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İLLER BANKASI A.Ş.

TSRS Compliant Sustainability Report

2025



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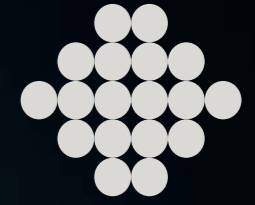
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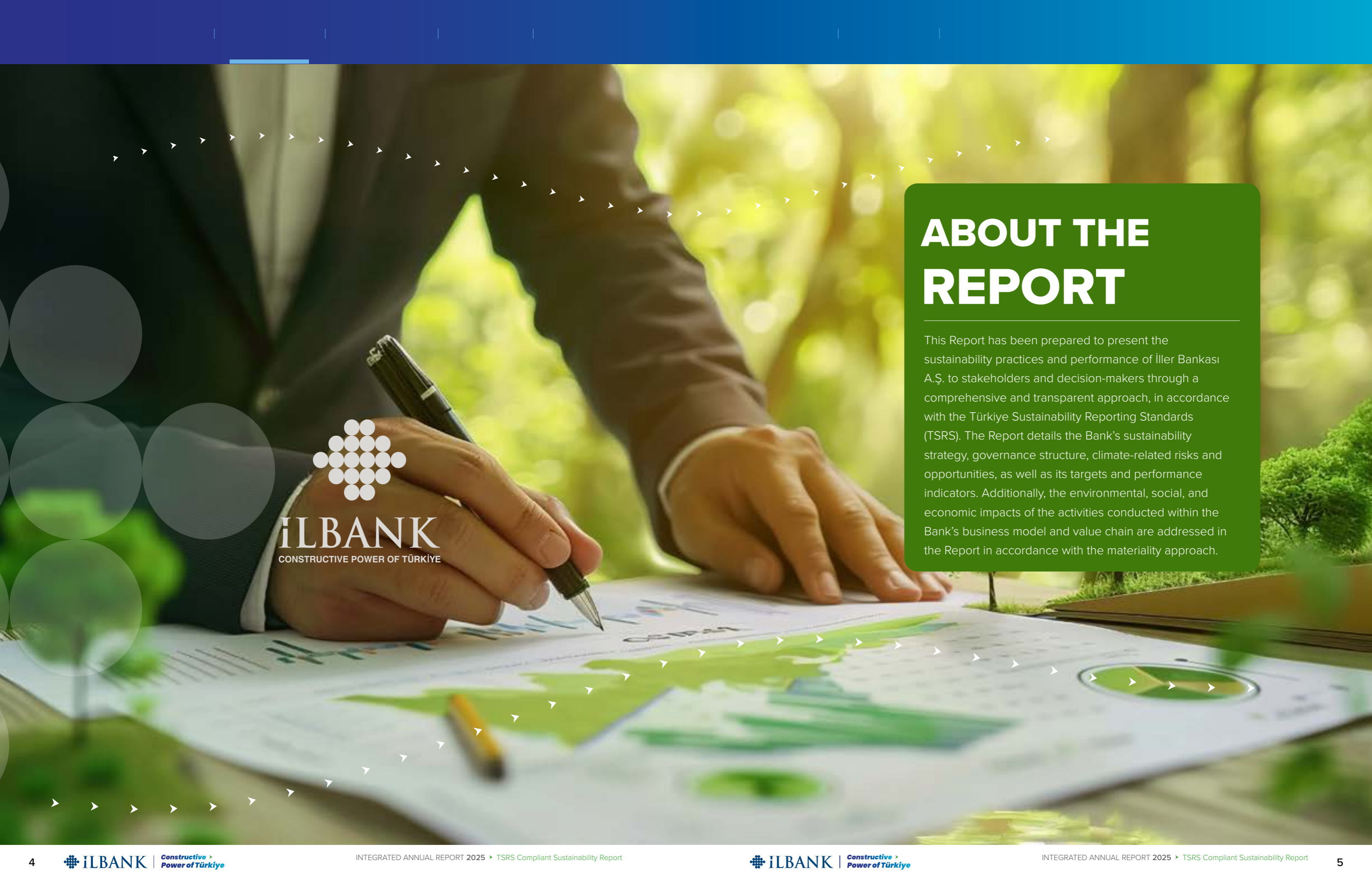
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ABOUT THE REPORT

This Report has been prepared to present the sustainability practices and performance of İller Bankası A.Ş. to stakeholders and decision-makers through a comprehensive and transparent approach, in accordance with the Türkiye Sustainability Reporting Standards (TSRS). The Report details the Bank's sustainability strategy, governance structure, climate-related risks and opportunities, as well as its targets and performance indicators. Additionally, the environmental, social, and economic impacts of the activities conducted within the Bank's business model and value chain are addressed in the Report in accordance with the materiality approach.

Reporting

Scope and Methodology



▶ TSRS 1, which entered into force following its publication in the Official Gazette dated 29 December 2023 and numbered 32414(M) by the Public Oversight, Accounting and Auditing Standards Authority (KGK) "General Provisions on the Disclosure of Financial Information Related to Sustainability" and TSRS 2 "Climate-Related Disclosures", covers the period from 1 January 2025 to 31 December 2025, and the reporting period is consistent with our Bank's financial reporting period. The content of the report has been approved by the Bank's Board of Directors, and it is hereby certified that the information provided is accurate.



▶ The report covers all of our Bank's operations, comprising the Head Office and 18 Regional Offices. As at the reporting period, our Bank has no associated companies. Consequently, the scope of the report has been defined to be limited to our Bank's own activities, business model and value chain.



▶ TSRS 2 "Climate-Related Disclosures" was used as the basis for preparing disclosures regarding climate-related risks and opportunities; in the process of identifying sector-specific disclosures and metrics, "Volume 16 – Commercial Banks," published as part of the "Guidance on the Sector-Based Application of TSRS 2" prepared based on the Sustainability Accounting Standards Board's (SASB) sector-specific standards, has been taken into account.



▶ The financial information included in the report has been prepared in Turkish lira (TL) in accordance with Türkiye Financial Reporting Standards (TFRS) and is presented in a manner consistent with the 2025 financial statements.



▶ The data used in the reporting process was obtained from the relevant departments; the necessary control and assessment procedures were carried out to ensure data consistency, verifiability and reliability. Non-financial information has been compiled from the most reliable and verifiable sources available and is presented on the basis of reasonable estimates and supporting evidence regarding our Bank's sustainability performance.



Third-Party Assurance Audit and Scope

▶ Pursuant to the "Board Decision on the Mandatory Implementation of Assurance Audits for Sustainability Reports", published by the KGK in the Official Gazette dated 5 September 2024 and numbered 32653, and within the scope of the assurance audit made mandatory by this decision, the report has been subject to a limited assurance audit by Görüş Independent Audit and Chartered Accountancy Inc. in accordance with GDS 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and GDS 3410 "Assurance Engagements Relating to Greenhouse Gas Statements", and a limited assurance statement is included on page 418 of the report.

CONTACT:

Feedback received regarding sustainability reporting is being reviewed with a view to improving our Bank's reporting processes and in line with our approach to corporate transparency. Please contact our Bank's Sustainability Department with any comments, questions or suggestions regarding the report.

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Transition Exemptions

► The following exemptions have been applied under the transitional provisions of the TSRS:

Transition Exemption	Description	Source (Paragraph)	Implementation Status
Exemption from the requirement to disclose sustainability-related risks and opportunities	During this reporting period, only climate-related risks and opportunities may be disclosed; in such cases, other TSRS 1 obligations are limited to climate-related matters, and this is disclosed.	TSRS 1 E5	During this reporting period, our bank has focused exclusively on climate-related risks and opportunities.
Exemption from the reporting of Scope 3 greenhouse gas emissions	During the first two-year reporting period in which the TSRS are applied, the disclosure of Scope 3 greenhouse gas emissions is not mandatory.	Board Decision on the Determination of the Scope of Application of the TSRS, published in the Official Gazette dated 29 December 2023 and numbered 32414 (Supplement)	Our bank has exercised its exemption from disclosing Scope 3 greenhouse gas emissions during the second reporting period.

Reporting Principles and Fair Presentation

► This Report has been prepared in accordance with the TSRS principles of fair presentation, relevance, comparability, verifiability, understandability and timely reporting. Climate-related financial disclosures have been determined to cover climate risks and opportunities expected to have a material impact on the Bank's future financial viability; the disclosures are presented in accordance with the materiality approach, taking into account the potential impacts on the Bank's short-, medium- and long-term cash flows, access to finance and cost of capital.

Link to Financial Statements

► The climate-related financial disclosures included in the report have been prepared in Turkish lira (TL), which is the presentation currency of our Bank's financial statements. They are presented within a consistent, comprehensive and financially reporting-compliant framework, enabling report users to relate these disclosures to the information contained in our Bank's financial statements. In this context, disclosures have been made regarding our Bank's loan portfolio, asset structure and financing activities.

The disclosures in the report utilise data sets available as at the reporting period. The data used to measure certain indicators contain certain measurement uncertainties due to the scope and quality of the data and have been prepared within the framework of estimates and assumptions. In particular, as the assessment of the long-term impacts of climate-related risks and opportunities is based on future assumptions and scenarios, such assessments inherently involve uncertainties. The forecasts used in this context have been prepared based on the most reasonable and supportable information available as of the reporting date. Our Bank regularly reviews its data collection and evaluation processes to minimise the impact of limitations encountered during the reporting process and measurement uncertainties.

Materiality Assessment of Climate-Related Risks and Opportunities

Disclosures regarding physical and transition risks arising from climate change, as well as climate-related opportunities, are determined on the basis of factors reasonably expected to have an impact on our Bank's operations, financial position, financial performance and strategic objectives. In this context, the materiality assessment is conducted in accordance with the financial materiality principles defined within the framework of the Türkiye Sustainability Reporting Standards.

The materiality assessment process carried out by our Bank has been designed taking into account the role we assume as a development and investment bank, the sectoral distribution of our loan portfolio, our long-term financing structure, and our strategic priorities aimed at sustainable development. The process aims to identify information that is material to the economic decision-making processes of report users and reflects our Bank's specific risk profile and portfolio characteristics.

The matters identified as a result of the materiality assessment are presented in a clear, balanced and understandable manner. The scope and content of the disclosures are carefully determined to ensure that material information is not lost amongst immaterial information. Our Bank reviews the materiality assessment methodology in each reporting period and makes the necessary revisions in line with changing macroeconomic conditions, regulatory developments, changes in the value chain structure and updates to the portfolio composition.

Classification of the Financial Impacts of Climate-Related Risks and Opportunities

The significance of the financial impacts presented in the report has been determined in accordance with the provisions of TSRS 2. The extent to which the Bank's loan portfolio, which constitutes a significant proportion of its financial assets as at 31 December 2025, is affected by climate-related physical and transition risks, as well as opportunities, has been analysed.

As part of this analysis, the loan portfolio has been assessed by taking into account sector, maturity profile and the degree of exposure to climate risks, and potential financial impacts have been rated within the framework of the classification below.

Level of Financial Impact	Financial Impact Amount (TL)	Ratio to Credit Balance
Low	TL 0 – TL 1 billion 120 million	0% – 1%
Medium	TL 1 billion 120 million – TL 5 billion 600 million	1%– 5%
High	TL 5 billion 600 million and above.	5% and above.

The financial materiality threshold has been set at 5% of the total loan balance (TL 112 billion) as at 31 December 2025, as shown in the statement of financial position. This threshold has been established taking into account the size of the loan portfolio and the Bank's risk appetite; potential impacts exceeding this threshold are considered financially significant and are assessed under the "high impact" category. Within this framework, potential financial impacts exceeding 5% of the loan balance are classified as "high" financial impact and are considered financially significant under TSRS 2. However, in cases involving strategic exposure to local services with high carbon intensity, sensitivity to regulatory changes such as carbon pricing, and alignment with public policies, the Paris Agreement and national contribution statements, an impact may be deemed significant even if the financial amount falls below the 5% threshold.

The established classification enables the prioritisation of climate-related risks and opportunities in decision-making processes, the management of capital allocation and credit policies in alignment with climate risks, and the strengthening of portfolio resilience.

Our Bank reassesses the materiality thresholds and criteria in each reporting period. The suitability of the thresholds and qualitative factors is reviewed in light of changes in the value chain, transformations in portfolio structure, regulatory developments and updates to climate scenarios.



ABOUT OUR BANK

İller Bankası A.Ş. was established on 11 June 1933 under the title of “Belediyeler Bankası” (Municipalities Bank) with a capital of 15 million lira, pursuant to the instructions of the Great Leader Mustafa Kemal Atatürk and under Law No. 2301. In 1945, its scope of operations was expanded under Law No. 4759, and it was restructured to serve all local governments. In 2011, under Law No. 6107 on the Provincial Bank Joint Stock Company, which came into force, it was converted into a joint stock company and attained its current corporate structure.

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Our Bank operates as a development and investment bank providing financial and technical support to local governments with the aim of strengthening Türkiye urban infrastructure and supporting sustainable development. In accordance with Article 3 of the Banking Law, the primary objective of our Bank is to meet the financing needs of provincial special administrations, municipalities and their affiliated bodies, as well as the local authority associations of which they are members; to develop projects aimed at local public services for the population living within the boundaries of these governments, to provide consultancy services to these governments, and to assist in the implementation of technical urban projects as well as infrastructure and superstructure works, and to perform all functions of development and investment banking.



In line with these objectives, our bank;


-  It may grant its partners all types of short-, medium- and long-term loans, whether in cash or in kind.
-  It may carry out or commission research, project development and consultancy services in relation to its activities, and may provide technical assistance.
-  With the bank's assistance, you can set up and transfer a company.
-  They can act as an insurance agent.
-  Provided that the necessary permits are obtained, it may open branches and representative offices both in Türkiye and abroad.
-  It may collaborate with domestic and foreign financial institutions and become a member of national and international organisations in which they participate.
-  It carries out all types of development and investment banking transactions that will help achieve its objectives.
-  It carries out the other activities specified in the Articles of Association.
-  It carries out or commissions the construction works for special projects and urban infrastructure projects requested by the Ministry.
-  In order to secure funding for the bank, it undertakes or commissions profit-oriented property investment projects and related activities, provided that it does not incur any debt or contingent liabilities in relation to the project funding.

Since its establishment, our Bank has contributed to the urbanisation and infrastructure development of our country. As “**Constructive Power of Türkiye**”, it continues to carry out its activities with a modern and effective approach, aimed at empowering local governments, supporting climate-resilient infrastructure investments, and contributing to sustainable development goals.

Our Capital and Ownership Structure

Our Bank operates as a public limited company with a special budget, the entire capital of which is publicly owned. As our Bank is not subject to the registered capital system, its capital is not divided into shares. In accordance with its ownership structure, no individual, including private individuals or members of the board of directors, holds a share in our Bank's capital. Our Bank's shareholders are local governments and provincial administrations.

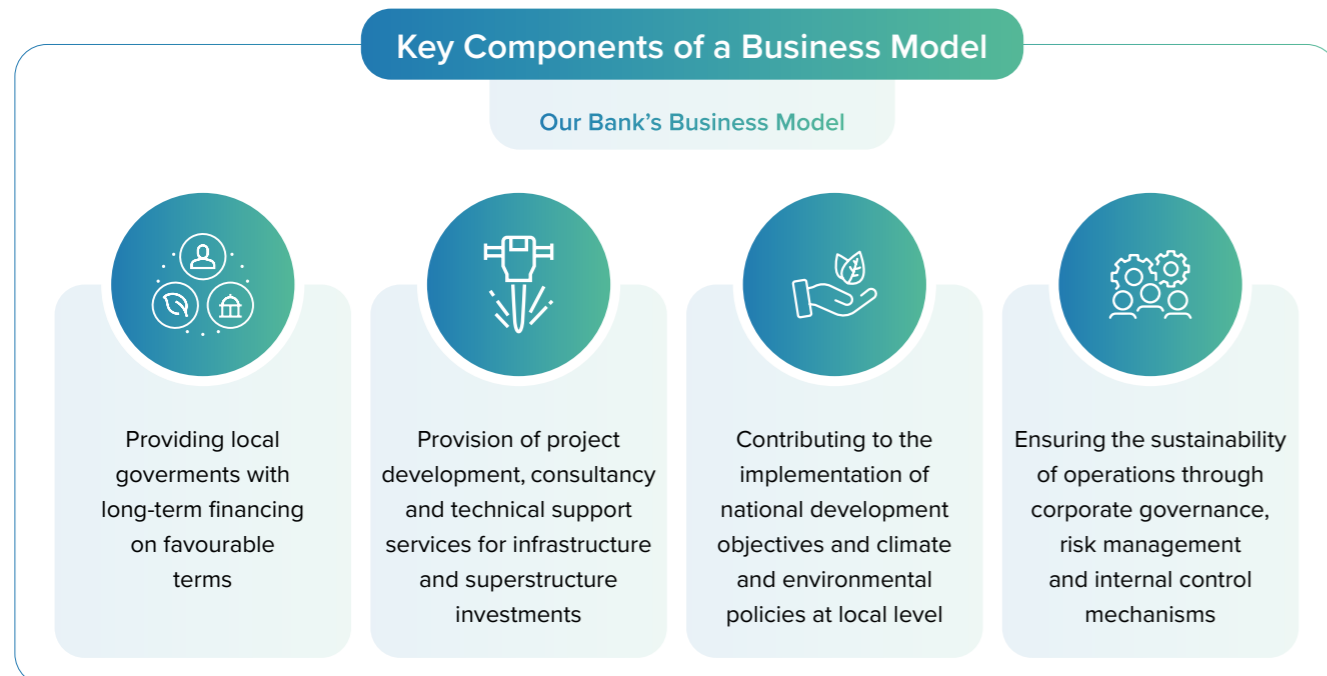


 Detailed information regarding our capital and ownership structure can be found on pages 24–25 of the İLBANK A.Ş. 2025 Integrated Annual Report.

Our Business Model and Value Chain

Our bank operates as a development and investment bank that meets the financing needs of local governments, supports the development of technical capacity, and facilitates the implementation of sustainable urban investments. Our bank's business model is based on the principle of supporting sustainable and resilient cities through the integrated use of public resources, international financing opportunities and institutional technical expertise.

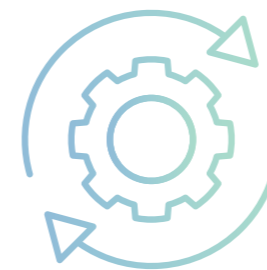
In conducting its operations and formulating its strategies, our bank places transparent, constructive and continuous communication with its key stakeholders at the heart of its corporate governance philosophy. To support the implementation of urban projects and infrastructure and superstructure investments aimed at providing shared services to the public in the regions where we operate—particularly through provincial administrations, municipalities and their affiliated bodies, as well as the local government associations of which they are members, which play a significant role in our Bank's sustainable success and contribution to society, we provide all forms of development and investment banking services to these key stakeholders. The management of climate-related risks and the evaluation of opportunities throughout the value chain are of significant importance for our Bank's long-term resilience and its business model based on the public interest.



In line with its business model, our Bank adheres to the principles of development and investment banking in all its operations. Within this framework, our Bank's core objectives include providing long-term financing on favourable terms to local governments; offering project development, consultancy and technical support services for infrastructure and superstructure investments; and contributing to the implementation of national development goals and climate and environmental policies at the local level.

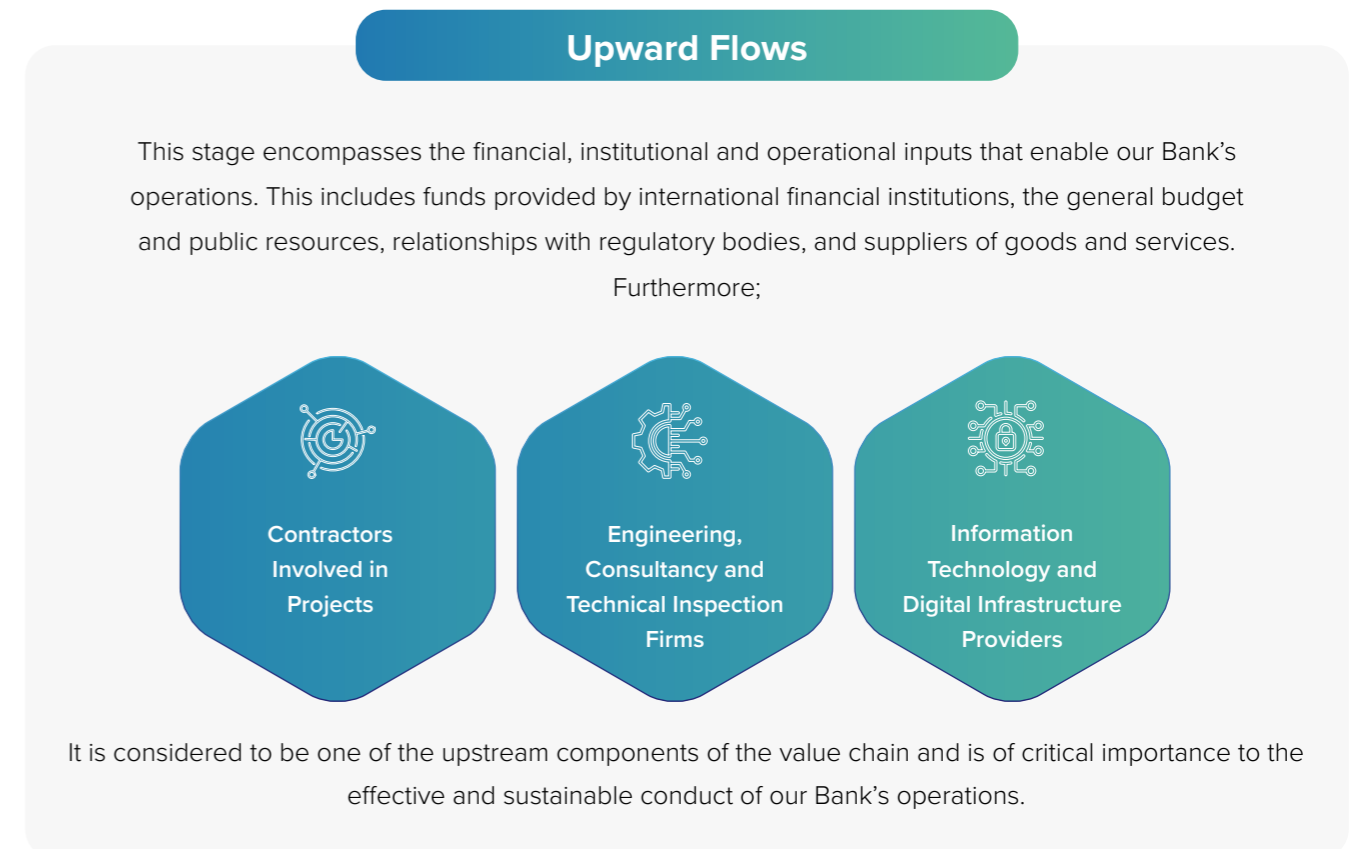
To achieve these objectives, our Bank prioritises ensuring the sustainability of its operations by strengthening corporate governance, risk management and internal control mechanisms.

In this context, our Bank does not limit financial value creation solely to credit disbursement processes; instead, it adopts a holistic approach to value creation that encompasses environmental, social and governance dimensions.



Value Chain Structure

Our bank's value chain is divided into three main stages: upstream flows, direct operational activities and downstream flows.



Direct Operational Activities

At this stage, which represents our bank's primary area of value creation;



are being carried out. These activities are directly linked to the objectives of combating climate change, developing disaster-resilient infrastructure and enhancing the efficiency of public services, in line with our Bank's strategic plan.

Downward Flows

This stage of the value chain refers to the area where the financial and technical support provided by the Bank is translated into tangible outcomes on the ground. Infrastructure, superstructure, environmental, water, waste management and energy efficiency projects carried out by provincial administrations, municipalities and their affiliated bodies ultimately generate public benefits aimed at improving citizens' quality of life. In this process, local communities and the end-users benefiting from the services constitute an important part of the value chain as indirect stakeholders.



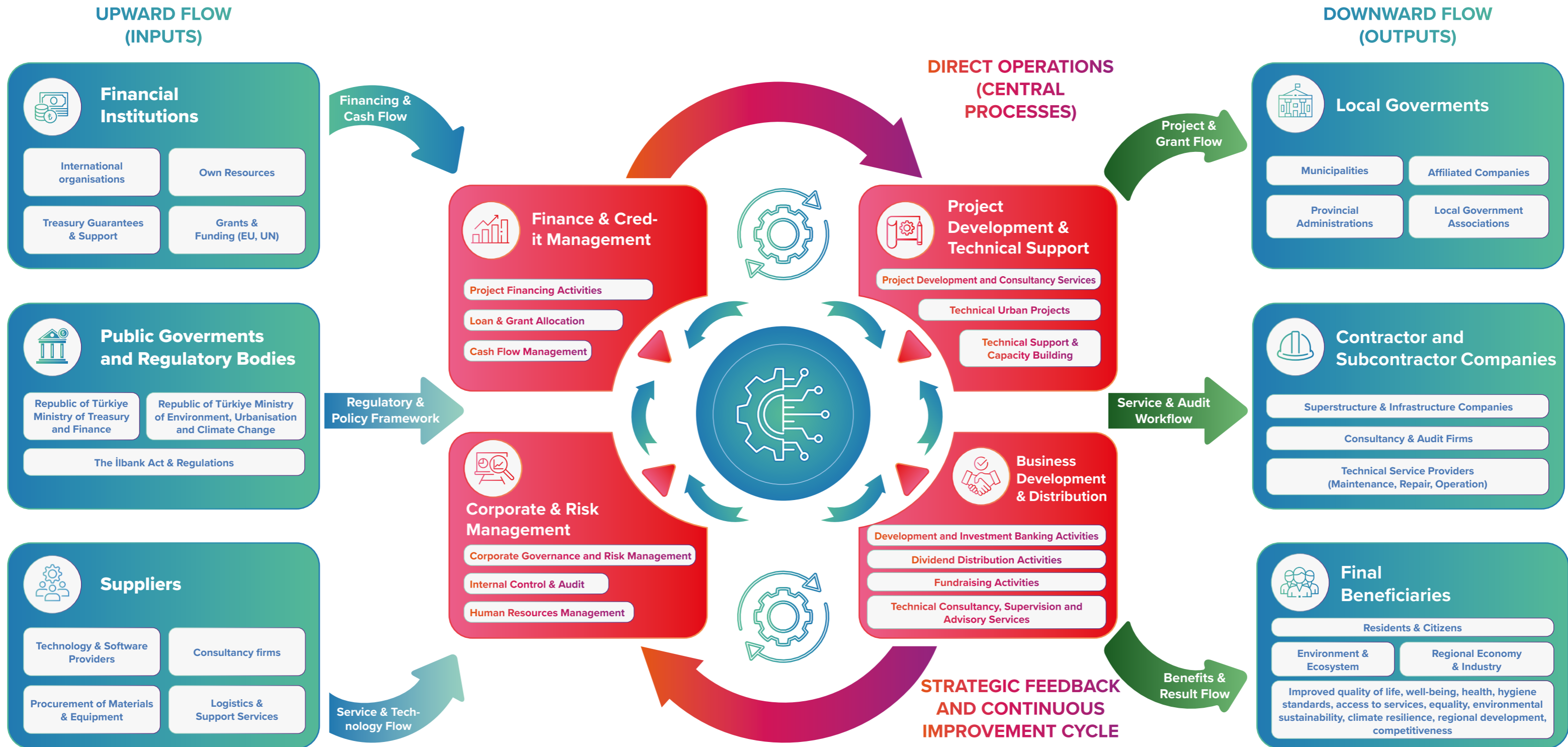
Integration with Sustainability

Our Bank's business model and value chain are managed by taking into account the links between climate-related risks and opportunities, as defined under TSRS 1 and TSRS 2, environmental and social impacts, and financial performance. Climate-related physical and transition risks that may arise throughout the value chain, as well as opportunities for sustainable development, are assessed from short-, medium- and long-term perspectives and integrated into corporate decision-making processes.

Thanks to this holistic approach, our Bank goes beyond merely being a financial institution; it plays a strategic role in the construction of sustainable, resilient and inclusive cities.

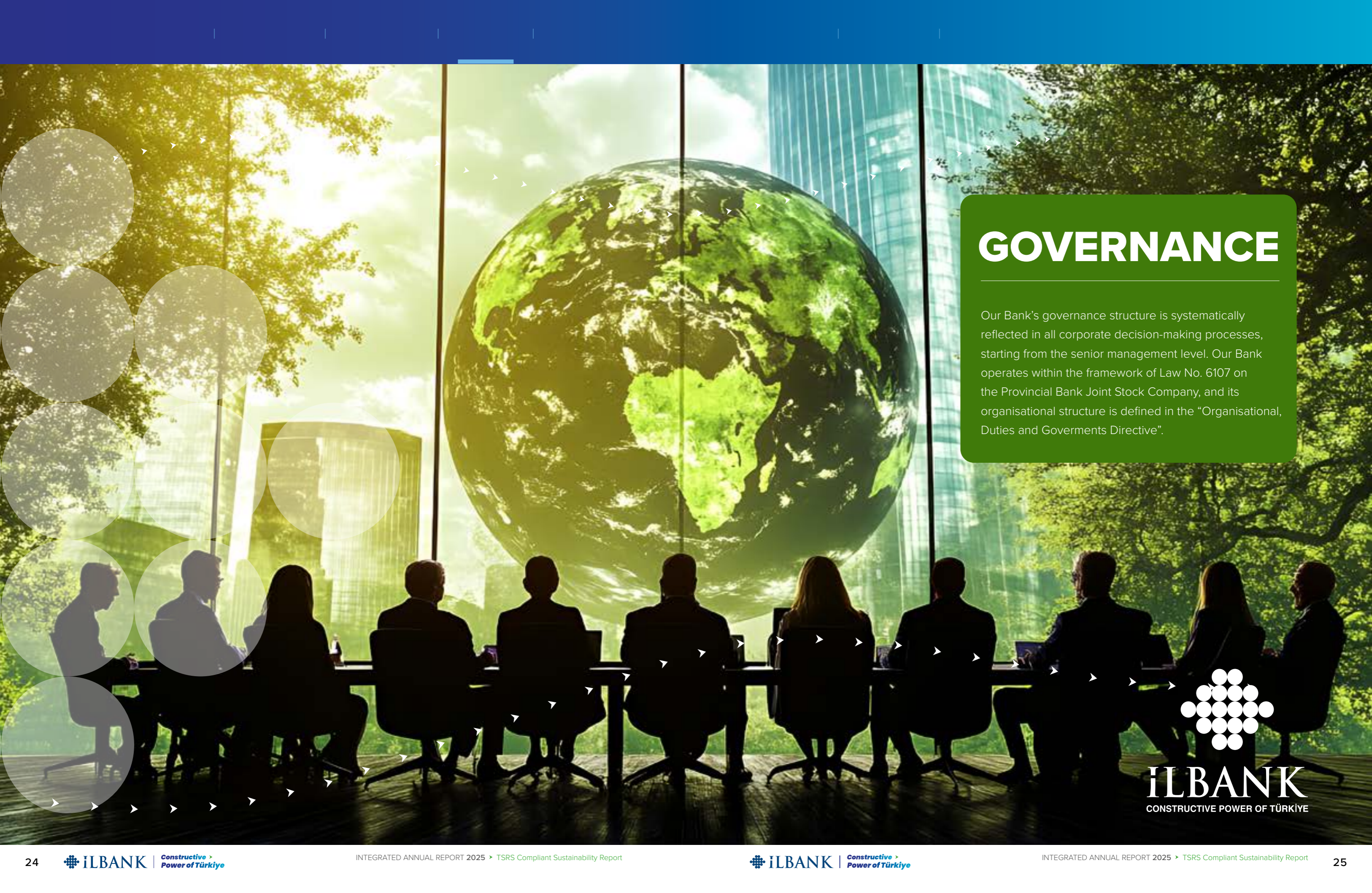


VALUE CHAIN DIAGRAM



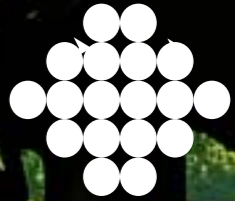
Position in the Value Chain	Value Chain Component	Sub-component	Description
UPWARD FLOW ↑↑	Financial Institutions	International financial institutions (the World Bank, EBRD, EIB, AFD, JICA, etc.), and public funds transferred under the general budget and protocols	► It establishes the fundamental financial infrastructure that ensures the sustainability of banking operations. By securing long-term and cost-effective funding, it contributes to the continuity of local government investments; it strengthens financial resilience and diversifies funding sources.
	Public Governments and Regulatory Bodies	The Republic of Türkiye Ministry of Treasury and Finance, the Republic of Türkiye Ministry of Environment, Urbanisation and Climate Change, (TCMB), (BDDK) the Court of Auditors, the Capital Markets Board (KGK) and relevant public institutions	► It ensures that the Bank's operations are conducted in accordance with legislation, public policies and the regulatory framework. It fosters coordination between national development, environmental and climate policies and the Bank's strategies.
	Suppliers	IT and software providers, energy and fuel suppliers, telecommunications service providers, security, transport, cleaning, technical services, infrastructure materials suppliers, audit, consultancy and training firms, environmental monitoring and measurement service providers	► It supports the seamless and efficient running of banking operations. It enhances digitalisation, data quality and traceability. It plays a critical role in managing indirect environmental and operational impacts.
DIRECT OPERATIONS ↔	Project Financing Activities	Providing loans and financing to local governments on favourable terms	► It enables the implementation of local and regional investments. It supports the effective, efficient and sustainable use of resources.
	Project Development and Consultancy Activities	Feasibility studies, environmental, social and economic impact assessments, technical training and guidance	► It enhances the project development capacity of local governments. It contributes to sustainable investments that take into account environmental, social and economic integrity.
	Technical Urban Projects	The planning, design and implementation stages of infrastructure and superstructure investments	► It facilitates the implementation of infrastructure and superstructure investments that enhance the liveability of cities; it develops engineering solutions that mitigate environmental and social risks.
	Development and Investment Banking Activities	Sustainable and resilient cities, combating climate change, environmental impact management, social welfare, renewable energy and energy efficiency projects	► It contributes to national and local development objectives. By managing its portfolio of grants, funds and externally sourced loans, it supports the effectiveness of public services and climate adaptation.

Position in the Value Chain	Value Chain Component	Sub-component	Description
DIRECT OPERATIONS ↔	Grant Distribution Activities	Shares transferred to provincial administrations and municipalities from general budget tax revenues under Law No. 5779	► It facilitates the transfer of funds from central government to local governments. It supports the financial sustainability of local governments and the balanced provision of public services across the country.
	Fundraising Activities	Land sale revenue-sharing projects, urban regeneration and reserve area initiatives	► It creates alternative sources of income that strengthen the bank's equity capital. It contributes to planned urbanisation and long-term financial sustainability.
	Corporate Governance and Risk Management	Risk management, internal control, internal audit and human resources processes under the supervision of the Board of Directors and senior management	► It facilitates the identification and management of financial, environmental, social and governance risks. It contributes to strengthening transparency, accountability and organisational capacity.
	Technical Consultancy, Supervision and Advisory Services	Project management firms, engineering and consultancy firms, environmental and social impact consultants	► It ensures project quality, compliance with regulations and the effective use of public resources; it facilitates the proactive management of environmental and social risks.
	Regional Directorates	Activities of the 18th Regional Directorate	► It ensures that banking services are provided widely and effectively across the country. It enables a rapid response to local needs and facilitates the monitoring of projects on the ground.
DOWNWARD FLOW ↓↓	Local Governments	Municipalities, provincial administrations, affiliated bodies, local authority associations	► It is responsible for implementing local and regional development objectives. It ensures the effective, accessible and sustainable delivery of public services.
	Contractors and Subcontractors	Construction and infrastructure contractors, wastewater and drinking water plant construction firms, transport and urban infrastructure contractors, mechanical, electrical and environmental systems contractors	► They are the actual implementers of infrastructure and superstructure projects on site. They form the link in the value chain where environmental and social impacts are directly felt.
	Final Beneficiaries	Local residents, city dwellers, citizens who use the service	► It directly benefits from the social, environmental and economic benefits of infrastructure and superstructure investments; this has an impact on quality of life and environmental health.



GOVERNANCE

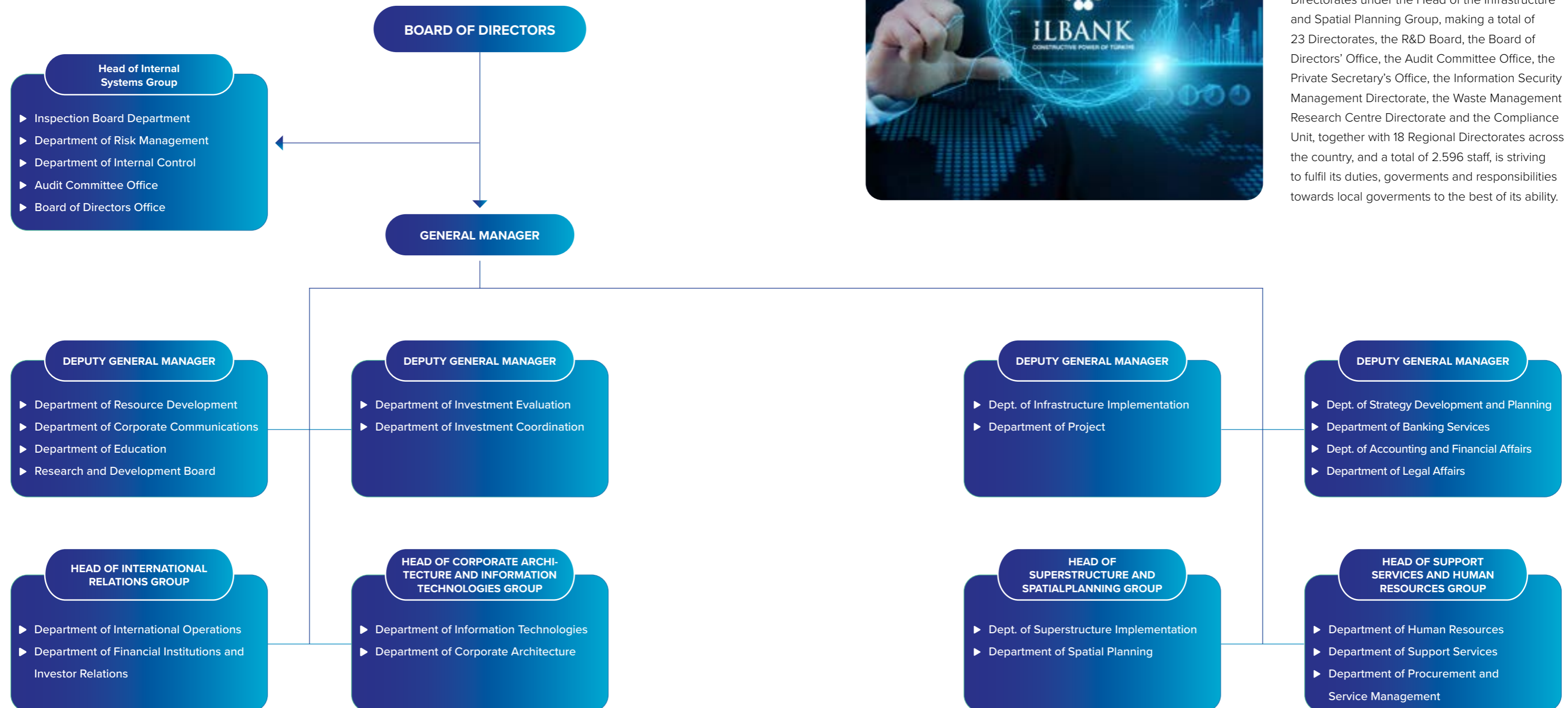
Our Bank's governance structure is systematically reflected in all corporate decision-making processes, starting from the senior management level. Our Bank operates within the framework of Law No. 6107 on the Provincial Bank Joint Stock Company, and its organisational structure is defined in the "Organisational, Duties and Governments Directive".



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GOVERNANCE STRUCTURE

Our Bank's governance structure is designed to encompass all corporate decision-making processes, starting from the senior management level. The Bank operates within the framework of Law No. 6107 on the Provincial Bank Joint Stock Company, and its organisational structure is defined in the "Organisational, Duties and Governments Directive".



At the headquarters of İller Bankası A.Ş.: 3 Directorates reporting to the Head of the Internal Systems Group (including the Presidency of the Audit Board), 2 Directorates reporting to the Head of the Enterprise Architecture and Information Technology Group, 3 Directorates reporting to the Head of the Support Services and Human Resources Group, 2 Directorates reporting to the Head of the International Relations Group, and 2 Directorates under the Head of the Infrastructure and Spatial Planning Group, making a total of 23 Directorates, the R&D Board, the Board of Directors' Office, the Audit Committee Office, the Private Secretary's Office, the Information Security Management Directorate, the Waste Management Research Centre Directorate and the Compliance Unit, together with 18 Regional Directorates across the country, and a total of 2.596 staff, is striving to fulfil its duties, governments and responsibilities towards local governments to the best of its ability.

Competent Governments

The governing bodies of our bank are the General Meeting, the Board of Directors, the Chief Executive Officer and the Audit Committee.

General Assembly

The Bank's General Assembly; is the Bank's supreme governing body.

To represent the Provincial Special Administrations, it shall consist of twenty members elected from among the members of the provincial assembly; one person elected from among the mayors to represent each municipality; and one person appointed to represent the Republic of Türkiye Ministry of the Interior, the Republic of Türkiye Ministry of Treasury and Finance, and the Republic of Türkiye Ministry of Environment, Urbanisation and Climate Change.

The General Assembly reviews the annual activity report, sustainability report and Audit Committee reports, as well as the balance sheet and profit and loss accounts, and resolves on the discharge of the Board of Directors and the Audit Committee. Furthermore, it decides on the write-off of the Bank's receivables deemed uncollectible.

Subject to the provisions of Law No. 6107, the General Assembly performs the duties and exercises the powers specified in the Turkish Commercial Code, the Banking Law No. 5411 dated 19 October 2005, and other relevant legislation.

Our Bank's Ordinary General Assembly Meeting is held within three months of the end of the financial year.

Board of Directors


- ▶ The Board of Directors is the decision-making body accountable to the General Assembly.
- ▶ The Board of Directors consists of a total of seven members, including the General Manager.
- ▶ Four members of the Board of Directors are appointed by the Republic of Türkiye Ministry of Environment, Urbanisation and Climate Change. Two members are elected by the General Assembly from among the mayors and provincial administration representatives attending the General Assembly, who represent the municipalities and provincial administrations, from a shortlist of twice the number of candidates proposed by the Republic of Türkiye Ministry of the Interior.
- ▶ The term of office for members of the Board of Directors is three years. Our Bank is managed and represented by the Board of Directors.

General Manager

- ▶ In accordance with the Banking Law No. 5411, our Bank's General Manager must possess the qualifications required of a General Manager.
- ▶ The General Manager ensures the coordination of the effective and sound conduct of our Bank's operations, in accordance with the duties prescribed for the General Manager under the Banking Law No. 5411 and relevant legislation, as well as the duties and powers delegated by the Board of Directors.

Audit Committee

- ▶ Our Bank's Supervisory Board consists of three members.
- ▶ Two members of the Supervisory Board are appointed by the Republic of Türkiye Ministry of Environment, Urbanisation and Climate Change, and one by the Republic of Türkiye Ministry of Treasury and Finance.
- ▶ Members of the Supervisory Board must meet the same criteria as those required for members of the Bank's Board of Directors.

 Detailed biographical information on the members of the Board of Directors and the Audit Committee is provided on pages 176–185 of the İLBANK A.Ş. 2025 Integrated Annual Report.



The Role of Management in Climate-Related Risks and Opportunities

The monitoring and management of climate-related risks and opportunities at our Bank fall under the responsibility of the Board of Directors and are integrated into our Bank's corporate governance structure through a holistic approach. In this context, climate-related matters are assessed in line with our Bank's strategic objectives and policy framework and are reflected in corporate decision-making processes.

To ensure the more coordinated planning of sustainability activities at the corporate level and the implementation of defined strategies, the Sustainability Directorate was established in 2024. The Directorate is conducting work aimed at integrating sustainability practices into the Bank's operations and strategic decision-making processes, thereby contributing to the strengthening of the sustainability governance structure. Furthermore, within the scope of managing sustainability and climate risks and opportunities, activities relating to renewable energy, disaster management, smart city initiatives and zero-waste initiatives are being carried out within various Departmental Directorates and Regional Directorates.

The "Sustainability Policy", prepared to guide sustainability activities to be carried out in compliance with national and international regulations within the framework of environmental, social and governance criteria, came into force in 2024. In line with the Sustainability Policy, our Bank embraces the principles of environmental, social and economic sustainability. We aim to contribute to the

development of local governments and create long-term value by defining our strategies and objectives within this framework and providing sustainable financing and project support. In addition, the "Climate Change Mitigation and Adaptation Policy" was adopted in 2024 to define the approach to combating climate change and adaptation at an organisational level.

Within our Bank, as part of the governance of sustainability and climate risks and opportunities, the Sustainability Committee was established by Board of Directors Resolution No. 18/664 dated 27 May 2025, reporting to the Board of Directors. The principles governing the Committee's operations are set out in the "Sustainability Committee Working Procedures and Principles Guidelines". The Committee held two meetings in 2025, and the decisions taken at these meetings were submitted to the Board of Directors.

The Committee's structure has been designed to ensure the management of climate and sustainability-related risks, the assessment of opportunities, and the integration of these elements into corporate decisions, in accordance with nationally and internationally recognised standards, particularly the Türkiye Sustainability Reporting Standards. The Committee also monitors the tracking of sustainability target performance indicators and the development of action plans for targets that have not been met.



SUSTAINABILITY COMMITTEE

The Sustainability Committee is responsible for developing, approving and updating strategies; setting targets; prioritising initiatives; monitoring performance; approving policies; and ensuring compliance with current legislation, in line with our Bank's sustainability vision. At Board level, it monitors strategic sustainability initiatives relating to environmental, social and governance (ESG) issues and plays a central role in the implementation of the Bank's sustainability strategy.

The Committee oversees the process of monitoring climate-related risks and opportunities, formulating policies and strategies, evaluating views, analyses and recommendations from working groups, and reporting to the Board of Directors. National and international developments and regulations are monitored; opportunities for green finance and low-carbon investment within the scope of combating climate change are assessed, and innovative solutions are developed. It ensures the monitoring of internal control and audit activities, as well as risk and process controls related to sustainability objectives.

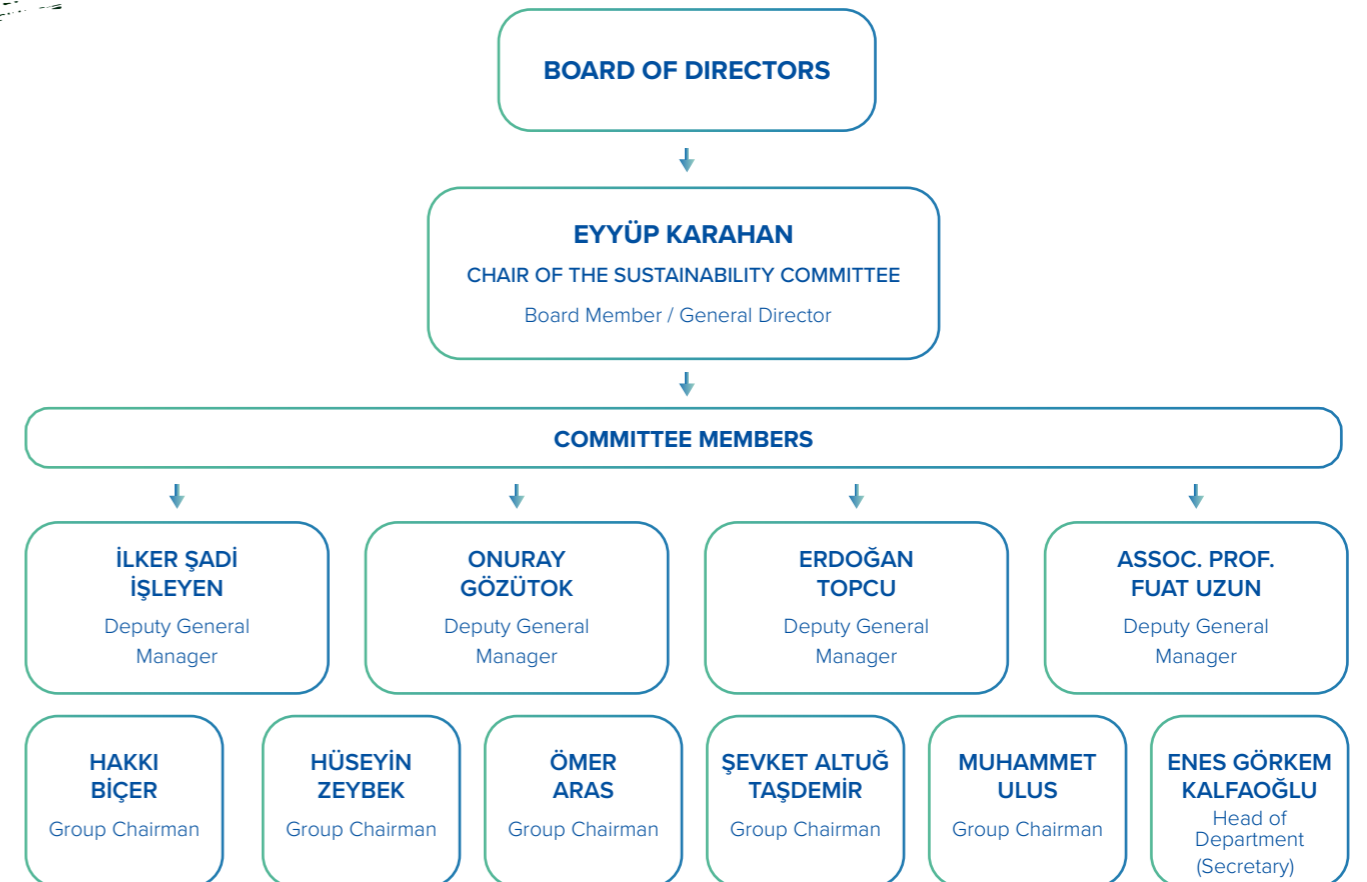
The Sustainability Committee places importance on training and capacity-building initiatives aimed at enhancing the skills and competencies of the Sustainability Directorate and relevant units. To keep abreast of current developments regarding sustainability and climate-related risks and opportunities, and to enhance corporate awareness and strengthen practices, the Bank participates in various training sessions, conferences, panels, workshops and knowledge-sharing platforms. Furthermore, to contribute to sector-wide initiatives and monitor best practices, the Bank is represented in relevant working groups, and the insights gained are incorporated into the Bank's processes.

To support the addressing of sustainability and climate-related issues at an organisational level, the Sustainability

Committee coordinates the Sustainability Coordination, Sustainable Finance, and Sustainability and Climate-Related Risk Working Groups. The working groups carry out activities aimed at setting sustainability targets, developing sustainable finance practices, and assessing climate-related risks and opportunities. The Sustainability Committee is regularly informed through briefing notes, research and progress reports; the outputs obtained contribute to our Bank's policy development, strategy formulation and decision-making processes.

The Sustainability Committee meets at least twice a year; during Committee meetings, sustainability issues—including climate-related risks and opportunities—are addressed through a holistic approach based on the briefing notes, research and progress reports prepared by the working groups established within the Committee. The assessment reports prepared in this context are submitted to the Board of Directors at least once a year, thereby providing input for strategic planning and decision-making processes. Sustainability and climate-related targets are set in line with the TSRS, submitted for approval by the Board of Directors, and progress towards these targets is regularly monitored.

The Sustainability Committee comprises members with extensive professional experience spanning banking, public finance, infrastructure investments, local government, risk management, internal control, international finance, environmental impact assessment, strategic planning and corporate governance; and, thanks to this multidisciplinary expertise, acts as an effective governance mechanism that enables the Bank to assess climate-related physical and transition risks and opportunities from a holistic perspective and to ensure that sustainable investment decisions are effectively monitored.



Sustainability Committee Members



EYYÜP KARAHAN

CHAIR OF THE
SUSTAINABILITY COMMITTEE

Board Member
General Director

He graduated from the Department of Business Administration/Social Policy at the Faculty of Economics, Istanbul University, in 1984. He worked as an Accounting and Sales Manager at various companies. He served as a Member of the Istanbul Provincial Assembly, a Member of the Istanbul Metropolitan Municipality Council, and a Member of the Planning and Budget Committee. He held the position of Director of Commerce at HAMİDİYE A.Ş., a subsidiary of the Istanbul Metropolitan Municipality; and served as Deputy General Manager responsible for Financial and Administrative Affairs at İSFALT A.Ş., İSTAÇ A.Ş. and KİPTAŞ A.Ş. In November 2007, he was appointed General Manager of Ağaç A.Ş., a subsidiary of the Istanbul Metropolitan Municipality. He served as Chairman of the Board of Directors at Ağaç A.Ş., Metro A.Ş. and Kültür A.Ş. Following appointments made in July 2014, he was appointed Deputy Secretary-General responsible for Financial Affairs and Subsidiaries at the Istanbul Metropolitan Municipality. In 2020, he was appointed to the General Directorate of Environmental Management at the Republic of Türkiye Ministry of Environment, Urbanisation and Climate Change. He also served as Chairman of the Board of Directors of the Türkiye Environment Agency, established in 2021, until 2023. With the approval of the Minister of Environment, Urbanisation and Climate Change, he was appointed as a Member of the Board of Directors of İller Bankası A.Ş. on 25 August 2023 and was elected Chairman of the Board of Directors of İller Bankası A.Ş. on 28 August 2023. By a Presidential Decree dated 18 July 2024, he was appointed as General Director of Environmental Impact Assessment, Permits and Inspection at the Republic of Türkiye Ministry of Environment, Urbanisation and Climate Change of the. By a decision of the Republic of Türkiye Ministry of Environment, Urbanisation and Climate Change dated 18 August 2025, he was appointed as General Manager of İller Bankası A.Ş. By Presidential Appointment Decree No. 2025/449, published in the Official Gazette No. 33092 dated 29 November 2025, Eyyüp KARAHAN was permanently appointed to the position of General Director.



İLKER ŞADI İŞLEYEN

Deputy General Manager

He graduated from the Department of Business Administration at the Faculty of Economics and Administrative Sciences, Dokuz Eylül University, in 1995. In 2020, he completed his master's degree in the Department of Real Estate Development and Management at the Faculty of Applied Sciences, Institute of Natural Sciences, Ankara University. İlker Şadi İŞLEYEN began his professional career at the Ministry of Finance in 1991. Between 1997 and 2003, he served successively as Assistant Inspector and Inspector at Emlak Bankası A.Ş. and Ziraat Bankası A.Ş. From 2003 onwards, he continued his professional career at İller Bankası A.Ş., holding the positions of Inspector, Chief Inspector, Deputy Chairman of the Inspection Board, Head of the Risk Management Department, Head of the Investment Evaluation Department and Head of the Internal Control Department, before being appointed Acting Deputy General Manager of İller Bankası A.Ş. on 28 January 2025. He was appointed to the post of Deputy General Manager on a permanent basis by Presidential Decree No. 2025/31 dated 31 January 2025, published in the Official Gazette No. 32800 dated 1 February 2025.



ONURAY GÖZÜTOK

Deputy General Manager

He graduated from the Department of Electrical Engineering at the Faculty of Engineering, Ondokuz Mayıs University, in 1998. In 2013, he completed his Master's degree in Business Administration at Hoca Ahmet Yesevi International Turkish-Kazakh University, and subsequently completed his Master's degree in Real Estate Development and Management at the Faculty of Applied Sciences, Institute of Natural Sciences, Ankara University in 2022. He began his career as an Engineer at the Drinking Water Directorate of İller Bankası A.Ş. in 1998 and served as an Engineer and Manager between 1998 and 2018, before holding the position of Head of the Investment Evaluation Directorate between 2018 and 2020. He was appointed Acting Deputy General Manager on 22 April 2020 and was officially appointed to the post of Deputy General Manager by Presidential Decree No. 2022/499, published in the Official Gazette No. 31971 dated 2 October 2022.



ERDOĞAN TOPCU

Deputy General Manager

He graduated from the Department of Civil Engineering at the Faculty of Engineering, Fırat University, in 1987. He graduated from the Department of Business Administration at the Faculty of Business Administration, Anadolu University, in 2015. In 2019, he completed his master's degree in the Department of Real Estate Development and Management at the Faculty of Applied Sciences, Institute of Natural Sciences, Ankara University. In 1988, he began working as a Civil Engineer at the Trabzon Regional Directorate of the Provincial Bank. At the Provincial Bank, after serving as a Project and Construction Control Engineer, Branch Manager and Director between 1988 and 2016, he held the positions of Head of the Investment Coordination Department, Trabzon Regional Directorate and Head of the Infrastructure Implementation Department between 2016 and April 2020. He was appointed Deputy General Manager on 22 April 2020 and was permanently appointed to the post of Deputy General Manager by Presidential Decree No. 2022/499, published in the Official Gazette No. 31971 dated 2 October 2022.



**ASSOC. PROF.
FUAT UZUN**

Deputy General Manager

He holds a Bachelor's degree from the Department of Business Administration at Niğde University, a Master's degree in Public Administration from the Institute of Social Sciences at Selçuk University, and a PhD from the Institute of Educational Sciences at Hacettepe University, with a thesis entitled "Education Expenditure in Local Government". As of 2024, he holds the title of Associate Professor. During his professional career, he served as Assistant Inspector, Inspector and Internal Auditor at Ankara Metropolitan Municipality between 2001 and 2014, as Deputy Secretary-General at Manisa Metropolitan Municipality between 2014 and 2017, and –2019 as Director of Department at the Republic of Türkiye Ministry of Environment, Urbanisation and Climate Change; from 2019 to 2021 as Deputy Secretary-General at the Ankara Metropolitan Municipality; and from 2021 to 2024 as Deputy Director-General at the Republic of Türkiye Ministry of Environment, Urbanisation and Climate Change. He was appointed Deputy General Manager of the Provincial Bank on 15 August 2024. He was permanently appointed to the post of Deputy General Manager by Presidential Decree No. 2025/31 dated 31 January 2025, published in the Official Gazette No. 32800 dated 1 February 2025.



HAKKI BİÇER
Group Chairman

He graduated from the Department of Labour Economics and Industrial Relations at the Faculty of Political Sciences, Ankara University. He began his career in 1997 as an Assistant Financial Analyst at Şekerbank T.A.Ş., and in 2000 moved to İller Bankası A.Ş. , where he served as Assistant Inspector, Inspector, Chief Inspector, Member of the R&D Committee and Deputy Chairman of the Audit Committee, before being appointed Head of the Internal Systems Group at İller Bankası A.Ş. in 2024.



**ŞEVKET ALTUĞ
TAŞDEMİR**
Group Chairman

He graduated from the Department of Business Administration (English Programme) at Hacettepe University in 2006 and completed his master's degree in the Department of Finance at Hacettepe University in 2012. He began his career as an Expert in the Directorate of International Relations at İller Bankası A.Ş. between 2006 and 2019, and continued in this role as Director of the Directorate of International Relations between 2019 and 2025. On 22 July 2025, he was appointed Group Head of International Relations at İller Bankası A.Ş.



HÜSEYİN ZEYBEK
Group Chairman

He graduated from the Department of Labour Economics and Industrial Relations at the Faculty of Political Sciences, Ankara University, in 1994. He began his professional career in 1995 as Head of the Audit Committee at Türkiye Halk Bankası A.Ş. He has held the positions of Inspector, Branch Manager, Head of the Organisation Department, Head of the Partnerships Coordination Department, and also served as a Board Member at subsidiaries and affiliated companies of Türkiye Halk Bankası A.Ş. On 11 September 2023, he was appointed as Head of the Corporate Architecture and Information Technologies Group at İller Bankası A.Ş.



MUHAMMET ULUS
Group Chairman

He graduated from the Department of Electrical and Electronic Engineering at the Faculty of Engineering, Erciyes University. Having gained experience in road and railway projects, between 2012 and 2019 he held the positions of section manager and team leader on various projects, including Emlak Konut projects, university, data centre, smart housing projects and numerous shopping centre projects, holding the titles of section chief and team leader. In 2019, he commenced his role as an engineer in the Infrastructure Implementation Directorate at the Provincial Bank, subsequently holding the positions of Engineer, Manager and Director in the Superstructure Implementation Directorate. He was appointed Group President on 22 July 2025.



ÖMER ARAS
Group Chairman

He graduated from the Department of Business at Anadolu University's Faculty of Business Administration and completed his master's degree in the Department of Business within the Division of Business Administration at Okan University. He began his professional career at Söktaş A.Ş., subsequently holding various positions at T. Emlak Bankası A.Ş. and T.C. Ziraat Bankası A.Ş. He joined İller Bankası A.Ş. in 2002 and held positions as Specialist, Manager and Head of Department in various units of the Bank. He was appointed Group President on 22 July 2025.



**ENES GÖRKEM
KALFAOĞLU**
Head of Department

He completed his undergraduate degree in Accounting and Financial Management at Başkent University and his master's degree in Financial Management at Atılım University. Having begun his professional career in the private sector in 2010, he held positions as a finance specialist, quality manager and internal auditor in succession, before taking up the post of Department Head at İller Bankası A.Ş. in 2018. He served as Head of the Support Services Department between 2019 and 2020 and as Head of the Banking Services Department between 2020 and 2024. As of 2024, he has been appointed to the position of Head of the Strategy Development and Planning Department. He has been involved in numerous projects in the fields of strategic planning, project management, digital transformation, quality management and financial planning.

Sustainability and Climate-Focused Training Courses and Events

Our bank is conducting training and awareness-raising initiatives aimed at strengthening institutional capacity in the areas of sustainability and climate change. As part of this initiative, in 2025, a range of in-person and online training and information sessions were delivered to staff across various roles and departments within the Bank, covering topics such as sustainability, climate change, the circular economy, energy management, water efficiency, disaster risk management, zero waste and green collar initiatives.

As part of this initiative, 11 staff members, including the Deputy General Manager and the Head of Department, received a 60-hour “Sustainability Reporting Certification Programme” training.

In addition, staff from the Sustainability Directorate regularly participate in conferences, workshops, seminars and online training sessions to keep abreast of current developments in the fields of sustainability and climate change. To promote sustainability awareness across the Bank, a face-to-face “Environmental Sustainability” training programme for all staff working at Head Office and 18 Regional Directorates was completed in 2025.

In 2025, participation was secured in the “Green Collar Programme”, implemented to support the development of qualified human resources in the fields of sustainability and climate change; staff from the Sustainability Directorate gained knowledge and skills in areas such as corporate sustainability, carbon footprint and water footprint calculation methods, energy efficiency and water efficiency under the scope of this programme.

Members of the Sustainability Committee actively participate in various events and platforms to closely monitor national and international developments in the fields of sustainability and climate change. In this context, our Bank participated in the 30th Conference of the Parties (COP30), held in Belém, Brazil, from 10 to 21 November 2025, under the United Nations Framework Convention on Climate Change (UNFCCC). Our Bank contributed as a sponsor to the “Multi-Level Action and Urbanisation Pavilion” organised in collaboration with UN-Habitat; furthermore, by taking part in the Türkiye Pavilion established under the coordination of our Ministry, it engaged in multilateral discussions with representatives of international financial institutions, development banks and local governments. As part of COP30, the panel titled “Beyond Reconstruction: Building Better for Climate-Resilient Cities”, held at the Türkiye Pavilion, was organised by our Bank; Furthermore, our Bank’s executives, who are members of the Committee, participated as panellists in the sessions titled “Green Financing Models for Green Projects” and “Buildings on the Path to the 2053 Net-Zero Target”, sharing our Bank’s green financing approach and work on climate-resilient cities with international stakeholders.

Detailed information regarding other events attended can be found on pages 166-169 of the 2025 Integrated Activity Report.

Training and capacity-building initiatives aimed at enhancing the competencies of individuals and units within the Bank’s sustainability governance structure, with a view to more effectively managing sustainability and climate-related risks and opportunities and strengthening corporate decision-making processes, will continue.

Remuneration and Performance

The monthly salaries, bonuses and other financial and social entitlements of the Bank’s staff, as well as the terms of their contracts, are determined by a proposal from the General Manager and a decision of the Board of Directors. However, the monthly average of all payments made under any heading—including monthly salaries, social assistance, pay rises, compensation, allowances or other names—may not exceed the upper limit to be set for the Bank by Presidential Decree. Members of the Board of Directors and the Audit Committee are paid monthly salaries and other financial entitlements in an amount to be determined by the General Assembly, provided that these do not exceed the salary and other financial entitlements set annually by Presidential Decree. At present, climate-related performance metrics have not been integrated into our Bank’s remuneration policy.



STRATEGY



ILBANK
CONSTRUCTIVE POWER OF TÜRKİYE

“Promoting infrastructure, transport and energy investments aimed at adapting to climate change and mitigating its impacts, as well as supporting projects that will contribute to reducing greenhouse gas emissions in line with our country’s 2053 Net Zero Emissions targets, have been identified as priority areas.”

Climate Transition Plan

With the aim of increasing its contribution to our country’s sustainable development, our bank carries out its activities in line with objectives focused on building disaster-resilient cities, combating climate change, digital transformation and institutional capacity development. In this context, the completion of rehabilitation works in cities affected by disasters, the provision of technical and financial support to local governments against disaster risks, the promotion of infrastructure, transport and energy investments aimed at adapting to climate change and mitigating its effects, and the support of projects that will contribute to reducing greenhouse gas emissions in line with our country’s 2053 Net Zero Emissions targets have been identified as priority areas. Furthermore, securing funding from international financial institutions, enhancing compliance with international standards in project management, establishing new partnerships within the framework of the development and investment bank vision, and strengthening our Bank’s international visibility are among the key strategic approaches. Digital transformation and the strengthening of corporate communication have also been identified as priorities for enhancing institutional capacity.

Our Bank shapes its strategic approach by taking into account the potential impacts of physical and transition risks arising from climate change, as well as the opportunities they present, on our Bank’s business model, areas of operation and decision-making processes. In this context, climate-related risks and opportunities are addressed in an integrated manner with strategic planning, resource allocation and financing decisions, in line with our Bank’s development and investment banking mission.

Our Bank’s climate transition plan is developed by taking into account the Paris Climate Agreement, the Climate Act, national climate policies, national action plans, the regulatory framework, developments in financial markets, and the transformation processes in the sectors where our Bank operates. In developing this plan, the investment needs of local governments and sustainable financing opportunities are treated as key assumptions. In this context, our Bank’s financing and technical support activities are aligned with the Climate Change Mitigation Strategy and Action Plan (2024–2030), the Climate Change Adaptation Strategy and Action Plan (2024–2030), the Energy Efficiency Strategy and the Second National Energy Efficiency Action Plan, the Water Efficiency Strategy Document and Action Plan (2023–2033) and the National Circular Economy Strategy and Action Plan; projects and investments that will contribute to supporting low-carbon investments, enhancing energy and resource efficiency, the sustainable management of water resources and the widespread adoption of circular economy practices are prioritised by our Bank. Detailed information regarding the relationship established with these action plans is provided on page 164 of the 2025 Integrated Annual Report.

Time Periods and Impact Assessment

Time Zone	Duration	Description
Short term	0–1 year	Within the framework of our annual budget and business plans, our Bank is focused on responding to priority issues in a swift and measurable manner. During this period, we are assessing the current impacts of climate-related physical and transition risks and opportunities on the Bank’s operations and the activities it finances; risk mitigation and regulatory compliance measures are being integrated into decision-making processes.
Medium term	1–5 years	In line with its strategic planning and medium-term programmes, our bank is addressing climate-related risks and opportunities in a more systematic manner. As part of this process, policies and procedures are being developed, governance structures are being strengthened, and sustainability and climate targets are being implemented. At the same time, the aim is to increase the alignment of the credit and investment portfolio with national climate policies, ensuring that investment and financing decisions are shaped within this framework.
Long term	5 years and over	Our bank has adopted an approach centred on implementing transformation policies aligned with national net-zero targets within the framework of its development and investment banking activities. During this period, our priorities are to enhance resilience to climate-related risks and opportunities, minimise environmental and social impacts, and support sustainable investments.

Our bank prioritises climate-related risks and opportunities by assessing the likelihood of occurrence and potential impact of each factor separately. Within this framework, the probability of a risk materialising is analysed in light of past occurrences, current environmental conditions, operational sensitivities and projected climate scenarios. Similarly, the potential for climate-related opportunities to materialise is assessed in the context of developments in policies and regulations, financing opportunities, technological transformation and the investment needs of local governments. Probability levels are classified on a five-tier scale: very low, low, medium, high and very high.

The likelihood of risks and opportunities materialising is classified on a five-level scale, ranging from low probabilities that may arise in exceptional circumstances to high probabilities that could be observed frequently and systemically. In the impact assessment, potential negative impacts on the Bank’s operational activities, environmental and social performance, reputation, stakeholder relations

and long-term strategic objectives in the event of risks materialising are considered; whilst, in terms of opportunities, the potential contributions to enhancing sustainable financing capacity, supporting climate-friendly investments and creating long-term public value are taken into account. Impact levels are assessed on a five-tier scale ranging from very low, low, medium, high, and very high impact levels, starting from limited impacts and extending to levels that could create high operational, environmental, social, or strategic impacts.

Our Bank applies a balanced and systematic approach to the assessment of climate-related risks and opportunities by combining qualitative and quantitative analyses. Within this framework, the nature of risks and opportunities (physical/ transition; acute/chronic), their likelihood of occurrence and the magnitude of their impact are analysed separately; these components are then combined to form an overall assessment score that serves as the basis for prioritisation.

Risk and Opportunity Matrix

The probability of occurrence and the magnitude of impact are each scored on a scale of 1 to 5; by evaluating these two parameters together, a comprehensive assessment is carried out to provide input for our Bank’s strategic decision-making and risk management processes, thereby determining the level of risk and opportunity.

Score Range	Risk Level	Management Approach
1-6	● Low	Monitoring
8-12	● Medium	Management Plan
15-25	● High	Priority Action

Probability ↓ / Impact →	Very Low (1)	Low (2)	Middle (3)	High (4)	Very High (5)
Very High Probability (5)	● 5	● 10	● 15	● 20	● 25
High Probability (4)	● 4	● 8	● 12	● 16	● 20
Medium Probability (3)	● 3	● 6	● 9	● 12	● 15
Low Probability (2)	● 2	● 4	● 6	● 8	● 10
Very Low Probability (1)	● 1	● 2	● 3	● 4	● 5

Colour Codes: ● Low (1–6) ● Medium (8–12) ● High (15–25)

Guidance Resources

Our bank has drawn upon the guidance set out in “Volume 16 – Commercial Banks” within the “Guidance on the Sector-Specific Application of TSRS 2” to provide guidance on the identification, measurement and disclosure of climate-related risks and opportunities. This guidance serves as a reference developed under the umbrella of the International Sustainability Standards Board (ISSB) and derived from the sector-specific standards of the Sustainability Accounting Standards Board (SASB), providing disclosure topics and metrics for the assessment of climate-related risks and opportunities specific to banking activities. The metrics and disclosures, adapted to the reporting process in line with our Bank’s operational structure, are included in the ‘Metrics and Targets’ section of the report.

In assessing its strategy and business model, our bank has taken into account the full range of cross-sectoral metric categories defined by TSRS 2 for all sectors. The equivalents of these categories in our analysis are as follows:

- ▶ **Greenhouse Gas Emissions:** In the “Metrics and Goals” section,
- ▶ **Physical Risks:** In the “Strategy” section,
- ▶ **Transition Risks:** In the “Strategy” section,
- ▶ **Climate-Related Opportunities:** In the “Strategy” section,
- ▶ **Capital Allocation:** In the “Metrics and Goals” section,
- ▶ **Internal Carbon Prices:** In the “Metrics and Goals” section,
- ▶ **Remuneration:** It is included in the ‘Governance’ section.

Climate Resilience

Our Bank conducts scenario analyses to assess the potential impacts of climate change on our operations and on the financial and technical support provided to local governments. These analyses aim to evaluate the resilience of our Bank's business model, loan portfolio, financial performance and capital adequacy to climate-related physical and transition risks.

In assessing physical risks, the Representative Concentration Pathways (RCPs) developed by the Intergovernmental Panel on Climate Change (IPCC) have been used as a basis. RCPs present four different pathways (RCP 2.6, RCP 4.5, RCP 6.0 and RCP 8.5) that project how greenhouse gas concentrations in the atmosphere will change over time. For the 2025 reporting period, RCP 4.5 and RCP 8.5 have been considered in order to assess the potential impacts of climate change within a broad framework. The RCP 4.5 scenario represents a transition pathway in which emissions are stabilised in the medium term, temperature increases remain within the range of approximately 2–3°C, and while climate impacts cannot be fully mitigated, they remain at a manageable level. The RCP 8.5 scenario, on the other hand, represents a high-risk scenario where temperature increases could exceed 4°C and significant increases in the frequency and intensity of extreme weather events could occur. In this context, the potential impacts of risks such as floods, sea-level rise, heatwaves and drought on infrastructure and superstructure projects financed by our Bank have been assessed.

In assessing transition risks and opportunities, the Net Zero 2050 scenario developed by the Network for Greening the Financial System (NGFS) has been utilised. This scenario envisages achieving net-zero greenhouse gas emissions by

2050 and limiting global temperature rise to approximately 1.5°C. Under this scenario, where transition risks become evident in the short and medium term, it is assessed that the transformation in carbon pricing, climate-related regulatory requirements and financing criteria necessitates a stronger consideration of environmental, social and governance (ESG) factors in our Bank's credit and project evaluation processes. Conversely, significant financing and project development opportunities are expected to emerge for our Bank in areas such as renewable energy, energy and water efficiency, climate-resilient infrastructure and sustainable urban development.

Scenario analyses enable a more accurate assessment of our Bank's exposure levels under specific climate scenarios; thereby generating advanced forecasts that can be utilised in both technical decision-support systems and strategic planning and financial modelling processes. As the level of exposure increases, the benefit derived from scenario analyses also increases; conversely, the contribution of such analyses diminishes in risk areas where sensitivity to climate impacts remains limited.

Scenario analyses provide insights into how climate-related risks might evolve across different geographical regions and timeframes. At the same time, they enable the scientific assessment of the impacts of climate change on infrastructure, water resources, service continuity and human resources. By integrating these analyses into our Bank's long-term investment plans, risk management, and credit and project evaluation processes, they contribute to enhancing institutional resilience against climate change and creating long-term public value aligned with sustainable development goals.



Identifying Climate-Related Risks and Opportunities

At our bank, climate-related risks and opportunities have been systematically identified, assessed and categorised for the first time as of the reporting year. This work was carried out as part of a climate risk and opportunity inventory in line with TSRS, and is intended to be integrated into the institution's overall risk management approach. In prioritising risks and opportunities, risk and opportunity scores—calculated as the product of likelihood of occurrence and potential impact—are used as the basis; risks and opportunities are classified as “Low”, “Medium” and “High”.

With the establishment of the Sustainability Directorate in 2024, climate risks and opportunities have begun to be integrated more robustly into the corporate risk management structure. Climate risks and opportunities have been approved by the Sustainability Committee and incorporated into the prioritisation process within the Bank's overall risk management framework through a holistic approach. In addition to assessing climate-related risks and opportunities, the Bank has classified the time horizons used to set targets in these areas in a manner consistent with strategic planning and decision-making processes, as follows:

Climate-Related Risks

Risk Category and Definition	Impact on the Business Model, Value Chain and Assets	Risk Mitigation Activities		Script Analysis	Impact Assessment
<p>RISK 1: Climate Change-Related Risks in Local Governments' Infrastructure Investments</p> <p>RISK CATEGORY: Physical Risk - Acute</p> <p>Risk Disclosure: With climate change, sudden and heavy rainfall—which is being observed with increasing frequency in Turkey—is exceeding the capacity of existing sewerage, stormwater and drainage systems, leading to flash floods, flooding and the collapse of structural infrastructure. These events are affecting local governments drinking water supply and distribution systems, sewerage infrastructure and wastewater treatment plants. They also bring with them risks of reduced water resources, deteriorating water quality, infrastructure damage, service disruptions and environmental pollution.</p> <p>These physical impacts also pose risks to the infrastructure projects financed by our Bank. Additional investment may be required if financed projects sustain damage faster than anticipated or if the existing infrastructure funded deteriorates more rapidly than expected. Such situations could also increase our Bank's overall exposure to climate risk.</p> <p>Prolonged drought, rising temperatures and diminishing surface and groundwater resources are increasing physical risks in the drinking water, sewerage and wastewater treatment infrastructure projects financed by our Bank. Water scarcity is making the technical and economic feasibility of these projects more challenging; in some regions, it is leading to existing infrastructure becoming inadequate and new investments being directed towards more costly alternative water sources.</p> <p>Consequently, physical risks arising from climate change may negatively impact infrastructure resilience, service continuity and resource efficiency in the projects financed by our Bank.</p> <p>Term of the Risk: Long term Probability of Occurrence: 3 Risk Impact Level: 2 Risk Score: 6-Low Risk</p>	<p>Value Chain Components: Local Governments, Public Bodies, International Financial Institutions</p> <p>Its Place in the Value Chain: Downward</p> <p>Asset Type: Infrastructure assets such as drinking water, sewerage and wastewater treatment facilities financed by our bank</p> <p>Relevant sector: Infrastructure</p> <p>Relevant Priority Topic:</p> <ul style="list-style-type: none"> ▶ Combating Climate Change and Managing Climate Risks ▶ Sustainable and Resilient Cities ▶ Financial Performance <p>Effects:</p> <ul style="list-style-type: none"> ▶ The need for reinvestment and additional funding ▶ The risk of a shortened lifespan for funded infrastructure investments ▶ Liquidity risk <p>Area of Concentration: As of 2025, loans to the infrastructure sector account for 56% of our bank's loan portfolio, which covers the whole of Türkiye.</p>	<p>Current Activities: To mitigate physical risks arising from climate change, our Bank supports preventive and adaptation-focused approaches that enhance climate resilience in infrastructure investments. In this context, additional technical criteria and resilience standards are applied in regions highly exposed to flooding, drought and extreme weather events.</p> <p>To strengthen local governments project development capacities, engineering solutions that account for climate risks, alternative design options and nature-based solutions are encouraged; priority is given to investments that contribute to climate adaptation in project prioritisation processes.</p> <p>Our Bank aims to mitigate the financial impacts of climate-related physical risks by reducing risk concentration through investment diversification, long-term financing structures and, where necessary, phased implementation models. This approach supports the continuity of infrastructure services whilst contributing to the enhancement of local governments capacity to adapt to climate change.</p> <p>Planned Activities: In the environmental and social risk assessment processes conducted in relation to project loans, the aim is to address the physical and transition risks associated with climate change in a holistic manner; within this framework, the objective is to systematically assess climate-related risk indicators during the loan allocation and monitoring phases and to strengthen control mechanisms that are sensitive to climate risks.</p>		<p>IPCC RCP 4.5 Scenario: Under this scenario, whilst an upward trend in extreme rainfall and flooding events is projected across Türkiye, it is assessed that the impacts will largely remain regional and manageable. Capacity constraints, increased maintenance costs and limited service disruptions may arise in the drinking water, sewerage and stormwater infrastructure financed by our Bank; however, it is anticipated that these risks can be kept under control in the medium term through climate-resilient engineering solutions, the updating of design standards and phased infrastructure improvement investments.</p> <p>IPCC RCP 8.5 Scenario: Under this scenario, both the frequency and intensity of short-duration peak rainfall events and prolonged heavy rainfall are increasing significantly. This situation may lead to drainage and sewerage systems being overwhelmed more frequently, resulting in a rise in incidents such as network failure, manhole overflows, pump station failures and flooding at wastewater treatment plants. Soil saturation and flood pressure associated with prolonged rainfall increase the risk of structural damage to infrastructure assets; they also place additional strain on service continuity, environmental resilience and emergency response capacity. In this scenario, improvement and adaptation investments may cease to be planned and instead take on the nature of emergency investments. These developments point to higher levels of financial and operational risk in the long term, resulting in structural deterioration of the infrastructure assets financed by our Bank, shorter project lifespans, disruptions to service continuity, and the need for unplanned reinvestment.</p>	<p>Current Financial Impact: The increasing impact of extreme weather events caused by climate change on urban infrastructure is assessed by our Bank as an indirect financial risk factor. In this context, the outstanding loan balance within the scope of environmental infrastructure, comprising investments such as drinking water, sewerage, wastewater treatment and rainwater infrastructure that are potentially exposed to water scarcity and drought, sudden and heavy rainfall, floods and other extreme weather events caused by climate change, stands at TL 63 billion as of 2025 (TL 43.5 billion for 2024), and this amount constitutes 56% of our Bank's total loan portfolio.</p> <p>No direct or measurable impact of these risks on the financial statements has been identified during the current period. In this context, it is assessed that the financial impact of the relevant risk remains below the materiality threshold at present. The primary grounds for this assessment are: the fact that our Bank's core business activity is the financing of local governments investments; the long-term nature of the loans and their high collectability; the absence of provisions for loans under the Bank's Act; and the fact that historical data does not indicate any measurable or systematic financial loss on our Bank's balance sheet. Furthermore, technical standards and public support mechanisms aimed at enhancing climate resilience in the funded projects contribute to balancing potential financial impacts.</p> <p>Estimated Financial Impact: The increasing severity and frequency of extreme weather events linked to climate change may shorten the economic lifespans of infrastructure assets financed by our Bank, thereby increasing the need for infrastructure upgrades and reinvestment in the medium to long term. These investments, aimed at enhancing climate change adaptation, may lead to an increase in project costs, resulting in higher loan amounts and a rise in the volume of long-term financing.</p> <p>Furthermore, service disruptions and damage to existing facilities caused by extreme weather events could lead to temporary disruptions in the cash flows of some local governments; this situation could result in financial impacts on our Bank's cash flow, such as extended loan repayment terms or an increase in requests for restructuring.</p> <p>The concentration of physical risks in specific types of infrastructure and specific geographical regions may, in turn, increase sectoral and regional concentration risks within our Bank's loan portfolio, thereby necessitating closer monitoring within the scope of risk management.</p> <p>In this context, given the current regulatory framework and the Bank's status as a public bank, it is not expected that these effects will have a direct and measurable impact on the financial statements in the short term. However, it is assessed that in the medium and long term, there may be an increase in the loan balance, changes in the maturity structure, and an increase in indirect effects on the portfolio; these developments are being regularly monitored by the Bank.</p>

Risk Category and Definition	Impact on the Business Model, Value Chain and Assets	Risk Mitigation Activities		Script Analysis	Impact Assessment
<p>RISK 2: Climate Change-Related Risks in Local Governments' Infrastructure Investments</p> <p>RISK CATEGORY: Physical Risk - Acute</p> <p>Risk Disclosure: Sudden natural events linked to climate change, such as heavy rainfall, flooding and landslides, are increasing various physical risks that directly affect infrastructure investments such as buildings, roads and bridges. These risks have the potential to shorten the useful life of infrastructure projects undertaken by local governments—to which our Bank provides technical support and loans—as well as to increase maintenance costs and cause service disruptions.</p> <p>Term of the Risk: Long term Probability of Occurrence: 3 Risk Impact Level: 2 Risk Score: 6-Low Risk</p>	<p>Value Chain Components: Local Governments, Public Bodies, International Financial Institutions</p> <p>Its Place in the Value Chain: Downward</p> <p>Asset Type: Infrastructure investments financed by our bank</p> <p>Relevant sector: Superstructure</p> <p>Relevant Priority Topic:</p> <ul style="list-style-type: none"> ▶ Combating Climate Change and Managing Climate Risks ▶ Sustainable and Resilient Cities ▶ Financial Performance <p>Effects:</p> <ul style="list-style-type: none"> ▶ Rising maintenance and repair costs ▶ The need for reinvestment and additional funding ▶ The emergence of liquidity risk ▶ An increase in the portfolio's risk level <p>Area of Concentration: As of 2025, loans to the infrastructure sector account for 14% of our bank's loan portfolio, which covers the whole of Turkey.</p>	<p>Current Activities: In order to mitigate the physical risks that may arise in infrastructure investments due to climate change, our Bank provides technical support to local governments for the preparation of master plans for infrastructure, and within this framework, encourages planning that takes climate impacts into account. Furthermore, financing opportunities are offered through funds provided by international financial institutions for light rail system projects, public transport systems and the purchase of clean-fuel buses that reduce fossil fuel consumption and have limited environmental impacts.</p> <p>Furthermore, financing opportunities are provided through resources obtained from international financial institutions for projects involving public buildings, social facilities, and educational, healthcare and administrative structures that are highly energy-efficient, have limited environmental impacts and are more resilient to climate change.</p> <p>In this context, infrastructure investments have prioritised system solutions that reduce environmental impact and prioritise climate resilience and service continuity. These projects contribute both to reducing carbon emissions and to the development of infrastructure systems that are more resilient to floods, flash floods and extreme weather events. These activities support the strengthening of local governments institutional capacity to mitigate risks such as service disruptions, increased maintenance costs and physical damage that may arise from infrastructure investments.</p> <p>Planned Activities: In the environmental and social risk assessment processes conducted for project loans, the aim is to address the physical and transition risks associated with infrastructure projects arising from climate change through a holistic approach; within this framework, the objective is to systematically assess climate-related risk indicators during the loan allocation and monitoring phases and to strengthen control mechanisms that are sensitive to climate risks.</p>		<p>IPCC RCP 4.5 Scenario: Under this scenario, a gradual increase in the frequency and intensity of extreme rainfall events is projected across Türkiye. This situation could lead to physical risks such as limited service disruptions, drainage inadequacies, surface damage and an increased need for maintenance and repairs in relation to the infrastructure investments (roads, bridges, squares, public buildings and social facilities) financed by our Bank. However, it is assessed that these risks will remain at a manageable level in the medium term thanks to design and operational measures that take climate risks into account.</p> <p>IPCC RCP 8.5 Scenario: Under this scenario, significant increases in the frequency and intensity of heavy rainfall, flooding, storms and heatwaves are expected. These developments increase the risk of flooding, erosion, material degradation due to high temperatures and structural damage in infrastructure investments financed by our Bank, particularly in service buildings, facilities, roads, bridges, tunnels and rail systems. It is projected that after 2050, as temperature increases exceed 3°C, issues such as asphalt deformation and rail expansion will become more widespread; exposure of coastal infrastructure is increasing due to rising sea levels. In this scenario, the development of infrastructure solutions with high climate resilience and the rapid implementation of technical adaptation measures are of critical importance; in the long term, costly adaptation investments are expected to come to the fore.</p>	<p>Current Financial Impact: The increasing impact of sudden natural events such as extreme rainfall, flooding and landslides caused by climate change on infrastructure investments is assessed as an indirect financial risk factor for our Bank. In this context, infrastructure investments such as roads, bridges, squares, public buildings, social facilities and similar projects may face the risk of increased maintenance and repair costs and disruptions to service continuity.</p> <p>The credit balance relating to infrastructure investments that could be classified under climate-related physical risks stands at TL 15.5 billion as of 2025 (TL 12.9 billion as of 2024), representing approximately 14% of our Bank's total credit balance.</p> <p>No direct or measurable impact of these risks on the financial statements has been identified in the current period. In this context, it is assessed that, at present, the financial impact of the relevant risk remains below the materiality threshold. The primary grounds for this assessment are: the fact that our Bank's core business activity is the financing of local governments investments; the long-term nature of the loans and their high collectability; the absence of provisions for loans under the Bank's Statutes; and the fact that historical data does not indicate any measurable or systematic financial loss on our Bank's balance sheet.</p> <p>Furthermore, technical standards and public support mechanisms aimed at enhancing climate resilience in the financed projects contribute to offsetting potential financial impacts.</p> <p>Estimated Financial Impact: The increasing severity and frequency of extreme weather events due to climate change may shorten the economic lifespans of infrastructure assets financed by our Bank, thereby increasing the need for infrastructure reinforcement and renewal investments in the medium to long term. This situation could lead to an increase in project costs, exerting an upward pressure on loan amounts and the volume of long-term financing.</p> <p>Furthermore, service disruptions caused by extreme weather events and potential damage to existing facilities could result in temporary disruptions to the cash flows of certain local governments; this situation could give rise to indirect financial impacts on our Bank's cash flow, such as extended loan repayment terms or an increase in requests for restructuring.</p> <p>The concentration of physical climate risks in specific types of infrastructure and specific geographical regions may, in turn, increase sectoral and regional concentration within our Bank's loan portfolio, necessitating closer monitoring of the portfolio's risk profile. In this context, whilst it is not expected that these risks will have a direct and measurable impact on financial statements in the short term, given the current regulatory framework and our Bank's status as a public bank; any indirect financial impacts that may arise in the medium to long term are regularly monitored by our Bank.</p>

Risk Category and Definition	Impact on the Business Model, Value Chain and Assets	Risk Mitigation Activities		Script Analysis	Impact Assessment
<p>RISK 3: Climate Change-Related Risks in Local Governments' Energy Investments</p> <p>RISK CATEGORY: Physical Risk - Acute</p> <p>Risk Disclosure: Sudden natural events linked to climate change, such as heavy rainfall, flooding, storms, heatwaves and droughts, are increasing the physical risks that directly affect energy generation, transmission and distribution infrastructure. These risks can lead to a shorter asset lifespan, increased maintenance and repair costs, and disruptions to service continuity, particularly in the energy investments (renewable energy facilities, power generation plants, transmission and distribution lines, and energy-related ancillary infrastructure, etc.) of local governments to which our Bank provides technical support and credit.</p> <p>Term of the Risk: Long term Probability of Occurrence: 3 Risk Impact Level: 2 Risk Score: 6-Low Risk</p>	<p>Value Chain Components: Local Governments, Public Bodies, International Financial Institutions</p> <p>Its Place in the Value Chain: Downward</p> <p>Asset Type: Energy investments financed by our bank</p> <p>Relevant sector: Energy</p> <p>Relevant Priority Topic:</p> <ul style="list-style-type: none"> ▶ Combating Climate Change and Managing Climate Risks ▶ Financial Performance ▶ Sustainable and Resilient Cities ▶ Contributing to Social Well-being and Corporate Social Responsibility <p>Effects:</p> <ul style="list-style-type: none"> ▶ Rising maintenance and repair costs ▶ The need for reinvestment and additional funding ▶ The emergence of liquidity risk ▶ An increase in the portfolio's risk level <p>Area of Concentration: As of 2025, loans to the energy sector account for 2,7% of our bank's loan portfolio, which covers the whole of Türkiye.</p>	<p>Current Activities: Our Bank supports initiatives aimed at increasing the use of renewable energy sources, improving energy efficiency and making buildings more sustainable, with the aim of ensuring a continuous, high-quality, sustainable and secure energy supply at affordable costs, and achieving diversification of energy sources. In this context, through the Public and Municipal Renewable Energy Project (PUMREP), implemented in collaboration with the World Bank, we contribute to local governments development of solar energy systems, energy-efficient infrastructure and low-carbon solutions; financing opportunities are provided through resources secured from international financial institutions for projects with limited environmental impacts and greater resilience to climate change. In this way, we are supporting the financing of investments aligned with sustainable development goals, whilst also diversifying our Bank's loan portfolio in line with the green transition.</p> <p>Planned Activities: Environmental and social risk assessments conducted as part of credit processes for energy projects aim to address physical risks arising from climate change through a holistic approach. In this regard, it is planned to systematically assess climate-related risk indicators during the loan allocation and monitoring phases; and to gradually integrate climate risk and greenhouse gas emission indicators relating to energy investments into project evaluation and reporting processes.</p> <p>Furthermore, it is intended to strengthen the resilience of the portfolio against climate risks by expanding the scope of existing programmes conducted with international financial institutions and increasing the share of renewable, low-carbon energy investments within the Bank's loan portfolio.</p>		<p>IPCC RCP 4.5 Scenario: Under this scenario, it is expected that temperature rises, irregularities in rainfall patterns and the impact of short-term extreme weather events on energy investments will gradually increase across Türkiye. Whilst the share of fossil fuels in the energy sector begins to decline, the widespread adoption of renewable energy sources and energy efficiency measures is being encouraged.</p> <p>For solar, wind and energy efficiency projects financed by our bank, extreme weather events can lead to effects such as seasonal fluctuations in production efficiency, reduced equipment performance, increased maintenance and operating costs, and production outages. In particular, high temperatures can reduce panel efficiency in solar energy systems, whilst sudden weather events can accelerate wear and tear on the mechanical and electrical components of energy facilities.</p> <p>However, it is assessed that these risks will remain manageable in the medium term through project design that accounts for climate risks, appropriate site selection, engineering solutions that enhance resilience, and effective operation and maintenance practices. This scenario represents a transition process for our Bank in which climate adaptation measures are implemented in a planned manner, and the continuity of energy investments and financial performance can be maintained.</p> <p>IPCC RCP 8.5 Scenario: This scenario describes a high-risk climate scenario in which greenhouse gas emissions remain at high levels and the frequency and intensity of extreme weather events increase significantly. Under this scenario, the impact of heatwaves, heavy rainfall, storms and droughts across Türkiye on energy investments is expected to increase.</p> <p>For solar, wind and energy efficiency projects financed by our bank, this situation could give rise to risks such as a decline in production efficiency, an increase in equipment failures, rising maintenance and repair costs, and a shortening of the economic lifespan of facilities. In particular, the more frequent and simultaneous occurrence of climate-related physical risks after 2050 could increase the need for urgent reinforcement and reinvestment in energy projects.</p> <p>In this context, the RCP 8.5 scenario represents a scenario in which operational and financial risks in our Bank's energy investments rise significantly in the medium to long term if climate adaptation measures are delayed.</p>	<p>Current Financial Impact: The impact of extreme weather events caused by climate change on energy investments is assessed as an indirect financial risk factor for our Bank. In this context, there is a risk of increased maintenance and repair costs and disruptions to service continuity in energy investments.</p> <p>The credit balance in our Bank's energy investments that could be classified under climate-related physical risk stands at TL 3 billion as of 2025 (TL 1.2 billion as of 2024), representing 2,7% of our Bank's total credit balance.</p> <p>No direct or measurable impact of these risks on the financial statements has been identified during the current period. In this context, it is assessed that, at present, the financial impact of the relevant risk remains below the materiality threshold. The primary grounds for this assessment are: the fact that our Bank's core business activity is the financing of local governments investments; the long-term nature of the loans and their high collectability; the absence of provisions for loans under the Bank's Act; and the fact that historical data does not indicate any measurable or systematic financial loss on our Bank's balance sheet. Furthermore, technical standards and public support mechanisms aimed at enhancing climate resilience in the financed projects contribute to balancing potential financial impacts.</p> <p>Estimated Financial Impact: The increasing severity and frequency of extreme weather events linked to climate change may shorten the economic lifespans of energy assets financed by our Bank, thereby increasing the need for upgrading and renewal investments in the medium to long term. This situation could exert upward pressure on project costs and the volume of financing.</p> <p>Furthermore, production disruptions and infrastructure damage could lead to temporary disruptions in the cash flows of certain local governments, resulting in indirect financial impacts on our Bank's cash flow in the form of extended loan repayment terms or increased requests for restructuring. Given the current regulatory framework and our Bank's status as a public bank, whilst it is not expected that these risks will have a direct and measurable impact on financial statements in the short term, any indirect financial effects that may arise in the medium to long term are regularly monitored by our Bank.</p>

Risk Category and Definition	Impact on the Business Model, Value Chain and Assets	Risk Mitigation Activities		Script Analysis	Impact Assessment
<p>RISK 4: Risk of Damage to Service Buildings and Social Facilities Caused by Extreme Weather Events</p> <p>RISK CATEGORY: Physical Risk - Acute</p> <p>Risk Disclosure: Our bank's Head Office building, along with the service buildings and social facilities housing our Regional Directorates operating across Türkiye, are at risk of physical damage from sudden and extreme weather events (such as floods and flash floods) that are increasing due to climate change. In particular, Regional Directorates situated in topographically high-risk areas or within urban areas with inadequate infrastructure are becoming more vulnerable to adverse conditions such as intense pressure on infrastructure, access barriers, power cuts and building damage.</p> <p>Such events may result in physical damage to the building structure, loss of equipment, operational disruptions and interruptions to service continuity. They also bring with them secondary risks such as staff safety, loss of documents or digital data, and limited capacity to respond to emergencies. Repair, evacuation or temporary relocation needs arising from climatic events can both increase organisational costs and reduce operational efficiency.</p> <p>Term of the Risk: Long term Probability of Occurrence: 3 Risk Impact Level: 2 Risk Score: 6-Low Risk</p>	<p>Value Chain Components: İLBANK staff</p> <p>Its Place in the Value Chain: Direct Operational Activities</p> <p>Asset Type: Service Buildings and Social Facilities</p> <p>Relevant Sector: Construction and Facility Investments</p> <p>Relevant Priority Issue:</p> <ul style="list-style-type: none"> ▶ Combating Climate Change and Managing Climate Risks ▶ Sustainable and Resilient Cities ▶ Financial Performance ▶ Corporate Governance <p>Effects:</p> <ul style="list-style-type: none"> ▶ Rise in maintenance and repair costs ▶ Operational disruptions ▶ Temporary relocation and eviction costs ▶ A decline in corporate reputation <p>Area of Concentration: Head Office and 18 Regional Directorate Service Buildings and Social Facilities</p>	<p>Current Activities: At our Bank, analysis and feasibility studies are being carried out to identify areas for improvement in our existing service buildings, with the aim of enhancing the resilience of our service and operational buildings against physical risks arising from climate change. Activities such as the creation of green spaces and afforestation are being undertaken to reduce the environmental impact of our service buildings.</p> <p>To limit the potential impact of climate change-related risks on operational continuity, an Emergency Plan and a Business Continuity Plan have been prepared within our bank, and measures are being implemented in accordance with these plans to prevent service disruptions.</p> <p>Planned Activities: The aim is to design and construct new service buildings in accordance with sustainability principles, ensuring they are energy-efficient, have a low environmental impact and are resilient to climate change. In this context, the plan is to prioritise engineering solutions and material choices that take climate risks into account in building design.</p> <p>In addition, our Bank has initiated efforts to insure its service and social facilities buildings in order to enhance their financial resilience against physical damage caused by climate change. Alongside the expansion of insurance schemes, the aim is to limit the financial impact of damage that may result from extreme weather events.</p>		<p>IPCC RCP 4.5 Scenario: In this scenario, a limited but increasing trend in the frequency and intensity of extreme weather events is projected, alongside the gradual implementation of climate policies. In this context, the risk to our Bank's service buildings and social facilities may manifest as damage to building facades and roof systems, drainage infrastructure, and mechanical and electrical installations due to sudden and heavy rainfall, heatwaves and storm events.</p> <p>In this scenario, it is expected that these risks will manifest as regional and seasonal impacts rather than causing widespread damage across the country. It is assessed that, thanks to appropriate maintenance and repair practices, climate-resilient building designs, emergency action plans and operational measures, the impact on service continuity will remain at a manageable level in the medium term.</p> <p>IPCC RCP 8.5 Scenario: This scenario represents a climate outlook in which the frequency and intensity of extreme weather events increase significantly alongside high emissions. Under this scenario, short-term heavy rainfall, floods and storms are becoming more common; this increases the risks of flooding, structural damage, disruptions to energy and infrastructure systems, and interruptions to service continuity in our Bank's service buildings and social facilities.</p> <p>Particularly as risks intensify after 2060, managing these impacts through routine maintenance activities alone becomes increasingly difficult; higher cost increases may arise due to the growing need for building reinforcement, repairs and reinvestment. In this context, to mitigate risks from the Bank's perspective, it is essential to enhance the resilience of service buildings, establish backups for critical systems, strengthen emergency and business continuity procedures, and expand insurance coverage.</p>	<p>Current Financial Impact: In the event that our bank's buildings, which are of vital importance for service continuity, corporate data security and the prevention of operational disruptions, are affected, there is a possibility of incurring costs associated with repairs and reconstruction, as well as losses arising from service disruptions. The financial impact has been analysed, and the likelihood of such events occurring within this risk category in 2025 remains below the materiality threshold.</p> <p>Estimated Financial Impact: As there is no financial impact carried forward from previous periods relating to damage to service buildings and social facilities under this risk, and given the uncertainty surrounding extreme weather events, it is anticipated that the risk of service buildings and social facilities being affected will remain below the materiality threshold in the short, medium and long term. However, work has commenced to address the uncertainty surrounding uninsured risks, and detailed information regarding the financial impact of this risk in the short, medium and long term will be provided in subsequent reporting periods.</p>

Risk Category and Definition	Impact on the Business Model, Value Chain and Assets	Risk Mitigation Activities		Script Analysis	Impact Assessment
<p>RISK 5: Risk of Non-Compliance with Sustainability and Climate-Related Legislation and Regulations</p> <p>RISK CATEGORY: Transition Risk – (Regulatory – Technological – Reputational Risk)</p> <p>Risk Disclosure: The Climate Act, the National Determined Contribution, National Action Plans, the Green Asset Ratio, TSRS 1–2 and sustainability and climate-focused regulations affecting the banking sector necessitate that our Bank classifies its loan portfolio in accordance with climate and environmental criteria, and that its data infrastructure and reporting mechanisms are reviewed and strengthened.</p> <p>In this context, it is becoming increasingly important not only for the projects financed by our Bank to comply with sustainability criteria, but also for data on greenhouse gas emissions, energy and water consumption, environmental indicators and climate risks to be accurate, consistent, traceable and reportable via digital systems.</p> <p>However, the expansion of the regulatory scope and the increase in required processes may complicate the compliance process in terms of data acquisition challenges, technical infrastructure, digitalisation levels and human resources. This situation has the potential to lead to delays in project approval processes, some projects failing to meet sustainability criteria, and deficiencies or errors in reporting obligations.</p> <p>Furthermore, regarding loans and grants provided by international financial institutions, delays in compliance with legislation and reporting standards, as well as adaptation processes, due to the increasing importance of environmental, social and governance (ESG) factors for our Bank and local governments; may lead to restrictions on access to international funds, an increase in our Bank's financing costs, and a limitation on alternative financing sources for local governments investments. This situation could have an indirect impact on our Bank's sustainable financing capacity and long-term funding structure.</p> <p>Term of the Risk: Long term Probability of Occurrence: 2 Risk Impact Level: 3 Risk Score: 6-Low Risk</p>	<p>Value Chain Components: Local Governments, Public Bodies, Banks, International Financial Institutions</p> <p>Its Place in the Value Chain: Downstream – Direct Operational Activities – Upstream</p> <p>Asset Type: Financial Assets</p> <p>Relevant sector: Construction and Facility Investments</p> <p>Relevant Priority Issue:</p> <ul style="list-style-type: none"> ▶ Compliance with Environmental, Urban Planning and Climate Change Policies ▶ Corporate Governance ▶ Financial Performance ▶ Local Governments' Satisfaction ▶ Digital Transformation and Innovation <p>Effects:</p> <ul style="list-style-type: none"> ▶ Delays in the flow of funds due to prolonged project approval processes ▶ A decline in loan applications due to the cancellation of non-compliant projects ▶ Liquidity risk due to additional sustainability investments ▶ Increased risk due to non-compliance with sustainability standards in the portfolio <p>Area of Concentration: Our bank's business processes and operations cover all local governments in Türkiye that are borrowers within our current and potential loan portfolio.</p>	<p>Current Activities: To manage this risk, our bank applies environmental and social risk management frameworks in projects carried out with international financial institutions and is developing corporate structures and policies that incorporate sustainability standards. Key activities carried out within this framework include the publication of our sustainability policies, the measurement and monitoring of greenhouse gas emissions, and the ongoing development of digital infrastructure to track and report energy and water consumption data. Furthermore, training programmes are organised to enhance staff competence in the areas of sustainability, climate risk and reporting.</p> <p>Planned Activities: In the coming periods, we plan to strengthen the data collection and reporting infrastructure to ensure compliance with TSRS 1 and TSRS 2, to integrate climate and sustainability indicators more systematically into credit allocation and monitoring processes, and to strengthen cooperation with international financial institutions. Work is planned to establish our Bank's Integrated Management System, and adaptation efforts for this system, which will be established within the institutional culture, are also planned for local governments that are credit users.</p>		<p>NGFS Net Zero 2050 Scenario: This scenario represents a transition process aimed at limiting the global temperature rise to approximately 1,5°C, with climate policies being implemented early and decisively in line with this objective. In this scenario, where carbon pricing mechanisms become widespread and low-carbon technologies and clean energy investments gain momentum at an early stage, regulatory measures and market standards come into force more quickly. However, for financial institutions, obligations regarding data collection, reporting, classification and verification are increasing significantly; measuring sustainability performance and sharing it transparently is becoming a fundamental requirement.</p> <p>For our Bank, this scenario necessitates that sustainability criteria become more decisive in the financing of local government investments, that the scope of data collection and reporting obligations expands, and that compliance with the expectations of international financial institutions gains importance. Should compliance with these requirements not be achieved in a timely manner, delays in securing external funding and a reduction in financing opportunities may arise. This scenario is also significant for our Bank in terms of ensuring alignment with Türkiye 2053 Net Zero targets.</p>	<p>Current Financial Impact: In the current period, in line with the scope of the legislation and compliance requirements, operational cost increases relating to the development of digital infrastructure and data collection, monitoring and reporting systems, the strengthening of internal control, risk management and governance structures, staff training, technical consultancy and the procurement of external services have been assessed; based on the measurements and assessments carried out, the aforementioned costs are expected to remain below the materiality threshold for this risk category in 2025.</p> <p>Estimated Financial Impact: Depending on the scope of the legislation and the pace of compliance in the short, medium and long term, an increase in adaptation processes is expected, along with a rise in operational costs relating to data provision, technical infrastructure, the level of digitalisation and human resources. According to the financial impact analyses carried out, it is anticipated that the expected future impacts within this risk category will remain below the materiality threshold.</p> <p>From the perspective of credit workflow processes, there is a risk of extended processing times and delays in accessing finance for local governments, who are credit users, due to the compliance process with new regulations. Although the quantitative impact analysis for this risk is limited due to measurement uncertainties, the assessments indicate that the impact of this risk on financial performance and efficiency will remain below the materiality threshold. In this context, the potential impacts of the risk will continue to be monitored regularly by our Bank.</p>

Climate-Related Opportunities

Category and Description of the Opportunity	Impact on the Business Model, Value Chain and Assets	Activities Related to the Opportunity	Script Analysis	Impact Assessment
<p>OPPORTUNITY 1: Increasing Funding from International Financial Institutions</p> <p>OPPORTUNITY SCOPE: Regulation - Technology - Enhanced Reputation</p> <p>Opportunity Explanation: Current national and international sustainability regulations, the rising risk of disasters linked to climate change, the need to build resilient and low-carbon cities, the necessity to modernise existing infrastructure, and local governments need for access to affordable finance present a strategic climate opportunity for our Bank through the provision of sustainable financing opportunities via new loan and grant agreements linked to climate change. Our Bank's strong partnerships with international financial institutions enhance access to grants focused on the green transition and long-term, low-interest external funding, facilitating access to climate-resilient financing options. In this way, our Bank both strengthens its financial capacity and reduces its funding costs. Furthermore, the transfer of global best practices to our country fosters technical capacity development, facilitates the creation of new financing and project models for local governments, and provides robust support for local development. This process enhances our Bank's effectiveness and reputation on the international stage, thereby contributing to Türkiye climate-focused sustainable development goals.</p> <p>Maturity Date of the Option: Medium term Probability of the Opportunity Materialising: 5 Impact Level of the Opportunity: 5 Opportunity Score/Opportunity Rating: 25 - High</p>	<p>Value Chain Components: Local Governments, Public Bodies, Banks, International Financial Institutions</p> <p>Its Place in the Value Chain: Downward - Upward</p> <p>Asset Type: Financial Assets</p> <p>Relevant Sector: Banking</p> <p>Relevant Priority Topic:</p> <ul style="list-style-type: none"> Financial Performance Sustainable and Resilient Cities Contributing to Social Well-being and Social Responsibility Local Governments' Satisfaction <p>Effects: Thanks to the funds provided on favourable terms by international financial institutions, our Bank's lending capacity is increasing, funding costs are falling, and our long-term funding structure is being strengthened. This enables local governments to access renewable energy, energy efficiency, climate-resilient infrastructure and smart city projects on more favourable terms; it also makes a positive contribution to our Bank's financial sustainability, asset quality and strategic growth. At the same time, our Bank's international corporate reputation and stakeholder confidence are being strengthened. These effects are having a positive impact on our Bank's balance sheet structure, asset quality and long-term financing sustainability.</p> <p>Area of Concentration: Our bank's business processes and operations cover all local governments in Türkiye that are users of our existing and potential loan portfolio.</p>	<p>Current Activities:</p> <ul style="list-style-type: none"> Our bank has loan and grant agreements in place with international financial institutions (such as the World Bank, JICA, etc.). Funding is being provided for projects related to climate change, disaster resilience and sustainable infrastructure. Projects funded through international financing are monitored within the framework of the Environmental and Social Management System (ESMS). Environmental and social performance indicators relating to project implementation and financing processes are reported on a regular basis. Technical support, project development and capacity-building services are provided to local governments. <p>Planned Activities:</p> <ul style="list-style-type: none"> The aim is to increase the number of new international loan and grant agreements for green finance and climate-friendly projects. There are plans to expand technical support programmes aimed at strengthening local governments capacity to develop climate-resilient projects. The aim is to expand the scope of the ÇSYS and strengthen digital monitoring infrastructure. The aim is to integrate international best practices into the Bank's processes and to develop new financing models. 	<p>NGFS Net Zero 2050 Scenario: Under this scenario, low-carbon and climate-resilient investments are expected to take precedence on a global scale. In this scenario, local governments financing needs for sustainable infrastructure and green transition investments are increasing; meanwhile, our Bank's access to affordable, long-term funding is being strengthened through partnerships with international financial institutions. It is anticipated that, under this scenario, the Bank's financing for green and climate-resilient projects will increase, and that this will have a positive impact on financial performance.</p>	<p>Current Financial Impact: Through partnerships established with international financial institutions, our Bank facilitates access to affordable financing for local governments projects in renewable energy, energy efficiency, smart city infrastructure and climate-resilient initiatives. In addition to providing financial support for these projects, our Bank contributes to local governments objectives of creating sustainable and climate-resilient cities through technical support and capacity-building initiatives.</p> <p>For the purpose of financing the 'Post-Disaster Municipal Services Development and Resilience Project', a Loan Agreement for Euro 150 million was signed between the Ministry of Treasury and Finance and the Asian Development Bank (ADB) on 12 November 2025, and a Project Agreement was signed between our Bank and the ADB on 24 November 2025.</p> <p>To enhance resilience against disasters; for the water, sanitation and solid waste sectors (Operation 1), a financing agreement worth Euro 150 million was signed between the Ministry of Treasury and Finance and the Islamic Development Bank (IDB), whilst for the transport sector financing (Operation 2), a total of Euro 200 million in Financing Agreements were signed on 2 July 2025.</p> <p>Within the scope of resources secured from international financial institutions, a total of TL 23.8 billion was spent in 2025, comprising TL 12.9 billion from loans (TL 6.2 billion in 2024) and TL 10.9 billion from grants (TL 5 billion in 2024).</p> <p>Estimated Financial Impact: As we develop partnerships with international financial institutions, the increase in long-term, low-cost funding from these sources will boost the proportion of sustainability-focused lending within our total loan portfolio, thereby making our lending structure more resilient to climate risks. This development, in line with our Bank's vision for public development and investment banking, will support our objectives of developing modern, resilient and liveable cities and enhancing social benefits, thereby contributing to our Bank's positioning as an effective development and investment bank at both national and international levels. At the same time, it will strengthen our Bank's role as a reliable and strategic financing partner in local governments investment processes and reinforce its leading position in the sector.</p> <p>Based on forward-looking assessments, the financial impact this opportunity could generate for our Bank is projected to reach approximately TL 10.6 billion in the short term, TL 48.2 billion annually in the medium term, and TL 82.5 billion annually in the long term. This development will not only strengthen our Bank's balance sheet structure but also enhance its corporate reputation and stakeholder confidence, thereby supporting its contribution to sustainable development.</p>

Category and Description of the Opportunity	Impact on the Business Model, Value Chain and Assets		Activities Related to the Opportunity	Script Analysis	Impact Assessment
<p>OPPORTUNITY 2: Increased Demand for Consultancy and Technical Support Services</p> <p>OPPORTUNITY SCOPE: Regulation, Technical Consultancy, Human Capital</p> <p>Opportunity Explanation: Local governments are increasingly in need of technical expertise and specialist support in areas such as infrastructure, superstructure, energy efficiency, water management, waste management and urban resilience to address the impacts of climate change. This situation presents a significant opportunity for our Bank to expand and diversify the scope of the services it provides to local governments, including engineering, project development, feasibility studies, planning, technical consultancy and implementation support. In order to utilise national and international climate finance sources, projects must be designed and monitored in a manner that is technically sensitive to climate risks. This, in turn, increases the demand from local governments for the consultancy and technical support services provided by our Bank. Consequently, our Bank operates as a specialist institution in the development of climate-focused projects and the planning and implementation of climate-resilient investments. By leveraging its technical expertise and sectoral experience to enhance local governments sustainability capacity, our Bank can both increase its revenue from technical support and consultancy services and facilitate easier access to international funding sources for local governments climate-friendly projects.</p> <p>Maturity Date of the Option: Medium term Probability of the Opportunity Materialising: 5 Impact Level of the Opportunity: 4 Opportunity Score/Opportunity Rating: 20 - High</p>	<p>Value Chain Components: Local Governments, Public Administrations</p> <p>Its Place in the Value Chain: Downward</p> <p>Asset Type: Non-interest Income</p> <p>Relevant Sector: Banking, Technical Consultancy</p> <p>Relevant Priority Issue:</p> <ul style="list-style-type: none"> ▶ Financial Performance ▶ Combating Climate Change and Managing Climate Risks ▶ Digital Transformation and Innovation <p>Effects: The increase in consultancy and technical support services ensures that our Bank's intellectual capital is utilised effectively, alongside its human capital. In this context, our Bank's institutional knowledge, technical expertise, institutional memory, and knowledge of methodologies and processes form the foundation of the consultancy and technical support services provided to local governments.</p> <p>Furthermore, our Bank's practical knowledge, technical expertise, applied specialisation, operational knowledge and experience, along with its project development and implementation capabilities, are translated into tangible added value during the planning, implementation and monitoring of climate-resilient, sustainable and disaster-resilient projects.</p> <p>Thanks to this holistic structure, our Bank goes beyond being merely an institution that provides financing through banking activities; it reinforces its position as a public development and investment bank that strengthens the technical capacity of local governments, offers evidence-based solutions and provides guidance through its expertise. This approach contributes positively to the diversification of our Bank's service revenues, the strengthening of its institutional capacity, and its long-term institutional sustainability.</p> <p>Area of Concentration: Our bank's consultancy and technical support activities cover all local governments in Türkiye, providing services such as project development, feasibility studies, planning, supervision, capacity building and technical guidance.</p>		<p>Current Activities:</p> <ul style="list-style-type: none"> ▶ We provide consultancy and technical supervision services for the planning, design and implementation of infrastructure and superstructure investments by local governments. ▶ Capacity-building, staff training and technical guidance are provided to local governments. ▶ Technical assessment and monitoring activities are being carried out to support the development of climate-resilient and sustainable projects. <p>Planned Activities:</p> <ul style="list-style-type: none"> ▶ The aim is to expand the scope of consultancy and technical support services in the areas of climate change, disaster resilience and sustainable infrastructure. ▶ There are plans to develop technical consultancy models supported by digital tools and monitoring systems for local governments. ▶ The aim is to strengthen the capacity to prepare projects and conduct technical assessments in line with national and international climate finance requirements. 	<p>NGFS Net Zero 2050 Scenario: Under this scenario, it is anticipated that local governments need for technical capacity and expert support will increase as low-carbon and climate-resilient investments take precedence. It is projected that demand for our Bank's advisory and technical support services will rise under this scenario, that our Bank's position as an expert institution in the development of climate-resilient projects will be strengthened, and that service revenues will be sustainably supported.</p>	<p>Current Financial Impact: Our Bank provides consultancy and technical supervision services to local governments for their infrastructure and superstructure investments, covering the planning, design and implementation phases. Furthermore, our Bank supports local governments in implementing climate-resilient investments by providing capacity-building, staff training and technical guidance. In 2025, our Bank generated a total of TL 893 million (TL 453 million in 2024) in supervision and insurance service revenue, of which TL 206 million was in the drinking water and sewerage sector. The financial impact has been analysed, and the realisations under this opportunity in 2025 remain below the materiality threshold.</p> <p>Estimated Financial Impact: The increase in the share of the sustainable loan portfolio within the total loan portfolio is expected to strengthen our Bank's sensitivity to environmental risks; meanwhile, through support provided for thematic projects focused on regional development, social inclusion and environmental transformation, our Bank is expected to consolidate its leading position in development projects that generate social impact.</p> <p>Based on the projections, the financial impact of this opportunity for our Bank is expected to reach TL 1.5 billion in the short term, TL 6 billion annually in the medium term, and TL 10 billion annually in the long term.</p>

Category and Description of the Opportunity	Impact on the Business Model, Value Chain and Assets	Activities Related to the Opportunity		Script Analysis	Impact Assessment
<p>OPPORTUNITY 3: Strengthening Corporate Reputation</p> <p>OPPORTUNITY SCOPE: Enhanced Reputation, Stakeholder Relations, Environmental and Social Impact</p> <p>Opportunity Explanation: Our Bank's financing, consultancy and technical support activities carried out for local governments in the areas of renewable energy and energy efficiency investments, water and resource efficiency projects, sustainable infrastructure and superstructure development initiatives, smart city and digital transformation applications, climate-resilient and disaster-resilient urban investments, waste management and zero-waste projects, and smart and sustainable transport systems; directly contribute to our country's objectives of sustainable development, reducing environmental impact and enhancing social welfare. These activities strengthen our Bank's commitment to environmental and social responsibility, making a significant contribution to enhancing its corporate reputation and credibility among local governments, public institutions, investors and other stakeholders.</p> <p>Maturity Date of the Option: Long term Probability of the Opportunity Materialising: 5 Impact Level of the Opportunity: 4 Opportunity Score/Opportunity Rating: 20 - High</p>	<p>Value Chain Components: Local Governments, Public Administrations</p> <p>Its Place in the Value Chain: Downward - Upward</p> <p>Asset Type:</p> <ul style="list-style-type: none"> ▶ Non-financial assets (corporate reputation, stakeholder trust) <p>Relevant Sector: Banking, Corporate Governance</p> <p>Relevant Priority Issue:</p> <ul style="list-style-type: none"> ▶ Sustainable and Resilient Cities ▶ Environmental Impact, Resource and Waste Management ▶ Local Governments' Satisfaction ▶ Contributing to Social Well-being and Social Responsibility <p>Effects: Through sustainability and climate-focused initiatives, our Bank's corporate reputation and the level of trust it enjoys among stakeholders are being strengthened. This contributes positively to an increased capacity for collaboration with local governments and public institutions, reinforces our Bank's position as a specialist and reliable public bank, and supports its long-term corporate sustainability.</p> <p>Area of Concentration: All activities carried out by our bank in support of local governments in Türkiye in the areas of sustainable infrastructure, environmental impact reduction, resource efficiency, and investments in climate-resilient and disaster-resilient cities.</p>	<p>Current Activities:</p> <ul style="list-style-type: none"> ▶ Providing funding and technical support for projects in the areas of energy and water efficiency, waste management, zero waste, smart cities and disaster-resilient cities for local governments. ▶ The implementation of project development, monitoring and reporting processes for sustainable infrastructure investments. ▶ The implementation of projects focused on environmental and social impact in collaboration with stakeholders, and their transparent communication to the public. <p>Planned Activities:</p> <ul style="list-style-type: none"> ▶ Expanding the scope of sustainability and climate-resilient investments and increasing the number of thematic project portfolios. ▶ Enhancing the visibility of sustainability performance through corporate communications and stakeholder engagement. ▶ The development of reporting and impact measurement initiatives in line with national and international best practices. 		<p>NGFS Net Zero 2050 Scenario: Under the NGFS Net Zero 2050 scenario, it is anticipated that the corporate reputation of institutions playing an active role in these areas will be strengthened as low-carbon and environmentally reduced-impact investments take precedence. It is projected that, as our Bank's contribution to sustainable and climate-resilient urban investments increases under this scenario, stakeholder confidence and corporate reputation will be supported in the long term. Under the NGFS Net Zero 2050 scenario, the prioritisation of low-carbon and climate-resilient investments through public policies enhances the credibility and corporate reputation of institutions that take an early position in these areas.</p>	<p>Current Financial Impact: At present, the financial implications of an improvement in corporate reputation cannot be directly identified, and due to measurement uncertainty, it is not possible to make quantitative financial projections.</p> <p>Estimated Financial Impact: As the measurement uncertainty associated with this opportunity is high, it is not possible to provide quantitative information regarding the expected financial impacts in the short, medium and long term.</p> <p>To enhance the trackability of improvements in corporate reputation, monitoring is planned using indirect indicators such as the proportion of the sustainable-themed loan portfolio within the total portfolio, the number of internationally funded projects, stakeholder satisfaction surveys, the visibility of sustainability-themed projects, and the scope of reporting.</p>

RISK MANAGEMENT



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General Risk Management Framework

Risk management activities at our bank are carried out by the Directorate of Risk Management, which operates under the Board of Directors. The Directorate is responsible for the design, implementation, monitoring and continuous improvement of the risk management system and conducts its activities in accordance with the Banking Law No. 5411, the Bank Law No. 6107, the Regulation on Banks' Internal Systems and the Internal Capital Adequacy Assessment Process, and the regulations of the Banking Regulation and Supervision Agency (BDDK). The organisational structure, duties, responsibilities and operational principles relating to risk management are regulated by the Regulation on the Directorate General of Risk Management.

Due to the nature of its operations, our Bank is exposed to various risks, primarily credit risk, market risk, liquidity risk and operational risk. To ensure these risks are effectively identified, measured, monitored and managed, Risk Management Policies and Implementation Procedures have been adopted; in addition, the Risk Limits Guidelines, the Policy on the Management of Climate-Related Financial Risks, the Information Technology Risk Management Policy, and the Environmental and Social Screening and Risk Classification Procedure have been implemented. Risk management policies are regarded not merely as a means of regulatory compliance, but as fundamental tools supporting the Bank's strategic decision-making processes.

Within the risk management process, necessary actions are taken to mitigate the impacts of both controllable and uncontrollable risks. Risk measurement models are designed and reviewed on a regular basis; scenario analyses and back-testing are used to assess the potential impacts of risks on the Bank under various conditions.

As part of risk management activities, the "Risk Assessment Report", "Market Risk Calculation Report", "Risk Limits Monitoring Report", "Credit Risk Analysis Report", "Operational Risk Monitoring Report" and "Climate Change Risk Assessment Report", prepared periodically, are submitted to the Audit Committee. Reports evaluated and approved by the Audit Committee are submitted to senior management and relevant departments via the Management Information System. Furthermore, a "Risk Analysis Report" is prepared for the Head Office and Regional Offices in accordance with the Regulation on Banks' Procurement of Support Services and submitted to the Audit Committee.

Furthermore, risk assessments regarding new products and services offered by our Bank are conducted on a regular basis; the aim is to identify potential risks at an early stage and take the necessary precautions. To ensure that risks are managed holistically across the Bank, inter-departmental coordination is maintained, and risk management outcomes are taken into account in decision-making processes.



Managing Climate-Related Risks and Opportunities

At our Bank, the management of climate-related risks and opportunities is treated as an integral part of the corporate risk management framework; these risks and opportunities are managed through a systematic and holistic approach, taking into account their potential impact on our Bank's business model, loan portfolio, operational processes and long-term strategic objectives. In this context, climate-related risks and opportunities have been identified and integrated into our Bank's overall risk management system; these risks are now being addressed within a holistic framework alongside the other financial and operational risks to which our Bank is exposed.

Our Bank takes environmental, social and governance-related factors and risks into account during the assessment process for loans sourced from external financing; it incorporates the potential impacts of climate change on project suitability and the sustainability of financing into the risk management process. The Bank assesses the compliance of projects financed by international financial institutions with environmental sustainability criteria; in this context, the scope of environmental loans and grants supporting adaptation to climate change is being expanded.

Work on monitoring climate-related risks and opportunities was initiated during the 2024 reporting period; the climate risk and opportunity inventory prepared within this framework has established an important foundation for the systematic monitoring of these elements. Accordingly, climate-related risks and opportunities have been identified and assessed, and initial steps have been taken towards their integration into our Bank's overall risk management processes.

During the 2025 reporting period, the climate-related risks and opportunities identified in 2024 were reassessed in line with our Bank's areas of operation, financing structure,

operational processes and strategic objectives. In these assessments, the likelihood of occurrence, impact level, time horizon and materiality level of the risks and opportunities were reconsidered; current legislation, the expectations set out in TSRS 1 and TSRS 2 standards, and national climate policies were taken into account. As a result of this process, certain risks and opportunities that were assessed as having insufficient relevance to the Bank's operations and risk profile, falling below the materiality threshold, or having limited impact have been excluded from the scope; conversely, areas where the impact has increased or become more pronounced have been incorporated into the risk management framework and updated.

In this context, work on monitoring, reporting and incorporating climate-related risks into decision-making processes is being carried out under the coordination of the Sustainability Committee and the Audit Committee. With the aim of strengthening the corporate governance structure, the Sustainability and Climate-Related Risks Working Group, which will operate under the Sustainability Committee, was established as of 2025; this working group will commence its work to address climate-related risks and opportunities through a more technical, detailed and interdisciplinary approach.

In the coming periods, the Board of Directors aims to ensure that processes for monitoring climate-related risks and opportunities are supported by specific indicators and performance criteria, presented to senior management through regular reporting mechanisms, and integrated more closely with the overall risk management system. This will ensure that climate risks are not only identified and assessed but also managed through a continuous monitoring framework.



Identification and Assessment of Climate-Related Risks and Opportunities

When identifying climate-related risks, our bank addresses both physical and transition risks within the framework of corporate risk management, and manages the impact of these risks on credit risk, market risk, liquidity risk and operational risk in an integrated manner through the expected identification–assessment–prioritisation–monitoring cycle set out in TSRS 1 and TSRS 2. Within the scope of physical risks, extreme weather events, floods and inundations, droughts and rising temperatures are assessed; whilst within the scope of transition risks, changes in climate and sustainability legislation, technological transformation, data and reporting obligations, as well as market and reputational risks are taken into account. During the risk identification process, the Bank’s exposure to climate-related risks is analysed separately in relation to the sectors it finances, project types, geographical concentrations and the structural characteristics of the loan portfolio, as well as the Bank’s operations (office buildings, data management infrastructure and reporting processes). This enables both risks arising from the loan portfolio and those related to corporate activities to be monitored in a holistic manner.

Our Bank assesses not only climate-related risks but also opportunities. In this context, the financing needs arising for local governments in areas such as renewable energy, energy efficiency, climate-resilient infrastructure, sustainable urban

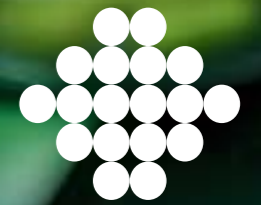
development and environmental investments are analysed in line with climate scenarios and regulatory developments. These developments, particularly alongside the diversification of climate and sustainability-focused loan and grant mechanisms offered by international financial institutions, are expanding our Bank’s access to long-term and cost-effective funding sources. These sources strengthen our Bank’s role as a strategic financing partner in local governments climate adaptation and transition activities by increasing the share of sustainable investments within the loan portfolio.

Scenario analyses are used as a key tool in assessing climate-related risks and opportunities. For physical risks, the RCP 4.5 and RCP 8.5 scenarios developed by the IPCC are used, whilst the NGFS Net Zero 2050 scenario is used for transition risks. Through these scenarios, the potential short-, medium- and long-term impacts of climate change on our Bank’s loan portfolio, financing capacity, operational processes and financial performance are analysed.

Both qualitative and quantitative methods are used in the assessment of climate-related risks and opportunities. The likelihood of occurrence and the potential impact level of risks and opportunities are analysed separately; a cautious approach is adopted in areas where measurement uncertainty is high.



METRICS AND GOALS



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Metrics and Goals

Our bank's performance regarding risks and opportunities arising from climate change is shaped in accordance with the criteria set out in the TSRS 2 standard and our corporate sustainability objectives, and is shared openly and transparently with our stakeholders. In this way, both our current position and our strategic steps for the future are made clearly visible, thereby demonstrating our commitment to sustainability in a tangible manner.



Climate-Related Metrics

In accordance with TSRS 2, our Bank is committed to establishing appropriate metrics and targets to monitor and assess the impact of climate-related risks and opportunities on its financial position, financial performance and cash flows, and to reporting on these indicators. Within this framework, climate-related metrics are addressed in a manner that reflects the Bank's exposure to climate-related risks and opportunities, progress in managing these risks and opportunities, and alignment with strategic objectives.

The climate-related metrics used by our Bank are directly linked to the Bank's core business areas and have been developed with due regard to environmental and social impacts. Within our Bank, climate-related metrics have been structured to monitor the level of exposure to physical and transition risks, assess the share of sustainable and climate-aligned investments within the loan portfolio, analyse the impact of climate-related opportunities on the portfolio structure, and determine the environmental impacts of the Bank's operations. Given our Bank's public banking nature, its financing structure focused on the investment needs

of local governments, and a loan portfolio predominantly comprising long-term infrastructure projects, sector-specific and activity-based differences are taken into account when determining climate-related metrics and targets. In this context, the metrics are defined to cover both the direct impacts arising from the Bank's own operations and the indirect impacts incurred through the loan portfolio. Through these indicators, the Bank aims to achieve measurable progress, prioritise sustainability principles in strategic and operational decision-making mechanisms, and set concrete and actionable targets based on social and environmental benefits.

In the process of determining these metrics, reference was made not only to the cross-sectoral metrics of TSRS 2 but also to the guidance documents regarding the sector-specific application of TSRS 2. Within this framework, given the nature of our Bank's activities and its business model, Volume 16 – Commercial Banks section, included among these guidance documents, has been assessed as the primary reference guide.

Cross-Sector Metrics

Greenhouse Gas Emissions

As part of our Bank's climate-related metrics, we are prioritising efforts to monitor and report greenhouse gas emissions arising from our own operations. By the IL-BIS Sustainability Module, which was launched in 2025, these data are collected and monitored via a single digital platform; meanwhile, our measurement capacity is being enhanced through the strengthening of our data collection and reporting framework. Within this framework, direct and indirect greenhouse gas emissions (Scope 1 and Scope 2) arising from operational activities—primarily energy consumption in the Bank's service buildings and social facilities—are being measured.

Our bank calculates its greenhouse gas emissions for 2025 in full compliance with the Greenhouse Gas Protocol (GHG Protocol Corporate Accounting and Reporting Standard).



Metric tonnes of CO₂ equivalent (CO₂e) emissions generated during the reporting period have been calculated in accordance with the principles of transparency and accountability and are classified as Scope 1 and Scope 2 greenhouse gas emissions in the table below:

Scope	Emission Scope Name		Emissions (tCO ₂ e)
Scope 1	Scope 1.1	Direct emissions from stationary combustion sources	2.167,80
	Scope 1.2	Direct emissions from mobile combustion sources	704,41
	Scope 1.4	Direct emissions from leakage/spillage sources	238,09
	Scope 1 Total Emissions		3.110,30
Scope 2	Scope 2.1	Indirect Emissions from Purchased Energy	5.105,75
	Scope 2 Total Emissions		5.105,75
Total GHG Emissions			8.216,05

Scope 1 emissions for 2025 which consist of fuel consumption for heating across all units of our Bank, fuel consumption from service vehicles and generators, refrigerant gases and fire extinguishers; when emissions from leaks and spills are also taken into account, the total is calculated as 3.110,30 tCO₂e (2.787,47 tCO₂e in 2024). Scope 2 emissions, on the other hand resulting from the electricity consumed by our Bank and have been calculated using a location-based measurement method to total 5.105,75 tCO₂e (4.641,75 tCO₂e in 2024). In the calculation of Scope 2 emissions, the Turkish grid average emission factor of 0,433 kgCO₂e/kWh (Republic of Türkiye Ministry of Energy and Natural Resources, 2025) was used. During the reporting period, a total of 11.791.567 kWh of electricity was consumed across all units of our Bank, including the General Directorate and Regional Directorates, and the corresponding Scope 2 emissions were calculated in detail. Consequently, our corporate carbon footprint was calculated as 8.216,05 tCO₂e in 2025 (7.429,22 tCO₂e in 2024).

All data used in this calculation forms the basis for strengthening our Bank's strategies to effectively manage and reduce its carbon footprint, and aims to ensure that our sustainability performance is reported in a measurable and transparent manner.



Organisational Boundaries and Scope

The calculations were carried out using an operational control approach, and the General Directorate Building and Ankara Social Facilities, and the Regional Directorates and facilities located in the provinces of Adana, Antalya, Bursa, Diyarbakır, Elazığ, Erzurum, Eskişehir, Gaziantep, İstanbul, İzmir, Kastamonu, Kayseri, Konya, Samsun, Sivas, Trabzon and Van, totalling 19 locations. For the specified locations, Scope 1 (natural gas consumption, fuel consumption, refrigerant gases and fire extinguishers, leaks and spills, etc.) and Scope 2 (electricity consumption) data were used as the basis for calculating Scope 1 and Scope 2 greenhouse gas emissions.

Data Sources and Inputs

The activity data used are based on direct meter readings, billing records and official consumption (activity) data provided by the relevant operational units; the input types include the following:

- ▶ Stationary fuels such as natural gas, propane and heating fuel
- ▶ Diesel and gasoline consumption
- ▶ Electricity consumption
- ▶ Refrigerant gases
- ▶ Fire-extinguishing gases

Emission Factors and Coefficients Used

- ▶ **Natural Gas:** 8,250 kcal/m³ lower heating value (NCV) and a conversion factor of 1 kcal = 4.184 × 10⁻⁹ TJ
- ▶ **Propane (C₃H₈):** 10,200 kcal/m³ lower heating value (NCV) and a conversion factor of 1 kcal = 4.184 × 10⁻⁹ TJ
- ▶ **LPG (home gas):** 10,900 kcal/kg lower heating value (NCV) and a conversion factor of 1 kcal = 4.184 × 10⁻⁹ TJ
- ▶ **Heating Fuel (Fuel Oil No: 4):** 9,600 kcal/kg lower heating value (NCV) and a conversion factor of 1 kcal = 4.184 × 10⁻⁹ TJ
- ▶ **Diesel Oil:** 43 TJ/g lower heating value (NCV)
- ▶ **Motor Gasoline:** 44.3 TJ/Gg lower heating value (NCV)
- ▶ **Purchased Electricity:** 0.433 kg CO₂e/kWh emission factor (EF)

References

The emission factors and coefficients used in the calculations were obtained from the following sources:

- ▶ 2006 Guidelines for National Greenhouse Gas Inventories - Volumes 2 and 3 (IPCC 2006 Guidelines for National Greenhouse Gas Inventories - Vol. 2&3)
- ▶ The Sixth Assessment Report (AR6) published by the Intergovernmental Panel on Climate Change (IPCC) – Global Warming Potential (GWP) factors
- ▶ Republic of Türkiye Ministry of Energy and Natural Resources Information Form on Emission Factors for Electricity Generation and Electricity Consumption Points in Türkiye (Calculation Publication Date: 26 December 2025)
- ▶ Regulation on the Improvement of Efficiency in the Use of Energy Resources and Energy (Annex 2)
- ▶ Regulation on the Inspection of Measurement Instruments (Regarding Meter Uncertainties)

Accounting Methodology

Greenhouse gas emissions calculations have been carried out in accordance with the Greenhouse Gas Protocol, the internationally recognised standard for corporate carbon footprint accounting. Within this framework, total emissions of greenhouse gases such as CO₂, CH₄, N₂O and HFCs have been calculated in metric tonnes of CO₂e. The operational control approach has been adopted in the calculations, and emission sources have been assessed in accordance with the standard's classification under Scope 1 (direct emissions) and Scope 2 (energy-related indirect emissions).

Scope 1 Emissions

Scope 1 emissions cover greenhouse gases emitted directly into the atmosphere from sources owned by the organisation or under its operational control. Activity data relating to fuel consumption has been used as the basis for this scope. Emissions calculations were carried out using the following general formula:

$$\text{Emissions (tCO}_2\text{e)} = \text{Activity Data} \times \text{Emission Factor} \times \text{Global Warming Potential}$$

Emission factors (EF) and global warming potential (GWP) values for fuel types have been determined in accordance with the guidance documents published by the IPCC. The values obtained from the calculations have been converted to tonnes of carbon dioxide equivalent (tCO₂e) and reported accordingly.

Scope 2 Emissions

Scope 2 emissions cover indirect greenhouse gas emissions resulting from the consumption of purchased electricity. In this study, the 'location-based' method was used for Scope 2 emissions calculations. In this method, the calculation was performed by multiplying the amount of electricity consumption (kWh) by the national electricity grid average emission factor applicable for the relevant reporting year (0.433 kg CO₂e/kWh for 2025).

$$\text{Scope 2 Emissions (tCO}_2\text{e)} = \text{Electricity Consumption (kWh)} \times \text{National Grid Emission Factor (kgCO}_2\text{e/kWh)}$$

The values obtained from the calculations were expressed in tonnes of carbon dioxide equivalent (tCO₂e) following appropriate unit conversions.

Total Emissions

In accordance with the reporting principles of the Greenhouse Gas Protocol, Scope 1 and Scope 2 emissions have been presented separately; furthermore, the total greenhouse gas emissions figure (Scope 1 + Scope 2) has been calculated and reported in accordance with the principle of transparency.

Scope 3 Emissions

Our bank has initiated methodological work in line with the Greenhouse Gas Protocol and the Partnership for Carbon Accounting in Finance (PCAF) for the calculation of Scope 3 emissions. Once the data collection process for all Scope 3 emissions categories has been completed, Scope 3 emissions will be included in reporting upon the expiry of the exemption period under the TSRS. These standards and methodologies have been selected to ensure international recognition and compliance with the TSRS.

Main Global Warming Potential (GWP) Factors

- ▶ CO₂ = 1
- ▶ CH₄ = 27,2
- ▶ N₂O = 273

In this context, the lower heating values of fuels have been determined on the basis of the values specified to ensure compliance with national legislation (Regulation on the Improvement of Efficiency in the Use of Energy Resources and Energy, Annex 2).

For fuel-based CO₂ emission factors, the values provided in the IPCC 2006 (Intergovernmental Panel on Climate Change) guidelines have been used. For Scope 2 emissions resulting from electricity consumption, calculations have been based on the average national grid emission factor for Turkey (kg CO₂e/kWh).

For the conversion of greenhouse gases other than CO₂ into CO₂ equivalents, the 100-year Global Warming Potential (GWP100) coefficients published in the IPCC Sixth Assessment Report (AR6) were used.



Uncertainty Analysis

Measurement uncertainty has been calculated separately for greenhouse gas emissions from direct and indirect sources; for consumption based on meter readings, the "Regulation on the Inspection of Measurement Instruments and Devices" has been applied, with an uncertainty of 3.50% for electricity meters and 3.00% for natural gas meters. For consumption without meters, based on declarations or estimates, 7% uncertainty rate has been applied due to limited measurement accuracy. This rate has been selected to remain within a safe margin, based on the precautionary principle of the ISO 14064-1 standard and the 5–10% range recommended by the IPCC 2006 guidelines; consequently, our Bank has calculated an uncertainty rate of 5.61% for Scope 1 and 7.83% for Scope 2 for the year 2025.

Assets Vulnerable to Climate-Related Physical Risks

In order to monitor our Bank's level of exposure to climate-related physical risks and their impact on our balance sheet, the share of loans extended to climate-related sectors, such as infrastructure, construction, energy and environmental investments, within the total loan portfolio is tracked as a key metric. Quantitative assessments of the total value of assets sensitive to climate-related physical risks and their proportion within the portfolio could not be calculated during the current reporting period, as such analyses rely on numerous assumptions, sets of scenarios and long-term projections; furthermore, they involve issues regarding data quality, methodological uncertainties and sector-specific variations.



Assets Vulnerable to Climate-Related Transition Risks

Our Bank monitors transition risks arising from regulatory changes and policy shifts that may occur during the transition to a green and sustainable economy, through its loan portfolio. Operating in line with a vision of sustainable urbanisation, our Bank primarily provides financing for projects that support local governments compliance with climate and sustainability regulations. In line with this approach, it is anticipated that the share of financing for activities with limited compliance with sustainability criteria or requiring a low-carbon transition within the loan portfolio will be limited, and that the proportion of assets vulnerable to transition risks will remain at low levels.

Quantitative assessments of the total value and portfolio share of assets sensitive to climate-related transition risks could not be calculated during the current reporting period, as such analyses rely on numerous assumptions, scenario sets and long-term projections; furthermore, they involve data quality issues, methodological uncertainties and sector-specific variations.



Climate-Related Opportunities Adapted Assets

Our bank views the fight against climate change and the green transition as a significant opportunity for development and financing. In this context, projects supporting sustainable infrastructure, renewable energy, energy efficiency, environmental investments and climate adaptation account for an increasingly large share of our loan portfolio. Further details can be found in the 'Climate-Related Opportunities' section of the report.



Capital Expenditure and Resource Allocation in Relation to Climate-Related Risks and Opportunities

Our Bank's capital expenditure and financing decisions are designed to meet the needs of local governments in the areas of infrastructure, transport, energy, environmental sustainability and urbanisation. Within this framework, as of 2025, our Bank's Investment and Financing Programme has reached a total value of TL 205,9 billion. The programme's financing structure comprises 21,9% Bank-sourced loans, 5,4% grant funds, 28,2% externally sourced loans, 17,3% externally sourced grants and 27,2% from resource mobilisation activities. This diversified financing structure demonstrates that our Bank has adopted a balanced capital allocation approach that takes into account the physical and transition risks associated with climate change.

During the year, TL 130,9 billion of the aforementioned funds were utilised, of which TL 44,4 billion came from loans allocated from the Bank's own funds, TL 6,8 billion from grant sources, TL 12,9 billion from external loans, TL 10,9 billion from external grants, and TL 55,9 billion was realised through resource development activities.

This allocation of resources aims to enhance local governments capacity to adapt to climate change in the areas of infrastructure, transport, energy, the environment and sustainable urbanisation, and to support investments prioritising low-carbon and environmental sustainability. In particular, the effective use of external financing and grant mechanisms contributes to the implementation of projects aligned with international climate finance frameworks. Through this approach, our Bank aims to enhance the resilience of its loan portfolio against climate risks in the long term, whilst also capitalising on the financial and strategic opportunities presented by the green transition.

Domestic Carbon Pricing

In the process of developing climate-related metrics at our bank, internal carbon pricing schemes are not yet being used as an operational decision-making tool. However, given the increasing prevalence of carbon pricing mechanisms at national and international levels, regulatory developments regarding the Emissions Trading System, and Türkiye 2053 Net Zero target, it is assessed that internal carbon pricing could gain significance in the medium to long term. In this context, our Bank is considering domestic carbon pricing as a complementary tool that could support credit assessment, project prioritisation and investment decisions in the future, and is closely monitoring international practices and regulatory developments in this area.

Pricing

At our Bank, staff monthly salaries, bonuses and other financial and social entitlements, as well as the terms of their contracts, are determined in accordance with the proposal of the General Manager and the decision of the Board of Directors; the monthly average of all payments made within this framework may not exceed the upper limit set for the Bank by Presidential Decree. The monthly salaries and other financial entitlements payable to members of the Board of Directors and the Audit Committee are determined by the General Assembly in such a way that they do not exceed the amounts set annually by Presidential Decree. At present, no direct link has been established between our Bank's remuneration policy and climate-related performance metrics; remuneration practices are conducted in accordance with current legislation and the principles of public banking.

TSRS 2 Sector-Specific Metrics

In addition to TSRS 2, Volume 16 – Commercial Banks, from the Guide on the Sector-Specific Application of TSRS 2, has been selected as the reference guide for the determination of metrics. Our bank is a publicly funded development and investment bank, and its scope of services consists of financing activities directed towards local governments. Consequently, sectoral guidelines outside our area of operation have not been included in the assessment.

Commercial Banks, Volume 16

Metrics (2025)	Category	Unit of measure	Code	Description
Environmental and Social Governance Approach				
A definition of the approach to incorporating environmental, social and governance (ESG) factors into credit analysis	Discussion and Analysis	None	FN-CB- 410a.2	<p>The approach to incorporating ESG factors into credit analysis is achieved by prioritising projects aligned with sustainable development goals within our Bank's financing processes.</p> <p>When channelling financing obtained from international financial institutions to local governments, priority is given to projects with a high level of climate and environmental sensitivity; social impact and corporate governance criteria are treated as an integral part of the project selection and implementation processes, and projects are monitored for environmental and social aspects throughout the loan term.</p> <p>This approach ensures that our Bank takes environmental, social and governance principles into account in its resource allocation processes.</p>
Loans				
By segment (a) for retail customers, the (1) number and (2) value of current and savings accounts	Quantitative	Number, Display currency	FN-CB- 000.A	Our bank does not handle transactions under this heading.
By segment, (b) the (1) number and (2) value of current and non-current accounts held by small businesses	Quantitative	Number, Display currency	FN-CB- 000.A	Our bank does not handle transactions under this heading.
By segment, (c) the number and (2) the value of corporate loans	Quantitative	Number, Display currency	FN-CB- 000. B	The number of loans provided to local governments using funding from international financial institutions, which incorporate environmental, social and governance factors, is (1) 164. The total outstanding loan balance is (2) TL 57.522.023 thousand.

Our Approach to Setting Climate Targets

Our Bank's climate-related targets have been established by the Sustainability Committee in accordance with the requirements set out under TSRS 2, taking into account our Bank's business model, strategic priorities, areas of operation and national climate policies, and have been approved by the Board of Directors. In the target-setting process, given that our Bank's core business involves financing local governments infrastructure, environmental sustainability and urbanisation investments, an approach has been adopted that prioritises financing environmentally sustainable investments, strengthening climate resilience and enhancing cities' resilience capacity, rather than activities focused directly on emission reductions in the fight against climate change.

In this context, when setting targets, the objectives, targets and performance indicators contained in our Bank's 2026–2028 Strategic Plan that have a direct or indirect link to climate change were first analysed. Our Bank's Strategic Plan was prepared through a participatory approach, taking into account the contributions and expectations of stakeholders, to cover the areas of sustainability, climate change, disasters, local governments, the environment and finance, in line with the targets set out in the Twelfth Development Plan. The implementation level and success indicators of the targets set out in the Plan are monitored through the Performance Programmes prepared annually, and performance outcomes are shared. The Performance Programmes include quantitative and qualitative indicators relating to the strategic priorities identified by our Bank in the environmental, social and governance (ESG) areas; these indicators serve as an effective tool for integrating the targets into management processes. In addition, the target-setting process has taken into account the responsibilities assigned to public institutions and organisations under the Paris Climate Agreement, the

Climate Law and Türkiye 2053 Net Zero Emissions Target, as well as the role and responsibilities assigned to our Bank in national action plans addressing climate change. In this context, targets contributing to climate adaptation and mitigation have been established in line with our Bank's public nature and its guiding role over local governments.

The targets have been structured in accordance with TSRS 2, with the nature of the target (quantitative/qualitative), scope and area of application, time horizon, monitoring and review mechanisms, and the metrics used clearly defined. To ensure that performance indicators can be assessed effectively, 2025 has been adopted as the base year; absolute and intensity targets have been adopted for quantitative indicators. The established targets have been directly linked to our Bank's strategic objectives and made trackable through performance indicators. Target achievements will be monitored regularly throughout the planning period.

The defined climate-related targets are aligned with our Bank's vision for sustainable urbanisation; they aim to enhance local governments capacity to adapt to climate change, reduce environmental impacts, and strengthen our Bank's resilience to climate risks in the long term. Our Bank is continuously developing its data collection, analysis and reporting capabilities to ensure that sustainability and climate-related risks and opportunities are reflected more effectively in decision-making processes; in line with TSRS 1 and TSRS 2 standards, it anticipates expanding the scope of quantitative indicators and supporting targets with concrete action plans in future reporting periods.

The table below summarises the climate-related targets established in line with this approach, in accordance with TSRS 2 requirements.



Climate-Related Targets for 2025







Our objectives are consistent with the Paris Agreement, Türkiye 2053 Net Zero target, and the adaptation and mitigation priorities set out under the UNFCCC.

















Our objectives are reviewed as part of annual performance reviews and strategic planning cycles, and are updated where necessary.




Purpose	Supporting the Development of Resilient Cities
Relevant Priority Issues	Sustainable and Resilient Cities, Environmental Impact, Local Authority Satisfaction, Contribution to Social Well-being and Social Responsibility, Combating Climate Change and Managing Climate Risks, Compliance with Environmental, Urban Planning and Climate Change Policies, Resource and Waste Management, Corporate Governance, Financial Performance
Related Offers	<ol style="list-style-type: none"> 1. Increasing funding from international financial institutions 2. Increased provision of consultancy and technical support services 3. Strengthening institutional reputation
Related Risks	<ol style="list-style-type: none"> 1. Climate Change-Related Risks in Local Governments' Infrastructure Investments 2. Climate Change-Related Risks in Local Governments' Superstructure Investments 3. Climate Change-Related Risks in Local Governments' Energy Investments 4. Risk of Damage to Service Buildings and Social Facilities Caused by Extreme Weather Events
Frequency of Review	The targets are reviewed and monitored on an annual basis. (Following the update of our Bank's Strategic Plan in 2025, changes have been made to the targets for the period 2026–2028.)

Target No. 1 Reduction of Scope 1 and Scope 2 Emissions (The base year is 2025.)									
Sub-target No	Definition of the Objective	Metrics	The Purpose of the Objective	Target Type (Qualitative, Quantitative, Absolute Density)		Scope and Field of Application	Interim Target	Target Period	SDG Relationship
							2035	2053	
1.1.	Reducing Scope 1 and Scope 2 Emissions	tCO ₂ e	Climate adaptation	Quantitative - Absolute		All Local Governments	40%	100%	

Target No. 2 Supporting the Development of Resilient Cities									
Sub-target No	Definition of the Objective	Metrics	The Purpose of the Objective	Target Type (Qualitative, Quantitative, Absolute Density)		Scope and Field of Application	Interim Target	Target Period	SDG Relationship
							2026	2026-2028	
2.1.	Completing Infrastructure Works to Make Cities Resilient	Number of completed jobs	Resilience	Quantitative - Absolute		All Local Governments	18	The completion of 100 infrastructure projects with international funding.	   
		Number of completed jobs	Disaster Risk Reduction	Quantitative - Absolute		All Local Governments	80	The procurement of 600 emergency response vehicles by the end of 2028, funded by international sources.	
2.2.	Supporting Local Governments in Mitigating Disaster Risks	Number of training sessions	Resilience	Quantitative - Absolute		All Local Governments	50	By the end of 2028, technical and awareness-raising training on disasters (earthquakes, floods, landslides, forest fires) will be provided to 200 local governments.	

Target No. 3 Support for Investments in Adaptation and Mitigation as Part of the Fight Against Climate Change									
Sub-target No	Definition of the Objective	Metrics	The Purpose of the Objective	Target Type (Qualitative, Quantitative, Absolute Density)		Scope and Field of Application	Interim Target	Target Period	SDG Relationship
							2026	2026-2028	
3.1.	Undertaking Climate Change Adaptation and Mitigation Activities	Number of Consultations	Resilience	Quantitative - Absolute		All Local Governments	-	Providing the necessary technical support to enable the preparation of Climate Change Action Plans (CCAPs) for five local governments by the end of 2028	      
		Number of completed jobs	Resilience	Quantitative - Absolute		All Local Governments	15	The construction of 50 renewable energy projects and facilities by the end of 2028, funded by international financing	

Target No. 4 Strengthening Our Bank's Sustainability Initiatives									
Sub-target No	Definition of the Objective	Metrics	The Purpose of the Objective	Target Type (Qualitative, Quantitative, Absolute Density)		Scope and Field of Application	Interim Target	Target Period	SDG Relationship
							2026	2026-2028	
4.1.	Reducing Carbon Emissions from Electricity Consumption	Number of Completed Projects	Resilience	Quantitative - Absolute		All Local Governments	1	The construction of a solar power plant to meet the electricity consumption of all our Bank's Head Office and Regional Office buildings by the end of 2028	      
		Number of Completed Projects	Resilience	Quantitative - Absolute		All Local Governments	-	By the end of 2028, the construction of 9 Regional Directorate buildings in accordance with the green building concept, ensuring they are sustainable, energy-efficient and resilient	

Target No. 5 Securing Project Financing from International Financial Institutions									
Sub-target No	Definition of the Objective	Metrics	The Purpose of the Objective	Target Type (Qualitative, Quantitative, Absolute Density)		Scope and Field of Application	Interim Target	Target Period	SDG Relationship
							2026	2026-2028	
5.1.	Securing Project Financing from International Financial Institutions	Funding Amount	Climate Adaptation	Quantitative - Absolute		Financial Institutions	Euro 850 million	By the end of 2028, the value of new financing agreements signed with international financial institutions is expected to reach Euro 2 billion	  
		Number of Agreements	Climate Adaptation	Quantitative - Absolute		All Local Governments	30	To conclude 100 sub-funding agreements or protocols with local governments by the end of 2028	



As with the previous reporting period, our Bank's 2024–2028 Strategic Plan has been used as the basis for setting climate-related targets. However, in light of current economic developments at both global and national levels, changes in financing conditions and shifts in our Bank's operational priorities, the Strategic Plan was updated in 2025.

In this context, our 2025 Climate-Related Targets for the reporting period in question have been formulated and revised based on our Bank's updated 2026–2028 Strategic Plan, effective as of 2025. Furthermore, the achievements regarding the climate-related targets included in the 2024 sustainability report have been assessed separately in accordance with the principles of comparability and transparency and presented in a separate table.

In this context, the achievement of climate-related targets for 2024 is set out below.

Progress Against Targets from the Previous Period

Target No. 1 Supporting Governments in Mitigating Disaster Risks								
Sub-target No	Metrics	Sub-objectives			2024 Actuals	Target for 2025	2025 Actual	Target Review and Target Changes
		Short term	Medium and Long Term					
1.1	Number of Completed Projects	Conducting a micro-zoning study each year to ensure that the disaster risk reduction strategies of at least five local governments are integrated into spatial plans	To ensure that, by 2028, at least five local governments each year carry out a micro-zoning study with the aim of integrating their disaster risk reduction strategies into spatial plans		3	5	5	The 2025 target has been achieved and, in line with our sustainability strategy, has been replaced by the target '2.2. Supporting Local Governments in Mitigating Disaster Risks' in the 2025 Climate-Related Targets Table.
1.2	Number of Completed Projects	To facilitate the implementation of town planning schemes, two applications for land and plot reorganisation (town planning implementation) are to be processed in 2024	To ensure the implementation of town planning schemes, two applications for land and plot reorganisation (town planning implementation) must be processed each year		2	2	0	In line with our sustainability strategy, this objective has been replaced by objective 2.2, 'Supporting Local Governments in Mitigating Disaster Risks', in the 2025 Climate-Related Targets Table.
1.3	Number of Facilities	In 2024, as part of disaster risk reduction efforts at existing infrastructure and superstructure facilities, additional disaster-related measures will be implemented or projects will be upgraded at a total of 11 wastewater networks, wastewater treatment plants, drinking water networks, water treatment plants and superstructure facilities	By the end of 2028, as part of disaster risk reduction measures at existing infrastructure and superstructure facilities, additional disaster-related measures will be implemented or projects will be upgraded at 5 wastewater networks and wastewater treatment plants, 5 drinking water networks and treatment plants, and 5 superstructure facilities		15	10	13	The 2025 target has been achieved and, in line with our sustainability strategy, has been replaced by the target '2.2. Supporting Local Governments in Mitigating Disaster Risks' in the 2025 Climate-Related Targets Table.

Target No. 2 Supporting Actions to Adapt to Climate Change								
Sub-target No	Metrics	Sub-objectives			2024 Actuals	Target for 2025	2025 Actual	Target Review and Target Changes
		Short term	Medium and Long Term					
2.1	Number of Governments	Providing support to enable the preparation of a Climate Change Action Plan for one local authority in 2024	Providing support to enable the preparation of Climate Change Action Plans (CCAPs) for five local governments by the end of 2028		1	1	0	The 2025 Climate Targets Table continues to be monitored following its revision to include Target 3.1: Undertaking Climate Change Adaptation and Mitigation Activities.
2.2	Number of Projects	-	The implementation of 10 projects by the end of 2028, including rainwater harvesting systems, rainwater retention basins, green roof installations, permeable paving systems and urban landscaping projects		6	2	1	Only a long-term performance indicator has been set for this target; there is no specific indicator for 2025. It continues to be monitored following a revision in the 2025 Climate-Related Targets Table under Target 3.1: 'Undertaking Climate Change Adaptation and Mitigation Activities'.
2.3	Number of Projects	The implementation of one multi-sector integrated project in 2024	By the end of 2028, 10 multi-sector integrated projects are to be carried out		1	2	2	The target for 2025 has been achieved and is being monitored as part of the 2025 Climate-Related Targets Table, having been revised to include Target 3.1: Undertaking Climate Change Adaptation and Mitigation Activities.

Target No. 3 Mitigating the Effects of Climate Change, Supporting Governments in the Areas of Energy, Infrastructure and Transport								
Sub-target No	Metrics	Sub-objectives			2024 Actuals	Target for 2025	2025 Actual	Target Review and Target Changes
		Short term	Medium and Long Term					
3.1	Number of Projects	Conducting feasibility studies for four infrastructure/superstructure facilities capable of generating their own energy from renewable sources in 2024; supporting one project in 2024 aimed at the reuse of treated wastewater for agricultural irrigation and recreational purposes	The completion of 10 infrastructure/superstructure projects capable of generating their own energy from renewable energy sources by the end of 2028		4	4	3	The 2025 Climate Targets Table has been revised to include Target 3.1: Undertaking Climate Change Adaptation and Mitigation Activities.
3.2	Number of Projects	Support for one project in 2024 aimed at the reuse of treated wastewater for agricultural irrigation and recreational purposes	–		3	1	2	It has been revised in the 2025 Climate-Related Targets Table under Section 3.1: 'Undertaking Climate Change Adaptation and Mitigation Activities'.
3.3	Number of Projects	Support for one project in 2024 focusing on the potential use of sewage sludge and solid waste as secondary raw materials, their conversion into energy, etc.	Support for five projects aimed at utilising sewage sludge and solid waste as potential secondary raw materials, converting them into energy, etc., by the end of 2028		2	3	3	The 2025 Climate Targets Table has been revised to include the target '3.1. Undertaking climate change adaptation and mitigation activities'.
3.4	Number of Projects	Completion of two sustainable urban mobility plans in 2024	Completion of four sustainable urban mobility plans by the end of 2028		2	No target	0	The 2025 Climate Targets Table has been revised to include Target 3.1: Undertaking Climate Change Adaptation and Mitigation Activities.
3.5	Total Installed Capacity (MW)	By 2024, the total installed capacity of renewable energy facilities funded through international financing is expected to reach 50 MW	By the end of 2028, the total installed capacity of renewable energy facilities funded by international financing is expected to reach 200 MW		67	70	227	Target achieved.

Target No. 4 Supporting Governments in Mitigating Disaster Risks								
Sub-target No	Metrics	Sub-objectives			2024 Actuals	Target for 2025	2025 Actual	Target Review and Target Changes
		Short term	Medium and Long Term					
4.1	Carbon Emissions (tCO ₂ e)	Calculation of Scope 1 and 2 emissions	Identifying priority areas and developing reduction strategies to achieve our country's 2053 Net Zero Emissions Target		7.429,22 (tCO ₂ e)	-	8.216,05 (tCO ₂ e)	This target will continue to be monitored under Target 11, 'Reduction of Scope 1 and Scope 2 Emissions', in the 2025 Climate Targets Table.
4.2	Number of Service Buildings	By the end of 2024, analysis, feasibility studies and improvement works will be carried out on the six existing service buildings in line with the net-zero emissions target	-		6	1	0	This target will continue to be monitored under the 'Strengthening Our Bank's Sustainability Activities' target in the 2025 Climate-Related Targets Table.
4.3	Number of Service Buildings	In 2024, the design and construction of four Regional Directorate buildings in accordance with green building principles, ensuring they are sustainable, energy-efficient and resilient	By the end of 2028, the design and construction of eight Regional Directorate buildings in accordance with green building principles, ensuring they are sustainable, energy-efficient and resilient		6	2	1	This target will continue to be monitored under the 'Strengthening Our Bank's Sustainability Activities' target in the 2025 Climate-Related Targets Table.
4.4	Number of Electric Charging Stations	In 2024, the installation of three electric vehicle charging points in service buildings	By the end of 2028, the number of electric vehicle charging points at our Bank's Head Office and Regional Office buildings will be increased		1	4	0	This target has been revised in the 2025 Climate Targets Table to reflect the objective of 'Strengthening our Bank's Sustainability Activities'.
4.5	Number of GES	-	By the end of 2028, the installation of solar power plants to meet the electricity consumption of all our Bank's Head Office and Regional Office buildings		0	1	0	This target will continue to be monitored under the 'Strengthening Our Bank's Sustainability Activities' target in the 2025 Climate-Related Targets Table.
4.6	Number of Trees Planted	Planting 2.000 trees in 2024	-		4.000	-	2.400	The objective has been achieved.

Target No. 5 Securing Project Financing from International Financial Institutions								
Sub-target No	Metrics	Sub-objectives			2024 Actuals	Target for 2025	2025 Actual	Target Review and Target Changes
		Short term	Medium and Long Term					
5.1	Funding Amount	In 2024, the value of financing agreements signed with international financial institutions is expected to reach 400 million euros	By the end of 2028, the total value of financing agreements signed with international financial institutions is expected to reach 2 billion euros		Euro 510 Million	Euro 400 Million	Euro 612,7 Million	The target for 2025 has been achieved. Monitoring will continue under target 5.1, 'Securing project financing from international financial institutions', in the 2025 Climate-Related Targets Table.

Target No. 6 Developing Organisational Capacity within the Framework of International Project Management Approaches and Methods								
Sub-target No	Metrics	Sub-objectives			2024 Actuals	Target for 2025	2025 Actual	Target Review and Target Changes
		Short term	Medium and Long Term					
6.1	Number of Project Documents	In 2024, the preparation and approval of two Environmental and Social Management System (ESMS) documents in accordance with World Bank standards	By the end of 2028, the preparation and approval of 50 Environmental and Social Management System (ESMS) documents in accordance with World Bank standards		7	15	63	The target for 2025 has been achieved. It will continue to be monitored under Target 5.1, 'Securing Project Financing from International Financial Institutions', in the 2025 Climate-Related Targets Table.
6.2	Number of Projects	The number of technical support projects implemented in 2024 to improve the efficiency of the management of internationally funded projects is two	By the end of 2028, the number of technical support projects implemented to improve the efficiency of the management of internationally funded projects is expected to reach five		2	1	2	The target for 2025 has been achieved. It will continue to be monitored under Target 5.1, 'Securing Project Financing from International Financial Institutions', in the 2025 Climate-Related Targets Table.

Target No. 7 Number of Service Buildings								
Sub-target No	Metrics	Sub-objectives			2024 Actuals	Target for 2025	2025 Actual	Target Review and Target Changes
		Short term	Medium and Long Term					
7.1	Number of Projects	-	By the end of 2028, 4 project management units will be established in accordance with international standards		2	-	4	The objective has been achieved.

Target No. 8 Number of Service Buildings								
Sub-target No	Metrics	Sub-objectives			2024 Actuals	Target for 2025	2025 Actual	Target Review and Target Changes
		Short term	Medium and Long Term					
8.1	The Process of Establishing the Education Academy	Drafting of the legislation for the Education Academy in 2024	The establishment of the education academy by the end of 2028		Legislative work is ongoing	Finalisation of the Academy's regulations	A draft constitution for the Education Academy has been drawn up.	Work on these targets is ongoing; however, as they are not directly linked to climate change, they are not included in our targets.
8.2	Number of in-house training sessions (number)	Establishing an in-house team of 10 trainers by the end of 2024	Establishing an in-house team of 30 trainers by the end of 2028		7	15	20	The objective has been achieved.

Our Target Review Approach

Our bank systematically assesses the impact of climate-related risks and opportunities on our strategy, business model and decision-making processes; in line with this, we are taking concrete and measurable steps to achieve the targets set. Our Scope 1 and Scope 2 greenhouse gas emissions, calculated for the first time in 2024, have provided a measurable baseline for our climate performance; in 2025, our reduction and transition plans were moved into the implementation phase based on this foundation. Accordingly, it has been decided to develop strategies and roadmaps for reducing carbon emissions with a comprehensive, holistic and long-term perspective. This process is coordinated by the Sustainability Committee established within our Bank, and the decisions taken guide all units of our Bank.

Our Bank has placed the principles of sustainable development and the fight against climate change at the heart of its corporate strategy. In this context, national and international regulations and legislation are regularly monitored, and our strategic plans are shaped within this framework. Türkiye Nationally Determined Contribution under the Paris Agreement, the 2053 Net Zero Emissions

Target and the Climate Law, alongside all other policies and regulations related to climate change, form the key reference points for our Bank's long-term sustainability roadmap.

Our targets defined under the TSRS are reviewed at regular intervals by the Sustainability Committee. Through this review process, the relevance, feasibility and strategic consistency of the established targets are assessed; where necessary, they are revised to implement opportunities for improvement. The Committee does not limit itself to ensuring compliance with current regulations, but also aims to set targets by taking into account future obligations and stakeholder expectations.

Consequently, our Bank's sustainability and climate-related targets are significant not only in terms of improving environmental performance but also in terms of enhancing corporate resilience, strengthening compliance with international standards, and contributing to local governments journey towards sustainable development. This approach ensures that our Bank progresses in a manner consistent with both national climate policies and global sustainability trends.

Statement of Events Subsequent to the Reporting Period (as at 31 December 2025)

No transactions, events or circumstances requiring disclosure in this report have occurred during the period from the end of the reporting period to the date on which this document was approved for publication.



INDEPENDENT AUDIT LIMITED ASSURANCE REPORT

LIMITED ASSURANCE REPORT OF THE INDEPENDENT AUDITOR ON THE INFORMATION PRESENTED UNDER THE TURKISH SUSTAINABILITY REPORTING STANDARDS OF İLLER BANKASI A.Ş.

To the General Assembly of İller Bankası Anonim Şirketi,

We have been assigned to perform limited assurance engagement on the information ("Sustainability Information") presented in accordance with the Türkiye Sustainability Reporting Standards 1 "General Requirements for Disclosure of Sustainability-related Financial Information" and Türkiye Sustainability Reporting Standards 2 "Climate-Related Disclosures" of İller Bankası A.Ş. ("the Company") for the year ended December 31, 2025.

Our assurance engagement does not include the information related to prior periods and other information associated with Sustainability Information (including any images, audio files, website links or embedded videos).

Limited Assurance Conclusion

Based on the procedures performed and the evidence obtained, as summarized under the section "Summary of the Work We Performed as the Basis for Our Assurance Conclusion", nothing has come to our attention that causes us to believe that Company's Sustainability Information for the year ending December 31, 2025, has not been prepared in accordance with the Türkiye Sustainability Reporting Standards ("TSRS"), as published by the Public Oversight Accounting and Auditing Standards Authority of Türkiye (KGK) in the Official Gazette dated December 29, 2023 and numbered 32414(M).

Inherent Limitations in the Preparation of the Sustainability Information

The Sustainability Information is subject to inherent uncertainties arising from limitations in scientific and economic information. The calculation of greenhouse gas emissions involves uncertainties due to the limitations of available scientific data. Furthermore, because of the lack of comprehensive information regarding the probability, timing, and impacts of potential future physical and transition climate risks, the Sustainability Information includes uncertainties associated with climate-related scenario analyses.

Responsibilities of Management and Those Charged with Governance for the Sustainability Information

The Company's Management is responsible for:

- ▶ Preparing the Sustainability Information in accordance with the Türkiye Sustainability Reporting Standards;
- ▶ Designing, implementing, and maintaining internal controls over the preparation of the Sustainability Information to ensure it is free from material misstatement, whether due to fraud or error;
- ▶ Additionally, selecting and applying appropriate sustainability reporting methods, and making reasonable assumptions and estimates in accordance with the circumstances.

Those charged with governance are responsible for overseeing the Company's sustainability reporting process.

Responsibilities of the Independent Auditor Regarding the Limited Assurance of Sustainability Information

We are responsible for the following:

- ▶ Planning and performing the assurance engagement to obtain limited assurance about whether the Sustainability Information is free from material misstatement, whether due to fraud or error;
- ▶ Reaching an independent conclusion based on the evidence obtained and procedures performed, and communicating our conclusion to the Company's management;
- ▶ Performing risk assessment procedures to gain an understanding of the internal control structure and to identify and assess the risks of material misstatement in the Sustainability Information due to fraud or error, without providing an assurance conclusion on the effectiveness of the Company's internal control.

As we are responsible for expressing an independent conclusion on the Sustainability Information prepared by management, we are not permitted to be involved in the preparation process of the Sustainability Information in order to maintain our independence.

Application of Professional Standards

We have performed the limited assurance engagement in accordance with the Assurance Standard 3000 – Other Assurance Engagements than the Independent Audit or Limited Independent Audit of Historical Financial Information and, with respect to the greenhouse gas emissions included in the Sustainability Information, in accordance with Assurance Standard 3410 – Assurance Engagements on Greenhouse Gas Statements, issued by the Public Oversight, Accounting and Auditing Standards Authority (KGK).

Independence and Quality Control

We have complied with the independence provisions and other ethical requirements set out in the Code of Ethics for Independent Auditors (including Independence Standards) issued by the Public Oversight, Accounting and Auditing Standards Authority (KGK), which is based on the fundamental principles of integrity, objectivity, professional competence and due care, confidentiality, and professional behavior. Our firm applies the requirements of Quality Management Standard 1 and, in this context, maintains a comprehensive quality control system, including written policies and procedures to ensure compliance with ethical requirements, professional standards, and applicable laws and regulations. Our work was performed by an independent and multidisciplinary team, consisting of auditors as well as sustainability and risk experts. We have utilized the work of our expert team to assist in evaluating the appropriateness of the Company's information and assumptions regarding climate- and sustainability-related risks and opportunities. We remain solely responsible for our assurance conclusion expressed in this report.

Summary of the Work We Performed as the Basis for Our Assurance Conclusion

Our work was planned and performed to address areas where we have identified that a material misstatement of the Sustainability Information is likely to arise. The procedures applied were based on our professional judgment. In conducting the limited assurance engagement on the Sustainability Information:

- ▶ Site visits were conducted at the Company's head quarter. Where appropriate, a limited number of Sustainability Information items were examined, tracing back to supporting records or from records.

- ▶ Face-to-face and online meetings were held with senior personnel in key positions to understand the processes for obtaining the Sustainability Information for the reporting period.
- ▶ The Company's internal documentation was used to assess and review sustainability-related information.
- ▶ The disclosure and presentation of the Sustainability Information were evaluated.
- ▶ Processes for identifying financially significant sustainability-related risks and opportunities of the Company were understood.
- ▶ Through inquiries, we obtained an understanding of the Company's control environment and information systems relevant to the preparation of the Sustainability Information. However, the design of specific control activities was not evaluated, evidence regarding their implementation was not obtained, and their operating effectiveness was not tested.
- ▶ The appropriateness of the Company's estimation methods and their consistent application were assessed. However, our procedures did not include testing the underlying data of the estimates, nor did they involve developing our own estimates to evaluate the Company's estimates.

The procedures performed in this limited assurance engagement differ in nature, timing, and extent from those performed in a reasonable assurance engagement, and are therefore more limited in scope. Consequently, the level of assurance obtained from this limited assurance engagement is substantially lower than that which would have been obtained had a reasonable assurance engagement been conducted.

Görüş Bağımsız Denetim ve Yeminli Mali Müşavirlik Anonim Şirketi

Niyazi Özpehriz, CPA
Independent Auditor
February 27, 2026, İzmir, Türkiye

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