

ING BANK A.Ş. - CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT – 2016

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 25.03.2016, which was within the fiscal year of 2015. 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 Executive Vice Presidency and Relations with Official Institutions and Legislation Executive 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 Vice President 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 Vice President of the relevant unit.

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

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) 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) 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 Kahramanmaras. 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 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 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 to14 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 footprint 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.

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 198 schools, 618 teachers and approximately 23.500 thousand 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.

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 ING Bank employees and unite the activities of our employees active in various volunteer initiatives under a single roof. Within this scope, Orange Drops trainings are continued.

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.

SECTION IV – BOARD OF DIRECTORS

15- The Structure and Composition of Board of Directors

ING Bank A.Ş. Board of Directors

John Thomas Mc Carthy	(Chairman)
Adrianus J. A. Kas	(Vice Chairman)
Can Erol	(Board Member)
Ayşe Canan Ediboğlu	(Board Member)
Mehmet Sırrı Erkan	(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 Edibođlu, 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:

M. Sırrı Erkan, Chairman (Board Member)
Can Erol, Member (Board Member) (Due to legal time requirements, his Audit Committee membership ended on 26 December 2016.)
Adrianus J. A. Kas, Member (Vice Chairman)

Corporate Governance Committee:

Names of Board Members who are members of Corporate Governance Committee at the same time:

John Thomas Mc Carthy, Member (Chairman)
Ayşe Canan Edibođlu, Member (Board Member)

Compensation Committee:

Names of Board Members who are members of Compensation Committee at the same time:

John Thomas Mc Carthy, Member (Chairman)
Ayşe Canan Edipođlu, Member (Board Member)

18- Internal Control and Risk Management Mechanism

18.1.Internal Audit

Internal Audit has carried out activities for ensuring that the activities of the Bank and subsidiaries subject to consolidation are 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 and ensuring that internal control and risk management systems are efficient and sufficient, as an assurance for 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. Proposals are made on the deficiencies, errors and risks that are determined as a result of the periodical and risk based internal audit studies carried out in all activities, branches, Head Office units, processes and subsidiaries subject to consolidation of the Bank. The proposals prepared to prevent these reoccurrences are shared with the relevant managers and the measures that can be taken and the precautions that can be taken are evaluated mutually. Therefore, solutions are being produced to increase the quality of service in dialogue with business units in order to realize a more effective control environment and risk management structure.

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 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.

18.3. Internal Control Executive Vice Presidency

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.

Basel-II Report of June 2006 had defined seven operational risk categories. ING adds on to those by defining as “non-financial risk” and categorising in 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 Risk Management Department’s (reporting to Internal Control Executive Vice Presidency) duties are to support management of these risk categories except Compliance Risk category by the business lines and other functions in ING Bank A.Ş. and ING Bank A.Ş. Subsidiaries and Foreign Branches as well as guiding all on implementation of ING Policy and Standards, ensuring information flow via various reportings, coordinating relevant corporate governance meetings and calculating Operational Risk Economic and Regulatory Capital. Operational Risk Management Department also provides trainings on relevant subjects.

18.4.Non-Financial Risk Management Executive Vice Presidency

ING defines Non-Financial Risk (NFR) as “operational risk including compliance, legal, HR and finance risks”. NFR also covers reputational risks and boundary issues with strategic/business risks, credit risk and market risks. For an effective management of these risks Non Financial Risk Management Department works together with Head of Legal Department, EVP Responsible for Relations with Official Institutions and Legislation, EVP Responsible for HR and Communications and EVP For Financial Control and Asset & Liability Management.

18.4.1. Compliance Risk Management Department

Compliance Risk is defined as the all risks of impairment of ING’s integrity. It is the risk of failure (or perceived failure) to comply with applicable laws and regulations, ING Bank Policies and minimum standards, ING Code of Conduct and the ING Values. It’s also the risk of engaging in activity that could damage ING Bank’s reputation, lead to a legal or regulatory violation and/or result in financial loss.

All ING employees are required to comply with applicable laws and regulations, ING Bank Policies and standards, ING Code of Conduct and the ING Values in order to protect the reputation of ING Bank A.S. and effectively manage the Compliance Risks.

Compliance Risk Management provides advisory service, gives trainings and performs awareness activities to ING Bank A.S. and its subsidiaries and Foreign Branches employees in line with the ING Compliance Risk Management Framework. In order ING Bank A.S. and its subsidiaries and Foreign Branches to effectively manage their Compliance Risks, 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.

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 25.03.2016; 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 35,000.- 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.