



Sustainability Bond Allocation Report

January 2022

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1. Sustainability Strategy of Ziraat Bank

Sustainability Vision

To use our unrivalled experience and know-how we built in more than 150 years for the benefit of the economy, the environment and society; to produce enduring values for our stakeholders and to be a Bank that embraces whole society by improving its customer-oriented business model

Sustainability Target

To further develop both the Bank's strong position in the domestic market and its global competitive strength by the corporate, environmental and social sustainability practices that will be adopted by this policy

Sustainability Strategy

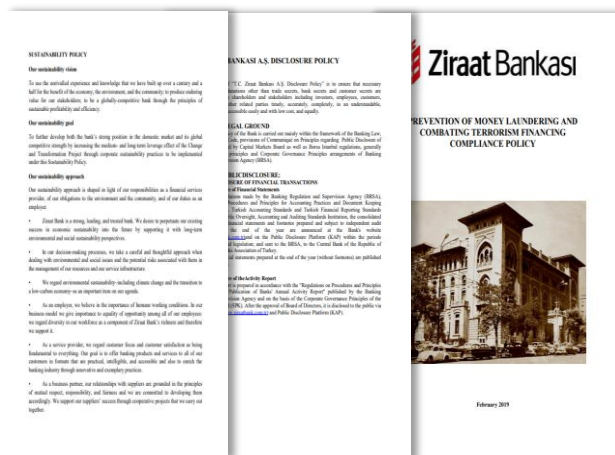
Ziraat adopted its Sustainability Policy in 2014 and has a sustainability structure in place to guide the Policy's implementation.

The policy is focused on providing environmentally and socially impactful financing based on the following four pillars:

- (1) long-term environmental and social perspectives;
- (2) financing climate change action and the transition to a low carbon economy;
- (3) approach decision-making considering environmental and social issues and associated potential risks; and
- (4) continuous development and integration of universally-accepted sustainability principles into the Bank's business model.

Ziraat Bank's Policies

- Sustainability Policy
- Disclosure Policy
- Prevention of Money Laundering and Combating Terrorism Financing Compliance Policy (AML Policy)
- Environmental And Social Impact Management Policy in Lending Activities



2. Sustainability Journey

Sustainability Policy

On 30 September 2014, the Board of Directors approved and announced the Sustainability Policy which summarizes Ziraat Bank's sustainability vision, goals and approach and defines the Bank's stance on the pillars of the environment, society and products and services.

Sustainability Policy for Subsidiaries

Sustainability policy for each subsidiary of the Bank was announced.

GSS Finance Framework

In August 2020 GSS finance framework was prepared and a second party opinion was obtained from Sustainalytics. Both the framework and SPO are published on the Bank's website.

The first sustainability bond issuance in February 2021



Awards



In the competition organized by the Global Council of Corporate Universities, Ziraat Bank received Environmental and Social Responsibility Award for its internship program prepared for university students

[All Awards of Ziraat Bank](#)

Sustainability Report and website

In 2014 Ziraat Bank published its first sustainability report, which was GRI rated at A+ standards.

A dedicated Sustainability section published on the Bank's website.

Integrated Report











First integrated annual report was published in 2020 Content of the report is compiled in accordance with the content determination methods described in Global Reporting Initiative (GRI) standards, The Integrated Report 2020 has won 7 awards at national and international platforms

Responsible Banking

The Bank officially recognized Responsible Banking as one of its main business strategies in 2020.

It aims to integrate the environmental and social risk governance principles to the business model.

3. SDG Contribution

SDG	ZIRAAT BANK'S OPERATIONS WHICH DIRECTLY/INDIRECTLY CONTRIBUTE TO THE SDGs
	SME financing and credit-guarantee products, inclusive banking services, retail and corporate loan solutions specific to the pandemic, sustainable agriculture financing
	Measures to protect employee and customer health during the pandemic period
	Training and development programs offered to Ziraat Bank's human resources, supporting training projects which raise enterprise awareness for customers, financial literacy training programs
	Financing provided to renewable energy and energy efficiency projects, efficiency investments in the service building
	Financing to infrastructure, SME and industrial investments, digital banking products and solutions, consumer-friendly financing and savings products, barrier-free banking
	Corporate governance practices, human resources management, remuneration policies, equality of opportunity implemented in Ziraat Bank
	Financing provided to development and investment projects of a national-scale and to the housing sector, support for the green economy, contribution to cultural heritage
	Financing provided to diverse sectors on the basis of thematic funds, bilateral and multilateral cooperation initiatives, operational activities, corporate governance practices and reporting
	Loan projects special to priority regions for development
	Carbon footprint measurement activities, waste management practices, efforts to establish an environmental and social impact management system

4. Green, Social and Sustainable Finance Framework

Ziraat Green, Social and Sustainable Finance Framework (“The Framework”) is aligned with the ICMA Green Bond Principles (GBP) 2018 edition, Social Bond Principles (SBP) 2020 edition, Sustainability Bond Guidelines (SBG) 2018 edition and the LMA Green Loan Principles (GLP) 2020 edition, which provide guidelines in the form of four core components:

- 1. Use of Proceeds
- 2. Process for Project Evaluation and Selection
- 3. Management of Proceeds
- 4. Reporting

For each Sustainable Finance Instrument, Ziraat asserts that it will adopt (1) Use of Proceeds; (2) Process for Project Evaluation and Selection; (3) Management of Proceeds; and (4) Reporting, as set out in the Framework. Ziraat Green, Social and Sustainable Finance Framework also follows the recommendations of the GBP 2018, SBP 2020 and SBG 2018 regarding External Review.

A Summary of the Framework



Use of Proceeds: Financing and / or refinancing, in whole or in part, new and / or existing eligible loans. Exclusionary criteria are related to loans that are linked to fossil energy generation, nuclear energy generation, weapons and defense, mining, gambling, alcohol or tobacco



Project Evaluation and Selection: A dedicated Sustainable Finance Working Group (the “Group”) has been established to create this Green, Social and Sustainable Finance Framework. The Group will manage any future updates to the Framework and oversee its implementation.



Management of Proceeds: The net proceeds of the Sustainable Finance Instruments under the Framework will be managed by Ziraat in a portfolio approach



Reporting: Ziraat Bank will report on the allocation and impact of the Sustainable Finance Instruments within its Annual Report and / or via a separate Sustainable Finance Reporting document which will be made available to investors at Ziraat Bank’s website



External Review: Sustainalytics issued a Second Party Opinion for Ziraat Bank’s Green, Social and Sustainable Finance Framework. Ziraat Bank may request a limited assurance report of the allocation of the Sustainable Finance Instruments proceeds to Green and Social Eligible Loans

4.1 Use of Proceeds

Ziraat Bank will allocate an amount at least equivalent to the net proceeds of the Sustainable Financing Instruments issued under the Framework towards financing and / or refinancing, in whole or in part, new and / or existing eligible loans as described in the Framework.

Eligible Green and Social Loans are defined as loans that meet, respectively, the Green and Social Eligibility Criteria defined in the Framework, which has been prepared in accordance with the ICMA and LMA Green and Social Bond and Green Loan documentation.

Green Use of Proceeds

- Renewable Energy
- Green Buildings
- Clean Transportation
- Energy Efficiency
- Environmentally Sustainable Management of Living Natural Resources and Land
- Sustainable Water and Wastewater Management
- Pollution Prevention and Control
- Eco-efficient and / or Circular Economy Adapted Products, Production Technologies and Processes

Social Use of Proceeds

- Employment Generation Including Through The Potential Effect of SME Financing and Microfinance
- Access to Essential Services
- Affordable Housing

Contribute to United Nations Sustainable Development Goals (“UN SDGs”) and EU environmental Objectives




Exclusionary Criteria

Sustainable Finance Instruments under the Framework will not be used to finance loans linked to fossil energy generation, nuclear energy generation, weapons and defense, mining, gambling, alcohol or tobacco.

4.2 Reporting

Reporting with respect to each Sustainable Financing Instrument will take place on a portfolio basis.

Ziraat Bank has prepared this Allocation Report which is also available on the Bank’s website as stated in the Framework.

In addition, Ziraat Bank has published an impact report for its outstanding Sustainability Bond. The Bank has received technical advisory services from Escarus (TSKB Sustainability Consultancy) for the calculation of impact KPIs and the preparation of the impact report.

4.3 External Review

Pre-issuance verification: Second party opinion by Sustainalytics

Sustainalytics is of the opinion that the Ziraat Bank Green, Social and Sustainable Finance Framework aligns with the Green Bond Principles (GBP) 2018, Sustainability Bond Guidelines 2018, Social Bond Principles (SBP) 2020 and the Green Loan Principles 2020.

Use of Proceeds	The eligible categories for the use of proceeds are aligned with those recognized by both the GBP and SBP. Sustainalytics considers that the eligible categories generate positive impacts and advance the UN Sustainable Development Goals, specifically SDG 3, 4, 7, 8, 11, 12 & 15
Project Evaluation and Selection	Sustainalytics considers the project selection process in line with market practice
Management of Proceeds	Ziraat Bank's management of proceeds process is in line with market practice
Reporting	Sustainalytics views Ziraat Bank's allocation and impact reporting as aligned with market practice

Post-issuance verification: Verification on the allocation of proceeds

A Limited assurance on the allocation of proceeds from the outstanding sustainable finance instrument is provided by PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.

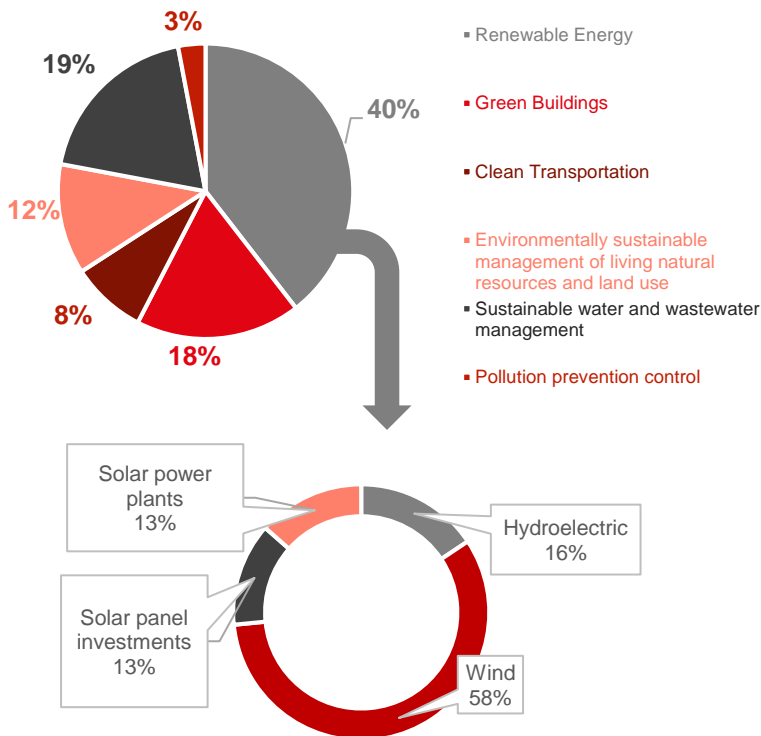
5. Allocation of Proceeds

Identified Eligible Portfolio		Sustainable Finance Instrument			
(USD million)	Amount	ISIN	Issue Date	Maturity	Issue Amount (USD million)
Renewable Energy	521	XS2274089288	02.02.2021	02.03.2026	600
<i>Hydroelectric</i>	82				
<i>Wind</i>	301				
<i>Solar panel investments</i>	68				
<i>Solar power plants</i>	70				
Green buildings	238				
Clean transportation	109				
Environmentally sustainable management of living natural resources and land use	160				
<i>Organic agriculture practices</i>	160				
Sustainable Water and Wastewater Management	251				
<i>Modern pressurized irrigation systems</i>	251				
Pollution prevention and control	39				
Green Use of Proceeds	1,319				
Employment generation and programs designated to prevent and/or alleviate unemployment stemming from socioeconomic crisis, including through the potential effect of SME financing and microfinance	1,394				
Social Use of Proceeds	1,394				
Sustainability Total	2,713	Total Sustainable Finance Instruments Outstanding			600

	(%)
Eligible Sustainable Loan Portfolio allocated to net proceeds of Sustainable Funding	22
Net proceeds of Sustainable Finance Instruments allocated to Eligible Sustainable Loan Portfolio	100
New financing of green eligible loans	45
New financing of eligible loans	22
Refinancing of existing eligible loans	78

6. Eligible Green and Social Loan Portfolio

\$ 1.3 bn eligible green loans



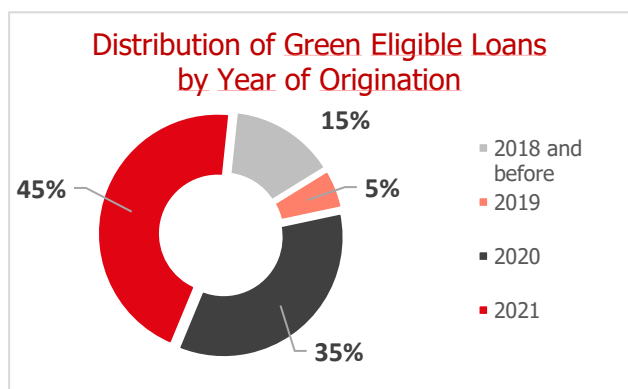
\$ 238 mn mortgage loans rated B or above in terms of energy performance in the local context, as determined via Energy Performance Certificate (BEP-TR) issued in accordance with Turkish regulation and / or via the Turkish Building Code

\$ 251 mn Ziraat issues long-term loans for modern pressurized irrigation systems in order to prevent waste and soil erosion due to traditional irrigation while providing water savings

\$ 160 mn Ziraat supports organic agriculture and good agricultural practices certified with Global G.A.P.15 or equivalent national certification

\$ 1.4 bn eligible social loans

Ziraat supported real sector through employment focused loans and business continuity loan packages. Employment focused loans are offered to support sectors that have the potential to contribute to the creation of additional employment. Business continuity loan packages have been introduced to support businesses suffering from the negative impact of Covid 19 epidemic.



85% of eligible green portfolio has a look back period of 3 years.

100% of social loans were originated in 2020.

7. Sustainability Bond

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.

Terms	
ISIN	XS2274089288
Type/Format	Senior Unsecured /RegS/144A
Issue size	USD 600,000,000
Tenor	5-year
Issue Date	2 nd February 2021
Coupon	5.375% annual fixed
Maturity date	2 nd March 2026
Listing	Euronext Dublin
Ratings	B2 (Moody's) /B+ (Fitch)
Use of Proceeds	To be utilised for eligible loans in accordance with the Issuer's Green, Social and Sustainable Finance Framework



Limited Assurance Report to the Board of Directors of Ziraat Bankası A.Ş.

We have been engaged by Ziraat Bankası A.Ş. (“Ziraat” or the “Bank”) to perform a limited assurance engagement in respect of Selected Information (“Selected Information”) included in the Appendix -1: Ziraat Data Table (“Data Table”) listed below.

Selected Information

The scope of the Selected Information for the period ended 31 October 2021 and is subject to our limited assurance work, is summarized below:

Green Use of Proceeds

- Renewable energy
- Green buildings
- Clean transportation
- Environmentally sustainable management of living natural resources and land use
- Sustainable water and wastewater management
- Pollution prevention and control

Social Use of Proceeds

- Employment Generation and Programs Designated to Prevent and/or Alleviate Unemployment Stemming from Socioeconomic Crisis, Including Through the Potential Effect of SME Financing and Microfinance

Our assurance was with respect to for the period ended 31 October 2021 information only and we have not performed any procedures with respect to earlier periods or any other elements included in Selected Information in the Data Table and, therefore, do not express any conclusion thereon.

Criteria

The criteria used by the Bank to prepare the Selected Information is set out in Appendix-2: Ziraat Data Table - Reporting Principles (“Reporting Principles”).



The Bank's Responsibility

The Bank is responsible for the content of Selected Information in the Data Table and the preparation of the Selected Information in accordance with the Reporting Principles. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation of Selected Information that is free from material misstatement, whether due to fraud or error.

Inherent Limitations

Non-financial performance information is subject to more inherent limitations than financial information, given the characteristics of the subject matter and the methods used for determining such information.

The absence of a significant body of established practice on which to draw to evaluate and measure non-financial information allows for different, but acceptable, measures and measurement techniques and can affect comparability between entities. The precision of different measurement techniques may also vary. Furthermore, the nature and methods used to determine such information, as well as the measurement criteria and the precision thereof, may change over time. It is important to read the Selected Information in the context of the Reporting Principles.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies International Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our Responsibility

Our responsibility is to form a conclusion, based on limited assurance procedures, on whether anything has come to our attention that causes us to believe that the Selected Information has not been properly prepared in all material respects in accordance with the Reporting Principles. We conducted our limited assurance engagement in accordance with International Standard on Assurance Engagements 3000 (Revised), *Assurance Engagements other than Audits or Reviews of Historical Financial Information*. A limited assurance engagement is substantially less in scope than a reasonable assurance engagement under ISAE 3000. Consequently, the nature, timing and extent of procedures for gathering sufficient appropriate evidence are deliberately limited relative to a reasonable assurance engagement.



The procedures we performed were based on our professional judgment and included inquiries, observation of processes performed, inspection of documents, analytical procedures, evaluating the appropriateness of quantification methods and reporting policies, and agreeing or reconciling with underlying records.

Given the circumstances of the engagement, in performing the procedures listed above we:

- made inquiries of the persons responsible for the Selected Information;
- understood the process for collecting and reporting the Selected Information. This included analyzing the key processes and controls for managing and reporting the Selected Information;
- evaluated the source data used to prepare the Selected Information and re-performed selected examples of calculation;
- performed limited substantive testing on a selective basis of the preparation and collation of the Selected Information prepared by the Bank and
- undertook analytical procedures over the reported data.

Limited Assurance Conclusion

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that Bank's Selected Information for the period ended 31 October 2021, is not properly prepared, in all material respects, in accordance with the Reporting Principles.

This report, including the conclusion, has been prepared for the Directors of the Bank as a body, to assist the Directors in reporting Ziraat Bankası A.Ş. 's performance and activities related to the Selected Information. We permit the disclosure of this report within the Data Table for the period ended 31 October 2021, to enable the Directors to demonstrate they have discharged their governance responsibilities by commissioning a limited assurance report in connection with the Selected Information. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Directors of Ziraat Bankası A.Ş. as a body and Ziraat Bankası A.Ş. for our work or this report save where terms are expressly agreed and with our prior consent in writing.

PwC Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.

Didem Demer Kaya, SMMM
Partner

Istanbul, 31 January 2022



Appendix -1: Ziraat Data Table - (“Data Table”)

	31 October 2021	Unit
Renewable energy	521 million	USD amount
Green buildings	238 million	USD amount
Clean transportation	109 million	USD amount
Environmentally sustainable management of living natural resources and land use	160 million	USD amount
Sustainable water and wastewater management	251 million	USD amount
Pollution prevention and control	39 million	USD amount
Employment Generation and Programs Designated to Prevent and/or Alleviate Unemployment Stemming from Socioeconomic Crisis, Including Through the Potential Effect of SME Financing and Microfinance	1.4 billion	USD amount



Appendix 2: Ziraat Bankası Reporting Principles

These reporting principles provides information on the data preparation and reporting methodologies of indicators within the scope of the independent limited assurance. These indicators include the allocation of the Sustainable Finance Instruments proceeds to Green and Social Eligible Loans as identified in the Ziraat Bank Green, Social and Sustainable Finance Framework It is the responsibility of the Company's management to ensure that appropriate procedures are in place to prepare the indicators mentioned above in line with, in all material respects, the Reporting Principles.

The data included in this document covers the period ended 31 October 2021 comprises only the relevant operations of Ziraat Bankası A.Ş. ("the Bank") in Turkey that are the responsibility of the Bank.

General Reporting Principles

In preparing this guidance document, consideration has been given to following principles:

- Information Preparation - to highlight to users of the information the primary principles of relevance and reliability of information; and
- Information Reporting - to highlight the primary principles of comparability / consistency with other data including prior year and understandability / transparency providing clarity to users.

Scope of Reporting

For the period ended 31 October 2021, the data of the Bank is related to Green and Social Eligible Loans as identified in the Ziraat Bank Green, Social and Sustainable Finance Framework:

Green Use of Proceeds

- Renewable energy
- Green buildings
- Clean transportation
- Environmentally sustainable management of living natural resources and land use
- Sustainable water and wastewater management
- Pollution prevention and control

Social Use of Proceeds

- Employment Generation and Programs Designated to Prevent and/or Alleviate Unemployment Stemming from Socioeconomic Crisis, Including Through the Potential Effect of SME Financing and Microfinance



Data Preparation

Renewable Energy

It refers to loans obtained by filtering hydroelectric, wind, solar panel investments and solar power plants as loan subject from the Bank's corporate and commercial loan portfolio. Ziraat issued USD 521 million renewable energy loan, which is comprised of USD 82 million Hydroelectric, USD 301 million Wind, USD 68 million Solar panel investments, and USD 70 million Solar power plants.

Green Buildings

It refers to loans obtained by filtering mortgage that are rated A or B in terms of energy performance. In the local context, rates are determined via Energy Performance Certificate (BEP-TR) issued in accordance with Turkish regulation and/or via the Turkish Building Code. Green buildings loan amount is USD 238 million.

Clean Transportation

It refers to loans obtained by filtering electric car as loan type from the Bank's corporate and commercial portfolio. Ziraat issued USD 109 million loans in scope of clean transportation.

Environmentally Sustainable Management of Living Natural Resources and Land Use

It refers to loans obtained by filtering organic agriculture practices and good agricultural practices as loan subject from the Bank's portfolio. Ziraat issued USD 160 million organic agriculture and good agricultural practices loans in this context.

Sustainable Water and Wastewater Management

It refers to loans obtained by filtering modern pressurized irrigation systems as loan subject from the Bank's portfolio. Ziraat issued USD 251 million in this context to prevent waste and soil erosion due to traditional irrigation while providing water savings.

Pollution Prevention and Control

It refers to loans obtained by filtering biomass power plant as loan subject from the Bank's corporate and commercial portfolio. Ziraat issued USD 39 million loans in this context.



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

It refers to loans portfolio that was given during the Covid-19 pandemic period to support businesses and protect employment. This data is obtained by filtering continuation/support loan package as loan subject from the Bank's corporate, commercial and retail portfolio. Related amount that the Bank has included in the identified eligible portfolio under Green, Social and Sustainable Finance Framework is USD 1.4 billion.

Restatements

The measuring and reporting of data inevitably involve a degree of estimation. Restatements are considered where there is a change in the data of greater than 5 percent at the Bank level.