Being aware that TSKB operates in the triple context of the Turkish economy, society and its environment, it was the entity which had the first green SRI bond issuance in 2016 which attracted a huge demand from international markets: TSKB is a part of the Borsa Istanbul’s Sustainability Index and joined the FTSE for Good Emerging Markets Index which was another step by the company in its commitment to creating value long term in a sustainable manner for the benefit of all of its stakeholders.

By 1990 TSKB was integrating environmental factors into their appraisal process for the financing of projects. In 2000 it was the first bank in Turkey to grant a loan linked to industrial pollution abatement. It also became the first Turkish company to measure and erase its carbon footprint and obtained an ISO 14001 certificate in environmental management systems. It went further in 2011 when it became an important partner in the wind energy sector and was recognised as a major investor in Turkey in clean technology and new energy.

TSKB has also taken account of the United Nations Sustainable Development Goals and in funding projects TSKB does not look at them merely as financial transactions but as a contribution to the country’s development and global sustainability.

While TSKB states in its integrated report that it creates value for all its stakeholders through its operations and its integrated approach to doing business, the veracity of these statements can be gleaned from reading the report and looking at the company’s journey in adopting integrated thinking in the development of its strategy, short, medium and long term.

Since 2009 TSBK has been quoted in the Borsa Istanbul Corporate Governance Index as being among the companies with one of the highest corporate governance ratings in Turkey.

TSKB has built a communication platform for each of its stakeholder groups and attaches great importance to an ongoing engagement with its stakeholders. Learning of the needs, interests and expectations of its stakeholders, management has become better informed in developing strategy and reports to the board on its ongoing relationships with its stakeholders. This has helped the board to have an informed oversight over management’s proposals.

In its integrated report TSKB deals with each of the six capitals separately. In regard to financial capital TSKB includes the products and services the bank provides to its customers through its funds as well as the added value it creates by its corporate culture of stakeholder inclusivity. In dealing with human capital it is acknowledged that the skills of its employees is a critical aspect in its business model. TSKB distinguishes the levels of education and expertise among its employees to ensure that the bank assumes a leading role in a diverse range of financial products. TSBK also has training programme workshops for its employees.

The way in which TSBK deals with natural capital is exhibited with its sustainable banking concepts started in the year 2000 - thus the bank has incorporated renewable energy issues in funding projects and which make a positive contribution to the Turkish society and environment.

In dealing with intellectual capital the board has reported how it stands by those who produce the future in terms of “producing without consuming the future”. It has a range of technical expertise in its business model to meet the priorities for the country.

In regard to manufactured capital TSBK considers the internal needs and dynamics of the organisation as well as its customers and consistently updates its IT infrastructure. TSBK is committed to continue to ensure all work processes are run in a safe, fast and high quality manner by the realisation of the most up to date applications in work continuity and data security, web infrastructure and mobile communication areas.

In dealing with natural capital, I have already referred to its platforms for communication with its stakeholders but the way it deals with social capital is reflected in its drive to be the best bank in Turkey’s sustainable development.

In dealing with future outlook, the report deals with targets in banking, in financial projects, social issues and environmental factors. All of these outlooks are consistent with an integrated thinking approach in regard to its business model.

From what is set out above it will be seen that TSBK has been mindful in drafting its first integrated report of the general principles and the content elements of the IIRC’s Framework. But as acknowledged in the report it is on a journey in this regard, as are many companies around the world. Having started it can only improve the quality of its integrated report in the future.

It is clear, however, that the collective mind of TSBK’s board has spent time understanding its financial and non-financial information and has, in clear, concise and understandable language written an integrated report which can be understood by all its stakeholders. It certainly will enable stakeholders to be more informed in regard to evaluating how TSBK makes its money and, in doing so, how it affects the Turkish economy, society and the environment. This will lead long term to TSBK being able to raise capital more cheaply because the providers of capital are better informed and will be able to attract the cream of the crop of the net generation to its business because it is clear that it has moved away from carrying on business as usual in adopting a valuation creation process in a sustainable manner.
An integrated report is a new generation reporting approach in which an organization informs its stakeholders over the capitals and relations it has created and effected.

Integrated reporting is based on integrated thinking and integrated way of doing business.

STARTING FROM 2017, TÜRKİYE SINAI KALKINMA BANKASI (TSKB) AIMS TO ESTABLISH a more efficient communication with its stakeholders through the integrated report* which incorporates both financial and non-financial information.

TSKB targeting to create long-term value for its customers, investors, business partners, employees as well as the society since its foundation has internalized integrated thinking and made it an integral part of its modus operandi.

As this is the first integrated report of the institution special attention has been made to share the Bank’s entire development process, value creation and key milestones since its establishment.

The decision and process to issue an integrated report have been carried out through a participatory and interactive approach involving all stakeholders including the Bank’s senior management and employees. Under TSKB’s sustainable banking approach integrated reporting is an ever-developing process. To this end, at TSKB, we believe comments and opinions from stakeholders will prosper the organization, will help shape the corporate strategy and contribute to the high-quality value creation process.

Detailed financial tables and the audit report for 2016 can be accessed from the TSKB Annual Report.

* TSKB Integrated Report has been published on March 9, 2017.
MODERATE GLOBAL GROWTH CONTINUES

In its World Economic Outlook update published in January 2017, the IMF revised its global growth projection for 2016 from 3.2% to 3.1%. This update reflects the economic uncertainties led by the Brexit referendum, which was held in mid-2016 and paved the way for a UK farewell to the European Union and the impact of an unsatisfactory growth in the U.S. economy. Additionally, a serious differentiation was observed in the performance of developing countries in 2016. China struggled with continued slowdown and India recorded a robust growth while Brazil and Russia made progress to recover from recession.

CHANGING TRENDS IN FINANCIAL MARKETS

Markets survived the impact of the Brexit referendum only through short-term fluctuations thanks to the help of post-referendum monetary policies. However, the increase in interest rates before the interest rate hike by the Fed in December, the price surge in metals after the U.S. elections and the build-up in inflation expectations all seem to lead to the start of a “strong dollar and high interest rate” period.

U.S. Dollar Index (DXY) is an index of the value of the United States Dollar relative to a basket of six foreign currencies. It exceeded 103 before the Fed’s interest rate increase on 14 December and completed 2016 at 102.2 with an increase of 3.6%.
Interest rates in the U.S. recorded an upward trend under the influence of an expected increase in inflation. The ten-year U.S. Treasury bond rate started the year at 2.27% and ended at 2.44%.

The Fed which was expected to increase interest rates twice at the beginning of the year postponed them due to the Brexit referendum that caused political uncertainties and the U.S. elections before raising the interest rate for the first time in December 2016 to take policy rates from 0.25-0.50% range to 0.50-0.75% range.

A STRONG U.S. DOLLAR DEVALUED THE CURRENCIES OF DEVELOPING COUNTRIES
Capital inflows to emerging markets continued until November despite variations between countries and currencies displayed a stable trend. The Fed’s failure to raise the rate at the beginning of the year brought along a sustained attractiveness for investments in developing countries. The uncertainties emerging after the U.S. elections in November led to a negative differentiation of developing countries from developed countries. IIF data shows that the capital inflows to emerging markets stood at around USD 58 billion between January and October while a capital outflow of USD 27 billion in November and USD 3 billion in December was recorded.

Despite the negative developments, globally stock exchanges closed 2016 positively. Venezuelan and Egyptian exchanges were the two exchanges with the highest yield, 117% and 76% respectively. Meanwhile, the Chinese stock exchange could not escape falling by 12% due to the country’s efforts to follow policies to reinvoke domestic demand while applying a controlled slowdown in growth rate as well as capital controls against foreign investors. The stock exchanges of developing countries rose by 9% on average and the U.S. S&P rose by 10% while the European exchanges fell by about 3%.

Change in USD rate (2016)

<table>
<thead>
<tr>
<th>Country</th>
<th>Year Beginning - Oct. 31</th>
<th>Year Ending - Dec. 31</th>
</tr>
</thead>
<tbody>
<tr>
<td>Argentina</td>
<td>17.5%</td>
<td>4.6%</td>
</tr>
<tr>
<td>Brazil</td>
<td>-19.2%</td>
<td>-0.1%</td>
</tr>
<tr>
<td>China</td>
<td>6.0%</td>
<td>2.2%</td>
</tr>
<tr>
<td>Czech Republic</td>
<td>-5.2%</td>
<td>4.4%</td>
</tr>
<tr>
<td>Hungary</td>
<td>-3.3%</td>
<td>4.5%</td>
</tr>
<tr>
<td>India</td>
<td>0.8%</td>
<td>1.9%</td>
</tr>
<tr>
<td>Indonesia</td>
<td>-5.4%</td>
<td>3.3%</td>
</tr>
<tr>
<td>Israel</td>
<td>-5.3%</td>
<td>0.3%</td>
</tr>
<tr>
<td>South Korea</td>
<td>-0.3%</td>
<td>5.9%</td>
</tr>
<tr>
<td>Mexico</td>
<td>9.8%</td>
<td>2.2%</td>
</tr>
<tr>
<td>Poland</td>
<td>-0.1%</td>
<td>6.7%</td>
</tr>
<tr>
<td>Russia</td>
<td>-13.4%</td>
<td>3.0%</td>
</tr>
<tr>
<td>South Africa</td>
<td>-12.8%</td>
<td>1.8%</td>
</tr>
<tr>
<td>Taiwan</td>
<td>-3.9%</td>
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</tr>
<tr>
<td>Thailand</td>
<td>-2.8%</td>
<td>2.4%</td>
</tr>
<tr>
<td>Turkey</td>
<td>6.2%</td>
<td>11.8%</td>
</tr>
</tbody>
</table>

SOURCE: Reuters

OIL PRODUCTION CUT LED TO A PRICE INCREASE
Oil has been a key factor in markets in 2016. Starting the year with a decline to USD 27, the lowest in the last 12 years, the Brent Crude surged from this level to USD 52 by June. This was under the impact of an expected postponement of the Fed’s rate hike and the shrinking production led by low prices. Following a fall in prices again, OPEC and non-OPEC producers drafted a production cut plan at an unofficial meeting at the end of September. This plan was finalized during the official meeting on 30 November. OPEC countries agreed to cut down total production by a daily 1.2 million barrels to 32.5 million barrels as of January 2017 (a decision supported by non-OPEC producers). Influenced by such developments, the oil price stood at USD 56 at 2016 year-end with an increase of 50%.

THE EUROPEAN CENTRAL BANK EXTENDED ITS BOND PURCHASE PROGRAM
In the Eurozone, annual inflation rate went down to minuses in May 2016 after the European Central Bank extended its bond purchase program in December 2015. However, the annual inflation rate stood at 1.1% at the year-end due to the rise in oil prices. Unemployment rate displayed a downward trend throughout the year to go down to 9.8% while the annual growth rate was 1.8%. As a result, EUR to USD exchange rate which started the year 2016 at 1.08 completed the year at 1.05.
LEADING INDICATORS ON THE TURKISH ECONOMY POINT OUT TO A RECOVERY IN THE LAST QUARTER OF THE YEAR

In the third quarter of 2016, Turkish economy contracted by 1.8%, resulting in a growth rate of 2.2% in the first three quarters. In terms of expenditure, the reasons for the shrinkage in the third quarter are the 3.2% shrinkage in household consumption and the increasing negative contribution from foreign demand. On production side, the recession in exports in the third quarter led to a 7.7% decrease in agricultural production and the recession in tourism and transportation caused an 8.4% decline in services while industrial production that has a significant weight in the size of Turkish economy stood at TL 2.5 trillion (USD 850 billion).

GDP growth data for previous periods have been revised due to changes in calculation methodology and change of the base year by TUİK. Consequently 2013 growth rate had been revised from 4% to 3% in October to 4.6% in November 2016. In December, automotive production increased by 24% and white goods production rose by 14%, both proof that industrial production may grow strongly. In the last two years, foreign trade deficit followed a downward trend under the impact of low commodity and oil prices but the developments in global markets in 2016 signalled the end of this two-year period. The surge in oil price from USD 27 to USD 143 billion with a rise of 9%. Simplification steps by the Central Bank, and the 6.5%, the target in the Medium-Term Plan (MTP). The reasons behind a high inflation rate were the tax adjustments in automotive and fuel products as well as alcoholic beverages and tobacco products as opposed to the declining food prices and the negative impact of the increase in exchange rate left over from 2015. Annual inflation rates of 8.53% above both the 7.5% the projection of the Central Bank, and the 6.5%, the target in the Medium-Term Plan (MTP). The reasons behind a high inflation rate were the tax adjustments in automotive and fuel products as well as alcoholic beverages and tobacco products as opposed to the declining food prices and the negative impact of the increase in exchange rate left over from 2015. Annual inflation rates of 8.53% above both the 7.5% the projection of the Central Bank, and the 6.5%, the target in the Medium-Term Plan (MTP). The reasons behind a high inflation rate were the tax adjustments in automotive and fuel products as well as alcoholic beverages and tobacco products as opposed to the declining food prices and the negative impact of the increase in exchange rate left over from 2015. Annual inflation rates of 8.53% above both the 7.5% the projection of the Central Bank, and the 6.5%, the target in the Medium-Term Plan (MTP). The reasons behind a high inflation rate were the tax adjustments in automotive and fuel products as well as alcoholic beverages and tobacco products as opposed to the declining food prices and the negative impact of the increase in exchange rate left over from 2015. Annual inflation rates of 8.53% above both the 7.5% the projection of the Central Bank, and the 6.5%, the target in the Medium-Term Plan (MTP). The reasons behind a high inflation rate were the tax adjustments in automotive and fuel products as well as alcoholic beverages and tobacco products as opposed to the declining food prices and the negative impact of the increase in exchange rate left over from 2015. Annual inflation rates of 8.53% above both the 7.5% the projection of the Central Bank, and the 6.5%, the target in the Medium-Term Plan (MTP). The reasons behind a high inflation rate were the tax adjustments in automotive and fuel products as well as alcoholic beverages and tobacco products as opposed to the declining food prices and the negative impact of the increase in exchange rate left over from 2015. Annual inflation rates of 8.53% above both the 7.5% the projection of the Central Bank, and the 6.5%, the target in the Medium-Term Plan (MTP). The reasons behind a high inflation rate were the tax adjustments in automotive and fuel products as well as alcoholic beverages and tobacco products as opposed to the declining food prices and the negative impact of the increase in exchange rate left over from 2015. Annual inflation rates of 8.53% above both the 7.5% the projection of the Central Bank, and the 6.5%, the target in the Medium-Term Plan (MTP). The reasons behind a high inflation rate were the tax adjustments in automotive and fuel products as well as alcoholic beverages and tobacco products as opposed to the declining food prices and the negative impact of the increase in exchange rate left over from 2015. Annual inflation rates of 8.53% above both the 7.5% the projection of the Central Bank, and the 6.5%, the target in the Medium-Term Plan (MTP). The reasons behind a high inflation rate were the tax adjustments in automotive and fuel products as well as alcoholic beverages and tobacco products as opposed to the declining food prices and the negative impact of the increase in exchange rate left over from 2015. Annual inflation rates of 8.53% above both the 7.5% the projection of the Central Bank, and the 6.5%, the target in the Medium-Term Plan (MTP). The reasons behind a high inflation rate were the tax adjustments in automotive and fuel products as well as alcoholic beverages and tobacco products as opposed to the declining food prices and the negative impact of the increase in exchange rate left over from 2015. Annual inflation rates of 8.53% above both the 7.5% the projection of the Central Bank, and the 6.5%...
The total number of banks as of 2016 year-end in the Turkish banking sector stood at 52. In 2016, the assets of the sector grew 14% on a USD basis. Loan growth adjusted one fourth of all loans, personal loans grew 17% while foreign currency loans increased by 4.8% on a USD basis in the first six months of the year, a decrease of 5.8% starting from July led to a decline of 1.5% on annual basis. In 2016, foreign loans secured from abroad decreased by 4.8% and a net recession was observed in total liabilities in the banking sector and rose by 9% in 2016 after a 17% increase in 2015.

Deposits constituted half of all assets and rose by 9% in 2016 after a 17% increase in 2015. In 2016, TL loans grew by 12% while foreign currency loans increased by 6% on a USD basis. Loan growth adjusted for currency impact stood at 12% in 2015 and rose by 10% in 2016. Making up about one fourth of all loans, personal loans grew by 9% in 2016. SME loans, on the other hand, also constituted for one fourth of all loans and rose by 9% in 2016 after a 17% increase in 2015.

The sector used new resources essentially to finance the loan growth and the increase in securities portfolio remained at 1.2%. The asset quality in the sector deteriorated at a similar rate to 2015. An increase of 22% was observed in non-performing loans (NPL) and the percentage of NPLs in the sector rose to 3.21%. The reserve ratio for problematic loans of the sector is maintained a high level of 77.4%.

The sector is expected to attain a 14-15% growth in nominal loans and deposits. It is anticipated that loan growth will be driven by corporate loans in TL. It is projected that the net profit increase in the sector will be 5% and return on equity will move horizontally at around 13%.

**Central Bank Interest Rates**

**Net Interest Margin (Last 12 Months)**

**Return on Equity (Last 12 Months)**

**Profitability in the sector recovered in 2016 and return on equity rose from 10.7% at 2015 year-end to over 13%. Reduction in commercial losses and in losses due to exchange rate, coupled with the decline of growth in operating expenses down to 5%, led to an increase in profitability. Furthermore, the cost-to-income ratio fell from 46% to 40% at 2016 year-end thanks to the measures the banks took to increase productivity, supporting the profitability increase.**

**Capital adequacy ratio in the sector remained the same on an annual basis with 15.6% at 2016 year-end. Core capital adequacy ratio fell by 4 basis points annually and stood at 13.2%.**
Chairman’s Message

Esteemed Stakeholders,

Global economic indicators presented a weak and vulnerable growth outlook in 2016 similar to the four preceding years but took a rather positive turn towards the end of the year. The relative momentum the U.S. economy gained specifically in the third quarter and the increased optimism towards developing economies lead to positive expectations for 2017.

On domestic front, the fiscal discipline that is maintained and the budget deficit which was curbed to hover slightly over 1% in 2016, indicate an improved outlook ahead. Moreover, specific incentives and measures introduced by the authorities to support consumption and investment expenditures towards the end of the year, points out to an increase in the economic activity in 2017 and a growth of 3-3.5% in Turkish economy.

TSKB had another successful year in 2016. Since 1950 when it was founded, the Bank has always acted on an awareness and responsibility for supporting Turkey’s growth irrespective of the circumstances of the day.

**WE ARE AWARE OF OUR RESPONSIBILITIES**

Despite challenging domestic and international circumstances, TSBK had another successful set of results in 2016 thanks to the dynamic and proactive policies it pursued. Since 1950 when it was founded, TSBK has always acted on an awareness and responsibility for supporting Turkey’s growth irrespective of the circumstances of the day. We consider it a fundamental priority to assume strategic roles with respect to satisfying the long-term funding requirements of many companies from various industries and offer sustainable added value in Turkey’s development journey as it has been the case so far.

The first Green/SRI Bond issuance in our country in 2016 is one of these many firsts that we have affixed our signature to. This issuance attracted significant demand from international markets, and the funds generated through the issuance were used as additional financing for both green projects and investments with social benefits. We also received various awards from reputed international platforms for this bond issuance. TSBK is a part of BIST Sustainability Index and also succeeded in joining the FTSE4Good Emerging Markets Index in December, yet another major step in line with our commitment to create long-term value for all stakeholders.

**WE WILL MAINTAIN OUR BUSINESS WITH DETERMINED APPROACH**

Our economy is resisting against the abominable coup attempt, terrorism and geopolitical risks in the region thanks to its strong macroeconomic foundations and resilient banking system.

Turkish banks maintained their robust performance despite rising risks and volatility in international markets in 2016 and extended an uninterrupted support to economy. Syndicated loans were renewed during the year and this emerged as an indicator of the international confidence in the Turkish banking industry. Furthermore, the European Commission has resolved that the regulatory and supervisory framework of our banking sector is in harmony with the European Union legislation, a highly positive development offering Turkish banks the prospective opportunity to access funds and enjoy cost advantage.

Our history and our faith in Turkey adds to our potential. We will continue to deliver solid performance results in line with our goals, as we did in 2016, while assuming key roles in Turkey’s development thanks to our robust assets and resilient capital structure. At a time when development and investment banking have gained increased importance, we will exponentially improve the contribution we make to the country’s economy.

Availing myself of this opportunity, I would specifically like to thank my colleagues as well as our distinguished customers, shareholders and all other stakeholders for supporting and confiding in us.

Sincerely,

ADNAN BALİ
CHAIRMAN OF THE BOARD
Esteemed Shareholders,

Customers,

Business Partners,

Valuable Members of the TSKB Family,

In 2016, the economic outlook was marked by uncertainties and limited growth all around the world while our country survived a challenging period due to conflicts in the Middle East and the increasing number of terrorist attacks. The largest test for our state and our people during the year has been the treacherous coup attempt of July 15, which directly targeted our democracy.

As of December 31, 2016, total assets of our Bank expanded by 15.8% annually to TL 24 billion. Throughout the year, TSKB’s support to real economy via cash and non-cash loans has been around USD 2.1 billion. While foreign funds secured from international markets reached TL 19.3 billion at a time when variable market conditions and weak investment appetite dominate, our loan growth in TL was over the industry average at 24.7% while it undershot our target on fx-adjusted basis, with 8.2%. Cash loans reached TL 17.3 billion with a balance sheet share of 72%. The share of SME loans within the total loan portfolio was 18%. Our successful loan assessment processes and risk-sensitive loan portfolio management approach enabled us to limit our non-performing loan ratio to 0.3%, way below the industry average.

In 2016, our shareholders equity rose by 17.7% to reach TL 3 billion. Thanks to our efficiency focused efforts, our Bank delivered an average annual return on equity of 17.6% and an average annual return on assets of 2.1%, while the net profit posted was TRY 476 million with 17.1% pick up on a year-on-year basis.

As TSKB, we believe we are going through a period when all individuals and organizations must act in an unprecedented spirit of solidarity, understand each other better and assume relevant responsibilities for the economic development of our country.

As a bank that has adopted the mission to support Turkey’s development since 1950, we take this belief as the basis for continuing to fulfill our responsibilities today as it has been the case so far.

Having left a challenging year behind, the financial results we delivered are significant in displaying not only the strengthened position and reputation of our Bank but also the other from the International Financing Review (IFR) and thus crowned our sustainability efforts aiming to create economic and social added value.

In 2016, our shareholders equity rose by 17.7% to reach TL 3 billion. Thanks to our efficiency focused efforts, our Bank delivered an average annual return on equity of 17.6% and an average annual return on assets of 2.1%, while the net profit posted was TRY 476 million with 17.1% pick up on a year-on-year basis.

SUSTAINABILITY IS AT THE CORE OF ALL TSKB STRATEGIES

Sustainability emerges as the key concept at a time when technology develops so rapidly and industrialization increases at a similar pace. As one of the organizations adopting the concept of sustainability at a very early stage in our country, TSKB uses its experience and expertise in sustainability to create value for all its stakeholders. Sustainability loans attained a weight of 57% within the total loan portfolio of TSKB. We support the reduction of current accounts deficit through an installed capacity of 5,332 MW in renewable energy projects which we have funded, the acceleration of transition to a low-carbon economy through the prevention of a 13-million-ton carbon emission on an annual basis, and the production of the real sector with a higher performance through energy, water and resource efficiency investments.

In 2016, we had success in turning our efforts to improve the added value we provide in sustainability work into positive business results. In May, we issued the “Green/SRI Bond” on international markets and emerged as the first Turkish bank to do so. Moreover, we extended a total fund of USD 300 million to investments offering a solution to climate change as well as a social benefit. This bond issuance attracted a demand of 44% from the UK, 39% from Continental Europe, 9% from U.S. off-shore funds and 8% from Asia and the Middle East, indicating a high level of recognition and reputation for our Bank on a vast geography.

The issuance received two different awards in 2016, one from GlobalCapital and the other from the International Financing Review (IFR).
In 2016, TSKB continued to diversify its international funding sources. Despite uncertain market conditions in 2016, our Bank signed 6 new funding agreements with development finance institutions to strengthen its funding base.

A loan agreement amounting to EUR 100 million was signed with the European Investment Bank (EIB) to finance investments by SMEs and midcaps around Turkey and meet their working capital needs.

In addition, a loan worth EUR 150 million was secured from the German Development Bank (KfW) to fund renewable energy and energy efficiency projects. Within the scope of energy and environmental projects, another loan agreement amounting to Euro 100 million was signed with EIB.

In the last quarter of the year, we signed an agreement with the World Bank (IBRD) for a loan of USD 150 million to finance geothermal energy investments of private sector companies around Turkey, a proud development for us emerging as yet another attempt to facilitate our country's transition to a low-carbon economy and reduce its foreign dependency in energy.

With two recent themed funds, each worth EUR 100 million, we secured from the French Development Agency (AFD) and the Council of Europe Development Bank (CEB), total amount of themed funds that is secured from development finance institutions in 2016 reached USD 733 million. Therefore, the total foreign currency funds that we obtained from international markets as well as our green/SRI bond issuance and syndicated loan that was rolled over with 107% mounted to USD 1.3 billion.

We are proud of supporting women's employment. At TSKB, we believe the social role and living conditions of women are key for providing hints on the level of development in countries. We are also aware that our country will take yet another step forward towards its qualified development goal thanks to each economically-empowered woman joining the workforce.

To this end, we obtained a loan of EUR 100 million from the French Development Agency (AFD) to finance investments in occupational health and safety in Turkey in addition to the investments by firms that observe gender equality in working environment and support women’s employment. The mentioned fund is a key development as it offers a solution to issues in Turkey regarding access to funds in this area.

I would like to emphasize that, as a bank with a female employee rate of 55%, we will be taking significant steps to raise awareness on women’s participation in real economy.

Building the future today. Our financial indicators point out to one of the most successful periods in TSKB's history for supporting development. This burdens us with the responsibility to further improve and carry forward our identity as a competitive bank that produces knowledge for the development of the country.

On this note, we consider the “Geleceğe Baktı” (Future Vision) program launched in 2016, included our affiliates and has attracted an active participation by the “Great TSKB Family,” to be a historical milestone for tomorrow’s successful TSKB.

Under the program, we cover and handle a myriad of subjects including but not limited to our products and services and our way of doing business. We also work to further improve the added value we create in all fields through common sense and plan the next 5 to 10 years.

TSKB will continue working for the future of a strong Turkey. As we leave behind a challenging year, I would like to remind that all of us have important roles and responsibilities in 2017. Last year, we observed good practices reflecting the continued awareness on a “common cause” and this confirms our faith in Turkey’s future.

As I conclude my remarks, I would like to offer my heartfelt thanks to the great TSKB family for their dedication and for enabling our Bank to have a successful finish in 2016, and to our shareholders, customers and business partners for confiding in and supporting us.

Sincerely,

SUAT İNCE
CEO BOARD MEMBER
TSKB was established in 1950 in Istanbul as Turkey’s first private development and investment bank with the support of the World Bank and the Central Bank of the Republic of Turkey and the shareholding of commercial banks. The Bank operates in three main fields, namely Corporate Banking, Investment Banking and Consulting Services. TSKB has its headquarters in Istanbul with two branches in Ankara and Izmir.

Extending medium and long-term loans for financing investment projects, TSKB’s loans have a concentration on production and services sectors. TSKB not only extends direct loans to finance the investments of private sector organizations but also supports SMEs and exporters with indirect loans through leasing companies, commercial banks and participation banks within the scope of wholesale banking (APEX banking). TSKB does not collect deposits and meets its need for medium and long term funds through the funds it obtains from national, regional and supranational financial institutions and bond issues.

Mission
For Turkey’s sustainable development: Supply entrepreneurs with medium- and long-term financing, brokerage and advisory support, Play a continuous role in the development of capital markets in Turkey, Create increasingly more added value for our shareholders, customers, employees, and all other stakeholders.

Vision
To be the pioneering bank in Turkey’s sustainable development.

TSKB in Numbers
› TL 24 billion asset size
› 19th bank in terms of asset size
› A family of 567 with its subsidiaries

MAIN SUBSIDIARIES
Yatırım Finansman Securities
TSKB Real Estate Appraisal
TSKB Real Estate Investment Trust
TSKB Sustainability Consultancy (Escarus)
European Investment Fund (EIF)

TSKB at a Glance

RATINGS

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<tr>
<th>Agency</th>
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TSKB’s SHAREHOLDING STRUCTURE

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<td>İşbank</td>
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<td>Vakıfbank</td>
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<td>Free Float and Other</td>
<td>40.97%</td>
</tr>
</tbody>
</table>

TSKB: The first development and investment bank pathing the way for the investments of the Turkish Private Sector

PIONEERING ROLE IN MULTIPLE AREAS OF THE TURKISH BANKING SECTOR
› First development bank of Turkey
› First equity participation of International Financial Corporation in Turkey
› First issuance of private sector bonds
› First issuance of bonds outside Turkey in Turkish Economic history
› First bank in Turkey to have its accounts voluntarily audited by an independent audit company
› First bank in Turkey to integrate environmental due-diligence in the credit appraisal process
› First bank in Turkey to get ISO 14001 Certificate
› First bank in Turkey to set-up an Environmental Management System
› First carbon-neutral bank of Turkey
› First bank to issue a Green/Sustainable Bond in Turkey
The Role of TSKB in the Development Path of the Turkish Economy
TSKB which was set-up with the mission of supporting the industrialization, development of Turkey and increasing the well-being of the society has focused on it since its foundation. It is therefore inevitable that the history of TSKB goes hand in hand with that of the Turkish economy. The Bank which has made contributions to almost each milestone of the Turkish economy continues its activities while continuously changing and adapting to developments and changes. TSKB aims to continue its activities as the pioneering bank in the sustainable development of the country.

Firsts and Pioneering in the 50s

- Extension of project-based medium to long term loans to the private sector
- Technical consultancy to project sponsors
- First bank to acquaint the private entrepreneurs with feasibility studies
- First studies and initiatives for the establishment of capital markets
- First institution to extend the much-needed foreign currency-denominated loans for imports of capital goods during times of extreme foreign exchange scarcity

The resources supplied by TSKB in these years when the private sector initiatives were in the formation stage has helped the private sector to become an important player in industrial production. TSKB has, in this period, helped the creation of new and additional capacity, in various sectors including durable and non-durable consumer goods.

TSKB has played an effective role in the Turkish economy in the 1950-1960 period which was characterized by scarcity of foreign exchange. TSKB which was the sole supplier of foreign exchange loans in this period has also played an important and special role in distribution of funds in the post-World War II era provided by various initiatives. The distribution of these scarce funds with objective and set criteria by TSKB has put the bank in a position of a trusted and prestigious institution in the minds of the entrepreneurs.

In this period TSKB carried out an effective equity participation strategy and took stakes in investments of various corporates which, in due course of the time became Turkey’s largest industrial enterprises.

In these years, almost all the industrial corporates which were at the establishment stage received their first long term investment loans from TSKB.
Firsts and Pioneering in the 60s

- First Voluntary Auditing of Accounts
- First Initial Public Offering of Shares
- First Locally Produced Bus, First Automobile Tire, First LPG Tank, First High Voltage Cables, Batteries, Soft Soda, Toilet Paper, Pencils, Records, Support to the Filming Industry
- First Underwriting of Corporate Bonds
- Support to the Filming Industry
- Firsts and Pioneering

1960–1970

IN THE 1960S TSKB CARRIED OUT VARIOUS IMPORTANT AND NEW INITIATIVES IN THE CAPITAL MARKETS through undertaking initial public offering of companies from its securities portfolio and issuance, guarantee and underwriting of corporate bonds. TSKB was the first Turkish bank to have its financial statements audited by an international and independent auditing company on a voluntary basis thus paving the way for transparency and accountability in capital markets.

In an era where a shortage of qualified personnel was prevailing TSKB, under no legal obligation and on a voluntary basis, aided the formation of the State Planning Office (SPO) in 1960’s and helped with the preparation of the First Five Year Development Plan. TSKB while playing an active role in the establishment of SPO also provided the SPO’S first Undersecretary. A financial analyst at TSKB Mr. Osman Nuri Torun became SPO’s first Undersecretary. Three economists working at TSKB’s Economic Research Department were seconded to SPO and made significant contributions to the preparation of the First Five Year Development Plan during its preparation stage in 1962.

TSKB strengthened by becoming the first equity participation of IFC- a World Bank Group company- in Turkey, assumed a critical role in the industrialization process of the period. As private sector investments increased in sectors such as automotive, processed food, consumer durables, and construction materials TSKB provided much needed investment finance to the leading corporates. In the period TSKB provided finance to private sector fixed asset investments which in turn led to production of first Turkish buses, automobiles, automobile tires, LPG tanks, high voltage cables, batteries, cardboard, plastics and acrylic fibres.

In the 1960’s TSKB extended its scope of activities to the capital markets through shares and bonds. TSKB started to sell the shares of its equity participations and thus made significant contributions to the creation and development of capital markets. In this period TSKB also established “Principles for Intermediation in Bond Issuances” in April 1968 and realized the first private sector bond issuance in the same year.

TSKB set up a pension fund for its staff in 1965. As of this date TSKB’s staff and retirees continued to get additional social security services from the pension fund.

Firsts and Pioneering in the 70s

- First Equity Participation of IFC in Turkey
- Firsts and Pioneering

1970–1980

IN THE 1970S, AS A DEVELOPMENT BANK, TSKB IN LINE WITH THE PREVAILING OF POLICIES of the government of the time and initiatives of the World Bank in supporting private sector involvement and setting-up of companies with many shareholders in less developed regions, supported private sector initiatives in these regions. The Bank developed policies to support investments and industrial development in an equitable manner in all regions of the country. To this extent, the Bank provided a wide and value added range of services including technical assistance, project preparation and turn-key projects.

TSKB continued to sell shares from its equity portfolio in this period. A significant proportion of the companies whose shares were listed at the Istanbul Stock exchange which would begin its operations by 1980s, consisted of those whose shares were offered by TSKB to the market.

The Bank, in line with the policy of diversification of its funding sources, realized its first medium to long term bond issuance and secured funding from the European markets through midterm securitization loans in this period.
1980–1990

**Firsts and Pioneering in the 80s**

- **First Issuance of Long-Term Bonds in International Capital Markets (Japan)**
- **Preparation of Turkey’s First Ever Privatization Masterplan with an International Partner**
- **Establishment of a System of Foreign Exchange Risk Insurance for Foreign Exchange Denominated Loans (FERIS)**
- **Setting Up of the Treasury Department**
- **Conducting Producer Surveys in Various Sectors to Follow-up Sectoral Developments**
- **Acquisition of Export Finance Credits from European and Japanese Finance Corporations**
- **Provision of Consultancy Services to Textiles and Other Industries with International Consulting Companies**
- **Establishment of the Privatization Strategy for State-Owned Cement Factories**
- **First Initial Public Offering (IPO)**
- **Preparation of Turkey’s First Ever Issue of Long Term Bonds in International Capital Markets**
- **Conducting Producer Surveys in Various Sectors to Follow-up Sectoral Developments**
- **Acquisition of Export Finance Credits from European and Japanese Finance Corporations**
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- **First Initial Public Offering (IPO)**

**In the 1980s TSKB Strengthened its Relationship with European and Japanese Financial Institutions**

This era witnessed TSKB covering important ground in international relations and establishing its brand name in international markets. For the first time in Turkish economic history the Bank issued long term bonds in international capital markets. The signing ceremony for the Samurai Bonds issued in the Japanese markets with sovereign guarantee was held in Japan on May 20, 1985 with the presence of Mr. Turgut Özal – the prime minister of the time.

The textile consultancy participation of the Bank (Tekstil Danışmanlık Servisi A.Ş.) prepared the “Cotton and Wool Industries Committee Report” for the sixth Five Year Development Plan with “Boston Consulting” Company. In 1982 TSKB set up the consultancy department which would provide services to other sectors.

The Bank, teamed with a foreign partner, participated in the bid seeking consultancy services for Turkey’s first Privatization Masterplan. TSKB partnered with Morgan Guaranty Trust which was one of the leading companies in the World in the field of privatization and the bid was won. Consequently 26 state economic enterprises were examined in detail with a view for privatization. The Privatization Masterplan prepared by TSKB and Morgan Guaranty partnership paved the way for the enactment of the Privatization Law and the Establishment of Mass Housing Public Administration Partnership.

TSKB also provided consultancy services for the establishment of the privatization strategy and valuation of 11 Çelsoy cement factories and eventually realized the sale of the plants.

In the 1980’s, the Bank integrated environmental due diligence in its project appraisal process. The possible environmental impacts of the projects to be financed, mitigation and control of the impacts were incorporated to appraisal process. Thus, TSKB integrated environmental due diligence to its project appraisal process long before the establishment of environmental regulations in the country.

1990–2000

**Firsts and Pioneering in the 90s**

- **Signing of Long Term Foreign Currency and Interest Swap Agreements with International Banks**
- **Provision of Mid-term Turkish Lira Denominated Loans to the Industry with Variable Interest Rates**
- **Consultancy Services to the European Bank for Reconstruction and Development (EBRD) in Uzbekistan**
- **Management of the Risk Capital Fund Provided by the European Investment Bank (EIB)**
- **Voluntary Participation in ‘Risk Management Study’ Initiated by the World Bank**
- **First Bank in Turkey to Disburse a Loan with the Theme of Industrial Pollution Abatement**

**Awards**

- **Chosen as the Best Investment Bank in Turkey by Euromoney (1997, 1998, 1999)**
- **Granted the Highest Rating Note by Thomson BankWatch in the Category of Developing Countries/Banking (1998)**
- **Chosen as the Best Research House by Emerging Markets Investor Magazine (1997)**

**In this Period TSKB Supplemented its Development Banking Activities**

by increasing and strengthening its scope of activities in investment banking through products, services and partnerships. This period witnessed TSKB extending its scope of consultancy activities to Turkish republics. An agreement was signed with EBRD in 1993 for consultancy services in Uzbekistan. As a result, consultancy services were provided to National Bank of Uzbekistan (NBU) with a view for the extension of a loan to NBU by EBRD. Consultancy services were also provided to International Development Bank of Turkmenistan through Turkish Cooperation and Coordination Agency (TIKA).

TSKB also provided consultancy services to the Southeast Anatolia Project Agency on setting up a regional development agency and to the Privatization Administration agency on priorities and strategies for privatization of state owned enterprises.

In this period TSKB enriched its financial resources by designing long term derivative products realized through international banks. Majority of the funds secured from the European Investment Bank to finance SME’s in Turkey was disbursed by TSKB. The Bank also managed the “Risk Capital Fund” extended by the EIB and voluntarily participated in the “Risk Management Study” initiated by the World Bank.

Starting from 1993 TSKB acted as an intermediary in the “Fund Based Credit” scheme initiated by the state to promote fixed asset investments carried out by TSKB. TSKB also actively participated in the disbursement of funds aimed at abating the damages caused by the 1999 earthquake to the industry and services.

In the 1990s the Bank carried out several successful initial public offerings. The Bank taking a leading role in the establishment of “over the counter” bond and shares markets established the Corporate Finance Department in 1995. Consequently, the Bank played a leading role in the IPO market in the 1995-1998 period and became a major and leading player in this field. TSKB carried out Turkey’s first initial public offering with a firm underwriting in 1992 (Cimentaş). This methodology set up a precedent and was used by other intermediaries making a significant contribution to the development of the stock exchange.

In 1998 TSKB secured the Industrial Pollution Abatement loan from the European Investment Bank and became the first bank in Turkey to disburse a facility with the aim of reducing industrial pollution.
Firsts and Pioneering in the 2000s

- **FIRST LOANS WITH THE “ENVIRONMENT” THEME**
- **ACTIVE FINANCING SUPPORT TO RENEWABLE ENERGY SECTOR**
- **TURKEY’S FIRST REAL ESTATE APPRAISAL COMPANY TO BE LICENSED BY THE CAPITAL MARKETS BOARD**
- **CARRYING OUT THE ROLE OF SECRETARIAT IN THE ISTANBUL APPROACH**
- **FIRST BANK IN TURKEY TO SECURE A LOAN FROM FRENCH DEVELOPMENT AGENCY**
- **FIRST TURKISH ENTITY TO BECOME A SHAREHOLDER OF THE EUROPEAN INVESTMENT FUND (EIF)**
- **FOUNDATION OF TSKB REAL ESTATE APPRAISAL COMPANY AND TSKB REAL ESTATE INVESTMENT TRUST**
- **ESTABLISHMENT OF AN ENVIRONMENTAL MANAGEMENT SYSTEM AND OBTAINING ISO14001 CERTIFICATE IN ENVIRONMENTAL MANAGEMENT SYSTEMS**
- **FIRST TURKISH BANK TO MEASURE AND OFFSET ITS CARBON FOOTPRINT**
- **WWW.CEVRECIYIZ.COM - FIRST WEB PORTAL WITH THE THEME OF ENVIRONMENT AND SUSTAINABILITY**

As the concept of sustainability started to gain global importance, TSKB started to shape all its internal work processes within the framework of sustainability. To this extent TSKB was the first bank to set up an Environmental Management System fully in compliance with the ISO 14001 standards. In this period TSKB also started to initiate social responsibility projects aiming to create social awareness on environmental sustainability.

TSKB took a keen interest in loan facilities which had an “environmental theme” and started to closely follow the agenda on sustainability. To this extent, the Bank became a member of the United Nations Environmental Programme Finance Initiative (UNEP FI).

TSKB was chosen as the “Sustainable Bank of the Year in Eastern Europe” for three successive years in the event jointly organized by the International Finance (IFC) Corporation and the Financial Times.

TSKB was given the role of the secretariat, acting as a coordinator between the commercial banks and their clients, during the Istanbul Approach process, which constituted a fundamental step towards restructuring after the financial crisis of early 2000s. The entrustment of the role of the secretariat to TSKB is a clear sign of that the institution is portrayed as a neutral and competent coordinator in the minds of the public and private sector, commercial banks and their clients.

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#### 2010s

**Firsts and Pioneering in the 2010s**

- **SIGNING OF A CREDIT GUARANTEE**
- **PARTICIPATION IN TURKISH GROWTH QUOTATION AT THE SUSTAINABILITY INDEX**
- **ESTABLISHMENT OF TSKB SUSTAINABILITY**
- **FIRST AND ONLY MEMBER FROM TURKEY IN LAUNCH OF THE MOST COMPREHENSIVE FIRST TURKISH BANK TO RECEIVE ISO 14064 GREENHOUSE GAS VERIFICATION**
- **SIGNING OF UN GLOBAL COMPACT**

In the period TSKB continued the diversification of its funding sources. In 2014, for the first time in its history, the Bank realized a Eurobond issue in the amount of USD 350 million with a maturity of five years. A second Eurobond issue of USD 350 million was successfully realized in 2015. In 2013, a loan facility was secured from the German Development Bank (KfW) without a sovereign guarantee for the first time. KfW extended the loan without any additional guarantees by directly taking TSKB’s risk.

In the period TSKB played active role in supporting the privatization of the electricity distribution through extending asset acquisition finance. TSKB, also provided acquisition consultancy, carried out bond issues of corporates and realized various IPOs.

TSKB also established a derivatives unit and carried out a pioneering task through offering derivatives products, in international norms, to its corporate clients with the aim of protecting the customers’ balance sheets from market risks. TSKB realized its first foreign exchange warrant issue in 2012.

TSKB has been supporting the efforts to increase resource efficiency in our country’s private sector in the last 7 years through mid and long-term loans. The Bank has provided financing of approximately USD 750 million to 122 projects in energy and resource efficiency areas.

With the global crisis of the 2010s TSKB offered new and innovative products such as funds protecting the principal investment and guaranteed products in local and international markets.

In operation, the Bank achieved another first, realized its first foreign exchange warrant issue. In 2012.

#### Awards

- **SUSTAINABILITY BOND OF THE YEAR – THOMSON REUTERS/INTERNATIONAL FINANCING REVIEW 2016**
- **GREEN / SUSTAINABLE BOND OF THE YEAR – EUROMONEY/GLOBAL CAPITAL 2016**
- **LOW CARBON HERO AWARDS - SUSTAINABLE PRODUCTION AND CONSUMPTION ASSOCIATION (2015-2016)**
- **BEST INFRASTRUCTURE PROJECT – KIZILDERE 3 GEOTHERMAL – EMEA FINANCE (2016)**
- **CLIMATE TRANSPARENCY LEADERSHIP AWARD – COP 21 2015**
- **BEST STRUCTURED FINANCING PROJECT AWARD – ETU LI PBP BONDS, LOANS & SURETY TURKEY 2015**
- **HIGHEST SCORE IN BIST (STOCK EXCHANGE) CORPORATE GOVERNANCE INDEX TRANSPARENCY IN CORPORATE GOVERNANCE RESEARCH 2015**
- **CORPORATE WITH HIGHEST CORPORATE GOVERNANCE RATING 2012, 2014, 2015**
- **CLIMATE CHANGE LEADER – COP TURKEY 2015**
- **ONE OF THE THREE BEST BANKS IN EUROPEAN REGION IN SUSTAINABILITY – FT & IFC (2013)**
- **BEST SOLUTION PROVIDER PARTNER IN WIND ENERGY SECTOR – TURC 2011**
- **BEST INVESTOR IN CLEAN TECHNOLOGY AND NEW ENERGY – THE NEW ECONOMY MAGAZINE 2011**
- **BEST INTERMEDIATION – EMEA FINANCE 2011**
- **BEST ENERGY INFRASTRUCTURE AND HYDROPOWER PROJECT – EUROMONEY 2011**

**The Turkish Growth and Innovation Fund** set up by the European Investment Fund and to which TSBK contributed, became operative in 2016. The fund, which acts as a fund of funds, aims to support the SME sector through investing in funds providing finance to SME’s.

The Bank achieving another first, realized the first “Green / Sustainable Bond” issue from Turkey in 2016. The 5-year tenor bond issuance of USD 300 million was oversubscribed by 13 times. The proceeds of the Green / Sustainable Bond are to be used for green finance and sustainable projects only.

Fully aware of the importance of the effects of climate change, TSKB shares its policies and actions in a transparent manner with its stakeholders with regards to its policies and acts regarding the issue. To this effect, the Bank has disclosed its “Climate Change Declaration” in December 2016.
TSKB PURSUES A VISION TO BE TURKEY’S LEADING BANK IN SUSTAINABLE DEVELOPMENT and sets its goals and strategies with an integrated perspective which is natural part of its corporate culture and way of doing business. The Bank considers the support it extends to sustainable development to be a very valuable and continuous tool in creating long-term and permanent value for all stakeholders. The Bank’s goals and strategy involves not only ensuring a sustainable income for its shareholders but also using all its resources in the most accurate, efficient and responsible manner to create value for internal and external stakeholders alike.

Goals

- Supporting sustainable development
- Providing entrepreneurs with brokerage and consultancy support on monetary and capital markets
- Ensuring sustainable profitability and growth
- Strengthening corporate structure
- Developing in harmony with stakeholders
**Value Creation Model**

**ECONOMIC**
- TL 24 billion Total Asset Size
- TL 17.3 billion Total Credits
- 0.3% Non-Performing Loan (NPL)

**ENVIRONMENT**
- 57% Rate of sustainable finance in the portfolio
- 13 million tons Annual CO₂ reduction with projects
- ISO 14001 ISO 14064 Certified bank

**SOCIAL**
- 55% Female employee rate
- 13% Increase in employee loyalty in last 4 years
- 450 Number of students with which know-how is shared through workshops
SUPPORT FOR SUSTAINABLE DEVELOPMENT GOALS

United Nations Sustainable Development Goals (SDGs) are a set of 17 Sustainable Development Goals adopted by world leaders at the United Nations Sustainable Development Summit on September 25, 2015 to eradicate poverty by 2030, fight inequality and injustice, and combat climate change.

Under a strategic and integrated perspective, each project funded by TSKB is not just considered a banking transaction but a milestone that contributes to the country's development and global sustainability. TSKB sets all its goals and makes all its decisions within an awareness that it is a part of a collective solidarity in terms of sustainability.

TSKB carries out thematic work both to mitigate the internal impact from its operations and to control external impact from its products and services, all proof that the Bank fully adopts and contributes to the United Nations Sustainable Development Goals.

Through its corporate culture in addition to its services and loans, TSKB supports the following Sustainable Development Goals:

- Increasing medium to long term funding for the national economy
- Contribution to economic growth
- Contribution to the decrease in greenhouse gas emissions
- Increasing renewable energy capacity of the country
- Securing funds with the theme of sustainability
- Application of international environmental and social standards and increasing awareness
- Contribution to employment
- Introducing clients to alternative modes of financing
- Developing client specific derivative products to protect clients from risks
- Contributing to the development of capital markets
- Managing the liquidity and asset/liability positions of the Bank with risk management
- Offering integrated solutions to our customers
- Creating value added to investments and investors
- Cooperation with public entities

CUSTOMERS

DEVELOPMENT FINANCE INSTITUTIONS

FINANCIAL INSTITUTIONS

PUBLIC SECTOR

REGULATORY AUTHORITIES

EMPLOYEES

SHAREHOLDERS

UNIVERSITIES AND NGOs

NATIONAL AND INTERNATIONAL INITIATIVES

MEDIA

OUR STAKEHOLDERS
Our Products and Services

TSKB offers a range of services designed and structured in line with the country’s development and the development goals of the Turkish business world in the fields of lending, investment banking and consultancy.

**CORPORATE BANKING**

Contribution to country’s economy and employment...

- CORPORATE LOANS
  - INDUSTRIAL INVESTMENTS
  - ENERGY AND RESOURCE EFFICIENCY
  - ENVIRONMENTAL INVESTMENTS
  - SUSTAINABLE ENERGY
  - SUSTAINABLE TOURISM
  - HEALTHCARE AND EDUCATION INVESTMENTS
  - WOMEN EMPLOYMENT
  - OPERATIONAL HEALTH AND SAFETY

- PROJECT FINANCE
  - POWER GENERATION AND DISTRIBUTION
  - HOTELS, MALL, COMMERCIAL REAL ESTATE
  - LOGISTICS
  - TRANSPORTATION/INFRASTRUCTURE
  - PPP PROJECTS
  - MERCHANT AND ACQUISITIONS

- OTHER LOAN PRODUCTS
  - Wholesale Banking
  - SME Finance
  - EXPORT SUPPORT LOAN
  - FOREIGN TRADE FINANCE
  - CONVEXITY (CALLOWS)
  - WORKING CAPITAL FINANCE
  - LEASING

**INVESTMENT BANKING**

Support for development of customers’ assets...

- CORPORATE FINANCE
  - PREPARATION AND BROKERAGE FOR IPO
  - BROKERAGE FOR BOND ISSUANCE
  - MERGERS AND ACQUISITIONS
  - TRADING OF ASSETS
  - PRIVATIZATION CONSULTANCY

- MONETARY AND CAPITAL MARKETS*
  - BROKERAGE FOR TRADING OF STOCKS
  - BROKERAGE FOR TRADING OF BONDS
  - TRADING
  - WARRANT TRANSACTIONS
  - REPUR TRANSACTIONS
  - FOREIGN DERIVATIVES TRANSACTIONS
  - FOREX AND LEVERAGED TRANSACTIONS
  - SECURITIES LOAN
  - PORTFOLIO MANAGEMENT
  - INVESTMENT CONSULTANCY

- DERIVATIVE PRODUCTS
  - FORWARD
  - OPTION
  - CARS & ROLLERS
  - SWAP
  - SWAP TRANSACTIONS
  - - MONE
  - - INTEREST
  - - CROSS RATES

**CONSULTANCY**

Added value based on expert knowledge...

- STRATEGIC FINANCIAL CONSULTANCY
  - COMPANY TRADEMARK AND LICENSE APPRAISAL
  - FEASIBILITY ANALYSIS AND STUDY
  - FINANCIAL STRUCTURING
  - STRATEGIC ROAD MAP
  - SECTORAL ANALYSIS
  - PROJECT FINANCE CONSULTANCY

- REAL ESTATE APPRAISAL*
  - REAL ESTATE APPRAISAL
  - MACHINERY PARK AND MACHINERY APPRAISAL
  - TENANTED CONSULTANCY
  - BEST USE ANALYSIS
  - COLLEGIAL APPRAISAL
  - FEASIBILITY PROJECT TRADING AND MONITORING
  - SECTORAL ANALYSIS AND SPECIAL REPORTS
  - GREEN BUILDING ANALYSIS
  - URBAN TRANSFORMATION CONSULTANCY
  - CONCEPT DEVELOPMENT CONSULTANCY

- SUSTAINABILITY AND ENVIRONMENT*
  - SUSTAINABILITY MANAGEMENT
  - ENVIRONMENTAL AND SOCIAL ASSESSMENT
  - TECHNICAL CONSULTANCY
  - CLIMATE CHANGE MANAGEMENT
  - CARBON CONSULTANCY
  - ENVIRONMENTAL AND SOCIAL RISK MANAGEMENT
  - INVESTMENT MONITORING FOR FINANCIAL INSTITUTIONS
  - RENEWABLE ENERGY CONSULTANCY

* TSKB offers part of its investment banking and consultancy services in cooperation with its affiliates Yatırım Finansman Securities, TSKB Real Estate Appraisal and TSKB Sustainability Consultancy.
TSKB’s sustainability strategy is based on the approach that the key to qualified development is sustainable banking. The Bank’s sustainable banking strategies are set in accordance with the following goals:

- To support Turkey’s sustainable development model,
- To assume an active role in combating climate change,
- To contribute to our country’s transition to an industrial structure that is based on a low carbon economy.

1970s and 1980s saw large sized development and investment projects come into life around the world. Globally the need to pay attention to environmental issues together with economic development and consideration of the environmental dimension and impact during and after investments has started to occupy the agenda since then. The need to strike a balance between industrialization and environmental protection has become more evident and recognized. In the light of such developments, starting from the 1980s environmental issues have received increasing focus in the credit assessment process and the relevant reports of TSKB. The publication of the EIA Regulation in 1993 was the starting point for placing legislation in place to oversee the environmental dimension of investment projects in Turkey. The fact that TSKB began to consider the environmental dimension in credit reports and decision-making processes 13 years before the date is a clear indicator of the Bank’s trailblazing vision pertaining to sustainability and its integrated approach of considering financial and non-financial factors together while making decisions to extend loans.

International development finance institutions as well as supranational and multilateral institutions which are the chief funding sources of TSKB have a global vision on matters such as the environment, climate change, social impact and energy. The mission of these institutions includes but is not limited to using capacity development and awareness as tools to guide and improve the organizations they work with and supporting organizations through lending operations. Supranational institutions as development finance institutions are instilling such priorities in local financial institutions. The perspective and new themes acquired from the DFIs fully overlapped with TSKB’s development banking vision in addition to the internal capacity and intellectual capital it developed and these were consequently reflected in successful business models.

The environmental dimension has been the top item on the agenda when financing sustainability is concerned due to the increasing perception of industrial environmental pollution in 1980s as a problem and the large scale environmental disasters. However, TSKB does not limit the scope of sustainability to the environment. TSKB aims to make the best use of its close relations with international development finance institutions in contributing to Turkey’s sustainable development. The Bank came across the notion of loan themes exclusive to environmental investments towards the end of 1990s and started to perform lending operations with a view to prevent industrial pollution.

Institutionalizing Sustainability

The Bank considers financing sustainability as a comprehensive approach that may be extended to innovative business models and covers a myriad of themes such as the environment, social, energy, efficiency and R&D, women employment and sustainable tourism. At TSKB, the process of financing sustainability began at the end of 1990s through the financing of environmental investments and continued in 2000s via the financing of renewable energy investments. This was followed by energy efficiency, resource efficiency and sustainable tourism.

In renewable energy, initially the focus was on hydro power, later spreading to wind power, geothermal power, landfill gas, biomass and solar power. The understanding of banking which considers environmental and social aspects has shown a perspective wider than environmental impact with the financing of renewable energy.

Such success in financing renewable energy was followed by the financing of energy efficiency and resource efficiency projects respectively. TSKB works in close connection with the industry and is well versed in industrial dynamics. The Bank broke new ground in technical criteria for energy efficiency and resource efficiency with the development finance institutions.

Institutionalizing Sustainability
TSKB’s Sustainability Journey

1980
- Considering the environmental factor in credit appraisal processes
  Fully on its own initiative, TSKB started to consider the environmental factor in credit appraisal processes and monitor the fulfillment of environmental responsibilities in projects.

1990
- First environmental loans offered to Turkish industry
  TSKB secured funds from international markets to finance environmental investments in 1990s and stood out as the first bank to offer environmental loans to Turkish industry.

2005
- Environmental Management System
  In 2005, TSKB began to transpose sustainable banking to the corporate dimension and completed its efforts to establish an Environmental Management System in mid-2006.

2006
- Sharing the environmental policy with stakeholders and the public
  The Bank internalized the notion of environment and sustainability and published its first policy to that end.

2007
- The first Turkish bank to obtain ISO 14001 certificate
  Launch of www.cevreciyiz.com portal
  Launch of ERET (Environmental Risk Evaluation Tool)

2008
- Turkey’s first carbon neutral bank

2009
- The first bank in Turkey to become a member of the United Nations Environment Programme Finance Initiative (UNEP FI)
  Partnering with the Global Reporting Initiative (GRI) as a Corporate Stakeholder

2010
- Publishing the first GRI-approved sustainability report in the finance sector
  Involvement in the Carbon Disclosure Project (CDP)
  Signing of the UN Global Compact
  Membership to Long Term Investors Club (LTIC)

2011
- Supporting the “Water Disclosure Project” (WDP)
  The first progress report under the UN Global Compact
  Establishment of TSKB Sustainability Consultancy: ESCARUS
  Founding member of International Development Finance Club (IDFC)

2012
- The first Turkish bank to be granted ISO 14064 Greenhouse Gas Management Standard Certificate
  Establishment of the Sustainability Management System
  Establishment of the list for sectors and operations not suitable for lending (Exclusion List)

2013
- GRI A+ Sustainability Report
  Founding member of the European Association of Long-Term Investors (ELTI)

2014
- Establishment of the Sustainability Committee
  Drafting of the Sustainability Policy and Complementary Policies
  First carbon-neutral concert of Turkey

2015
- GRI G4 sustainability report
  Inclusion in the DJSI sustainability index
  Signing of the UN Women’s Empowerment Principles (WEPs)

2016
- The first green/sustainable bond issuance in Turkey
  Publication of TSB declaration on climate change
  Inclusion in the FTSE4GOOD Emerging Market Index

2017
- First integrated report of the Turkish finance sector

Future
- Widening of sustainable finance services
- Creating resource for transition to low carbon economy through innovative financing models
- Continuing support towards UN sustainable development goals
- Increasing support towards social development
- Increasing awareness among business world and leaders of the future
- Continuous development of human resource and business model
THE SUSTAINABILITY MANAGEMENT SYSTEM RUN BY TSKB to mitigate environmental and social impacts from banking operations and support Turkey’s transition to a low carbon economy while backing the country’s sustainable development at the same time is structured in a way to cover all business processes of the Bank. To this end, the entire system is managed via the Sustainability Policy. Internalizing the environment and sustainability issues, the Bank published the “Environmental Policy”, its first policy in this field, in June 2006 before revising the Environmental Policy as the Sustainability Policy in 2012. Currently, the Sustainability Policy of February 26, 2015 is in force. TSKB’s Sustainability Policy is also supported by complementary policies published in this field.

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“The List of Activities that are not to be Financed” is published as an appendix to the “TSKB Environmental and Social Impact Policy”, a complementary policy, and lists the sectors that are not funded by TSKB for the sake of responsible banking.

TSKB’s Sustainable Banking Policies

TSKB Sustainability Policy

Other Policies:

- TSKB ENVIRONMENTAL AND SOCIAL IMPACT POLICY
  - LIST OF ACTIVITIES THAT ARE NOT TO BE FINANCED
- TSKB OCCUPATIONAL HEALTH & SAFETY POLICY
- TSKB HUMAN RIGHTS POLICY
- TSKB SUSTAINABLE PROCUREMENTS MANAGEMENT POLICY
- TSKB ANTI-BRIBERY AND ANTI-CORRUPTION POLICY
  - TSKB ANTI-BRIBERY AND ANTI-CORRUPTION PROGRAM

SUSTAINABILITY COMMITTEE

The aim of the Sustainability Committee is to spread sustainability operations throughout the Bank and integrate them to all business processes in parallel with the vision, strategy, goals and business plans of the Bank on sustainability and climate change. Formed by Head of Departments, the subcommittee reports to TSKB’s Sustainability Committee.

SUSTAINABILITY COMMITTEE

All sustainability work across the organizational structure is managed by the Sustainability Committee, which is comprised of two Board Members and two Executive Vice Presidents. The Sustainability Committee is supported by the Sustainability Subcommittee, which has active representatives from various departments. Through the work of these committees, TSKB ensures that sustainability approaches are integrated into all business processes and the matter is internalized by the Bank’s employees.

SUSTAINABILITY SUBCOMMITTEE

The Sustainability Subcommittee has active representatives from various departments. Through the work of these committees, TSKB ensures that sustainability approaches are integrated into all business processes and the matter is internalized by the Bank’s employees.

WORKING GROUPS AND THEIR RESPONSIBILITIES

At TSKB, sustainability work is managed by the Sustainability Subcommittee and conducted by 4 different working groups established in affiliation to the Subcommittee. In 2016, 4 working groups actively performed sustainability work. The responsibility of these working groups covers maintaining the certifications for ISO 14001 Environmental Management System Standard and ISO 14064, which is the international calculation and verification standard to restrict direct greenhouse gas emissions from banking operations, analysing opportunities in relation to sustainability and creating new sustainability products for the Bank, managing relations with sustainability indices which the Bank is a part of, and delivering sustainability reports by considering the expectations of internal and external stakeholders and engaging in communication management. Overall 10% of TSKB staff is represented in the sustainability working groups.
Corporate Governance

AT TSKB, CORPORATE GOVERNANCE AND FULL COMPLIANCE WITH LAWS set the driver for sustainable economic performance, the framework for ethical and honest banking, and the main tool for balancing and maintaining stakeholder interests. Constituting the basis for TSKB’s stable development, the corporate governance understanding is also a consequence of the Bank’s developing all this process based on integrated thinking.

The Board of Directors, the CEO, the senior management and the committees are the main components in TSKB’s corporate governance organization. In addition, the Bank cares to establish structures in which all right holders and stakeholders, chiefly the employees and shareholders, can contribute to management.

TSKB has clearly defined policies, procedures, risk management principles and systems in place for main business fields, services and products. TSKB’s existing IT infrastructure ensures that policies, procedures and systems are efficiently and rapidly internalized within the service cycle, all management reporting functions are delivered in the most efficient manner and the internal and external audit functions are performed completely.

Since 2009 when it was quoted on Borsa Istanbul (BIST) Corporate Governance Index, TSKB has been among the companies with the highest corporate governance rating in Turkey. The Bank’s corporate governance rating stood at 9.52 over 10 in October 2016 then rose to 9.53. Persistently updating its goals, the Bank’s Corporate Governance Rating has always been high since 2009, an indicator that the Bank has fully institutionalized and internalized the matter.

In accordance with the Bank’s Articles of Association and the laws of the Republic of Turkey, TSKB is controlled by the shareholders via the General Assembly. The Bank’s Statutes stipulate that the decisions made at the General Assembly can be adopted with the affirmative votes of the absolute majority of the votes present at the meeting on the condition that a quorum is ensured. The Bank has 8 Executive Vice President’s Offices and 27 Departments to be effective by January 1, 2017. Of those Departments 24 report to the General Management Office while the Internal Audit, Internal Control and Risk Management Departments directly report to the Board of Directors via the Executive Vice President reporting to the Audit Committee.

TSKB is among organizations with highest corporate governance rating since its first rating in 2009
Board of Directors

The Bank’s Articles of Association provides that the Board of Directors be comprised of a minimum of five members to be elected by the shareholders at the General Assembly. The Chief Executive Officer is a natural member of and appointed by the Board of Directors. Each Board member assumes office for a term of three years.

Organizational Chart

As of January 1, 2017

Committees

TSKB Board of Directors has a Sustainability Committee established on its own initiative in addition to an Audit Committee, a Corporate Governance Committee and a Compensation Committee set up in line with the banking and Capital Markets Board legislation. The Internal Audit, Internal Control and Risk Management Departments directly report to the Board of Directors via the Executive Vice President for Internal Systems.

EXECUTIVE VICE PRESIDENT (CEO/İÇ) 

NUR EROL Department Head

OZCAN ARICI Department Head

Erdal AYDOGAN Department Head

ELOF ÇANOĞLU Department Head

OZBAYOGLU Department Head

ECONOMIC RESEARCH (ÇOKEM) (ÇOKEM) (ÇOKEM) (ÇOKEM)

FINANCIAL INSTITUTIONS (ÇOKEM) (ÇOKEM) (ÇOKEM) (ÇOKEM)

DEVELOPMENT FINANCE (ÇOKEM) (ÇOKEM) (ÇOKEM) (ÇOKEM)

ENGINEERING AND TECHNICAL CONSULTING (ÇOKEM) (ÇOKEM) (ÇOKEM) (ÇOKEM)

* Members of the Audit Committee have been appointed as Independent Board Members as per the Communiqué on Corporate Governance II-17.1, Article 6/(3)-a.

* Board Rapporteur

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Audit, Control and Risk Management

The Internal Audit, Internal Control and Risk Management Departments, i.e. the Bank’s “Internal Systems”, are responsible for analysing and sharing with relevant bodies all potential risks that could possibly impact on the Bank’s business strategy and risk profile. The organization of internal systems is indicated below.

Board of Internal Auditors

The Board of Internal Auditors directly reports to the Board of Directors via the Executive Vice President for Internal Systems and the Audit Committee and carries out the audit function that applies to all operations of TSKB and the affiliates thereof. To this end, the Department conducts audit, inspection and investigation work at the Bank’s Head Office departments, branches and affiliates. In addition, the Department provides assurance in terms of the efficiency and adequacy of internal control and risk management systems as well as the accuracy, reliability, completeness and up-to-date nature of all financial and management information.

At the beginning of each year, the Board of Internal Auditors drafts a detailed internal audit plan that specifies the departments, affiliates and processes to be inspected and the projects to be attended as part of the internal audit operations for the following year and submits it to the Audit Committee and then the Board of Directors for approval. Internal audit and information technologies audit operations are performed by inspectors and information technologies inspectors within the framework of the audit plan and in an unbiased and independent manner reflecting the required professional prudence.

Pursuing a risk-oriented and modern audit approach, the Board of Internal Auditors carries out risk assessment work that sets the basis for audit plans. In risk assessment, the risks the Bank is exposed to and relevant controls are considered to identify the priority areas for audit work and the frequency of audits. This ensures an efficient use of resources and a rapid and effective intervention in areas perceived as risky.

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The Internal Audit Department is responsible for the presence of an internal control system that covers the entire control operations aiming to detect and manage, in advance, the risks the Bank might be exposed to in attaining its goals, conduct the Bank’s operations efficiently and effectively, protect its assets, ensure compliance with the existing laws and regulations, and guarantee the reliability and integrity of the accounting and financial reporting system.

TSKB Internal Control System is structured in a way to continuously keep all financial and operational risks concerning the operations at a reasonable level and under full control.

The Internal Control Department is responsible for the presence of an internal control system that covers the entire control operations aiming to detect and manage, in advance, the risks the Bank might be exposed to in attaining its goals, conduct the Bank’s operations efficiently and effectively, protect its assets, ensure compliance with the existing laws and regulations, and guarantee the reliability and integrity of the accounting and financial reporting system.

Risk Management

TSKB’s Risk Management Policies and the codes of practice pertaining to such policies are comprised of written standards set by the Board of Directors and applied by the Bank’s senior management.

Under TSKB’s Risk Management Policies, the main risks the Bank is exposed to are identified as credit risks, asset-liability management risks (market risk, structural interest rate risk, liquidity risk) and operational risks. The Risk Management Department has been established within the Bank to ensure compliance with the mentioned risk policies and the codes of practice pertaining thereto and manage the risks the Bank is exposed to in parallel with these policies.

TSKB Risk Management Department is actively involved in all processes regarding the management of risks and regularly reports to the Board of Directors, the Audit Committee, the senior management and the relevant departments within the bank. The roles, responsibilities and structure of the Department are set in the Regulation on Risk Management Department.

The structure and characteristics of a loan, the provisions of loan agreements and financial conditions, the structure of the risk profile until the end of maturity in parallel with potential market trends, guarantees and collaterals, internal risk ratings and potential changes with regard to the ratings in the process of risk exposure, concentrations (a single company, a group of affiliated companies, sector, country, etc.) and conformity with the limits set by the Board of Directors to prevent such concentrations are taken into consideration, measured and managed.

In measuring the Credit Risk, the Internal Rating-Based Model is duly employed to monitor and control the credit risk and issue advance warnings.

Maximum care is displayed in ensuring that the limits and policies adopted in agreements with foreign and domestic funders are not significantly different from the policies and limits set by the Bank. Although the articles in agreements differ from the existing policies, they are still binding.

Market Risk Management Policy

Market risk is the possibility of a loss being incurred by the portfolio or position accepted within the scope of trading portfolio as a result of fluctuations of interest rates, share prices, commodity prices and exchange rates in financial markets. The aim of the market risk assessment is to maximize the risk-adjusted return of the Bank by managing the potential risks to be faced by the bank in a proactive manner and in line with appropriate parameters.
Market Risk is managed by using consistent risk measurements and criteria such as the level of fluctuation of interest rates and/or prices and Risk-Exposed Value calculations, establishing appropriate procedures for control and monitoring compliance with established risk limits and risk appetite.

Interest rate, exchange rate, share price, commodity price and settlement risks are the main elements of market risk. In order to contain these risks in a sound way, it is essential to manage the transactions executed in monetary and capital markets in a way to prevent any concentration in terms of instrument, maturity, currency, type of interest and other similar parameters and in a “well-diversified” way by considering the level of risk posed by these transactions. Moreover, creditworthiness of issuers of financial instruments that pose a market risk is continuously maintained without subject to exclusion and sanction will our Bank’s risk in detecting transactions workload and time will be attained and more systematically, savings from both exclusion and sanction checks for this process which was carried out partially manually before 2016, a system that comprehensive and systematic within the framework of national laws and international regulations as well as the commitments the Bank undertakes to institutions and organizations that it has correspondence and funding source relations with, the Bank is responsible for monitoring the national and international exclusion lists and sanction decisions and conducting exclusion and sanction checks in all its operations.

In order to perform more comprehensive and systematic exclusion and sanction checks for this process that was carried out partially manually before 2016, a system that has been established.

To this end, checks will be carried out more systematically, savings from both workload and time will be attained and our Bank’s risk in detecting transactions subject to exclusion and sanction will be minimized.

The Basic Indicator Approach is employed in measuring the operational risks.

**RISK MANAGEMENT POLICY AT THE SUBSIDIARIES**

Attention is given to ensure that the basic principles and standards related to risk management systems and processes observed at TSKB are also observed at the subsidiaries to the same extent, and the Consolidated Risk Policies are set and approved by the Board of Directors. It is essential for subsidiaries to internalize such policies and implement the minimum risk management systems and processes for risk management on a consolidated basis, and comply with the risk limits set at the Group level.

**POLICIES ON OTHER RISKS**

Other risks include the Model Risk, which is defined as the risk of loss resulting from a failing design in models employed by the Bank in pricing, lending, risk measurement, etc. processes and/or from problems suffered in the implementation of such models; the Strategy Risk, which arises from defective or untimely decisions; and the Reputation Risk, which can be defined as damage to the Bank’s reputation in the market and in the eyes of the customers. These risks are included in TSKB’s Risk Management Policies document to ensure that the awareness level in relation to such risks is improved.
STAKEHOLDER COMMUNICATION

Stakeholder Communication

TSKB builds different communication platforms for each stakeholder group and attaches great importance to engaging in a sustainable dialogue with them. Feedback from stakeholders provide guidance on a myriad of matters ranging from identification of the strategic priorities of TSKB to setting the relevant policies, from business models and to social responsibility projects. TSKB employs the following methods in its communication with stakeholders.

STAKEHOLDER ANALYSIS

Focus on creating value for Turkey’s sustainable development, TSKB sets its corporate priorities in all sustainable banking operations in line with the expectations of its stakeholders. In addition to the contacts and meetings it has with all stakeholder groups, TSKB also conducts regular stakeholder analysis every year.

In 2016, the stakeholder survey was performed as an on-line survey that covered the priority areas identified under 7 different headings and the relevant applications under each heading and was widely responded to by stakeholders. The stakeholder groups responding to the stakeholder analysis are as follows:

- TSKB Management
- Customers
- Employees
- Financial Institutions / Development Financial Institutions
- Representatives from Non-Governmental Organizations / Media / Academia / Industry
- Subsidiaries’ Employees
- Suppliers

As a result of the stakeholder analysis survey, matters highly important for main stakeholder groups are examined in the materiality matrix.

ASPECTS OF MATERIALITY ANALYSIS

- Financing investments such as renewable energy, energy and resource efficiency, sustainable tourism, waste management and innovation investments and effective cooperation with national and international funders to this end
- Measuring the environmental and social risks in all investment projects, a responsible lending approach that observes various dimensions such as compliance with environmental regulations, efficiency, biodiversity, occupational health and safety and human rights
- An ethical, fair, transparent, responsible and accountable management understanding, an effective and active risk management (capital, operational, credit, asset-liability risks)
- Satisfying customers’ expectations through appropriate cost, effective lending and a high service quality
- Return on equity, sustainable growth, robust capital adequacy ratio, high asset quality and an effective management of liquidity position
- Training/development, compensation, effective performance management, striking a balance of work/social life
- Raising awareness on sustainability through collaboration with employees, the business world, initiatives at universities, non-governmental organizations and the public sector

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Materiality

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As a result of the stakeholder analysis survey, matters highly important for main stakeholder groups are examined in the materiality matrix.
RESULTS AND ASSESSMENT OF MATERIALITY ANALYSIS

Stakeholder analysis indicates the following priorities for the TSKB Management and all stakeholders:

PRIORITIES OF TSKB MANAGEMENT

1. Creating responsible and sustainable growth and income
2. Improving customer satisfaction
3. Measuring and managing environmental and social risks in all investment projects
4. Full compliance with Corporate Governance principles and effective risk management
5. Investment in human capital
6. Supporting United Nations Sustainable Development Goals and financing the combat against climate change
7. Conducting social responsibility projects for sustainability

The results of 2016 Stakeholder Analysis display a compatible outlook between the priorities of the TSKB Management and the main goals and strategies of TSKB, a bank with a mission to operate for Turkey’s economic development. The most significant priority to this end is creating a responsible and sustainable growth and income. A robust financial performance is the first and priority way to continue financing high quality development investments. Provision of sustainable funds from development financial institutions and channelling such funds to the investments of Turkish private sector in the most reliable manner are two goals standing out under this priority.

In all banking services it delivers to customers, TSKB acts with an understanding of long-term partnership and considers it a high priority goal to sustain operations with a view to creating maximum added value for investments and investors.

TSKB’s experience in relation to Turkey’s sustainable development is the basis for its responsible lending approach. The measurement and management of environmental and social risks in all investment projects are among the Bank’s highest priorities.

The awareness of TSKB’s human capital and the business world stakeholders in this sense strengthen the Bank’s sustainability strategy.

The Bank adopted sustainability on its agenda at an early phase in the finance sector and has launched many leading practices while allocating an increasing amount of funding to renewable energy, energy and resource efficiency investments in addition to environmental investments. TSKB has emerged as a most experienced business partner launching projects to create a solution to climate change.

The awareness of TSKB’s human capital and the business world stakeholders in this sense strengthen the Bank’s sustainability strategy.

The Bank’s commitment to corporate governance principles overlaps with stakeholders’ expectations and supports the Bank’s strategy to grow by creating value for the country’s economy.

FUTURE TARGETS

The Materiality matrix established in line with the results from all stakeholder groups confirms that TSKB approaches the country’s development from the perspective of sustainability and responsible banking while developing and growing in harmony with all stakeholders. The Bank plans to maintain its efforts and operations in a way to support the country’s sustainable development in line with stakeholder expectations.

TSKB INTEGRATED REPORT 2016 \ CORPORATE GOVERNANCE

Materiality Matrix

Environmental and Social Risk Assessment
Corporate Governance
Financing Sustainability
Human Resources and Human Rights
Responsible Profitability
Customer Orientation

TSKB

PRIORITIES OF ALL STAKEHOLDERS of TSKB

1. Measuring and managing environmental and social risks in all investment projects
2. Full compliance with Corporate Governance principles and effective risk management
3. Supporting United Nations Sustainable Development Goals and financing the combat against climate change
4. Creating responsible and sustainable growth and income
5. Investment in human capital
6. Improving customer satisfaction
7. Conducting social responsibility projects for sustainability

Considering the environmental and social risks of investments and financing the combat against climate change are the two key priorities for TSKB’s customers, business partners, the financial institutions it cooperates with and the initiatives it is a member of as well as its employees,

1. This also covers the employees of TSKB.
**Capitals**

**VALUE FOR TSKB**
- Diversity of funds
- Accessing and disbursing medium to long term finance
- Access to funds with sovereign guarantee
- Strong capital
- Increase in funds secured
- Increasing loan volume
- Financial sustainability
- Increased investor interest

**VALUE FOR SOCIETY**
- Contribution to sustainable development
- Reliable solution provider in the mind-sets of stakeholders
- Providing clients with structured products that meet the needs
- Strong share performance
- Change management: 56% female, 44% male
- 55.9 average hours of training per employee
- 99% participation in employee satisfaction survey

**KEY PERFORMANCE INDICATORS (2016)**
- 57% loan portfolio comprising of investment and APEX loans
- Cost to income ratio of 15%
- 17.6% return on equity
- 50,000 CEVRECIYIZ.COM FOLLOWERS ON SOCIAL MEDIA
- 3 discipline appraisal and analysis strength
- Engineering, Financial Analysis, Economic Research
- Sectoral Expertise
- Ability to develop themes and products based on need
- Strength of subsidiaries with diversified expertise
- Innovative products and services
- Low level of non-performing loans
- Income differentiation

**FINANCIAL CAPITAL**
- Investment in employees
- Equal opportunity
- Social benefits
- Employee clubs
- Qualified human resource
- Competitive strength
- Employee satisfaction and loyalty
- Grand TSKB Family

**HUMAN CAPITAL**
- Integration of environmental and social due diligence to lending process
- Zero-carbon banking
- Concentrate in sustainability theme loans
- Responsible banking understanding that inverts the expectations of fund providers and stakeholders
- Increased reputation among stakeholders
- Management and mitigation of environmental and social risks

**NATURAL CAPITAL**
- 3 discipline appraisal and analysis strength
- Engineering, Financial Analysis, Economic Research
- Sectoral Expertise
- Ability to develop themes and products based on need
- Strength of subsidiaries with diversified expertise
- Innovative products and services
- Low level of non-performing loans
- Income differentiation

**INTELLECTUAL CAPITAL**
- Compact compound in harmony with the corporate culture
- Information technology infrastructure
- Improving productivity in work processes
- Institutionalization of knowledge
- Long lasting and effective dialogue with stakeholders
- Social Responsibility projects
- Sharing of experience
- Membership to and cooperation with initiatives
- Increased reputation among stakeholders
- Increasing domestic and international recognition
- Ability to attract qualified human resources
- Increasing internal capacity

**MANUFACTURED CAPITAL**
- Integration of environmental and social due diligence to lending process
- Zero-carbon banking
- Concentrate in sustainability theme loans
- Responsible banking understanding that inverts the expectations of fund providers and stakeholders
- Increased reputation among stakeholders
- Management and mitigation of environmental and social risks

**SOCIAL CAPITAL**
- Investment in employees
- Equal opportunity
- Social benefits
- Employee clubs
- Qualified human resource
- Competitive strength
- Employee satisfaction and loyalty
- Grand TSKB Family

**57% RATE OF SUSTAINABILITY THEMED LOANS IN LOAN PORTFOLIO**

**0.3% NPL RATIO**

**15% SHARE OF TSKB IN TURKEY’S RENEWABLE ENERGY INVESTMENTS**

**15% COST TO INCOME RATIO (BANKING SECTOR AVERAGE 40.1%)**

**50,000 CEVRECIYIZ.COM FOLLOWERS ON SOCIAL MEDIA**

**75% loan portfolio comprising of investment and APEX loans**
- Cost to income ratio of 15%
- 17.6% return on equity
- 50,000 CEVRECIYIZ.COM FOLLOWERS ON SOCIAL MEDIA
- 0.3% NPL RATIO
- 15% SHARE OF TSKB IN TURKEY’S RENEWABLE ENERGY INVESTMENTS
- 15% COST TO INCOME RATIO (BANKING SECTOR AVERAGE 40.1%)
Financial Capital

TSKB’s financial capital includes the products and services the Bank provides to its customers through its funds as well as the added value it creates via its corporate culture while extending such funds. The Bank’s organizational structure focusing on the economy and development enables it to evaluate and extend the funds it has in line with this goal.
Ranks 19th in the sector with an asset size of TL 24 billion

21% Average asset growth in the last 5 years

2nd place among development and investment banking in terms of asset size

69% Average Loan/Asset Ratio in the last 5 years

A market share of 41% in the development and investment banking in long-term FX loans

22% Average loan growth in the last 5 years

75% Share of investment and APEX loans

5.9 years Average loan term

93% Share of FX loans

38% in EUR

55% in USD

0.3% Average NPL rate in the last 5 years
**Total Liabilities**

- TL million USD 5.8 billion

**Total Funding**

- 87% of Total Funding is long-term

**Composition of Liabilities**

- USD 5.8 billion
- Weight of Development Finance Institutions (DFI) in long term funding

**Funding Agreements signed with DFIs**

- USD million

**Distribution of Thematic Long-Term Funding with respect to DFIs**

- IBRD
- EIB
- KFW
- IsDB
- CEB
- IFC
- AFD
- EBRD
- OPEC
- OEB

**Equity**

- TL million

**Return on Equity (ROE)**

- %

**Outstanding Ratios in Comparison with the Sector**

- %

**Average ROE in the last 5 years**

- 18%

**Outstanding Ratios in Comparison with the Sector**

- RCE
- Cost to Income Ratio
- NPL Ratio
ROBUST GROWTH OF ASSETS

In 2016, TSKB’s total asset size rose to TL 24 billion with an increase of 15.8% on a year-on-year basis. About 77% of TSKB’s assets were comprised of foreign currency (FX) assets and the Bank’s capital adequacy ratio stood at 14.3% despite the Turkish Lira depreciating in 2016.

A LOAN PORTFOLIO SIZE

POWERING REAL ECONOMY

TSKB has a strong loan portfolio and the Bank’s total loan volume grew by 26.7% on TL basis and 8.2% when adjusted for currency impact in 2016. Such growth was in parallel with the sectoral average in FX loans and, as a result, the Bank’s total loans stood at about TL 17.3 billion while the loan-to-total assets ratio was 72.2%.

LINES OF CREDIT EXTENDED TO CLIENTS TOTALED USD 6.6 BILLION

As a result of successful operations in 2016, TSKB allocated a cash and non-cash credit line of USD 6.6 billion (including APEX) to its customers and signed new loan agreements amounting to a total of USD 1.9 billion.

A CASH LOAN DISBURSEMENT OF USD 1.8 BILLION

In 2016, TSKB disbursed total loans of USD 1.8 billion including APEX loans to its customers. In the same period, APEX loans extended stood at USD 150 million.

A KEY PLAYER IN DEVELOPMENT AND INVESTMENT BANKING

As of 2016 year-end, TSKB ranked second among development and investment banks in terms of asset size and had a market share of 41% in long-term FX loans.

AN INCREASE OF 9% IN THE NUMBER OF ACTIVE CUSTOMERS

In 2016, TSKB maintained its sectoral diversity in its loan portfolio meticulously and continued to acquire new customers. The Bank increased the number of its active customers by 9% year-on-year and signed 38% of its loan agreements with new customers.

INVESTMENT LOANS HAVE A SHARE OF 67% IN TOTAL LOANS

Throughout the year, TSKB extended not only investment loans but also short-term lending products to respond to the daily working capital needs of its customers. As of 2016 year-end, investment loans, working capital loans and APEX loans constituted 67%, 25% and 8% of the total loan portfolio respectively.

A SUSTAINABLE NET PROFIT INCREASE

TSKB has a sustainable financial performance. The Bank’s net profit for 2016 was TL 476.4 million with an increase of 15.8% on a year-on-year basis.

A NON-PERFORMING LOAN PERCENTAGE BELOW SECTOR AVERAGE

The sector average for non-performing loans by 2016 year-end stood at 3.2% while the Bank’s NPL ratio stood at 0.3%.

WELL ROUTED EXPERTISE IN PROJECT FINANCING

TSKB has key experience and knowledge in project finance and enjoys a market share of 4% according to the Banks Association of Turkey (TBB) data.

RENIEVABLE ENERGY SECTOR AND TSKB

The share of loans with a sustainability theme in the TSKB’s loan portfolio was 57% as of 2016 year-end. The effective and accurate use of renewable energy resources is of tremendous importance on a period marked by tackling climate change and in Turkey’s transition to a low carbon economy. Renewable energy resources also have a key role in reducing Turkey’s dependence on foreign resources.
TSKB INTEGRATED REPORT 2016 \\ FINANCIAL CAPITAL

A TOTAL INSTALLED CAPACITY OF 5,332 MW FINANCED

Since 2002, TSKB has been supporting the renewable energy projects in the country through long-term funding. The Bank has a market share of 6.5% in energy loans in the sector. The energy projects financed by TSKB range from hydropower plants to solar, wind and geothermal power plants. The total estimated installed capacity for the 211 projects financed stood at 5,332 MW, which represents 13% of Turkey’s total installed capacity in renewable energy. When renewable energy is concerned, solar power plant projects were given extra weight in 2016 in addition to wind power and geothermal power plant projects. In 2016, the Bank financed a total of 60 new solar power plant projects, corresponding to 10% of Turkey’s total installed solar power capacity in MW as of 2016 year-end. An overall analysis of the loan portfolio shows that, at year end, the total weight of energy sector within TSKB’s loan portfolio remained almost the same.

In the upcoming period, geothermal and solar power plant investments are expected to continue at the same pace, and it is projected that the Bank’s support to private sector will accelerate in this field.

The number of renewable energy projects that has been financed until the end of 2016 and came into operation is 138. Furthermore, the total installed capacity of the projects in operation stands at 4,375 MW. While the total investment amount of the energy projects funded between 2003 and 2016 was USD 9 billion, the amount of loans committed by TSKB for these projects was around USD 3.4 billion.

FINANCING FOR RESOURCE EFFICIENCY

Over the last seven years, TSKB has provided medium- and long-term financing to Turkish private sector to support efforts to improve resource efficiency. To date, the Bank has extended around USD 750 million in loans and supported 122 projects within the scope of energy and resource efficiency.

Energy and resource efficiency loans made up 10% of the Bank’s loan portfolio at 2016 year-end. Given the growing focus on the fight against climate change, TSBK expects the prominence of the energy and resource efficiency efforts to surge up going forward. In 2017, the Bank aims to continue funding investments that will support sustainable development in the first place, including but not limited to energy and resource efficiency investments of firms operating in any branch of industry, investments backing female employment, and environmental and occupational health and safety investments while expanding its customer portfolio with a priority for the SME segment.

SUPPORT FOR SMEs

Since its foundation, TSKB has bolstered SMEs, which are of paramount significance for the Turkish economy. The Bank not only responds to working capital needs of SMEs but also finances the investments of the said firms in a variety of fields ranging from technology update investments to capacity development, from energy efficiency to environmental projects. As of the end of 2016, the share of SME loans within the total loan portfolio was 18%. The SME-Midcap loan of EUR 100 million secured from the European Investment Bank in 2016 will contribute to increasing the support for SMEs.

Furthermore, the first Turkish InnovFin SME Guarantee Agreement was signed with the European Investment Fund in 2016 to support innovative investments by SMEs. The agreement provides that TSBK will be able to extend loans to innovative companies for the next two years through the guarantee offered by the European Investment Fund in 2016 to support innovative investments by SMEs. The agreement provides that TSBK will be able to extend loans to innovative companies for the next two years through the guarantee offered by the European Investment Fund in 2016 to support innovative investments by SMEs. The agreement provides that TSBK will be able to extend loans to innovative companies for the next two years through the guarantee offered by the European Investment Fund in 2016 to support innovative investments by SMEs. The agreement provides that TSBK will be able to extend loans to innovative companies for the next two years through the guarantee offered by the European Investment Fund in 2016 to support innovative investments by SMEs. The agreement provides that TSBK will be able to extend loans to innovative companies for the next two years through the guarantee offered by the European Investment Fund in 2016 to support innovative investments by SMEs.

ALWAYS STANDING BY THE REAL SECTOR

Shaping its operations within a mission to produce effective solutions for long-term funding needs of private sector customers, TSBK makes high quality contribution to the sustainable growth of Turkish economy. The Bank extended a total direct funding of USD 7.6 billion to the real sector in the last five years in sectors such as renewable energy, energy efficiency, infrastructure and logistics.

Considering an approximate amount of USD 600 million lent to SMEs through the APEX loans channel, the total funding made available for the real sector in the last 5 years reaches USD 8.2 billion.

TURKEY’S APEX BANKING PIONEER

TSKB is the leader for APEX banking in Turkey. In 2016 operating period, the Bank continued to extend to its customers the international funding it secured from the World Bank and other DFIs. In addition to making companies available for leasing companies, the Bank also began working with participation banks and factoring companies as part of the Access to Finance Loan, which TSBK secured from the World Bank in 2014 under its APEX banking efforts. To date, TSBK has effectively cooperated with 30 intermediary institutions as part of its APEX banking activities.

In 2016, the total of loans extended via APEX banking reached USD 150 million and the share of such loans within the total portfolio stood at 8%. TSBK is the World Bank’s preferred business partner in our country in terms of investment. As of the end of 2016, TSBK has carried out 4 EFL programs and extended a total loan of USD 1,208 million to 649 companies. EFL loans aim to not only lower operations costs but also create new business areas and increase employment.

Under other APEX loan schemes, TSBK works via commercial banks and leasing companies to extend SME loans that contribute to increasing employment. To this end, via USD 503 million of loans, TSBK financed 1,114 SMEs, contributing to nearly additional 5,800 employment.

TSKB - Primary Indicators for APEX Loans

<table>
<thead>
<tr>
<th>PROGRAM/ TITLE</th>
<th>YEAR</th>
<th>AMOUNT</th>
<th>CURRENT STATUS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Support to SME and Export</td>
<td>2016</td>
<td>USD 100 million</td>
<td>In Progress</td>
</tr>
<tr>
<td>Innovative Access to Finance (IA2F)</td>
<td>2016</td>
<td>EUR 100 million</td>
<td>In Progress</td>
</tr>
<tr>
<td>EUR 100 million*</td>
<td>2016</td>
<td>EUR 100 million*</td>
<td>Completed</td>
</tr>
<tr>
<td>APEX</td>
<td>2004</td>
<td>EUR 7.6 million</td>
<td>Completed</td>
</tr>
</tbody>
</table>

*Euro 90.9 million of the loan was disbursed in the form of APEX.

TSKB INTEGRATED REPORT 2016 - FINANCIAL CAPITAL

FINANCIAL CAPITAL
Under the guarantee of Republic of Turkey Prime Ministry Undersecretariat for Treasury, the Bank signed an “Innovative Access to Finance Project Loan” (IA2F) agreement with the World Bank to extend such loans to SMEs and export-oriented enterprises in the private sector around Turkey and extended a total loan of USD 150 million to 153 companies in 2016. This is the first loan extended by the World Bank in Turkey via participation banks and factoring companies.

A BALANCED NON-CASH LOAN PORTFOLIO
Issuing letters of guarantee and providing intermediation services for import and other foreign trade transactions required by investment and infrastructure projects, TSKB provided its customers with a total non-cash loan of USD 614 million with an increase of 14%. Throughout the year, the Bank focused on responding to the non-cash loan needs of its customers in energy distribution, power generation, metal and machinery sectors.

STRONG ROLE OF TREASURY TRANSACTIONS IN THE BALANCE SHEET
In addition to income from lending, which is the main operation of the Bank, the successful management of the cash flow and securities portfolio makes a significant contribution to the Bank’s profitability. The size of the securities portfolio in the last 5 years stood at an average of 19% of the balance sheet.

Customer transactions as part of treasury operations have significant importance in terms of delivering a high-quality service in managing the financial risks of the Bank’s lending customers and generating income from commissions. Therefore, TSKB continues to keep its product range, specifically in derivatives, wide and updated in parallel with the changing market conditions. Recently, marketing operations in this field have been given weight to increase the income from such transactions.

In 2016, derivative transactions amounting to TL 9,631 million were carried out to manage the customers’ risks.

AN INDISPENSABLE PLAYER IN CORPORATE FINANCE
2016 was a more difficult year than 2015 in terms of capital markets. Mergers and acquisitions consultancy and financial strategic consultancy projects were mainly given weight as the focus of corporate finance operations. In mergers and acquisitions market, the previous year’s slowdown continued but corporate finance still received high light as an active market. Due to a relative decrease in interest from foreign investors due to the extraordinary conditions our country and region have been going through, Middle Eastern private equity funds based in Turkey were specifically active. In corporate finance, TSKB received new authorizations on top of existing ones in 2016. Furthermore, the Bank continued its appraisal and financial strategic consultancy projects intensively during the year while getting actively involved in initial public offering business.

LONG-TERM RELATIONS WITH DEVELOPMENT FINANCE INSTITUTIONS
TSKB’s ability to secure medium-term and long-term funding and stable relations with financial institutions have two major components of its sustainable banking strategy and value creation process.

TSKB, which was established by the World Bank support, has had continuous and sustainable relations with national and development financial institutions since the day it was founded. Such strong and stable relations and the high quality and long-term funds they provide have a significant place in the Bank’s value creation process.

TSKB has facilitated access to international high-quality funding, and considers its capacity to provide medium-term and long-term funds as a key component in its sustainable banking strategy. TSKB will continue to improve its relations with development finance institutions further and support Turkey’s sustainable development journey.

LONG-TERM RELATIONS WITH DEVELOPMENT FINANCE INSTITUTIONS

1. Relations started back in 1970s when TSB intermediately IsDB’s capital contribution to small and medium-size industrial projects by Turkish private sector and turned official at the beginning of 1980.
2. Relations started when TSB joined the EDF as a shareholder in 2004 after the first business relation was established in 2016.
Throughout 2016, TSKB successfully continued its efforts to secure new funds from development finance institutions. The total amount of thematic loan agreements that were signed during the year reached USD 733 million. Details of the mentioned funds are provided below.

**IBRD – TURKEY GEOTHERMAL DEVELOPMENT PROJECT LOAN**
- **Amount:** USD 150 million
- **Term:** 28 years

**KFW – RENEWABLE ENERGY, RESOURCE AND ENERGY EFFICIENCY, ENVIRONMENT LOAN**
- **Amount:** EUR 150 million
- **Term:** 15 years

**EUROPEAN INVESTMENT BANK (EIB) – SME-MIDCAP LOAN**
- **Amount:** EUR 100 million
- **Term:** 8 years

**EUROPEAN INVESTMENT BANK (EIB) – ENERGY, ENVIRONMENT LOAN**
- **Amount:** EUR 100 million
- **Term:** 12 years

**AFD – LOAN TO SUPPORT WOMEN’S EMPLOYMENT, OCCUPATIONAL HEALTH AND SAFETY IN TURKEY**
- **Amount:** EUR 100 million
- **Term:** 10 years

**COUNCIL OF EUROPE DEVELOPMENT BANK (ECD) – APEX LOAN**
- **Amount:** EUR 100 million
- **Term:** 7 years

**BOND ISSUANCES AND SYNDICATED LOANS**
Starting to work with international finance institutions in addition to Development Finance Institutions in the provision of funds, TSKB has been securing syndicated loans since 2009 and issuing bonds since 2014. In addition to the funding agreements signed in 2016, the Bank issued Green/ Sustainable Bond worth USD 300 million and secured a syndication loan amounting to USD 274 million with a roll-over ratio of 107% to take its total funding in foreign currency that it obtained from international markets to USD 1.3 billion.

<table>
<thead>
<tr>
<th>YEAR</th>
<th>ROLL-OVER RATE</th>
<th>NUMBER OF PARTICIPATING BANKS</th>
<th>NUMBER OF NEW PARTICIPATING BANKS</th>
<th>TOTAL BORROWING (USD)</th>
<th>TERM</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>133%</td>
<td>11</td>
<td>4</td>
<td>133 million</td>
<td>364 days</td>
</tr>
<tr>
<td>2014</td>
<td>100%</td>
<td>13</td>
<td>5</td>
<td>134 million</td>
<td>364 days</td>
</tr>
<tr>
<td>2015</td>
<td>100%</td>
<td>17</td>
<td>5</td>
<td>254 million</td>
<td>367 days</td>
</tr>
<tr>
<td>2016</td>
<td>107%</td>
<td>16</td>
<td>2</td>
<td>274 million</td>
<td>367 days</td>
</tr>
</tbody>
</table>

**TSKB Syndicated Loans**

**Bond Issuances by TSKB**

<table>
<thead>
<tr>
<th>ISSUANCES</th>
<th>DATE OF ISSUANCE</th>
<th>MATURITY OF ISSUANCE</th>
<th>END-OF MATURITY</th>
<th>AMOUNT OF ISSUANCE (USD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>TSBK Green/SRI Bond 2021</td>
<td>5/18/2016</td>
<td>5 years</td>
<td>5/18/2021</td>
<td>300 million</td>
</tr>
<tr>
<td>TSBK Eurobond 2020</td>
<td>4/22/2015</td>
<td>5 years</td>
<td>4/22/2020</td>
<td>350 million</td>
</tr>
<tr>
<td>TSBK Eurobond 2019</td>
<td>10/27/2019</td>
<td>5 years</td>
<td>10/26/2019</td>
<td>350 million</td>
</tr>
</tbody>
</table>
ROBUST STOCK PERFORMANCE
TSKB stocks are quoted and traded on BIST-50 and additionally in various indices such as BIST Corporate Governance Index, BIST Sustainability Index and BIST Index. Furthermore, in December 2016, TSKB joined the FTSE4Good Emerging Markets Index established by FTSE, an independent organization created under joint ownership by the London Stock Exchange and the Financial Times.

In 2016, BIST-100 Index and BIST Banking Index rose by 8.9% and 8% respectively while TSKB stocks picked up by 10.7%. In 2016, the Bank’s stocks outperformed BIST-100 by 1.6% and BIST Banking Index by 2.4%. As of December 31, 2016, the Bank’s market capitalization reached TL 2.9 billion. Foreign investors’ share in TSKB’s publicly-held stocks stood at 59.5% as of the end of the year.

Retrospective closing prices are adjusted for cash dividends and capital increase through bonus issues performed after the relevant dates.

Change compared to the beginning of year

1. TSKB INTEGRATED REPORT 2016 \  FINANCIAL CAPITAL
Our Workforce in Numbers

TSKB offers its employees a working environment where human rights are respected, equal opportunities are provided and initiatives are encouraged and it supports this environment through innovative training programs, internal communication work and social benefits.

<table>
<thead>
<tr>
<th>TSKB</th>
<th>Real Estate Appraisal Company</th>
<th>REIT</th>
<th>Escarus</th>
<th>YFAS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Female</td>
<td>57</td>
<td>1</td>
<td>5</td>
<td>53</td>
</tr>
<tr>
<td>Male</td>
<td>56</td>
<td>4</td>
<td>4</td>
<td>61</td>
</tr>
<tr>
<td>Head Office</td>
<td></td>
<td>71</td>
<td>2</td>
<td>20</td>
</tr>
<tr>
<td>Branch</td>
<td></td>
<td>40</td>
<td>5</td>
<td>42</td>
</tr>
<tr>
<td>High School</td>
<td></td>
<td>2</td>
<td>1</td>
<td>45</td>
</tr>
<tr>
<td>Graduate School</td>
<td></td>
<td>1</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>University</td>
<td></td>
<td>1</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Master’s Degree</td>
<td></td>
<td>45</td>
<td>3</td>
<td>85</td>
</tr>
<tr>
<td>Ph.D. Degree</td>
<td></td>
<td>7</td>
<td>5</td>
<td>21</td>
</tr>
</tbody>
</table>

TSKB offers its employees a working environment where human rights are respected, equal opportunities are provided and initiatives are encouraged and it supports this environment through innovative training programs, internal communication work and social benefits.

**Training Programs**

**TSKB AIMS TO DEVELOP HUMAN CAPITAL THROUGH** tailored training programs required for specialized banking. To this end, various training and development activities are carried out to improve both technical and professional knowledge as well as personal skills of employees.

- Career Workshop programs are run for recent graduates who join the Bank.
- Orientation and coaching processes are applied to ensure a rapid adaptation of TSKB’s new employees to the Bank.
- During the 2-year Development Workshop program, managers are offered training programs in relation to both personal development and management skills as well as competences.
- One-on-one coaching as well as a training program abroad are provided to Department Heads under the Management Development Program.

**DEVELOPMENT WORKSHOP**

This is a program that aims to prepare TSKB employees for the next stage in their careers. The Development Workshop runs over 2 years and identifies the developmental areas of each participant. From this point on, a training program is designed based on TSKB competences. The program is made up of 5 main modules, namely Self-Consciousness, Presence, Strategic Leadership, High-Impact Leadership and Progressive Leadership, and focuses on the development of various competences in each module.

The first phase of the program started in April 2014 and was completed in May 2016. A total of 70 participants comprised of 39 women and 31 men graduated from the 1st Development Workshop Program. Each participant received 75.5 hours of training.

The second phase of the program started in May 2016 and will complete in April 2018. 45 participants in total, comprising of 27 women and 18 men, are attending the program.

**CAREER WORKSHOP**

TSKB runs meticulous work under its goal “to train its own managers” and holds a Management Trainee (MT) Program each summer to train future experts and managers. The Bank runs tailored training programs to prepare the management trainees it employs for the positions they will assume at TSKB.

Since 2010, a total of 7 Career Workshops have been held, 28 courses have been provided to 255 participants and 89 MTs have been trained.

**Total Hours of Training**

<table>
<thead>
<tr>
<th></th>
<th>Total Hours of Training</th>
<th>Total duration of training excluding administrative employees / person (hours)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Development Workshop Participants</td>
<td>115</td>
<td>89</td>
</tr>
<tr>
<td>Number of MTs trained by the Career Workshop</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Employee Satisfaction and Loyalty is the Priority

TSKB BELIEVES THE BEST BUSINESS DEVELOPMENT IS POSSIBLE THROUGH THE OBSERVATIONS AND FINDINGS OF THE PEOPLE WITHIN AN ORGANIZATION. To this end, employee satisfaction surveys are conducted periodically. Through such surveys, TSKB regularly measures the satisfaction and engagement levels of its employees, creates a routine platform where they can submit their ideas and suggestions, and acts in line with improvement goals. Measurements are specifically performed within the scope of engagement analyses, and survey results are shared transparently with all employees.

307 employees responded to the 2016 employee satisfaction survey. Participation rate was 96%.

In 2012, 287 employees had responded to the employee satisfaction survey. TSKB’s efforts to improve employee engagement were reflected in survey results. A comparison of 2012 and 2016 surveys shows that:

- Employee engagement was improved by 13% in the last 4 years.
- Questions on employee engagement are among the highest rising topics:
  - “I was recognized and praised for doing something good during the last week”
  - “At TSKB, I have an opportunity each day to do the best thing I do”
  - “In the last six months, I was given feedback at workplace on any progress I made”
- Furthermore, improvements were made in factors that impacted the employee engagement most:
  - Training and Development
  - Job Satisfaction
  - Satisfaction with Department Manager

TSKB set development goals in priority areas identified following the 2012 survey. Clear improvements were observed in such areas in the 2016 survey. Priority development areas after 2016 are career planning, cooperation and teamwork, interdepartmental communication and performance management. Moreover, starting from 2017, the employee engagement dimension was also numerically added to the goals of the management and included in the performance system, an indicator of the importance the Bank attaches to the matter.

TSKB INTEGRATED REPORT 2016 \ HUMAN CAPITAL

Gender breakdown of Board Members

TSKB INTEGRATED REPORT 2016 \ HUMAN CAPITAL

Gender breakdown of Board Members

Equal Opportunity

TSKB pursues a human resources policy that is based on diversity and equal opportunities and acts in accordance with technical and personal competence criteria at recruitment, training and development, performance and career management, compensation and promotion stages. The fact that 35% of banking staff is female is a concrete indicator of the human resources policy that is based on diversity and equal opportunities. Moreover, with 56% women in management positions, TSKB is distinguished positively. TSKB aims to support decision-making women’s attendance to various committees and has voluntarily committed itself to increasing the rate of female Board members to 25% by the end of 2018.

The Bank has a performance-based promotion system focusing on equal opportunities. Continuous work is under way on the development journeys of employees and on their preparation for senior positions with a priority on performance and success.
Employee Clubs

In addition to supporting the intellectual development of its employees, TSKB actively supports various clubs to contribute to employees’ social life, increase motivation in the working environment and reinforce the synergy within the organization.

Furthermore, employees are brought together at various platforms such as “Future Vision” meetings, sustainability talks, managers meeting, foundation cocktail, new year’s dinner, and IKSV Music Festival, which the Bank sponsors every year.

Photography Workshop

The 9-month program consists of technical courses, photography excursions, assessment meetings and seminars. In 2016, the Workshop had its first graduates, the works of whom were displayed at TSKB Art Corridor. Moreover, TSKB’s 2017 calendar bears photos taken by workshop participants. 20% of TSBK staff participates at Photography Workshop.

Table Tennis

24% of TSBK staff takes place in table tennis, rowing and marathon teams.

Marathon

24%

Rowing Team

20%

Future Vision Meetings

All TSKB and subsidiaries staff attended the Future Vision Meetings.

PENSION FUNDS / QUALITY HEALTHCARE SERVICES

At TSBK, there are two pension funds offering different social security options, namely TSBK Employees Assistance and Pension Foundation established in 1964 and TSBK A.Ş. Employees Supplementary Social Security and Assistance Foundation founded in 1994.

TSKB, 52 years ago, founded social security systems that were based on good practices around the world and offered comparative advantages to employees, thus transposing its “sustainability” and “leadership” aspects in investment and development banking into social security. TSBK pension funds deliver all commitments on healthcare and pension to around 1,400 people including members and the dependents of the members. TSBK pension funds serve their members with pension and retirement bonus products as long as they are alive and the dependents if the members pass away.

PERFORMANCE, COMPENSATION, REWARD AND SOCIAL BENEFITS

Sustainability and efficiency are key concepts in TSBK’s human resources approach. Therefore, all TSBK employees are assessed objectively via the Performance Management System and supported for their continuous development thanks to various training programs.

Furthermore, TSBK applies an egalitarian “Remuneration Policy” that is coordinated with the performance assessment system and is sensitive to the market. The Bank conducts all employee assessments free from any kind of difference (gender, mental / physical handicap, age, race, religion, language, sect, faith, cultural or social class) and reflects the same approach in compensation and reward mechanisms.
The importance TSBK attaches to natural capital manifest itself in the operations created by the sustainable banking concept specifically since 2000s.

TSKB’s process and methodology for assessing external impacts provides added value to both the organization and the society in the following areas:

- Increasing renewable energy investments in the country
- Reducing carbon emissions / energy needs through efficiency loans
- Raising awareness on the part of all stakeholders, mainly the clients
- Ensuring that the funded projects make positive contributions to the environment and social life and bring in a positive impact for the country and the society
- Strengthening the sustainable banking image of the Bank
- Periodically measuring and decreasing internal impacts.
SUPPORT TO TRANSITION TO LOW CARBON ECONOMY WITH SUSTAINABILITY INVESTMENTS

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

Renewable energy projects which TSKB has been providing substantial funding since 2002 continue to serve the transition of Turkey from the current fossil fuel-based power generation systems to clean and renewable energy resources. TSKB is among the Turkish banks that fund the highest number of renewable energy projects in the Turkish banking sector. The Bank has, so far, funded 211 renewable energy projects, thus contributing to a reduction of approximately 8.5 million tons in the total annual carbon emissions of Turkey.

Clean and renewable energy will continue to be a priority sector for TSKB in 2017 and beyond. In line with a directly proportional increase in the demand for energy with economic growth, it is among TSKB’s priority goals to support investments based on renewable energy resources in terms of supply security and sustainable development in accessibility.

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

TSKB aims to maintain its portfolio rate in this field with its image as a leading bank specialized in energy and resource efficiency.

<table>
<thead>
<tr>
<th>Project Type</th>
<th>Projects</th>
<th>Contribution to CO₂ emission reduction (tCO₂e/year)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Energy Efficiency</td>
<td>47</td>
<td>13 million</td>
</tr>
<tr>
<td>Resource Efficiency</td>
<td>75</td>
<td>3.6 million</td>
</tr>
<tr>
<td>Iron &amp; Steel</td>
<td>13</td>
<td>4.6 billion</td>
</tr>
<tr>
<td>Cement</td>
<td>13</td>
<td></td>
</tr>
<tr>
<td>Automotive</td>
<td>5</td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>5</td>
<td></td>
</tr>
<tr>
<td>Construction</td>
<td>47</td>
<td></td>
</tr>
<tr>
<td>Chemistry and Plastics</td>
<td>47</td>
<td></td>
</tr>
<tr>
<td>Automotive</td>
<td>75</td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>75</td>
<td></td>
</tr>
</tbody>
</table>

2016 TSKB Renewable Energy Portfolio in Numbers

- Installed Capacity: 5,332 MW
- Projects: 211
- Financing commitment of USD 3.4 billion
- Electricity Generation (MWh): 1,445 MW
- Contribution to CO₂ emission reduction (tCO₂e/year): 8.5 million
- Ratio of energy generation in loan portfolio: 35%

<table>
<thead>
<tr>
<th>Project Type</th>
<th>Contribution to CO₂ emission reduction (tCO₂e/year)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Iron &amp; Steel</td>
<td>15,850</td>
</tr>
<tr>
<td>Waste Savings (ton/year)</td>
<td>1.47 billion</td>
</tr>
<tr>
<td>Energy Savings (kcal/year)</td>
<td>831,940</td>
</tr>
<tr>
<td>Raw Material Savings (ton/year)</td>
<td>63,810</td>
</tr>
<tr>
<td>Water Savings (m³/year)</td>
<td>367,580</td>
</tr>
<tr>
<td>Energy Savings (kcal/year)</td>
<td>3.4 billion</td>
</tr>
</tbody>
</table>

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Internal Impacts

TSKB’s internal impacts from office activities were structured in 2006 and their performance and consequences have been monitored under an ISO 14001 certificate since 2007 and an ISO 14064 certificate since 2012. TSKB reinforces its efforts for sustainability and environmental management through periodic reporting. The Bank supports recycling practices towards reducing internal impacts. To this end, electronic wastes (batteries and fluorescent lamps) are recycled in addition to the collection of paper, plastic and glass wastes for recycling.

**Electricity Consumption (kWh)**

<table>
<thead>
<tr>
<th>Year</th>
<th>Total</th>
<th>Head Office</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>1,073,916</td>
<td>1,073,916</td>
</tr>
<tr>
<td>2015</td>
<td>1,034,876</td>
<td>1,034,876</td>
</tr>
<tr>
<td>2016</td>
<td>937,109</td>
<td>937,109</td>
</tr>
</tbody>
</table>

**Natural Gas Consumption (m³)**

<table>
<thead>
<tr>
<th>Year</th>
<th>Total</th>
<th>Head Office</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>60,871</td>
<td>60,871</td>
</tr>
<tr>
<td>2015</td>
<td>71,299</td>
<td>71,299</td>
</tr>
<tr>
<td>2016</td>
<td>69,820</td>
<td>69,820</td>
</tr>
</tbody>
</table>

**Water Consumption (m³)**

<table>
<thead>
<tr>
<th>Year</th>
<th>Total</th>
<th>Head Office</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>7,149</td>
<td>7,149</td>
</tr>
<tr>
<td>2015</td>
<td>8,534</td>
<td>8,534</td>
</tr>
<tr>
<td>2016</td>
<td>7,959</td>
<td>7,959</td>
</tr>
</tbody>
</table>

**Paper Consumption (kg)**

<table>
<thead>
<tr>
<th>Year</th>
<th>Total</th>
<th>Head Office</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>6,325</td>
<td>6,325</td>
</tr>
<tr>
<td>2015</td>
<td>5,467</td>
<td>5,467</td>
</tr>
<tr>
<td>2016</td>
<td>5,932</td>
<td>5,932</td>
</tr>
</tbody>
</table>

**tCO₂e Emissions**

<table>
<thead>
<tr>
<th>Year</th>
<th>Scope 1</th>
<th>Scope 2</th>
<th>Scope 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>813</td>
<td>440</td>
<td>373</td>
</tr>
<tr>
<td>2015</td>
<td>1,249</td>
<td>807</td>
<td>442</td>
</tr>
<tr>
<td>2016</td>
<td>862</td>
<td>391</td>
<td>471</td>
</tr>
</tbody>
</table>

TSKB INTEGRATED REPORT 2016 - NATURAL CAPITAL

17,236 m² TSKB Service Buildings
ZERO CARBON BANKING AT TSKB

The increasing importance of climate change stipulates transition to a low carbon economy to ensure a sustainable world. Displaying awareness on the matter, TSKB followed the rising trends around the world to launch carbon neutral - zero carbon banking project in 2008.

What does being carbon neutral mean when TSKB's perspective is considered?

- Measuring carbon emissions
- Designing strategies and projects to mitigate carbon emissions
- Offsetting emissions
- Contributing to capacity development on the matter within and outside the organization

TSKB’s carbon footprint has been measured since 2006. It was reviewed in 2008 by an independent consulting company and the Bank consequently launched its zero-carbon project after the consulting company issued its report. Strategic mitigation goals covering 2009-2010 were established to reduce consumption in terms of lighting, energy and business trips, which are all sources of emission. As of 2009, the Bank started to procure electric power from renewable energy resources. This project was launched at a time when the threshold for being a free consumer was similar to the level of consumption by producers in the industry and emphasizes the vision and priorities of TSKB.

In 2016, the offsetting of the carbon footprint of TSKB Career Workshop, TSKB’s management trainee recruitment program, started. All carbon footprint - about 20 tons - from transport and accommodation was offset during a 3-day event held at a hotel close to Istanbul and attended by around 50 students from various cities.

The Bank sponsors a concert every year at IKSV Music Festival and offsets the carbon footprint of about 15 tons from transports of artists and audience. This has enabled TSKB to launch Turkey’s first zero carbon concert.

The Bank aims to transpose its carbon neutral approach within the organization to all social projects it launches, raise public awareness on reducing climate change and carbon footprint and improve recognition on the matter.

In addition, TSKB purchased Gold Standard Carbon Certificates for around 3,500 tons in the last 3 years to offset emissions from banking operations. Such efforts reduce the carbon emissions of the Bank and support the combat against climate change. Resources such as wind power and landfill gas are used in offsetting carbon footprint.

TSKB aims to install carbon neutral awareness to its stakeholders and offsets their carbon footprint generated in one year and presents them a zero-carbon certificate as a new year gift. To this end, about 15,000 tons of carbon were offset in the last three years.

PAPERLESS TSKB

TSKB has adopted a principle of developing paperless business practices to protect resources and runs various practices to reduce paper consumption at different departments.

Recruitment practices are developed based on an infrastructure project in order to make recruitment processes more efficient. The “Kariyer IN” module, a platform to apply for vacancies from within the Bank, will enable a fully digital application process for vacancies.

Training assessment surveys are taken manually from participants after training events and then stored accordingly. In 2016, the practice of completing and safekeeping such surveys on the system was launched.
TSKB’s understanding of development banking, its integrated structure and expert team positively distinguishes the Bank. It has unified financial analysis, technical expertise and economic vision in its business model thanks to development banking responsibility.

ASSESSMENT AND ANALYSIS POWER
TSKB’s business model dates back to its foundation years. TSBK which has amalgamated financial, economic and technical analysis to single business model has realised many firsts thanks to its competitive edge. Separation of credit assessment, marketing and lending operations to establish a balance of power helped create a strong credit assessment and lending culture and a robust loan portfolio. The active role of the Bank’s economic research, financial analysis and engineering departments in the assessment process enables the Bank to handle credit assessment processes not only in terms of financial risks but also from a holistic and sustainable project perspective, thereby reinforcing the mission to "stand by those who produce the future in terms of producing without consuming the future".

The ability of the Bank’s strong engineering infrastructure to rapidly cater to technical needs, its competence to establish a sectoral infrastructure and vision through economic research and the amalgamation of all these advantages with a robust financial analysis power all set the foundations of the Bank’s intellectual capacity and integrated model of doing business. The expert staff gets involved in TSBK’s lending processes and creates value for the Bank and its customers through the consulting services it offers.

CHANNELLING SECTORAL EXPERIENCE AND PROJECTIONS AS PER NEEDS: FROM ENERGY EFFICIENCY TO RESOURCE EFFICIENCY
Joining the power of the finance sector to guide the business world and shape loans with its own expertise, TSBK launched the energy efficiency funding in 2009. Thematic loans extended to TSBK by development financial institutions played an active role in this launch. TSBK first developed its own capacity and then designed a tailored road map by bringing together international best practices and trainings by international organizations with the energy efficiency perspective of the Turkish industry.

Through its ability to develop thematic loans and its elevated environmental/sustainability awareness that non-energy resources are also essential for a sustainable world, TSBK expanded the efficiency notion to resource efficiency in 2012. In terms of the orientation towards resource efficiency, the Bank’s engineering and economic perspective and anticipation were influential. The Bank drafted a resource efficiency survey report on the matter and shared it with its stakeholders on its website.

Funding energy and resource efficiency projects also helps the sustainable development of the country and the world and therefore supports the Sustainable Development Goals.
**SECTOR-SPECIFIC REPORTS AND THEMATIC WORK**

TSKB shares the sectoral and technical expertise and know-how of its Economic Research Department internally through reports, presentations and assessment notes; externally through sectoral reports, monthly sectoral assessments and thematic work for sectoral representatives and customers.

- Growth
- Domestic Propensity to Save
- Industrial and Incentives Policies
- Sector-Specific Policies
- Development Banking
- Cement
- Iron & Steel
- Food
- Construction
- Chemistry
- Logistics
- Metals and Machinery
- Textiles
- Tourism

are the areas for which sectoral and thematic reports as well as information notes are prepared.

**Quarterly Assessment for Power Sector**

**Assessment of Monthly Electric Power Consumption**

**An Overview of Sectors**

**From Wheels to Chips**

**In 2016 192 sectoral and thematic reports**

Funding for environment, energy efficiency, renewable energy, social projects and resource efficiency extended since the start of 2000s enabled TSKB to establish a strong sustainable finance portfolio. The Bank’s sustainable banking vision crowned by international awards as well as the environmental and social methodology it applies has jointly set a rich infrastructure and intellectual know-how for this institution. Availing itself of this valuable know-how, TSKB broke another new ground in 2016. The Bank emerged as the first issuer of Green / Sustainable Bond in Turkey and CEEMEA (Central and Eastern Europe, Middle East and Africa).

TSKB’s bond issue which received great demand from international markets adds sustainability to the qualities of a known green bond. The proceeds of the bonds can be used to finance projects towards societal value in addition to green projects. Projects to be financed from Green / Sustainable bond include but are not limited to renewable energy, energy and resource efficiency, zero carbon transportation projects, health and education, power transmission lines and ports.

**Green / Sustainable Bond**

- **Date Issued**: May 18, 2016
- **Amount**: USD 300 million
- **Maturity**: 5 years
- **MS + Spread**: 387.5 points
- **317 corporate investors on international markets**
- **USD 4 billion demand**
- **Breakdown of incoming requests**
  - 44% UK
  - 39% Continental Europe
  - 9% U.S. off-shore funds
  - 8% Asia and Middle East
- **Largest demand in bond issuances by financial institutions in Turkey**: 13 times
- **First Green Bond Issue of the region (CEEMEA)**
- **First Turkish financial institution issue priced with negative new issue premium**
- **International Financing Review IFR 2016 “RI Bond of the Year” Award**
- **Global Capital “EMEA Green/SRI Bond Deal of the Year” Award**

**Date of Issue**

**MS + Spread**

**Corporate Investors**

**Breakdown of Incoming Requests**

**Largest Demand**

**First Issuer**

**International Awards**

**TSKB INTEGRATED REPORT 2016 \ INTELLECTUAL CAPITAL**

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BUSINESS MODEL AND PROCESSES

TSKB positively distinguishes itself in the sector with its development and investment banking focused unique business model and strong financial indicators. As a bank that integrated economic, social and environmental sustainability approach to its business model at an early stage, TSBK’s all business processes are continuously monitored and improved in line with strategic plan and enterprise architecture.

“Future Vision” Programme that was initiated in 2016 has laid the base of a development and transition path with inclusion of all staff to extend the Bank’s current success to 5-10-20 years ahead. In this perspective, numerous development and transition path with inclusion of all staff to extend the Bank’s current success to 5-10-20 years ahead. In this perspective, numerous development and technology. Projects are expected to go live in a 2-year period. 2016 was a year that focused on process improvement and efficiency projects that will support growth targets and increase customer satisfaction and service quality.

As a bank that has its shares publicly traded, TSBK shares all corporate information and news on social media channels in addition to its website with all its stakeholders.

www.tskb.com.tr
/TSKB_Turkey
/tskb_tr
/TSKB | Türkiye Sinai Kalkınma Bankası

CALCULATING TURKEY’S CARBON EMISSION FACTOR

In order to report renewable energy funding results based on carbon dioxide reduction and performance indicators, TSBK calculated Turkey’s emission factor for its own internal use. Starting from 2009, this emission factor is required to calculate and report carbon reductions in renewable energy and energy efficiency investments. TSBK’s expert staff and intellectual human resources have guided and shaped the calculation of the emission factor.

DIGITAL COMMUNICATIONS

TSKB offers efficient knowledge flow on banking processes to its stakeholders via mobile and digital banking applications through digital platforms.

As a bank that has its shares publicly traded, TSBK shares all corporate information and news on social media channels in addition to its website with all its stakeholders.

Responsive Banking with ERET

Determining the potential environmental and social risks and impacts that could arise in the implementation of projects bears special importance. According to the result additional measures for investors as well as monitoring responsibilities specific to the Bank might arise. TSBK which enjoys a specialized banking culture business model has undertaken another leading practice on the matter.

Developed to neutralize the difference in competence and experience among experts in the environmental and social risk appraisal of a project, to ensure the implementation of a consistent and standardized methodology, and to conduct performance assessment through cause and effect relations, ERET Environmental Risk Evaluation Tool was first designed in 2005 and has been implemented gradually since then. Starting from 2007, the model has been applied to all investment projects to be potentially funded by TSBK irrespective of the investment amount and/or credit limit. TSBK adopts it as a principle to observe sustainability practices and principles which meet the environmental, social and occupational health and safety standards of the Development Finance Institutions in all investment projects it finances. The Bank’s ERET model satisfies such need. Furthermore, it seamlessly overlaps with the criteria in Equator Principles, which have been drafted by the IFC and widely adopted by banks currently operating in developed economies.

The model conducts an assessment with 5 x 45 questions and is based on the analysis - within a current and future perspective of environmental and social impacts as well as possible legal and financial liabilities arising from the project evaluation and its implementation. The model is developed to cover environmental and social risks and impacts throughout the project life cycle, from the project evaluation phase, to the implementation phase, and to the post-implementation phase. ERET rules are used to determine environmental and social impacts and to mitigate them. The model is designed to be user-friendly and quick to use.

MEETING STAKEHOLDERS’ EXPECTATIONS THROUGH ENVIRONMENTAL AND SOCIAL EVALUATION

TSKB has set a precedent for other organizations as the first bank to implement the environmental evaluation model in lending processes through the sustainable banking approach it has adopted since the beginning of 2000s. TSBK includes environmental and social risks in lending and decision-making processes and contributes to raising awareness of its clients on sustainability via on-the-job practices and by the society via social responsibility projects and innovative efforts such as Cevreciyiz web portal. Such endeavours have enabled TSBK to enjoy a brand name as Turkey’s leading bank in sustainability.

ERET results for 2016

<table>
<thead>
<tr>
<th>COMPANY</th>
<th>PROJECT</th>
</tr>
</thead>
<tbody>
<tr>
<td>HIGH RISK</td>
<td>A</td>
</tr>
<tr>
<td>MIDDLE SENSITIVE RISK</td>
<td>B+</td>
</tr>
<tr>
<td>MIDDLE RISK</td>
<td>B-</td>
</tr>
<tr>
<td>LOW RISK</td>
<td>C</td>
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<td>B-</td>
</tr>
<tr>
<td>LOW RISK</td>
<td>C</td>
</tr>
</tbody>
</table>
Together with its affiliates, TSKB aims to offer a holistic structure to complement and support its operations. The Bank offers much needed package services to its customers through the power of its affiliates and creates new examples of cooperation via this channel. The synergy created by the affiliates allows TSKB to access and address a wider audience. This has enabled the Bank to use its affiliates to touch customers having differing needs in addition to Development Banking.

TSKB Gayrimenkul Değerleme A.Ş. (TSKB REAL ESTATE APPRAISAL COMPANY)

The company was founded in 2002 to provide real estate appraisal services. The basis of its know-how is TSKB’s experience in real estate, machinery and equipment appraisal accumulated in more than half a century.

TSKB Gayrimenkul Değerleme A.Ş. was one of the very first companies to be included in the list of real estate appraisal companies by the Capital Markets Board of Turkey in 2003 and to be entitled to provide services in the field of Appraisal of Real Estate, Real Estate Projects or Rights and Benefits Related to a Real Estate* in line with the Resolution No. 3469 of 17.12.2009 by the Banking Regulation and Supervision Agency. Additionally, the company was awarded the RICS License by the Royal Institute of Chartered Surveyors (RICS), which offers international service assurance, to become one of the leading Turkish companies operating in various areas of the real estate sector in Turkey. TSKB Gayrimenkul Değerleme A.Ş. was further awarded by the same entity as the “Best Real Estate Consultant in Turkey” and the “Best Real Estate Appraisal Company in Turkey” under the “Real Estate Consultancy” category in 2008 and 2014 while it was awarded as the “Best Real Estate Consultant in Turkey” in 2005.

In addition to its head office in Istanbul, TSBK Gayrimenkul Değerleme A.Ş. has branches in Ankara, Izmir, Bursa, Adana, Antalya, Dışakbarak and Trabzon, and the number of reports the company prepared was in the region of 40,000 as of 2016 year-end.

TSKB Gayrimenkul Yatırım Ortaklığı A.Ş. (TSKB REIT)

Established in 2006, TSBK Gayrimenkul Yatırım Ortaklığı A.Ş. (TSKB REIT) is driven by the Bank’s 66-year corporate know-how and experience. Fuelled by the know-how, expertise and corporate approaches of TSBK, its main shareholder, TSKB REIT seeks to provide investors with a solid and reliable real estate portfolio.

TSKB REIT was established with an initial capital of TL 10 million. The size of the company’s assets reached TL 438 million through the investments it made and the gross leaseable area under its management rose to 66,000 m² from 3,000 m² as of December 31, 2016.

TSKB SÜRDÜRÜLEBILIRLIK DANŞMANLIĞI A.Ş. – ESCARUS (TSKB SUSTAINABILITY CONSULTANCY)

Escarus was founded in 2011 to offer TSBK’s technical infrastructure and expertise in relation to environment and sustainability in Turkey and abroad and operates with a vision to be the leading consultancy firm in Turkey’s sustainable development. The company delivers consultancy services in areas such as sustainability strategy, operational efficiency, technical due diligence, climate change and sustainable finance and delivers innovative and leading solutions via its expert staff.
TSKB considers the internal needs and dynamics of the organization as well as its customers and persistently updates its IT infrastructure.

Improvements at IT emergency centre conducted in 2016 within this purpose ensures business continuity and helps the Bank fulfill its responsibilities towards its stakeholders uninterruptedly.

On-line visual calls with video conference has increased mobile productivity, and decreased Bank’s carbon emissions by optimizing business travel. Improvements in virtualization platform and information safety applications resulted in efficiency increase while precautions against cyber risks were realized.

In addition, renewal of staff computers and devices, data security applications, centrally monitoring of devices and applications in terms of capacity and performance, and improvements at back up processes has contributed to speed and performance of work processes.

In 2017, investments will continue to be made to ensure all work processes are run in a safe, fast and high quality manner via the realization of most up to date applications in work continuity, data security, web infrastructure and mobile communication areas.
TSKB Campus

TSKB operates at its head office in Istanbul and has branches in Ankara and Izmir. The Bank does not need a branch infrastructure unlike the financial institutions offering personal banking services.

The compact campus of the Bank located in Findikli Istanbul enables it to deliver consolidated and effective development banking services at one single location.

TSKB shares the same building with its subsidiaries, Yatırım Finansman (Head Office), Real Estate Appraisal (Head Office), REIT and Escarus, reinforcing the understanding to offer integrated and complementary services. The Bank’s logistical services are offered to subsidiary staff in addition to Bank staff, therefore increasing cooperation and synergy, additionally creating resource savings and contribution to natural capital.

The buildings hosting TSKB since 1970s have been renovated in 2015 to create a healthier, more efficient and ergonomic work environment.

Employee satisfaction target has been the top priority in the realized infrastructure improvements and renovations.

- Making more use of day light
- Lighting
- Heat and sound insulation
- Compliance with OHS regulation
- Open office
- Increasing the number of meeting rooms
- Renovation of the conference hall
- Enlarging the gym
- Renovation of the cafeteria

Projects are planned in 2017 to take place on space applications at the working environment to increase corporate brand perception and internalization of common values. Other applications to increase staff motivation and common work culture will also be on the agenda.
TSKB strengthens its vision of being the “pioneer bank in Turkey’s sustainable development” to its relations with stakeholders as well. The Bank gives great importance to be in a sustainable dialogue with all stakeholder groups by building different communication platforms. Feedback received from stakeholders hold light to various topics such as identifying TSBK’s strategic priorities, creating relevant policies, business model and social responsibility projects.
Social Responsibility Projects

Social responsibility projects TSKB runs under the sustainable banking concept mainly on climate change & energy and carbon management focus on raising awareness on environmental issues that pose a risk to world’s future, especially among business world and universities.

Digital Platforms

Believing in the importance of digital platforms as the fastest and most efficient means of communication with stakeholders, TSKB put into practice web portals with different themes to increase the awareness on sustainability.

Cevreciyiz.com is the pioneer among these channels, becoming live in 2007 and having reached 50,000 followers on social media channels. The website provides reference for many aspects such as sustainability, energy efficiency, environmental-friendly design, and alternative energy sources; and shares innovative news articles from the world such as eco-friendly production and consumption trends and green agriculture. Cevreciyiz.com continues its broadcast with the target of being a channel that will inspire its follower for a better future.

TSKB shares its experience on sustainability finance, through different portals. tskbenerjiverimliligi.com which became live in 2011 continues to be an important resource on energy efficiency. In addition, www.kaynakverimliligi.com web portal became live in February 2016, aiming to increase awareness on resource efficiency.

“Sustainable” Support to Culture and Arts

ZERO CARBON CONCERT

TSKB contributes to the development of culture and arts of the country by supporting the concerts in Music Festival organized by Istanbul Foundation for Culture and Arts (IKSV) since 1990. As the first zero-carbon bank in Turkey, TSKB led the way to a new practice since 2014 by offsetting the carbon emissions from transportation of artists and audience to these concerts by Gold Standard Carbon Credits from an institution investing on clean energy.

In addition, TSKB utilizes opportunities to increase awareness on fight against climate change. With this perspective, the Bank joins the Earth Hour led by the World Wildlife Fund (WWF), a practice adopted world-wide to raise interest on climate change.

Zero Carbon in Social Responsibility Projects

- FIRST ZERO CARBON CONCERT OF IKSV MUSIC FESTIVAL
- OFFSETTING THE CARBON FOOTPRINT OF CAREER WORKSHOP, TSKB’S RECRUITMENT PROGRAM
- HOLDING ZERO CARBON CONFERENCES AND ORGANIZATIONS
- OFFSETTING THE INDIVIDUAL CARBON FOOTPRINTS OF CUSTOMERS AND BUSINESS PARTNERS EVERY YEAR WITH GOLD CARBON CREDITS

Cevreciyiz.com where topics such as sustainability, energy efficiency, energy-friendly design, alternative energy sources, have reached 50,000 followers on social media.

TSKB SUPPORT FOR EXCAVATIONS AT THE ANCIENT CITY OF PATARA

TSKB supports excavations at the ancient city of Patara, one of the major historical and cultural sites of our country, along with İşbank and Şişe ve Cam Fabrikaları A.Ş. (Bottle and Glass Factories Inc.). Patara was the capital of the Lycian League and Province and is located near Kalkan town of Kaş, Antalya and is a magnificent archaeological site with a well-preserved amphitheatre, assembly, temple, horrea (storage structures), stadium, bath and churches. It houses unique monuments such as the “Lighthouse” and “Stadasmus Patavensis” as well as a social complex dating back to 1903 that served as the first Ottoman Radio and Telegram Station.

/cevreciyiz /TSKB.cevreciyiz /cevreciyiz
TSKB shares its experience on sustainability through its support to numerous organizations via sponsorships, organizations and speakers. These events help the Bank reach a large group from university students to academics, from sector specialist to decision makers.

**TSKB Sustainability Workshops**

TSKB holds Sustainability Workshops since 2012 with university students who will shape tomorrow’s business world offering them the chance to develop their first sustainability-themed projects as the first literacy program on sustainability. During these workshops conducted with Escarus, Bank’s subsidiary offering sustainability consulting services, university students, academics and private sector representatives get together and solve a case study with a specific methodology. Students form different teams prepare different case studies, each team led by experienced participants from private sector, and project results are discussed, evaluating data and methods.

**WORKSHOP 1**
Carbon Footprint
Boğaziçi and Sabancı Universities, 2012

**WORKSHOP 2**
Energy Efficiency
Boğaziçi and Sabancı Universities, 2013

**WORKSHOP 3**
Renewable Energy
METU, 2014

**WORKSHOP 4**
Energy Efficiency
Bilkent University at the Efficiency Conference by the Republic of Turkey Ministry of Science, Industry and Technology, 2015

**WORKSHOP 5**
Renewable Energy
Koç University, 2016

With Sustainability Workshops

<table>
<thead>
<tr>
<th>Participants</th>
<th>200</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sector Participants</td>
<td>24</td>
</tr>
<tr>
<td>Academics</td>
<td>9</td>
</tr>
<tr>
<td>Keynote speakers (public sector, private sector, development financial institutions etc.)</td>
<td>9</td>
</tr>
</tbody>
</table>

**STRONG EMPLOYER BRAND FOR UNIVERSITIES**

A “Strong Employer Brand” plays an important role in the recruitment of workforce, TSKB’s most valuable asset. In this perspective, through academic cooperation – which holds importance course content on development and investment banking topics is prepared.

Between 2012 and 2016, a total of 30 courses were delivered in 8 universities and 24 speakers were provided to the courses.

**SHARING EXPERIENCE WITH THE BUSINESS WORLD**

Sector events hold importance for TSKB to reach a wide stakeholder mass and share its experience on sustainability. TSKB reflects its perfective in different sector events as speaker, trainer or sponsor.

TSKB’s staff shares Bank’s expertise in the international arena via capacity building training and speaker position in global summits. TSKB managers participated at the 22nd United Nations Climate Change Conference of Parties (COP22) as speakers in six different panels, sharing their experience on various subjects from renewable energy investments in Turkey to green bond.
Long-Term Relations with Stakeholders

Membership Relations

TSKB shares its experience through domestic and international memberships that it deems relevant to its operations and goals and attaches importance to mutual sharing of experience, thus assuming active roles within the initiatives it is a member of.

TSKB supports its activities at the associations it is a member of through various working groups. To this end, the Bank joins special working groups at organizations and associations such as DEİK, TUSİAD, TBB, Global Compact and SKD. Some of these activities are provided below:

- United Nations Global Compact - Sustainable Banking and Finance Working Group
- Chair of TBB Working Group on the Role of the Financial Sector in Sustainable Growth
- Multiple working groups at TUSİAD including but not limited to Environment and Climate Change, Energy, Industrial Transformation and Environment and Climate Change, United Nations SDGs and Turkey
- Membership to Energy Business Council of the Foreign Economic Relations Board (DEİK)
- Various working groups of SKD- Business World and Sustainable Development Association such as Sustainable Finance, Energy, Cyclical Economy, Female Employment and Equal Opportunity

International Initiatives

- CDP - CARBON DISCLOSURE PROJECT
- UNEP FI - UN ENVIRONMENT PROGRAMME FINANCE INITIATIVE
- UN GLOBAL COMPACT
- ADFIPLAN - ASSOCIATION OF NATIONAL DEVELOPMENT FINANCE INSTITUTIONS - IN MEMBER COUNTRIES OF THE ISLAMIC DEVELOPMENT BANK
- IF - INSTITUTE OF INTERNATIONAL FINANCE
- ICC - INTERNATIONAL CHAMBER OF COMMERCE
- ELTI - EUROPEAN LONG-TERM INVESTORS ASSOCIATION
- IDFC - INTERNATIONAL DEVELOPMENT FINANCE CLUB
- IIF - INSTITUTE OF INTERNATIONAL FINANCE
- AVMF - ASSOCIATION OF NATIONAL DEVELOPMENT FINANCE INSTITUTIONS
- LTIC - LONG-TERM INVESTORS CLUB
- ICC - INTERNATIONAL CHAMBER OF COMMERCE
- UN GLOBAL COMPACT
- TSBK - BANKS ASSOCIATION OF TURKEY
- TKYO - CORPORATE GOVERNANCE ASSOCIATION OF TURKEY
- TSBKREP - ASSOCIATION OF CAPITAL MARKET INTERMEDIARY INSTITUTIONS OF TURKEY
- DEİK - FOREIGN ECONOMIC RELATIONS BOARD
- TÜSİAD - TURKISH INDUSTRY AND BUSINESS ASSOCIATION
- GRF - GLOBAL RELATIONS FORUM
- SKD - SUSTAINABLE DEVELOPMENT FINANCE CLUB
- KSY - ISTANBUL FOUNDATION FOR CULTURE AND ARTS
- ASSOCIATION OF MONEY MANAGERS
- ASSOCIATION OF RISK MANAGERS
- ERTA – INTEGRATED REPORTING NETWORK TURKEY

National Initiatives

- TBB - BANKS ASSOCIATION OF TURKEY
- TKYO - CORPORATE GOVERNANCE ASSOCIATION OF TURKEY
- TSBKREP - ASSOCIATION OF CAPITAL MARKET INTERMEDIARY INSTITUTIONS OF TURKEY
- DEİK - FOREIGN ECONOMIC RELATIONS BOARD
- TÜSİAD - TURKISH INDUSTRY AND BUSINESS ASSOCIATION
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- ERTA – INTEGRATED REPORTING NETWORK TURKEY

Cooperation with public institutions

As part of some of its memberships, TSBK holds positions such as the Chair of Working Group and shares its experience with other players in the sector.

TSKB’s national and international memberships contribute on two separate dimensions: Work performed under memberships contributes to corporate image and promotion, supports the building of internal capacity and awareness raising, and facilitates access to various stakeholders. TSBK’s memberships specifically those organizations and initiatives to which TSBK is the first member from Turkey - simultaneously promotes Turkey on a wide range of platforms and increases Turkey’s awareness on such areas.

Library

TSKB Library has been serving the society since 1971 with an archive of almost 12,000 books. As a specialty library, it provides its users - specifically university students - with sector-specific reports and research results of the Bank as well as national and international literature.

Supporting women’s participation in economic activities: WEPs

TSKB believes women’s active participation in economic activities is essential. In March 2015, the Bank signed the Women’s Empowerment Principles, which reflect its support for gender equality and equal opportunities in the business world and carried the issue to an international platform. The most significant international initiative by the UN Women and the United Nations Global Compact, Women’s Empowerment Principles aims to empower women in any international dimensions, chiefly in healthcare, security, education and development.

In line with this policy, a funding of EUR 100 million was secured from the French Development Agency at the end of 2016 to improve the occupational health and safety conditions for women.
Supporting managers of the future, environment, culture, art through our social responsibility projects

Increase brand recognition among target groups

Continue and increase cooperation with universities

Continuously monitor stakeholder expectations and develop in harmony with stakeholders

Support transition to low carbon economy

Continue and develop support to UN Sustainable Development Goals

Focus on geothermal, solar, wind and biomass investments in renewable energy

Encourage women’s participation in the economy

Provide financing in operational health and safety

Continue the support provided to energy and resource efficiency investments

Increase support provided to SMEs

Increase customer diversity

Diversify service portfolio for each customer

Increase sectoral diversity in loan portfolio

Deepen and diversify consultancy activities

Enrich economic research reports

Offset carbon footprint and continue banking activities with zero carbon principles

Continue managing internal impacts under ISO 14001 and ISO 14064 Standards

Continue conducting environmental and social risk assessments for all investment credits

Ensure responsible profit and growth

Create additional resources with innovative finance models

Maintain the low non-performing loan ratios

Create funding source diversity by developing relations with national and international funders

Increase efficiency in business model and processes

Invest for continuous development and loyalty of staff

Develop organizational structure

Maintain high rank at BIST Corporate Governance Index

Continue efficient risk management and audit applications

Strengthen position at BIST Sustainability Index

Increase synergic cooperation with subsidiaries

Put into force the most up to date applications in IT on business continuity, data security, network, mobile communications

Develop performance management system

Financial Targets

Banking Targets

Social Targets

Corporate Targets

Environmental Targets
Uninterrupted support to the country’s development

From the day it was founded, TSKB has been aiming to increase the support it provides to sustainable growth of Turkey’s economy through its development and investment banking services. The Bank will be attentive to provide innovative solutions on areas which will be important for our country and business world in the future – including energy, efficiency, environment and employment - and to create new themes to help support development of these sectors in line with the growth and development targets of the country.

Financing climate-friendly investments

TSKB will continue to put importance on climate change as a priority in new themes in line with the Paris Agreement drafted after COP 21 meetings in 2015 and UN SDG published same year. In this respect, it will help support climate friendly sustainable growth of the country via funds received from development finance institutions. Diversification of projects supported with these resources in line with targets and priority areas specified in the 10th Development Plan and relevant strategic documents will play an important role in this target.

Effective Risk management

TSKB will maintain to apply risk management policies on all sources it will secure and minimize risks for the flow back of funds provided to investors. For this purpose, it will continue to assess all financial sectoral risks of all projects in line with its successful risk policies to maintain the existing low non-performing loans ratio.

Qualified investment banking solutions

TSKB will continue to offer alternative solutions to companies within its sustainable growth targets through its corporate finance and consultancy services such as public offering, trading of bonds, mergers and acquisitions. The Bank will contribute to the sustainable growth of capital markets which is an indispensable part of economic development by its maintaining its perspective to encourage and support companies.

Carrying forward competitive and knowledge producing banking performance

TSKB, experiencing one of its most successful periods in terms of both financial performance and support to development, is aware of the need to develop and carry its competitive and knowledge-producing banking performance for the development of the country. The Bank’s human resource, which constitutes the foundation for its success from past to future and is the Bank’s greatest asset, will continue to be the biggest advantage for the Bank to utilize new opportunities and manage all kinds of risk starting with financial, sectoral, credit and market risks.

Development in harmony with Stakeholders

TSKB will continue to develop its services, understanding of banking and its reflexes for the future in line with stakeholder expectations whilst getting strength from corporate ability, strong capital structure and expert human resources.

### TSKB’s 2017 Targets and Expectations

<table>
<thead>
<tr>
<th>Financial Expectations (Bank Only) %</th>
<th>2016 TARGETS</th>
<th>2016 REALIZATION</th>
<th>2017 TARGETS</th>
</tr>
</thead>
<tbody>
<tr>
<td>FX Adjusted Loan Growth</td>
<td>12%</td>
<td>8.2%</td>
<td>10 - 13%</td>
</tr>
<tr>
<td>Loans/assets ratio</td>
<td>68%</td>
<td>72%</td>
<td>70%</td>
</tr>
<tr>
<td>Net Interest Income Growth</td>
<td>-16.4%</td>
<td>&gt;12%</td>
<td>&gt;20%</td>
</tr>
<tr>
<td>Net Fees and Commissions Growth</td>
<td>30%</td>
<td>-25%</td>
<td>&gt;20%</td>
</tr>
<tr>
<td>Net Interest Margin</td>
<td>~3.9%</td>
<td>3.0%</td>
<td>&gt;3.5%</td>
</tr>
<tr>
<td>Return on Equity</td>
<td>17 - 18%</td>
<td>17.6%</td>
<td>17 - 18%</td>
</tr>
<tr>
<td>Return on Assets</td>
<td>~2.1%</td>
<td>2.1%</td>
<td>~2.0%</td>
</tr>
<tr>
<td>Cost/income ratio</td>
<td>15 - 16%</td>
<td>15%</td>
<td>15 - 16%</td>
</tr>
<tr>
<td>OPEX growth</td>
<td>13%</td>
<td>14%</td>
<td>13%</td>
</tr>
<tr>
<td>Capital adequacy ratio</td>
<td>15%</td>
<td>14.3%</td>
<td>&gt;14%</td>
</tr>
<tr>
<td>NPL ratio</td>
<td>0.3%</td>
<td>0.3%</td>
<td>&lt;0.5%</td>
</tr>
<tr>
<td>Leverage ratio</td>
<td>8.0%</td>
<td>8.2%</td>
<td>~8.0%</td>
</tr>
</tbody>
</table>
Future Vision Programme

IN 2016, EFFORTS TO PREPARE THE BANK FOR THE FUTURE, review and develop the business model and ways of doing business and seek new business models gave way to a transformation project called “Future Vision” towards planning the medium and long-term future of the Bank through collaborative wisdom.

Under the project, the current status of TSKB was delved into the areas where room for improvement was identified, the required measures were determined, a detailed action plan was drafted and work was started towards implementation.

Improvements regarding organizational structure, performance management and funding management are among the already-available outputs of the project Future Vision. This project will equip the entire organizational structure and processes of the Bank with the flexibility and dynamism to meet stakeholder expectations in the future.

Consultancy Services
During the transformation process, a new organizational structure that ensured integration across all business areas was adopted first. This new structure has brought along full integration in all operational areas as well as a more effective and complementary working style. Furthermore, an organization towards turning TSKB’s technical and economic know-how into consultancy operations is targeted. It is expected that the contributions of this organizational structure will be observed from 2017 onwards.

Efficient Customer Management
Established in 2017, a “Customer Management Department” and a “Customer Management Committee” will help devise integrated marketing strategies for all banking products and engage in customer-based planning and monitoring. Monitoring efforts for collectively evaluating all products and services of TSKB and its subsidiaries on a customer basis, determining potentials and turning them into sales will be coordinated. Increasing TSKB’s customer, product and operational diversity is the main goal.

Provision and Management of Funds
It is decided that a Funding Management Committee be established to enrich TSKB’s relations with the institutions it obtains long-term funding from and systematically manage efforts for securing a diverse range of funds for different themes and for increasing the number of fund providing institutions.

It is expected that funding diversity and depth will be attained as a result of planning work to be overseen and guided by the Customer Management Department and the Funding Management Committee.

Performance Management
Measurable key performance indicators are set for all employees within the framework of a comprehensive revision to accurately evaluate the current performance of employees who will shape the future of TSKB and the new system will be launched with the start of the new year. It is expected that the current performance measurement system will be upgraded globally and in consideration of stakeholder expectations and this will enhance employee quality and motivation. Furthermore, there are plans to implement a systematic rotation program within the Bank.
TSKB Sustainability Consultancy Company - Escarus has provided consultancy services to TSKB in the preparation of 2016 Integrated Report.