



Sustainability Bond Impact Report

January 2022

1. About Ziraat Bank

Ziraat Bank is a 100% state-owned, full service commercial and retail banking group and provides a broad range of products and services to ~38 million corporate, SME, and retail customers across Turkey and select international markets. Ever since its incorporation in 1863, the Bank has maintained its position in the financial sector of Turkey. Always standing by, first and foremost, the farmers and then by merchants, businessmen, entrepreneurs, retirees and employees, the Bank constantly works to offer products and services to create value for its clients, stakeholders and the society in general.

OUR VISION

To be a leading bank which is respected and commands a high market value

To be a bank that is universal, respected and has high market value; a bank that provides extensive, reliable service everywhere in Turkey and the world at the same quality, and meets the needs of every segment; a bank that sees its customers and human resources as its most valuable asset; a bank that continuously makes a difference and creates value in a way that befits its deep-rooted past; a bank that promises more from a bank at every stage and serves as a model for its competitors.

OUR MISSION

To be a bank that values customer satisfaction above all else

To be a bank that understands customer needs and expectations, thereby offering them the best solutions and value recommendations from the most appropriate channel; a bank that brings to every segment of society a wide range of products and services in the fastest, most effective way through its extensive network of branches and alternative distribution channels; a bank that operates with sustainable profitability and productivity at global standards by recognizing its ethical values and social responsibility; a bank that holds customer satisfaction to be more important than anything else.

2. Ziraat Bank's Sustainability and Green Finance Approach

Ziraat Bank has officially added "responsible banking" to its strategies in the year 2020 and aims to generate added value while respecting the community and the environment in line with its Sustainability Policy. Aware of the responsibility of being "More Than a Bank," Ziraat assumes key roles in the country's sustainable development process. The Bank also regards environmental sustainability including climate change and the transition to a low-carbon economy as an important item in its agenda.

The Bank has adopted its Sustainability Policy which has been approved by the Bank's Board of Directors on September 30, 2014. The Bank has been using its leading experience and knowledge to utilise its resources efficiently within the framework of responsible banking principles, for the benefit of the economy, the environment, and the community; to produce enduring value for its stakeholders and to be a bank which includes all parts of the society by improving its customer-oriented business model. The Bank targets to further develop its strong position in the national market and its global competitiveness with corporate, environmental and social sustainability practices to be implemented within the scope of its Sustainability Policy.

Sustainability for Ziraat Bank carries importance and the Bank has undertaken an approach to manage sustainability in a holistic manner. The issue is governed by Bank's sustainability plan, and governed in an institutional manner. Highest level of ownership of the issue lies at with the CEO. The sustainability activities at Ziraat Bank are executed under the leadership of the Bank's CEO. Sustainability activities are coordinated by the Department of Financial Institutions and Investor Relations.

Ziraat Bank's sustainability approach and strategy has impacted its lending practices and products as well. Bank's responsible banking approach includes both overseeing and minimizing the environmental and social risks of Bank's financing operations and increasing financing to green and sustainable activities. The Bank is undertaking a project to establish a system to screen the environmental and social impacts of its lending activities and the Bank's "Environmental and Social Impact Management Policy in Lending Operations" policy was approved by the Board of Directors in December 2020 as an integral part of its Sustainability Policy. In the short term, in accordance with this policy, the Bank will start to make risk assessment for its investment loans which are above a certain limit, and will define their risk category in order to prepare a management plan and monitor those risky ones through the lifetime of the related loan.

In addition, the Bank's strong capacity in sustainability accumulated over the years has enabled it to secure sustainability themed funds from international financing institutions. Since 2010, the Bank has been implementing many sustainability themed projects making a total amount of around 1.7 billion USD with the cooperation of several international financial institutions such as World Bank (IBRD), European Investment Bank (EIB), German Development Bank (KfW), Council of Europe Development Bank (CEB) and French Development Agency (AFD), for the financing of working capital and investment loan needs of micro enterprises, SMEs and MIDCAP companies in order to make contribution to sustainable agriculture, energy efficiency, rural development and preservation & increasing employment.

Apart from that, the Bank continuously offers products and services that have positive environmental and social impact like loans related to renewable energy financing, efficient use of energy and natural resources, waste management, water management, employment creation and those towards SMEs, entrepreneurs, women and young generation.

In addition, The Bank has been publishing sustainability reports since 2013 and its annual report in the integrated format since 2019 which is prepared in compliance with the International Integrated Reporting Framework recommended by IIRC and "Core" Option of GRI Standards published by Global Reporting Initiative (GRI). The Bank announces its annual GHG emissions (within scope 1 and 2) in that reports as well.

The Bank has been at the forefront of providing financing to help sustainable development of the country. With this approach, the Bank has published its Green, Social and Sustainable Finance

Framework in August 2020¹. The Framework sets the project eligibility areas for green/sustainable financing mechanism of the Bank. Eligible use of proceeds areas according to the Framework are as follows:

- Renewable Energy
- Green Buildings
- Clean Transportation
- Energy Efficiency
- Environmentally Sustainable Management of Living Natural Resources and Land Use
- Sustainable Water and Wastewater Management
- Pollution Prevention and Control
- Eco-efficient and/or Circular Economy Adapted Products, Production Technologies and Processes
- Employment Generation, and Programs Designed to Prevent and/or Alleviate Unemployment Stemming from Socioeconomic Crises, Including Through the Potential Effect of SME Financing and Microfinance
- Access to Essential Services
- Affordable Housing.

In February 2021, the Bank has issued its first Sustainable Bond of 600 mil USD with 5-year maturity. The Sustainable Eurobond has been oversubscribed 3 times by investors from the United States, Europe, United Kingdom, The Gulf Region and Asia.

3. Impact Report

Ziraat Bank's Impact Report is in alignment with GBP's Harmonized Framework for Impact Reporting². Impact reporting KPIs for eligible project categories are provided based on the availability of information.

Impact report is prepared on a portfolio basis based on eligibility category due to confidentiality reasons and the high number of projects financed under certain project eligibility categories.

Impact reporting KPI calculation and estimation methodologies are provided for each KPI where relevant.

Ziraat Bank undertakes a stringent project selection and allocation process for the use of proceeds. The use of proceeds of the sustainability bond are shared by the stand-alone separate allocation report published by the Bank. The Bank undertook a limited assurance for the allocation of the use of the proceeds of the Sustainability Bond.

¹ https://www.ziraatbank.com.tr/en/Investor-Relations-ZB/Documents/green_social_sustainable_finance_framework.pdf

² June 2021 version <https://www.icmagroup.org/assets/documents/Sustainable-finance/2021-updates/Handbook-Harmonised-Framework-for-Impact-Reporting-June-2021-100621.pdf>

3.1 Sustainability Bond

Bond ISIN	Issue Date	Amount	Maturity	Coupon
XS2274089288	2 February 2021	600 mil USD	5 years	5,375%

Allocation per Eligible Project Categories as per Ziraat Bank Green/Social/Sustainable Finance Framework:

Eligible Project Categories	Total Signed Amount (USD)	Amount Allocated in 01 January 2021 – 31 October 2021 (USD)	Number of Projects/Loans Financed
Renewable Energy	521.161.813	169.142.945	40
Green Buildings	238.475.567	38.789.178	10.430
Clean Transportation	109.092.435	109.092.435	1
Energy Efficiency	-	-	-
Environmentally Sustainable Management of Living Natural Resources and Land Use	159.599.464	110.533.521	4.151
Sustainable Water and Wastewater Management	251.300.306	157.661.204	34.652
Pollution Prevention and Control	39.457.113	13.900.935	6
Eco-efficient and/or Circular Economy Adapted Products, Production Technologies And Processes	-	-	-
Employment Generation, and Programs Designed to Prevent and/or Alleviate Unemployment Stemming from Socioeconomic Crises, Including Through the Potential Effect of SME Financing and Microfinance	1.393.630.662	-	44.627
Access to Essential Services	-	-	-
Affordable Housing	-	-	-
Amount Unallocated		-	

Impact reporting is conducted on a portfolio basis for each eligibility category, defining the projects financed under each category, and impact KPIs based on available and accessible data for each category. Ziraat Bank reports on the impact KPIs on a best effort basis, using the data received from clients and publicly available data.

Renewable Energy:



Under renewable energy category, Ziraat Bank financed renewable energy generation investment projects, namely solar, wind and hydro power plant projects and solar panel production. For renewable energy generation projects, some projects were already in operation and the financing was used for capacity increase whereas some projects were ongoing investments and the plants have not yet entered into operation phase.

Renewable Energy	Allocated Amount USD	Portfolio Average Lifetime in years*	Installed Renewable Energy Capacity MW	Annual CO ₂ Emissions Avoided TCO ₂ eq**	Number of Projects Financed #
Solar**** <i>In Operation</i>					
<i>Investment</i>	129.322.077	6,9	598,70	441.207,19	15
<i>Ongoing***</i>	8.974.518	6,5	80,84	81.493,24	2
Wind <i>In Operation</i>					
<i>Investment</i>	142.494.523	8,6	559,9	876.564,34	9
<i>Ongoing***</i>	158.796.238	9,9	211	354.508,36	1
Hydro <i>In Operation</i>					
<i>Investment</i>	74.308.062	9,5	263,11	440.625,24	11
<i>Ongoing***</i>	7.266.394	5,1	15,49	19.091,36	2

* The portfolio average lifetime indicates the original maturity of the loan.

** Avoided emissions are calculated based on the annual energy generation data for the period January 1 2021 - October 31 2021 provided by the project beneficiary or data retrieved from EPIAŞ website³. Turkey National Electricity Grid Emission Factor announced by the Ministry of Energy and Natural Resources on October 2021 is used in the emission calculations.⁴

**** One of the projects financed under this category is a solar panel production facility. Since there is no direct energy generation involved, this project is not included in the avoided emissions or installed energy generation capacity calculations.

³ <https://seffaflik.epias.com.tr/transparency/uretim/gerceklesen-uretim/gercek-zamanli-uretim.xhtml>

⁴ <https://enerji.gov.tr/Media/Dizin/EVCED/tr/%C3%87evreVe%C4%B0klim/%C4%B0klimDe%C4%9Fi%C5%9Fikli%C4%9Fi/T%C3%BCrkiyeUlusalElektrik%C5%9EebekesiEmisyonFakt%C3%B6r%C3%BC/Belgeler/EK-2.pdf>

*** For projects that are not yet operational, the estimated annual emissions avoided are calculated on an ex-ante basis. The reported KPI shows the estimated avoided emissions per year when the plant will become operational based on the installed power capacity of the plant.

Green Buildings:



Under Green Building category, Ziraat Bank finances construction or refurbishment of green buildings that hold an energy efficiency certificate in line with local or international building standards. 2021 sustainable bond proceeds have been allocated to buildings that have either an A or B level Building Energy Performance Certificate (BEP – TR) via Turkish Building Code.

Green Buildings	Allocated Amount USD	Portfolio Average Lifetime* in years	Gross Building Area m ²	Level of Certification	Number of Loans Financed
Portfolio 1	2.798.858	9,6	12.200	Buildings rated A in terms of energy performance in the local context, as determined via Energy Performance Certificate (BEP-TR)	118
Portfolio 2	235.676.710	10,3	1.111.274	Buildings rated B in terms of energy performance in the local context, as determined via Energy Performance Certificate (BEP-TR)	10.312

* Original maturity is weighed by multiplying with the balance.

Clean Transportation:



Under clean transportation category, Ziraat Bank financed one project that fall under the “low carbon public transportation and vehicles” sub category, which is a project for the production of electric vehicles that will help decrease transportation related emissions. Low carbon transportation is an important sector for low carbon transition of Turkey, however production of electric vehicles in the country are at nascent stage, so allocating financing to projects in this area supports clean transportation.

Clean Transportation (Low carbon public transportation and vehicles)	Allocated Amount USD	Portfolio Average Lifetime* in years	Number of Vehicles** #	Number of Projects Financed
Portfolio 1	109.092.435	12	175.000	1

*The portfolio average lifetime indicates the original maturity of the loan.

** Indicates the number of vehicle production capacity of the financed facility. Reported KPI shows annual ex-ante estimate based on the production capacity of the plant once it will get operational.

Environmentally Sustainable Management of Living Natural Resources and Land:



Under environmentally sustainable management of living natural resources and land category, Ziraat Bank financed two sub-portfolios of projects; i) organic apiculture activities and ii) good and organic agriculture practices.

Ziraat Bank provides financing to support investments and production for apiculture through loans for queen breeding, bee colonies, honeycomb, beehive, honey extractors and like. The maximum maturity for business loans is 18 months, while the maturity is longer for investment loans. The financing can either be provided under government subsidy scheme or from Bank’s own funds. The beneficiaries of the apiculture loans are required to be registered to Apiculture Registry

System of the Ministry of Agriculture and Forestry. In the identified eligible portfolio, the Bank has only included the apiculture loans which also have an organic agriculture certification as defined in the Green, Social and Sustainable Finance Framework.

In the second category, Ziraat Bank finances activities that fall under organic and good agriculture practices. Financing is allocated to production documented by authorized companies determined by the Ministry of Agriculture and Forestry in compliance with the criteria and control points determined by the Ministry.

Environmentally sustainable management of living natural resources and land	Allocated Amount USD	Portfolio Average Lifetime* in years	Sustainable Agriculture / Farming Certification Scheme	Number of Loans Financed #	Description
Portfolio 1	1.776.354	1,1	Sustainable agriculture certifications indicated in the Sustainable Finance Framework such as EU Organic or Global G.A.P or equivalent national certification	291	Organic apiculture
Portfolio 2	157.823.110	2,1	Sustainable agriculture certifications indicated in the Sustainable Finance Framework such as EU Organic or Global G.A.P or equivalent national certification	3.860	Good agriculture, organic agriculture, vegetative production

* Original maturity is weighed by multiplying with the balance.

Sustainable Water Management:



Under sustainable water management category, Ziraat Bank finances projects of modern and efficient irrigation infrastructures. Modern irrigation methodologies improve water consumption in agriculture and create resource efficiency by water savings based on conventional irrigation technologies.

Sustainable Water Management	Allocated Amount USD	Portfolio Average Lifetime* in years	Estimated Gross Water Savings** (in m ³ /second)	Area of Land with Modern Irrigation Practices (in hectares)	Number of Loans Financed #
Portfolio 1	251.300.306	6	399,28	159.713,1	34.652

* Original maturity is weighed by multiplying with the balance.

** Actual water consumption and savings data were not available for the financed projects. Reported KPI shows ex-ante estimates. Estimated water savings calculation methodology is based on the information provided in the Turkey General Directorate of State Hydraulic Works (DSI)'s 2020 Annual Report⁵ which states that "In conventional irrigation systems, an average of 30 liters of water is given per second to 8 hectares of land, while in modern irrigation methods, sprinkler and drip irrigation provides an average of 10 liters of water per second to 8 hectares. Thus, 2/3 of water savings are achieved." The calculation is therefore based on the assumption that modern irrigation techniques provide 20 liters of water savings per 8 hectares per second compared to conventional irrigation systems.

Pollution Prevention and Control:



Under pollution prevention and control category, Ziraat Bank financed projects that decrease the amount of waste generated and reused, specifically bioenergy (biogas and biomass) power plants. Bioenergy plants financed under this category use waste from different sources including non-hazardous waste, domestic waste, forestry products waste, agricultural waste, cattle farming waste, and poultry waste. Some projects have started their operations and some are still in construction and expected to go operational in 2022. Their ability to use waste that would

⁵ 2020 Annual Report, p.34 Accessible at <https://cdn.nys.tarimorman.gov.tr/api/File/GetFile/425/Konulcerik/759/1107/DosyaGaleri/DS%C4%B0%202020-yili-faaliyet-raporu.pdf>

otherwise be sent to landfill to generate electricity thus contribute to the idea of pollution prevention and circular economy.

Pollution Prevention and Control	Allocated Amount USD	Portfolio Average Lifetime* in years	Estimated Annual Energy Generation** MWh	Number of Projects Financed #
Portfolio 1	39.457.113	5,6	278.899,20	6

* Original maturity is weighed by multiplying with the balance.

** Reported KPI shows an estimation. Since not all plants have become operational, the estimated energy generation calculation based on the assumption of plants' working on 60% capacity when they would become operational with their installed generation capacity.

Employment Generation, and Programs Designed to Prevent and/or Alleviate Unemployment Stemming from Socioeconomic Crises, Including Through the Potential Effect of SME Financing and Microfinance:



Under this category, Ziraat Bank financed SMEs through working and capital loans, projects that generated employment and offered relief to businesses during the socioeconomic difficulties of the COVID-19 pandemic. The Bank financed a large group of enterprises with the Sustainable Bond use of proceeds under this category and believes to be creating a leverage effect via the medium and small enterprises it financed.

Employment Generation, and Programs Designed to Prevent and/or Alleviate Unemployment Stemming from Socioeconomic Crises, Including Through the Potential Effect of SME Financing and Microfinance	Allocated Amount USD	Number of Loans to SMEs, Micro-Enterprises and Start-ups Facing the Effects of Natural Disasters and/or Health Pandemics #
Portfolio 1	1.393.630.662	44.627

DISCLAIMER

Ziraat Bank hereby shares the impact of its Sustainability Bond by its shareholders with this Impact Report. The information contained in this document, including any data, projections and underlying assumptions, are based upon certain assumptions, forecasts and analysis of information available as at the date hereof and reflects prevailing conditions and Ziraat Bank's views as of the date of the document, all of which are accordingly subject to change at any time without notice, and Ziraat Bank is under no obligation to notify the readers of this impact report of any of these changes. In preparing this document, Ziraat Bank has relied upon and assumed, without independent verification, the accuracy and completeness of all information available from public sources or which has been otherwise obtained and reviewed by Ziraat Bank in preparing this document. Ziraat Bank has sought advisory services from Escarus (TSKB Sustainability Consultancy) for the calculation of impact KPIs and the preparation of this report, but the complete responsibility for the accuracy of the information outlined in this report lies with Ziraat Bank. While the information provided herein is believed to be reliable, Ziraat Bank makes no representation or warranty whether express or implied, and accept no responsibility for, its completeness or accuracy or reliability. Ziraat Bank shall not be liable for any loss or damage, whether direct, indirect or consequential suffered by any person as a result of any errors in or omissions from the document (or other information) or as a result of relying on any statement contained in this document (or other information).