal Affairs.

## Committees

Information about the Credit Committee, Audit Committee, Corporate Governance Committee, Remuneration Committee and committees organized under the scope of Risk Management are as follows:

### Credit Committee

The Credit Committee is responsible for reviewing loan proposals and approving those whose results yielded a positive evaluation and which are within the authorization limits as determined by the Board of Directors in accordance with the legal boundaries and banking regulations.

As of 31 December 2017, the Credit Committee consisted of the following members:

- John T. Mc Carthy, Chairman (Chairman of the BoD)
- Pınar Abay, Member (Chief Executive Officer and BoD Member)
- A.Canan Edibođlu, Member (BoD Member)

The members of the Board of Directors decided to re-establish the Bank's Credit Committee and to appoint John T. Mc Carthy's as the President, Pınar Abay and A. Canan Edibođlu as key members of the Credit Committee by work sharing among themselves with the decision of the Board of Directors dated March 29, 2017 and no. 14-1, in accordance with the relevant provisions of the Banking Law and the Regulation on Loan Transactions of Banks.

In addition, the following committees were formed by Board Members in accordance with the relevant legislation.

### Audit Committee

The duties and responsibilities of the Audit Committee have been determined in accordance with the provisions of the Regulation on Banks' Internal Systems and Internal Capital Adequacy Evaluation, promulgated in the Official Gazette, no. 29057, dated 11 July 2014 and other relevant regulations. As of 31 December 2017, the Audit Committee consisted of the following members:

- Adrianus J. A. Kas, Chairman (BoD Member)
- M. Sirri Erkan, Member (Vice Chairman of the Board)

The Audit Committee was reassigned with the decision of the Board of Directors dated September 27, 2017 and No. 38-1.

### Corporate Governance Committee

The Corporate Governance Committee was re-designed in accordance with the decision 14-1 on the division of labour taken by the Board of Directors on 29 March 2017; in accordance with the Banking Law and Regulation on the Corporate Governance Principles of Banks. The names of the Corporate Governance Committee members are as follows:

- A. Canan Edibođlu, Member (BoD Member)
- John T. Mc Carthy, Member (Chairman of the BoD)

### Remuneration Committee

The Remuneration Committee was re-designed in accordance with the decision 14-1 on the division of labour taken by the Board of Directors on 29 March 2017; in accordance with the Banking Law and Regulation on the Corporate Governance Principles of Banks. As of 31 December 2017, the Remuneration Committee consisted of the following members:

- John T. Mc Carthy, Chairman (Chairman of the BoD)
- A. Canan Edibođlu, Member (BoD Member)

### Executive Committee

The Executive Committee was designed to carry out the requirements of the BRSA Regulation on Internal Systems of Banks and the Regulation on Corporate Governance Principles of Banks. As of 31 December 2017, the Executive Committee consisted of the following members:

- Pınar Abay, Chairman (Chief Executive Officer and BoD Member)
- İhsan Çakır, Member (Executive Vice President, Mid Corporate Banking)
- Gordana Hulina, Member (Executive Vice President, Credits)
- N. Yücel Ölçer, Member (Executive Vice President, Operations)
- K. Atıl Özus, Member (Chief Financial Officer, Financial Control and Treasury)
- Bahar Özen Şansal, Member (Executive Vice President, Human Resources)
- Barbaros Uygun, Member (Executive Vice President, Retail Banking)
- Erdoğan Yılmaz, Member (Executive Vice President, SME Banking and Payment Systems)
- Alper Hakan Yüksel, Member (Executive Vice President, Corporate Banking)
- İ. Bahadır Şamlı, Member (Executive Vice President, Technology)

### Asset and Liability Committee

The main responsibility of the Asset and Liability Committee is to evaluate and manage balance sheet developments; perform risk management and ensure that appropriate actions are taken by the responsible parties.



# Information on Governance and Corporate Governance Practices

Risk limit proposals are evaluated by the Asset and Liability Committee whose members include the CRO and CEO. These limits are presented for the approval of the Board of Directors after the notification of the Audit Committee.

Asset and Liability Committee regularly revises risk limits and adjusts the limits according to changes in market conditions and the Bank's strategy.

Members of the Asset and Liability Committee as of 31 December 2017 were as follows:

- Pınar Abay, Vice Chairman (Chief Executive Officer and BoD Member)
- K. Atıl Özus, Chairman (Chief Financial Officer, Financial Control and Treasury)
- İhsan Çakır, Member (Executive Vice President, Mid Corporate Banking)
- Gordana Hulina, Member (Executive Vice President, Credits)
- İlker Kayseri, Member (Executive Vice President, Treasury)
- Barbaros Uygun, Member (Executive Vice President, Retail Banking)
- Erdoğın Yılmaz, Member (Executive Vice President, SME Banking and Payment Systems)
- Alper Hakan Yüksel, Member (Executive Vice President, Corporate Banking)
- Maarten Hummel, Member (Director, Risk Management)
- Gökçe Çakıt, Committee Secretary (Director, Management Reporting)

All committees hold meetings as required by their duties.

The Audit Committee held meetings and shared information with the managers of the units in the scope of internal systems according to the agenda determined in advance in 2017. In addition, the Audit Committee merged with the head of the internal audit to assess the developments and findings and share information related with the audit activities.

Meetings of the Board of Directors were held in accordance with Article 19 of the Bank's Articles of Association entitled "Distribution of Duties, Meetings and Resolutions of the Board of Directors". Meetings of the Board of Directors are performed with a majority and take resolutions with a majority of the participants.

Unless the Chairman, Vice Chairman or any of the members request negotiation, resolutions can be taken with the written consent of others over a specific recommendation.

Participation of the members of the Board of Directors, Audit Committee and Credit Committee in committee meetings is almost 100%.

Credit Committee decisions are taken directly if there is unanimous decision, or presented for the approval of the Board of Directors if a majority provides consent.

## Human Resources and Training at ING Bank

The Human Resources Department is focused on three main principals to promote the strategies of ING Bank.

First of all, the talent cycle of employees is supported at the highest level. The talent cycle starts with the process of hiring and enhancing the talents of those will bring ING Bank and themselves one step ahead in compliance with the Orange Code. In line with the vision of becoming a technology company with a banking license, the senior students of Turkey's leading universities showed great interest for the ITP (International Talent Program) program, which was established in order to raise the ING leaders of the future, in 2017.

The second principle which the ING Bank Human Resources Department is focused on is the development of the corporate environment in a manner that will help employees become happier, more productive and creative. ING Bank implemented a roadmap in the corporate culture and leadership climate, which is very rare in the sector. This development has affected both the financial results and the results can be seen in the employee commitment surveys.

Finally, the Human Resources department has introduced a raft of innovations in employee experience and developed its work environment as a role model in the sector, in parallel with the ING Bank's innovative approach which forms part of its DNA. In 2017, the FlexING program, which brings flexible working models into banking, has been started to be implemented in the branches gradually as well as the Head Quarters and subsidiary employees.

In 2017, new recruitment processes and infrastructure and recruitments were carried out efficiently in a standard manner. While focusing on the these principles, ING Bank's human resources department works to a simple approach of adapting of digital technologies and employing the most recent methodologies.

### Recruitment Processes

By setting out from the strategies of improving the workforce and climate of the Bank in a way to contribute to its numerical results, and being proactive for determining the critical needs of the internal customer and respond to them, ING Bank implements the newest and most effective methods in the human resources understanding.

ING Bank has adopted the continuous development of human resources in the sector in Turkey. It aims to be exemplary embodiment of application in the ING Group. It implemented easy, accessible, fast structure, whose digital infrastructure is strong and efficient, and that provides the employees the best quality of service. In this context, in 2017, the Human Resources went through a structural change and built its processes on three structural blocks, including business partnership, expertise and service centre.

Instead of applying dispersed or uniform processes, the Bank applies diversified recruitment methodologies and processes based on the main business units in order to attract and retain the best human resources possible. In this context, in 2017, new recruitment processes and infrastructure and recruitments were carried out efficiently in a standard manner by using the technology better.

As well as assessing the know-how and skills required by the job, capabilities and behaviours are assessed in terms of compliance with the Bank's performance culture, code of ethics and the Orange Code during the recruitment process. The relevant assessment is carried out in a standard and objective manner with the Orange Code assessment tool (Work Strengths) that is provided by the ING Global.

ING Bank uses appropriate methods to hire candidates who have responsibility and ability to cooperate, are agile in learning, possess a high level of self-awareness and have customer oriented thinking patterns.

Depending on the position's requirements and general capability, different skill tests, foreign language tests, group interviews or case studies can be applied for inexperienced candidates during the recruitment process.

In 2017, the recruitment process has been increasingly supported by technological devices to increase the pace and efficiency of the process.

For experienced candidates, related vice presidents conducted interviews to assess their skills and competencies for the position. For vice president and over level positions, assessment centres are formed and personality inventories are implemented.

Applications are received through the ING Bank website and contracted human resources portals, and vacant positions are announced through these channels. When necessary, the Bank works with consultancy firms. 62% of these employees do not have experience and 38% do have experience; and the recruitment strategy has contributed to ING Bank's target of achieving growth with its own employees. 90% of the employees hold some form of higher education qualification, and the average age of employees is 32 at ING Bank.

# Information on Governance and Corporate Governance Practices

## Career Management Process

ING Bank works to a principle of firstly looking to its existing employees to meet its needs for experienced human resources by supporting the development of its employees, in order to ensure they go forward in their career, and by strengthening the corporate culture.

The Bank supports this purpose at the highest level by applying two different career programs. The first is the “Career Steps” program which has been implemented since 2013 in order to invest in the career targets of the employees working in branches.

At ING Bank it is of paramount importance to understand the strengths and weaknesses, direction and requests of employees and to offer them positions accordingly to utilize the capabilities. The Bank provides guidance to employees to help them structure their future. This program has established a success oriented system to support their development with a chance of being transferred to other business lines in the Bank and to meet the need for human resources within the Bank.

Career Opportunities is another program implemented by ING Bank to provide its employees with suitable career opportunities. The Career Opportunities program which was introduced in 2013 principally for announcing career opportunities in the head office units, is a process in which the Bank’s needs are shared transparently with all employees, and employees are encouraged to put themselves forward as candidates. The implementation of the program continued increasingly in 2017, and career opportunities postings published throughout the year increased fourfold compared to the previous year.

The career opportunities are announced on the ING Bank intranet, which supports the utilization of employees’ skills in different areas in the Bank, enabling appointments to different units and through which employees have the opportunity to acquire new talents thanks to rotation. All of the Bank’s vacant positions, including but not limited to vice president and senior vice president positions, are announced in the Career Opportunities website, and everyone is provided equal opportunities under a fair assessment process. In addition, access is provided to different career opportunities where candidates may use their knowledge, skills and competence.

In addition to these, in order for the employees to acquire new experiences and to identify appropriate opportunities for them, the “Orange Guest” program was launched, through which the employees can go to a different department from their current departments for a certain duration. In addition to providing the employees with new experiences, this program also enhances communication and synergy between teams, and supports individuals’ personal and career developments.

## Promotion Process

To achieve the highest realization of qualified human resources, all employees who can work at a superior level by virtue of their excellence in performing behaviours, professional knowledge and skills, education levels and responsibility are promoted in accordance with the Bank’s capacity.

In 2017, a total of 544 employees were promoted, 298 in the branches and in the regional offices, 246 in the Head Office. Moreover, 93% of the branch managers appointed in 2017 were from within the Bank and 7% were employees from outside the Bank. Despite its extensive support towards providing career opportunities to its own personnel, ING Bank also evaluates qualified and experienced professionals who would like to join the Bank.

## Training and Talent Management Programs

ING Bank employees receive continuous support with training from their first working day. ING Bank ensures performance development by professional and personal development training programs planned to increase employees’ knowledge and skills in their existing or future positions, and these skills are diversified with on-the-job and remote training methods.

Branch Certificate Programs have been established for all employees working in the branches in retail, SME, wholesale banking, teller and customer relations units. The programs, which are enriched with on-the-job, virtual classroom, video and distance learning in addition to classroom training, are set out in accordance with the relevant needs of the business units. In 2017, more than 1,000 ING Bank employees participated in certificate programs and more than 1,100 days of classroom training was organized. In addition, around 8 hours of distance learning per employee was completed.

Within the scope of continuous learning that constitutes ING Bank's basic strategy, with the Bizim Sınıf (Our Classroom) that is the virtual classroom application, which has started to be used in 2017, around 550 people had the opportunity to participate in the trainings from anywhere at any time. As well as providing classroom training online and distant retention studies following the training, increase the efficiency of technological systems.

There are Management Development Programs designed especially for all managing levels. In 2017, vice presidents working in the Head Office and in the field participated in this program and contributed to the leadership culture in terms of performance management.

The Executive Development Program for positions of senior vice president or above is carried out in cooperation with Özyeğin University, one of our country's leading universities. In the training program, consisting of eight modules, academics provided lectures to ING Bank executives on the aims at development in topics such as strategy, innovation, change management and leadership. Managers, who want to continue their studies, continue their studies with the EMBA program within the university.

In 2017, catalog trainings were implemented for those, who work at lower than managerial positions at the ING Bank General Directorate, for the subjects which support their professional and personal development. Thus, a period of personalized training, which offers employees the opportunity to make choices based on their own developmental areas, has begun. More than 1,000 attendances (translator's note: due to the trainings being online, the same person can access to more than 1 educational content) were made to 30 different educational contents.

In order to attract young talented individuals to the Bank, ING Bank participated in 17 events at 8 different universities and performed promotional activities. ING Bank organized the 9<sup>th</sup> Practica Talent Camp at the Bank's Head Office for the purpose of introducing business life to final year university students, providing them with the chance to communicate with executives and employing them upon graduation. Nearly 80 students participated in this camp.

In order to raise ING leaders of the future, the ITP (International Talent Program) is organized regularly every year. With the 23 graduates who joined to the Bank in 2017, the number of ITP employees reached 48. The ITP employees undergo a rotation at ING Bank for one year according to their selected career path, and join an international rotation project in another country where ING is active. In 2017, eight ITP employees were assigned to international projects.

### The Corporate Culture and Leadership Climate

ING Group continuously monitors the corporate climate and employee commitment with two worldwide surveys: OHI (organizational health index) and WPC (Winning Performance Culture).

These researches, which played a key role for the implementation of ING Bank's "Imagine the Future (İleriyi Düşün)" strategy and enable to identify development areas that substantially affect the performance culture that is targeted across the ING, help to determine the steps to be taken towards the road map.

ING Bank continuously focuses on corporate culture and employee commitment to ensure a sustainable performance culture. In accordance with the results of the OHI performed in September 2015, the Pulse program was introduced to elaborate on the strengths and weaknesses in the corporate culture of ING Bank and to establish a roadmap.

While the Pulse program evolves the corporate culture and leadership climate at the Bank into an organization, where working becomes happier and that something to be proud of, it guides the employees in order for them to make their success sustainable.

More than 30 workshops were organized with more than 150 employees from different units and positions in ING Bank within the scope of the Pulse program. In the workshops, employees affirmed that ING Bank's action and performance oriented culture, agility, and questioning and innovative approach were strong. The workshop also determined the corporate culture themes where ING Bank could improve on further. A pulse roadmap was shaped on themes such as strengthening supportive leadership, the expansion of constructive feedback, celebrating success, making room for improvement and increasing cooperation.

According to the Pulse program, the main theme of the executive summits organized was determined as leadership and executives have been encouraged to focus on their own leadership styles. The quarterly assessments and similar internal meetings, which attracted a high level of participation, are held to increase

# Information on Governance and Corporate Governance Practices

awareness of the Pulse themes. Initiated in the second half of 2016 “Stage is Yours” events continued in 2017, ensuring that executives from various positions at ING Bank become role models by explaining their leadership stories.

The investment in leadership training and leadership assessment tools increased significantly in 2017. The executives at critical points gained detailed knowledge on leadership styles and the climate they create, and have established development plans to strengthen supportive leadership by using the leadership assessment tools. In addition, classroom trainings have been organized for medium level executives to support their capabilities such as coaching, feedback and performance management.

In the scope of the Pulse program, top executives in the ING Bank organization have taken action to improve the pulse themes in their units. In particular, leaders receive feedback from their teams about career development and other issues in the unit events and talks which are organized to help them get to better know their teams. In this way, in addition to the many macro actions taken in the Bank, micro actions can also be initiated by various units.

Bank wide and unit specific actions are coordinated and their results are monitored by the program management office established by the human resources department. As a result of these actions, ING Bank increased its score in the WPC employee commitment survey conducted in September 2016 and was able to measure the efficiency of the studies in the corporate culture. Moreover, the OHI Survey, a continuous version of the OHI survey, was launched to ensure sustainability of change. With practical surveys conducted in 2017, ING Bank obtained the feedback of the employees by preparing questionnaire with different headings such as leadership, culture, climate, motivation, and so on, under which quick and easy answers are given to a single question. According to the results of the survey, ING Bank achieved an improvement in all of the targeted areas when compared to the benchmarks.

ING Bank is widely acclaimed for its sustainability and has planned similar actions and measures for 2018 to ensure the improvements become written into the company's DNA.

With its culture and working environment, the Bank aims that all its employees say “İyiKi ING'liyiz (Fortunately we work at the ING)”, and the Bank aims to maximize its employee loyalty through various actions.

## Performance Management and Remuneration

ING Bank believes that profitability and growth improve when employees have measurable targets and share a common success culture by working together.

In this direction, a real-time development and progression process has been transition into from a retrospective performance process with continuous feedback. The Step-Up process offers ING employees the opportunity to increase their self-awareness and develop their capabilities while revealing their hidden performance through questioning themselves more.

In this direction, “Success @ ING” and “Success Window (Başarı Vitrini)”, which is the ING Bank performance management systems, are aimed at assessing all employees under the headings of the business objectives, the behaviours representing the Orange Code and the target that transcend borders. They are also aimed at using the results obtained as data for the applications of career opportunities, talent programs, training plans, remuneration and fringe benefits.

## The Working Environment in ING Bank

ING Bank's FlexING program, teaching “New Wine in The Old Bottles”, providing the banking sector with flexible working models and aiming to increase employee commitment and efficiency was further improved in 2017. The flexible time and place applications were rolled out to all personnel at the Head Office and subsidiaries as a result of the increased employee commitment and the contribution to work-life balance. This program also provided employees with the chance to work flexible hours for five days a week, or to work outside the office for two days a week.

In 2017, ING Bank, which tries to spread this application in its branches, has started to implement the flexible working model in 42 branches as a pilot study. The pilot branches, which benefit from the “come 1 hour late” or “Leave 1 hour early “ application twice a month, are offered the flexibility in outfits, which make it possible to wear jeans on Fridays. In addition, a telephone support line service is provided for those employees who have a baby of 0-6 months old, through which they can receive support from specialist nurses.

ING Bank's innovative human resources practices continue with the support it provides to female employees. In the HeforShe dinners organized in the scope of the UN's "HeforShe" campaign, different groups of ING women come together and share ideas on how to improve the work-life balance. In order to support the work-life balance of ING mothers and fathers and ensure they spend more time with their families, within the scope of "My Child and Me" leave, the "Orange Day with my Child" and "I'll Have a Baby" leaves were introduced in 2016 with the inspiration of these dinners, following the leave for the "First Day of School" which was introduced in 2015.

Supports for mother and mother candidates include the following: full day permit for pregnant for the monthly check-up day and half-hour less work per day, in-vitro fertilization support, nursing leave, psychological support for those, who have children aged 0-1 years, and night shift exemption for 3 years in the departments that require night shift such as Customer Solution Centre.

Established in Kahramanmaraş in 2015 with the IKON brand in order to solve the employees' requests at first contact and to facilitate the human resources processes, the HR Service Center continued to expand the scope of its services also in 2017. Resolved 24,181 online requests and 53,134 calls received through call within the same day, in 2017, IKON increased the services that it has provided since its establishment by 125%.

While providing employees with a pleasant workplace environment, including the ING Bank Head Office building which was revamped in 2016, digitalized and modernized concept branches, and the Kahramanmaraş Operation Centre where a new sports hall was opened, ING Bank supports its target to become a company where people would most like to work.

In addition to all of these, nursing rooms were offered for service at the Head Office, the İOTM and the Kahramanmaraş Call and Operation Center in order to facilitate the lives of the mothers working at the ING Bank. Spreading the same application at its branches, within the scope of the application which started with the branches where the employees who are on maternity leave and use nursing leave, in the first stage, the ING Bank aims to spread nursing rooms to all branches by the end of 2018.

ING Bank rewards its employees, who make a difference by touching human life and who are an example with their behaviour with their "Fortunately (İyi Ki)" awards. In parallel to the Orange Code, the awareness-raising effect of employees, who have taken the time and action to help others succeed, and who stand out a step further, is positively reflected on the corporate culture.

With the "10 years, one heart, we have achieved together" slogan, in 2017, ING Bank's tenth year of starting operations in Turkey was celebrated with the participation of each employee who constitute ING's orange spirit by working with courage, dedication and passion.

#### Explanations Related to the Bank's Risk Groups

##### Loans and other receivables

The Bank's relations with the risk group, in which it is included, covers all sorts of banking transactions within the framework of the bank-customer relationship and within market conditions, in accordance with the Banking Law.

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



# Information on Governance and Corporate Governance Practices

## Deposits

Risk group of the Bank (TL thousand)	Subsidiaries, associates and joint ventures (partnerships)		Direct and indirect shareholders of the Bank		Other entities included in the risk group	
	Current period	Prior period	Current period	Prior period	Current period	Prior period
Deposits						
Beginning of period	64,607	102,061	1,064	3,745	3,628	38,620
End of period	88,113	64,607	8,426	1,064	3,070	3,628
Interest expense on deposits	2,104	1,373	117	186	117	194

## Derivative financial instruments

Risk group of the Bank (TL thousand)	Subsidiaries, associates and joint ventures (partnerships)		Direct and indirect shareholders of the Bank		Other entities included in the risk group	
	Current period	Prior period	Current period	Prior period	Current period	Prior period
Transactions at fair value through profit / loss						
Beginning of period	-	-	7,620,055	3,514,533	98,715	-
End of period	-	-	9,971,955	7,620,055	33,080	98,715
Total profit/loss	1,983	-	(81,494)	217,914	(26,685)	(6,651)
Transactions with hedging purposes						
Beginning of period	-	-	-	-	-	-
End of period	-	-	-	-	-	-
Total profit/loss	-	-	-	-	-	-

## Placements

Risk group of the Bank (TL thousand)	Subsidiaries, associates and joint ventures (partnerships)		Direct and indirect shareholders of the Bank		Other entities included in the risk group	
	Current period	Prior period	Current period	Prior period	Current period	Prior period
Banks						
Beginning of period	-	-	1,339	37	44,236	6,924
End of period	-	-	63,731	1,339	33,504	44,236
Interest income received	-	-	1,220	309	51	17

## Loans borrowed

Risk group of the Bank (TL thousand)	Subsidiaries, associates and joint ventures (partnerships)		Direct and indirect shareholders of the Bank		Other entities included in the risk group	
	Current period	Prior period	Current period	Prior period	Current period	Prior period
Loans						
Beginning of period	-	10,001	9,893,625	10,263,404	4,201	15,329
End of period	218,398	-	7,418,245	9,893,625	8,403	4,201
Interest and commission paid	420	2	140,603	122,270	407	339

As of 31 December 2017, the Bank also had a subordinated loan amounting to TL 3,038,967 thousand from its main shareholder, ING Bank NV (31 December 2016: TL 2,881,199).

The firms which provided support services and their services are listed in the table below, in accordance with the Regulation on Bank Procurement of Support Services.

As of the year-end 2017, in addition to the companies included in the table, support services were obtained for vehicle loan from the 10 auto dealers and for the personal loan marketing activity from the 1,310 stores / dealers.

Number	Support Service Provider	Description of the Support Service Area
1	Be Bireysel Hiz. San. Tan. Oto. Tur. Bilş. Nak. ve Dış Ticaret Ltd. Şti.	Call Center services for private banking
2	Provus Bilişim Hizmetleri A.Ş.	Alternative Delivery Channels
3	NN Hayat ve Emeklilik A.Ş.	Bankassurance
4	SimAnt Bilgi İşlem San. ve Tic. Ltd. Şti.	
5	İdeal Bilişim Hizmetleri San. ve Tic. Ltd. Şti.	
6	Fineksus Bilişim Çözümleri Ticaret Anonim Şirketi	
7	ODC İş Çözümleri Danışmanlık Tic. A.Ş.	
8	V.R.P. Veri Raporlama Programlama Bilişim Yazılım ve Danışmanlık Hizmetleri Ticaret A.Ş.	Information Systems
9	IBM Global Services İş ve Tek. Hiz. ve Tic. Ltd. Şti.	
10	Probil Bilgi İşlem Destek ve Danışmanlık A.Ş.	
11	V.R.P. Veri Raporlama Programlama Bilişim Yazılım ve Danışmanlık Hizmetleri Ticaret A.Ş.	
12	DRT Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (Deloitte)	
13	Enforsec Bilgi Güvenliği Yazılım Bilişim Danışmanlık Ltd Şti	
14	CPP Sigorta Aracılık Hizmetleri A.Ş.	Retail Banking Marketing
15	GNV Tanıtım İletişim Hizmetleri ve Dış Ticaret Ltd. Şti.	
16	Comdata Teknoloji ve Müşteri Hizmetleri A.Ş.	Call Center
17	Sestek Ses ve İletişim Bilgisayar Teknolojileri San. Tic. A.Ş.	
18	TEPE Savunma ve Güvenlik Sistemleri Sanayi A.Ş.	Security Services
19	Pronet Güvenlik Hizmetleri A.Ş.	
20	Comdata Teknoloji ve Müşteri Hizmetleri A.Ş.	SME and Retail Loans Allocation
21	Key İnternet Hizmetleri Bilgisayar Yazılım Donanım Mühendislik Müşavirlik San. ve Tic. Ltd. Şirketi	Loan Allocation
22	dFlora Bilişim Danışmanlık Ltd. Şti.	Client Relations Management
23	ING Bank N.V. - PCM	Cash Management
24	F.I.T. Bilgi İşlem Sistemleri Servisleri San. ve Tic. Ltd. Şti.	
26	Kurye-net Motorlu Kurjecilik ve Dağıtım A.Ş.	
27	MTM Holografı Güvenlikli Basım Bil. Tek. A.Ş.	
28	ASSECO SEE Teknoloji A.Ş.	
29	Loomis Güvenlik Hizmetleri A.Ş.	
30	G4S Güvenlik Hizmetleri A.Ş.	
31	ETB Elektronik Teknoloji ve Bilişim Hizmetleri San. ve Tic. Ltd. Şti.	
32	Datasafe Arşivleme Hizmetleri A.Ş.	
33	KOÇSİSTEM Bilgi ve İletişim Hizmetleri A.Ş.	
34	Mor Teknoloji Yazılım İletişim Bilişim Danışmanlık ve Enerji San. Tic. Ltd. Şti.	Operational Services
35	Austria Card Türkiye Kart Operasyonları A.Ş.	
36	FU Gayrimenkul Danışmanlık A.Ş.	
37	İpoteka Gayrimenkul Yatırım Danışmanlık A.Ş.	
38	Desmer Güvenlik Hizmetleri A.Ş.	
39	3-D Bilişim Teknolojileri Danışmanlık ve Teknik Servis Ltd. Şti.	
40	Aras Kurye Servisi A.Ş.	
41	Plastik Kart Akıllı Kart İletişim Sistemleri Sanayi ve Ticaret A.Ş.	
42	Eksi Bir Artı Bir Yazılım Danışmanlık San. ve Tic. A.Ş. (P1M1)	

# Information on Governance and Corporate Governance Practices

Number	Support Service Provider	Description of the Support Service Area
43	Konut Kredisi Com Tr Danışmanlık A.Ş.	
44	TeknoSA İç ve Dış Ticaret A.Ş.	
45	CSI Teknoloji Pazarlama Danışmanlık ve Ticaret Anonim Şirketi	
46	Mudo Satış Mağazaları A.Ş.	Marketing
47	Aras Kurye Servisi A.Ş.	
48	Avea İletişim Hizmetleri A.Ş. ve Fleksus Ödeme Hizmetleri A.Ş.	
49	Bernardo Pazarlama Sanayi ve Ticaret Ltd. Şti.	

## Evaluation of the Operations of the Audit Committee, Internal Audit, Financial Risk Management, Non-Financial Risk Management and Internal Control Systems

### Internal Audit

In 2017, the Internal Audit department carried out activities to ensure that the activities of the Bank and its subsidiaries subject to consolidation were executed in line with the laws and other related legislation, as well as with internal strategies, policies, principles and objectives and ING Group policies and regulations, while ensuring that internal control and risk management systems were efficient and sufficient, to provide assurance to the Bank's senior management.

In line with the Regulations on the Internal Systems and Internal Capital Adequacy Assessment Process of the Bank, Application Controls and General Information System Controls (COBIT) are defined as controls for information systems and internal audit studies are performed.

The measures that can be taken and the precautions that can be put in place for dealing with the deficiencies, errors and risks that have been determined following periodical and risk based internal audit studies carried out in all activities, branches, the Head Office units, processes and the subsidiaries subject to consolidation of the Bank were evaluated mutually with the relevant unit managers. Therefore, solutions are being produced to increase the quality of service in dialogue with the business units in order to realize a more effective control environment and risk management structure.

### Financial Risk Management

In addition to regular legal and internal reporting operations, the Financial Risk Management Department works with business units in their existing activities and performs independent analyses. It acts as a guide in the determining, monitoring, measurement and management of risks and carries out the necessary measures through the Audit Committee.

The pace of risk management activities increased during 2017. The Financial Risk Management department has worked in coordination with the business units for the implementation of legal regulations concerning risk management in the Bank.

### Market Risk Management

Market risk is managed under banking accounts and trading accounts with different product guidelines and risk limits approved by the Board of Directors; and these limits are monitored regularly and the results of the measurements are shared with the Senior Management and the Board of Directors.

The work carried out under the heading of market risk management in 2017 is summarized below:

#### Asset Liability Risk Management

- "Risk Control and Self-Assessment" related to interest rate and liquidity risks is carried out with the business lines and all business lines in addition to risk parties included in the risk assessment process and risk ownership process.
- Regular information was shared regarding the impacts of changing policies and procedures on business activities and risk management styles.

- The risk profile of banking accounts has been updated in accordance with changing requirements and legal constraints.
- In addition to Value at Risk (VaR) under interest rate risk and exchange rate risk in banking accounts, sensitivity based limits for possible losses in economic value and net interest income that may arise from interest rate shocks have been revised in the scope of the annual assessment.
- In order to ensure that the liquidity risk related to funding is managed in a proactive manner, the risk thresholds and early warning signals determined for deposit movements continue to be monitored.
- Analysis of asset and liability items, including different customer behaviour characteristics such as interest rate sensitivity and optionality have been regularly updated and the impact of the results of the analysis on the balance sheet risks has been assessed.
- The intra-bank fund transfer pricing framework has been revised and re-arranged to include the above mentioned updated customer behaviour models, and has been approved by the Asset Liability Committee.
- Risk assessment is performed for products and services provided to customers under the current Product Approval and Review Process; and it is ensured that business units take measures to minimize the risk associated with products and services by assessing the risks arising from these products and services in detail.
- In line with the Bank's changing risk policies, harmonization studies related to measurement and management of the risk in consolidated subsidiaries on the basis of volume, quality and complexity continued.
- Efforts were redoubled on installing software to ensure healthier and integrated management of risks concerning asset and liability management.
- As the first result of the project, the legal ICAAP (Internal Capital Adequacy Assessment Process) stress test was carried out for the first time by means of the software mentioned. Following, the basic scenario-based risk metrics related to the interest rate risk on banking accounts were transferred to the related software environment.
- Work has been carried out for the project initiated globally to comply with the amendments to the international regulations on the Interest Rate Risk of banking accounts.

#### Trading Risk Management

- Product instructions, which are determined in accordance with the risk profile of trading accounts, have been updated to take account of emerging needs.
- Position and sensitivity based limits determined on the basis of interest and exchange rate risk within trading accounts and VaR limits have been revised in accordance with the Bank's risk appetite.
- These limits are monitored regularly and the results of the measurements are shared with the Executive Management and the Board of Directors
- The Customer Product Approval Committee, which is responsible for ensuring that the derivative products that the Bank sells to its customers are in compliance with ING policies and customer needs, continued its activities.

#### Credit Risk Management

Credit Risk Management aims to monitor and control the quality and level of activities of the credit facility and to revise the policies, guidelines and limits when necessary in order to identify, measure, report, monitor, control and comply with risk profiles.

In the year 2017, when a changing credit risk management approach was implemented both locally and internationally in the Bank, a new infrastructure was established and developed, an effective risk management system was supported with both quantitative and qualitative work and awareness was raised through adopting the new credit risk management approach within the Bank. The work carried out in this vein by credit risk management department is summarized below:

# Information on Governance and Corporate Governance Practices

Work on the “IRB Transition” project got underway under the leadership of the Financial Risk Department in order to calculate the capital need with IRB methods in per “Regulation on Measurement and Evaluation of Capital Adequacy of Banks”

- The models of the Probability of Default, the Loss in case of Default and the Default Amount, which are used for commercial and the SME customers, have been revised.
- Work continued on compliance with TFRS 9 / IFRS 9 standards. In this scope, the TFRS 9 models were developed for the Bank segments.
- The Corporate Risk Management system, which will enable consolidating and monitoring of the different types of risks to which the Bank is exposed, has begun to be implemented.
- Within the scope of the “Regulation on Banks Internal Systems and Internal Capital Adequacy Assessment Process (ICAAP)”, the ICAAP report and stress test report were completed and submitted to the BRSA.
- The ICAAP report and stress test report were completed and submitted to the BRSA in accordance with the Regulation on Banks’ Internal Systems and Internal Capital Adequacy Evaluation.
- Stress tests and scenario analyses, aimed at effectively assessing and measuring all risks exposed by the Bank within the scope of the ICAAP and enabling the determination of the extent of capital that might be needed, were prepared and submitted to the Board of Directors.
- Policies and procedures assessed in the scope of the ICAAP and enabling the adoption of the processes have been prepared, revised and approved by the Board of Directors.
- New credit products and services launched by the Bank have been assessed, and any risks that may arise from the new products and services have been measured in detail and the approval process got underway.
- In addition to the legally required risk limit monitoring, risk appetite limits were updated and approved by the Board of Directors. The limits in the credit portfolio were monitored on a monthly basis in accordance with the new limits and reported to the Board of Directors.
- The international standards and regulations, which have been changed and updated, have been closely followed in order to closely monitor the Bank’s credit risk, so that the risk can be measured and activities carried out in a healthy manner.
- The performance and quality of credit on a portfolio basis, and the changes in the portfolio at a risk level, have been closely monitored to ensure risk safety and reported regularly to Senior Management.

## Validation Department

The Validation Department arranges the preliminary approval reports before the application and IRB models start being implemented, and the periodical validation reports of the models depending on the lifecycle as the models are implemented. In addition, ICAAP reports are subject to preliminary approval validation on an annual basis. The validation process includes the determination of the strengths and weaknesses of the models using qualitative and quantitative tests, and finally, the decision on whether or not the models serve their purposes.

The Validation Department operates independently of the business units and risk departments, in order to ensure independence in its activities. It reports directly to the Head of the Financial Risk Management.

Following the recently amended legislation and international regulations, during 2016 there was a rush to develop validation methods and techniques, to achieve compliance with these new practices and to develop modelling techniques. The activities carried out by the Validation Department can be summarized as follows:

- The validation of the PD model that was developed for commercial customers was completed.
- Validation of the ICAAP and stress test reports were completed, in line with the Regulation on Banks’ Internal Systems and Internal Capital Adequacy Evaluation, and was submitted to the BRSA.

- In addition, seven preliminary approval validation reports, one periodical validation report and one revision report have been issued.

### Legal and International Regulations

Legal regulations, amended and extended to take account of changes to the risk management approach in the post global crisis period, have rendered the resources allocated by banks more important. Accordingly, the following activities were carried out in 2017:

- Stress tests and scenario analyses enabling the effective assessment and measurement of all risks to which the Bank may be exposed, and determining the extent of the capital that may be needed, were prepared in scope of the internal capital assessment process.
- Risk Management Strategies and Policies, Market Risk Management Policies and Market Risk Management Procedures were revised and updated. These Procedures and Policies have been approved by the Board of Directors within the scope of the ICAAP studies.
- The current procedures and policies have been updated in order to comply with the international regulation issued by the Basel Committee in 2016 regarding the Management of Interest Rate Risk on Banking Accounts.
- Projections have been prepared for the calculation of capital needs through the IRB method, in accordance with the “Regulation on Measurement and Evaluation of Capital Adequacy of Banks”, which was updated in September 2014. These projections were submitted to the Senior Management.

### Internal Control Department

The Internal Control Department consists of the Internal Control Group, Internal Control Data Analytics and MASAK (Financial Crimes Investigation) Practices Group, the Operational Risk Management Department and the Information Risk Management Department.

The Internal Control Group has the following functions;

- Checks that banking transactions have been carried out in accordance with the laws, statutes, regulations and all provisions of legislation, Board resolutions and directives, and Head Office instructions set out in accordance with the prepared guidelines;
- Monitors the compliance of the Bank's balance sheet and regulatory reports with the existing laws, regulations, communiqués and circulars;
- Works to ensure that the checks in the Bank's operations are linked to specific rules and standardized; and
- Maintains an involvement in and provides opinions for the revision of new and existing products, risk control self-assessment and issuance of project documents.

The basic principle is to perform internal control activities centrally to cover the activities of all units and in branches in a risk oriented manner and establish control points to pre-emptively prevent risks before they arise and mitigate and manage any risks.



# Information on Governance and Corporate Governance Practices

In addition to the central controls, at least one on-site check was performed for each branch in 2017. The internal auditors in the Branches Internal Control Group were responsible for this. They communicated with the branch to ensure that the determined issues were resolved during the internal control and that those issues not resolved during the control were monitored centrally, and also ensure that the declaration that issues were resolved was carried out centrally. Issues which are not resolved within an average of three months are transferred to the relevant business units. Business units are notified of urgent issues and issues of a special nature are transferred to the Internal Audit Department and relevant units.

Internal control activities are carried out based on the prepared control points. Control points are kept up-to-date to reflect amendments in regulations and changes in products and services, and applied immediately to control activities. When new control points are added in parallel with changes in legislation, the out-of-date controls are discontinued.

The Internal Control department carried out the Sarbanes-Oxley (SOX) and ERM (Enterprise Risk Management) control tests in the Bank.

## Operational and Information Risk Management

The seven operational risk categories identified in the June 2006 Basel-II study report are enriched by the ING and are assessed in the ten risk categories referred to as "non-financial risks". These are Compliance Risks, Control Risks, Unauthorized Activity Risks, Process Risks, Employment Implementation Risks, Personal and Physical Security Risks, Continuity Risks, Internal and External Fraud Risks and Information Technology Risks.

The Operational and Information Risk Management Group operates in the areas of assessing, measuring, monitoring and reporting of risks with the aim of ensuring effective management at the ING Bank and its subsidiaries for the nine risk categories outside the Compliance Risk category.

The Operational Risk Management and Information Risk Management Departments provide consultancy for the effective management of operational risks. These are determined in accordance with the ING Policies and Minimum Standards, by the BRSA, other Turkish authorities, and international authorities such as the De Nederlandsche Bank, European Central Bank and Basel for ING Bank A.Ş. and its subsidiaries, and take account of the legislation in effect in Turkey. Those Departments measure, assess, monitor and report these risks:

- The Operational Risk Management department works to determine the Risk Appetite Statement for non-financial risks and revise them annually, while monitoring and reporting compliance following Board approval.
- It serves as a monitoring and prevention point in order to assess operational risks associated with new products or services and to ensure that all the risks involved in new product and service processes are included in the assessments.
- provides support along with questioning and consultancy in the Risk Control Self-Assessment process,
- performs quality control of Key Control Testing, SOX and Enterprise Risk Management control testing,
- coordinates scenario analyses relating to Non-Financial Risks,
- establishes the process needed for reporting incidents subject to Operational Risk, reports to senior management, monitor compliance with the process, ensures the preparation of the lessons learned document, records incidents reported in the Incident Reporting Database, and ensures actions are taken so incidents are not repeated,
- manages the Non-Financial Risk Committee processes and coordinates meetings,
- sets up the process for the determination, reporting and revision of Operational Risk and Key Risk Indicators (KRI), provides support, questioning and consultancy in relation to KRIs,
- calculates the legal Operational Risk Capital Adequacy using Basic Indicator Method,
- carries out ICAAP and stress test work in relation to Operational Risk;

- provides training about Operational and Information Risk Management for Bank personnel,
- performs support, questioning and risk consultancy in Project Management processes,
- performs support, questioning and consultancy for Information Risk and Business Continuity Risk Assessments.

### Compliance Risk Management

The Compliance Risk Management Department that work under the Audit Committee operates for the establishment of the ING Compliance Risk Culture within the ING Bank and its subsidiaries, and carries out the measurement, assessment, monitoring and reporting of risks for the effective management of “Compliance Risks”.

In this context, in order to ensure effective management of Compliance Risks at the Bank and its subsidiaries, Compliance Risk Management carries out the following activities fewer than 3 sections including Compliance Counselling, Compliance with the Combating Financial and Economic Crimes Programs and Compliance Monitoring:

- It supports the employees to effectively manage Compliance Risks by advising employees in all areas related to Compliance Risks.
- It ensures that necessary precautions are taken in order for the activities, products and processes, which the Bank has realized and plans to realize, to comply with these regulations. In this context, it takes part in the risk control self-assessment activities.
- The Bank carries out activities for raising the awareness of the employees regarding the Compliance Policies and Compliance Risk Management. It provides in-house trainings within the framework of annual training planning.
- It guides and advises the business units in the necessary control work within the framework of the fight against financial and economic crimes programs.
- It guides business units in the risk-based assessments in customer acceptance processes.
- It measures Compliance Risks, carries out control and monitoring activities.
- It conducts surveillance activities necessary for ensuring the compliance of the Bank's subsidiaries.
- It reports to the Audit Committee and the Non-Financial Risk Committee.

### Compliance Risk Management Department

With the broadest definition, Compliance Risk covers all possible reputation and trust reducing risks that the ING corporate identity can be exposed to. This risk states the deficiencies that may be experienced in compliance with laws and other relevant legislation, the ING Policies and minimum standards, the ING Ethical Principles and the Orange Code, the banking sector's corporate governance principles and the principles of combating with the laundering of crime incomes and the prevention of terrorism financing and relevant regulations of all activities that the Bank has realized or plans to realize, new transactions and products, employee behaviours, customer identity and acts, work flows; or the financial risk or reputation risk that may be incurred due to the cases that may be perceived as such. In order to protect the ING's reputation and to manage Compliance Risks effectively, all employees are required to work in adherence and compliance with these regulations and principles.

The Compliance Risk Management Department carries out activities for the establishment of the ING Compliance Risk Culture within the ING Bank and its subsidiaries, and for effective management of Compliance Risks.

# Corporate Governance Principles Compliance Report

## ING BANK A.Ş. - CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT – 2017

### 1- Statement of Compliance with Corporate Governance Principles

In spite of the fact that our bank's shares are not open to public, the provisions in the legislations have been complied with in maximum, being aware of the importance of corporate governance practices. In this respect, utmost attention has been paid to comply with nearly all of the principles specified in the legislation without giving rise to any conflict of interests.

### SECTION I – SHAREHOLDERS

#### 2- Shareholders Relations Department

Since our Bank's shares are not open to public, there is no "Shareholders Relations Department". The transactions about public offering of the bank bonds are carried out by Financial Institutions, Syndication and Debt Capital Markets Group. All kinds of information and explanation, except for the special requests for information by our investors, are given under the menus Relations with Investors and Corporate Governance on our Bank's web site.

#### 3- Exercise of Shareholders' Right to Information

In case of emergence or getting informed of the developments influencing the decision of our investors, they are announced via Public Disclosure Platform. There are documents including various information disclosed to the public under Relations with Investors and Corporate Governance menus on our Bank's website.

During the activity period, a number of meetings were held and all the requests for information were responded. All information requests of our shareholders are provided that they are not commercial secrets or undisclosed information.

In the articles of association of our bank there is no regulation about the request of assigning a private auditor. No request has been received by our Bank about assigning a private auditor during the term.

#### 4- Information on General Meetings of Shareholders

Shareholders of the Bank held an Ordinary General Assembly meeting on 29.03.2017, which was within the fiscal year of 2016. Within scope of Turkish Commercial Code Article 416, the General Assembly was attended by all the shareholders without being called. The notification about the meeting was made to the shareholders two weeks before the meeting in written form as is required by Articles of Association.

Since all the nominative shareholders of our Bank are registered in the Share Ledger, no duration was allotted for registration in the Share Ledger to ensure them to participate in the General Assembly Meeting.

In this General Assembly, the shareholders did not use their right to ask question.

There is no provision in the Articles of Association stipulating that important decisions should be taken by general assembly. In this respect, the legislation in force is implemented.

Minutes of General Assembly are announced in Turkish Trade Registry Gazette within scope of the legislations. Pursuant to the provisions of "Regulation on the Web Sites to Be Opened by Capital Companies" put in effect in May 2013, the minutes of General Assembly are being published on the website of the Bank following the General Assembly, which is open for review by all the shareholders, in the Head Office.

#### 5- Voting Rights and Minority Rights

There is no privilege applied on the voting right of our Bank's shareholders. The companies in reciprocal shareholding did not participate in the voting in general assembly. There's no minority share represented in management. The Bank does not implement cumulative voting.

#### 6- Dividend Policy

There is no privilege granted in participation in the Bank's profit. Except for the arrangement made under Article 32 "Detection of Net Profit", Article 33 "Allocation and Distribution of Net Profit" and Article 34 "Capital Reserves"

in Articles of Association of the Bank, there is no other profit distribution policy disclosed to the public. Within the scope of related legislations, decisions for profit distribution are taken and necessary actions are realized in parallel with this.

## 7. Transfer of Shares

For the transfer of shares, tenors of the Turkish Trade Code are implemented pursuant to the article 10 with the title "Transfer of Shares" of the Bank's Articles of Association.

## SECTION II – PUBLIC DISCLOSURE AND TRANSPARENCY

### 8- Disclosure Policy

Disclosure Policy of our Bank is updated and published on the website of our Bank both in Turkish and English as is required by the legislations we are subjected to. Within the scope of disclosure policy, it is disclosed to the public by "Investor Relations and Corporate Governance" and "Statutory Reporting" departments within the knowledge and approval of our Bank's Board of Directors and Head Office. The disclosures are reported in Corporate Governance Committee.

The main purpose of the Disclosure Policy is to ensure that required information, other than confidential business information, is disclosed to the public, investors, employees, customers, creditors and other relevant parties in a timely, accurate, complete, understandable, convenient and affordable manner, on equal footing.

All kinds of financial information, explanations and disclosures required in line with the Banking Law and the relevant regulations, Capital Markets Board (CMB) Legislation, Turkish Commercial Code, Borsa Istanbul (BIST) Legislation and other relevant legislation, are provided by also taking into consideration the generally accepted accounting principles and the Corporate Governance Policies of the CMB.

ING Bank A.Ş. ("Bank") Disclosure Policy has been created based on the "Communiqué, Serial: VIII, No: 54 on the Principles Governing Public Disclosure of Material Circumstances" issued by the CMB.

The Disclosure Policy has been established by the Bank's Board of Directors. The Board of Directors has the right and the responsibility to disclose information to the public, and to monitor, supervise, and develop the disclosure policy. Coordination of the disclosure function is the responsibility of the Financial Control and Treasury Vice Presidency and Legal Department Vice Presidency. The officials of the aforesaid departments fulfill these responsibilities in close coordination with the Senior Management.

The financial statements prepared quarterly on solo and consolidated basis in accordance with the legislation issued by the Banking Regulation and Supervision Agency (BRSA), footnotes and remarks regarding the relevant financial statements, the independent audit report and the interim report are submitted to the BIST within the prescribed legal period and published on the Bank's website and the websites of the BRSA and the Banks Association of Turkey. At year-ends, the financial statements prepared on solo and consolidated basis in accordance with the legislation issued by the Banking Regulation and Supervision Agency (BRSA), footnotes and remarks regarding the relevant financial statements, and the independent audit report are submitted to the BIST within the prescribed legal period and published on the Bank's website and the websites of the BRSA and the Banks Association of Turkey. The relevant financial statements are attested and signed by the Chairman of the Bank's Board of Directors, members of the Audit Committee, CEO, Executive Vice President in charge of financial reporting, and Director of the relevant unit. The interim reports prepared quarterly provide information on the Bank's market position, general financial performance and other important matters.

The annual report, prepared in accordance with the legislation issued by the BRSA, is submitted to the BIST within the prescribed legal period and published on the Bank's website. The relevant financial statements are attested and signed by the Chairman of the Bank's Board of Directors, members of the Audit Committee, CEO, Executive Vice President in charge of financial reporting, and the Director of the relevant unit.

The year-end activity report provides information on the Bank's market position, general financial performance and other important matters.

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The Bank's Board of Directors has the right and the responsibility to develop and to follow up the implementation of the Disclosure Policy. The effectiveness and reliability of the public disclosure process within the scope of the Disclosure Policy are under the supervision and control of the Bank's Board of Directors. The Bank's Board of Directors has the right to amend the policy. The amendments are disclosed to the public and published on the internet website within one week following the amendment.

The implementation of the Disclosure Policy is under the responsibility of the Bank's Senior Management.

## 9- The Website and Its Content

There are disclosures for the public, especially for our investors under the menus "Relations with Investors" and "Corporate Governance" on the website of our Bank. Our disclosures are provided both in Turkish and English.

ING Bank A.Ş.'s Website ([www.ingbank.com.tr](http://www.ingbank.com.tr)) is frequently used for informing the public and for disclosure. The website of the Bank includes the information and data required by the legislations. It is paid attention to keep the website up-to-date.

## 10- Annual Reports

Annual Report include Corporate Governance Compliance Report, therefore Corporate Governance Principles are practiced in the report.

## SECTION III - STAKEHOLDERS

### 11- Informing Stakeholders

Stakeholders are informed by our Bank on the issues relating to themselves via general assembly meeting minutes, material circumstances disclosures, press releases, meetings, electronic mail and website. There is a corporate intranet for informing the employees.

### 12- Participation of the Stakeholders in the Management

The employees are always encouraged to participate in the management and their suggestions for improving the business are taken in consideration and rewarded. Customers of the Bank communicate their requests and complaints via branches, website ([www.ingbank.com.tr](http://www.ingbank.com.tr)) and Customer Contact Center (0850 222 0 600). Procedures Conflict of Information and Interest in the Markets approved by our Bank's Board of Directors includes the definition of how the requests, recommendations and complaints of the employees and third parties should be assessed. It is aimed to encourage the change and improvement as well as increasing motivation by assessing and rewarding them.

For all the recommendations found to be appropriate, a working plan is drawn by the relevant units and necessary system developments are carried out. The bank is regularly informed about the recommendations studied and put in effect.

### 13- Human Resources Policy

At ING Group, our primary purpose is to empower people to stay a step ahead in life and in business.

Human Resources Management has adopted fair and lean systems that make the employees feel that they are distinguished and that develop and support the employees with a Banking approach empowered by the employees.

In Turkey, with our dynamic and agile structure, we are bringing an unconventional and out-of-the-box banking approach, in line with our unique slogan "New Tricks to Old Dog". Tirelessly questioning the traditions, we are perpetually striving for better and are very excited about it. Furthermore, this approach covers all our customers as well as our employees and other potential ING family members. Thus, we are always committed to challenging the customary practices and make a difference in Human Resources processes.

Our Human Resources (HR) policy is based on raising our own leaders from within our Bank. We make substantial investments in personal development and leadership. We believe that leaders, who can unveil the potentials

of ING team members and provide them with an efficient and productive environment, are the key to success. Hence, we place great emphasis on leadership development programs.

ING Bank always desires to continue its activities as a preferred and encouraging employer. Everybody who joins ING Bank is informed of “Orange Code” during the orientation program. Orange Code includes both ING Values and ING Behaviors.

As ING Bank Turkey, we have 3 priorities regarding our target of becoming Turkey's most preferred employer in banking industry.

In line with the budget transformed according to the priorities of Human Resources and shaped according to the Bank's strategies, the recruitments are realized within the limits of norm staff. Job applications are made via web site of the Bank and contracted human resources portals and vacant positions are announced via these channels. Consultancy firms are also used when necessary. Our Bank cares that new graduates are acquired by our Bank and by the industry and to that end, we employ new graduates to be trained. Accordingly, we recruit Sales Trainees to be assigned in Retail, SME and Mid-Corporate Banking sales positions, Management Trainees to be assigned in various units in Head Office (IITP) and Assistant Internal Controllers, Assistant Auditors and operation and call center personnel for our Operation Center in Kahramanmaraş. Regardless of age, sex and other differences, equal career opportunities are offered to everybody. While forming various teams within ING business lines and feeding the internal culture, we focus on diversity, consciously. Key points in this approach are:

- Influencing best people and reaching the largest talent pool that can be formed, recruiting people with various backgrounds,
- Developing case by case plans for the business line to create different teams,
- Encouraging the students from various backgrounds to do internship in the Bank,
- Being an attractive employer for the students who have been educated in diverse areas.

The Practica Camp, which has been organized for 9 years, is a Young Talents Platform where the university students can express themselves. The event is organized to contribute to recognition and preferableness level of the Bank and support recruitments. It is an important organization where young people can reveal their creativity and improve themselves in a fun tournament as well as sharing their point of view with each other.

At the top of our HR selection criteria stand inquisitive, eager-to-learn profiles. Handling all our HR processes in a performance-based system, we follow a fair, transparent and career-oriented path for all our employees to offer them equal opportunities. We are aware of the importance of the working model for a successful HR management.

We believe in the power of Collaborative Working Model. We set our targets and strategies in collaboration with our employees. We know that this system is indispensable for one team, common goal and common achievements.

We have platforms open to everyone regardless of their titles and the organizational hierarchy. We design various platforms and means where our employees can share their opinions. We enable our employees to participate in all our projects, assuming active roles and making valuable contributions to ING Bank's achievements. We value the opinions and ideas of all our employees equally regardless of their job titles and any hierarchical order. Through this mechanism, we enable the dissemination of ideas, not only from top to bottom but also from bottom towards the top. With “Innovation Bootcamp”, our internal entrepreneurship platform, we encourage ING people from both ING Bank Turkey and other ING countries to develop innovative ideas/projects.

We are getting more mobile everyday. Via the mobile banking platform and applications, we design new systems that are accessible anytime and anywhere, not only for our customers but also for our employees. As we develop our banking performance to serve our customers better, we do the same for our people as well.

We have an agile working method. This method helps us keep live models and enables a continuous revision of our processes. Not restricting ourselves to the priorities only, we act more flexibly in our plans and sustainable



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development processes and use time much more effectively. Also, we enable our people to challenge our existing processes and take part in these processes to always perform better.

ING Bank cares developing the performances, weak and strong points, tendencies and desires of the people meticulously and offering them the positions where they can reveal such features in the best possible way.

To this end, ING Bank guides them to construct their future as well as observing them with many tools and methods. Within this context, ING Bank engages and develops Career Path Programs to invest more in professional and personal development and career plans of the employees, support the transitions between the business lines with concrete and measurable indicators, offer an opportunity environment for the employees, and to create resources primarily from internal sources. ING Bank International Talent Program (IITP) aims to train senior managers for the Bank in the long term. Within the scope of the program, new graduates are selected every year in each of ING countries and they are trained in the business line they choose, as part of a program. After a total of 4-year period involving the training programs abroad, the young talents go on to their careers by benefiting from the opportunities offered globally.

For ING Bank, international assignments are important due to the experiences offered. These assignments offer the employees the opportunity to benefit from international job opportunities across ING Global. Short and Long term assignments aim to ensure that right people work at the right place and right time for ING Bank.

International job policies act as perpetuation of the policies adopted globally by ING Group and in such policies the success of both ING Group and employees are considered and the focus is to satisfy both parties.

The employees of the Bank are supported with trainings continuously, starting on their first day at ING Bank. The career trainings planned for increasing the knowledge and skills of the employees in their current positions or for transition between positions are diversified with on-the-job trainings and e-learnings, which contributes to performance of the Bank. In addition, with boutique trainings arranged in connection with Bank's strategies and based on the projects, the employees can be supported to quickly adapt to the processes. It is aimed with the training programs, attended by the employees as part of their career plans, to help the employees improve in technical and personal competencies and become competent in their jobs.

Prioritized working areas have been defined in October 2011 among 22 standards determined within the scope of Top Employer Program started by ING Global. These areas are "Career Management", "Performance Management", "Working Environment/Well-being" and "Orange Code". In 2013, the priorities such as "Performance Management", "Training and Development", "Working in Efficient and Effective Cooperation" have been determined to act together in all the countries within the scope of Top Employer Program. ING Bank Turkey focuses on developing all these priorities determined in 2011 and 2013 for ING Bank Turkey Top Employer projects.

## Performance Management

As ING Bank, every year we manage a process that starts with setting job expectations and competencies which are assessed with continuous conversations and year-end review in order to assess performance against in a fair and transparent manner based on certain criteria. At ING Bank, our motto for the performance management is: "You are the performance, you own this process".

We conduct "Mentorship and Coaching Programs" to increase the performances or competences of our employees and help them discover and unveil their potential.

ING Bank believes that it will contribute to profitability and growth if employees have measurable goals and a shared success culture where they unite and work together to attain these goals. In this respect, Success@ING and Basari Vitriini, the performance management systems of ING Bank, have been constructed to evaluate all the personnel under the main competencies of job expectations, Orange Code Behaviors and stretch ambitions and to support development of the employees according to the results obtained. The results of the evaluations have been prepared to be used as data in career opportunities, talent programs, training programs, compensation and benefits practices about the employees.

The promotion process in the Bank has been arranged to make an employee who has the necessary qualities for promotion such as high performing behaviors, professional knowledge and skills, sufficient education level and sense of responsibility can be promoted to a higher position within the scope of vacancies in order to make use of the qualified human resources adequately.

### Career Management

We announce any Career Opportunities internally first to provide our people with the opportunity to apply for various posts both in Turkey and abroad. Short- and long-term assignments to ING Global posts aim to ensure that right people work at the right place and right time for ING Bank. With durations varying from 3 months to 5 years, these programs enable temporary assignments to the vacant positions in different countries based on the talents and experiences of our colleagues. Employees assigned to these posts are offered a significant contribution to their personal developments and career plans, supported by managers of the relevant business line and Human Resources teams.

At ING Bank, we offer promotion opportunities to all employees two times a year following performance assessment periods. We discuss with our colleagues in detail how they can plan their careers from the first day they join our team. We continue our “Orange Talents” program that aims to detect our team members with the strongest skills needed in the managerial roles and raise executives to carry our Bank to the future from within our organization. With the Orange Talents Program designed with this perspective, currently we appoint Branch Managers from within our own talent pool, which also serves for our Head Office. For ING executives holding office as CEO, SVP or a higher-ranking title, we have launched an Executive Development Program in cooperation with Ozyegin University as of 2016.

We have the “Career Steps” program which aims to support the development of branch team members through switching to different business lines.

Aiming at providing continuous training of all our branch employees and the leaders we have raised and are going to raise, ING Academy designs title- and competence-based professional training and personal development plans. Offering continuous development opportunities, this program gathers all training and development plans varying by titles and positions under a single roof. Another practice that attracts significant interest of our employees is the “Branch Certification Program”, designed to prepare our branch team members to become branch manager and which contributes to the professional and personal development of branch teams.

With the e-training and video portal of ING Mobile Academy, which mobilized and digitalized our training platform, all personal and professional development training opportunities have become accessible at any time. With the mobile apps we offer to our employees, we contribute to cost-saving.

By offering attractive training and career opportunities and a better workplace environment to our employees, we support our target of becoming the most preferred employer in banking industry.

### Social Benefits

The corporate volunteering program “Orange Hearts” was put in effect to guide the volunteer activities of ING Bank employees and unite the activities of our employees active in various volunteer initiatives under a single roof. ING Bank employees can take part in social responsibility projects, offering their time-talent and also financial support and also share their own projects with fellow employees. “Orange Hearts” functions with the motto “Set Your Heart on Benevolence”.

At our Head Office buildings, we offer various facilities including a Starbucks, a gym, a hairdresser and a basketball court.

With “Orange Deals”, we signed discount contracts with more than 100 brands across Turkey for ING Bank employees.

We design new models to enable our employees to have flexible working hours depending on their needs and the requirements of teamwork. Comprised of 4 sub-segments, namely FlexiHours, FlexiPlace, FlexiCareer and

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FlexiBenefits, FlexING aims at increased efficiency through maintaining a balance between the professional and personal lives of employees. In this model that offers flexibility in terms of working hours, workplace, career and benefits, we aim to help our employees build a healthy work-personal life balance.

We have put an end to “dress code”. We have abandoned the obligation of wearing a necktie, which has been a first for the industry. Instead of wearing suits to work, our employees have switched to a more casual yet fashionable style.

With our “Welcome to ING Leave” system, an ING Bank member can take a 5-day leave, even before having worked for an entire year.

Also, as part of the “Me and My Child” leaves:

- “First day of school” and “Report card day” leave allow parents with children between ages of 3 to 14 to be there for their children on the first and last day of school;
- “Orange Day with My Child” allows parents with children of the same age group to spare 1 day to spend with their children as they wish, and
- “I’m Having A Baby” leave allows expectant mothers to take 1 day off for their routine examinations every month until the delivery.

## 14- Ethical Rules and Social Responsibility

ING Group prioritizes environmental sensitivity and human rights in all ING countries and in the business relationships established. In financial decisions and transactions mediated, ING policies created with the awareness of responsibility towards the society must be complied as well as national and international laws and regulations.

Our Environmental and Social Risk Policies created for guiding our activities in the light of our social, ethical and environmental vision has become a dispensable part of credit risk management at ING. In other words, all potential social and environmental side effects (destruction of forests, air pollution, child employment, controversial weapons) of our activities are reviewed in depth.

Our policies are continuously improved and updated through cooperations with our employees, customers, shareholders and organizations specialized in the issues such as human rights, climate changes, etc.

ING Group is one of the 10 international banks having acknowledged Equator principles voluntarily in June 2003 which are agreed upon to be applied in financing all the projects costing 10 million \$ or more, based on environmental and social responsibility policies of International Finance Corporation. In project finance, these standards are taken in consideration for social responsibility and environmental risk management. ING Group, which has also been registered in the FTSE4 Good and Dow Jones Sustainability Index for its compliance with global responsibility standards, signed United Nations Global Compact in 2006. ING Group has been carrying out its activities with zero carbon footprint since 2007. ING is sustainability leader among banks according to Sustainalytics, a global leader in sustainability research. ING Global commits to decrease the carbon, waste and water foot print by 20%, realize 100% renewable energy procurement and increase the financing of sustainable transitions to EUR 35 bln by 2020.

ING Group carries out activities to create awareness on saving with the financial literacy projects and voluntary training programs focused on savings and has been cooperating with UNICEF since 2005. Within the scope of “ING Chances for Children” program, approximately 1 million children have been supported for their education and future up until today.

Our bank has adopted to comply with “Banking Ethical Principles” dated November 1, 2001 no 1012 published by Banks Association of Turkey.

Besides these principles, the ethical rules which the employees of ING Group Companies have to comply with are shared with all the employees of ING Bank A.Ş.

Board of Directors' resolution dated 26.12.2014, numbered 48-5 was granted in regard to the Ethical Principles of ING Bank A.Ş.

ING Bank Turkey is the signatory of United National (UN) Women Empowerment Principles. The bank also supports the UN HeforShe Campaign. ING Bank Turkey regularly measures the women statistics and develop programs to increase the number of the women employees in the bank.

ING Bank Turkey is included in the study group for Sustainable Banking established by Istanbul Stock Exchange and UN Global Compact Turkey. The experiences and accumulation of knowledge in this area both in international and national markets are shared with other participant banks. ING Bank Turkey has signed with 7 other banks the "Declaration on Sustainable Finance" which was initiated by UN Global Compact Turkey. In this regard, environmental and social risk evaluations were integrated into the loan assessment process for financing investment projects.

As a requirement of our role as a Savings Bank, we have been determining saving tendencies, changes and saving potentials of urban population with the Research on Turkey's Saving Tendencies carried out since October 2011. The results generated in the research have been respected and considered a resource by academicians, journalists and governmental bodies. The research was also granted "Best Communication Research" award in the category of "Communication Research" in International Public Relations Association (IPRA) 2013 Golden Globe Awards. We won bronze award ranking third among 225 projects in "Communication Program of the Year or Public Relations Campaign" category in "International Stevie Awards" accepted as one of the most prestigious awards of international business world.

Finally, we have focused on children and the young people who will be the most significant figures on the savings picture of the future, with the aim of meeting our responsibilities towards our society. To create awareness for saving in the future generations of Turkey, we officially launched "Orange Drop" program in April 2013 aiming at changing consumption and saving behaviors. Within the scope of the program put in effect under auspices of Istanbul Provincial Directorate of National Education, in coordination with Koç University and REC Turkey, 3rd and 4th graders in Elementary Schools have been visited and financial literacy trainings have been provided focusing on savings, via their teachers, for 8 weeks. Orange Drops reached 236 schools, 808 teachers and approximately 29.172 students.

Orange Drops has been represented in various international and national awards. The project won The Preferred Bank Award among 40 ING Group countries, has also received "Best Corporation" award among 17 corporations in EIFLE-Excellence in Financial Literacy Education Awards, organized for the eighth time by American Financial Literacy Institute. Orange Drops has also been one of the global finalists in Child and Youth Finance International/ CYFI Awards. It also holds Golden Compass Award being the "Best Corporate Social Responsibility Project" in education category among 12 projects in 13th Golden Compass Awards. Lastly, it won the "Silver Award" in "The Stevie International Business Awards" within the "Corporate Social Responsibility" category.

Additionally, many activities have been realized that would raise fund for UNICEF with volunteer contribution of our employees every year since 2008, under the initiative "Chances for Children" of ING Bank both internationally and in Turkey. The projects carried out by UNICEF in Turkey are supported with the funds raised thanks to voluntary work of our employees, making our children get one step closer to their dreams.

ING Bank employees having run in Istanbul Marathon, Runatolia and Bozcaada marathons between 2012 and 2014 raised funds to contribute to the primary school built in Kahramanmaraş in cooperation with UNICEF. Furthermore, our employees raised funds for Koruncuk Foundation by running at 2017 Istanbul Marathon.

Through a campaign started in December 2017, ING Bank Turkey's contactless mobile payment tool ParaMara users' contactless payments were matched as donations (within the pre-defined limits) to The Spinal Cord Paralytics Association of Turkey and Koruncuk Foundation.

As of the end of 2014, in cooperation with Association of Private Sector Volunteers and sticking to the motto "Give your Heart for the Good of Others", the corporate volunteering program "Orange Hearts" was put in effect to guide the volunteer activities of the ING Bank employees and unite the activities of our employees active in various

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volunteer initiatives under a single roof. Within the scope of Orange Hearts program, ING Bank Turkey employees realized 1.011 hours of voluntary activities in 2017.

Lastly, ING Bank provides financial and mentorship support for the university students in need under the Koc University Anatolian Scholarship Program. ING Bank helps them to continue their professional development and higher education for 5 years through ING Bank Turkey's support. One of the students was successfully graduated in 2017. Furthermore, ING Bank Turkey also provides full scholarship of one student within the scope of Ozyegin University Equal Opportunity for Education Scholarship Program.

## SECTION IV – BOARD OF DIRECTORS

### 15- The Structure and Composition of Board of Directors

#### ING Bank A.Ş. Board of Directors

John T. Mc Carthy	Chairman
M. Sirri Erkan	Vice Chairman
Ayşe Canan Ediboğlu	Board Member
Can Erol	Board Member
Adrianus J. A. Kas	Board Member
Pinar Abay	CEO and Board Member

There is no executive Board Member other than Pinar Abay who is both CEO and a Natural Board Member.

Since our Bank is not one of the corporations defined in Article 5 in Communiqué Serial no IV-56 of CMB, it is not subject to the legal liabilities required for independent board members.

Board Members are assigned with other duties outside the Bank. Related banking law and BRSA regulations are complied with in such assignments. In addition, the restrictions on the board members imposed by Article 396 of Turkish Commercial Code are removed with the decision of shareholders in the ordinary general assembly held every year.

### 16- Principles of Activity of the Board of Directors

Performing the activities with the aim of reaching strategic targets of the Bank in line with our Mission, Vision and Values.

### 17- Number, Structure and Independency of Committees Established by the Board Of Directors

Information about Credit Committee, Audit Committee, Corporate Management Committee and Compensation Committee are as follows:

#### Credit Committee :

Names of Board Members who are members of Credit Committee at the same time:

- John T. Mc Carthy, Chairman (Chairman)
- A.Canan Ediboğlu, Member (Board Member)
- Pinar Abay, Member (CEO and Board Member)

#### Audit Committee :

Names of Board Members who are members of Audit Committee at the same time:

- Adrianus J. A. Kas, Chairman (Board Member)
- M. Sirri Erkan, Member (Vice Chairman)

### Corporate Governance Committee:

Names of Board Members who are members of Corporate Governance Committee at the same time:

Ayşe Canan Edipoğlu, Chairman (Board Member)

John T. Mc Carthy, Member (Chairman)

### Compensation Committee:

Names of Board Members who are members of Compensation Committee at the same time:

John Thomas Mc Carthy, Member (Chairman)

Ayşe Canan Edipoğlu, Member (Board Member)

## 18- Internal Control and Risk Management Mechanism

### 18.1. Internal Audit

Internal Audit Department (IAD) reports to the Audit Committee; and aims to provide independent and objective assurance and advisory services to the Senior Management for the quality and effectiveness of the internal control, risk management and governance systems and process and information systems practices in the Bank and its subsidiaries. As per the "Regulation on Internal Systems and Internal Capital Adequacy Assessment Process of Banks" and in accordance with "Control Objectives for Information and Related Technologies (COBIT)", IAD supports the Bank and subsidiaries to accomplish their mission and strategic business objectives through a systematic, documented risk based audit approach to examine, evaluate and improve the effectiveness of (framework of) governance, control, and risk management processes of the Bank and subsidiaries. Moreover, IAD performs investigations on the fraud, cheat or forgery acts committed by the personnel or third parties against the Bank.

IAD carries out its activities; in accordance with the principles of the Bank and the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the Standards, and the Definition of Internal Auditing as determined by the International Institute of Internal Auditors. IAD deploys competent staff who adhere to these Code of Ethics and Standards.

### 18.2. Financial Risk Management

Financial Risk Management cooperates with related business lines of the Bank for the existing activities of the Bank as well as carrying out regular legal and internal reporting activities. The unit acts as a guide in determining, monitoring, measuring and managing the risks, and consequently realizes necessary arrangements via Board of Directors, Audit Committee, Asset & Liabilities Committee (ALCO), Model Development and Monitoring Committee and Credit Risk and Provisioning Committee.

Financial Risk Management monitors the Risk Management Regulations (local & international) closely and plays an important role in creating awareness within the Bank via Committees.

#### 18.2.1. Market Risk

All the assessments needed for monitoring, measuring and managing market risks the balance sheet is exposed to. Market risk profile of the balance sheet and product mandate determined in parallel with this, are managed broadly within abovementioned framework. For the compliance of market risk with both Basel requirements and other international standards, not only banking book and trading book have been separated, but also the methods for measuring and monitoring the risks arising from such books have been separated via various risk appetite and limits defined by Board of Directors. In this context, various risk appetite and limits against currency risk besides the interest rate sensitivity based limits against certain interest rate shocks were defined covering also the value at risk measure for the interest rate risk on banking books. On the other hand, in trading books limits based on sensitivity and position limits have been determined as well as value at risk limits within the scope of currency and interest rate risk. Such limits are followed up regularly and measurement results are shared with the senior management and Board of Directors. Moreover, as part of Bank's risk management strategy the Board



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approved risk appetite is regularly reviewed in the light of changing economic environment besides the Bank's targets and again approved by Board. On the other hand, legal capital requirement for market risk is calculated in Standard Method.

In addition, in order to comply with the increasing global regulatory requirements above besides to perform sophisticated risk analysis, a comprehensive software implementation project has been kicked off.

## 18.2.2. Credit Risk

Credit risk is defined as the loss probability the Bank may be exposed to due to failure to realize the liability partially or wholly of the counter party of the transaction, not complying with the contract signed with the Bank. Credit risk aims to monitor risk-revenue structure, accordingly qualifications and level of the activities related to credit disbursement, to take them under control, as well as defining, measuring, reporting, monitoring, controlling and aligning them with risk profiles on a consolidated and unconsolidated basis via policies, procedures and limits that may be changed when necessary. Local and International standards (BRSA, ECB and Basel Committee Standards) and regulations modified and updated for closely monitoring and measuring the credit risk of the Bank and for executing the activities reliably are followed up. Necessary studies and preparations are carried out for taking necessary measures in compliance with the regulations. Risk measurement models and methods used in the Bank are reviewed, analyses are carried out, and reports are generated on a regular basis. Credit principles of the Bank are based on risk security, liquidity and risk-revenue balance. To maintain this balance, new products and services of the Bank related to credits are assessed; the risks to arise from the new product/service are measured in detail, and put under an approval process. In monitoring the risk for the Bank's credit portfolio the changes in rating classes of the segments are monitored closely. In addition to these, in order to comply with the regulations regarding Internal Ratings Based Approach (IRBA) migration project, published by BRSA, a dedicated Project is being run with the relevant stakeholders. At the same time, in-line with the new IFRS 9 standards, internal models for Bank's credit risk portfolio is being developed for provisioning calculations.

## 18.3. Internal Control Group

Internal Control Group consists of Branch Internal Control department and Head Office and Subsidiaries Internal Control departments. Internal Control Group;

- Controls according to the prepared working guidelines whether all the transactions of the Bank are carried out in compliance with the laws, legislations and all related regulations, Board decisions and directives and instructions from Head Office, within appropriate and determined limits,
- Controls whether balance sheet and statutory reports are in compliance with existing laws, regulations, notifications, circulars and prospectuses,
- Ensures that measures are taken against the risks that may arise,
- Carries out necessary activities for ensuring that the controls on Bank's activities are standardized and realized according to certain rules
- Acts as a consultant about the risks regarding the activity fields and projects to be realized in various units of the Bank, when necessary.

The principle is that before basic internal control activities are realized in a risk-based manner also in the branches to cover the activities of all the units centrally and the risks related to the activities occur, preventive checkpoints should be formed, thereby mitigating and managing the risks. Besides central controls, on-site internal controls are carried out in all the branches of our Bank and transactions are checked. In addition to branch control activities, periodic controls are also carried out for subsidiaries and major Head Office departments/ processes. For the issues in need of urgent measures to be taken, Internal Control is notified urgently. Branch authorities are also informed on the issue. Internal control staff in the branches do not perform any executive activities as those in the Head Office. In realizing internal control activities, related working guidelines are complied with. Working guidelines include the legal regulations, changes in the products and services kept up-to-date to ensure that they are reflected on control activities instantly. In parallel with the changes to occur in the regulations, new

checkpoints are added and obsolete ones are removed. Internal Control Group plays an active role in the control tests realized periodically in compliance with Sarbanes Oxley (SOX) rules and Enterprise Risk Management (ERM) within the Bank.

#### 18.4. Operational and IT Risk Management Group

The seven operational risk categories defined in Basel-II Report as of June 2006, have been enriched by ING as “non-financial risk” under the following ten categories; Compliance Risks, Control Risks, Unauthorized Activity Risks, Processing Risks, Employment Practices Risks, Personal and Physical Security Risks, Continuity Risks, Internal and External Fraud Risks and Information Technology Risks.

Operational and IT Risk Management Group's duties are to provide the necessary support for management of these risk categories except Compliance Risk by the business lines and other functions in ING Bank A.Ş. and ING Bank A.Ş. Subsidiaries as well as providing guidance on implementation of ING Policy and Standards, ensuring information flow via various reports, coordinating relevant corporate governance meetings and calculating Operational Risk Economic and Regulatory Capital. Defining the operational risk faced by the Bank, determining risk points and standardizing them for processes throughout the Bank, measuring, monitoring and reporting, setting limits related to operational risks, monitoring them and reporting any breaches, evaluating operational risks and ensuring that all the possible risks have been evaluated for any new product or service in accordance with Regulation on Internal Systems of Banks, taking responsibilities in SOX and ERM testing process, as well as providing Operational Risk Management trainings are also under the responsibility of Operational and IT Risk Management Group.

#### 18.5. Compliance Risk Management Department

Compliance Risk is defined as the all risks of impairment of ING's integrity. This includes all risks that may damage the ING's reputation and / or result in financial damage in the event of failure (or perceived failure) to comply with applicable laws and regulations, ING's Policies and minimum standards, ING Code of Conduct and the ING Orange Codes.

All ING employees are required to comply with applicable laws and regulations, ING Bank Policies and standards, ING Code of Conduct and the ING Orange Codes in order to protect the reputation of ING and effectively manage the Compliance Risks.

Compliance Risk Management Department (reporting to the Audit Committee) provides advisory service, conduct trainings and awareness activities for increasing the Compliance Risk awareness of ING Bank A.S. and its subsidiaries' employees in line with the ING Compliance Risk Management Framework. In order to effectively manage the Compliance Risks of ING Bank A.S. and its subsidiaries, Compliance Risk Management performs risk-based monitoring activities and periodic reportings.

### 19- The Strategic Goals of the Company

#### Our vision

Creating long term values for all our stakeholders while offering the most appropriate solutions to our customers to assist them to manage their finance the best way in the future.

#### Our mission

Becoming the preferred bank for our customers with an understanding of operational excellence and international service quality, and for our employees with our ethical and spiritual values of highest level.

# Corporate Governance Principles Compliance Report

## Our values

Everybody needs a bank that is reliable, excellent in services, acting smartly, decisive, sensitive, and accessible. As a bank carrying these values, we will make our customers gain strength. We will introduce a brand new understanding of banking in Turkey.

Vision/Mission/Values of the Bank have been determined and publicized on our website. As is mentioned above, the strategic objectives studied on and presented via managers and various committees participated by them are assessed and resolved in Board of Directors. Annual budget, investment issues and amounts, branching, working policies in various areas, etc. are among the subjects within this scope. Additionally, the issues about reaching or deviating from the objectives or updating them in accordance with changed conditions are submitted to the Board of Directors in preset intervals.

## 20- Remuneration of the Board of Directors

In the last Ordinary General Assembly realized by the Shareholders on 29.03.2017; it was deemed appropriate not to pay daily allowance to the Board Members, and to ensure that Board of Directors take decision on determining the compensation to be paid not exceeding maximum net TL 50.000.-monthly according to the job sharing to be made in Board of Directors, in consideration of 6th principle of the Regulations on the Corporate Governance Principles of the Banks released by BRSA.

# Review of the Financial Situation and Risk Management

## Asset Quality

9% of ING Bank's total consolidated assets consist of cash, banks and liquid securities. Almost the entire consolidated securities portfolio of the Bank is composed of high liquidity government bonds and T-bills. Loans have the biggest share in consolidated assets, at 73% of the total, and the sum of cash loans stood at TL 44.9 billion at the end of 2017. As a result of the proactive approach taken by the Bank, the consolidated NPL ratio stood at 3.7% and the Bank preserved its status among the financial institutions with the best asset quality.

The share of non-interest bearing non-current assets such as fixed assets and non-financial subsidiaries within consolidated assets stands at 1.1%. This low value demonstrates Bank's continued focus on real banking operations.

## Resource Structure, Liquidity and Fund Management

ING Bank's consolidated deposits reached TL 27.6 billion in 2017. Foreign resources, which was the primary source of funding, accounted for 45% of the consolidated balance sheet. Even though the wide deposit structure of the Bank represents a short term source, these are renewed upon maturity and remain in the Bank for longer than the original term.

In addition, the Bank has had the opportunity to acquire long term resources from the parent company after joining ING Group. The total consolidated funds borrowed by the Bank reached TL 22.3 billion, with the foreign sources accounted for 36% of the consolidated balance sheet.

The Bank's general liquidity policy is to manage the liquidity level such that it is resistant to market shocks, that it is based on an expansive deposit base and that it is aimed at the optimization of profitability and liquidity at the same time, in accordance with a precautionary risk management approach.

## Equity

As of 31 December 2017, ING Bank's consolidated capital adequacy ratio had reached 19.2%. In order to support the Bank's growth focused strategy, the main shareholder has raised its cash capital by a total of TL 1.9 billion in recent years. In addition, as of 31 December 2017 the Bank provided subordinated loan amounting to TL 3 billion from its parent company.

## Profitability

Developments in global and national markets continued to impact the sustainable profitability of banks in 2017. Despite this outlook and the limitations in the sector, ING Bank grew consistently with sound equity and strong asset quality. In parallel with the developments in the economy and Bank's balance sheet, the Bank wrote a consolidated profit before tax of TL 1,127 million.

# Information on Any Ratings Given by Rating Agencies

## Fitch Ratings Ltd.

On 14 March 2017, the international rating agency, Fitch Ratings Ltd., confirmed the Bank's credit ratings as follows:

Long Term Foreign Currency Rate:	BBB- (Outlook: Stable)
Long Term Local Currency Rate:	BBB- (Outlook: Stable)
Short Term Foreign Currency Rate:	F3
Short Term Local Currency Rate:	F3
Support Rate:	2
National Long Term Rating:	AAA(tur) (Outlook: Stable)
Financial Capacity Rating:	bb

## Moody's

On 20 March 2017, the international rating agency, Moody's, confirmed the Bank's credit ratings as follows:

Long Term Turkish Lira Deposit Rate:	Ba1 (Outlook: Stable)
Short Term Turkish Lira Deposit Rate:	NP
Long Term Foreign Currency Deposit Rate:	Ba2 (Outlook: Stable)
Short Term Foreign Currency Deposit Rate:	NP
Basic Credit Assessment:	b1
National Scale Rating:	Aa1.tr/TR-1

# Summary Board of Directors Report Presented to the General Assembly

To the General Assembly of ING Bank Anonim Şirketi,

2017 was a year of continuing moderate growth in the Turkish economy. In 2017, our Bank established its growth strategy, based on a sustainable long term plan, and continued its activities with sound equity and strong asset quality.

With its customer oriented approach, range of products and services, expansive distribution channels and experienced personnel, ING Bank continued to provide its customers with appropriate financial products and services, drawing on the global knowledge and experience of ING Group, and investing in and adding value to the Turkish economy. As of 2017 year-end, the sum of consolidated deposits reached TL 28 billion as the primary funding source, and the total consolidated cash and non-cash loans were TL 53 billion.

After joining the ING Group, the Bank has had the opportunity to acquire long term funds from the parent company. The total consolidated borrowed funds as of the end of 2017, reached TL 22 billion. The share of borrowed funds within consolidated balance sheet total was 36%.

While the consolidated total cash loans of ING Bank A.Ş., in accordance with its customer oriented strategy for real banking, reached TL 45 billion, the most remarkable increase in loans took place in the Wholesale and SME business unit. At year-end, consolidated loan portfolio of the Bank accounted for 73% of the total assets.

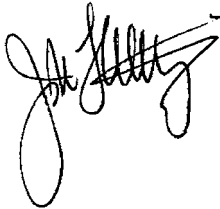
It appears that the deposit base which further expanded as a result of the investments made in recent years, and the increase in loan volumes had a positive impact on the 2017 results. In addition, the effective marketing activities of the Bank in all the business units, as well as prudent risk policies and effective cost management, had an important role in profitability. As a result of these developments, the Bank's consolidated profit before tax in 2017 was TL 1.127 million.

As a result of these developments, on 31 December 2017, ING Bank A.Ş.'s

- Consolidated Asset size TL 61.524 million,
- Consolidated Equity TL 5.914 million,
- Consolidated Capital Adequacy Ratio 19,15%,
- Consolidated Net Profit for the period TL 888 million for the period.

The unconsolidated and consolidated financial statements showing the results of ING Bank A.Ş.'s operations for the period from 1 January to 31 December 2017 are presented for your review and approval.

Yours sincerely,



John T. Mc Carthy  
Chairman



Pinar Abay  
CEO and Board Member



ING Bank A.Ş.

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

# Independent Auditor's Report



KPMG Bağımsız Denetim ve Serbest  
Muhasebeci Mali Müşavirlik A.Ş.  
İş Kuleleri, Kule 3, Kat:2-9  
Levent, İstanbul

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

## INDEPENDENT AUDITOR'S REPORT

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

### A) Audit of Unconsolidated Financial Statements

#### Opinion

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

In our opinion, the unconsolidated financial statements present fairly, in all material respects, the unconsolidated financial position of the Bank as at 31 December 2017, and its unconsolidated financial performance and its unconsolidated cash flows for the year then ended in accordance with the "Banking Regulation and Supervision Agency ("BRSA") Accounting and Reporting Legislation" which includes the "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published in the Official Gazette No. 26333 dated 1 November 2006, and other regulations on accounting records of banks published by Banking Regulation and Supervision Board and circulars and interpretations published by BRSA and requirements of Turkish Accounting Standards for the matters not regulated by the aforementioned legislations.

#### Basis for Opinion

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

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

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

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

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

#### Auditors' Responsibilities for the Audit of the Unconsolidated Financial Statements

Responsibilities of auditors in an audit are as follows:

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

# Independent Auditor's Report

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

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

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

## B) Other Legal and Regulatory Requirements

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

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

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



Funda Aslanoğlu, SMMM  
Partner

9 February 2018  
İstanbul, Turkey

## Additional paragraph for convenience translation to English:

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

# The unconsolidated financial report of ING Bank A.Ş. prepared as of 31 December 2017

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

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

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

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

John T. Mc CARTHY  
Chairman of the Board

Pinar ABAY  
President and CEO

K. Atıl ÖZUS  
CFO

Özden SERPEK  
Financial Reporting  
and Tax Director

Adrianus J. A. KAS  
Chairman of the Audit Committee

M. Sirri ERKAN  
Audit Committee Member

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

Name-Surname/Title : Nurgül BİLGİÇER FİLİS/Vice President  
Phone No : (212) 403 72 66  
Fax No : (212) 366 45 09

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ING Bank A.Ş.

## Notes to unconsolidated financial statements as of and for the Year Ended 31 December 2017

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

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

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

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

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

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

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

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

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

The main shareholders and capital structure as of 31 December 2017 and 31 December 2016 are as follows:

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

As of 31 December 2017, the Bank's paid-in capital consists of 3,486,267,797 shares with a nominal value of TL 1 (Full TL) each.

The Bank's paid-in capital is TL 3,486,268 as of 31 December 2017 and ING Bank N.V. has full control over the Bank's capital.

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



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

ING Bank A.Ş.

## Notes to unconsolidated financial statements as of and for the Year Ended 31 December 2017 (continued)

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

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

As of 31 December 2017, the Bank's Board of Directors (BoD), Members of Audit Committee and Chief Executive Officer and Executive Vice Presidents are as follows:

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

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

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

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

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

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

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

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

ING Bank A.Ş.

## Notes to unconsolidated financial statements as of and for the Year Ended 31 December 2017 (continued)

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

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

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

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

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

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

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

### IV. Information on the Bank's qualified shareholders

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

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

The Bank is principally engaged in all types of banking transactions, accepting deposits and all kinds of legal transactions, activities and operations within banking license within the scope provided by the Banking Law, and all existing and/or future laws, regulations and decree laws and related legislation. The Bank carries out its operations with 261 domestic branches.

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

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

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

None.

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

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## Notes to unconsolidated financial statements as of and for the Year Ended 31 December 2017 (continued)

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

### Section two

#### Unconsolidated financial statements

- I. Unconsolidated balance sheet (statement of financial position)
- II. Unconsolidated statement of off-balance sheet items
- III. Unconsolidated statement of income
- IV. Unconsolidated statement of income and expenses recognized under unconsolidated shareholders' equity
- V. Unconsolidated statement of changes in the shareholders' equity
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- VII. Statement of profit distribution

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# Unconsolidated Balance Sheet (Statement of Financial Position) as of 31 December 2017

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

Assets	Note (section five)	Audited Current period (31/12/2017)			Audited Prior period (31/12/2016)		
		TL	FC	Total	TL	FC	Total
<b>I. Cash and balances with Central Bank</b>	<b>(I-1)</b>	<b>459,007</b>	<b>7,371,516</b>	<b>7,830,523</b>	<b>415,525</b>	<b>6,450,120</b>	<b>6,865,645</b>
<b>II. Financial assets at fair value through profit or loss (net)</b>	<b>(I-2)</b>	<b>417,317</b>	<b>196,781</b>	<b>614,098</b>	<b>284,725</b>	<b>249,168</b>	<b>533,893</b>
2.1 Financial assets held for trading		417,317	196,781	614,098	284,725	249,168	533,893
2.1.1 Public sector debt securities		36,584	5,509	42,093	1,765	4,608	6,373
2.1.2 Equity securities		-	-	-	-	-	-
2.1.3 Derivative financial assets held for trading		380,688	191,272	571,960	282,928	244,560	527,488
2.1.4 Other marketable securities		45	-	45	32	-	32
2.2 Financial assets designated at fair value through profit and loss		-	-	-	-	-	-
2.2.1 Public sector debt securities		-	-	-	-	-	-
2.2.2 Equity securities		-	-	-	-	-	-
2.2.3 Loans		-	-	-	-	-	-
2.2.4 Other marketable securities		-	-	-	-	-	-
<b>III. Banks</b>	<b>(I-3)</b>	<b>1,447</b>	<b>480,707</b>	<b>482,154</b>	<b>6,624</b>	<b>149,039</b>	<b>155,663</b>
<b>IV. Money market placements</b>		<b>1,047,895</b>	<b>-</b>	<b>1,047,895</b>	<b>1,775,677</b>	<b>-</b>	<b>1,775,677</b>
4.1 Interbank money market placements		-	-	-	-	-	-
4.2 Receivables from Istanbul Stock Exchange Money Market		-	-	-	455,063	-	455,063
4.3 Receivables from reverse repurchase agreements		1,047,895	-	1,047,895	1,320,614	-	1,320,614
<b>V. Financial assets available for sale (net)</b>	<b>(I-4)</b>	<b>1,735,832</b>	<b>156</b>	<b>1,735,988</b>	<b>2,551,632</b>	<b>102,195</b>	<b>2,653,827</b>
5.1 Equity securities		5,947	156	6,103	5,946	102,195	108,141
5.2 Public sector debt securities		1,729,885	-	1,729,885	2,545,686	-	2,545,686
5.3 Other marketable securities		-	-	-	-	-	-
<b>VI. Loans and receivables</b>	<b>(I-5)</b>	<b>29,916,203</b>	<b>8,550,573</b>	<b>38,466,776</b>	<b>25,476,914</b>	<b>9,340,033</b>	<b>34,816,947</b>
6.1 Loans and receivables		29,418,797	8,550,573	37,969,370	25,038,657	9,340,033	34,378,690
6.1.1 Loans to the Bank's risk group		147,304	-	147,304	102,367	2,029	104,396
6.1.2 Government debt securities		-	-	-	-	-	-
6.1.3 Other		29,271,493	8,550,573	37,822,066	24,936,290	9,338,004	34,274,294
6.2 Loans under follow-up		1,683,658	-	1,683,658	1,387,723	-	1,387,723
6.3 Specific provisions (-)		(1,186,252)	-	(1,186,252)	(949,466)	-	(949,466)
<b>VII. Factoring receivables</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>VIII. Held-to maturity investments (net)</b>	<b>(I-6)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
8.1 Public sector debt securities		-	-	-	-	-	-
8.2 Other marketable securities		-	-	-	-	-	-
<b>IX. Associates (net)</b>	<b>(I-7)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
9.1 Accounted for under equity method		-	-	-	-	-	-
9.2 Unconsolidated associates		-	-	-	-	-	-
9.2.1 Financial associates		-	-	-	-	-	-
9.2.2 Non-financial associates		-	-	-	-	-	-
<b>X. Subsidiaries (net)</b>	<b>(I-8)</b>	<b>95,573</b>	<b>334</b>	<b>95,907</b>	<b>95,573</b>	<b>334</b>	<b>95,907</b>
10.1 Unconsolidated financial subsidiaries		95,573	334	95,907	95,573	334	95,907
10.2 Unconsolidated non-financial subsidiaries		-	-	-	-	-	-
<b>XI. Joint ventures (net)</b>	<b>(I-9)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
11.1 Accounted for under equity method		-	-	-	-	-	-
11.2 Unconsolidated		-	-	-	-	-	-
11.2.1 Financial joint ventures		-	-	-	-	-	-
11.2.2 Non-financial joint ventures		-	-	-	-	-	-
<b>XII. Financial lease receivables (net)</b>	<b>(I-10)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
12.1 Financial lease receivables		-	-	-	-	-	-
12.2 Operational lease receivables		-	-	-	-	-	-
12.3 Other		-	-	-	-	-	-
12.4 Unearned income (-)		-	-	-	-	-	-
<b>XIII. Derivative financial assets held for hedging purposes</b>	<b>(I-11)</b>	<b>1,571,395</b>	<b>-</b>	<b>1,571,395</b>	<b>1,793,218</b>	<b>5</b>	<b>1,793,223</b>
13.1 Fair value hedge		-	-	-	-	-	-
13.2 Cash flow hedge		1,571,395	-	1,571,395	1,793,218	5	1,793,223
13.3 Hedge of net investment risks in foreign operations		-	-	-	-	-	-
<b>XIV. Property and equipment (net)</b>	<b>(I-12)</b>	<b>502,235</b>	<b>-</b>	<b>502,235</b>	<b>423,908</b>	<b>-</b>	<b>423,908</b>
<b>XV. Intangible assets (net)</b>	<b>(I-13)</b>	<b>39,215</b>	<b>-</b>	<b>39,215</b>	<b>44,473</b>	<b>-</b>	<b>44,473</b>
15.1 Goodwill		-	-	-	-	-	-
15.2 Other		39,215	-	39,215	44,473	-	44,473
<b>XVI. Investment properties (net)</b>	<b>(I-14)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>XVII. Tax asset</b>		<b>31,525</b>	<b>-</b>	<b>31,525</b>	<b>76,480</b>	<b>-</b>	<b>76,480</b>
17.1 Current tax asset		31,525	-	31,525	76,480	-	76,480
17.2 Deferred tax asset	(I-15)	-	-	-	-	-	-
<b>XVIII. Property and equipment held for sale and related to discontinued operations (net)</b>	<b>(I-16)</b>	<b>660</b>	<b>-</b>	<b>660</b>	<b>660</b>	<b>-</b>	<b>660</b>
18.1 Held for sale		660	-	660	660	-	660
18.2 Related to discontinued operations		-	-	-	-	-	-
<b>XIX. Other assets</b>	<b>(I-17)</b>	<b>456,858</b>	<b>6,878</b>	<b>463,736</b>	<b>446,640</b>	<b>4,717</b>	<b>451,357</b>
<b>Total assets</b>		<b>36,275,162</b>	<b>16,606,945</b>	<b>52,882,107</b>	<b>33,392,049</b>	<b>16,295,611</b>	<b>49,687,660</b>

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

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

ING Bank A.Ş.

## Unconsolidated Balance Sheet (Statement of Financial Position) as of 31 December 2017

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

Liabilities	Note (section five)	Audited Current period (31/12/2017)			Audited Prior period (31/12/2016)		
		TL	FC	Total	TL	FC	Total
<b>I. Deposits</b>	<b>(II-1)</b>	<b>18,440,245</b>	<b>9,245,580</b>	<b>27,685,825</b>	<b>17,377,352</b>	<b>7,839,933</b>	<b>25,217,285</b>
1.1 Deposits held by the Bank's risk group		50,113	49,496	99,609	30,784	38,515	69,299
1.2 Other		18,390,132	9,196,084	27,586,216	17,346,568	7,801,418	25,147,986
<b>II. Derivative financial liabilities held for trading</b>	<b>(II-2)</b>	<b>279,974</b>	<b>189,342</b>	<b>469,316</b>	<b>375,448</b>	<b>199,599</b>	<b>575,047</b>
<b>III. Funds borrowed</b>	<b>(II-3)</b>	<b>377,902</b>	<b>13,586,378</b>	<b>13,964,280</b>	<b>587,141</b>	<b>13,191,605</b>	<b>13,778,746</b>
<b>IV. Money market balances</b>		<b>59,498</b>	<b>-</b>	<b>59,498</b>	<b>126,567</b>	<b>-</b>	<b>126,567</b>
4.1 Funds from interbank money market		-	-	-	125,000	-	125,000
4.2 Funds from Istanbul Stock Exchange money market		57,207	-	57,207	59	-	59
4.3 Funds provided under repurchase agreements		2,291	-	2,291	1,508	-	1,508
<b>V. Marketable securities issued (net)</b>	<b>(II-4)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>246,634</b>	<b>-</b>	<b>246,634</b>
5.1 Bills		-	-	-	246,634	-	246,634
5.2 Asset backed securities		-	-	-	-	-	-
5.3 Bonds		-	-	-	-	-	-
<b>VI. Funds</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
6.1 Borrower funds		-	-	-	-	-	-
6.2 Other		-	-	-	-	-	-
<b>VII. Miscellaneous payables</b>		<b>359,954</b>	<b>41,665</b>	<b>401,619</b>	<b>303,817</b>	<b>32,786</b>	<b>336,603</b>
<b>VIII. Other liabilities</b>	<b>(II-5)</b>	<b>209,772</b>	<b>14,241</b>	<b>224,013</b>	<b>302,336</b>	<b>19,470</b>	<b>321,806</b>
<b>IX. Factoring payables</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>X. Leasing transaction payables</b>	<b>(II-6)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
10.1 Financial lease payables		-	-	-	-	-	-
10.2 Operational lease payables		-	-	-	-	-	-
10.3 Other		-	-	-	-	-	-
10.4 Deferred financial lease expenses (-)		-	-	-	-	-	-
<b>XI. Derivative financial liabilities held for hedging purposes</b>	<b>(II-7)</b>	<b>21,299</b>	<b>4,155</b>	<b>25,454</b>	<b>33,054</b>	<b>5,444</b>	<b>38,498</b>
11.1 Fair value hedge		-	-	-	-	-	-
11.2 Cash flow hedge		21,299	4,155	25,454	33,054	5,444	38,498
11.3 Hedge of net investment in foreign operations		-	-	-	-	-	-
<b>XII. Provisions</b>	<b>(II-8)</b>	<b>831,585</b>	<b>-</b>	<b>831,585</b>	<b>721,886</b>	<b>-</b>	<b>721,886</b>
12.1 General loan loss provisions		645,238	-	645,238	581,083	-	581,083
12.2 Restructuring reserves		-	-	-	-	-	-
12.3 Reserve for employee benefits		40,358	-	40,358	38,813	-	38,813
12.4 Insurance technical provisions (net)		-	-	-	-	-	-
12.5 Other provisions		145,989	-	145,989	101,990	-	101,990
<b>XIII. Tax liability</b>	<b>(II-9)</b>	<b>412,805</b>	<b>-</b>	<b>412,805</b>	<b>387,467</b>	<b>-</b>	<b>387,467</b>
13.1 Current tax liability		78,458	-	78,458	69,821	-	69,821
13.2 Deferred tax liability		334,347	-	334,347	317,646	-	317,646
<b>XIV. Liabilities for property and equipment held for sale and related to discontinued operations (net)</b>	<b>(II-10)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
14.1 Held for sale		-	-	-	-	-	-
14.2 Related to discontinued operations		-	-	-	-	-	-
<b>XV. Subordinated loans</b>	<b>(II-11)</b>	<b>222,644</b>	<b>2,816,323</b>	<b>3,038,967</b>	<b>474,800</b>	<b>2,406,399</b>	<b>2,881,199</b>
<b>XVI. Shareholders' equity</b>	<b>(II-12)</b>	<b>5,772,985</b>	<b>(4,240)</b>	<b>5,768,745</b>	<b>4,967,096</b>	<b>88,826</b>	<b>5,055,922</b>
16.1 Paid-in capital		3,486,268	-	3,486,268	3,486,268	-	3,486,268
16.2 Capital reserves		283,903	(4,240)	279,663	101,678	88,826	190,504
16.2.1 Share premium		-	-	-	-	-	-
16.2.2 Share cancellation profits		-	-	-	-	-	-
16.2.3 Marketable securities valuation differences		(17,656)	-	(17,656)	(30,406)	94,029	63,623
16.2.4 Revaluation surplus on tangible assets		46,732	-	46,732	26,644	-	26,644
16.2.5 Revaluation surplus on intangible assets		-	-	-	-	-	-
16.2.6 Revaluation surplus on investment property		-	-	-	-	-	-
16.2.7 Bonus shares from investment in associates, subsidiaries and joint ventures		-	-	-	-	-	-
16.2.8 Hedging funds (effective portion)		254,528	(4,240)	250,288	103,747	(5,203)	98,544
16.2.9 Valuation differences on property and equipment held for sale and related to discontinued operations		-	-	-	-	-	-
16.2.10 Other capital reserves		299	-	299	1,693	-	1,693
16.3 Profit reserves		1,159,062	-	1,159,062	807,989	-	807,989
16.3.1 Legal reserves		148,416	-	148,416	99,858	-	99,858
16.3.2 Status reserves		-	-	-	-	-	-
16.3.3 Extraordinary reserves		1,010,320	-	1,010,320	707,805	-	707,805
16.3.4 Other profit reserves		326	-	326	326	-	326
16.4 Profit or loss		843,752	-	843,752	571,161	-	571,161
16.4.1 Prior periods' profit/loss		-	-	-	-	-	-
16.4.2 Current period profit/loss		843,752	-	843,752	571,161	-	571,161
<b>Total liabilities</b>		<b>26,988,663</b>	<b>25,893,444</b>	<b>52,882,107</b>	<b>25,903,598</b>	<b>23,784,062</b>	<b>49,687,660</b>

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

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## Unconsolidated Statement of off-Balance Sheet Items as of 31 December 2017

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

Off-balance sheet items	Note (section five)	Audited Current period (31/12/2017)			Audited Prior period (31/12/2016)		
		TL	FC	Total	TL	FC	Total
<b>A. Off-balance sheet commitments (I+II+III)</b>		<b>55,471,112</b>	<b>62,881,480</b>	<b>118,352,592</b>	<b>34,752,955</b>	<b>55,070,198</b>	<b>89,823,153</b>
<b>I. Guarantees and warranties</b>	<b>(III-1)</b>	<b>2,700,393</b>	<b>11,764,175</b>	<b>14,464,568</b>	<b>2,509,708</b>	<b>11,274,336</b>	<b>13,784,044</b>
1.1 Letters of guarantee		2,698,982	3,962,013	6,660,995	2,508,860	3,865,431	6,374,291
1.1.1 Guarantees subject to state tender law		28,438	-	28,438	25,234	-	25,234
1.1.2 Guarantees given for foreign trade operations		-	-	-	-	-	-
1.1.3 Other letters of guarantee		2,670,544	3,962,013	6,632,557	2,483,626	3,865,431	6,349,057
1.2 Bank acceptances		-	80,948	80,948	-	109,750	109,750
1.2.1 Import letter of acceptance		-	80,948	80,948	-	109,750	109,750
1.2.2 Other bank acceptances		-	-	-	-	-	-
1.3 Letters of credit		910	1,620,795	1,621,705	-	1,200,417	1,200,417
1.3.1 Documentary letters of credit		910	1,620,795	1,621,705	-	1,200,417	1,200,417
1.3.2 Other letters of credit		-	-	-	-	-	-
1.4 Pre-financing given as guarantee		-	-	-	-	-	-
1.5 Endorsements		-	-	-	-	-	-
1.5.1 Endorsements to the Central Bank of Turkey		-	-	-	-	-	-
1.5.2 Other endorsements		-	-	-	-	-	-
1.6 Purchase guarantees for securities issued		-	-	-	-	-	-
1.7 Factoring guarantees		-	-	-	-	-	-
1.8 Other guarantees		-	5,976,892	5,976,892	-	5,894,829	5,894,829
1.9 Other warranties		501	123,527	124,028	848	203,909	204,757
<b>II. Commitments</b>	<b>(III-1)</b>	<b>7,494,665</b>	<b>2,332,399</b>	<b>9,827,064</b>	<b>6,646,126</b>	<b>2,174,509</b>	<b>8,820,635</b>
2.1 Irrevocable commitments		7,494,665	2,332,399	9,827,064	6,646,126	2,174,509	8,820,635
2.1.1 Forward asset purchase commitments		998,369	2,014,184	3,012,553	648,779	1,441,694	2,090,473
2.1.2 Forward deposit purchase and sales commitments		-	-	-	-	-	-
2.1.3 Share capital commitments to associates and subsidiaries		-	-	-	-	-	-
2.1.4 Loan granting commitments		1,879,233	316,825	2,196,058	1,540,392	727,557	2,267,949
2.1.5 Securities underwriting commitments		-	-	-	-	-	-
2.1.6 Commitments for reserve requirements		-	-	-	-	-	-
2.1.7 Commitments for cheque payments		2,791,088	-	2,791,088	2,603,213	-	2,603,213
2.1.8 Tax and fund liabilities from export commitments		12,520	-	12,520	9,975	-	9,975
2.1.9 Commitments for credit card limits		1,808,006	-	1,808,006	1,838,986	-	1,838,986
2.1.10 Commitments for credit cards and banking services promotions		5,421	-	5,421	4,753	-	4,753
2.1.11 Receivables from short sale commitments of marketable securities		-	-	-	-	-	-
2.1.12 Payables for short sale commitments of marketable securities		-	-	-	-	-	-
2.1.13 Other irrevocable commitments		28	1,390	1,418	28	5,258	5,286
2.2 Revocable commitments		-	-	-	-	-	-
2.2.1 Revocable loan granting commitments		-	-	-	-	-	-
2.2.2 Other revocable commitments		-	-	-	-	-	-

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

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

ING Bank A.Ş.

## Unconsolidated Statement of off-Balance Sheet Items as of 31 December 2017

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

Off-balance sheet items	Note (section five)	Audited Current period (31/12/2017)			Audited Prior period (31/12/2016)		
		TL	FC	Total	TL	FC	Total
<b>III. Derivative financial instruments</b>	<b>(III-2)</b>	<b>45,276,054</b>	<b>48,784,906</b>	<b>94,060,960</b>	<b>25,597,121</b>	<b>41,621,353</b>	<b>67,218,474</b>
3.1 Derivative financial instruments for hedging purposes		23,751,333	4,750,227	28,501,560	10,819,626	6,181,706	17,001,332
3.1.1 Fair value hedges		-	-	-	-	-	-
3.1.2 Cash flow hedges		23,751,333	4,750,227	28,501,560	10,819,626	6,181,706	17,001,332
3.1.3 Net foreign investment hedges		-	-	-	-	-	-
3.2 Derivative financial instruments for trading purposes		21,524,721	44,034,679	65,559,400	14,777,495	35,439,647	50,217,142
3.2.1 Forward foreign currency buy/sell transactions		3,064,560	10,453,676	13,518,236	2,419,449	10,246,506	12,665,955
3.2.1.1 Forward foreign currency transactions-buy		1,897,164	4,911,555	6,808,719	1,162,091	5,156,369	6,318,460
3.2.1.2 Forward foreign currency transactions-sell		1,167,396	5,542,121	6,709,517	1,257,358	5,090,137	6,347,495
3.2.2 Swap transactions related to foreign currency and interest rates		17,647,893	31,529,549	49,177,442	11,419,302	23,485,847	34,905,149
3.2.2.1 Foreign currency swap-buy		5,343,109	14,180,926	19,524,035	5,652,519	8,765,453	14,417,972
3.2.2.2 Foreign currency swap-sell		9,694,784	9,939,377	19,634,161	4,536,783	9,877,078	14,413,861
3.2.2.3 Interest rate swap-buy		1,305,000	3,704,623	5,009,623	615,000	2,421,658	3,036,658
3.2.2.4 Interest rate swap-sell		1,305,000	3,704,623	5,009,623	615,000	2,421,658	3,036,658
3.2.3 Foreign currency, interest rate and securities options		804,130	2,051,454	2,855,584	938,744	1,702,852	2,641,596
3.2.3.1 Foreign currency options-buy		402,065	1,025,727	1,427,792	469,372	851,426	1,320,798
3.2.3.2 Foreign currency options-sell		402,065	1,025,727	1,427,792	469,372	851,426	1,320,798
3.2.3.3 Interest rate options-buy		-	-	-	-	-	-
3.2.3.4 Interest rate options-sell		-	-	-	-	-	-
3.2.3.5 Securities options-buy		-	-	-	-	-	-
3.2.3.6 Securities options-sell		-	-	-	-	-	-
3.2.4 Foreign currency futures		-	-	-	-	-	-
3.2.4.1 Foreign currency futures-buy		-	-	-	-	-	-
3.2.4.2 Foreign currency futures-sell		-	-	-	-	-	-
3.2.5 Interest rate futures		-	-	-	-	-	-
3.2.5.1 Interest rate futures-buy		-	-	-	-	-	-
3.2.5.2 Interest rate futures-sell		-	-	-	-	-	-
3.2.6 Other		8,138	-	8,138	-	4,442	4,442
<b>B. Custody and pledged items (IV+V+VI)</b>		<b>228,205,337</b>	<b>32,867,119</b>	<b>261,072,456</b>	<b>210,467,225</b>	<b>27,045,717</b>	<b>237,512,942</b>
<b>IV. Items held in custody</b>		<b>1,060,138</b>	<b>1,456,856</b>	<b>2,516,994</b>	<b>537,277</b>	<b>1,437,838</b>	<b>1,975,115</b>
4.1 Customer fund and portfolio balances		792,222	-	792,222	152,224	-	152,224
4.2 Investment securities held in custody		74,144	204,151	278,295	73,592	188,220	261,812
4.3 Checks received for collection		31,885	378,545	410,430	107,275	412,912	520,187
4.4 Commercial notes received for collection		161,886	812,458	974,344	204,185	757,081	961,266
4.5 Other assets received for collection		-	-	-	-	-	-
4.6 Assets received for public offering		-	-	-	-	-	-
4.7 Other items under custody		1	61,702	61,703	1	79,625	79,626
4.8 Custodians		-	-	-	-	-	-
<b>V. Pledged received</b>		<b>38,447,841</b>	<b>7,191,265</b>	<b>45,639,106</b>	<b>40,524,529</b>	<b>6,008,222</b>	<b>46,532,751</b>
5.1 Marketable securities		224,505	6,551	231,056	137,506	9,444	146,950
5.2 Guarantee notes		7,738,243	1,459,527	9,197,770	8,471,012	1,447,577	9,918,589
5.3 Commodity		910	-	910	910	-	910
5.4 Warranty		-	-	-	-	-	-
5.5 Properties		25,875,776	4,781,593	30,657,369	27,298,988	3,752,251	31,051,239
5.6 Other pledged items		4,608,407	943,594	5,552,001	4,616,113	798,950	5,415,063
5.7 Pledged items-depository		-	-	-	-	-	-
<b>VI. Accepted independent guarantees and warranties</b>		<b>188,697,358</b>	<b>24,218,998</b>	<b>212,916,356</b>	<b>169,405,419</b>	<b>19,599,657</b>	<b>189,005,076</b>
<b>Total off-balance sheet items (A+B)</b>		<b>283,676,449</b>	<b>95,748,599</b>	<b>379,425,048</b>	<b>245,220,180</b>	<b>82,115,915</b>	<b>327,336,095</b>

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



ING Bank A.Ş.

# Unconsolidated Statement of Income for the Year ended 31 December 2017

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

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

Earnings per share

0.2420

0.1638

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

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

ING Bank A.Ş.

## Unconsolidated Statement of Income and Expenses Recognized Under Unconsolidated Shareholders' Equity for The Year Ended 31 December 2017

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

Income and expense items recognized under shareholders' equity	Audited	Audited
	Current period (01/01/2017- 31/12/2017)	Prior period (01/01/2016- 31/12/2016)
I. Additions to marketable securities valuation differences from available for sale financial assets	(84,657)	69,104
II. Property and equipment revaluation differences	-	-
III. Intangible fixed assets revaluation differences	-	-
IV. Foreign exchange differences from foreign currency transactions	-	-
V. Profit/loss from derivative financial instruments for cash flow hedges (effective portion of fair value differences)	195,327	(84,029)
VI. Profit/loss from derivative financial instruments for hedge of net investment in foreign operations (effective portion of fair value differences)	-	-
VII. Effects of changes in accounting policies and corrections	-	-
VIII. Other income/expense recognized under shareholders' equity in accordance with TAS	(1,739)	1,394
IX. Deferred tax related to valuation differences	(39,860)	16,676
X. Net income/expense directly recognized under shareholders' equity (I+II+...+IX)	69,071	3,145
XI. Profit/loss for the period	843,752	571,161
11.1 Net change in fair value of marketable securities (transfer to profit/loss)	94,029	-
11.2 Part of cash flow hedge derivative financial assets reclassified into income statement	4,258	1,081
11.3 Part of foreign investment hedge derivative financial assets reclassified into income statement	-	-
11.4 Other	745,465	570,080
<b>XII. Total profit/loss recognized for the period (X±XI)</b>	<b>912,823</b>	<b>574,306</b>

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

ING Bank A.Ş.

## Unconsolidated Statement of Changes in The Shareholders' Equity for The Year Ended 31 December 2017

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

Audited	Note	Paid-in capital	Inflation adjustment to share capital	Share premium	Share cancellation profits	Legal reserves	Statutory reserves	Extraordinary reserves
<b>Prior period</b>								
<b>(01/01/2016-31/12/2016)</b>								
I.	Period opening balance	(V) 3,486,268	-	-	-	94,131	-	600,869
II.	Changes in accounting policies according to TAS 8	-	-	-	-	-	-	-
2.1	Effects of correction of errors	-	-	-	-	-	-	-
2.2	Effect of changes in accounting policy	-	-	-	-	-	-	-
III.	New balance (I+ II)	3,486,268	-	-	-	94,131	-	600,869
Changes in the period								
IV.	Increase/decrease related to merger	-	-	-	-	-	-	-
V.	Marketable securities valuation differences	-	-	-	-	-	-	-
VI.	Hedging funds (effective portion)	-	-	-	-	-	-	-
6.1	Cash flow hedge	-	-	-	-	-	-	-
6.2	Hedge of net investments in foreign operations	-	-	-	-	-	-	-
VII.	Property and equipment revaluation differences	-	-	-	-	-	-	-
VIII.	Intangible assets revaluation differences	-	-	-	-	-	-	-
IX.	Bonus shares from investments in associates, subsidiaries and joint ventures	-	-	-	-	-	-	-
X.	Foreign exchange differences	-	-	-	-	-	-	-
XI.	Changes due to the disposal of assets	-	-	-	-	-	-	-
XII.	Changes due to the reclassification of assets	-	-	-	-	-	-	-
XIII.	Effect of changes in equity of associates	-	-	-	-	-	-	-
XIV.	Capital increase	-	-	-	-	-	-	-
14.1	Cash increase	-	-	-	-	-	-	-
14.2	Internal resources	-	-	-	-	-	-	-
XV.	Share premium	-	-	-	-	-	-	-
XVI.	Share cancellation profits	-	-	-	-	-	-	-
XVII.	Inflation adjustment to paid-in capital	-	-	-	-	-	-	-
XVIII.	Other	-	-	-	-	-	-	-
XIX.	Current year profit or (loss)	-	-	-	-	-	-	-
XX.	Profit distribution	-	-	-	-	5,727	-	106,936
20.1	Dividends paid	-	-	-	-	-	-	-
20.2	Transfers to reserves	-	-	-	-	5,727	-	106,936
20.3	Other	-	-	-	-	-	-	-
<b>Period end balance (III+IV+V+...+XVIII+XIX+XX)</b>		<b>3,486,268</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>99,858</b>	<b>-</b>	<b>707,805</b>

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





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

ING Bank A.Ş.

## Unconsolidated Statement of Changes in The Shareholders' Equity for The Year Ended 31 December 2017

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

Other reserves	Current period net profit/(loss)	Prior period net profit/(loss)	Marketable securities valuation differences	Revaluation surplus on tangible and intangible assets	Bonus shares from associates	Hedging funds	Valuation difference on prop. and equip. held for sale and related to discount operations	Total equity
2,019	571,161	-	63,623	26,644	-	98,544	-	5,055,922
-	-	-	-	-	-	-	-	-
-	-	-	(82,280)	-	-	-	-	(82,280)
-	-	-	-	-	-	152,874	-	152,874
-	-	-	-	-	-	152,874	-	152,874
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	1,001	-	-	(1,130)	-	(129)
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
(1,394)	-	-	-	-	-	-	-	(1,394)
-	843,752	-	-	-	-	-	-	843,752
-	(571,161)	-	-	20,088	-	-	-	(200,000)
-	-	-	-	-	-	-	-	(200,000)
-	(571,161)	-	-	20,088	-	-	-	-
-	-	-	-	-	-	-	-	-
625	843,752	-	(17,656)	46,732	-	250,288	-	5,768,745

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

ING Bank A.Ş.

## Unconsolidated Statement of Cash Flows for The Year ended 31 December 2017

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

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

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



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

ING Bank A.Ş.

## Statement of profit distribution as of 31 December 2017

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

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

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

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

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

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

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

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# Notes to unconsolidated financial statements as of and for the Year Ended 31 December 2017

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

## Section three

### Accounting policies

#### I. Explanations on basis of presentation

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

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

The unconsolidated financial statements have been prepared at Turkish Lira on a historical cost basis, except for the financial assets designated at fair value through profit or loss, available-for sale financial assets, trading financial assets, derivative financial assets and liabilities held for trading and derivative financial assets and liabilities held for hedging.

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

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

#### **Explanation on TFRS 9 Financial Instruments Standard**

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

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

#### **Recognition and Measurement of Financial Instruments**

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

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

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

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

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

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## Notes to unconsolidated financial statements as of and for the Year Ended 31 December 2017 (continued)

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

### I. Explanations on basis of presentation (continued)

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

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

#### Hedge Accounting

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

#### Impairment

In accordance with the "Regulation on the Classification of Loans and Provisions to be Set Aside for Those Loans" published in the Official Gazette, numbered 29750, dated 22 June 2016, the Group begins to calculate provision for impairment of financial instruments, loans and other receivables per TFRS 9 as of 1 January 2018.

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

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

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

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

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

### b. Additional paragraph for convenience translation to English

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

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

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

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

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## Notes to unconsolidated financial statements as of and for the Year Ended 31 December 2017 (continued)

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

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

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

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

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

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

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

Explanations on foreign currency transactions:

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

### III. Explanations on investments in associates and subsidiaries

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

### IV. Explanations on forward and options contracts and derivative instruments

The Bank's derivative instruments consist of forward buy/sell, swaps, futures, and options contracts. The derivative instruments are accounted at their fair values as of the contract date and subsequently revalued at fair value in the following reporting periods. Fair value of derivative instruments are calculated by considering the fair values in the market or through discounted cash flow method.

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

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

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

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

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

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## Notes to unconsolidated financial statements as of and for the Year Ended 31 December 2017 (continued)

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

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

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

### V. Explanations on interest income and expense

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

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

### VI. Explanations on fee and commission income and expenses

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

### VII. Explanations on financial assets

#### a. Financial assets at fair value through profit or loss

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

(i) Trading financial assets are securities classified in this category for the purposes of short term profit making through sale or buy back in the near future. Derivative financial instruments are classified under trading financial assets unless they are designated as derivative financial assets held for hedging. Accounting of derivative financial instruments is explained in section three note IV.

(ii) The financial assets classified as financial assets designated at fair value through profit or loss in the initial recognition by the Bank. The Bank does not have any financial instruments that are classified as financial assets designated at fair value through profit or loss in the initial recognition.

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

#### b. Available for sale financial assets

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

#### c. Held-to-maturity financial assets

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

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## Notes to unconsolidated financial statements as of and for the Year Ended 31 December 2017 (continued)

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

### VII. Explanations on financial assets (continued)

#### ç. Loans and receivables

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

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

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

### VIII. Explanations on impairment of financial assets

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

#### a. Loans and receivables

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

If there is any indication that loans will not be collected, the Bank classifies such loans in group III, IV and V loans and sets aside provisions for such amounts in accordance with the "Regulation on the Procedures and Principles for Determination of Qualifications of Loans and Other Receivables by Banks and Provisions to be Set Aside" promulgated in the Official Gazette No. 26333, dated 1 November 2006. Interest income accruals for such loans are reversed through the income statement. The collections related to these loans are first deducted from the principal amount of the loan and the remaining collections are deducted from interest receivables.

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

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

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

The Bank sets aside general provisions in accordance with the "Regulation on the Procedures and Principles for Determination of Qualifications of Loans and Other Receivables by Banks and Provisions to be Set Aside" promulgated in the Official Gazette No. 26333, dated 1 November 2006.

#### b. Held-to-maturity financial assets

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

#### c. Available for sale financial assets

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



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

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## Notes to unconsolidated financial statements as of and for the Year Ended 31 December 2017 (continued)

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

### VIII. Explanations on impairment of financial assets (continued)

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

### IX. Explanations on offsetting financial assets

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

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

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

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

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

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

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

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

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

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

### XII. Explanations on goodwill and other intangible assets

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

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

The intangible assets                      7% - 33%

The Bank does not have goodwill.



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## Notes to unconsolidated financial statements as of and for the Year Ended 31 December 2017 (continued)

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

### XIII. Explanations on property and equipment

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

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

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

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

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

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

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

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

There is no purchase commitment related to property and equipment.

### XIV. Explanations on leasing transactions

#### a. Accounting of leasing operations as lessor

The Bank does not have any leasing operations as lessor.

#### b. Accounting of leasing operations as lessee

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

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

### XV. Explanations on provisions, contingent assets and liabilities

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

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

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

### XVI. Explanations on obligations related to employee rights

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

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

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

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## Notes to unconsolidated financial statements as of and for the Year Ended 31 December 2017 (continued)

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

### XVI. Explanations on obligations related to employee rights (continued)

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

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

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

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

### XVII. Explanations on taxation

#### a. Current tax

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

In Turkey, the corporate tax rate is 20%. Corporate tax is required to be filed by the twenty-fifth day of the fourth month following the balance sheet date and taxes must be paid in one installment by the end of the fourth month. Pursuant to the tax legislation, an advance tax of 20% is calculated and paid based on earnings generated for each quarter. The amounts thus paid are deducted from the tax calculated over annual earning.

With the Law, No. 7061 Amendment of Certain Taxes and Laws and Other Acts promulgated in the Official Gazette, dated 5 December 2017, tax rate will applied as 22% for three years between 2018 and 2020. In addition, Council of Ministers is authorised to reduce the rate from 22% to 20%.

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

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

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

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

#### b. Deferred tax

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

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## Notes to unconsolidated financial statements as of and for the Year Ended 31 December 2017 (continued)

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

### XVII. Explanations on taxation (continued)

In accordance with "Turkish Accounting Standard on Income Taxes" ("TAS 12") and the changes stated in BRSA circular, No. BDDK. DZM.2/13/1-a-3, dated 8 December 2004 and according to tax legislation the Bank calculates deferred tax liability on all deductible temporary differences except for general loan reserves, if sufficient taxable profit in future periods to recover such amounts is probable. Deferred tax assets and liabilities are shown in the financial statements on a net basis.

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

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

### c. Transfer Pricing

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

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

### XVIII. Explanations on borrowings

The Bank recognizes its payables in accordance with the "Financial Instruments: Recognition and Measurement ("TAS 39")".

### XIX. Explanation on issuance of equity securities

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

### XX. Explanations on guarantees and acceptances

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

### XXI. Explanations on government incentives

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

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

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## Notes to unconsolidated financial statements as of and for the Year Ended 31 December 2017 (continued)

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

### XXII. Explanations on segment reporting

An operating segment is a component of an entity:

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

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

### XXIII. Profit reserves and distribution of profit

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

### XXIV. Explanations on other disclosures

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

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## Notes to unconsolidated financial statements as of and for the Year Ended 31 December 2017 (continued)

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

### Section four

#### Information on financial position and risk management of the Bank

##### I. Explanations on unconsolidated capital

##### Information about capital items

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

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

	Current period	Amount related to implementation before 01.01.2014 (*)
<b>COMMON EQUITY Tier I Capital</b>		
Paid-in capital to be entitled for compensation after all creditors	3,486,268	
Share premium	-	
Legal reserves	1,159,062	
Other comprehensive income according to TAS	47,031	
Profit	843,752	
Net profit for the period	843,752	
Prior period profit	-	
Bonus shares from investments in associates, subsidiaries and joint ventures that are not recognized in profit	-	
<b>Common equity Tier I capital before deductions</b>	<b>5,536,113</b>	
<b>Deductions from common equity</b>		
Valuation adjustments calculated as per the article 9. (i) of the Regulation on the Capital of Banks	-	
Portion of the current and prior periods' losses not covered by reserves and losses accounted under equity as per TAS	17,656	
Leasehold improvements on operational leases	35,004	
Goodwill netted off deferred tax liability	-	
Other intangibles netted off deferred tax liability except for mortgage servicing rights	29,482	36,852
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	
Differences not recognized at the fair value of assets and liabilities subject to hedge of cash flow risk	-	
Portion of the total expected loss amount calculated as per Communiqué on Calculation of Credit Risk with the Internal Rating Based Approach, which exceeds total provisions	-	
Gains arising from securitization transactions	-	
Unrealized gains and losses due to changes in own credit risk on fair value of Bank's liabilities	-	
Net amount of defined-benefit plan assets	-	
Direct and indirect investments of the Bank in its own Common Equity Tier I Capital	-	
Shares obtained contrary to the 4 <sup>th</sup> clause of the 56 <sup>th</sup> Article of the Law	-	

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

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## Notes to unconsolidated financial statements as of and for the Year Ended 31 December 2017 (continued)

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

### I. Explanations on unconsolidated capital (continued)

#### Information about capital items (continued)

	Current period	Amount related to implementation before 01.01.2014 <sup>(*)</sup>
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 <sup>nd</sup> 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	-	
<b>Total deductions from common equity Tier I capital</b>	<b>82,142</b>	
<b>Total common equity Tier I capital</b>	<b>5,453,971</b>	
<b>ADDITIONAL TIER I CAPITAL</b>		
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)	-	
<b>Additional Tier I capital before deductions</b>	<b>-</b>	
<b>Deductions from additional Tier I capital</b>	<b>-</b>	
Bank's direct and indirect investments in its own Additional Tier I capital	-	
Investments in equity instruments issued by banks and financial institutions that have invested in Bank's additional Tier I Capital, which are compatible with Article 7 of the regulation	-	
Portion of total Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital, which Exceeds 10% of Bank's Tier I Capital	-	
The Total of Net Long Positions of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital	-	
Other items to be defined by the BRSA	-	
Items continuing to be deducted from Tier I Capital during the Transition Period	-	
Portion of the goodwill and other intangible assets and related deferred tax liabilities which will not be deducted from Common Equity Tier I capital as per the first sub-paragraph of the Provisional Article 2 of the Regulation on the Equity of Banks (-)	7,370	
Portion of the net deferred tax asset/liability not deducted from Common Equity Tier I capital as per the first sub-paragraph of the Provisional Article 2 of the Regulation on the Equity of Banks (-)	-	
Deductions to be made from common equity in case adequate Additional Tier I Capital or Tier II Capital is not available (-)	-	
<b>Total deductions from additional Tier I capital</b>	<b>-</b>	
<b>Total additional Tier I capital</b>	<b>-</b>	
<b>Total Tier I capital (Tier I Capital = Common Equity + Additional Tier I Capital)</b>	<b>5,446,601</b>	

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

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## Notes to unconsolidated financial statements as of and for the Year Ended 31 December 2017 (continued)

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

### I. Explanations on unconsolidated capital (continued)

#### Information about capital items (continued)

	Current period	Amount related to implementation before 01.01.2014 (*)
<b>TIER II CAPITAL</b>		
Bank's borrowing instruments and issue premiums	2,812,352	
Bank's borrowing instruments and issue premiums (in scope of Temporary Article 4)	200,000	
Provisions (amounts stated in Article 8 of the Regulation on the Equity of Banks)	510,938	
<b>Tier II Capital Before Deductions</b>	<b>3,523,290</b>	
<b>Deductions From Tier II Capital</b>		
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 (-)	-	
<b>Total Deductions from Tier II Capital</b>	<b>-</b>	
<b>Total Tier II Capital</b>	<b>3,523,290</b>	
<hr/>		
<b>Total capital (the sum of tier i capital and tier ii capital)</b>	<b>8,969,891</b>	
<hr/>		
<b>Total of core capital and additional capital (total equities)</b>		
Loans granted against Article 50 and 51 of Banking Law	-	
Net Book Values of Movables and Immovables Exceeding the Limit Defined in Article 57, Clause 1 of the Banking Law and of Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Three Years	-	
Other items to be defined by the BRSA (-)	13,458	
<b>Items to be deducted from the sum of Tier I and Tier II Capital (Capital) during transition period</b>		
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 (-)	-	



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## Notes to unconsolidated financial statements as of and for the Year Ended 31 December 2017 (continued)

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

### I. Explanations on unconsolidated capital (continued)

#### Information about capital items (continued)

	Current period	Amount related to implementation before 01.01.2014 <sup>(*)</sup>
<b>TOTAL CAPITAL</b>		
Total Capital	8,956,433	
Total risk weighted amounts	44,940,945	
<b>CAPITAL ADEQUACY RATIOS</b>		
Core Capital Adequacy Ratio (%)	12.14	
Tier I Capital Adequacy Ratio (%)	12.12	
Capital Adequacy Ratio (%)	19.93	
<b>BUFFERS</b>		
Total buffer requirement	5.773	
Capital protection buffer requirement (%)	1.250	
Bank specific cyclical buffer requirement (%)	0.023	
Systemically important banks buffer ratio (%)	-	
The ratio of Additional Common Equity Tier I capital to be calculated as per the first paragraph of Article 4 of Regulation on Capital Protection and Countercyclical Capital buffers to Risk Weighted Assets (%)	6.136	
<b>Amounts below the Excess Limits as per the Deduction Principles</b>		
Amounts arising from the net long positions of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital	-	
Amounts arising from the net long positions of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or more of the issued share capital	-	
Mortgage Servicing Rights	-	
Amount arising from deferred tax assets based on temporary differences	41,169	
<b>Limits related to provisions considered in Tier II calculation</b>		
General provisions for standard based receivables (before ten thousand twenty five limitation)	645,238	
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	510,938	
Amount of total provision exceeding the total expected loss amount calculated according to the Communiqué on the Calculation of the Credit Risk Based Amount as per the Internal Ratings Based Approach	-	
Amount up to 0.6% of the portion of total provision exceeding the total expected loss amount calculated according to the Communiqué on the Calculation of the Credit Risk Based Amount as per the Internal Ratings Based Approach	-	
<b>Debt instruments subject to Temporary Article 4 (to be implemented between 1 January 2018 and 1 January 2022)</b>		
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	-	

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

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## Notes to unconsolidated financial statements as of and for the Year Ended 31 December 2017 (continued)

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

### I. Explanations on unconsolidated capital (continued)

#### Information about capital items (continued)

	Prior period	Amount related to implementation before 01.01.2014 (*)
<b>COMMON EQUITY Tier I Capital</b>		
Paid-in capital to be entitled for compensation after all creditors	3,486,268	
Share premium	-	
Legal reserves	807,989	
Other comprehensive income according to TAS	91,960	
Profit	571,161	
Net profit for the period	571,161	
Prior period profit	-	
Bonus shares from investments in associates, subsidiaries and joint ventures that are not recognized in profit	-	
<b>Common equity Tier I capital before deductions</b>	<b>4,957,378</b>	
<b>Deductions from common equity</b>		
Valuation adjustments calculated as per the article 9. (i) of the Regulation on the Capital of Banks	-	
Portion of the current and prior periods' losses not covered by reserves and losses accounted under equity as per TAS	-	
Leasehold improvements on operational leases	25,035	
Goodwill netted off deferred tax liability	-	
Other intangibles netted off deferred tax liability except for mortgage servicing rights	26,684	44,473
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	
Differences not recognized at the fair value of assets and liabilities subject to hedge of cash flow risk	-	
Portion of the total expected loss amount calculated as per Communiqué on Calculation of Credit Risk with the Internal Rating Based Approach, which exceeds total provisions	-	
Gains arising from securitization transactions	-	
Unrealized gains and losses due to changes in own credit risk on fair value of Bank's liabilities	-	
Net amount of defined-benefit plan assets	-	
Direct and indirect investments of the Bank in its own Common Equity Tier I Capital	-	
Shares obtained contrary to the 4 <sup>th</sup> clause of the 56 <sup>th</sup> 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 <sup>nd</sup> 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	-	
<b>Total deductions from common equity Tier I capital</b>	<b>51,719</b>	
<b>Total common equity Tier I capital</b>	<b>4,905,659</b>	

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

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## Notes to unconsolidated financial statements as of and for the Year Ended 31 December 2017 (continued)

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### I. Explanations on unconsolidated capital (continued)

#### Information about capital items (continued)

	Prior period	Amount related to implementation before 01.01.2014 <sup>(*)</sup>
<b>ADDITIONAL TIER I CAPITAL</b>		
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)	-	
<b>Additional Tier I capital before deductions</b>	-	
<b>Deductions from additional Tier I capital</b>	-	
Bank's direct and indirect investments in its own Additional Tier I capital (-)	-	
Investments in equity instruments issued by banks and financial institutions that have invested in Bank's additional Tier I Capital, which are compatible with Article 7 of the regulation	-	
Portion of total Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital, which Exceeds 10% of Bank's Tier I Capital	-	
The Total of Net Long Positions of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital	-	
Other items to be defined by the BRSA	-	
Items continuing to be deducted from Tier I Capital during the Transition Period	-	
Portion of the goodwill and other intangible assets and related deferred tax liabilities which will not be deducted from Common Equity Tier I capital as per the first sub-paragraph of the Provisional Article 2 of the Regulation on the Equity of Banks (-)	17,789	
Portion of the net deferred tax asset/liability not deducted from Common Equity Tier I capital as per the first sub-paragraph of the Provisional Article 2 of the Regulation on the Equity of Banks (-)	-	
Deductions to be made from common equity in case adequate Additional Tier I Capital or Tier II Capital is not available (-)	-	
<b>Total deductions from additional Tier I capital</b>	-	
<b>Total additional Tier I capital</b>	-	
<b>Total Tier I capital (Tier I Capital = Common Equity + Additional Tier I Capital)</b>	<b>4,887,870</b>	

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

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## Notes to unconsolidated financial statements as of and for the Year Ended 31 December 2017 (continued)

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

### I. Explanations on unconsolidated capital (continued)

#### Information about capital items (continued)

	Prior period	Amount related to implementation before 01.01.2014 <sup>(*)</sup>
<b>TIER II CAPITAL</b>		
Bank's borrowing instruments and issue premiums	2,403,321	
Bank's borrowing instruments and issue premiums (in scope of Temporary Article 4)	450,000	
Provisions (amounts stated in Article 8 of the Regulation on the Equity of Banks)	538,417	
<b>Tier II Capital Before Deductions</b>	<b>3,391,738</b>	
<b>Deductions From Tier II Capital</b>		
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 (-)	-	
<b>Total Deductions from Tier II Capital</b>	<b>-</b>	
<b>Total Tier II Capital</b>	<b>3,391,738</b>	
<b>Total capital (the sum of tier i capital and tier ii capital)</b>		
	<b>8,279,608</b>	
<b>Total of core capital and additional capital (total equities)</b>		
Loans granted against Article 50 and 51 of Banking Law	-	
Net Book Values of Movables and Immovables Exceeding the Limit Defined in Article 57, Clause 1 of the Banking Law and of Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Three Years	586	
Other items to be defined by the BRSA	17,855	
<b>Items to be deducted from the sum of Tier I and Tier II Capital (Capital) during transition period</b>		
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 (-)	-	
<b>TOTAL CAPITAL</b>		
Total Capital	8,261,167	
Total risk weighted amounts	46,793,259	

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## Notes to unconsolidated financial statements as of and for the Year Ended 31 December 2017 (continued)

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

### I. Explanations on unconsolidated capital (continued)

#### Information about capital items (continued)

	Prior period	Amount related to implementation before 01.01.2014 <sup>(*)</sup>
<b>CAPITAL ADEQUACY RATIOS</b>		
Core Capital Adequacy Ratio (%)	10.48	
Tier I Capital Adequacy Ratio (%)	10.45	
Capital Adequacy Ratio (%)	17.66	
<b>BUFFERS</b>		
Total buffer requirement	5.130	
Capital protection buffer requirement (%)	0.625	
Bank specific cyclical buffer requirement (%)	0.005	
The ratio of Additional Common Equity Tier I capital to be calculated as per the first paragraph of Article 4 of Regulation on Capital Protection and Countercyclical Capital buffers to Risk Weighted Assets (%)	4.484	
<b>Amounts below the Excess Limits as per the Deduction Principles</b>		
Amounts arising from the net long positions of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital	-	
Amounts arising from the net long positions of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or more of the issued share capital	-	
Mortgage Servicing Rights	-	
Amount arising from deferred tax assets based on temporary differences	29,559	
<b>Limits related to provisions considered in Tier II calculation</b>		
General provisions for standard based receivables (before ten thousand twenty five limitation)	581,083	
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	538,417	
Amount of total provision exceeding the total expected loss amount calculated according to the Communiqué on the Calculation of the Credit Risk Based Amount as per the Internal Ratings Based Approach	-	
Amount up to 0.6% of the portion of total provision exceeding the total expected loss amount calculated according to the Communiqué on the Calculation of the Credit Risk Based Amount as per the Internal Ratings Based Approach	-	
<b>Debt instruments subject to Temporary Article 4 (to be implemented between 1 January 2018 and 1 January 2022)</b>		
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	-	

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

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## Notes to unconsolidated financial statements as of and for the Year Ended 31 December 2017 (continued)

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

### I. Explanations on unconsolidated capital (continued)

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

Issuer	ING Bank N.V.	ING Bank N.V.	ING Bank N.V.	ING Bank N.V.
Unique identifier (e.g. CUSIP, ISIN, etc.)	-	-	-	-
Governing law(s) of the instrument	BRSA	BRSA	BRSA	BRSA
Regulatory treatment	Supplementary capital	Supplementary capital	Supplementary capital	Supplementary capital
Subject to 10% deduction as of 1/1/2015	No	No	No	No
Eligible at stand-alone/consolidated	Stand alone -Consolidated	Stand alone -Consolidated	Stand alone -Consolidated	Stand alone -Consolidated
Instrument type (types to be specified by each jurisdiction)	Loan	Loan	Loan	Loan
Amount recognised in regulatory capital (Currency in million, as of most recent reporting date)	TL 200 million	USD 102 million (TL 387 million) and EUR 90 million (TL 409 million)	USD 91 million (TL 345 million) and EUR 85 million (TL 386 million)	USD 62 million (TL 235 million) and EUR 231 million (TL 1,050 million)
Par value of instrument (Currency in million)	TL 200 million	USD 102 million (TL 387 million) and EUR 90 million (TL 409 million)	USD 91 million (TL 345 million) and EUR 85 million (TL 386 million)	USD 62 million (TL 235 million) and EUR 231 million (TL 1,050 million)
Accounting classification	Subordinated Loans	Subordinated Loans	Subordinated Loans	Subordinated Loans
Original date of issuance	19 December 2013	11 March 2014	26 June 2014	26 May 2015
Perpetual or dated	Dated	Dated	Dated	Dated
Original maturity date	51 years	10 years	10 years	10 years
Issuer call subject to prior BRSA approval	Yes	Yes	Yes	Yes
Optional call date, contingent call dates and redemption amount	5th year	5th year	5th year	5th year
Subsequent call dates, if applicable	After 5th year	After 5th year	After 5th year	After 5th year
Coupons/dividends	-	-	-	-
Fixed or floating dividend/coupon	Floating	Floating	Floating	Floating
Coupon rate and any related index	USD/TL Swap rate+ 2.86%	Libor+2.775% and Euribor+2.29%	Libor+2.27% and Euribor+2.17%	Libor+2.19% and Euribor+1.68%
Existence of a dividend stopper	-	-	-	-
Fully discretionary, partially discretionary or mandatory	-	-	-	-
Existence of step up or other incentive to redeem	None	None	None	None
Noncumulative or cumulative	-	-	-	-
Convertible or non-convertible	None	None	None	None
If convertible, conversion trigger(s)	-	-	-	-
If convertible, fully or partially	-	-	-	-

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## Notes to unconsolidated financial statements as of and for the Year Ended 31 December 2017 (continued)

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### I. Explanations on unconsolidated capital (continued)

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	-	-	-	-

<sup>(1)</sup> The subordinated loan amounting to TL 250 million (full TL) obtained from ING Bank N.V. on 21 December 2012 was paid on 21 December 2017, at the end of the fifth year by using the early redemption option, in accordance with the BRSA's approval letter dated 19 December 2017.

### Explanations on reconciliation of capital items to balance sheet

Risk classifications	Carrying amount	Amounts in equity calculation <sup>(1)</sup>
Shareholders' equity	5,768,745	5,768,745
Gains from cash flow hedge transactions	250,288	(250,288)
Leasehold improvements on operational leases	35,004	(35,004)
Goodwill and intangible assets	39,215	(29,482)
General provision	645,238	510,938
Subordinated debt	3,038,967	3,012,352
Other deductions from shareholders' equity	20,828	(20,828)
<b>Capital</b>		<b>8,956,433</b>

<sup>(1)</sup> General provisions limited by 1.25% of credit risk weighted assets is taken into consideration regarding to capital calculation.



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## Notes to unconsolidated financial statements as of and for the Year Ended 31 December 2017 (continued)

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

### II. Explanations on unconsolidated credit risk

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

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

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

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

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

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

<sup>(\*)</sup> The figures represent total risk amounts before credit risk mitigation and after credit conversion factor.

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

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

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## Notes to unconsolidated financial statements as of and for the Year Ended 31 December 2017 (continued)

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

### II. Explanations on unconsolidated credit risk (continued)

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

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

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

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

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

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

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

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

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

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## Notes to unconsolidated financial statements as of and for the Year Ended 31 December 2017 (continued)

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

### II. Explanations on unconsolidated credit risk (continued)

#### 8. Amount of profile on significant risks in significant regions

##### Profile on significant risks in significant regions <sup>(\*)</sup>

	Risk categories <sup>(**)</sup>						
	1	2	3	4	5	6	7
<b>Current period</b>							
Domestic	7,322,499	525,771	7	-	-	2,796,853	21,584,588
European Union Countries	-	-	-	-	-	2,560,555	314,272
OECD Countries <sup>(***)</sup>	-	-	-	-	-	106,126	-
Off- Shore banking regions	-	-	-	-	-	16,864	-
USA, Canada	-	-	-	-	-	371,898	-
Other Countries	-	-	-	-	-	58,666	9,539
Investment and associates, subsidiaries and joint ventures	-	-	-	-	-	-	149,670
Undistributed assets/liabilities <sup>(****)</sup>	-	-	-	-	-	-	-
<b>Total</b>	<b>7,322,499</b>	<b>525,771</b>	<b>7</b>	<b>-</b>	<b>-</b>	<b>5,910,962</b>	<b>22,058,069</b>

	Risk categories <sup>(**)</sup>						
	1	2	3	4	5	6	7
<b>Prior period</b>							
Domestic	8,846,778	267,382	1	-	-	3,495,024	21,051,267
European Union Countries	-	-	-	-	-	2,547,939	407,072
OECD Countries <sup>(***)</sup>	-	-	-	-	-	32,009	-
Off- Shore banking regions	-	-	-	-	-	8,350	-
USA, Canada	-	-	-	-	-	362,576	-
Other Countries	-	-	-	-	-	123,047	-
Investment in associates, subsidiaries and joint ventures	-	-	-	-	-	-	206,451
Undistributed assets/liabilities <sup>(****)</sup>	-	-	-	-	-	-	-
<b>Total</b>	<b>8,846,778</b>	<b>267,382</b>	<b>1</b>	<b>-</b>	<b>-</b>	<b>6,568,945</b>	<b>21,664,790</b>

<sup>(\*)</sup> The figures represent total risk amounts before credit risk mitigation and after credit conversion factor

<sup>(\*\*)</sup> Risk categories that are defined in "Communiqué on Measurement and Assessment of Capital Adequacy of Banks"

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

2- Conditional and unconditional receivables from regional or local governments

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

4- Conditional and unconditional receivables from multilateral development banks

5- Conditional and unconditional receivables from international organizations

6- Conditional and unconditional receivables from banks and brokerage houses

7- Conditional and unconditional receivables from corporates

8- Conditional and unconditional receivables from retail portfolios

9- Conditional and unconditional receivables secured by mortgages

10- Past due receivables

11- Receivables defined under high risk category by BRSA

12- Securities collateralized by mortgages

13- Securitization positions

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

15- Investments similar to collective investment funds

16- Stock transactions

17- Other receivables

<sup>(\*\*\*)</sup> EU countries, OECD countries other than USA and Canada

<sup>(\*\*\*\*)</sup> Assets and liabilities that are not distributed according to a consistent principle

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

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## Notes to unconsolidated financial statements as of and for the Year Ended 31 December 2017 (continued)

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

Risk categories <sup>(**)</sup>										
8	9	10	11	12	13	14	15	16	17	Total
19,785,091	5,006,570	94,525	402,849	-	-	-	-	5,947	3,619,865	61,144,565
2,218	1,047	5	-	-	-	-	-	156	-	2,878,253
73	-	-	-	-	-	-	-	-	-	106,199
-	-	-	-	-	-	-	-	-	-	16,864
108	-	-	-	-	-	-	-	-	-	372,006
1,445	-	27	-	-	-	-	-	-	-	69,677
-	-	-	-	-	-	-	-	95,907	-	245,577
-	-	-	-	-	-	-	-	-	-	-
<b>19,788,935</b>	<b>5,007,617</b>	<b>94,557</b>	<b>402,849</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>102,010</b>	<b>3,619,865</b>	<b>64,833,141</b>

Risk categories <sup>(**)</sup>										
8	9	10	11	12	13	14	15	16	17	Total
16,597,008	5,382,162	107,824	330,380	-	-	-	-	108,014	1,875,143	58,060,983
4,105	1,250	1	-	-	-	-	-	127	-	2,960,494
303	-	-	-	-	-	-	-	-	-	32,312
32	-	-	-	-	-	-	-	-	-	8,382
46	533	-	-	-	-	-	-	-	-	363,155
3,744	555	51	1	-	-	-	-	-	-	127,398
-	-	-	-	-	-	-	-	-	334	206,785
-	-	-	-	-	-	-	-	-	-	-
<b>16,605,238</b>	<b>5,384,500</b>	<b>107,876</b>	<b>330,381</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>108,141</b>	<b>1,875,477</b>	<b>61,759,509</b>

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## Notes to unconsolidated financial statements as of and for the Year Ended 31 December 2017 (continued)

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

### II. Explanations on unconsolidated credit risk (continued)

#### 9. Risk profile according to sectors and counterparties <sup>(\*)</sup>

Current period	Risk categories <sup>(**)</sup>						
	1	2	3	4	5	6	7
<b>Agriculture</b>	-	-	-	-	-	-	<b>212,725</b>
Farming and raising livestock	-	-	-	-	-	-	131,968
Forestry	-	-	-	-	-	-	32,545
Fishing	-	-	-	-	-	-	48,212
<b>Manufacturing</b>	-	-	-	-	-	-	<b>10,426,259</b>
Mining	-	-	-	-	-	-	2,040,316
Production	-	-	-	-	-	-	7,952,180
Electricity, gas, water	-	-	-	-	-	-	433,763
<b>Construction</b>	-	-	-	-	-	-	<b>1,464,492</b>
<b>Services</b>	<b>5,561,085</b>	-	<b>2</b>	-	-	<b>5,905,556</b>	<b>9,778,839</b>
Wholesale and retail trade	-	-	-	-	-	-	4,063,609
Hotel food, beverage services	-	-	-	-	-	-	575,018
Transportation and telecommunication	-	-	-	-	-	-	1,909,528
Financial Institutions	5,561,082	-	-	-	-	5,905,556	910,453
Real Estate and renting service	-	-	-	-	-	-	721,921
Self-employment service	3	-	-	-	-	-	1,134,916
Education services	-	-	-	-	-	-	49,905
Health and social services	-	-	2	-	-	-	413,489
<b>Other</b>	<b>1,761,414</b>	<b>525,771</b>	<b>5</b>	-	-	<b>5,406</b>	<b>175,754</b>
<b>Total</b>	<b>7,322,499</b>	<b>525,771</b>	<b>7</b>	-	-	<b>5,910,962</b>	<b>22,058,069</b>

<sup>(\*)</sup> The figures represent total risk amounts before credit risk mitigation and after credit conversion factor.

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

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

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## Notes to unconsolidated financial statements as of and for the Year Ended 31 December 2017 (continued)

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

											Risk categories (**)		
8	9	10	11	12	13	14	15	16	17	TL	FC	Total	
176,431	52,616	-	2,468	-	-	-	-	-	-	277,181	167,059	444,240	
143,703	46,273	-	2,402	-	-	-	-	-	-	210,597	113,749	324,346	
21,315	4,862	-	64	-	-	-	-	-	-	54,373	4,413	58,786	
11,413	1,481	-	2	-	-	-	-	-	-	12,211	48,897	61,108	
2,719,543	1,186,119	-	141,375	-	-	-	-	-	-	5,440,480	9,032,816	14,473,296	
106,867	59,225	-	6,627	-	-	-	-	-	-	199,284	2,013,751	2,213,035	
2,555,318	1,115,136	-	130,785	-	-	-	-	-	-	4,939,951	6,813,468	11,753,419	
57,358	11,758	-	3,963	-	-	-	-	-	-	301,245	205,597	506,842	
672,863	148,199	-	23,277	-	-	-	-	-	-	1,297,625	1,011,206	2,308,831	
5,184,383	2,124,822	-	224,659	-	-	-	-	101,548	-	14,676,042	14,204,852	28,880,894	
4,159,110	940,376	-	149,958	-	-	-	-	-	-	8,082,062	1,230,991	9,313,053	
159,763	959,140	-	61,332	-	-	-	-	-	-	571,472	1,183,781	1,755,253	
451,280	99,234	-	5,137	-	-	-	-	-	-	891,572	1,573,607	2,465,179	
30,419	7,159	-	1,553	-	-	-	-	101,548	-	4,084,454	8,433,316	12,517,770	
88,675	17,641	-	1,187	-	-	-	-	-	-	489,269	340,155	829,424	
199,464	32,429	-	3,163	-	-	-	-	-	-	342,414	1,027,561	1,369,975	
26,238	30,300	-	859	-	-	-	-	-	-	68,278	39,024	107,302	
69,434	38,543	-	1,470	-	-	-	-	-	-	146,521	376,417	522,938	
11,035,715	1,495,861	94,557	11,070	-	-	-	-	462	3,619,865	16,644,057	2,081,823	18,725,880	
19,788,935	5,007,617	94,557	402,849	-	-	-	-	102,010	3,619,865	38,335,385	26,497,756	64,833,141	

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## Notes to unconsolidated financial statements as of and for the Year Ended 31 December 2017 (continued)

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

### II. Explanations on unconsolidated credit risk (continued)

#### 9. Risk profile according to sectors and counterparties <sup>(\*)</sup>

Prior period	Risk categories <sup>(**)</sup>						
	1	2	3	4	5	6	7
<b>Agriculture</b>	-	-	-	-	-	-	<b>197,406</b>
Farming and raising livestock	-	-	-	-	-	-	111,656
Forestry	-	-	-	-	-	-	24,310
Fishing	-	-	-	-	-	-	61,440
<b>Manufacturing</b>	-	-	-	-	-	-	<b>10,451,005</b>
Mining	-	-	-	-	-	-	1,670,125
Production	-	-	-	-	-	-	8,413,115
Electricity, gas, water	-	-	-	-	-	-	367,765
<b>Construction</b>	-	-	-	-	-	-	<b>1,310,389</b>
<b>Services</b>	<b>6,224,608</b>	-	<b>1</b>	-	-	<b>6,559,851</b>	<b>9,558,106</b>
Wholesale and retail trade	-	-	-	-	-	-	3,913,757
Hotel food, beverage services	-	-	-	-	-	-	661,381
Transportation and telecommunication	-	-	-	-	-	-	1,810,687
Financial Institutions	6,224,605	-	-	-	-	6,559,851	928,714
Real Estate and renting service	-	-	-	-	-	-	881,099
Self-employment service	3	-	-	-	-	-	977,129
Education services	-	-	-	-	-	-	87,373
Health and social services	-	-	1	-	-	-	297,966
<b>Other</b>	<b>2,622,170</b>	<b>267,382</b>	-	-	-	<b>9,094</b>	<b>147,884</b>
<b>Total</b>	<b>8,846,778</b>	<b>267,382</b>	<b>1</b>	-	-	<b>6,568,945</b>	<b>21,664,790</b>

<sup>(\*)</sup> The figures represent total risk amounts before credit risk mitigation and after credit conversion factor.

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

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



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## Notes to unconsolidated financial statements as of and for the Year Ended 31 December 2017 (continued)

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											Risk categories (**)				
8	9	10	11	12	13	14	15	16	17	TL	FX	Total			
116,027	72,523	-	1,889	-	-	-	-	-	-	232,960	154,885	387,845			
92,364	64,064	-	963	-	-	-	-	-	-	180,396	88,651	269,047			
16,776	7,150	-	872	-	-	-	-	-	-	44,107	5,001	49,108			
6,887	1,309	-	54	-	-	-	-	-	-	8,457	61,233	69,690			
1,934,291	1,324,515	-	99,853	-	-	-	-	-	-	4,298,722	9,510,942	13,809,664			
79,492	103,488	-	11,253	-	-	-	-	-	-	166,728	1,697,630	1,864,358			
1,823,171	1,211,236	-	85,538	-	-	-	-	-	-	3,912,083	7,620,977	11,533,060			
31,628	9,791	-	3,062	-	-	-	-	-	-	219,911	192,335	412,246			
437,208	153,833	-	15,629	-	-	-	-	-	-	955,610	961,449	1,917,059			
3,637,719	2,368,921	-	197,806	-	-	-	-	5,640	334	13,445,291	15,107,695	28,552,986			
2,904,393	1,063,957	-	180,980	-	-	-	-	-	-	6,324,035	1,739,052	8,063,087			
116,848	1,040,221	-	4,077	-	-	-	-	-	-	507,332	1,315,195	1,822,527			
342,902	109,821	-	5,821	-	-	-	-	-	-	782,554	1,486,677	2,269,231			
27,375	10,104	-	1,498	-	-	-	-	5,640	334	4,937,803	8,820,318	13,758,121			
56,416	24,357	-	2,466	-	-	-	-	-	-	479,293	485,045	964,338			
126,198	40,862	-	1,745	-	-	-	-	-	-	258,385	887,552	1,145,937			
17,918	37,999	-	212	-	-	-	-	-	-	73,494	70,008	143,502			
45,669	41,600	-	1,007	-	-	-	-	-	-	82,395	303,848	386,243			
10,479,993	1,464,708	107,876	15,204	-	-	-	-	102,501	1,875,143	16,577,069	514,886	17,091,955			
16,605,238	5,384,500	107,876	330,381	-	-	-	-	108,141	1,875,477	35,509,652	26,249,857	61,759,509			

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## Notes to unconsolidated financial statements as of and for the Year Ended 31 December 2017 (continued)

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

### II. Explanations on unconsolidated credit risk (continued)

#### 10. Term distribution of risks with term structure <sup>(\*)</sup>

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

<sup>(\*)</sup> The figures represent total risk amounts before credit risk mitigation and after credit conversion factor.

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## Notes to unconsolidated financial statements as of and for the Year Ended 31 December 2017 (continued)

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### II. Explanations on unconsolidated credit risk (continued)

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

<sup>(\*)</sup> The figures represent total risk amounts before credit risk mitigation and after credit conversion factor.

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## Notes to unconsolidated financial statements as of and for the Year Ended 31 December 2017 (continued)

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### II. Explanations on unconsolidated credit risk (continued)

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

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

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

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

#### Risk amounts based on risk weights

Current Period												Deducted from equity
	0%	10%	20%	35%	50%	75%	100%	150%	200%	250%	1250%	
Amount before credit risk mitigation	10,160,281	-	1,810,340	-	2,645,136	22,326,332	27,700,591	190,461	-	-	-	85,314
Amount after credit risk mitigation	15,439,589	-	762,410	1,926,437	5,218,577	15,844,064	24,094,640	190,461	-	-	-	85,314
Prior Period												Deducted from equity
	0%	10%	20%	35%	50%	75%	100%	150%	200%	250%	1250%	
Amount before credit risk mitigation	4,010,425	-	2,248,844	-	10,868,043	19,324,170	25,182,888	125,139	-	-	-	87,949
Amount after credit risk mitigation	4,010,425	-	928,230	2,003,503	13,689,711	16,412,320	22,844,711	125,139	-	-	-	87,949

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## Notes to unconsolidated financial statements as of and for the Year Ended 31 December 2017 (continued)

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### II. Explanations on unconsolidated credit risk (continued)

#### 12. Miscellaneous information regarding important sectors or counterparty type

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

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

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

<sup>(1)</sup> Represents the distribution of cash loans.

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## Notes to unconsolidated financial statements as of and for the Year Ended 31 December 2017 (continued)

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

### II. Explanations on unconsolidated credit risk (continued)

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

<sup>(\*)</sup> Represents the distribution of cash loans.

### 13. Information related to value adjustments and credit provisions

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

<sup>(\*)</sup> Determined according to currency differences, merges, acquisitions and selling of subsidiaries.

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

<sup>(\*)</sup> Determined according to currency differences, merges, acquisitions and selling of subsidiaries.

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## Notes to unconsolidated financial statements as of and for the Year Ended 31 December 2017 (continued)

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### II. Explanations on unconsolidated credit risk (continued)

#### 14. Explanations about exposures subject to private sector

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

### III. Explanation on unconsolidated currency risk

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

The simple arithmetic average of USD and EUR buying rates of the Bank for the thirty days before the balance sheet date are 3.8416 (Full TL) and 4.5477 (Full TL) respectively.

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

	1 USD	1 EURO
A. The Bank's "foreign exchange buying rates" (31 December 2017)	3.7917	4.5455
Previous days;		
29 December 2017	3.7917	4.5455
28 December 2017	3.7775	4.5115
27 December 2017	3.8190	4.5446
26 December 2017	3.8096	4.5205
25 December 2017	3.8055	4.5160



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## Notes to unconsolidated financial statements as of and for the Year Ended 31 December 2017 (continued)

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

### III. Explanation on unconsolidated currency risk (continued)

#### Information related to currency risk

	EURO	USD	Other FC	Total
<b>Current period</b>				
<b>Assets</b>				
Cash (cash in vault, foreign currency cash, money in transit, checks purchased) and balances with the Central Bank of Turkey	2,759,034	3,477,309	1,135,173	7,371,516
Banks	341,680	42,587	96,440	480,707
Financial assets at fair value through profit or loss (net)	5,978	5,843	-	11,821
Interbank money market placements	-	-	-	-
Available for sale financial assets (net)	156	-	-	156
Loans and receivables	7,947,125	1,656,450	2,329	9,605,904
Investments in associates, subsidiaries and joint ventures	-	334	-	334
Held to maturity investments (net)	-	-	-	-
Hedging derivative financial assets	-	-	-	-
Tangible assets (net)	-	-	-	-
Intangible assets (net)	-	-	-	-
Other assets	4,390	2,476	12	6,878
<b>Total assets</b>	<b>11,058,363</b>	<b>5,184,999</b>	<b>1,233,954</b>	<b>17,477,316</b>
<b>Liabilities</b>				
Bank deposit	1,221,337	239,679	20	1,461,036
Foreign currency deposits	2,144,707	5,444,477	195,360	7,784,544
Funds from interbank money market	-	-	-	-
Borrowings	8,374,104	7,914,150	114,447	16,402,701
Marketable securities issued (net)	-	-	-	-
Miscellaneous payables	10,352	28,606	2,707	41,665
Hedging derivative financial liabilities	4,155	-	-	4,155
Other liabilities	9,467	9,964	650	20,081
<b>Total liabilities</b>	<b>11,764,122</b>	<b>13,636,876</b>	<b>313,184</b>	<b>25,714,182</b>
<b>Net on balance sheet position</b>	<b>(705,759)</b>	<b>(8,451,877)</b>	<b>920,770</b>	<b>(8,236,866)</b>
<b>Net off-balance sheet position</b>	<b>702,801</b>	<b>8,445,747</b>	<b>(919,681)</b>	<b>8,228,867</b>
Financial derivative assets	6,914,832	17,978,148	802,738	25,695,718
Financial derivative liabilities	6,212,031	9,532,401	1,722,419	17,466,851
<b>Non-cash loans</b>	<b>5,353,080</b>	<b>6,342,203</b>	<b>68,892</b>	<b>11,764,175</b>
<b>Prior period</b>				
<b>Total assets</b>	<b>11,156,408</b>	<b>6,362,615</b>	<b>1,181,608</b>	<b>18,700,631</b>
<b>Total liabilities</b>	<b>11,190,589</b>	<b>12,168,065</b>	<b>143,785</b>	<b>23,502,439</b>
<b>Net on-balance sheet position</b>	<b>(34,181)</b>	<b>(5,805,450)</b>	<b>1,037,823</b>	<b>(4,801,808)</b>
<b>Net off-balance sheet position</b>	<b>39,510</b>	<b>5,879,669</b>	<b>(1,036,949)</b>	<b>4,882,230</b>
Financial derivative assets	4,991,207	14,273,754	2,083,929	21,348,890
Financial derivative liabilities	4,951,697	8,394,085	3,120,878	16,466,660
<b>Non-cash loans</b>	<b>5,658,993</b>	<b>5,385,451</b>	<b>229,892</b>	<b>11,274,336</b>

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## Notes to unconsolidated financial statements as of and for the Year Ended 31 December 2017 (continued)

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### III. Explanation on unconsolidated currency risk (continued)

In the foreign currency risk table:

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

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

Held-for-trading derivative financial assets: TL 184,960 (31 December 2016: TL 241,147).

Prepaid expenses: None (31 December 2016: TL 38).

Held-for trading derivative financial liabilities: TL 183,502 (31 December 2016: TL 192,797).

Hedge funds (Effective Portion): TL (4,240) (31 December 2016: TL (5,203)).

Marketable securities valuation differences: None (31 December 2016: TL 94,029).

Interest rate swap (buy) transactions and options (buy): TL 3,818,260 (31 December 2016: TL 2,623,749).

Interest rate swap (sell) transactions and options (sell): TL 3,818,260 (31 December 2016: TL 2,623,749).

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

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

Forward foreign currency-sell transactions: TL 959,626 (31 December 2016: TL 644,106).

### Sensitivity to currency risk

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

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

<sup>(\*)</sup> Represents effect on equity excluding profit/loss before tax.

### IV. Explanations on unconsolidated interest rate risk

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

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

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

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## Notes to unconsolidated financial statements as of and for the Year Ended 31 December 2017 (continued)

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### IV. Explanations on unconsolidated interest rate risk (continued)

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

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

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

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

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## Notes to unconsolidated financial statements as of and for the Year Ended 31 December 2017 (continued)

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### IV. Explanations on unconsolidated interest rate risk (continued)

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

Prior period	Up to 1 month	1-3 months	3-12 months	1-5 years	5 years and over	Non-interest bearing	Total
<b>Assets</b>							
Cash (Cash in vault, foreign currency cash, money in transit, checks purchased) and balances with the Central Bank of Turkey	6,218,315	5,833	-	-	-	641,497	6,865,645
Due from other banks and financial institutions	3,709	1,648	4,000	-	-	146,306	155,663
Financial assets at fair value through profit and loss	117,237	293,049	114,336	9,239	-	32	533,893
Money market placements	1,775,677	-	-	-	-	-	1,775,677
Available-for-sale financial assets	588,055	518,531	1,439,100	-	-	108,141	2,653,827
Loans and receivables	6,726,997	4,282,801	10,157,311	11,149,099	2,062,482	438,257	34,816,947
Held-to-maturity investments	-	-	-	-	-	-	-
Other assets <sup>(*)</sup>	565,819	1,227,404	-	-	-	1,092,785	2,886,008
<b>Total assets</b>	<b>15,995,809</b>	<b>6,329,266</b>	<b>11,714,747</b>	<b>11,158,338</b>	<b>2,062,482</b>	<b>2,427,018</b>	<b>49,687,660</b>
<b>Liabilities</b>							
Bank deposits	283,180	21	-	-	-	1,654,819	1,938,020
Other deposits	19,320,763	725,453	347,153	120	-	2,885,776	23,279,265
Money market borrowings	126,507	60	-	-	-	-	126,567
Miscellaneous payables	-	-	-	-	-	336,603	336,603
Securities issued	-	246,634	-	-	-	-	246,634
Funds provided from other financial institutions	1,650,840	10,240,402	1,900,067	2,621,361	247,275	-	16,659,945
Other liabilities <sup>(**)</sup>	143,502	203,933	259,403	8,105	-	6,485,683	7,100,626
<b>Total liabilities</b>	<b>21,524,792</b>	<b>11,416,503</b>	<b>2,506,623</b>	<b>2,629,586</b>	<b>247,275</b>	<b>11,362,881</b>	<b>49,687,660</b>
Balance sheet long position	-	-	9,208,124	8,528,752	1,815,207	-	19,552,083
Balance sheet short position	(5,528,983)	(5,087,237)	-	-	-	(8,935,863)	(19,552,083)
Off-balance sheet long position	2,389,391	8,243,436	-	-	-	-	10,632,827
Off-balance sheet short position	-	-	(3,128,825)	(4,981,471)	(820,909)	-	(8,931,205)
<b>Total position</b>	<b>(3,139,592)</b>	<b>3,156,199</b>	<b>6,079,299</b>	<b>3,547,281</b>	<b>994,298</b>	<b>(8,935,863)</b>	<b>1,701,622</b>

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

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

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## Notes to unconsolidated financial statements as of and for the Year Ended 31 December 2017 (continued)

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### IV. Explanations on unconsolidated interest rate risk (continued)

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

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

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

Prior period	EURO (%)	USD (%)	Yen (%)	TL (%)
<b>Assets</b>				
Cash (Cash in vault, foreign currency cash, money in transit, checks purchased) and balances with the Central Bank of Turkey	-	0.75	-	3.31
Due from other banks and financial institutions	0.25	-	-	9.72
Financial assets at fair value through profit and loss	5.32	5.90	-	6.21
Money market placements	-	-	-	10.97
Financial assets available-for-sale	-	-	-	9.14
Loans and receivables	3.09	4.08	-	13.79
Held-to-maturity investments	-	-	-	-
<b>Liabilities</b>				
Bank deposits	(0.69)	0.94	-	-
Other deposits	0.50	1.72	-	8.56
Money market borrowings	-	-	-	8.49
Miscellaneous payables	-	-	-	-
Securities issued	-	-	-	9.98
Funds provided from other financial institutions	0.69	1.96	-	11.45

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## Notes to unconsolidated financial statements as of and for the Year Ended 31 December 2017 (continued)

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

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

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

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

Current period	Carrying value	Fair value <sup>(*)</sup>	Market value
<b>Quoted</b>	<b>51</b>	<b>51</b>	<b>51</b>
Stock investments	51	51	51
<b>Not quoted</b>	<b>6,052</b>	<b>871</b>	<b>871</b>
Stock investments	6,052	871	871
<b>Financials subsidiaries</b>	<b>95,907</b>	<b>-</b>	<b>-</b>
Financials subsidiaries	95,907	-	-
Prior period	Carrying value	Fair value <sup>(*)</sup>	Market value
<b>Quoted</b>	<b>50</b>	<b>50</b>	<b>50</b>
Stock investments	50	50	50
<b>Not quoted</b>	<b>108,091</b>	<b>103,540</b>	<b>103,540</b>
Stock investments	108,091	103,540	103,540
<b>Financials subsidiaries</b>	<b>95,907</b>	<b>-</b>	<b>-</b>
Financials subsidiaries	95,907	-	-

<sup>(\*)</sup> Only equity investments having market value are presented under "Fair Value" column.

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

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

Prior period	Realized gains/losses during the period	Revaluation increases		Unrealized gains/losses	
		Total	Including into the supplementary capital	Total	Including into the supplementary capital
Private equity investments	-	-	-	-	-
Shares traded on a stock exchange	-	12	-	12	12
Other stocks	35,238	94,361	-	94,361	94,361
<b>Total</b>	<b>35,238</b>	<b>94,373</b>	<b>-</b>	<b>94,373</b>	<b>94,373</b>

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## Notes to unconsolidated financial statements as of and for the Year Ended 31 December 2017 (continued)

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### V. Explanations on equity securities position risk derived from unconsolidated banking books (continued)

#### 4. Capital requirement as per equity shares

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

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

### VI. Explanations on unconsolidated liquidity risk management and liquidity coverage ratio

#### 1. Information on matters related to liquidity risk

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

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

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

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

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

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

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

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

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



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## Notes to unconsolidated financial statements as of and for the Year Ended 31 December 2017 (continued)

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

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

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

#### d. Information on liquidity risk mitigation techniques

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

#### e. Information on the use of stress tests

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

#### f. Overview on emergency and contingency liquidity situation plans

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

### 2. Liquidity coverage ratio

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

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

	Minimum	Date	Maximum	Date
TL+FC	151.23	29 December 2017	216.07	27 October 2017
FC	135.53	24 November 2017	204.33	6 October 2017

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

#### Liquidity coverage ratio

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

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

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

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

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

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## Notes to unconsolidated financial statements as of and for the Year Ended 31 December 2017 (continued)

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

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

#### 3. Other explanations on unconsolidated liquidity coverage ratio

Short term liquidity is managed within the legal limits in the Bank, the liquid assets are managed by using "Liquidity Coverage Ratio" calculations to follow up the minimum liquidity limits and keep sufficient stock of high quality liquid assets to meet net cash outflows as of and for the year 2017. Liquidity coverage ratio is calculated as per the Regulation on Banks' Liquidity Coverage Ratio Calculation. The ratio is affected from Bank's quality liquid asset value not used as guarantee that can be converted to cash any time and Bank's possible cash inflows and outflows arising from net cash assets, liability and off balance sheet transactions.

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

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

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

Details of the Bank's foreign currency balance sheet as of 31 December 2017 are summarized as follows:

Foreign currency borrowings constitute the majority of the foreign currency liabilities. 63% of the Bank's foreign currency liabilities consist of funds provided from other financial institutions and subordinated loans and 36% is composed of deposits. Loans comprise 52% of the foreign currency assets. The bank placements have the shortest maturity within the assets denominated in foreign currency.

Details of the Bank's Turkish Lira balance sheet as of 31 December 2017 are summarized as follows:

The majority of Turkish Lira balance sheet's liability consists of deposits. 68% of the Bank's total Turkish Lira liabilities consists of deposits. However, in case of necessity, the Bank has borrowing opportunities from both domestic and foreign banks and Takasbank and ISE repo market. 82% of the assets in Turkish Lira balance sheet are loans granted and 5% are marketable securities.

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

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

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

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# Notes to unconsolidated financial statements as of and for the Year Ended 31 December 2017 (continued)

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

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

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

Current period	Demand	Up to 1 month	1-3 months	3-12 months	1-5 years	5 years and over	Unallocated	Total
<b>Assets</b>								
Cash (cash in vault, foreign currency cash, money in transit, checks purchased) and balances with the Central Bank of Turkey	2,270,536	5,546,209	13,778	-	-	-	-	7,830,523
Banks	243,091	231,820	7,243	-	-	-	-	482,154
Financial assets at fair value through profit or loss	45	172,026	125,466	294,613	12,525	9,423	-	614,098
Interbank money market placements	-	1,047,895	-	-	-	-	-	1,047,895
Available for sale financial assets	6,103	134,953	38,035	-	1,556,897	-	-	1,735,988
Loans and receivables	-	6,558,650	4,087,126	10,655,081	15,197,268	1,471,245	497,406	38,466,776
Held to maturity investments	-	-	-	-	-	-	-	-
Other assets (*)	-	14,896	96,753	281,988	1,122,908	54,850	1,133,278	2,704,673
<b>Total assets</b>	<b>2,519,775</b>	<b>13,706,449</b>	<b>4,368,401</b>	<b>11,231,682</b>	<b>17,889,598</b>	<b>1,535,518</b>	<b>1,630,684</b>	<b>52,882,107</b>
<b>Liabilities</b>								
Bank deposits	1,481,773	-	-	-	-	-	-	1,481,773
Other deposits	3,298,842	21,941,260	715,535	134,658	113,757	-	-	26,204,052
Borrowings	-	903,720	1,147,327	5,491,803	6,227,649	3,232,748	-	17,003,247
Funds from interbank money market	-	59,498	-	-	-	-	-	59,498
Securities issued	-	-	-	-	-	-	-	-
Miscellaneous payables	401,619	-	-	-	-	-	-	401,619
Other liabilities (**)	224,013	144,603	108,055	218,644	23,206	262	7,013,135	7,731,918
<b>Total liabilities</b>	<b>5,406,247</b>	<b>23,049,081</b>	<b>1,970,917</b>	<b>5,845,105</b>	<b>6,364,612</b>	<b>3,233,010</b>	<b>7,013,135</b>	<b>52,882,107</b>
<b>Liquidity deficit/surplus</b>	<b>(2,886,472)</b>	<b>(9,342,632)</b>	<b>2,397,484</b>	<b>5,386,577</b>	<b>11,524,986</b>	<b>(1,697,492)</b>	<b>(5,382,451)</b>	<b>-</b>
<b>Net Off Balance Sheet</b>								
<b>Position</b>	<b>-</b>	<b>52,147</b>	<b>109,457</b>	<b>195,672</b>	<b>910,039</b>	<b>44,348</b>	<b>-</b>	<b>1,311,663</b>
Derivative financial assets	-	10,597,985	10,337,817	15,332,327	10,987,612	430,570	-	47,686,311
Derivative financial liabilities	-	10,545,838	10,228,360	15,136,655	10,077,573	386,222	-	46,374,648
<b>Net Off Balance Sheet Position</b>	<b>48,236</b>	<b>431,043</b>	<b>1,944,381</b>	<b>3,444,884</b>	<b>6,672,943</b>	<b>1,923,081</b>	<b>-</b>	<b>14,464,568</b>
<b>Prior period</b>								
Total assets	787,835	14,906,628	4,540,671	12,054,668	13,461,430	2,297,245	1,639,183	49,687,660
Total liabilities	5,197,605	20,106,637	1,484,657	5,956,406	6,793,793	4,063,966	6,084,596	49,687,660
<b>Liquidity deficit/surplus</b>	<b>(4,409,770)</b>	<b>(5,200,009)</b>	<b>3,056,014</b>	<b>6,098,262</b>	<b>6,667,637</b>	<b>(1,766,721)</b>	<b>(4,445,413)</b>	<b>-</b>
<b>Net Off Balance Sheet</b>								
<b>Position</b>	<b>-</b>	<b>21,666</b>	<b>(20,662)</b>	<b>707,116</b>	<b>813,308</b>	<b>181,000</b>	<b>-</b>	<b>1,702,428</b>
Derivative financial assets	-	8,708,107	8,834,962	8,814,433	7,101,040	1,001,909	-	34,460,451
Derivative financial liabilities	-	8,686,441	8,855,624	8,107,317	6,287,732	820,909	-	32,758,023
<b>Net Off Balance Sheet Position</b>	<b>57,507</b>	<b>563,814</b>	<b>1,663,557</b>	<b>3,376,696</b>	<b>6,482,437</b>	<b>1,640,033</b>	<b>-</b>	<b>13,784,044</b>

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

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

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## Notes to unconsolidated financial statements as of and for the Year Ended 31 December 2017 (continued)

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

#### 5. Breakdown of liabilities according to their remaining contractual maturities

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

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

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

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## Notes to unconsolidated financial statements as of and for the Year Ended 31 December 2017 (continued)

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

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

Current period	Up to 1 month	1 - 3 months	3 - 12 months	1 - 5 Years	5 years and over	Total
<b>Derivative financial instruments held for hedging</b>						
<b>Transactions for fair value hedge (I)</b>	-	-	-	-	-	-
Buying transactions	-	-	-	-	-	-
Selling transactions	-	-	-	-	-	-
<b>Transactions for cash flow hedge (II)</b>	<b>628,103</b>	<b>1,112,174</b>	<b>12,142,730</b>	<b>18,427,711</b>	<b>893,277</b>	<b>33,203,995</b>
Buying transactions	328,913	628,332	6,116,920	9,506,159	459,395	17,039,719
Selling transactions	299,190	483,842	6,025,810	8,921,552	433,882	16,164,276
<b>Transactions for foreign net investment hedge (III)</b>	-	-	-	-	-	-
Buying transactions	-	-	-	-	-	-
Selling transactions	-	-	-	-	-	-
<b>A. Total derivative financial instruments held for hedging (I+II+III)</b>	<b>628,103</b>	<b>1,112,174</b>	<b>12,142,730</b>	<b>18,427,711</b>	<b>893,277</b>	<b>33,203,995</b>
<b>Derivative transactions held for trading</b>						
<b>Trading transactions (I)</b>	<b>24,306,172</b>	<b>13,944,988</b>	<b>17,034,616</b>	<b>439,394</b>	-	<b>55,725,170</b>
Forward foreign currency transactions - buy	2,553,379	2,095,916	2,157,272	2,152	-	6,808,719
Forward foreign currency transactions - sell	2,535,829	2,054,428	2,117,214	2,046	-	6,709,517
Swap transactions- buy	9,706,469	4,630,517	5,608,036	181,523	-	20,126,545
Swap transactions - sell	8,585,568	4,667,677	5,699,905	182,173	-	19,135,323
Foreign currency options - buy	462,464	248,224	726,095	35,750	-	1,472,533
Foreign currency options - sell	462,463	248,226	726,094	35,750	-	1,472,533
Foreign currency futures - buy	-	-	-	-	-	-
Foreign currency futures - sell	-	-	-	-	-	-
<b>Interest rate derivatives (II)</b>	<b>7,656</b>	<b>87,121</b>	<b>107,610</b>	<b>134,715</b>	<b>384</b>	<b>337,486</b>
Interest rate swap - buy	3,944	39,172	55,046	67,727	280	166,169
Interest rate swap - sell	3,712	47,949	52,564	66,988	104	171,317
Interest rate options - buy	-	-	-	-	-	-
Interest rate options - sell	-	-	-	-	-	-
Securities options - buy	-	-	-	-	-	-
Securities options - sell	-	-	-	-	-	-
Interest futures - buy	-	-	-	-	-	-
Interest futures - sell	-	-	-	-	-	-
<b>Other trading derivative transactions (III)</b>	<b>8,138</b>	-	-	-	-	<b>8,138</b>
<b>B. Total trading derivative transactions (I+II+III)</b>	<b>24,321,966</b>	<b>14,032,109</b>	<b>17,142,226</b>	<b>574,109</b>	<b>384</b>	<b>56,070,794</b>
<b>Derivative transaction total (A+B)</b>	<b>24,950,069</b>	<b>15,144,283</b>	<b>29,284,956</b>	<b>19,001,820</b>	<b>893,661</b>	<b>89,274,789</b>



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## Notes to unconsolidated financial statements as of and for the Year Ended 31 December 2017 (continued)

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

Prior period	Up to 1 month	1 - 3 months	3 - 12 months	1 - 5 Years	5 years and over	Total
<b>Derivative financial instruments held for hedging</b>						
<b>Transactions for fair value hedge (I)</b>	-	-	-	-	-	-
Buying transactions	-	-	-	-	-	-
Selling transactions	-	-	-	-	-	-
<b>Transactions for cash flow hedge (II)</b>	<b>970,835</b>	<b>1,179,024</b>	<b>4,345,908</b>	<b>10,824,725</b>	<b>1,925,646</b>	<b>19,246,138</b>
Buying transactions	511,497	592,472	2,377,320	5,586,878	1,036,820	10,104,987
Selling transactions	459,338	586,552	1,968,588	5,237,847	888,826	9,141,151
<b>Transactions for foreign net investment hedge (III)</b>	-	-	-	-	-	-
Buying transactions	-	-	-	-	-	-
Selling transactions	-	-	-	-	-	-
<b>A. Total derivative financial instruments held for hedging (I+II+III)</b>	<b>970,835</b>	<b>1,179,024</b>	<b>4,345,908</b>	<b>10,824,725</b>	<b>1,925,646</b>	<b>19,246,138</b>
<b>Derivative transactions held for trading</b>						
<b>Trading transactions (I)</b>	<b>19,632,611</b>	<b>9,487,444</b>	<b>13,283,605</b>	<b>1,622,899</b>	<b>2,136</b>	<b>44,028,695</b>
Forward foreign currency transactions - buy	2,133,208	1,497,704	2,637,059	50,489	-	6,318,460
Forward foreign currency transactions - sell	2,123,576	1,508,986	2,658,619	56,314	-	6,347,495
Swap transactions- buy	7,331,177	2,881,697	3,799,906	758,196	236	14,771,212
Swap transactions - sell	6,285,281	2,951,231	3,728,596	757,900	1,900	13,724,908
Foreign currency options - buy	879,685	323,913	229,712	-	-	1,433,310
Foreign currency options - sell	879,684	323,913	229,713	-	-	1,433,310
Foreign currency futures - buy	-	-	-	-	-	-
Foreign currency futures - sell	-	-	-	-	-	-
<b>Interest rate derivatives (II)</b>	<b>8,646</b>	<b>40,569</b>	<b>240,368</b>	<b>346,206</b>	<b>13,380</b>	<b>649,169</b>
Interest rate swap - buy	4,525	29,522	115,781	168,193	-	318,021
Interest rate swap - sell	4,121	11,047	124,587	178,013	13,380	331,148
Interest rate options - buy	-	-	-	-	-	-
Interest rate options - sell	-	-	-	-	-	-
Securities options - buy	-	-	-	-	-	-
Securities options - sell	-	-	-	-	-	-
Interest futures - buy	-	-	-	-	-	-
Interest futures - sell	-	-	-	-	-	-
<b>Other trading derivative transactions (III)</b>	-	-	-	-	-	-
<b>B. Total derivative transactions held for trading (I+II+III)</b>	<b>19,641,257</b>	<b>9,528,013</b>	<b>13,523,973</b>	<b>1,969,105</b>	<b>15,516</b>	<b>44,677,864</b>
<b>Derivative transaction total (A+B)</b>	<b>20,612,092</b>	<b>10,707,037</b>	<b>17,869,881</b>	<b>12,793,830</b>	<b>1,941,162</b>	<b>63,924,002</b>

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## Notes to unconsolidated financial statements as of and for the Year Ended 31 December 2017 (continued)

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### VII. Explanations on unconsolidated leverage ratio (continued)

#### VII. Explanations on unconsolidated leverage ratio

Leverage ratio table prepared in accordance with the communique "Regulation on Measurement and Assessment of Leverage Ratios of Banks" published in the Official Gazette No.28812 dated 5 November 2013 is presented below. As of 31 December 2017, the Bank's leverage ratio is calculated by taking average of end of month leverage ratios for the last three months is 6.83% (31 December 2016: 6.80%). This ratio is higher than minimum ratio. Main reason for the variance compared to prior period is due to the fact that increase in the amount of exposure in the balance sheet is more than the decrease in the amount of capital.

#### Information on unconsolidated leverage ratio

	Current period <sup>(*)</sup>	Prior period <sup>(*)</sup>
<b>On-balance sheet items</b>		
On-balance sheet exposures (excluding derivatives and credit derivatives including collateral)	51,547,848	47,071,102
Asset deducted from core capital	(56,965)	(46,529)
The total amount of risk on-balance sheet exposures	51,490,883	47,024,573
<b>Derivative financial instruments and credit derivative exposures</b>		
Replacement cost associated with derivative financial instruments and credit derivatives	2,528,731	2,044,627
The potential credit risk amount of derivative financial instruments and credit derivatives	567,755	512,489
The total risk amount of derivative financial instruments and credit derivatives	3,096,486	2,557,116
<b>Securities or commodity guaranteed financing transactions</b>		
Risk amount of securities or commodity collateral financing transactions (excluding on balance sheet items)	65,633	56,811
Risk amount of exchange brokerage operations	-	-
The total risk amount of securities or commodity collateral financing transactions	65,633	56,811
<b>Off-balance sheet items</b>		
Gross notional amount for off-balance sheet items	24,819,666	21,757,540
Adjustments for conversion to credit equivalent amounts	-	-
The total amount of risk for off-balance sheet items	24,819,666	21,757,540
<b>Capital and total exposures</b>		
Core capital	5,420,647	4,853,047
Total exposures	79,472,668	71,396,040
<b>Leverage ratio</b>		
Leverage ratio	6.83	6.80

<sup>(\*)</sup> The amounts in the table represents the average of last three months.

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## Notes to unconsolidated financial statements as of and for the Year Ended 31 December 2017 (continued)

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

### VIII. Explanations on presentation of financial assets and liabilities at their fair values

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

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

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

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

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

Carrying value of miscellaneous payables represents their fair value.

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

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

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

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

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

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

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

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## Notes to unconsolidated financial statements as of and for the Year Ended 31 December 2017 (continued)

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

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

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

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

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

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

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

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## Notes to unconsolidated financial statements as of and for the Year Ended 31 December 2017 (continued)

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

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

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

The Bank has no trust transactions.

### X. Explanations on unconsolidated risk management

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

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

##### a. Bank's risk management approach

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

##### 1. Line of defence

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

##### 2. Line of defence

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

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

##### 3. Line of defence

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

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

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### X. Explanations on unconsolidated risk management (continued)

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

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

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

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

### Overview of risk weighted amounts

	Risk weighted amount		Minimum capital requirement
	Current period	Previous period	Current period
<b>Credit risk (excluding counterparty credit risk) (CCR)</b>	<b>38,042,652</b>	<b>41,324,634</b>	<b>3,043,412</b>
Standardized approach (SA)	38,042,652	41,324,634	3,043,412
Internal rating-based (IRB) approach	-	-	-
<b>Counterparty credit risk</b>	<b>2,832,393</b>	<b>1,748,753</b>	<b>226,591</b>
Standardized approach for counterparty credit risk (SA-CCR)	2,832,393	1,748,753	226,591
Internal model method	-	-	-
Basic risk weight approach to internal models	-	-	-
equity position in the banking account	-	-	-
Investments made in collective investment companies -	-	-	-
look-through approach	-	-	-
Investments made in collective investment companies - mandate-based	-	-	-
approach	-	-	-
Investments made in collective investment	-	-	-
companies - 1250% weighted risk approach	-	-	-
Settlement Risk	-	-	-
Securitization positions in banking accounts	-	-	-
IRB ratings-based approach (RBA)	-	-	-
IRB Supervisory Formula Approach (SFA)	-	-	-
SA/simplified supervisory formula approach	-	-	-
<b>Market risk</b>	<b>212,263</b>	<b>489,725</b>	<b>16,981</b>
Standardized approach (SA)	212,263	489,725	16,981
Internal model approaches (IMM)	-	-	-
<b>Operational risk</b>	<b>3,853,637</b>	<b>3,230,147</b>	<b>308,291</b>
Basic indicator approach	3,853,637	3,230,147	308,291
Standard approach	-	-	-
Advanced measurement approach	-	-	-
The amount of the discount threshold under	-	-	-
the equity (subject to a 250% risk weight)	-	-	-
Floor adjustment	-	-	-
<b>Total</b>	<b>44,940,945</b>	<b>46,793,259</b>	<b>3,595,275</b>

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## Notes to unconsolidated financial statements as of and for the Year Ended 31 December 2017 (continued)

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

### X. Explanations on unconsolidated risk management (continued)

#### 2. Linkages between financial statements and risk amounts

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

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



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## Notes to unconsolidated financial statements as of and for the Year Ended 31 December 2017 (continued)

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### X. Explanations on unconsolidated risk management (continued)

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

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

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

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

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

### 3. Explanations about credit risk

#### 3.1. General Information on Credit Risk

##### a. General Qualitative Information on Credit Risk

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

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

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

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

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## Notes to unconsolidated financial statements as of and for the Year Ended 31 December 2017 (continued)

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### X. Explanations on unconsolidated risk management (continued)

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

#### b. Assets credit quality

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

#### c. Changes in stock of defaulted loans and debt securities

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

<sup>(\*)</sup> Specific provisions for undrawn non-cash loans are not included in the table.

<sup>(\*\*)</sup> Collections within the period have included "Other changes" account.

#### ç. Additional explanations on the creditworthiness of assets

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

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

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

Definitions of the methods used in determining the provision amounts:

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

Definitions of the restructured receivables:

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

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

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

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

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## Notes to unconsolidated financial statements as of and for the Year Ended 31 December 2017 (continued)

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### X. Explanations on unconsolidated risk management (continued)

#### Breakdown of receivables according to geographical regions

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

<sup>(1)</sup> OECD Countries other than EU countries, USA and Canada.

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

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

#### Aging of overdue exposures

	Current period
Due 31 - 60	361,498
Due 61 - 90	138,182
<b>Total</b>	<b>499,680</b>

#### Breakdown of restructured receivables by whether or not provisions are allocated

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

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

### 3.2. Credit risk mitigation techniques

#### a. Qualitative disclosure requirements related to credit risk mitigation techniques

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

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

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

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

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## Notes to unconsolidated financial statements as of and for the Year Ended 31 December 2017 (continued)

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### X. Explanations on unconsolidated risk management (continued)

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

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

#### b. Credit risk mitigation techniques

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

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

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

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

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## Notes to unconsolidated financial statements as of and for the Year Ended 31 December 2017 (continued)

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### X. Explanations on unconsolidated risk management (continued)

#### ç. Credit risk exposure and credit risk mitigation effects

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

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## Notes to unconsolidated financial statements as of and for the Year Ended 31 December 2017 (continued)

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### X. Explanations on unconsolidated risk management (continued)

#### d. Standard approach exposures by asset classes and risk weights

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

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## Notes to unconsolidated financial statements as of and for the Year Ended 31 December 2017 (continued)

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

### X. Explanations on unconsolidated risk management (continued)

#### 4. Evaluation of counterparty credit risk according to measurement methods

##### a. Qualitative disclosure on counterparty credit risk

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

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

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

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

##### b. Counterparty credit risk (CCR) approach analysis

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

(\*) Effective expected positive exposure



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## Notes to unconsolidated financial statements as of and for the Year Ended 31 December 2017 (continued)

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

### X. Explanations on unconsolidated risk management (continued)

#### c. Credit valuation adjustment (CVA) for capital charge

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

#### ç. Analysis of counterparty credit risk (CCR) exposure

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

(\*) 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.

#### d. Collaterals for counterparty credit risk (CCR)

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

#### e. Credit derivatives

There is no credit derivative transaction.

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## Notes to unconsolidated financial statements as of and for the Year Ended 31 December 2017 (continued)

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

### X. Explanations on unconsolidated risk management (continued)

#### f. Exposures to central counterparties (CCP)

There is no central counterparty risk.

#### 5. Securitisation

There is no securitisation transaction.

#### 6. Explanations on market risk

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

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

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

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

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

#### 7. Explanations on operational risk

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

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## Notes to unconsolidated financial statements as of and for the Year Ended 31 December 2017 (continued)

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

### X. Explanations on unconsolidated risk management (continued)

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

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

### 8. Interest rate risk arising from banking book

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

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

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

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

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

### XI. Explanations on hedge transactions

#### Breakdown of the derivative transactions used in cash flow hedges

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

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## Notes to unconsolidated financial statements as of and for the Year Ended 31 December 2017 (continued)

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### XI. Explanations on hedge transactions (continued)

#### Explanations on derivative transactions used in cash flow hedges

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

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

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

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## Notes to unconsolidated financial statements as of and for the Year Ended 31 December 2017 (continued)

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

### XII. Explanations on segment reporting

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

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

<b>Current period - 31 December 2017</b>	<b>Corporate, SME and Commercial Banking</b>	<b>Retail Banking</b>	<b>Other</b>	<b>Total</b>
Net interest income	978,054	784,382	927,772	2,690,208
Net commissions and fees income and other operating income	419,613	476,785	13,618	910,016
Trading gain/loss	998	(1,242)	(437,939)	(438,183)
Dividend income	-	-	49,661	49,661
Provision for impairment of loans and other receivables	(354,213)	(220,014)	(65,006)	(639,233)
Segment results	1,044,452	1,039,911	488,106	2,572,469
Other operating expenses <sup>(*)</sup>	-	-	-	(1,508,651)
Income from continuing operations before tax	-	-	-	1,063,818
Tax provision <sup>(*)</sup>	-	-	-	(220,066)
<b>Net profit</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>843,752</b>

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

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

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

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

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## Notes to unconsolidated financial statements as of and for the Year Ended 31 December 2017 (continued)

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### Section five

#### Information and disclosures related to unconsolidated financial statements

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

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

##### 1.1. Information on cash equivalents

	Current period		Prior period	
	TL	FC	TL	FC
Cash in TL/foreign currency	299,399	1,967,399	256,750	383,937
Balances with the Central Bank of Turkey	159,608	5,401,475	158,775	6,065,828
Other	-	2,642	-	355
<b>Total</b>	<b>459,007</b>	<b>7,371,516</b>	<b>415,525</b>	<b>6,450,120</b>

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

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

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

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

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## Notes to unconsolidated financial statements as of and for the Year Ended 31 December 2017 (continued)

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

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

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

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

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

	Current period	Prior period
Bank's portfolio	42,138	6,405
Repo transactions	-	-
Collateral/blocked	-	-
<b>Total</b>	<b>42,138</b>	<b>6,405</b>

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

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

### 3. Information on banks and foreign banks accounts

#### 3.1. Information on banks

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



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## Notes to unconsolidated financial statements as of and for the Year Ended 31 December 2017 (continued)

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

#### 3.2. Information on foreign banks

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

<sup>(\*)</sup> OECD countries except EU countries, USA and Canada

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

#### 4. Information on financial assets available-for-sale

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

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

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

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

##### 4.2. Information on financial assets available-for-sale

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

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## Notes to unconsolidated financial statements as of and for the Year Ended 31 December 2017 (continued)

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

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

#### 5. Information on loans

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

	Current period		Prior period	
	Cash	Non-cash	Cash	Non-cash
Direct loans granted to shareholders of the Bank	30	438,513	91	624,919
Corporate shareholders	-	438,513	-	624,919
Real person shareholders	30	-	91	-
Indirect loans granted to shareholders of the Bank	-	197,080	-	87,086
Loans granted to employees of the Bank	30,111	-	27,818	-
<b>Total</b>	<b>30,141</b>	<b>635,593</b>	<b>27,909</b>	<b>712,005</b>

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

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

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

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

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

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

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

### 5.3. Loans according to their maturity structure

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

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

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

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

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

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

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

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

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

#### 5.6. Loans according to borrowers

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

#### 5.7. Domestic and foreign loans

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

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

#### 5.8. Loans granted to subsidiaries and associates

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

#### 5.9. Specific provisions set aside against loans

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

#### 5.10. Information on non-performing loans (net)

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

	III. Group Loans and receivables with limited collectability	IV. Group Loans and receivables with doubtful collectability	V. Group Uncollectible loans and receivables
<b>Current period</b>	<b>819</b>	<b>6,187</b>	<b>581</b>
(Gross amounts before specific provision)			
Restructured loans and other receivables	819	6,187	581
Rescheduled loans and other receivables	-	-	-
<b>Prior period</b>	<b>2</b>	<b>1,839</b>	<b>1,307</b>
(Gross amounts before specific provision)			
Restructured loans and other receivables	2	1,839	1,307
Rescheduled loans and other receivables	-	-	-

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

#### 5.10.2. Information on total non-performing loans

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

<sup>(1)</sup> The Bank sold non-performing loan portfolio amounting to TL 162,747 for an amount of TL 3,125 to domestic asset management companies at 23 November 2017.

#### 5.10.3. Information on specific provision movement

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

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

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



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

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

	III. Group Loans and receivables with limited collectability	IV. Group Loans and receivables with doubtful collectability	V. Group Uncollectible loans and receivables
<b>Current period (net)</b>	<b>173,881</b>	<b>184,179</b>	<b>139,346</b>
Loans granted to corporate entities and real person (gross)	201,743	305,878	1,176,037
Specific provision amount (-)	(27,862)	(121,699)	(1,036,691)
Loans granted to corporate entities and real person (net)	173,881	184,179	139,346
Banks (gross)	-	-	-
Specific provision amount (-)	-	-	-
Banks (net)	-	-	-
Other loans and receivables (gross)	-	-	-
Specific provision amount (-)	-	-	-
Other loans and receivables (net)	-	-	-
<b>Prior period (net)</b>	<b>144,219</b>	<b>196,793</b>	<b>97,245</b>
Loans granted to corporate entities and real person (gross)	173,597	338,049	876,077
Specific provision amount (-)	(29,378)	(141,256)	(778,832)
Loans granted to corporate entities and real person (net)	144,219	196,793	97,245
Banks (gross)	-	-	-
Specific provision amount (-)	-	-	-
Banks (net)	-	-	-
Other loans and receivables (gross)	-	-	-
Specific provision amount (-)	-	-	-
Other loans and receivables (net)	-	-	-

#### 5.11. Liquidation policy for uncollectible loans and receivables

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

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

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

#### 5.12. Information on the write-off policy

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

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

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

#### 6. Held-to-maturity investments (net)

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

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

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

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

##### 6.3. Information on held-to-maturity investments

None.

##### 6.4. Movement of held-to-maturity investments

None.

#### 7. Information on associates (net)

##### 7.1. Explanations related to the associates

The Bank does not have any associates.

#### 8. Information on subsidiaries (net)

##### 8.1. Information on equity of subsidiaries

As of 31 December 2017 information on the equities of subsidiaries is as follows:

	ING European Financial Services Plc.	ING Portfolio Management	ING Factoring	ING Leasing	ING Brokerage
Paid in capital and adjustment to paid-in capital	877	8,041	40,000	22,500	20,765
Profit reserves, capital reserves and prior year profit/loss	-	4,227	33,874	49,404	(754)
Profit/loss	53,844	4,181	13,079	26,827	1,035
Development cost of operating lease (-)	-	-	(5)	(5)	-
Intangible assets (-)	-	(27)	(561)	(212)	(38)
<b>Total core capital</b>	<b>54,721</b>	<b>16,422</b>	<b>86,387</b>	<b>98,514</b>	<b>21,008</b>
<b>Supplementary capital</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Capital</b>	<b>54,721</b>	<b>16,422</b>	<b>86,387</b>	<b>98,514</b>	<b>21,008</b>
<b>Net usable shareholder's equity</b>	<b>54,721</b>	<b>16,422</b>	<b>86,387</b>	<b>98,514</b>	<b>21,008</b>

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

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## Notes to unconsolidated financial statements as of and for the Year Ended 31 December 2017 (continued)

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

#### 8.2. Information on consolidated subsidiaries

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

As of 31 December 2017 financial information on consolidated subsidiaries as follows <sup>(1)</sup>:

	Total assets	Shareholders' equity	Total fixed assets	Interest income	Income from marketable securities portfolio	Current period profit/loss	Prior period profit/loss	Fair value
(1)	6,827,371	54,721	3	202,076	-	53,844	38,622	-
(2)	18,364	16,449	86	2,139	10	4,181	3,500	-
(3)	1,031,659	86,953	684	60,822	-	13,079	10,414	-
(4)	1,124,333	98,731	248	49,693	-	26,827	20,707	-
(5)	187,970	21,046	105	2,658	-	1,035	353	-

<sup>(1)</sup> Information on the audited financial statements is presented as of the period ended 31 December 2017.

#### 8.3. Information on consolidated subsidiaries

	Current period	Prior period
<b>Balance at the beginning of the period</b>	95,907	95,907
Movements during the period	-	-
Purchases	-	-
Bonus shares obtained	-	-
Dividends from current year income	-	-
Sales	-	-
Revaluation increase	-	-
Provisions for impairment	-	-
<b>Balance at the end of the period</b>	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

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

#### 8.5. Subsidiaries quoted in a stock exchange

There are no subsidiaries quoted on a stock exchange.

#### 9. Information on entities under common control (net)

##### 9.1. Information on entities under common control (net)

There are no entities under common control.

#### 10. Information on finance lease receivables (net)

The Bank has no receivables from finance lease.

#### 11. Information on derivative financial assets held for hedging

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

	Current period		Prior period	
	TL	FC	TL	FC
Fair value hedge	-	-	-	-
Cash flow hedge	1,571,395	-	1,793,218	5
Net investment hedge	-	-	-	-
<b>Total</b>	<b>1,571,395</b>	<b>-</b>	<b>1,793,218</b>	<b>5</b>

#### 12. Information on property and equipment (net)

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

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## Notes to unconsolidated financial statements as of and for the Year Ended 31 December 2017 (continued)

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

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

### 13. Information on intangible assets (net)

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

### 14. Information on investment properties (net)

The Bank does not have investment properties.

### 15. Explanations on deferred tax asset

#### 15.1. Explanations on current tax asset

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

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

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## Notes to unconsolidated financial statements as of and for the Year Ended 31 December 2017 (continued)

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

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

#### 15.2. Explanations on deferred tax asset

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

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

##### 16.1. Explanations on assets held for sale

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

##### 16.2. Explanations on discontinued operations

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

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

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

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

#### 1. Information on deposits

##### 1.1 Maturity structure of deposits

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

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## Notes to unconsolidated financial statements as of and for the Year Ended 31 December 2017 (continued)

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

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

Prior period	Demand	7 day call accounts	Up to 1 month	1-3 months	3-6 months	6 months - 1 year	1 year and over	Cumulative deposits	Total
Saving deposits	569,875	-	11,563,245	2,715,734	104,727	41,574	7,954	-	15,003,109
Foreign currency deposits	1,372,347	-	1,306,293	2,805,096	134,679	62,280	186,264	-	5,866,959
Residents in Turkey	1,112,585	-	1,292,070	2,708,350	129,354	51,646	185,711	-	5,479,716
Residents abroad	259,762	-	14,223	96,746	5,325	10,634	553	-	387,243
Public sector deposits	212,318	-	-	-	-	-	-	-	212,318
Commercial deposits	665,165	-	903,257	524,232	8,453	7,125	-	-	2,108,232
Other institutions deposits	21,120	-	1,768	19,840	714	229	25	-	43,696
Precious metals deposits	44,951	-	-	-	-	-	-	-	44,951
Interbank deposits	1,654,819	-	283,201	-	-	-	-	-	1,938,020
Central Bank of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	170	-	283,201	-	-	-	-	-	283,371
Foreign banks	1,654,649	-	-	-	-	-	-	-	1,654,649
Participation banks	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>4,540,595</b>	<b>-</b>	<b>14,057,764</b>	<b>6,064,902</b>	<b>248,573</b>	<b>111,208</b>	<b>194,243</b>	<b>-</b>	<b>25,217,285</b>

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

Saving deposits	Under the guarantee of saving deposit insurance		Exceeding the limit of saving deposit insurance	
	Current period	Prior period	Current period	Prior period
Saving deposit	11,545,698	10,852,474	4,329,020	4,146,200
Foreign currency saving deposits	1,947,203	1,022,048	3,465,749	2,109,186
Other deposits in the form of saving deposits	-	-	-	-
Foreign branches' deposits under foreign authorities' insurance	-	-	-	-
Deposits in off-shore banking regions' under foreign authorities' insurance	-	-	-	-

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

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

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

	Current period	Prior period
Deposits and other accounts in foreign branches	-	-
Saving deposits and other accounts of controlling shareholders and their mothers, fathers, spouses, children in care	-	-
Saving deposits and other accounts of president and members of board of directors, general manager and vice presidents, and their mothers, fathers, spouses and children in care	13,887	9,628
Saving deposits and other accounts in scope of the property holdings derived from crime defined in Article 282 of Turkish Criminal Law No: 5237, dated 26 September 2004	-	-
Saving deposits in deposit bank established in Turkey in order to engage solely in off-shore banking activities	-	-



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

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## Notes to unconsolidated financial statements as of and for the Year Ended 31 December 2017 (continued)

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

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

#### 2. Information on derivative financial liabilities held for trading

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

	Current period		Prior period	
	TL	FC	TL	FC
Forward transactions	-	43,848	-	124,579
Swap transactions	279,269	142,969	375,351	66,442
Future transactions	-	-	-	-
Options	705	2,525	97	8,578
Other	-	-	-	-
<b>Total</b>	<b>279,974</b>	<b>189,342</b>	<b>375,448</b>	<b>199,599</b>

#### 3. Banks and other financial institutions

##### 3.1. Information on banks and other financial institutions

	Current period		Prior period	
	TL	FC	TL	FC
Funds borrowed from Central Bank of Turkey	-	-	-	-
Funds borrowed from domestic banks and institutions	122,395	13,234,167	74,648	408,364
Funds borrowed from foreign banks, institutions and funds	255,507	352,211	512,493	12,783,241
<b>Total</b>	<b>377,902</b>	<b>13,586,378</b>	<b>587,141</b>	<b>13,191,605</b>

##### 3.2. Maturity analysis of funds borrowed

	Current period		Prior period	
	TL	FC	TL	FC
Short term	191,355	1,753,512	87,752	470,848
Medium and long term	186,547	11,832,866	499,389	12,720,757
<b>Total</b>	<b>377,902</b>	<b>13,586,378</b>	<b>587,141</b>	<b>13,191,605</b>

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

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

#### 4. Explanations on securities issued (net)

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

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

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

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

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## Notes to unconsolidated financial statements as of and for the Year Ended 31 December 2017 (continued)

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

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

#### 6. Explanations on lease payables (net)

None.

#### 7. Information on derivative financial liabilities held for hedging

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

	Current period		Prior period	
	TL	FC	TL	FC
Fair value hedge	-	-	-	-
Cash flow hedge	21,299	4,155	33,054	5,444
Net investment hedge	-	-	-	-
<b>Total</b>	<b>21,299</b>	<b>4,155</b>	<b>33,054</b>	<b>5,444</b>

#### 8. Information on provisions

##### 8.1. Information on general provisions

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

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

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

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

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

<sup>(\*)</sup> The amounts are included in other provisions in the financial statements.

#### 8.4. Information on other provisions

##### 8.4.1. Information on provisions for possible losses

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

##### 8.4.2. Information on other provisions

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

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

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## Notes to unconsolidated financial statements as of and for the Year Ended 31 December 2017 (continued)

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

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

Amounting to TL 88,147 of the other provisions consist of provisions set aside as a result of the legal assessment for the lawsuits that are likely to result against the Bank and as a result of the public authorities' inspections.

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

SDIF, however, does not fully indemnify the Bank and pays these amounts subject to legal reservation against the STA provisions. SDIF initiated six enforcement proceedings to claim the amount it had indemnified, a total of approximately TL 377 million. Upon the Bank's objection to legal grounds of the enforcement proceedings initiated by SDIF against the Bank, SDIF initiated cancellation of objection lawsuits against the Bank. Currently, there are four of such lawsuits: (i) the first case relates to the first enforcement proceeding of approximately TRY 21,8 million (Full TL) (the "First Case"), (ii) the second case relates to the second enforcement proceeding of approximately TRY 21,8 million (Full TL) (the "Second Case"), (iii) the third case relates to the third and fifth enforcement proceedings of a total of approximately TRY 98,7 million (Full TL) (the "Third Case") and (iv) the fourth case relates to the fourth enforcement proceeding of approximately TRY 109,5 million (Full TL) (the "Fourth Case"). An appeal was filed by the Bank with respect to the sixth enforcement order of approximately TL 126 million (Full TL) initiated by the SDIF and subsequently filed a lawsuit by the SDIF for this amount.

The First Case, the Second Case, the Third Case and the Fourth Case appeared before the court of first instance on 16 November 2017. In the First Case, the first instance court ruled in favour of the Bank, which was later reversed by the Supreme Court of Appeals. Currently, the First Case is before the first instance court following the appellate decision, where the court of first instance decided to obtain an expert opinion in accordance with the Supreme Court of Appeals' decision. Following the court appointed expert's examination of the case, the expert report is completed and it is in favour of the Bank. The first instance court will hold the hearing on 15 February 2018. The first instance court held the trial of the Second Case, Third Case and Fourth Case together due to the first instance court's earlier decision to merge these cases. However, the first instance court only ruled on the merits of the Second Case in favour of ING Bank A.Ş. and rejected SDIF's claims and decided to demerge each of the Third Case and the Fourth Case from the Second Case. The court's decision in the Second Case is subject to a two-tiered appeal, i.e., appeal before the regional appellate court and the Supreme Court of Appeals. The hearing of the Third Case and the Fourth Case will take place on 22 March 2018.

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

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

#### 8.5. Information on provisions for employee benefits

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

TL 17,246 (31 December 2016: TL 16,538) of the provisions for employee benefits is the termination benefit provision. In accordance with the labour law, the Bank is required to make lump-sum payments to employees whose employment is terminated due to retirement or for reasons other than resignation and misconduct. The payments are calculated on the basis of 30 days' pay limited to a maximum of historical TL 4,732.48 (Full TL) at 31 December 2017 and TL 4,297.21 (Full TL) at 31 December 2016 per year of employment at the rate of pay applicable at the date of retirement or termination.

In the unconsolidated financial statements dated 31 December 2017 and 31 December 2016, the Group operating in Turkey has calculated severance pay by taking into account their experience in personnel service completion or termination, and by discounting it via using the forecasted annual inflation and interest rates.

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## Notes to unconsolidated financial statements as of and for the Year Ended 31 December 2017 (continued)

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

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

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

Movement of the provision for termination benefit:

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

### 9. Explanations on tax liability

#### 9.1. Explanations on current tax liability

##### 9.1.1. Explanations on tax provision

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

##### 9.1.2. Information on taxes payable

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

##### 9.1.3. Information on premiums

	Current period	Prior period
Social security premiums-employee	4,184	3,873
Social security premiums-employer	6,202	5,751
Bank social aid pension fund premium-employee	-	-
Bank social aid pension fund premium-employer	-	-
Pension fund membership fees and provisions-employee	-	-
Pension fund membership fees and provisions-employer	-	-
Unemployment insurance-employee	296	273
Unemployment insurance-employer	592	547
Other	-	-
<b>Total</b>	<b>11,274</b>	<b>10,444</b>

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

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## Notes to unconsolidated financial statements as of and for the Year Ended 31 December 2017 (continued)

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

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

#### 9.2. Explanations on deferred tax liabilities

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

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

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

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

#### 10. Information on liabilities regarding assets held for sale

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

#### 11. Explanations on the subordinated loans

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

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

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## Notes to unconsolidated financial statements as of and for the Year Ended 31 December 2017 (continued)

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

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

#### 12. Information on shareholders' equity

##### 12.1. Paid-in capital

	Current period	Prior period
Common stock <sup>(1)</sup>	3,486,268	3,486,268
Preferred stock	-	-

<sup>(1)</sup> The amount represents nominal capital.

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

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

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

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

##### 12.4. Information on share capital increases from capital reserves

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

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

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

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

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

##### 12.7. Information on preferred shares

There are no preferred shares.

##### 12.8. Information on marketable securities revaluation reserve

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

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

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## Notes to unconsolidated financial statements as of and for the Year Ended 31 December 2017 (continued)

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

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

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

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

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

#### 1. Explanations on off-balance sheet commitments

##### 1.1. Type and amount of irrevocable commitments

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

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

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

	Current period	Prior period
Commitments and contingencies	6,100,920	6,099,586
Letter of credits	1,621,705	1,200,417
Bank acceptance loans	80,948	109,750
<b>Total</b>	<b>7,803,573</b>	<b>7,409,753</b>

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## Notes to unconsolidated financial statements as of and for the Year Ended 31 December 2017 (continued)

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

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

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

#### 1.3. Explanation on non-cash loans

##### 1.3.1. Total amount of non-cash loans

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

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

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



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

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

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

#### 2. Information on derivative transactions

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

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## Notes to unconsolidated financial statements as of and for the Year Ended 31 December 2017 (continued)

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

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

#### 3. Information on credit swaps and related risks

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

#### 4. Information on contingent liabilities and assets

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

#### 5. Information on the services provided on behalf of others

Related information is provided in note IX of section Four.

### IV. Explanations and notes related to unconsolidated statement of income

#### 1. Information on interest income

##### 1.1. Information on interest income from loans

	Current period		Prior period	
	TL	FC	TL	FC
Interest on loans <sup>(1)</sup>	4,068,447	341,640	3,457,549	327,190
Short term loans	1,329,510	44,088	1,427,735	57,153
Medium and long term loans	2,712,108	297,552	2,000,648	270,037
Interest on loans under follow-up	26,829	-	29,166	-
Premiums received from resource utilization support fund	-	-	-	-

<sup>(1)</sup> Commissions and fees received from cash loans are included.

##### 1.2. Information on interest income received from banks

	Current period		Prior period	
	TL	FC	TL	FC
From Central Bank of Turkey	-	338	-	1,080
From domestic banks	33,832	815	19,341	287
From foreign banks	580	7,140	195	4,616
From branches abroad	-	-	-	-
<b>Total</b>	<b>34,412</b>	<b>8,293</b>	<b>19,536</b>	<b>5,983</b>

##### 1.3. Information on interest income received from marketable securities portfolio

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

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## Notes to unconsolidated financial statements as of and for the Year Ended 31 December 2017 (continued)

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

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

#### 1.4. Information on interest income received from associates and subsidiaries

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

### 2. Information on interest expenses

#### 2.1. Information on interest on funds borrowed

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

<sup>(\*)</sup> Commissions and fees paid for cash funds borrowed are included.

#### 2.2. Information on interest expenses paid to associates and subsidiaries

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

#### 2.3. Information on interest on securities issued

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

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## Notes to unconsolidated financial statements as of and for the Year Ended 31 December 2017 (continued)

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

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

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

#### 3. Information on dividend income

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

#### 4. Information on trading income/loss (net)

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

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

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## Notes to unconsolidated financial statements as of and for the Year Ended 31 December 2017 (continued)

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

#### 5. Information on other operating income

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

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

#### 6. Provision expenses for loan losses and other receivables

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

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

#### 7. Information on other operating expenses

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

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

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

#### 9. Information on tax provision for continued and discontinued operations

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

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

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

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

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

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

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## Notes to unconsolidated financial statements as of and for the Year Ended 31 December 2017 (continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

#### 1. Information on cash flow statements

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

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

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

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

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

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

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

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

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

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

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

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

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

### VII. Explanations and notes related to risk group of the Bank

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

##### 1.1. Current period

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



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

#### 1.2 Prior period

Risk group of the Bank	Subsidiaries, associates and joint ventures (partnerships)		Direct and indirect shareholders of the Bank		Other entities included in the risk group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans and other receivables						
Beginning of the period	47,996	41,497	49	273,432	48	135,512
End of the period	104,291	15,790	91	624,919	14	87,086
Interest and commission income	6,192	50,572	6	382	-	164

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

Risk group of the Bank	Subsidiaries, associates and joint ventures (partnerships)		Direct and indirect shareholders of the Bank		Other entities included in the risk group	
	Current period	Prior period	Current period	Prior period	Current period	Prior period
Deposit						
Beginning of the period	64,607	102,061	1,064	3,745	3,628	38,620
End of the period	88,113	64,607	8,426	1,064	3,070	3,628
Interest expense on deposits	2,104	1,373	117	186	117	194

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

Risk group of the Bank	Subsidiaries, associates and joint ventures (partnerships)		Direct and indirect shareholders of the Bank		Other entities included in the risk group	
	Current period	Prior period	Current period	Prior period	Current period	Prior period
Transactions at fair value through profit/loss						
Beginning of the period	-	-	7,620,055	3,514,533	98,715	-
End of period	-	-	9,971,955	7,620,055	33,080	98,715
Total profit/loss	1,983	-	(81,494)	217,914	(26,685)	(6,651)
Transactions with hedging purposes						
Beginning of the period	-	-	-	-	-	-
End of period	-	-	-	-	-	-
Total profit/loss	-	-	-	-	-	-

ING Bank A.Ş.

## Notes to unconsolidated financial statements as of and for the Year Ended 31 December 2017 (continued)

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

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

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

Risk group of the Bank	Subsidiaries, associates and joint ventures (partnerships)		Direct and indirect shareholders of the Bank		Other entities included in the risk group	
	Current period	Prior period	Current period	Prior period	Current period	Prior period
Banks						
Beginning of the period	-	-	1,339	37	44,236	6,924
End of period	-	-	63,731	1,339	33,504	44,236
Interest income received	-	-	1,220	309	51	17

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

Risk group of the Bank	Subsidiaries, associates and joint ventures (partnerships)		Direct and indirect shareholders of the Bank		Other entities included in the risk group	
	Current period	Prior period	Current period	Prior period	Current period	Prior period
Loans						
Beginning of the period	-	10,001	9,893,625	10,263,404	4,201	15,329
End of period	218,398	-	7,418,245	9,893,625	8,403	4,201
Interest and commission paid	420	2	140,603	122,270	407	339

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

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

Benefits paid to key management personnel for the year ended is amounting to TL 25,886 (31 December 2016: TL 23,021).

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

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

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

ING Bank A.Ş.

## Notes to unconsolidated financial statements as of and for the Year Ended 31 December 2017 (continued)

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

### Section six

#### Other explanations

##### I. Other explanations on the Bank's operations

None.

##### II. Explanations and notes related to subsequent events

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

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

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

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

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

### Section seven

#### Independent auditors' report

##### I. Explanations on the independent auditors' report

The unconsolidated financial statements of the Bank as of 31 December 2017, have been audited by KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi (The Turkish member firm of KPMG International Cooperative, a Swiss entity) and their independent audit report dated 9 February 2018 is presented at the beginning of this report

##### II. Explanations and notes prepared by independent auditors

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

ING Bank A.Ş. and its Financial Subsidiaries  
Consolidated Financial Statements  
as at and for the Year Ended  
31 December 2017

# Independent Auditor's Report



KPMG Bağımsız Denetim ve Serbest  
Muhasebeci MALİ Müşavirlik A.Ş.  
İş Kuleleri, Kule 3, Kat:2-9  
Levent, İstanbul

T: +90 (212) 316 60 00  
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To the Board of Directors of ING Bank A.Ş.

## A) Audit of Consolidated Financial Statements

### Opinion

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

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2017, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the "Banking Regulation and Supervision Agency ("BRSA") Accounting and Reporting Legislation" which includes the "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published in the Official Gazette No. 26333 dated 1 November 2006, and other regulations on accounting records of banks published by Banking Regulation and Supervision Board and circulars and interpretations published by BRSA and requirements of Turkish Accounting Standards for the matters not regulated by the aforementioned legislations.

### Basis for Opinion

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

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

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

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

### Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Responsibilities of auditors in an audit are as follows:

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

# Independent Auditor's Report

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

## B) Other Legal and Regulatory Requirements

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

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

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



Funda Aslanoğlu, SMMM  
Partner

9 February 2018  
İstanbul, Turkey

## Additional paragraph for convenience translation to English:

The accounting principles summarized in Note 1.b of section three, 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 year-end financial report of ING Bank A.Ş. prepared as of 31 December 2017

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

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

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

Investment in subsidiaries whose financial statements have been consolidated in this year-end report are as follows.

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

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

John T. Mc CARTHY  
Chairman of the Board

Pınar ABAY  
President and CEO

K. Atıl ÖZUS  
CFO

Özden SERPEK  
Financial Reporting  
and Tax Director

Adrianus J. A. KAS  
Chairman of the Audit Committee

M. Sirri ERKAN  
Audit Committee Member

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

Name-Surname/Title : Nurgül BİLGİÇER FİLİS / Vice President  
 Phone No : (212) 403 72 66  
 Fax No : (212) 366 45 09

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## ING Bank A.Ş. and its Financial Subsidiaries

# Notes to consolidated financial statements as of and for the Year Ended 31 December 2017

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

### Section one

#### General information

##### I. History of the 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.

##### 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 31 December 2017 and 31 December 2016 are as follows:

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

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

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

## ING Bank A.Ş. and its Financial Subsidiaries

# Notes to consolidated financial statements as of and for the Year Ended 31 December 2017 (continued)

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

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

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

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

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

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

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

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

## ING Bank A.Ş. and its Financial Subsidiaries

# Notes to consolidated financial statements as of and for the Year Ended 31 December 2017 (continued)

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

### III. Information on the 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 (continued)

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

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

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

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

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

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

### 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 261 domestic branches.

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

Subsidiaries of the 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.

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

## ING Bank A.Ş. and its Financial Subsidiaries

# Notes to consolidated financial statements as of and for the Year Ended 31 December 2017 (continued)

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

### Section two

#### Consolidated financial statements

- I. Consolidated balance sheet (statement of financial position)
- II. Consolidated statement of off-balance sheet items
- III. Consolidated statement of income
- IV. Consolidated statement of income and expenses recognized under shareholders' equity
- V. Consolidated statement of changes in the shareholders' equity
- VI. Consolidated statement of cash flows
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# Consolidated Balance Sheet (Statement of Financial Position) as of 31 December 2017

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

Assets	Note (section five)	Audited Current period (31/12/2017)			Audited Prior period (31/12/2016)		
		TL	FC	Total	TL	FC	Total
<b>I. Cash and balances with Central Bank</b>	(I-1)	459,010	7,371,517	7,830,527	415,526	6,450,121	6,865,647
<b>II. Financial assets at fair value through profit or loss (net)</b>	(I-2)	420,432	196,781	617,213	284,828	249,168	533,996
2.1 Financial assets held for trading		420,432	196,781	617,213	284,828	249,168	533,996
2.1.1 Public sector debt securities		36,686	5,509	42,195	1,868	4,608	6,476
2.1.2 Equity securities		-	-	-	-	-	-
2.1.3 Derivative financial assets held for trading		383,701	191,272	574,973	282,928	244,560	527,488
2.1.4 Other marketable securities		45	-	45	32	-	32
2.2 Financial assets designated at fair value through profit and loss		-	-	-	-	-	-
2.2.1 Public sector debt securities		-	-	-	-	-	-
2.2.2 Equity securities		-	-	-	-	-	-
2.2.3 Loans		-	-	-	-	-	-
2.2.4 Other marketable securities		-	-	-	-	-	-
<b>III. Banks</b>	(I-3)	35,843	537,578	573,421	36,476	205,046	241,522
<b>IV. Money market placements</b>		1,194,296	-	1,194,296	1,898,998	-	1,898,998
4.1 Interbank money market placements		-	-	-	-	-	-
4.2 Receivables from Istanbul Stock Exchange Money Market		146,401	-	146,401	578,203	-	578,203
4.3 Receivables from reverse repurchase agreements		1,047,895	-	1,047,895	1,320,795	-	1,320,795
<b>V. Financial assets available for sale (net)</b>	(I-4)	1,737,789	156	1,737,945	2,553,589	102,195	2,655,784
5.1 Equity securities		7,904	156	8,060	7,903	102,195	110,098
5.2 Public sector debt securities		1,729,885	-	1,729,885	2,545,686	-	2,545,686
5.3 Other marketable securities		-	-	-	-	-	-
<b>VI. Loans and receivables</b>	(I-5)	29,773,032	15,094,656	44,867,688	25,381,131	15,924,580	41,305,711
6.1 Loans and receivables		29,271,534	15,094,656	44,366,190	24,936,395	15,924,580	40,860,975
6.1.1 Loans to the Bank's risk group		43	-	43	105	-	105
6.1.2 Government debt securities		-	-	-	-	-	-
6.1.3 Other		29,271,491	15,094,656	44,366,147	24,936,290	15,924,580	40,860,870
6.2 Loans under follow-up		1,705,141	-	1,705,141	1,410,279	-	1,410,279
6.3 Specific provisions (-)		(1,203,643)	-	(1,203,643)	(965,543)	-	(965,543)
<b>VII. Factoring receivables</b>		815,728	212,085	1,027,813	607,576	138,472	746,048
<b>VIII. Held-to maturity investments (net)</b>	(I-6)	-	-	-	-	-	-
8.1 Public sector debt securities		-	-	-	-	-	-
8.2 Other marketable securities		-	-	-	-	-	-
<b>IX. Associates (net)</b>	(I-7)	-	-	-	-	-	-
9.1 Accounted for under equity method		-	-	-	-	-	-
9.2 Unconsolidated associates		-	-	-	-	-	-
9.2.1 Financial associates		-	-	-	-	-	-
9.2.2 Non-financial associates		-	-	-	-	-	-
<b>X. Subsidiaries (net)</b>	(I-8)	-	-	-	-	-	-
10.1 Unconsolidated financial subsidiaries		-	-	-	-	-	-
10.2 Unconsolidated non-financial subsidiaries		-	-	-	-	-	-
<b>XI. Joint ventures (net)</b>	(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		-	-	-	-	-	-
<b>XII. Financial lease receivables (net)</b>	(I-10)	68,352	967,125	1,035,477	49,899	836,193	886,092
12.1 Financial lease receivables		84,501	1,037,499	1,122,000	61,190	902,200	963,390
12.2 Operational lease receivables		-	-	-	-	-	-
12.3 Other		-	-	-	-	-	-
12.4 Unearned income (-)		(16,149)	(70,374)	(86,523)	(11,291)	(66,007)	(77,298)
<b>XIII. Derivative financial assets held for hedging purposes</b>	(I-11)	1,571,395	-	1,571,395	1,793,218	5	1,793,223
13.1 Fair value hedge		-	-	-	-	-	-
13.2 Cash flow hedge		1,571,395	-	1,571,395	1,793,218	5	1,793,223
13.3 Hedge of net investment risks in foreign operations		-	-	-	-	-	-
<b>XIV. Property and equipment (net)</b>	(I-12)	502,518	3	502,521	424,178	3	424,181
<b>XV. Intangible assets (net)</b>	(I-13)	40,055	-	40,055	45,151	-	45,151
15.1 Goodwill		-	-	-	-	-	-
15.2 Other		40,055	-	40,055	45,151	-	45,151
<b>XVI. Investment properties (net)</b>	(I-14)	-	-	-	-	-	-
<b>XVII. Tax asset</b>		35,635	-	35,635	80,804	463	81,267
17.1 Current tax asset		31,812	-	31,812	76,759	463	77,222
17.2 Deferred tax asset	(I-15)	3,823	-	3,823	4,045	-	4,045
<b>XVIII. Property and equipment held for sale and related to discontinued operations (net)</b>	(I-16)	660	-	660	660	-	660
18.1 Held for sale		660	-	660	660	-	660
18.2 Related to discontinued operations		-	-	-	-	-	-
<b>XIX. Other assets</b>	(I-17)	473,429	15,850	489,279	464,250	44,693	508,943
<b>Total assets</b>		<b>37,128,174</b>	<b>24,395,751</b>	<b>61,523,925</b>	<b>34,036,284</b>	<b>23,950,939</b>	<b>57,987,223</b>

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

## ING Bank A.Ş. and its Financial Subsidiaries

## Consolidated Balance Sheet (Statement of Financial Position) as of 31 December 2017

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

Liabilities	Note (section five)	Audited Current period (31/12/2017)			Audited Prior period (31/12/2016)		
		TL	FC	Total	TL	FC	Total
<b>I. Deposits</b>	(II-1)	18,400,415	9,197,297	27,597,712	17,350,959	7,801,718	25,152,677
1.1 Deposits held by the Bank's risk group		10,283	1,213	11,496	4,392	300	4,692
1.2 Other		18,390,132	9,196,084	27,586,216	17,346,567	7,801,418	25,147,985
<b>II. Derivative financial liabilities held for trading</b>	(II-2)	278,407	189,342	467,749	375,448	199,599	575,047
<b>III. Funds borrowed</b>	(II-3)	731,094	21,575,164	22,306,258	755,701	21,059,603	21,815,304
<b>IV. Money market balances</b>		59,498	-	59,498	126,567	-	126,567
4.1 Funds from interbank money market		-	-	-	125,000	-	125,000
4.2 Funds from Istanbul Stock Exchange money market		57,207	-	57,207	59	-	59
4.3 Funds provided under repurchase agreements		2,291	-	2,291	1,508	-	1,508
<b>V. Marketable securities issued (net)</b>	(II-4)	-	-	-	246,634	-	246,634
5.1 Bills		-	-	-	246,634	-	246,634
5.2 Asset backed securities		-	-	-	-	-	-
5.3 Bonds		-	-	-	-	-	-
<b>VI. Funds</b>		-	-	-	-	-	-
6.1 Borrower funds		-	-	-	-	-	-
6.2 Other		-	-	-	-	-	-
<b>VII. Miscellaneous payables</b>		526,732	50,327	577,059	446,217	55,425	501,642
<b>VIII. Other liabilities</b>	(II-5)	199,766	39,125	238,891	290,568	51,071	341,639
<b>IX. Factoring payables</b>		24	484	508	22	1,421	1,443
<b>X. Leasing transaction payables</b>	(II-6)	-	-	-	-	-	-
10.1 Financial lease payables		-	-	-	-	-	-
10.2 Operational lease payables		-	-	-	-	-	-
10.3 Other		-	-	-	-	-	-
10.4 Deferred financial lease expenses (-)		-	-	-	-	-	-
<b>XI. Derivative financial liabilities held for hedging purposes</b>	(II-7)	21,299	4,155	25,454	33,054	5,444	38,498
11.1 Fair value hedge		-	-	-	-	-	-
11.2 Cash flow hedge		21,299	4,155	25,454	33,054	5,444	38,498
11.3 Hedge of net investment in foreign operations		-	-	-	-	-	-
<b>XII. Provisions</b>	(II-8)	877,732	-	877,732	768,372	-	768,372
12.1 General loan loss provisions		688,786	-	688,786	625,669	-	625,669
12.2 Restructuring reserves		-	-	-	-	-	-
12.3 Reserve for employee benefits		42,344	-	42,344	40,283	-	40,283
12.4 Insurance technical provisions (net)		-	-	-	-	-	-
12.5 Other provisions		146,602	-	146,602	102,420	-	102,420
<b>XIII. Tax liability</b>	(II-9)	419,477	220	419,697	395,341	293	395,634
13.1 Current tax liability		85,130	220	85,350	77,695	293	77,988
13.2 Deferred tax liability		334,347	-	334,347	317,646	-	317,646
<b>XIV. Liabilities for property and equipment held for sale and related to discontinued operations (net)</b>	(II-10)	-	-	-	-	-	-
14.1 Held for sale		-	-	-	-	-	-
14.2 Related to discontinued operations		-	-	-	-	-	-
<b>XV. Subordinated loans</b>	(II-11)	222,644	2,816,323	3,038,967	474,800	2,406,399	2,881,199
<b>XVI. Shareholders' equity</b>	(II-12)	5,918,640	(4,240)	5,914,400	5,053,741	88,826	5,142,567
16.1 Paid-in capital		3,486,268	-	3,486,268	3,486,268	-	3,486,268
16.2 Capital reserves		285,016	(4,240)	280,776	102,856	88,826	191,682
16.2.1 Share premium		-	-	-	-	-	-
16.2.2 Share cancellation profits		-	-	-	-	-	-
16.2.3 Marketable securities valuation differences		(16,405)	-	(16,405)	(29,155)	94,029	64,874
16.2.4 Revaluation surplus on tangible assets		46,732	-	46,732	26,644	-	26,644
16.2.5 Revaluation surplus on intangible assets		-	-	-	-	-	-
16.2.6 Revaluation surplus on investment property		-	-	-	-	-	-
16.2.7 Bonus shares from investment in associates, subsidiaries and joint ventures		-	-	-	-	-	-
16.2.8 Hedging funds (effective portion)		254,528	(4,240)	250,288	103,747	(5,203)	98,544
16.2.9 Valuation differences on property and equipment held for sale and related to discontinued operations		-	-	-	-	-	-
16.2.10 Other capital reserves		161	-	161	1,620	-	1,620
16.3 Profit reserves		1,259,201	-	1,259,201	872,711	-	872,711
16.3.1 Legal reserves		157,288	-	157,288	106,883	-	106,883
16.3.2 Status reserves		-	-	-	-	-	-
16.3.3 Extraordinary reserves		1,075,575	-	1,075,575	754,162	-	754,162
16.3.4 Other profit reserves		26,338	-	26,338	11,666	-	11,666
16.4 Profit or loss		888,155	-	888,155	591,906	-	591,906
16.4.1 Prior periods' profit/loss		-	-	-	-	-	-
16.4.2 Current period profit/loss		888,155	-	888,155	591,906	-	591,906
16.5 Minority interests		-	-	-	-	-	-
<b>Total liabilities</b>		<b>27,655,728</b>	<b>33,868,197</b>	<b>61,523,925</b>	<b>26,317,424</b>	<b>31,669,799</b>	<b>57,987,223</b>

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

## ING Bank A.Ş. and its Financial Subsidiaries

# Consolidated Statement of Off-Balance Sheet Items as of 31 December 2017

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

Off-balance sheet items	Note (section five)	Audited Current period (31/12/2017)			Audited Prior period (31/12/2016)		
		TL	FC	Total	TL	FC	Total
<b>A. Off-balance sheet commitments (I+II+III)</b>		<b>55,634,775</b>	<b>56,722,770</b>	<b>112,357,545</b>	<b>34,811,931</b>	<b>48,772,422</b>	<b>83,584,353</b>
<b>I. Guarantees and warranties</b>	<b>(III-1)</b>	<b>2,858,810</b>	<b>5,530,883</b>	<b>8,389,693</b>	<b>2,566,750</b>	<b>4,976,560</b>	<b>7,543,310</b>
1.1 Letters of guarantee		2,696,573	3,333,183	6,029,756	2,503,637	3,081,273	5,584,910
1.1.1 Guarantees subject to state tender law		28,438	-	28,438	25,234	-	25,234
1.1.2 Guarantees given for foreign trade operations		-	-	-	-	-	-
1.1.3 Other letters of guarantee		2,668,135	3,333,183	6,001,318	2,478,403	3,081,273	5,559,676
1.2 Bank acceptances		-	80,948	80,948	-	109,750	109,750
1.2.1 Import letter of acceptance		-	80,948	80,948	-	109,750	109,750
1.2.2 Other bank acceptances		-	-	-	-	-	-
1.3 Letters of credit		910	1,648,799	1,649,709	-	1,244,131	1,244,131
1.3.1 Documentary letters of credit		910	1,648,799	1,649,709	-	1,244,131	1,244,131
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		160,826	110,632	271,458	62,265	83,415	145,680
1.8 Other guarantees		-	233,794	233,794	-	254,082	254,082
1.9 Other warranties		501	123,527	124,028	848	203,909	204,757
<b>II. Commitments</b>	<b>(III-1)</b>	<b>7,496,227</b>	<b>2,404,441</b>	<b>9,900,668</b>	<b>6,648,060</b>	<b>2,174,509</b>	<b>8,822,569</b>
2.1 Irrevocable commitments		7,496,227	2,404,441	9,900,668	6,648,060	2,174,509	8,822,569
2.1.1 Forward asset purchase commitments		998,369	2,014,184	3,012,553	648,779	1,441,694	2,090,473
2.1.2 Forward deposit purchase and sales commitments		-	-	-	-	-	-
2.1.3 Share capital commitments to associates and subsidiaries		-	-	-	-	-	-
2.1.4 Loan granting commitments		1,879,083	388,867	2,267,950	1,540,242	727,557	2,267,799
2.1.5 Securities underwriting commitments		-	-	-	-	-	-
2.1.6 Commitments for reserve requirements		-	-	-	-	-	-
2.1.7 Commitments for cheque payments		2,791,088	-	2,791,088	2,603,213	-	2,603,213
2.1.8 Tax and fund liabilities from export commitments		12,520	-	12,520	9,975	-	9,975
2.1.9 Commitments for credit card limits		1,808,002	-	1,808,002	1,838,983	-	1,838,983
2.1.10 Commitments for credit cards and banking services promotions		5,421	-	5,421	4,753	-	4,753
2.1.11 Receivables from short sale commitments of marketable securities		-	-	-	-	-	-
2.1.12 Payables for short sale commitments of marketable securities		-	-	-	-	-	-
2.1.13 Other irrevocable commitments		1,744	1,390	3,134	2,115	5,258	7,373
2.2 Revocable commitments		-	-	-	-	-	-
2.2.1 Revocable loan granting commitments		-	-	-	-	-	-
2.2.2 Other revocable commitments		-	-	-	-	-	-
<b>III. Derivative financial instruments</b>	<b>(III-2)</b>	<b>45,279,738</b>	<b>48,787,446</b>	<b>94,067,184</b>	<b>25,597,121</b>	<b>41,621,353</b>	<b>67,218,474</b>

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



(Convenience translation of the independent auditors' report and consolidated financial statements 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 31 December 2017

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

	Note (section five)	Audited Current period (31/12/2017)			Audited Prior period (31/12/2016)		
		TL	FC	Total	TL	FC	Total
3.1	Derivative financial instruments for hedging purposes	23,751,333	4,750,227	28,501,560	10,819,626	6,181,706	17,001,332
3.1.1	Fair value hedges	-	-	-	-	-	-
3.1.2	Cash flow hedges	23,751,333	4,750,227	28,501,560	10,819,626	6,181,706	17,001,332
3.1.3	Net foreign investment hedges	-	-	-	-	-	-
3.2	Derivative financial instruments for trading purposes	21,528,405	44,037,219	65,565,624	14,777,495	35,439,647	50,217,142
3.2.1	Forward foreign currency buy/sell transactions	3,064,560	10,453,676	13,518,236	2,419,449	10,246,506	12,665,955
3.2.1.1	Forward foreign currency transactions-buy	1,897,164	4,911,555	6,808,719	1,162,091	5,156,369	6,318,460
3.2.1.2	Forward foreign currency transactions-sell	1,167,396	5,542,121	6,709,517	1,257,358	5,090,137	6,347,495
3.2.2	Swap transactions related to foreign currency and interest rates	17,651,577	31,532,089	49,183,666	11,419,302	23,485,847	34,905,149
3.2.2.1	Foreign currency swap-buy	5,395,281	14,134,174	19,529,455	5,652,519	8,765,453	14,417,972
3.2.2.2	Foreign currency swap-sell	9,646,296	9,988,669	19,634,965	4,536,783	9,877,078	14,413,861
3.2.2.3	Interest rate swap-buy	1,305,000	3,704,623	5,009,623	615,000	2,421,658	3,036,658
3.2.2.4	Interest rate swap-sell	1,305,000	3,704,623	5,009,623	615,000	2,421,658	3,036,658
3.2.3	Foreign currency, interest rate and securities options	804,130	2,051,454	2,855,584	938,744	1,702,852	2,641,596
3.2.3.1	Foreign currency options-buy	402,065	1,025,727	1,427,792	469,372	851,426	1,320,798
3.2.3.2	Foreign currency options-sell	402,065	1,025,727	1,427,792	469,372	851,426	1,320,798
3.2.3.3	Interest rate options-buy	-	-	-	-	-	-
3.2.3.4	Interest rate options-sell	-	-	-	-	-	-
3.2.3.5	Securities options-buy	-	-	-	-	-	-
3.2.3.6	Securities options-sell	-	-	-	-	-	-
3.2.4	Foreign currency futures	-	-	-	-	-	-
3.2.4.1	Foreign currency futures-buy	-	-	-	-	-	-
3.2.4.2	Foreign currency futures-sell	-	-	-	-	-	-
3.2.5	Interest rate futures	-	-	-	-	-	-
3.2.5.1	Interest rate futures-buy	-	-	-	-	-	-
3.2.5.2	Interest rate futures-sell	-	-	-	-	-	-
3.2.6	Other	8,138	-	8,138	-	4,442	4,442
<b>B.</b>	<b>Custody and pledged items (IV+V+VI)</b>	<b>228,257,795</b>	<b>32,898,594</b>	<b>261,156,389</b>	<b>210,485,390</b>	<b>27,073,233</b>	<b>237,558,623</b>
<b>IV.</b>	<b>Items held in custody</b>	<b>1,112,596</b>	<b>1,488,331</b>	<b>2,600,927</b>	<b>555,442</b>	<b>1,465,354</b>	<b>2,020,796</b>
4.1	Customer fund and portfolio balances	792,222	-	792,222	152,224	-	152,224
4.2	Investment securities held in custody	74,144	204,151	278,295	73,592	188,220	261,812
4.3	Checks received for collection	84,343	387,308	471,651	124,341	428,965	553,306
4.4	Commercial notes received for collection	161,886	835,170	997,056	205,284	768,430	973,714
4.5	Other assets received for collection	-	-	-	-	-	-
4.6	Assets received for public offering	-	-	-	-	-	-
4.7	Other items under custody	1	61,702	61,703	1	79,739	79,740
4.8	Custodians	-	-	-	-	-	-
<b>V.</b>	<b>Pledged received</b>	<b>38,447,841</b>	<b>7,191,265</b>	<b>45,639,106</b>	<b>40,524,529</b>	<b>6,008,222</b>	<b>46,532,751</b>
5.1	Marketable securities	224,505	6,551	231,056	137,506	9,444	146,950
5.2	Guarantee notes	7,738,243	1,459,527	9,197,770	8,471,012	1,447,577	9,918,589
5.3	Commodity	910	-	910	910	-	910
5.4	Warranty	-	-	-	-	-	-
5.5	Properties	25,875,776	4,781,593	30,657,369	27,298,988	3,752,251	31,051,239
5.6	Other pledged items	4,608,407	943,594	5,552,001	4,616,113	798,950	5,415,063
5.7	Pledged items-depository	-	-	-	-	-	-
<b>VI.</b>	<b>Accepted independent guarantees and warranties</b>	<b>188,697,358</b>	<b>24,218,998</b>	<b>212,916,356</b>	<b>169,405,419</b>	<b>19,599,657</b>	<b>189,005,076</b>
<b>Total off-balance sheet items (A+B)</b>		<b>283,892,570</b>	<b>89,621,364</b>	<b>373,513,934</b>	<b>245,297,321</b>	<b>75,845,655</b>	<b>321,142,976</b>

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

## ING Bank A.Ş. and its Financial Subsidiaries

# Consolidated Statement of Income for the Year Ended 31 December 2017

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

Income and expense items		Note (section five)	Audited	Audited
			Current period (01/01/2017- 31/12/2017)	Prior period (01/01/2016- 31/12/2016)
<b>I.</b>	<b>Interest income</b>	<b>(IV-1)</b>	<b>5,269,439</b>	<b>4,424,567</b>
1.1	Interest on loans		4,609,381	3,913,070
1.2	Interest on reserve requirements		44,633	24,860
1.3	Interest on banks		50,600	31,874
1.4	Interest on money market transactions		214,885	37,912
1.5	Interest on marketable securities portfolio		244,056	326,289
1.5.1	Financial assets held for trading		7,526	10,223
1.5.2	Financial assets at fair value through profit or loss		-	-
1.5.3	Financial assets available for sale		236,530	316,066
1.5.4	Investments held to maturity		-	-
1.6	Financial lease income		46,050	39,429
1.7	Other interest income		59,834	51,133
<b>II.</b>	<b>Interest expense</b>	<b>(IV-2)</b>	<b>(2,358,372)</b>	<b>(2,037,444)</b>
2.1	Interest on deposits		(1,820,544)	(1,533,318)
2.2	Interest on funds borrowed		(476,751)	(389,790)
2.3	Interest on money market transactions		(41,630)	(96,812)
2.4	Interest on securities issued		(9,934)	(8,128)
2.5	Other interest expenses		(9,513)	(9,396)
<b>III.</b>	<b>Net interest income (I-II)</b>		<b>2,911,067</b>	<b>2,387,123</b>
<b>IV.</b>	<b>Net fees and commissions income</b>		<b>452,347</b>	<b>368,046</b>
4.1	Fees and commissions received		684,022	547,139
4.1.1	Non-cash loans		118,313	78,713
4.1.2	Other	(IV-12)	565,709	468,426
4.2	Fees and commissions paid		(231,675)	(179,093)
4.2.1	Non-cash loans		(562)	(355)
4.2.2	Other	(IV-12)	(231,113)	(178,738)
<b>V.</b>	<b>Dividend income</b>	<b>(IV-3)</b>	<b>382</b>	<b>556</b>
<b>VI.</b>	<b>Trading gain/(loss) (net)</b>	<b>(IV-4)</b>	<b>(435,064)</b>	<b>(209,241)</b>
6.1	Trading gain/(loss) on securities		(569)	(804)
6.2	Gain/(loss) on derivative financial transactions		(24,056)	856,177
6.3	Foreign exchange gain/(loss)		(410,439)	(1,064,614)
<b>VII.</b>	<b>Other operating income</b>	<b>(IV-5)</b>	<b>377,099</b>	<b>202,090</b>
<b>VIII.</b>	<b>Total operating income (III+IV+V+VI+VII)</b>		<b>3,305,831</b>	<b>2,748,574</b>
<b>IX.</b>	<b>Provision for loan losses and other receivables (-)</b>	<b>(IV-6)</b>	<b>(642,000)</b>	<b>(613,695)</b>
<b>X.</b>	<b>Other operating expenses (-)</b>	<b>(IV-7)</b>	<b>(1,536,931)</b>	<b>(1,385,582)</b>
<b>XI.</b>	<b>Net operating profit/loss (VIII-IX-X)</b>		<b>1,126,900</b>	<b>749,297</b>
<b>XII.</b>	<b>Income resulted from mergers</b>		-	-
<b>XIII.</b>	<b>Profit/loss from investments under equity accounting</b>		-	-
<b>XIV.</b>	<b>Profit/loss on net monetary position</b>		-	-
<b>XV.</b>	<b>Profit/loss before tax from continuing operations (XI+XII+XIII+XIV)</b>	<b>(IV-8)</b>	<b>1,126,900</b>	<b>749,297</b>
<b>XVI.</b>	<b>Tax expense from continuing operations (±)</b>	<b>(IV-9)</b>	<b>(238,745)</b>	<b>(157,391)</b>
16.1	Current tax expense		(261,679)	(12,493)
16.2	Deferred tax expense		22,934	(144,898)
<b>XVII.</b>	<b>Net profit/loss from continuing operations (XV±XVI)</b>	<b>(IV-10)</b>	<b>888,155</b>	<b>591,906</b>
<b>XVIII.</b>	<b>Income from discontinued operations</b>		-	-
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		-	-
<b>XIX.</b>	<b>Expenses for discontinued operations (-)</b>		-	-
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		-	-
<b>XX.</b>	<b>Profit/loss before tax from discontinued operations (XVIII-XIX)</b>	<b>(IV-8)</b>	-	-
<b>XXI.</b>	<b>Tax expense from discontinued operations (±)</b>	<b>(IV-9)</b>	-	-
21.1	Current tax expense		-	-
21.2	Deferred tax expense		-	-
<b>XXII.</b>	<b>Net profit/loss from discontinued operations (XX±XXI)</b>	<b>(IV-10)</b>	-	-
<b>XXIII.</b>	<b>Net profit/loss (XVII+XXII)</b>	<b>(IV-11)</b>	<b>888,155</b>	<b>591,906</b>
23.1	Group's profit/loss		888,155	591,906
23.2	Minority shares		-	-
	<b>Earnings per share</b>		<b>0.2548</b>	<b>0.1698</b>

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

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

## ING Bank A.Ş. and its Financial Subsidiaries

# Statement of Income and Expenses Recognized Under Consolidated Shareholders' Equity for the Year Ended 31 December 2017

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

Income and expense items recognized under shareholders' equity	Audited	Audited
	Current period (01/01/2017- 31/12/2017)	Prior period (01/01/2016- 31/12/2016)
I. Additions to marketable securities valuation differences from available for sale financial assets	(84,640)	70,422
II. Property and equipment revaluation differences	-	-
III. Intangible fixed assets revaluation differences	-	-
IV. Foreign exchange differences from foreign currency transactions	14,672	9,652
V. Profit/loss from derivative financial instruments for cash flow hedges (effective portion of fair value differences)	195,327	(84,029)
VI. Profit/loss from derivative financial instruments for hedge of net investment in foreign operations (effective portion of fair value differences)	-	-
VII. Effects of changes in accounting policies and corrections	-	-
VIII. Other income/expense recognized under shareholders' equity in accordance with TAS	(1,824)	1,389
IX. Deferred tax related to valuation differences	(39,857)	16,610
X. Net income/expense directly recognized under shareholders' equity (I+II+...+IX)	83,678	14,044
XI. Profit/loss for the period	888,155	591,906
11.1 Net change in fair value of marketable securities (transfer to profit/loss)	94,029	-
11.2 Part of cash flow hedge derivative financial assets reclassified into income statement	4,258	1,081
11.3 Part of foreign investment hedge derivative financial assets reclassified into income statement	-	-
11.4 Other	789,868	590,825
<b>XII. Total profit/loss recognized for the period (X±XI)</b>	<b>971,833</b>	<b>605,950</b>

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

## ING Bank A.Ş. and its Financial Subsidiaries

# Consolidated statement of Changes in the Shareholders' Equity for the Year Ended 31 December 2017

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

Audited	Note	Paid-in capital	Inflation adjustment to share capital	Share premium	Share cancellation profits	Legal reserves	Statutory reserves	Extraordinary reserves
Prior period								
(01/01/2016-31/12/2016)								
I. Period opening balance	(V)	3,486,268	-	-	-	99,679	-	623,731
II. Changes in accounting policies according to TAS 8		-	-	-	-	-	-	-
2.1 Effects of correction of errors		-	-	-	-	-	-	-
2.2 Effect of changes in accounting policy		-	-	-	-	-	-	-
III. New balance (I+ II)		3,486,268	-	-	-	99,679	-	623,731
Changes in the period								
IV. Increase/decrease related to merger		-	-	-	-	-	-	-
V. Marketable securities valuation differences		-	-	-	-	-	-	-
VI. Hedging funds (effective portion)		-	-	-	-	-	-	-
6.1 Cash flow hedge		-	-	-	-	-	-	-
6.2 Hedge of net investments in foreign operations		-	-	-	-	-	-	-
VII. Property and equipment revaluation differences		-	-	-	-	-	-	-
VIII. Intangible assets revaluation differences		-	-	-	-	-	-	-
IX. Bonus shares from investments in associates, subsidiaries and joint ventures		-	-	-	-	-	-	-
X. Foreign exchange differences		-	-	-	-	-	-	-
XI. Changes due to the disposal of assets		-	-	-	-	-	-	-
XII. Changes due to the reclassification of assets		-	-	-	-	-	-	-
XIII. Effect of changes in equity of associates		-	-	-	-	-	-	-
XIV. Capital increase		-	-	-	-	-	-	-
14.1 Cash increase		-	-	-	-	-	-	-
14.2 Internal resources		-	-	-	-	-	-	-
XV. Share premium		-	-	-	-	-	-	-
XVI. Share cancellation profits		-	-	-	-	-	-	-
XVII. Inflation adjustment to paid-in capital		-	-	-	-	-	-	-
XVIII. Other		-	-	-	-	-	-	-
XIX. Current year profit or (loss)		-	-	-	-	-	-	-
XX. Profit distribution		-	-	-	-	7,204	-	130,431
20.1 Dividends paid		-	-	-	-	-	-	-
20.2 Transfers to reserves		-	-	-	-	7,204	-	130,431
20.3 Other		-	-	-	-	-	-	-
Period end balance (III+IV+V+...+XVIII+XIX+XX)		3,486,268	-	-	-	106,883	-	754,162

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

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

## ING Bank A.Ş. and its Financial Subsidiaries

# Consolidated Statement of Changes in the Shareholders' Equity for the Year Ended 31 December 2017

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

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
2,523	139,621	-	(5,630)	24,773	-	165,767	-	-	4,536,732
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
2,523	139,621	-	(5,630)	24,773	-	165,767	-	-	4,536,732
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	70,504	-	-	-	-	-	70,504
-	-	-	-	-	-	(67,223)	-	-	(67,223)
-	-	-	-	-	-	(67,223)	-	-	(67,223)
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
9,537	-	-	-	-	-	-	-	-	9,537
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
1,111	-	-	-	-	-	-	-	-	1,111
-	591,906	-	-	-	-	-	-	-	591,906
115	(139,621)	-	-	1,871	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
115	(139,621)	-	-	1,871	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
13,286	591,906	-	64,874	26,644	-	98,544	-	-	5,142,567

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

## ING Bank A.Ş. and its Financial Subsidiaries

# Consolidated statement of Changes in the Shareholders' Equity for the Year Ended 31 December 2017 (continued)

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

			Paid-in	Inflation	Share	Share	Legal	Statutory	Extraordinary
	Note	capital	adjustment	to share	premium	cancellation	reserves	reserves	reserves
			to capital	capital		profits			
<b>Current period</b>									
<b>(01/01/2017-31/12/2017)</b>									
I.									
	(V)	3,486,268	-	-	-	-	106,883	-	754,162
Prior period closing balance									
Changes in the period									
Increase/decrease related to									
II.		-	-	-	-	-	-	-	-
merger									
III.		-	-	-	-	-	-	-	-
Marketable securities valuation differences									
IV.		-	-	-	-	-	-	-	-
Hedging funds (effective portion)									
4.1		-	-	-	-	-	-	-	-
Cash flow hedge									
4.2		-	-	-	-	-	-	-	-
Hedge of net investments in foreign operations									
V.		-	-	-	-	-	-	-	-
Property and equipment revaluation differences									
VI.		-	-	-	-	-	-	-	-
Intangible assets revaluation differences									
VII.		-	-	-	-	-	-	-	-
Bonus shares from investments in associates, subsidiaries and joint ventures									
VIII.		-	-	-	-	-	-	-	-
Foreign exchange differences									
IX.		-	-	-	-	-	-	-	-
Changes due to the disposal of assets									
X.		-	-	-	-	-	-	-	-
Changes due to the reclassification of assets									
XI.		-	-	-	-	-	-	-	-
Effect of changes in equity of associates									
XII.		-	-	-	-	-	-	-	-
Capital increase									
12.1		-	-	-	-	-	-	-	-
Cash increase									
12.2		-	-	-	-	-	-	-	-
Internal resources									
XIII.		-	-	-	-	-	-	-	-
Share premium									
XIV.		-	-	-	-	-	-	-	-
Share cancellation profits									
XV.		-	-	-	-	-	-	-	-
Inflation adjustment to paid-in capital									
XVI.		-	-	-	-	-	-	-	-
Other									
XVII.		-	-	-	-	-	-	-	-
Current year profit or (loss)									
XVIII.		-	-	-	-	-	50,405	-	321,413
Profit distribution									
18.1	(V)	-	-	-	-	-	-	-	(200,000)
Dividends paid									
18.2	(V)	-	-	-	-	-	50,405	-	521,413
Transfers to reserves									
18.3		-	-	-	-	-	-	-	-
Other									
<b>Period end balance</b>									
<b>(I+II+III+...+XVI+XVII+XVIII)</b>			<b>3,486,268</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>157,288</b>	<b>-</b>	<b>1,075,575</b>

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

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

## ING Bank A.Ş. and its Financial Subsidiaries

# Consolidated statement of Changes in the Shareholders' Equity for the Year Ended 31 December 2017 (continued)

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

Other reserves	Current period net profit/(loss)	Prior period net profit/(loss)	Marketable securities valuation differences	Revaluation surplus on tangible and intangible assets	Bonus shares from associates	Hedging funds	Valuation difference on prop. and equip. held for sale and related to discont. operations	Minority interests	Total equity
13,286	591,906	-	64,874	26,644	-	98,544	-	-	5,142,567
-	-	-	-	-	-	-	-	-	-
-	-	-	(82,280)	-	-	-	-	-	(82,280)
-	-	-	-	-	-	152,874	-	-	152,874
-	-	-	-	-	-	152,874	-	-	152,874
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
14,672	-	-	1,001	-	-	(1,130)	-	-	14,543
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
(1,459)	-	-	-	-	-	-	-	-	(1,459)
-	888,155	-	-	-	-	-	-	-	888,155
-	(591,906)	-	-	20,088	-	-	-	-	(200,000)
-	-	-	-	-	-	-	-	-	(200,000)
-	(591,906)	-	-	20,088	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
26,499	888,155	-	(16,405)	46,732	-	250,288	-	-	5,914,400

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

## ING Bank A.Ş. and its Financial Subsidiaries

# Consolidated Statement of Cash Flows for the Year Ended 31 December 2017

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

Cash flow table	Note	Audited	Audited
		Current period (01/01/2017 -31/12/2017)	Prior period (01/01/2016 -31/12/2016)
<b>A. Cash flows from banking operations</b>			
<b>1.1 Operating profit before changes in operating assets and liabilities</b>		<b>708,249</b>	<b>1,453,817</b>
1.1.1 Interest received		5,355,224	4,433,764
1.1.2 Interest paid		(2,315,841)	(2,019,819)
1.1.3 Dividend received		382	556
1.1.4 Fees and commissions received		705,977	573,022
1.1.5 Other income	(VI-2)	75,459	(52,719)
1.1.6 Collections from previously written-off loans and other receivables		337,154	319,386
1.1.7 Payments to personnel and service suppliers		(1,273,735)	(1,118,567)
1.1.8 Taxes paid		(293,266)	(122,807)
1.1.9 Other	(VI-2)	(1,883,105)	(558,999)
<b>1.2 Changes in operating assets and liabilities</b>		<b>(848,646)</b>	<b>(942,752)</b>
1.2.1 Net (increase)/decrease in trading securities		(35,736)	138,280
1.2.2 Net (increase)/decrease in financial assets at fair value through profit/(loss)		-	-
1.2.3 Net (increase)/decrease in due from banks and other financial institutions		(57,771)	(7,369)
1.2.4 Net (increase)/decrease in loans		(3,583,913)	(3,072,217)
1.2.5 Net (increase)/decrease in other assets	(VI-2)	(206,389)	(110,869)
1.2.6 Net increase/(decrease) in bank deposits		(455,144)	364,647
1.2.7 Net increase/(decrease) in other deposits		2,888,669	995,923
1.2.8 Net increase/(decrease) in funds borrowed		622,200	1,901,572
1.2.9 Net increase/(decrease) in payables		-	-
1.2.10 Net increase/(decrease) in other liabilities	(VI-2)	(20,562)	(1,152,719)
<b>I. Net cash provided from banking operations</b>		<b>(140,397)</b>	<b>511,065</b>
<b>B. Cash flow from investing activities</b>			
<b>II. Net cash provided from investing activities</b>		<b>713,206</b>	<b>362,463</b>
2.1 Cash paid for acquisition of associates, subsidiaries and joint ventures		-	-
2.2 Cash obtained from disposal of associates, subsidiaries and joint ventures		-	-
2.3 Purchases of property and equipment		(179,052)	(134,157)
2.4 Disposals of property and equipment		88,860	22,626
2.5 Purchases of financial assets available for sale		(202,325)	(135,106)
2.6 Disposals of financial assets available for sale		1,022,397	637,141
2.7 Purchases of investment securities		-	(142)
2.8 Disposals of investment securities		-	480
2.9 Other	(VI-2)	(16,674)	(28,379)
<b>C. Cash flows from financing activities</b>			
<b>III. Net cash provided from financing activities</b>		<b>(450,000)</b>	<b>7,650</b>
3.1 Cash obtained from funds borrowed and securities issued	(II-4)	257,445	250,000
3.2 Cash used for repayment of funds borrowed and securities issued	(II-4)	(507,445)	(242,350)
3.3 Issued equity instruments		-	-
3.4 Dividends paid	(V)	(200,000)	-
3.5 Payments for finance leases		-	-
3.6 Other		-	-
<b>IV. Effect of change in foreign exchange rate on cash and cash equivalents</b>	(VI-2)	<b>418,715</b>	<b>313,196</b>
<b>V. Net increase/(decrease) in cash and cash equivalents (I+II+III+IV)</b>		<b>541,524</b>	<b>1,194,374</b>
<b>VI. Cash and cash equivalents at beginning of the period</b>	(VI-1)	<b>4,580,980</b>	<b>3,386,606</b>
<b>VII. Cash and cash equivalents at the end of the period</b>	(VI-1)	<b>5,122,504</b>	<b>4,580,980</b>

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



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

## ING Bank A.Ş. and its Financial Subsidiaries

# Statement of Profit Distribution as of 31 December 2017

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

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

<sup>(\*)</sup> In accordance with the regulations in Turkey, companies do not make profit distribution based on consolidated financials. In this respect, the profit distribution tables stated above belong to the Parent Bank.

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

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

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

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

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

## ING Bank A.Ş. and its Financial Subsidiaries

# Notes to consolidated financial statements as of and for the Year Ended 31 December 2017

(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 (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 designated at fair value through profit or loss, available-for sale financial assets, trading financial assets, derivative financial assets and liabilities held for trading and derivative financial assets and liabilities held for hedging.

The preparation of 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.

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

##### Explanation on TFRS 9 Financial Instruments Standard

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

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

##### Recognition and Measurement of Financial Instruments

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

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

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

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

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

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

## ING Bank A.Ş. and its Financial Subsidiaries

# Notes to consolidated financial statements as of and for the Year Ended 31 December 2017 (continued)

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

### I. Explanations on basis of presentation (continued)

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 Group decided to continue with TAS 39 standard for hedge accounting.

#### Impairment

In accordance with the "Regulation on the Classification of Loans and Provisions to be Set Aside for Those Loans" published in the Official Gazette, numbered 29750, dated 22 June 2016, the Group begins to calculate provision for impairment of financial instruments, loans and other receivables per TFRS 9 as of 1 January 2018.

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

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

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

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

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

### 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 XXIII below.

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

### 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 of the balance sheet date, the Group's asset and shareholder's equity structure is sufficient to meet its liabilities.

## ING Bank A.Ş. and its Financial Subsidiaries

# Notes to consolidated financial statements as of and for the Year Ended 31 December 2017 (continued)

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

### II. Explanations on the strategy of using financial instruments and foreign currency transactions (continued)

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 balance sheet date. Gains and losses arising from such transactions are recognized in the income statement under the account of foreign exchange gains or losses.

Foreign currency denominated accounts of the subsidiaries within the Group have been valued with the foreign exchange buying rates applicable on the balance sheet 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 Turkish Accounting Standards ("TAS") enacted by Public Oversight Accounting and Auditing Standards Authority 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 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.

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

## ING Bank A.Ş. and its Financial Subsidiaries

# Notes to consolidated financial statements as of and for the Year Ended 31 December 2017 (continued)

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

### III. Explanation on consolidated subsidiaries (continued)

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, Turkish Accounting Standards, Turkish Financial Reporting Standards and other regulations, communiqués, explanations and circulars promulgated by the Banking Regulation and Supervision Agency 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 to 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, Turkish Accounting Standards, Turkish Financial Reporting Standards and other regulations, communiqués, explanations and circulars promulgated by the Banking Regulation and Supervision Agency 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 to 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 Turkish Accounting Standards (TAS) enacted by Public Oversight Accounting and Auditing Standards Authority. 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. The derivative instruments are accounted at their fair values as of the contract date and subsequently revalued at fair value in the following reporting periods. Fair value of derivative instruments are calculated by considering the fair values in the market or through discounted cash flow method.

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

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

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

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

## ING Bank A.Ş. and its Financial Subsidiaries

# Notes to consolidated financial statements as of and for the Year Ended 31 December 2017 (continued)

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

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

When the hedging instrument is expired, executed, sold or the hedge relationship has become ineffective as a result of the effectiveness test, the hedging gains and losses that were previously recognized under equity are transferred to profit or loss when the cash flows of the hedged item are realized. In accordance with TAS 39, the replacement or rollover of a hedging instrument into another hedging instrument is not an expiration or termination if such replacement or rollover is part of the entity's documented hedging strategy.

### V. Explanations on interest income and expense

Interest income and expenses are recognized on an accrual basis using the effective interest method (the rate which equals the future cash flows of a financial asset or liability to its net book value) by taking into consideration present principal amount.

In accordance with the related regulation, realized and unrealized interest accruals of the non-performing loans and other receivables are reversed and such amounts are excluded from interest income until they are collected.

### VI. Explanations on fee and commission income and expenses

Commissions paid for the loans provided and fees and commissions collected from clients in return for these loans are reflected on the income statement in the period when they arise. On the other hand, of the fees and commissions collected from clients, the portions exceeding the amounts paid, and the fees and commissions collected without being associated with any cost are treated as an element of the effective interest of the loan, and they are recognized in the income statement during the term of the loan on an accrual basis. Fees and commission expenses paid to the institutions and companies granting the loan are treated as an element of the effective interest, and they are associated with the income statement during the term of the loan.

### VII. Explanations on financial assets

#### a. Financial assets at fair value through profit or loss

Financial assets at fair value through profit and loss are classified in two categories:

(i) Trading financial assets are securities classified in this category for the purposes of short term profit making through sale or buy back in the near future. Derivative financial instruments are classified under trading financial assets unless they are designated as derivative financial assets held for hedging. Accounting of derivative financial instruments is explained in section three note IV.

(ii) The financial assets classified as financial assets designated at fair value through profit or loss in the initial recognition by the 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.



(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish, See Note 1.b of section three)

## ING Bank A.Ş. and its Financial Subsidiaries

# Notes to consolidated financial statements as of and for the Year Ended 31 December 2017 (continued)

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

### VII. Explanations on financial assets (continued)

The retail and corporate loans under cash loans are accounted according to their original balances in the accounts stated in the Uniform Chart of Accounts ("UCA") and the related explanations.

Foreign currency indexed retail and mid-corporate loans are followed in TL accounts at their TL equivalents according to the foreign currency rate as on the opening date of the loan. Valuation differences at the end of each period are presented under "Loans and receivables" in the financial statements. Repayments are calculated at the foreign currency rate on the payment date, the FX differences are shown in the foreign currency gains and losses accounts.

### VIII. Explanations on impairment of financial assets

Financial assets or groups of financial assets are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If any indication exists, the impairment is booked based on the financial asset classifications as mentioned below.

#### a. Loans and receivables

The Group sets aside provisions for the loans that may become doubtful in the future; and the amount is charged to the current period income statement. The loan loss provisioning is the amount that is set aside by the Group's management in order to recognize the probable losses that may occur in the future for the current loan portfolio, assessing the quality of the loan portfolio in consideration of risk factors, economic conditions, other facts and related regulations.

If there is any indication that loans will not be collected, the Group classifies such loans in group III, IV and V loans and sets aside provisions for such amounts in accordance with the "Regulation on the Procedures and Principles for Determination of Qualifications of Loans and Other Receivables by Banks and Provisions to be Set Aside" promulgated in the Official Gazette No. 26333, dated 1 November 2006. Interest income accruals for such loans are reversed through the income statement. The collections related to these loans are first deducted from the principal amount of the loan and the remaining collections are deducted from interest receivables.

The collections made based on the provisions set aside in the current period in relation to loans are offset against the "Provision for loans and other receivables losses" account in the income statement whereas the principal amount collections made for the loans for which the provisions were set aside in prior periods or which were written off in prior periods are recognized under "Other operating income".

Releases of loan loss provisions are reversed from the related provision account and "Impairment expenses - Special provision expense" account.

Collaterals for the mortgages that have been non-performing for three years and other consumer loans that have been non-performing for two years are not taken into consideration in the calculation of special provisions.

The Group sets aside general provisions in accordance with the "Regulation on the Procedures and Principles for Determination of Qualifications of Loans and Other Receivables by Banks and Provisions to be Set Aside" promulgated in the Official Gazette No. 26333, dated 1 November 2006.

#### b. Held-to-maturity financial assets

If there is any objective evidence of impairment on held-to-maturity financial assets, the related impairment amount is measured as the difference between the net present value of estimated future cash flows of the financial assets discounted with the effective interest rate and the net book value. Provision is set aside for impairment and this provision is recognized through expense accounts.

#### c. Available for sale financial assets

If there is objective evidence of impairment on available for sale assets for which fair value decrease is recognized through shareholders equity, the total loss which was previously accounted for through shareholders equity is charged to the income statement.

The impairment loss that is accounted for the investments in equity instruments classified as available for sale cannot be reversed through profit/loss. If there is an objective evidence for impairment loss on equity instruments that are not registered in the stock exchange as they cannot be indicated at their fair value since the fair value cannot be accurately determined, such impairment amount will be measured as the difference between its present value calculated by discounting the expected cash flows from this instrument in the future with the effective interest rate of a comparable financial asset and its net book value. Such impairment losses cannot be reversed.

### IX. Explanations on offsetting financial assets

Financial assets and liabilities are shown on the balance sheet at their net amounts when the 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 consolidated financial statements as of and for the Year Ended 31 December 2017 (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%
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The Group does not have goodwill.

### XIII. Explanations on property and equipment

Property and equipment are initially measured at cost calculated by adding the acquisition fees and any directly attributable costs for making the asset in working order. Subsequently, property and equipment is carried at cost less accumulated depreciation and provision for value decrease.

According to precautionary and materiality principles, when the current value of property and equipment is less than their net cost, the net cost which exceeds their current value is recognized in expense account as provision for impairment.

Property and equipment are depreciated according to straight line method and depreciation rates are determined in line with the useful lives of related assets.

Immovables	2%
Movables, assets acquired by financial leasing	2% - 50%

The depreciation is set aside at the amount calculated through proportion of the yearly depreciation amount foreseen for the assets held for less than one accounting period to the time for which the asset is held in asset.



(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish, See Note 1.b of section three)

## ING Bank A.Ş. and its Financial Subsidiaries

# Notes to consolidated financial statements as of and for the Year Ended 31 December 2017 (continued)

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

### XIII. Explanations on property and equipment (continued)

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.

### 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.

Provision for the employees' unused vacations has been booked in accordance with IAS 19 and reflected to the financial statements.

There are no foundations, pension funds or similar associations of which the employees are members.

## ING Bank A.Ş. and its Financial Subsidiaries

# Notes to consolidated financial statements as of and for the Year Ended 31 December 2017 (continued)

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

### 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.

In Turkey, the corporate tax rate is 20%. Corporate tax is required to be filed by the twenty-fifth day of the fourth month following the balance sheet date and taxes must be paid in one installment by the end of the fourth month. Pursuant to the tax legislation, an advance tax of 20% is calculated and paid based on earnings generated for each quarter. The amounts thus paid are deducted from the tax calculated over annual earning.

With the Law, No. 7061 Amendment of Certain Taxes and Laws and Other Acts promulgated in the Official Gazette, dated 5 December 2017, tax rate will applied as 22% for three years between 2018 and 2020. In addition, Council of Ministers is authorised to reduce the rate from 22% to 20%.

While according to the provisions of Corporate Tax Law, No. 5520, exemption shall be applied for 75% of the earnings from the sale of the properties and participation shares that corporations have kept among their assets for at least two full years (provided that they are added in the capital or kept in a special fund account in liabilities for five years as provided in the Law), and from the sales of founders' shares, preference shares and preferred rights they have kept for same duration; Article 89/a of the Law, No. 7061 effective upon promulgation in the Official Gazette, No. 30261, dated 5 December 2017 and Articles 5.1.e and 5.1.f of Corporate Tax Law have been amended, the exemption applied as 75% was decreased to 50% to be effective as of the promulgation of the Law for the above mentioned sale of properties.

Corporate tax rate is applied on the tax base calculated after the addition of the non-deductible expenses in the commercial income of corporations and deduction of exemptions stated in tax laws (such as participation income exemption) and deductions. No other tax is paid unless profit is distributed.

According to the Corporate Tax Law, financial losses can be carried forward to offset against corporate tax base of the related period for up to five years. Tax authorities inspect tax returns and the related accounting records within five years and check the tax calculations.

In Ireland, where the Parent Bank's foreign subsidiary ING European Financial Services Plc. is established, corporate tax rates applicable to the trading and non-trading income of resident companies are 12.5% and 25%, respectively.

#### b. Deferred tax

The Group calculates deferred tax assets and liabilities over timing differences which result from income and expense items that are subjected to tax in the periods following the periods when they were reflected on financial statements, and reflects these assets and liabilities on its records.

In accordance with "Turkish Accounting Standard on Income Taxes" ("TAS 12") and the changes stated in BRSA circular, No. BDDK. DZM.2/13/1-a-3, dated 8 December 2004 and according to tax legislation the Group calculates deferred tax liability on all deductible temporary differences except for general loan reserves, if sufficient taxable profit in future periods to recover such amounts is probable. Deferred tax assets and liabilities are shown in the financial statements on a net basis. However, netting is not performed on a consolidated basis.

Deferred tax is calculated on the tax rates applicable in the period when assets are made or liabilities are fulfilled or on those which are almost certain to be effective; and it is recorded as income or expense in the income statement. Moreover, deferred tax is recognised directly on equity accounts if it is related to the assets directly associated with the equity in the same or another period. Corporate Tax Law has been amended with Article 91 of the Law, No. 7061 effective upon promulgation in the Official Gazette, No. 30261, dated 5 December 2017; and the corporate tax levied on the corporate income has been increased from 20% to 22% to be applied for the income belonging to 2018, 2019 and 2020. The Bank calculates deferred tax at the relevant rates considering the periods in which deferred tax assets and liabilities will be fulfilled.

(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish, See Note 1.b of section three)

## ING Bank A.Ş. and its Financial Subsidiaries

# Notes to consolidated financial statements as of and for the Year Ended 31 December 2017 (continued)

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

### XVII. Explanations on taxation (continued)

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period. An entity shall reduce the carrying amount of a deferred tax asset to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of deferred tax asset to be utilized.

#### c. Transfer Pricing

The article no.13 of the Corporate Tax Law describes the issue of transfer pricing under the title of "disguised profit distribution" by way of transfer pricing. "The General Communique on Disguised Profit Distribution by way of Transfer Pricing" published on 18 November 2007 explains the application related issues in detail. According to this Communique, if the taxpayers conduct transactions like purchase and sale of goods or services with the related parties where the prices are not determined according to the arm's length principle, then it will be concluded that there is a disguised profit distribution by way of transfer pricing. Such disguised profit distributions will not be deducted from the corporate tax base for tax purposes. Disguised profit distribution amount will be recognized as share in net profit and stoppage tax will be calculated depending on whether the profit distributing institution is a real or corporate entity, full-fledged or foreign based taxpayer, is subject to or exempt from tax.

As discussed under subject Communique's "7.1 Annual Documentation" section, taxpayers are required to fill out the "Transfer Pricing, Controlled Foreign Entities and Thin Capitalization" form for the purchase and sale of goods or services conducted with their related parties in a taxation period, attach these forms to their corporate tax returns and submit to the tax offices.

### XVIII. Explanations on borrowings

The Group recognizes its payables in accordance with the "Financial Instruments: Recognition and Measurement ("TAS 39")".

### XIX. Explanation on issuance of equity securities

Shareholders participating in capital increase, are given equity securities in consideration of the amount increased.

### XX. Explanations on guarantees and acceptances

The 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:

- 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),
- 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
- For which discrete financial information is available.

Reporting according to the operational segment is presented in Note VIII of Section Four.

### XXIII. Profit reserves and distribution of profit

Under the Turkish Commercial Code ("TCC"), legal reserves consist of first legal reserve and second legal reserve. First legal reserve, appropriated at the rate of 5%, until the total reserve is equal to 20% of issued and fully paid-in share capital. Second legal reserve, appropriated at the rate of at least 10% of distributions in excess of 5% of issued and fully paid-in share capital.

### XXIV. Explanations on other disclosures

In order to comply with the presentation of the financial statements as of 31 December 2017, some classification were made on the "Income Statement" as of 31 December 2016.

## ING Bank A.Ş. and its Financial Subsidiaries

# Notes to consolidated financial statements as of and for the Year Ended 31 December 2017 (continued)

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

### Section four

#### Information on financial position and risk management of the 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 31 December 2017, the Group's total capital is TL 9,132,828 and the consolidated capital adequacy ratio is 19.15%. As of 31 December 2016, the Group's total capital amounted to TL 8,372,758 and capital adequacy ratio was 17.08%.

	Current period	Amount related to implementation before 01.01.2014 (*)
<b>COMMON EQUITY Tier I Capital</b>		
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	-	
<b>Common equity tier I capital before deductions</b>	<b>5,680,517</b>	
<b>Deductions from common equity</b>		
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 <sup>th</sup> clause of the 56 <sup>th</sup> Article of the Law	-	

(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish, See Note 1.b of section three)

## ING Bank A.Ş. and its Financial Subsidiaries

# Notes to consolidated financial statements as of and for the Year Ended 31 December 2017 (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 <sup>(*)</sup>
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 <sup>nd</sup> 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 (-)	-	
<b>Total deductions from common equity tier I capital</b>	<b>81,609</b>	
<b>Total common equity tier I capital</b>	<b>5,598,908</b>	
<b>ADDITIONAL TIER I CAPITAL</b>		
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)	-	
<b>Additional Tier I capital before deductions</b>	-	
<b>Deductions from additional Tier I capital</b>	-	
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 (-)	-	
<b>Total deductions from additional Tier I capital</b>	<b>-</b>	
<b>Total additional Tier I capital</b>	<b>-</b>	
<b>Total Tier I capital (Tier I Capital = Common Equity + Additional Tier I Capital)</b>	<b>5,591,361</b>	

<sup>(\*)</sup> 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".

## ING Bank A.Ş. and its Financial Subsidiaries

# Notes to consolidated financial statements as of and for the Year Ended 31 December 2017 (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 (*)
<b>TIER II CAPITAL</b>		
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	
<b>Tier II Capital Before Deductions</b>	<b>3,554,925</b>	
<b>Deductions From Tier II Capital</b>		
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 (-)	-	
<b>Total Deductions from Tier II Capital</b>	<b>-</b>	
<b>Total Tier II Capital</b>	<b>3,554,925</b>	
<b>Total Capital (The sum of Tier I Capital and Tier II Capital)</b>	<b>9,146,286</b>	
<b>Total of Core Capital and Additional Capital (Total equities)</b>		
Loans granted against Article 50 and 51 of Banking Law	-	
Net Book Values of Movables and Immovables Exceeding the Limit Defined in Article 57, Clause 1 of the Banking Law and of Assets Acquired against Overdue Receivables and Held for Sale but Retained more than three Years	-	
Other items to be defined by the BRSA (-)	13,458	
<b>Items to be deducted from the sum of Tier I and Tier II Capital (Capital) during transition period</b>		
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 (-)	-	

(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish, See Note 1.b of section three)

## ING Bank A.Ş. and its Financial Subsidiaries

# Notes to consolidated financial statements as of and for the Year Ended 31 December 2017 (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 <sup>(*)</sup>
<b>TOTAL CAPITAL</b>		
Total Capital	9,132,828	
Total risk weighted amounts	47,688,687	
<b>CAPITAL ADEQUACY RATIOS</b>		
Core Capital Adequacy Ratio (%)	11.74	
Tier I Capital Adequacy Ratio (%)	11.73	
Capital Adequacy Ratio (%)	19.15	
<b>BUFFERS</b>		
Total buffer requirement	5.772	
Capital protection buffer requirement (%)	1.250	
Bank specific cyclical buffer requirement (%)	0.022	
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 (%)	5.741	
<b>Amounts below the Excess Limits as per the Deduction Principles</b>		
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	
<b>Limits related to provisions considered in Tier II calculation</b>		
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	-	
<b>Debt instruments subject to Temporary Article 4 (to be implemented between 1 January 2018 and 1 January 2022)</b>		
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	-	

<sup>(\*)</sup> 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".



## ING Bank A.Ş. and its Financial Subsidiaries

# Notes to consolidated financial statements as of and for the Year Ended 31 December 2017 (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 <sup>(1)</sup>
<b>COMMON EQUITY Tier I Capital</b>		
Paid-in capital to be entitled for compensation after all creditors	3,486,268	
Share premium	-	
Legal reserves	872,711	
Other comprehensive income according to TAS	93,138	
Profit	591,906	
Net profit for the period	591,906	
Prior period profit	-	
Bonus shares from investments in associates, subsidiaries and joint ventures that are not recognized in profit	-	
Minority interest	-	
<b>Common equity tier I capital before deductions</b>	<b>5,044,023</b>	
<b>Deductions from common equity</b>		
Valuation adjustments calculated as per the article 9. (i) of the Regulation on the Capital of Banks	-	
Portion of the current and prior periods' losses not covered by reserves and losses accounted under equity as per TAS	-	
Leasehold improvements on operational leases (-)	25,042	
Goodwill netted off deferred tax liability (-)	-	
Other intangibles netted off deferred tax liability except for mortgage servicing rights	27,142	45,237
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 <sup>th</sup> clause of the 56 <sup>th</sup> 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 <sup>nd</sup> 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 (-)	-	



(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish, See Note 1.b of section three)

## ING Bank A.Ş. and its Financial Subsidiaries

# Notes to consolidated financial statements as of and for the Year Ended 31 December 2017 (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 <sup>(*)</sup>
<b>Total deductions from common equity tier I capital</b>	<b>52,184</b>	
<b>Total common equity tier I capital</b>	<b>4,991,839</b>	
<b>ADDITIONAL TIER I CAPITAL</b>		
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)	-	
<b>Additional Tier I capital before deductions</b>	-	
<b>Deductions from additional Tier I capital</b>	-	
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 (-)	18,095	
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 (-)	-	
<b>Total deductions from additional Tier I capital</b>	-	
<b>Total additional Tier I capital</b>	-	
<b>Total Tier I capital (Tier I Capital = Common Equity + Additional Tier I Capital)</b>	<b>4,973,744</b>	

<sup>(\*)</sup> 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".

## ING Bank A.Ş. and its Financial Subsidiaries

# Notes to consolidated financial statements as of and for the Year Ended 31 December 2017 (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 (*)
<b>TIER II CAPITAL</b>		
Bank's borrowing instruments and issue premiums	2,403,321	
Bank's borrowing instruments and issue premiums (in scope of Temporary Article 4)	450,000	
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)	564,134	
<b>Tier II Capital Before Deductions</b>	<b>3,417,455</b>	
<b>Deductions From Tier II Capital</b>		
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 (-)	-	
<b>Total Deductions from Tier II Capital</b>	<b>-</b>	
<b>Total Tier II Capital</b>	<b>3,417,455</b>	
<b>Total Capital (The sum of Tier I Capital and Tier II Capital)</b>	<b>8,391,199</b>	
<b>Total of Core Capital and Additional Capital (Total equities)</b>		
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	586	
Other items to be defined by the BRSA (-)	17,855	
<b>Items to be deducted from the sum of Tier I and Tier II Capital (Capital) during transition period</b>		
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 (-)	-	

(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish, See Note 1.b of section three)

## ING Bank A.Ş. and its Financial Subsidiaries

# Notes to consolidated financial statements as of and for the Year Ended 31 December 2017 (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 <sup>(*)</sup>
<b>TOTAL CAPITAL</b>		
Total Capital	8,372,758	
Total risk weighted amounts	49,021,594	
<b>CAPITAL ADEQUACY RATIOS</b>		
Core Capital Adequacy Ratio (%)	10.18	
Tier I Capital Adequacy Ratio (%)	10.15	
Capital Adequacy Ratio (%)	17.08	
<b>BUFFERS</b>		
Total buffer requirement	5.130	
Capital protection buffer requirement (%)	0.625	
Bank specific cyclical buffer requirement (%)	0.005	
The ratio of Additional Common Equity Tier I capital to be calculated as per the first paragraph of Article 4 of Regulation on Capital Protection and Countercyclical Capital buffers to Risk Weighted Assets (%)	4.183	
<b>Amounts below the Excess Limits as per the Deduction Principles</b>		
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	32,936	
<b>Limits related to provisions considered in Tier II calculation</b>		
General provisions for standard based receivables (before ten thousand twenty five limitation)	625,669	
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	564,134	
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	-	
<b>Debt instruments subject to Temporary Article 4 (to be implemented between 1 January 2018 and 1 January 2022)</b>		
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	-	

<sup>(\*)</sup> 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".

## ING Bank A.Ş. and its Financial Subsidiaries

# Notes to consolidated financial statements as of and for the Year Ended 31 December 2017 (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 387 million) and EUR 90 million (TL 409 million)	USD 91 million (TL 345 million) and EUR 85 million (TL 386 million)	USD 62 million (TL 235 million) and EUR 231 million (TL 1,050 million)
Par value of instrument (Currency in million)	TL 200 million	USD 102 million (TL 387 million) and EUR 90 million (TL 409 million)	USD 91 million (TL 345 million) and EUR 85 million (TL 386 million)	USD 62 million (TL 235 million) and EUR 231 million (TL 1,050 million)
Accounting classification	Subordinated Loans	Subordinated Loans	Subordinated Loans	Subordinated Loans
Original date of issuance	19 December 2013	11 March 2014	26 June 2014	26 May 2015
Perpetual or dated	Dated	Dated	Dated	Dated
Original maturity date	51 years	10 years	10 years	10 years
Issuer call subject to prior BRSA approval	Yes	Yes	Yes	Yes
Optional call date, contingent call dates and redemption amount	5th year	5th year	5th year	5th year
Subsequent call dates, if applicable	After 5th year	After 5th year	After 5th year	After 5th year
Coupons/dividends	-	-	-	-
Fixed or floating dividend/coupon	Floating	Floating	Floating	Floating
Coupon rate and any related index	USD/TL Swap rate+ 2.86%	Libor+2.775% and Euribor+2.29%	Libor+2.27% and Euribor+2.17%	Libor+2.19% and Euribor+1.68%
Existence of a dividend stopper	-	-	-	-
Fully discretionary, partially discretionary or mandatory	-	-	-	-
Existence of step up or other incentive to redeem	None	None	None	None
Noncumulative or cumulative	-	-	-	-
Convertible or non-convertible	None	None	None	None
If convertible, conversion trigger(s)	-	-	-	-
If convertible, fully or partially	-	-	-	-
If convertible, conversion rate	-	-	-	-
If convertible, mandatory or optional conversion	-	-	-	-

(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish, See Note 1.b of section three)

## ING Bank A.Ş. and its Financial Subsidiaries

# Notes to consolidated financial statements as of and for the Year Ended 31 December 2017 (continued)

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

### I. Explanations on consolidated capital (continued)

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	-	-	-	-

<sup>(1)</sup> The subordinated loan amounting to TL 250 million (full TL) obtained from ING Bank N.V. on 21 December 2012 was paid on 21 December 2017, at the end of the fifth year by using the early redemption option, in accordance with the BRSA's approval letter dated 19 December 2017.

### Explanations on reconciliation of capital items to balance sheet

Risk classifications	Carrying amount	Amounts in equity calculation <sup>(1)</sup>
Shareholders' equity	5,914,400	5,914,400
Gains from cash flow hedge transactions	250,288	(250,288)
Leasehold improvements on operational leases	35,013	(35,013)
Goodwill and intangible assets	40,055	(30,191)
General provision	688,786	542,573
Subordinated debt	3,038,967	3,012,352
Other deductions from shareholders' equity	21,005	(21,005)
<b>Capital</b>		<b>9,132,828</b>

<sup>(1)</sup> General provisions limited by 1.25% of credit risk weighted assets is taken into consideration regarding to capital calculation.

### II. Explanations on consolidated credit risk

1. The Parent Bank's credit risk management strategy consists of limit settings within legal limitations, conservative credit allocation structure, proper documentation structure in line with the standards and strong monitoring and follow-up systems. Risk management strategy also includes sector-specific, currency and customer diversification. With the credit evaluations and monthly reporting to the top level management, loans having high exposures and factors that may cause deterioration in the loan quality are closely monitored, preventing the credit quality to decrease. Additionally, various analysis about concentration risks is made for monitoring portfolio risk as well as within the scope of Internal Capital Adequacy Assessment Process ("ICAAP") and these activities are supported by stress tests. The sectoral distributions of loans are reported monthly and can be limited according to the conjunctions. However, geographical limitation is not implemented. Documentation for risk management strategy is revised at least once a year under the supervision of the Audit Committee.

## ING Bank A.Ş. and its Financial Subsidiaries

# Notes to consolidated financial statements as of and for the Year Ended 31 December 2017 (continued)

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

### II. Explanations on consolidated credit risk (continued)

As prescribed in the related legislation, the credit worthiness of the debtors is monitored regularly. The credit limits are determined by the Board of Directors, the Parent Bank's Credit Committee and other related credit departments. The account statements related to given loans are obtained and reviewed as prescribed in the legislation. The Parent Bank receives sufficient collateral for the loans given and other receivables. The received collaterals comprise of personal and legal entity guarantees, pledge of vehicle, mortgages, cash blockage and customer checks.

Loans that have overdue principal, interest or both for less than 90 days after the maturity or due date are considered past due loans by the Parent Bank. Loans that have overdue principal, interest or both for more than 90 days after the maturity or due date or the debtors of which are deemed unworthy by the Parent Bank are considered impaired loans.

The Parent Bank calculates general loan loss provision for past due loans and special provision for impaired loans in accordance with the "Regulation on Principles and Procedures on Determining the Qualifications of Banks' Loans and Other Receivables and the Provision for These Loans and Other Receivables".

The sum of risk exposures that are offset and for which credit risk mitigation is not applied are presented monthly to the Audit Committee per different risk categories and types and monthly, periodically and annual changes are monitored by the senior management.

Risk classifications	Current period risk amount <sup>(*)</sup>	Current period average <sup>(**)</sup>	Prior period risk amount <sup>(*)</sup>	Prior period average <sup>(**)</sup>
Conditional and unconditional receivables from central governments and Central Banks	7,326,609	8,141,945	8,851,564	9,864,384
Conditional and unconditional receivables from regional or local governments	525,771	318,778	267,382	321,456
Conditional and unconditional receivables from administrative bodies and non-commercial enterprises	7	3	1	1
Conditional and unconditional receivables from multilateral development banks	-	-	-	-
Conditional and unconditional receivables from international organizations	-	-	-	-
Conditional and unconditional receivables from banks and brokerage houses	6,156,322	6,741,314	6,781,082	4,937,376
Conditional and unconditional receivables from corporates	24,398,200	23,421,821	23,329,919	22,261,697
Conditional and unconditional receivables from retail portfolios	19,872,587	18,494,325	16,697,570	14,411,672
Conditional and unconditional receivables secured by mortgages	4,989,117	5,424,011	5,384,500	5,609,124
Past due receivables	94,557	96,096	107,876	127,439
Receivables defined under high risk category by BRSA	406,941	376,038	336,859	1,728,642
Securities collateralized by mortgages	-	-	-	-
Securitization positions	-	-	-	-
Short-term receivables from banks, brokerage houses and corporates	-	-	-	-
Investments similar to collective investment funds	-	-	-	-
Stock transactions	8,060	74,474	110,098	42,811
Other receivables	3,645,688	2,910,986	1,932,996	1,927,654
<b>Total</b>	<b>67,423,859</b>	<b>65,999,791</b>	<b>63,799,847</b>	<b>61,232,256</b>

<sup>(\*)</sup> The figures represent total risk amounts before credit risk mitigation and after credit conversion factor.

<sup>(\*\*)</sup> The average risk amount was calculated by taking the arithmetic average of the values in the monthly reports prepared in balance sheet period in regards to "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks".

2. Control limits exist on forward and option agreements and other similar agreements. The undertaken credit risk of these types of instruments is managed together with market risk.

3. Related to forward transactions, options and similar agreements, the bank operates the daily collateral management policies in accordance with ISDA agreements (CSA) and where needed the credit exposure is reduced by the usage of rights and performing of the acts.

(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish, See Note 1.b of section three)

## ING Bank A.Ş. and its Financial Subsidiaries

# Notes to consolidated financial statements as of and for the Year Ended 31 December 2017 (continued)

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

### II. Explanations on consolidated credit risk (continued)

4. Non-cash loans turned into cash loans are included in the same risk group as overdue cash loans which are not collected upon maturity.

When there is an issue or it is evaluated that the company might have an issue on repayments of the loan that are given in Corporate, Commercial, SME Banking segments, such companies have been transferred to Credits Restructuring and Recovery Group. The rating of all companies that were transferred to Credits Restructuring and Recovery Group have been reassessed. As a rule, the rating of the company has been reduced at the time of transfer, company's restructuring decision has been reconsidered and after decision is made, the monitoring methods in the legislation have been applied. Existing ratings of the companies that are in legal follow up and are not restructured have been reduced again. On the other hand, companies that have issues on their financial positions or business operations but not restructured, have been monitored closely in terms of company operations and cash flows.

The Group considers that long-term commitments are more exposed to credit risk than short-term commitments, and risk decomposition has been made according to that.

5. Transactions in foreign countries have been made with many correspondent banks in many countries. The counterparty limits have been set for the risks that may arise in transactions with banks. Credit risks have been managed according to credit worthiness and limits of the counterparties.

The Group does not have any material credit risk concentration as an active participant of international banking market when considered with financial operations of other financial institutions.

6. The proportion of the Group's top 100 and 200 cash loan balances in total cash loans is 31% and 37% respectively (31 December 2016: 30% and 37%).

The proportion of the Group's top 100 and 200 customers' non-cash loan balances in total non-cash loans is 67% and 74% (31 December 2016: 62% and 71%).

The proportion of the Group's top 100 and 200 customers' cash and non-cash loan balances in total balance sheet assets and non-cash loans 37% and 42% (31 December 2016: 36% and 42%).

7. The Group provided a general loan loss provision amounting to TL 688,786 (31 December 2016: TL 625,669).

## ING Bank A.Ş. and its Financial Subsidiaries

# Notes to consolidated financial statements as of and for the Year Ended 31 December 2017 (continued)

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

### II. Explanations on consolidated credit risk (continued)

#### 8. Amount of profile on significant risks in significant regions

##### Profile on significant risks in significant regions <sup>(1)</sup>

	Risk categories <sup>(2)</sup>						
	1	2	3	4	5	6	7
<b>Current period</b>							
Domestic	7,326,609	525,771	7	-	-	2,985,341	24,073,709
European Union Countries	-	-	-	-	-	2,617,427	314,953
OECD Countries <sup>(3)</sup>	-	-	-	-	-	106,126	-
Off- Shore banking regions	-	-	-	-	-	16,864	-
USA, Canada	-	-	-	-	-	371,898	-
Other Countries	-	-	-	-	-	58,666	9,538
Investment and associates, subsidiaries and joint ventures	-	-	-	-	-	-	-
Undistributed assets/liabilities	-	-	-	-	-	-	-
<b>Total</b>	<b>7,326,609</b>	<b>525,771</b>	<b>7</b>	<b>-</b>	<b>-</b>	<b>6,156,322</b>	<b>24,398,200</b>

	Risk categories <sup>(2)</sup>						
	1	2	3	4	5	6	7
<b>Prior period</b>							
Domestic	8,851,564	267,382	1	-	-	3,666,034	22,715,909
European Union Countries	-	-	-	-	-	2,589,066	407,559
OECD Countries <sup>(3)</sup>	-	-	-	-	-	32,009	-
Off- Shore banking regions	-	-	-	-	-	8,350	-
USA, Canada	-	-	-	-	-	362,576	-
Other Countries	-	-	-	-	-	123,047	-
Investment in associates, subsidiaries and joint ventures	-	-	-	-	-	-	206,451
Undistributed assets/liabilities	-	-	-	-	-	-	-
<b>Total</b>	<b>8,851,564</b>	<b>267,382</b>	<b>1</b>	<b>-</b>	<b>-</b>	<b>6,781,082</b>	<b>23,329,919</b>

<sup>(1)</sup> The figures represent total risk amounts before credit risk mitigation and after credit conversion factor

<sup>(2)</sup> Risk categories that are defined in "Communiqué on Measurement and Assessment of Capital Adequacy of Banks"

- 1- Conditional and unconditional receivables from central governments and Central Banks
- 2- Conditional and unconditional receivables from regional or local governments
- 3- Conditional and unconditional receivables from administrative bodies and non-commercial enterprises
- 4- Conditional and unconditional receivables from multilateral development banks
- 5- Conditional and unconditional receivables from international organizations
- 6- Conditional and unconditional receivables from banks and brokerage houses
- 7- Conditional and unconditional receivables from corporates
- 8- Conditional and unconditional receivables from retail portfolios
- 9- Conditional and unconditional receivables secured by mortgages
- 10- Past due receivables
- 11- Receivables defined under high risk category by BRSA
- 12- Securities collateralized by mortgages
- 13- Securitization positions
- 14- Short-term receivables from banks, brokerage houses and corporates
- 15- Investments similar to collective investment funds
- 16- Stock transactions
- 17- Other receivables

<sup>(3)</sup> EU countries, OECD countries other than USA and Canada



(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish, See Note 1.b of section three)

## ING Bank A.Ş. and its Financial Subsidiaries

# Notes to consolidated financial statements as of and for the Year Ended 31 December 2017 (continued)

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

Risk categories (**)										
8	9	10	11	12	13	14	15	16	17	Total
19,868,743	4,988,070	94,525	406,941	-	-	-	-	7,904	3,645,688	63,923,308
2,218	1,047	5	-	-	-	-	-	156	-	2,935,806
73	-	-	-	-	-	-	-	-	-	106,199
-	-	-	-	-	-	-	-	-	-	16,864
108	-	-	-	-	-	-	-	-	-	372,006
1,445	-	27	-	-	-	-	-	-	-	69,676
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
<b>19,872,587</b>	<b>4,989,117</b>	<b>94,557</b>	<b>406,941</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8,060</b>	<b>3,645,688</b>	<b>67,423,859</b>

Risk categories (**)										
8	9	10	11	12	13	14	15	16	17	Total
16,689,340	5,382,162	107,824	336,858	-	-	-	-	109,971	1,932,662	60,059,707
4,105	1,250	1	-	-	-	-	-	127	-	3,002,108
303	-	-	-	-	-	-	-	-	-	32,312
32	-	-	-	-	-	-	-	-	-	8,382
46	533	-	-	-	-	-	-	-	-	363,155
3,744	555	51	1	-	-	-	-	-	-	127,398
-	-	-	-	-	-	-	-	-	334	206,785
-	-	-	-	-	-	-	-	-	-	-
<b>16,697,570</b>	<b>5,384,500</b>	<b>107,876</b>	<b>336,859</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>110,098</b>	<b>1,932,996</b>	<b>63,799,847</b>

## ING Bank A.Ş. and its Financial Subsidiaries

# Notes to consolidated financial statements as of and for the Year Ended 31 December 2017 (continued)

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

### II. Explanations on consolidated credit risk (continued)

#### 9. Risk profile according to sectors and counterparties <sup>(\*)</sup>

Current period	Risk categories <sup>(**)</sup>						
	1	2	3	4	5	6	7
<b>Agriculture</b>	-	-	-	-	-	-	220,377
Farming and raising livestock	-	-	-	-	-	-	139,620
Forestry	-	-	-	-	-	-	32,545
Fishing	-	-	-	-	-	-	48,212
<b>Manufacturing</b>	-	-	-	-	-	-	11,917,366
Mining	-	-	-	-	-	-	2,051,271
Production	-	-	-	-	-	-	9,278,054
Electricity, gas, water	-	-	-	-	-	-	588,041
<b>Construction</b>	-	-	-	-	-	-	1,506,583
<b>Services</b>	5,561,085	-	2	-	-	6,150,916	10,570,815
Wholesale and retail trade	-	-	-	-	-	-	4,795,313
Hotel food, beverage services	-	-	-	-	-	-	575,791
Transportation and telecommunication	-	-	-	-	-	-	1,925,357
Financial Institutions	5,561,082	-	-	-	-	6,150,916	760,783
Real Estate and renting service	-	-	-	-	-	-	723,693
Self-employment service	3	-	-	-	-	-	1,273,619
Education services	-	-	-	-	-	-	50,154
Health and social services	-	-	2	-	-	-	466,105
<b>Other</b>	1,765,524	525,771	5	-	-	5,406	183,059
<b>Total</b>	<b>7,326,609</b>	<b>525,771</b>	<b>7</b>	<b>-</b>	<b>-</b>	<b>6,156,322</b>	<b>24,398,200</b>

<sup>(\*)</sup> The figures represent total risk amounts before credit risk mitigation and after credit conversion factor.

<sup>(\*\*)</sup> Stands for the risk categories listed in "Regulation on Measurement and Assessment of Capital Adequacy of Banks.

- 1- Conditional and unconditional receivables from central governments and Central Banks
- 2- Conditional and unconditional receivables from regional or local governments
- 3- Conditional and unconditional receivables from administrative bodies and non-commercial enterprises
- 4- Conditional and unconditional receivables from multilateral development banks
- 5- Conditional and unconditional receivables from international organizations
- 6- Conditional and unconditional receivables from banks and brokerage houses
- 7- Conditional and unconditional receivables from corporates
- 8- Conditional and unconditional receivables from retail portfolios
- 9- Conditional and unconditional receivables secured by mortgages
- 10- Past due receivables
- 11- Receivables defined under high risk category by BRSA
- 12- Securities collateralized by mortgages
- 13- Securitization positions
- 14- Short-term receivables from banks, brokerage houses and corporates
- 15- Investments similar to collective investment funds
- 16- Stock transactions
- 17- Other receivables

(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish, See Note 1.b of section three)

## ING Bank A.Ş. and its Financial Subsidiaries

# Notes to consolidated financial statements as of and for the Year Ended 31 December 2017 (continued)

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

										Risk categories <sup>(*)</sup>		
8	9	10	11	12	13	14	15	16	17	TL	FC	Total
176,768	52,616	-	2,468	-	-	-	-	-	-	277,517	174,712	452,229
143,704	46,273	-	2,402	-	-	-	-	-	-	210,597	121,402	331,999
21,651	4,862	-	64	-	-	-	-	-	-	54,709	4,413	59,122
11,413	1,481	-	2	-	-	-	-	-	-	12,211	48,897	61,108
<b>2,771,802</b>	<b>1,167,619</b>	-	<b>143,007</b>	-	-	-	-	-	-	<b>5,891,808</b>	<b>10,107,986</b>	<b>15,999,794</b>
111,382	59,225	-	6,627	-	-	-	-	-	-	204,438	2,024,067	2,228,505
2,602,793	1,096,636	-	132,417	-	-	-	-	-	-	5,386,079	7,723,821	13,109,900
57,627	11,758	-	3,963	-	-	-	-	-	-	301,291	360,098	661,389
<b>679,359</b>	<b>148,199</b>	-	<b>23,277</b>	-	-	-	-	-	-	<b>1,318,085</b>	<b>1,039,333</b>	<b>2,357,418</b>
<b>5,207,786</b>	<b>2,124,822</b>	-	<b>227,119</b>	-	-	-	-	<b>7,598</b>	-	<b>15,195,340</b>	<b>14,654,803</b>	<b>29,850,143</b>
4,171,673	940,376	-	151,738	-	-	-	-	-	-	8,632,979	1,426,121	10,059,100
159,762	959,140	-	61,332	-	-	-	-	-	-	571,890	1,184,135	1,756,025
461,677	99,234	-	5,137	-	-	-	-	-	-	913,073	1,578,332	2,491,405
30,421	7,159	-	1,553	-	-	-	-	7,598	-	4,026,704	8,492,808	12,519,512
88,675	17,641	-	1,187	-	-	-	-	-	-	489,269	341,927	831,196
199,760	32,429	-	3,163	-	-	-	-	-	-	343,409	1,165,565	1,508,974
26,238	30,300	-	859	-	-	-	-	-	-	68,278	39,273	107,551
69,580	38,543	-	2,150	-	-	-	-	-	-	149,738	426,642	576,380
<b>11,036,872</b>	<b>1,495,861</b>	<b>94,557</b>	<b>11,070</b>	-	-	-	-	<b>462</b>	<b>3,645,688</b>	<b>16,665,181</b>	<b>2,099,094</b>	<b>18,764,275</b>
<b>19,872,587</b>	<b>4,989,117</b>	<b>94,557</b>	<b>406,941</b>	-	-	-	-	<b>8,060</b>	<b>3,645,688</b>	<b>39,347,931</b>	<b>28,075,928</b>	<b>67,423,859</b>

## ING Bank A.Ş. and its Financial Subsidiaries

# Notes to consolidated financial statements as of and for the Year Ended 31 December 2017 (continued)

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

### II. Explanations on consolidated credit risk (continued)

#### 9. Risk profile according to sectors and counterparties <sup>(\*)</sup>

Prior period	Risk categories <sup>(**)</sup>						
	1	2	3	4	5	6	7
<b>Agriculture</b>	-	-	-	-	-	-	<b>201,606</b>
Farming and raising livestock	-	-	-	-	-	-	115,856
Forestry	-	-	-	-	-	-	24,310
Fishing	-	-	-	-	-	-	61,440
<b>Manufacturing</b>	-	-	-	-	-	-	<b>11,605,129</b>
Mining	-	-	-	-	-	-	1,676,584
Production	-	-	-	-	-	-	9,416,249
Electricity, gas, water	-	-	-	-	-	-	512,296
<b>Construction</b>	-	-	-	-	-	-	<b>1,342,986</b>
<b>Services</b>	<b>6,224,608</b>	-	<b>1</b>	-	-	<b>6,771,988</b>	<b>10,023,141</b>
Wholesale and retail trade	-	-	-	-	-	-	4,406,143
Hotel food, beverage services	-	-	-	-	-	-	663,573
Transportation and telecommunication	-	-	-	-	-	-	1,838,882
Financial Institutions	6,224,605	-	-	-	-	6,771,988	722,264
Real Estate and renting service	-	-	-	-	-	-	927,833
Self-employment service	3	-	-	-	-	-	1,022,528
Education services	-	-	-	-	-	-	87,881
Health and social services	-	-	1	-	-	-	354,037
<b>Other</b>	<b>2,626,956</b>	<b>267,382</b>	-	-	-	<b>9,094</b>	<b>157,057</b>
<b>Total</b>	<b>8,851,564</b>	<b>267,382</b>	<b>1</b>	-	-	<b>6,781,082</b>	<b>23,329,919</b>

<sup>(\*)</sup> The figures represent total risk amounts before credit risk mitigation and after credit conversion factor.

<sup>(\*\*)</sup> Stands for the risk categories listed in "Regulation on Measurement and Assessment of Capital Adequacy of Banks.

- 1- Conditional and unconditional receivables from central governments and Central Banks
- 2- Conditional and unconditional receivables from regional or local governments
- 3- Conditional and unconditional receivables from administrative bodies and non-commercial enterprises
- 4- Conditional and unconditional receivables from multilateral development banks
- 5- Conditional and unconditional receivables from international organizations
- 6- Conditional and unconditional receivables from banks and brokerage houses
- 7- Conditional and unconditional receivables from corporates
- 8- Conditional and unconditional receivables from retail portfolios
- 9- Conditional and unconditional receivables secured by mortgages
- 10- Past due receivables
- 11- Receivables defined under high risk category by BRSA
- 12- Securities collateralized by mortgages
- 13- Securitization positions
- 14- Short-term receivables from banks, brokerage houses and corporates
- 15- Investments similar to collective investment funds
- 16- Stock transactions
- 17- Other receivables

(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish, See Note 1.b of section three)

## ING Bank A.Ş. and its Financial Subsidiaries

# Notes to consolidated financial statements as of and for the Year Ended 31 December 2017 (continued)

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

Risk categories ("")											TL	FC	Total
8	9	10	11	12	13	14	15	16	17				
116,027	72,523	-	2,026	-	-	-	-	-	-	-	233,101	159,081	392,182
92,364	64,064	-	1,100	-	-	-	-	-	-	-	180,537	92,847	273,384
16,776	7,150	-	872	-	-	-	-	-	-	-	44,107	5,001	49,108
6,887	1,309	-	54	-	-	-	-	-	-	-	8,457	61,233	69,690
1,991,856	1,324,515	-	102,660	-	-	-	-	-	-	-	4,610,425	10,413,735	15,024,160
82,105	103,488	-	11,253	-	-	-	-	-	-	-	167,005	1,706,425	1,873,430
1,878,069	1,211,236	-	88,345	-	-	-	-	-	-	-	4,223,434	8,370,465	12,593,899
31,682	9,791	-	3,062	-	-	-	-	-	-	-	219,986	336,845	556,831
446,095	153,833	-	15,682	-	-	-	-	-	-	-	964,727	993,869	1,958,596
3,661,533	2,368,921	-	201,287	-	-	-	-	7,597	-	-	13,800,948	15,458,128	29,259,076
2,919,085	1,063,957	-	183,831	-	-	-	-	-	-	-	6,713,292	1,859,724	8,573,016
116,847	1,040,221	-	4,077	-	-	-	-	-	-	-	508,975	1,315,743	1,824,718
349,482	109,821	-	5,821	-	-	-	-	-	-	-	788,904	1,515,102	2,304,006
27,375	10,104	-	1,498	-	-	-	-	7,597	-	-	4,892,305	8,873,126	13,765,431
56,642	24,357	-	2,466	-	-	-	-	-	-	-	479,520	531,778	1,011,298
126,933	40,862	-	1,745	-	-	-	-	-	-	-	259,220	932,851	1,192,071
17,919	37,999	-	212	-	-	-	-	-	-	-	73,494	70,517	144,011
47,250	41,600	-	1,637	-	-	-	-	-	-	-	85,238	359,287	444,525
10,482,059	1,464,708	107,876	15,204	-	-	-	-	102,501	1,932,996	-	16,603,786	562,047	17,165,833
16,697,570	5,384,500	107,876	336,859	-	-	-	-	110,098	1,932,996	-	36,212,987	27,586,860	63,799,847

## ING Bank A.Ş. and its Financial Subsidiaries

# Notes to consolidated financial statements as of and for the Year Ended 31 December 2017 (continued)

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

### II. Explanations on consolidated credit risk (continued)

#### 10. Term distribution of risks with term structure <sup>(\*)</sup>

Risk categories	Time to maturity					Demand	Unallocated	Total
	Current period	1 month	1-3 months	3-6 months	6-12 months			
<b>Credit risk weighted assets</b>								
Conditional and unconditional receivables from central governments and Central Banks	5,702,780	-	-	-	1,588,186	35,643	-	7,326,609
Conditional and unconditional receivables from regional or local governments	1,429	-	-	53,851	470,486	5	-	525,771
Conditional and unconditional receivables from administrative bodies and non-commercial enterprises	-	-	-	-	-	7	-	7
Conditional and unconditional receivables from multilateral development banks	-	-	-	-	-	-	-	-
Conditional and unconditional receivables from international organizations	-	-	-	-	-	-	-	-
Conditional and unconditional receivables from banks and brokerage houses	1,733,238	635,984	375,557	536,845	2,573,792	300,906	-	6,156,322
Conditional and unconditional receivables from corporates	1,397,637	2,184,202	1,977,279	2,575,154	13,839,427	2,424,501	-	24,398,200
Conditional and unconditional receivables from retail portfolios	467,509	1,216,996	1,225,901	2,177,011	13,566,285	1,218,885	-	19,872,587
Conditional and unconditional receivables secured by mortgages	56,883	197,251	135,255	258,727	3,650,525	690,476	-	4,989,117
Past due receivables	-	-	-	-	-	-	94,557	94,557
Receivables defined under high risk category by BRSA	-	-	-	-	-	406,941	-	406,941
Securities collateralized by mortgages	-	-	-	-	-	-	-	-
Securitization positions	-	-	-	-	-	-	-	-
Short-term receivables from banks, brokerage houses and corporates	-	-	-	-	-	-	-	-
Investments similar to collective investment funds	-	-	-	-	-	-	-	-
Stock transactions	-	-	-	-	-	8,060	-	8,060
Other receivables	-	-	-	-	-	-	3,645,688	3,645,688
<b>Total</b>	<b>9,359,476</b>	<b>4,234,433</b>	<b>3,713,992</b>	<b>5,601,588</b>	<b>35,688,701</b>	<b>5,085,424</b>	<b>3,740,245</b>	<b>67,423,859</b>

<sup>(\*)</sup> The figures represent total risk amounts before credit risk mitigation and after credit conversion factor.

(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish, See Note 1.b of section three)

## ING Bank A.Ş. and its Financial Subsidiaries

# Notes to consolidated financial statements as of and for the Year Ended 31 December 2017 (continued)

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

### II. Explanations on consolidated credit risk (continued)

Risk categories	Time to maturity							Total
	Prior period	1 month	1-3 months	3-6 months	6-12 months	Over 1 year	Demand	
<b>Credit risk weighted assets</b>								
Conditional and unconditional receivables from central governments and Central Banks	6,224,604	-	-	1,012,703	1,532,982	81,275	-	8,851,564
Conditional and unconditional receivables from regional or local governments	-	-	-	-	267,382	-	-	267,382
Conditional and unconditional receivables from administrative bodies and non-commercial enterprises	-	-	-	-	-	1	-	1
Conditional and unconditional receivables from multilateral development banks	-	-	-	-	-	-	-	-
Conditional and unconditional receivables from international organizations	-	-	-	-	-	-	-	-
Conditional and unconditional receivables from banks and brokerage houses	2,221,039	671,080	419,273	939,205	2,341,166	189,319	-	6,781,082
Conditional and unconditional receivables from corporates	1,731,664	1,770,067	1,574,738	3,107,120	11,262,953	3,883,377	-	23,329,919
Conditional and unconditional receivables from retail portfolios	460,590	1,379,800	1,234,447	1,931,264	9,845,365	1,846,104	-	16,697,570
Conditional and unconditional receivables secured by mortgages	46,487	166,196	168,321	238,588	3,855,004	909,904	-	5,384,500
Past due receivables	-	-	-	-	-	-	107,876	107,876
Receivables defined under high risk category by BRSA	-	-	-	-	-	336,859	-	336,859
Securities collateralized by mortgages	-	-	-	-	-	-	-	-
Securitization positions	-	-	-	-	-	-	-	-
Short-term receivables from banks, brokerage houses and corporates	-	-	-	-	-	-	-	-
Investments similar to collective investment funds	-	-	-	-	-	-	-	-
Stock transactions	-	-	-	-	-	110,098	-	110,098
Other receivables	-	-	-	-	-	-	1,932,996	1,932,996
<b>Total</b>	<b>10,684,384</b>	<b>3,987,143</b>	<b>3,396,779</b>	<b>7,228,880</b>	<b>29,104,852</b>	<b>7,356,937</b>	<b>2,040,872</b>	<b>63,799,847</b>

(\*) The figures represent total risk amounts before credit risk mitigation and after credit conversion factor.

## ING Bank A.Ş. and its Financial Subsidiaries

# Notes to consolidated financial statements as of and for the Year Ended 31 December 2017 (continued)

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

### II. Explanations on consolidated credit risk (continued)

#### 11. Explanations on risk categories as per the Article 6 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks

In determining the risk weights of the risk categories mentioned in article 6 of the Regulation on Measurement and Assessment of Capital Adequacy of Banks, the Parent Bank uses the ratings provided by international rating firm, Fitch Ratings in the Credit Risk Based Amount calculations as of 31 December 2017. Fitch ratings are used for the risk exposures to banks where the counterparties are resident in abroad. Furthermore, Fitch ratings are used for foreign currency securities issued by Treasury and other foreign currency risks that are associated with Central governments.

Matching of the risk ratings used in calculations with the credit quality grades stated in the Regulation on Measurement and Assessment of Capital Adequacy of Banks is presented below.

Credit quality level	1	2	3	4	5	6
Fitch rating note	AAA and AA-	A+ and A-	BBB+ and BBB-	BB+ and BB-	B+ and B-	CCC+ and below

#### Risk amounts based on risk weights

Current period	0%	10%	20%	35%	50%	75%	100%	150%	200%	250%	1250%	Deducted from equity
Amount before credit risk mitigation	10,014,725	-	2,046,506	-	2,650,021	22,409,984	30,109,588	193,035	-	-	-	86,209
Amount after credit risk mitigation	15,294,032	-	998,576	1,926,437	5,214,213	15,927,715	26,512,885	193,035	-	-	-	86,209

Prior period	0%	10%	20%	35%	50%	75%	100%	150%	200%	250%	1250%	Deducted from equity
Amount before credit risk mitigation	3,808,298	-	2,442,961	-	10,886,517	19,416,502	27,115,401	130,168	-	-	-	88,720
Amount after credit risk mitigation	3,808,298	-	1,122,347	2,003,503	13,708,185	16,504,652	24,777,222	130,168	-	-	-	88,720

#### 12. Miscellaneous information regarding important sectors or counterparty type

Loans that have overdue principal, interest or both for less than 90 days after the maturity or due date are considered past due loans by the Parent Bank. Loans that have overdue principal, interest or both for more than 90 days after the maturity or due date or the debtors of which are deemed unworthy by the Bank are considered impaired loans.

The Bank calculates general loan loss provision for past due loans and special provision for impaired loans in accordance with the "Regulation on Principles and Procedures on Determining the Qualifications of Banks' Loans and Other Receivables and the Provision for These Loans and Other Receivables".



(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish, See Note 1.b of section three)

## ING Bank A.Ş. and its Financial Subsidiaries

# Notes to consolidated financial statements as of and for the Year Ended 31 December 2017 (continued)

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

### II. Explanations on consolidated credit risk (continued)

Current period Important sectors	Loans <sup>(*)</sup>			
	Impaired	Past due	Value adjustments	Provisions
<b>Agriculture</b>	<b>13,307</b>	<b>3,373</b>	<b>68</b>	<b>10,839</b>
Farming and raising livestock	10,318	2,802	57	7,916
Forestry	1,885	571	11	1,821
Fishing	1,104	-	-	1,102
<b>Manufacturing</b>	<b>326,258</b>	<b>47,542</b>	<b>1,229</b>	<b>183,253</b>
Mining	32,416	956	37	25,789
Production	281,735	44,237	1,144	149,320
Electricity, gas, water	12,107	2,349	48	8,144
<b>Construction</b>	<b>98,634</b>	<b>30,297</b>	<b>1,025</b>	<b>75,356</b>
<b>Services</b>	<b>575,568</b>	<b>159,801</b>	<b>3,759</b>	<b>348,446</b>
Wholesale and retail trade	449,841	116,896	2,824	298,101
Hotel food, beverage services	83,159	15,560	385	21,827
Transportation and telecommunication	20,837	15,434	383	15,699
Financial institutions	2,667	913	24	1,113
Real estate and lending service	4,790	1,506	39	3,603
Self-employment service	8,283	3,078	51	5,120
Education service	1,458	6,255	46	599
Health and social services	4,533	159	7	2,384
<b>Other</b>	<b>691,374</b>	<b>1,230,350</b>	<b>50,354</b>	<b>585,749</b>
<b>Total</b>	<b>1,705,141</b>	<b>1,471,363</b>	<b>56,435</b>	<b>1,203,643</b>

<sup>(\*)</sup> Represents the distribution of cash loans.

Prior period Important sectors	Loans <sup>(*)</sup>			
	Impaired	Past due	Value adjustments	Provisions
<b>Agriculture</b>	<b>12,164</b>	<b>1,535</b>	<b>40</b>	<b>10,139</b>
Farming and raising livestock	9,162	1,431	37	8,063
Forestry	1,751	104	3	880
Fishing	1,251	-	-	1,196
<b>Manufacturing</b>	<b>236,996</b>	<b>79,196</b>	<b>2,466</b>	<b>134,337</b>
Mining	26,095	2,731	56	14,843
Production	205,287	74,964	2,359	116,942
Electricity, gas, water	5,614	1,501	51	2,552
<b>Construction</b>	<b>63,729</b>	<b>15,542</b>	<b>347</b>	<b>48,047</b>
<b>Services</b>	<b>487,553</b>	<b>147,505</b>	<b>4,073</b>	<b>286,266</b>
Wholesale and retail trade	428,253	105,309	2,946	244,420
Hotel food, beverage services	12,915	9,487	281	8,838
Transportation and telecommunication	25,077	22,348	604	19,257
Financial institutions	4,135	783	21	2,638
Real estate and lending service	5,533	1,903	37	3,067
Self-employment service	6,282	5,966	140	4,537
Education service	708	819	21	496
Health and social services	4,650	890	23	3,013
<b>Other</b>	<b>609,837</b>	<b>1,119,534</b>	<b>47,487</b>	<b>486,754</b>
<b>Total</b>	<b>1,410,279</b>	<b>1,363,312</b>	<b>54,413</b>	<b>965,543</b>

<sup>(\*)</sup> Represents the distribution of cash loans.

## ING Bank A.Ş. and its Financial Subsidiaries

# Notes to consolidated financial statements as of and for the Year Ended 31 December 2017 (continued)

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

### II. Explanations on consolidated credit risk (continued)

#### 13. Information related to value adjustments and credit provisions

Current period	Opening balance	Provisions made within the term	Provision cancellations	Other adjustments <sup>(*)</sup>	Closing balance
Special provisions	965,543	507,844	(269,744)	-	1,203,643
General provisions	625,669	64,155	(1,038)	-	688,786

<sup>(\*)</sup> Determined according to currency differences, merges, acquisitions and selling of subsidiaries.

Prior period	Opening balance	Provisions made within the term	Provision cancellations	Other adjustments <sup>(*)</sup>	Closing balance
Special provisions	677,081	526,084	(237,622)	-	965,543
General provisions	577,322	48,384	(37)	-	625,669

<sup>(\*)</sup> Determined according to currency differences, merges, acquisitions and selling of subsidiaries.

#### 14. Explanations about exposures subject to private sector

Country name	RWA calculations for private sector loans in banking book	RWA calculations for trading book
Turkey	39,742,768	322,341
United Kingdom	712,529	127,113
France	230,448	85,395
USA	151,239	56,212
Switzerland	137,151	-
Netherlands	72,696	16,170
Belgium	68,763	-
Germany	63,902	104
Italy	26,075	-
Russian Federation	1,990	-
Other	163,418	158

### III. 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 3.8416 (Full TL) and 4.5477 (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" (31 December 2017)	3.7917	4.5455
Previous days;		
29 December 2017	3.7917	4.5455
28 December 2017	3.7775	4.5115
27 December 2017	3.8190	4.5446
26 December 2017	3.8096	4.5205
25 December 2017	3.8055	4.5160

(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish, See Note 1.b of section three)

## ING Bank A.Ş. and its Financial Subsidiaries

# Notes to consolidated financial statements as of and for the Year Ended 31 December 2017 (continued)

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

### III. Explanation on consolidated currency risk (continued)

#### Information related to consolidated currency risk:

	EURO	USD	Other FC	Total
<b>Current period</b>				
<b>Assets</b>				
Cash (cash in vault, foreign currency cash, money in transit, checks purchased) and balances with the Central Bank of Turkey	2,759,034	3,477,309	1,135,174	7,371,517
Banks	394,373	46,763	96,442	537,578
Financial assets at fair value through profit or loss (net)	5,978	5,843	-	11,821
Interbank money market placements	-	-	-	-
Available for sale financial assets (net)	156	-	-	156
Loans and receivables	12,245,342	3,802,368	2,329	16,050,039
Investments in associates, subsidiaries and joint ventures	-	-	-	-
Held to maturity investments (net)	-	-	-	-
Hedging derivative financial assets	-	-	-	-
Tangible assets (net)	3	-	-	3
Intangible assets (net)	-	-	-	-
Other assets	1,408,044	205,988	10,167	1,624,199
<b>Total assets</b>	<b>16,812,930</b>	<b>7,538,271</b>	<b>1,244,112</b>	<b>25,595,313</b>
<b>Liabilities</b>				
Bank deposit	1,221,337	239,679	20	1,461,036
Foreign currency deposits	2,101,374	5,439,543	195,344	7,736,261
Funds from interbank money market	-	-	-	-
Borrowings	14,099,153	10,167,943	124,391	24,391,487
Marketable securities issued (net)	-	-	-	-
Miscellaneous payables	17,615	29,819	2,893	50,327
Hedging derivative financial liabilities	4,155	-	-	4,155
Other liabilities	19,648	25,355	666	45,669
<b>Total liabilities</b>	<b>17,463,282</b>	<b>15,902,339</b>	<b>323,314</b>	<b>33,688,935</b>
<b>Net on balance sheet position</b>	<b>(650,352)</b>	<b>(8,364,068)</b>	<b>920,798</b>	<b>(8,093,622)</b>
<b>Net off-balance sheet position</b>	<b>702,801</b>	<b>8,349,703</b>	<b>(919,681)</b>	<b>8,132,823</b>
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
<b>Non-cash loans</b>	<b>1,369,705</b>	<b>4,198,584</b>	<b>97,583</b>	<b>5,665,872</b>
<b>Prior period</b>				
<b>Total assets</b>	<b>16,843,692</b>	<b>8,461,169</b>	<b>1,313,575</b>	<b>26,618,436</b>
<b>Total liabilities</b>	<b>16,839,122</b>	<b>14,272,474</b>	<b>276,580</b>	<b>31,388,176</b>
<b>Net on-balance sheet position</b>	<b>4,570</b>	<b>(5,811,305)</b>	<b>1,036,995</b>	<b>(4,769,740)</b>
<b>Net off-balance sheet position</b>	<b>39,510</b>	<b>5,879,669</b>	<b>(1,036,949)</b>	<b>4,882,230</b>
Financial derivative assets	4,991,207	14,273,754	2,083,929	21,348,890
Financial derivative liabilities	4,951,697	8,394,085	3,120,878	16,466,660
<b>Non-cash loans</b>	<b>1,361,908</b>	<b>3,533,063</b>	<b>125,445</b>	<b>5,020,416</b>

## ING Bank A.Ş. and its Financial Subsidiaries

# Notes to consolidated financial statements as of and for the Year Ended 31 December 2017 (continued)

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

### III. Explanation on consolidated currency risk (continued)

In the foreign currency risk table:

The principal and accrual of TL 955,383 (31 December 2016: TL 2,635,447) of foreign currency indexed loans are shown under loans.

Foreign currency indexed factoring receivables amounting to TL 429,826 (31 December 2016: TL 273,348) are presented under other assets.

The foreign currency amounts not included in currency risk table according to the regulation about Foreign Currency Net General Position/Capital Adequacy Standard Ratio are explained below with the order in the table above.

Held-for-trading derivative financial assets: TL 184,960 (31 December 2016: TL 241,147)

Prepaid expenses: TL 687 (31 December 2016: TL 151)

Held-for trading derivative financial liabilities: TL 183,502 (31 December 2016: TL 192,797)

Hedge funds (Effective Portion): TL (4,240) (31 December 2016: TL (5,203))

Marketable securities valuation differences: None (31 December 2016: TL 94,029)

Interest rate swap (buy) transactions and options (buy): TL 3,818,260 (31 December 2016: TL 2,623,749)

Interest rate swap (sell) transactions and options (sell): TL 3,818,260 (31 December 2016: TL 2,623,749)

TL 134,989 (31 December 2016: TL 43,856) 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 1,054,558 (31 December 2016: TL 797,588)

Forward foreign currency-sell transactions: TL 959,626 (31 December 2016: TL 644,106)

### Sensitivity to currency risk

Table below shows the sensitivity of the Group to a 10% change in USD and EUR rates.

	Percentage change in exchange rates	Effect on profit/loss before tax		Effect on equity <sup>(*)</sup>	
		31 December 2017	31 December 2016	31 December 2017	31 December 2016
USD	10% increase	(1,437)	6,836	-	9,406
USD	10% decrease	1,437	(6,836)	-	(9,406)
EURO	10% increase	5,245	4,408	(424)	(523)
EURO	10% decrease	(5,245)	(4,408)	424	523

<sup>(\*)</sup> Represents effect on equity excluding profit/loss before tax.

### IV. 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.

(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish, See Note 1.b of section three)

## ING Bank A.Ş. and its Financial Subsidiaries

# Notes to consolidated financial statements as of and for the Year Ended 31 December 2017 (continued)

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

### IV. 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
<b>Assets</b>							
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 <sup>(1)</sup>	564,968	1,489,806	437,368	985,688	154,832	1,070,173	4,702,835
<b>Total assets</b>	<b>15,151,575</b>	<b>8,917,706</b>	<b>15,171,774</b>	<b>16,259,056</b>	<b>1,873,385</b>	<b>4,150,429</b>	<b>61,523,925</b>
<b>Liabilities</b>							
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 <sup>(2)</sup>	168,129	185,817	139,419	346	-	7,450,720	7,944,431
<b>Total liabilities</b>	<b>28,046,154</b>	<b>11,560,086</b>	<b>5,209,782</b>	<b>3,559,614</b>	<b>342,995</b>	<b>12,805,294</b>	<b>61,523,925</b>
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)
<b>Total position</b>	<b>(8,379,913)</b>	<b>9,267,842</b>	<b>3,231,372</b>	<b>4,702,344</b>	<b>1,144,168</b>	<b>(8,654,865)</b>	<b>1,310,948</b>

<sup>(1)</sup> Non-interest bearing column in other assets line consists of property and equipment, intangible assets, current tax, deferred tax, assets held for sale, interest free part of financial lease receivables, interest free part of factoring receivables and other assets.

<sup>(2)</sup> Non-interest bearing column in other liabilities line consists of other foreign liabilities, provisions, taxes payable and equity.

## ING Bank A.Ş. and its Financial Subsidiaries

# Notes to consolidated financial statements as of and for the Year Ended 31 December 2017 (continued)

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

### IV. Explanations on consolidated interest rate risk (continued)

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
<b>Assets</b>							
Cash (cash in vault, foreign currency cash, money in transit, checks-purchased) and balances with the Central Bank of Turkey	6,218,315	5,833	-	-	-	641,499	6,865,647
Due from other banks and financial institutions	40,293	9,805	4,000	-	-	187,424	241,522
Financial assets at fair value through profit and loss	117,340	293,049	114,336	9,239	-	32	533,996
Money market placements	1,898,817	-	-	-	-	181	1,898,998
Available-for-sale financial assets	588,055	518,531	1,439,100	-	-	110,098	2,655,784
Loans and receivables	8,166,223	6,623,086	12,774,349	11,234,836	2,062,482	444,735	41,305,711
Held-to-maturity investments	-	-	-	-	-	-	-
Other assets <sup>(*)</sup>	756,240	1,376,789	303,606	765,654	211,702	1,071,574	4,485,565
<b>Total assets</b>	<b>17,785,283</b>	<b>8,827,093</b>	<b>14,635,391</b>	<b>12,009,729</b>	<b>2,274,184</b>	<b>2,455,543</b>	<b>57,987,223</b>
<b>Liabilities</b>							
Bank deposits	283,180	21	-	-	-	1,654,819	1,938,020
Other deposits	19,259,164	725,215	347,153	120	-	2,883,005	23,214,657
Money market borrowings	126,507	60	-	-	-	-	126,567
Miscellaneous payables	-	-	-	-	-	501,642	501,642
Securities issued	-	246,634	-	-	-	-	246,634
Funds provided from other financial institutions	3,311,979	12,681,604	4,802,216	3,187,890	712,814	-	24,696,503
Other liabilities <sup>(**)</sup>	153,817	203,957	259,405	8,105	-	6,637,916	7,263,200
<b>Total liabilities</b>	<b>23,134,647</b>	<b>13,857,491</b>	<b>5,408,774</b>	<b>3,196,115</b>	<b>712,814</b>	<b>11,677,382</b>	<b>57,987,223</b>
Balance sheet long position	-	-	9,226,617	8,813,614	1,561,370	-	19,601,601
Balance sheet short position	(5,349,364)	(5,030,398)	-	-	-	(9,221,839)	(19,601,601)
Off-balance sheet long position	2,389,391	8,243,436	-	-	-	-	10,632,827
Off-balance sheet short position	-	-	(3,128,825)	(4,981,471)	(820,909)	-	(8,931,205)
<b>Total position</b>	<b>(2,959,973)</b>	<b>3,213,038</b>	<b>6,097,792</b>	<b>3,832,143</b>	<b>740,461</b>	<b>(9,221,839)</b>	<b>1,701,622</b>

<sup>(\*)</sup> Non-interest bearing column in other assets line consists of property and equipment, intangible assets, current tax, deferred tax, assets held for sale, interest free part of financial lease receivables, interest free part of factoring receivables and other assets.

<sup>(\*\*)</sup> Non-interest bearing column in other liabilities line consists of other foreign liabilities, provisions, taxes payable and equity.

(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish, See Note 1.b of section three)

## ING Bank A.Ş. and its Financial Subsidiaries

# Notes to consolidated financial statements as of and for the Year Ended 31 December 2017 (continued)

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

### IV. 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 (%)
<b>Assets</b>				
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	-	-	-	-
<b>Liabilities</b>				
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

#### Prior period average interest rates applied to monetary financial instruments by the Group

Prior period	EURO (%)	USD (%)	Yen (%)	TL (%)
<b>Assets</b>				
Cash (Cash in vault, foreign currency cash, money in transit, checks purchased) and balances with the Central Bank of Turkey	-	0.75	-	3.31
Due from other banks and financial institutions	1.45	-	-	11.02
Financial assets at fair value through profit and loss	5.32	5.90	-	6.38
Money market placements	-	-	-	10.89
Financial assets available-for-sale	-	-	-	9.14
Loans and receivables	2.64	3.74	-	13.34
Held-to-maturity investments	-	-	-	-
<b>Liabilities</b>				
Bank deposits	(0.69)	0.94	-	-
Other deposits	0.50	1.71	-	8.56
Money market borrowings	-	-	-	8.49
Miscellaneous payables	-	-	-	-
Securities issued	-	-	-	9.98
Funds provided from other financial institutions	0.52	1.88	-	11.39

## ING Bank A.Ş. and its Financial Subsidiaries

# Notes to consolidated financial statements as of and for the Year Ended 31 December 2017 (continued)

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

### V. 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 <sup>(1)</sup>	Market value
<b>Quoted</b>	<b>51</b>	<b>51</b>	<b>51</b>
Stock investments	51	51	51
<b>Not quoted</b>	<b>8,009</b>	<b>2,828</b>	<b>2,828</b>
Stock investments	8,009	2,828	2,828
<b>Financials subsidiaries</b>	<b>-</b>	<b>-</b>	<b>-</b>
Financials subsidiaries	-	-	-
<b>Prior period</b>	<b>Carrying value</b>	<b>Fair value <sup>(1)</sup></b>	<b>Market value</b>
<b>Quoted</b>	<b>50</b>	<b>50</b>	<b>50</b>
Stock investments	50	50	50
<b>Not quoted</b>	<b>110,048</b>	<b>104,896</b>	<b>104,896</b>
Stock investments	110,048	104,896	104,896
<b>Financials subsidiaries</b>	<b>-</b>	<b>-</b>	<b>-</b>
Financials subsidiaries	-	-	-

<sup>(1)</sup> Only equity investments having market value are presented under "Fair Value" column.

#### 3. Information on realized gains or losses on revaluation of securities, revaluation surplus and unrealized gains or losses and their included amounts in core and additional capital

Current period	Realized gains/losses during the period	Revaluation increases		Unrealized gains/losses	
		Total	Including into the additional capital	Total	Including into the core capital
Private equity investments	-	-	-	-	-
Shares traded on a stock Exchange	-	16	-	16	16
Other stocks	126,380	111	-	(270)	(270)
<b>Total</b>	<b>126,380</b>	<b>127</b>	<b>-</b>	<b>(254)</b>	<b>(254)</b>
<b>Prior period</b>	<b>Realized gains/losses during the period</b>	<b>Total</b>	<b>Including into the supplementary capital</b>	<b>Total</b>	<b>Including into the core capital</b>
Private equity investments	-	-	-	-	-
Shares traded on a stock Exchange	-	14	-	14	14
Other stocks	35,238	93,759	-	93,759	93,759
<b>Total</b>	<b>35,238</b>	<b>93,773</b>	<b>-</b>	<b>93,773</b>	<b>93,773</b>

#### 4. Capital requirement as per equity shares

Current period	Carrying value	Total RWA	Minimum capital requirement <sup>(1)</sup>
Private sector investments	-	-	-
Shares traded on a stock exchange	51	51	4
Other equity shares	8,009	8,009	641



(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish, See Note 1.b of section three)

## ING Bank A.Ş. and its Financial Subsidiaries

# Notes to consolidated financial statements as of and for the Year Ended 31 December 2017 (continued)

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

### V. Explanations on equity securities position risk derived from consolidated banking books (continued)

Prior period	Carrying value	Total RWA	Minimum capital requirement (*)
Private sector investments	-	-	-
Shares traded on a stock exchange	50	50	4
Other equity shares	110,048	110,048	8,804

(\*) The amount is calculated by using standard method within the scope of the "Regulation on Measurement and Evaluation of Capital Adequacy of Banks

### VI. Explanations on 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 ("Funding and Liquidity 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 (ILAAP-Internal Liquidity Adequacy Assessment Process). In addition, still in scope of ILAAP, in the Risk Control Self-Assessment process, comprehensive assessments are made related to liquidity risk, and after these risks are identified clearly, their potential financial impact on the Bank's operations is evaluated periodically.

To ensure proactive management of funding liquidity risk, risk thresholds specified on deposit movements and early warning signals are monitored.

##### 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 is managed by the Asset and Liability Board in Parent Bank, but Subsidiaries of Parent Bank manage Liquidity risk themselves. On the other hand, in order to make a central funding strategy, a funding plan including subsidiaries is established every year. In addition, information about the implementation and realization of the funding plan is made to the Asset Liability Management Committee. According to the limits determined by the Board of Directors, liquidity deficit and surplus are tracked and actions are taken in accordance with the price, interest rate and term structure.

##### c. Information on the 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 consolidated financial statements as of and for the Year Ended 31 December 2017 (continued)

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

### VI. 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 Bank's liabilities are in TL, USD or EURO, and TL funds comprise of mainly equity, deposits and short-term bond issuance. The Bank's liquidity in TL is managed with repurchase agreements and short-term money market transactions carried out at CBRT/BIST using high quality securities owned by the Bank. While the main purpose is using liabilities in TL in funding TL assets, when necessary money swap transactions and FC funds are used in creating assets in TL within the limits set by the Board of Directors. Foreign currency funds are obtained through foreign exchange deposit accounts and including syndications, foreign based and foreign currency loans. Liquidity shortage/surplus values are calculated daily by Asset and Liability Management Group and these values are reported in Asset Liability Management Committee. On the other hand, the TL and FC liquidity coverage ratio is calculated on a daily basis, and shared with all units and senior management, and reported separately to Asset Liability Management Committee. The 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 risk measurement metrics and early warning signals are continuously monitored and reported on a monthly basis to Asset Liability Management Committee. The pre-determination and prevention of the liquidity risk are ensured through these metrics by defining alarms indicating actions to be taken according to the trigger levels of actual inflows and outflows of deposits, stress testing, liquidity buffer level, loan/deposit ratio, legal and structural liquidity ratios and other similar measurement techniques.

#### e. Information on the use of stress tests

The 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 on a monthly basis and reviews annually the stress tests. Stress test scenarios which consider Parent Bank specific, market-wide or both cases, and have short term or long term consequences, are used in stress testing application where the scenario and parameters are revised annually by the Asset and Liability Management Group and business lines. On the other hand, results of stress testing are used as the leading indicator within the process of activating the emergency funding plan.

#### f. Overview on emergency and contingency liquidity situation plans

The Parent Bank has formed an emergency/contingency funding plan that includes policies and methods that can be applied in stress conditions or in case of a liquidity shortage and responsibilities of senior management and business lines. Early warning signals and crisis triggers, which are the leading indicators of emergency funding plan and considered as the precursors of the liquidity shortage or an unexpected situation, are monitored monthly and are presented to the senior management on a monthly basis at Asset Liability Management Committee meetings by Market Risk Management and Product Control Group. In addition, effective internal and external communication channels are determined and a crisis management team including realistic action plans is 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.

## 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	140.38	31 December 2017	181.86	31 October 2017
FC	127.00	30 November 2017	132.83	31 October 2017

(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish, See Note 1.b of section three)

## ING Bank A.Ş. and its Financial Subsidiaries

# Notes to consolidated financial statements as of and for the Year Ended 31 December 2017 (continued)

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

### VI. Explanations on consolidated liquidity risk management and liquidity coverage ratio (continued)

#### Liquidity coverage ratio

Current period	Total unweighted value <sup>(*)</sup>		Total weighted value <sup>(*)</sup>	
	TL+FC	FC	TL+FC	FC
<b>High quality liquid assets</b>				
High quality liquid assets			11,291,308	7,573,400
<b>Cash Outflows</b>				
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	-	-	-	-
<b>Total cash outflows</b>			<b>20,852,263</b>	<b>11,868,641</b>
<b>Cash inflows</b>				
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
<b>Total cash inflows</b>	<b>17,317,259</b>	<b>6,493,593</b>	<b>13,595,316</b>	<b>6,060,224</b>
			<b>Total adjusted value</b>	
<b>Total high quality liquid assets stock</b>			11,291,308	7,573,400
<b>Total net cash outflows</b>			7,256,947	5,808,417
<b>Liquidity coverage ratio (%)</b>			<b>156.91</b>	<b>130.52</b>

<sup>(\*)</sup> Simple arithmetic average calculated for the last three months by using the amounts calculated based on monthly simple arithmetic averages.

## ING Bank A.Ş. and its Financial Subsidiaries

# Notes to consolidated financial statements as of and for the Year Ended 31 December 2017 (continued)

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

### VI. Explanations on consolidated liquidity risk management and liquidity coverage ratio (continued)

Prior period	Total unweighted value <sup>(*)</sup>		Total weighted value <sup>(*)</sup>	
	TL+FC	FC	TL+FC	FC
<b>High quality liquid assets</b>				
High quality liquid assets			7,717,974	4,550,026
<b>Cash Outflows</b>				
Real person and retail deposits	18,966,685	2,968,408	1,576,752	296,841
Stable deposits	6,398,352	-	319,918	-
Less stable deposits	12,568,333	2,968,408	1,256,834	296,841
Unsecured funding other than real person and retail deposits	7,160,173	4,298,489	4,978,917	3,105,301
Operational deposits	358,562	1,669	89,640	417
Non-operational deposits	4,947,959	3,592,990	3,036,157	2,401,568
Other unsecured debt	1,853,652	703,830	1,853,120	703,316
Secured funding	-	-	-	-
Other cash outflows	19,890,580	9,912,525	9,397,168	5,507,437
Derivative exposures and collateral completion liabilities	8,198,179	4,761,181	8,198,179	4,761,181
Payables due to structured financial instruments	-	-	-	-
Payment commitments and other off-balance sheet commitments granted for debts to financial markets	11,692,401	5,151,344	1,198,989	746,256
Other contractual funding obligations	-	-	-	-
Other irrevocable or conditionally revocable off balance sheet liabilities	-	-	-	-
<b>Total cash outflows</b>			<b>15,952,837</b>	<b>8,909,579</b>
<b>Cash inflows</b>				
Secured lending	656,776	-	-	-
Unsecured lending	4,054,286	995,407	2,497,890	617,904
Other cash inflows	8,138,185	3,580,324	7,683,551	3,575,298
<b>Total cash inflows</b>	<b>12,849,247</b>	<b>4,575,731</b>	<b>10,181,441</b>	<b>4,193,202</b>
			<b>Total adjusted value</b>	
Total high quality liquid assets stock			7,717,974	4,550,026
Total net cash outflows			5,771,396	4,716,377
<b>Liquidity coverage ratio (%)</b>			<b>133.08</b>	<b>97.85</b>

<sup>(\*)</sup> Simple arithmetic average calculated for the last three months by using the amounts calculated based on monthly simple arithmetic averages.

(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish, See Note 1.b of section three)

## ING Bank A.Ş. and its Financial Subsidiaries

# Notes to consolidated financial statements as of and for the Year Ended 31 December 2017 (continued)

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

### VI. 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 as of and for the year 2017. Liquidity coverage ratio is calculated as per the Regulation on Banks' Liquidity Coverage Ratio Calculation. The ratio is affected from 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 31 December 2017 are summarized as follows:

Foreign currency borrowings constitute the majority of the foreign currency liabilities. 72% of the Group's total foreign currency liabilities consist of funds provided from other financial institutions and subordinated loans and 27% is composed of deposits. Loans comprise 62% 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 31 December 2017 are summarized as follows:

The majority of Turkish Lira balance sheet's liability consists of deposits. 67% 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 ISE repo market. 80% of the assets in Turkish Lira balance sheet are loans granted and 5% are marketable securities.

In the calculation of the liquidity coverage ratio, cash outflows arising from derivative transactions are based on the calculation of net cash flows with 30-day maturity. Also, transactions with possibility of fulfilling guarantees are included in the calculation of liquidity coverage ratio by considering the largest amount in absolute value of net guarantee flows, realized within the last 24 months and 30-day periods and realized for the related transaction or obligation, as a cash outflow.

The liquidity needs and surpluses of consolidated subsidiaries of the 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.

## ING Bank A.Ş. and its Financial Subsidiaries

# Notes to consolidated financial statements as of and for the Year Ended 31 December 2017 (continued)

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

## VI. Explanations on consolidated liquidity risk management and liquidity coverage ratio (continued)

### 4. Breakdown of assets and liabilities according to their outstanding maturities

Current period	Demand	Up to 1 month	1-3 months	3-12 months	1-5 years	5 years and over	Unallocated	Total
<b>Assets</b>								
Cash (cash in vault, foreign currency cash, money in transit, checks purchased) and balances with the Central Bank of Turkey	2,270,540	5,546,209	13,778	-	-	-	-	7,830,527
Banks	300,113	260,701	12,607	-	-	-	-	573,421
Financial assets at fair value through profit or loss	45	175,039	125,568	294,613	12,525	9,423	-	617,213
Interbank money market placements	-	1,194,296	-	-	-	-	-	1,194,296
Available for sale financial assets	8,060	134,953	38,035	-	1,556,897	-	-	1,737,945
Loans and receivables	-	6,450,821	4,539,110	11,055,086	19,671,588	2,649,585	501,498	44,867,688
Held to maturity investments	-	-	-	-	-	-	-	-
Other assets <sup>(*)</sup>	13,151	134,731	460,731	719,356	2,108,596	209,682	1,056,588	4,702,835
<b>Total assets</b>	<b>2,591,909</b>	<b>13,896,750</b>	<b>5,189,829</b>	<b>12,069,055</b>	<b>23,349,606</b>	<b>2,868,690</b>	<b>1,558,086</b>	<b>61,523,925</b>
<b>Liabilities</b>								
Bank deposits	1,481,773	-	-	-	-	-	-	1,481,773
Other deposits	3,295,742	21,856,247	715,535	134,658	113,757	-	-	26,115,939
Borrowings	-	1,202,021	1,820,425	6,322,042	11,548,736	4,452,001	-	25,345,225
Funds from interbank money market	-	59,498	-	-	-	-	-	59,498
Securities issued	-	-	-	-	-	-	-	-
Miscellaneous payables	401,619	657	-	-	-	-	174,783	577,059
Other liabilities <sup>(**)</sup>	241,197	151,457	108,347	219,658	39,687	3,194	7,180,891	7,944,431
<b>Total liabilities</b>	<b>5,420,331</b>	<b>23,269,880</b>	<b>2,644,307</b>	<b>6,676,358</b>	<b>11,702,180</b>	<b>4,455,195</b>	<b>7,355,674</b>	<b>61,523,925</b>
<b>Liquidity deficit/surplus</b>	<b>(2,828,422)</b>	<b>(9,373,130)</b>	<b>2,545,522</b>	<b>5,392,697</b>	<b>11,647,426</b>	<b>(1,586,505)</b>	<b>(5,797,588)</b>	<b>-</b>
<b>Net Off Balance Sheet</b>								
<b>Position</b>	<b>-</b>	<b>53,290</b>	<b>109,457</b>	<b>195,672</b>	<b>910,039</b>	<b>44,348</b>	<b>-</b>	<b>1,312,806</b>
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
<b>Net Off Balance Sheet Position</b>	<b>322,130</b>	<b>450,968</b>	<b>1,576,737</b>	<b>3,319,395</b>	<b>1,873,907</b>	<b>846,556</b>	<b>-</b>	<b>8,389,693</b>
<b>Prior period</b>								
Total assets	842,682	15,441,228	5,160,772	13,417,075	18,203,465	3,309,384	1,612,617	57,987,223
Total liabilities	5,202,547	20,484,637	2,086,870	7,432,743	11,455,838	4,940,841	6,383,747	57,987,223
<b>Liquidity deficit/surplus</b>	<b>(4,359,865)</b>	<b>(5,043,409)</b>	<b>3,073,902</b>	<b>5,984,332</b>	<b>6,747,627</b>	<b>(1,631,457)</b>	<b>(4,771,130)</b>	<b>-</b>
<b>Net Off Balance Sheet</b>								
<b>Position</b>	<b>-</b>	<b>21,666</b>	<b>(20,662)</b>	<b>707,116</b>	<b>813,308</b>	<b>181,000</b>	<b>-</b>	<b>1,702,428</b>
Derivative financial assets	-	8,708,107	8,834,962	8,814,433	7,101,040	1,001,909	-	34,460,451
Derivative financial liabilities	-	8,686,441	8,855,624	8,107,317	6,287,732	820,909	-	32,758,023
<b>Net Off Balance Sheet Position</b>	<b>341,888</b>	<b>367,430</b>	<b>1,366,760</b>	<b>2,470,818</b>	<b>2,267,902</b>	<b>728,512</b>	<b>-</b>	<b>7,543,310</b>

<sup>(\*)</sup> 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, equity securities.

<sup>(\*\*)</sup> Unallocated column in other liabilities mainly consists of provisions, unallocated part of tax payable and shareholders' equity.

(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish, See Note 1.b of section three)

## ING Bank A.Ş. and its Financial Subsidiaries

# Notes to consolidated financial statements as of and for the Year Ended 31 December 2017 (continued)

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

### VI. Explanations on consolidated liquidity risk management and liquidity coverage ratio (continued)

#### 5. Breakdown of liabilities according to their remaining contractual maturities

The remaining maturities of the contractual liabilities excluding derivative transactions are presented below. Interests on liabilities are included in the distribution. The "Adjustments" column presents probable cash flow on later periods. These amounts are included into the maturity analysis, but not included into the carrying value of liabilities in the balance sheet.

Current period	Demand	Up to 1 month	1-3 months	3-12 months	1-5 years	5 years and over	Total	Adjustments	Carrying value
<b>Liabilities</b>									
Deposits	4,777,515	21,925,177	725,492	140,979	115,830	-	27,684,993	(87,281)	27,597,712
Funds borrowed from other financial institutions	-	1,300,030	1,963,903	6,371,819	11,568,165	4,560,975	25,764,892	(419,667)	25,345,225
Funds from interbank money market	-	59,516	-	-	-	-	59,516	(18)	59,498
Bonds	-	-	-	-	-	-	-	-	-
Factoring payables	-	458	50	-	-	-	508	-	508
<b>Prior period</b>									
<b>Liabilities</b>									
Deposits	4,537,824	19,369,195	920,410	356,650	177	-	25,184,256	(31,579)	25,152,677
Funds borrowed from other financial institutions	-	709,790	1,445,053	7,340,635	14,025,834	1,365,568	24,886,880	(190,377)	24,696,503
Funds from interbank money market	-	126,597	-	-	-	-	126,597	(30)	126,567
Bonds	-	-	250,000	-	-	-	250,000	(3,366)	246,634
Factoring payables	-	1,417	24	2	-	-	1,443	-	1,443

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# Notes to consolidated financial statements as of and for the Year Ended 31 December 2017 (continued)

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

### VI. Explanations on consolidated liquidity risk management and liquidity coverage ratio (continued)

#### 6. Breakdown of derivative instruments according to their remaining contractual maturities

Current period	Up to 1 month	1 - 3 months	3 - 12 months	1 - 5 Years	5 years and over	Total
<b>Derivative financial instruments held for hedging</b>						
<b>Transactions for fair value hedge (I)</b>	-	-	-	-	-	-
Buying transactions	-	-	-	-	-	-
Selling transactions	-	-	-	-	-	-
<b>Transactions for cash flow hedge (II)</b>	<b>628,103</b>	<b>1,112,174</b>	<b>12,142,730</b>	<b>18,427,711</b>	<b>893,277</b>	<b>33,203,995</b>
Buying transactions	328,913	628,332	6,116,920	9,506,159	459,395	17,039,719
Selling transactions	299,190	483,842	6,025,810	8,921,552	433,882	16,164,276
<b>Transactions for foreign net investment hedge (III)</b>	-	-	-	-	-	-
Buying transactions	-	-	-	-	-	-
Selling transactions	-	-	-	-	-	-
<b>A. Total derivative financial instruments held for hedging (I+II+III)</b>	<b>628,103</b>	<b>1,112,174</b>	<b>12,142,730</b>	<b>18,427,711</b>	<b>893,277</b>	<b>33,203,995</b>
<b>Derivative transactions held for trading</b>						
<b>Trading transactions (I)</b>	<b>24,312,395</b>	<b>13,944,988</b>	<b>17,034,616</b>	<b>439,395</b>	-	<b>55,731,394</b>
Forward foreign currency transactions - buy	2,553,378	2,095,916	2,157,272	2,153	-	6,808,719
Forward foreign currency transactions - sell	2,535,829	2,054,428	2,117,214	2,046	-	6,709,517
Swap transactions- buy	9,711,889	4,630,517	5,608,036	181,523	-	20,131,965
Swap transactions - sell	8,586,372	4,667,677	5,699,905	182,173	-	19,136,127
Foreign currency options - buy	462,464	248,224	726,095	35,750	-	1,472,533
Foreign currency options - sell	462,463	248,226	726,094	35,750	-	1,472,533
Foreign currency futures - buy	-	-	-	-	-	-
Foreign currency futures - sell	-	-	-	-	-	-
<b>Interest rate derivatives (II)</b>	<b>7,656</b>	<b>87,121</b>	<b>107,610</b>	<b>134,715</b>	<b>384</b>	<b>337,486</b>
Interest rate swap - buy	3,944	39,172	55,046	67,727	280	166,169
Interest rate swap - sell	3,712	47,949	52,564	66,988	104	171,317
Interest rate options - buy	-	-	-	-	-	-
Interest rate options - sell	-	-	-	-	-	-
Securities options - buy	-	-	-	-	-	-
Securities options - sell	-	-	-	-	-	-
Interest futures - buy	-	-	-	-	-	-
Interest futures - sell	-	-	-	-	-	-
<b>Other trading derivative transactions (III)</b>	<b>8,138</b>	-	-	-	-	<b>8,138</b>
<b>B. Total trading derivative transactions (I+II+III)</b>	<b>24,328,189</b>	<b>14,032,109</b>	<b>17,142,226</b>	<b>574,110</b>	<b>384</b>	<b>56,077,018</b>
<b>Derivative transaction total (A+B)</b>	<b>24,956,292</b>	<b>15,144,283</b>	<b>29,284,956</b>	<b>19,001,821</b>	<b>893,661</b>	<b>89,281,013</b>



(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish, See Note 1.b of section three)

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# Notes to consolidated financial statements as of and for the Year Ended 31 December 2017 (continued)

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### VI. Explanations on consolidated liquidity risk management and liquidity coverage ratio (continued)

Prior period	Up to 1 month	1 - 3 months	3 - 12 months	1 - 5 Years	5 years and over	Total
<b>Derivative financial instruments held for hedging</b>						
<b>Transactions for fair value hedge (I)</b>						
Buying transactions	-	-	-	-	-	-
Selling transactions	-	-	-	-	-	-
<b>Transactions for cash flow hedge (II)</b>	<b>970,835</b>	<b>1,179,024</b>	<b>4,345,908</b>	<b>10,824,725</b>	<b>1,925,646</b>	<b>19,246,138</b>
Buying transactions	511,497	592,472	2,377,320	5,586,878	1,036,820	10,104,987
Selling transactions	459,338	586,552	1,968,588	5,237,847	888,826	9,141,151
<b>Transactions for foreign net investment hedge (III)</b>						
Buying transactions	-	-	-	-	-	-
Selling transactions	-	-	-	-	-	-
<b>A. Total derivative financial instruments held for hedging (I+II+III)</b>	<b>970,835</b>	<b>1,179,024</b>	<b>4,345,908</b>	<b>10,824,725</b>	<b>1,925,646</b>	<b>19,246,138</b>
<b>Derivative transactions held for trading</b>						
<b>Trading transactions (I)</b>						
Forward foreign currency transactions - buy	2,133,208	1,497,704	2,637,059	50,489	-	6,318,460
Forward foreign currency transactions - sell	2,123,576	1,508,986	2,658,619	56,314	-	6,347,495
Swap transactions- buy	7,331,177	2,881,697	3,799,906	758,196	236	14,771,212
Swap transactions - sell	6,285,281	2,951,231	3,728,596	757,900	1,900	13,724,908
Foreign currency options - buy	879,685	323,913	229,712	-	-	1,433,310
Foreign currency options - sell	879,684	323,913	229,713	-	-	1,433,310
Foreign currency futures - buy	-	-	-	-	-	-
Foreign currency futures - sell	-	-	-	-	-	-
<b>Interest rate derivatives (II)</b>	<b>8,646</b>	<b>40,569</b>	<b>240,368</b>	<b>346,206</b>	<b>13,380</b>	<b>649,169</b>
Interest rate swap - buy	4,525	29,522	115,781	168,193	-	318,021
Interest rate swap - sell	4,121	11,047	124,587	178,013	13,380	331,148
Interest rate options - buy	-	-	-	-	-	-
Interest rate options - sell	-	-	-	-	-	-
Securities options - buy	-	-	-	-	-	-
Securities options - sell	-	-	-	-	-	-
Interest futures - buy	-	-	-	-	-	-
Interest futures - sell	-	-	-	-	-	-
<b>Other trading derivative transactions (III)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>B. Total derivative transactions held for trading (I+II+III)</b>	<b>19,641,257</b>	<b>9,528,013</b>	<b>13,523,973</b>	<b>1,969,105</b>	<b>15,516</b>	<b>44,677,864</b>
<b>Derivative transaction total (A+B)</b>	<b>20,612,092</b>	<b>10,707,037</b>	<b>17,869,881</b>	<b>12,793,830</b>	<b>1,941,162</b>	<b>63,924,002</b>

## ING Bank A.Ş. and its Financial Subsidiaries

# Notes to consolidated financial statements as of and for the Year Ended 31 December 2017 (continued)

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

**VII. Explanations on consolidated leverage ratio**

Leverage ratio table prepared in accordance with the communiqué "Regulation on Measurement and Assessment of Leverage Ratios of Banks" published in the Official Gazette No.28812 dated 5 November 2013 is presented below. As of 31 December 2017, the Group's consolidated leverage ratio calculated by taking average of end of month leverage ratios for the last three-month is 6.78% (31 December 2016: 6.72%). 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 <sup>(*)</sup>	Prior period <sup>(*)</sup>
Total assets in the consolidated financial statements prepared in accordance with TAS <sup>(*)</sup>	104,739,458	95,053,242
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	27,459	(87,815)
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	(22,820,959)	(21,536,044)
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	65,633	56,811
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	(57,760)	(47,227)
<b>Total exposures</b>	<b>81,953,831</b>	<b>73,438,967</b>

<sup>(\*)</sup> 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.

<sup>(\*)</sup> The amounts in the table represents the average of last three months.

**Explanations on leverage ratio**

	Current period <sup>(*)</sup>	Prior period <sup>(*)</sup>
<b>On-balance sheet items</b>		
On-balance sheet exposures (excluding derivatives and credit derivatives including collateral)	60,539,134	54,969,343
Asset deducted from core capital	(57,760)	(47,227)
The total amount of risk on-balance sheet exposures	60,481,374	54,922,116
<b>Derivative financial instruments and credit derivative exposures</b>		
Replacement cost associated with derivative financial instruments and credit derivatives	2,528,810	2,044,627
The potential credit risk amount of derivative financial instruments and credit derivatives	567,755	512,489
The total risk amount of derivative financial instruments and credit derivatives	3,096,565	2,557,116
<b>Securities or commodity guaranteed financing transactions</b>		
Risk amount of securities or commodity collateral financing transactions (excluding on balance sheet items)	65,633	56,811
Risk amount of exchange brokerage operations	-	-
The total risk amount of securities or commodity collateral financing transactions	65,633	56,811
<b>Off-balance sheet items</b>		
Gross notional amount for off-balance sheet items	18,310,259	15,902,924
Adjustments for conversion to credit equivalent amounts	-	-
The total amount of risk for off-balance sheet items	18,310,259	15,902,924
<b>Capital and total exposures</b>		
Core capital	5,560,065	4,935,140
Total exposures	81,953,831	73,438,967
<b>Leverage ratio</b>		
Leverage ratio	6.78	6.72

<sup>(\*)</sup> The amounts in the table represents the average of last three months.

(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish, See Note 1.b of section three)

## ING Bank A.Ş. and its Financial Subsidiaries

# Notes to consolidated financial statements as of and for the Year Ended 31 December 2017 (continued)

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

### VIII. Explanations on presentation of financial assets and liabilities at their fair values

1. In the current and the prior period, the fair values of financial assets and liabilities are calculated as stated below.

The fair value of held-to-maturity and available for sale assets are determined based on market prices.

The fair value of the loans with fixed interest rates is determined by the discounted cash flows using the current market interest rates. For the loans with floating interest rates, the fair value is determined by discounted cash flows using the market interest rate, taking into account the reprising date of the loan.

The fair value of demand deposit represents the carrying value. The fair values of time deposits and funds are calculated by the discounted cash flows using the current market interest rates.

The fair value of funds borrowed from other financial institutions with fixed interest rates are determined by discounted cash flows using the current market interest rates. For funds with floating interest rates, it is determined by discounted cash flows using the market interest rate, taking into account the reprising date of the borrowing.

Carrying value of miscellaneous payables represents their fair value.

2. The following table summarizes the carrying values and fair values of financial assets and liabilities:

	Carrying value		Fair value	
	Current period	Prior period	Current period	Prior period
<b>Financial assets</b>	<b>50,436,640</b>	<b>47,734,155</b>	<b>51,194,896</b>	<b>48,827,944</b>
Money market placements	1,194,296	1,898,998	1,193,160	1,895,768
Due from banks	573,421	241,522	572,819	239,644
Available-for-sale financial assets	1,737,945	2,655,784	1,737,945	2,655,784
Loans and receivables	44,867,688	41,305,711	45,561,851	42,336,273
Factoring receivables	1,027,813	746,048	1,029,544	748,616
Leasing receivables	1,035,477	886,092	1,099,577	951,859
<b>Financial liabilities</b>	<b>53,580,002</b>	<b>50,725,466</b>	<b>53,142,925</b>	<b>50,678,893</b>
Bank deposits	1,481,773	1,938,020	1,481,441	1,938,061
Other deposits	26,115,939	23,214,657	25,622,568	23,088,186
Funds borrowed	25,345,225	24,696,503	25,401,877	24,775,933
Money market borrowings	59,498	126,567	59,472	126,534
Securities issued	-	246,634	-	247,094
Miscellaneous payables	577,059	501,642	577,059	501,642
Factoring payables	508	1,443	508	1,443

3. Hierarchy of valuation techniques which establishes basis for fair value calculation of financial assets and liabilities

Level 1: Quoted market prices (non-adjusted) for identical assets or liabilities

Level 2: Directly (by way of prices) or indirectly (derived from prices) data for the assets or liabilities, other than quoted prices in the Level 1

Level 3: Data not based on observable data regarding assets or liabilities

## ING Bank A.Ş. and its Financial Subsidiaries

# Notes to consolidated financial statements as of and for the Year Ended 31 December 2017 (continued)

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

### VIII. Explanations on presentation of financial assets and liabilities at their fair values (continued)

Fair value hierarchy of the financial assets and liabilities of the Group carried at fair value in financial statements as of 31 December 2017 and 31 December 2016 is presented in the table below:

Current period	Level 1	Level 2	Level 3	Total
<b>Total assets</b>	<b>1,772,176</b>	<b>2,146,368</b>	<b>8,009</b>	<b>3,926,553</b>
	42,240	574,973	-	617,213
Financial assets at fair value through profit or loss	42,195	-	-	42,195
Government debt securities	-	574,973	-	574,973
Trading derivative financial assets	45	-	-	45
Other marketable securities	1,729,936	-	8,009	1,737,945
Available for sale financial assets	51	-	8,009	8,060
Equity securities	1,729,885	-	-	1,729,885
Government debt securities	-	1,571,395	-	1,571,395
Hedging derivative financial assets	-	1,571,395	-	1,571,395
Cash flow hedges	-	-	-	-
<b>Total liabilities</b>	<b>-</b>	<b>493,203</b>	<b>-</b>	<b>493,203</b>
Trading derivative financial liabilities	-	467,749	-	467,749
Hedging derivative financial liabilities	-	25,454	-	25,454
Cash flow hedges	-	25,454	-	25,454
<b>Prior period</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Total assets</b>	<b>2,552,284</b>	<b>2,414,340</b>	<b>16,379</b>	<b>4,983,003</b>
	6,508	527,488	-	533,996
Financial assets at fair value through profit or loss	6,476	-	-	6,476
Government debt securities	-	527,488	-	527,488
Trading derivative financial assets	32	-	-	32
Other marketable securities	2,545,776	93,629	16,379	2,655,784
Available for sale financial assets	90	93,629	16,379	110,098
Equity securities	2,545,686	-	-	2,545,686
Government debt securities	-	1,793,223	-	1,793,223
Hedging derivative financial assets	-	1,793,223	-	1,793,223
Cash flow hedges	-	-	-	-
<b>Total liabilities</b>	<b>-</b>	<b>613,545</b>	<b>-</b>	<b>613,545</b>
Trading derivative financial liabilities	-	575,047	-	575,047
Hedging derivative financial liabilities	-	38,498	-	38,498
Cash flow hedges	-	38,498	-	38,498

There are no transfers between the 1st and the 2nd levels as of 31 December 2017 and 31 December 2016.

(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish, See Note 1.b of section three)

## ING Bank A.Ş. and its Financial Subsidiaries

# Notes to consolidated financial statements as of and for the Year Ended 31 December 2017 (continued)

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

### VIII. Explanations on presentation of financial assets and liabilities at their fair values (continued)

The movement table of financial assets at Level 3 is presented below.

	Current period	Prior period
<b>Balance at the end of the prior period</b>	16,379	39,038
Purchases	-	8,038
Redemption/sale	(8,399)	(26,784)
Valuation difference	29	(1,291)
Transfers	-	(2,622)
<b>Balance at the end of the current period</b>	<b>8,009</b>	<b>16,379</b>

### IX. Explanations on the transactions carried out on behalf and account of other persons and fiduciary transactions

The Group performs purchase, sale, custody, and fund management services on behalf of its customers, and information about these transactions are shown in the off-balance sheet statement.

The Group has no trust transactions.

### X. 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. General explanations on Parent Bank's risk management and risk weighted assets

##### a. Group's risk management approach

The Parent Bank's risk management strategy and activities have been formed under the responsibility of the Board of Directors. The risk management strategy applied in the Parent Bank is based on three lines of defence model.

##### 1. Line of defence

Business units are the first line of defence and primarily responsible for performance, operation, compliance and control of the risks affecting the business line.

##### 2. Line of defence

Risk Management, Financial Control and Asset Liability Management and Legal functions, which are the second line of defence, support the first line of defence for implementation, training, recommending, monitoring and reporting.

Risk Management is responsible for identifying, measuring, monitoring, controlling and reporting risks at corporate level. The Parent Bank's Risk Management consists of Financial Risk Management, Operational Risk Management and Information Risk Management departments and reports to the Audit Committee. Financial Risk Management includes Market Risk Management and Product Control, Credit Risk Management, Financial Risk Management and Technology and Validation departments.

##### 3. Line of defence

Internal Audit Department is the third line of defence. Internal Audit Department carries out both risk based and general audits. In addition, Internal Audit Department is responsible for reviewing and ensuring the integrity of the whole governance structure including risk governance, and presence, effectiveness and implementation of policies and procedures.

According to this strategy, these lines of defence carry out their activities through certain decision making committees such as the Executive Committee, Asset Liability Management Committee, Credit Committee and Non-Financial Risk Committee. External auditors and relevant Regulators and Regulating Entities are considered as third line of defence.

## ING Bank A.Ş. and its Financial Subsidiaries

# Notes to consolidated financial statements as of and for the Year Ended 31 December 2017 (continued)

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

**X. Explanations on consolidated risk management (continued)**

Senior Management and Board of Directors are notified on the market risks monthly or on a more frequent basis; and this notification consists of balance sheet developments, market developments, assessment of the risks incurred despite the determined risk appetite and other risk developments. Furthermore, credit risk reports focusing on development of performing and non-performing loan portfolios, rating distribution of portfolios, transitions and trends of ratings, concentration risks, business units and product based risk parameters and risk appetite indicators are closely followed.

In addition to measurement and assessment of the risks under normal market conditions, stress tests under the scope of ICAAP and for internal rating purposes are carried out for the purpose of evaluating possible risks under negative market conditions. In this stress test, all kinds of financial risks that can be faced by the Parent Bank are taken as a basis and evaluated under negative and extremely negative scenarios, and reverse stress test which cause the Parent Bank fall into legal limits is applied. The Parent Bank prepares semi-annual stress test reports on a consolidated basis as per the Guide, numbered 6656, dated 14 January 2016 on the Stress Test to be Used in Banks' Capital and Liquidity Planning. The Stress Test provides a prospective perspective in possible negative incidents or negative situations.

In evaluating the consequences at Parent Bank level, not only the simple sum of individual risk categories but also quantitative analyses and the correlation of these values are taken into account. For example, changes in the exchange rate effect both market risk weighted assets and credit risk weighted assets. These changes are calculated simultaneously and in relation with one another. The correlation between risk categories tend to increase during shocking. It is aimed that all important risks are defined and relations are established between them in order to perform sensitivity analyses in the most effective manner throughout the Bank. Accordingly, the Bank carries out the stress test together with all relevant units at a consolidated manner.

Detailed explanations on the Bank's risk appetite and credit risk can be found in section "Credit Risk", detailed explanations on market risk can be found in section "Market Risk" and detailed explanations on operational risk can be found in section "Operational Risk".

**b. Overview of risk weighted amounts**

	Risk weighted amount		Minimum capital requirement
	Current period	Previous period	Current period
<b>Credit risk (excluding counterparty credit risk) (CCR)</b>	<b>40,571,840</b>	<b>43,285,193</b>	<b>3,245,747</b>
Standardized approach (SA)	40,571,840	43,285,193	3,245,747
Internal rating-based (IRB) approach	-	-	-
<b>Counterparty credit risk</b>	<b>2,834,018</b>	<b>1,845,559</b>	<b>226,721</b>
Standardized approach for counterparty credit risk (SA-CCR)	2,834,018	1,845,559	226,721
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	-	-	-
<b>Market risk</b>	<b>262,050</b>	<b>533,600</b>	<b>20,964</b>
Standardized approach (SA)	262,050	533,600	20,964
Internal model approaches (IMM)	-	-	-
<b>Operational risk</b>	<b>4,020,779</b>	<b>3,357,242</b>	<b>321,662</b>
Basic indicator approach	4,020,779	3,357,242	321,662
Standard approach	-	-	-
Advanced measurement approach	-	-	-
The amount of the discount threshold under the equity (subject to a 250% risk weight)	-	-	-
Floor adjustment	-	-	-
<b>Total</b>	<b>47,688,687</b>	<b>49,021,594</b>	<b>3,815,094</b>

(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish, See Note 1.b of section three)

## ING Bank A.Ş. and its Financial Subsidiaries

# Notes to consolidated financial statements as of and for the Year Ended 31 December 2017 (continued)

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

### X. Explanations on consolidated risk management (continued)

#### 2. Linkages between financial statements and risk amounts

##### a. Differences and linkage between scope of accounting consolidation and regulatory consolidation

	Revalued amount in accordance with TAS						
	Revalued amount in accordance with TAS as reported in published financial statements	Revalued amount in accordance with TAS under scope of regulatory consolidation	Subject to credit risk	Subject to counterparty credit risk	Securitization positions	Subject to market risk	Not subject to capital requirements or subject to deduction from capital
<b>Assets</b>							
Cash and balances with Central Bank	7,830,527	7,830,527	7,830,527	-	-	-	-
Financial assets held for trading	617,213	617,213	-	574,973	-	617,213	-
Financial assets designated at fair value through profit and loss	-	-	-	-	-	-	-
Banks	573,421	573,421	573,421	-	-	-	-
Money market placements	1,194,296	1,194,296	146,401	1,047,895	-	-	-
Financial assets available for sale (net)	1,737,945	1,737,945	1,737,945	-	-	-	-
Loans and receivables	44,867,688	44,838,499	44,867,689	-	-	-	13,458
Factoring receivables	1,027,813	1,027,813	1,027,813	-	-	-	-
Held-to maturity investments (net)	-	-	-	-	-	-	-
Associates (net)	-	-	-	-	-	-	-
Subsidiaries (net)	-	-	-	-	-	-	-
Joint ventures (net)	-	-	-	-	-	-	-
Financial lease receivables (net)	1,035,477	1,035,477	1,035,477	-	-	-	-
Derivative financial assets held for hedging purposes	1,571,395	1,571,395	-	1,571,395	-	-	-
Property and equipment (net)	502,521	504,095	467,508	-	-	-	35,013
Intangible assets (net)	40,055	39,884	-	-	-	-	37,738
Investment properties (net)	-	-	-	-	-	-	-
Tax asset	35,635	35,808	35,635	-	-	-	-
Property and equipment held for sale and related to discontinued operations (net)	660	660	660	-	-	-	-
Other assets	489,279	489,432	489,279	-	-	-	-
<b>Total asset</b>	<b>61,523,925</b>	<b>61,496,465</b>	<b>58,212,355</b>	<b>3,194,263</b>	<b>-</b>	<b>617,213</b>	<b>86,209</b>
<b>Liabilities</b>							
Deposits	27,597,712	27,597,712	-	-	-	-	27,597,712
Derivative financial liabilities held for trading	467,749	467,749	-	-	-	-	467,749
Funds borrowed	22,306,258	22,306,258	-	-	-	-	22,306,258
Money market balances	59,498	59,498	-	2,291	-	-	57,207
Marketable securities issued (net)	-	-	-	-	-	-	-
Funds	-	-	-	-	-	-	-
Miscellaneous payables	577,059	577,059	-	-	-	-	577,059
Other liabilities	238,891	238,891	-	-	-	-	238,891
Factoring payables	508	508	-	-	-	-	508
Leasing transaction payables	-	-	-	-	-	-	-
Derivative financial liabilities held for hedging purposes	25,454	25,454	-	-	-	-	25,454
Provisions	877,732	184,344	-	-	-	-	877,732
Tax liability	419,697	415,542	-	-	-	-	419,697
Liabilities for property and equipment held for sale and related to discontinued operations (net)	-	-	-	-	-	-	-
Subordinated loans	3,038,967	3,038,967	-	-	-	-	3,038,967
Shareholders' equity	5,914,400	6,584,483	-	-	-	-	5,914,400
<b>Total liabilities</b>	<b>61,523,925</b>	<b>61,496,465</b>	<b>-</b>	<b>2,291</b>	<b>-</b>	<b>-</b>	<b>61,521,634</b>



## ING Bank A.Ş. and its Financial Subsidiaries

# Notes to consolidated financial statements as of and for the Year Ended 31 December 2017 (continued)

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

### X. Explanations on consolidated risk management (continued)

#### b. Main differences between risk amounts and the amounts revalued in accordance with TAS financial statement

	Total	Subject to credit risk	Securitization positions	Subject to counterparty credit risk	Subject to market risk <sup>(*)</sup>
<b>Assets carrying value in accordance with TAS</b>	<b>62,023,831</b>	<b>58,212,355</b>	-	<b>3,194,263</b>	<b>617,213</b>
Liabilities carrying value in accordance with TAS under scope of regulatory consolidation	31,584	29,293	-	2,291	-
<b>Total net amount under scope of regulatory consolidation</b>	<b>61,992,247</b>	<b>58,183,062</b>	-	<b>3,191,972</b>	<b>617,213</b>
Off-balance sheet amount	18,261,069	5,531,842	-	508,072	-
Differences due to risk mitigation	-	(351,220)	-	(996,837)	-
Differences due to different netting rules	-	-	-	-	-
Differences due to consideration of provisions	-	-	-	-	-
Differences due to the applications of the Parent Bank	-	-	-	-	(355,163)
<b>Exposure amounts</b>	<b>-</b>	<b>63,363,684</b>	<b>-</b>	<b>2,703,207</b>	<b>262,050</b>

<sup>(\*)</sup> The amounts of financial instruments, which are measured according to TAS and included in trading accounts within the scope of the "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks", are represented in "Subject to market risk framework" column are presented.

#### c. Explanations on differences between carrying values in financial statements and risk amounts in capital adequacy calculation of assets and liabilities:

There are no material differences between the carrying values in financial statements and the risk amounts in capital adequacy calculation of assets and liabilities.

### 3. Explanations about credit risk

#### 3.1. General Information on Credit Risk

##### a. General Qualitative Information on Credit Risk

The Parent Bank's Credit Risk Management reports to the Audit Committee. In order to carry out its functions and responsibilities more effectively, Credit Risk Management is structured as Credit Risk Control and Credit Risk Integration groups. Credit Risk Control team is responsible for developing, monitoring and sustaining the models to be used in Internal Ratings Based Method and TFRS 9 calculations. Credit Risk Integration team works for the integration of rating models in the bank systems, corporate risk management solution allowing bank based risk management, management of QRM system for credit portfolio, IRB calculations and reporting, forming ICAAP process and reports.

Risk appetite expresses the total risk level assumed by the Parent Bank in order to realise its strategies. To ensure that the Parent Bank's risk appetite is equal to or below risk capacity, in general there is a buffer between the risk capacity and risk appetite. The Parent Bank's risk appetite is compatible with the main shareholder's risk appetite, and the Parent Bank pays sufficient attention to protect the interests of all stakeholders such as deposit holders and legal regulators.

Risk appetite is determined according to the risk identification and assessment results, the risk capacity formed by the Parent Bank considering the legal qualitative and quantitative limits and similarly the Bank's risk management and control abilities. If it is possible to implement, risk appetite indicators are approved by the management units (committees) formed for the relevant risk type. Both the risk appetite structure and risk appetite indicators are revised by the Audit Committee and presented by the Audit Committee to the Board of Directors. The approval authority for risk appetite structure and indicators is the Board of Directors.

The Parent Bank's risk profile is regularly measured, monitored in comparison with the risk appetite and reported to the Board of Directors and certain senior committees. Under credit risk, general condition of the credit portfolio, non-performing loans, risk appetite indicators, firm and group concentrations, legal credit ratios, development of capital adequacy ratio, development and distribution of ratings based on business units, rating and risk transitions, Probability of Default ("PD"), loss given default ("LGD") and Exposure at Default ("EAD") parameters are followed. Reports prepared in scope of ICAAP study are presented to the senior management and Board of Directors before they are sent to the BRSA.



(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish, See Note 1.b of section three)

## ING Bank A.Ş. and its Financial Subsidiaries

# Notes to consolidated financial statements as of and for the Year Ended 31 December 2017 (continued)

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

### X. Explanations on consolidated risk management (continued)

Many rating models and scorecards are used in different processes such as allocation, monitoring, collection, pricing etc. for the purpose of managing credit risk. With these models, internal data sources and external data sources (such as CB credit risk and limit report, Credit Bureau) are used and creditworthiness of new clients is measured; and development of the existing credit portfolio is closely monitored. Performance of models is regularly monitored by Validation team under Financial Risk Management in addition to the teams developing the models.

#### b. Assets credit quality

	Gross carrying values of (according to TAS)		Allowances/ amortization and impairment	Net values
	Defaulted	Non-defaulted		
Loans (*)	1,705,141	46,429,480	1,850,571	46,284,050
Debt securities	-	1,737,945	62	1,737,883
Off-balance sheet exposures	78,445	18,211,916	71,089	18,219,272
<b>Total</b>	<b>1,783,586</b>	<b>66,379,341</b>	<b>1,921,722</b>	<b>66,241,205</b>

(\*) Factoring and leasing receivables is included into "Loans".

#### c. Changes in stock of defaulted loans and debt securities

	Current period
Defaulted loans and debt securities at the end of the previous reporting period	1,410,279
Loans and debt securities defaulted since the last reporting period	818,161
Transferred to non-defaulted status	(16,066)
Amounts written off (*)	(170,079)
Other changes (**)	(337,154)
<b>Defaulted loans and debt securities at the end of the reporting period</b>	<b>1,705,141</b>

(\*) Specific provisions for undrawn non-cash loans are not included in the table.

(\*\*) Collections within the period have included "Other changes" account.

#### ç. Additional explanations on the creditworthiness of assets

Definitions of overdue and provision set aside are presented in Section Four - II Explanations on Credit Risk footnote.

Portion of receivables whose collection is delayed (for more than 90 days) and for which no provision was set aside and reasons for this:

All loans and receivables exceeding the 90-day delay period at the end of the month are automatically taken under non-performing loan accounts and special provisions are set aside for them.

Definitions of the methods used in determining the provision amounts:

The methods used are presented in the footnote of Section Three VIII - explanations on impairment in financial assets.

Definitions of the restructured receivables:

The Parent Bank can restructure the first and second group loans and other receivables, as well as non-performing loans and receivables. All loan products are considered together and a single restructuring protocol is formed; according to the legislation and general economic situation, variable or fixed terms are provided to enhance customers' ability to repay the loan.

Breakdown of receivables according to geographical regions, sector and remaining maturity:

Breakdown of receivables according to geographical regions, sector and remaining maturity is presented in footnote in Section Four II - explanations on credit risk.

## ING Bank A.Ş. and its Financial Subsidiaries

# Notes to consolidated financial statements as of and for the Year Ended 31 December 2017 (continued)

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

### X. Explanations on consolidated risk management (continued)

Receivable amounts for which provisions are set aside on geographical regions and sectors and amounts written off with the provisions

#### Breakdown of receivables according to geographical regions

	Non-performing loans	Specific provision
Domestic	1,701,510	1,200,044
EU Countries	3,186	3,181
OECD Countries <sup>(1)</sup>	-	-
Off-Shore Banking Regions	-	-
USA, Canada	-	-
Other countries	445	418
<b>Total</b>	<b>1,705,141</b>	<b>1,203,643</b>

<sup>(1)</sup> OECD Countries other than EU countries, USA and Canada.

As of 31 December 2017, non-performing loans written-off is amounting to TL 170,079.

Sectoral receivables and related provisions are presented in Section Four - II. explanations on credit risk disclosure.

#### Aging of overdue exposures

	Current period
Due 31 - 60	361,498
Due 61 - 90	138,182
<b>Total</b>	<b>499,680</b>

#### Breakdown of restructured receivables by whether or not provisions are allocated

	Current period
Loans structured from standard loans and other receivables	127,946
Loans structured from closely monitored loans and other receivables	379,282
Loans restructured from non-performing loans	7,587

General provision is allocated for the loans restructured from standard loans and closely monitored loans, specific provision is allocated for the loans restructured from non-performing loans.

(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish, See Note 1.b of section three)

## ING Bank A.Ş. and its Financial Subsidiaries

# Notes to consolidated financial statements as of and for the Year Ended 31 December 2017 (continued)

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

### X. Explanations on consolidated risk management (continued)

#### 3.2. Credit risk mitigation techniques

##### a. Qualitative disclosure requirements related to credit risk mitigation techniques

The Parent Bank pays specific attention to the fact that the risk is completely covered by the collaterals and the easiness of collateral conversion into cash in case of default. In addition, the primary repayment source of loan is the cash flows from operations. Therefore, the financial status and retrospective and prospective cash flows of the firms to which credit proposal is made (the debtor) are analysed with due care during loan disbursement.

Collaterals in the Parent Bank are divided into two groups as financial collaterals and guarantees. Collaterals are considered as allowed by the related regulations.

If credit assignment is conditioned to a collateral extension, the data of the collaterals must be entered to the banking information system. Collaterals are entered in the main banking application Finsoft through branches. Collaterals are activated after the Credit Operation Centre ("KROM") teams' check and approval of the collateral entries.

The Parent Bank monitors up to date value of the collaterals by type. As a general principle, the Parent Bank revises all collaterals at least once a year. For the firms which still have a credit risk, the existing collaterals are not released unless the guarantees in the credit notification are fully ensured or risk amount is decreased.

The Parent Bank makes the assessment according to the latest expert value in the real estate guarantees taken as a real property. For the loans above TL 3 million in all segments, the real estate valuation is redone at least every three years. For commercial loans the real properties are revised at least once a year. In addition, Credit Allocation Managers require renewal of expert assessment when considered necessary.

The Parent Bank's credit risk exposure and mitigation techniques used in order to reduce the exposure level are taken into account according to the principles stated in the related regulation. The Parent Bank applies credit risk mitigation according to the comprehensive method that includes risk mitigation calculations considering the volatility-adjusted values of financial collaterals. The standardized risk weights are applied to the rest of the loans and receivables that remained unprotected after credit risk mitigation techniques. Financial collaterals that are composed of cash or similar assets and instruments of a high credit quality as well as real estate mortgages have been used in credit risk mitigation.

##### b. Credit risk mitigation techniques

	Exposures unsecured carrying amount as per TAS	Exposures secured by collateral	Collateralized amount of exposures secured by collaterals	Exposures secured by financial guarantees	Collateralized amount of exposures secured by financial guarantees	Exposures secured by credit derivatives	Collateralized amount of exposures secured by credit derivatives
Loans <sup>(*)</sup>	32,778,252	13,505,798	11,454,086	7,021,087	6,347,627	-	-
Debt securities <sup>(*)</sup>	1,737,883	-	-	-	-	-	-
<b>Total</b>	<b>34,516,135</b>	<b>13,505,798</b>	<b>11,454,086</b>	<b>7,021,087</b>	<b>6,347,627</b>	-	-
Of which defaulted	1,705,141	-	-	-	-	-	-

<sup>(\*)</sup> In accordance with the legislation, general loan provision has been shown by deducting from the related balance sheet amounts

## ING Bank A.Ş. and its Financial Subsidiaries

# Notes to consolidated financial statements as of and for the Year Ended 31 December 2017 (continued)

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

### X. Explanations on consolidated risk management (continued)

#### c. Qualitative disclosures on Banks' use of external credit ratings under the standardised approach for credit risk

Explanations are disclosed in Section Four II - explanations on credit risk disclosures.

#### ç. Credit risk exposure and credit risk mitigation techniques

Risk classes	Exposures before CCF and CRM		Exposures post-CCF and CRM		RWA and RWA density	
	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount
Claims on sovereigns and Central Banks	7,326,602	37	13,672,784	7	1,066,875	7.80%
Claims on regional governments or local authorities	525,766	24	467,087	5	241,038	51.60%
Claims on administrative bodies and other non-commercial undertakings	-	36	-	7	7	100.00%
Claims on multilateral development banks	-	-	-	-	-	-
Claims on international organizations	-	-	-	-	-	-
Claims on banks and intermediary institutions	5,086,708	4,706,312	4,038,814	1,069,613	2,122,240	41.54%
Claims on corporates	20,906,430	6,684,930	18,282,191	3,464,307	21,230,792	97.63%
Claims on retails	18,971,325	5,066,982	15,044,211	883,504	11,939,821	74.96%
Claims secured by residential property	1,927,952	55,785	1,927,951	18,434	694,201	35.67%
Claims secured by commercial property	2,978,822	149,161	2,978,821	63,911	1,760,637	57.86%
Past due loans	94,557	-	94,557	-	100,180	105.95%
Higher risk categories decided by the Board	406,941	-	406,941	-	450,418	110.68%
Secured by mortgages	-	-	-	-	-	-
Short-term claims and short-term corporate claims on banks and intermediary institutions	-	-	-	-	-	-
Undertakings for collective investments in mutual funds	-	-	-	-	-	-
Other receivables	3,224,513	2,105,873	3,224,513	421,175	957,571	26.27%
Equity securities	8,060	-	8,060	-	8,060	100.00%
<b>Total</b>	<b>61,457,676</b>	<b>18,769,140</b>	<b>60,145,930</b>	<b>5,920,963</b>	<b>40,571,840</b>	<b>61.41%</b>

(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish, See Note 1.b of section three)

## ING Bank A.Ş. and its Financial Subsidiaries

# Notes to consolidated financial statements as of and for the Year Ended 31 December 2017 (continued)

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

### X. Explanations on consolidated risk management (continued)

#### d. Standard approach exposures by asset classes and risk weights

Risk classes	0%	10%	20%	35%	50%	75%	100%	150%	200%	Others	Total credit exposures amount (post CCF and post-CRM)
Claims on sovereigns and Central Banks	12,605,916	-	-	-	-	-	1,066,875	-	-	-	13,672,791
Claims on regional governments or local authorities	-	-	-	-	452,107	-	14,985	-	-	-	467,092
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	-	-	972,739	-	2,082,008	-	2,044,885	8,795	-	-	5,108,427
Claims on corporates	-	-	25,837	-	29,866	-	21,690,795	-	-	-	21,746,498
Claims on retails	-	-	-	-	-	15,927,715	-	-	-	-	15,927,715
Claims secured by residential property	-	-	-	1,926,437	-	-	19,948	-	-	-	1,946,385
Claims secured by commercial property	-	-	-	-	2,564,192	-	478,540	-	-	-	3,042,732
Past due loans	-	-	-	-	4,755	-	73,802	16,000	-	-	94,557
Higher risk categories decided by the Board	-	-	-	-	81,285	-	157,416	168,240	-	-	406,941
Secured by mortgages	-	-	-	-	-	-	-	-	-	-	-
Short-term claims and short-term corporate claims on banks and intermediary institutions	-	-	-	-	-	-	-	-	-	-	-
Undertakings for collective investments in mutual funds	-	-	-	-	-	-	-	-	-	-	-
Other receivables	2,688,116	-	-	-	-	-	957,572	-	-	-	3,645,688
Equity securities	-	-	-	-	-	-	8,060	-	-	-	8,060
<b>Total</b>	<b>15,294,032</b>	<b>-</b>	<b>998,576</b>	<b>1,926,437</b>	<b>5,214,213</b>	<b>15,927,715</b>	<b>26,512,885</b>	<b>193,035</b>	<b>-</b>	<b>-</b>	<b>66,066,893</b>

## ING Bank A.Ş. and its Financial Subsidiaries

# Notes to consolidated financial statements as of and for the Year Ended 31 December 2017 (continued)

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

### X. Explanations on consolidated risk management (continued)

#### 4. Evaluation of counterparty credit risk according to measurement methods

##### a. Qualitative disclosure on counterparty credit risk

According to Appendix 2 of the Regulation on Measurement and Assessment of Capital Adequacy of Banks, promulgated in the Official Gazette, no. 29511, dated 23 October 2015, the counterparty credit risk arising from the transactions binding both parties such as derivatives and repo, is calculated. The sum of renewal cost for derivative transactions and potential credit risk amount is considered as the risk amount. Renewal cost is calculated with valuation of contracts at fair value and potential credit risk amount is calculated by multiplying the contract amounts with the credit conversion ratios stated in the appendix of the regulation.

For the forward, option and similar contracts, collateral management is conducted daily according to the International Swap and Derivative Association ("ISDA") and Credit Support Annex ("CSA") agreements concluded with international counterparties, and when needed, short term total credit risk is reduced by usage of rights and performance of duties.

For the forward, option and similar derivative transactions which are done with local agreements and not according to ISDA agreement, the credit risk is controlled with "Pre-Settlement" limit monitoring. Pre-settlement limit is allocated for the firms and organisations according to analysis and allocation processes. The basic rule for the Bank is that client risks do not exceed such limits. Risks are monitored simultaneously with the market and developed models are used in calculation.

The maximum risk that the counterparty may incur due to futures, options and similar derivative transactions are limited monitored with daily and instant reports. Possible limit breaches are reported to the high level committees and senior management of the bank and related actions taken to close the risk.

##### b. Counterparty credit risk (CCR) approach analysis

	Replacement cost	Potential future exposure	EEPE <sup>(*)</sup>	Alpha used for computing regulatory EAD	Exposure after CRM	RWA
Standardised Approach - CCR (for derivatives)	2,146,368	508,072	-	1.40	2,654,440	1,647,673
Internal Model Method (for derivative financial instruments, repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)	-	-	-	-	-	-
Simple Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)	-	-	-	-	-	-
Comprehensive Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)	-	-	-	-	48,767	9,785
Value-at-Risk (VaR) for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions	-	-	-	-	-	-
<b>Total</b>						<b>1,657,458</b>

<sup>(\*)</sup> Effective expected positive exposure

(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish, See Note 1.b of section three)

## ING Bank A.Ş. and its Financial Subsidiaries

# Notes to consolidated financial statements as of and for the Year Ended 31 December 2017 (continued)

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

### X. Explanations on consolidated risk management (continued)

#### c. Credit valuation adjustment (CVA) for capital charge

	Exposure at default post-CRM	RWA
Total portfolios subject to the advanced CVA capital charge	-	-
(i) VaR component (including the 3×multiplier)	-	-
(ii) Stressed VaR component (including the 3×multiplier)	-	-
All portfolios subject to the standardised CVA capital charge	2,654,440	1,176,560
Total subject to the CVA capital charge	2,654,440	1,176,560

#### ç. Analysis of counterparty credit risk (CCR) exposure

Asset classes/Risk weight	0%	10%	20%	50%	75%	100%	150%	Others	Total credit exposure (*)
Claims on sovereigns and Central Banks	-	-	-	-	-	-	-	-	-
Claims on regional governments or local authorities	-	-	-	1	-	-	-	-	1
Claims on administrative bodies and other non-commercial undertakings	-	-	-	-	-	-	-	-	-
Claims on multilateral development banks	-	-	-	-	-	-	-	-	-
Claims on international organizations	-	-	-	-	-	-	-	-	-
Claims on banks and intermediary institutions	-	-	219,596	1,734,317	-	260,312	-	-	2,214,225
Claims on corporates	-	-	1,069	139	-	479,819	-	-	481,027
Claims included in the regulatory retail portfolios	-	-	-	-	7,956	-	-	-	7,956
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 (**)	-	-	-	-	-	-	-	-	-
<b>Total</b>	-	-	220,665	1,734,457	7,956	740,131	-	-	2,703,209

(\*) 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.

#### d. Collaterals for counterparty credit risk (CCR)

Related table is not presented due to not having derivative collaterals which is considered in the calculation of capital adequacy ratio.

#### e. Credit derivatives

There is no credit derivative transaction.

## ING Bank A.Ş. and its Financial Subsidiaries

# Notes to consolidated financial statements as of and for the Year Ended 31 December 2017 (continued)

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

### X. Explanations on consolidated risk management (continued)

#### f. Exposures to central counterparties (CCP)

There is no central counterparty risk.

#### 5. Securitisation

There is no securitisation transaction.

#### 6. Explanations on market risk

The Parent Bank has reviewed activities of market risk management and has taken necessary precautions in order to be protected from market risk within the framework of financial risk management purposes according to the "Regulation on the Internal Systems of Banks and Internal Capital Adequacy Valuation Process" and the "Regulation on Measurement and Assessment of Capital Adequacy of Banks", which was published in the Official Gazette No. 29057 and dated 11 July 2014.

Market risk is managed within the risk limits based on different product directions under banking and trading accounts and sensitivity based that is determined by Board of Directions in where related limits are monitored on a regular basis and measurement results are shared with top management and the Board of Directors. In addition, the impacts of change in balance sheet due to banking activities on risk appetite are simulated.

Audit Committee follows and interprets market risk closely. Recommendations are made to the Asset-Liability Committee and Board of Directors about the risk management.

Risk management strategies and policies are updated regarding to communiqué stated above and approved by Board of Director's. Legally, for the capital requirements, on consolidated and unconsolidated basis, standard method is used in measuring market risk. In addition to the standard method, for internal reporting purposes, value-at-risk (VaR) is used in daily calculation of amount subject to market risk and are reported to the top level management. Stress tests and scenario analyses are also applied within the scope of ICAAP to complement the risk analysis. In addition, ING Group's compliance with public policy related to market risk, especially for new international regulations (ILAAP - Internal Liquidity adequacy Assessment Process) was completed in parallel, carried out all these studies are reflected in the relevant written procedures and policies. Due to the increase of legislative regulations and the need for pursuing more sophisticated risk management in recent years, the project of a software setup has been initiated to manage risks related to asset liability management more integrated. On the other hand, in parallel with changing risk policies of the Parent Bank, harmonization studies to measure and manage the risks of subsidiaries subject to consolidation in line with the volume, quality and complexity of operations of the relevant subsidiary have been completed.

	<b>RWA</b>
<b>Outright products</b>	<b>262,050</b>
Interest rate risk (general and specific)	106,562
Equity risk (general and specific)	-
Foreign exchange risk	155,488
Commodity risk	-
<b>Options</b>	<b>-</b>
Simplified approach	-
Delta-plus method	-
Scenario approach	-
Securitisation	-
<b>Total</b>	<b>262,050</b>



(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish, See Note 1.b of section three)

## ING Bank A.Ş. and its Financial Subsidiaries

# Notes to consolidated financial statements as of and for the Year Ended 31 December 2017 (continued)

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

### X. Explanations on consolidated risk management (continued)

#### 7. Explanations on operational risk

The "Basic Indicator Method" that is stated in "Regulation on Measurement and Assessment of Capital Adequacy of Banks" Communiqué published in the Official Gazette no. 28337 on 28 June 2012, is used in the annual operational risk calculation of the Bank. The amount subject to the operational risk as of 31 December 2017 is calculated by using the gross income of the Parent Bank in 2014, 2015 and 2016.

Annual gross revenue is calculated by deduction of profit/loss derived from the sale of available-for-sale assets and held-to-maturity securities, extraordinary income and indemnity insurance gains from the total of net interest income and non-interest income.

Current period	2014 amount	2015 amount	2016 amount	Total/Number of years of positive gross income	Ratio (%)	Total
Gross income	1,760,282	2,067,721	2,605,243	2,144,415	15	321,662
<b>Amount subject to operational risk (Amount*12,5)</b>						<b>4,020,779</b>

#### 8. Interest rate risk arising from banking book

Interest rate risk due to banking accounts is managed within the framework of sensitivity based risk limits which is internally determined by the Board of Directors with regarding VaR limits, and results are shared periodically with top management, Asset-Liability Committee, Audit Committee and Board of Directors. In addition, interest rate risk arising from banking book is calculated according to the interest structure profile of all interest sensitive assets and liabilities and the period remaining for their maturity or re-pricing dates under the Regulation on Measurement and Evaluation of the Interest Rate Risk Arising from Banking Book through Standard Shock Method published by the BRSA in the Official Gazette no: 28034 and dated 23 August 2011.

Under the regulation, core deposit is calculated only over demand deposits and separately for each currency. Maturity profile of demand deposit assumptions have been determined by taking into account the analyses conducted by the Parent Bank through using historical data for demand deposit portfolio and the maximum hypothetical maturity limit stated in the Regulation.

In addition, analysis being performed about asset and liability accounts comprising different customer behaviour characteristics such as internal interest sensitivity and optionality, and effects on balance sheet risk are evaluated within the framework of analysis results and business expectations.

Interest rate risk standard ratio arising from banking accounts is calculated at the end of months by measuring and evaluating the interest rate risk resulting from balance sheet and off-balance sheet positions in the Parent Bank's accounts through standard shock method. Gains/losses refer to the gain/loss risk that might occur in the market value of financial assets and liabilities in the balance sheet as a result of applying upward/downward scenarios to the market interest rate.

Currency	Applied shock (+/-x basis points)	Gains/ (Losses)	Gains/Equity (Losses)/Equity
TL	(-) 400	569,248	6.36%
TL	(+) 500	(565,565)	(6.31)%
EURO	(-) 200	(2,498)	(0.03)%
EURO	(+) 200	(24,516)	(0.27)%
USD	(-) 200	(1,703)	(0.02)%
USD	(+) 200	1,211	0.01%
<b>Total (for negative shocks)</b>		<b>565,047</b>	<b>6.31%</b>
<b>Total (for positive shocks)</b>		<b>(588,870)</b>	<b>(6.57)%</b>

## ING Bank A.Ş. and its Financial Subsidiaries

# Notes to consolidated financial statements as of and for the Year Ended 31 December 2017 (continued)

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

### XI. Explanations on hedge transactions

#### Breakdown of the derivative transactions used in cash flow hedges

	Notional	Current period		Notional	Prior period	
		Assets	Liabilities		Assets	Liabilities
Interest rate swaps	20,770,104	170,815	25,454	7,177,020	27,525	38,498
Cross currency swaps	7,731,456	1,400,580	-	9,824,312	1,765,698	-
<b>Total</b>	<b>28,501,560</b>	<b>1,571,395</b>	<b>25,454</b>	<b>17,001,332</b>	<b>1,793,223</b>	<b>38,498</b>

#### Explanations on derivative transactions used in cash flow hedges

##### Current period

Hedging instrument	Hedged item	Nature of risk hedged	Hedging instrument FV		Net gain/ (loss) recognized in OCI during the period	Net gain (loss) reclassified to income statement during the year	Ineffective portion recognized in income statement (Net)
			Assets	Liabilities			
Interest rate swaps	TL/FCY customer deposits	Cash flow risk due to the changes in the interest rates of TL and FCY customer deposits	170,815	25,454	139,495	5,259	(2,867)
Cross currency swaps	TL customer deposits and FC borrowings	Cash flow risk due to the changes in the interest rates of deposits and currency risk of FC borrowings	1,400,580	-	55,832	(1,001)	-
<b>Total</b>			<b>1,571,395</b>	<b>25,454</b>	<b>195,327</b>	<b>4,258</b>	<b>(2,867)</b>

##### Prior period

Hedging instrument	Hedged item	Nature of risk hedged	Hedging instrument FV		Net gain/ (loss) recognized in OCI during the period	Net gain (loss) reclassified to income statement during the year	Ineffective portion recognized in income statement (Net)
			Assets	Liabilities			
Interest rate swaps	TL customer deposits	Cash flow risk due to the changes in the interest rates of customer deposits	27,525	38,498	(12,141)	2,341	(1,061)
Cross currency swaps	TL customer deposits and FC borrowings	Cash flow risk due to the changes in the interest rates of deposits and currency risk of FC borrowings	1,765,698	-	(71,888)	(1,260)	-
<b>Total</b>			<b>1,793,223</b>	<b>38,498</b>	<b>(84,029)</b>	<b>1,081</b>	<b>(1,061)</b>

#### Contractual maturity analysis of the derivative transactions subject to cash flow hedges:

Maturity analysis of the derivative transactions subject to cash flow hedges is provided in the Note VI of Section Four.

(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish, See Note 1.b of section three)

## ING Bank A.Ş. and its Financial Subsidiaries

# Notes to consolidated financial statements as of and for the Year Ended 31 December 2017 (continued)

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

### XII. 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 - 31 December 2017	Corporate, SME and Commercial Banking	Retail Banking	Other	Total
Net interest income	1,193,897	784,382	932,788	2,911,067
Net commissions and fees income and other operating income	326,578	476,785	26,083	829,446
Trading gain/loss	4,084	(1,242)	(437,906)	(435,064)
Dividend income	-	-	382	382
Provision for impairment of loans and other receivables	(356,980)	(220,014)	(65,006)	(642,000)
Segment results	1,167,579	1,039,911	456,341	2,663,831
Other operating expenses (*)				(1,536,931)
Income from continuing operations before tax				1,126,900
Tax provision (*)				(238,745)
<b>Net profit</b>				<b>888,155</b>

Prior period - 31 December 2016	Corporate, SME and Commercial Banking	Retail Banking	Other	Total
Net interest income	983,170	644,108	759,845	2,387,123
Net commissions and fees income and other operating income	222,504	350,517	(2,885)	570,136
Trading gain/loss	3,306	181	(212,728)	(209,241)
Dividend income	-	-	556	556
Provision for impairment of loans and other receivables	(303,166)	(276,572)	(33,957)	(613,695)
Segment results	905,814	718,234	510,831	2,134,879
Other operating expenses (*)				(1,385,582)
Income from continuing operations before tax				749,297
Tax provision (*)				(157,391)
<b>Net profit</b>				<b>591,906</b>

(\*) Other operational expenses and tax provision have been stated at total column due to inability to allocate among the sections.

Current period - 31 December 2017	Corporate, SME and Commercial Banking	Retail Banking	Other	Total
Asset	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
Prior period - 31 December 2016	Corporate, SME and Commercial Banking	Retail Banking	Other	Total
Asset	31,519,398	12,365,468	14,102,357	57,987,223
Liability	14,690,776	16,777,136	21,376,744	52,844,656
Equity	-	-	5,142,567	5,142,567

## ING Bank A.Ş. and its Financial Subsidiaries

# Notes to consolidated financial statements as of and for the Year Ended 31 December 2017 (continued)

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

### Section five

#### Information and disclosures related to 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	299,402	1,967,400	256,751	383,938
Balances with the Central Bank of Turkey	159,608	5,401,475	158,775	6,065,828
Other	-	2,642	-	355
<b>Total</b>	<b>459,010</b>	<b>7,371,517</b>	<b>415,526</b>	<b>6,450,121</b>

###### 1.2. Information related to the account of the Central Bank of Turkey

	Current period		Prior period	
	TL	FC	TL	FC
Unrestricted demand deposit	159,608	414,592	158,775	826,536
Unrestricted time deposit	-	-	-	-
Restricted time deposit	-	618,187	-	856,470
Restricted demand deposit	-	4,368,696	-	4,382,822
<b>Total</b>	<b>159,608</b>	<b>5,401,475</b>	<b>158,775</b>	<b>6,065,828</b>

As per the "Communiqué on Reserve Requirements" promulgated by the Central Bank, banks operating in Turkey must keep required reserves as of the balance sheet date in terms of TL, USD/EURO and gold at a rate ranging between 4% and 10.5% for Turkish lira deposits and liabilities depending on their maturity and at a rate ranging between 4% and 24% for foreign currency deposits and foreign currency other liabilities depending on their maturity. In accordance with the relevant communiqué, the Central Bank pays interest for the reserve requirements which are presented in terms of TL and USD.

TL 158,512 (31 December 2016: TL 158,319) of the TL reserve deposits provided over the average balance and TL 414,592 (31 December 2016: TL 826,536) of the FC reserve deposits provided over the average balance are presented under unrestricted demand deposit account.

(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish, See Note 1.b of section three)

## ING Bank A.Ş. and its Financial Subsidiaries

# Notes to consolidated financial statements as of and for the Year Ended 31 December 2017 (continued)

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

### I. Explanations and notes related to assets of the 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	42,138	6,405
Repo transactions	-	-
Collateral/blocked	102	103
<b>Total</b>	<b>42,240</b>	<b>6,508</b>

##### 2.2. Positive differences related to derivative financial assets held for trading

	Current period		Prior period	
	TL	FC	TL	FC
Forward transactions	-	143,252	-	125,865
Swap transactions	382,998	45,495	282,831	110,118
Futures transactions	-	-	-	-
Options	703	2,525	97	8,577
Other	-	-	-	-
<b>Total</b>	<b>383,701</b>	<b>191,272</b>	<b>282,928</b>	<b>244,560</b>

## ING Bank A.Ş. and its Financial Subsidiaries

# Notes to consolidated financial statements as of and for the Year Ended 31 December 2017 (continued)

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

### I. Explanations and notes related to assets of the consolidated balance sheet (continued)

#### 3. Information on banks and foreign banks accounts

##### 3.1. Information on banks

	Current period		Prior period	
	TL	FC	TL	FC
Banks	35,843	537,578	36,476	205,046
Domestic	35,843	438	36,475	16,488
Foreign	-	537,140	1	188,558
Headquarters and branches abroad	-	-	-	-
<b>Total</b>	<b>35,843</b>	<b>537,578</b>	<b>36,476</b>	<b>205,046</b>

##### 3.2. Information on foreign banks

	Unrestricted amount		Restricted amount	
	Current period	Prior period	Current period	Prior period
EU countries	411,188	138,821	91,388	25,196
USA, Canada	15,718	13,253	-	1,641
OECD Countries <sup>(*)</sup>	7,058	5,609	-	-
Off-shore banking regions	-	-	-	-
Other	11,788	4,035	-	4
<b>Total</b>	<b>445,752</b>	<b>161,718</b>	<b>91,388</b>	<b>26,841</b>

<sup>(\*)</sup> OECD countries except EU countries, USA and Canada

As of 31 December 2017, restricted bank balance amounting to TL 91,388 (31 December 2016: TL 26,841) all of which is comprised of (31 December 2016: all amount) collaterals that is held by counter banks under CSA contracts and is calculated based on related derivatives market price.

#### 4. Information on financial assets available-for-sale

##### 4.1. Financial assets available-for-sale subject to repo transactions and those given as collateral/blocked

Financial assets available-for-sale subject to repo transactions and those given as collateral/blocked with net amounts are shown in below table.

	Current period	Prior period
Bank's portfolio	1,197,976	1,981,210
Repo transactions	2,313	1,495
Collateral/blocked <sup>(*)</sup>	537,656	673,079
<b>Total</b>	<b>1,737,945</b>	<b>2,655,784</b>

<sup>(\*)</sup> 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.

(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish, See Note 1.b of section three)

## ING Bank A.Ş. and its Financial Subsidiaries

# Notes to consolidated financial statements as of and for the Year Ended 31 December 2017 (continued)

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

### I. Explanations and notes related to assets of the consolidated balance sheet (continued)

#### 4.2. Information on financial assets available-for-sale

	Current period	Prior period
Debt securities	1,732,028	2,548,490
Quoted to stock exchange	1,732,028	2,548,490
Not quoted	-	-
Equity certificates	8,060	110,098
Quoted to stock exchange	51	50
Not quoted	8,009	110,048
Provision for impairment (-)	(2,143)	(2,804)
<b>Total</b>	<b>1,737,945</b>	<b>2,655,784</b>

#### 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	30	438,513	91	624,919
Corporate shareholders	-	438,513	-	624,919
Real person shareholders	30	-	91	-
Indirect loans granted to shareholders of the Parent Bank	-	197,080	-	87,086
Loans granted to employees of the Parent Bank	30,111	-	27,818	-
<b>Total</b>	<b>30,141</b>	<b>635,593</b>	<b>27,909</b>	<b>712,005</b>

##### 5.2. Information on the first and second group loans and other receivables including restructured or rescheduled loans

Cash loans	Standard loans and other receivables			Loans and other receivables under close monitoring		
	Loans and other receivables (Total)	With revised contract terms		Loans and other receivables (Total)	With revised contract terms	
		Extension of payment plan	Other		Extension of payment plan	Other
Non-specialized loans	42,896,661	127,946	-	1,469,529	379,282	-
Business loans	23,849,051	9,972	-	708,579	226,365	-
Export loans	4,307,861	-	-	42,343	7,995	-
Import loans	-	-	-	-	-	-
Loans given to financial sector	1,750,408	-	-	-	-	-
Consumer loans	10,971,477	117,974	-	509,236	93,683	-
Credit cards	987,850	-	-	84,767	51,239	-
Other	1,030,014	-	-	124,604	-	-
Specialized loans	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-
<b>Total</b>	<b>42,896,661</b>	<b>127,946</b>	<b>-</b>	<b>1,469,529</b>	<b>379,282</b>	<b>-</b>

## ING Bank A.Ş. and its Financial Subsidiaries

# Notes to consolidated financial statements as of and for the Year Ended 31 December 2017 (continued)

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

### I. Explanations and notes related to assets of the consolidated balance sheet (continued)

Number of extensions	Standard loans and other receivables	Loans and other receivables under close monitoring
Extended by 1 or 2 times	127,934	379,282
Extended by 3, 4 or 5 times	12	-
Extended by 5 times and more	-	-
<b>Total</b>	<b>127,946</b>	<b>379,282</b>

Extended periods	Standard loans and other receivables	Loans and other receivables under close monitoring
Up to 6 months	10,406	6,131
6-12 months	3,148	43,435
1-2 years	13,071	62,807
2-5 years	63,799	174,800
More than 5 years	37,522	92,109
<b>Total</b>	<b>127,946</b>	<b>379,282</b>

### 5.3. Loans according to their maturity structure

Cash loans	Standard loans and other receivables		Loans and other receivables under close monitoring	
	Loans and other receivables	With revised contract terms	Loans and other receivables	With revised contract terms
Short-term loans and other receivables	9,782,892	46	206,361	92,595
Non-specialized loans	9,782,892	46	206,361	92,595
Specialized loans	-	-	-	-
Other receivables	-	-	-	-
Medium and long-term loans and other receivables	33,113,769	127,900	1,263,168	286,687
Non-specialized loans	33,113,769	127,900	1,263,168	286,687
Specialized loans	-	-	-	-
Other receivables	-	-	-	-
<b>Total</b>	<b>42,896,661</b>	<b>127,946</b>	<b>1,469,529</b>	<b>379,282</b>



(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish, See Note 1.b of section three)

## ING Bank A.Ş. and its Financial Subsidiaries

# Notes to consolidated financial statements as of and for the Year Ended 31 December 2017 (continued)

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

### I. Explanations and notes related to assets of the 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
<b>Consumer loans - TL</b>	<b>608,017</b>	<b>10,620,571</b>	<b>11,228,588</b>
Mortgage loans	239	4,200,781	4,201,020
Automotive loans	93,751	730,071	823,822
General purpose loans	514,027	5,689,719	6,203,746
Other	-	-	-
<b>Consumer loans - indexed to FC</b>	<b>11</b>	<b>1,635</b>	<b>1,646</b>
Mortgage loans	11	1,635	1,646
Automotive loans	-	-	-
General purpose loans	-	-	-
Other	-	-	-
<b>Consumer loans - FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
Mortgage loans	-	-	-
Automotive loans	-	-	-
General purpose loans	-	-	-
Other	-	-	-
<b>Consumer credit cards - TL</b>	<b>949,689</b>	<b>-</b>	<b>949,689</b>
With installments	322,177	-	322,177
Without installments	627,512	-	627,512
<b>Consumer credit cards - FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
With installments	-	-	-
Without installments	-	-	-
<b>Personnel loans - TL</b>	<b>2,737</b>	<b>17,237</b>	<b>19,974</b>
Mortgage loans	-	-	-
Automotive loans	-	-	-
General purpose loans	2,737	17,237	19,974
Other	-	-	-
<b>Personnel loans - indexed to FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
Mortgage loans	-	-	-
Automotive loans	-	-	-
General purpose loans	-	-	-
Other	-	-	-
<b>Personnel loans - FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
Mortgage loans	-	-	-
Automotive loans	-	-	-
General purpose loans	-	-	-
Other	-	-	-
<b>Personnel credit cards - TL</b>	<b>10,167</b>	<b>-</b>	<b>10,167</b>
With installments	3,707	-	3,707
Without installments	6,460	-	6,460
<b>Personnel credit cards - FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
With installments	-	-	-
Without installments	-	-	-
<b>Overdraft accounts - TL (real person)</b>	<b>230,505</b>	<b>-</b>	<b>230,505</b>
<b>Overdraft accounts - FC (real person)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>1,801,126</b>	<b>10,639,443</b>	<b>12,440,569</b>

## ING Bank A.Ş. and its Financial Subsidiaries

# Notes to consolidated financial statements as of and for the Year Ended 31 December 2017 (continued)

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

### I. Explanations and notes related to assets of the consolidated balance sheet (continued)

#### 5.5. Information on commercial loans with installments and corporate credit cards

	Short term	Medium and long term	Total
<b>Commercial installment loans - TL</b>	<b>313,709</b>	<b>7,714,230</b>	<b>8,027,939</b>
Real estate loans	-	71,268	71,268
Automotive loans	15,803	271,006	286,809
General purpose loans	-	-	-
Other	297,906	7,371,956	7,669,862
<b>Commercial installment loans - indexed to FC</b>	<b>4,846</b>	<b>484,150</b>	<b>488,996</b>
Real estate loans	-	6,702	6,702
Automotive loans	81	175,216	175,297
General purpose loans	-	-	-
Other	4,765	302,232	306,997
<b>Commercial installment loans-FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
Real estate residential loans	-	-	-
Automotive loans	-	-	-
General purpose loans	-	-	-
Other	-	-	-
<b>Corporate credit cards - TL</b>	<b>112,761</b>	<b>-</b>	<b>112,761</b>
With installments	40,786	-	40,786
Without installments	71,975	-	71,975
<b>Corporate credit cards - FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
With installments	-	-	-
Without installments	-	-	-
<b>Overdraft loans - TL (legal entity)</b>	<b>397,078</b>	<b>-</b>	<b>397,078</b>
<b>Overdraft loans - FC (legal entity)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>828,394</b>	<b>8,198,380</b>	<b>9,026,774</b>

#### 5.6. Loans according to borrowers

	Current period	Prior period
Public	2,524,349	1,406,994
Private	41,841,841	39,453,981
<b>Total</b>	<b>44,366,190</b>	<b>40,860,975</b>

#### 5.7. Domestic and foreign loans

	Current period	Prior period
Domestic loans	44,218,204	40,593,020
Foreign loans	147,986	267,955
<b>Total</b>	<b>44,366,190</b>	<b>40,860,975</b>

(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish, See Note 1.b of section three)

## ING Bank A.Ş. and its Financial Subsidiaries

# Notes to consolidated financial statements as of and for the Year Ended 31 December 2017 (continued)

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

### I. Explanations and notes related to assets of the 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	Prior period
Loans and receivables with limited collectability	31,078	32,999
Loans and receivables with doubtful collectability	121,699	141,256
Uncollectible loans and receivables	1,050,866	791,288
<b>Total</b>	<b>1,203,643</b>	<b>965,543</b>

#### 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
<b>Current period</b>	<b>819</b>	<b>6,187</b>	<b>581</b>
(Gross amounts before specific provision)			
Restructured loans and other receivables	819	6,187	581
Rescheduled loans and other receivables	-	-	-
<b>Prior period</b>	<b>2</b>	<b>1,839</b>	<b>1,307</b>
(Gross amounts before specific provision)			
Restructured loans and other receivables	2	1,839	1,307
Rescheduled loans and other receivables	-	-	-

## ING Bank A.Ş. and its Financial Subsidiaries

# Notes to consolidated financial statements as of and for the Year Ended 31 December 2017 (continued)

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

### I. Explanations and notes related to assets of the consolidated balance sheet (continued)

#### 5.10.2. Information on total non-performing loans

	III. Group	IV. Group	V. Group
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
<b>Prior period end balance</b>	<b>183,696</b>	<b>338,049</b>	<b>888,534</b>
Additions (+)	777,495	13,602	27,064
Transfers from other categories of non-performing loans (+)	-	623,558	592,245
Transfers to other categories of non-performing loans (-)	(624,655)	(591,148)	-
Transfers to standard loans (-)	(7,303)	(4,041)	(4,722)
Collections (-)	(119,510)	(64,708)	(152,936)
Write-offs (-)	(672)	(9,434)	(159,973)
Corporate and commercial loans	(11)	(8,754)	(152,285)
Retail loans	(579)	(576)	(6,459)
Credit cards	(82)	(104)	(1,229)
Other	-	-	-
<b>Current period end balance</b>	<b>209,051</b>	<b>305,878</b>	<b>1,190,212</b>
Specific provisions (-)	(31,078)	(121,699)	(1,050,866)
<b>Net balance on balance sheet</b>	<b>177,973</b>	<b>184,179</b>	<b>139,346</b>

<sup>(1)</sup> The Parent Bank sold non-performing loan portfolio amounting to TL 162,747 for an amount of TL 3,125 to domestic asset management companies at 23 November 2017.

#### 5.10.3 Information on specific provision movement

Current period	Corporate/ Commercial	Consumer	Credit cards	Total
<b>Prior period balance</b>	<b>504,812</b>	<b>372,541</b>	<b>88,190</b>	<b>965,543</b>
Additions during the period (+)	410,499	166,764	32,582	609,845
Collections during the period (-)	(110,803)	(92,277)	(6,359)	(209,439)
Write-offs (-)	(153,515)	(7,705)	(1,086)	(162,306)
<b>Period end balance</b>	<b>650,993</b>	<b>439,323</b>	<b>113,327</b>	<b>1,203,643</b>
Prior period	Corporate/ Commercial	Consumer	Credit cards	Total
<b>Prior period balance</b>	<b>303,935</b>	<b>296,330</b>	<b>76,816</b>	<b>677,081</b>
Additions during the period (+)	310,255	251,108	54,978	616,341
Collections during the period (-)	(65,440)	(96,773)	(12,999)	(175,212)
Write-offs (-)	(43,938)	(78,124)	(30,605)	(152,667)
<b>Period end balance</b>	<b>504,812</b>	<b>372,541</b>	<b>88,190</b>	<b>965,543</b>

#### 5.10.4. Information on foreign currency non-performing loans and other receivables

The Parent Bank follows the foreign currency non-performing loans in accounting records by translating these loans to TL with the exchange rates prevailing at the date of the default. Therefore, as of balance sheet date the Parent Bank has no foreign currency non-performing loans and other receivables.

(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish, See Note 1.b of section three)

## ING Bank A.Ş. and its Financial Subsidiaries

# Notes to consolidated financial statements as of and for the Year Ended 31 December 2017 (continued)

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

### I. Explanations and notes related to assets of the consolidated balance sheet (continued)

#### 5.10.5. 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
<b>Current period (net)</b>	<b>177,973</b>	<b>184,179</b>	<b>139,346</b>
Loans granted to corporate entities and real person (gross)	201,743	305,878	1,176,037
Specific provision amount (-)	(27,862)	(121,699)	(1,036,691)
Loans granted to corporate entities and real person (net)	173,881	184,179	139,346
Banks (gross)	-	-	-
Specific provision amount (-)	-	-	-
Banks (net)	-	-	-
Other loans and receivables (gross)	7,308	-	14,175
Specific provision amount (-)	(3,216)	-	(14,175)
Other loans and receivables (net)	4,092	-	-
<b>Prior period (net)</b>	<b>150,697</b>	<b>196,793</b>	<b>97,246</b>
Loans granted to corporate entities and real person (gross)	173,597	338,049	876,077
Specific provision amount (-)	(29,378)	(141,256)	(778,832)
Loans granted to corporate entities and real person (net)	144,219	196,793	97,245
Banks (gross)	-	-	-
Specific provision amount (-)	-	-	-
Banks (net)	-	-	-
Other loans and receivables (gross)	10,099	-	12,457
Specific provision amount (-)	(3,621)	-	(12,456)
Other loans and receivables (net)	6,478	-	1

#### 5.11. Liquidation policy for uncollectible loans and receivables

In case there are collaterals in accordance with the Article 8 of "Regulation on Principles and Procedures on Determining the Qualifications of Banks' Loans and Other Receivables and Provision for these Loans and other Receivables" the receivable shall be collected as soon as possible by either administrative or legal interferences by liquidating such collaterals.

In case there are no collaterals, even if the evidence of insolvency is provided, information gathered in various periods and legal procedures are followed to identify the assets acquired by the borrower after the insolvency.

Before and after the legal procedures, the Parent Bank attempts to collect its receivables by means of restructuring the loans and receivables from the companies showing an indication of operating on ongoing basis and having a productive contribution in the economic environment.

#### 5.12. Information on the write-off policy

In order to collect loans and other receivables classified as "Uncollectible Loans and Receivables", the Parent Bank applies all legal procedures. At the end of the legal procedures, if the loans and receivables cannot be collected, the provisions provided for these receivables are reversed and the gross receivable amount is written down to 1 Kr (Trace cost) upon the receipt of the evidence of insolvency from the customers. The legal procedures start again for these loans and receivables carried at their trace costs if an improvement in the situation of the debtors or guarantors is identified.

The Parent Bank writes down the loans and receivables to nil before initiating a legal follow-up in case the expected amount of recovery is lower than the expected cost of the legal follow-up. The Board of Directors has authorized the senior management to make the necessary assessments within certain limits.

## ING Bank A.Ş. and its Financial Subsidiaries

# Notes to consolidated financial statements as of and for the Year Ended 31 December 2017 (continued)

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

### I. Explanations and notes related to assets of the consolidated balance sheet (continued)

#### 6. Held-to-maturity investments (net)

##### 6.1. Information on held-to-maturity investments subject to repurchase agreements and those given as collateral/blocked

In both current and prior year there are no held-to-maturity investments given as collateral/blocked or subject to repurchase agreements.

##### 6.2. Information on public sector debt investments held-to-maturity

In both current and prior year there are no public sector debt investments held to maturity.

##### 6.3. Information on held-to-maturity investments

None.

##### 6.4. Movement of held-to-maturity investments

None.

#### 7. Information on associates (net)

##### 7.1. Explanations related to the associates

The Parent Bank does not have any associates.

#### 8. Information on subsidiaries (net)

##### 8.1. Information on equity of subsidiaries

As of 31 December 2017 information on the equities of subsidiaries is as follows:

	ING European Financial Services Plc.	ING Portfolio Management	ING Factoring	ING Leasing	ING Brokerage
Paid in capital and adjustment to paid-in capital	877	8,041	40,000	22,500	20,765
Profit reserves, capital reserves and prior year profit/loss	-	4,227	33,874	49,404	(754)
Profit/loss	53,844	4,181	13,079	26,827	1,035
Development cost of operating lease (-)	-	-	(5)	(5)	-
Intangible assets (-)	-	(27)	(561)	(212)	(38)
<b>Total core capital</b>	<b>54,721</b>	<b>16,422</b>	<b>86,387</b>	<b>98,514</b>	<b>21,008</b>
<b>Supplementary capital</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Capital</b>	<b>54,721</b>	<b>16,422</b>	<b>86,387</b>	<b>98,514</b>	<b>21,008</b>
<b>Net usable shareholder's equity</b>	<b>54,721</b>	<b>16,422</b>	<b>86,387</b>	<b>98,514</b>	<b>21,008</b>

The Parent Bank does not have any additional capital requirements due to the subsidiaries, included in the consolidated calculation of capital requirement.

(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish, See Note 1.b of section three)

## ING Bank A.Ş. and its Financial Subsidiaries

# Notes to consolidated financial statements as of and for the Year Ended 31 December 2017 (continued)

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

### I. Explanations and notes related to assets of the consolidated balance sheet (continued)

#### 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 31 December 2017 financial information on consolidated subsidiaries as follows <sup>(1)</sup>:

	Total assets	Shareholders' equity	Total fixed assets	Interest income	Income from marketable securities portfolio	Current period profit/loss	Prior period profit/loss	Fair value
(1)	6,827,371	54,721	3	202,076	-	53,844	38,622	-
(2)	18,364	16,449	86	2,139	10	4,181	3,500	-
(3)	1,031,659	86,953	684	60,822	-	13,079	10,414	-
(4)	1,124,333	98,731	248	49,693	-	26,827	20,707	-
(5)	187,970	21,046	105	2,658	-	1,035	353	-

<sup>(1)</sup> Information on the audited financial statements is presented as of the period ended 31 December 2017.

#### 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

## ING Bank A.Ş. and its Financial Subsidiaries

# Notes to consolidated financial statements as of and for the Year Ended 31 December 2017 (continued)

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

### I. Explanations and notes related to assets of the consolidated balance sheet (continued)

#### 8.5. Subsidiaries quoted in a stock exchange

There are no subsidiaries quoted on a stock exchange.

#### 9. Information on entities under common control (net)

##### 9.1. Information on entities under common control (net)

There are no entities under common control.

#### 10. Information on finance lease receivables (net)

##### 10.1 Investments made in finance lease as per their maturity

	Current 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
<b>Total</b>	<b>1,122,000</b>	<b>1,035,477</b>

	Prior period	
	Gross	Net
Less than 1 year	36,896	36,060
1-5 years	678,027	626,652
More than 5 years	248,467	223,380
<b>Total</b>	<b>963,390</b>	<b>886,092</b>

##### 10.2 Information of the net investments made in finance lease

	Current period	Prior period
Gross financial lease investment	1,122,000	963,390
Unearned financial lease income (-)	(86,523)	(77,298)
Cancelled leases (-)	-	-
<b>Net financial lease investment</b>	<b>1,035,477</b>	<b>886,092</b>

#### 11. Information on derivative financial assets held for hedging

##### 11.1 Information on positive differences of derivative financial assets held for hedging

	Current period		Prior period	
	TL	FC	TL	FC
Fair value hedge	-	-	-	-
Cash flow hedge	1,571,395	-	1,793,218	5
Net investment hedge	-	-	-	-
<b>Total</b>	<b>1,571,395</b>	<b>-</b>	<b>1,793,218</b>	<b>5</b>



(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish, See Note 1.b of section three)

## ING Bank A.Ş. and its Financial Subsidiaries

# Notes to consolidated financial statements as of and for the Year Ended 31 December 2017 (continued)

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

### I. Explanations and notes related to assets of the consolidated balance sheet (continued)

#### 12. Information on property and equipment (net)

Current period	Real estates	Leased tangible assets	Other fixed assets	Total
<b>Cost</b>				
Opening balance	254,928	56,591	595,965	907,484
Additions	11,402	20	167,630	179,052
Exchange rate differences	-	-	12	12
Disposals	(1,178)	(1,056)	(51,360)	(53,594)
Provisions for impairment	700	-	-	700
Closing balance	265,852	55,555	712,247	1,033,654
<b>Accumulated depreciation</b>				
Opening balance	(106,710)	(56,572)	(320,021)	(483,303)
Current year depreciation expense	(5,928)	(8)	(49,370)	(55,306)
Exchange rate differences	-	-	(11)	(11)
Disposals	539	1,056	5,892	7,487
Closing balance	(112,099)	(55,524)	(363,510)	(531,133)
<b>Net book value</b>	<b>153,753</b>	<b>31</b>	<b>348,737</b>	<b>502,521</b>
<b>Prior period</b>				
<b>Cost</b>				
Opening balance	235,756	58,936	510,719	805,411
Additions	18,452	3	115,702	134,157
Exchange rate differences	-	-	34	34
Disposals	-	(2,348)	(30,490)	(32,838)
Provisions for impairment	720	-	-	720
Closing balance	254,928	56,591	595,965	907,484
<b>Accumulated depreciation</b>				
Opening balance	(101,266)	(58,834)	(281,786)	(441,886)
Current year depreciation expense	(5,444)	(91)	(51,203)	(56,738)
Exchange rate differences	-	-	(48)	(48)
Disposals	-	2,353	13,016	15,369
Closing balance	(106,710)	(56,572)	(320,021)	(483,303)
<b>Net book value</b>	<b>148,218</b>	<b>19</b>	<b>275,944</b>	<b>424,181</b>

## ING Bank A.Ş. and its Financial Subsidiaries

# Notes to consolidated financial statements as of and for the Year Ended 31 December 2017 (continued)

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

### I. Explanations and notes related to assets of the consolidated balance sheet (continued)

#### 13. Information on intangible assets (net)

	Current period	Prior period
Cost		
Opening balance	168,164	141,451
Additions	16,648	33,227
Exchange rate differences	4	126
Disposals	27	(6,640)
Closing balance	184,843	168,164
Accumulated amortization		
Opening balance	(123,013)	(109,295)
Current year's amortization expense	(21,770)	(15,502)
Exchange rate differences	(5)	(9)
Disposals	-	1,793
Closing balance	(144,788)	(123,013)
<b>Net book value</b>	<b>40,055</b>	<b>45,151</b>

#### 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 31,812 (31 December 2016: TL 77,222) 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 (-)	-	-
<b>Balance at the end of the period (net)</b>	<b>660</b>	<b>660</b>

##### 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 independent auditors' report and consolidated financial statements originally issued in Turkish, See Note 1.b of section three)

## ING Bank A.Ş. and its Financial Subsidiaries

# Notes to consolidated financial statements as of and for the Year Ended 31 December 2017 (continued)

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

## II. 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	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	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>4,777,515</b>	<b>-</b>	<b>16,706,775</b>	<b>5,648,253</b>	<b>206,825</b>	<b>107,434</b>	<b>150,910</b>	<b>-</b>	<b>27,597,712</b>

Prior period	Demand	7 day call accounts	Up to 1 month	1-3 months	3-6 months	6 months-1 year	1 year and over	Cumulative deposits	Total
Saving deposits	569,875	-	11,563,245	2,715,734	104,727	41,574	7,954	-	15,003,109
Foreign currency deposits	1,370,366	-	1,270,297	2,804,858	134,679	62,280	186,264	-	5,828,744
Residents in Turkey	1,110,604	-	1,256,074	2,708,112	129,354	51,646	185,711	-	5,441,501
Residents abroad	259,762	-	14,223	96,746	5,325	10,634	553	-	387,243
Public sector deposits	212,318	-	-	-	-	-	-	-	212,318
Commercial deposits	665,165	-	877,654	524,232	8,453	7,125	-	-	2,082,629
Other institutions deposits	20,330	-	1,768	19,840	714	229	25	-	42,906
Precious metals deposits	44,951	-	-	-	-	-	-	-	44,951
Interbank deposits	1,654,819	-	283,201	-	-	-	-	-	1,938,020
Central Bank of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	170	-	283,201	-	-	-	-	-	283,371
Foreign banks	1,654,649	-	-	-	-	-	-	-	1,654,649
Participation banks	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>4,537,824</b>	<b>-</b>	<b>13,996,165</b>	<b>6,064,664</b>	<b>248,573</b>	<b>111,208</b>	<b>194,243</b>	<b>-</b>	<b>25,152,677</b>

## ING Bank A.Ş. and its Financial Subsidiaries

# Notes to consolidated financial statements as of and for the Year Ended 31 December 2017 (continued)

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

### II. Explanations and notes related to liabilities of the consolidated balance sheet (continued)

#### 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	
	Current period	Prior period	Current period	Prior period
Saving deposit	11,545,698	10,852,474	4,329,020	4,146,200
Foreign currency saving deposits	1,947,203	1,022,048	3,465,749	2,109,186
Other deposits in the form of saving deposits	-	-	-	-
Foreign branches' deposits under foreign authorities' insurance	-	-	-	-
Deposits in off-shore banking regions' under foreign authorities' insurance	-	-	-	-

#### 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	13,887	9,628
Saving deposits and other accounts in scope of the property holdings derived from crime defined in Article 282 of Turkish Criminal Law No: 5237, dated 26 September 2004	-	-
Saving deposits in deposit bank established in Turkey in order to engage solely in off-shore banking activities	-	-

### 2. Information on derivative financial liabilities held for trading

#### 2.1. Table of negative differences for derivative financial liabilities held for trading

	Current period		Prior period	
	TL	FC	TL	FC
Forward transactions	-	43,848	-	124,579
Swap transactions	277,702	142,969	375,351	66,442
Future transactions	-	-	-	-
Options	705	2,525	97	8,578
Other	-	-	-	-
<b>Total</b>	<b>278,407</b>	<b>189,342</b>	<b>375,448</b>	<b>199,599</b>

(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish, See Note 1.b of section three)

## ING Bank A.Ş. and its Financial Subsidiaries

# Notes to consolidated financial statements as of and for the Year Ended 31 December 2017 (continued)

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

## II. Explanations and notes related to liabilities of the consolidated balance sheet (continued)

### 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	241,951	13,192,444	174,852	406,335
Funds borrowed from foreign banks, institutions and funds	489,143	8,382,720	580,849	20,653,268
<b>Total</b>	<b>731,094</b>	<b>21,575,164</b>	<b>755,701</b>	<b>21,059,603</b>

#### 3.2. Maturity analysis of funds borrowed

	Current period		Prior period	
	TL	FC	TL	FC
Short term	389,006	2,813,751	187,135	2,336,568
Medium and long term	342,088	18,761,413	568,566	18,723,035
<b>Total</b>	<b>731,094</b>	<b>21,575,164</b>	<b>755,701</b>	<b>21,059,603</b>

#### 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)

The Group does not have any securities issued at the reporting date (31 December 2016: TL 246,634).

Within the reporting period there is an issuance in amount of TL 257,445 (31 December 2016: TL 250,000) and refunds and repurchases in amount of TL 507,445 (31 December 2016: TL 242,350).

### 5. If other liabilities exceed 10% of the balance sheet total, names and amounts of the accounts constituting at least 20% of grand totals

Other liabilities do not exceed 10% of the balance sheet total.

### 6. Explanations on lease payables (net)

The Group has no lease payables.

### 7. Information on derivative financial liabilities held for hedging

#### 7.1. Negative differences related to derivative financial liabilities held for hedging

	Current period		Prior period	
	TL	FC	TL	FC
Fair value hedge	-	-	-	-
Cash flow hedge	21,299	4,155	33,054	5,444
Net investment hedge	-	-	-	-
<b>Total</b>	<b>21,299</b>	<b>4,155</b>	<b>33,054</b>	<b>5,444</b>

## ING Bank A.Ş. and its Financial Subsidiaries

# Notes to consolidated financial statements as of and for the Year Ended 31 December 2017 (continued)

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

## II. Explanations and notes related to liabilities of the consolidated balance sheet (continued)

### 8. Information on provisions

#### 8.1. Information on general provisions

	Current period	Prior period
General provisions	688,786	625,669
Provisions for group I. loans and receivables	559,692	499,983
<i>Additional provision for loans with extended payment period</i>	6,854	7,037
Provisions for group II. loans and receivables	56,832	58,007
<i>Additional provision for loans with extended payment period</i>	9,886	11,137
Provisions for non-cash loans	14,114	12,649
Other	58,148	55,030

#### 8.2. Information on the exchange rate decrease provision on foreign currency indexed loans and financial lease receivables

As of 31 December 2017, provision for the foreign currency indexed loans' foreign exchange rate difference amounting to TL 1,067 (31 December 2016: TL 241) is netted off from loans under the assets on the balance sheet.

#### 8.3. Information on specific provisions for undrawn non-cash loans

	Current period	Prior period
Specific provisions for undrawn non-cash loans <sup>(*)</sup>	29,293	27,829

(\*) The amounts are included in other provisions in the financial statements.

#### 8.4. Information on other provisions

##### 8.4.1. Information on provisions for possible losses

As of 31 December 2017 and 31 December 2016, the Group does not have any provision for possible losses.

##### 8.4.2. Information on other provisions

	Current period	Prior period
Provision for credit card score promotion	1,922	2,209
Other provisions	115,387	72,382
<b>Total</b>	<b>117,309</b>	<b>74,591</b>

Amount to TL 88,192 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).

(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish, See Note 1.b of section three)

## ING Bank A.Ş. and its Financial Subsidiaries

# Notes to consolidated financial statements as of and for the Year Ended 31 December 2017 (continued)

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

### II. Explanations and notes related to liabilities of the consolidated balance sheet (continued)

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 TRY 21,8 million (Full TL) (the "First Case"), (ii) the second case relates to the second enforcement proceeding of approximately TRY 21,8 million (Full TL) (the "Second Case"), (iii) the third case relates to the third and fifth enforcement proceedings of a total of approximately TRY 98,7 million (Full TL) (the "Third Case") and (iv) the fourth case relates to the fourth enforcement proceeding of approximately TRY 109,5 million (Full TL) (the "Fourth Case"). An appeal was filed by the Parent Bank with respect to the sixth enforcement order of approximately TL 126 million (Full TL) initiated by the SDIF and subsequently filed a lawsuit by the SDIF for this amount.

The First Case, the Second Case, the Third Case and the Fourth Case appeared before the court of first instance on 16 November 2017. In the First Case, the first instance court ruled in favour of the Parent Bank, which was later reversed by the Supreme Court of Appeals. Currently, the First Case is before the first instance court following the appellate decision, where the court of first instance decided to obtain an expert opinion in accordance with the Supreme Court of Appeals' decision. Following the court appointed expert's examination of the case, the expert report is completed and it is in favour of the Parent Bank. The first instance court will hold the hearing on 15 February 2018. The first instance court held the trial of the Second Case, Third Case and Fourth Case together due to the first instance court's earlier decision to merge these cases. However, the first instance court only ruled on the merits of the Second Case in favour of ING Bank A.Ş. and rejected SDIF's claims and decided to demerge each of the Third Case and the Fourth Case from the Second Case. The court's decision in the Second Case is subject to a two-tiered appeal, i.e., appeal before the regional appellate court and the Supreme Court of Appeals. The hearing of the Third Case and the Fourth Case will take place on 22 March 2018.

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. 2013/37 dated 31 January 2013 of SDIF's Fund Board (the "SDIF Fund Board Decision"), which constitutes the legal basis of the SDIF's abovementioned actions. Although the first instance administrative court ruled in favour of the 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.

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.

#### 8.5. Information on employee benefits

As of 31 December 2017, TL 42,344 (31 December 2016: TL 40,283) of TL 24,100 (31 December 2016: TL 23,008) provisions for employee benefits is the unused vacation provision. Full provision is provided for the unused vacation liability.

TL 18,244 (31 December 2016: TL 17,275) of the provisions for employee benefits is the termination benefit provision. In accordance with the labour 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 4,732.48 (Full TL) at 31 December 2017 and TL 4,297.21 (Full TL) at 31 December 2016 per year of employment at the rate of pay applicable at the date of retirement or termination.

In the consolidated financial statements dated 31 December 2017 and 31 December 2016, the Group operating in Turkey has calculated severance pay by taking into account their experience in personnel service completion or termination, and by discounting it via using the forecasted annual inflation and interest rates.

	Current period	Prior period
Inflation rate	7.0%	6.0%
Interest rate	11.9%	11.4%
Probability of severance	40.9%	43.6%

## ING Bank A.Ş. and its Financial Subsidiaries

# Notes to consolidated financial statements as of and for the Year Ended 31 December 2017 (continued)

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

### II. Explanations and notes related to liabilities of the consolidated balance sheet (continued)

Movement of the provision for termination benefit:

	Current period	Prior period
Balance at the beginning of the period	17,275	17,435
Change during the year	11,184	18,348
Actuarial gain	1,806	(1,360)
Benefits paid during the year	(12,021)	(17,148)
<b>Balance at the end of the period</b>	<b>18,244</b>	<b>17,275</b>

### 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 31 December 2017 amounting to TL 1,910 (31 December 2016: TL 2,731).

##### 9.1.2. Information on taxes payable

	Current period	Prior period
Corporate tax payable	1,910	2,731
Taxation of securities	25,445	20,836
Property tax	1,168	1,090
Banking insurance transaction tax ("BITT")	27,168	26,802
Foreign exchange transaction tax	-	-
Value added tax payable	7,211	5,957
Other	10,531	9,604
<b>Total</b>	<b>73,433</b>	<b>67,020</b>

##### 9.1.3. Information on premiums

	Current period	Prior period
Social security premiums-employee	4,452	4,088
Social security premiums-employer	6,518	6,011
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	326	297
Unemployment insurance-employer	621	572
Other	-	-
<b>Total</b>	<b>11,917</b>	<b>10,968</b>



(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish, See Note 1.b of section three)

## ING Bank A.Ş. and its Financial Subsidiaries

# Notes to consolidated financial statements as of and for the Year Ended 31 December 2017 (continued)

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

## II. Explanations and notes related to liabilities of the consolidated balance sheet (continued)

### 9.2. Explanations on deferred tax liabilities

As of 31 December 2017, deferred tax asset and deferred tax liability of the Group amounts to TL 3,823 and TL 334,347, respectively (31 December 2016: deferred tax asset is TL 4,045 and deferred tax liability is TL 317,646) which is calculated based on the deductible temporary differences except general loan reserves.

Timing differences constituting the basis for deferred tax	Current period		Prior period	
	Accumulated temporary differences	Deferred tax asset/(liability)	Accumulated temporary differences	Deferred tax asset/(liability)
Base differences for tangible assets	(2,371)	(474)	(3,825)	(765)
Provisions	142,449	28,862	101,520	20,304
Fair value differences for financial assets and liabilities	(1,428,039)	(305,045)	(1,671,970)	(334,394)
Derivative valuation differences	(318,506)	(68,218)	(123,180)	(24,636)
Other	66,027	14,351	129,450	25,890
<b>Total deferred tax assets/(liabilities) net</b>		<b>(330,524)</b>		<b>(313,601)</b>

Deferred tax assets/(liabilities) movements of the current and previous years are as follows:

Deferred tax assets/(liabilities) net	Current period (1 January - 31 December 2017)	Prior period (1 January - 31 December 2016)
Opening balance	(313,601)	(185,313)
Deferred tax income/(expense) net	22,934	(144,898)
Deferred tax recognized under equity	(39,857)	16,610
Balance at the end of the period	(330,524)	(313,601)

### 10. Information on liabilities regarding assets held for sale

As of 31 December 2017 and 31 December 2016, there are no liabilities regarding assets held for sale.

### 11. Explanations on the subordinated loans

	Current period		Prior period	
	TL	FC	TL	FC
From domestic banks	-	-	-	-
From other domestic associates	-	-	-	-
From foreign banks (*)	222,644	2,816,323	474,800	2,406,399
From other foreign associates	-	-	-	-
<b>Total</b>	<b>222,644</b>	<b>2,816,323</b>	<b>474,800</b>	<b>2,406,399</b>

(\*) The subordinated loan amounting to TL 250 million (full TL) obtained from ING Bank N.V. on 21 December 2012 was paid on 21 December 2017, at the end of the fifth year by using the early redemption option, in accordance with the BRSA's approval letter dated 19 December 2017.

## ING Bank A.Ş. and its Financial Subsidiaries

# Notes to consolidated financial statements as of and for the Year Ended 31 December 2017 (continued)

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

## II. Explanations and notes related to liabilities of the consolidated balance sheet (continued)

### 12. Information on shareholders' equity

#### 12.1. Paid-in capital

	Current period	Prior period
Common stock <sup>(*)</sup>	3,486,268	3,486,268
Preferred stock	-	-

<sup>(\*)</sup> 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.

#### 12.8. Information on marketable securities revaluation reserve

	Current period		Prior period	
	TL	FC	TL	FC
From associates, subsidiaries, and entities under common control	-	-	-	-
Valuation difference	(16,405)	-	(29,155)	94,029
Foreign exchange difference	-	-	-	-
<b>Total</b>	<b>(16,405)</b>	<b>-</b>	<b>(29,155)</b>	<b>94,029</b>

(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish, See Note 1.b of section three)

## ING Bank A.Ş. and its Financial Subsidiaries

# Notes to consolidated financial statements as of and for the Year Ended 31 December 2017 (continued)

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

### II. Explanations and notes related to liabilities of the consolidated balance sheet (continued)

Movement of marketable securities revaluation reserve and hedge reserves (effective portion) is as follows:

	Current period (1 January - 31 December 2017)	Prior period (1 January - 31 December 2016)
<b>As of 1 January</b>	<b>163,418</b>	<b>160,137</b>
Value increases/(decreases) of available for sale investments not recognized in the income statement	9,389	70,422
Net income/loss transferred from the shareholders' equity to profit/loss caused by disposal of investments classified as available for sale investments	(94,029)	-
Tax impact on gains from available for sale investments	3,361	82
Cash flow hedge transaction gains/(losses)	191,069	(85,110)
Cash flow hedge transaction (gains)/losses classified in income statement	4,258	1,081
Tax effect on gains from cash flow hedge	(43,583)	16,806
<b>As of 31 December</b>	<b>233,883</b>	<b>163,418</b>

### 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	3,012,553	2,090,473
Forward deposit purchase and sales commitments	-	-
Loan granting commitments	2,267,950	2,267,799
Commitments for cheque payments	2,791,088	2,603,213
Commitments for credit card limits	1,808,002	1,838,983
Commitments for credit cards and banking services promotions	5,421	4,753
Other irrevocable commitments	15,654	17,348
<b>Total</b>	<b>9,900,668</b>	<b>8,822,569</b>

##### 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	1,649,709	1,244,131
Commitments and contingencies	629,280	604,519
Bank acceptance loans	80,948	109,750
<b>Total</b>	<b>2,359,937</b>	<b>1,958,400</b>

## ING Bank A.Ş. and its Financial Subsidiaries

# Notes to consolidated financial statements as of and for the Year Ended 31 December 2017 (continued)

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

**III. Explanations and notes related to consolidated off-balance sheet accounts****1.2.2. Irrevocable guarantees, temporary guarantees and other similar commitments and contingencies**

	Current period	Prior period
Irrevocable letters of guarantees	4,197,447	3,849,221
Cash loans letters of guarantees	931,793	1,124,230
Advance letters of guarantees	606,675	336,914
Temporary letters of guarantees	224,974	181,717
Other	68,867	92,828
<b>Total</b>	<b>6,029,756</b>	<b>5,584,910</b>

**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	778,548	588,990
With original maturity of 1 year or less than 1 year	40,253	405,637
With original maturity of more than 1 year	738,295	183,353
Other non-cash loans	7,611,145	6,954,320
<b>Total</b>	<b>8,389,693</b>	<b>7,543,310</b>

**1.3.2. Information on sectoral risk concentrations of non-cash loans**

	Current period				Prior period			
	TL	(%)	FC	(%)	TL	(%)	FC	(%)
<b>Agriculture</b>	<b>17,552</b>	<b>0.61</b>	<b>46,885</b>	<b>0.84</b>	<b>14,873</b>	<b>0.59</b>	<b>13,547</b>	<b>0.27</b>
Farming and raising	7,548	0.26	44,965	0.81	8,943	0.35	13,007	0.26
Forestry	9,567	0.33	1,920	0.03	5,796	0.23	540	0.01
Fishing	437	0.02	-	-	134	0.01	-	-
<b>Manufacturing</b>	<b>327,114</b>	<b>11.44</b>	<b>3,860,533</b>	<b>69.80</b>	<b>321,779</b>	<b>12.54</b>	<b>3,414,726</b>	<b>68.62</b>
Mining	20,400	0.71	1,405,397	25.41	18,264	0.71	1,327,536	26.68
Production	265,035	9.27	2,126,348	38.45	270,753	10.55	1,883,197	37.84
Electric, gas and water	41,679	1.46	328,788	5.94	32,762	1.28	203,993	4.10
<b>Construction</b>	<b>520,145</b>	<b>18.19</b>	<b>303,978</b>	<b>5.49</b>	<b>564,838</b>	<b>22.01</b>	<b>399,315</b>	<b>8.01</b>
<b>Services</b>	<b>1,934,376</b>	<b>67.66</b>	<b>1,310,612</b>	<b>23.70</b>	<b>1,604,640</b>	<b>62.52</b>	<b>1,139,029</b>	<b>22.88</b>
Wholesale and retail trade	1,192,303	41.71	269,735	4.88	1,084,257	42.24	346,754	6.97
Hotel, food and beverage	16,972	0.59	822	0.01	16,646	0.65	5,952	0.12
Transportation and telecommunication	82,168	2.87	42,327	0.77	92,976	3.62	45,644	0.92
Financial institutions	427,161	14.94	964,728	17.44	207,698	8.09	713,836	14.34
Real estate and renting services	39,320	1.38	13,670	0.25	59,962	2.34	8,702	0.17
Self-employment services	148,402	5.19	19,324	0.35	121,900	4.75	18,135	0.36
Education services	3,396	0.12	6	-	3,025	0.12	6	-
Health and social services	24,654	0.86	-	-	18,176	0.71	-	-
<b>Other</b>	<b>59,623</b>	<b>2.10</b>	<b>8,875</b>	<b>0.18</b>	<b>60,620</b>	<b>2.34</b>	<b>9,943</b>	<b>0.22</b>
<b>Total</b>	<b>2,858,810</b>	<b>100.00</b>	<b>5,530,883</b>	<b>100.00</b>	<b>2,566,750</b>	<b>100.00</b>	<b>4,976,560</b>	<b>100.00</b>

(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish, See Note 1.b of section three)

## ING Bank A.Ş. and its Financial Subsidiaries

# Notes to consolidated financial statements as of and for the Year Ended 31 December 2017 (continued)

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

### III. Explanations and notes related to consolidated off-balance sheet accounts

#### 1.3.3. Non-cash loans classified in Group I and Group II

	Group I		Group II	
	TL	FC	TL	FC
Non-cash loans	2,801,224	5,519,290	33,940	5,377
Letter of guarantees	2,640,281	3,324,725	33,940	2,241
Bank acceptances	-	80,948	-	-
Letter of credits	910	1,645,663	-	3,136
Endorsements	-	-	-	-
Underwriting commitments	-	-	-	-
Factoring commitments	159,533	110,632	-	-
Other	500	357,322	-	-

### 2. Information on derivative transactions

	Current period	Prior period
<b>Types of hedging transactions</b>		
<b>Fair value hedges (I)</b>	-	-
Purchase transactions	-	-
Sale transactions	-	-
<b>Cash flow hedges (II)</b>	<b>28,501,560</b>	<b>17,001,332</b>
Purchase transactions	14,908,004	9,366,035
Sale transactions	13,593,556	7,635,297
<b>Net investment hedges (III)</b>	-	-
Purchase transactions	-	-
Sale transactions	-	-
<b>A. Total derivatives held for hedging (I+II+III)</b>	<b>28,501,560</b>	<b>17,001,332</b>
<b>Derivative transactions held for trading</b>		
<b>Trading transactions (I)</b>	<b>55,538,240</b>	<b>44,139,384</b>
Forward foreign currency transactions - buy	6,808,719	6,318,460
Forward foreign currency transactions - sell	6,709,517	6,347,495
Swap transactions- buy	19,529,455	14,417,972
Swap transactions - sell	19,634,965	14,413,861
Foreign currency options - buy	1,427,792	1,320,798
Foreign currency options - sell	1,427,792	1,320,798
Foreign currency futures - buy	-	-
Foreign currency futures - sell	-	-
<b>Interest rate derivatives (II)</b>	<b>10,019,246</b>	<b>6,073,316</b>
Interest rate swap - buy	5,009,623	3,036,658
Interest rate swap - sell	5,009,623	3,036,658
Interest rate options - buy	-	-
Interest rate options - sell	-	-
Securities options - buy	-	-
Securities options - sell	-	-
Interest futures - buy	-	-
Interest futures - sell	-	-
<b>Other trading derivative transactions (III)</b>	<b>8,138</b>	<b>4,442</b>
<b>B. Total derivative transactions held for trading (I+II+III)</b>	<b>65,565,624</b>	<b>50,217,142</b>
<b>Total derivative transactions (A+B)</b>	<b>94,067,184</b>	<b>67,218,474</b>

## ING Bank A.Ş. and its Financial Subsidiaries

# Notes to consolidated financial statements as of and for the Year Ended 31 December 2017 (continued)

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

### III. Explanations and notes related to consolidated off-balance sheet accounts

#### 3. Information on credit swaps and related risks

As of 31 December 2017 and 31 December 2016, there are no credit derivative transactions.

#### 4. Information on contingent liabilities and assets

As of 31 December 2017, provision of TL 88,192 (31 December 2016: TL 45,718) is set aside by considering legal assessment for the lawsuits with a high probability of resulting against the Parent Bank.

#### 5. Information on the services provided on behalf of others

Related information is provided in note IX of Section Four.

### 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		Prior period	
	TL	FC	TL	FC
Interest on loans <sup>(*)</sup>	4,060,807	548,574	3,451,775	461,295
Short term loans	1,321,489	49,580	1,427,312	60,353
Medium and long term loans	2,712,108	498,994	1,995,044	400,942
Interest on loans under follow-up	27,210	-	29,419	-
Premiums received from resource utilization support fund	-	-	-	-

<sup>(\*)</sup> Commissions and fees received from cash loans are included.

##### 1.2. Information on interest income received from banks

	Current period		Prior period	
	TL	FC	TL	FC
From Central Bank of Turkey	-	338	-	1,080
From domestic banks	40,590	1,951	24,496	1,486
From foreign banks	580	7,141	195	4,617
From branches abroad	-	-	-	-
<b>Total</b>	<b>41,170</b>	<b>9,430</b>	<b>24,691</b>	<b>7,183</b>

##### 1.3. Information on interest income received from marketable securities portfolio

	Current period		Prior period	
	TL	FC	TL	FC
Trading securities	6,126	1,400	9,035	1,188
Financial assets at fair value through profit and loss	-	-	-	-
Available for sale securities	236,530	-	316,066	-
Held to maturity securities	-	-	-	-
<b>Total</b>	<b>242,656</b>	<b>1,400</b>	<b>325,101</b>	<b>1,188</b>

(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish, See Note 1.b of section three)

## ING Bank A.Ş. and its Financial Subsidiaries

# Notes to consolidated financial statements as of and for the Year Ended 31 December 2017 (continued)

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

### IV. Explanations and notes related to consolidated statement of income (continued)

#### 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		Prior period	
	TL	FC	TL	FC
Banks <sup>(*)</sup>	129,226	344,621	139,401	245,935
Central Bank of Turkey	-	-	69	-
Domestic banks	10,462	2,492	6,276	3,366
Foreign banks	118,764	342,129	133,056	242,569
Branches and offices abroad	-	-	-	-
Other institutions <sup>(*)</sup>	-	2,904	-	4,454
<b>Total</b>	<b>129,226</b>	<b>347,525</b>	<b>139,401</b>	<b>250,389</b>

<sup>(\*)</sup> Commissions and fees paid for cash funds borrowed are included.

##### 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		Prior period	
	TL	FC	TL	FC
Interest on securities issued	9,934	-	8,128	-

## ING Bank A.Ş. and its Financial Subsidiaries

# Notes to consolidated financial statements as of and for the Year Ended 31 December 2017 (continued)

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

### IV. Explanations and notes related to consolidated statement of income (continued)

#### 2.4. Allocation of interest expenses on deposits according to maturity of deposits

Account name	Demand deposit	Time deposit					Accumulated deposits	Total
		Up to 1 month	Up to 3 months	Up to 6 months	Up to 1 year	More than 1 year		
Turkish lira								
Bank deposits	-	1,146	-	-	-	-	-	1,146
Saving deposits	-	1,250,575	262,668	9,975	1,990	2,412	-	1,527,620
Public sector deposits	-	-	468	38	-	-	-	506
Commercial deposits	-	114,987	47,517	1,495	3,596	1,795	-	169,390
Other deposits	-	196	1,334	921	738	10	-	3,199
7 days call accounts	-	-	-	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>1,366,904</b>	<b>311,987</b>	<b>12,429</b>	<b>6,324</b>	<b>4,217</b>	<b>-</b>	<b>1,701,861</b>
Foreign currency								
Foreign currency deposits	-	51,832	55,801	1,892	1,237	2,146	-	112,908
Banks deposits	-	5,775	-	-	-	-	-	5,775
7 days call accounts	-	-	-	-	-	-	-	-
Precious metal deposits	-	-	-	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>57,607</b>	<b>55,801</b>	<b>1,892</b>	<b>1,237</b>	<b>2,146</b>	<b>-</b>	<b>118,683</b>
<b>Grand total</b>	<b>-</b>	<b>1,424,511</b>	<b>367,788</b>	<b>14,321</b>	<b>7,561</b>	<b>6,363</b>	<b>-</b>	<b>1,820,544</b>

#### 3. Information on dividend income

	Current period	Prior period
Financial assets held for trading	-	-
Financial assets at fair value through profit and loss	-	-
Financial assets available for sale	382	555
Other	-	1
<b>Total</b>	<b>382</b>	<b>556</b>

#### 4. Information on trading income/loss (net)

	Current period	Prior period
<b>Income</b>	<b>18,810,363</b>	<b>14,080,261</b>
Gains on capital market transactions	17,351	13,798
Gains on derivative financial instruments	7,068,571	5,636,850
Foreign exchange gains	11,724,441	8,429,613
<b>Loss (-)</b>	<b>(19,245,427)</b>	<b>(14,289,502)</b>
Loss on capital market transactions	(17,920)	(14,602)
Loss on derivative financial instruments	(7,092,627)	(4,780,673)
Foreign exchange loss	(12,134,880)	(9,494,227)

Net profit on derivative financial instruments recognized in profit/loss resulting from fluctuations in foreign exchange rates is TL 48,400 (31 December 2016: TL 1,173,275 net profit).



(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish, See Note 1.b of section three)

## ING Bank A.Ş. and its Financial Subsidiaries

# Notes to consolidated financial statements as of and for the Year Ended 31 December 2017 (continued)

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

### IV. Explanations and notes related to consolidated statement of income (continued)

#### 5. Information on other operating income

	Current period	Prior period
Income arising from sale of assets <sup>(*)</sup>	169,474	42,389
Income from reversal of prior years' provisions	142,265	100,261
Banking services income	7,100	6,605
Other non-interest income	58,260	52,835
<b>Total</b>	<b>377,099</b>	<b>202,090</b>

<sup>(\*)</sup> As of 31 December 2017, Group obtains net income from sale of real estate amounting to TL 42,883 (31 December 2016: TL 5,356) and net income from sale of available for sale shares amounting to TL 126,380 (31 December 2016: None).

#### 6. Provision expenses for loan losses and other receivables

	Current period	Prior period
Specific provisions for loans and other receivables	507,844	526,084
III. group loans and receivables	27,957	32,120
IV. group loans and receivables	114,338	147,175
V. group loans and receivables	365,549	346,789
General provision expenses	64,155	48,384
Provision expenses for possible losses	-	-
Marketable securities impairment losses	13	535
Financial assets at fair value through profit and loss	13	154
Available for sale securities	-	381
Impairment related to associates, subsidiaries and investment securities held to maturity	-	-
Associates	-	-
Subsidiaries	-	-
Joint ventures	-	-
Held to maturity investments	-	-
Other	69,988	38,692
<b>Total</b>	<b>642,000</b>	<b>613,695</b>

## ING Bank A.Ş. and its Financial Subsidiaries

# Notes to consolidated financial statements as of and for the Year Ended 31 December 2017 (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	Prior period
Personnel expenses	630,161	598,863
Reserves for termination benefits	194	1,200
Bank social aid fund deficit provision	-	-
Tangible assets impairment expense	-	-
Depreciation expense of tangible assets	55,306	54,939
Intangible assets impairment expense	-	-
Goodwill impairment expense	-	-
Amortisation expense of intangible assets	21,770	15,502
Impairment expense of equity participations for which equity method is applied	-	-
Impairment expense for securities that to be disposed	-	-
Depreciation expense of securities that to be disposed	-	1,799
Impairment expense of held for sale tangible assets and discontinued operations	-	-
Other operating expenses	643,574	519,704
Operating lease expenses	112,436	108,927
Repair and maintenance expenses	28,209	21,613
Advertisement expenses	80,075	53,141
Other expenses	422,854	336,023
Loss on sales of assets	340	509
Other	185,586	193,066
<b>Total</b>	<b>1,536,931</b>	<b>1,385,582</b>

#### 8. Information on income/(loss) before taxes for continued and discontinued operations

As of 31 December 2017, the income before taxes is TL 1,126,900 (31 December 2016: TL 749,297).

#### 9. Information on tax provision for continued and discontinued operations

As of 31 December 2017, the corporate tax provision expense for the period is TL 261,679 (31 December 2016: TL 12,493), and the deferred tax income is TL 22,934 (31 December 2016: TL 144,898 deferred tax expense).

#### 10. Information on net operating income after taxes for continued and discontinued operations

As of 31 December 2017, the net operating income after taxes is TL 888,155 (31 December 2016: TL 591,906).

#### 11. The explanations on net income/loss for the period

Interest income from regular banking transactions is TL 5,269,439 (31 December 2016: TL 4,424,567), while the interest expense is TL 2,358,372 (31 December 2016: TL 2,037,444).

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 565,709 (31 December 2016: TL 468,426) has included TL 143,065 (31 December 2016: TL 129,158) the credit card fees and commissions, TL 170,192 (31 December 2016: TL 147,731) service fees and commissions from contracted merchants and TL 133,380 (31 December 2016: TL 92,819) insurance commissions.

Other fees and commissions paid amounting to TL 231,113 (31 December 2016: TL 178,738) has included TL 173,247 (31 December 2016: TL 145,453) credit card exchange commissions.

(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish, See Note 1.b of section three)

## ING Bank A.Ş. and its Financial Subsidiaries

# Notes to consolidated financial statements as of and for the Year Ended 31 December 2017 (continued)

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

### V. Explanations and notes related to consolidated statement of changes in shareholders' equity

Under the Turkish Commercial Code ("TCC"), legal reserves comprise of first legal reserve and second legal reserve. First legal reserve, appropriated at the rate of 5%, until the total reserve is equal to 20% of issued and fully paid-in share capital. Second legal reserve, appropriated at the rate of at least 10% of distributions in excess of 5% of issued and fully paid-in share capital.

The Ordinary General Assembly Meeting of the Parent Bank was held on 29 March 2017. In the Ordinary General Assembly meeting, it was decided to transfer TL 571,161 unconsolidated net income from 2016 operations to statutory legal reserves, extraordinary reserves and revaluation surplus on tangible and intangible assets as a real estate sale income and utilized from the tax exemption amounting to TL 28,558, TL 522,515 and TL 20,088, respectively.

In the Ordinary General Assembly, gross amount of TL 200,000 cash dividend was distributed from retained earnings to the Bank's shareholders on 30 March 2017. Additionally TL 20,000 has been transferred from the extraordinary reserves to statutory legal reserves due to dividend distribution.

General Assembly of the Bank is authorized body for the profit appropriation decisions. The Ordinary General Assembly Meeting has not been held as of the date of these financial statements.

As of the balance sheet date, consolidated legal reserves amount to TL 157,288 (31 December 2016: TL 106,883), and TL 50,405 (31 December 2016: TL 7,204) of this amount consists of the amount transferred from the previous year profit within the current period.

As of the balance sheet date, consolidated extraordinary reserves amount to TL 1,075,575.

### VI. Explanations and notes related to the consolidated statement of cash flows

#### 1. Information on cash flow statements

Components of cash and cash equivalents are cash, cash in foreign currency, money in transit, cheques purchased, demand deposits including unrestricted deposits in the Central Bank of Turkey and time deposits in banks with original maturities less than three months.

#### 1.1. Cash and cash equivalents at the beginning of the period

	Current period	Prior period
<b>Cash</b>	<b>641,044</b>	<b>379,463</b>
Cash in vault	256,751	203,925
Cash in foreign currency	384,293	175,538
<b>Cash equivalents</b>	<b>3,939,936</b>	<b>3,007,143</b>
Central Bank of Turkey	1,835,950	1,136,084
Banks	208,858	1,136,238
Interbank money market	1,895,128	734,821
<b>Total</b>	<b>4,580,980</b>	<b>3,386,606</b>

#### 1.2. Cash and cash equivalents at the end of period:

	Current period	Prior period
<b>Cash</b>	<b>2,269,445</b>	<b>641,044</b>
Cash in vault	299,403	256,751
Cash in foreign currency	1,970,042	384,293
<b>Cash equivalents</b>	<b>2,853,059</b>	<b>3,939,936</b>
Central Bank of Turkey	1,178,608	1,835,950
Banks	481,250	208,858
Interbank money market	1,193,201	1,895,128
<b>Total</b>	<b>5,122,504</b>	<b>4,580,980</b>

## ING Bank A.Ş. and its Financial Subsidiaries

# Notes to consolidated financial statements as of and for the Year Ended 31 December 2017 (continued)

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

### VI. Explanations and notes related to the consolidated statement of cash flows (continued)

#### 2. Explanation about other line items included in the cash flow and about the effect of changes in foreign exchange rates on cash and cash equivalents line item included in the cash flow statement:

The "Other income" item under "Operating profit before changes in operating assets and liabilities" amounting to TL 75,459 (31 December 2016: TL (52,719)) consists of other operational incomes.

The "Other" item under "Operating profit before changes in operating assets and liabilities" amounting to TL (1,883,105) (31 December 2016: TL (558,999)) consists of profit/loss from capital market transactions, profit/loss from derivative transactions and other operational expenses.

The "Net increase in other assets" item under "Changes in operating assets and liabilities" amounting to TL (206,389) decrease (31 December 2016: TL (110,869) decrease) consists of mainly changes in prepaid expenses, factoring and leasing receivables and changes in exchange accounts under other assets.

The "Net increase in other liabilities" item under "Changes in operating assets and liabilities" amounting to TL (20,562) decrease (31 December 2016: TL (1,152,719) decrease) consists of mainly changes in fees and commissions obtained in advance and changes in exchange account under other liabilities.

The 'Other' item under 'Net cash flow from investment operations' amounting to TL (16,674) decrease (31 December 2016: TL (28,379) decrease) consists of additions from mainly intangible fixed assets.

The effect of changes in the foreign currency rates on the cash and cash equivalents has been determined by the sum of exchange rate differences of translation into TL of cash and cash equivalents denominated in foreign currency in the beginning and the end of the period quarterly and as approximately TL 418,715 (31 December 2016: TL 313,196).

### VII. 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	-	-	91	624,919	14	87,086
End of the period	-	-	30	438,513	13	197,080
Interest and commission income	-	-	304	522	-	256

##### 1.2. 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	-	-	49	273,432	48	135,512
End of the period	-	-	91	624,919	14	87,086
Interest and commission income	-	-	6	382	-	164

(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish, See Note 1.b of section three)

## ING Bank A.Ş. and its Financial Subsidiaries

# Notes to consolidated financial statements as of and for the Year Ended 31 December 2017 (continued)

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

### VII. Explanations and notes related to risk group of the Parent Bank (continued)

#### 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	-	-	1,064	3,745	3,628	38,620
End of the period	-	-	8,426	1,064	3,070	3,628
Interest expense on deposits	-	-	117	186	117	194

#### 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	-	-	7,620,055	3,514,533	98,715	-
End of period	-	-	9,971,955	7,620,055	33,080	98,715
Total profit/loss	-	-	(81,494)	217,914	(26,685)	(6,651)
Transactions with hedging purposes						
Beginning of the period	-	-	-	-	-	-
End of period	-	-	-	-	-	-
Total profit/loss	-	-	-	-	-	-

#### 1.5. Information on placements made with the risk group of the 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	-	-	1,342	46	85,241	12,981
End of period	-	-	63,734	1,342	90,087	85,241
Interest income received	-	-	1,220	309	51	17

## ING Bank A.Ş. and its Financial Subsidiaries

# Notes to consolidated financial statements as of and for the Year Ended 31 December 2017 (continued)

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

### VII. Explanations and notes related to risk group of the Parent Bank (continued)

#### 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	-	-	17,786,543	15,468,136	4,201	15,329
End of period	-	-	15,505,498	17,786,543	8,403	4,201
Interest and commission paid	-	-	214,798	180,275	407	339

The Group also has subordinated loan amounting to TL 3,038,967 from main shareholder ING Bank NV as of 31 December 2017 (31 December 2016: TL 2,881,199).

#### 1.7 Information regarding benefits provided to the Group's top management:

Benefits paid to key management personnel for the year ended is amounting to TL 30,021 (31 December 2016: TL 27,064).

### VIII. Explanations and notes related to the domestic, foreign, off-shore branches and foreign representatives of the Parent Bank

	Number	Number of employees		
Domestic branches	261	4,935		
			Country	
Foreign representative offices	-	-	-	
			Total assets	Capital
Foreign branches	-	-	-	-
Off-shore banking region branches	-	-	-	-

### Section six

#### Other Explanations

##### I. Other explanations on the Parent Bank's operations

None.

##### II. Explanations and notes related to subsequent events

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.

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 Relations with Official Institutions and Legislation Executive Vice President Gökhan Yurtçu has retired from his duty as of 2 January 2018. According to the decision of the Board of Directors, the Relations with Official Institutions and Legislation Executive Vice President position have been closed and after completion of the BRSA process, Consumer Affairs Coordination Affairs duty was transferred to N. Yücel Ölçer who served as Operation Executive Vice President.

Günce Çakır İldun has been appointed as Chief Legal Counsel per the Board of Directors resolution No. 49/2 and dated 20 December 2017, after completion of the BRSA process, she started her duty as of 22 January 2018.

The 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.

(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish, See Note 1.b of section three)

## ING Bank A.Ş. and its Financial Subsidiaries

# Notes to consolidated financial statements as of and for the Year Ended 31 December 2017 (continued)

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

### Section seven

#### Independent auditors' report

##### I. Explanations on the independent auditors' report

The consolidated financial statements of the Parent Bank and its financial subsidiaries as of 31 December 2017, have been audited by KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi (The Turkish member firm of KPMG International Cooperative, a Swiss entity) and their independent audit report dated 9 February 2018 is presented at the beginning of this report.

##### II. Explanations and notes prepared by independent auditors

There are no other significant footnotes and explanations related to the operations of the Group that is not mentioned above.

## Current Communication Information

HEADQUARTERS	SWITCHBOARD NO	ADDRESS	PROVINCE
Headquarters	(212) 335 10 00	Reşitpaşa Mah. Eski Büyükdere Cad. No: 8 34467 Sarıyer <a href="http://www.ingbank.com.tr">www.ingbank.com.tr</a>	İSTANBUL
Adana Özel Bankacılık Merkez	(322) 429 10 99	Çınarlı Mahallesi Fatih Terim Sokak Bulvar İş Merkezi No: 17/7 Seyhan	ADANA
Adana Ticari Şubesi	(322) 363 20 17	Çınarlı Mahallesi Fatih Terim Sokak Bulvar İş Merkezi No: 17/801 Seyhan	ADANA
Küçüksaat	(322) 363 06 06	Kuruköprü Mahallesi Ziyapaşa Bulvarı No: 110/A Seyhan	ADANA
Seyhan	(322) 999 17 18	Kurtuluş Mahallesi Atatürk Caddesi No: 63/B Seyhan	ADANA
Turgut Özal Bulvarı	(322) 232 99 49	Karalarbucağı Mah. T. Özal Bul. No: 105 Seyhan	ADANA
Afyonkarahisar	(272) 214 03 52	Dumlupınar Mh. S. Gönçer Cd. Diler İş Merkezi No. 31 / B Merkez	AFYONKARAHISAR
Aksaray	(382) 213 22 75	Minarecik Mh. Ankara Cd. SSK İş Merkezi No: 10 / B 68100 Merkez	AKSARAY
Amasya	(358) 218 22 66	M.K.P. Cad. No: 27 / A 05100 Merkez	AMASYA
Ankara Kurumsal	(312) 458 18 00	Gaziosmapaşa Mahallesi İnan Caddesi No: 29/1,29/2 Çankaya	ANKARA
Ankara Optimum	(312) 281 30 66	Optimum Outlet Center No: 93 Zemin Kat 11/D Eryaman Ayaş Yolu Etimesgut	ANKARA
Ankara Özel Bankacılık Merkez	(312) 442 67 01	Gaziosmapaşa Mahallesi İnan Caddesi No: 29/1,29/2 Çankaya	ANKARA
Ankara Ticari	(312) 447 33 00	Gaziosmapaşa Mahallesi İnan Caddesi No: 29/1,29/2 Çankaya	ANKARA
Bahçelievler	(312) 212 08 45	7. Cadde No : 4 06500 Bahçelievler - Çankaya	ANKARA
Cebeci	(312) 319 48 40	Fakülteler Mahallesi Cemal Gürsel Caddesi No: 73 / B Çankaya	ANKARA
Çetin Emeç	(312) 285 54 74	Balgat Mahallesi Ceyhun Atıf Kansu Caddesi No : 94 / 13 06520 Çankaya	ANKARA
Dikmen	(312) 483 34 00	İlkadım Mahallesi Dikmen Caddesi No: 191 / A 06450 Dikmen Çankaya	ANKARA
Etimesgut	(312) 999 16 79	Kazım Karabekir Mahallesi İstasyon Caddesi No: 45A Etimesgut	ANKARA
Kazım Karabekir	(312) 342 23 00	Yeni Turan Mahallesi Kazım Karabekir Caddesi Efeler İş Merkezi No: 89/21-22 Altındağ	ANKARA
Keçiören	(312) 360 39 38	Şevkat Mahallesi Kızılparı Caddesi No: 74 /14-15 Keçiören	ANKARA
Kızılay	(312) 999 66 75	Ziya Gökalp Caddesi 17/ A 06420 Kızılay - Çankaya	ANKARA
Kızılay Metro	(312) 417 31 85	Metro İstasyonu Altı 06440 Kızılay - Çankaya	ANKARA
Küçükesat	(312) 447 75 02	Küçükesat Mahallesi Esat Caddesi No: 119 / B Çankaya	ANKARA
Ostim	(312) 385 39 14	100. Yıl Bulvarı Mahallesi No: 14 Yenimahalle	ANKARA
Polatlı	(312) 623 49 54	Cumhuriyet Mahallesi, Eti Caddesi, No: 19/A Polatlı	ANKARA
Pursaklar	(312) 999 00 66	Merkez Mahallesi, Sun Sokak, No: 33/A,B,C,D Pursaklar	ANKARA
Sincan	(312) 276 61 66	Gökyem mevkii Atatürk Mah. Onur Sokak No: 13/A Sincan	ANKARA
Siteler	(312) 350 91 90	Demirhendere Caddesi No: 62 06310 Siteler Altındağ	ANKARA
Şaşmaz	(312) 278 24 10	Bahçekapı Mahallesi Şaşmaz Oto Sanayi sitesi Girişi 6. Cadde No: 12 Etimesgut	ANKARA
Tunalı Hilmi	(312) 419 28 15	Barbaros Mahallesi Buğday Sokak No: 2A 06700 Kavaklıdere	ANKARA
Turan Güneş	(312) 440 99 27	Sancak Mahallesi Turan Güneş Bulvarı 64/B Yıldız - Çankaya	ANKARA
Ulus	(312) 310 62 00	Anafartalar Mahallesi Şehit Teğmen Kalmaz Caddesi No: 16B Altındağ	ANKARA
Ümitköy	(312) 235 02 97	Osmanağa Konakları 8. Cad. 43519 - 43520 Adalararası Sok. No: 9 06800 Ümitköy - Yenimahalle	ANKARA
Yenimahalle	(312) 343 36 00	Çarşı Mahallesi RagıpTüzün Caddesi No: 153 / B-C Yenimahalle	ANKARA
Yenişehir	(312) 416 74 00	Atatürk Bulvarı No: 70 06100 Kızılay - Çankaya	ANKARA
Alanya	(242) 513 90 91	Atatürk Caddesi No: 80 / A - B Alanya	ANTALYA
Antalya	(242) 246 53 00	Adnan Menderes Bulv. No: 11 07040 Merkez	ANTALYA
Antalya Akdeniz	(242) 246 54 00	İsmetpaşa Caddesi No: 3 / A 07040 Muratpaşa	ANTALYA
Antalya Özel Bankacılık Merkez Şubesi	(242) 324 86 26	Çağlayan Mahallesi Fener Caddesi Erdoğan İş Merkezi No: 12/C 07025 Muratpaşa	ANTALYA



## Current Communication Information (continued)

HEADQUARTERS	SWITCHBOARD NO	ADDRESS	PROVINCE
<b>Antalya Ticari</b>	(242) 322 96 34	Çallı, Güvenlik Mahallesi Vatan Bulvarı 282 Sokak No: 2/1 Merkez	ANTALYA
<b>Çallı</b>	(242) 334 30 03	Çallı, Güvenlik Mahallesi Vatan Bulvarı 282 Sokak No: 2/1 Merkez	ANTALYA
<b>Konyaaltı</b>	(242) 229 58 89	Altinkum Mahallesi Atatürk Bulvarı Begüm Apartmanı No: 237/1 Merkez	ANTALYA
<b>Lara</b>	(242) 316 25 45	Şirinyalı Mahallesi İsmet Gökşen Caddesi Çakır Bey İşMerkezi, C2 Blok No: 12/E Muratpaşa	ANTALYA
<b>Manavgat</b>	(242) 746 75 17	Yukarı Hisar Mahallesi Antalya Caddesi No: 34 Manavgat	ANTALYA
<b>Aydın</b>	(256) 225 16 15	Cumhuriyet Mahallesi Adnan Menderes Bulvarı No: 8 Efeler	AYDIN
<b>Kuşadası</b>	(256) 612 44 34	Türkmen Mahallesi Atatürk Bulvarı Belvü Sitesi No: 68 / 38 Kuşadası	AYDIN
<b>Nazilli</b>	(256) 313 20 00	Altıntaş Mahallesi İstasyon Bulvarı No: 21 09800 Nazilli	AYDIN
<b>Söke</b>	(256) 512 13 51	Yenicami Mahallesi İstasyon Caddesi No: 76 Söke	AYDIN
<b>Ayvalık</b>	(266) 312 17 54	Fevzipaşa Mahallesi Atatürk Bulvarı No: 5-7 Ayvalık	BALIKESİR
<b>Balikesir</b>	(266) 245 96 11	Hisariçi Mahallesi Örücüler Caddesi No: 26/A Merkez	BALIKESİR
<b>Bandırma</b>	(266) 714 36 20	Haydar Çavuş Mahallesi İsmet İnönü Caddesi No: 68 Bandırma	BALIKESİR
<b>Bartın</b>	(378) 227 01 11	Hükümet Cad. No: 32 Merkez	BARTIN
<b>Batman</b>	(488) 212 47 01	GAP Mahallesi Turgut Özal Bulvarı Safir Plaza No: 298 C/D 72050 Merkez	BATMAN
<b>Bolu</b>	(374) 215 94 94	Tabaklar Mahallesi İzzet Baysal Cd. No: 78	BOLU
<b>Burdur</b>	(248) 232 20 20	Özgür Mahallesi Halkpazarı Caddesi No: 12 Merkez	BURDUR
<b>Beşevler Sanayi</b>	(224) 441 87 23	Üçevler Mahallesi Ersan Sokak No: 7D Nilüfer	BURSA
<b>Bursa</b>	(224) 275 48 00	Fevzi Çakmak Cd.No: 69 / 3 16050 Merkez	BURSA
<b>Bursa Çalı Yolu</b>	(224) 999 10 09	Üçevler Mah. Ahıska Cd. No: 28 Nilüfer	BURSA
<b>Bursa Kestel OSB</b>	(224) 999 10 07	Ahmet Vefikaşa Mah. Kestel Organize Sanayi Bölgesi, Bursa Caddesi No: 75/A 1-2	BURSA
<b>Bursa Ticari</b>	(224) 999 11 85	23 Nisan Mahallesi, 242. Sokak, Kapı Numarası: 2 (İç Kapı No: 37,38,39,40 no.lu ofisler) Nilüfer	BURSA
<b>Demirtaş Organize Sanayi</b>	(224) 211 28 19	Panayır Mahallesi Yeni Yalova Yolu Caddesi No: 455/B Osmangazi	BURSA
<b>Gemlik</b>	(224) 513 96 00	Hamidiye Mahallesi Orhangazi Caddesi No.7/A Gemlik	BURSA
<b>Heykel</b>	(224) 224 03 53	Nalbantoğlu Mahallesi Taşkapı Caddesi Acar Han No: 14/25-26 Osmangazi	BURSA
<b>İnegöl</b>	(224) 712 09 80	Turgutalp Mahallesi İstiklal Caddesi No: 5/7A İnegöl	BURSA
<b>Nilüfer</b>	(224) 249 37 89	İhsaniye Mahallesi Fatih Sultan Mehmet Bulvarı No: 54 Nilüfer	BURSA
<b>Özlüce</b>	(224) 999 13 30	Ertuğrul Mahallesi, Uğur Mumcu Bulvarı, No: 76 G Blok B.B. No: 2 Nilüfer	BURSA
<b>Yıldırım</b>	(224) 362 60 66	Dua Çınarı Mah. Ankara Yolu Cad.No: 141/1 Yıldırım	BURSA
<b>Çanakkale</b>	(286) 213 90 51	Kemalpaşa Mahallesi Çarşı Caddesi No: 79 Merkez	ÇANAKKALE
<b>Çorum</b>	(364) 225 36 25	Çepni Mahallesi İnönü Caddesi No: 27 19200 Merkez	ÇORUM
<b>Bayramyeri</b>	(258) 265 64 99	Saraylar Mahallesi, Saltak Caddesi, 4/A	DENİZLİ
<b>Denizli</b>	(258) 295 47 00	Saraylar Mahallesi 460 Sokak No: 2 Merkez	DENİZLİ
<b>Diclekent</b>	(412) 251 59 59	Mevlana Halit Mahallesi Urfa Bulvarı Serin 1 Apartmanı No: 57 - B, Bağlar	DİYARBAKIR
<b>Diyarbakır</b>	(412) 224 86 91	Ekinciler Cad. No: 42 / C 21100 Merkez	DİYARBAKIR
<b>Kayapınar</b>	(412) 999 17 90	Peygas Mah. Urfa Cad. B Blok No: 126/A 21070 Kayapınar	DİYARBAKIR
<b>Düzce</b>	(380) 523 16 00	Camikebir Mahallesi Şen Sokak No: 1/A Merkez	DÜZCE
<b>Edirne</b>	(284) 212 32 37	Sabuni Mahallesi Darüleytam Sokak No: 10 Merkez	EDİRNE
<b>Keşan</b>	(284) 712 41 42	B. Cami Mahallesi Ekin Pazarı Caddesi No: 57 Keşan	EDİRNE
<b>Elazığ</b>	(424) 238 70 50	İzzetpaşa Mahallesi Gazi Caddesi No: 8/C	ELAZIĞ
<b>Erzincan</b>	(446) 223 70 36	Atatürk Mahallesi Nerim Tombul Caddesi No: 10 Merkez	ERZİNCAN

## Current Communication Information (continued)

HEADQUARTERS	SWITCHBOARD NO	ADDRESS	PROVINCE
Erzurum	(442) 233 57 58	Topçuoğlu Mahallesi Orhan Şerifsoy Caddesi No: 52 Yakutiye	ERZURUM
Eskişehir	(222) 211 53 00	Cumhuriye Mahallesi Sakarya-1 Caddesi No: 7/B Tepebaşı	ESKİŞEHİR
Köprübaşı	(222) 999 11 07	İstiklal Mahallesi, Şair Fuzuli Caddesi No: 36A Odunpazarı	ESKİŞEHİR
Gatem	(342) 238 44 02	Gatem Toptancılar Sit. Kırmızı Ada 2. Blok No: 8 Şehitkamil	GAZİANTEP
Gaziantep	(342) 215 43 50	İncilipınar Mh. Muammer Aksoy Blv. Osmanlı İş Merkezi No: 30 / G - H 27100 Şehitkamil	GAZİANTEP
Gaziantep Ticari	(342) 999 11 49	İncilipınar Mh. Muammer Aksoy Blv. Osmanlı İş Merkezi No: 30 / G - H 27100 Şehitkamil	GAZİANTEP
Suburcu	(342) 220 02 07	Karağöz Mahallesi Suburcu Caddesi No: 8 Şahinbey	GAZİANTEP
Şirehan	(342) 232 86 68	İsmetpaşa Mahallesi İnönü Caddesi No: 217 Şahinbey	GAZİANTEP
Giresun	(454) 216 24 50	Hacımiktat Mahallesi Alpaslan Caddesi No: 33 / B 28100 Merkez	GİRESUN
Antakya	(326) 225 32 04	Yavuz Selim Caddesi No: 19 31050 Antakya	HATAY
İskenderun	(326) 629 20 00	Savaş Mahallesi Şehit Pamir Caddesi No: 6 İskenderun	HATAY
Isparta	(246) 232 50 16	Pirimehmet Mahallesi 113. Cadde No: 77 / B 32100	ISPARTA
4. Levent	(212) 325 35 55	Sanayi Mahallesi Silahtaroğlu Sokak 11 Eş Bina No: 29/A 4. Levent - Kağıthane	İSTANBUL
Acıbadem	(216) 545 27 55	Bulgurlu Mah. Acıbadem Cad. No: 156 34660 Üsküdar	İSTANBUL
Aksaray İstanbul	(212) 633 49 99	Aksaray Mahallesi Teceddüt Sokağı No: 15 Fatih	İSTANBUL
Alemdağ Caddesi	(216) 340 33 55	İstiklal Mahallesi Alemdağ Caddesi No: 262 A Ümraniye	İSTANBUL
Anadolu Yakası Kurumsal	(216) 468 19 00	Saray Mah. Dr. Adnan Büyükdeniz Cad. Cessas Plaza No: 4 Ümraniye	İSTANBUL
Arnavutköy	(212) 999 88 89	Arnavutköy Merkez Mahallesi Fatih Caddesi No: 27 Arnavutköy	İSTANBUL
Ataşehir	(216) 456 77 50	Ataşehir, Sedef Cad. 36. Ada Revaklı Çarşı Ata 2 / 5 Bl. No: 6-7-8 34750 Kadıköy	İSTANBUL
Atatürk Caddesi	(216) 302 95 07	Sahrayıcedit, Atatürk Cad. No.33 34734 Erenköy - Kadıköy	İSTANBUL
Avcılar Çarşı	(212) 662 31 21	Merkez Mahallesi Reşitpaşa Caddesi No: 52/B Avcılar	İSTANBUL
Bağcılar	(212) 634 50 01	Çınar Mahallesi İstanbul Caddesi 6. Sokağı No: 27-29 A-B (34200) Bağcılar	İSTANBUL
Bağdat Caddesi Özel Bankacılık Merkez	(216) 362 82 02	Caddebostan Mahallesi Bağdat Caddesi No: 302/1 Kat: 2 B.B. No: 8-9 Kadıköy	İSTANBUL
Bahçekapı	(212) 402 25 00	Hobyar Mahallesi Hamidiye Caddesi No: 5B Fatih	İSTANBUL
Bahçelievler İstanbul	(212) 504 55 15	İzzettin Çalışlar Caddesi Oğul Apt. No: 34 Bahçelievler	İSTANBUL
Bahçeşehir	(212) 669 89 23	Bahçeşehir 1. Kısım, Kemal Sunal Caddesi Defne 03 Villa 6 Başakşehir	İSTANBUL
Bakırköy	(212) 414 38 00	Cevizlik Mah. İstanbul Cad. No: 17 Bakırköy	İSTANBUL
Bakırköy İncirli	(212) 543 46 86	Kartaltepe Mahallesi Ülkü Sokak No: 2 Bakırköy	İSTANBUL
Bayrampaşa	(212) 674 78 50	Yenidoğan Mahallesi Abdi İpekçi Caddesi No: 18/A Bayrampaşa	İSTANBUL
Bayrampaşa Hal	(212) 640 67 73	İstanbul Büyükşehir Belediyesi Bayrampaşa Hal Müdürlüğü Bayrampaşa Sebze ve Meyve Hali Genel Müdürlük Binası B 2 Blok Bayrampaşa	İSTANBUL
Bebek	(212) 287 73 77	Cevdetpaşa Caddesi No: 43 / E Bebek 34342 Beşiktaş	İSTANBUL
Beşiktaş	(212) 259 88 03	Sinanpaşa Mah. Şehit Asım Cad. No: 23 / 1 34340 Beşiktaş	İSTANBUL
Beşyüzevler	(212) 477 44 50	Hürriyet Mahallesi Eski Edirne Asfaltı No: 198 Gaziosmanpaşa	İSTANBUL
Beylikdüzü	(212) 879 03 55	Beylikdüzü, Yakuplu Mah. Açelya Cad. Saatli Bina İş Mer. 4-B 34524 Büyükçekmece	İSTANBUL
Beylikdüzü Ticari	(212) 590 39 29	Yakuplu Mahallesi Haramidere Caddesi Dış Kapı No: 8A İç Kapı No: 6 Beylikdüzü	İSTANBUL
Büyüçekmece	(212) 881 68 55	İnönü Cad. No: 31 34900 Büyüçekmece	İSTANBUL
Caddebostan	(216) 368 24 92	Bağdat Caddesi Hulusi Bey Apt. No: 253/A 34730 Kadıköy	İSTANBUL
Çağlayan	(212) 373 60 00	Vatan Caddesi No: 30 Çağlayan 34403 Kağıthane	İSTANBUL
Çekmeköy	(216) 642 31 22	Mehmet Akif Mahallesi Şahinbey Caddesi No: 3 Çekmeköy	İSTANBUL

## Current Communication Information (continued)

HEADQUARTERS	SWITCHBOARD NO	ADDRESS	PROVINCE
Dudullu	(216) 526 58 12	Ihlamurkuyu (A. Dudullu) Mahallesi Alemdağ Caddesi No. 596 / A Ümraniye	İSTANBUL
Esenler	(212) 999 55 10	Menderes Mahallesi, Atışalanı Caddesi, No: 11 Esenler	İSTANBUL
Esenyurt	(212) 999 29 95	İnönü Mahallesi Dağan Araslı Bulvarı No: 94 Esenyurt	İSTANBUL
Fatih	(212) 453 19 00	Fevzi Paşa Caddesi No: 66 34260 Fatih	İSTANBUL
Florya	(212) 662 13 64	Florya Asfaltı No: 70 / 2 34810 Florya	İSTANBUL
Gaziosmanpaşa	(212) 417 61 20	Merkez Mahallesi Cumhuriyet Meydanı No: 27/B Gaziosmanpaşa	İSTANBUL
Göktürk	(212) 322 27 10	Göktürk Merkez Mahallesi, İstanbul Caddesi No: 30-32 Country Life Residence J-K nolu Dükkanlar Eyüp	İSTANBUL
Göztepe İstanbul	(216) 363 49 39	Merdivenköy Mahallesi Fahrettin Kerim Gökay Caddesi No: 227/B Göztepe-Kadıköy	İSTANBUL
Gültepe	(212) 999 55 02	Telsiz Mahallesi Talatpaşa Caddesi No: 106 Gültepe - Kağıthane	İSTANBUL
Güneşli	(212) 655 72 10	Bağlar Mahallesi Atatürk Caddesi No: 10/B Bağcılar	İSTANBUL
Hadımköy Yolu Caddesi	(212) 886 76 35	Akçaburgaz Mahallesi Hadımköy Yolu Caddesi No: 184 İç kapı No: 1, 3 Esenyurt	İSTANBUL
Halkalı	(212) 924 31 34	Atatürk Mahallesi İkitelli Caddesi No: 166 A/2 Küçükçekmece	İSTANBUL
İkitelli	(212) 671 40 01	Ziya Gökalp Mahallesi Atatürk Bulvarı No: 72F Başakşehir	İSTANBUL
İmes	(216) 379 95 79	Dudullu Mah. İmes Sanayi Sitesi C Blok No: 7 34775 Ümraniye	İSTANBUL
İmes Ticari	(216) 365 78 60	Dudullu Mah. İmes Sanayi Sitesi C Blok No: 7 34775 Ümraniye	İSTANBUL
İstanbul Anadolu Ticari	(216) 474 11 87	Saray Mahallesi Dr. Adnan Büyükdeniz Caddesi Akkom Ofispark 2 Blok 4 Cessas Plaza 34768 Ümraniye	İSTANBUL
İstanbul Atatürk Havalimanı Serbest Bölge	(212) 465 03 19	Yeşilköy Sb Mah. Havalimanı Cd. No: 1 A Blok Sokak No: 1/54-55 Bakırköy	İSTANBUL
İstanbul Avrupa Ticari	(212) 234 55 93	Büyükdere Caddesi Akabe Ticaret Merkezi No: 78 Mecidiyeköy Şişli	İSTANBUL
İstoç	(212) 659 72 50	Mahmutbey Mahallesi 2420. Sokak No: 5,7 Bağcılar	İSTANBUL
Kadıköy İskele	(216) 347 32 00	Caferağa Mahallesi Albay Faik Sözdener Sokak No: 13 34710 Kadıköy	İSTANBUL
Kalamış	(216) 405 20 00	Fenerbahçe Mahallesi Erguvan Sokak No: 9/A Kadıköy	İSTANBUL
Kartal	(216) 387 56 76	Kordonboyu Mahallesi Ankara Caddesi No: 98 34860 Kartal	İSTANBUL
Kavacık	(216) 425 97 20	Kavacık Mahallesi Mihrabad Caddesi Funda Sokak No: 2 / B 34810 Beykoz	İSTANBUL
Kazasker	(216) 410 60 40	Kozyatağı Mahallesi Şemsettin Günaltay Caddesi No: 152 Kadıköy	İSTANBUL
Kurtköy	(216) 595 02 99	Şeyhli Mahallesi Eski Ankara Caddesi No: 217 34906 Pendik	İSTANBUL
Küçükbakkalköy	(216) 577 48 91	Küçükbakkalköy Mahallesi Fevzi Paşa Sokak, No: 67/A Ataşehir	İSTANBUL
Küçükyalı	(216) 417 44 15	Küçükyalı Mahallesi Bağdat Caddesi Yalım Apartmanı No: 115/A Maltepe	İSTANBUL
Levent	(212) 270 05 65	Levent Mahallesi Çarşı Caddesi No: 18 Beşiktaş	İSTANBUL
Maltepe	(216) 383 47 13	Bağlarbaşı Mahallesi Bağdat Caddesi Gedik İş Merkezi No: 414/A Maltepe - Kadıköy	İSTANBUL
Maslak	(212) 335 80 00	Ayazağa Mah. Büyükdere Cad. No: 257 Maslak-Sarıyer	İSTANBUL
Maslak Özel Bankacılık Merkez	(212) 335 15 15	Reşitpaşa Mahallesi Eski Büyükdere Caddesi No: 8 34467 Sarıyer	İSTANBUL
Maslak Ticari	(212) 693 77 33	Reşitpaşa Mahallesi Eski Büyükdere Caddesi No: 8 Sarıyer	İSTANBUL
Mecidiyeköy	(212) 213 24 35	Büyükdere Caddesi Akabe Ticaret Merkezi No: 78 Mecidiyeköy 34394	İSTANBUL
Mega Center	(212) 640 86 11	Kocatepe Mahallesi Yağ İskelesi Caddesi No: 13B Bayrampaşa	İSTANBUL
Merkez	(212) 335 80 50	Reşitpaşa Mahallesi Eski Büyükdere Caddesi No: 8 Sarıyer	İSTANBUL
Merter	(212) 639 94 20	Keresteciler Sitesi Fatih Cad. Aksoy İş Merkezi No: 11 / B Merter 34010 Güngören	İSTANBUL

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HEADQUARTERS	SWITCHBOARD NO	ADDRESS	PROVINCE
Nişantaşı	(212) 296 10 23	Teşvikiye Mahallesi Vali Konağı Caddesi No: 80A Şişli	İSTANBUL
Özel Hizmetler	(212) 367 74 24	Reşitpaşa Mahallesi Eski Büyükdere Caddesi No: 8	İSTANBUL
Pendik	(216) 491 87 04	Doğu mahallesi Mesnevihan Sokak No: 3/A Pendik	İSTANBUL
Sancaktepe	(216) 266 36 60	Meclis Mahallesi Ankara Caddesi No: 32 A 34785 Sancaktepe	İSTANBUL
Sarıyer	(212) 271 68 88	Merkez Mahallesi Yenimahalle Caddesi No: 20/C Sarıyer	İSTANBUL
Sefaköy	(212) 426 49 39	Ahmet Kocabıyık Sokak No: 25 / 3 - 4 - 5 34295 Küçükçekmece	İSTANBUL
Silivri	(212) 727 22 58	Pirimehmetpaşa Mahallesi Hacıpervene Caddesi No: 24 / 3 34570 Silivri	İSTANBUL
Soğanlık	(216) 671 06 99	Orta Mahallesi Atatürk Caddesi No: 106/A Kartal	İSTANBUL
Sultanbeyli	(216) 419 12 22	Abdurrahman Gazi Mahallesi Sezgin Sokak No: 1A-1B Sultanbeyli	İSTANBUL
Sultangazi	(212) 999 31 28	Cebeci Mahallesi Eski Edirne Asfaltı Caddesi No: 720/C Sultangazi	İSTANBUL
Şişli	(212) 373 10 00	Merkez Mahallesi Halaskargazi Cad. No: 197 Şişli	İSTANBUL
Taksim	(212) 251 69 00	Gümüşsuyu Mahallesi Siraselvililer Caddesi No: 11/A Beyoğlu	İSTANBUL
Topçular	(212) 613 62 30	Eyüp Rami Topçular Mah. Rami Kışla Cad. Tikveşli Sok. No. 1 Tikveşli Köyü - Eyüp	İSTANBUL
Topkapı Ticari	(212) 506 45 46	Keresteciler Sitesi Fatih Cad. Aksoy İş Merkezi No: 11 / B Merter 34010 Güngören	İSTANBUL
Tuzla İçmeler	(216) 999 36 32	Aydıntepe Mahallesi Dr. Sadık Ahmet Caddesi No: 59 Tuzla	İSTANBUL
Tümsan Sanayi Sitesi	(212) 485 94 88	İkiteli OSB Mahallesi Tümsan 1. Kısım Sitesi, 3. Blok Sokak, Tümsan 1. Kısım Sitesi, 3. Blok Dış-İç Kapı No: 5 Başakşehir	İSTANBUL
Ümraniye	(216) 521 20 60	Atatürk Mahallesi Alemdağ Caddesi No: 132A Ümraniye	İSTANBUL
Üsküdar	(216) 334 10 68	Hakimiyeti Milliye Caddesi No: 58/B Kadri Vedat Kançal İşhanı 34660 Üsküdar	İSTANBUL
Yenibosna Ticari	(212) 474 88 66	Bağlar Mahallesi Yavuz Sultan Selim Caddesi No: 15 / 81- 86-85 Canel Plaza Kat: 8 (B.B. No: 47 - 48- 49) Yenibosna - Bağcılar	İSTANBUL
Zeytinburnu	(212) 679 26 60	Gökalp Mah. 58. Bulvar Cad. No: 15 / 1 34760 Zeytinburnu	İSTANBUL
Alaçatı	(232) 716 65 12	Tokoğlu Mahallesi Kemalpaşa Caddesi No: 45/A Alaçatı Çeşme	İZMİR
Aliağa	(232) 616 35 77	Kültür Mahallesi Demokrasi Meydanı No : 2 / 1 (A - B) 35800 Aliağa	İZMİR
Atatürk Organize Sanayi / İzmir	(232) 328 07 00	10020 Sok. No. 3 Küçük Parseller Sosyal Tesisleri A.O.S.B. 35620 Çiğli	İZMİR
Bergama	(232) 632 94 40	Turabey Mh. Bankalar Caddesi No: 50 35700 Bergama	İZMİR
Bornova	(232) 397 40 00	Ergene Mahallesi Mustafa Kemal Cd. No: 38/1 Bornova	İZMİR
Bostanlı	(232) 362 40 05	1807 / 1 Sok. Bostanlı Meydanı No: 4 / A 35540 Karşıyaka	İZMİR
Çamdibi	(232) 462 30 81	Mersinli Mahallesi Fatih Caddesi No: 82 Konak	İZMİR
Çeşme	(232) 712 66 29	Cumhuriyet Bulvarı No. 2 Çeşme	İZMİR
Gaziemir	(232) 251 16 47	Atıfbey Mahallesi Akçay Caddesi No: 246 35410 Gaziemir	İZMİR
Gıda Çarşısı	(232) 433 58 00	Halkapınar Mahallesi 1202 / 6 Sokak No: 14 Gıda Çarşısı - Yenişehir	İZMİR
Hatay/İzmir	(232) 243 55 55	İnönü Caddesi No: 338 / B 35360 Konak	İZMİR
İzmir	(232) 455 69 00	Cumhuriyet Bulvarı No: 67 Pasaport 35210 Konak	İZMİR
İzmir Özel Bankacılık Merkez	(232) 464 42 60	Cumhuriyet Bulvarı No: 67 Pasaport 35210 Konak	İZMİR
İzmir Ticari	(232) 457 14 41	Cumhuriyet Bulvarı No: 67 Kat: 6 Pasaport Konak	İZMİR
Karabağlar	(232) 237 28 28	İzmir Karabağlar ilçesi, Aşık Veysel Mahallesi, Yeşillik Caddesi, No: 431-435C Karabağlar	İZMİR
Karşıyaka	(232) 368 11 70	Tuna Mahallesi, Kemalpaşa Caddesi No: 16 Karşıyaka	İZMİR
Karşıyaka Çarşı	(232) 368 38 98	1721 Sokak No: 12 / A 35530 Karşıyaka	İZMİR
Kemalpaşa	(232) 878 40 60	Aşağı Mahalle Atatürk Bulvarı No: 10/A Kemalpaşa	İZMİR
Ödemiş	(232) 544 48 46	Bengisu Mah. Gazi Caddesi No. 19 35750 Ödemiş	İZMİR

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HEADQUARTERS	SWITCHBOARD NO	ADDRESS	PROVINCE
Şiringer	(232) 448 68 58	Kızılcılu Mahallesi Menderes Caddesi No: 274 / B 35140 Şiringer - Buca	İZMİR
Urla	(232) 754 16 40	Hacı İsa Mahallesi 75. Yıl Cumhuriyet Caddesi No: 1/B Urla	İZMİR
Üçkuyular	(232) 279 00 49	Mithatpaşa Caddesi No: 1177 / B 35350 Üçkuyular	İZMİR
Yeniğün	(232) 489 20 02	Fevzi Paşa Bulvarı No: 122 35250 Çankaya	İZMİR
Kahramanmaraş	(344) 225 71 82	Trabzon Caddesi No: 35 / A, B 46060 Merkez	KAHRAMANMARAŞ
Karabük	(370) 412 45 45	Bayır Mahallesi Fevzi Fırat Caddesi No: 84 78100 Merkez	KARABÜK
Karaman	(338) 212 59 46	Külhan Mahallesi İsmet Paşa Caddesi No: 34/A	KARAMAN
Kars	(474) 223 27 81	Yusufoğlu Mahallesi Kazımpaşa Caddesi No: 130 Merkez	KARS
Kastamonu	(366) 214 40 83	Aktekke Mahallesi Yalçın Caddesi No: 8-B Merkez	KASTAMONU
Kayseri	(352) 222 39 63	Nazmi Toker Caddesi No: 5 / A 38040 Melikgazi	KAYSERİ
Kayseri Sivas Caddesi	(352) 223 50 12	Alpaslan Mahallesi Sivas Caddesi Kandil Sokak Bezciler Sitesi 1. Blok No: 2 / A Melikgazi	KAYSERİ
Yeni Sanayi	(352) 336 00 40	Osman Kavuncu Mah. Osman Kavuncu Bul. No: 197 / C Melikgazi	KAYSERİ
Kırıkkale	(318) 224 51 26	Yeni Doğan Mahallesi Cumhuriyet Caddesi No: 30 71100 Merkez	KIRIKKALE
Kırklareli	(288) 212 74 55	Cumhuriyet Caddesi No: 16 39020 Merkez	KIRKLARELİ
Lüleburgaz	(288) 417 45 48	Özerler Mahallesi Fatih Caddesi No: 9 Lüleburgaz	KIRKLARELİ
Kırşehir	(386) 214 05 15	Kuşdili Mahallesi Terme Caddesi No: 30 Merkez	KIRŞEHİR
Gebze	(262) 676 74 00	Hacıhalil Mah. Atatürk Cad. Marmara Apt. No: 36 / B Gebze	KOCAELİ
Gebze Ticari	(262) 427 28 68	GOSB Meydan Binası 1600. Sokak No: 1601/613 Çayırova	KOCAELİ
Gölcük	(262) 414 83 50	Merkez Mahallesi Amiral Sağlam Cd. No: 13 Gölcük	KOCAELİ
İzmit	(262) 317 16 00	Karabaş Mahallesi Leyla Atakan Caddesi No: 20A İzmit	KOCAELİ
İzmit Hürriyet Caddesi	(262) 323 52 20	Kemalpaşa Mahallesi Hürriyet Caddesi No: 29 İzmit	KOCAELİ
Konya	(332) 237 22 47	Musalla Bağları Mahallesi Ahmet Hilmi Nalçacı Caddesi Erol Sitesi Kapı No: 90 İçkapı No: A Selçuklu	KONYA
Konya Büsan Sanayi	(332) 237 90 50	Fevzi Çakmak Mahallesi Kosgeb Caddesi Kapı No: 3 İç Kapı No: B Karatay	KONYA
Kütahya	(274) 224 97 06	Cumhuriyet Caddesi No: 68 43100 Merkez / Kütahya	KÜTAHYA
Tavşanlı	(274) 614 49 50	Yeni Mahalle Ada Caddesi Tarhan Apartmanı No: 11/1 Tavşanlı	KÜTAHYA
Malatya	(422) 326 42 06	Kavaklıbağ Mahallesi İnönü Caddesi No: 49/A Merkez	MALATYA
Malatya Çevreyolu	(422) 999 10 05	İsmetiye Mahallesi, Buhara Caddesi, Yiğitcan İşmerkezi 2. Blok 175/A-2	MALATYA
Akhisar	(236) 413 59 55	Tahir Ün Caddesi No: 49 45200 Akhisar	MANİSA
Manisa	(236) 231 57 81	Yarhasanlar Mah. Doğu Caddesi 8 Eylül İş Merkezi No: 14 45020 Şehzadeler	MANİSA
Salihli	(236) 714 14 14	Mithat Paşa Caddesi No: 158 45300 Salihli	MANİSA
Soma	(236) 613 14 00	Nihat Danışman Mahallesi Atatürk Caddesi No: 7/B Soma	MANİSA
Turgutlu	(236) 314 00 01	Turan Mahallesi Atatürk Bulvarı No: 184 Turgutlu	MANİSA
Mardin	(482) 213 38 20	13 Mart Mahallesi Vali Ozan Caddesi Özkan Apartmanı No: 82/A Yenişehir - Merkez	MARDİN
Mersin	(324) 237 10 50	İsmet İnönü Bulvarı Nail Göksu İş Hanı No: 58 33060 Akdeniz	MERSİN
Metropol	(324) 336 11 00	İhsaniye Mahallesi K. Milliye Caddesi 109/A Akdeniz	MERSİN
Mezitli	(324) 359 89 34	Merkez Mahallesi Gazi Mustafa Kemal Bulvarı No: 762A 33200 Mezitli / Merkez	MERSİN
Pozcu	(324) 326 78 00	Güvenevler Mahallesi Gazi Mustafa Kemal Bulvarı No: 368/B Pozcu	MERSİN
Tarsus	(324) 614 08 30	Caminur Mah. Mersin Cad.No: 21 / B Tarsus	MERSİN
Bodrum	(252) 317 04 33	Yeniköy Mahallesi Kıbrıs Şehitleri Caddesi Devocioğlu İş Merkezi No: 218 Bodrum	MUĞLA
Fethiye	(252) 612 34 80	Cumhuriyet Mahallesi Çarşı Caddesi No: 29 Fethiye	MUĞLA



## Current Communication Information (continued)

HEADQUARTERS	SWITCHBOARD NO	ADDRESS	PROVINCE
Marmaris	(252) 412 50 28	Kemeraltı Mah. Atatürk Cad. No: 10 / C 48700 Marmaris	MUĞLA
Muğla	(252) 214 10 68	Şeyh Mahallesi İsmet İnönü Cad. No: 21 / A1 Menteşe	MUĞLA
Neveşehir	(384) 213 14 68	Atatürk Bulvarı No: 36 50200 Merkez	NEVŞEHİR
Niğde	(388) 232 34 76	Esenbey Mahallesi Bankalar Caddesi No: 10 Merkez	NİĞDE
Ordu	(452) 223 16 92	Düz Mahallesi Hükümet Caddesi No: 8 Merkez	ORDU
Osmaniye	(328) 814 29 19	Alibeyli Mahallesi Atatürk Caddesi No: 242 / B Merkez	OSMANİYE
Rize	(464) 213 00 23	Yeniköy Mahallesi Cumhuriyet Caddesi No: 184/C Merkez	RİZE
Adapazarı	(264) 279 89 10	Tiğcılar Mah. Atatürk Bulvarı No: 73 Adapazarı	SAKARYA
Atakum	(362) 999 29 94	Mimar Sinan Mahallesi Atatürk Bulvarı No: 271 Atakum	SAMSUN
Gülsan	(362) 999 10 09	Yeni Mahallesi Ali Rıza Bey Bulvarı No: 17/1 Canik	SAMSUN
Samsun	(362) 431 51 96	Kale Mahallesi Kazım Paşa Caddesi No: 40 İlkadım	SAMSUN
Siirt	(484) 224 11 71	Bahçelievler Mahallesi Hz. Fakirullah caddesi No: 43 Merkez	SİİRT
Sivas	(346) 221 40 13	Sularbaşı Mahallesi Belediye Sokak No: 6 Merkez	SİVAS
Şanlıurfa	(414) 315 65 86	Atatürk Mahallesi Atatürk Bulvarı No: 64/B Merkez	ŞANLIURFA
Cizre	(486) 617 14 06	Dicle Mahallesi Doğan Sokak No: 10/B Cizre	ŞIRNAK
Çerkezköy	(282) 726 73 07	G.M.K.P. Mahallesi Atatürk Caddesi No: 44A ve 44B Çerkezköy	TEKİRDAĞ
Çorlu	(282) 653 39 66	Şeyhsinan Mahallesi Şehit Teğmen Yavuzer Caddesi No: 6A Çorlu	TEKİRDAĞ
Tekirdağ	(282) 263 89 89	Aydoğdu Mahallesi Hükümet Caddesi No: 120 Süleymanpaşa	TEKİRDAĞ
Tokat	(356) 214 99 07	Kabe-i Mescid Mahallesi Gazi Osman Paşa Bulvarı No. 174/A	TOKAT
Trabzon	(462) 326 55 78	Kemer kaya Mah. Kahramanmaraş Cad. No: 17 61030 Merkez	TRABZON
Uşak	(276) 223 39 40	Kurtuluş Mahallesi İsmet Paşa Caddesi No: 70/ A Merkez	UŞAK
Van	(432) 215 59 06	Bahçivan Mahallesi Cumhuriyet Caddesi No: 116 A/B	VAN
Yalova	(226) 811 61 15	Süleymanbey Mahallesi, Yalı Caddesi No: 39 Merkez	YALOVA
Karadeniz Ereğli	(372) 323 92 97	Müftü Mahallesi Yukarı Sokak No. 16 Karadeniz Ereğli	ZONGULDAK
Zonguldak	(372) 251 75 78	Gazipaşa Cd. No: 17 67100 Merkez	ZONGULDAK

AFFILIATED COMPANIES	SWITCHBOARD NO	ADDRESS	PROVINCE
ING Faktoring A.Ş. Genel Müdürlük	(216) 939 74 00	Saray Mah. Dr. Adnan Büyükdeniz Cad. Akkom Ofispark 2 Blok 4 Cessas Plaza Kat: 3 34768 Ümraniye <a href="http://www.ingfactoring.com.tr">www.ingfactoring.com.tr</a>	İSTANBUL
ING Finansal Kiralama A.Ş. Genel Müdürlük	(216) 266 52 00	Saray Mahallesi Doktor Adnan Büyükdeniz Caddesi Akkom Ofispark 2 Blok 4 Ümraniye 34768 <a href="http://www.ingleasing.com.tr">www.ingleasing.com.tr</a>	İSTANBUL
ING Menkul Değerler A.Ş. Genel Müdürlük	(212) 367 70 00	Reşitpaşa Mah. Eski Büyükdere Cad. No: 8 Kat: 10 34467 Sarıyer <a href="http://www.ingmenkul.com.tr">www.ingmenkul.com.tr</a>	İSTANBUL
ING Portföy Yönetimi A.Ş. Genel Müdürlük	(212) 365 46 00	Reşit Paşa Mahallesi Eski Büyükdere Caddesi No: 8 Kat: 10 34467 Sarıyer <a href="http://www.ingportfoy.com.tr">www.ingportfoy.com.tr</a>	İSTANBUL
ING European Financial Services Plc	00 353 16 384 082	ING European Financial Services Plc Block 4, Dundrum Town Centre Sandyford Road Dundrum Dublin 16 <a href="http://www.ingeuropefs.com">www.ingeuropefs.com</a>	DUBLIN / İRLANDA



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