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INDUSTRIAL DEVELOPMENT BANK OF TURKEY

1. ASSESSMENT OF CEO

Esteemed investors and stakeholders,

Founded in 1950 and now approaching its 65th year, TSKB continues its efforts on behalf of Turkey's development.

Since the beginning of the 2000s and in response to heightened perceptions of environmental and social risks in the business world, we have been advancing resolutely towards conducting all of our banking services and business processes with a view of sustainability.

Our understanding of sustainability is shaped along three main axes: environmentally-mindful and responsible banking, full compliance with corporate governance principles, and social engagement. With that understanding we support the sustainable growth of the Turkish economy and play an active role in the business world's efforts to combat climate change

Financing sustainability

As TSKB we evaluate the environmental and social risks of every investment project that we finance.

The financing support that we provide to sustainable investment projects in our country with the special-themed funding that our bank receives from supranational financial institutions makes up about 50% of our total loan portfolio.

Over the last ten years, we have supplied funding to more than a hundred renewable-energy projects whose aggregate 3,500 MW of installed capacity corresponds to 14% of Turkey's total renewable-energy capacity.

The nearly 60 energy-efficiency projects that we have financed so far help support the changeover to more efficient modes of production in energy-intensive sectors such as iron & steel and cement but also automotives and plastics.

The renewable-energy and energy-efficiency investments financed by TSKB have helped reduce our country's total carbon emissions by 7.2 million tons a year.

At the same time, we also continue to provide financing support to projects in other areas that are crucial to our country's sustainable development such as sustainable tourism, environmental protection, logistics, and infrastructure.

Sustainable Banking

Since 2005 we have been quantifying the environmental impact arising from all of our own operations and identifying mitigation strategies accordingly. Since 2008, TSKB has been a carbon-neutral bank. We are engaging in all of these activities systematically and in compliance with such globally-recognized standards as ISO 14001 and ISO 14064-1.

We regard sustainability not as an element of competition but rather as a goal for the entire business world. We believe that collective wisdom, cooperation, and shared experience are all important in order to achieve that goal. Having voluntarily joined the United Nations Global Compact, the United Nations Environment Programme Finance Initiative, and many other value-creating sustainability initiatives, we contribute to efforts at both the global and the local levels.

Our subsidiaries have also internalized our sustainability approach

Through subsidiaries such as Escarus Sürdürülebilir Danışmanlık AŞ (which was set up to provide consultancy services on sustainability issues), Yatırım Finansman Menkul Değerler AŞ (Turkey's first carbon-neutral brokerage house), and TSKB Gayrimenkul Değerleme AŞ (a real estate appraisal company that was the first to introduce "Green Building Analysis" in our country) we advance even further along the path of sustainability.

Stakeholder communication and social responsibility

Since 2009 we have been engaging in transparent reporting about our sustainability performance results through sustainability reports which conform to Global Reporting Initiative criteria and are made available to all of our stakeholders.

We seek to foster environmental and sustainability awareness especially throughout the business world and in universities through the social responsibility projects that we conduct. For seven years www.cevreciyiz.com website, which we launched as part of the "Environment: Our Priority" project and whose rich content is constantly kept up to date, has been drawing attention to sustainability issues in Turkey and around the world.

TSKB's www.tskbenerjiverimliligi.com portal has been serving as an important source of information about energy efficiency ever since its launch in 2011.

Since 2012 we have been conducting “Sustainability Workshops” which is the first “Sustainability Literacy Program” in Turkey intended for those who are university students today and will be the leaders of tomorrow. At these workshops we bring students, academicians, and the representatives of private-sector together so that they may discuss sustainability issues from different perspectives.

Our sustainable banking efforts are the recipients of national and international awards

Both our commitment to sustainability and our success in dealing with sustainability issues have attracted attention and recognition on national and international platforms.

In 2013 we received the “Climate Change Leadership” award from CDP-Türkiye. We are one of only three banks in Europe to be cited by The Financial Times and the International Finance Corporation as “Sustainable Bank of the Year”. We have received a citation as “Company with the Highest Corporate Governance Rating” from the Corporate Governance Association of Turkey. Such accolades provide further evidence that our bank is on the right path in its efforts on behalf of sustainability at both the national and the global levels.

The most fundamental tenet of our human resources policy: Equality of opportunity

As an organization that has integrated the concept of sustainability into all of its business processes, we derive our most important strength from our experienced human resources. We invest continuously in our employees through individualized assessment and development programs.

Equality of opportunity and diversity rank among the most important elements of our human resources policy. One of the strongest indications of TSKB’s commitment to equality of opportunity is the fact that 56% of its workforce are female.

In closing, I take this opportunity to extend my sincere appreciation to our employees and also to all of our customers and business partners for helping to make TSKB a successful model of what can be accomplished in the business world for the sake of sustainability.

Yours sincerely,



Özcan Türkakın

CEO

2. CORPORATE PROFILE

Being the first private development and investment bank of Turkey, TSKB was founded in 1950 with the support of the Central Bank of Turkey and the World Bank.

TSKB continues to generate value for its stakeholders, contributing to macroeconomic developments under all market circumstances, through an unparalleled corporate strategy that focuses on Turkey's economic potential.

TSKB complements its superior success in accessing mid- and long-term resources with its strong performance in resource allocation. The Bank, while providing loan support and project finance to the investments in many different sectors, especially the renewable energy sector, offers mediation and consultancy services in a wide array of different business lines with respect to public offering, the issue of debt securities, acquisitions and mergers, strategic consultancy, assessment and financial structuring.

TSKB's client portfolio covers Turkey's largest corporations and organizations as well as many SMEs that are the vital point of the Turkish economy. The Bank provides its customers services with high added value in such business lines as capital market brokerage operations, asset management and financial leasing.

TSKB is one of the most recognized Turkish brands in the global market. The Bank maintains strong relations with many international financial institutions, especially the World Bank which played a key role in TSKB's foundation, but also the European Investment Bank, the KfW, the Council of Europe Development Bank, the International Finance Corporation, Agence Francaise de Developpement, the European Bank for Reconstruction and Development (EBRD) and the Islamic Development Bank.

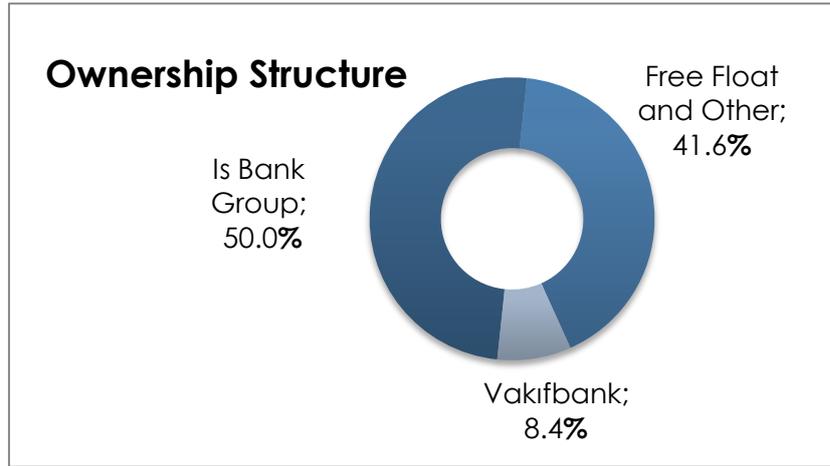
As the first bank in Turkey to adopt the Sustainability Management System, TSKB closely follows its sustainable banking mission not only in resource allocation but in projects that aim to raise social responsibility and social awareness. TSKB takes into account environmental and social impact dimension when granting loans and supports investments in various sectors with renewable energy, energy efficiency, environment and APEX (Wholesale Banking) loans procured from international institutions.

3. FINANCIAL HIGHLIGHTS

As of December 31st, 2013.

3.1. Ownership

50% of TSKB shares belong to the Isbank Group and 39.2% of its shares are quoted on the BIST National Market under the "TSKB" ticker. As of 2013 year end, 53% of the free float is held by foreign investors.



3.2. Highlights from Our Economic Performance

TSKB continued to grow with determination in 2013 despite the backdrop of a fluctuating market environment, and demonstrated a strong performance parallel to its budget targets. As the pioneer of sustainable banking in Turkey, the Bank continued to offer products and services to a broad client base in the areas of corporate banking, project finance and investment banking in 2013.

In 2013, TSKB's total assets reached TRY 12.9 billion with a yearly growth of 25.5%. The Bank wrote a gross profit of TRY 400.9 million and a net profit of TRY 326.1 million for the period, while its loan volume grew by 33.1% in line with its budget, to reach TRY 9.2 billion. Funds extended by the Bank to the real sector over the last 5 years through investment loans amounted to TRY 6.6 billion in total.

TSKB continued to boost its shareholders' equity in 2013. The Bank's shareholders' equity climbed to TRY 1.9 billion while its capital adequacy ratio was realized as 18.2%. Maintaining its strong asset quality, TSKB's non-performing loans ratio was just 0.4% which is significantly below the sector average.

(TRY million)	2009	2010	2011	2012	2013	% Change
Total Assets	6,905	7,912	9,456	10,290	12,911	33
Loan Portfolio	3,955	4,843	6,395	6,895	9,177	25
Shareholders' Equity	1,041	1,264	1,366	1,755	1,885	7
Net Profit	175	212	255	307	326	6

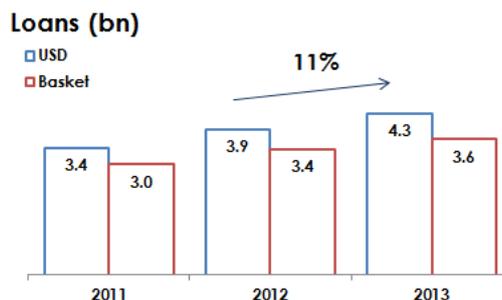
Thanks to the Bank's strong network of international relations, TSKB secured nearly USD 660 million of mid- and long-term funds from supranational institutions such as European Investment Bank, Council of Europe Development Bank, KfW and IFC. As of 2013 year end, 91% of long term funds are guaranteed by Turkish Treasury. Within the framework of its efforts to create alternative funds, TSKB rolled over its syndicated loan on July 3, 2013. The total amount of the loan was increased by 36% to USD 133 million with the participation of new institutions.

Although the weights of Bank's main focus areas - development banking, corporate banking and investment banking - has differed from period to period in past, it is crucial to note that all business areas are integrated to each other, which means that they progress and develop together. TSKB aims to exhibit and deploy its potential and know-how in all of these three business lines to an increasing extent under a more courageous approach. Consequently, the Bank is determined to serve more clients and increase its placements in the Turkish market, which offers sustainable growth potential in the mid- and long-term.

In 2014, TSKB will continue to finance thematic projects in a number of different areas such as energy efficiency, resource efficiency, renewable energy, sustainable tourism and environmental projects. Moreover, public-private partnerships (PPP) projects, as well as food safety, logistics and infrastructure projects will be on the Bank's agenda next year. TSKB aims to expand its loan volume by about 10-15% in foreign currency adjusted terms in 2014.

3.3. Loans

TSKB's total loan portfolio reached USD 4.3 billion with an annual FX-adjusted growth of 11%, while the bank's loans to assets ratio was realized as 71% in the same period.

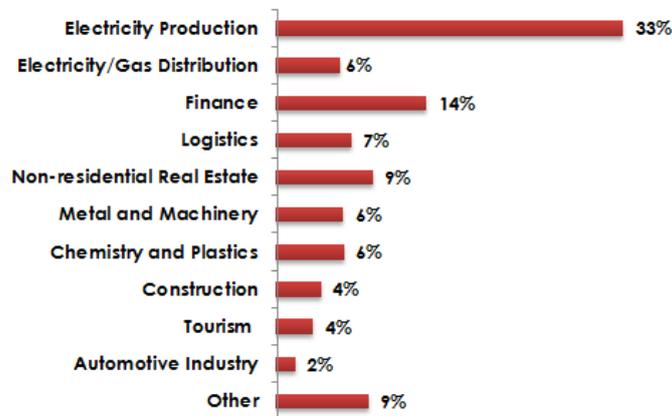


In line with its mission, TSKB provides mid to long-term loans to its clients. The average loan maturity of TSKB is 5.5 years, and the Bank’s average loan size is USD 17 million.

Meeting its private sector clients’ long term funding needs, TSKB contributes to the sustainable growth of the Turkish economy through its lending efforts. The Bank extended a total of USD 5.1 billion in loans to the real sector for renewable energy, energy efficiency, infrastructure and logistics projects over the last five years. Taking also APEX loans into consideration, the total amount of financing provided by the Bank to the real sector reaches USD 5.7 billion.

Acting in line with its strategic targets during this period, the Bank carefully maintained the healthy and efficient composition of its loan portfolio, which is deeply rooted in its strong and long-term customer relationships. TSKB’s non-performing loans ratio of 0.4% is well below the sector average, and indeed the best ratio in the banking industry.

With 33%, energy production loans continued to dominate the loan book. The total projected installed capacity of the energy projects financed by TSKB reached approximately 3,500 MW, accounting for 14% of Turkey’s total installed renewable energy capacity. TSKB’s renewable energy portfolio include hydro, wind, geothermal, biomass and solar power plant projects, two thirds of which are in operation.



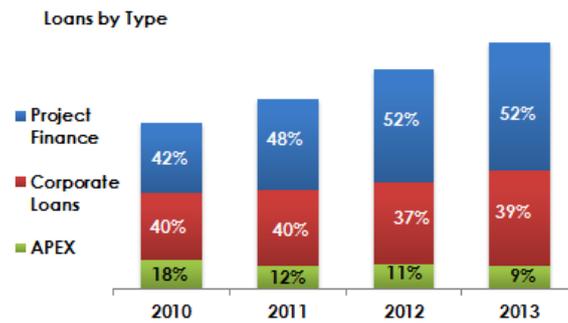
TSKB is determined to support projects aimed at improving every aspect of resource efficiency, including energy efficiency in the Turkish private sector. To this end, the Bank supplied a total of USD 354.1 million funds to 57 energy efficiency projects in iron-steel, cement, automotive, plastics and other sectors in the last four years.

TSKB has also concentrated on the sustainable tourism concept aiming to meet Turkish tourism sector’s investment needs. In this context, the total volume of long-term investment loans provided by the Bank to tourism projects amounts to nearly USD 350 million.

TSKB also mediates in import and other foreign trade transactions required by its clients for their

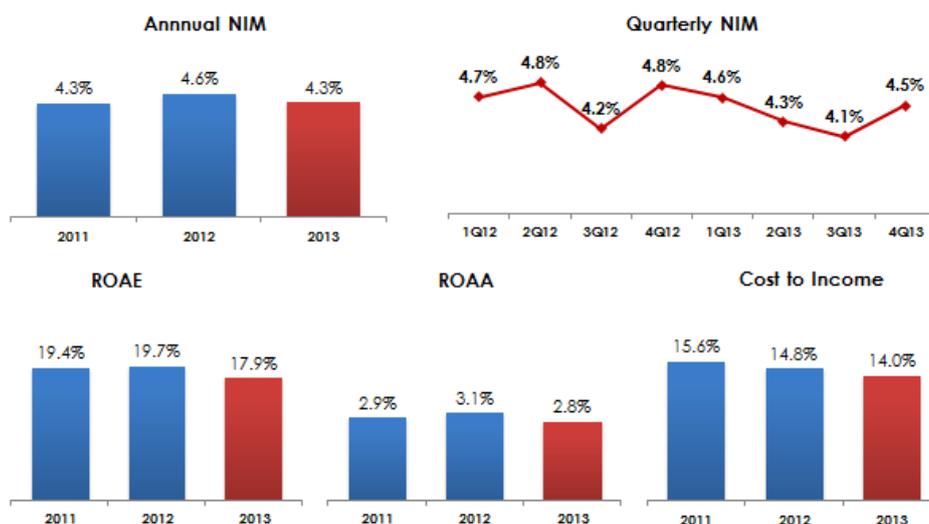
investment projects. While the total amount of letters of guarantee provided by TSKB increased by 400%, the total size of non-cash loans supplied by TSKB reached USD 496 million. In 2013, the Bank allocated the bulk of non-cash loans to clients operating in the electricity distribution, electricity production and iron-steel industries.

As of 2013 year end, there has not been a major change in the breakdown of loans according to their types. The percentage of project finance loans in the total loan book stayed flat compared to last year. While corporate loans increased its share by 2 percentage points, APEX loans constituted 9% of the whole portfolio.



3.4. Key Performance Indicators

As of 2013 year end, TSKB recorded a strong net interest margin of 4.3 percent which is in line with the Bank’s budget. When the trend of Bank’s profitability ratios in the previous years are observed, it is significant to note that TSKB’s ROAE and ROAA ratios seem to be quite steady. TSKB delivered a ROAE of 17.9% and a ROAA of 2.8%, whereas the Bank’s cost to income ratio was recorded as 14%, which is still lowest among the banking sector.



4. PRODUCTS AND SERVICES

Corporate Banking and Project	Investment Banking	Treasury Products
<ul style="list-style-type: none"> • Corporate Loans • APEX Banking • Greenfield Project Finance • Syndication Loans • Acquisition Finance 	<ul style="list-style-type: none"> • Public Offering of Equities • Advisory for Privatization Projects • Mergers&Acquisitions • Asset Purchases&Sales • Debt Issuances • Strategic Consultancy 	<ul style="list-style-type: none"> • Spot and Forward FX Transactions • Fixed Income Securities • Repo Transactions • Currency Swap • Options • Interest Rate Instruments
<p>TSKB offers two types of lending; direct lending and indirect lending (APEX banking).</p> <p>Direct lending consists of financing investment projects of clients ranging from large corporate companies to SMEs.</p> <p>Having gained an increasing importance in the Bank’s portfolio in recent years, project financing is especially developed for the finance of energy and infrastructure projects.</p> <p>Renewable energy, energy and resource efficiency, sustainable tourism and environmental project loans hold an important part in TSKB’s product line.</p> <p>Indirect lending activities of TSKB are under APEX banking. APEX banking enables the Bank to reach SMEs which are capillary vessels of Turkey’s economy.</p>	<p>Backed by its pioneering efforts since the early 1960’s, TSKB has become one of the leaders of corporate finance in Turkey. The Bank’s approach to investment banking also includes its efforts to develop customized and specially designed solution packages based on its corporate relations and continuously changing market conditions.</p> <p>In this context, by providing financial/ strategic partners or coordinating the acquisition process, the Bank offers mergers&acquisition advisory services for those companies that seek to build their own capital and know-how, expand into new markets or undertake large-scale investments. Equity public offerings in capital markets are another important area for the Bank, which has been providing public offering services for many years, even before the foundation of the BIST. The Bank is capable of providing the service of public offering, which provides companies the opportunity for institutionalization, capital buildup and recognition, to any company of any size. Bond issues are another vital product, representing a significant alternative to conventional borrowing instruments, such as bank loans and leasing.</p> <p>As a symbol of the Bank’s technical capability and its deeply rooted vision, strategic consultancy is a sophisticated umbrella product that encompasses several services such as valuation, restructuring and feasibility studies.</p>	<p>As well as extending mid- and long-term financing to its clients and thus generating an increasing volume of added-value for the Turkish economy, TSKB also offers original and creative banking solutions to hedge corporations’ risks in their balances and to meet their other financial needs.</p> <p>Within the framework of this mission, the Bank offers its clients advanced derivative products, such as options, forward contracts, interest swaps, cross currency swaps, swaptions and caps as well as more traditional treasury products like FX, repo transactions and fixed-income securities.</p> <p>Working with a boutique service approach, the Bank expands its product range further progressively in line with changing needs and the global conjuncture, and painstakingly carries out its activities to utilize the opportunities arising in markets on behalf of its clients.</p>

5. SUSTAINABLE BANKING

TSKB’s sustainability strategy is established on the belief that the key to sustainable development is sustainable banking. The Bank has adopted sustainability as an unaltered target, because it sees sustainability as an extremely valuable instrument which can be used to create permanent and long-term value to all of its stakeholders.

TSKB acknowledges its responsibilities for a sustainable future not just for Turkey but for the whole world. Within the framework of project finance and lending activities which form a major part of its product and service cycle, the Bank continues to contribute to sustainability by extending financial support to those investments that protect the environment and reduce the impacts of climate change.

TSKB works with those customers who adopt and share the Bank’s sustainability policy and targets.

The Bank aims to manage the legislative, environmental and social risks by collaborating with its customers. Moreover, the Bank encourages its stakeholders to produce an increasing amount of value for the community. The Bank considers protecting the environment, tackling climate change and contributing to social development as its primary targets.

Supporting the low-carbon economy is one of the cornerstones of TSKB’s sustainable banking strategy. The vision of TSKB is being the sustainability leader of Turkey.



B. UNGC PRINCIPLES

TSKB has accumulated a great amount of leading and pioneering achievements for the Turkish banking sector in its 63-year corporate history. Since 1950, TSKB has played a pioneering role in Turkey's banking sector and continues to work for the sustainable development of Turkey.

TSKB systematically contributes to the continuous development of the Turkish economy through provision of long-term resources for the business world, mainly through investment projects and customer specific consultancy and brokerage services. TSKB takes into account the environmental and social impact dimension when granting loans.

TSKB has structured its sustainability approach at four dimensions;

- Minimizing environmental risks arising from lending activities: External environmental impacts of TSKB,
- Defining, controlling and reducing internal environmental impacts of TSKB arising from operational services: systematic management of electricity, water, natural gas usage, paper consumption and CO₂ emission,
- Emphasizing products and services of TSKB on sustainable banking: financing renewable energy, energy efficiency and environment investments,
- Informing all TSKB employees and stakeholders on a continuous basis and encouraging them to actively participate in the processes and increasing their awareness on environment, encouraging them to participate the combat against climate change and promoting low carbon economy.

Environment and sustainable banking

TSKB thinks globally and always performs its best in order to devise and conform to best practices whenever addressing and dealing with environment- and sustainability-related issues. For this reason, climate change, the environment, and sustainability are all strongly integrated into TSKB's corporate strategy and business principles. Sustainability journey has started in 1980 for TSKB and

not only integrated into its strategy, but also interiorized within its employees. Important highlights of this journey are presented below:

1980's	TSKB introduced its first environmental initiatives and sowed the seeds of the first models of today's sustainable banking in the 1980s. Since then it has been a financial services provider which, on its own initiative, regularly takes environmental factors into account as part of its credit assessment processes and is especially careful that the projects it finances fulfill their environmental obligations.
1990's	TSKB began tapping international markets for resources with which to finance environment-related investments and became the first bank to extend environment-related loans to Turkish industry.
2005	<ul style="list-style-type: none"> • Established Environment Management System.
2006	<ul style="list-style-type: none"> • Issued formal statement in which its environment policy was publicly announced to all stakeholders. • Started to calculate its carbon footprint.
2007	<ul style="list-style-type: none"> • Environment Management System was awarded ISO 14001 certification. • Launched www.cevreciyiz.com internet portal with the aim of informing the public about environmental issues. • Introduced the environmental and social risk evaluation tool (ERET) as part of the Bank's project assessment model.
2008	<ul style="list-style-type: none"> • Received the "Sustainable Bank of the Year Award" in the "Eastern Europe" category in the event jointly organized by Financial Times and IFC. • Began to neutralize its carbon footprint. • Broke further ground in the sector by becoming a carbon-neutral bank.
2009	<ul style="list-style-type: none"> • Received the "Sustainable Bank of The Year Award" in the "Eastern Europe" category • Become Turkey's first carbon-neutral bank. • Joined UNEP FI and Global Reporting Initiative as an organizational stakeholder by adopting that initiative's principles as its fundamental guide • Scored another social responsibility first this year by inaugurating cevreciyiz.TV broadcasts • Began using clean energy generated by a hydroelectric power plant.

2010	<ul style="list-style-type: none"> • Received the “Sustainable Bank of The Year Award” in the “Eastern Europe” category for the third time in 2010. • Became the first member of the Turkish financial services industry to supply its stakeholders with a GRI-checked sustainability report. • Participated in the Carbon Disclosure Project. • Signed the UN Global Compact this year as well.
2011	<ul style="list-style-type: none"> • Reported 2nd Sustainability Report (GRI Level B) in 2011 covering the period of 2009 and mid 2010. • Became one of the two financial institutions to sign the Water Disclosure Project. • One of the best three banks of the year in Europe as part of the "Sustainable Banking Awards" given by IFC (International Finance Corporation) and Financial Times in 2011. • Launched its website on energy efficiency (www.tskbenerjiverimliligi.com) to the service of its stakeholders in June 2011. • Announced its support of the Water Disclosure Project. • Published its first Global Compact COP.
2012	<ul style="list-style-type: none"> • Granted the ISO 14064-1 certification and became the first bank in its sector to reach this standard. • Environmental Management System was turned into the Sustainability Management System. • Published its second Global Compact COP
2013	<ul style="list-style-type: none"> • Ranked among the companies with highest scores in “Transparency” and “Performance” categories under “CDP Turkey 2013 Climate Change Leaders” awards and received awards in both categories. • Achieved another first in the Turkish finance sector by receiving A+ level approval from GRI for third Sustainability Report. • Improved its Corporate Governance Rating to 9,40 over 10 • Ranked among top three in Europe in “Sustainable Banking” category of the IFT/FT Sustainable Finance Awards • Awarded by British Standard Initiative for meeting the requirements of environmental management system excellently with the motto of “Making Excellence a Habit”

Social contribution

In the conduct of all of its activities, TSKB is always mindful of human resources, public benefit, and social responsibility.

Being an employer that people continuously prefer and are happy to work for is one of the most important social criteria that TSKB is mindful of. TSKB contributes directly and indirectly to the economic environment and society in which it operates through its products and services as well as through the employment that is created by the projects it finances. TSKB strives to mitigate any adverse social impact that may arise because of the projects that it finances.

TSKB Business Principles

The business principles that TSKB developed through the last 63 years include compliance with laws and regulations, strong, respected and consistent relationships with clients, ethical values, satisfaction of its employees, sensitivity to environmental issues and social responsibility.

TSKB believes that its sustainable economic and social contributions are shaped along dimensions of employee and community as well as that of its banking activities. One of the basic aims of our Bank is to maintain a modern work environment with full respect to human rights and encourage participation of employees. Through its business processes, TSKB has the main target of fully complying with laws, corporate governance principles and ethical principles.

TSKB supports the 10 principles of United Nations Global Compact consisting of human rights, work force, environment and anti-corruption which totally corresponds to its ethical values. Apart from being the stakeholder of Global Compact, TSKB is in the Steering Committee of Global Compact Local Network and active in its sub-networks.

1. HUMAN RIGHTS AND EMPLOYEES

One of the basic aims of our Bank is to maintain a modern work environment with full respect to human rights and encourage participation of employees. TSKB's main effort is to enable its employees to realize their full potential and to create a work environment and corporate culture that reflect the bank's values.

Human Resources and Work Environment

TSKB is focused on maintaining a working environment that is progressive, continuously encourages participation among personnel, and is fully respectful of human rights. One of the foundations of TSKB's sustainability is to have and maintain a working environment which rewards success, which encourages individual development and initiative, and which is safe.

An interactive and participatory workplace not only supports employees' personal development but also makes it possible for the social and cultural diversity embodied in TSKB's human resources to emerge as a positive value.

TSKB seeks to have and maintain a sustainable workplace environment that:

- Rewards success;
- Encourages individual development and initiative;
- Is safe.

TSKB's most precious assets are its human resources.

TSKB advances confidently towards its goal of sustainable banking thanks to employees who are broad of vision, who are models of professionalism for others in the market, who seek to satisfy customers' needs and expectations, and who are open to improvement. The members of TSKB's staff distinguish themselves from their peers in the sector by virtue of the quality of their educational backgrounds, their expertise, and their sense of identification with the Bank. TSKB employees are results oriented, efficient in analyzing and problem solving and able to think strategic.

In order to achieve and ensure its sustainable corporate success, TSKB focuses on the following issues in the conduct of its human resources practices:

- Manage human resources in line with Bank policy;
- Discover and develop employee potential at the group level as well as individually;
- Engage in an interactive and in-depth dialogue with human resources concerning TSKB's activities and objectives.

In order to sustain TSKB's continuous development, human resources policy of the Bank foresees having broad vision employees who are open to innovation and improvement and aim to satisfy client needs and expectations. -

At the focal point of TSKB's human resources strategy is the concept of maintaining a productivity-minded workplace which seeks to:

- Ensure that employees are fully involved in their work;
- Strengthen employees' sense of corporate membership;
- Maximize employees' satisfaction.

Performance Management System at TSKB

The principles of Performance Management System based on competencies and goals, follow the process of

- identifying and rating competencies,
- making corporate objectives meaningful at the individual employee level,
- engaging one on one discussions,
- preparing personal development plans.

The results of the Performance Management System are used to determine bank employees' training needs, career progressions, and merit raises. A sense of corporate identity is an essential part of the elements of productivity and competency that are the foundation of TSKB's performance-based culture. When evaluating a bank employee's performance, attention is given as much to how success was achieved as to the actual success itself.

Health and Safety at TSKB

Occupational health and safety are basic elements that have been adopted in TSKB's HR policies and practices. At its headquarters in Istanbul and in its branches, the Bank seeks to ensure full compliance with the occupational health and safety legislation in effect in Turkey. TSKB also considers modern occupational health and safety practices and current global trends.

TSKB Human Resources Unit is responsible for health and safety matters at the Bank's workplaces. This unit takes a direct interest in TSKB employees' health and safety issues and ensures that all necessary measures and precautions are taken.

The Bank's physical conditions and technical infrastructure are monitored on a regular basis within the scope of efforts to ensure occupational safety. The Bank's physical conditions and technical infrastructure are monitored on a regular basis within the scope of efforts to ensure occupational

safety. Information and warning systems are developed by the Bank to tackle various emergency situations and necessary measures are taken after the possible sources of problems are identified. The Bank has developed information and warning systems to deal with a variety of emergencies. Locations where problems may occur are identified and measures are taken as need to be.

Sustainability and Leadership on Social Security: Trust of TSKB

TSKB has established two Pension and Assistance Funds in 1964 and in 1994. TSKB has built its social security systems in the first hand, based on “best practices” of the world and provided comparable benefits. The systems work successfully under the principles of “sustainability” and “leadership” as applied in investment and development banking.

The PRS (Personal Retirement Scheme) which is active in Turkey since 2002 is applied at TSKB trusts since 1964. Under this system the trusts serve the members with a lifetime retirement salary and retirement bonus and in the case of their departure the same products are served to their families.

Having established its own social security scheme 46 years ago, TSKB has been meeting its commitments accurately on health and retirement to a total of 1450 members including their dependents and the trusts have been meeting their commitments on retirement to 500 members.

TSKB’s Ethos of human rights and work life respect to human rights is the base of all kinds of social interaction.

As a responsible corporate citizen, TSKB acts with complete coherence and compliance to the UN Human Rights Declaration and the legal frame which regulates the work environment and human rights in Turkey.

Employees – Diversity and Equal Opportunity

TSKB seeks to achieve full and essential compliance with the Universal Declaration of Human Rights, with the United Nations Global Compact, and with the laws and regulations pertaining to labor and human resources in Turkey in the conduct of all of its activities.

TSKB is mindful of providing equal opportunity to all employees in the design and implementation of all of its human resources management processes. TSKB supports diversity in terms of gender, faith, and age.

Number of Personnel (Banking)	Number	%
Female	152	56
Male	117	44
Total	269	100
Average length of service	8.12	

The fact that women outnumber men among its personnel and the high proportion of women among its senior management are two concrete indications of the Bank's commitment to diversity.

Senior Management According to Gender	Female	Male
CEO	-	1
Deputy CEOs	3	5
General Secretary	-	1
Chairman of the Inspection Board	1	-

TSKB perceives employee diversity as an important base of its organizational structure and a valuable element of its intellectual capital. Acting with this notion, TSKB encourages its employees to think different, act different and develop personal competencies.

Education background of personnel (banking personnel)	Female	Male	Total
PhD	-	4	4
Postgraduate	50	39	89
University Degree	94	71	165
Professional College Degree	5	1	6
High School Graduates	3	2	5
Total	152	117	269

TSKB also opposes all forms of forced or compulsory labor as well as child labor both in Turkey and elsewhere in the world and it supports initiatives to prevent such illegal practices. Employees age ranges are shown in the table below.

Age	Year End of 2013
< 18	0
18-20	0
21-30	74
31-40	117
41-50	73
51-55	2
>55	3
	269

2. ENVIRONMENT

TSKB is determined to be the leading and continuous supporter of all environmental initiatives such as climate change and to fulfill its responsibilities on the efficient, effective and fair consumption of natural resources. TSKB is a corporate citizen believing in implementing a worldwide, efficient and coordinated framework to combat against environmental problems especially the negative results of greenhouse emissions as soon as possible.

2.1. The Connection of Banking and Environment

One of the strongest trends in the banking sector is being shaped around the requirement of sustainable environment for sustainable economy which result in banking and environment meeting at many points.

In banking environmental and thus social issues are considered in two dimensions:

- Forming systematic structures to consider environmental and social issues and risks in the process of lending decision; financing the projects with negative impacts after the necessary measures are taken with related action plans.
- As banks, creating services and products with positive contribution to environmental and social issues; financing environment, renewable energy and energy efficiency investments; creating environment sensitive funds, real estate and consumer loans with environment theme.

The most important business line where banking-environment connection appears is corporate lending. Banks acting as “environment agents” consider environmental issues and finance the projects with the required environmental permits and action plans supporting the formation of sustainable development model.

Environmental risk for banking sector arises when the necessary environmental measures are not taken in the financed project. The financial risk of the investor is either directly or indirectly reflected to the lending bank. Beyond financial risk, “reputational risk” of the Bank as a result of financing an insensitive investment is much more critical. When a bank is subject to reputation risk it is very hard to define and calculate the possible outcomes.

Source: TBB Banking Magazine, September 2009, Issue: 70

2.2. Sustainability Policy of TSKB

Since the day it was established, TSKB has always shown special care to public interest and social responsibility in its activities. Environmental awareness and sensitivity to environmental issues continue to be among the foremost elements in its business principles.

TSKB's Sustainability Policy principles are shown at the following:

- Compliance with all national laws and regulations on environmental and social concerns,
- Going beyond the requirements of legal regulations and relevant statutes in the environmental and social impact assessments which are executed during project evaluation and crediting stages,
- Cooperation with the initiatives supporting sustainability in relevance to the operations fields of the Bank,
- Preparing sustainability reports according to the Global Reporting Initiative (GRI) standards to be presented to the stakeholders of the Bank periodically,
- Supporting transition to low-carbon economy in Turkey,
- Consideration of environmental and social impacts in the assessment process of investment projects and encouraging the project owners for taking the required measures for the reduction of such impacts,
- Briefing all stakeholders in accordance with Sustainability Principles and encouraging them for sustainability practices,
- Endeavor to minimize the environmental impacts (carbon emission, energy, water, paper, waste, transportation, etc.) stemming from the operations of the Bank, putting the improvement projects into practice,
- Purging the carbon foot-print of the Bank periodically and conducting the banking operations on a carbon-neutral basis,
- Institutionalization and interiorizing of sustainability within the Bank, fortification of it through implementations and offering periodic trainings to all employees in this respect.

These principles form the basis for the relevant decision processes of all the activities. As part of its social responsibility awareness, it has been decided to set up a Sustainability Management System conforming to ISO 14001 standards in order to effectuate the environmental sensitivity. This system will define the principles of TSKB's environmental sensitivity, and set forth the guidelines for the bank personnel to monitor the environmental effects arising from organizational activities and to develop the environmental performance.

2.3. Sustainability Management Organization

In TSKB, sustainability issues are coordinated by Sustainability Committee and Sustainability Management Team.

2.3.1. Sustainability Committee

TSKB has made significant achievements by leading practices in the field of sustainable banking in the Turkish financial sector. Our sustainability efforts to reduce the environmental and social impacts of banking operations and efforts for the transition to low carbon economy in our country are important for TSKB's future and contribution to the economy. Integration of sustainability to our services and processes by being appropriated by all employees , development of new business opportunities, improvement of our corporate perception in banking sector and business world are among our corporate targets. In order to conduct the required studies and supply the coordination, “Sustainability Committee” is established.

- *Sustainability strategy and management*
- *Internalisation of sustainability and capacity building*
- *Integration of sustainability into banking products and processes*
- *Management of internal and external environmental impacts and social responsibility*
- *Communication of sustainability*
- *Sustainability measurement and reportings*

2.3.2. Sustainability Management System

2005 has been a turning point for TSKB to internalize environment in its business processes and place it into a systematic structure by establishing Environment Management System (EMS). In 2012, this system is upgraded to Sustainability Management System and it is approved by the Board of Directors in November 2012.

As a result of the analyses and evaluations, TSKB structured its sustainability approach at six dimensions;

- Environmental risks arising from lending activities: External environmental impacts of TSKB,
- Defining, controlling and reducing inner environmental impacts of TSKB arising from operational services: systematic management of electricity, water, natural gas usage, paper consumption and CO2 emission

- Emphasizing products and services of TSKB on sustainable banking: financing renewable energy, energy efficiency and environment investments,
- Informing all TSKB employees and stakeholders on a continuous basis and encouraging them to actively participate in the processes and increasing their awareness on environment,
- Preparing sustainability reports according to the Global Reporting Initiative (GRI) standards to be presented to the stakeholders of the Bank periodically and encouraging them for sustainability practices,
- Calculating and purging the carbon foot-print of the Bank periodically and conducting the banking operations on a carbon-neutral basis,

2.4. Environmental Impacts of TSKB

Internal Environmental Impacts of TSKB

Since 2006, TSKB has been quantifying all forms of consumption arising from its activities, developing action plans to make improvements, and setting targets. To this end, the Bank regularly measures the electricity, water, fuel, paper, and other inputs that are used and the waste that is generated by the Bank's service units. Information and assessments concerning the Bank's environmental performance in 2009-2013 are presented below.

Indicator	2009	2010	2011	2012	2013
Electricity Consumption					
Electricity Consumption (kWh)	1.300.219	1.256.058	1.067.232	1.076.471	1.030.978
Electricity Consumption / m ²	76	74	62	61	58
Electricity Consumption / capita	4.140,82	3.727,18	3.125,13	3.254,64	3.146,39
Natural Gas Consumption					
Natural Gas Consumption (m ³)	86.615	78.857	84.668	75.484	64.879
Natural Gas Consumption / m ²	5	5	5	4	3.7
Natural Gas Consumption / capita	275.84	234.00	248	228	198
Water Consumption					
Water Consumption (m ³)	7.938	7.903	8.094	8.095	7.999
Water Consumption / m ²	0,47	0,46	0,47	0,46	0,45
Water Consumption / capita m ³	25	23	24	24	24
Paper Consumption					
Paper Consumption (kg)	8.450	9.137	6.541	7.195	6.735
Paper Consumption / capita kg	27	27	19	22	21
Waste Paper					
Waste Paper (kg)	4.070	5.125	5.100	9.600	6.900
Waste Paper / capita kg	13	15	15	29	21
CO2 Emission					
CO2 Emission (kg)	670.510	401.220	1.117.370	950.495	765.000
CO2 Emission / profit	0,006	0,003	0,0082	0,0055	0,0082
CO2 Emission / capita	2.135,38	1.190,56	3.271,95	2.873,76	2.334,67
Carbon Footprint Distribution (%)					
Electricity	46,22%	0,00%	0,00%	0,00%	0,00%
Natural Gas	24,23%	36,87%	15,16%	15,79%	16,78%
Paper	3,36%	6,08%	0,63%	0,82%	0,95%
Total Transportation	26,18%	57,05%	43,99%	45,82%	45,21%
Buildings (m ²)	17.008	17.008	17.236	17.596	17.679
Employees (Average)	314	337	342	331	328
Income (USD)	115.401.000	136.535.000	135.460.000	172.321.000	163.665.000

TSKB has been verifying its greenhouse gas emissions according to the ISO 14064-1 in since 2012. The last external audit has been successfully completed on April 1st. TSKB 2013 greenhouse gas inventory report has been certificated with 5% reasonable assurance for Scope-1 and 20% limited assurance for Scope-3. Compare to the 2012 reporting period, TSKB emissions have been reduced to 765 MT CO₂e.

From 950 MT CO₂e due to the facts expressed below;

- The majority of Scope 1 emissions are due to fugitive stationary and mobile combustions. Compare to 2012, the fugitive emissions decreased by 185 ton CO₂e because of the fact that HFC-22 leakage was reduced by 109 kg. For the fugitive emissions, it has been decided to maintain refrigerants pipelines periodically to prevent the leakages.
- Since average air temperature during the heating period decreased by 1°C compare to 2012, the emissions from natural gas consumption was abated by 22 ton CO₂e. In future, the renewable technologies such as solar energy can be used for heating in order to decrease natural gas consumption. Since these technologies are still fairly expensive, the investment would be likely infeasible.
- Another significant amount of emission is caused by work travels by plane in Scope-3. The air travels nearly the same with the 2012 reporting period. In order to reduce this emission, TSKB personnel will be encouraged to prefer road transportation if it is possible.

Since 2008, TSKB has been offsetting its carbon footprint by purchasing certified carbon credits from renewable energy sources which are operating in Turkey.

External Environmental Impacts of TSKB

In order to deal with its external environmental impact, TSKB seeks first to identify the environmental and social effects that may be caused by projects that it finances and second to support its credit customers by minimizing these effects by correctly managing them.

In 2005, TSKB pioneered the development in Turkey of a set of environmental risk evaluation tools (Environmental Risk Evaluation Tools - ERET) to be used in identifying the environmental risks that might arise from its lending activities as a bank.

2.5. Environmental and Social Risk Evaluation Tool (ERET)

TSKB's environmental risk management policy constitutes the basis of decision-making processes as far as the credit appraisal process is concerned. Its own internal procedure, ERET), defines the environmental and social impact analysis and its methodology. With 35 subjects considered, ERET makes an assessment of E&S, as well as health and safety, for any project to be financed.

ERET classification was revised and the result of this revision was a somewhat greater detailing of the "risk categories" in the ERET model. Instead of the old "A" ("High"), "B" ("Average"), and "C" ("Low") risk category ratings, the new model uses "A" ("High"), "B+" ("Moderately High"), "B-" ("Average"), and "C" ("Low"). That is why the scoring of 2011 and 2012 is different than the previous years.

At TSKB, the environmental methodology is above and beyond the Turkish official environmental and social requirement. A public participation meeting during the EIA stage is limited by the project capacity in official regulation. TSKB's understanding is not however limited. Although the regular monitoring stages regarding environmental and social aspects are not always compulsory, for TSKB it is a crucial component of E&S Risk Management strategy.

With the cooperation of Information Technologies Department, ERET Model is integrated into "TSKB Applications" in 2013.

Prior to 2007, ERET was applied only to some projects. Since that year, it has been used for all investment projects that are considered by the TSKB Credit Committee. Implementation of the ERET model is one of the responsibilities of a TSKB project engineer and the results of its implementation are an essential part of a project's engineering assessment report.

TSKB ERET RESULTS					
	2009	2010	2011	2012	2013
Risk Category (Client)					2
A	-	-	2	-	9
B+	28	21	10	11	15
B-			7	12	24
C	30	30	25	15	
Risk Category (Project)					
A	-	-	3	-	1
B+	18	13	4	3	3
B-			10	11	24
C	40	38	27	24	22
Number of Projects	58	51	44	38	50

* The project and company risks calculated are categorized as **A**=very high risk **B+**=high risk **B-**=medium risk **C**=minimum risk, within the context of ERET environmental risk categorization of TSKB.

For the investment evaluation, Project Finance, Corporate Marketing departments pre-investigate the legal environmental aspects of the projects. But the main evaluation is conducted by the Engineering Department with site visits. Taking these considerations into account and also as a result of TSKB's careful approach to marketing, no project whose environmental impact is deemed to be too high goes beyond the initial project evaluation stage. This is a consequence of the Bank's concentrating its attentions on the "B" and "C" categories of the ERET results.

2.6. Carbon Disclosure Project

CDP was launched in 2000 to accelerate solutions to climate change by placing relevant information at the heart of business, policy and investment decisions.

CDP Turkey was launched in early 2010 by Sabancı University Institutional Management Fund with the support of Akbank. The first step for this initiative had been taken by sending letters to ISE-50 listed companies requesting them to disclose their greenhouse gas emissions and policies with respect to climate change.

In first year, 50 companies in the index of BIST-50 were invited by CDP in total 11 companies responded to CDP. In the year of 2011, the sample is doubled and 100 companies in the index of BIST-100 were invited by CDP. 17 of these companies were responding and 3 companies, although they were not invited, responded voluntarily. In 2012, ISE-100 companies were invited and in total 32 companies respond CDP. In 2013 the number of the BIST-100 respondents have risen by %65 compare to the previous year and in total 39 companies responded to CDP.

As ranking one of top four companies in “Transparency” category and taking place among the top seven companies in “Performance” category by increasing its rate to B, TSKB received awards in both categories. TSKB provide financial support and consultancy for the transition of the Turkish private sector to lower carbon and more efficient production level. As Turkey’s first carbon neutral and ISO 14064 Greenhouse Gas Certified bank, TSKB measure its environmental impacts arising from our activities and effectively manage them by developing improvement plans.

2.7. Social Responsibility

For more than six decades TSKB has been a powerhouse driving Turkey’s advance towards economic growth and development but it has also been an engine of the country’s social progress as well. In 2011 and 2012, TSKB pressed ahead unstintingly in its social responsibility efforts that it has conducted with the motto of “The Environment: Our Priority”. TSKB’s social responsibility mission is structured around the basic principle of increasing social awareness and sensitivity over issues, including but not limited to climate change, which constitute risks for our world and its people. The Bank considers protecting the environment, tackling climate change and contributing to social development as its primary targets.

Since 2007, TSKB has been actively and effectively integrating its sustainable banking philosophy as a fundamental component of its social responsibility projects. In the conduct of such projects, the Bank also deals with environmental, energy, and sustainability issues and makes a significant contribution towards increasing public awareness about them.

CEVRECIYIZ.COM

In scope of its social responsibility project launched in 2007 under the motto "Our priority is Environment", TSKB continues to lead the way in the efforts to increase awareness among the business community on environment and sustainability. Turkey's most comprehensive environment portal which was developed for this purpose, www.cevreciyiz.com, was renewed in its 7th year with a mobile-enabled design and new content approach.

cevreciyiz.com is now one of the most comprehensive references in terms of environmental issues, both in terms of content and technological infrastructure. Actively sharing content through social media platforms such as Facebook, Twitter and Instagram, cevreciyiz.com offers its visitors information on the global and Turkish sustainability agenda. The website offers, with its expanded content, success stories from the business world, up-to-date information on renewable energy and sustainable production methods and developments in the field of energy and source efficiency, as well as environment-friendly production and consumption trends from different regions of the worlds and innovative ideas such as green architecture. Besides, cevreciyiz.com also includes researches and articles by academicians working in the field of environment and non-governmental organizations, special environment news files and interactive tools such as carbon-meter through which you can measure your carbon footprint.

cevreciyiz.com, with its renewed look, also features online exhibitions of famous photographers and interviews with many renowned artists, fashion designers, business community representatives and futurists. On the other hand, the visitors of the website's "Cevreciyiz TV" section will have access to interesting videos on various subjects such as climate change, environment protection and energy and sustainable life.

Besides these, cevreciyiz.com offers interesting information on the nature and book suggestions and enjoyable stories for youngsters who have great environmental consciousness and awareness.

TSKB Energy Efficiency

www.tskbenerjiverimliligi.com is another TSKB project which aims to raise awareness of the importance of energy efficiency, and brings all respective segments together on a joint platform since 2011.

The website extensively contributes to raising awareness of energy efficiency.

Intensive collaboration with universities

TSKB believes that cooperation between universities and the private sector is crucial in terms of sustainable banking. To this end, the Bank has entered collaboration with a number of universities

over the last five years.

TSKB carried out a number of events in different universities with the participation of the Bank's senior executives in a bid to communicate with the managers of the future and to inform the younger generations of the bank's contributions to the Turkish economy and its efforts in the area of sustainable banking. In this context, the Bank held case presentations and conversations, accepted participants to the TSKB Sustainability Workshop and either sponsored various university clubs or events, or attended as a speaker.

A sustainability literacy program for university students: The TSKB Sustainability Workshop

Since 2012, TSKB Sustainability Workshop is held every year focusing on three main topics: Quantification, a multidimensional point of view and teamwork.

The workshops are held once a year focus on three main topics. One of these topics is to quantify. The second topic is to adopt an approach that requires short-, mid- and long-term matters to be taken into account while working in more than one research or development area; i.e. to analyze events with a multi-scale point of view. The third topic is to “make and achieve together” as a common target of all workshops.

Two workshops were held in TSKB’s Garden of Eden facilities with the participation of 80 university students from three different universities in Istanbul, 24 important representatives of various sectors, 6 academics, key note speakers from Ministry and international financial institutions and TSKB representatives.

In the workshops, the sustainability concept is evaluated through case studies written by TSKB in parallel with today’s approach that collects, processes and analyzes data, and bases its decisions on the results of this process.

Sharing of Expertise

TSKB shares its expertise on subjects such as corporate loans, sustainable banking, project finance and energy efficiency by supporting various events as a sponsor, coordinator or speaker. These efforts are particularly important in helping TSKB reach a wide range of stakeholders and to share its experience in the area of sustainability.

Continous support for culture

Also considering Turkey’s development in art and culture as one of the primary elements of sustainable development, TSKB is one of the regular sponsors of the IKSIV Istanbul Music Festival held every year since 1991.

Social Media

In scope of its CSR Project, TSKB is using the social media actively . On cevreciyiz.com’s social media platforms such as Facebook, Twitter and Instagram, information on the global and Turkish sustainability agenda is shared regularly.

As of November 2014, cevreciyiz.com’s social media followers reached to 15.000.

TSKB’s voluntary memberships within the scope of sustainable banking



UNEP FI - United Nations Environmental Program



UN Global Compact
Board Member of GC Local Network



IIF - Institute of International Finance



ADFIMI - Association of National Development Finance
Institutions in Member Countries of the Islamic Development
Bank,



TÜSİAD (Turkish Industrialists’ and Businessmen’s
Association) Environment Group



TBB (The Banks Association of Turkey)
Head of Sustainability Workgroup



GRI - Global Reporting Initiative



Long Term Investors Club



International Development Finance Club

3. ANTI-CORRUPTION

In global money and capital markets, banks and other financial institutions may unconsciously act as intermediaries for the proceeds of crime by transferring or accepting these amounts as deposit. In order to prevent this situation new standards have been introduced against money laundering all around the world to improve the combat strength through cooperation. Also, rigid control and regulatory mechanisms are implemented by governments.

Laundering offence has been firstly identified as “money laundering offence” which was put into force in 1996 and “Prevention of Laundering Proceeds of Crime” law in 2006 in Turkish legal system. MASAK (Financial Crimes Investigation Board) has been carrying out its studies since 1997 in accordance with the related laws that draw the general framework of combating money laundering and preventing financing of terrorism.

In order to prevent laundering proceeds of crime via means of banking system, mandatory Compliance Program is introduced in Turkey.

TSKB has fully adopted the compliance regulations to prevent Laundering Proceeds of Crime and Financing of Terrorism and thereby has implemented necessary control alarms and other mechanisms in its business processes.

TSKB's Internal Control Centre is responsible for monitoring the daily internal control activities. The efficiency and proficiency of the Compliance Program are inspected and short comings are reported to the Board of Directors. Also, client transactions are reported on a daily, monthly and quarterly basis.