

2019 TSKB  
SUSTAINABLE BOND  
FRAMEWORK

ALLOCATION &  
IMPACT REPORTING  
2019



Reviewed by Sustainalytics  
Assured by EY



# Turkiye Sinai Kalkinma Bankasi A.S. Sustainability Bonds

**Type of Engagement:** Annual Review

**Date:** March 15, 2019

**Engagement Leader:** Zach Margolis, zach.margolis@sustainalytics.com, (+1) 647 695 4341

---

## Introduction

In May 2016 and March 2017, Türkiye Sinai Kalkınma Bankası A.S. (TSKB) issued two sustainability bonds aimed at financing (i) Direct and Indirect Climate Change Mitigation projects, (ii) Climate Change Adaptation projects and (iii) Sustainable Infrastructure projects. In March 2019, TSKB engaged Sustainalytics to review the projects funded through the issued sustainability bonds and provide an assessment as to whether the projects met the Use of Proceeds criteria and the Reporting commitments outlined in the TSKB Sustainability Bond Framework.<sup>1</sup>

## Evaluation Criteria

Sustainalytics evaluated the projects and assets funded up to December 31, 2018 based on whether the projects and programmes:

1. Met the Use of Proceeds and Eligibility Criteria outlined in the Green Bond Framework; and
2. Reported on at least one of the Key Performance Indicators (KPIs) for each Use of Proceeds criteria outlined in the Green Bond Framework.

A list of the Use of Proceeds and Eligibility Criteria is available in Appendix 1, while the associated the KPIs are available in Appendix 2.

## Issuing Entity's Responsibility

TSKB is responsible for providing accurate information and documentation relating to the details of the projects that have been funded, including description of projects, estimated and realized costs of projects, and project impact.

## Independence and Quality Control

Sustainalytics, a leading provider of ESG and corporate governance research and ratings to investors, conducted the verification of TSKB's Sustainability Bonds' Use of Proceeds. The work undertaken as part of this engagement included collection of documentation from TSKB employees and review of documentation to confirm the conformance with the Sustainability Bond Framework.

Sustainalytics has relied on the information and the facts presented by TSKB with respect to the Nominated Projects. Sustainalytics is not responsible nor shall it be held liable if any of the opinions, findings, or conclusions it has set forth herein are not correct due to incorrect or incomplete data provided by TSKB.

Sustainalytics made all efforts to ensure the highest quality and rigor during its assessment process and enlisted its Sustainability Bonds Review Committee to provide oversight over the assessment of the review.

## Conclusion

Based on the limited assurance procedures conducted,<sup>2</sup> nothing has come to Sustainalytics' attention that causes us to believe that, in all material respects, the reviewed bond projects, funded through proceeds of TSKB's Sustainability Bonds, are not in conformance with the Use of Proceeds and Reporting Criteria outlined

---

<sup>1</sup> TSKB Sustainability Bond Framework Overview and Second-Party Opinion document available at:

[http://www.sustainalytics.com/sites/default/files/tskb\\_sustainability\\_bond\\_framework\\_and\\_second\\_opinion\\_by\\_sustainalytics\\_final.pdf](http://www.sustainalytics.com/sites/default/files/tskb_sustainability_bond_framework_and_second_opinion_by_sustainalytics_final.pdf)

<sup>2</sup> Sustainalytics limited assurance process includes reviewing the documentation relating to the details of the projects that have been funded, including description of projects, estimated and realized costs of projects, and project impact, which were provided by the Issuer. The Issuer is responsible for providing accurate information. Sustainalytics has not conducted on-site visits to projects.

in the Sustainability Bond Framework. TSKB has disclosed to Sustainalytics that the proceeds of the sustainability bonds have been fully allocated as of December 31, 2018.

### Detailed Findings

**Table 3: Detailed Findings**

Eligibility Criteria	Procedure Performed	Factual Findings	Error or Exceptions Identified
<b>Use of Proceeds Criteria</b>	Verification of the 41 projects <sup>3</sup> funded by the sustainability bonds up to December 2018 to determine if projects aligned with the Use of Proceeds Criteria outlined in the Sustainability Bond Framework and in Appendix 3.	All projects reviewed complied with the Use of Proceeds criteria.	None
<b>Reporting Criteria</b>	Verification of the 41 projects funded by the sustainability bonds up to December 2018 to determine if impact of projects was reported in line with the KPIs outlined in the Sustainability Bond Framework and in Appendix 4.	All projects reviewed reported on at least one KPI per Use of Proceeds criteria.	None

<sup>3</sup> 22 projects received allocations from the 2016 bond and 20 from the 2017 bond; one project received allocations from both the 2016 and 2017 bonds.

## Appendix 1: Use of Proceeds and Eligibility Criteria

Use of Proceeds	Eligibility Criteria
<b>Direct and Indirect Climate Change Mitigation (category)</b>	
Energy Efficiency	<ul style="list-style-type: none"> <li>Any reconstruction, expansion, renovation or refurbishment measure implemented within the premises of a business entity or relocation of any production facility and aimed at investing into fixed assets that are designed to decrease energy consumption for every unit of service output of the business entity or using renewable or waste energy. Projects will have the primary objective of improving the efficiency of energy use (or reducing specific energy consumption) of the system directly affected by the project and meet at least one of the following criteria: <ul style="list-style-type: none"> <li>(i) at least fifteen per cent (15%) reduction in energy consumption measured for the specific investments which are financed; or</li> <li>(ii) at least fifteen per cent (15%) reduction of CO<sup>2</sup>-emissions measured for the specific investments which are financed; or</li> <li>(iii) show at least 50% of the incremental benefits (by incremental benefit, it is meant all benefits gained with the investment project such as raw material savings, labor cost savings, maintenance cost savings, increase in revenues etc.) from the investment project come from cost reduction in energy consumption provided that minimum five hundred (500) tonnes of CO<sup>2</sup> reduction per annum is achieved.</li> </ul> </li> <li>Investments in Green Buildings (minimum certification levels of BREEAM Good, LEED SILVER and DGNB SILVER).</li> </ul>
Resource Efficiency	<ul style="list-style-type: none"> <li>Any greenfield, reconstruction, expansion, renovation or refurbishment investments aimed to increase resource efficiency, including but not limited to a reduction in: <ul style="list-style-type: none"> <li>water consumption (m<sup>3</sup>),</li> <li>non-recoverable waste (tonnes),</li> <li>raw material/auxiliary chemicals (tonnes)</li> </ul> </li> </ul>
Wind Power Plants (onshore only)	<ul style="list-style-type: none"> <li>The development, construction and operation of wind farms</li> <li>Operational production or manufacturing facilities wholly dedicated to wind energy development</li> <li>Wholly dedicated transmission infrastructure for wind farms</li> </ul>
Solar Power (Photovoltaic)	<ul style="list-style-type: none"> <li>Solar electricity generation facilities</li> <li>Wholly dedicated transmission infrastructure for solar electricity generation facilities</li> </ul>
Hydro Power Plants	<ul style="list-style-type: none"> <li>The development, construction and operation of hydro power plants</li> <li>Operational production or manufacturing facilities wholly dedicated to hydro energy development</li> <li>Wholly dedicated transmission infrastructure for hydro power plant</li> </ul>
Biomass, waste to energy, biogas	<ul style="list-style-type: none"> <li>Technologies and projects for the conversion of organic matter to energy</li> </ul>
Clean Transport projects	<ul style="list-style-type: none"> <li>promotion of lower-carbon fuels</li> <li>electric or hydrogen technologies in existing vehicles, rail or boat fleets</li> <li>promoting urban mass transit, non-motorized transport (e.g. pedestrian mobility) improvement of the general transport logistics to increase energy efficiency of infrastructure and transport.</li> </ul>

	<ul style="list-style-type: none"> <li>• a shift of freight and/or passenger transport from road to rail or waterways</li> </ul>
<b>Indirect mitigation</b>	<ul style="list-style-type: none"> <li>• specific project loans going to specific products improving renewable energy generation, energy efficiency or GHG emission reduction</li> </ul>
<b>Climate Change Adaptation (category)</b>	
Climate Change Adaptation Projects	<p>Adaptation-related projects need to demonstrate that they potentially contribute to reducing vulnerability to climate change identified in the project area. Projects should include:</p> <ul style="list-style-type: none"> <li>• Description of the context of climate vulnerability of the project based on an investigation of the vulnerabilities of the project's geographical area to climate change.</li> <li>• Analysis of the project's planned activities to decipher a positive list of actions that contribute to reducing vulnerability, or increase the resilience of communities, goods or ecosystems to climate change.</li> <li>• Provision of a clear link between the climate vulnerability context and the specific project activities.</li> <li>• Evidence that the project does not have negative impacts in terms of climate change mitigation (e.g. enhancing carbon intensive infrastructures).</li> </ul>
<b>Sustainable Infrastructure (category)</b>	
Social Infrastructure (Health and Education)	Projects should improve access to public services for the wider population and promote inclusiveness. High standards in technology, health and safety as well as management processes should be provided in the project selection. Project location criteria can potentially promote inclusiveness and the avoidance of environmental risks. A formal Environmental and Social Impact Assessment should be carried out for each project.
Electricity Distribution Networks	Projects should aim at retro-fitting transmission lines or substations to reduce energy use and/or technical losses and to avoid electricity cuts. Projects can also aim at improving existing systems to facilitate the integration of renewable energy sources into the grid or Scada System to improve effectiveness. If possible, projects selection can also incorporate geographical aspects and favor projects in areas where electricity losses are high and a large number of customers/households would benefit from modernization. If new transmission systems are installed, these should facilitate the integration of renewable energy sources into the grid or extensions to serve the additional population growth due to urbanization.
Ports	The building or modernization of ports should promote the modal shift of freight and/or passenger transport from road to waterways and ensure the resilience of ports to climate change risks. Eligible investments could include port integration, renovation and capacity increases and infrastructure and superstructure investments into existing ports.

## Appendix 2: Key Performance Indicators

Key performance indicators	
Energy Efficiency	<ul style="list-style-type: none"> <li>Annual CO<sub>2</sub> emission reduction/avoidance (ton/year)</li> </ul>
Resource Efficiency	<ul style="list-style-type: none"> <li>Annual savings of relevant resource amounts (e.g. kWh/year and/or m<sup>3</sup> water/year and/or tonne raw material/year and/or tonne CO<sub>2</sub>/year),</li> </ul>
Wind Power Plants	<ul style="list-style-type: none"> <li>Annual Electricity Generation amount (MWH), Annual Production amount (kWh/year), Annual CO<sub>2</sub> emission reduction (ton/year)</li> </ul>
Solar Power Plants	<ul style="list-style-type: none"> <li>Annual Electricity Generation amount (MWH), Annual Production amount (kWh/year), Annual CO<sub>2</sub> emission reduction (ton/year)</li> </ul>
Hydro Power Plants	<ul style="list-style-type: none"> <li>Annual Electricity Generation amount (MWH), Annual Production amount (kWh/year), Annual CO<sub>2</sub> emission reduction (ton/year)</li> </ul>
Biomass, waste to energy, biogas	<ul style="list-style-type: none"> <li>Annual Electricity Generation amount (MWH), Annual Production amount (kWh/year), Annual CO<sub>2</sub> emission reduction (ton/year)</li> </ul>
Clean Transportation Projects	<ul style="list-style-type: none"> <li>Freight transported, what the transport route will be used for, GHG emission of rail route/ water route in comparison to road transport</li> </ul>
Indirect Mitigation Projects	<ul style="list-style-type: none"> <li>Production capacity of the produced component (unit/year); narrative reporting on the project</li> </ul>
Social Infrastructure (health and education)	<ul style="list-style-type: none"> <li>Narrative reporting on the projects</li> </ul>
Electricity Distribution Networks	<ul style="list-style-type: none"> <li>Investment per subscriber, investment per population</li> </ul>
Ports	<ul style="list-style-type: none"> <li>Narrative reporting on social and environmental impact of investment</li> </ul>

## Appendix 3: Allocation of Proceeds by Eligibility Criteria

	2016 Issuance		2017 Issuance	
	Amount allocated (USD)	Number of Projects	Amount allocated (USD)	Number of Projects
Renewable Energy	132,003,042	9	123,307,974	8
Energy Efficiency	26,548,073	4	61,809,584	6
Resource Efficiency	0	0	5,713,496	1
Health	56,366,419	1	69,100,630	1
Electricity Distribution	83,221,942	5	31,370,704	2
Ports	70,888,000	3	18,961,456	2
<b>Total</b>	<b>369,027,476</b>	<b>22</b>	<b>310,263,843</b>	<b>20</b>

## Appendix 4: Impact Reporting by Eligibility Criteria

	2016 Issuance	2017 Issuance
Renewable Energy	<ul style="list-style-type: none"> <li>1,238,384,161 kWh energy generated</li> <li>888,919 tonnes CO<sub>2</sub>e avoided<sup>4</sup></li> </ul>	<ul style="list-style-type: none"> <li>665,143,818 kWh energy generated</li> <li>379,797 tonnes CO<sub>2</sub>e avoided</li> </ul>
Energy Efficiency	<ul style="list-style-type: none"> <li>97,301,883 kWh energy saved</li> <li>55,558 tonnes CO<sub>2</sub>e avoided</li> </ul>	<ul style="list-style-type: none"> <li>55,852,522 kWh energy saved</li> <li>29,919 tonnes CO<sub>2</sub>e avoided</li> </ul>
Resource Efficiency	N/A	<ul style="list-style-type: none"> <li>Reduction in raw materials use of 214 kg/tonne produced anticipated (project not yet operational)</li> </ul>
Health	<ul style="list-style-type: none"> <li>Hospital funded in Ankara will open in 2019</li> </ul>	<ul style="list-style-type: none"> <li>Hospital in Isparta served 53,369 patient-days in 2018, primarily to local residents. Opened in 2017, the hospital improved service quality in the region.</li> </ul>
Electricity Distribution	<ul style="list-style-type: none"> <li>37,291,062 MWh energy distributed</li> <li>9,793,878 subscribers served</li> <li>Investment of 52 TL per person in regions in which projects were undertaken</li> </ul>	<ul style="list-style-type: none"> <li>19,354,802 MWh energy distributed</li> <li>4,279,078 subscribers served</li> <li>Investment of 55 TL per person in regions in which projects were undertaken</li> </ul>
Ports	<ul style="list-style-type: none"> <li>Three ports funded</li> <li>Combined capacity of 3,930,416 tonnes of general cargo, 1,091,000 tonnes of container cargo, 378,443 tonnes of liquid cargo, and 362,000 container units</li> </ul>	<ul style="list-style-type: none"> <li>Two ports funded</li> <li>Combined capacity of 483,071 container units and 23,736 tonnes general cargo</li> </ul>

<sup>4</sup> Estimated emissions avoided is calculated using the 2017 Turkish grid emissions factor of 0.571, as the 2018 value is not yet available

## Disclaimer

© Sustainalytics 2019. All rights reserved.

The intellectual property rights to this Second-Party Opinion (the “Opinion”) are vested exclusively in Sustainalytics. Unless otherwise expressly agreed in writing by Sustainalytics, no part of this Opinion may be reproduced, disseminated, comingled, used to create derivative works, furnished in any manner, made available to third parties or published, parts hereof or the information contained herein in any form or in any manner, be it electronically, mechanically, through photocopies or recordings, nor publicly released without the “Green Bond Framework” in conjunction with which this Opinion has been developed.

The Opinion was drawn up with the aim to provide objective information on why the analyzed bond is considered sustainable and responsible, and is intended for investors in general, and not for a specific investor in particular. Consequently, this Opinion is for information purposes only and Sustainalytics will not accept any form of liability for the substance of the opinion and/or any liability for damage arising from the use of this Opinion and/or the information provided in it.

As the Opinion is based on information made available by the client, the information is provided “as is” and, therefore Sustainalytics does not warrant that the information presented in this Opinion is complete, accurate or up to date, nor assumes any responsibility for errors or omissions. Any reference to third party names is for appropriate acknowledgement of their ownership and does not constitute a sponsorship or endorsement by such owner.

Nothing contained in this Opinion shall be construed as to make a representation or warranty, express or implied, regarding the advisability to invest in or include companies in investable universes and/or portfolios. Furthermore, nothing contained in this Opinion shall be construed as an investment advice (as defined in the applicable jurisdiction), nor be interpreted and construed as an assessment of the economic performance and credit worthiness of the bond, nor to have focused on the effective allocation of the funds’ use of proceeds.

The client is fully responsible for certifying and ensuring its commitments’ compliance, implementation and monitoring.

In case of discrepancies between the English language and translated versions, the English language version shall prevail.



## Sustainalytics

Sustainalytics is a leading independent ESG and corporate governance research, ratings and analytics firm that support investors around the world with the development and implementation of responsible investment strategies. With 13 offices globally, the firm partners with institutional investors who integrate ESG information and assessments into their investment processes. Spanning 30 countries, the world's leading issuers, from multinational corporations to financial institutions to governments, turn to Sustainalytics for second-party opinions on green and sustainable bond frameworks. Sustainalytics has been certified by the Climate Bonds Standard Board as a verifier organization, and supports various stakeholders in the development and verification of their frameworks. In 2015, Global Capital awarded Sustainalytics "Best SRI or Green Bond Research or Ratings Firm" and in 2018 and 2019, named Sustainalytics the "Most Impressive Second Party Opinion Provider. The firm was recognized as the "Largest External Reviewer" by the Climate Bonds Initiative as well as Environmental Finance in 2018, and in 2019 was named the "Largest Approved Verifier for Certified Climate Bonds" by the Climate Bonds Initiative. In addition, Sustainalytics received a Special Mention Sustainable Finance Award in 2018 from The Research Institute for Environmental Finance Japan for its contribution to the growth of the Japanese Green Bond Market.

For more information, visit [www.sustainalytics.com](http://www.sustainalytics.com)

Or contact us [info@sustainalytics.com](mailto:info@sustainalytics.com)



**WINNER**  
LARGEST APPROVED  
VERIFIER FOR  
CERTIFIED CLIMATE  
BONDS  
**SUSTAINALYTICS**



## Independent Assurance Statement

To the Board of Directors and Management of Türkiye Sınal Kalkınma Bankası A.Ş., Istanbul, Turkey

This Opinion Statement (‘hereinafter ‘Statement’) is intended solely for the management of Türkiye Sınal Kalkınma Bankası A.Ş. (hereinafter ‘TSKB’ or ‘the Company’) for the purpose of reporting on the ‘Selected Information’ in its 2018 Allocation and Impact Report (hereinafter ‘the Report’) that has been prepared by the Company for the year ended 31 December 2018.

### Subject Matter Information and Applicable Criteria

We were engaged by the Company to provide limited Post-issuance Assurance for the allocation and impact of its 2016 Sustainable Bond and 2017 Sustainable Tier-II Bond for the 12-month report period to 31 December, 2018 (hereafter ‘Sustainable Bonds’).

### The scope of our assurance

The scope of our assurance is limited to the indicators listed in the Selected Information shown below which has been prepared based on the Company’s internally developed criteria, as listed on page 23 of its Allocation and Impact Report for 2018 and The Green Bond Principles 2018 published by ICMA<sup>1</sup>.

### Selected Information:

- o Table: Allocation of the Proceeds (page 25 of the Company’s Report) that shows which projects the proceeds have been fully allocated to.
- o Table: Impact Reporting of Sustainable/ Green Bond Utilization - Renewable Energy (page 26 and 27 of the Company’s Report) that shows the amounts committed to each project and their estimated environmental and social impacts.
- o Table: Impact Reporting of Sustainable/ Green Bond Utilization - Energy & Resource Efficiency (page 28 of the Company’s Report) that shows the amounts committed to each project and their estimated environmental and social impacts.
- o Table: Impact Reporting of Sustainable/ Green Bond Utilization - Electricity Distribution (page 29 of the Company’s Report) that shows the amounts committed to each project and their estimated benefits.
- o Table: Impact Reporting of Sustainable/ Green Bond Utilization - Ports (page 30 of the Company’s Report) that shows the amounts committed to each project and their estimated benefits.
- o Table: Impact Reporting of Sustainable/ Green Bond Utilization - Health (page 31 of the Company’s Report) that shows the amounts committed to each project and their estimated benefits.

### The Company’s Responsibilities

The Company’s management is responsible for the preparation, collection and presentation of the Selected Information in accordance with The Green Bond Principles 2018 and the Company’s internally defined eligibility criteria as explained in the Report. In addition, the Company’s management is responsible for ensuring that the documentation provided to the practitioner is complete and accurate. The Company’s management is also responsible for maintaining the internal control system that reasonably ensures that the documentation and information described above is free from material misstatements, whether due to fraud or error.

### Our Responsibilities

We conducted our assurance engagement in accordance with International Assurance Standards, particularly International Standard for Assurance Engagements Other than Audits or Reviews of Historical Financial Information ISAE 3000 (revised). These regulations require that we comply with ethical standards and plan and perform our

assurance engagement to obtain limited assurance about the Selected Information.

The assurance engagement performed represents a limited assurance engagement. The nature, timing and extent of procedures performed in a limited assurance engagement is limited compared with what is necessary in a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is lower.

We apply International Standard on Quality Control 1 (ISQC 1), and accordingly, we maintain a robust system of quality control, including policies and procedures documenting compliance with relevant ethical and professional standards and requirements in law or regulation.

We comply with the independence and other ethical requirements of the IESBA Code of Ethics for Professional Accountants, which establishes the fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

In respect of the Selected Information mentioned the procedures performed included the following procedures:

1. Assessed policies and procedures established by TSKB related to the issuance of the Sustainable Bonds.
2. Evaluated the eligibility of nominated projects for inclusion in the Company’s Sustainable Bond portfolio.
3. Interviewed select key senior personnel of the Company to understand the current processes in place for capturing the Selected Information pertaining to the reporting period;
4. Reviewed selected performance information for nominated projects and documentation supporting assertions made in the subject matter on a sample basis;
5. Undertook substantive testing, on a sample basis, of the Selected Information;
6. Used the Company’s internal documentation to evaluate and measure the Selected Information;
7. Evaluated the design and implementation of key processes and controls over the Selected Information;
8. Re-performed, on a sample basis, calculations used to prepare the Selected Information for the reporting period.
9. Evaluated the disclosure and presentation of Selected Information in the Report.

### Conclusion

As a result of our procedures, nothing has come to our attention that indicates that the allocation and the impacts of the Company’s Sustainable Bonds as reported in the Selected Information for the year ended 31 December 2018 are not prepared in all material respects in accordance with the Company’s eligibility criteria as explained in the Report (page 23).

We permit this report to be disclosed in Türkiye Sınal Kalkınma Bankası A.Ş Allocation and Impact Reporting for the year ended 31 December 2018, to enable the Directors of Türkiye Sınal Kalkınma Bankası A.Ş to show they have addressed their governance responsibilities by obtaining an independent 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 as a body and Türkiye Sınal Kalkınma Bankası A.Ş. for our work or this report except where terms are expressly agreed between us in writing.

for Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A. Ş.

A member firm of Ernst & Young Global Limited



Zeynep Okuyan Özdemir, SMMM  
Partner

Istanbul, 29.03.2019

<sup>1</sup> ICMA - International Capital Market Association

## CEO'S MESSAGE



### OUR MISSION

*Is to focus on creating value for the inclusive and sustainable development of our country through the financing and consultancy solutions powered by our experience in development and investment banking as well as the visionary approach and well-established international collaboration initiatives we maintain.*

### OUR VISION

*Is to be the business partner that stakeholders consult and prefer as the first choice towards the economic, environmental and social development of Turkey.*

### OUR VALUES

*\*Pioneering  
\*Human-Focused  
\*Solution-Oriented  
\*Reliable and Respectful*

In its 68th year, TSKB continued to provide a versatile contribution to Turkey's development and sustainable growth.

#### EMERGING FROM THE VOLATILE ENVIRONMENT OF 2018...

The decoupling in the growth outlook between developed and emerging economies signified that the global economy had entered a new era in 2018. The determinants of this new era were the tightening in financial conditions and the increasing cost of capital. A narrowing in global liquidity as a result of the normalization steps in monetary policies taken by developed countries and an increase in borrowing costs stand out as the reasons for the trigger of this shift.

Accompanied by global developments and geopolitical risks in our surrounding region, Turkey's economic performance demonstrated major difference between the two halves of the year in 2018.

Thanks to its strong asset quality and equity structure, the banking sector maintained its solid stance, strongly and comfortably supporting the economic balancing policies implemented by the regulatory authorities.

### ... TSKB IS FOCUSED ON LOAN MONITORING ACTIVITIES, CONCENTRATING ON MAINTAINING SOLID BALANCE SHEET STRUCTURE AND STRENGTHENING ITS LIQUIDITY.

In its 68th year, TSKB continued to provide a versatile contribution to Turkey's development and sustainable growth. At the same time, the Bank took a proactive approach focused on loan monitoring activities in the face of financial volatility, concentrating on maintaining a solid balance sheet structure and strengthening its liquidity.

By the end of 2018, TSKB's total assets stood at TL 38.3 billion. Our net operating profit before provisions increased by 50% YoY to TL 1.3 billion with a net profit of TL 661 million, marking 11% YoY growth.

In 2018, the Bank provided approximately USD 2 billion of support to the real sector through cash and non-cash loans.

The Bank's total loans rose by 26% YoY to TL 28.2 billion by the end of 2018. In parallel with its growing loan portfolio, the Bank was more focused on maintaining its healthy financial structure than ever.

Our total equity reached at TL 4.7 billion, resulting in a 16.2% capital adequacy ratio - higher than the level set by the regulatory authority.

### A FOCUS ON SUSTAINABLE BANKING BASED ON OUR MISSION AND OUR POSITION IN THE SECTOR.

At TSKB, our goal is to move forward by improving our positioning in the fields of corporate banking, investment banking and advisory services. In 2018, a year of extraordinary developments, we have now left the worst behind us and are now in a recovery process, as a result of the implementation of decisive policies. Our economy offers significant investment opportunities on the bases of strong foundations.

We look forward to our country's future with hope. We are committed to work hard in our financing and advisory operations to provide the support to our private sector. The strategies which we have recently put into practice, and the sustainable banking approach which we are pioneers of, leads us to our goals every year.

The developments in last year strongly confirmed that we remain a preferred business partner for our domestic and international stakeholders while proving the accuracy of our business strategies.

### WELL POSITIONED FUNDING ENGAGEMENTS IN 2018

In January 2018, TSKB issued a USD 350 million 5-year Eurobond in the international markets. This was among the first issuances of the banking sector in Turkey in 2018, collecting USD 1.1 billion in demand from different regions on a global basis, with the issue being three times oversubscribed. This represented a satisfactory result in terms of the interest that TSKB's issuances inspired in different investor populations.

### THE LARGEST LOAN AGREEMENT BY IBRD

In June 2018, through an Inclusive Access to Finance Project loan agreement signed with the IBRD (International Bank for Reconstruction and Development), TSKB secured USD 400 million.

This has been the largest loan agreement in the Bank's history, representing its significant role in accordance with its mission. Targeting two main themes, the agreement will play a key role for us in strengthening our operations in the field of inclusive financing.

The first of the themes to be supported within the scope of the loan agreement is to encourage women labor force participation and to finance clients which provide a women friendly working environment. The second theme is to support private sector entities which operate in regions hosting large numbers of refugees under temporary protection.

By this loan, private sector companies, SMEs as well, which are expected to provide employment support for the Turkish economy, will be funded for their working capital requirements and their investments within the scope of aforementioned themes.

**Our goal is to improve cooperation with development financial institutions in the field of inclusive financing, and to strengthen our contribution to the Turkish economy by providing new long term funding.**

#### **COOPERATION WITH AIIB**

In 2018, TSKB included the AIIB (Asian Infrastructure Investment Bank) to the development financial institutions from which it secures long term funding. This cooperation represented a first in the world that AIIB provided funding for a bank to be allocated to private sector investments.

Signed in September, 2018, USD 200 million worth Sustainable Energy and Infrastructure Investments loan will be extended for the financing of renewable energy, energy efficiency, transportation, energy transmission, waste water management and telecommunication investments by private sector firms throughout Turkey.

#### **INCLUSIVE FINANCING CARRYING TSKB'S SUSTAINABLE FINANCING OPERATIONS TO A NEW LEVEL**

In the first stage of its sustainability journey, TSKB was involved in high value-added projects in renewable energy, energy efficiency and resources efficiency fields, generating permanent value. The sustainable banking mission has been improved with breakthrough implementations over the last 2 years. Funds secured with the themes including SMEs, increasing employment - particularly women employment - and occupational health and safety have supported our focus on the inclusive financing field.

Our goal is to improve cooperation with development financial institutions in the field of inclusive financing, and to strengthen our contribution to the Turkish economy by providing new long term funding.

#### **A SUCCESSFUL YEAR FOR OUR ADVISORY SERVICES**

Aiming to become "A bank where customers ask for advice while obtaining loans" TSKB successfully completed 63 consultancy projects in 2018 from more than 20 sectors, including iron and steel, construction, health, education and finance.

The rebalancing period that we have been going through, in particular, will be a period in which economic actors will need high value-added advisory services more than ever. Sharing intellectual capacity with our clients as longstanding partners. TSKB considers technical consultancy, valuation and financial modelling, educational, sectoral and regional research services as special operational fields. We are highly dedicated to pursue this goal in these fields.

#### **GUIDING THE SECTOR WITH ITS CORPORATE GOVERNANCE AND PROVIDING EQUALITY OF OPPORTUNITY**

Accepting strong corporate governance as a major responsibility, already labelled with its high rating, TSKB maintains its position as one of the highest ranked companies in the corporate governance index, and continues to be a pioneer in this aspect.

With its "Policy for Women Participation in Board of Directors", aimed at increasing the ratio of women in the Board of Directors to 25% and the progress achieved towards this target, TSKB was granted the special award of the Women Empowered Boards granted within the scope of the Sabancı University Corporate Governance Forum's Independent Women Directors Project in 2018.

Another development that we felt proud of was receiving the Equal Opportunities Model (FEM) Certificate from KAGIDER, which awards companies dedicated gender equality in recruitment, training, career planning and communication.

**We are proud of our success and it keeps us highly motivated as a team. Our wish to further lead our achievements into the future is enhanced by the strong support of our shareholders, investors and stakeholders.**

#### **ESTABLISHING COOPERATION IS KEY TO PROVIDING A BETTER FUTURE FOR THE NEW GENERATION**

Work to support employment, quality of life and innovation goes hand in hand with TSKB's approach to sustainable banking. Within this context, women university students are supported with the "From Education To Production" Scholarship Fund in collaboration with TEV (the Turkish Education Foundation), helping them receive a better education before joining the workforce.

The reflection of TSKB's activities on promoting equal opportunities to the field of art is materialized through the Women Stars of Tomorrow Support Fund which was established in collaboration with IKSIV (Istanbul Foundation for Culture and Arts) to support women musicians which will represent Turkey on the global stage.

Another area of collaboration in 2018 which gave us great excitement was the TSKB Technology and Entrepreneurship Platform, established together with GIRVAK (Entrepreneurship Foundation). Entrepreneurs participating in the platform work on innovative business ideas and technologies which will prepare TSKB and our country for the future.

#### **LOOKING TO THE FUTURE**

Although the international and domestic economic environments pose difficulty in the short term, our future expectations remain positive.

We are proud of our success and it keeps us highly motivated as a team. Our wish to further lead achievements into the future is enhanced by the strong support of our shareholders, investors and stakeholders. Our competence to move flexibly, our unique positioning in the sector and the products and services offered by our affiliates complementing the value we offer to our customers, all encourage us to gain successful and impactful outcomes.

In 2019, TSKB will continue to support the economy by allocating all the resources it secures to investments that would create employment, increase exports and provide value-added within the framework of sustainable banking and inclusivity principles.

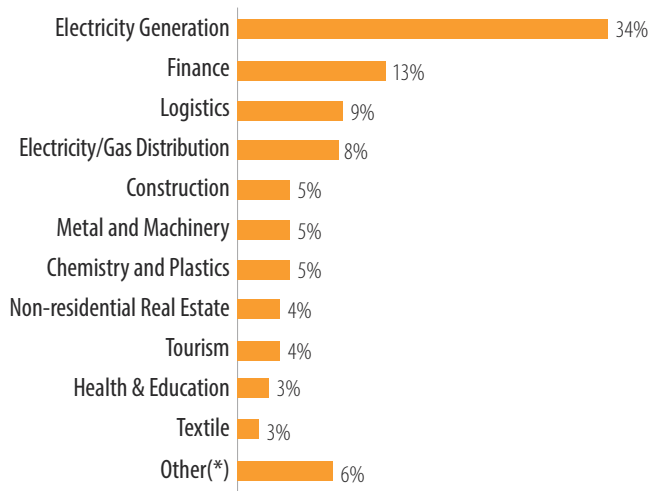
On behalf of myself and TSKB Management, I would like to hereby thank all my colleagues - the architecture of our performance - for their dedicated work, our stakeholders and, in particular, our customers for the confidence and loyalty they have shown in the TSKB brand.

**Suat İnce**  
Board Member and CEO



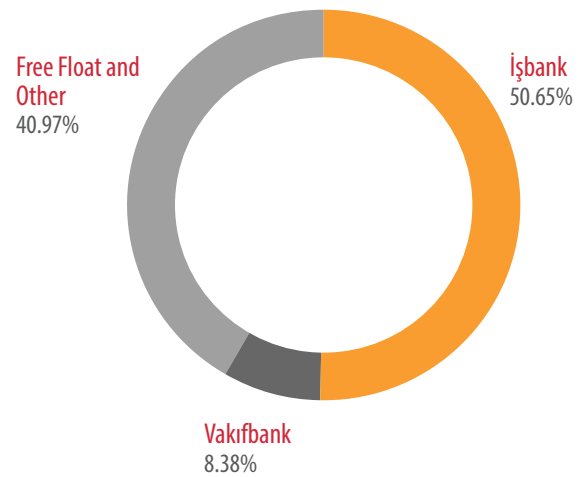
# TSKB AT FIRST SIGHT

## LOANS BY SECTOR (Q4'18)

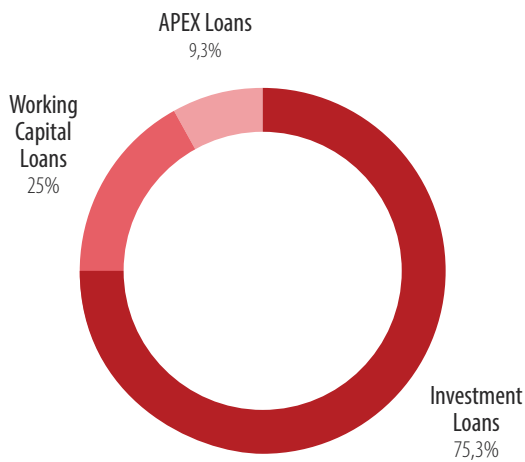


\* Automotive: 1.8%, Food: 1.3%, Other:5.9%

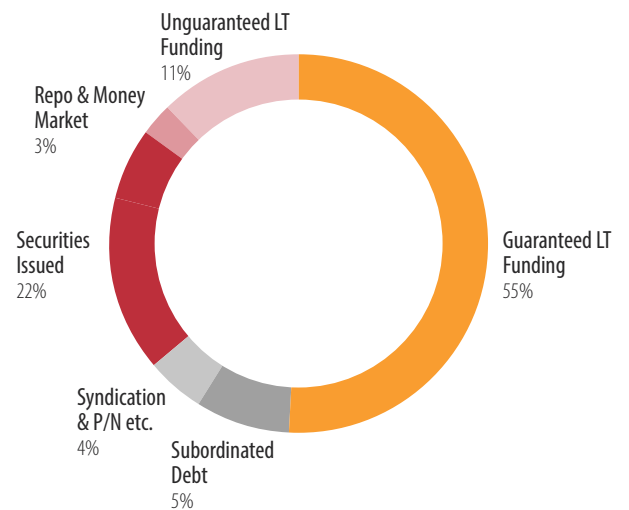
## SHAREHOLDER STRUCTURE



## LOANS BY TYPE

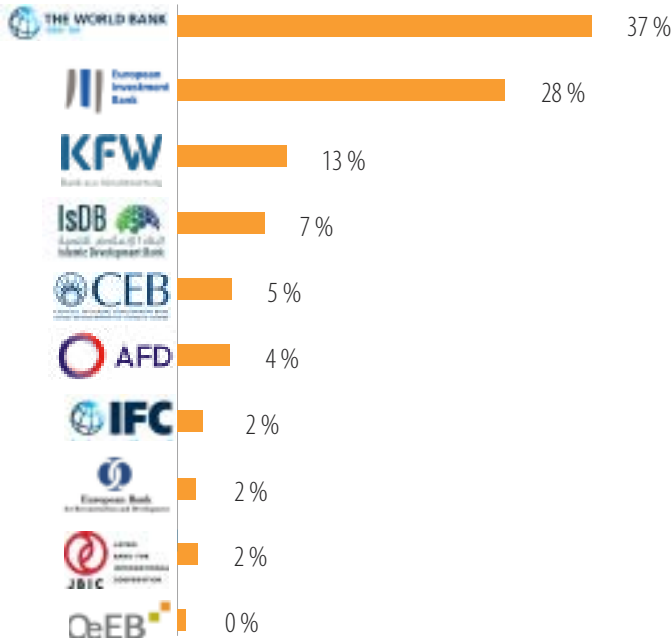


## COMPOSITION OF LIABILITIES

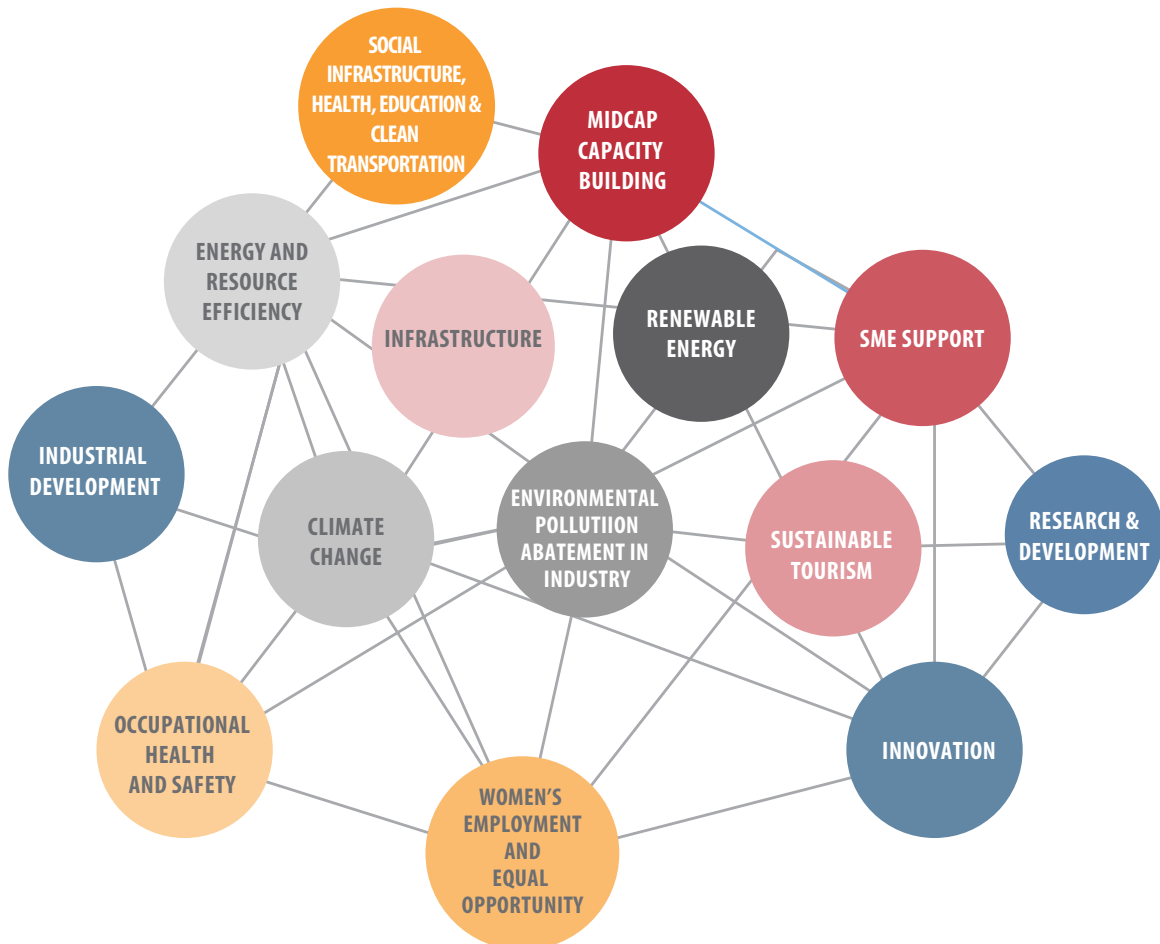


# TSKB AT FIRST SIGHT

## OUTSTANDING DFI FUNDING



- TSKB already works with 11 DFIs
- In 2018, TSKB became the first financial institution to borrow a loan facility from AIIB





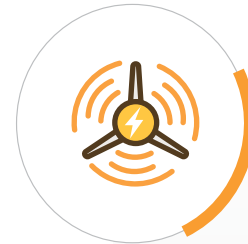
# RENEWABLE ENERGY PROJECTS

## SUPPORT TO TRANSITION TO LOW CARBON ECONOMY WITH SUSTAINABILITY INVESTMENTS

Since mid-2000s, TSKB has been contributing to the structuring of renewable energy and distribution sectors via the funding and provision of consulting services.

Renewable energy projects which TSKB has been providing substantial funding since 2002 continue to serve the transition of Turkey from the current fossil fuel-based power generation systems to clean and renewable energy resources. TSKB is among the Turkish banks that fund the highest number of renewable energy projects in the Turkish banking sector.

The Bank has, so far, funded 290 renewable energy projects, thus contributing to a reduction of approximately 10 million tons in the total annual carbon emissions of Turkey.



**290**  
RENEWABLE  
ENERGY  
PROJECTS

A total installed capacity of  
**6,066 MW**

**14%**  
of Turkey's renewable  
energy capacity

**4.4 billion**  
Financing  
commitment of USD

## 2018 TSKB Renewable Energy Portfolio in Numbers

**66**  
Projects

**408 MW**  
Installed Capacity

**1,1 million**  
Electricity Generation (MWh)

**769.000**  
Contribution to CO<sub>2</sub> emission  
reduction (tCO<sub>2</sub>e/year)

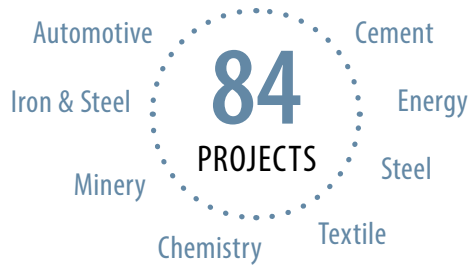
**10 million**  
Contribution to CO<sub>2</sub> emission  
reduction (tCO<sub>2</sub>e/year)

**34%**  
Ratio of energy generation  
in loan portfolio

# ENERGY & RESOURCE EFFICIENCY

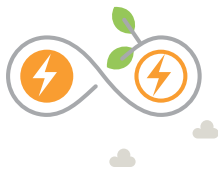
The funding TSKB extends to the energy sector eventually supports all sectors, within Turkish economy. Such projects contribute to developing energy/resource saving practices ensuring energy diversity and reducing emissions. Loans for renewable energy and energy efficiency both contribute to eliminating the bottleneck in energy and support the reduction of current accounts deficit and ensure safe energy supply.

## Energy Efficiency Projects

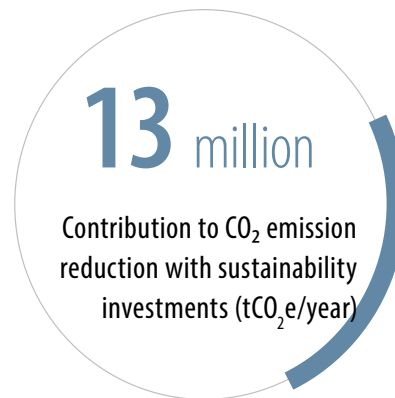


**1.51 billion**  
Energy Savings (kcal/year)

**842.000**  
Contribution to CO<sub>2</sub> emission reduction (tCO<sub>2</sub>e/year)



## Resource Efficiency Projects

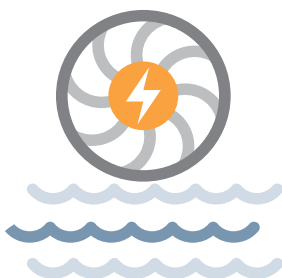


**14,5 million**  
Raw Material Savings (ton/year)

**1,2 million**  
Water Savings (m<sup>3</sup>/year)

**15,530**  
Waste Savings (ton/year)

**4.7 billion**  
Energy Savings (kcal/year)



**2,37 million**  
Contribution to CO<sub>2</sub> emission reduction (tCO<sub>2</sub>e/year)

# INCLUSIVENESS

Women Empowerment | Occupational Health and Safety | Inclusive Access to Finance



TSKB determined social inclusiveness as a new development area.

Under social inclusiveness "gender equality" led mainly both internal and external activities of TSKB. TSKB has developed its capacity to identify women friendly companies by developing and implementing an assessment tool in cooperation with its partner DFIs. Besides supporting the companies having best practices and eligible scores from the tool, TSKB also aims to create awareness in the market and encourage companies to create action plans for promoting their activities in gender equality.

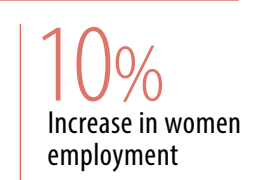
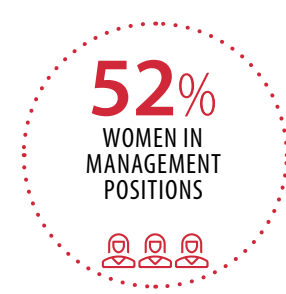
TSKB supports funding needs of companies operating in development priority regions, where refugees are also largely hosted, in order to contribute to economic welfare of these regions.

TSKB supports enhancing the companies' practices in terms of occupational health and safety (OHS) management and financing needs in that respect.

TSKB pursues a human resources policy that is based on diversity and equal opportunities and acts in accordance with technical and personal competence criteria at recruitment, training and development, performance and career management, compensation and promotion stages.

Being a signatory of UN's Women's Empowerment Principles (WEPs), TSKB aims to extend its approach on women employment throughout the country, in particular to increase the awareness of the real sector. The objective is to help the private sector to focus on key elements in promoting gender equality in the workplace, marketplace and community.

As being an active member of International Development Finance Club (IDFC), TSKB has been a part of the "Gender Equality" Working Group since its establishment in 2017. TSKB also follows the activities of other initiatives, local NGOs, platforms within this focus. TSKB has also been awarded by Gender Equality Certification ("Equal Opportunities Model (FEM)") of The Women Entrepreneurs Association of Turkey (KAGIDER) which is a nongovernmental organization.



Being a signatory of UN's Women's Empowerment Principles (WEPs)



Being an active member of "Gender Equality" Working Group under IDFC since 2017.

## APEX BANKING



TSKB, as the leading practitioner of wholesale banking in Turkey, continued to extend financing to its customers through the international funding secured from the World Bank and CEB in 2018.

As part of the APEX banking activities, TSKB works with Participating Financial Institutions (PFIs) including commercial banks, leasing companies, factoring companies and participation banks, in order to indirectly fund investment projects undertaken by small- and medium-sized enterprises all over the country.

TSKB extends its Apex loans to SMEs and export-oriented enterprises, aiming mainly for improving their access to finance, supporting their export transactions and creating employment.

**9.3%**

the share of APEX loans in  
loan portfolio

**30**

Number of PFIs cooperated

**1,950**

Number of SMEs financed

**6500**

Number of additional employment created

**1.500** million USD  
& **500** million EUR  
total of loans extended

## TSKB'S SUSTAINABILITY JOURNEY



**1980** › Environmental Factor in Credit Appraisal Process

**1990** › First Environmental Loans

**2005** › Environmental Management System

› ISO 14001 Certificate **2007**  
› Launch of www.cevreciyiz.com




**2009** › UNEP FI  
› GRI Corporate Stakeholder  
› cevreciyiz.tv

› Carbon Neutral **2008**



**2010** › GRI Approved Sustainability Report  
› CDP  
› UN Global Compact Commitment

› Global Compact 1. COP Report   
› Establishment of TSKB Sustainability Consultancy | Escarus **2011**  
› IDFC Member



**2013** › GRI A+ Sustainability Report  
› ELTI Member

› First Turkish Bank with successful ISO 14064 **2012**  
› Greenhouse Gas Emissions Audit  
› Sustainability Management System  
› Exclusion List

**2014** › Sustainability Committee  
› Sustainability Policy & Complementary Policies  
› First carbon-neutral concert of Turkey

  
› GRI G4 Sustainability Report **2015**  
› BIST Sustainability Index  
› Women's Empowerment Principles

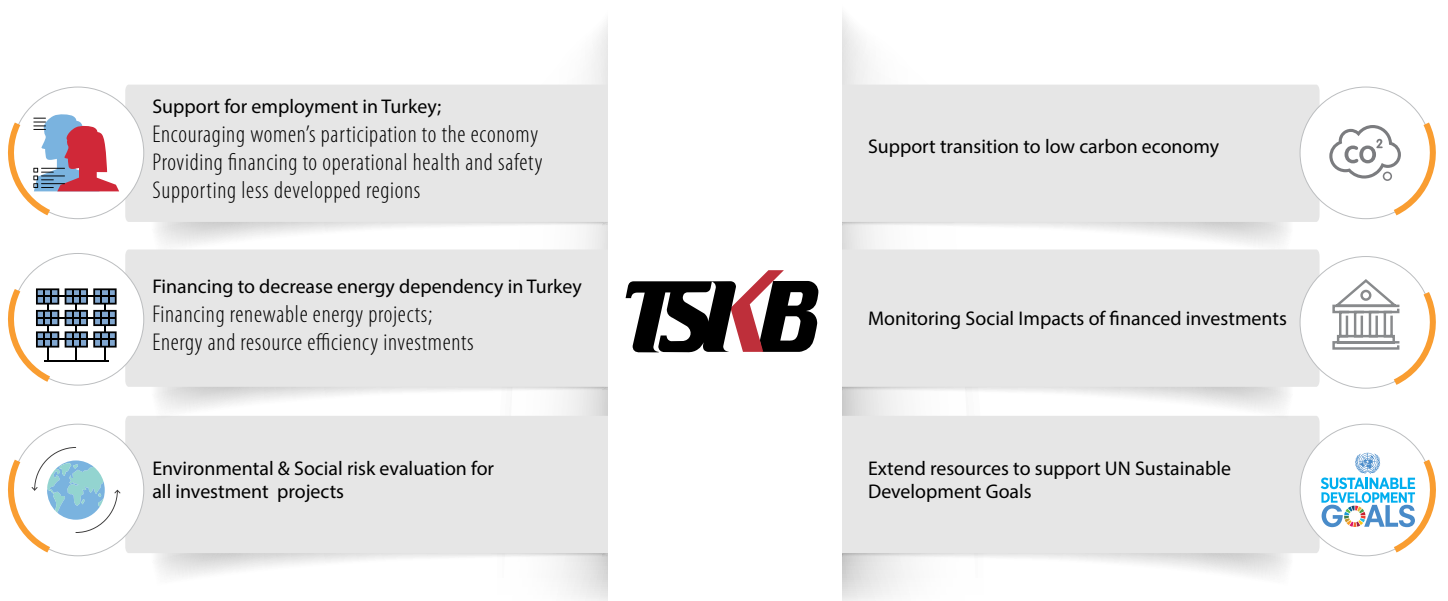
**2017** › First Integrated Report of the Turkish Finance Sector  
› Globally First Sustainable Tier II Bond Issuance

› First ever green bond out of Turkey & CEEMEA **2016**  
› Publication of TSKB Declaration on Climate Change  
› Inclusion in the FTSE4GOOD Emerging Market Index

**2018** › Gender Equality Certification by KAGIDER and IBRD  
› «Social Impact Assessment Analysis» and «Gender Equality» Working Groups  
› Second Integrated Report with second party assurance for the first time in Turkey  
› Allocation and Impact Reporting with Assurance of E&Y

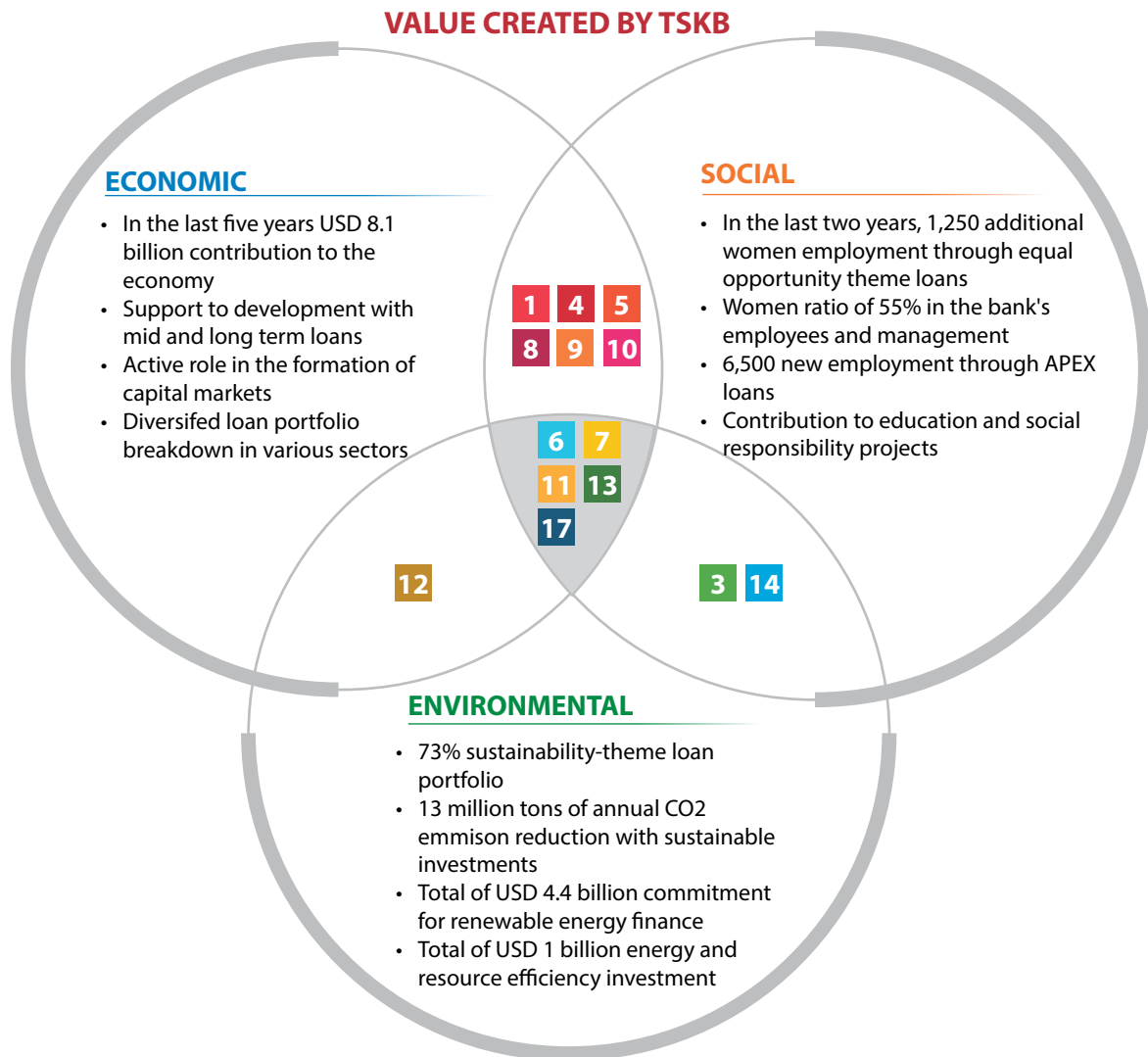
# SUSTAINABLE DEVELOPMENT ACTIVITIES

TSKB pursues a vision to be Turkey’s leading bank in sustainable development and sets its goals and strategies with an integrated perspective which is natural part of its corporate culture and way of doing business. The Bank considers the support it extends to sustainable development to be a very valuable and continuous tool in creating longterm and permanent value for all stakeholders. The Bank’s goals and strategy involves not only ensuring a sustainable income for its shareholders, but also using all of its resources in the most accurate, efficient and responsible manner to create value for internal and external stakeholders alike.



# SUSTAINABLE DEVELOPMENT ACTIVITIES

In 2010, being a party to United Nations Global Compact, TSKB contributes directly to 14 out of 17 Sustainable Development Targets.



## GREEN/SUSTAINABLE BOND & SUSTAINABLE TIER II

Issued the first Green/Sustainable Bond out of Turkey and CEEMEA region in May 2016. TSKB subsequently realized the globally first Sustainable Tier II Bond issuance in March 2017. TSKB has committed to extend loans in accordance with the Eligibility Criteria as described in the Sustainability Bond Framework which can be found in page 3 of this report. This is the 3<sup>rd</sup> Allocation & Impact report following 2017 and 2018 for the latter one, in addition to Sustainalytics review, Ernst & Young assurance was obtained as well.

### Direct and Indirect Climate Change Mitigation

Especially after the Paris Agreement, the world has put its concentration and hope mainly in renewable energy and energy and resource efficiency, as the primary methods in tackling climate change. In transition to a low-carbon economy, for companies to be energy and resource efficient and intent to develop renewable energies will be of vital importance.

Energy & Resource Efficiency



Renewable Energy



### Sustainable Infrastructure

To serve to aim of promoting sustainable growth and sustainable infrastructure improvements in Turkey; TSKB included the health sector, ports and electricity distribution network investments into the scope.

Electricity Distribution Networks



Ports



Social Infrastructure (Health and Education)



### Climate Change Adaptation

Detailed information is available in the “TSKB Sustainability Bond Framework Overview and Second Opinion by Sustainalytics” Report.

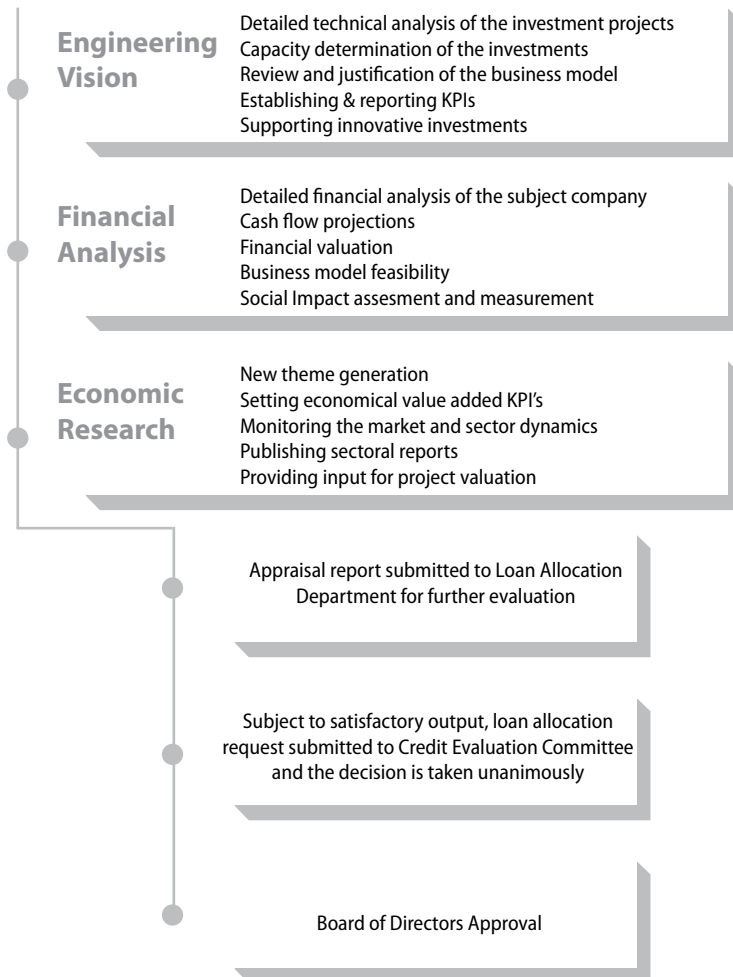
All selected projects are previously assessed by TSKB’s own Environmental and Social Risk Evaluation Tool (ERET) , which aligns with the IFC Performance Standard, in order to identify and rate risks associated with clients and projects. All selected projects are subject to ongoing monitoring and supervision in terms of environmental and social impacts.

Environmental rating methodology for ERET Model is continuously reviewed by TSKB teams, and the weights of high risk issues in the calculation process are increased in line with changing conditions, thus highlighting the risky issues.



# MULTIDISCIPLINARY LOAN APPRAISAL AND MONITORING

## Loan Evaluation, Appraisal and Allocation



## Monitoring and Collateralization

Loan concentration is prudently watched during loan allocation and monitoring processes, and is also limited by internal ratios through Risk Management.

TSKB has a comprehensive monitoring process involving

- Compliance rules.
- Credit risk monitoring for borrower and its group,
- Collateral package monitoring,
- Sectoral and regional analysis,
- NPL management

Collateral package for project finance loans includes

- pledges over the shares,
- mortgages over immovable
- commercial enterprise pledges
- pledges over bank accounts
- project completion guarantees
- assignment of receivables.

TSKB's Technical Analysis Team, comprising of nominated members from the Engineering Department and Financial Analysis Department, assess and determine each individual project's eligibility; and, recommend an allocation of proceeds to accordingly.

Having got the technical approval, the relationship managers propose the projects to be funded by the use of proceeds of the Bonds. The projects are also regularly discussed at sub-committees reporting to the Liability Management Committee. Following Credit Evaluation Committee and, if required, Board's approval to have been finalized, the allocation of proceeds are tracked through the internal on-line systems of the Bank.

# ALLOCATION & IMPACT REPORTING

## Review by Sustainalytics

Sustainalytics reviewed the projects funded through proceeds obtained from Green /Sustainable Bond issuance in 2016 and Sustainable Bond issuance in 2017 and provided an assessment as to whether the projects as of 2018 year end met the Use of Proceeds criteria and the Reporting Commitments outlined in the Sustainability Bond Framework provided by Sustainalytics. As per the Conclusion of the Annual Review<sup>5</sup> issued by Sustainalytics nothing has come to Sustainalytics' attention that causes Sustainalytics to believe that, in all material respects, the reviewed bond projects, funded through proceeds of TSKB's Sustainability Bond, are not in conformance with the Use of Proceeds and Reporting Criteria outlined in the TSKB Sustainability Bond Framework.

## Assurance by Ernst & Young

TSKB's sustainable bonds have also been verified by Ernst & Young (EY)<sup>6</sup>. EY has concluded that nothing has come to their attention indicating that the selected information for the year ended 31 December 2018 are not prepared in all material respects in accordance with the Company's Eligibility Criteria as explained in the Report.

## Management of Proceeds

TSKB fully disbursed the proceeds of the Green / Sustainable Bond and the Sustainable Basel III Compliant Tier-II Bond. Moreover, TSKB will continue to finance new eligible projects for the redemption amounts out of the subject portfolio, on a best effort basis.

TSKB had a selection of existing projects to support the bond sizes and has aimed to re-finance the outstanding project flow with the use of proceeds of the Bonds.

As a result of the assesment of the subject project in accordance with ERET model, no individual action was required. Until when the full utilisation has got completed, the proceeds were held under a designated account, which is tagged within TSKB's accounting system for efficient monitoring of the related projects. TSKB has permitted transfers from this account to eligible projects only.

In some cases, the related component of a project supported by the Bonds could be a part of a larger investment. In such cases, the portfolio only finances the eligible portion of these investments.

The monitoring of the projects comprises regular reports by the Bank on project activities and performance throughout the lifetime of investment.

## Allocation of the Proceeds (as of 31.12.2018)

### Green / Sustainable Bond

THEMES	# of PROJECT	PERCENTAGE
Energy Efficiency	4	7,2%
Renewable Energy	9	35,8%
Health	1	15,3%
Electricity Distribution	5	22,6%
Ports	3	19,2%
<b>Total</b>	<b>22</b>	<b>100%</b>

### Sustainable Tier II Bond

THEMES	# of PROJECT	PERCENTAGE
Energy Efficiency	6	19,9%
Resource Efficiency	1	1,8%
Renewable Energy	8	39,8%
Health	1	22,3%
Electricity Distribution	2	10,1%
Ports	2	6,1%
<b>Total</b>	<b>20</b>	<b>100%</b>

## Geographical Distribution<sup>7, 8</sup>



<sup>5</sup> TSKB Annual Review 2018, page 1

<sup>6</sup> Independent Assessment Statement, page 9

<sup>7</sup> Electricity Distribution projects are demonstrated on the map depending on their distribution areas

<sup>8</sup> The figures are reflected based on their city centers

# ALLOCATION & IMPACT REPORTING

## Impact Reporting

TSKB Impact Report is in line with the ICMA Green Bond principles<sup>1</sup> reference framework for reporting. The Impact Report includes the list of projects that are financed under the subject Bonds proceeds, brief Project descriptions, the amounts committed and related environmental and/or social impacts. In the calculation of GHG emission reductions/avoidance, TSKB's internally and annually calculated Turkey's Green House Gas (GHG) Emission Factor (from Turkey's Electrical Energy Production) value is utilized. TSKB's emission factor calculation methodology is in line with United Nations Framework Convention on Climate Change (UNFCCC) tool to calculate the emission factor for an electricity system. In the calculations, Turkey's announced latest electricity statistics are used.

<sup>1</sup> <http://www.icmagroup.org/Regulatory-Policy-and-Market-Practice/green-bonds/>

### Impact of Green/Sustainable Bond Utilisation – Renewable Energy

Project Name	Project Description	Eligibility for Green Bonds	Renewable Energy Capacity Added (MW)	Total Investment Amount (USD)	Loan Amount Financed with the Proceeds of Bond (USD) (31.12.2018)	Annual Generation FY 2018 (Electricity)	Annual GHG Emissions Reduced/Avoided FY 2018 ** (ton/y)	Annual Allocated Amount from Bond / Total Annual GHG Emissions Reduced/Avoided FY 2018 (ton/year)	Employment created by the investment
1	Hydro Power Plant with 120 MW of installed power in Eastern black Sea Region of Turkey	Hydro Power Plants	120	170.000.000	28.375.000	306.979.000 kWh	175.285	29.257	32
2	131.2 MW Hydro Power plant in Eastern Anatolia Region of Turkey	Hydro Power Plants	131,2	243.076.000	35.584.337	333.600.522 kWh	190.486	27.886	52
3	130.2 MW Hydro Power plant in Eastern Anatolia Region of Turkey	Hydro Power Plants	130,2	249.778.000	35.584.337	318.391,589 kWh	181.802	25.900	58
4	81.25 MW Hydro Power plant in Mediterranean Region of Turkey	Hydro Power Plants	81,25	163.657.240	14.947.105	149.800.000 kWh	85.536	7.812	20
5	60.25 MW Hydro Power plant in Mediterranean Region of Turkey	Hydro Power Plants	60,25	68.839.000	8.339.083	170.600.000 kWh	97.413	11.800	16
6	39 MW Wind Power Plant in Mediterranean Region of Turkey	Wind Power Plants	39	66.089.032	3.955.760	94.700.000 kWh	54.074	3.237	12
7	13 MW Solar Power (Photovoltaic) Plant Southeastern Anatolia Region of Turkey	Solar Power Plants (Photovoltaic)	13	21.367.000	3.954.388	22.506.129 kWh	12.851	2.378	4
8	1.4 MW Solar Power (Photovoltaic) Plant in Inner Anatolia Region of Turkey	Solar Power Plants / (Photovoltaic)	1,4	1.735.000	779.649	753.310 kWh	430	193	2
9	45 MW Wind Power Plant in Aegean Region of Turkey	Wind Power Plants	45	76.157.792	483.383	159.445.200 kWh	91.043	578	45
<b>132.003.042</b>									

\*\* Turkish grid emission factor was 0.571 for year 2017 actualizations, 2018 grid emission is still at evaluation phase and final outcome will be declared end of Mar '19. Until 2018 grid emission become clearer, we considered 2017 emission factor at the calculations.

# ALLOCATION & IMPACT REPORTING

## Impact of Tier II Utilisation – Renewable Energy

Project Name	Project Description	Eligibility for Green Bonds	Renewable Energy Capacity Added (MW)	Total Investment Amount (USD)	Loan Amount Financed with the Proceeds of Bond (USD) (31.12.2018)	Annual Generation FY 2018 (Electricity)	Annual GHG Emissions Reduced/Avoided FY 2018 (ton/y)	Annual Allocated Amount from Bond / Total Annual GHG Emissions Reduced/Avoided FY 2018 (ton/year)	Employment created by the investment
1	36.0 MW Wind Power Plant in Marmara Region	Wind Power Plants	36	33.700.000	1.542.644	96,667,000 kWh	55.197	-	21
2	63 MW Wind Power Plant in Southeastern Anatolia Region of Turkey	Wind Power Plants	63	95.200.000	12.600.000	123,600,000 kWh	70.576	9.341	9
3	5.6 MW Biomass plant in Central Anatolia Region of Turkey	Biomass Power Plants	5,6	6.000.000	4.500.000	22,394,573 kWh	12.787	-	43
4	32.4 MW Wind Power Plant in Marmara Region	Wind Power Plants	32,4	36.275.160	19.197.345	85,536,000 kWh	48.841	25.847	9
5	27.5 MW Wind Power Plant in Southeastern Anatolia Region of Turkey	Wind Power Plants	27,5	51.444.176	2.300.000	45,051,736 kWh	25.725	1.150	10
6	115 MW Wind Power Plant in Aegean Region of Turkey	Wind Power Plants	115	142.400.000	80.618.496	288,518,997 kWh	164.744	93.269	57
7	1 MW Solar Power Plant in Central Anatolia Region of Turkey	Solar Power Plant (Photovoltaic)	1	1.626.000	1.269.666	1,700,624 kWh	971	758	4
8	1 MW Solar Power Plant in Central Anatolia Region of Turkey	Solar Power Plant (Photovoltaic)	1	1.650.000	1.279.823	1,674,887 kWh	956	742	4
<b>123.307.974</b>									

# ALLOCATION & IMPACT REPORTING

## Impact of Green/Sustainable Bond Utilisation – Energy Efficiency

Project	Project Description	Eligibility for Green Bonds	Total Investment Amount (USD)	Loan Amount Financed with the Proceeds of Bond (USD) (31.12.2018)	Annual Energy Savings FY 2018 (Electricity/Other) (kWh/year)	Annual GHG Emissions Reduced/Avoided FY 2018 ** (ton/year)	Annual Allocated Amount from Bond / Total Annual GHG Emissions Reduced/Avoided FY 2018 (ton/year)	Employment created by the investment
1	Construction of an efficient cold rolling line	Energy Efficiency	7,890,400	1,600,000	2,450,000 kWh	1.399	284	5
2	Energy Production Project from Waste Heat and arc-furnace modernization	Energy Efficiency	45,900,000	5.490.000	89,660,000 kWh	51.196	6.123	16
3	Electric consumption saving from renewal of the current production equipments at a textile factory	Energy Efficiency	5.500.000	5.339.281	3,057,000 kWh	1.746	1.695	32
4	Gold Leed Certified Building	Energy Efficiency	30.000.000	14.118.793	2,134,883 kWh	1.219	574	1.300
<b>26,154,960</b>								

\*\* Turkish grid emission factor was 0.571 for year 2017 actualizations, 2018 grid emission is still at evaluation phase and final outcome will be declared end of Mar '19. Until 2018 grid emission become clearer, we considered 2017 emission factor at the calculations. NG emission is based on 1.94 CO2 kg/scm (average calorific value is considered as 10.64 kWh/m3)

## Impact of Tier II Utilisation – Energy Efficiency

Project	Project Description	Eligibility for Green Bonds	Total Investment Amount (USD)	Loan Amount Financed with the Proceeds of Bond (USD) (31.12.2018)	Annual Energy Savings FY 2018 (Electricity/Other) (kWh/year)	Annual GHG Emissions Reduced/Avoided FY 2018 (ton/year)	Annual Allocated Amount from Bond / Total Annual GHG Emissions Reduced/Avoided FY 2018 (ton/year)	Employment created by the investment
1	*Gold Leed Certified Building	Energy Efficiency	25.897.921	1.703.992	2,871,465 kWh	1.047	69	1.000
2	*Gold Leed Certified Building (Certification Process Pending)	Energy Efficiency	27.175.000	5.713.496	1.550.000 kWh	477	100	750
3	Existing feed production plant is reconstructed in an organized industrial zone by renewing existing old machinery.	Energy Efficiency	6.362.841	4.673.807	1,400,000 kWh	799	587	0
4	The existing 15 carburization furnace are replaced with 6 modern and technological furnaces. Furthermore, 4 nitration furnaces are also replaced with 3 modern and energy efficient furnaces.	Energy Efficiency	9.218.440	3.282.878	18,464,000 kWh	10.543	3.755	0
5	Platinum Leed Certified Building	Energy Efficiency	94.000.000	19.559.128	26,803,914 kWh	15.305	3.185	1.200
6	Gold Leed Certified Building	Energy Efficiency	40.609.024	26.876.283	4,763,143 kWh	1.748	1.157	479
<b>61.809.584</b>								

## Impact of Tier II Utilisation – Resource Efficiency

Project	Project Description	Eligibility for Green Bonds	Total Investment Amount (USD)	Loan Amount Financed with the Proceeds of Bond (USD) (31.12.2018)	Annual Raw Material Savings ** (Electricity/Other) (kWh/year)	Annual Allocated Amount from Bond / Total Annual Water/Other Saved (ton-m3/year)	Employment created by the investment
1*	Resource (raw material) and energy specific consumption saving from new bought production equipments	Resource Efficiency	40.500.000	5.713.496	214 kg/ton specific reduction (7.497 tons/year raw material & auxiliary chemicals)	1,058 ton	60

\*Will be operational in 3Q 2019.

\*\* Turkish grid emission factor was 0.571 for year 2017 actualizations, 2018 grid emission is still at evaluation phase and final outcome will be declared end of Mar '19. Until 2018 grid emission become clearer, we considered 2017 emission factor at the calculations. NG emission is based on 1.94 CO2 kg/scm (average calorific value is considered as 10.64 kWh/m3)

# ALLOCATION & IMPACT REPORTING

## Impact of Green/Sustainable Bond Utilisation – Electricity Distribution Projects

Project	Project Description	Loan Amount Financed with the Proceeds of Bond (USD) (31.12.2018)	Total Investments in 2018 (TL)	2018 Total Subscriber	Population of the Area - 2018	2018 Total Energy Distribution (MWh)	Benefits of the Investment
1	*Modernisation, rehabilitation and extension of electricity distribution network in Marmara Region of Turkey	42.481.637	262.841.386	3.189.831	5.023.992	12.646.000	
2	Modernisation, rehabilitation and extension of electricity distribution network in Central Anatolia Region of Turkey	17.826.106	115.660.706	974.544	1.642.037	2.630.715	In addition to regular expansion, modernization and maintenance, investments have served to keep network losses at a minimum level and adapting the networks to new requirements, such as distributed generation, integration of renewable energy into the grid, remote network operation and more energy efficient management. The investments have thus contributed to overall energy efficiency and carbon reduction.
3	Modernisation, rehabilitation and extension of electricity distribution network in Black Sea Region of Turkey	5.000.000	117.000.000	1.359.780	1.891.076	3.622.402	
4	Modernisation, rehabilitation and extension of electricity distribution network in Black Sea Region of Turkey	5.000.000	104.000.000	957.208	1.726.199	2.512.623	An added benefit for the 3rd and 4th projects have been the provision of high quality services in one of the less developed regions of Turkey covering provinces in Eastern Black Sea.
5	Modernisation, rehabilitation and extension of electricity distribution network in Aegean Region of Turkey	12.914.199	236.404.701	3.312.515	5.750.162	15.879.322	
		<b>83.221.942</b>					

## Impact of Tier II Utilisation – Electricity Distribution Projects

Project	Project Description	Loan Amount Financed with the Proceeds of Bond (USD) (31.12.2018)	Total Investments in 2018 (TL)	2018 Total Subscriber	Population of the Area - 2018	2018 Total Energy Distribution (MWh)	Benefits of the Investment
1	*Modernisation, rehabilitation and extension of electricity distribution network in Marmara Region of Turkey	24.796.571	262.841.386	3.189.831	5.023.992	12.646.000	In addition to regular expansion, modernization and maintenance, investments have served to keep network losses at a minimum level and adapting the networks to new requirements, such as distributed generation, integration of renewable energy into the grid, remote network operation and more energy efficient management. The investments have thus contributed to overall energy efficiency and carbon reduction.
2	Modernisation, rehabilitation and extension of electricity distribution network in Marmara Region of Turkey	6.574.133	110.000.000	1.089.247	1.810.000	6.708.802	For Project 1, benefits of the investments will be the same in both tranches because, in electricity distribution regions, most of the investments are made for the same purposes such as modernization, maintenance and minimizing network losses etc.
		<b>31.370.704</b>					

\*Same project financed from both of the bonds

# ALLOCATION & IMPACT REPORTING

## Impact of Green/Sustainable Bond Utilisation - Ports

Project	Project Description	Loan Amount Financed with the Proceeds of Bond (USD) (31.12.2018)	Handling Capacity Before Investments	2018 Handling Capacity	2018 Handling Amount	Benefits of the Investment
1	Infrastructure Investment for port at the Marmara Region by the Black Sea	51.000.000	50.000 TEU/year container handling 1.500.000 tons/year general cargo	6.000.000 tons/year genel cargo 150.000 TEU/year container handling 110.000 CEU Ro-Ro	972.416 tons/year general cargo Ro-Ro : - Container: -	The existing inactive port has been modernized and refurbished to accommodate general cargo, Ro-Ro and container. The port has started to facilitate shifting land transport to sea transport by increasing general cargo and Ro-Ro shipping. An important additional benefit of the port is that Black Sea cargo can be shipped directly from this port instead of crossing the Bosphorus, thereby reducing fuel use and carbon emissions
2	Renovation and capacity increase in port at the Marmara Region by the Marmara Sea	6328000	520.000 TEU/year container handling 4.000.000 tons/year general cargo 750.000 m3/year liquid cargo	1.000.000 TEU/year container 6.000.000 tons/year general cargo 600.000 m3/year liquid cargo	561.000 TEU/year container 1.788.000 tons/ year general cargo 378.443 m3 liquid cargo	Additional container handling capacity and general increase in productivity has increased port efficiency, facilitating shift from land transport to sea transport. After the investment the port benefits from economies of scale much more than the previous period. Container handling also has environmental benefits as a dust-free mode of cargo handling.
3	Infrastructure, renovation and capacity increase in ports at the Marmara Region by the Marmara Sea	13.560.000	600.000 TEU container handling 450 bin vehicles (Ro-Ro) 1.500.000 tons/year general cargo	1.600.000 TEU/year container handling 5.000.000 tons/year general cargo 650.000 CEU Ro-Ro	530.000 TEU/year container 1.170.000 tons/ year general cargo 362.000 CEU/year Ro-Ro	Aforementioned investment consists of two phases, the first step mainly comprises of building a modernized container. Following to that, the Company has integrated with the adjacent port that was built at phase 1. belonging to the same group of companies. With the integration and modernization of container handling along with the adjacent port will boost the efficiency of port operations, thus creates additional benefits and various synergies. Furthermore, the container handling also facilitates transitions from land transport to sea transport. In addition to those, container handling is also environmentally friendly with its dust-free mode of cargo handling.
		<b>70.888.000</b>				

## Impact of Tier II Utilisation - Ports

Project	Project Description	Loan Amount Financed with the Proceeds of Bond (USD) (31.12.2018)	Handling Capacity Before Investments	2018 Handling Capacity	2018 Handling Amount	Benefits of the Investment
1	Infrastructure Investment for port at the Marmara Region by the Marmara Sea"	9.712.943	A greenfield investment	125.000 CEU/TEU-year Ro-Ro	93.000 CEU/TEU- year Ro-Ro	The greenfield investment is a Ro-Ro terminal. The port is facilitating shift from land transport to sea transport between Asia and Europe continents, creates new routes which are alternative to bridge usage. Reduces traffic, fuel use and carbon emissions by proposing new shorter paths. Helps reducing toll road usage.
2	Renovation and capacity increase in port at the Aegean Region by the Aegean Sea*	9.248.513	450.000 TEU/year container 500.000 ton/year general cargo	450.000 TEU/year container 500.000 ton/year general cargo	390.071 TEU/ year container 23.736 tons/year general cargo	The investment consists of rail system reinforcement to build "rail system integrated SSGC (Ship to Shore Gantry Crane)" for handling containers at the port. The project provides ability to serve ships with higher DWT capacity and efficiency in container handling which increases port productivity and profitability to serve to the region more effectively. Also within the Project, port has integrated to national railway network with TCDD Taşımacılık (The Turkish State Railways) to supply containers with railway, which has an effect on decreasing CO2 emissions caused by the land transport.
		<b>18.961.456</b>				

# ALLOCATION & IMPACT REPORTING

## Impact of Green/Sustainable Bond Utilisation - Health

Project	Project Description	Loan Amount Financed with the Proceeds of Bond (USD) (31.12.2018)	Benefits of the Investment
1	Establishment of a city general hospital with 3,566 beds under a PPP scheme with an investment amount of 1.1 billion Euro.	56.366.419	<p>The hospital project in Ankara aims to:</p> <ul style="list-style-type: none"> <li>• Renovate the insufficient healthcare infrastructure that will serve increasing healthcare demands,</li> <li>• Bring smaller hospitals together under one campus,</li> <li>• Increase service quality and efficiency in Turkey.</li> </ul> <p>•The project is developed to provide service for Ankara and surrounding cities primarily Çorum, Kırıkkale, Kırşehir, Yozgat, Çankırı, Karabük, Kastamonu, Zonguldak, Bartın and Bolu.</p> <ul style="list-style-type: none"> <li>•The Health Facility is expected to be visited by about 100,000 people daily.</li> <li>•The district population can be characterized as mainly lower middle class and the district is readily accessible with public transport from the city center.</li> <li>•Ankara is the capital and the second largest city in Turkey. Population has grown with a Compound Annual Growth Rate (CAGR) of 1,9% between 2008 and 2018, exceeding the national growth rate of CAGR 1,4%.</li> <li>•The project has directly created job opportunities for c. 350 people and indirectly c. 2,800 people on average via subcontractors during construction period.</li> </ul>

## Impact of Tier II Utilisation - Health

Project	Project Description	Loan Amount Financed with the Proceeds of Bond (USD) (31.12.2018)	Benefits of the Investment
1	Establishment of a city general hospital with 755 beds under a PPP scheme with an investment amount of 390 million USD	69.100.630	<p>The hospital project which was opened in March, 2017 in Isparta aims to:</p> <ul style="list-style-type: none"> <li>• Renovate the insufficient healthcare infrastructure that serves increasing healthcare demands,</li> <li>• Bring smaller hospitals together under one campus,</li> <li>• Increase service quality and efficiency in region.</li> </ul> <p>The project is developed to provide service for Isparta and surrounding cities primarily Afyon, Burdur, Antalya and Konya. The Healthcare Facility is used by local people and other people coming from neighbor cities. The Project has an integrated health campus investment with a total capacity of 780 beds. It was visited by approximately 18.000 people daily (including patient relatives and regular healthcare personnel). Isparta province is a small city with a good transportation system sufficient for the city, where the local people generally use the public transportation. Project creates a positive influence on the transportation activities. The project has created job opportunities for 2.687 people in total during the operation of the hospital (1.330 health service and 1.354 service employees).</p>