

İŞBANK
SUSTAINABLE
FINANCE
ALLOCATION AND
IMPACT REPORT

September 2025

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1. INTRODUCTION

1.1 İşbank's Profile

Türkiye İş Bankası A.Ş. (**İşbank**, the **Bank**) has been a firm supporter of the development of the Turkish economy by producing permanent value for all stakeholders since its foundation in 1924. Its robust capitalization coupled with the Bank's focus on profitable, healthy and sustainable growth make the most important elements that support İşbank's activities.

İşbank leads the banking industry in Türkiye with the products and services offered in corporate, commercial, Small and Medium Enterprise (SME), retail and private banking segments. Standing for trust, respectability and prestige in the eyes of the society, İşbank serves a broad customer base with its extensive branch and ATM network as well as with its constantly growing digital service channels.

1.2 Sustainability at İşbank

İşbank, established with its main mission defined as “contributing to the development and construction of Türkiye”, has acted with social responsibility since the date of its foundation and assumed pioneering roles and major duties in every phase of the Turkish economy.

In line with its founding philosophy, İşbank produces permanent value for its stakeholders not just in the short term but also in the medium and long term, building on its deep-rooted and powerful business model, namely “İşbank Banking”. İşbank Banking focuses on “producing sharable and sustainable value”. İşbank's value creation approach allows the sustainability priorities to be integrated into all decision-making processes and positions sustainability as one of the focal points of the corporate strategy.

Sustainability has been placed among the strategic priorities, and it has been integrated into core business by embedding ESG considerations into risk management processes, product & service development and long-term strategies at İşbank. İşbank's Sustainability Management System, established in 2015, provides a structured framework for addressing the Bank's approach to sustainability, including environmental, social, and governance (ESG) matters. Through this system, the Bank undertakes a wide range of activities such as the assessment and management of environmental and social impacts. It also ensures a holistic approach to mitigating the effects of lending activities and to continuously enhancing human capital through targeted training programs. İşbank's Board of Directors holds the highest management authority in sustainability management. There is a dedicated Board level “Sustainability Committee” who drives and executes the sustainability strategy. The Sustainability Committee, which is overseen by the Chairperson of the Board and represents all business units, is formed to develop the Bank's sustainability strategy and policies and submit them to the Board of Directors for approval, to establish sustainability targets and action plans and ensure coordination within the Bank for their implementation, to ensure that sustainability issues are incorporated into the Bank's strategic business plans, to track the progress of the metrics and targets, and to perform other similar tasks. The Committee is the highest authority in charge of the Bank's sustainability activities.

Decarbonization constitutes the focal point of İşbank's ESG strategy in terms of its own both operations and financed emissions. As a leading financial actor of Türkiye, İşbank plays a major role in financing low-carbon activities and green transition of its customers. In April 2022, İşbank became a member of UN-convened Net Zero Banking Alliance (NZBA), which brings banks together, who are committed to aligning their portfolios with net-zero emissions by 2050 in line with Paris Climate Agreement.

Accordingly, as of end of 2024, İşbank has become the first Turkish bank to announce 2030 emission reduction targets for all carbon-intensive sectors as part of its efforts to manage the impacts arising from its loan portfolio. The Bank took into consideration the primarily defined sectors by NZBA. Following the announcement of its emission reduction targets for cement, iron and steel, and power generation sectors in 2023, the Bank finalized its efforts by including all carbon-intensive sectors: aluminum, real estate, road freight transport, oil and gas, and agriculture in 2024. Recognizing agriculture's critical role as a sector in ensuring food security and driving sustainable development, İşbank took a pioneering step by establishing sector-specific emission reduction targets for agriculture. The Bank is differentiating these targets within its agricultural portfolio, studying the agricultural production in the arable lands of Türkiye and the specific characteristics of its clients. In this regard, the Bank set targets to reduce emission intensities in wheat, corn and rice production. By developing three distinct roadmaps with product-specific targets, tailored to the realities of agricultural banking and the farmers' needs, İşbank is setting a new standard and reaffirming its commitment to sustainable agricultural practices.

The Bank followed the Partnership for Carbon Accounting Financials (PCAF) methodology for calculating the financed emissions in these sectors. Within the scope of the project, emission reduction pathways that will enable to reach net zero in 2050 for priority sectors are determined under different scenarios and the effects of these scenarios on the Bank's balance sheet and income statement are studied through financial modeling.

The insights and analyses derived from this methodological and scenario-based approach have formed a solid foundation for the Bank's comprehensive transition planning efforts. İşbank published a well-structured transition plan covering the full set of carbon-intensive sectors defined by the NZBA, detailing the strategies to decarbonize İşbank's portfolio sector by sector. This plan reflects the Bank's commitment to sustainability and provides a clear roadmap on how to intend to align with global net-zero targets and climate transition strategy. This strategic approach outlines İşbank's near-term objectives while reinforcing the vision of building an environmentally sustainable economy. As part of the Bank's decarbonization efforts, a systematic process of identifying and assessing the key levers for each carbon intensive sector is followed. Precisely evaluating each lever is essential for formulating a realistic and impactful decarbonization strategy. This process enables the Bank to comprehend the scale and timing of new investments, thereby crafting a transition plan aligned with the realities of all stakeholders, broader ecosystem, and available technologies.

With this understanding, sector specific decarbonization strategies for each high-emitting sector in İşbank's portfolio are developed. The key steps in the approach to developing the Bank's transition plan are:

- Baselineing sector specific carbon emissions
- Identifying key levers for effective client engagement
- Conducting impact modelling and feasibility assessments
- Target setting
- Developing detailed sector specific action plans

İşbank discloses its climate-related efforts through Carbon Disclosure Project Climate Change Program since 2019. In 2024, CDP adopted a new, multi-dimensional environmental disclosure approach by consolidating its existing questionnaires into a single, unified corporate questionnaire framework. Through reporting under this integrated structure, İşbank assesses all environmental impacts across direct operations, value chains, and financial decision-making processes within a holistic management perspective. Also, İşbank's integrated annual report uses the capital classification of capital items suggested by the International Integrated Reporting Council (IIRC) and is prepared in accordance with the "GRI Standards: Comprehensive option". While creating the report content, GRI Standards Financial Services Sector Supplement and the Provisional Standard for Commercial Banks released by the

Sustainability Accounting Standards Board (SASB) are also used. İşbank is also one of the pioneering institutions in financing renewable energy projects in Türkiye. All of the new project financing provided by the Bank for electricity generation investments after 2015 has been allocated to renewable energy projects.

Considering the social and economic impacts of lending activities, İşbank supports sustainable practices of its customers. All new investment projects financed by İşbank with an investment amount of more than USD 10 million are evaluated for management of environmental and social risks and impacts of the projects. Projects within this scope are subject to environmental and social risk assessment and a risk score is assigned as a result of this assessment. If the risk of the project is found to be high, an environmental and social action plan is being prepared in cooperation with the customer for the elimination, limitation or removal of the detected impacts and the follow-up of these actions is provided under the supervision of independent consultants, when necessary. In addition to evaluations for projects with an investment amount of more than USD 10 million, within the year 2025, the sustainability analysis system will be expanded to cover assets with a lending amount above USD 3 million and with a maturity of 36-months and above. The ESG measures included in the assessment system are General Questions, Assessment and Management of Environmental and Social Risks and Impact, Labor and Working Conditions, Resource Efficiency and Pollution Prevention, Community Health, Safety, and Security, Land Acquisition and Involuntary Resettlement, Biodiversity Conservation and Cultural Heritage and finally Carbon Management.

İşbank has always had a supportive attitude toward female employees. In 2020, İşbank reinforced this egalitarian approach by becoming a signatory to the United Nations Women's Empowerment Principles (WEPs) and pledged to support and facilitate women's participation in employment in Türkiye. İşbank is also a member of the global initiative known as 30% Club, which works to raise the number of women in executive leadership roles on company boards all across the world. The Bank's Gender Equality Policy was formed in 2021 by resolution of the Board of Directors. With the Board's approval, the Board of Directors Diversity Policy went into force in 2022. İşbank also joined The Bloomberg Gender Equality Index (GEI) in 2022 and transparently reported its efforts on gender equality internationally.

İşbank supports women's participation in business life and continue to offer the necessary financial and non-financial solutions to women entrepreneurs, who are an important dynamic in sustaining economic and social development. İşbank has committed to provide financial support of TL 100 billion to women entrepreneurs within 5 years starting from 2023 and aims to reach 15,000 women entrepreneurs in 5 years by providing financial literacy training programs under the umbrella of Women Empowering the Future.

In addition, İşbank launched the "Internet for 100 Villages" project on the occasion of the 100th-anniversary celebrations of the Republic of Türkiye and İşbank. With this Project, İşbank aims to expand the availability of the advantages offered by technology in every field, from education to economy, by providing internet access in rural areas.

İşbank also aims to accelerate both the digital and green transformation of SMEs, the backbone of the economy, with the "Twin Transformation Journey of 100 SMEs" project, which was implemented in cooperation with the MEXT Technology Center. The Bank will provide assistance to selected SMEs in the digitalization of the administrative processes of their production lines, determination of energy efficiency investment needs and provision of financing support at the most affordable costs where necessary.

1.3 Screening of Portfolio with Regards to Climate Risks

Qualitative and quantitative methods are used together in measuring and evaluating İşbank's climate risks. Climate risks are monitored periodically at the portfolio level and reported to the Risk Committee and the Board of Directors within the framework of the responsibilities and principles defined in the Climate Risk Policy of İşbank. For this purpose, İşbank's customer portfolio is divided by sectors and the impact of climate change on each sector and, if necessary, sub-sectors is evaluated separately.

For these purposes, Risk Management Division defines the İşbank's climate risk appetite and defines, monitors, reports and reviews climate risk metrics and key risk indicators, included in the risk appetite framework. Moreover, the Division designs, monitors and updates climate risk heat map and scenario analysis. The new loans that are considered under the mid-high- and high-risk categories in the heat-map are subject to climate risk questionnaire in cases where the investment amount is more than USD 1 million.

1.4 İşbank's Contribution to the SDGs

The banking industry is in a significant position and has important resources to offer both direct and indirect solutions to the global and regional problems such as climate change. İşbank relates the outputs from its value creation process with the United Nations Sustainable Development Goals (UN SDGs) that it has contributed to, and manifests its support to global goals with its vision of creating shared and sustainable value. The Bank contributes to the UN SDGs with a responsible financing approach and considers its support to these goals as an important component of its value creation process. İşbank actively supports the goals by playing a leading role in providing the required financing within the scope of 17 goals.

The use of proceeds categories in our Sustainable Finance Framework are designed to respond to 13 out of the 17 SDGs and İşbank aims to guide investments to achieve development goals on a best effort basis.

2. İŞBANK'S GREEN AND SUSTAINABILITY FINANCE INSTRUMENTS

İşbank uses its Sustainable Finance Framework (the **Framework**) to issue Sustainability Finance Instruments, as defined below, in order to finance or refinance loans (including cash and non-cash loans) and investments that have positive environmental and/or social impacts (such instruments hereinafter referred to as **Instruments** or individually an **Instrument**). The Framework allows İşbank to issue the types of Instruments below:

- **Green Finance Instruments:** Bonds, loans, deposits, repo transactions or other similar instruments to finance and/or refinance eligible projects listed under Green Categories in the Framework;
- **Social Finance Instruments:** Bonds, loans, deposits, repo transactions or other similar instruments to finance and/or refinance eligible projects listed under Social Categories in the Framework;
- **Sustainability Finance Instruments:** Bonds, loans, deposits, repo transactions or other similar instruments to finance and/or refinance a mix of eligible projects listed under both Green and Social Categories in the Framework.

In addition to the all the Green and Sustainability Finance Instruments issued by İşbank during the relevant reporting period, the unallocated ones in the previous report are also included in the lists below.

2.1. Green Finance Instruments

ISIN	Issuance Date	Maturity Date	Currency	Issuance Amount
XS2908813400	30.09.2024	30.09.2029	USD	20.000.000
Total			USD	20.000.000
Allocation Ratio of Green Finance Instruments			100%	

2.2. Sustainability Finance Instruments

ISIN / Loan Type	Issuance Date	Maturity Date	Currency	Issuance Amount	Allocation
XS2969255608	06.01.2025	17.07.2025	USD	12.335.000	100%
XS2971576710	06.01.2025	14.07.2025	GBP	25.000.000	100%
XS2971576801	07.01.2025	16.07.2025	GBP	25.000.000	100%
XS3053446996	15.04.2025	17.04.2026	USD	35.000.000	100%
XS3072889663	15.05.2025	18.05.2026	USD	100.000.000	100%
XS3101421157	20.06.2025	23.06.2026	USD	50.000.000	100%
XS3112064517	08.07.2025	10.07.2026	USD	100.000.000	100%
XS3134409153	25.07.2025	03.08.2026	USD	60.000.000	100%
XS3163517199	22.08.2025	28.08.2028	USD	75.000.000	0%
Sustainable Term Loan Facility	25.11.2024	01.12.2025	USD	584.500.000	100%
Sustainable Term Loan Facility	25.11.2024	01.12.2025	EUR	494.900.000	100%
Sustainable Term Loan Facility	16.06.2025	18.06.2026	USD	751.000.000	100%
Sustainable Term Loan Facility	16.06.2025	18.06.2026	EUR	513.450.000	100%
Total			USD	3.015.766.514	
<i>Allocated Amount</i>			<i>USD</i>	<i>2.940.766.514</i>	
<i>Unallocated Amount</i>			<i>USD</i>	<i>75.000.000</i>	
Allocation Ratio of Sustainability Finance Instruments			98%		

3. ALLOCATION AND IMPACT OF THE PROCEEDS

3.1 Allocation

i Green Portfolio

Green Loan Category	Number of Loans	Total Loan Amount (USD) ¹
Renewable Energy	7	6.950.984
Energy Efficiency	60	8.026.809
Clean Transportation	3	8.799.448
Green Buildings	1	11.709.229
Total Loan Amount	71	35.486.470

ii Social Portfolio

Social Loan Category	Sub-category	Total Loan Amount (USD) ²
Employment Generation Including Through the Potential Effect of SME³ Financing	SMEs in underdeveloped regions ⁴	2.640.557.349
	SMEs owned by women entrepreneurs ⁵	174.079.976
	SMEs owned by youths ⁶	114.833.872
	Total	2.929.471.197

3.2 Impact

i Green Portfolio

Green Loan Category	Annual energy saving (MWh/y)	Estimated annual CO2 emission avoided (tCO2e/y)
Renewable Energy	25.026	8.784
Energy Efficiency	175	49
Clean Transportation	4.085	920
Total	29.286	9.753

	Certificate Level	Certificate Number
Green buildings	Leed Gold	1

¹ The figure also represents the signed amount.

² The figure also represents the signed amount.

³ "SME" definition used in this report is the one published in the Official Gazette dated 25 May 2023 (Issue No. 32201), a company that has: (a) fewer than 250 employees; and (b) turnover of TL500,000,000 or less, or assets of TL500,000,000 or less, as defined by the Official Gazette's regulation on small and medium-sized enterprises.

⁴ Target population is SMEs in provinces in Türkiye except İstanbul, İzmir and Ankara.

⁵ Target population is SMEs where more than 50% of the shares belong to women (in case the women ownership is below 50%, women to assume at least one of the managerial roles at the company and has at least 20% female ownership) or where the overall operational management responsibility is held by a woman.

⁶ Target population is SMEs owned by those under 35 years old.

ii Social Portfolio

Social Loan Category	Sub-category	Number of Loans	Number of Beneficiaries
Employment Generation Including Through the Potential Effect of SME Financing	SMEs in underdeveloped regions	118.868	51.174
	SMEs owned by women entrepreneurs	7.442	2.572
	SMEs owned by youths	5.986	2.611
	Total	132.296	56.357

4. METHODOLOGY

A working group has been formed (**Sustainable Finance Working Group**) in order to establish the Framework, select the eligible loans and investments and approve the Sustainable Loan Portfolio to be financed or refinanced with the proceeds of the Instruments.

The Sustainable Finance Working Group consists of the representatives from İşbank's Corporate Loans Underwriting, Corporate and Commercial Banking Marketing, SME Banking Marketing, Investor Relations and Sustainability, Project Finance and Financial Institutions Divisions.

The underwriting and marketing divisions screen the loan portfolio on the basis of the eligibility criteria and identify the eligible loans. The eligible loans are then evaluated by the Sustainable Finance Working Group and the most qualified projects are be selected to be included in the Sustainable Loan Portfolio.

İşbank does not provide financing to a number of activities which are outlined in its Exclusion List, which can be found on its website. Accordingly, the net proceeds of the Instruments are not allocated to the areas specified in the Exclusion List. In addition, İşbank excludes any activity or technology associated with the extraction, production, refining, transmission and distribution of fossil fuel through the proceeds of the Instruments financed under the framework.

İşbank intends to allocate an amount equal or greater than the net proceeds from the Instruments to a portfolio of loans (including cash and non-cash loans) and investments that meet the use of proceeds eligibility criteria and in accordance with the evaluation and selection process presented above, the **Sustainable Loan Portfolio**.

Pending the allocation or reallocation, as the case may be, of the net proceeds of the Instruments to eligible loans, İşbank invests the balance of the net proceeds in cash and/or cash equivalent and/or other liquid marketable instruments.

In order to present the environmental impact of its green bond portfolio, İşbank has opted to report the 'Estimated annual CO2 emission avoided (tCO2e)' in aggregate as the KPI for renewable energy, energy efficiency and clean transportation loans. For green buildings portfolio; number and level of environmental certificates are reported.

The reported loan portfolio under category energy efficiency consists of replacement of agricultural equipment with those with more efficient technology. The impact of loans allocated to energy efficiency is quantified through an estimation of annual energy savings (measured in MWh/y), relative to a defined baseline scenario, such as conventional or older-generation machinery. Energy savings (MWh/y) are

derived from manufacturer specifications or standardized assumptions where project-level data is unavailable. Resulting energy savings are converted into avoided GHG emissions (tCO₂e/year) using Türkiye-specific emission factors, in line with IEA.

The impact of loans allocated to residential and commercial renewable energy systems is calculated based on the estimated annual renewable energy generation (MWh/year). The renewable energy produced is assumed to displace grid-based electricity and therefore reported as annual energy savings amount. The corresponding avoided GHG emissions (tCO₂e/year) are calculated using Türkiye-specific grid emission factors.

The reported loan portfolio under category 'Clean Transportation' consists of replacement of car fleets with battery electric vehicles (BEV) and plug-in hybrid electric vehicles (PHEV). The impact of loans allocated to this category is calculated by estimating the annual energy savings in terms of MWh against a reference internal combustion engine (ICE) vehicle and the annual avoided GHG emissions (tCO₂e/year) are derived by comparing the average annual emissions of a reference ICE vehicle to those of the financed EVs, taking into account Türkiye-specific electricity grid emission factors and average annual vehicle kilometers traveled. Calculations are based on manufacturer data, national transport statistics, or standardized assumptions, and adhere to recognized methodologies such as those from the IPCC and IEA.

Indicators for the social use of proceeds are outlined in the Framework. This portfolio consists of loans to SMEs in underdeveloped regions, loans to SMEs owned by women and SMEs owned by youths; and impact is calculated through the number of loans and number of businesses financed.

5. EXTERNAL REVIEW

The verification of this allocation and impact report has been provided by ISS - Corporate and based on the procedures conducted, nothing has come to ISS - Corporate's attention that causes them to believe that, in all material respects, the reviewed bonds projects, funded with the proceeds of Green and Sustainability Finance Instruments issued by İşbank, are not in conformance with the Use of Proceeds and Reporting Criteria outlined in the Framework.