



# Ziraat Bank

2016

SUSTAINABILITY REPORT

*Value for the Future*





## *Value for the Future*

*Having laid its foundations with “Homeland Funds”, Ziraat Bank has led the society for a better future since the day it was founded. It gained strength by providing value for the production and supporting the farmers, and it maintained and further increased this strength by protecting people and environment and adding value to the future. As providing confidence, Ziraat Bank has become a preference and companion of many investors and entrepreneurs of various sizes.*

*Thus, Ziraat Bank became more than a Bank and turned into a world brand guiding the future with the power of the past.*





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## Message from the CEO

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Ziraat Bank provides a wide range of domestic financial services such as banking, participation banking, insurance and individual pension scheme, investment, portfolio management, financial leasing, real estate investment trust and financial technology and together with the branches abroad, continues its activities as a financial group and keeps producing value for the future based on the work model designed with sustainable determination and proficiency principles and the consciousness of being a corporate citizen.



**HÜSEYİN AYDIN**  
BOARD MEMBER AND CEO



## Message from the CEO

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We made lots of studies for development of deposit accounts, the most important subject of this year and our main funding source, and we tried persistently to diversify our resources in order to offer sustainable support to the national economy. We continued acquiring significant gains for provision of non-deposit resources. Renewing our syndication loan of US\$ 1,1 billion, we realized a new Eurobond export of US\$ 500 million. We tried to meet financing needs of investors from all scales through the resources over US\$ 300 million obtained from international organizations and banks.

Hence, our balance sheet made important contributions to not only the balance sheet of the Bank but also that of our country as in recent years. This year, like previous years, our Bank has recorded a credit growth ahead of the sector. Total assets of the Bank reached TRY 357,8 billion and our contribution to the economy with total loans including non-cash loans became TRY 312 billion.

In the meantime, attaching particular importance to financing of agriculture sector, our Bank is addressing the agriculture from an industrial perspective, and involving all stages, from cropland to the table, in the financing model.

This year, agricultural loans provided from the own resources of our Bank has reached TRY 42 billion and we have achieved a loan provision strategy mainly directed to producers by extending loans for 600 thousands clients.

While performing our activities, our future vision is shaped under the light of our responsibilities towards our country and our world as a corporate citizen. I would like to express that we are always reviewing our processes with a view to keeping environmental effects of our activities on the minimum level.

Offering services as “the only financial service provider” in about 400 districts and towns, our Bank facilitates financial access of the locals therein and contributes to increase of their financial savings. Furthermore, it supports development of sports through sponsorship activities and besides sponsoring Turkish Football Cup, provides contribution to volleyball in Turkey Men’s Volleyball League.

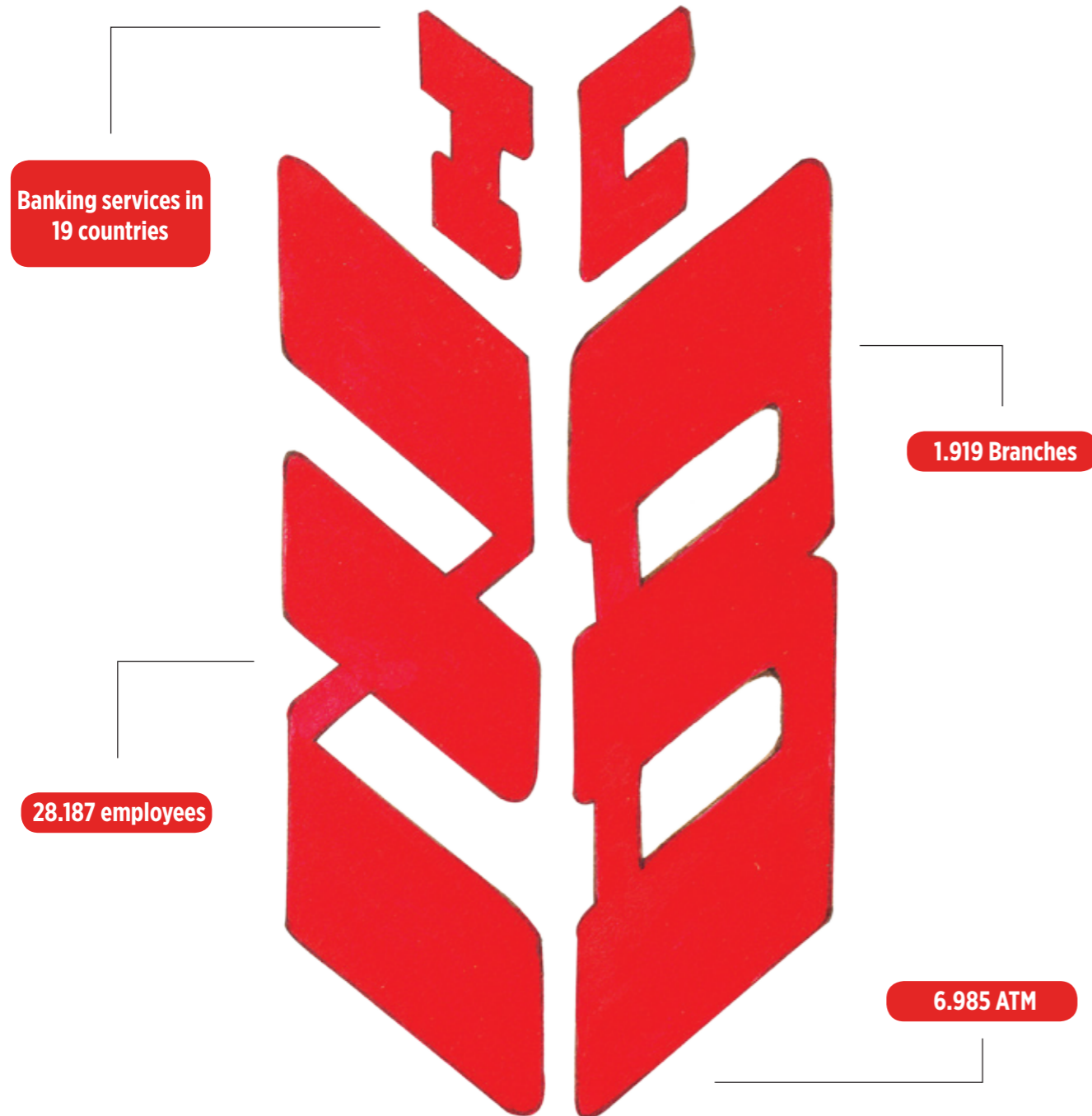
As Ziraat Finance Group, which provides services in 19 different countries with 28 thousands employees and in 18 different languages, we believe that there are many steps to take. Ziraat Finance Group is building an intercontinental bridge for commercial relations, and feeling the enthusiasm of leaving a sustainable heritage to the future and I would like to extend my sincere regards and greetings to all.

**HÜSEYİN AYDIN**

BOARD MEMBER AND CEO



## ZİRAAT FINANCE GROUP



With over one and a half-century experience and knowledge and without compromising on the foundation mission Ziraat Bank is increasing the financial and operational performance focused on sustainability by closely following the developments in the international banking system and thus improving the corporate management approach.

Ziraat Bank has a wide domestic and foreign participation portfolio in the fields of banking, insurance, individual pension scheme, investment services, participation banking, portfolio management, financial leasing, real estate investment trust and financial technologies. Global existence of the Bank covers **99 service points in 19 countries**. Focusing on providing effective and rapid services for our entrepreneurs in other countries too under the light of modern international banking vision, Ziraat Bank is offering extensive financial services to its clients in the relevant geographies.

Our Bank has a service network in **19 countries, comprising of 8 international subsidiary banks, 28 foreign branches and 1 representation office**. Ziraat Finance Group is providing services with **1.814 branches, 6.985 ATM and 28.187 employees**.













***Value  
produced as of  
1863***

*While making numerous achievements, as of 1863, adding value to the human life, we always tried to create awareness and difference. This is what made us more than a bank. Because future is worthy of everything.*



**Our objective is to provide banking products and services to all our clients in practical, understandable and accessible formats and enrich the sector with new model practices.**

## Our Sustainability Policy

### Our sustainability vision

To use the unrivalled experience and knowledge that we have built up over a century and a half for the benefit of the economy, the environment, and the community; to produce enduring value for our stakeholders; to be a globally-competitive bank through the principles of sustainable profitability and efficiency.

### Our sustainability goal

To further develop both the bank's strong position in the domestic market and its global competitive strength by increasing the medium- and long-term leverage effect of the Change and Transformation Project through corporate sustainability practices to be implemented under this Sustainability Policy.

### Our sustainability approach

Our sustainability approach is shaped in light of our responsibilities as a financial services provider, of our obligations to the environment and the community, and of our duties as an employer.

- Ziraat Bank is a strong, leading, and trusted bank. We desire to perpetuate our existing success in economic sustainability into the future by supporting it with long-term environmental and social sustainability perspectives.

- In our decision-making processes, we take a careful and thoughtful approach when dealing with environmental and social issues and the potential risks associated with them in the management of our resources and our service infrastructure.

- We regard environmental sustainability including climate change and the transition to a low-carbon economy—as an important item on our agenda.

- As an employer, we believe in the importance of humane working conditions. In our business model we give importance to equality of opportunity among all of our employees: we regard diversity in our workforce as a component of Ziraat Bank's richness and therefore we support it.

- As a service provider, we regard customer focus and customer satisfaction as being fundamental to everything. Our goal is to offer banking products and services to all of our customers in formats that are practical, intelligible, and accessible and also to enrich the banking industry through innovative and exemplary practices

- As a business partner, our relationships with suppliers are grounded in the principles of mutual respect, responsibility, and fairness and we are committed to developing them accordingly. We support our suppliers' success through cooperative projects that we carry out together.

- We are committed to continuously developing and implementing projects whose aim is to integrate universally-accepted sustainability principles into our business model.

- We attach importance to having a presence and playing an active role in multilateral sustainability initiatives and collaboration platforms at both the national and international levels.

Taking the foregoing fundamental tenets as our point of departure, we are focused on promoting, developing, and maintaining sustainability throughout our value chain.

### Our sustainability structure

Our sustainability plan is structured under the aegis of the Ziraat Bank Board of Directors. Its implementation is informed by a straightforward and effective organizational structure.

- Sustainability practices at Ziraat Bank are conducted under the guidance of the Bank's General Manager.
- The Ziraat Bank Strategic Steering Committee is responsible for the coordination of sustainability efforts.
- Sustainability activities are monitored by the Organization Department.

Ziraat Bank is a strong, leader and confiding bank. We wish to carry our success in the field of economic sustainability to the future by supporting it with long-term environmental and social sustainability perspective.



We believe in open communication with our stakeholders based on mutual respect.

**Our dialogue with our stakeholders**

Ziraat Bank's long-term success depends on its stakeholders' trust and continued goodwill. The sustainability projects we undertake play a role in further strengthening stakeholder confidence and loyalty.

- Employees make up one of our most crucial stakeholder groups. We support our employees in their efforts to proactively identify with Ziraat Bank's sustainability approaches and commitments.
- We regard the training and development of our employees as an important element of the progress that we seek to make in the area of sustainability. Constantly changing and transforming ourselves as we move forward, we continue to invest in training that will contribute to the steady advancement of our human resources.
- Our customers are the essential justification for our existence. Our goal is to perpetuate and amplify customer satisfaction and loyalty by supplying high-value products and services under globally competitive conditions through all of Ziraat Bank's distribution channels.

- We engage with our customers on a variety of collaboration and awareness platforms. We regard efforts to increase financial literacy and awareness of sustainability as an essential part of our social responsibility.
- Developing mutually beneficial relationships with our suppliers is another of our priorities. We regard it as important that our suppliers recognize and abide by universally accepted sustainability principles and we accordingly encourage them to do so.
- We believe in mutually frank and respectful communication with our stakeholders. In stakeholder communication, we focus on the transparent disclosure of our progress on environmental and social matters as well as of our economic performance.
- We believe that the success of corporate sustainability practices will enhance the bank's sustainability index performance.

Our target is to provide products and services of strong value through all service channels of Ziraat Bank under global competition conditions and continue developing client satisfaction and loyalty.





Having proved, in its over 150-year history, that it is more than a bank, the Ziraat Bank has natural harmony with sustainability principles, which arises from its passion to enrich our country and the world.

### Ziraat Bank and Environment

As one of the biggest employers in the Turkish banking industry and the hub of its most extensive physical service network, our goals are to curb our direct and indirect environmental impact, to effectively manage that impact by means of appropriate strategies and technologies, and to constantly improve our performance in this direction. To this end:

- We engage in ongoing efforts to quantify the greenhouse gas emissions generated by our service processes and to reduce them.
- We strive to structure the physical components of our service network in line with the principle of making efficient use of energy and all other natural resources.
- Aspiring ourselves to achieve full compliance with all mandatory environmental standards in Turkey, we also encourage the proliferation of globally-recognized best practices and benchmarks pertaining to such matters by engaging in an ongoing, multidimensional dialogue with our stakeholders.
- We regard it as important that our customers and suppliers have a greater awareness of environmental issues and we encourage them to make a greater effort for the sake of environmental sustainability.

### Ziraat Bank and the Community

As a company which employs about 25 thousand people, which helps millions of individuals to make their dreams come true, and which supplies financial products and services at locations all over the country, in more than 400 of which it is the only such service provider, Ziraat Bank contributes to the community in many different ways. We continue to create value for society and to take multidimensional approaches in support of social development through efforts capable of maximizing their socially beneficial impact.

We encourage our clients and suppliers to increase their awareness about the environment and spread the studies that will add value to the environmental sustainability.

### Our products and services

In the processes of satisfying evolving customer needs and expectations, of supplying the right product and service to the right customer at the right time, and of productively exploiting new business opportunities presented by markets, Ziraat Bank always takes environmental and social issues into account as well. To this end:

- We continue to support the agricultural sector, which was the core of our original mission in 1863, through sophisticated financing methods. We are involved in and will continue to support agribusiness because we believe it to be vitally important to the success of our country's agricultural sector.
- In the conduct of our business as a bank, we provide products and services with the potential to be environmentally and socially benign such as renewable energy project finance, loans to improve energy efficiency, and financing packages for small- and medium-sized businesses and entrepreneurs.
- We regard expanding this line-up of environmentally and socially benign products and services through collaboration with international financial institutions as an essential element of our sustainability vision.

### Summing Up

Having been proving that it is more than just a bank for a hundred and fifty years, Ziraat Bank's innate compatibility with sustainability principles springs from its passion to create value for the country and for the world. Given the general framework encompassing its sustainability policy, Ziraat Bank is committed to pursuing and maintaining sustainably profitable and efficient growth as a competitive, strong, high-market-value, and globally-integrated bank. Constantly improving our bank's sustainability performance in keeping with the principles of transparency, accountability, compliance with the law, ethical behavior, and risk management, we remain on course as a financial institution that is more than a bank in the area of sustainability as well.



## Ziraat Bank from Past to Today

Taking its power from the roots of the past, Ziraat Bank proved in its over 150-year history that it is more than a bank.

### 1863-1888

- On 20 November 1863, Mithat Pasha created the "Homeland Funds" which laid the foundations of the current Ziraat Bank in Pirot town. Ülkemizde ilk kez teşkilatlı kredi sistemi mevzuatı oluşturuldu.
- Organized loan system legislation was prepared for the first time in Turkey.
- General Directorate of Ziraat Bank started its activities.

### 1889-1913

- The first loan was given to the Treasury.
- Crop needs of the immigrants and locals were provided with the loan of Ziraat Bank in Izmit due to drought.
- Studies were conducted to purchase agricultural equipment from abroad with the capital of Ziraat Bank.
- Funds of Ziraat Bank were created in Kerek, Ipek, Prizrin, Tmasvar and Karacasu.
- Those who were going through difficult conditions due to drought in Kosovo were enabled to get loan from Ziraat Bank.
- A branch of Ziraat Bank was opened in Medina.

- A branch of Ziraat Bank was opened in Baghdad and Basra.
- Loans were given to the farmers who were suffering from the consequences of the earthquake.

### 1914-1938

- Commercial loan transactions were launched.
- The first seed loan was provided.
- The first collective delay was introduced for commercial receivables.
- Following opening of the Grand National Assembly of Turkey in Ankara, management of branches and funds located in the areas under the sway of GNAT were handed over to the Ankara Branch.
- Izmir organization and Istanbul organization were affiliated to Ankara.

### 1939-1963

- Regulation of Ziraat Bank of the Republic of Turkey, which was referred to in the Law no 3202 and consisted of 198 articles, were completed and entered into force.
- Ziraat Bank became a member of the International Confederation for Agricultural Credit (CICA) which was established to represent the agricultural credit organizations and institutes in international arena and carry out any activities found beneficial for agricultural credit.
- Law no 7052 enabled to split the

agricultural receivables of Ziraat Bank into installment.

### 1964-1988

- Hamburg Representation Office was opened.
- Nicosia, Gazimagusa and Guzelyurt branches were opened in Cyprus.
- New York Representation Office was turned into a branch. Representation offices were opened in Duisburg, Berlin, Munich, Stuttgart and Rotterdam.
- Under Bank 86 Project, automation environment was started in 7 branches of Ankara and Istanbul in order to adapt the developing technology to the banking services and offer more rapid and productive services of higher quality.
- Ziraat Bank got the 452nd place in "the first 500 banks according to equity size" listed by Euromoney magazine.

### 1989-2015

- Banking School started its activities in order to train the qualified staff needed by the Bank.
- The Frist Investment Fund (Fund I) was established.
- Gold sales were started under the name of Ziraat Gold. The first consumer loan was provided. The first credit card was given. Bingöl-Muş Rural Development Project was started.

Assets of Ziraat Bank reached **TRY 357.761 million in 2016**, which yielded to net profit of **TRY 6.576 million.**

- "Self Service Banking" application was started. With Foreign Currency Conversion Machines, Self Service Information Terminals and Audio Message Systems, besides ATMs, this project became an initiative which was operated as the first "Unmanned Electronic Branch" and providing services on 24 hour basis.
- Ziraat Bank Moscow, Kazkommerts Ziraat International Bank (KZI Bank), Turkmen Turkish Commercial Bank (TTC Bank) and Uzbekistan Turkish Bank (UT Bank) were established and started their activities.
- Ziraat Bank got the 202nd place in "the first 500 banks" listed by Euromoney magazine and 41st in the field of net profit, 1st in the field of return on equity and 12th in the "fastest developing 50 banks of the world".
- Sofia branch was opened.
- Representation offices of Stuttgart, Hannover, Frankfurt and Duisburg were turned into branches. Software development of the Bank facilitated the presentation of new products and services.
- Turkish-Ziraat Bank Bosnia D.D., obtained VISA and EURO PAY license and started, for the first time, "VISA acquiring" and "Issuing" transactions in Bosnia-Herzegovina under the coordination of Ziraat Kart A.Ş.
- Bank became an Incorporation pursuant to the Law no 4603 dated 25 November 2000.
- Fin@rt project which centralized the software of the Bank became widespread.
- Ziraat Bank opened Athens and Gumulcine branches in Greece.
- Ziraat Bank announced the highest profit obtained by a Turkish company up to 2009 with net profit of TRY 3.511 million.
- Bagdad, Erbil and Jeddah branches started their activities.
- Ziraat Bank purchased royalty of Turkey Cup.
- Ziraat Bank started the change and transformation project with the slogan of "Altogether toward the Better".
- Ziraat Bank celebrated the 150th anniversary of its establishment with the staff.
- Sustainability Policy which summarizes the sustainability vision, target and approach of Ziraat Bank and defines position of the Bank in environment, society and product/service axis was adopted and announced by the Executive Board of the Bank on 30 September 2014.
- Ziraat Bank issued the first sustainability report on GRI A+ standard.
- Ziraat Bank became the highest corporate tax payer in 2014.
- Ziraat Participation Bank started its activities.
- Branches were opened in Kosovo/ Pristine.

- Ziraat Bank Azerbaijan ASC started its activities.
- Ziraat Bank was elected as the 2nd most powerful bank of the Western Europe.
- Ziraat Bank Montenegro AD started its activities.
- In 2015, Ziraat Bank announced the highest profit of the Turkish banking sector with net profit of TRY 5.162 million in line with the sustainable profitability principle.

### 2016

- Marneuli branch was opened in Georgia and Bahreyn branch was opened in Manama/Bahreyn.
- Ziraat Real Estate Investment Trust participated in the Ziraat Finance Group family and started its activities.
- Assets of Ziraat Bank reached TRY 357.761 million in 2016, which yielded to net profit of TRY 6.576 million.





## Our Awards

- **The Best Bank of Turkey** in Turkey Youth Awards
- **Golden Award** in 2015 Sustainability Report LACP design competition and Ranking among the first 50 Reports Category
- **Bronze Award** in 2015 Sustainability Report Mercury Pearl Anniversary 2016/17
- **Golden Award** in commercial banks category in 2015 Sustainability Report LACP design competition
- **7 awards** to Ziraat Bank from EMEA Finance:

**Ziraat Bank was elected as the “Best Project Financing Organization” of EMEA and CEE Regions.**

Under the EMEA Finance Awards 2016 organized by EMEA Finance, one of the leading finance publications of Europe, Middle East and Africa, Ziraat Bank won 7 awards with 4 big projects it provided financing.

### **Istanbul New Airport Project**

1. *The Best Project Finance of the Year (Europe-Middle East-Africa Region)*
2. *The Best Public-Private Partnership Project Finance of the Year (Europe-Middle East-Africa Region)*
3. *The Best Infrastructure Finance of the Year (East and Central Europe)*

### **Yeniköy-Kemerköy Thermal Power Plants Privatization Project**

*The Best Privatization Finance of the Year (Europe-Middle East-Africa Region)*

### **Kayseri Integrated Health Campus Project**

*The Best Public-Private Partnership Project Finance of the Year (East and Central Europe)*


### **Gebze-Izmir Highway and Gulf Passage Project**

1. *The Best Infrastructure Finance of the Year (Europe-Middle East-Africa Region)*
2. *The Best Transport Infrastructure Finance of the Year (East and Central Europe)*

- **Silver Award** in Stevie Awards “**Company of the Year-Banking**” category
- **First Prize** in **People’s Choice Voting** for Stevie International Business Awards
- **First Prize** in bank category according to results of **Turkey’s Lovemarks 2016** research







*It is worth the  
future taking its  
culture from the  
traditions*

*On these lands, power of the change have added  
value to the future for years. Today, while  
producing to meet the requirements, we are also  
saving by ensuring the minimum consumption.*

*We are creating a chain of values by converting  
the power of change into production and without  
consuming the future.*



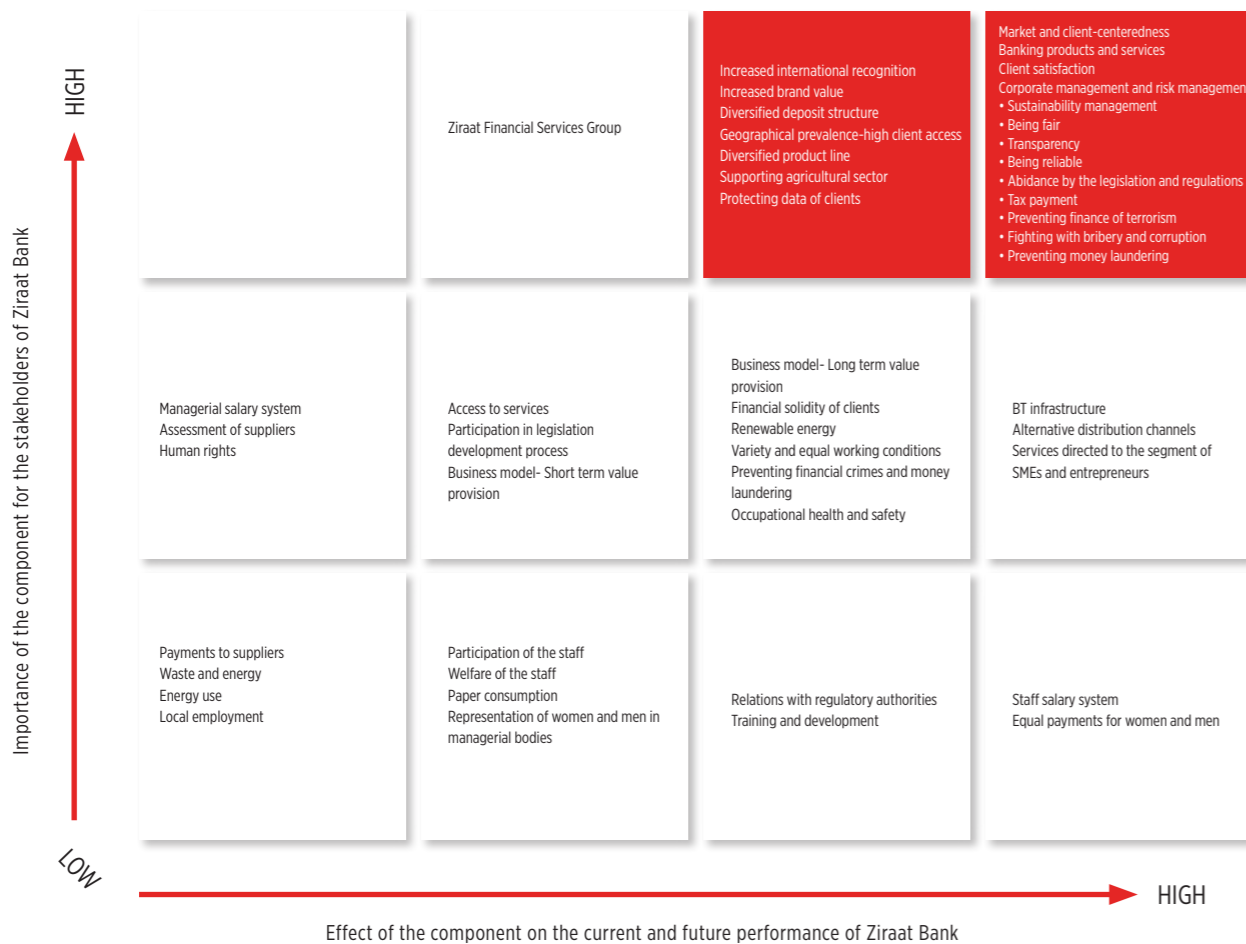
Elements which are of top priority for Ziraat Bank and its stakeholders were determined and order of importance was established and matrix of priorities for 2016 were created accordingly.

## Our Priorities

While defining the prioritized areas, Ziraat Bank made use of:

1. The comprehensive survey conducted on department managers and staff of the Bank, who represent the internal stakeholders,
2. The analysis obtained from the feedbacks of external stakeholders in 2016 through different channels,
3. Outputs of the meetings held with international finance and rating agencies,
4. Results of the desk-based works of the Ziraat Bank Sustainability Project Team.

### Ziraat Bank Sustainability Priorities 2016



Perspective of internal stakeholders was found out with a comprehensive survey conducted on department managers and staff of the Bank.

Perspective of external stakeholders was addressed during the meetings held with the representatives of the departments under the service cycle. Such meetings focused on the findings in articles 2 and 3 of the list above, which were discussed with the relevant stakeholders (clients, suppliers, international stakeholders, etc.).

Following the prioritization analysis, elements which are of top priority for Ziraat Bank and its stakeholders were determined and order of importance was established and matrix of priorities for 2016 were created accordingly.

### Verification study

Verification study concerning the prioritization analysis and the relevant process were carried out successfully by the project team in 2016 as well.

### Framework of the element

Elements which are laid down following the prioritization analysis 2016 are divided into three categories based on the importance and influence area. Issues included in the first category have the highest level of importance in terms of current and future performance of Ziraat Bank.

These are:

- Market and client centeredness, wide range of banking products and services, client satisfaction, increased brand value and international recognition, geographical prevalence and high client access, diversified and basic deposit structure, which closely interest the future economic performance and competitiveness of Ziraat Bank.
- Supporting agricultural sector in line with the foundation mission of the Bank.
- Protecting data of the clients.
- Corporate management and risk management including sustainability management.

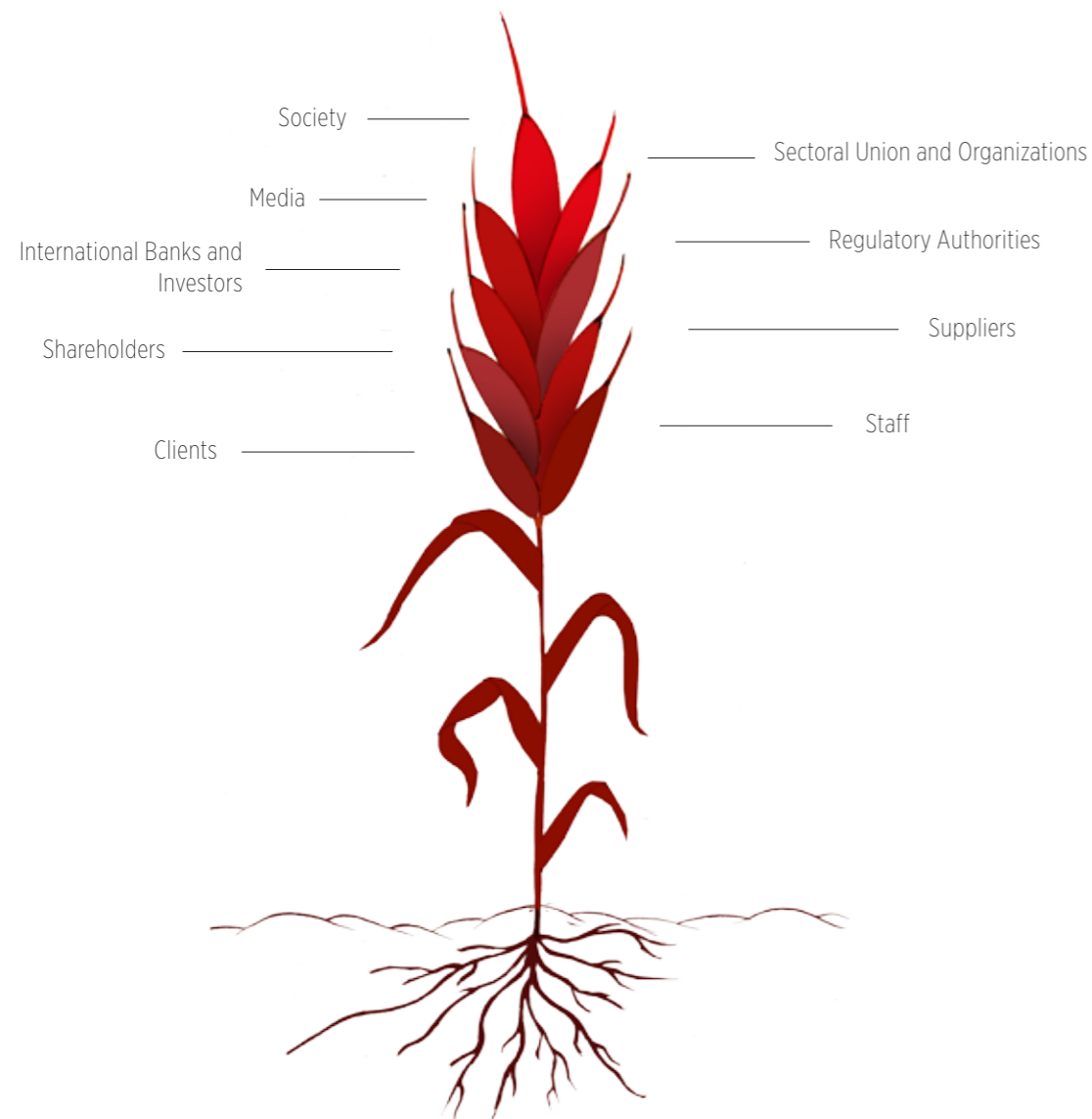
Second and third category elements of the prioritization analysis are the issues which have different level of importance and priority for different stakeholder groups. These are:

- Services directed to SMEs and entrepreneurs, which are critically important for Turkish economy, have priority for Ziraat Bank.
- Development of BT infrastructure and Alternative Distribution Channels through new investments are very important for Ziraat Bank and clients while its importance is relatively low for the external stakeholders.
- Participation, welfare, training, development and salary system, etc. of the staff are important for the staff, who represent one of the most significant stakeholder groups, while it remains in the lower section of the prioritization list of the external stakeholders.



## Stakeholders of Ziraat Bank

Shareholders, staff, clients and suppliers are included in the main stakeholder group of Ziraat Bank. The Bank is conducting stakeholder communication based on mutual interaction and communication in order to assess demands and expectations of its main stakeholders effectively. Besides the main stakeholder group, Ziraat Bank is communicating with regulatory authorities, international banks, investors and rating agencies, media, sectoral unions and organizations as well as other segments of the society based on transparency and mutual respect.



	Stakeholder Group	Frequency of Communication	Communication Channels
<b>Main Stakeholders</b>	Staff	Daily – under business cycle	Employment process, training programs for the staff, performance assessment meetings, internal communication areas, manager deliberation and information/share meetings
	Clients	7/24 under service cycle	Branches of Ziraat Bank, digital channels (ATM, internet banking, mobile banking, call center), client relations representatives, client visits.
	Suppliers	Daily – under business cycle	Purchasing process of all externally procured goods and services of Ziraat Bank.
	Shareholder	General Assembly and whenever required	General Assembly (annually). Ziraat Bank is also trying to enlighten the public over Investor Relations Department and Financial Reporting an Budget Management Department. Activity reports and other presentations as well as the statements made to Public Informing Platform are included.
<b>Other Stakeholders</b>	Regulatory Authorities	Whenever required – under business cycle	Reporting, correspondences and relevant meetings held as per the legislation.
	International Banks and Investors	Daily – under business cycle	Meetings and interviews made with World Bank, European Investment Bank, foreign funds, investment banks, wealth management companies, etc. with which Ziraat Bank is working in cooperation.
	Sectoral unions and organizations	Daily – under business cycle	Meeting, presentation and daily communication works.
	Media	Whenever required – under business cycle	Works to enlighten the public in a transparent and fast approach (press meetings, press releases, interviews, replying the directed questions, etc.)
	Society	Under the social responsibility projects	Corporate social responsibility projects and donation activities



Ziraat Bank takes into account the following criteria for definition of the stakeholders:

<b>Based on dependency</b>	Stakeholders who are dependent on Ziraat Bank today and tomorrow	Clients, staff, etc.
<b>Based on effect</b>	Stakeholders who are effective on performance of Ziraat Bank today and tomorrow	Clients, staff, suppliers, etc.
<b>Based on participation</b>	Stakeholders who cooperate with Ziraat Bank in any issue regarding sustainability	Institutions and organizations performing corporate social responsibility projects, consulting firms, etc.
<b>Based on liability</b>	Stakeholders towards whom Ziraat Bank has/will have financial and legal liabilities today and tomorrow	Shareholder, regulatory agencies, international banks and investors, etc.
<b>Based on affinity</b>	Stakeholders who have the most intense and long-term relations with Ziraat Bank	Clients, suppliers, etc.
<b>Based on representation</b>	Stakeholders with whom Ziraat Bank interacts under regulatory mechanisms or market/society formations	Sectoral unions and organizations, media, etc.

**Some of the initiatives that Ziraat Bank is a member or supporter**

- THE BANKS ASSOCIATION OF TURKEY (TBB) [www.tbb.org.tr](http://www.tbb.org.tr)
- FOREIGN ECONOMIC RELATIONS BOARD (DEIK) [www.deik.org.tr](http://www.deik.org.tr)
- INTERNATIONAL CHAMBER OF COMMERCE NATIONAL COMMITTEE OF TURKEY (ICC) <http://icc.tobb.org.tr/index.php>
- CREDIT REGISTRY OFFICE (KBB) [www.kbb.com.tr](http://www.kbb.com.tr)
- TBB RISK CENTER [www.riskmerkezi.org](http://www.riskmerkezi.org)
- ECONOMIC RESEARCHES FOUNDATION [www.iav.org.tr](http://www.iav.org.tr)
- INTERNET FRAUD INFORMATION SHARE SYSTEM (IFAS)
- ASSOCIATION OF NATIONAL DEVELOPMENT FINANCE INSTITUTIONS IN MEMBER COUNTRIES OF THE ISLAMIC DEVELOPMENT BANK (ADFIMI) [www.adflmi.org](http://www.adflmi.org)
- INSTITUTE OF INTERNATIONAL FINANCE-IIF [www.iif.com](http://www.iif.com)
- INTER-BANKS CARD CENTER (BKM) [www.bkm.com.tr](http://www.bkm.com.tr)
- INVESTOR COMPENSATION CENTER <http://www.ytm.gov.tr>
- IPFA-INTERNATIONAL PROJECT FINANCE ASSOCIATION <http://www.ipfa.org>
- THE TURKISH CAPITAL MARKETS ASSOCIATION [www.tspb.org.tr](http://www.tspb.org.tr)
- CALL CENTERS ASSOCIATION [www.cagrimerkezleridernegi.org](http://www.cagrimerkezleridernegi.org)



## Corporate Management

Executive Board of Ziraat Bank consists of 9 members who are elected for a maximum term of 3 years. The number of the Board members enables effective organization of the business activities. Duties of Chairman of the Executive Board and Director-General are executed by different persons. Chairman of the Executive Board does not have an executive function. All members of the Executive Board have the minimum qualifications required for Executive Board Member election as indicated in Capital Market Board Corporate Management Principles. Furthermore, the majority of the members of the Executive Board have the qualification of independent member.

### Members of the Executive Board of Ziraat Bank

Member	Duty
Muharrem KARSLI	Chairman
Yusuf DAĞCAN	Vice Chairman and Member
Hüseyin AYDIN	CEO and Member
Mehmet Hamdi YILDIRIM	Member
Feyzi ÇUTUR	Member
Metin ÖZDEMİR	Member
Mustafa ÇETİN	Member
Cemalettin BAŞLI	Member
Salim ALKAN	Member

Director-General is, in the widest sense, fully authorized and responsible for management, administration and coordination of daily activities at Ziraat Bank. There are 7 Deputy Directors General responsible for specified areas in the Bank. Director General and Deputy Directors General constitute the Senior Management of Ziraat Bank.

Election procedures of the Executive Board, the highest governance organ of Ziraat Bank, and the committees acting in the Bank were laid down in chapter 3 of the Articles of Incorporation. Besides the Members of the Executive Board of Ziraat Bank, a part of the professional directors constituting senior management of the Bank are undertaking the functions of Member of the Executive Board in subsidiaries of Ziraat Finance Group. Principles regarding assignment of the Members of the Executive Board of Ziraat Bank outside the Bank are compliant with the Banking Law, Turkish Commercial Code and other relevant legislation.

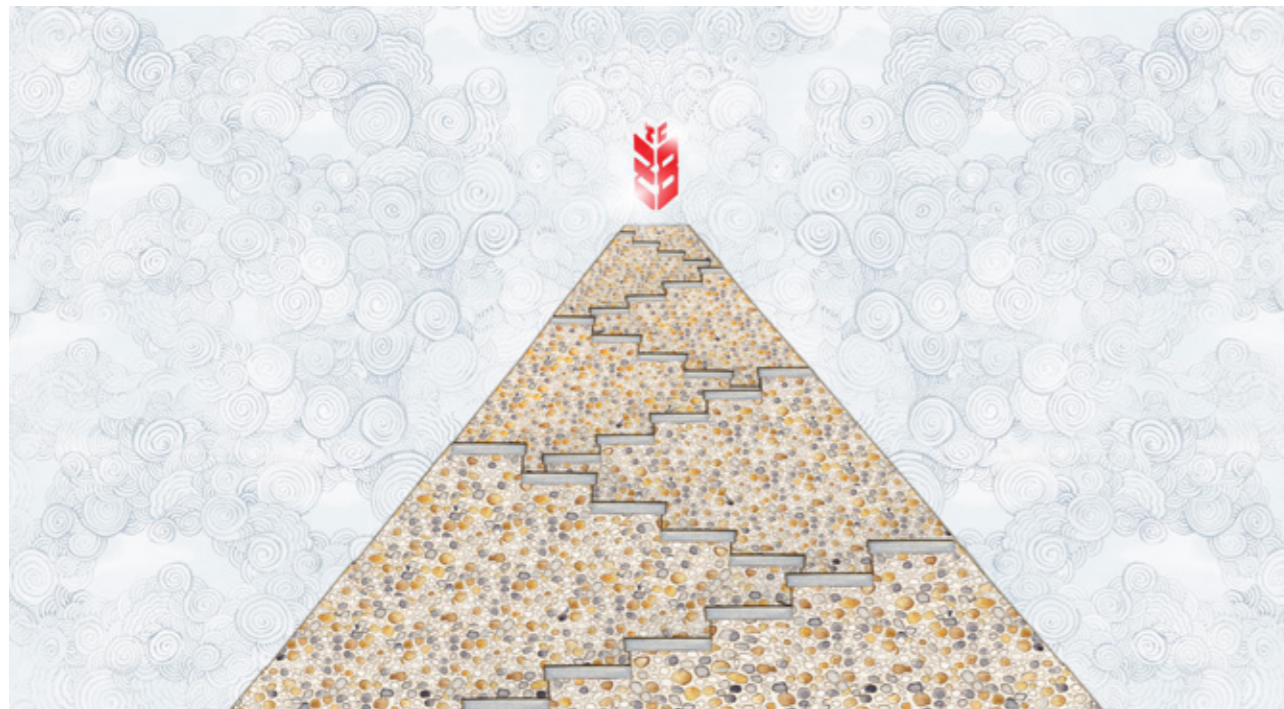
Ziraat Bank established the following committees as per the relevant provisions of Turkish Commercial Code and Banking Law:

Ziraat Bankası'nın TTK ve Bankacılık Kanunu ile ilgili diğer hükümler uyarınca oluşturduğu komiteler:

- Credit Committee
- Audit Committee
- Corporate Management Committee and
- Pricing Committee

The Bank is fully applying the "Regulation on Corporate Management Principles of Banks" published by BDDK (Banking Regulation and Supervision Agency) and Corporate Management Principles determined based on the Turkish Commercial Code. The Bank is follower and applier of the Corporate Management Principles published by Capital Market Board. Corporate Management Committee was established in 2012 in order to monitor compliance with the corporate management principles and introduce improvements to this aim.

The only shareholder of the Bank was Undersecretary of Treasury of the Republic of Turkey but all shares of the Bank were handed over to the Turkey Wealth Fund with the Cabinet Decree of 24 January 2017 and no 2017/9756. Chairman and Members of the Executive Board, Members of the Audit Board and Director-General and Deputy Directors-General do not have shares in the Bank.





## Innovative Practices in the field of Internal Audit, Internal Control and Risk Management

Ziraat Finance Group is continuing the relevant studies to establish the sustainability policies.

### Innovative Practices in the field of Internal Audit

Branch audits of Ziraat Bank are carried out within the framework of client-centered audit model.

After the completion of the study in 2017, branches to be audited will be determined effectively and rapidly and optimal distribution of duties will continue. Time/cost effectiveness will be provided when the risk score is calculated over the system.

Web-based Audit Model study is ongoing to ensure audit of the subsidiaries and foreign branches of Ziraat Bank. This model will provide conclusion of the audits in the same/convertible report format to the extent possible. Moreover, a model has been started to be prepared in order to perform the Information Systems Process Audit of the Bank over the system.

### Innovative Practices in the field of Internal Control and Compliance

The project on preparation and follow-up of the control programs issued in 3-month periods regarding control activities of the domestic branches and departments over the system was completed.

In 2017, it is aimed to integrate the reports of the control activities abroad into the system.

It is targeted to extend the internal assessment on compliance activities throughout the foreign branches and subsidiaries and deal with our activities about the prevention of laundering of crime revenues and financing of terrorism as a whole in the Ziraat Finance Group.

### Innovative Practices in the field of Risk Management

Through the credit risk calculation project based on internal rating approach which is planned to be initiated in 2017, Ziraat Bank will reflect the internal rating rules and plans to make positive contribution to various areas such as capital adequacy ratio, client analysis, pricing and portfolio management. It is considered that these studies will make decisions, transactions and applications of the Bank more rational and transparent and provide important contributions to the investor relations in international markets.

### Activities on prevention of laundering of crime revenues and financing of terrorism

At Ziraat Bank, activities on prevention of laundering of crime revenues and financing of terrorism are carried out under the policy shared with the public on website and according to the legislation in force.

Implementation of the Compliance Program created as per the "Regulation On Program of Compliance with Obligations of Anti-Money Laundering and Combating the Financing of Terrorism" and the duties, powers and liabilities specified in the applicable legislation belong to the Audit Committee.

### Policies valid at Ziraat Bank Sustainability Policy see page 18

In line with our aim to extend the sustainability policy applications of Ziraat Bank throughout the Ziraat Finance Group, it is intended that our subsidiaries also constitute their sustainability policies and put them into practice. Policy making procedures will be completed in 2017.

At Ziraat Bank, "environment" is addressed under the Sustainability Policy. It is targeted to initiate a project on development and implementation process of the Corporate Social Responsibility Policy that will be applied to the investment loans in 2017. The project stipulates reinforcement of the managerial organization for implementation of

environment and social risk management process and development of environment and social risk management tools.

For the Information Policy, see . <http://www.ziraat.com.tr/tr/Bankamiz/Yatirimcilliskileri/Documents/BilgilendirmePolitikasi.pdf>

For the Policy on Prevention of Laundering of Crime Revenues and Financing of Terrorism, see <http://www.ziraat.com.tr/tr/Bankamiz/Yatirimcilliskileri/Documents/AMLPolitika.pdf>

The following issues are included in the HR legislation which is accessible for all staff on intranet of Ziraat Bank:

- Human Resources
- Pricing
- Compensation
- Prevention of Bribery and Corruption



## Ethical Principles

Ziraat Bank adopted the ethical principles prepared and published by the Banks Association of Turkey (TBB) according to Banking Law no 5411. In this regard, the Bank adopted the followings as permanent targets:

- Directors and staff of the Bank should comply with the ethical rules;
- Such principles should be adopted by the members of the Bank;
- All activities of the Bank should be carried out based on such principles.

With a view to protecting the rights and interests of the account holders, providing trust and stability in financial markets, operating deposit, credit and payment systems effectively and preventing transactions and applications that may result in big economic damages as well as protecting social benefit and environment, Ziraat Bank takes into account the following principles in its activities within the framework of the adopted ethical rules:

- Honesty
- Impartiality
- Reliability
- Transparency
- Social Benefit and Environmental Impact
- Fighting with laundering of crime revenues and finance of terror
- Prevention of information abuse

Ziraat Bank has not been opened to the public yet. However it meets a great part of the requirements of Corporate Management Principles and provides the relevant documents in Turkish and English on its website.

### Investor Relations Department

Investor Relations Department is working to manage the relations with the shareholders and ensure transparency required by the legislation in case of a potential public offer. The department plays an effective role in protection and use of the shareholders' rights. In this regard, even if the Bank is not open to the public, it carries out the relevant actions like a company with public offering.

International conferences were attended to provide information for the investors and analysts. Moreover, meetings were organized at the Directorate-General with various investor companies, analysts and rating firms. Presentations were prepared regarding financial results of the Bank in trimesters and shared with the investors on the website.

The Bank was promoted to the domestic and foreign investors and analysts during local and international conferences and their visits to the Bank.

### Corporate Website

Corporate website available in [www.ziraatbank.com.tr](http://www.ziraatbank.com.tr) plays an important role in providing the updated information to the public. Ziraat Bank has not been opened to the public yet. However it meets a great part of the requirements of Corporate Management Principles and provides the relevant documents in Turkish and English on its website.





## Value Produced for the Turkish Economy

Direct contribution of Ziraat Bank to the economy covers a wide range from salary of the staff to supplier payments, from taxes paid to the government to the dividend payments of the shareholders.

As of its foundation, Ziraat Bank maintained its growth by contributing to the local employment. With the growing business volume, Ziraat Bank pays tax on the level of **TRY 2.223,1 million** and employs **25.015 persons**. In brief, Ziraat Bank produced value not only with its product and service portfolio but also with its tax payer and employer identity, and it supported the Turkish economy with the expenses borne under the supply chain.

Direct contribution of Ziraat Bank to the economy covers a wide range from salary of the staff to supplier payments, from taxes paid to the government to the dividend payments of the shareholders.

In 2016, Ziraat Bank's credit growth became faster than the sector. **Total** assets of the Bank increased by **18% and reached TRY 357,8 billion**. Cash credits increased by **25%** and accounted for **65%** of this figure and non-cash credits grew by **31%**.

Having reinforced its operational and financial infrastructure and used this power to contribute to the Turkish economy, Ziraat Bank increased its cash credits to **TRY 233 billion** and size of total credits reached **TRY 312 billion** including non-cash credits.

Information on distribution of credit portfolio of Ziraat Bank is detailed in Activity Report 2016 under the chapter of "Assessment of 2016: Strategies, Development and Targets for the Future".

Ziraat Bank produced value not only with its product and service portfolio but also with its tax payer and employer identity, and it supported the Turkish economy with the expenses borne under the supply chain.

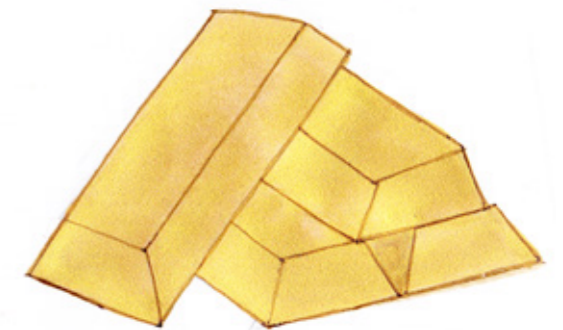
### Direct economic value produced by Ziraat Bank in 2016 (TRY million)\*

NET OPERATING INCOME OF 2016	17.217,0
<b>SHARED VALUE IN 2016</b>	
Other Operation Expenses*	2.666,7
Staff Expenses	2.286,8
Tax	2.223,1
Dividend, Donation and other supports	280,3
<b>Tax (TRY Million)**</b>	
Tax paid by Ziraat Bank as a tax payer	2.223
Tax collected at source by Ziraat Bank from its staff on behalf of the public	431
Tax collected at source by Ziraat Bank from its clients on behalf of the public	3.458

\* It is the amount of Other Operating Expenses except for staff, tax and donation expenses

\*\* According to the financial statements approved in the independent audit of 31 December 2016

Equity	TRY 38.382 million
Deposit	TRY 223.019 million
Cash credits	TRY 232.644 million
Total of assets	TRY 357.761 million
Return on equity	18,7%





*A value from past to future:*

## *Historical Building in Ulus*

The structure known as the Building of Ziraat Bank Headquarters was designed by Guilio Mongeri. Located on Bankalar Caddesi in Ankara, this precious building is near the other bank buildings which are the examples of the 1st National Architectural Movement. Each stage, from design to application, was planned and detailed carefully and the building constructed meticulously is standing like a document.

*Since the day it was constructed, the building has protected its authenticity and spatial characteristics. Its construction was completed with great sacrifices despite the limited resources of the Republic period and achieved to preserve the integrity.*

*The building which witnessed the long history of Ziraat Bank and our country will be turned into a museum and become a more easily accessible and lively center for the visitors and the concept of "a museum living side by side the Headquarters" will be created.*

*New annexes built in 1967 created the current appearance of the building on which restoration activities are still ongoing.*





## Happy Client, Strong Ziraat Bank

Ziraat Bank is providing special services to its clients with high geographical distribution and client access and free from piled and intense load of procedures

Ziraat Bank is providing special services to its clients with high geographical distribution and client access and free from piled and intense load of procedures.

Having adopted corporate, entrepreneurial and individual client segmentation, Ziraat Bank considerably increased client satisfaction and credit assessment qualification through the transformation project.

### Corporate Identity Works

Ziraat Bank is conducting regular studies in order to ensure use of the corporate identity according to the Bank standards, provision of correct perception of the brand image by the clients, integration of the corporate identity standards into the all relevant environments and prevention of erroneous applications. In this regard, audit procedures are performed in all branches.

### Ziraat Bank in Social Media

Social media accounts of Ziraat Bank reach to a great number of followers with their satisfactory contents. Knowing that social media is the new and most important communication channel of this era, the Bank maintains its support to culture and art through Ziraat Art Facebook, Twitter and Instagram pages and meets with art-lovers.

### Confidential Client Study

Confidential Client Study is performed on such issues as compliance of the staff with the set business goals and specified standards, adequacy of their efforts in gaining clients and reflection of the product information to the clients, and the relevant departments are informed about the results.

### Support to SMEs

Our support to SMEs is continuing in line with our renewed organizational structure and our understanding of banking prioritizing more support to the reel sector. We have assigned Entrepreneurial Client Relations Official providing special services to our entrepreneur clients regardless of their sector in all our branches and we have established an organization structure offering tailored services for each client. Pursuant to the protocol signed between the Bank and KOSGEB (Small and Medium Enterprises Development Organization), we provide interest discounts up to 20% for the loans of the entrepreneurs and up to 100% for the banking services.

New Domestic Machine Equipment Loan is now provided for the SMEs acting in the manufacturing sector and purchasing new and domestic machine. Zeor-Interest Operation Loan is provided for the SMEs included in the entrepreneur segment. Securities provided both with the support of Treasury and from the own equities of the KGF (Loan Guarantee Fund) are increasing.

Pursuant to the protocol signed between TOBB (Union of Chambers and Commodity Exchanges of Turkey), KGF and our Bank, "Breath Loan" is now offered for the financing of operating capital of the members of Chambers and Stock Market under suitable conditions. Under the "Microloans to PGS Micro SMEs" project signed with KGF, loans of the Micro SMEs were guaranteed and in this context, loan of TRY 52,2 million was given to 950 clients. Pharmacy Support Package directed to the pharmacists was revised based on the new financial requirements and advantageous loan and other banking products were offered.

### Loans Provided by the International Financing Organizations for the SMEs

Ziraat Bank continued, in 2016, to provide funds from the international financing organizations for the finance of SMEs or firms of bigger scale. Each of the executed agreements includes special conditions on environmental and social control criteria and in general, compliance with the Turkish environmental legislation is stipulated. The agreements also include the lists of the sectors that are sensitive to the environment or need to be excluded.

### Environmental and Social Supervision

As per the relevant loan agreements, an annex is signed besides the general loan agreement of Ziraat Bank in sub-loans of SMEs, thereby the client commits to comply with the environmental and social conditions required by the relevant financing organization. International financing organizations with which Ziraat Bank is in cooperation occasionally carried out supervisions to the Bank and loan clients during reporting period.

Information on nature and target group of the loan agreements concluded with the international financing organizations are summarized below.

### Loans of the World Bank

With the loan agreement of US\$ 67 million signed with the World Bank in 2013, it was aimed to finance the energy efficiency investments. As a requirement of the project, Ziraat Bank cooperated with a consulting firm in order to provide technical support to its clients in energy efficiency investments and loan provisions continued in 2016.

Provision of US\$ 300 million source to the leasing companies under the "Access of SMEs to the Financing" Project signed in 2013 with the World Bank continued in 2016 as well. This program supported growth plans of SMEs and encouraged financing of the investments with the leasing and thus contributed to access of the Turkish leasing sector to the medium and long-term resources.

### Loans of the European Investment Bank

Ziraat Bank continued, in 2016, the financing through the resources provided by the European Investment Bank and based on the agreement executed during the same year, it started use of €100 million. Thus, it contributed to increase of production, efficiency and employment of the relevant firms and supported their growth.



Ziraat Bank and European Investment Bank signed IPARD loan agreement of €100 million in 2014 for the financing of rural development projects

### IPARD Loan

Ziraat Bank and European Investment Bank signed IPARD loan agreement of €100 million in 2014 for the financing of rural development projects.

Provision of IPARD loan continued in 2016 and contributed to resources of the SMEs and firms of bigger scale and supported elimination of the challenges in access of the rural regions to the financing.

### SEP (Saudi Export Program)

For import of the goods of Saudi Arabia-origin, financing of US\$ 50 million was provided from SEP in 2013 and the relevant uses continued in 2016. Financing was provided for the clients who import many products from the said country except for crude oil.

### Loans of German Development Bank (KfW)

Within the framework of the loan agreement of €150million signed in 2014 between the Bank and German Development Bank for SMEs included in rural section or agricultural value chain; financing was provided for the clients in micro, small and medium scale segment acting in the prioritized areas and other regions stipulated by the agreement and inter-regional development differences were tried to be reduced.

### Loans of French Development Agency (AFD)

Through the source of €100million signed in 2014 between the Bank and French Development Agency, it was aimed to meet the financing needs of the SMEs which process food in agricultural sector.

### Loans of Council of Europe Development Bank (CEDB)

In 2014, a loan agreement of €100million was signed between the Bank and CEDB. Target of the package was to increase the ability of the enterprises of micro, small and medium scale to create employment and protect their current employment. The project also aims to create positive social effect and support the leasing sector. Besides the €50million obtained in 2015, another €50million was received from CEDB and the suitable projects continued to be financed with the loan of €100million in total.

Ziraat Bank aims to continue, in 2017, provision of loan packages made available from the international finance organizations. Within the framework of the loan projects executed in cooperation with the international financing organizations, there are not special clauses on human rights. However, the loan agreements concluded with the World Bank include provisions stipulating that the financed subprojects should not cause involuntary displacement of people.





### Financing of the Agricultural Value Chain

Ziraat Bank is the most rooted representative of agriculture in Turkey and provides operating and investment loans to meet agricultural production and other financing needs of the clients acting in agricultural sector. Considering the agriculture as a whole, Ziraat Bank maintains its support in the financing of agricultural value chain by providing loans for Agricultural Credit Cooperative, enterprises involved in agricultural input and product trade, agriculture-based and agricultural industry enterprises and agricultural service sector in addition to those directly provided for producers.

In order to provide liquidity power for the clients who continue their agricultural production activities and at the same time, cannot make the loan repayments in timely manner or have difficulty in repayment due to disruption of cash flow arising from such reasons as natural disaster, cost increase-revenue reduction; Ziraat Bank structures the loan debts in long-term and also provides additional operating loan to help them maintain their agricultural production activities.

Ziraat Bank facilitates loan access of the producers who market their agricultural products through the union/cooperation of which they are a member or partner by using the guarantee, equity and pricing advantages and thus encourages the producers to become a member of an agricultural organization and enable marketing and storage of the agricultural products for better prices.

### Agricultural loan of TRY 42 billion for the producers

Agricultural loans provided from the own resources of Ziraat Bank have reached TRY 42 billion and the number of the clients with loan reached around 590 thousands. Increase in agricultural loans became 26% when compared with the end of the previous year.

Balance of the loans which are provided from the funds allocated by the various public organizations for the financing of the agricultural sector reached TRY 2,1 billion and the number of the producers benefiting from such loans exceeded 81 thousands.

### Low interest application

Ziraat Bank provided loans with varying interest rates between 0% and 8,25% per year for the clients acting in the sector under the subventions specified on production basis. Ziraat Bank made available loans of TRY 19,4 billion for agricultural 320.758 producers and firms in 2016 over the discounted interest rates.

In order to provide convenience for the clients, Ziraat Bank enables use of 'Başakkart' for the loans of agricultural sector. In 2016, 246 thousands producers used TRY 5,6 billion of the agricultural loan limit of TRY 7,2 billion through 'Başakkart'. Furthermore, Ziraat Bank mediated in;

- Agricultural support payment of TRY 10,1 billion,
- Product cost payment of TRY 2.944 million by Soil Products Office,
- Sugar beet advance/cost payment of TRY 1.050 million by Sugar Factories of Turkey.

Besides the loans of fixed-interest tractor, combine harvester, agricultural mechanization, second-hand self-propelled agricultural machinery which aimed to increase the agricultural mechanization level and modernization of our clients; Small Equipment Loan was made available to increase the mechanization level of the small-size enterprises.

On the other hand, Young Farmer Loan was offered to the producers in order to ensure sustainability in agriculture, support entrepreneurship of the young farmers, increase income level, generate alternative income resources and support agricultural production projects contributing to employment of the young rural population and with a view to supporting the Young Farmer Project implemented by the Ministry of Food, Agriculture and Livestock, creating enterprises with more suitable economic scale and higher capacity of obtaining income and meeting the capital needs of such enterprises.

In 2017, Ziraat Bank maintained its financing support for establishment and modernization of enterprises which would contribute to the economy and equipped with new technologies in line with the agricultural policies and strategies of Turkey, and it aims to provide support also for the enterprises which produce products with high added value and may become exporter by increasing competitiveness in foreign trade.





**Financial Awareness**

Ziraat Bank attended the sectoral activities in 2016 too and supported the studies to increase the financial consciousness and develop awareness. Apart from taking part in 8 different expos, the Bank sponsored 12 activities of various unions and cooperatives. Meetings were organized for around 3.000 persons in different time periods at the agricultural unions, presentations were made and thus contributions were made to develop the financial literacy.

Preparations were started to guide the entrepreneurs and investors acting in the agricultural sector, lead them to the correct investment areas and provide financial consulting services. This service is planned to be offered through the website of the Bank.

The Bank is trying to develop cooperation with universities, non-governmental organizations and public institutions in order to provide added value for agricultural production and producers in Turkey.

**Agricultural insurances**

Concerning agricultural insurance premiums in 2016, the number of TARSİM (agricultural insurance) policies reached 1.444.277 with an increase of 5% and premium production reached TRY 1.299.986.301 with an increase of 35%. For protection of agricultural sector against agricultural risks, Ziraat Bank is working in cooperation with Ziraat Sigorta A.Ş. (Ziraat Insurance Co.) which is the leading company in the field of agricultural insurances. Specifically premium production increase of around 65% in plant production made the highest contribution to the sectoral growth. Ziraat Sigorta A.Ş. made 49,55% of the total TARSİM premium production on its own.

**Project financing**

Financing support is provided for renewable energy projects in addition to such infrastructure projects as airport, highway and bridge that make great contributions to the national economy and increase employment.

Under the Ziraat Bank project financing, special loan agreements are executed and environmental and social risks are assessed.

**Change Rate of Premium Amounts in Agricultural Insurances and Number of Policies in Turkey**

Sectoral share of premiums		Net amount of premiums (TRY)		The net number of policies issued	
		Sector	Ziraat Insurance	Sector	Ziraat Insurance
End of 2015	End of 2016	Change (2015-2016)	Change (2015-2016)	Change (2015-2016)	Change (2015-2016)
%46,16	%49,55	%34,61	%44,47	%5	%19



In return for the project financing requests, either “EIA Positive Decision” is obtained if the relevant projects are subject to EIA or “EIA is not necessary” decision. There is not any projects with cancelled EIA report in 2016. Moreover, permit-license and other documents required by the relevant institutions on project basis are requested and examined. If such documents cannot be obtained, information is provided in the relevant report and it is underlined that it must be paid attention during loan decision phase. As of the end of 2016, “Environmental Consultant” is involved in 14 active projects.

Under the project financing works of Ziraat Bank, IFC performance standards and Ecuador Principles compliance commitments are added to the loan agreements in the consortiums financed by IFC or EBRD. In such circumstances, abidance by the relevant criteria is observed through the reports prepared by the Technical and Environmental Consultants.

In 2016, there was not any situation that could not meet those criteria. In the agreements issued by Ziraat Bank, representations and warranties are obtained regarding environmental and social issues based on the laws and legislation binding the clients and also non-compliance with the relevant representations and warranties are considered as a default. Warranties of the clients are regularly observed through the periodic reports of environmental consultants or investor.

As of the end of 2016, 3 projects undertook to plant trees. In this regard, a project committed to plant trees in an area of 5000 hectare under the Environmental and Social Action Plan (minimum 10 million trees). Another project aims to plant minimum 500.000 trees per year throughout the loan term, which makes a total of 5 million trees at the end of the first 5 years and 10 million trees at the end of 10 years around the influence area of the facility. In another project, it was engaged to afforest an area of 2.940 hectare and 3.381.000 trees were planted.



### Environmental and social risks

Under the firm assessment system, availability of such applications in “Good Agricultural Practices” and “Organic Agriculture” criteria is scored in agricultural models and if positive, risk note of the client is affected positively. In manufacturing firms, the following restriction is available in “Conformity of the Facility with the Subject of Manufacturing”: “In case the firms acting in the sectors requiring availability of ecological treatment unit and filter insert, etc. or legally requiring such units do not have these, they will be given a negative score under the relevant criteria.”

Such criteria as environmental effects of production/ manufacturing process, appropriateness of the project location are examined in agriculture and manufacturing sector. Necessary actions are started for the projects not abiding by the relevant criteria.

### Value produced for the public institutions

Positioned as the main distribution channel in social policy applications of the public, Ziraat Bank mediates ten millions payments of many public institutions during every activity period.

### Housing acquisition support payments

Ziraat Bank made housing acquisition support payment of TRY 635 thousands in 2016.

### Saving incentive payments of the staff

Ziraat Bank made saving incentive payment of TRY 219 thousands in 2016.

### Social security payments

Ziraat Bank cooperates with public institutions and mediates in income/salary payments. Furthermore, income/salary payment of TRY 79 billion and €336 million, public salary payments of TRY 13 billion, TRY 7,4 billion for Credit and Dormitories Agency and other payment of TRY 729 million were made in 2016.





### Services for the individuals

Aiming to meet requirements of the different client groups with the most suitable solutions, Ziraat Bank provides individual services with an extensive distribution network making use of such different channels as ATMs, internet banking, mobile banking and call centers. In 2016, more than 1,5 million personal loans corresponding to around TRY 39,2 billion were provided.

Users of the internet banking increased by 54%, compared with the previous period, and reached 9,7 million while the number of the active clients of mobile banking increased by 104% and reached 2,1 million.

Within the framework of our studies to offer the digital banking services to our clients through every channel possible, we activated the "Ziraat Tablet" application prepared for the tablets.

At Ziraat Yatırım A.S., a domestic subsidiary of Ziraat Bank, internet branch was restored to facilitate transactions of our clients on capital markets and also launched the ZBorsa mobil application in order to contribute to literacy on capital markets.

Ziraat Hayat ve Emeklilik A.S., on the other hand, started a mobile branch application enabling viewing and making transactions on agreements regarding life/personal accident policies and individual retirement system.

Studies concerning needs and trends of the different personal banking segments, client centered activities, process improvements and efforts to comply with the legal regulations continued in 2016 with success. Different loan packages were created considering the differences detected in product choices of the pensioners and other clients receiving their salary through Ziraat Bank.

### Ziraat Mobile Branch, Mobile ATM

Trying to provide services to its clients whenever they need, Ziraat Bank is offering services, with 5 Mobile Branches and 1 Mobile ATM, especially in areas with seasonal population density.

### Lifelong Banking

Within the scope of lifelong banking, the following client programs were created and activated with various campaigns.

- Gain of the Teeny is at Ziraat,
- Gain of the Young is at Ziraat,
- Gain of the Employed is at Ziraat,
- Gain of the Retires is at Ziraat.

Following activation of the special client programs on the Bank's website; products, services and campaigns provided based on the Lifelong Banking segments were started to be shared with the clients.

Furthermore, within the framework of the cooperation established with the leading firms of various sectors, we also offered discounts and advantages to our clients in non-financial areas as well.

### Special Projects for Private Clients

Ziraat Bank continued to develop special projects for private clients in 2016. Among these projects, the followings are included:

- Activation of Pre-approved Consumer Loan,
- Application of Dowry Account under State Subsidy and Housing Account under State Subsidy in particular to increase TRY investments of the young population,
- Application of Bag-Kur (Pension Fund for Self-Employed) Premium Debt Loan.

### Steps to increase financial access of the disabled clients

Ziraat Bank is carrying out systematic works to facilitate access of the disabled clients to the products and services. Within the scope of the Accessible Banking, the followings were completed;

- Perceivable surface application for the visually impaired people in inner and outer grounds of 600 branches; call button to be used by the disabled people in order to request assistance when they enter the bank branches; information board in Braille Alphabet to be affixed on the outer gate;
- Disabled lifts in 13 branches.

It is targeted to extend measures in all branches in order to ensure easy access of the disabled clients to the branches, ATM and internet banking services.

Perceivable surface, call button and Braille applications are available in 600 branches.



Ziraat Bank aims to contribute to the learning, awareness and development of the children through the e-trainings prepared to raise their awareness about the savings.

### Financial Literacy

Ziraat Bank believes that awareness should be raised in all segments of the society about financial literacy to ensure sustainable development of our country and carries out special awareness works for its staff and services besides developing client-friendly products and services. Sales departments in charge of the branches make branch and client visits at certain intervals and continue providing training to the branch staff and clients about financial literacy.

### Special Notifications for Crafts and Artisans

Ziraat Bank attended the Council of Crafts and Artisans – Loan and Financing Commission meetings as a member of the Banks Association of Turkey (TBB). In this regard, details of the training services provided by TBB for SMEs were stated and internet site containing product information of Ziraat Bank was shared.

### Sponsorship Support for Generalization of Financial Literacy

Ziraat Bank takes part in publications aimed to raise awareness of the individuals about financial issues and also provides sponsorship support in activities. Within this framework, product advertorials are placed in various economy magazines and publications, also sponsorship support is provided for many TV economy programs. Senior Management of Ziraat Bank attended numerous activities in 2016 as speaker or panelist and via their interviews with the newspapers and magazines, they helped spread of financial literacy messages to the large masses.

### Financial Awareness with e-Trainings

Ziraat Bank aims to contribute to the learning, awareness and development of the children through the e-trainings prepared to raise their awareness about the savings.

The following e-trainings are available on the website of the Bank, which provides information for the children concerning money and bank relation, operation of the banks, internet and telephone banking, loan and credit card and economic use of all resources from money to electricity and water:

- Money-Bank Island
- Saving Island
- Loan and Credit Card Island
- Budget Island

Within the framework of the e-training works, awareness trainings are provided for the farmers in a wide range of areas from modern irrigation techniques to agriculture insurance. Furthermore, e-training program was prepared for all clients about “How does the Credit Card System Function?”

### Marketing Communication

Having adopted the marketing communication based on fair competition as an indispensable principle, Ziraat Bank primarily aims to provide correct, updated and impartial information to the clients in all marketing communication and promotion works.

### Marketing Communication Principles of Ziraat Bank

Ziraat Bank pays attention to ensure that;

- The advertorials are legal and comply with the rules of competition,
- Marketing communication is realized with an accountable approach and based on honest competition principles,
- Marketing communication does not contradict with the generally accepted rules and practices of the relevant country and culture;
- Marketing communication is designed in a manner not to abuse trust of the clients or benefit from their lacking experience and knowledge,
- Products and services that may affect purchasing decision of the clients are correct and do not give misleading messages and they are conveyed in a manner and time that would be perceived by the clients.

### Sponsorship-centered marketing communication

Under the marketing communication works, Ziraat Bank sponsors the activities that have social benefits. During the reporting period, there has not been observed any case concerning non-compliance with the regulations and voluntary rules in marketing communication studies including advertisements, promotions and sponsorships of Ziraat Bank.

Ziraat Bank is carrying out financial awareness studies for the staff and clients.



*A value from past to future:*

## *Karaköy Building*

Having been constructed according to the architectural understanding of 1910-12, the historical Karaköy Building faces to the Rıhtım Caddesi and Karaköy Caddesi and has a neo-classical style. It was constructed as the Austrian Bank and it is donated with various colors reflecting historical values of the period.

Ownership of the historical building passed to Ziraat Bank in the early 1940s. On the southeast face of the structure, there are two human figures – one woman in the west and one man in the east – on both sides of the concrete guard rails of the terrace.

Having surface of 2.380m<sup>2</sup>, the building consists of basement floor, ground floor and 6 normal floors. The annex, on the other hand, consists of basement floor, ground floor and 6 normal floors and has surface of 1.655 m<sup>2</sup>. The historical Bank building has additional area of 375 m<sup>2</sup> and it was restored to meet the current requirements but by remaining loyal to the historical appearance.

In line with the restoration works, ground reinforcement and improvement were made; ground floor and mezzanine were designed as the branch while the upper floors were designed as working offices, meeting room, exhibition and fair area. Areas which lost their authenticity will be reorganized based on the authentic design principles and restitution project by using the available technical opportunities.





**We are acting together, like a family,  
with all our directors and staff**

## Competent and Qualified Human Resource

Ziraat Bank has the highest number of staff with M.Sc. and PhD degree in banking sector of Turkey.

Our Bank is aware that it owes its exclusive position in the sector to the high-level human resource who are donated with unrivalled market knowledge and experience and present right value recommendations to the clients at right time and from the right channel. Having the most extensive service network in Turkey, Ziraat Bank – besides providing advantageous employment conditions for the young professionals - supports the local employment and thus produces significant added value for the Turkish economy.

- The total number of the staff is 25.015.
- 807 persons were employed in 2016.
- 87% of staff have associate degree, B.Sc., M.Sc., and PhD degree.
- Average of age is 34,8 and average of service year is 10,5.
- Ziraat Bank has the highest number of staff and staff with M.Sc. and PhD degree in banking sector of Turkey.

The need for new recruitments is reviewed on yearly basis. All staff are liable to sign the Ziraat Bank Ethical Principles Contract.

### Individual Performance Management System

Individual Performance Management System is a system which measures personal success and ranking of the staff with objective and measurable data at certain intervals. The system was designed in two main dimensions as numeric-based and qualification-based.

Indicators of client centeredness, profitability, productivity and risk management have considerable effect on performance score. Individual performance premium is paid to the staff at trimesters. The system is marketing-weighted in line with the bank strategies and targets, and it enables distribution of the premiums in a way that staff who contributes more obtains more revenues.

Ziraat Bank aims to motivate and increase corporate loyalty of the staff and award the individual achievements complying with the corporate strategies, and it makes effort to include the departments of the Directorate-General in the performance management system in force.

### Main indicators of individual performance assessment system

- As of the last quarter of 2016, ratio between the total number of the staff and the staff who is subject to the individual performance assessment is 77,3%.
- Considering the field staff subject to individual performance assessment during the 4 terms of 2016 activity period; 53% of the staff is working in marketing group while 47% is working in operation group. 51% of the field staff working in the operation group is men while 49% is women. 64% of the field staff working in the marketing group is men while 36% is women.

### Qualification-based performance management

Within the framework of the qualification-based performance management works, two applications were made in 2016. New applications will be studied in 2017 in line with the results of the relevant processes, and it is aimed, in the coming periods, to evaluate the qualification assessment results together with the individual performance system and career management.

Under the human-centered human resources policy, Ziraat Bank attaches importance to assignment of the staff to the positions fitting with their qualifications and obtaining job satisfaction. In line with the horizontal organizational structure in the Bank, duty position application is maintained in career management. Besides the titles indicating professional level of the staff, a duty position is determined according to the executed duty, addressed client segment and marketing-operation separation.

### Executive candidate program

Trainings provided under the Executive Candidate Program aiming to meet the executive needs of Ziraat Bank continued and around 300 staff were sent to the Executive Candidate Pool following the organized programs. It is aimed that staff who become successful in the programs of 2017 will be appointed as directors at the branches and departments of the Directorate-General if required.

### Promotions

Within the framework of promotional activities in 2016, 23% of the staff took the written examination so as to be promoted. 20% of all staff got title/duty promotions.

### Pricing Committee

Pricing Committee is responsible for monitoring and supervision of the pricing applications on behalf of the Executive Board. The Committee evaluates the pricing policy and applications based on risk management in order to ensure compliance of the pricing policies with the ethical values and strategic objectives of the Bank and shares its recommendations with the Executive Board.

Salaries of the members of the Executive Board and Director-General are decided during the General Assembly of the relevant year.



### Salary Applications

Salaries of the staff and directors are reviewed at the end of each year for the following year. Provisions of the Collective Agreement are taken into account for salary increases. Personal and monetary rights of the staff are established according to title and duty position without sex discrimination.

### Collective Agreement

Collective Agreement was signed for 2-year period as of 1 January 2017 between Ziraat Bank and Öz Finans-İş Trade Union. In this regard, some leave rights were provided apart from the additional monthly payments for the members of the union. Collective Agreement also included the notification periods to be applied in case of termination of the employment contract by the staff or employer. Syndication level is 88,08% at the Bank and salary adjustments were made according to the Collective Agreement in 2016.

### Individual Retirement

Within the framework of the Group Retirement with Employer Contributions, the Bank continues paying contributions – on condition that it will not exceed 3% of the gross salary and it will not be less than TRY 100 – for the staff who pay monthly contributions by 3% of the gross salary and minimum TRY100 as per the individual retirement agreement under Ziraat Hayat ve Emeklilik A.S.

In 2014, the Bank started paying employer contributions of TRY 50 per month without the necessity to pay contributions for the staff and then this amount was increased to TRY 100. On the other hand, within the framework of Group Retirement Plan under Bizbize Group, BES (individual retirement system) policy registration fee and management

expenses are not deducted from the staff and their relatives, and discount is applied for the deduction of fund operating fee.

### Overtime

The system activated to follow up the overtimes was also used effectively in 2016 and it was focused to reduce the overtimes.

### Health Benefits and Applications

In addition to the health services provided by the Social Security Institution to the staff, who are subject to special law provisions of Ziraat Bank, and their family members, treatment benefits are provided from;

- the budget of Ziraat Bank based on the authorities received from the Executive Board of the Bank;
- the budget of Fund based on the authorities received from the Executive Board of the Fund for the members of the Health Support Fund (Fund).

The Bank also executes special agreements with the health service providers in order to offer healthcare services for the staff and announces this.

### Leave

Annual leave periods of the staff of Ziraat Bank are regulated according to the provisions of Labor Law and necessary amendments/arrangements are made in the HR legislation of the Bank based on the legal regulations.





**Training**

Ziraat Bank provides permanent professional and personal development opportunities for the staff, and classroom training and e-training of average 36,86 hours was provided for 25.015 staff in 2016.

Training activities provided for the staff in 2016 are as follows:

- “Banking School and Orientation Trainings” in order to familiarize the newly recruited staff of Ziraat Bank about the Bank, adapt them to the corporate culture and provide necessary basic knowledge and skills,
- “Executive Candidate Trainings” to prepare the staff, who are working in authorized duty positions, for director/branch manager positions,
- “Development Trainings” to meet the training requirements or transfer the new product/ service/ legislation information in line with the targets and strategies of the Bank,

- “Legal Obligation Trainings” arising from the legislation,
- “Licensing/Certificate Trainings” in order to prepare for national and international licenses and certificate exams.

Ziraat Bank closely monitors the developments in the field of training technologies and organizes e-training programs. 226.942 persons attended the e-trainings organized by the Bank in 2016.

**Ziraat Banking School**

Ziraat Banking School has become a corporate brand in the field of banking training and maintains to train young bankers according to the vision and strategies of the Bank. Assistant experts who were trained and graduated from the Banking School in 2016 started their professional lives at the Bank.

General information on the trainings organized in 2016 is available in the table below.

Duty positions	Men		Women	
	Number of person in training*	Hours of training per person on average	Number of person in training*	Hours of training per person on average
Director	8.499	25,39	2.484	26,79
Other	39.007	19,07	20.550	12,59
Grand Total/ Average	47.506	19,82	23.034	13,34

\* Number of persons in training: In case one person attends 3 different training program, number of persons in training is calculated as 3 while the number of real person is 1.

\* Data only cover the classroom trainings.

**Internship**

In every activity period, Ziraat Bank provides professional skill training and internship opportunities for many high schoolers and undergraduates in order to train the bankers of the future. Ziraat Bank provided Professional Skill Training for 1.187 high schoolers and 38 undergraduates and internship opportunity for 2.853 undergraduates in 2015-2016 education period.

**Professional Trainings in line with the Legislation**

Ziraat Bank also organizes systematic training activities for prevention of laundering of crime revenues and financing of terrorism.

99.55% of the staff attended the trainings held under supervision and coordination of the Compliance Officer in 2016.





### Occupational Health and Safety

Ziraat Bank is acting in the banking sector assessed as "Slightly Dangerous Workplace" and carries out its work processes according to the Law no 6331 on Occupational Health and Safety. Occupational Health and Safety Coordination Board was established to coordinate the procedures of compliance with the said Law. Moreover, Occupational Health and Safety Board constituting of Agent of Employer, Occupational Physician, Occupational Safety Expert, Representative of the Staff and Administrative Works Official was established.

During the meetings of Occupational Health and Safety Board of Ziraat Bank, the following issues are discussed according to the duties and powers described in the relevant Law: OHS and first aid trainings, periodic health examinations, risk assessment reports of the workplaces, drill and evacuation plans, periodic test and maintenance of machinery-equipment and subcontractors. Meetings are repeated at least once in three months according to the relevant Law.

A total of 764 persons got occupational health and safety training in 2016.

At Ziraat Bank, there was not a business day that remained idle in 2016 reporting period due to such reasons as injury, occupational disease, strike, lock-out, natural disaster, destruction and collapse of building. Similarly, there was not an occupational accident during the reporting period. Occupational health and safety provisions are included in the collective agreement between the Bank and trade union as per the Law no 6331 and applicable legislation.

### Suggestion System

Having developed mutual communication with its staff, Ziraat Bank aims to involve the staff in decision-making mechanism, benefit from their knowledge, encourage them to make research and further increase the productivity and quality in the services. In this regard, staff submitted 4.841 suggestions to the system in 2016 and necessary actions were started for the suggestions.

### Transfer request system

During certain periods, staff may state to the Directorate-General where they would like to work. Directors also may recommend change of positions considering qualifications of the staff and contribute to their career development. Within this framework, out of 812 requests in December-January period and out of 1.274 requests in June-July period, respectively 564 and 873 requests were realized and reached the end.

### Survey on loyalty of the staff

Closely monitoring the requests and expectations of the staff, Ziraat Bank conducted a Staff Satisfaction and Loyalty Search through an independent research company and the results were shared with the relevant departments. A similar research is planned to be performed in 2017 as well.

### Main Human Resources Indicators

Distribution of the staff in Ziraat Bank based on age group and education level is provided below.

Table 1 (Age group distribution)

DUTY/AGE	31-40	41-50	51+	Grand total (person)
DEPUTY DIRECTOR-GENERAL		6	3	9
HEAD OF GROUP	1	6	5	12
HEAD OF DEPARTMENT	9	28	4	41
REGIONAL COORDINATOR		2	3	5
REGIONAL DIRECTOR	3	33	6	42
<b>Grand Total</b>	<b>13</b>	<b>75</b>	<b>21</b>	<b>109</b>

Table 2 (Distribution of education level)

DUTY/AGE	B.Sc.%	M.Sc.%	PhD%	Grand total (person)
DEPUTY DIRECTOR-GENERAL	77,78	22,22		9
HEAD OF GROUP	66,67	25	8,33	12
HEAD OF DEPARTMENT	60,98	34,15	4,88	41
REGIONAL COORDINATOR	80		20	5
REGIONAL DIRECTOR	69,05	26,19	4,76	42
<b>Grand Total</b>	<b>66,97</b>	<b>27,52</b>	<b>5,5</b>	<b>109</b>

Distribution of the human resources in Ziraat Bank based on gender, age group and education level is provided below.

Table 1 (Directorate-General/Region/Branch)

UNIT	NUMBER	%
REGION	276	1,10
DIRECTORATE-GENERAL	5.042	20,16
BRANCH	19.614	78,41
ABROAD	83	0,33
<b>Grand Total</b>	<b>25.015</b>	<b>100</b>

Table 2 (Distribution of age group)

AGE	NUMBER OF PERSONS	%
30-	7.482	29,91
30-50	16.385	65,50
51+	1.148	4,59
<b>Grand Total</b>	<b>25.015</b>	<b>100</b>

Table 3 (Distribution of education level)

EDUCATION LEVEL	NUMBER OF PERSONS	%
PHD	36	0,14
M.SC	2.072	8,28
B.SC	16.517	66,03
ASSOCIATE DEGREE	3.146	12,58
HIGH SCHOOL	3.210	12,83
SECONDARY SCHOOL	34	0,14
<b>Grand Total</b>	<b>25.015</b>	<b>100</b>

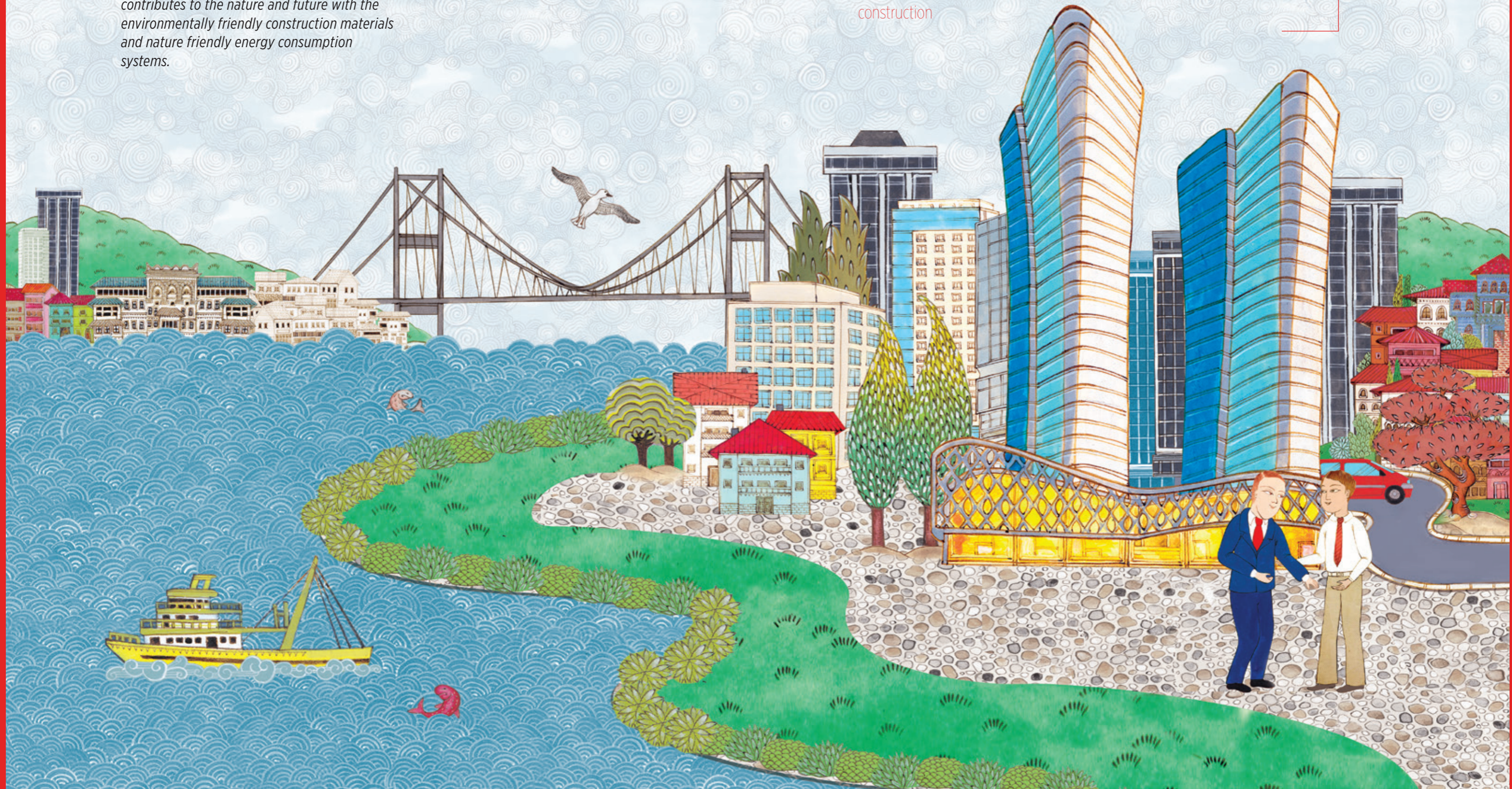


Aiming to add value for the future with the sustainability policy, the Bank also targets to consume less from the nature with the new headquarters and obtain LEED (Leadership in Energy & Environmental Design) certificates by designing the buildings based on the international environmental standards. Leadership in Energy & Environmental Design certificate is the green building certificate with the highest level of acceptability. It contributes to the nature and future with the environmentally friendly construction materials and nature friendly energy consumption systems.

Inspired from the Sultan's Signature in façade design, the building maintained its connection with its deep-rooted history and also constructed with the latest technological means. Moreover, the building is characterized as a special architectural project reflecting past & future connection of Ziraat Bank.

## Istanbul Finance Center

The structure is decorated with geometric symbols of the Ottoman patterns and consists of two buildings of 46 and 40 floors. Having carried the power of its deep-rooted past to the future, Ziraat Bank got its power from the history again while designing the new center in Istanbul and created a modern construction





## A More Livable Environment

Ziraat Bank maintains its activities in different fields in order to contribute to the generation of a more livable environment.

### Paper consumption

Through systemic send of the internal correspondences over a correspondence application, 2,413,556 pieces A4 papers were saved in 2016.

The multi-functional printers makes double-sided printing in the Bank and provides high-level of paper saving. Carbon dioxide emission of the Bank decreased by 683 tons by means of the double-side printing in 2016. Additionally, faxes are sent and received in electronic environment in the Bank.

With the virtual loan file project, Ziraat Bank aims to system scan and generation of all documents provided and prepared during loan assessment, proposal and use phases. Once the project is completed, all loan-related documents will be viewed over the system and this project saved about 4,5 million pages paper in 2016.

The measures continued in 2016 in order to make sure that the documents obtained from the other institutions as per the legislation were received

in electrical environment during decision making process of loan allocation.

Records of daybook and general ledger, which is an ordinary application, is made in electronic environment as of 2015. This change saved over 1,000,000 pieces A4 per year at Ziraat Bank. Under the project of sending collective bank statement from the center, the bank statements are sent via e-mail to the persons who require or request to receive bank statement, which helped to save huge amounts of paper.

In order to reduce paper consumption and make contribution to the nature, the studies continued to pass from the printed bank statement to the e-bank statement for the credit card holders and member workplace clients.

#### DOUBLE-SIDE PRINTING PROJECT

PREVENTED AMOUNT OF CARBON DIOXIDE (KG)	NUMBER OF PAGES SAVED FROM CONSUMPTION	NUMBER OF TREES SAVED
682.547	21.474.673	2.673





Steps started in 2013 to send the invoices of the communication service in electronic environment continued in 2016. In this regard, invoice payments of other institutions were transferred to electronic environment as well. According to data of 2016, electronic invoices provide huge gains in the field of paper saving considering 273.124 invoices per year.

Making correspondences outside the Bank over the registered e-mail system will also contribute to paper saving.

Within the scope of realizing mortgage release procedures in electronic environment, 157.144 pieces A4 papers were saved in 2016.

Under the project of Preparation of Audit and Internal Control Reports over the System, all branch reports were started to be issued over the system, which greatly contributed to paper saving. Moreover, apart from branches, audit reports of the departments in Directorate-General and other departments were prepared and followed over the system. Around 515.000 pieces A4 papers were saved per year following transfer of the audit and control reports into the system.

After generalization of e-invoice application, Ziraat Finansal Kiralama A.Ş. started to send the leasing invoices in electronic environment, which also contributed to paper saving to a great extent.

In our subsidiary **Ziraat Bank (MOSCOW) JSC**; while only one receipt was printed on an A4 paper, now 2 receipts are printed to save paper.

In our subsidiary **Ziraat Bank International AG**; personal and department printer application was removed in 2014 and print-center was established on every floor and common central printer application was started. Thus, 0,8 million papers were saved per year.

In **Ziraat Sigorta A.Ş. & Ziraat Hayat ve Emeklilik A.Ş.**; studies were made to send all policies and agreements online. BES (personal retirement system) agreements are sent to the clients via e-mail if they have an e-mail account. Moreover, all life policies are sent to the clients through SMS and e-mail to ensure environmentally friendly management.





## Waste Management

### Paper Wastes

Documents, upon expiration of their legal preservation period, and paper wastes are sold to the authorized firms for recycling purposes. In 2016, around 1.400 ton waste papers were recycled.

In our subsidiary **Ziraat Bank (MOSCOW) JSC**; 648 kg waste paper was sent to recycling in 2016.

In **Ziraat Sigorta A.Ş. & Ziraat Hayat ve Emeklilik A.Ş.**; around 2.920 kg waste paper was sent to recycling in 2016.

In our subsidiary **Ziraat Bank International AG**; papers are collected and sent to waste recycling center.

In our subsidiary **Ziraat Bank Azerbaijan ASC**, documents whose legal preservation period expires and waste papers are sent to recycling.

### Other Wastes

The faulty BT equipment in the departments and branches of the Bank are collected at the service centers of the Bank and re-used after the necessary repairs and replacements.

The waste BT materials, sheet-weighted materials such as system cabin and air-conditioner, accumulator, GIM cabin and wreck ATMs are sold to the companies holding transport and processing license from the Ministry of Environment. Thus, it is ensured that the wastes do not harm the environment and used as raw materials following the recycling.

The unused empty toners and drum units are disposed under the liability of the manufacturing firm. In 2016, a total of 21.240 kg waste products were accredited and eliminated by the recycling companies.

**Ziraat Finansal Kiralama A.Ş.** also sends the unused empty toners to the recycling.

Through this application aiming toner saving, the number of points used for each character and optimum number of points are adjusted and points that cannot be possibly realized by the users are not printed, thus toner saving is provided by 20%.

While replacing chemicals of the expired fire tubes, the companies authorized to collect and dispose the relevant chemicals are involved.

In order to contribute to prevent environmental damage of the waste batteries, waste battery collection boxes available in the Directorate-General of the Bank are also extended to the branches.

Waste battery collection boxes are used at **Ziraat Sigorta A.Ş. & Ziraat Hayat ve Emeklilik A.Ş., Ziraat Finansal Kiralama A.Ş. and Ziraat Porföy Yönetimi A.Ş., Ziraat Yatırım** so as to prevent environmental damage of the waste batteries.

Under the constant improvement works at physical service points; materials used in such construction projects as installation, electrical system, equipment, furniture, furnishing are reviewed under R&D and considering their functionality and recycling features as well as their environmental effect, the relevant concepts are chosen to minimize the damage.

Within the framework of the sustainability concept at the Bank, 271 branches were restored in 2016.





### Energy Efficiency

Ziraat Bank continues its activities to redesign and structure the datacenters. Data Centers Project and facility design, construction and installation of Ziraat Finance Group data centers were completed. Transfers and transports of the BT systems are ongoing.

Upon completion of the Data Center Facility Project, it is targeted to provide energy saving by 40% with the renewed infrastructure and natural cooling methods.

Within the framework of the applications aiming energy saving and efficient use of the energy resources, and in line with the Green IT applications optimizing the energy use of the computers; warning messages are sent to the users at the specified times outside the working hours for turning off the computers and in the absence of any response, computers are turned off automatically. During working hours, if computers are not used for 10 minutes, monitors pass to the sleep mode automatically and save energy. Moreover, all IP telephones pass to sleep mode as of 18:00.

Ziraat Finansal Kiralama A.Ş. carries out projects to ensure effective use of the energy resources and energy saving. In this regard, information system servers are activated in virtual environment and operated on few number of physical servers which provides both energy and space saving. If not used for 5 minutes, computers and monitors pass to sleep mode to save energy. Such peripheries as printers and copier machines also pass to sleep mode for energy saving.

At our subsidiary **Ziraat Bank Azerbaijan ASC**, users are warned with e-mails to turn off the computers outside the working hours. During working hours, if computers are not used for 10 minutes, monitors pass to the sleep mode automatically and save energy.

At **Ziraat Katılım Bankası A.Ş.**, under the energy efficiency applications, thermostatic valve is used and once the ambient temperature reaches a certain degree, energy consumption stops automatically and thus, it prevents unnecessary consumption. Another criteria applied by Ziraat Bank in order to minimize the probable environmental effects of the banking activities is considering the fuel consumption level in purchasing/renting vehicles. Fuel consumption of the purchased/rented vehicles is evaluated within the ownership costs and criteria encouraging less fuel-consuming vehicles are included in tendering processes. Thus, it makes indirect contribution to reduction of negative environmental effects and fossil fuel consumption in the country.

Ziraat Bank has mounted LED lighting systems to the branches, lighting advertisement panels and ATM concept.

Generators are monitored from the remote and center, and it is checked whether they are activated in case of a blackout. Similarly, fuel conditions are checked from the remote and they are matched with uninterrupted power supplies in case of a probable blackout. During blackouts, generator is not activated directly but when feeding level of UPS accumulators drops to 30%, thus green gas emission is reduced.

### Other Environmental Applications

In 2016, our Bank provided modern pressurized irrigation systems loans of TRY 211 million for 4.279 persons. These loans enabled irrigation of the land of around 246 thousands decares with modern pressurized irrigation systems. Water saving is provided between 30% and 40% with drip irrigation and sprinkler systems and the said loans contributed to save water.

In procurement tenders, Ziraat Bank stipulates that substances used for the cleaning of branches and departments do not include any chemicals harmful for the human health and environment. Cleaning tools and cleaning agents are provided by the supplier firm but their compliance is periodically controlled by the authorized officials of the Bank.

Ziraat Bank plans to construct the Ziraat Towers to be built in Istanbul International Finance Center campus in Ataşehir in accordance with the international environmental standards and obtain LEED Certificate. Ziraat Gayrimenkul Yatırım Ortaklığı A.Ş. targets to create sustainable and environment-friendly buildings with innovative design and architectural methods under the real estate development projects of 2017.



### Energy Consumption

In the reports of the previous years, green gas information was only available for the Directorate-General while 2016 data included energy data of domestic branches and regions. In order to make comparisons with the previous years in sustainability reporting, data of 2014 and 2015 were also recollected and calculations were updated.

Concerning the scope of green gas emissions, issues defined in GHG Protocol and Scope 1 and Scope 2 of ISO 14064-1:2006 standard were included. IPCC, TIER-1 Methodology was applied for green gas calculations within specified limits and (electricity) TIER-2 Methodology was applied for the

national data activities. Global Warming Potential coefficients used in calculations were received from IPCC AR5 evaluation report.

Distribution of green gas emissions according to resources are indicated below. Electricity-originated emissions rank the first with 57% and it is followed by emissions arising from company vehicles with 17% and fuels of the buildings with 16%. A similar distribution is visible in 2014 and 2015 but there may be a change in the ordering of fuels used in the buildings and vehicles.



Scope 1 emissions of 2016 decreased by around 10% in comparison with 2015. Diesel consumption of vehicles ranked the first with consumption level of 47% in 2016. Diesel is followed by natural gas and coal respectively with the percentages of 39 and 7.

Direct green gas emissions (Scope 1)	2015		2016		%
	Direct energy consumption MWh	Direct green gas emissions (tCO2e)	Direct energy consumption MWh	Direct green gas emissions (tCO2e)	
Natural gas	36.302	7.353	42.389	8.586	16.77
Fuel Oil	6.043	1.693	4.708	1.319	-22.09
Diesel oil (used in buildings)	4.840	1.299	3.808	1.022	-21.33
Coal	8.947	3.275	7.509	2.749	-16.07
Diesel	47.634	12.903	51.323	13.902	7.74
Petrol	382	99	200	52	-47.71
F-gases	0	13.818	0	8.848	-35.97
<b>Total</b>	<b>104.148</b>	<b>40.441</b>	<b>109.936</b>	<b>36.478</b>	<b>-9.80</b>

As can be seen in the table below, even though electricity consumption increased by around 1% in 2016, green gas emissions arising from electricity decreased. It is because of the fact that factor of electrical emission reduced due to increase of renewable resource rate in electricity generation of Turkey in 2016.

Indirect green gas emissions (Scope 2)	2015		2016		%
	Indirect energy consumption	Indirect green gas emissions (tCO2e)	Indirect energy consumption	Indirect green gas emissions (tCO2e)	
Purchased electricity (kWh)	89,050,119	49,152	98,494,598	48,395	-1.54
<b>Total</b>		<b>49,152</b>		<b>48,395</b>	<b>-1.54</b>

Inventory of green gas was 84.873 CO2 in 2016, which decreased by 5,27% in comparison with the previous year. Green gas emissions of 2016 decreased by 20% in comparison with the previous year considering assets size of Ziraat Bank. It is targeted to support the relevant decrease in density of green gas with effective energy management applications.

Green gas emissions (CO2e)	Scope 1 (tCO2e)	Scope 2 (tCO2e)	Total tCO2e (Scope 1&2)	% change for total tCO2e	Density of green gas (tCO2e/ TRY million turnover)
2016	36,478.0	48,394.7	<b>84,872.7</b>	-5.27	<b>0.24</b>
2015	40,441.0	49,151.6	<b>89,592.6</b>	17.31	<b>0.30</b>
2014	36,060.5	40,311.2	<b>76,371.6</b>	-	<b>0.31</b>



## Sustainable Supply

Issues having environmental and social aspects according to nature of the purchased work/service are examined meticulously under the light of technical specifications.

Ziraat Bank supplies products and services from companies, institutions and persons under its daily service cycle, from the consumables to the cleaning services, from the catering services to the staff transport services, from maintenance and repair services to the training and advertisement services needed by the branches and departments of Directorate-General. Moreover, it purchases products and services in such fields as information services, card printing services, security services and expertise services that are critical and indispensable for the performance of the core banking works. Providing needs of the branch network from the local suppliers in order to support the local economy, Ziraat Bank may strategically prefer to purchase the cost-favorable products and services from a single supplier in abundant amounts.

In 2016, Ziraat Bank paid TRY 592 million to its suppliers throughout Turkey and made all direct purchases from the local suppliers in Turkey.

Managing the supplier chain with an attentive, competitive and transparent approach, Ziraat Bank chooses the suppliers of the purchased products and services considering several parameters.

Aiming to purchase products/services from the suppliers who have the potential to meet current

and future needs of the Bank, Ziraat Bank takes into account the following issues in its relations with the companies and pays visits to the suppliers.

- Previous performance, if any
- Technological level
- Financial situation (turnover, tax assessment, etc.)
- Profile of the directors
- Qualifications and education level of the staff
- Activity field/place/area
- Reliability
- Its place in the market
- Machinery – equipment tool
- Environmental policies and applications
- References
- Ability of delivery
- Certificates on service quality and quality management (like ISO)

Issues having environmental and social aspects according to nature of the purchased work/service are examined meticulously under the light of technical specifications. (clothes to be purchased for the cleaning staff should not contain azore and carcinogenic substance; ATM and POS invoices should have thermal qualities; BT products should consume little energy, etc.)

Aiming to ensure full compliance with the law and legislation in management of supply chain, Ziraat Bank regulates its supply agreements based on the law and legislation valid in Turkey and organizing the commercial life. While choosing the supplier, the Bank considers such issues as compliance with the laws/legislation on the basis of human rights, prevention of forced labor and abuse, prevention of child employment, fighting with discrimination and occupational health and safety. In case of contradiction with these generally accepted universal criteria, the Bank applies some sanctions

such as not working with the relevant suppliers and banning them from the tenders, etc. During reporting period, there was not any supplier, within the knowledge of Ziraat Bank, who was investigated concerning human rights or environment.

In addition to the general legal framework, Ziraat Bank observes relevant Regulations of BDDK in its relations with the suppliers and audits the suppliers periodically on the issues specified in the applicable regulations.





## *Why Miniature?*

*Having an important place among the Traditional Turkish Handcrafts, Miniature created a peculiar language of description by integrating cultural diversity of this geography with the soul of the art through the principles of expression and narration developed during centuries. Miniature kept up with every period it was performed; the embroidered components provided information on daily life, clothes and rituals of the relevant period and thus it became a historical document.*

*While preparing the Sustainability Report, Ziraat Bank made use of the art of Miniature to transfer the tradition to the future. We believe that the art of Miniature represents the deep-rooted bank of Turkey, Ziraat Bank in the best way, since Miniature, just like Ziraat Bank, adapts to the lines of the modern age without losing its rooted structure and evidences the importance it attaches to sustainability as all used materials are organic.*



## Ziraat Bank in Touch with the Society

7 players were added to the national teams in 2015-2016 season under the Ten National Sportsmen in Ten Provinces Project.

- As the only financial service provider in around 400 districts and towns throughout Turkey, we are contributing to the society in different axis.
- Buying royalty of the Turkish Football Cup during 8 seasons, Ziraat Bank made important contributions to the development of the Turkish sports. Additionally, the Bank is providing sponsorship for the sports club, in 2016/2017 season, which successfully represents the Ziraat brand in Turkey Men's Volleyball 1st League as of 2007-2008 season.
- Under the sponsorship activities of our subsidiaries, **Ziraat Sigorta A.S. & Ziraat Hayat ve Emeklilik A.S. and Ziraat Portföy Yönetimi A.S.** provided sponsorship support in Ziraat Turkey Cup 2016-2017 season and Ziraat Bank Sports Club Men's Volleyball League 2016-2017 season. Moreover, Ziraat Insurance became a platinum sponsor of International Agricultural Insurances Symposium. **ZIRAAT BANK BH dd.** sponsored some football and basketball teams in Bosnia-Herzegovina.
- Sportsmen playing in the youth setup of our volleyball club are continuing their education life with 100% scholarship based on an agreement concluded with an educational establishment.
- Under the "Ten National Sportsmen in Ten Provinces" Project, our volleyball club aims to popularize volleyball in all corners of Turkey and raise "Happy Children" through the free sports schools primarily launched in 10 provinces. Successfully completing the first phase of the project, our club could reach 650 children. We raised our aim one step further and targeted to add "Ten National Sportsmen in Ten Provinces" to the Turkish volleyball. By sending 7 players to the national teams in the summer of 2015-2016 season, our club made an important step towards achieving the targets set in the project.
- The first banking museum of Turkey, the Ziraat Bank Museum, is located in Honor Room of the historical Directorate-General building in Ulus district of Ankara. Opened on 20 November 1981, the museum enlightens the 153-year past of the Bank which personally witnessed almost every stage of the Republic. Many antic objects used in the banking system are exhibited in the museum in an historical atmosphere.
- Ziraat Bank has supported the art and artists since its foundation and supported, in 2016 too, many artistic events. Putting Kuğulu, Tünel and Kızıltan Ulukavak Art Galleries at the disposal of the art and artists, Ziraat Bank hosted over 25 thousands art-lovers with 32 exhibitions in 2016. Reflecting its culture and art support in the field of theater as well, the Bank opened the Mithat Pasha Culture Center under the name of "State Theatres Ziraat Stage" and offered it to the theatre-lovers.





As the only financial service provider in around 400 districts and towns throughout Turkey, we are contributing to the society in different axis.

- Ziraat Bank has one of the leading sculpture and painting collections of Turkey. The bank shares the objects of the collection with the public through the collection book and the organized comprehensive exhibitions.



Ziraat Bank Painting Collection includes around 2.500 works and it is extending with the new works of the artists who exhibit their paintings at the galleries of Ziraat Bank.

- Ziraat Bank has historically important buildings in terms of Turkish architecture in many provinces besides Ankara and Istanbul and it is working meticulously to protect and carry these buildings to the future. The Bank has 44 registered buildings which were constructed after 1910 and used currently, and it is restoring the buildings in line with their original architectural design in order to protect this cultural heritage.

- Through the Z-Library Project of the Ministry of National Education, it was decided to establish around 1000 Z-libraries in 81 provinces with the support of Ziraat Bank in order to extend the culture of reading, develop the libraries and ensure service provision and material support of sustainable quality, and 370 of them were established in 2016.

- We supported the book project named Recycling and We published by the Environmental Protection Foundation in order to develop the awareness on environment.

- We supported the “International Turkish Festival” project of the Yunus Emre Institute aiming to promote the Turkish language and culture throughout the world.

- Under the social responsibility project “Children on Holiday, Schools in Restoration”, schools located in development priority regions are tried to be improved. In 2016, maintenance, repair and restorations works were supported for schools in Kars Kağızman district and Provincial Directorate of National Education of Van as well as Malatya Battal Gazi Hafiz Vocational and Technical Anatolian High School.

- Ziraat Bank supports seminar, conference and training works organized by the Higher Education and Credit and Hostels Institution in order to make sure that the higher education students staying at the dormitories of this Institution become individuals who will guide the socio-cultural and economic development of Turkey in the future and they gain consciousness on our cultural values and history and literature.

- Ziraat Bank attended many culture art festivals and special nights in 2016. In this regard, the Bank made contributions to many local and cultural festivals such as the World Environment Days, International Turkish Festival activities and Golden Pen Economy Press Success Awards Ceremony annually organized by EKONOMİ reporters.

- In Turkmenistan where our subsidiary **Turkmen Turkish JCS Bank** is located, we supported to meet the costs of a park of 700 hectare in the south of Ashkhabad province. Again, under deforestation project of Turkmenistan, we planted 14.000 trees in 2017 in addition to the 355.133 trees in the deforestation area of 454 hectare, with a view to reducing the carbon emissions and using water resources of the country more effectively by establishing drip irrigation system. Moreover, we provided support for Turkmenistan Children’s Foundation, Nursery for Children with Tuberculosis, Turkmenistan Foundation for Visually and Hearing Impaired People, Foundation for Protection of the Disabled People and Paralympic Committee as well as the disabled children, patients, staff and some social responsibility projects.

- The **Ziraat Bank Azerbaijan ASC** subsidiary contributed to sponsorship of “Turkish Movies Week – Baku” activity organized in Baku with the support of Ziraat Bankası Azerbaijan, Ministry of Culture of Turkey, TİKA (Turkish Cooperation and Coordination Agency) and Yunus Emre Institute.

- **Kazakhstan Ziraat International Bank** sponsored establishment of a technology class with 14 students capacity in a state high school located in Almaty city center. Believing that children are the biggest power of Kazakhstan towards the development, Kazakhstan Ziraat International Bank plans to support the projects aiming to improve quality of education and physical means of the schools.

- Concerning education-related issues, **Ziraat Bank International A.G.** chooses the projects especially found suitable by the Turkish Embassy and Consulates and they provide support for the students. Furthermore, internship opportunities which are primarily offered to the students of Turkish origin also make a contribution in the field of education.









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