

SUSTAINABILITY REPORT

2017

İŞBANK





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ABOUT THE REPORT

2017 Sustainability Report presents İşbank's environmental, social and corporate governance performance over the period between January 1st, 2017 and December 31st, 2017. The data disclosed in the report covers the operations of İşbank in Turkey; its subsidiaries and overseas operations are out of scope.

This report has been prepared in accordance with the GRI Standards: Comprehensive option. While preparing the report, the Financial Services Sector Supplement of the Global Reporting Initiative, and the Sustainability Accounting Standards Board (SASB) Provisional Standard for Commercial Banks guideline are consulted.

Any questions or suggestions regarding the content of the report can be sent to sustainability@isbank.com.tr

The report also serves as the Communication on Progress for United Nations Global Compact, of which İşbank is a signatory.



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CHAIRMAN'S MESSAGE



Esteemed stakeholders of İşbank,

İşbank has a prestigious and deep-rooted corporate history associated with the history of the Republic of Turkey and sustainability is the foundation of İşbank's business structure. As İşbank, while we are continuously developing our products and services through our customer focused approach and investments in digital transformation, we also create added value in the economic, social and environmental areas.

We have regularly shared our sustainability performance through reports that we have prepared in accordance with Global Reporting Initiative (GRI) standards since 2012.

This year, we determined material sustainability issues we will focus on by performing a stakeholder analysis which is more comprehensive than ever. In doing so, we have blended the international trends and standards that are essential for our industry with the views of our stakeholders, and carried out a comprehensive study that will move İşbank's sustainability efforts forward with a strategic approach. This was an important step in aligning our business strategy with our sustainability approach.

In 2015, the United Nations announced Sustainable Development Goals which was determined to serve as a road map for the business world until 2030. To achieve these Sustainable Development Goals, we believe that the most important duty of the finance institutions is to act with a responsible financing approach. With the Environmental and Social Risk Evaluation Tool that we have been using at İşbank since 2012, we include the environmental and social risks as a part of the risk analysis regarding all new investment loans over USD 10 million. In line with our responsible banking approach, we do not finance the projects that fall into certain risk categories as a result of the evaluation made by using this

tool; and for the investments we provide financing, we ensure that appropriate actions are undertaken to minimize the potential environmental and social risks.

Within the framework of our responsible banking notion, our sustainable products and services as well as customer base we reach with these products expand every passing year.

We attach great importance to renewable energy financing considering its multiplier effects and contribution to development. In 2017, like in the previous years, we financed mega infrastructure projects which are essential for the country's development while we continued to support SMEs and women entrepreneurs as well.

As a bank whose mission has always been to be innovative and pioneering, and who has accomplished many firsts, our goal is to design tomorrow's banking today. In this regard, we continue to work to expand our products and services through digital service channels to make our customers' lives easier.

By maintaining our mission summed up in the motto "Turkey's Bank" we believe that we have an important responsibility for developing not only the banking industry but also every industry we contact. We will keep relying on the guidance of science and wisdom in line with the way that our founder Mustafa Kemal Atatürk indicated, as we have been doing from past to present.

I would like to thank all of our stakeholders, especially our colleagues, for their great work which contributed to İşbank's efforts maintained steadfastly in line with İşbank's vision of creating permanent value for the economy of Turkey and for all of its stakeholders, and to bringing our Bank where it is today, on behalf of our Board of Directors and myself.

Yours sincerely,

H. Ersin Özince
Chairman of the Board of
Directors

CEO'S MESSAGE



Esteemed stakeholders,

New approaches in business models became inevitable thanks to the trends closely related to the banking industry; the economic, social and environmental risks the industry faces; and the increasing transparency expectations of the stakeholders, especially of the customers. Thanks to our deep-rooted history and our power generated by society's trust, as the largest private bank of Turkey, we see our activities in the field of sustainability as an important element in our continuing support for the economy, employment and development. On this occasion, I am delighted to share our 2017 Sustainability Report with you.

As part of our sustainable, profitable growth strategy based on our philosophy of being the bank closest to its customers, we develop our business model in a way which enables to create value for our country and all our stakeholders, especially customers. Thanks to the commitment of our approximately 25,000 employees and our extensive service network, in 2017 our total assets grew to TL 362.4 billion at a 16.3% increase compared to the previous year. The total funds we extended to the real sector through cash and non-cash loans reached TL 320.8 billion with a 20.3% increase.

Thanks to the trust generated by our financial capacity and experience, we carry our responsible banking notion based on our deep-rooted corporate culture into the future every passing year. In 2017, we continued to support sustainable development and the transition to a low carbon economy by financing feasible projects that create social benefits. We evaluated various projects using the Environmental and Social Risk Evaluation Tool that enables us to evaluate the potential environmental and social impacts and risks arising from projects. We financed these projects by guaranteeing improvement in their environmental and social

impacts that have the potential to improve. In accordance with this approach, İşbank was among the first signatories of Declaration of Sustainable Finance, an initiative of Global Compact Turkey that undertook to evaluate the environmental and social impacts in loan processes. We believe that such collaborations are important for the expansion of responsible investment notion in the banking industry.

Another important tool at the center of our sustainability approach that contributes to low carbon economy is to enable access to renewable energy resources. As İşbank, we benefit from funds of international financial organizations when we finance renewable energy and energy efficiency projects. We completed the 1st and 2nd package uses of the Turkish Sustainable Energy Financing Facility (TurSEFF) provided by the European Bank for Reconstruction and Development (EBRD) for the financing of renewable energy and energy efficiency investments, and received new resources worth USD 55 million to use in this field. In 2017, we financed 232 renewable energy projects with a total installed capacity of 1,355 MW. In addition, we received a new fund amounting to USD 125 million from International

Finance Corporation (IFC) and Clean Technology Fund in order to provide housing loans, especially for the houses in line with the IFC criteria and sensitive about energy efficiency (Green Mortgages).

In 2017, our total loan portfolio increased by 17.9% and reached a total of TL 239.4 billion while the loans we extended to SMEs reached TL 55.1 billion with 24.3% growth. We support SMEs and entrepreneurs who play important roles in the national economy in a multifaceted way including the consultancy we provide.

We believe that facilitating women's access to financial products and services plays an important role in supporting economic development and gender equality. In this regard we continue our financial support to women entrepreneurs. While doing this, we also utilize the contributions made through collaborations we have developed with international financial institutions.

We have identified digitalization as one of the most important areas that provide competitive advantages in the banking industry, and regard it as an important means of developing high value-added products and services and

constantly improving customer experience. We continued our intensive digital transformation efforts aimed at meeting personal demands, carrying customer experiences to new horizons and making a difference by focusing on customer expectations. In this regard, we continued to make our customers' lives easier with innovative products shaped by digital service channels and technology. In 2017, the rate of transactions performed through our digital service channels exceeded 86%, and the number of users of our İşCep application reached 5.2 million by year's end. We continued to work for the creation of an innovation bridge between İşbank and Silicon Valley through Maxitech, our subsidiary established in Silicon Valley, to support technological innovation in financial services. Our innovative products and services offered as part of the digital transformation in 2017 were granted many international awards.

Furthermore this year, our new data center Atlas, which is designed through nature and human friendly solutions by adopting the principle to create a healthy and ecologic living environment became operational.

Established to support the economic development of our country, İşbank continued its banking activities and financially supporting production sectors, but hasn't neglected its social responsibility efforts to contribute to social development as well. Based on this perception, today we carry out widespread, long-lasting and sustainable projects in the fields of education, environment, and culture-arts that serve wide segments of society.

We will continue our efforts with the perspective of creating long-term value for the national economy and society. On the occasion of this report, I would like to thank all our stakeholders who contributed to our activities and 2017 sustainability performance.

Yours sincerely,

Adnan Bali
Chief Executive Officer

ABOUT İŞBANK

Having turned 93 in 2017, İşbank has been committed to supporting development by producing permanent value for its stakeholders and the Turkish economy since 1924. Focusing on profitable, healthy and sustainable growth with its solid financial structure is the most important element supporting the operations of İşbank, which is the largest private bank in Turkey with total assets worth TL 362.4 billion as of 2017 year-end. Aiming to be the “the bank closest to customers”, İşbank leads the banking sector in Turkey with its products and services offered in the corporate, commercial, SME, retail and private banking segments.

Representing trust, prestige and respectability in the eyes of the Turkish people, İşbank’s 24,868 employees serve approximately 15 million customers as of 2017 year-end. İşbank has the largest branch and ATM network among private banks in Turkey, with 1,342 domestic branches and with a total of 6,545 Bankamatiks (ATMs).

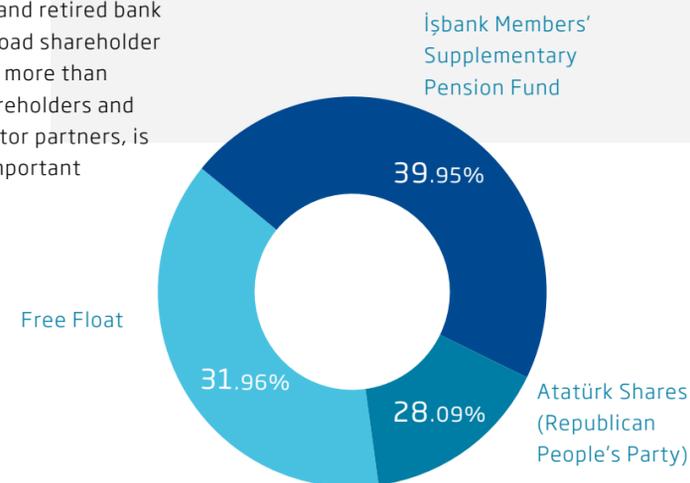
İşbank also offers its services at a total of 22 overseas branches, including 15 in TRNC, 2 each in England, Iraq and Kosovo, and 1 in Bahrain.

Alongside its widespread branch network, İşbank expands its digital service channels day to day, works steadily towards realizing its vision of becoming “Turkey’s Best Digital Bank” and strengthens its competitive position. Achieving countless “firsts” in many areas such as Bankamatik, the internet branch and mobile banking applications, İşbank has taken a leading role in the sector since its establishment, and it continues its uninterrupted technology investments, making a difference in new generation digital banking applications.

39.95% of the Bank’s capital belongs to the İşbank Members’ Supplementary Pension Fund, whose members include nearly 45 thousand current and retired bank employees. Its broad shareholder base consisting of more than 160 thousand shareholders and institutional investor partners, is one of the most important assets of İşbank.

İşbank Group is an integrated services group with its subsidiaries operating domestically and overseas in many fields. As of 2017 year-end, İşbank has direct participations in 23 companies, while the Bank has direct or indirect control over 105 companies.

Detailed information regarding İşbank’s subsidiaries is available at the website and on page 56 of the 2017 Annual Report.



Shareholding structure is provided as at December 31st, 2017.

İşbank’s Vision, Objectives, Values, and Strategy

Our Vision

To be the most preferred bank in Turkey by customers, shareholders and employees by maintaining our leading, pioneering and trusted position as the regional financial power.

Our Objectives

- For our customers;**
- to be the bank that is the most preferred service provider in all the sectors and customer groups that we target
 - to provide our customers comprehensive, reliable and high quality service with our competent employees, extensive branch network and non-branch banking channels
 - to abide by our high business ethics and principles without compromise

- For our shareholders;**
- to consistently increase the value of our shares
 - to operate with an effective risk management approach

For our employees;

- to be a preferred employer and to offer our employees programs and training opportunities that will foster their personal and professional development
- to propagate our customer focused approach among all our personnel
- to support and encourage loyalty, responsibility and creativity
- to deploy an employee hiring, evaluation, appointment and advancement system that is based on competencies and performance and that is fair and trustworthy

In summary,

İşbank’s goal is “to consistently increase the value it creates for shareholders, as a bank that responds to customer needs quickly, effectively and with high-quality solutions and that encourages its employees to achieve a high level of performance in their jobs.”

Our values

Our values that represent our corporate identity, guide us to reach our vision and objectives, and that are internalized by our employees as their way of work and life are “Leadership, that is powered by a Shared Mindset generated in Solidarity, and that is Trusted under all conditions with a strong Service orientation.”

Our strategy

Our strategy is achieving sustainable and profitable growth based on “the bank closest to customers” philosophy in an effort to fulfill our vision and objectives.

İşbank is the largest private bank in Turkey with total assets worth TL 362.4 billion as of 2017 year-end.

Financial Performance and Profitability

İşbank has maintained its leadership among the private banks in terms of total loans, total deposits and shareholders' equity.

İşbank has continued to implement its sustainable and problem-free growth strategy successfully in 2017. The Bank's total loans grew by 17.9% year-over-year and came to TL 239.4 billion as at year-end 2017 and the ratio of loans to total assets reached 66.1%. The ratio of non-performing loans to total loans continued to remain below the sector average similar to the previous year, and stood at 2.2% at year-end 2017. Total assets grew 16.3% compared to the previous year, while total deposits reached TL 203.8 billion at a 14.9% increase compared to the previous year-end.

The share of deposits to total liabilities stood at 56.2% as of 2017 year-end. In addition, the Bank continued using its non-deposit resources effectively in order to diversify its fund resources and

control its costs. As at year-end 2017, the ratio of non-deposit funds, which comprised of repo transactions, funds borrowed, securities issued in domestic and overseas markets, and subordinated loans, to total liabilities was 25.5%.

Reaching to TL 43.1 billion with a 19.8% increase compared to the previous year, İşbank's shareholders' equity provides the leverage and power required for healthy and profitable growth. The capital adequacy ratio of the Bank was 16.7% as of 2017 year end, above the legal requirement.

In 2017, İşbank has once again been the highest-ranked Turkish bank in The Banker Magazine's list of "Top 1000 World Banks".

Key Financial Highlights (TL Million)

	12.31.2017	12.31.2016	Change(%)
Total Assets	362,353	311,626	16.3
Loans	239,409	203,144	17.9
Deposits	203,752	177,360	14.9
Shareholder's Equity	43,093	35,961	19.8

Key Financial Ratios (%)

	12.31.2017	12.31.2016
Interest Earning Assets (*) / Total Assets	91.5	91.5
Loans / Total Assets	66.1	65.2
NPL Ratio	2.2	2.4
NPL Coverage Ratio	86.0	77.5
Demand Deposits / Total Deposits	26.3	24.6
Shareholders' Equity / Total Liabilities	11.9	11.5
Capital Adequacy Ratio	16.7	15.2

* Interest earning assets include TL and FC legal reserves.

Sustainability Milestones

2017

İşbank became a signatory of the Global Compact Turkey Declaration of Sustainable Finance.

The ATLAS Data Center, Turkey's first data center with a Tier IV certificate, which is the highest level of rating issued by international data center rating agency Uptime Institute according to its "uninterrupted working" criteria, was put into operation.

The Tuzla Technology and Operation Center (TUTOM) was awarded with the LEED Gold green building certificate.

2016

İşbank became a constituent of FTSE4Good Emerging Markets Index.

The Exclusion List was updated.

2015

Processes within the scope of the Sustainability Management System were adopted.

The Bank was included in the BIST Sustainability Index for the first time.

2014

The sustainability management infrastructure was formed.

The Sustainability Policy was put into effect.

The Exclusion List was issued.

2013

Maximum TEMA Card was issued.

2001

Code of Banking Ethics was adopted.

2012

İşbank became a signatory of the United Nations Global Compact (UNGC).

The first Sustainability Report of İşbank was published.

The pre-application of the Environmental and Social Risk Evaluation Tool (ERET) was put into use.

2008

The Environment-friendly New Generation Housing Loan was issued.

The TEMA Environmental Variable Fund, Turkey's first social responsibility focused investment fund, was established.

2017 HIGHLIGHTS

- İşbank's 24,868 employees serve almost 15 million customers. The Bank has the largest branch and ATM network of all the private banks with 1,342 domestic branches and with a total of 6,545 Bankamatiks (ATMs).

- İşbank's total assets grew 16.3% against the previous year, reaching TL 362.4 billion. It maintained its leadership among the private banks in terms of total assets, loans, deposits and shareholders' equity volume.

- İşbank signed the Global Compact Turkey Declaration of Sustainable Finance.

- ATLAS Data Center, Turkey's first Tier-IV data center was launched.

- Tuzla Technology and Operation Center (TUTOM) is awarded with the LEED Gold green building certificate.

- The Bank maintained its support for chess training, opening more than 2.500 chess classes in 2017.

- Launched in cooperation with Mimar Sinan Fine Arts University, the undergraduate program of Artwork Conservation and Restoration had its first graduates at the end of 2016-2017 academic year.

- Continued its archeology sponsorships for the Zeugma Ancient City "House of the Muses" and Patara Ancient City excavations that are themes of the current report.

- For its İsville application, the Bank won the silver award in the "Best Product/Employee Development Solutions of the Year" category at the Stevie International Business Awards, and the gold award in the "Best Use of Games and Simulations for Learning Purposes" category at the Brandon Hall Group Excellence Awards.

- As at year-end 2017, total lending commitment (cash + non-cash) of İşbank for the financing of healthcare facilities based on the public-private partnership model that contributes to Turkey's social and economic welfare reached USD 1 billion.

- İşbank financed 232 renewable energy projects with a total installed capacity of 1,355 MW.

- Average training per employee was raised to 21.3 hours with an increase of 34%.

- İşbank was deemed worthy of 21 different international awards with its innovative products and services that are provided within the context of digital transformation and retail banking.



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ETHICAL AND TRANSPARENT BANKING

İşbank has adopted the Code of Banking Ethics published by the Banks Association of Turkey and carries out all operations in compliance with these principles.

İşbank is a bank identified with trust and respect thanks to the many firsts it has achieved in the banking sector since the establishment of the Republic and its deep-rooted institutional history. While carrying this position into the future, the Bank has adopted a fair, transparent, and accountable management structure in line with its reputable and principled banking philosophy.

Corporate Governance

The Board of Directors, İşbank's highest governing body which directs the Bank's strategies and policies, consists of 11 members, 2 of whom are women. The Board of Directors is made up of non-executive members except for the Chief Executive Officer, including 3 independent members. The positions of the General Manager and the Chairman of the Board of Directors are held by different individuals.

İşbank establishes governance committees as required for the purpose of formulating strategies

and policies, monitoring compliance with action plans, conducting performance evaluations and so forth. At İşbank, the Executive Committee, Audit Committee, TRNC Internal Systems Committee, Credit Committee, Credit Revision Committee, Corporate Social Responsibility Committee, Corporate Governance Committee, Risk Committee, Remuneration Committee and other miscellaneous committees operate in this respect.

[Detailed information about the corporate governance structure of İşbank is available on pages 78-82 of the 2017 Annual Report and the Corporate Governance Principles Compliance Report.](#)

Risk Management and Compliance

Risk management activities, one of the most material issues for İşbank, are performed by the Risk Management Division operating under the Board of Directors. Risk Management Division reports financial and non-financial risks

monthly to the Risk Committee, Audit Committee and the Board of Directors respectively.

The Risk Committee carries out the activities of preparing risk management policies to be monitored by the Bank on a consolidated and unconsolidated basis, presenting these for the approval of the Board of Directors, and for monitoring their applications. The Risk Committee operates in collaboration with the executive systems of the Bank to determine, measure/evaluate the risks the Bank may be exposed to, and to make suggestions on measures to be taken and methods to be followed. Risk management activities of the Bank are based on the regulations and implementation guidelines published by the Banking Regulation and Supervision Agency (BRSA). In addition to complying with regulations, the capital and liquidity adequacy for the entire risks that the Bank is exposed to is ensured within the scope of Internal Capital Adequacy Evaluation Process (ISEDES).

The Risk Management Division carries out its work related to internal and legal capital adequacy as part of the Basel regulations in line with international best practices and works to develop and verify risk measurement methodologies and to optimize the capital adequacy management process. The level of risk the Bank is exposed to is measured, assessed and monitored systematically in line with written risk policies and practices. Within this scope, the Bank manages risks in line with internal regulations approved by the Board of Directors such as Capital Adequacy, Credit Risk, Asset and Liability Management Risk, Operational Risk, Stress Tests, Reputational Risk, Consolidated Risk and Information Systems Management Policy. Risks that the Bank might be exposed to during operations are identified and classified through the Risk Catalogue. Risk Policies and Risk Catalogue are updated in line with changing risk management practices and regulations.

The financial risks identified in the Risk Catalogue are Credit Risk, Asset-Liability Risk, and Business Risk. Non-financial risks are identified as Operational Risk, Strategy Risk, Reputational Risk and Other Risks. Business environment risk, abuse and fraud

risk, business and products practices risk, transaction and process risk, information technology risk, and human resource risk are monitored under Operational Risk. Impact-probability analysis, lost event data analysis, scenario analysis and risk indicators are used for measuring Operational Risks.

Reputational risk is defined as loss of trust to the Bank or reputation impairment as a result of non-compliance with existing legal regulations or negative view of parties such as current or potential customers, partners, opponents and supervisory authorities. The factors that can influence the Bank's reputation are evaluated separately and as a whole.

Considering the rapidly changing banking regulations, compliance with these regulations closely concerns the whole sector. The monitoring of compliance of İşbank's duties and activities is carried out by the Corporate Compliance Division, which operates under the Board of Directors through the Audit Committee. The basic objective of the corporate compliance activities carried out by the Corporate Compliance Division is to provide maximum input for managing and controlling the Bank's compliance risk purposefully and effectively,

and within this framework, continuously ensuring that the execution and management of the Bank's operations are in compliance with the relevant legislation, regulation and standards in terms of structure and operation. Conducting all Bank operations in accordance and compliance with the Bank's objectives and policies, and the relevant legislation, regulation and standards is the most important fundamental duty and responsibility of the Bank's employees. The Head of Corporate Compliance Division also acts as the legal "Compliance Officer" and fulfills the duties and responsibilities under the Law on the Prevention of Laundering Proceeds of Crime and the relevant legislation as part of the Bank's Policy and the Compliance Program.

Business Ethics

Banks play a fundamental role in the economy, therefore it is very important that they operate in a fair competition environment as reputable institutions that create trust. Ethical principles guide the banking sector in this direction. İşbank has adopted the Code of Banking Ethics published by the Banks Association of Turkey and carries out all operations in accordance with these principles.

Along with the Code of Banking Ethics the following policies form the basis of the business activities of İşbank: Anti-Bribery and Anti-Corruption Policy, Gifts and Hospitality Policy, Human Rights and Human Resources Policy, Laundering

Proceeds of Crime and Fighting the Financing of Terrorism Policy.

The anti-bribery and anti-corruption principle which is among the 10 articles of the United Nations Global Compact, of which İşbank is a signatory, is also taken into account in all processes.

By ensuring full compliance with the policies at the Bank and regarding them in all business processes, employees are supported to internalize these policies. Newly recruited employees receive information on discipline provisions and ethical principles as part of their *I Start My Career* trainings.

As a part of the Branch Managers Development Program, which is an orientation and development program that supports the career development of new branch managers and prepares them for the work and processes at their new positions, branch managers are given information regarding the detection and prevention of irregularities and misconduct.

Similar subjects are also studied as part of the *Rising in My Career* trainings which are designed for managers. Also, trainings for detection and prevention of irregularities and misconduct are organized for members of the Board of Inspectors of İşbank.

Subject of Training	Number of Trainees	Total Training Duration (person*hour)
Anti-corruption	1,214	3,854
Ethical Principles	673	337
Human Rights	673	2,019

The Board of Inspectors addresses corruption as part of their audit activities, which evaluate corruption risks and report the results. In case of violation of anti-corruption principles, action is taken within the framework of internal disciplinary provisions and legal regulations, and administrative and legal processes are initiated for detected cases.

[Code of Banking Ethics, Anti-Bribery and Anti-Corruption Policy, Gifts and Hospitality Policy and other supplementary policies constituting the business ethics of İşbank are available on the corporate website.](#)

Sustainable Procurement

İşbank's ethical banking notion guides supply chain management and procurement principles as well. The Bank's Procurement Policy identifies the basic principles and guidelines for the procurement of goods and services. It is essential that goods and services are not procured from suppliers who have problems about morality and/or in providing quality goods and services, who have been realized to be engaged in legal proceedings involving bribery and corruption. Social conditions covering human rights, occupational health and safety and environmental impacts are taken into account when selecting suppliers, and their impacts in these areas are evaluated. The evaluation criteria in the procurement processes are based on whether the purchased goods and/or services are the company's main field of activity, whether it is supplied directly by

the company, compliance with local and international standards and the environmental impacts.

The procurement rate from local suppliers for support services is 99%.

[Details on how the Bank's ethical banking notion is applied in the supply chain are available on the website under İşbank Procurement Policy.](#)

SUSTAINABILITY APPROACH

İşbank develops products and services that make the lives of its stakeholders easier, at the same time the Bank contributes to the increase of social welfare and development of the country.

The sustainability approach adopted by İşbank has a great impact on the multidimensional value creation in its activities. İşbank develops products and services that make the lives of its stakeholders easier, contributing to the increase of social welfare and development of the country. The approach adopted by the Bank is based on a long-term and integrated management philosophy. Keeping the sustainability approach at the center of its business strategy, İşbank performs its activities with an integrated and long-term perspective.

Sustainability Management

İşbank aims to integrate sustainability into all business processes from operations to daily activities. İşbank's sustainability philosophy comprises managing its productive capital made up of product and service development processes; its financial capital including its own financial resources; its social capital made up of its relationships to society and to all its stakeholders; its human capital including the Bank's talents; and its natural capital covering resource management, all in an integrated manner.

İşbank's Sustainability Management System ensures that operations such as managing environmental impacts, evaluating the environmental and social impacts originating from loans, performing control and audit activities smoothly, and continuously developing human resource potential are put into practice in an integrated manner. İşbank's Sustainability Policy and its other supplementary policies form the basis of this system.

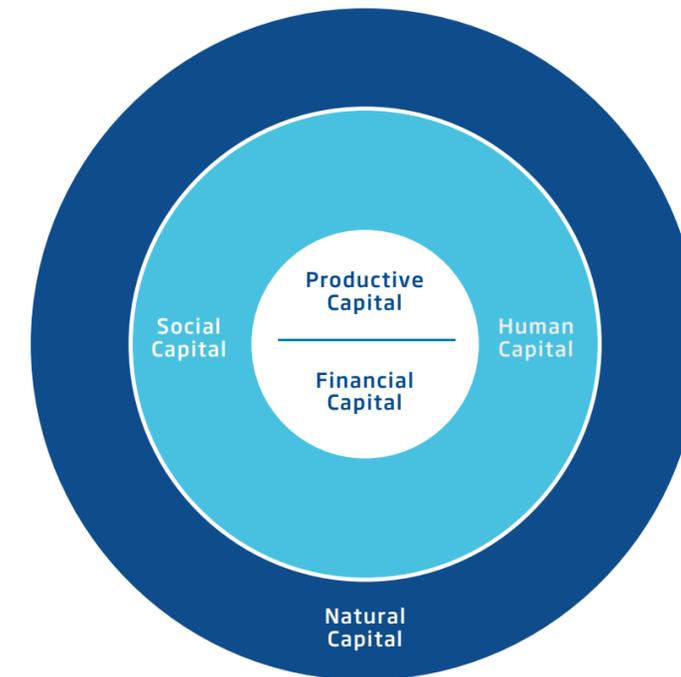
The Corporate Governance Committee, operating under the Board of Directors, is the Bank's highest authority responsible for sustainability. The Head of İşbank's Investor Relations Division serves as Sustainability Coordinator to ensure coordination of work within the executive organs. The Sustainability Working Group, which consists of members from different units, ensures the management of sustainability operations and the flow of information.

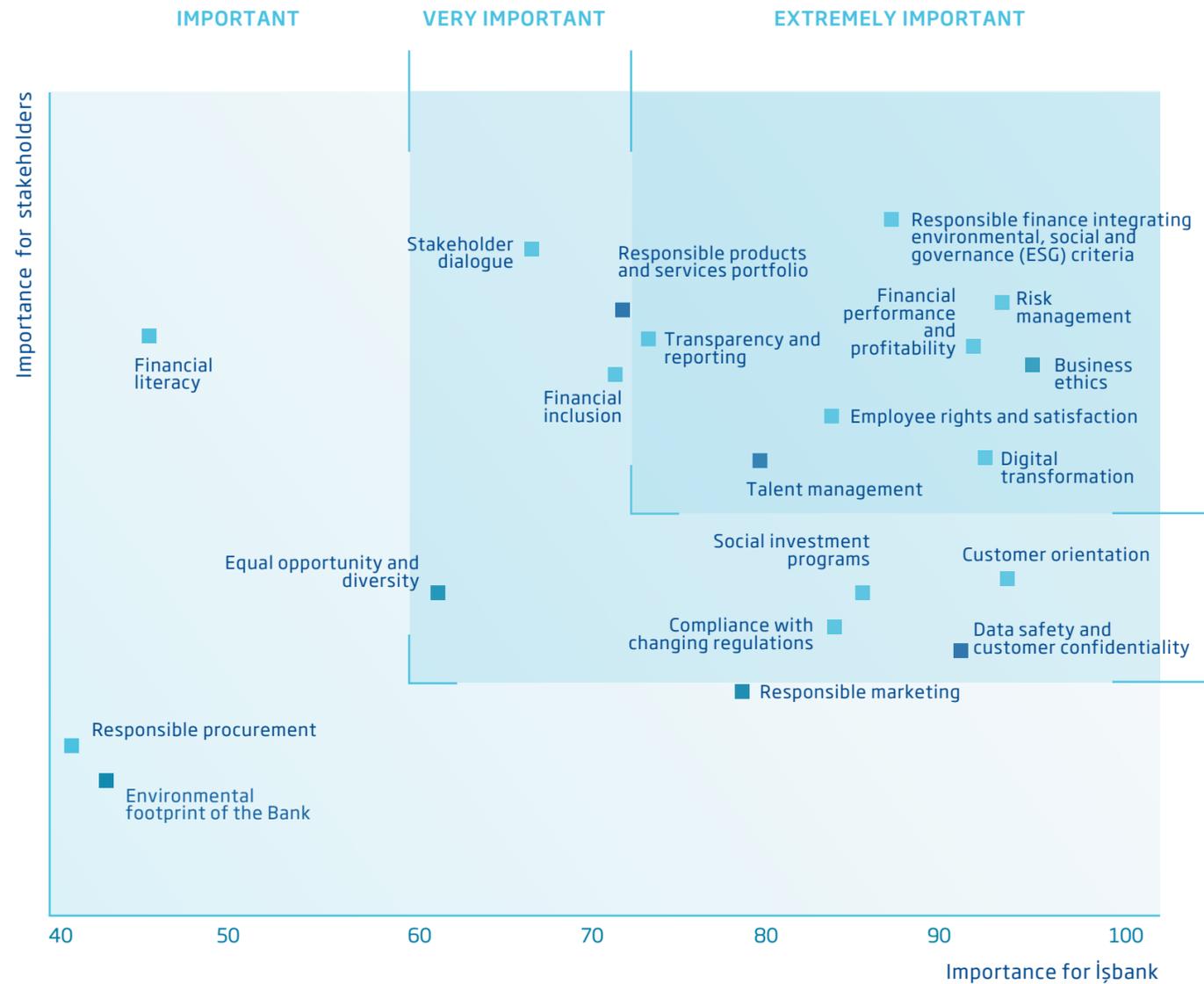
The Sustainability Management System, structured with processes and terms of reference, is regularly audited, and the audit results are presented to the Corporate Governance committee.

In this regard, a Sustainability Management System Handbook has been prepared as a guide to inform employees on the issues regarding the functioning of the Sustainability Management System.

The Corporate Governance Committee consists of a chairman and three members. The Vice Chairman of the Board Ms. Füsün Tümsavaş was elected as the Head of the Committee, the Member of the Board Mr. Ersin Önder Çiftçioğlu, the Member of the Board Mr. Özcal Korkmaz and the Head of the Investor Relations Division Mr. Süleyman H. Özcan were elected as the Members of the Committee, by the resolution of the Board of Directors dated 04.04.2017 and No. 41732.

The details on the policies reflecting İşbank's sustainability approach are available on the website.





Material Issues

The sustainability topics of İşbank, that provide a strategic direction for its work, have been formed by bringing the opinions of the stakeholders and the prospective strategies of the Bank together on common ground. The issues identified have been categorized in a triple scale; important, very important, extremely important. The extremely important issues explained in the

How Was It Determined? section include responsible finance integrating environmental, social and governance (ESG) criteria, financial performance and profitability, risk management, business ethics, digital transformation, employee rights and satisfaction, talent management, responsible product and service portfolio, transparency and reporting, and financial inclusion.

Integrating the outcomes of the analysis that determined the primary issues with the business strategies of İşbank is important for a holistic perspective and effective management of these issues.

Extremely Important Issues	Approach of İşbank	Relevant Section of the Report
Employee rights and satisfaction	İşbank believes that it can increase its corporate performance and customer satisfaction only with employees who enjoy their work. With the goal of being the most preferred bank for their employees, İşbank offers a working environment that takes employees' rights into account.	Working Life
Responsible finance integrating environmental, social and governance (ESG) criteria	İşbank takes the environmental, social and governance criteria into consideration while offering its products and services. The environmental and social impacts of financed projects are evaluated meticulously, and measures are taken to minimize/eliminate risks resulting from the projects.	Responsible Banking
Digital transformation	Focusing on the expectations of different customer groups, İşbank operates with the objectives of giving its customers a better banking experience and designing tomorrow's banking today. To this end, the Bank continuously invests in digital transformation to offer opportunities in many areas such as effective customer relations, personalized products and services, operational effectiveness, and extension of banking activities.	Digital Transformation
Financial inclusion	Thanks to its widespread branch network and digital banking applications as well as its products and services developed for disadvantaged customer groups, İşbank supports access to financial services and contributes to social welfare.	Responsible Banking
Financial performance and profitability	İşbank produces permanent value for the Turkish economy and all stakeholders. Focusing on profitable, healthy and sustainable growth through its strong capital structure, İşbank considers this the most important element supporting its operations.	About İşbank
Business Ethics	İşbank carries out all operations abiding by standards of business ethics without compromising its reputable and principled banking philosophy. This philosophy maintains İşbank's position as a respected, trustworthy, and reputable institution.	Ethical and Transparent Banking
Risk management	İşbank's risk management approach included in the scope of its transparent, fair and accountable corporate governance structure enables the Bank to evaluate and manage operations-induced risks in a comprehensive and integrated manner.	Ethical and Transparent Banking
Responsible product and service portfolio	İşbank diversifies its financial products and services, which it offers to contribute to inclusive and sustainable growth. The Bank offers various products, which create social benefits, give disadvantaged groups access to finance, and contribute to a low carbon economy. The Bank's long-lasting collaborations with international financial institutions are also important in terms of providing resources to finance operations supporting sustainable development.	Responsible Banking
Transparency and reporting	The Bank regards briefing its stakeholders on its performance in a fair and transparent manner as an institutional responsibility.	Ethical and Transparent Banking
Talent management	Employees constitute the most valuable capital that contributes to the long-term success of the Bank. Retaining good, qualified employees at the Bank, contributing to their occupational development and attracting new talent to the Bank are some of the very high priority issues of İşbank.	Working Life

İşbank determined the sustainability issues that provide a strategic direction for its work through a comprehensive stakeholder analysis which took international standards into account and was based on an integrated methodology.

How Was It Determined?

As part of this year's priority analysis, a versatile approach was adopted in compliance with the AA1000SE standard where both the expectations of the internal stakeholders consisting of a wide sample of employees of the Bank and the opinions of the external stakeholders were received. Thus, as each prominent sustainability issue in the banking industry was evaluated, opinions from all the Bank's stakeholder groups were included in the analysis.

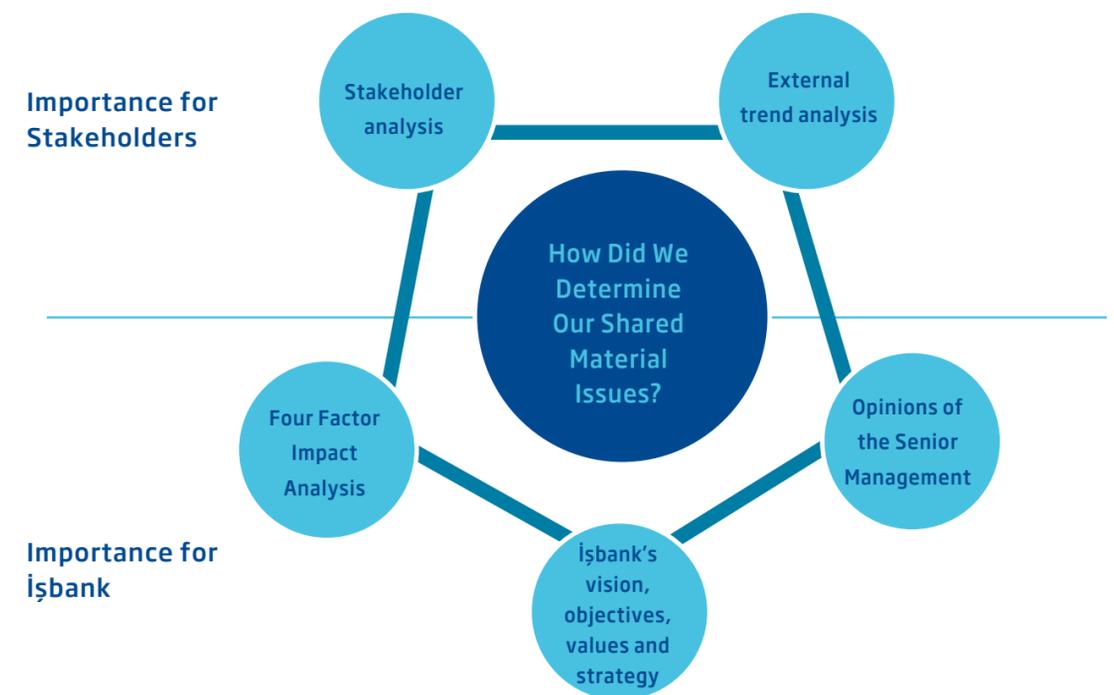
In this regard, İşbank consulted with stakeholder groups including employees, customers, investors, nongovernmental organizations, associations, international organizations, financial institutions, subsidiaries, business partners, public institutions, suppliers, media and universities. Through online surveys sent to these stakeholders, the Bank learned their views on material issues, and beyond that, through open-ended questions, their expectations of the Bank regarding sustainability were also discovered. 53% of the 437 stakeholders who were contacted during this process contributed to the study to share their opinions.

"Due to its share in the banking industry, every study conducted by İşbank has a very high transformative impact for Turkey. For this reason, I think the consistency of your work is important."

Stakeholder Opinion - Non-governmental Organization

Opinions from stakeholders were evaluated keeping in mind the external trends that give a direction to the sector. In this regard, such guidelines, principles and publications as the Sustainable Development Goals, the United Nations Responsible Investment Principles, Global Compact Turkey's Declaration of Sustainable Finance and the Tenth Development Plan were utilized. Besides these, the outcomes of studies of pioneering sustainability institutions such as the United Nations Environmental Programme Finance Initiative, and the Global Alliance for Banking on Values, Shared Value Initiative were taken into account.

As the priority of each issue was evaluated, how it would fit into İşbank's strategy was considered together with the opinions of Senior Management consisting of the Board of Directors and the Executive Committee. Each issue was evaluated according to the financial, legal, innovative and competitive risks, opportunities, and impact it posed by using the Four Factor Impact Analysis which allows the Bank to consider every subject within the context of different effects and opportunities as suggested by SASB.



Dialogue with Stakeholders

Holding to its belief in the importance of establishing open, transparent, and honest communication with its stakeholders, İşbank regards conducting its activities according to stakeholders' opinions and expectations among its core priorities.

Ideas, opinions and suggestions delivered to the Bank through various communication channels that facilitate stakeholder dialogue are evaluated meticulously, and used to develop processes and services.

The details on the Bank's dialogue with different stakeholder groups are available in the annexes of the Report.

Sustainable Development Goals and İşbank

The private sector plays an important role in finding solutions to all of the social and environmental problems. The Banking industry occupies an important position and has the resources to offer both direct and indirect solutions for the global and regional problems encountered today. In the stakeholder analysis study, the details of which were given in the *How Was It Determined?* section, İşbank's stakeholders were asked how the banking industry contributed to sustainability, and 83% of stakeholders stated that the industry contributed to sustainability through the transformative power of banks, and by offering sustainable products and services. This expectation also points out the importance of following the guidance of the Sustainable Development Goals (SDGs).

Operating with the aim of creating permanent value for all of its stakeholders, İşbank adopts and supports the United Nations Sustainable Development Goals which were agreed in 2015 in order to guide investments and initiatives related with sustainable development, globally. Supporting

these objectives is important for the Bank in terms of increasing its business potential as well as offering opportunities to create environmental and social values for society.

Along with this macro approach, the relationship of the Sustainable Development Goals with the high priority issues of İşbank is summarized in the following table. İşbank, thanks to its customer oriented approach as well as the products and services it has developed as a result of its investments into digital transformation and responsible banking, has increased financial access of not only overall country population's (SDG 1, 3, 10), but also the entrepreneurs' and SMEs' that are the base of the national economy (SDG 8). These products and services contribute to the welfare of society, secure healthy lives for individuals, decrease inequalities in society, and make comprehensive sustainable economic growth possible.

Benefiting from international collaborations (SDG 17), İşbank enables finance for sustainable energy and access to modern

energy which plays an important role in decreasing the impact of climate change (SDG 7, 13). The Bank provides funding for the development of large and durable infrastructure projects (SDG 6, 9) that facilitates improvement in daily life and industry. The Environmental and Social Risk Evaluation Tool and the Exclusion List, which are used by the Bank as the basis of sustainability criteria for financing decisions, ensures that projects using İşbank resources will be developed through securing sustainable production and consumption models (SDG 12).

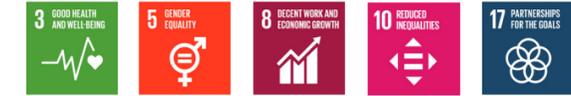
As this risk evaluation approach assesses environmental and social impacts in an integrated manner, it encourages companies that require finance to prioritize combating climate change, protecting life in water and on land (SDG 13, 14, 15).

In brief, İşbank's responsible finance approach enables it to finance projects that fulfill the requirements of a low carbon economy and manage their ethical and social impacts.

Extremely Important Issues

Sustainable Development Goals

Employee Rights and Satisfaction



Responsible Finance Integrating Environmental, Social and Governance (ESG) Criteria



Digital Transformation



Financial Inclusion



Financial Performance and Profitability



Business Ethics



Risk Management



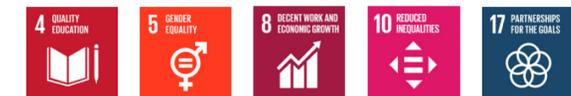
Responsible Products and Services Portfolio



Transparency and Reporting



Talent Management



RESPONSIBLE BANKING

İşbank's banking operations cover a wide scope from developing products and services that create value for the lives of its stakeholders to the evaluation, mitigation or elimination of the impact resulting from investments it finances. The comprehensive perspective resulting from this responsible banking approach requires developing products and services in various

areas from financing renewable energy projects supporting a low carbon economy to the strengthening of SMEs that form the foundation of the economy. These initiatives contribute to the solution of problems whose importance is also emphasized in the global goals.



Ensure access to affordable, reliable, sustainable and modern energy for all



Build resilient infrastructure, promote sustainable industrialization and foster innovation



Ensure sustainable consumption and production patterns



Take urgent action to combat climate change and its impacts



Promote just, peaceful and inclusive societies



Revitalize the global partnership for sustainable development

Responsible Finance

İşbank is aware of the transformative power of financing. The Bank contributes to sustainable development, directly and indirectly, through various projects financed and supports the national economy. İşbank's responsible financing approach enables it to both protect the reputation of the Bank and its credit risks and to support high feasibility projects that create social benefits.

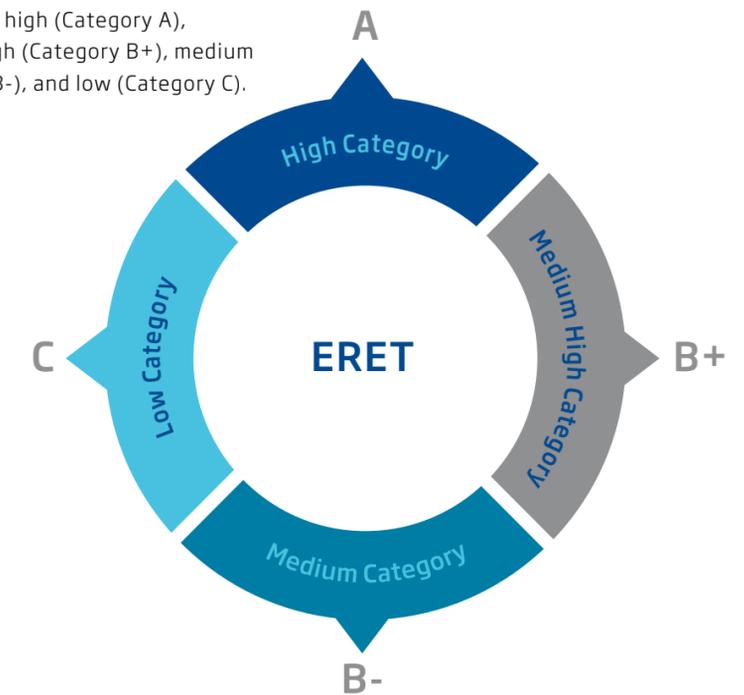
Environmental and Social Risk Evaluation in Loans

In the process of loan evaluation, the traditional economic and project feasibility evaluations are very important, but so are the environmental and social impacts. In the sector, the systems that comprise the identification of environmental and social impacts originating from loan operations, their analysis in the evaluation processes, determining the dimensions of the possible impact and risk, determining the obligations and practices required to limit the risk and impacts, and the consideration of these determinations in the decision making processes have become prominent.

At İşbank, the potential environmental and social risks of all new investment projects worth more than USD 10 million and the investors demanding loans are evaluated by the Environmental and Social Risk Evaluation Tool (ERET). The Environmental and Social Management Team makes evaluations through 26 different criterias included in the ERET.

The ERET evaluates the investments in topics such as use of natural resources, waste management, air, soil and water quality, noise, dust, occupational health and safety, social health and safety, resettlement and stakeholder engagement, classifying them according to risk levels in 4 categories: high (Category A), medium high (Category B+), medium (Category B-), and low (Category C).

The investments which are in the scope of evaluation are evaluated referring to national legislation and international best practices such as IFC (International Finance Corporation) Performance Standards, EBRD Performance Requirements, and Equator Principles. A Project Environmental and Social Evaluation Certificate is issued for each investment.



For projects evaluated to be high risk (Category A), İşbank works with independent environmental consultancies that act on behalf of the Bank, and an Environmental and Social Impact Assessment (ESIA) is conducted following field visits to evaluate the environmental and social impacts of the project. An Environmental and Social Management Plan and Environmental and Social Action Plan (ESAP) is issued, if necessary, in order to manage the environmental and social impacts of investments in areas such as waste management, emission measurements, earth and water analyses, socio-economic impacts, impacts on ecosystems and habitat, compensation mechanisms, occupational health and safety practices and compliance with environmental legislation. Environmental and social monitoring practices are conducted by the participation of İşbank Environmental and Social Management Team at maximum level.

İşbank is one of the first signatories of Turkey's Declaration of Sustainable Finance which was put into practice by Global Compact Turkey and undertakes the evaluation of the environmental and social impacts in the loan processes.

İşbank requires the following commitments from investing companies in order to eliminate/ decrease or compensate for the negative environmental and social

impacts of the projects financed by it:

- Carry out forestation efforts to reduce and offset carbon emissions and, use of indigenous species for forestation, trees are planted in appropriate spaces on the project site as much as possible and endemic species are protected,
- Taking necessary precautions to protect biodiversity in specific and protected areas,
- To prioritize the purchases of land through agreements, to prepare resettlement plans and restructuring the source of income plans in the projects involving physical and economic displacement in context of expropriation,
- To develop social responsibility projects with the aim to create compensating and new income for locals within the impact area of the project, to prioritize local community in the requirements of investments on labor force and procurement,
- To establish "Stakeholder Engagement Plan" within the scope of investments, by developing internal and external complaint mechanisms in order to take into consideration opinions of employees, locals and other stakeholders concerning the project and, eliminating their disturbances,
- To take additional measures to this end in environmental management plans through additional work, such as cumulative impact analyses and ecological impact assessment,
- To ensure the compliance of investor with the Occupational Health and Safety legislation for

both existing and investment activities, to increase occupational health and safety practices, and to develop emergency action plans. The compliance of investing companies with these commitments is guaranteed through loan agreements.

In 2017, 10 projects were subjected to ERET evaluation. 10% of the projects were classified as A, 40% as B+, and 50% as B-.

According to its responsible banking approach, İşbank does not finance operations including hydroelectric power plant projects under 25 MW of installed capacity, investments involving forced child labor, the production of weapons of mass destruction and land mines, the production and commerce of internationally prohibited chemicals, drugs or substances that are harmful to the ozone layer, and operations that result in the significant alteration, damage, or removal of cultural assets included on the UNESCO World Heritage List and the UNESCO World Heritage Tentative List.

[The Exclusion List is in the annex of İşbank's Environmental and Social Impacts Policy which is available at the website.](#)

Financing Renewable Energy

Low carbon growth and the reduction of the carbon footprints of all industries can be made possible by promoting alternative energy resources. Investments in renewable energy form a basis not only for the fight with the impacts of climate change but also for social development. According to the 2017 report on Renewable Energy and Employment by the International Renewable Energy Agency (IRENA), one of the most important areas stopping the uptrend in global unemployment is the employment increase in the renewable energy industry. According to the report which was prepared by taking into account clean energy industries

such as solar, biomass, hydroelectric and wind, in 2016, 9.8 million jobs were created as renewable energy throughout the world increased by 1.1%. In the 2017 report, it is noted that the clean energy industry created 94,400 jobs in Turkey. İşbank attaches great attention to the finance of renewable energy with the awareness that its contribution to development creates multiplier effects. By the end of 2017, the renewable energy projects account for 46% of its total energy projects portfolio and 25% of its project financing portfolio. Having a greater role in the transition to the low carbon economy, İşbank supports the decrease of the risk and impacts stemming from climate

change by financing renewable energy. By 2017, the Bank financed 232 renewable energy projects with a total installed capacity of 1.355 MW, which were developed in the fields of biomass, solar energy, hydroelectric, wind and geothermal areas.

2017 Renewable Energy Finance Portfolio

Energy Type	Number of projects	Loan Amount (USD million)	Risk (Cash and Non-cash) (USD million)	Commitment (USD million)	Installed Power (MW)
Biomass Power Plant	5	70.5	19.5	51.0	44.9
Solar Power Plant	213	265.5	242.2	16.1	287.4
Hydroelectric Power Plant	5	264.1	186.7	77.4	683.5
Wind Power Plant	6	170.8	135.3	35.5	236.0
Geothermal Power Plant	3	122.0	69.7	52.3	103.5
Total	232	892.9	653.4	232.3	1,355.5

İşbank benefits from the funds which are obtained through the cooperation with international financial institutions while it finances renewable energy.

İşbank benefits from the funds which are obtained through the cooperation with international financial institutions as well, while it finances renewable energy. In this regard, renewable energy and energy efficiency projects of small and medium sized businesses are financed through various loans provided by international financial institutions. In the last quarter of 2016, an amount of USD 111.2 million worth of new resources were provided by the European Investment Bank (EIB) within the scope of the Turkish Mid-size Sustainable Energy Financing Facility (MidSEFF). At the same year, as part of the same program, USD 55 million worth of resources were provided by the European Building and Development Bank (EBRD).

The 1st and 2nd phase uses of the Turkish Sustainable Energy Financing Facility (TurSEFF) provided by the EBRD for the financing of renewable energy and energy efficiency investments were completed, and in 2017, USD 55 million worth of new resources were provided as part of TurSEFF's 3rd phase.

In 2017, for the financing of İşbank's housing loans, primarily for those that are extended for energy efficient housing (İşbank's Green Mortgage) that conformed to the criteria established by the IFC (International Finance Corporation), USD 125 million worth of resources were provided by the related institution.

USD 20 million of the relevant resources was provided by the Clean Technology Fund through the IFC. In addition to this, in order to increase demand for green and energy efficient buildings, and to promote efficiency technologies, financing opportunities are offered to the customers that are interested in residential buildings with high energy efficiency as part of a total resource of USD 75 million provided by the EBRD, the Clean Technology Fund and the Turkish Residential Building Energy Efficiency Financing Facility (TuREEFF) in 2015.

[You can access the list of loans provided by İşbank from international financial institutions in the Annexes section of the Report.](#)

Responsible Products and Services

The products and services offered by İşbank meet the needs of customers from different socio-economic backgrounds. With its inclusive approach, the Bank aims to ensure that all segments of society have access to banking services and to make its services more widespread. The Bank also contributes to the improvement of social welfare by reaching different segments through the special products and services it provides for different customer groups.

İşbank ensures that all segments of society that add value to the Turkish economy, ranging from renewable energy to housing loans and from SMEs to farmers, benefit from banking services. The Bank aims to raise customer awareness on savings, help them save for the future and increase their financial literacy.

Infrastructure Loans

The funds transferred to the infrastructure projects support the development of the economy. İşbank continued to finance the investment projects in 2017 as well.

In 2017, İşbank extended loans to city hospital and integrated health campus projects based on public-private participation (PPP) model, which are believed to make great contributions for economic

development and employment as well as fulfilling the objective of creating a quality, efficient and sustainable health model that is accessible to everyone. The cash and non-cash finance amount provided by İşbank for these projects reached USD 1 billion in total as of 2017 year-end.

In relation to financing of mega infrastructure projects based on build-operate-transfer model, İşbank continued negotiations with the investor groups and national/foreign potential creditors who undertook the construction of Kurtköy-Akyazı (Asia) and Kınalı-Odayeri (Europe) Sections of North Marmara Highway, construction of Ankara-Niğde Highway, and construction of Malkara-Çanakkale section (including Çanakkale 1915 Bridge) of Kınalı-Tekirdağ-Çanakkale-Savaştepe Highway.

Some projects financed by a consortium of banks including İşbank received awards in the following categories from EMEA Finance, a leading finance magazine in Europe, Middle East and Africa:

- Akfen Eskişehir City Hospital Project: "Best Healthcare Deal in Europe, Middle East and Africa" and "Best Healthcare Deal in Central and Eastern Europe",
- Refinancing of Kadıncık I-II HEPP Privatization and HEPP Portfolio: "Best Project Finance Deal in Central and Eastern Europe",

- Refinancing for the current loans and financing new investments of Kazancı Holding-Aksa Doğalgaz: "Best Syndicated Loan Deal in Central and Eastern Europe",
- Financing of the 3rd Bosphorus Bridge and Odayeri-Paşaköy Section of the North Marmara Highway: "Best Infrastructure Deal in Europe, Middle East and Africa" and "Best Transport Infrastructure Deal in the Central and Eastern Europe".

In order to help SMEs get stronger and contribute more to the economy, loans and service packages specially designed for SMEs' needs are offered and financial consultancy services are provided through strong collaborations.

TEMA Çevre Değişken Fon (TEMA Environmental Variable Fund)

TEMA Çevre Değişken Fon, a first in Turkey, is a product that was developed to give environment-friendly investors the opportunity to support environmental activities with their savings. Resources allocated from the fund to the TEMA Foundation provide sustainable financial support to environmental projects. The fund, which invests in companies with effective environmental management systems with part of its portfolio, emphasizes that companies overseeing their environmental impacts will achieve more successful financial results in the long term.

Maximum TEMA Card

The Maximum TEMA Card is a credit card developed to support the activities of the Turkish Foundation for Combating Soil Erosion, for Reforestation, and the Protection of Natural Habitats (TEMA) for customers who want to support the protection of natural assets. Maximum TEMA Card has all the features of Maximum Card and the margin of contribution calculated based on the amount of transaction using the card is transferred to TEMA Foundation from the resources of İşbank. Maximum TEMA Cards have been specially designed from bio-degradable card plastic materials. In the printed materials of Card, the materials that are manufactured by producers without harming ecological life with an FSC (Forest Stewardship Council) certificate are used.

Support for SMEs

İşbank considers the value created by SMEs as one of the most important milestones of the Turkish economy. In order to help SMEs get stronger and contribute more to the economy, loans and service packages specially designed for SMEs' needs are offered and financial consultancy services are provided through strong collaborations. During 2017, activities continued for extending the fund worth USD 47.6 million received from the EIB last year for financing the SMEs satisfying the EIB defined criteria and for businesses with 250 to 3,000 employees for financing the customers' investments.

Within the framework of the agreement with Japan Bank for International Cooperation (JBIC), solutions have been provided for the financing needs of companies importing goods from Japan and of energy projects covering turnkey contractors of Japanese origin in 2017. Besides, based on the agreement between the Bank and the Export Import Bank of Korea (KEXIM), financing opportunities were provided to customers for working capital needs of firms linked to Korea and investment financing needs of companies doing business with firms linked to Korea.

In addition to these international collaborations, the Bank continued to contribute to support and promote businesses through KOSGEB (Small and Medium Enterprises Development Organization).

İşbank became one of the banks financing SMEs within the framework of the protocols signed with KOSGEB in 2017, namely the 2017 Interest-Free Working Capital Loan Interest Support, the 2017 Emergency Support Loan and the Trabzon Beşikdüzü and Vakfıkebir Districts Emergency Support Loan. The amount of loans extended to SMEs in 2017 reached TL 55.1 billion at a 24.3% increase.

The İŞ'LE BULUŞMALAR (Meeting with İşbank) event, which was organized for İşbank to get to know SMEs more closely and to develop products to meet their needs, was held in 2017 as well. Also, İŞ'TE KOBİ (SMEs at İşbank), İşbank's web portal open to the SMEs, offers them the opportunity to benefit from free consultancy services in many fields such as business law, taxes, entrepreneurship, farming, and livestock. The SMEs can also access current news, articles, and expert comments through the same portal which gives them the opportunity to develop. The number of subscribers to İŞ'TE KOBİ website exceeded 82 thousand in 2017. Thanks to the SUNUMATİK application exclusively available to members of İŞ'TE KOBİ, SMEs can prepare their promotional presentations in Turkish or in English to easily and effectively promote their products.

Another service that is offered in the web site of İŞ'TE KOBİ and allows thousands of companies operating in different sectors to meet under the same roof is the SME Market.

The number of SMEs which promote their companies and advertise their products and services in the SME Market has reached approximately 11,000. Deemed worthy of a total of 34 national and international awards so far, İŞ'TE KOBİ shares different content such as thousands of current news, articles, industrial reports, video interviews, and expert comments with members and other users.

Technology Startup Package

As part of the Technology Startup Package, businesses which are established maximum three years ago, which are innovative, technology based and have rapid growth potential, can benefit from basic banking services for a certain period of time, free of charge or at a discount. 193 companies have been included in the Technology Startup Package, which was put into practice by İşbank at the end of 2017.

Workup by İşbank

İşbank is the main sponsor of multipartner Workup program which supports technology startups with high potential. At Kolektif House, a collaborative workplace in which entrepreneurs develop innovative ideas, they receive training on business idea development, entrepreneurship, team building and management, law, finance and accounting areas. They gain the opportunity to develop themselves and expand their customer portfolio with the support of İşbank. The Workup Startup Program had its first 9 graduates in 2017.

Support for Agricultural and the Livestock Industry

İşbank contributes to society and the local production economy through the support and loans it extends to the agriculture and livestock industries, which it regards as one of the most significant industries in Turkey. İşbank has plenty of products for its customers in the agriculture and livestock industries such as its Tractor Loan, Agricultural Equipment Loan, Agricultural Business Loan, Pick-Up Type Land Vehicle Loan, Cattle Livestock Business Loan, Cattle Milk Livestock Business Loan and Cattle Procurement Loans, Greenhouse Business and Investment Loan, Apiculture Business Loan, Agricultural Land Loan, Poultry Business Loan, Agricultural Products Office Warehouse Receipt Loan and Contracted Production Loan.

Cash loans that were extended in the agriculture and livestock industries in 2017 exceeded TL 3 billion.

The Bank offers producers a non-payment period for the first 6 months with its İmece Card, which it developed to promote its customers in the agriculture and livestock industries. This way, producers can comfortably plan their production

and make their payments in the harvest periods.

İşbank also continued to develop the services offered in the agricultural banking field in 2017. In addition to the proliferation of agricultural services established in certain branches to provide service to customers in the agriculture industry, İşbank formed Agricultural Direct Sales Teams to support agricultural banking operations with mobile teams on site.

The Bank started to organize regional agriculture meetings, called Tarım Sohbetleri (Agriculture Talks) to increase the effectiveness of the wide service network it established and to provide more focused service for the agriculture sector. In these meetings, the needs, development potential and branding issues of the regional production are addressed. In meetings held in Mersin, İzmir and Aksaray in 2017, producers were given information about the food industry, quality in production and creation of added value, and opinions regarding the industry were collected from relevant actors.

Support for Tradesmen

İşbank supports tradesmen, one of the professional groups that makes a significant contribution to the Turkish economy, in order to protect their business areas as well as to sustain local cultures and values. With the Tradesman Loan, developed for the needs of tradesmen, small enterprises are given the opportunity to develop themselves by offering low interest loans up to TL 100,000.

By the end of 2017, Tradesman Support Loan amounting to TL 883.3 million has been extended.

İşbank uses the advantages of digital transformation of banking operations to implement projects that create value for disadvantaged customer groups.

Support for Disadvantaged Groups

In order to help disadvantaged groups actively participate in the economy by using financial services and products, İşbank continuously improves its banking services and products beyond its legal liabilities. In this regard, İşbank uses the advantages of digital transformation of banking operations to implement new projects that create value for disadvantaged customer groups.

The number of ATMs (Bankamatik) where visually impaired customers can make audio transactions through voice commands is being increased. In these ATMs, when the audio transaction starts, the ATM screen goes blank to provide customer privacy. After the transactions are completed, visually impaired customers can also check their transactions with audio messages sent to their smartphones. The number of audio ATMs reached 3,346 at a 37% increase in 2017.

The number of ATMs suitable for the use of visually impaired customers constitutes 51% of all ATMs.

The Bank is increasing the number of ATMs suitable for orthopedically disabled individuals as well as visually impaired customers. In this regard, as of 2017, over 600 ATMs were put into service throughout Turkey, distributed according to the number of disabled individuals residing in the regions. İşbank also continues to increase its number of wheelchair accessible branches regularly every year.

Another new target is to introduce a subtitle feature on all promotional videos for hearing-impaired customers.

After the renovation work scheduled to be conducted until the end of next year, İşbank is planning to put this feature into practice on its official website. In 2018, the Bank also aims to complete and put into practice a project that makes it possible for hearing-impaired customers to communicate with a call center representative that knows sign language.

In order for disabled customers to perform transactions in the branches more quickly, the Banks continues to work on prioritizing them in ordering of transactions. In addition, within the context of the Regulation on the Accessibility of Banking Services, e-training has been designed in order to raise awareness about the issues to be considered when serving disabled customers by the Banks Association of Turkey in cooperation with the Alternative Living Association (AYDER) and these trainings are being provided by the Bank to both the Head Office and branch employees.

The main goal of these two e-classes, titled Right Approach to Disability and Sign Language, is to ensure correct communication with disabled customers, to learn sign language, and to increase the solution development capacity for special needs. In 2017, 206 employees were given Right Approach to Disability training, while 169 employees were given Sign Language training.

Support for Women Entrepreneurs

Women need to participate in the work force by establishing their own business to contribute to social and economic welfare, therefore women entrepreneurs need to be supported. İşbank not only acts as a financial partner of women entrepreneurs, but also as a solution partner that shares experience and knowledge. In addition to transferring resources from its own funds and international funds to women entrepreneurs, İşbank establishes cooperations and organizes training, seminars and workshops for women entrepreneurs and also supports them with mentoring.

Funds worth USD 220 million, which was provided by the Overseas Private Investment Corporation (OPIC) for the financing needs of small and medium sized enterprises, including women entrepreneurs and those operating in prioritized development regions, have been extended.

İşbank allocated funds worth USD 55 million to women entrepreneurs in line with the Program on Finance

and Advice for Women in Business, maintained jointly with the EBRD, the European Union Delegation to Turkey, the Ministry of Labor and Social Security and the Turkish Labor Inspection Agency.

While banking services to be implemented as part of this support program for women entrepreneurs were determined, women entrepreneurs who used loans from the Bank in İstanbul, Ankara, İzmir and Muğla were given training in cooperation with the Frankfurt School on leadership, marketing and communication skills. By this means, women entrepreneurs also had the opportunity to develop their business networking by communicating with each other. İşbank also organized Women Entrepreneurs - Relationship Management Training for customer representatives and customer relations managers working in İstanbul, Ankara, İzmir, Kocaeli ve Adana. In order to create awareness about women entrepreneurs, an e-training was organized for all employees in the Bank and the training was completed by more than 500 employees in 2017.

Women entrepreneurs are given the opportunity to submit questions and receive free consultancy through a special area reserved on the İŞ'TE KOBİ website. This area also includes actual news about women entrepreneurs, articles on entrepreneurship, videos of success stories, and informative interviews on products and services offered to women entrepreneurs.

Kumbara Karma Fon (Money Box Hybrid Fund) and Dijital Kumbara (Digital Money Box)

İşbank money box, which has become a symbol of saving in Turkey, contributes to form a habit of saving in children since 1928. In addition to money box, with the Kumbara Karma Fon, a savings plan that secures the future of their children is presented to the parents.

In 2017, the classic İşbank money box was developed to give the opportunity to save money digitally to children under 18 and the Dijital Kumbara was presented to the new generation. Money can easily be transferred to Dijital Kumbara via İşcep and is deposited in the Vadeli Kumbara Hesabı (Money Box Savings Account). As of 2017 year-end, the number of İşbank's Kumbara Karma Fon users exceeded 219 thousand, and the total funds reached TL 436 million.

Urban Transformation Project

The Urban Transformation Project, which started with the protocol signed between the Ministry of Environment and Urbanization and İşbank for the purpose of renewing buildings which are risky in terms of natural disasters, completed their economic life and insensitive to the environment. The Project provides loans with supportive interest to the right owners and aims to build reliable buildings that are equipped with social areas and comply with legal regulations in terms of energy efficiency. The project is important as it provides reliable housing for society and increases the quality of housing stock of the country.

In 2017, 643 customers were provided with Urban Transformation Project financing amounting to approximately TL 84.4 million.

Under the agreement signed with the European Investment Bank (EIB) in May 2014 for the financing of Urban Transformation Projects, allocations of funds worth EUR 200 million to right owners are in progress. Disbursement of loans for energy efficiency in residential units within the frame of the "Turkish Residential Energy Efficiency Financing Facility" (TuREEFF) program under the agreement with the European Bank for Reconstruction and Development (EBRD) for funds worth USD 60 million and with the Clean Technology Fund (CTF) for funds worth USD 15 million is in progress as well.

A new contract with the IFC was signed in December 2017 within the securitization program based on the remittance flows to be used on housing loans. Under the agreement of which the investors are the IFC and the CTF, a total of USD 125 million has been obtained. USD 20 million of the total funds was obtained from the CTF while the IFC provided USD 105 million.

Üstü Kalsın (Keep the Change)

The application of Üstü Kalsın, which helps customers acquire savings habits, encourages customers to round up their periodic credit card payments, so the difference can

earn interest in an investment account. As part of this practice, TL 64.4 million in total savings has been achieved in 2017 at a 6% increase against the previous year.

Yuvarla (Round Up)

With Yuvarla application, which makes donation as easy as it fits into daily lives, İşbank customers round up their fractional expenditures while using their individual bank and credit cards and they are able to donate the rounded amount in social and environmental issues by choosing institutions among approximately 20 institutions such as the associations, foundations or non-governmental organizations.

Müzekart (Museum Card)

Müzekart is an important project for İşbank in terms of the promotion of cultural assets which allows the holder visit more than 300 museums and archeological sites that are operated by the Ministry of Culture and Tourism of the Republic of Turkey. All of İşbank's Maximum credit cards are equipped with the Müzekart feature. This allows İşbank credit card holders to visit more than 300 museums and archeological sites free of charge, for a period of one month each year.

Responsible Marketing

Today, the success of companies and the private sector comes from effective, healthy relationships that are based on trust with customers. As options increase, making a difference in customer focus is possible by investing in this trust relationship. Accurate and effective briefing by the finance industry regarding its products and services is just one of the increasing number of demands and expectations customers have, especially the new generation.

As a deeply-rooted bank, İşbank is associated with a sense of trust in the eyes of its customers. An important factor of this prestigious position relying on trust is the Bank's adoption of its responsibility of always informing customers about its products and services in a correct, reliable, open and transparent manner.

Through a customer-focused approach, the Bank provides information that does not mislead customers, that facilitates customers' decision making processes and responds to their needs. It is important that customers understand the risks of the products and services they will benefit from, and how their choices will change their lives. In this regard, the Bank

puts emphasis on providing effective guidance and asking correct questions so that customers can select the products and services that best meet their needs.

İşbank invests in developing the skills of its employees who provide this information to customers directly or indirectly. 17 newly recruited İşbank call center employees were provided with a total of 238 hours of training on Professional Communication and Diction on the Phone, as part of the "I Start My Career-Call Center" training program. Trainings aiming to increase the communication skills of employees with different customer groups from different segments are organized.



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CUSTOMER FOCUS

While developing its products and services, İşbank works to provide a better banking experience in line with customer expectations and needs. Since its establishment, the Bank has facilitated and continues to facilitate its customers' lives through its customer focus, one of its material sustainability issues. With its goal of being the most preferred bank, İşbank seeks to provide a better and higher quality banking experience every day, to establish effective communication with customers and to preserve the trust of customers at all times. In doing so, it aims to provide all segments of society with access to responsible financial products and services. In this regard, the digital transformation program is being applied throughout the Bank. As part of the Digital Transformation Program launched in 2015 in line with its customer focused approach, the Bank started the work of transferring its banking processes to digital platforms. İşbank continues its investments in digitalization to provide its customers with a faster and more enjoyable banking experience. The bank also regards digitalization as an opportunity enabling İşbank to offer personalized products and services to different customer groups. The

details of İşbank's activities in this field are available in the *Digital Transformation* section of the Report.

Customer Experience and Satisfaction

İşbank is aware that being the most preferred bank is closely related to ensuring high customer satisfaction. Today, İşbank works to provide an experience that will ensure high satisfaction for its approximately 15 million banking customers in total from individual, commercial, corporate and private segments from every region of Turkey. Employees are trained to understand customer expectations and provide a better experience in order to improve satisfaction.

The Bank has determined its *Customer Experience Principles* in order to understand customers' needs and expectations; the moment a need emerges, to meet it in real time in a personalized, suitable and easily accessible manner and to provide a consistent and integrated customer experience. The Customer Experience Principles set out İşbank's vision for customer experience by being the Bank that works for its customers and provides its customers with the most relevant

products and services by ensuring easy interaction and understandable communication.

In line with its mission of becoming the closest bank to the customer, İşbank updates its business processes in a way to improve the banking experience of customers. Adapting the traditional banking methods to today's conditions and customer needs and redesigning them as part of its digital transformation, İşbank ensures high customer satisfaction by offering a more enjoyable and fast banking experience to its customers.

In addition, İşbank examines communication processes, and designs applications to improve them in line with customers' needs and expectations. In this process, İşbank uses Design Oriented Thinking and Customer Journey methods. Through Design Oriented Thinking, customers' needs and problems are determined by empathizing with them, their problems are solved using innovative solutions, and success is measured by testing the solutions with the customers. Customer Journeys refer to the illustration of all customer interactions using design-oriented

İşbank is aware that being the most preferred bank is closely related to ensuring high customer satisfaction.

thinking, in a way that includes the whole process and emotional reactions from the perspective of the customer. Customer journey is designed as a map because customer experience is a combination of experiences of the customers at all points of contact. In this way, all compelling points for customers are identified and researched together with their main reasons. The compelling points are used as input to improve products, services and processes, and to develop them in a way to make a difference.

The details of the products and services developed by the Bank through its customer focused approach are available in the *Responsible Banking* and *Digital Transformation* sections.

İşbank continues to develop the phone branch in order to provide that once there is an available representative for service the system calls customers back in the order they called, instead of holding them on the line until they can be connected to a representative. This structure will ensure high customer satisfaction by avoiding loss of time from holding them on the line.

The Bank considers customer feedback very important and regards their views as an opportunity for its

development. Customer complaints, suggestions and opinions gathered through branches, the phone branch, the corporate website, the internet branch, social media accounts and e-mail are evaluated as part of the Customer Relations Program, and continuous improvements are made to the Bank's processes. Customer expectations are analyzed and reported regularly, according to the information recorded. In addition, customer satisfaction and feedback as measured through surveys go directly to the agenda of the Board of Directors. In 2017, the overall satisfaction score of commercial customers and of individual customers were measured to be %84 and 76%, respectively by an independent research company.

İşbank has the EN ISO 15838 Call Communication Centers Standard Certificate since 2011 to determine and increase the quality of service provided by its Call Center.

İşbank has received 371,714, 394,651 and 317,117 customer complaints in the years 2015, 2016 and 2017 respectively. The division that handles the requests and complaints works in order to collect insights from the inputs, in addition to just responding the customer messages which are delivered to the bank through the channels

given above and meeting customers' needs. Customer feedback is regularly assessed, categorized and reported, and this insight, generated from customer feedback is used as input during product or service development processes with the related departments of the product and service.

In addition, comments addressing the Bank's social media accounts are constantly monitored through a special application; these channels serve to assist by communicating with the people expecting an immediate solution or an answer in the most appropriate way. Since February 2017 comments written in the Mobile App Store's products are also included to this scope.

Data Security and Privacy

İşbank continues to earn the trust of its customers with its meticulous work on data confidentiality. In addition to the banking legislation and other legislative acts, there is a high degree of sensitivity to the fulfillment of the obligations imposed by the Law on the Protection of Personal Data, which entered into force on 7 April 2016. The Bank continues to work to ensure that the security of information assets is maintained within the framework of international standards, with a holistic viewpoint, and that awareness is created throughout the organization in this regard.

As part of the designed digital transformation process, all banking transactions are transferred to digital platforms. In connection with the digitalization process, continuous improvements are conducted in the field of data security and privacy, and the Bank's rapid decision-making capacity is improved by increasing its resistance to possible threats.

In order to take the necessary measures regarding data security, İşbank goes beyond simply following the legal regulations, by continuously improving its business processes. Members of the Board of Inspectors regularly inspect the adequacy and effectiveness of the measures taken throughout the Bank. All employees are regularly informed about process improvements. In addition,

regular announcements and training are provided to raise the knowledge level and awareness of employees and all subcontractors about cyber security. In this regard, a total of 5,240 hours of training were provided to 2,063 employees from the Head Office and branches in 2017.

In any case of suspicious circumstances, İşbank initiates a fast information sharing process with the customer. Decisions on measures are made and deployed immediately in line with internal protocols and legal regulations.

Details of the Bank's privacy policy and information on the processing of personal data are available on İşbank's website.



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DIGITAL TRANSFORMATION

Technologies that become popular recently; such as cloud technologies, big data, the internet of things (IoT), and artificial intelligence affect the banking sector as well. The digitalization of banking operations offers opportunities in many areas such as efficient customer relations, personalized products and services, high-efficient operations, and the expansion of banking operations. Digital transformation efforts that have accelerated over the last two years, take a place among the Bank's high material issues and significant investments are made in this area.

The goal of İşbank is to keep the expectations of different customer groups in its focal point to give customers a better banking experience, and to design tomorrow's banking from today. Through its investments in digital transformation, the Bank contributes to the creation of decent work and productive employment as part of the Sustainable Development Goals as well as the development of a durable and modern infrastructure that will increase comprehensiveness.



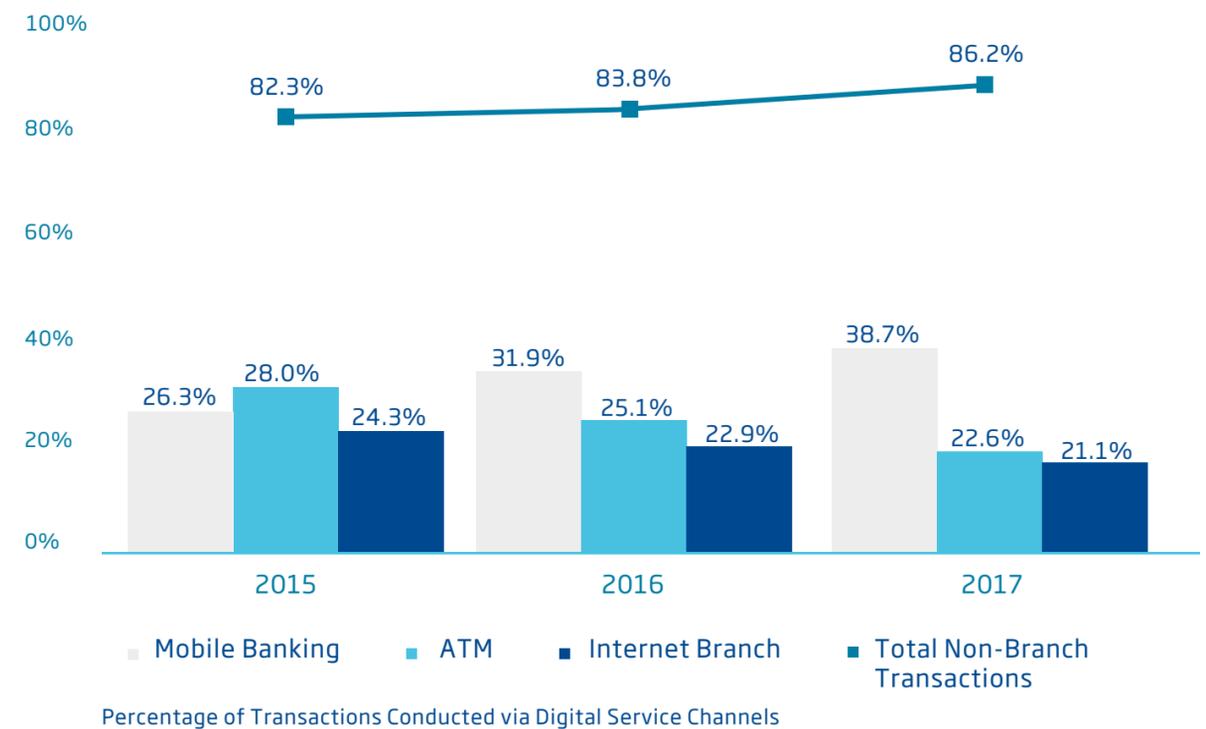
Promote inclusive and sustainable economic growth, employment and decent work for all



Build resilient infrastructure, promote sustainable industrialization and foster innovation

Improvements are made in branches and digital service channels to enable both retail and commercial customers to perform their transactions faster and more practically. In this way, customers are able to perform their banking activities with pleasure in a short time, moving service satisfaction to the highest level.

İşbank has 5.8 million customers using internet and mobile banking channels. This number reaches to the level of 10 million when the customers who take service from Bankamatik, the first ATM of Turkey, are also taken into account. The share of transactions provided through the digital service channels within the total transactions has reached 86% as of 2017.



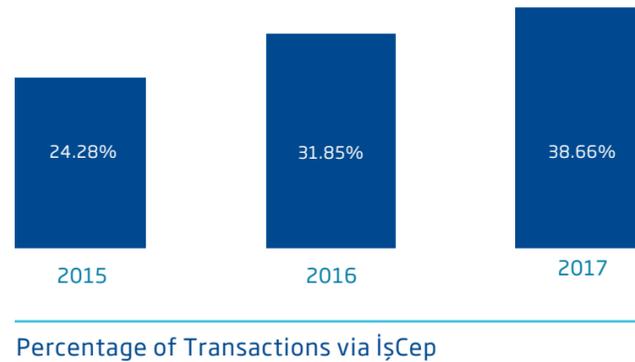
Innovative Products and Services

Innovative products and services are developed as part of digital transformation in order to improve customers' banking experiences, and to offer products that are more comprehensive, accessible and responsive to customer expectations. The products offered by İşbank facilitate the lives of customers and ensure uninterrupted service.

İşCep & Internet Branch

The increasing use of mobile devices through digitalization has enhanced the importance of mobile banking and applications. In line with its mission of becoming the closest bank to the customer, İşbank constantly improves its İşCep application, which it considers very important in terms of contacting its customers in the fastest manner. The number of active customers using İşCep, Turkey's first application based mobile banking application, exceeded 5 million in 2017, with a 42% increase compared to the previous year.

Due to proliferation of internet use and the increase in the number of individuals with access to the internet, the number of customers using İşbank's internet branch has also increased. In 2017, the number of customers using the internet branch of the Bank has reached 2.8 million. Based on this increase, regular improvement and development work regarding the internet branch continues in line with customer expectations.



Percentage of Transactions via İşCep

Maximum Mobil

A new era in the field of mobile payments has begun with Maximum Mobil application, which focuses on customers' daily lives and is designed with an ecosystem point of view. With retail business partners from different sectors, Maximum Mobil provides end-to-end buying experience regarding İşbank customers' daily lives. Besides, the application offers solutions that will facilitate the life of not only the Bank's customers but all

the credit card holders, providing instant and easy access to several card services and campaigns. The number of downloads of the Maximum Mobil application, which was launched in March 2017 and has many functions ranging from purchasing Cinemaximum tickets to paying invoices, following campaigns and enabling card management campaigns, reached 1.5 million by the end of 2017.

İşCepMatik

İşbank's share of monetary transactions conducted in its wide ATM network throughout Turkey has exceeded 50%. Customers can easily perform withdrawals and deposit transactions via Bluetooth without having bank cards with them through the İşCepMatik application, which is an integrated operation of İşCep and Bankamatik. The Bank aims to provide customers with a faster and better banking experience by expanding the use of İşCepMatik, which is a result of the integration of different digital service channels.

Artificial Intelligence Investments

Artificial intelligence has become prominent in banking transactions in terms of giving the fastest response to the variable demands of different customers. In this regard, İşbank presented its customers the use of an artificial intelligence-based chatbot on its website.

The chatbot was developed using Machine Learning and Natural Language Processing technologies and offers an innovative banking experience. Being able to respond to users' questions about banking, the chatbot started to operate on isbank.com.tr in September 2017. The scope of the chatbot that is able to give responses related to over 800 subjects continues to be improved. The chatbot, which is one of the innovations performed in line

with the modernization of the Bank's software, learns from customers' responses and reactions through intelligent decision mechanism models and responds to subsequent questions based on this information. Due to the infrastructure of the Bank that analyzes big data, customers are ensured to see instant campaigns that are personalized for them, through real time transaction data. In this way, İşbank responds to its customers more quickly as well as achieving operational efficiency and savings.

In addition to this, İşbank has determined the customers' context both through an identifier for customer identification, and an estimation model that identifies customers' current and future needs. Artificial intelligence studies have been carried out which offers the right product to the right customer through the right channel at the right price within the said context. In this way, a contribution is made to sustainable profitability as a result of the positive effect on customer satisfaction and sales activities.

Digital Loans

In 2015, through Anında Kredi (Instant Loan) İşbank started offering customers loans via digital channels without visiting branches. The Bank added new products to its digital credit product range in 2017. Kredim Hazır (Credit Ready) application, which

enables customers to authenticate agreements digitally and use the loan in case loan applications initiated from branches are approved was put into practice in April. Anında Alışveriş Kredisi (Instant Shopping Loan), another innovative digital credit product initiated considering the increasing volume of e-commerce and the needs in this area, went live in September 2017.

The share of digital loans extended as part of Anında Kredi, Kredim Hazır and Anında Alışveriş Kredisi within the newly extended general consumer loans reached 40% on the basis of number, and 20% on the basis of amount, as of December 2017.

Sosyal Hesap (Social Account)

One of the applications developed in line with the demands and needs of the customers is the Sosyal Hesap. Customers can send money from their accounts to their common Sosyal Hesap shared via İşCep with a touch, and easily collect the funds they need for their event organization.

Üstü Kalsın (Keep the Change)

The application of Üstü Kalsın, which helps customers acquire savings habits, encourages customers to round up their periodic credit card payments, depositing the difference into an investment account where it earns interest. In 2017 through this practice, TL 64.4 million of total savings has been reached at a 6% increase compared to the previous year.

Other Innovative Applications

Execution of money transactions through Western Union over İşÇep, overview of instant stock market values on İşÇep, making stock and warrant transactions, realization of stocks and futures transactions in 26 stock exchanges operating in Europe, America and Asia with İşÇep, pointing out the locations of the nearest branches and ATMs and displaying exchange rates via widgets in IOS and Android operating systems, sending money through the Siri application and imessage on Apple brand phones, bill payment with the Siri application, and playing advertisement videos on İşbank's logo in various media through augmented reality features are other innovative applications İşbank has launched.

Infrastructure Investments and Innovation

In line with increasing customer expectations and big data management brought about by digitalization, increasing the speed of banking transactions and being able to carry out these transactions continuously becomes more important with each passing day. In this regard, ATLAS, Turkey's first Tier IV data center, was constructed and brought online as an investment that will differentiate the Bank in terms of technology. The ATLAS data center, the largest infrastructure transformation project in the history of İşbank, earned the grand prize in the category of "Infrastructure Scale-Out" in a contest organized by Data Center Dynamics. In addition, studies continue on the technological transformation program called KARINCA, in the field of banking software modernization. Meanwhile, the Innovation Unit, which was established last year within the Digital Banking Division, acts as a bridge that brings together the relevant units of the Bank with entrepreneurs working in the field of technology.

At İşbank, technological infrastructure investments constitute an important pillar of digital transformation.

Innovative products and services that İşbank offered in the scope of digital conversion and retail banking in 2017 were awarded with 21 international awards;

- At Effie Turkey Advertising Effectiveness Competition 2017;
Gold Effie in Bank and Card Payment Systems category
- At Global Finance World's Best Digital Banks in 2017;
Digital Bank of Distinction
- Stevie International Business Awards 2017;
With Maximum Mobile
Gold in Digital Payment Solution Best Product / Service category
Silver in Banking Financial Services category
With İşÇep Innovative Money Transfer Services
Silver in Financial Services Best Product / Service category
With Instant Home Loan
Bronze in Financial Services Best Product / Service category
- At the MarCom Awards 2017;
With From Maximum Card Director social media communication project
Platinum in Social Media-Social Engagement category
With Maximum Card 2017 Euroleague Final Four social media communication project
Platinum in Social Media-Social Video category
With Social Media Poststicker Competitions social media communication work;
Gold in Social Media - Social Media Campaign category
- At Communicator Awards 2017;
With İşÇep Social Account;
Award of Distinction in the Integrated Campaign category
- The Smarties at MMA 2017;
With Maximum Mobile;
Gold in the Mobile App category
Gold in the Mobile Payment category
Bronze in the Product / Services Launch category
With new features added to İşÇep;
Silver in the Mobile App category
Bronze in Innovation category
- At EFMA DMI Awards 2017;
With our CRM infrastructure;
Silver in Big Data, Analytics & AI category
- At Social Media Awards 2017 SocialBrands at the Data Analysis Awards;
With Maximum Card;
Gold in Credit Card category
With İşÇep;
Gold in Online Banking category
With Maximiles;
Bronze in the Credit Card category
- International Data Corporation (IDC) in Turkey Finance Technology Awards;
With Digital Money Box;
First place in customer experience category
Second place in the digital channels category

WORKING LIFE

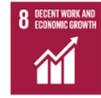
İşbank offers a work environment that respects people, is fair, equal, reliable, and enables personal and professional development in line with its vision of being the most preferred bank among employees.

Developing applications that provide satisfaction for employees while taking their rights into account and being a Bank that talented young people shows interest in are among the material issues for İşbank.

The Bank invests in new talents in line with the need for sustainable growth, and supports the Sustainable Development Goals.



Achieve gender equality and empower all women and girls



Promote inclusive and sustainable economic growth, employment and decent work for all

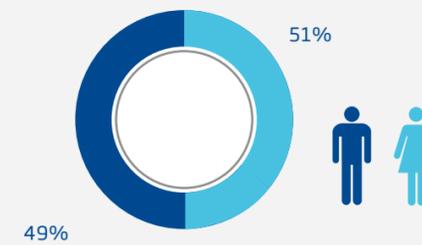


Reduce inequality within and among countries

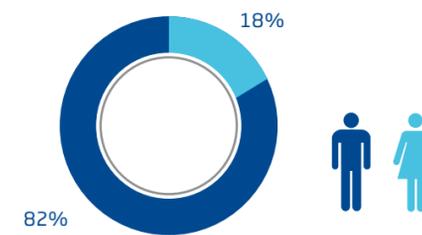
Equal Opportunity and Diversity

Equal opportunity and diversity form the foundation of İşbank's corporate culture. This foundation is based on non-discrimination towards employees regarding factors such as gender, religion, political views, race, culture or social origins from the recruitment process to human resources applications.

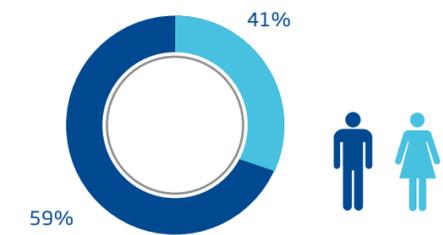
The Bank believes that social gender equality plays an important role in ensuring equality of opportunity, and supports the participation of women in business life. 49% of the Bank's workforce consists of male employees and 51% is female employees.



Percentage of female and male employees (%)



Percentage of female and male directors in the Board (%)



Percentage of female and male employees at senior level
*Excluding the Board and the Executive Committee

Employee Rights and Satisfaction

İşbank believes that employees who enjoy their job and work in a fair environment will make positive contributions to the financial performance of the Bank as well as to the customer satisfaction. İşbank offers a working environment where the rights of employees are respected, with opportunities for long-term employment in order to become the most preferred bank of new talents.

Employees' compensation and benefits are determined according to the Remuneration Policy issued within the framework of the Collective Bargaining Agreement and relevant regulations. The Remuneration Policy of the Bank covering executives and employees at all levels is executed by the Remuneration Committee under the Board of Directors. İşbank remunerates employees according to their seniority and performance based on a transparent and measurable system. Senior executive compensation is determined in a manner that complies with the Bank's strategies, long-term targets and risk management structure, prevents excessive risk-taking, and conforms with ethical values.

The Bank's remuneration package consists of salary, bonus, lunch allowance, foreign language

proficiency allowance, dividend payout as defined by the Articles of Incorporation of İşbank, and other fringe payments depending on seniority and/or job scope. In addition, there are applications in line with the individual performance of employees such as performance premium, sales premiums and managerial bonus. Union of Banking, Finance and Insurance Workers (BASİSEN) and İşbank sign Collective Bargaining Agreements every two years. As part of the Collective Bargaining Agreement signed with BASİSEN, employees receive health benefits as per the guidelines included in the Türkiye İş Bankası A.Ş. Health Benefits Governing Regulation.

Over the last three years, 99% of İşbank's female employees using maternity leave have returned to work. When female employees of the Bank take maternity leave, their positions are preserved, and they can continue to work in the same position upon their return. The most important reasons why the rate of return from maternity leave is so high are that the positions of employees giving birth are retained, they can have a breastfeeding leave of up to 2 hours per day, beyond the legal regulation, they can benefit from maternal employment options such as part-time or partial working, and both the mother and the child benefit from the Bank's comprehensive health insurance of

İşbank. In addition, male employees whose wives give birth are granted a 5-day parental leave.

The Bank regularly measures employee engagement and satisfaction as well as employees' satisfaction with management since 2009. The results of the surveys with 90% participation in the last three years have helped spread existing good practices, while providing guidance for improvement in areas where deficiencies are identified.

Investment in Talent

As one of Turkey's leading banks, İşbank provides its employees with training opportunities to develop their skills and improve their knowledge and abilities over the course of their careers, in line with its philosophy of lifelong learning, and in order to guide human resources and perpetuate the development of this resource. Executives at İşbank are rising through the ranks within the company. This tradition gives all employees the opportunity of promoting to managerial positions based on their performance.

"İşbank serves as a model in the sector, especially the finance sector, thanks to its structure which values its employees, cares about their rights and provides equality of opportunity. I think İşbank is the leader as far as developing the qualified employees the industry needs."

Stakeholder Opinion - Supplier

Newly recruited employees at the Bank take part in the I Start My Career training as part of the job orientation program. Through the Sales Academy, the Marketing Academy and Data Analytics Academy programs, employees in the field and in Headquarters are supported in different roles and at different levels. In addition to these programs, employees can also take advantage of the training offered in the Training Catalogue, in line with their needs and preferences. Also, employees are provided with training such as the Capital Markets Licensing Exam Preparation Training and First Aid Certification Training leading to certificates that are required by the law and regulations.

İşbank organizes seminars that support employees in their work and social life and offer development opportunities that give them different perspectives with the participation of keynote speakers who are subject matter experts in their fields.

Training opportunities are offered both within the Bank and at reputable institutions to managers and managerial candidates who are very important for the Bank's future and sustainability.

Employees who are promoted to managerial positions participate in career training regarding their fields of specialization such as Got Promotion in My Career, My Career as a Specialist and My Career as a Manager, Branch Managers Development Program and Submanager Development Program, which are designed to support the competency and information needs in their roles through their career paths. The Bank organizes the Management Development Program for the Future, which focuses on managerial competencies such as effective communication, team management, problem solving, decision-making and other abilities that are considered to be critically important for managerial candidates, that raise awareness of participants and include different learning tools to improve performance. There is also Management Development Academy practice designed to give Head Office managers a branch perspective, and increase the quality of service offered to branches. Selected managers are offered the opportunity to participate in the Advanced Management Program organized by Harvard Business

School, one of the most reputable business schools in the world.

In parallel with the Bank's digitalization process, the Innovation Academy was launched this year to raise awareness on the concept of innovation and to ensure that the decision-makers expected to manage this innovation process reach the same level of knowledge together. The training provided at the Academy focuses on the culture of innovation, the importance of innovation for institutions, the creation of innovation strategy, and the construction of in-house entrepreneurship models to manage innovation.

Management development programs contribute to the leadership and management skills of managers and managerial candidates, and at the same time, form a foundation for participants acting in different provinces and markets, to create a communication network between each other. Thanks to these shared platforms, knowledge of the sector circulates throughout the institution over different channels.

In addition to in-class training, employees have access to a variety of learning tools such as video, games and e-learning through Learning World, a digital learning platform. In 2017, employees were offered 88 different e-learning courses and a total of 56,845 e-learnings were completed. The number of videos presented via İştube on the platform of Learning World for employees of the Bank, increased to 197, and these videos reached around 22 thousand employees in 2017.

The İşVille game, the first gamification project designed to support employees' banking knowledge with new generation learning tools, was used by 4,210 employees in the second half of 2017, and created a 46,704-hour

learning experience. In 2017, with the İşVille application that is accessible via computers and mobile devices, the Bank won the silver award in the "Best Product/ Employee Development Solutions of the Year" category at the Stevie International Business Awards, and the gold award for the "Best Use of Games and Simulations for Learning Practice" category at the Brandon Hall Group Excellence Awards.

İşbank will also launch its Gamification Project in 2018, to increase its investments in digital learning, training and development activities that strategically support its digital transformation program. Training will be enriched with digital applications (such as mobile learning, video, and virtual reality technology) that support

critical competencies for all roles in the branches. A training catalog will be introduced for Branch Managers, which will include training focusing on themes such as relationship management, employee management and changing the customer experience in the digital world.

Average learning hours per employee was enhanced to 21.3 hours at a 34% increase against the previous year.

Communication with Employees

The basic goal of İşbank is to provide full communication at all levels with a respectful attitude towards its employees. In this context, the Bank attaches great importance to communication with its employees, respects its employees' freedom of expression, and provides feedback opportunities by creating grievance and notification mechanisms.

One of the most important channels of trust-based communication between employees and the Bank is the Negative Feedback Line. The Negative Feedback Line is accessible via the corporate intranet that allows employees to report violations and/or flaws on any issue they identify at the Bank, and to make suggestions on correcting these flaws. Matters communicated by employees on the Negative Feedback Line are seen only by a limited number of system recognized senior managers. The confidentiality of employees who make reports to the Negative Feedback Line is protected at the highest level, and they are never subjected to mistreatment because of their reporting.

Occupational Health and Safety

Banking and finance sector has various physical, environmental and psychological stress factors and difficulties in terms of employees. İşbank's priorities include providing a healthy work environment both physically and psychologically to its employees in order to eliminate the negative factors that may be exemplified by non-ergonomic working conditions, fear of unemployment, and the stress caused by sales and marketing goals. In this respect, the Bank takes utmost care to create the ideal working environment for its employees with its activities beyond legal obligations in the field of occupational health and safety.

Considering employee health, well-being and job satisfaction among its priority issues, İşbank's Occupational Health and Safety (OHS) practices are managed by the Occupational Health and Safety Unit established under the Human Resources Division.

The Human Resources Management Division Manager is the highest authorized person in charge of OHS, and works two reporting levels below the General Manager. The entirety of the Bank's human resources is represented on OHS Committees.

The average OHS training rate per employee is approximately 22%, and OHS training constitutes around 4% of all training provided for employees. The OHS training duration per employee is 0.82 hours. In 2018, İşbank plans to exceed the legal obligations through OHS programs in relation to health and safety issues for all employees, videos on ergonomic working conditions, information videos for security officers, and emergency drills to be applied in all Bank buildings.

ENVIRONMENTAL IMPACT

İşbank monitors its environmental impacts caused from its operations and aims to improve its performance in that context.

At all operation points, İşbank both optimizes resource consumption and implements efficiency projects that will increase employee and customer comfort.

The Bank adopts responsible production and consumption models and contributes to the fight against global climate change.

The Bank evaluates the environmental impacts of its operations and works to improve its performance in this area. With that purpose different environmental indicators are monitored in the main impact areas such as waste generation, water and energy consumption and carbon emissions in the Head Office buildings. The Bank plans to include branch offices in the scope of environmental calculation context.



Ensure sustainable consumption and production patterns



Take urgent action to combat climate change and its impacts

Environment-friendly Buildings

İşbank Head Office building, located in Levent, Istanbul, holds a BREEAM In-use 'Excellent' certificate. The Tuzla Technology and Operations Center (TUTOM), which was designed as an office complex with smart building systems and started its operations in 2015 with the transfer of information technologies and operational units of the Bank, was awarded with LEED Gold certification in 2017.

ATLAS, İşbank's new data center constructed in Tuzla, is designed with nature and human friendly solutions adopting the principle of

creating a healthy and ecological living environment. ATLAS, certified with LEED Gold and Uptime Institute Tier IV Design in 2016, and with Tier IV Facility and Tier IV Gold Operational Sustainability in 2017 is the first and only data center with these standards in Turkey.

The implementation of environmental efficiency projects in the Bank's service buildings are spread over time with a continuous improvement perspective. In this regard, ATLAS Data Center uses the energy generated during cooling operations to heat office areas, thereby reduces energy consumption.

Through the use of efficient cooling systems in this building, the PUE (Power Usage Effectiveness) values, a data center efficiency indicator, is improved and energy consumption is reduced by 25%.

At Head Office and TUTOM buildings,

- Waste oil is collected by oil slingers located between the kitchen and wastewater line and sent for recycling.
- Photocell batteries are used to achieve water savings.
- Rainwater is collected and used for landscape irrigation.
- The treatment infrastructure installed for drinking water eliminates greenhouse gas emissions generated from the use of plastic water bottles and their transportation.
- Environment-friendly refrigerant gases that are not harmful to the ozone layer are used in cooling systems.
- Recyclable waste is collected in recycling boxes and sent to licensed companies.

* Calculated by using a 90 hp car.

Emissions caused by transportation are reduced by the usage of systems such as WebEx and Telepresence for in-house meetings. In this way approximately 148 tons* of carbon emissions were prevented in 2017.

Efficient Branches

As part of the efficiency efforts at branch buildings, LED lighting fixtures, water efficient batteries, and high efficiency climate control systems that are not harmful to the ozone are preferred in all renovated or new branches. In addition, branches are designed to ensure maximum use of daylight. Thanks to the efficient systems used, energy consumption of an average branch was reduced by 10% compared with 2009.

The electricity consumption of branches is followed up by a remote monitoring system. Generators were included into the remote monitoring system, and other indicators are planned to be included in the system as well. In this way, the Bank analyzes its consumption data with the aim of identifying reduction points.

Paper-free Banking

Paper constitutes a significant amount in the resources consumed during banking operations. Through digitalization projects, İşbank continues to reduce the paper consumption and waste it generates. By this means a significant amount of paper savings both during operational processes and banking services are ensured. Paper savings are achieved through practices such as receiving approvals by İşCep or SMS, reducing receipt printouts and increasing double-sided printouts. With the change in the receipt printout codes in July 2017, 11.9 million receipt printouts were prevented in the remaining 5 months of the year.

In addition, thanks to the default double-sided printouts setting in laser printers, approximately 190 million pages of paper were saved. The Bank's customers' awareness about reducing paper consumption is raised as well. Encouragement practices have been carried out for customers to take their account statements electronically. As a result of these efforts, 67% of customers who are provided with account summaries prefer e-statements. For printed summaries, FSC (Forest Stewardship Council) certified paper is used, which supplies paper only from industrial forests.

In addition to paper savings, İşbank also attaches importance to recycling of papers used. Besides recycling 245,570 kg of paper in 2017, as part of the collaboration project with TEMA Foundation, documents to be disposed are sent to the TEMA. The Foundation plants a sapling for every 100 kg of papers donated. This year 500 tonnes of papers were sent to TEMA and 5,000 saplings were planted within that context. Since the project was initiated in 2012, 1,735 tonnes of paper were delivered to the TEMA Foundation, and 17,355 saplings were planted in different regions of Turkey.

With the papers donated within the collaboration with TEMA, five forests were formed in Balıkesir, Çanakkale, Manisa and Lefkoşa on behalf of the Bank.

Contracts and forms for the products used by retail customers can be digitally displayed and approved through Digital Approval Application, which started to be used in the second half of 2017 in pilot branches. With this application, 42 thousand pages were saved in 2017. The aim in 2018 is to make this application available in at least 180 branches of the Bank and by this means 1.7 million page savings will be achieved.

Also with the use of Kredim Hazır, one of the Bank's digital credit products, a total of 2,353,120 pages of paper were saved. By the ongoing process improvements and infrastructure changes, a significant increase in operational efficiency is planned in 2018.

Number of trees in forests located in different cities by year

2013	Manisa/Salihli	3,800
2014	KKTC/Lefkoşa	2,664
2015	Çanakkale/Ulupınar	2,504
2016	Balıkesir/Balya	3,387
2017	Çanakkale/Lapseki	5,000



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SOCIAL INVESTMENT PROGRAMS

İşbank undertakes a leading and guiding role on advancement of the society and development. In line with its sustainability principle, İşbank implements comprehensive and long-term social investment programs.

Targeting to deliver the added value it produces in its main field of operation to the society's broadest segments possible, İşbank focuses on projects in the fields of education, environment, culture and arts. İşbank's social investment programs, including initiatives such as corporate social responsibility projects, along with donations and sponsorships, are conducted under the supervision of the Corporate Social Responsibility Committee, which works directly under the Board of Directors. İşbank ensures effective stakeholder engagement in social investment programs by developing collaborations with different stakeholder groups, particularly with non-governmental organizations. These initiatives are designed within a framework that complies with the Bank's Corporate Social Responsibility principles, contributes to the Sustainable Development Goals, and meets the current needs of the society.



Ensure inclusive and quality education for all and promote lifelong learning



Take urgent action to combat climate change and its impacts



Sustainably manage forests, combat desertification, halt and reverse land degradation, halt biodiversity loss



Revitalize the global partnership for sustainable development

Education

İşbank's support for bringing up generations who espouse the principles of Atatürk and will play a role in advancing the society to the level of contemporary civilization has been increasing since the first day of its inception, to the present day. Aware of education's effective role in ensuring the permanence of social development and progress, the Bank carries out inclusive and long-term projects in this field.

Chess

İşbank contributes to the transformation of chess into an easily accessible and popular sport especially among children, and to the elimination of issues regarding chess training. The Bank forms collaborations to transform chess into a popular and requested sport across the country, and to improve international success in the field by offering opportunities to talented children.

Main Sponsor of the Turkish Chess Federation

The Bank has been the main sponsor of the Turkish Chess Federation (TCF) since 2015. Since its sponsorship,

- the number of licensed chess players increased from 30,000 to 801,139,
- the number of chess coaches rose

from 2,000 to 85,050,

- the number of chess tournaments increased from 400 to 5,260,
- the number of chess clubs rose from 600 to 1,926,
- the number of titled players rose from 6 to 162.

17 world titles, 26 world runners-up, 32 world third places, 47 European titles, 51 European runners-up, 45 European third places, and 4 Country European titles have been won to this day. 393 medals have been received at international tournaments.

Main Sponsor of the Northern Cyprus Chess Federation

As an extension of the TCF's activities, İşbank has sponsored the Northern Cyprus Chess Federation (NCCF) since 2013. Since starting its sponsorship, chess classes have been included one day a week as elective in primary schools in the TRNC. The number of students who have selected the chess elective has reached 1,500.

Establishment of İşbank Chess Classes

İşbank opens chess classes in primary and secondary schools in order to make chess a more accessible sport, to encourage children to play chess, and to eliminate any lack of materials

in schools with limited opportunities. In this regard, it donates chess sets, boards and the Chess Text Book from Kültür Yayınları to schools. In 2017, over 2,500 chess classes were opened, including one in every public primary school in TRNC, bringing the total number of chess classes in schools to more than 20 thousand.

One Move for a New Life

"One Move for a New Life" project initiated in collaboration with the Directorate General of Prisons and Detention Houses aims to bring a new perspective to the lives of juveniles dragged to crime by introducing them to chess. The project includes opening chess classes in children and youth prisons which are supplied with chess sets, chess training boards and pieces and reference books. In addition, the employees in charge were provided with coaching training by the TCF.

Playchess.com

As part of the collaboration with Playchess.com, one of the world's largest online chess platforms, the content on this website was translated into Turkish. Now, the licensed chess players are able to log on to Playchess.com from Turkey to play online chess via the website, free-of-charge.

The Turkish content of the Playchess platform is available at www.tsf.org.tr

Communication Support for Chess Tournaments

İşbank contributes to the Turkish Youth Chess Championship and the Turkish Stars Chess Championship tournaments, organized by the TCF, that include age groups 7-12 and 13-18, respectively, through its communication activities. Similarly, İşbank supports the School Sports Turkish Chess Championship organization, which is organized in collaboration with the TCF and the School Sports Branch Directorate affiliated with the Ministry of Youth and Sports Directorate General of Sports Department of Sports Activities.

The Turkish Youth and Stars Chess Championships were held simultaneously in 2017 and were attended by 2,390 players. The School Sports Turkish Chess Championship finals were attended by 121 teams and 594 players from 51 cities as well as the TRNC.

81 Students from 81 Cities

İşbank, in collaboration with Darüşşafaka, launched one of the most comprehensive educational projects in the country with the "81 Students from 81 Cities" project in 2008.

Every year, İşbank covers all the education expenses of 81 students, starting from fifth grade until their high school graduation, each of whom placed first in their city on the exam given by the Darüşşafaka Education Institution, and brings the students together at social and cultural events. As part of the project, 618 students were supported for the 2017-2018 academic year.

6 students who started studying at Darüşşafaka in the first year of the project and skipped the preparatory year, graduated from Darüşşafaka at the end of the 2016-2017 academic year. Students who earned entrance into university continued to receive support through the Bachelor's Degree Scholarship Holders program according to the conditions of the Darüşşafaka Society Higher Education Scholarship and Reward Regulation. In addition, the Bank covers the education expenses of two students who graduate from Darüşşafaka each year, under the Anatolian Scholars program of Koç University.

One Million Books, One Million Children

İşbank has organized the "One Million Books, One Million Children" campaign, one of the most significant book campaigns ever created in Turkey, since the end of the 2007-2008 academic year. The campaign contributes to the development of children's cognitive and cultural skills, and supports the emergence of a generation that loves reading books. Some of the books distributed as part of the campaign were printed in Braille and sent to the libraries of schools that educate visually handicapped

students. Furthermore, books are donated to students studying in Regional Boarding Secondary Schools and children living in Homes of Affection affiliated with the Directorate General of Services for Children. Visits were paid to students who study at private education centers and did not have the chance to visit İşbank branches as well as students who had to take breaks from school to receive medical treatment.

The "One Million Books, One Million Children" campaign has been expanded beyond Turkey through İşbank affiliates in the TRNC, Iraq, England, Kosovo, Germany, Russia and Georgia. In 10 years, 12 million books have been distributed to primary school children through the campaign.

Golden Youth Awards

Every year since 1971, the "Golden Youth" program awards students who are successful on the university entrance exam with a plaque of success, a monetary prize and an InterRail Global Pass ticket that enables them to travel across Europe by train. To date, more than 3 thousand students have received Golden Youth awards.

Book Donations to Schools and Public Libraries

As part of the Bank's corporate social responsibility initiatives in education, İşbank continued to donate books published by İş Bankası Kültür Yayınları publishing house to schools and public libraries around Turkey. In 2017, more than 41 thousand books were donated to 2,381 schools and libraries.

Culture-Arts

İşbank contributes to advancement of the country's arts landscape, and to bringing international art and culture events to Turkey. The Bank also sponsors projects aimed at bringing the country's rich archaeological heritage to light, introducing them to new generations, and preserving it for the future.

Sponsorships on Archeological Projects

Conserving cultural heritage and supporting the archaeological excavations, as marked by the theme of this year's İşbank sustainability report, is one of the Bank's important culture-arts investments. The Zeugma Ancient City "House of the Muses" is one of Turkey's important historical and cultural places. Excavations that started in 1987 continue at the Ancient City of Zeugma, located on the banks of the Birecik Dam in the Nizip district of Gaziantep. Archaeological finds from the excavations are exhibited in the Zeugma Open Air Museum.

For the last five years, İşbank has sponsored the excavation at the "House of Muses", one of the excavation sites at the Ancient City of Zeugma, each of which is a separate project site. Three new mosaics have been discovered during the Bank's sponsorship period to add to the cultural heritage of the country.

Another archaeological sponsorship is for the excavation at the Ancient

City of Patara. Ongoing since 1988 in the Ancient City of Patara, located in Antalya's Kaş district and one of Turkey's most important archaeological sites, İşbank decided to contribute to the excavations for a five-year period together with its affiliates, Turkish Industrial Development Bank and Şişecam, in 2016.

Kültür Yayınları

Established in 1956 by former Minister of Education Hasan Âli Yücel, Kültür Yayınları, an affiliate of İşbank, continues its publishing activities, providing rich content and high quality work. Bringing over 6.6 million books to readers this year, the long standing publisher aims to contribute to science, culture and arts publications and to help form reading habits at an early age through its publications for readers from all age groups.

İş Sanat Concert Hall

İş Sanat is an important art platform, where leading artists from Turkey and the world perform, children's plays are staged, and poetry readings as well as exhibitions are held. Celebrating its 17th anniversary last season, İş Sanat held 27 concerts and dance shows, 6 children's events and 6 poetry readings, while 12 young artists performed at Milli Reasürans, as part of the "Rising Stars" series.

The events held by İş Sanat in its 17th season were attended by over 23,000 people.

The Presidential Symphony Orchestra directed by Norwegian conductor Eivind Gullberg Jensen, featuring Umut Sağlan and Yiğit Karataş from Sparkling Stars and Norwegian soprano Mari Eriksmoen performed at the opening concert of the 18th season of İş Sanat Concert Hall.

İş Sanat Art Galleries

As part of İşbank's art gallery activities, the works of master artists in plastic arts are exhibited at the Kibele Art Gallery in four exhibitions each season. The exhibitions include retrospectives of distinguished and well-known artists in plastic arts. In addition, the Bank also documents these exhibitions with extensive catalogs. Last season İş Sanat Kibele Art Gallery opened with the Exhibition of 60 Years on the occasion of the 60th Anniversary of Kültür Yayınları, while continuing with the exhibitions of Erol Deneç, Muhsin Kut and Seyyit Bozdoğan. The 2017-2018 season started with an exhibition by Hanefi Yeter. The exhibitions were attended by close to 15 thousand visitors.



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Mimar Sinan Fine Arts University Laboratory of Artwork Conservation and Restoration

The İşbank Artwork Collection began to be gathered in the 1940s. Today, the collection includes around 2,500 works by over 900 artists. Restoration efforts required for pieces from the İşbank collection are carried out at the Mimar Sinan Fine Arts University Laboratory of Artwork Conservation and Restoration.

As part of the cooperation, the Artwork Conservation and Restoration Laboratory Bachelor of Arts (BA) program was established at the university in the 2013-2014 academic year in order to train specialists in this field. The department produced its first graduates at the end of the 2016-2017 academic year.

Türkiye İş Bankası Müzesi (İşbank Museum)

The İşbank Museum was established in 2007 to hand down the Bank's deep-rooted corporate history as well as the story of the economic development of Turkey through various mediums such as documents, banking instruments, communication tools, photos, advertisements, promotion materials and films to the next generations. The information, documents and objects preserved in the Museum's collection are

systematically archived using a management system that monitors and assesses them according to a protection philosophy that adheres to international museum norms, and mostly consist of objects reflecting the transformative stages of banking during the Republic Period from the establishment of the Bank to the present.

Furthermore, various workshops for children, such as Budget Economy and Savings, World of Money, My Memory of a Museum, and the Price Discovery Lab as well as Financial Literacy training for adults are offered at the museum. In the Financial Literacy training program, which is basically aimed at acquainting people with the economic phenomena affecting all areas of life, participants also learn about how the banking system functions and the place of banks in today's world. In this way, the impacts of the bank's many products on the real economy, which we benefit from in daily life, become more visible.

The İşbank Museum was visited by close to 170 thousand people on its 10th anniversary, thus exceeding 850 thousand visitors since its establishment. Over 13 thousand students attended the workshops held in the Museum over the 2016-2017 academic year.

The exhibition İşbank Proudly Presents that presented its advertisement activities since the Bank was established was opened to visitors on October 19, 2017. The exhibition was curated by writer İzzeddin Çalışlar, and provided a rich interactive visitor experience through 450 ads, nearly 400 prints and some 60 original work.

Sponsorship for the İstanbul Foundation for Culture and Arts - International İstanbul Music Festival

İşbank sponsored the London Chamber Orchestra & Alina Pogostkina concert performed on June 1, 2017 at the Hagia Irene Museum during the 45th İstanbul Foundation for Culture and Arts İstanbul Music Festival, of which İşbank is a member of the Board of Trustees.

Environment

Assuming a pioneering role in protecting the environment and raising environmental awareness among the public is an integral part of İşbank's environmental responsibility approach.

In this regard, the Bank aims to reduce its environmental impacts, contribute to the protection of Turkey's biodiversity and raise awareness by collaborating with non-governmental organizations.

81 Forests in 81 Cities

"81 Forests in 81 Cities" Project was launched in 2008 in collaboration with TEMA (Turkish Foundation for Combating Soil Erosion, for Reforestation and the Protection of Natural Habitats) and Ministry of Forestry and Water Affairs.

As part of the project, which aims to protect the environment and raise environmental awareness among the public, primarily the children, 2,205,000 saplings were planted on a land of 1,500 hectares in all

provinces and 35,200 saplings were planted on a land with a size of 22 hectares in the TRNC. Maintenance efforts, which were expected to continue for a five-year period following the planting, were also proceeded in 2017. As part of maintenance efforts, approximately 950 thousand completion plantings were performed to date. The total number of planted saplings has thereby exceeded 3 million, including completion plantings. The success rate of the forest areas as of 2017 year-end was 82%.

The project is also important in terms of volunteering. Every year, branch employees monitor the planting areas and provide photo feedbacks to ensure that the project in progress and the forests are well taken care of. The Bank evaluates the feedback of employees in line with the reports sent by the TEMA Foundation, and monitors the progress against estimates.

Support for Earth Hour Campaign

As in previous years, the Bank participated in the Earth Hour campaign supporting global action organized by the World Wildlife Foundation (WWF) to draw attention to climate change. On March 25th between 20:30-21:30, the Bank contributed by turning off the lights at all its buildings including İş Towers, where the Head Office is located, and its organizations abroad, to raise awareness of climate change.

PERFORMANCE INDICATORS

Environmental Data

Greenhouse Gas Emissions (ton CO ₂ e)	2015	2016	2017
Scope 1	3,431	4,455	4,886
Scope 2	19,799	17,663	21,248
Total Greenhouse Gas Emissions	23,230	22,118	26,134
Emissions per employee	5.11	4.61	5.59
Scope 3	-	1,431	2,461
Energy Consumption (Gj)	2015	2016	2017
Electricity	125,687	143,047	136,662
Natural Gas	45,778	59,243	66,681.35
Total Energy Consumption	171,465	202,290	203,343
Water Consumption (m ³)	2015	2016	2017
Mains Water (Blue)	112,466	119,980	105,559
Waste Water (Grey)	4,028	0	0
Spring Water (Green)	12,271	1,839.71	7,148
Water consumption per employee	27	25	24
Waste (ton)	2015	2016	2017
Recycled hazardous waste	-	-	3,126
Recycled non-hazardous waste	-	1,285	2,659.3

Environmental data includes the Head Office buildings in İstanbul.

The data per employee are calculated by using the number of İşbank employees in the related Head Office Buildings that are included in the environmental data.

Greenhouse gas emissions are calculated in accordance with GHG Protocol standards.

Scope 3 emissions data for the year 2016 comprises of employee shuttles. In 2017, the impact of the use of taxi, bus, plane and paper consumption by employees is also included.

Social Data

Number of Employees	2015		2016		2017	
	Female	Male	Female	Male	Female	Male
Total Number of Employees	12,864	12,293	12,669	12,087	12,755	12,113
Number of Full Time Employees	25,157		24,719		24,806	
Number of Part Time Employees	0		37		62	
Employees by Gender and Age	2015		2016		2017	
	Female	Male	Female	Male	Female	Male
Over 50	63	190	56	172	60	175
30-50	10,272	9,978	10,651	10,291	10,924	10,484
Under 30	2,529	2,125	1,962	1,624	1,771	1,454
Number of Employees by Educational Background	2015		2016		2017	
	Female	Male	Female	Male	Female	Male
Secondary School	2	93	2	83	2	75
High School	1,655	2,755	1,562	2,686	1,476	2,607
Graduate School (2- and 3-year college)	233	322	219	319	213	341
University (4-year college)	10,444	8,656	10,339	8,512	10,510	8,586
Post Graduate	527	461	544	478	550	493
PhD Degree	3	6	3	9	4	11

Employees Covered by Collective Bargaining Agreements	2015		2016		2017	
	Female	Male	Female	Male	Female	Male
Number of Unionized Employees	12,096	12,613	12,490	11,947	12,504	11,927
Total	24,709		24,437		24,431	

Employee Turnover Rate	2015		2016		2017	
	Female	Male	Female	Male	Female	Male
Employee Turnover	2.24		2.19		1.75	

Number of Employees by Seniority	2015		2016		2017	
	Female	Male	Female	Male	Female	Male
Number of employees working 0-5 years	2,464	2,615	2,011	1,907	2,101	1,900
Number of employees working 5-10 years	3,684	4,413	3,413	4,076	3,026	3,528
Number of employees working 10 years and more	6,716	5,265	7,245	6,104	7,628	6,685

Employees benefiting from parental leave	2015		2016		2017	
	Female	Male	Female	Male	Female	Male
Number of employees benefiting from parental leave	1,141	-	998	-	970	-
Number of employees returning after parental leave	1,139	-	996	-	969	-

Training hours per employee	2015		2016		2017	
	Female	Male	Female	Male	Female	Male
Average annual training hours per employee	22.9	26.4	13.59	18.73	19.0	24.2
Total	24.6		15.83		21.3	

Employees subjected to regular performance and career development evaluation	2015		2016		2017	
	Female	Male	Female	Male	Female	Male
Number of employees subjected to regular performance and career development evaluation	11,270	11,187	11,591	11,345	11,707	11,346

Board of Directors and Executive Committee by gender and age	2015		2016		2017	
	Female	Male	Female	Male	Female	Male
Under the age of 30	0	0	0	0	0	0
30-50	0	2	1	2	0	1
Over 50	2	7	1	7	2	8

Occupational Health and Safety	2015		2016		2017	
	Female	Male	Female	Male	Female	Male
Number of incidents	11	7	75	28	25	10
Number of work related fatalities	0	1	0	0	0	1
Number of occupational diseases	0	0	0	0	0	0
Absenteeism	2	5	133	40	550	246
Injury Frequency Rate (Injury Rate - IR)	0.086	0.057	0.59	0.23	0.196	0.083
Occupational Disease Rate (ODR)	0	0	0	0	0	0
Lost Day Rate (LDR)	0.016	0.041	1.050	0.331	4.312	2.031
Absenteeism Rate (AR)	0	0	0	0	0	0

Calculations are based on the formulas below:

Injury Frequency Rate (IR): Total number of injuries / (Total working hours - Lost hours) * 200,000

Occupational Disease Rate (ODR): Number of occupational diseases * 200,000 / Total working hours

Lost Day Rate (LDR): Total number of lost days * 200,000 / Total working hours

Absenteeism Rate (AR): Lost working hours / Total working hours

ANNEXES

Corporate Memberships

AKUT Search and Rescue Association
European Association for Banking and Financial History (EABH)
European Financial Management and Marketing Association (EFMA)
European Association of Communication Directors (EACD)
The Research Institute of Banking and Commercial Law
The Interbank Card Center (BKM)
Call Centers Association
Darüşşafaka Society
Turkish Marine Environment Protection Association (TURMEPA)
Foreign Economic Relations Board of Turkey (DEIK)
Elginkan Community
The Bankers' Association for Finance and Trade (BAFT-IFSA)
Financial Literacy and Inclusion Association (FODER)
Financial Managers Association (Finans Kulüp)
Global Relations Forum
Global Compact Turkey - Sustainable Banking and Finance Working Group
Economic Development Foundation
Istanbul Foundation for Culture and Arts (İKSV)
Association of Corporate Communicators

International Chamber of Commerce Turkey - Commission on Banking Techniques and Practices
National Education Foundation
Advertisers' Association of Turkey
Association of Risk Managers
Information Systems Audit and Control Association (ISACA)
Turkish Foundation for Combating Soil Erosion, for Reforestation and the Protection of Natural Habitats (TEMA)
Turkish Historical Society
The Banks Association of Turkey - Ethics Commission
Ethics and Reputation Society
Working Group of the Banks Association of Turkey on the Role of the Finance Sector in Sustainable Growth
The Institute of Internal Auditing - Turkey
Quality Association of Turkey (KalDer)
Turkish Institutional Investment Managers' Association
Turkish Human Resources Management Association (PERYÖN)
Turkish Industry and Business Association (TÜSİAD)
Institute of International Finance (IIF)
Vehbi Koç Foundation

Stakeholder Dialogue

Stakeholder Group	Communication Frequency	Communication Method
Customers	Continuous	Branches, ATM, Internet Branch, Telephone Branch and mobile banking channels, customer relations representatives, meetings, customer satisfaction surveys, social media
Shareholders and investors	Continuous	General Assembly and investor meetings, investor presentations, analyst/investor days, introductory meetings, teleconferences, daily communications by the Investor Relations Division, İşbank Investor Relations web page, Public Disclosure Platform, Information Society Services Platform established as per the Turkish Code of Commerce, Annual Report, Sustainability Report
Analysts	Annually and quarterly	Analyst days, Investor Relations Division communication, Annual Report, Sustainability Report
Employees	Continuous	Employee satisfaction surveys, stakeholder analysis as part of sustainability, training activities, performance assessment, internal communication platforms, regular executive meetings
Subsidiaries	Continuous	Joint projects
Public institutions and regulatory agencies	Minimum four times a year	Reporting processes, consultation meetings
Nongovernmental organizations and sector unions	Minimum four times a year	Informative or press conferences, special meetings, answering written questions, joint projects
Financial institutions and Rating Agencies	Minimum once a year	Assessment and information meetings, Annual Report, Sustainability Report, answering written questions
International organizations and Initiatives	Minimum four times a year	Conferences, seminars, congresses, workshops, answering written questions
Media	Continuous	Information communication, press conferences, special meetings, answering written questions
Suppliers	Continuous	Daily communication with goods and service suppliers, initiatives aiming at raising sustainability awareness among suppliers

Loans Granted by International Financial Institutions

International Financial Institution	Date of Signature	Amount	Maturity (years)	Purpose of Extending Loans
European Investment Bank (EIB)	04.13.2009	€ 250,000,000	12	Financing SMEs
	12.09.2011	€ 150,000,000	10	Financing SMEs
	06.28.2012	€ 75,000,000	12	Financing of energy efficiency and renewable energy projects as part of the MidSEFF Program
	12.04.2013	€ 150,000,000	8	Financing of SMEs and enterprises with 250 to 3,000 employees
	05.09.2014	€ 200,000,000	10	Financing the loans to be extended to residential buildings that fall under the scope of Law No. 6306 and conform to the EIB criteria, in order to improve earthquake safety and energy efficiency in residential buildings
	10.30.2015	\$ 221,200,000	10	Financing of SMEs and enterprises with 250 to 3,000 employees
	12.01.2016	\$ 111,200,000	13	Financing of energy efficiency and renewable energy projects as part of the MidSEFF Program
		\$ 47,600,000	10	Financing of SMEs and enterprises with 250 to 3,000 employees
European Bank for Reconstruction and Development (EBRD)	10.27.2011	\$ 6,660,000	15	Financing of energy efficiency projects as part of the TurSEFF Program
	06.28.2012	€ 50,000,000	12	Financing of energy efficiency and renewable energy projects as part of the MidSEFF Program
		€ 25,000,000		Financing of female entrepreneurs as part of the WiB Program
	05.09.2013	€ 15,000,000	7	Financing of energy efficiency projects as part of the TurSEFF Program
		€ 10,000,000		Financing of agricultural investments as part of the TuRAFF Program
	12.18.2013	€ 50,000,000	12	Financing of energy efficiency and renewable energy projects as part of the MidSEFF Program
		\$ 12,500,000		Financing of female entrepreneurs as part of the WiB Program
	12.19.2014	\$ 90,000,000	5	Financing of energy efficiency projects as part of the TurSEFF Program
		\$ 25,000,000		Financing of agricultural investments as part of the TuRAFF Program
	03.30.2015	\$ 60,000,000	7	Financing of energy efficiency in residences as part of the TurEEFF program
\$ 15,000,000		15		
	\$ 55,000,000	5	Financing of female entrepreneurs as part of the TuRWiB Program	
10.21.2016	\$ 55,000,000	12	Financing of energy efficiency and renewable energy projects as part of the MidSEFF Program	
12.06.2017	\$ 55,000,000	7	Financing of energy efficiency projects as part of the TurSEFF Program	
ROPARCO	12.09.2010	€ 50,000,000	12	Financing of renewable energy and energy efficiency projects
	03.01.2013	€ 50,000,000	10	Financing of loans extended to residential buildings conforming to domestic energy efficiency criteria in Turkey
OPIC	12.10.2014	\$ 220,000,000	14	Financing of SMEs, prioritized regions in development, and female entrepreneurs
IFC	12.28.2017	\$ 125,000,000	9	Financing of housing loans, especially green mortgages conforming to IFC energy efficiency criteria. (USD 20 million of the resource was provided for use in financing green mortgage loans ensuring energy efficiency, by the Clean Technology Fund through IFC)

Reporting Guidance

1. General Principles and Scope

This reporting guide provides information on the data collection and calculation methodologies of indicators within the scope of the independent audit in the 2017 İşbank Sustainability Report. In PwC Turkey's reporting guide, data are prepared on the basis of consistency and reliability principles. In the process of reporting the data, the principles of understandability, comparability with data from previous years and transparency are taken into consideration.

The data and indicators included in the scope of the independent audit are stated in the Independent Audit Report on pages 90-92 of the Sustainability Report. Each heading in the Reporting Guide also contains detailed information about the data and indicators included in the scope of the audit.

2. Audit Scope

Within the scope of the limited assurance carried out by PwC Turkey, the following data have been checked. Data controlled as of 2016 and 2017:

- Number of renewable energy projects financed during the year, the capacity of installed power and the loan amount provided to these projects,
- Total size of installed power of financed renewable energy projects as of year-end,
- Total amount of cash commercial loans extended to the agriculture sector,
- Total amount of loans extended to SMEs,
- Total amount of sustainability related credit agreements signed with international financial institutions during the year,
- Environmental and social risk management in loans,
- Total number of saplings planted in cooperation with TEMA Foundation,
- Total number of employees,
- Employee training - number of participants and information on total hours
- Occupational Health and Safety (OHS) - The number of Established OHS Committees and the total number of members and employee representatives on the committees
- Injury rate
- Lost day rate
- Number of work related deaths

Data controlled as of 2015, 2016 and 2017:

- Carbon footprint - Scope 1
- Carbon footprint - Scope 2
- Electricity (kWh)
- Natural gas (m³)
- Total energy consumed (GJ)
- City water - Blue (m³)
- Spring water - Green (m³)
- Waste water - Gray (m³)
- Total water consumption (m³)

3. Principles Related to the Preparation Process of Indicators and Data

Ethical and Transparent Banking

The training hours per employee, that are classified by sex, on Human Rights, Fight Against Bribery and Corruption, and Ethical Principles included in the Ethical and Transparent Banking section are checked against the independent audit for 2016 and 2017. While there is no course specifically directly towards these subjects within the body of the Bank, they are included in certain training programs at certain periods. For example, under the 8-hour Getting to Know Our Bank (Bankamızı Tanıyalım) training included in the I Start My Career (Kariyerime Başlarım) training series, bank officers are provided with 3-hours of Human Rights training, 1-hour of Fight Against Bribery and Corruption training and half an hour of Ethical Principles training. Therefore, in the calculation of training hours per employee, time allocated to the related subject in the training programs is taken into account. At the same time, the duration of training in these areas given in the training programs organized by the Board of Inspectors for the Members of the Board of Inspectors is not included in the calculation of the training periods. The security staff is not included in the calculation of the number of employees. Human rights are covered within the Law on Private Security Services and Individual Rights course provided under the refresher training to the private security staff. This issue is not taken into account in the calculation of duration since it is a subject covered in a 10-hour course within the refresher training delivered by different suppliers in different cities.

Responsible Banking

The number of projects evaluated using the evaluation model of Environmental and Social Risk Evaluation Tool (ERET) under the heading of Responsible Finance in the Responsible Banking section, the number of projects financed after the evaluation and the risk categories of these projects obtained within the frame of this evaluation are checked under the independent audit for 2016 and 2017. Projects that enter into the ERET evaluation process are evaluated with reference to national and international legislation such as the International Finance Corporation (IFC) Performance Standards, European Bank for Reconstruction and Development (EBRD) Performance Requirements, and Equator Principles, and a Project Environmental and Social Evaluation Certificate is issued for each project. The risk categories of the projects are determined after these documents are checked.

The number of projects, installed power and the amount of loans provided under the renewable energy projects stated under the Financing of Renewable Energy heading, another sub-heading under the Responsible Finance heading, are checked under independent audit for 2016 and 2017. In this context, the amount of loans extended to Hydroelectric Power Plant (HPP), Geothermal Power Plant (GPP), Biomass Power Plant (BPP), Solar Energy Plant (SEP) and Wind Power Plant (WPP) renewable energy projects by the Corporate Loans Underwriting and Commercial Loans Underwriting sections of the Bank is determined on the basis of total limit information by calculating the sum of cash and non-cash loans. In this process, project loan allocation files are taken as reference in determining both the total loan amounts provided for projects and the installed power of projects.

The resources provided by the co-operation of international financial institutions such as the European Investment Bank (EIB), the European Bank for Reconstruction and Development (EBRD) and the International Finance Corporation (IFC) for financing renewable energy and energy efficiency projects under the same heading are checked under independent audit for 2016 and 2017. In this regard, issues such as the amount of resources provided by international institutions and the scope of the projects financed are determined using the information in the contracts signed between the Bank and the international organizations mentioned.

The resource amount provided for financing SMEs by the European Investment Bank (EIB), which is under the heading Support for SMEs, and the loan amount extended to SMEs by the bank are checked under the independent audit for 2016 and 2017. In this regard, issues such as the amount of resources provided by international institutions and the scope of the projects financed are determined using the information in the contracts signed between the Bank and the international organizations mentioned. The loans extended to SMEs by the Bank are calculated on the KR207 (AS) forms and reported to the BRSA in particular.

The amount of cash loans extended by the Bank to the agriculture and livestock industries under the Support for Agriculture and the Livestock Industry heading is checked under the independent audit for 2016 and 2017. The amount of cash loans extended to the agriculture and livestock industries has been determined through sectoral breakdown using A-B financing codes corresponding to the agriculture and livestock industries after separating performing loans in KR 202 (AS) forms and reported to the BRSA.

Working life

In the report, information about the distribution by sex of employees and upper management employees under the Equality and Diversity of Opportunity heading and the Social Performance Data in the Performance Indicators section are checked under the independent audit for 2016 and 2017. In this regard, employee numbers and female/male percentages included in the report are calculated without including 25 employees in 2016 and 23 employees in 2017, who had been assigned to subsidiaries and returned to the bank.

The average number of training hours per employee under the Investment in Talents heading is divided by sex and checked under the independent audit for 2016 and 2017. In this regard, calculations are made by dividing the total number of training hours given to employees during the year by the number of employees, not including security officers. Although security officers have equal status with Bank employees, they are not included in the training indicators as the scope and provider of the training they receive are different.

The information on OHS indicators under the Social Performance Data heading are checked under the independent audit for 2016 and 2017. In this regard, data is determined according to the Bank's OHS policies and legislation. Also, calculations of OHS indicators are made taking into consideration the occupational accident forms filled out by employees and hospital reports.

Environmental Impact

The data on the number of saplings planted during the year within the scope of the joint project carried out with the TEMA Foundation under the Paper-free Banking heading are checked under the independent audit for 2016 and 2017. Records of the amount of paper sent to the TEMA Foundation from branches in Turkey, archive warehouses in Ankara, Istanbul and Izmir and other centers are kept monthly on the basis of kg by both the bank and the TEMA Foundation. The number of saplings is determined by the tonnage of these lists after they are checked and agreed upon by both sides.

Performance Indicators

The data on the articles of Greenhouse Gas Emissions (Scope -1, Scope -2 and Emissions per Employee), Energy Consumption (Electricity and Natural Gas and Total Energy Consumption) and Water Consumption (City Water, Surface Water, Rain Water and Water consumption per employee) under the Environmental Performance Data are checked under the independent audit for 2015, 2016 and 2017. At the same time, the tables of Employees by Sex and Age, Employees by State of Education, Employee Turnover Rate, Employees by Working Hours and Employees Taking Maternity Leave under the Social Performance Data heading and the Occupational Health and Safety table are checked under the independent audit for 2016 and 2017.

The following definitions, limits and calculation methodologies apply to the terms in the performance indicators tables.

Environmental Data

There have been changes in the calculation methodologies and the scope of limitations of environmental performance data over the years. İşbank offices included within the scope for the calculation of data are as follows:

2015	2016	2017
Head Office	Head Office	Head Office
Auditorium	Auditorium	Auditorium
TUTOM	TUTOM	TUTOM
Sefaköy	Sefaköy	
Yaşamkent	Yaşamkent	
İkitelli Buildings		

As stated in the 2015 at İşbank Sustainability Report, Head Office units located at different points in Istanbul carrying out operational activities have gradually been transferred to the Tuzla Technology and Operation Center (TUTOM) building since the last quarter of 2015. During this process, activity and resource consumption at the leaving operation points and the TUTOM building continued simultaneously. As buildings were shut down and their activities were transferred to TUTOM, they were not included in the scope, which was why the number of the buildings within the scope decreased from 2015 to 2017.

Greenhouse Gas Emissions (ton CO₂):

Greenhouse gas emissions refer to carbon emissions arising from energy consumption during the reporting year (January 1st - December 31st). The greenhouse gas emissions resulting from İşbank activities are calculated by Ecometrica Ltd., which provides software services for calculating sustainability data in accordance with the GHG Protocol. This is also indicated in the statement prepared by Ecometrica Ltd. on pages 89-92 of the sustainability report.

Greenhouse gas emissions are calculated in three different scopes: Scope 1 (Direct Greenhouse Gas Emissions), Scope 2 (Indirect Greenhouse Gas Emissions) and Scope 3 (Other Indirect Greenhouse Gas Emissions).

In the calculation of greenhouse gas emissions, the limits of the energy resources causing carbon emissions has changed over the years and the energy consuming items included in the scope has been expanded. The table below gives information on which energy sources have been included over the years while calculating Scope 1, Scope 2 and Scope 3 emissions.

Resources Included in Calculation of Greenhouse Gas Emissions by Years

	2015	2016	2017
Scope 1	Natural Gas Consumption Fuel used in generators (Diesel fuel) Fuel Consumption of Company Vehicles (Diesel and Gasoline)	Natural Gas Consumption Fuel used in generators (Diesel fuel) Fuel Consumption of Company Vehicles (Diesel and Gasoline)	Natural Gas Consumption Fuel used in generators (Diesel fuel) Fuel Consumption of Company Vehicles (Diesel and Gasoline) Refrigerant Gases
Scope 2	Electricity Consumption	Electricity Consumption	Electricity Consumption
Scope 3	Calculation not made.	Personnel Service Vehicles	Personnel Service Vehicles Business Travel - Airplane Business Travel - Bus Business Travel - Taxi

When comparing 2016 with 2017, although there is a decrease in electricity consumption, there is an increase in Scope 2 emissions. As Ecometrica Ltd. stated in its calculation methodology, the factors used for emission calculations vary from year to year depending on the resources used for energy production. The emission factor identified for Turkey was 0.557716 CO₂/kWh in 2017, while this factor was 0.442482 CO₂/kWh in 2016. For this reason, while the Bank's electricity consumption in 2017 declined, this increase in the emission factor led to an increase in Scope 2 emissions.

Emissions per employee (ton CO₂):

Emissions per employee is calculated by dividing Scope 1 and Scope 2 emissions by the total number of employees. The number of employees used in this calculation is accepted as the employees working in İşbank buildings where energy consumption measurements are made. Scope 3 emissions are not included in the emissions per employee of the bank as it, by definition, represents greenhouse gas emissions arising from energy resources owned or controlled by other institutions as a result of bank activities.

Energy Consumption (GJ):

Electricity and natural gas consumption are included in total energy consumption calculations. Electricity consumption was first calculated in kWh and then converted to GJ. A conversion factor of 1 kWh = 0.0036 GJ was used. For natural gas consumption, the monthly consumption values for 2017 were calculated in m³ and converted to kWh using the monthly lower calorific values on the invoice. Total annual consumption, the total of these monthly consumption values, was converted to GJ by using the above conversion factor. However, in the conversion from m³ value to kWh values in 2016 and 2015, the average lower calorific value expressed by the Ministry of Energy and Natural Resources was used instead of the monthly lower calorific values. According to Ministry of Energy and Natural Resources data, at least 9.59 kWh of heat energy is created from burning 1 m³ of natural gas. For this reason, a conversion factor of 9.59 was used when converting m³ to kWh for natural gas consumption in 2016 and 2015.

Water Consumption (m³):

Water consumption is evaluated in three different categories: City water (Blue), Waste water (Gray) and Spring water (Green). City water (Blue) includes water received from municipalities or other suppliers such as İSKİ (Istanbul Water and Sewerage Administration), while Waste water (Gray) includes water previously used for any reason and then reused. Spring water (Green) includes naturally formed surface and underground water.

Water consumption per employee (m³):

Water consumption per employee is calculated by dividing the total consumption of Green and Blue water by the number of Bank employees. The number of employees used in this calculation is accepted as the employees working in İşbank buildings where energy consumption measurements are made.

Social Data

Number of employees:

Calculated taking all İşbank employees into account including those such as security staff. Employee numbers are also categorized by sex, full and part-time, specific age groups and state of education. However, 25 employees in 2016 and 23 employees in 2017, who had been assigned to Subsidiaries and returned to the Bank, are not included in these numbers.

Employee turnover rate:

This is the ratio of the total number of employees who leave work over the year to the average number of employees.

Hours of training per employee:

Calculated considering all trainings given to employees during the year. In this regard, calculations are made by dividing the total number of hours of training given to employees during the year by the number of employees (Security staff is not included).

Absence due to Accident:

Calculated considering the days of absence due to accidents counting as work accidents. In this regard, calculations are made according to the period as stated in the doctor/hospital reports the employees reporting work accidents presented to Human Resources Management Division.

Total Injury Frequency Rate (IR - Injury Rate):

The ratio of accidents during the year to total working time is calculated. In this regard, calculations are made by the formula of "Total number of accidents / (Total working hours - Lost hours) * 200.000". The number of accidents in this form is reported according to the accident report forms filled out by employees. Total human working hours are calculated based on 250 work days in 1 year and 1 work day equals 8 hours. Lost hour data is reported by calculating how many work hours were lost per the number of daily absences due to accident.

Occupational Disease Rate (ODR):

Calculated according to the ratio of employees who have experienced temporary or permanent illness because of a recurring cause due to the nature of the work or the conditions involved in carrying out their work to the total number of work hours. This calculation uses the formula "(Number of occupational diseases * 200.000) / Total working hours".

Lost Day Rate (LDR):

Calculated according to the ratio of the number of days lost due to work accidents to total work hours. This calculation uses the formula "(Total number of lost days * 200.000) / Total work hours". The lost days in the formula reference absences due to accident.

Absentee Rate (AR):

Calculated according to the ratio of lost work hours to total work hours. This calculation uses the formula "Lost work hours / Total human work hours".

GHG Emissions Statement

Ecometrica Ltd
Orchard Brae House
30 Queensferry Road
Edinburgh EH4 2HS
United Kingdom

31st May 2018

Türkiye İş Bankası GHG Statement for annual submission of Greenhouse Gas Emissions for 1st January 2017 to 31st December 2017

Ecometrica conducted a quality assurance exercise to review the scope, methodology, emission factors and calculations used by Türkiye İş Bankası to report greenhouse gas emissions for the period 1st January 2017 to 31st December 2017. As well as being compliant with the WBCSD/WRI Greenhouse Gas Protocol, Türkiye İş Bankası Greenhouse gas emissions have been reported in accordance with the requirements of United Kingdom legislation - The Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013, Part 7.

This assessment has been carried out in accordance with the World Business Council for Sustainable Development and World Resources Institute's (WBCSD/WRI) Greenhouse Gas Protocol; a Corporate Accounting and Reporting Standard. This protocol is considered current best practice for corporate or organisational greenhouse gas emissions reporting.

Note that this assessment is in compliance with the revised Scope 2 Guidance, which acts as an amendment to the GHG Protocol Corporate Standard. The subject of this assessment has not declared any product or supplier-specific Scope 2 data in the form of contractual instruments and operates in a geographical location where residual mix emission factors are not available. As a result, all Scope 2 emissions are calculated using default location grid-average emission factors, per the Protocol hierarchy.

Ecometrica conducted this quality assurance exercise based on the data, calculations, emission factors and results contained in Türkiye İş Bankası' *Sustainability Platform web-based software accessed at <https://ecometrica.ourimpacts.com> (v3.4.7)*.

On the basis of the quality assurance exercise and the review of activities undertaken, nothing has come to our attention that causes us to believe that Türkiye İş Bankası' stated greenhouse gas emissions results are not compliant with the requirements of WBCSD/WRI Greenhouse Gas Protocol and the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013, Part 7.



Dr Richard Tipper
Chairman
Ecometrica

Limited Assurance Report



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

We have been engaged by the Board of Directors of Türkiye İş Bankası A.Ş. (the "Bank") to perform an independent assurance engagement in respect of the selected information (the "Selected Information") contained in the Bank's sustainability report for the year ended 31 December 2017 (the "Sustainability Report").

The Selected Information subject to limited assurance consist of the following data:

For the year ended 31 December 2017:

- Number of trainees for anti-bribery and corruption training, total training duration for anti-bribery and corruption training, number of trainees for ethical conduct training, total training duration for ethical conduct training, number of trainees for human rights training, total training duration for human rights training (page 22),
- Renewable energy finance portfolio (number of projects, installed power and loan amount), total size of installed power of financed renewable energy projects as of year-end, number of projects subjected to environmental and social risk evaluation tool (ERET) (page 35),
- Total amount of loans extended to SMEs (small and medium-sized enterprises) (page 39),
- Total amount of cash commercial loans extended in the agriculture and livestock industries (page 40),
- Total number of saplings planted in cooperation with TEMA Foundation (page 64).

For the years ended 31 December 2017 and 2016:

- Total number of employees, total number of female employees and total number of male employees (page 75),
- Average annual training hours per employee, average annual training hours per female employee and average annual training hours per male employee (page 76),
- Injury rate, lost day rate and number of work related fatalities on the basis of male and female employees (page 77),
- Total amount of sustainability related loans granted by international financial institutions during the year (page 81).

For the years ended 31 December 2017, 2016 and 2015:

- Greenhouse gas emissions - scope 1, greenhouse gas emissions - scope 2, total greenhouse gas emissions, electricity consumption, natural gas consumption, total energy consumed, mains water (blue), spring water (green), waste water (gray) and total water consumption (page 74).

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Respective Responsibilities

The Board of Directors of the Bank are responsible for the content of the Sustainability Report and the preparation of the Selected Information in accordance with the criteria set out in the Bank's reporting guidance (hereafter "Reporting Guidance", see pages 82 and 88 of the Sustainability Report). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation of Selected Information that is free from material misstatement, whether due to fraud or error.

Our responsibility is to form a conclusion, based on limited assurance procedures, on whether anything has come to our attention that causes us to believe that the Selected Information has not been properly prepared, in all material respects, in accordance with the Reporting Guidance.

This report, including the conclusion, has been prepared for the Board of Directors of the Bank as a body, to assist the Board of Directors in reporting the Bank's performance and activities related to the Selected Information. We permit the disclosure of this report within the Sustainability Report to enable the Board of Directors to demonstrate they have discharged their governance responsibilities by commissioning 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 Board of Directors as a body and the Bank for our work or this report save where terms are expressly agreed and with our prior consent in writing.

Assurance Work Performed

We conducted this limited assurance engagement in accordance with International Standard on Assurance Engagements 3000 (Revised) - 'Assurance Engagements other than Audits or Reviews of Historical Financial Information' ("ISAE 3000") and, in respect of greenhouse gas emissions, International Standard on Assurance Engagements 3410 - 'Assurance Engagements on Greenhouse Gas Statements' ("ISAE 3410") issued by the International Auditing and Assurance Standards Board.

A limited assurance engagement is less in scope than a reasonable assurance engagement under ISAE 3000 and ISAE 3410. Consequently, the nature, timing and extent of procedures for gathering sufficient appropriate evidence are deliberately limited relative to a reasonable assurance engagement.

Our limited assurance procedures included:

- Making enquiries of relevant management of the Bank and reviewing a sample of relevant management information.
- Evaluating the design and implementation of the key processes and controls for managing and reporting the Selected Information.
- Limited testing, on a selective basis, of the preparation and collation of the Selected Information prepared by the Bank.
- Undertaking analytical procedures over the reported data.



Inherent Limitations

Non-financial performance information is subject to more inherent limitations than financial information, given the characteristics of the subject matter and the methods used for determining such information. The absence of a significant body of established practice on which to draw allows for the selection of different but acceptable measurement techniques which can result in materially different measurements and can impact comparability. The precision of different measurement techniques may also vary. Furthermore, the nature and methods used to determine such information, as well as the measurement criteria and the precision thereof, may change over time. Therefore, it is important to read the Selected Information in the context of the Reporting Guidance.

In particular, the conversion of different energy measures to energy used to carbon emissions is based upon, inter alia, information and factors generated internally and/or derived by independent third parties as explained in the Reporting Guidance. Our assurance work has not included examination of the derivation of those factors and other third party information.

Our Independence and Quality Control

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

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

Limited Assurance Conclusion

Based on the results of our procedures, nothing has come to our attention that causes us to believe that, the Selected Information in the Sustainability Report has not been properly prepared, in all material respects, in accordance with the Reporting Guidance.

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

Ediz Günsel, SMMM
Partner

Istanbul, 27 June 2018

UN Global Compact Communication on Progress

Principles	Report Section
Human Rights	
Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights.	Working Life
Principle 2: Businesses should make sure that they are not complicit in human rights abuses	Working Life Ethical and Transparent Banking
Labour	
Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining	Working Life
Principle 4: Businesses should uphold the elimination of all forms of forced and compulsory labour	Working Life
Principle 5: Businesses should uphold the effective abolition of child labour	Working Life
Principle 6: Businesses should uphold the elimination of discrimination in respect of employment and occupation	Working Life
Environment	
Principle 7: Businesses should support a precautionary approach to environmental challenges	Ethical and Transparent Banking;
Principle 8: Businesses should undertake initiatives to promote greater environmental responsibility	Responsible Banking
Principle 9: Businesses should encourage the development and diffusion of environmentally friendly technologies	Environmental Impact; Annex (Corporate Memberships) Responsible Banking
Anti-Corruption	
Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery	Ethical and Transparent Banking

GRI CONTENT INDEX



GRI Standard	Disclosure	Page number(s) and/or URL(s)	Omission
GRI 101: Foundation 2016			
General Disclosures			
Organizational Profile			
102-1		6	
102-2		12	
102-3		İşbank website (https://www.isbank.com.tr/TR/iletisim/Sayfalar/iletisim.aspx)	
102-4		12	
102-5		12	
102-6		12	
102-7		12	
102-8		75-77	
102-9		12	
102-10		There are no significant changes in reporting period. p. 12	
102-11		20-21	
102-12		78	
102-13		78	
Strategy			
102-14		8-11	
102-15		20-21	
Ethics and integrity			
102-16		13	
102-17		22-23	
Governance			
102-18		2017 Annual Report (https://www.isbank.com.tr/EN/about-isbank/investor-relations/publications-and-results/annual-reports/Documents/Isbank2017.PDF), p. 76-82	
102-19		24-25	
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102-21		24-29	
102-22		2017 Annual Report (https://www.isbank.com.tr/EN/about-isbank/investor-relations/publications-and-results/annual-reports/Documents/Isbank2017.PDF), p. 76-82	
102-23		2017 Annual Report (https://www.isbank.com.tr/EN/about-isbank/investor-relations/publications-and-results/annual-reports/Documents/Isbank2017.PDF), p. 76-82	
102-24		2017 Annual Report (https://www.isbank.com.tr/EN/about-isbank/investor-relations/publications-and-results/annual-reports/Documents/Isbank2017.PDF), p. 90-92	
102-25		2017 Annual Report (https://www.isbank.com.tr/EN/about-isbank/investor-relations/publications-and-results/annual-reports/Documents/Isbank2017.PDF), p. 91-92	
102-26		2017 Annual Report (https://www.isbank.com.tr/EN/about-isbank/investor-relations/publications-and-results/annual-reports/Documents/Isbank2017.PDF), p. 93	
102-27		İşbank website Investor Relations page (https://www.isbank.com.tr/EN/about-isbank/investor-relations/corporate-overview/corporate-information/board-of-directors/Pages/board-of-directors.aspx)	
102-28		2017 Annual Report (https://www.isbank.com.tr/EN/about-isbank/investor-relations/publications-and-results/annual-reports/Documents/Isbank2017.PDF), p. 94-95	
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102-35		2017 Annual Report (https://www.isbank.com.tr/EN/about-isbank/investor-relations/publications-and-results/annual-reports/Documents/Isbank2017.PDF), p. 92-93, 174	
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102-38		2017 Annual Report (https://www.isbank.com.tr/EN/about-isbank/investor-relations/publications-and-results/annual-reports/Documents/Isbank2017.PDF), p. 92-93, 174	
102-39		2017 Annual Report (https://www.isbank.com.tr/EN/about-isbank/investor-relations/publications-and-results/annual-reports/Documents/Isbank2017.PDF), p. 92-93, 174	

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102-47		25-28
102-48		There were no restatements.
102-49		28
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102-51		January 1 st , 2016 and December 31 st , 2016 (2016 Sustainability Report)
102-52		6
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GRI Standard	Disclosure	Page number(s) and/or URL(s)	Omission
GRI 200 Economic Standard Series			
Economic Performance			
GRI 103: Management Approach 2016	103-1	26-27	
	103-2	12, 26-37	
	103-3	26-27	
GRI 201: Economic Performance 2016	201-1	14, 15	
	201-2	33, 62-63	
	201-3	2017 Annual Report (https://www.isbank.com.tr/EN/about-isbank/investor-relations/publications-and-results/annual-reports/Documents/Isbank2017.PDF), p. 126-127	
201-4	2017 Annual Report (https://www.isbank.com.tr/EN/about-isbank/investor-relations/publications-and-results/annual-reports/Documents/Isbank2017.PDF), p. 128 In 2017, 5,297 thousand TL R&D discount is achieved in line with the announcement in Official Gazette, dated 10.08.2016, titled "The Regulation on Supporting R&D and Design Activities".		
Market Presence			
GRI 103: Management Approach 2016	103-1	56-61	
	103-2	26-27	
	103-3	26-27	
GRI 202: Market Presence 2016	202-1	There is no gender or location based discrimination in remuneration. Human Rights and Human Resources Policy (http://www.isbank.com.tr/EN/about-isbank/sustainability/our-policies/Documents/Human_rights.pdf)	
	202-2	All İşbank executives are citizens of the Republic of Turkey.	
Indirect Economic Impacts			
GRI 103: Management Approach 2016	103-1	32	
	103-2	26-27	
	103-3	26-27	
GRI 203: Indirect Economic Impacts 2016	203-1	66-73	
	203-2	66-73	
Procurement Practices			
GRI 103: Management Approach 2016	103-1	23	
	103-2	26-27	
	103-3	26-27	
GRI 204: Procurement Practices 2016	204-1	23 Procurement Policy of İşbank (https://www.isbank.com.tr/EN/about-isbank/sustainability/our-policies/Documents/ProcurementPolicy.pdf)	
Anti-corruption			
GRI 103: Management Approach 2016	103-1	22	
	103-2	26-27	
	103-3	26-27	
GRI 205: Anti-corruption 2016	205-1	22	
	205-2	20-21	
	205-3	20-21	
Anti-competitive Behavior			
GRI 103: Management Approach 2016	103-1	22	
	103-2	26-27	
	103-3	26-27	
GRI 206: Anti-competitive Behavior 2016	206-1	There are no cases of anti-trust and anti-competitive behaviour in the reporting period.	

GRI 300 Environmental Standards Series			
Energy			
GRI 103: Management Approach 2016	103-1	62-64	
	103-2	62-64	
	103-3	62-64	
GRI 302: Energy 2016	302-1	74	
	302-2	74	
	302-3	74	
	302-4	74	
	302-5	74	

Water		
GRI 103: Management Approach 2016	103-1	62-64
	103-2	62-64
	103-3	62-64
GRI 303: Water 2016	303-1	74
	303-2	There are no significant affected resources due to İşbank operations
	303-3	74
Emissions		
GRI 103: Management Approach 2016	103-1	62-64
	103-2	62-64
	103-3	62-64
GRI 305: Emissions 2016	305-1	74
	305-2	74
	305-3	74
	305-4	74
	305-5	74
Effluents and Waste		
GRI 103: Management Approach 2016	103-1	62-64
	103-2	62-64
	103-3	62-64
	306-1	74
GRI 306: Effluents and Waste 2016	306-2	62-64; 74
Environmental Compliance		
GRI 103: Management Approach 2016	103-1	62-64
	103-2	62-64
	103-3	62-64
GRI 307: Environmental Compliance 2016	307-1	There are no significant fines or sanctions in the reporting period.
Supplier Environmental Assessment		
GRI 103: Management Approach 2016	103-1	23
	103-2	23
	103-3	23
GRI 308: Supplier Environmental Assessment 2016	308-1	While suppliers are expected to consider their environmental impact, there are no suppliers subject to environmental inspection.
GRI 400 Social Standards Series		
Employment		
GRI 103: Management Approach 2016	103-1	56-57
	103-2	26-27
	103-3	26-27
GRI 401: Employment 2016	401-1	75-77
	401-2	56-61
	401-3	58
Labor/Management Relations		
GRI 103: Management Approach 2016	103-1	56-57
	103-2	26-27
	103-3	26-27
GRI 402: Labor/Management Relations 2016	402-1	Minimum legal notice periods are applied regarding operational changes.
Occupational Health and Safety		
GRI 103: Management Approach 2016	103-1	61
	103-2	61
	103-3	61
GRI 403: Occupational Health and Safety 2016	403-1	61
	403-2	77
	403-3	77
	403-4	58
Training and Education		
GRI 103: Management Approach 2016	103-1	58-60
	103-2	26-27
	103-3	26-27
GRI 404: Training and Education 2016	404-1	58-60
	404-2	58-60
	404-3	77

Diversity and Equal Opportunity		
GRI 103: Management Approach 2016	103-1	57
	103-2	26-27
	103-3	26-27
GRI 405: Diversity and Equal Opportunity 2016	405-1	57
	405-2	This ratio is one since there is no gender-based wage discrimination in İşbank.
Non-discrimination		
GRI 103: Management Approach 2016	103-1	56-57
	103-2	56-57
	103-3	56-57
GRI 406: Non-discrimination 2016	406-1	İşbank takes all decisions about its employees independently of race, religion, language, sect or any belief, gender, mental or physical disability, age, cultural or social class differences; it refuses any discrimination against or among the employees and managers.
Freedom of Association and Collective Bargaining		
GRI 103: Management Approach 2016	103-1	58
	103-2	58
	103-3	58
GRI 407: Freedom of Association and Collective Bargaining 2016	407-1	76
Child Labor		
GRI 103: Management Approach 2016	103-1	56-57
	103-2	56-57
	103-3	56-57
GRI 408: Child Labor 2016	408-1	İşbank operations do not have the risk for incidents of child labor.
Forced or Compulsory Labor		
GRI 103: Management Approach 2016	103-1	56-57
	103-2	56-57
	103-3	56-57
GRI 409: Forced or Compulsory Labor 2016	409-1	İşbank operations do not have the risk for incidents of forced labor.
Human Rights Assessment		
GRI 103: Management Approach 2016	103-1	32-33
	103-2	26-37
	103-3	26-37
GRI 412: Human Rights Assessment 2016	412-3	33-34
Local Communities		
GRI 103: Management Approach 2016	103-1	66
	103-2	66
	103-3	66
GRI 413: Local Communities 2016	413-1	32-34; 66
	413-2	32-34; 66

Supplier Social Assessment		
GRI 103: Management Approach 2016	103-1	23
	103-2	23
	103-3	23
GRI 414: Supplier Social Assessment 2016	414-1	While suppliers are expected to consider their social impact, there are no suppliers subject to social inspection.
Public Policy		
GRI 103: Management Approach 2016	103-1	22
	103-2	24
	103-3	24
GRI 415: Public Policy 2016	415-1	İşbank does not provide aids to political parties.
Marketing and Labeling		
GRI 103: Management Approach 2016	103-1	44
	103-2	27
	103-3	27
GRI 417: Marketing and Labeling 2016	417-1	44
	417-2	There is no such case in the reporting period.
	417-3	There is no such case in reporting period.
Customer Privacy		
GRI 103: Management Approach 2016	103-1	48
	103-2	27, 48
	103-3	27
GRI 418: Customer Privacy 2016	418-1	Number of complaints is not disclosed due to data privacy.
Material Topics That Are Not Covered by the GRI Standards		
Responsible Finance Integrating Environmental, Social and Governance (ESG) Criteria		
GRI 103: Management Approach 2016	103-1	32-34
	103-2	24-27
	103-3	24-27
Digital Transformation		
GRI 103: Management Approach 2016	103-1	50
	103-2	24-27
	103-3	24-27
Financial Inclusion		
GRI 103: Management Approach 2016	103-1	36-44
	103-2	24-27
	103-3	24-27
Responsible Products and Services Portfolio		
GRI 103: Management Approach 2016	103-1	36-44
	103-2	24-27
	103-3	24-27
Financial Services Supplement		
Financial Services Supplement	FS13	36-44
	FS14	36-44

