



Türkiye Sınai Kalkınma Bankası
Industrial Development Bank of Turkey

United Nations Global Compact

Communication on Progress

2011

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1 . INDUSTRIAL DEVELOPMENT BANK OF TURKEY

1.1. ASSESSMENT OF THE CEO

Dear stakeholders,

We are proud and happy to publish Communication on Progress report of TSKB.

TSKB has been taking responsibilities in the healthy development and growth of the industry in Turkey for sixty one years. Being a supporter of the private sector in different growth phases of the Turkish economy, TSKB has acted as the flagman of development.

These priorities play key roles to form TSKB's business strategies in line with the goals of;

- supporting Turkey's sustainable development model
- maintaining and increasing employment
- participating in the combat against climate change and
- supporting the transition to low carbon economy in our country.

Establishment of our "Environment Management System (EMS)", certification of "ISO 14001" and formation of our "Environment Policy" are important milestones of our activities regarding our sustainability mission.

Sustainable Banking Awards that we've been given in 2008, 2009 and 2010 by FT-IFC, not only crowned our sustainability performance but also motivated and encouraged us to take strong steps to improve our future performance.

Our commitment to “United Nations Environmental Program Finance Initiative (UNEP FI)” in 2009 implies that our sustainability approach is not limited to our country and that it is also internationally accepted and reputed.

“Environment is Our Priority” project has been an important communication platform with public and has enabled us to continue investing in knowledge consistently. Our web TV started in 2009 with environment theme has been another new step with the aim of strengthening public awareness.

Offsetting our carbon footprint and being certified as a carbon neutral bank in 2009 point out a new era in our environmental journey. As the first carbon neutral bank in Turkey, TSKB has become a respected participant of the world league with its policies and implementations.

TSKB published its first Sustainability Report at the end of 2009- the first Turkish financial institution to do so. The report is certified by GRI. TSKB will be publishing its second Sustainability report in the first quarter of 2011. The report will be certified by GRI with Level B.

For energy efficiency in Turkey, TSKB has opened a new era. Within the last 1.5 years, TSKB has enhanced its internal capacity and developed an original marketing strategy that best fits the demands of the Turkish market. TSKB has financed 17 projects from a variety of sectors, organized several workshops and events in EE and are presently launching a new website to increase the awareness of EE in Turkey.

After pointing out the wind energy with “Wings of the Wind”, our second book “With Water Power” is going to be published.

We are aware that the next process will be mind-blowing. Our main goal is to strengthen our role to be the leading and exemplary bank with new activities and to achieve fast improvements in the necessary areas. TSKB is determined to take strong and new steps to raise its performance in banking and sustainability.

With the awareness of our social and environmental responsibilities and corporate consciousness, as they are totally correspond to the establishment goals of TSKB, 10

INDUSTRIAL DEVELOPMENT BANK OF TURKEY

principles of United Nations Global Compact related with human rights, environment and anti-corruption are supported strongly and we are developing our sustainable perspective continuously.

Halil Erođlu
CEO and President



1.2. OVERVIEW

Founded on June 2nd, 1950, TSKB is Turkey's first privately owned investment and development bank.

A pioneer of sustainability in the Turkish banking industry, TSKB serves a wide array of customers in the areas of corporate lending, project finance and financial leasing, as well as corporate finance services, capital markets brokerage, and portfolio management within the scope of investment banking.

TSKB has brought a total of USD 3.8 billion in new resources available over the last six years while funding nearly USD 7.7 billion of fixed capital investments throughout Turkey.

TSKB systematically contributes to the continuous development of the Turkish economy through long-term resources for the business world, mainly including investment projects and customer-specific consultancy and brokerage services. TSKB considers the environmental dimension when issuing loans and supports investments in various sectors with renewable energy, energy efficiency, environmental and SME loans, which it provides from international institutions.

1.3. ESTABLISHMENT GOALS OF TSKB

Being the first private investment and development bank of Turkey, TSKB was founded in 1950 with the support of the World Bank and with the cooperation of the Government of the Turkish Republic, the Central Bank of the Turkish Republic and the commercial banks in Turkey.

Industrial Development Bank of Turkey was established:

To support the investments of all the enterprises in all economic sectors in Turkey, especially the industry sector,

To help national and international investors participate in the share capital of companies already founded or to be founded in Turkey,

To help the development of the capital markets in Turkey.

TSKB realizes its goal to help the development of economic sectors by:

- Providing financial support in an appropriate way,
- Providing consulting, technical help and financial intermediary services.

1.4. MISSION AND VISION

Mission

To be the pioneering bank in Turkey's sustainable development.

Vision

For the sake of Turkey's sustainable development:

- Supplying entrepreneurs with medium and long-term financing,
- Supporting foreign investment in Turkey as the best local business partner,
- Playing a significant and continuous role in the development of Turkey's capital markets in Turkey,
- Providing customers tailor made and innovative financial solutions and mediation services,
- Creating increasingly more added value for our employees, shareholders and all other stakeholders,
- Playing a pioneering role in sustainable banking with an environment-friendly approach in the execution of all banking activities.

Strengths

- The solid capital structure and strong shareholders,
- Reliability among international and funding institutions,
- The ability to access low-cost, long-term funding,
- The experience to provide mid-term and long-term financing,
- The capability to reach an extensive client base with low operational costs,
- Strong IT infrastructure.

Goals

TSKB's corporate objective is to improve its leading position and profitability in the fields of corporate loans, project finance and investment banking which form its main scope of business. TSKB has vigorously achieved this objective thanks to the proactive business strategies which it had put into practice in the recent years.

- TSKB will continue to provide funds for the Turkish economy and support the Turkish private sector in the coming years.
- As a longstanding key player in the largest privatization projects, corporate finance transactions, mergers and acquisitions in Turkey, TSKB will maintain its place as one of the most active players in the market in the coming years.
- In order to raise the funds required to fuel Turkey's constant economic development, TSKB is determined to provide its clients with the most attractive financing opportunities in the market. In this context, the Bank steadfastly works to build on its strong cooperation with international financial institutions and banks.
- As the first bank owned by Turkish capital to hold the ISO 14001 Environmental Management Systems certificate, TSKB is determined to pioneer the concept of "sustainable banking" with firsts in the industry, such as eliminating carbon footprints and publishing a sustainability report, as well as in social responsibility projects which it undertakes with the goal of raising environmental awareness.

1.5. HISTORY OF TSKB

TSKB is the first privately-owned investment and development bank in Turkey.

In the 1950s, TSKB undertook important duties in line with its mission as an investment and development bank such as securing medium and long-term credit for private-sector projects, providing technical support to project sponsors, and conducting preliminary studies and initiatives and then spearheading and initiating the formation of capital markets in Turkey.

During the same period, TSKB was the only bank capable of supplying the foreign currency credit needed to finance imports of capital goods and it was also the only organization handling cash sales of foreign currencies released under the Marshall Plan.

In the 1960s, TSKB issued, underwrote and guaranteed company bonds and carried out its first initial public offerings of shares from its own portfolio of holdings.

TSKB became the first company in Turkey to be audited by an internationally recognizes independent auditor.

As a Turkish equity stake of the IFC (a member of the World Bank Group), TSKB undertook important roles in the country's industrialization, and provided credit support for a wide range of manufacturing activities such as the first Turkish-made busses and automobiles, automobile tires, LPG cylinders, high-voltage cables, batteries, cardboard, plastics and acrylic fibers.

In the 1970s, TSKB played a key role in encouraging private-sector investments in Turkey's developing regions. During this period, the Bank carried out the first issue of its own long-term bonds while also tapping into the European credit market with its first medium-term syndications. Meanwhile, TSKB achieved another 'first' by starting to offer comprehensive research services for the manufacturing and service sectors as well.

In the 1980s, TSKB continued to provide funding and resources to the private sector within the context of investment and development banking. During the same period, the Bank embarked on highly important ventures in its international relations: TSKB successfully issued a series of “Samurai bonds” in the Japanese capital market. Through the process of diversifying its relations with European and Japanese financial institutions, the Bank secured new sources of funding. In these years, TSKB played an active role in Turkey’s Privatization Master Plan and served as a consultant for the privatization of the country’s state-owned cement plants.

In the 1990s, TSKB strengthened its effectiveness in the investment banking business in Turkey. At the same time, the Bank also continued to develop and diversify its cooperation with international banks. Long-term foreign currency and interest rate swap agreements were signed with international financial institutions. The Bank acted as a consultant for the European Bank for the Reconstruction and Development (EBRD) in Uzbekistan. The 1990’s was also a period of successful initial public offerings of TSKB. Leading the establishment of over the counter bond and capital stock markets, the Bank has become more effective with the establishment of the İMKB (Istanbul Stock Exchange) and maintained its leading position in these markets.

In the 2000s, TSKB’s journey through sustainable banking continuously accelerated. Seeking to enhance its visibility and reputation in the international arena, TSKB tapped into international syndication and murabaha markets for the first time. In a world where protecting the environment became a priority, TSKB embarked on its first lending activities to incorporate “environmentally aware” criteria. In addition to lending directly to firms, the Bank also began providing indirect funding through commercial banks and leasing companies within the context of its “APEX banking” operations.

TSKB became the first Turkish bank to receive the ISO 14001 Environmental Management System certification.

For three years in a row, TSKB has been awarded the “Sustainable Bank of the Year” award in the

Eastern Europe category under the “Sustainable Banking Awards” program conducted jointly by the Financial Times (FT) and the International Finance Corporation (IFC). Meanwhile, TSKB became Turkey’s first “carbon-neutral” bank. The Bank has taken yet another important step by joining other international organizations which environmentally conscious and devoted to sustainable development as a member of the United Nations Environment Programme Finance Initiative (UNEP FI). The Bank also signed the Global Compact commitment.

In the 2010s, TSKB included energy efficiency within the scope of its loan granting activities and has financed a total of 96 projects with a renewable energy theme during the transition to a low carbon economy.

In early 2010, the Bank presented its stakeholders the GRI-approved sustainability report, a first in the Turkish banking sector.

Globalization, a process which has gained pace in recent years, has also begun to impact capital markets. While product diversity has rapidly increased in this period, the record low levels of interest rates in the wake of the last global crisis has, in particular, paved the way for new income opportunities. Through capital-protected and guaranteed products, financial institutions have begun to offer investors diverse alternative investment opportunities both in domestic and international markets. With the innovative products which it developed and offered to investors in this field, TSKB has achieved significant breakthroughs in Turkey, while capital-guaranteed funds have been added to the Bank’s range of products.

During the same period, TSKB has played an active role in the privatizations of electricity distribution, acquisition finance activities and public offerings.

1.5.1. Firsts Which TSKB has brought to the Turkish Banking Sector

1950s

- Provide technical assistance to project sponsors
- Provide medium to long-term loans to private sector on project basis

1960s

- Underwrite and guarantee corporate bond issues
- Offer to public mature shares from its equity portfolio
- Issue its own long term bonds
- Have its records audited by an independent auditing company

1970s

- Promote private investment in underdeveloped regions
- Mobilize funds through medium term syndicated loans from Euro-market
- Undertake major sector research work on industry and service sectors

1980s

- Construct short-term econometric model of the Turkish Economy
- Construct funds flow model of Turkish Financial Sector
- Provide foreign currency based investment loans with FX risk cover
- Issue its own bonds in international capital markets
- Conduct Producer Surveys on various sectors of economy
- Export insurance loans from European and Japanese institutions
- Offer Consultancy and advisory services in textile and other sectors in cooperation with international advisors
- Privatization consultancy for state owned cement factories
- Issue its own short term commercial paper as well as guarantee and market those of its clients
- Prepare Turkey's first Privatization Master Plan
- Realize the first public offering of a company's shares with underwriting
- Establish line of equity relations with Islamic Development Bank

1990s

- Enter into long-term currency and interest rate swap agreements with international banks
- Provide floating-rate medium term Turkish Lira loans to industry
- Provide consultancy services to European Bank for Reconstruction and Development (EBRD) in Uzbekistan
- Management of a Risk Capital Fund provided by the European Investment Bank
- Undertook a voluntary "Risk Management Review" supported by World Bank

2000s

- Provision of a credit line specifically for a healthier environment
- First bank to establish a real estate appraisal company with Capital Market Board Approval
- Provision of Secretariat service to the Istanbul Approach
- Creation of a Risk based credit pricing model
- First Turkish Bank to receive a loan from Agence Française de Développement
- First and only Turkish Bank to become a shareholder of European Investment Fund
- The first Turkish Bank to calculate and neutralize its carbon footprint
- The first Turkish owned bank to obtain the ISO 14001 Environment Management Certificate
- The first and only Turkish bank which was awarded Sustainable Bank of the Year of Eastern Europe in 2008, 2009 and 2010 in the event organized by Financial Times and International Finance Corporation.
- Membership of the UNEP FI and GRI

2010s

- The first Turkish bank to release the GRI-approved sustainability report
- Membership of the Global Compact
- The first and only Turkish bank to have been granted membership of the Long-Term Investors' Club (LTIC)

1.5.2. Awards

In the years 2008-2010, TSKB is proud to have brought the
“Sustainable Bank of the Year of Eastern Europe”
award to Turkey for three times in a row.

TSKB's successes have been nationally and internationally acclaimed and are rewarded.

Standing out with its pioneer role in the finance of renewable energy and environment projects and winning the award for the third time in succession stands as testament to TSKB's responsible stance towards ensuring a sustainable future for Turkey and the world.

INDUSTRIAL DEVELOPMENT BANK OF TURKEY

In this award program jointly conducted by the Financial Times and the IFC (International Finance Corporation), organizations to have gained prominence with their activities in the fields of the environment and sustainability are assessed on an annual basis.

Believing that a sustainable world is only possible through responsible steps and initiatives in the fields of environment and climate change, TSKB aims to crown its achievements in these fields on a global scale in the coming years.

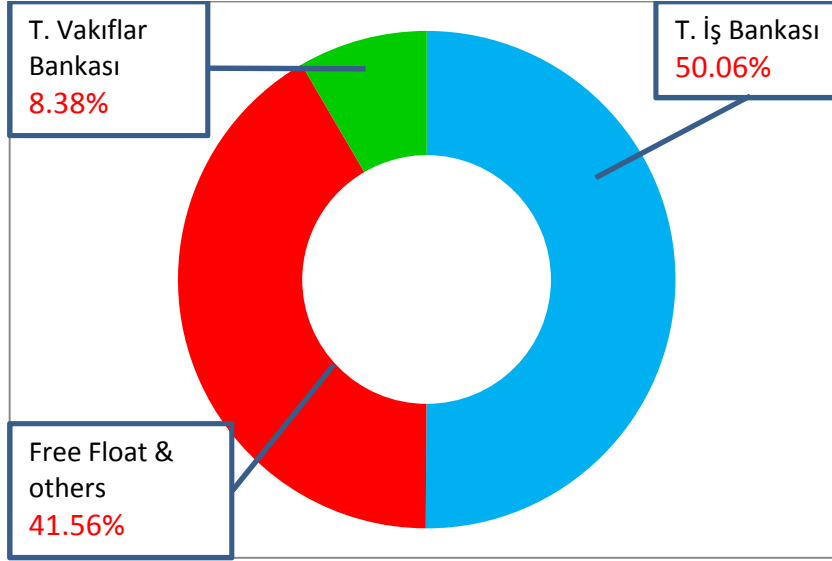
TSKB's difference and the added value it has brought in have been registered over the years by international establishments as well.

- Corporate Governance Association of Turkey (TKYD) – 4th Corporate Management Summit, 1st Corporate Management Awards/ Corporation with the 2nd Highest Corporate Governance Rating
- Euromoney – “European Hydro Power Deal of the Year”/Boyabat Dam and Hydro Power Finance
- Euromoney – “European Utilities Deal of the Year”/Uludağ Elektrik Dağıtım A.Ş. (UEDAŞ) and Çamlıbel Elektrik Dağıtım A.Ş. (ÇEDAŞ) Equisition Project Finance
- European Renewables Geothermal Deal of the Year" given by Euromoney in 2008 (Gürmat)
- The award of “European Transport Deal of the Year ” given by Euromoney Magazine in 2007 (Mersin Port)
- The award of “EMEA Infrastructure Deal of the Year” given by PFI in 2007 (Mersin Port)
- The award of "Best M&A - Best mergers and acquisitions" given as part of “Awards for Excellence-2005” by Euromoney Magazine in 2005
- The award of "Best Local Partner" given as part of “Awards for Excellence-2004” by Euromoney Magazine in 2004
- The award of “Best Investment Bank of Turkey” 3 years in a row between 1997 and 1999 given by Euromoney Magazine
- Highest rating given to a bank within all developing economies by the international rating corporation Thompson Bankwatch in 1998
- The award of “Best Research Institution of Turkey” given by Emerging Markets Investor Magazine in 1997.

1.6. FINANCIAL HIGHLIGHTS

AS OF 31 DECEMBER 2010

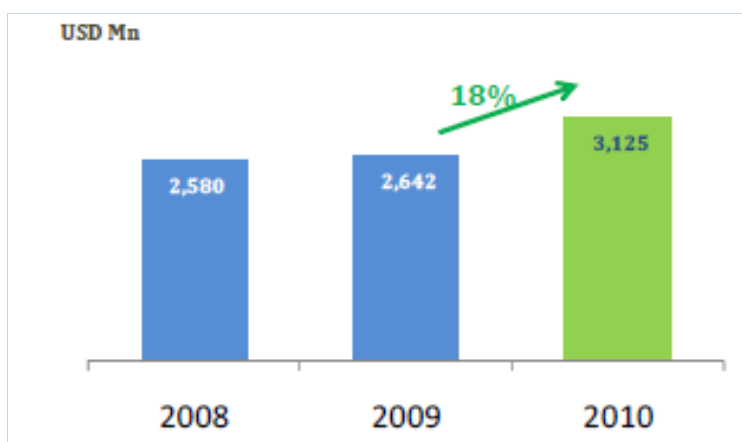
1.6.1. Ownership



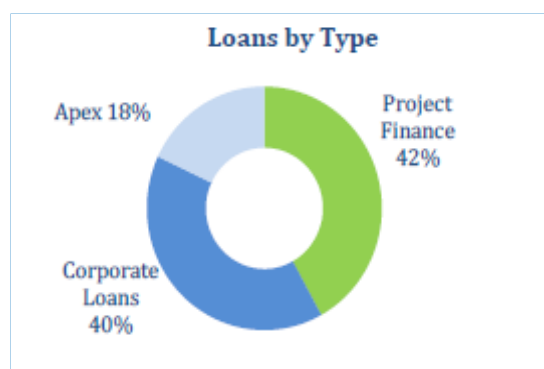
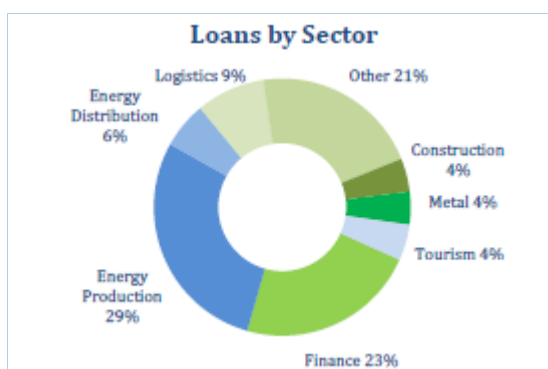
- Established in 1950
- Largest private investment & development bank in Turkey
- USD 5.1 billion asset size
- The 16th largest bank in Turkey
- 347 employees,

SHAREHOLDING STRUCTURE	%
T. İş Bankası A.Ş.	40.52
Camiş Yatırım Holding A.Ş.	5.80
Milli Reasürans Türk A.Ş.	1.93
Anadolu Hayat Emeklilik A.Ş.	0.90
Anadolu Anonim Türk Sigorta Şirketi A.Ş.	0.92
T. İş Bankası Group	50.06
Türkiye Vakıflar Bankası T.A.O.	8.38
İstanbul Chamber of Commerce	0.52
İstanbul Commodity Exchange	0.21
İstanbul Chamber of Industry	0.12
Others	3.93
Free float	36.78
Total	100.00

1.6.2. Loans



- 96% foreign currency denominated
- No currency mismatch
- 48% in EUROS, 48% USD
- 5 years of average maturity
- 0.5% NPL Ratio



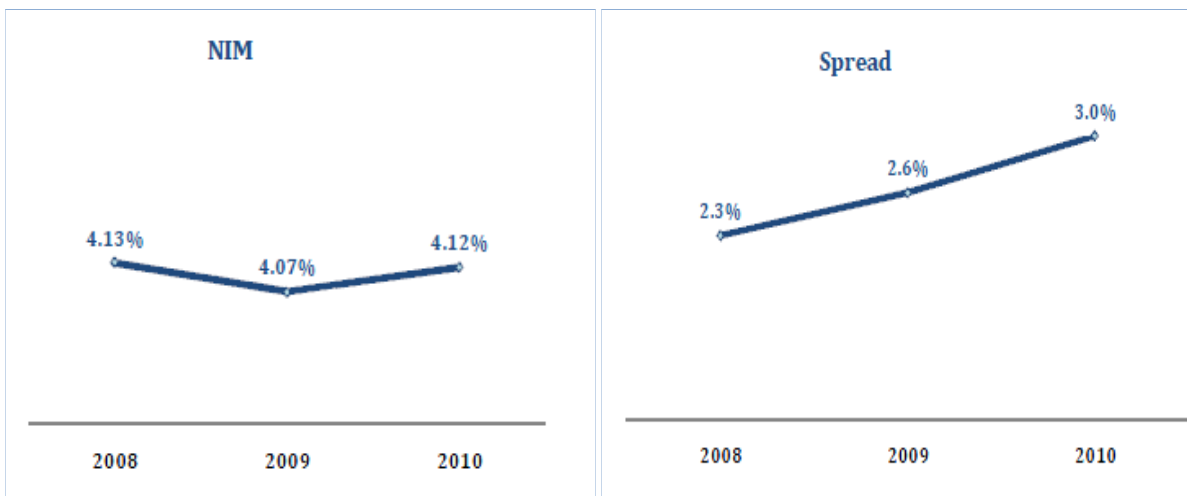
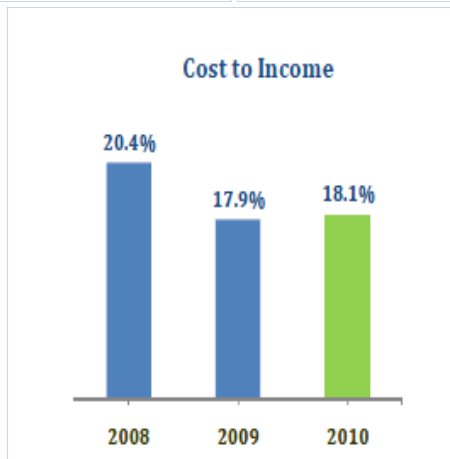
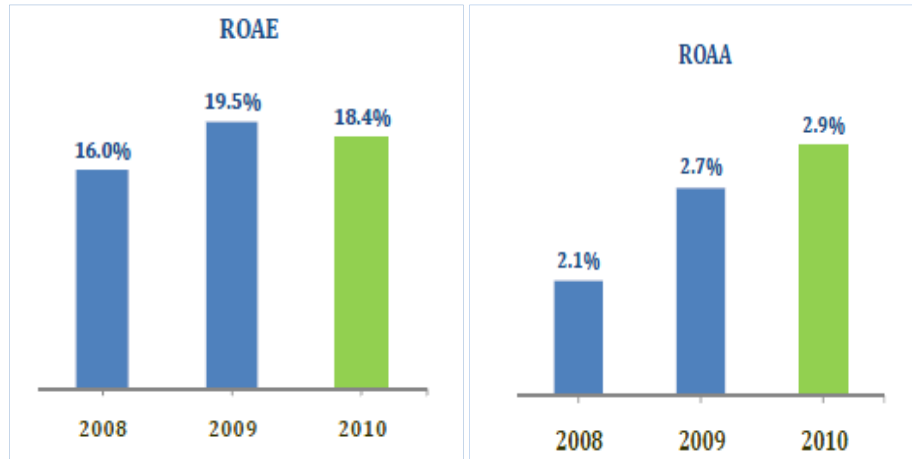
1.6.3. Highlights from Our Economic Performance

TSKB maintained its robust and consistent performance in 2010. Standing by its clients from various segments of the real sector throughout the year, the Bank provided continuous support to their projects.

Acting upon its mission of “sustainable banking for sustainable development”, TSKB made a total of USD 1.4 billion in new resources available in 2010, while funding nearly USD 3 billion of fixed capital investments throughout Turkey

(USD million)	2008	2009	2010
Total Assets	4,106	4,567	5,105
Loan Portfolio	2,569	2,616	3,125
Shareholders' Equity	496	682	816
Net Profit	79	116	137

1.6.4. Key Performance Indicators



1.7. PRODUCTS AND SERVICES

TSKB is a development and investment bank. The main business lines of TSKB are;

- mid and long term lending and project financing,
- corporate financing with comprehensive consulting services,
- full range of investment banking services provided for individual and corporate investors.

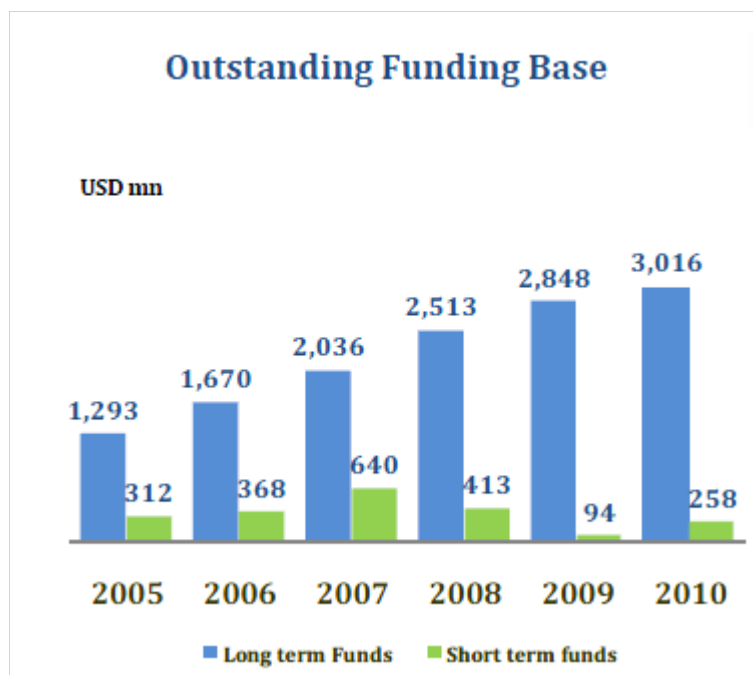
1.7.1. Lending and Project Finance

1.7.1.1 Lending

TSKB's mission is to support private sector investments in Turkey, to assist national and foreign capital companies in planning their participation and to help our country's capital market grow. For this purpose, TSKB provides financial support for private sector investments and renders consulting, technical assistance and financial mediation services.

Since the day it was established, TSKB has provided long term loans for more than 4,000 companies in various sectors of the economy, and has significantly contributed to the growth of private sector companies for many years.

The majority of the loans extended to the private sector by TSKB are medium and long term loans, as the bank is strongly focused on investments. TSKB not only performs extensive financial analysis of the companies, but also evaluates their investment projects and prepares feasibility reports with the know-how it has gained over the years by financing many companies in various sectors. Loans are extended on a project basis and each project is evaluated in terms of technical, financial and management aspects by the project evaluation team comprising engineers, economists and financial analysts. TSKB's experience in project evaluation enables it to provide special funds from supranational banks such as the World Bank, European Investment Bank and Council of Europe Development Bank. Special funds are provided to support the Turkish sectors most in need of investment and these funds are made available to private sector companies on a project basis.



Loans:

- **SME Loans:** TSKB acts as an intermediary for the funds provided by the World Bank (IBRD), EIB (European Investment Bank) and CEB (Council of Europe Development Bank) in order to finance small and medium scale enterprises' (SMEs) investments in any region of Turkey. Private sector investments are thus financed and consulting, technical assistance and financial mediation services are provided. SME loans extended are intended to provide financing for investment projects of private sector companies operating in the manufacturing industry, agricultural industry and tourism and services sector. Loan term is determined based on project feasibility and loan criteria vary based on the structure of the funds provided.
- **Renewable Energy and Environmental Loans:** TSKB not only considers the environmental risks of the organizations and projects it provides financing for, but also supports many projects in Turkey by extending loans intended for protection of the environment. Many environmental investments have been financed by loans obtained from resources such as the EIB, KfW, French Development Agency and World Bank. Among the investments financed by environmental loans are:
 - Wastewater treatment facilities,

- Investments for filtering, dusting and gas emission reduction,
 - Fuel conversion,
 - Establishing solid waste collection and decomposition facilities,
 - Projects intended to decrease water usage in manufacturing,
 - New investments to replace current manufacturing technologies that pollute the environment,
 - Activities to develop Environment Management Systems and;
 - Renewable energy investments.
- *Export Finance Loans:* TSKB acts as the intermediary and controller bank for Export Finance Intermediary Loans provided by the World Bank for banks and financial leasing companies. With mutual agreements concluded with commercial banks and financial leasing companies, TSKB has enabled the widespread use of these funds intended and provided for the export companies of the Turkish private sector in order to finance their investments to increase their export volume and to meet their working capital needs. The first EFIL loan was extended in 2002 and TSKB's success in enabling the effective use of these funds cleared the way for the EFIL 4 loan and the agreement was signed in early 2008.
 - *Financial Leasing:* Due to its particular status, TSKB can also finance investments by using financial leasing instruments structured within its own organization.

1.7.1.2 Project Finance

In addition to corporate loans, TSKB also provides project financing facilities that are structured in a model where the cash flow, assets and contracts of the project are considered as collateral for the loan facility.

In short, project financing is a financing facility that determines the loan collateral mainly by evaluating the project in terms of the actual cash flow generated and the assets of the project itself, not of the Company which owns the project. Project financing focuses not on the company's general financing needs, but on the financing needs of the investment project and its projected cash flow.

Project financing was derived from the quest for wide availability of different resources and financial instruments that could be used to improve current investments or to engage in different fields without, of course, distorting the company's current balance sheet structure. Project specific risk management strategies must be used as much as possible in order to meet such demands and to form the financing packages required.

TSKB performs detailed analyses on three main stages in terms of project specific risk management strategies:

- At the feasibility stage; macroeconomic and managerial risks (Strategic, financial and operational Risks) involved in both developing the right financing model and running the project
- Inability to complete the project due to various risks (Risk of Inability to Complete)
- Performance risk or inability to deliver the production and efficiency planned at the design stage of the project (Operational Risk)

Fields for which TSKB provides Project Finance loan facilities are;

- Power generation plants,
- Natural gas distribution projects,
- Tourism-hotel investments,
- Property Development, Shopping Center Investments (SCI)
- Telecommunication,
- Logistics, Transportation projects (Seaports and Airports)
- Environment and energy efficiency related projects,
- Other infrastructure projects

Total number of renewable energy projects financed by the Bank reached 96 (compared to 83 in 2009) with a total installed capacity of 2950 MW. Of the renewable energy projects financed by TSKB 40 are operational. The share of loans extended to renewable energy sector projects in total loans outstanding stands at 29%

TSKB identified energy efficiency as a priority area in line with its sustainable banking practices and started to finance energy efficiency projects since 2009. The number of energy efficiency projects financed by TSKB has reached 17.

1.7.2 Corporate Finance

As a profoundly reliable business partner with many first-of-its-kind achievements in capital markets, TSKB has pioneered in the development of investment banking in Turkey with the financial techniques it has developed and implemented.

TSKB is a close business partner with individual and institutional investors with a strong team of expert professionals and an international reputation, and has so far provided extensive consulting services for many national and international companies.

An extensive customer portfolio has enabled TSKB to monitor many companies in many industries, and the global operations it has participated in have helped it build up significant knowledge of international investment banking techniques. The difference it has thus created in rendering custom-tailored services provided TSKB with a privileged status in the investment banking arena in Turkey.

Today, the TSKB Corporate Finance Team provides purchase and sales consulting services for privatizations, currently manages some public offerings, renders intermediary services to companies in their issues of stocks and bonds, helps domestic/foreign companies in search of financial resources or strategic partners find the right domestic/foreign companies and domestic/foreign investors and/or funds, offers consulting services for foreigners planning to invest in Turkey, manages the whole process from establishment to public offerings of property investment trusts, and provides companies with all types of appraisals, feasibility studies and surveys.

1.7.2.1 Privatization

Having prepared the first Privatization Master Plan with Morgan Guarantee in 1985, TSKB started to give consultancy to the Privatization Administration with the privatization of Citosan's cement factories in 1986. Having completed many other privatization projects, today

TSKB provides consulting services for one of the largest privatization in Turkey: “Privatization of Motorways and Bridges”.

Privatization projects for which TSKB currently provides advisory;

- Privatization of Motorways and Bridges
- Privatization of Ports That Belong to Turkish State Railways
- Privatization of Sümer Holding’s Subsidiaries

Projects Completed;

- In May 2006, financial advisor in the valuation of Murgul Facility, Hydroelectric Power Plant and land in Samsun belonging to Blacksea Copper Enterprises,
- In the second half of 2003, comprehensive and multifaceted study within the scope of the advisory service to analyze existing financial outlook of Turkish Halkbank and to develop a sound privatization strategy for the bank,
- In 2003, Real estate appraisal and valuation of Kutahya Fertilizer's facilities,
- In 1998, Advisor and joint global coordinator of US\$651 million privatization and secondary public offering of Turkish Isbank shares with Solomon Smith Barney,
- In 1996, Consultant in the privatization of seven cement plants of Citosan,
- In 1995, Study on the selection and initial evaluation of SEEs (state economic enterprises),
- Between 1991 and 1993, Advisor in the privatization of 13 entities under MKE's (state owned machinery, chemicals, arms and ammunition manufacturer) management,
- Between 1986 and 1987, Pre-privatization evaluation of the Citosan's five cement plants,
- In 1985, Preparation of the Privatization Master Plan together with the Morgan Guaranty Bank,
- In 1985; preparation of the Privatization Master Plan together with Morgan Guaranty etc.

1.7.2.2 Merger and Acquisition

TSKB, which was awarded with the “Best M&A House” in 2005 by Euromoney, has provided services for both the buying and the selling parties, and it provides such services as:

- Identifying common objectives and mutual benefits

- Accomplishing cost-benefit analysis, due diligence and evaluation studies
- Organizing the parties and
- Building the necessary relationships to find the funds required for the sales transactions

1.7.2.3 Asset Purchases and Sales

TSKB Corporate Finance Team provides extensive buy-side and sell-side advisory for property and/or real estate projects.

TSKB provides extensive consulting services for the entire process from appraisal/feasibility studies of the real estate and preparing the promotional materials to reaching many national/international investors and handling the negotiations with them.

When necessary, TSKB's Real Estate Appraisal subsidiary, which is the sector leader with its expert professionals, is also utilized for support, and thus, the services rendered by the Corporate Finance Team have taken a privileged status in the sector.

1.7.2.4 Public Offerings

The amount of the public offerings that TSKB has been the consortium leader is more than USD 2.1 billion since 1996.

- 3 initial public offerings (IPO) are completed in 2010.
- Emlak Konut REIT IPO was the 5th biggest IPO in Turkey's history.
- TSKB REIT IPO is the first REIT IPO in year 2010.
- Aksa Energy is the largest independent power producer of Turkey.
- TSKB received EMEA Finance's Best Equity House in Turkey 2010 award in Europe Banking awards.

At the moment, TSKB is the advisor of Turkish Privatization Administration and the scope of the work includes strategy, valuation, legal infrastructure, marketing, etc.

1.7.3 Investment Services

TSKB provides brokerage and portfolio management services in capital markets for its individual and corporate clients with private banking approach.

1.7.3.1 TSKB Mutual Funds

TSKB provides its clients with 5 conventional investment funds and guaranteed sub funds developed in accordance to their expectations under an umbrella fund. The funds are based on risk preferences and managed by professional fund managers according to the Bank's fund management strategies.

1.7.3.2 TSKB Trading Platform (TTP)

TTP is the trading platform where TSKB clients can reach stock exchange, futures - options and foreign currency markets on-line and make electronic transactions.

1.7.3.3 Portfolio management, capital and money markets mediation services

In addition to portfolio management services TSKB provides its individual clients a wide range of investment services such as stocks, mutual funds, bonds and equity trade; repot and foreign currency transactions and alternative money and capital market transactions.

1.7.3.4 Turkdex Turkish Derivatives Exchange

TSKB serves the clients of Turkdex Turkish Derivatives Exchange where options and futures transactions are realized.

1.7.4 APEX Banking

APEX banking is an effective model allowing TSKB to reach SMEs in line with its resource distribution activities. TSKB has cooperated with 22 different intermediary financial institutions which make up Turkey's leading leasing companies and commercial banks in terms of APEX operations. As of December 2010, APEX loans have constituted the 18% of the Bank's total

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loan portfolio.

Within the scope of other APEX loans, TSKB provides SMEs with loans, through commercial banks and financial leasing companies, which contribute employment growth. Within this framework, the Bank reached over 1000 companies with a total of USD 1.19 billion in loans.



APEX Banking Scheme

1.8. SUSTAINABLE BANKING

Sustainable development refers to the economical growth without damaging environmental, social and physical balance. The main issues of sustainability are;

Efficient and effective use of all natural resources,

Reducing wastes at the source with the help of smart and effective technologies to be used,

Reuse of resources and/or recycling .

TSKB always takes sustainable development criteria into consideration when evaluating investment projects. With this in view, positive or negative environmental and technological effects to arise from the specific investment are included in the decision process of banking operations. The most significant “environmental banking” value comes into existence here. TSKB is determined not to allow the credit facilities it extends to have a negative impact on nature.

Regarding sustainability as a unity of environmental, social and economic properties, TSKB is unique not only because no hazardous waste is generated by its operations but also because it carries a strong environmental sensitivity proven with applications such as separating waste in its buildings at its source; effectively using consumable resources by bringing these into the economy again with recycling; minimizing the use of paper in electronic business flow and organizational communication; and using smart lighting and infrastructure elements in its buildings.

2. UNGC PRINCIPLES

TSKB celebrated its 60th service year in 2010. TSKB has been an absolute exemplary in sustainability since its establishment in 1950.

Playing an ongoing key role in Turkey's economic development, the Bank has been a leader in banking sector by realizing the 'firsts' and has gained support and reputation from its stakeholders by its economic, social and environmental performance.

The Bank considers the environmental impacts of each financing it provides and with the renewable energy, energy efficiency, environment and SME loans it secures from the supranational institutions, it supports the investments of different sectors.



TSKB plays an important role in the growth and development of the Turkish economy through the long-term financing that it provides to investment projects and through its customized consultancy and brokerage services.

TSKB's mission of being Turkey's "environment-friendly bank" is applied as an essential component of all its activities from credit-evaluation to social responsibility and social awareness enhancement projects.

From extending loans to its partners, providing opportunities for its employees to adopting environmental and social practices through its products and services, TSKB has undersigned exemplary applications and projects in diverse areas.

Environment and sustainable banking

As the leading bank to finance environmental investments in Turkey, TSKB aims to reduce its direct and indirect negative impacts on environment systematically.

Climate change is one of the most material issues for TSKB regarding its business strategies. The Bank also aims to reduce the negative impacts of its stakeholders on environment. Regarding its interactive business relationships with its clients

Global awards winner TSKB
believes that the key to sustainable
development is sustainable banking
and this belief summarizes the
sustainability strategy of the Bank.

TSKB considers regulations, environment and social risks and shapes its products and services in accordance with the criteria of sustainable banking. TSKB directs its financing activities towards such investments as to

support the combat against climate change. In this context, renewable energy, energy efficiency and environmental investments are the priority sectors targeted.

TSKB has been the first in its sector considering the below properties;

- Started ISO 14001 Environmental Management System.
- Won the Financial Times - International Finance Corporation (IFC) Sustainable Banking Award in Eastern Europe Region in 2008, 2009 and 2010 Emerging Markets Category,
- Carbon Disclosure Project started in Turkey last year. However, TSKB has been disclosing and reducing its carbon footprint since 2006. This is four years prior to the official CDP in Turkey.
- Signing the United Nations Environment Programme Finance Initiative (UNEP FI),
- Offset its carbon footprint and to be certified as a 'carbon neutral' bank.

- Has been using renewable energy in all its buildings.
- Has been an organizational stakeholder of GRI since 2009. TSKB prepares its sustainability report in align with all GRI Guidelines.

Social contribution

Since the day it was established TSKB considers common welfare, human resources and social responsibilities in all its operations. As a preferred company to work for and with happy employees, TSKB aims to contribute to the development of the society with the projects that it finances and the products, services and employment created as a result of these projects. NGOs being foremost, TSKB takes pain over its relationships to be interactive with all its stakeholders.

TSKB Business Principles

The business principles that TSKB developed through the last 60 years include compliance with laws and regulations, strong, respected and consistent relationships with clients, ethical values, satisfaction of its employees, sensitivity to environmental issues and social responsibility.

TSKB believes that its sustainable economic and social contributions are shaped along dimensions of employee and community as well as that of its banking activities. One of the basic aims of our Bank is to maintain a modern work environment with full respect to human rights and encourage participation of employees.

Through its business processes, TSKB has the main target of fully complying with laws, corporate governance principles and ethical principles.

TSKB supports the 10 principles of United Nations Global Compact consisting of human rights, work force, environment and anti-corruption which totally corresponds to its ethical values.

2.1. HUMAN RIGHTS AND EMPLOYEES

In striving to be a desired and outstanding employer, TSKB is committed to attracting and developing talent, cultivating leadership and encouraging diversity.

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

Human Resources and Work Environment

TSKB believes that the only way to take advantage of the growth opportunities in the market is through employing competent and participant human resources. With this sense TSKB aims to be one of the most desired places to work for by sustaining a secure work environment that awards success and promotes individual growth and initiative taking.

TSKB would not maintain its continuous growth and improvement without its employees. With its employees aiming to meet client needs and expectations, having broad vision, exemplary occupational excellence and continuous development efforts, TSKB is determined to reach its goals in sustainable banking.

The educational expertise and loyalty levels of the employees at TSKB are distinctive and one step ahead of their counterparts in the sector. TSKB employees are results oriented, efficient in analyzing and problem solving and able to think strategic.

The key to providing high quality financial services for TSKB is having professional human resources. The three main areas that TSKB focuses on for sustainable corporate success are;

- Managing human resources according to the policies of the Bank,

- Appraising and developing employee potential at both individual and group level,
- Providing the human resources with interactive and deep dialogue about TSKB's operations and goals

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

At the focal point of TSKB's human resources strategy lie the objectives of

- Providing complete participation to work
- Strengthening corporate loyalty and
- Reaching the highest level of employee satisfaction.

Performance Management System at TSKB

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

- Identifying - evaluating competencies,
- Providing the employees with internalized corporate objectives,
- Realizing one to one interviews,
- Preparing personal development plans.

The results of Performance Management System are used to identify the employee training needs, to plan careers and fix salary increases.

Corporate loyalty is the core element of efficiency and power factors that stand beyond the TSKB performance culture. Whilst evaluating performance of the employees in the Bank, as well as considering the successes they have achieved, the way in which these successes are achieved is also considered.

Health and Safety at TSKB

TSKB embraced the key importance of its employees' health and safety both at work and at their private lives and internalized this principle in its human resources policy.

Having taken the contemporary health and safety applications used worldwide into consideration within its policies, Turkish health and safety regulations are fully enforced throughout the branches and the headquarters of TSKB's in Istanbul.

Occupational health and safety at TSKB is governed under the responsibility of the Human Resources Department. This unit takes care of all cases concerning health and safety intensely and takes the necessary measures.

Regarding work safety, the Bank's physical conditions and technical structure are periodically controlled, information and warning systems are improved, potential problems are identified and the measures are taken as needed.

TSKB is committed to maintain its "zero accident" record at work. TSKB cooperates with institutions and people who specialize in health and safety to provide an ultimately healthy and safe environment for its employees.

Sustainability and Leadership on Social Security: Trust of TSKB

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

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

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Having established its own social security scheme 45 years ago, TSKB has been meeting its commitments accurately on health and retirement to a total of 1450 members including their dependants and the trusts have been meeting their commitments on retirement to 500 members.

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

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

Employees – Diversity and Equal Opportunity

TSKB human resources policy is based on diversity and equal opportunity. In line with this policy, the Bank stands against all types of discrimination.

NUMBER OF PERSONNEL (BANKING)	NUMBER	%
Total	297	100
Female	157	53
Male	140	47
Average number of years served	8.2	

In all processes and applications of human resources management, TSKB considers equal opportunity and supports diversity in gender, age and creed. The dominance in the number of female managers is a concrete example of the Bank's diversity policy.

DISTRIBUTION OF TOP MANAGEMENT ACCORDING TO GENDER	FEMALE	MALE
CEO	-	1
Executive Vice President	3	4
General Secretary	-	1
Head of Board of Internal Auditors	1	-
Director	-	2

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

DISTRIBUTION OF PERSONNEL ACCORDING TO EDUCATION LEVEL	FEMALE	MALE	TOTAL
PhD	1	1	2
Master Degree	38	37	75
University Degree	106	96	202
Vocational High School Degree	5	2	7
High School Degree	7	4	11
Total	157	140	297

TSKB upholds the effective abolition of child labour and does not employ under the age of 18. Employees age ranges are shown in the table below.

AGE	YEAR END OF 2010
< 18	0
18-20	0
21-30	118
31-40	134
41-50	86
51-55	7
>55	2

2.2. ENVIRONMENT

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

2.2.1 The Connection of Banking and Environment

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

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

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

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

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

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

2.2.2 Environment Policy of TSKB

TSKB has been especially mindful of public interests and social responsibility in the conduct of its activities since the day it was established. Environmental awareness and sensitivity towards climate change always rank high among its business principles. The measures that are to be taken to counter a rapidly deteriorating global ecological balance, the environmental impact of human activities, and increasing greenhouse gas emissions have become issues of steadily greater importance. TSKB's environmental sensitivity is defined within the framework of the following principles. TSKB;

- Minimizes the environmental impacts arising from the Bank's activities, to which end it takes and implements the most effective measures to reduce the TSKB carbon footprint and informing all of its stakeholders about these issues;
- Carries out all of its banking activities taking both environmental management standards and United Nations Environmental Program for Financial Institutions (UNEP FI) criteria into account;
- Defines and continuously monitors environmental objectives and goals and revises them in accordance with changing dynamics;
- Supports investments that encourage sustainable development and contribute to a low-carbon economy;
- Encourages renewable energy and energy productivity investments with the aims of reducing Turkey's dependence on fossil fuels and of lowering its greenhouse gas inventory; supports efforts to increase public awareness about these issues;
- Identifies environmental risks and takes them into account when making financial decisions;
- Develops and maintains continuous awareness among both employees and the public at large on the issues of climate change, global warming, environment, and sustainable development;
- Ensures compliance with all national and international environmental rules and regulations;
- Takes part in efforts that will make it possible to concede a livable and sustainable environment for future generations. These principles constitute the basis of all decision-making processes concerning TSKB's all activities. Developing and carrying out business

plans with full awareness of supporting sustainable development and to conduct all investment and development banking activities within the framework of an environment management system that is compliant with ISO 14001 standards, is a fundamental principle.

2.2.3 Environmental Management System (EMS)

EMS is a living and continuously developing system in TSKB. Aiming to reduce the direct and indirect risks arising from its activities to a minimum level, TSKB believes that environmental issues may seriously threaten the future of the world.

After establishing EMS, TSKB defined its environmental impacts and started to measure its performance indicators systematically.

The Bank categorizes its impacts as internal and external, measures them and plans improving and developing activities by analytical methods.

2.2.3.1 Internal Environmental Impacts of TSKB

TSKB Environmental Policy published in 2006 has been the first sign of the Bank focusing on offsetting its direct environmental impacts.

TSKB measures its consumptions regarding its activities, makes improvement plans and sets targets since 2006. The measurements are done in terms of the electricity, water, fuel, gas, paper consumption and other waste of the buildings. The related environmental indicators and the evaluations are shown on page 39.

Believing the importance of reducing GHG emissions and that it is compulsory in order to suggest proactive solutions for the climate change, TSKB developed a “Carbon Neutralization Project”.

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Indicator	2006	2007	2008	2009	2010
Electricity Consumption					
Electricity Consumption (kWh)	1,282,371	1,338,675	1,431,067	1,300,219	1,256,058
Electricity Consumption / m ²	71	79	84	76	74
Electricity Consumption / capita	4,452.68	4,492.20	4,631.28	4,140.82	3,727.18
Natural Gas Consumption					
Natural Gas Consumption (m ³)	125,701	94,549	95,872	86,615	78,857
Natural Gas Consumption / m ²	7	6	6	5	5
Natural Gas Consumption / capita	436.46	317.28	310.27	275.84	234.00
Water Consumption					
Water Consumption (m ³)	11,983	10,993	8,416	7,938	7,903
Water Consumption / m ²	0.66	0.65	0.49	0.47	0.46
Water Consumption / capita m ³	42	37	27	25	23
Paper Consumption					
Paper Consumption (kg)	12,160	11,300	9,800	8,450	9,137
Paper Consumption / capita kg	42	38	32	27	27
Waste Paper					
Waste Paper (kg)	5,600	7,000	4,000	4,070	5,125
Waste Paper / capita kg	19	23	13	13	15
CO2 Emission					
CO2 Emission (kg)	1,298,040	1,252,720	1,249,070	670,510	401,220
CO2 Emission / profit	0.017	0.010	0.016	0.006	0.003
CO2 Emission / capita	4,507.08	4,203.76	4,042.30	2,135.38	1,190.56
Carbon Footprint Distribution (%)					
Electricity	63.62%	68.82%	73.78%	46.22%	0.00%
Natural Gas	18.17%	14.16%	14.40%	24.23%	36.87%
Paper	2.50%	2.40%	2.09%	3.36%	6.08%
Total Transportation	15.71%	14.62%	9.72%	26.18%	57.05%
Buildings (m ²)	18,119	17,008	17,008	17,008	17,008
Employees (Average)	288	298	309	314	337
Income (USD)	75,462,000	126,702,000	78,484,000	115,401,000	136,535,000

With this project, completed successfully and in time, reduction of CO2 emissions arising from TSKB's activities and offsetting of the rest through purchasing carbon credit from the voluntary carbon market was targeted. The project was designed and run by TSKB Environment Management System Team.

2.2.3.2 External Environmental Impacts of TSKB

A large portion of the external environmental impacts of TSKB appear on the client side. The aim of the Bank is to describe the environmental impacts regarding the projects it finances and support the clients to minimize the effects by managing them.

Within the EMS coverage, the Bank described processes and procedures and prepared Environment Manual and TSKB Environmental Objectives and Program.

The activities within the context of EMS and ISO 14001 are planned annually. The structure of the EMS is reviewed at least once by the top management of TSKB. The Bank also informs its stakeholders and public about the activities regarding EMS in its corporate web site by systematically updating it.

With EMS, all parameters of TSKB buildings (maintenance of the elevators, gas emissions of the vehicles, domestic oil waste, fire extinguishers, earthquake security sensors, batteries, glass, metal and technological waste etc.) are controlled more systematically.

2.2.4 Environmental Risk Evaluation Tool (ERET)

ERET, developed within the context of the Project during the establishment of EMS with the support of Kreditanstalt für Wiederaufbau (KfW), is an environmental risk evaluation model which questions 35 subjects and rates the answers. It was developed as a result of the voluntary initiatives of TSKB. Although ERET Model was used only in specific projects in the previous years, it is implemented in all projects handled by TSKB Credit Committee since 2007.

ERET finds answers to most of the questions included in Equator Principles which is prepared by IFC and accepted worldwide by the Banks operating in developed economies.

Preparation of the ERET Model is under the responsibility of TSKB project engineer and a part of project engineering and evaluation report.

The model is based on studying the environmental impacts of investment project subject to credit evaluation and of the other activities of the project owner with both current and future perspective.

With its careful approach in the marketing phase, TSKB does not include the projects in evaluation process in case it predicts “high environmental risks”.

In case of a high environmental risk factor, a plan is prepared in cooperation with the client on how to reduce the impacts and to trace them.

ERET, as an important component of the systematic approach in the evaluation activities, prepares a valuable base for the sustainable finance activities of TSKB.

In the light of the ERET findings, TSKB realizes EMS environmental risk categorization and satisfies the report and information need of the international credit institutions.

An environmental risk analysis in terms of finance includes defining the dimension of the environmental risk and studying the acceptability limits. It also covers reducing or offsetting potential risks and the related action plans to reduce the environmental impacts.

TSKB ERET RESULTS	2006	2007	2008	2009	2010
# of projects in hand	33	67	87	58	51
Risk Category (Client)					
A	-	-	-	-	-
B	11	18	50	28	21
C	22	49	37	30	30
Risk Category (Project)					
A	-	-	-	-	-
B	15	6	12	18	13
C	18	61	75	40	38

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

Behind ERET Model lies a strong banking discipline based on selectivity. With its careful approach in the marketing phase TSKB does not include the projects in the evaluation process in case it predicts high environmental risks. That's why ERET results are accumulated at B and C categories.

2.2.5 Carbon Disclosure Project

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

CDP acts on behalf of 534 institutional investors, holding USD 64 trillion in assets under management, and 60 purchasing organizations such as Cadbury, PepsiCo and Walmart.

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

11 of the ISE 50-listed companies responded to this call in the first year of CDP Turkey. Measuring its carbon footprint and disclosing the results since 2006, TSKB, having joined the project voluntarily, is happy to see the launch of the CDP in Turkey.

2.2.6 TSKB Carbon Neutralization Project

TSKB is the first and only bank in Turkey to offset its carbon footprint and to gain an approved carbon neutral identity.

In order to offset its carbon footprint and to create a management strategy TSKB started a project in cooperation with the carbon consulting company Ecofys. Carbon neutralization project covered:

- Detecting and auditing the carbon footprint of TSKB
- Realizing the process of purchasing carbon credit

- Consultancy services TSKB needed in the phase of being a carbon neutral bank.

A bank's carbon footprint is the total of all greenhouse gases emissions as a result of factors like transportation, heating and electricity. Another description of carbon foot print is: a climate change factor created by the CO2 emission as a result of burning fossil fuels.

3,000 tons of Gold Standard Carbon Credit. 1,249 tones of the credit were used to offset the carbon footprint of 2008.

TSKB preferred to purchase carbon credit from the ITC Mamak Integrated Domestic Waste Disposal Project which is also financed by the Bank.

TSKB's strategy of reducing carbon footprint

TSKB started implementing its strategy to reduce its CO2 emission. The Bank aims to measure and reduce the negative environmental impacts of its buildings and operations on a continuous and systematic basis. With the belief that offsetting carbon footprint is not sufficient TSKB set its strategy of reducing CO2 emission through energy savings and improvement plans.

Carbon Credits Purchased	Use of Credits	Total
3,000 tons of Gold Standard Carbon Credit	TSKB Carbon Neutralization Project	1,249 tones CO2 equivalent
	Offsetting carbon footprints of Clean Energy Fund clients	1,740 tones CO2 equivalent

2.2.7 Information Technology Implementations

With electronic business processes TSKB automated more than 30 critical banking processes. Among these, credit process (application, evaluation, approval, contract and lending) takes place as a whole.

Of all the documentation used in the service cycle of TSKB, 73% is produced, shared and saved in electronic environment. All the EMS documents are reachable through TSKB Intranet and are managed under a new and efficient system.

The electronic document management system reached through the corporate Intranet is also integrated to the main banking program of TSKB. The connection of the two systems both creates efficiency in knowledge management and operations and also reduces paper consumption regardless of the increasing business volume, in terms of supporting the Bank's approach on protecting the environment.

2.2.8 Social Responsibility

Sustainable development requires intellectual, healthy and productive communities. TSKB believes that this could only be possible with deliberative and conscious societies. In line with this belief, the Bank adopted a social responsibility mission to create awareness and sensitivity on behalf of the society about issues like climate change that constitute risks for the future of the humankind.

Social responsibility projects form one of the bases of TSKB's sustainable banking philosophy. TSKB has undersigned one of the broadest social responsibility projects executed in Turkey with 'environment' theme by taking advantage of its corporate competencies and communication network.

Sustainable banking approach is integrated efficiently in TSKB's social responsibility projects. 'Environment is Our Priority' is a long lasting and comprehensive social responsibility project that aims to form different platforms to increase the awareness level on environment in Turkey.

Since its first inception in 2007, the project has continued to develop with various activities and sponsorships and in the meantime the Bank has taken its place intensely at environmental platforms.

The 'Environment is Our Priority with TSKB' Conference which took place on December 5, 2007, brought the international finance houses and the business world together for a livable

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environment and sustainable development. The conference brought senior representatives of The World Bank (IBRD), European Investment Bank (EIB), Kreditanstalt für Wiederaufbau (KfW), Agence Française de Développement (AFD), Council of Europe Development Bank (CEB) and Industrial Development Bank of Turkey (TSKB) together with Turkish business world. International and Turkish investment experts brought up the opportunities of financing environmental investments and shared samples of successful projects with their suggestions for the future.

Besides this conference, main events within the 'Environment is Our Priority' project

- Sculpture competition titled 'Environment is Our Priority' with Mimar Sinan Academy of Fine Arts
- Day of Meeting Nature
- Launch of Cevreciyiz.com
- Akasya Summit Sponsorship
- Sponsorship of TEMA education CD
- Conference on Opportunities and Expectations on Renewable Energy
- Face lift of Cevreciyiz.com.
- 26 spots on environment in cooperation with Turkish Radio Television Corporation (TRT)

CEVRECIYIZ.COM

As the most comprehensive environment-related web portal of the country, cevreciyiz.com went online on May 2, 2007.

The most updated news on environment, the environment agenda of Turkey and the world, researches and articles of academicians, NGOs, and related professionals, special environment-related cases, regulations on environment, the requirements to be compliant with the regulations, individual and corporate success stories, virtual photo exhibitions of famous nature photographers, tools to measure environmental risks and to bring constructive suggestions are all included on the web site, as well as the parts exclusively aimed at the youngsters and children.

Publishing approach to turn knowledge to utility

Having a lean, sharing and user-friendly publishing approach cevreciyiz.com turns knowledge to utility by a managing team of experts of environment and online publishing. All the content and photos published on the web site belong to expert and professional participants. Since the beginning of the project, cevreciyiz.com has never compromised its high quality. The most important characteristic of cevreciyiz.com is its interactivity providing the readers with questionnaires, online contests and e-bulletin membership. The portal also invites all its readers to share their knowledge and experience through 'Be Our Author' feature. Having been established as the communication channel of "Environment is Our Priority" project, the portal has greeted World Environment Day on June 5th with a brand-new face and new messages and launched its English version as well.

As of yearend 2009 and towards its third year, cevreciyiz.com sends e-bulletins to about 10,000 subscribers and is visited by approximately 1000 people monthly.

Broadcast of Cevreciyiz.tv

With its aim to increase the knowledge and awareness level by creating the feeling of embracing the nature and to support positive attitude among all ages and segments of the community, cevreciyiz.com comes up with a great surprise to launch the first environment-related video portal of Turkey cevreciyiz.tv on November 23, 2009.

We are proud of working
towards a sustainable world
to future generations.

TSKB believes that a sustainable world is the most fundamental right of future generations. Acting as a responsible corporate citizen, TSKB contributes to the future of humanity through its practices within the framework of sustainable banking.

Approaching the environment and sustainability as one of the building blocks of its mission, vision and strategy since 2006, TSKB participates in the fields of sustainable finance and tackling climate change with its leading efforts in national and international initiatives.

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TSKB is the pioneer and leader of sustainable banking in Turkey. TSKB's history is marked with activities in these fields, which are firsts in Turkey and in the Turkish banking sector:

- The first investment loans in Turkey with environmental criteria
- The most projects in renewable energy finance
- ISO 14001 – The first Turkish bank to hold the Environmental Management System Standard
- Turkey's largest environment portal: cevreciyiz.com
- First carbon neutral bank in Turkey
- The first and only Turkish bank to be a member of UNEP FI
- The first Turkish bank to have neutralized its investors' carbon footprints within the framework of the Clean Energy Fund
- The first GRI-approved sustainability report in the Turkish banking industry
- Turkey first environmentally themed video portal: cevreciyiz.TV
- The first mutual fund based on the Clean Energy Index
- The first Turkish investment bank to sign the Global Compact
- The first and only Turkish bank to have been awarded the "Sustainable Banking Award of the Year" in Eastern Europe under the "Emerging Markets" category within the framework of Sustainable Banking Awards given away by Financial Times and IFC, for three years in a row

TSKB's voluntary memberships within the scope of sustainable banking



UNEP FI - United Nations Environmental Program



UN Global Compact



IIF - Institute of International Finance



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



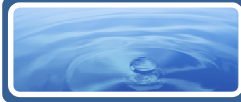
TÜSİAD (Turkish Industrialists' and Businessmen's Association) Environment Group



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



GRI - Global Reporting Initiative



Carbon Disclosure Project and CDP Water Disclosure

Additionally TSKB is advisory committee member of Istanbul Stock Exchange Sustainability Index (ISESI). ISESI aims to provide a platform for Turkish companies demonstrating best practice in corporate sustainability to be profiled to investors. ISESI will enable Turkish and international investors to benchmark listed companies for their leadership in the development of sustainable business in Turkey. Turkish and international investors may use the ISESI as a tool to understand the importance of the management of sustainability for the short and long-term health of businesses.

2.3. ANTI-CORRUPTION

In global money and capital markets, banks and other financial institutions may unconsciously act as intermediaries for the proceeds of crime by transferring or accepting these amounts as

deposit. In order to prevent this situation new standards have been introduced against money laundering all around the world to improve the combat strength through cooperation. Also, rigid control and regulatory mechanisms are implemented by governments.

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

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

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

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