



2008-2009 TSKB SUSTAINABILITY REPORT 1 JANUARY 2008 - 30 JUNE 2009

Investing in the future of the world and the human kind



STAKEHOLDERS

CORPORATE
GOVERNANCE

ENVIRONMENT

HUMAN
RESOURCES

KNOWLEDGE

INVESTING

investing in sustainable future



SUSTAINABI

SUSTAINABILITY IS;

“... THE DEVELOPMENT THAT MEETS
THE NEEDS OF THE PRESENT WITHOUT
COMPROMISING THE ABILITY OF FUTURE
GENERATIONS TO MEET THEIR OWN NEEDS”





This definition, originally made by The Brundtland Commission in 1987, formally the World Commission on Environment and Development (WCED), also exists in the Swiss Federal Law.

The same definition also takes place in the “seventh generation” philosophy of Native American Iroquois Confederacy which mandates the Indian Tribe Chiefs to consider the impacts of their decisions on the future of seven generations to come.



IN THIS REPORT

ABOUT THIS REPORT

Scope and Boundary of the Report

This report is the first sustainability report of Industrial Development Bank of Turkey (will be mentioned as TSKB or the Bank in the following pages) and it is also the first report concerning sustainability issues in the Turkish finance sector.

This report covers the Bank's sustainability performance on the most material issues of

- environment and sustainable banking,
- corporate governance and compliance
- social responsibility, in terms of
- stakeholders,
- corporate structure,
- banking,
- environment,
- human resources
- and community.

The subject topics that are approached throughout the report are determined as a result of a series of interviews done with the middle and top managers of the Bank in the light of the systematic studies that have been completed since 2006 which are open to international audit.

The findings gathered from the ongoing relationships with the priority stakeholders like shareholders, investors, clients and non-governmental organizations (NGOs) are also evaluated as a valuable data base and reference point.

This project has been undertaken by the leadership of TSKB Environment Management Representative and supported by Environmental Banking Focus Group, TSKB Environment Management System and Corporate Social Responsibility teams besides all related departments of the Bank.

Within the context of this report TSKB has not gone through any stakeholder engagement processes and it aims to execute such a study systematically before the preparation of the next report.

The content of the report is limited with the activities of TSKB only but not the subsidiaries'. Since the Bank represents a large portion of the consolidated financial volume of TSKB, its performance is primarily reported. In the future reports, performance of the subsidiaries on sustainability is planned to be included. Information about the Bank's subsidiaries is given on page 6.

Reporting period

Unless otherwise indicated, this report presents an account for the period from January 1, 2008 to June 30, 2009 (will be mentioned as 2009/1st half). The data included in this report will provide comparability for the Bank's future sustainability reports.

Reporting cycle

TSKB plans to issue its next sustainability report in 2011 which will cover 2009/2nd half & 2010 and continue to report every 1.5 years.

Declaration of consistency to GRI G3 Guidelines

TSKB announces that this report is prepared in accordance with the GRI-Global Reporting Initiative G3 Guidelines and qualifies for Application Level C. (Please see page 71 for details and the related GRI index)

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Presentation of the report

Sustainability report of TSKB is prepared bilingually in Turkish and in English. The report can be downloaded as a PDF document from an interactive micro site reached through the main web site of the Bank.

TSKB IS IN PREPARATION TO CELEBRATE ITS 60TH SERVICE YEAR IN 2010.

INTRODUCTION

TSKB is in preparation to celebrate 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.

From issuing loans to its relations with the general public from the opportunities provided for its employees to internalizing environment through its products and services, TSKB has undersigned exemplary applications and projects in diverse areas.

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 has been the first in its sector to;

- start ISO 14001 Environmental Management System
- win the Financial Times - International Finance Corporation (IFC) Sustainable Banking Award in Eastern Europe Region in 2008 and 2009

- sign the United Nations Environment Programme Finance Initiative (UNEP FI)
- erase its carbon footprint and to be certified as a 'carbon neutral' bank by HIER based in Netherlands and
- use renewable energy in all its buildings.

TSKB is determinedly moving forward in a constantly changing business environment.

The rapid developments in the world markets during 2007-2008 have changed the view to banking globally. The financial crises have strengthened the importance of risk management, transparency and sustainability.

TSKB believes in leaving a healthy and livable world to the next generations.

With this belief the Bank continues its sustainability journey purposefully.

By successfully implementing the strategies that it developed in the light of the special market dynamics, TSKB has continued to support real economy without sacrificing its actual mission and following its accurate risk policy.



TSKB

TSKB IN A NUTSHELL

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

TSKB provides high added-value services to an extensive portfolio of clients.

TSKB provides services in the areas of corporate lending, project finance, investment banking, corporate finance, capital markets brokerage, leasing and portfolio management.

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.

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.

Turkey's Environment-friendly Bank

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.

41.5% of TSKB shares are traded at the Istanbul Stock Exchange (national market) under the "TSKB" symbol. The Bank's main shareholder (controlling a 50.1% stake) is Türkiye İş Bankası Group. As of September 30, 2009, TSKB's total assets reached TRY 6,654 million.

As a complete local bank, TSKB's headquarters are located in Istanbul and has branches in Izmir and Ankara.

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Detailed information on TSKB shares and capital distribution is given on the web site.

SUBSIDIARIES OF TSKB

The subsidiaries of TSKB which are involved in

- capital markets
- real estate investment
- and real estate appraisal

serve the Bank's strategy of providing "integrated services"

Yatırım Finansman Securities	Being Turkey's first brokerage house, it has consulted Istanbul Stock Exchange in its establishment process. It serves a client group of a couple of ten thousands wide.	www.yatirimfinansman.com
TSKB Real Estate Investment Trust	As an investment trust established according to the Capital Market Law, TSKB GYO develops real estate projects besides its investment activities. The company has a large investment portfolio of commercial real estate.	www.tskbgyo.com.tr
TSKB Real Estate Appraisal Company	TSKB Real Estate Appraisal Company evaluates the current value of the real estate or assets of different attributes with an equitable manner and provides consultancy services at internationally accepted standards.	www.tskbgd.com.tr
TSKB Investment Trust	An important amount of its investment portfolio is being traded in the Istanbul Stock Exchange.	

TSKB IS TURKEY'S FIRST PRIVATELY-OWNED INVESTMENT AND DEVELOPMENT BANK

In addition to the below institutions, TSKB has

- Türkiye İş Bankası Group subsidiaries,
- industrial subsidiaries
- European Investment Bank (EIB) risk subsidiaries
- and a foreign share in ELF (European Investment Fund).

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More details about subsidiaries are given on the web site.

MISSION, VISION, STRENGTHS AND GOALS OF TSKB

Mission

For Turkey's sustainable development;

- Providing mid to long term financing for entrepreneurs,
- Supporting foreign capital investments in Turkey as the best local business partner,
- Playing a significant and continuous role in the development of Turkey's capital markets,
- Providing its clients with tailor made and innovative financial solutions and mediation services,
- Creating increasing value added to its 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.

Vision

TSKB's vision is to be the pioneering bank in Turkey's sustainable development.

Strengths

- The solid capital structure and strong shareholders
- 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.

Goals

TSKB's corporate objective is to improve its leader position and profitability in the fields of corporate loans and investment banking which form its main scope of business.

- TSKB has drastically achieved this objective with proactive business strategies it has put into practice in the recent years. The Bank will continue to provide funds for the Turkish economy and to support the Turkish private sector in the coming years.
- Being the permanent address for the largest privatization projects, corporate finance transactions and M&A's (mergers and acquisitions) in Turkey, TSKB will maintain its place as one of the most active players in the market.
- In order to raise the funds required to contribute to the constant economic development needed in Turkey, TSKB is determined to provide its clients with the most attractive financing opportunities in the market. In this context, the Bank improves its strong cooperation with international financial institutions and banks.
- TSKB has started "Environment is Our Priority" which is one of the most comprehensive social responsibility projects realized in Turkey

TSKB is determined to pioneer the concept of "sustainability" in Turkey through its exemplary projects and applications.



PRIORITIES

SUSTAINABILITY PRIORITIES OF TSKB

TSKB has set its sustainability priorities on the axes of

- environment and sustainable banking
- corporate governance and compliance
- social responsibility.

TSKB developed its business strategies in accordance with the following objectives;

- To support the sustainable development model of Turkey
- To play an important role in the combat against climate change
- To support the transition of Turkey's industry to low carbon economy

TSKB's sustainability priorities and the relationships between them are shown on the following diagram.

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 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.

Access to international financial resources: TSKB is capable of accessing international financial resources and providing mid to long term financing with optimum cost, which is one of the most important components of sustainable banking. TSKB is the bridge between financial resources - cement of development- and investments.





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.

Optimum solutions to Turkey's needs: TSKB is proud of its role to contribute to the growth of the Turkish industry, being a real sustainability exemplary by supporting the Turkish private sector since 1950. With its experience, knowledge and competencies, TSKB focuses on finding the best solutions for the sustainable development of the Turkish economy.

TSKB Business Principles: The business principles that TSKB developed through the last 59 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.

Responsible marketing and financing: TSKB applies ethical principles of banking in all its marketing and financing operations. Keeping client-bank interests at an optimum level, TSKB tenaciously considers compliance with laws and regulations and transparency while executing client transactions. Accepting client satisfaction as a basic component of sustainability, TSKB provides the highest quality services for its clients.

Environment Management System and ISO 14001: TSKB has been responsible and sensitive to environment since 1980's, seeing it as an integral part of banking and realized its environmental approach in 2006 by establishing Environment Management System (EMS), which has an ongoing, systematic structure and is open to international audit. Awareness and sensitivity to environmental issues will always be among the top business principles of TSKB.



PERFORMANCE

SUMMARY OF TSKB'S ECONOMIC, ENVIRONMENTAL AND SOCIAL PERFORMANCE

With strong and stable economic, environmental and social performance, TSKB grows in accordance to its mission and creates increasing value for its stakeholders.

Economic Performance

Financial and operational performance of 2008-2009/1st period represents TSKB's strengths. In a period of global economic crisis, TSKB acted in line with its sustainable banking mission and transferred resources to real economy.

Corporate competencies and advantages enable TSKB to keep its strong performance in the second half of 2009 and in 2010 and the Bank will continue to support the real economy to leave the crisis behind.

Environmental Performance

TSKB has been calculating its carbon footprint since which and has become the first carbon neutral bank of Turkey. The audit of carbon footprint calculations is done by Ecofys and HIER from Holland assured that the Bank is carbon neutral. To reduce its carbon footprints, TSKB has developed systematic strategies since the beginning of 2009.

By using ERET (Environmental Risk Evaluation Tools), TSKB analyzes the environmental impacts created by its financing activities and categorizes its environmental risks. The Bank has announced, in its new environmental policy in 2009, its intent to act more responsible about climate change and that it will also produce solutions.



FINANCIAL HIGHLIGHTS

(TRY Million)	2005	2006	2007	2008	2009 3RD QUARTER
Key Financial Parameters					
Total Assets	3,319	4,062	4,883	6,209	6,654
Loan Portfolio	1,789	2,478	2,785	3,884	3,770
Shareholders' Equity	550	589	738	750	996
Net Profit	98	106	147	119	133
Key Ratios					
Average return on equity	21.0%	18.7%	22.2%	16.0%	20.3%
Average return on assets	3.5%	2.9%	3.3%	2.1%	2.8%
Capital adequacy ratio	36.8%	32.9%	27.4%	21.1%	24.3%

Social Performance

TSKB perceives that the economic value of preserving the environment while transferring resources and the profitability are equal in value. In 2007, as the environment-friendly bank of Turkey, TSKB started a social responsibility project called "Environment is Our Priority"

The project is supported by NGOs, scientists and artists and aims to increase the awareness level of the community. Some of the most important activities within the context of the project are Environment is Our Priority with TSKB Conference, Opportunities and Expectations in Renewable Energy Conference in a joint organization with Turkish Treasury and cevreciyiz.com environment portal aiming to be the most comprehensive one in Turkey.



SUCCESSSES OF TSKB ARE MET INTERNATIONALLY WITH APPLAUSE AND ARE AWARDED.

AWARDS

Successes of TSKB are met internationally with applause and are awarded.

AWARDS AND RECOGNITION

In 2008-2009...

TSKB is proud to have brought the “Sustainable Bank of the Year of Eastern Europe” award to Turkey in 2008 and in 2009.

Systematic and dedicated efforts of TSKB since 1980 have furnished the concept of sustainable banking into the DNA of all employees and the organization.

TSKB is the first and still the only bank holding these qualities in Turkey.

From its environmental bank mission to the environmental criteria that it sets in financing activities, from its mission on development banking to considering environmental impacts of its operations, and also the sensitivity that its employees display the Bank’s environment strategy clearly. This strategy was crowned in 2008 by winning the Financial Times (FT) - International Finance Corporation (IFC) “Sustainable Bank of the Year” award in Eastern Europe Region. TSKB proved its success and determination in “sustainable banking” globally by embracing the same award once more in 2009.



TSKB BELIEVES THAT A BETTER AND MORE
LIVABLE WORLD IS ONLY POSSIBLE THROUGH
RESPONSIBLE EFFORTS ON ENVIRONMENT
AND CLIMATE CHANGE.

YEARS	OTHER AWARDS OF TSKB
1997	• Emerging Markets Investor Magazine - Best Research Institution of Turkey
1997	• Euromoney - "Best Investment Bank of Turkey" 3 years in a row
1998	• The highest rating given to a bank among all developing economies by the international rating corporation Thompson Bankwatch
1998	• Euromoney - "Best Investment Bank of Turkey" 3 years in a row
1999	• Euromoney - "Best Investment Bank of Turkey" 3 years in a row
2004	• Euromoney - "Awards for Excellence-2004" / "Best Local Partner"
2005	• Euromoney - "Awards for Excellence-2005" / "Best M&A"
2008	• Euromoney - "European Renewables Geothermal Deal of the Year" / Gurmat Project • Euromoney - "Euromoney Project Finance Deal of the Year" / Mersin International Port Project • PFI - "Infrastructure Deal of the Year" / Mersin International Port Project



WE ARE PROUD AND HAPPY TO PUBLISH THE FIRST SUSTAINABILITY REPORT OF TSKB. THIS REPORT IS ESPECIALLY VALUABLE AS IT REPRESENTS ANOTHER 'FIRST' OF TSKB IN THE TURKISH BANKING SECTOR.



Halil Eroğlu
CEO, President

ASSESSMENT OF THE CEO

Dear stakeholders,

We are proud and happy to publish the first sustainability report of TSKB. This report is especially valuable as it represents another 'first' of TSKB in the Turkish Banking Sector.

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

Concepts of sustainability and development have inspired our vision and mission at our establishment and in time turned to be a responsibility and a focal point of our lending operations incorporating with environment.

Sustainability and environmental sensitivity concurrently became one of the basic indicators of TSKB employees' attitude and life styles. Our Bank has built an exemplary internal capacity having sustainability and environment as the focal points of TSKB's policies.

TSKB places and implements its sustainability priorities on the axis of environment and sustainable banking, corporate governance and compliance and social responsibility.

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 **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 and 2009 by FT-IFC, not only crowned our sustainability performance but also motivated and encouraged us to take strong steps to improve our future performance.

Offsetting our carbon footprint and being **assured 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.

Our carbon neutral bank identity is the result of our comprehensive infrastructural studies and also an implication of our team's high sensitivity to reduce our environmental impacts.

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.

Another achievement of 2009 is the long term credit assured from the **World Bank and CTF-Clean Technology Fund**. Established with the aim to supply the finance that countries need in transition to low carbon economy, CTF provided resources to only two countries, Turkey has been one of the initial recipients, and TSKB has been one of the first business partners selected in Turkey.

With its **Clean Energy Fund** in 2009, TSKB has undersigned another 'first' and started a unique social responsibility project. The Bank has offset carbon foot prints (calculated over Turkey's average) of 348 fund participants with the Gold Standard Carbon Credit that it purchased from the voluntary carbon market.

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.

TSKB has also been an exemplary implementer of "sustainable finance" in Turkey.

While setting sustainability and environment as the keystones of our product and service processes, the long term finance we've provided for renewable energy, environment and energy efficiency investments have increased their share in our total credit portfolio.

With the belief that sustainable banking is required for sustainable development, TSKB has focused on renewable energy and energy efficiency projects which are important needs of our country's economy. In the 3rd quarter of 2009, the total number of renewable energy projects financed by TSKB has reached 80. With the energy projects financed by TSKB, 2,218 MW installed power capacity is being created which is equal to 15% of Turkey's total installed capacity in renewable energy and 5% of Turkey's total installed capacity in energy. All of these projects serve the transition from fossil fuel based energy production to renewable energy sources. When these projects are put in service, about 4 million tones of CO₂ emission reduction will be achieved.

TSKB has the necessary capacity to assure the long term finance and consultancy services that Turkey will need in the transition to low carbon economy. In line with our strategy, our Bank will continue to finance renewable energy and energy efficiency projects.

Dear stakeholders...

Our performance that we've shared within the different sections of this report is the first step to our ultimate goal. We know that we have to reduce our internal and external impacts more in the future. Concurrently, within this scope, our most important goal for 2010 and the following years are to reduce our CO₂ emission and to maintain our carbon neutral identity by offsetting our carbon footprint.

We need our stakeholders to participate in the process of sustainability. Our mutual interactive relationships and communication will form the keystone of our strategy's long term success.

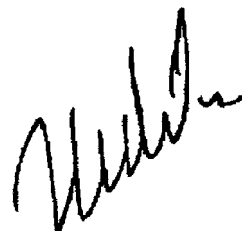
We are pretentiously ready for the exciting future following World Climate Summit in Copenhagen in December 2009...

While we've been finalizing our report, tough debates have been taking place in Copenhagen between developed economies like USA and EU and rising economies like China and India. These discussions are the implications of a difficult phase to regulate an agreement for after Kyoto.

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.

Hereby, I would like to thank our Environment Management Team, our employees, consultants and suppliers for their contributions in preparation of this report.

With your continuous supports TSKB will keep on investing in the future of the world and the humankind with ultimate determination.



INVESTING IN STAKEHOLDERS=INVESTING IN SUSTAINABLE FUTURE

STAKEHOLDERS

TSKB'S RELATIONS WITH ITS STAKEHOLDERS

Shareholder relations play an important role in designing and implementing effective sustainability and corporate responsibility strategy.

TSKB is interactively communicating with a broad stakeholder community constituted by clients, staff and shareholders at its core. TSKB's success lies in improving relationships with the core stakeholders. Concurrently, TSKB also interacts with a broad stakeholder community where the government, regulatory bodies, the other players of the banking industry, NGOs, media and suppliers of goods and services are all affiliates.

The relations with stakeholders help TSKB identify the corporate strategic priorities and develop appropriate policies. The Bank defines the sustainable development initiatives in the economic environment within the radius of its relations with stakeholders; hence can improve its contribution to the economic development through cooperation. Stakeholder relations also reveal the valuable information about the perception of TSKB and its brand awareness.



STAKEHOLDERS	SCOPE OF RELATIONSHIP, BASIS OF DIALOGUE AND RESPONSIBILITY OF TSKB TOWARDS ITS STAKEHOLDERS
Clients	<p>TSKB is in touch with its clients 24/7. Headquarters and branches form the basis of service platform in interacting with the clients. Internet banking with various add-ons (TSKB Online Branch and TSKB Trading Platform) is another channel where clients receive quality, safe, environment-friendly and fast service.</p> <p>Staff works according to predefined business processes and job descriptions while serving the clients and maintaining client satisfaction.</p>
Staff	<p>TSKB's primary responsibility towards its staff is accurate and just waging and maintaining the modern workplace standards.</p> <p>TSKB fulfils the daily human resources needs through its HR policies. Concurrently, it provides training, development and career programs to its staff as well as management meetings in the radius of staff relations. TSKB also fulfils the staff needs by providing them with private pension and health insurance system.</p> <p>The interactive communication with the staff is enhanced through TSKB's high-tech intranet tool.</p>
Shareholders, domestic and foreign investors	<p>TSKB's main responsibility towards its shareholders and investors is to realize the utmost performance given the economic conditions and to share the outcomes with the related parties.</p> <p>TSKB stocks are listed in the IMKB (Istanbul Stock Exchange). The Bank continuously communicates with shareholders and investors through annual board meetings and various other means. Investor Relations Team of TSKB fulfils the informative obligations stated by laws and regulations of Turkey and pays attention to provide shareholders and investors with transparent and accurate information. The Bank is in ongoing systematic relations with investors through means of road-shows, one to one meetings, teleconferences and e-mails.</p>
Government and regulatory bodies	<p>Direct: Banking Industry in Turkey is regulated and supervised by BDDK (Banking Regulation and Supervision Agency), SDIF (TMSF), Treasury, Central Bank of the Republic of Turkey (TCMB), Capital Markets Board of Turkey (SPK), related ministries and other regulating bodies.</p> <p>TSKB regularly communicates with these bodies whereby fulfilling the reporting and other informative obligations mandated by laws and procedures.</p> <p>Indirect: TSKB plays an active role in operations initiated by government and regulatory bodies where the aim is to improve industrial policies and practices.</p>
Foreign financial institutions	<p>Since its establishment in 1950, TSKB has been cooperating with supranational institutions such as the World Bank, EIB (European Investment Bank), CEB (Council of Europe Development Bank), IFC (International Finance Corporation), AFD (Agence Française de Développement), KfW (Kreditanstalt für Wiederaufbau), and JBIC (Japan Bank of International Corporation).</p> <p>TSKB allocates long-term funds provided from these institutions to those projects which have the utmost effect on sustainable development in mid and long-terms.</p> <p>Project assessment and finance capabilities and methodology of TSKB is compatible with those of foreign financial institutions and they meet these institutions' statutory standards of lending.</p>
Suppliers	<p>TSKB supports the initiatives that improve sustainable development in its relations with suppliers. The Bank requires certain sustainability and environmental criteria and specifically positions environmental issues in supplier contracts.</p>
NGOs	<p>TSKB communicates and cooperates with NGOs in various subjects with environment as the foremost concern where the public sensitivity is high. The Bank takes part in various operations, supports action plans and takes action in order to fulfill the obligations of corporate social responsibility with environment being the primary concern.</p>
Media	<p>The Corporate Communication Department of TSKB organizes the daily relations with media; performs its duties by answering the questions accurately and abruptly.</p>
Banking industry	<p>TSKB plays an active role in supporting the actions of The Banks Association of Turkey (TBB) by contributing to industry wide initiatives.</p> <p>TSKB holds the chair of "TBB Environmental Working Group" This group's initiative includes actions such as training and building awareness among the project finance related industry players for increasing sensitivity towards environmental issues.</p>

COMPLIANCE



“TSKB owing its success in reflecting change to banking to its corporate governance, strong support of shareholders and competent human resources, is an exemplary corporate citizen which considers full compliance with regulations and transparency in all its operations has been open to independent audit since 1960’s even when it was not compulsory by law.”

Ömer Eryılmaz
Executive Vice President

CORPORATE GOVERNANCE AND COMPLIANCE IN TSKB

Full compliance with laws and regulations

Turkish Banking Industry has gone through a fast changing process and been restructured by implementing various regulations in the last eight years. This structural change has been supported by the broad and determined actions implemented by the legal authority. New legal regulations have sustained a competitive edge in Turkish Banking Industry against international players.

Banking Industry set an example worldwide in the global financial crisis that’s been shaking the world since the last quarter of 2008, by overcoming the crisis with minor deficiencies. The structural changes implemented and the measures taken play an inevitable role in achieving this result.

Legal compliance, transparency and accountability have been TSKB’s concerns since its establishment. Therefore, it has undertaken all necessary infrastructural and super structural actions to comply with new regulations since 2001. Internal audit, internal control and risk management functions have been restructured and reinforced.

TSKB complies with the regulations supervised by BDDK and international standards in its external audit activities. These systematic activities include banking rules and regulations, tax code, international financial reporting standards and information technology regulations.

For TSKB, corporate governance and full compliance with laws are;

- basis for financial success and honest, ethical competition
- sole means of balancing and protecting the interests of its stakeholders.

In this context, TSKB considers corporate governance and compliance with laws as the building blocks in exercising responsible banking perception. The aim of TSKB is to assure

INVESTING IN INSTITUTIONALIZATION=INVESTING IN SUSTAINABLE FUTURE

its position in the market and to reinforce its corporate status. In order to actualize this aim, TSKB has to comply with ethical values as well as the laws. Other components of success lie in contributing to society, environment and social life.

TSKB has policies, procedures, risk management principals and systems clearly defined for all business lines and all products and services. The IT infrastructure of TSKB enables policies, procedures and systems to

- be effectively and rapidly used in service cycle,
- be productive in delivering the management reports,
- and implement the internal needs and external audit effectively and rapidly.

The Corporate Governance Structure of TSKB

TSKB Board of Directors

TSKB Board of Directors consists of 10 non-executive members and the CEO. This number enables the board to organize all of its activities.

Board chairman and the CEO are two different persons. Since there's no single person who owns a significant share of TSKB, each member of the Board of Directors is free from any influence and hence, can especially favor the rights of beneficiaries by making decisions neutrally.

TSKB Board of Directors considers certain criteria while making decisions such as;

- increasing market value of the Bank to a highest possible level,
- conducting the activities of the Bank in a way to secure long term and stable yield for shareholders,
- keeping the balance between the Bank's need for growth and its shareholders.

TSKB Board of Directors meets at least once a month.

TSKB CEO and Executive Management Team

The CEO at TSKB is fully responsible and authorized for the delivery, administration and coordination of daily routine. There are 7 executive vice presidents who are responsible from their business lines. The CEO and the executive vice presidents form the Executive Management Team of TSKB.

TSKB Audit Committee

The Audit Committee within the Board of Directors at TSKB consists of two non-executive Board members that are selected according to the 24th clause of the Banking Legislation.

TSKB Executive Risk Committee

TSKB executive risk committee, with its three members, is responsible for preparation of risk management strategies and policies, submitting them to the Board for approval and monitoring the practice. The committee is the representative of the Risk Management Group at the Board.

TSKB Corporate Governance Committee

TSKB Corporate Governance Committee, compatible with SPK (Capital Markets Board of Turkey) regulation, is set up to assist Board of Directors in fulfilling the corporate governance principles and compliance activities. The committee has been approved by the Board on September 30, 2009. There are two non-executive board members in the committee. The committee is anticipated to meet 4 times a year.



TSKB HAS THE HIGHEST CORPORATE GOVERNANCE RATE IN THE INDUSTRY.

www.tskb.com.tr

TSKB official website and 2008 and previous annual reports bear broad information about TSKB organizational structure, Board of Directors and Executive Management, Internal Audit, Internal Control and Risk Management Systems

Compliance with Corporate Governance Principles

TSKB aims to fully and continuously comply with the Corporate Governance Principles issued by CMB (Capital Markets Board) in Turkey

The Bank believes that implementing these principles has a substantial impact on development of domestic and international capital markets and improving benefits of the Bank and its stakeholders. TSKB prepares its compliance declaration to these principles within the framework of CMB's (Capital Markets Board of Turkey) statement and international and industry principles.

www.tskb.com.tr

The Compliance Declaration of Corporate Governance Principles by TSKB can be accessed under Investor Relations Topic in TSKB official website.

The highest corporate governance rate in the industry

8.77 has been announced in October 20, 2009 as the corporate governance rate of TSKB in its first Corporate Governance Rating Report.

The report issued by SAHA Kurumsal Yönetim ve Kredi Derecelendirme A.Ş states that TSKB has accomplished considerable progress to identify and manage corporate governance risks.

According to the Report, TSKB's strongest edge with respect to corporate governance principles implementations is its relations with beneficiaries.

This caption is followed by Public Disclosure and Transparency. Below, necessary improvements in order to fully comply with the SPK's (Capital Markets Board of Turkey) Corporate Governance Principles are listed.

TSKB Corporate Governance Rate

8.77

CAPTION	WEIGHT (%)	RATE	IMPROVEMENT POINTS ACCORDING TO THE REPORT
Shareholders	25	8.55	Shareholders do not have the right to request appointment of special auditors from the general shareholders' meeting; no enlargement of the scope of minority rights (beyond the required 5%) in the articles of association; lack of cumulative voting procedures; information document relating to agenda items of the general shareholders' meeting not prepared; no provisions in the articles of association relating to which decisions can only be taken at the general shareholders meeting.
Public Disclosure and Transparency	35	9.31	Unilateral declaration of the board about why certain Principles are not being applied, is not in the compliance report; minutes of important board meetings not posted on the web site; remuneration of executives not disclosed to public; annual report lacking audit firm's opinion about the internal control system; no declaration of independence by the independent board member.
Stakeholders	15	9.57	No provision in the articles of association regarding the participation of stakeholders in the management of the Bank; no trade union within the Bank.
Board of Directors	25	7.76	Cumulative voting rights not in effect; no signed compliance and joint liability statement by board members; no provisions in the articles of association defining procedures for shareholders or stakeholders to invite the board to convene.

TSKB HAS FULLY ADOPTED THE COMPLIANCE REGULATIONS IN TURKEY TO PREVENT LAUNDERING PROCEEDS OF CRIME AND FINANCING OF TERRORISM

With the addition of TSKB, the number of institutions in the IMKB (Istanbul Stock Exchange) Corporate Governance Index raised to 24.

www.tskb.com.tr

Corporate Governance Rating Report of TSKB can be accessed through the official website.

Ethical Values of Banking

TSKB has adopted the Code of Banking Ethics published by TBB (The Banks Association of Turkey) on March 16, 2006 Board Meeting.

TSKB voluntary memberships

TSKB is a member of following organizations

- UNEP - FI - United Nations Environmental Programme
- IIF - Institute of International Finance
- ADFIMI - Association of National Development Finance Institutions in Member Countries of the Islamic Development Bank
- ICC - International Chamber of Commerce
- TUSIAD - Turkish Industrialists' and Businessmen's Association
- DEIK - Foreign Economic Relations Board
- TUSIAD Environment Group
- TBB Environment Working Group
- KALDER - Quality Association
- TKYD - Corporate Governance Association of Turkey
- TSPAKB - The Association of Capital Market Intermediary Institutions of Turkey
- IKSIV - Istanbul Foundation for Culture and Arts

The Bank continues its activities working closely with Ministry of Energy and Natural Resources and Ministry of Environment and Forestry

Prevention of Laundering Proceeds of Crime and Financing of Terrorism

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

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

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

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

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

PIONEER

MILESTONES OF SUSTAINABLE BANKING IN TSKB SINCE 1950

Turkey's first privately-owned investment and development bank TSKB was founded with the support of World Bank and the Central Bank of the Republic of Turkey.

In the years immediately after it was founded, 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 for 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 1960's, TSKB issued, underwrote and guaranteed company bonds and carried out its first initial public offerings of shares from its own portfolio of holdings. The Bank became the first company in Turkey to be audited by an internationally recognized independent auditor during the same period.

As a Turkish equity stake of 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 buses and automobiles, automobile tires, LPG cylinders, high-voltage cables, batteries, cardboards, plastics, and acrylic fibers.

In the 1970's, TSKB played a key role in encouraging private-sector investment in Turkey's developing regions. During this period, the Bank carried out the first issuance of its own long-term bonds while also tapping into the European credit market with its first medium-term syndications.

In the same years, TSKB has achieved another 'first' by starting to offer comprehensive research services for the manufacturing and service sectors as well.

In the 1980's, 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 Japan. Through the process of diversifying its relations with European and Japanese financial institutions and the Bank secured new sources of funding.

TSKB took 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 as well. Long-term foreign currency and interest rate swap agreements were signed with international financial institutions. The Bank served as a consultant for the European Bank for the Reconstruction and Development (EBRD) in Uzbekistan, undertook the management of the Risk Capital Fund set up by the European Investment Bank, and voluntarily took part in the "Risk Management Learning" program supported by the World Bank.

1990's was 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 IMKB (Istanbul Stock Exchange) and maintained its leading position in these markets. Through its transactions in



TURKEY'S FIRST PRIVATELY-OWNED INVESTMENT AND DEVELOPMENT BANK TSKB WAS FOUNDED WITH THE SUPPORT OF WORLD BANK AND THE CENTRAL BANK OF THE REPUBLIC OF TURKEY.

FOR 60 YEARS

IMKB, TSKB played an important role in restructuring the profile of public companies in 1960's and 1970's and undersigned various transactions including the public offering of Türkiye İş Bankası in 1990's.

The journey of TSKB through sustainable banking continuously accelerates in 2000's...

- Seeking to enhance its visibility and reputation in the international arena, TSKB tapped into the international syndication and murabaha markets for the first time.
- In a world where protecting the environment had been a primary issue, TSKB started its first lending activities that incorporated environment-aware criteria.
- TSKB served as the secretariat bank in the "Istanbul Approach" debt restructuring process that emerged from the Turkish banking sector crisis in the beginning of 2000's.

- 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 has become the first bank to establish a real estate investment appraisal company approved by the Capital Markets Board of Turkey (SPK) according to the newly-passed legislation in 2000s.

Regarded as a leading and exemplary implementer of corporate governance and social responsibility policies in Turkey, TSKB will continue to serve as a strong and experienced solution provider for the small, medium and large sized companies in Turkey.

'FIRSTS' OF TSKB FROM 1950'S TO 2000'S

1950's	Provide technical assistance to project sponsors - Provide medium to long term loans to private sector on project basis
1960's	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
1970's	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
1980's	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 - Secure lines of buyer credit from European and Japanese institutions - Offer Consultancy and advisory services in textiles 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 firm underwriting - Establish line of equity relations with Islamic Development Bank
1990's	Enter into long-term currency and interest rate swap agreements with international banks - Provide floating-rate based 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
2000's	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 Institution to receive a loan from Agence Française de Développement - First Turkish Institution to become a shareholder of European Investment Fund - The first Turkish owned bank to obtain the ISO 14001 Environment Management Certificate - The first Turkish Bank to calculate and neutralize its carbon footprint

BANKING

SUSTAINABLE BANKING AT TSKB

The services and products served for clients comprise the dominant part of the contributions that TSKB provides for sustainable development, society and the environment. TSKB believes to be responsible in the sustainable future of the world as well as Turkey's. The Bank demonstrates its contribution in its funding activities, the largest part of its product line, by protecting the environment and supporting to finance the investments with less negative impact on climate change.

As an exemplary implementing institution, TSKB focuses on financing clients which shares its

- philosophy of sustainable economic development,
- policies and principles adopted for the sake of society and environment and
- goals concerning the future.

As a "business partner" TSKB works with its clients interactively, manages the risks regarding regulations, environment and society and considers creating value for the society progressively.

TSKB forms its loaning policies taking the needs of Turkey into consideration in line with its core mission.

The mission of existence for TSKB is "Financing private sector investments in Turkey".

The Bank has achieved its mission by financing investments and projects of different sectors and satisfying the new needs of the markets successfully. TSKB has supported the private sector industry of developing Turkey by providing the long term resource needs.

TSKB has been the absolute exemplary of sustainable banking for 59 years in the world.

Since the beginning of 2000's TSKB acted in the light of the rapidly changing realities of the Turkish economy. Foreseeing the future energy need of Turkey, the Bank has set the financing of renewable energy and environment investments, which gains importance regarding climate change, as one of its primary businesses.

In 2009, the Bank has designated the financing of energy efficiency projects as a new component of its lending policy.

TSKB's main manifest is to support the low carbon economy.

Besides consulting and financial mediation services, TSKB realizes its mission of supporting sustainable development by providing resources to clients of various sectors, mainly energy.

Products and Services of TSKB

A large portion of TSKB's impacts on society and environment arises through its business relationships which are the integral parts of a comprehensive value production chain.

Understanding this value chain and maintaining its sustainability is perceived as the primary task by TSKB in the process of serving its products and services. This approach enables TSKB to strengthen the economic performance and to develop long term, versatile and innovative cooperation with clients.



THE SERVICES AND PRODUCTS SERVED FOR CLIENTS COMPRISE THE DOMINANT PART OF THE CONTRIBUTIONS THAT TSKB PROVIDES FOR SUSTAINABLE DEVELOPMENT, SOCIETY AND THE ENVIRONMENT.

PRODUCTS AND SERVICES OF TSKB

TSKB is an investment and development bank. The main lines of business are mid and long term lending and project financing; corporate financing with comprehensive consulting services and full range of investment banking services provided for individual and corporate investors.

CORPORATE CLIENTS	INDIVIDUAL AND CORPORATE CLIENTS
<p>Lending and project finance</p> <ul style="list-style-type: none"> • Corporate lending • Project finance 	<p>Capital markets intermediary facilities and portfolio management</p> <ul style="list-style-type: none"> • Mutual funds • TSKB Trading Platform • Portfolio management • Capital and money markets intermediation services • Turkdex Turkish Derivatives Exchange
<p>Two types of lending are used in TSKB:</p> <ul style="list-style-type: none"> • direct lending • Indirect lending (APEX banking). <p>Direct lending consists of financing investment projects of clients ranging from large corporate companies to SMEs. Gaining an increasing importance in the portfolio of TSKB in the recent years, project finance is especially developed to finance energy projects.</p> <p>Renewable energy, energy efficiency and environment related lending holds an important part of TSKB's product line. Related activities of TSKB are given in detail on page 28 under the Sustainable Finance topic.</p> <p>The indirect lending activities of TSKB are under APEX banking. APEX banking enables TSKB to reach all the companies which are capillary vessels of the Turkish economy. It also creates an effective platform for TSKB to share its environment sensitive policies and principles with both intermediaries and the borrowing companies.</p> <p>The related activities of TSKB are given in detail on page 30.</p>	<p>TSKB provides brokerage and portfolio management services in capital markets for its individual and corporate clients with private banking approach.</p> <p>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.</p> <p>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</p> <p>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.</p> <p>Turkdex Turkish Derivatives Exchange TSKB serves the clients of Turkdex Turkish Derivatives Exchange where options and futures transactions are realized.</p>

IN LINE WITH ITS MISSION, THE BANK CONSIDERS EVERY CREDIT IT LENDS TO BE SUPPORTIVE INVESTMENTS TO TURKEY'S DEVELOPMENT.



One of the keystones of sustainable banking: Power balance of “Marketing”, “Technical Services” and “Loans” TSKB maintains the independent balance of power among Marketing, Technical Services and Loans for 59 years. This continuous and conventional structure has played an important role in the sustainable success of TSKB.

Ufuk Bala Yücel
Executive Vice President

Activities to gain new clients are undertaken by the Corporate Marketing Department while ratings are done by Technical Services Department independently.

TSKB's project evaluation approach differs from the conventional commercial banking applications in Turkey and is not limited with financial analyses, but rather implements project rating with a comprehensive methodology taking economy and engineering disciplines into consideration. TSKB's Technical Appraisal Department consists of expert financial analysts, economists and engineers with approximately over 10 years of experience. For each and every credit file a technical evaluation report is prepared covering environmental impacts. Credits Department presents the report to Credits Committee chaired by the CEO. The applications approved by the Credits Committee are then presented to TSKB Board of Directors for approval.

TSKB's Technical Appraisal Department is structured based on knowledge.

Having financial analysts, economists and engineers together in the same department enables the Bank to consider all the dynamics of project evaluation at the same time. While engineers consider the technical feasibility of the project at length, economists with their long term financial projections position the project at the right place in the market.

TSKB lends disbursement controlled credits.

In line with its mission, the Bank considers every credit it lends to be supportive investments to Turkey's development.

With a business partner approach, TSKB uses disbursement control mechanism on the credit it lends throughout the life of the project which prevents the usage of the resources for different purposes and enabling them to turn to investments.

THE RATING MODEL OF TSKB ENABLES TO GATHER THE INFORMATION NEEDED ABOUT CREDIT DECISION, PRICING, SETTING LIMITS, CORRESPONDENCE AND ECONOMIC CAPITAL NEED.



“TSKB monitors the disbursements within the context of the projects it finances through field visits and accounting records. With this method, the Bank controls that the disbursements are related to the project financed in all its phases.

The IT based operational infrastructure supports TSKB’s sustainability approach in lending and monitoring processes. Through its lending mechanisms, our Bank assures that its multiplier effect on GNP is at the highest level.”

Çiğdem İçel,
Assistant Executive Vice President

TSKB RATING MODEL

TSKB Rating Model was formed in 2003 and revised in 2008.

The basic aim of the model is calculating the probability of the Bank’s non-financial credit portfolio clients and the borrower client’s obligations to be completed accurately and on time and to rate them. The model enables to gather the information needed about credit decision, pricing, setting limits, correspondence and economic capital need and serves to meet the standards (within the Basel II framework) planned to be effective in Turkey.

TSKB Rating Model consists of 9 different levels from AAA to C.

As one of the primary indicators of international comparisons, the AR (Accuracy Ratio) of TSKB Rating Model is 78-80% which is expected as a quite high compared to its peers.

For each credit application TSKB rates the applying company before the credit decision. The Bank also rates the companies in its portfolio regularly with the aim of monitoring their annual financial results and evaluating their risks.

TSKB'S STRONG AND LONG TERM RESOURCE STRUCTURE HAS SERVED AS A SUSTAINABILITY FACTOR IN THE RAPIDLY CHANGING MARKET CONDITIONS DURING 2008-2009.



“TSKB develops and manages its international relations network successfully. Acting as a bridge to provide the optimum conditions for the private sector projects in long term lending, TSKB undersigned a success story with its performance in APEX lending. On the other side, the 420 million USD credit assured from the World Bank and CTF in 2009 will be used to finance renewable energy and energy efficiency investments.”

Orhan Beşkök
Executive Vice President

TSKB's recognition and prestige in the international finance markets serve as a valuable component for sustainable banking. This recognition is an important advantage and privilege that TSKB presents to its clients.

Since its foundation TSKB has built long term cooperation with supranational institutions like the World Bank (IBRD), European Investment Bank (EIB), Council of Europe Development Bank (CEB), Kreditanstalt für Wiederaufbau (KfW), Agence Française de Développement (AFD), International Finance Corporation (IFC), Japan Bank for International Cooperation (JBIC) and Instituto de Crédito Oficial (ICO). It has also established correspondent relationships with the largest commercial banks of the world.

TSKB is in a powerful and advantageous position in assuring long term resources.

TSKB's prestigious position in the international finance markets is also its competitive advantage in providing foreign resources. Its strong and long term resource structure has served as a sustainability factor in the rapidly changing market conditions during 2008-2009.

TSKB continued to supply the needed resources for Turkey's sustainable development within the context of the relationships it developed with supranational institutions, international finance companies and banks.

2009/3rd quarter results show that 96% of TSKB credit portfolio is comprised of mid and long term placements.

During 2008-2009/3rd quarter TSKB continued mid and long term resource distribution activities to its large client portfolio with a risk sensitive approach focused on market dynamics.

TSKB mainly assures mid and long term finance for its clients. 2009/3rd quarter data show that 10.2% of the credits TSKB provided were placements of less than 1 year and 54.4% (43% in 2008) were over 5 years and longer.

Mid and long term credit portfolio is an important indicator of the Bank's sustainable banking approach for sustainable development.

2009/3RD QUARTER RESULTS-MATURITY DISTRIBUTION OF TSKB RISK PORTFOLIO

MATURITY	RISK BALANCE (%)
<1 year	10.2
2 years	14.4
3 years	14.5
4 years	6.5
5 years	16.8
6 years	11.4
7 years	8.1
8 years	5.3
9 years	4.4
10 years	4.3
>10 years	4.1
Total	100.0

WITH APEX BANKING TSKB REACHES MANY SMES WHICH ACT AS THE LOCOMOTIVE OF TURKISH ECONOMY AND MEET THEIR FINANCING NEEDS.

APEX BANKING AT TSKB

With APEX Banking TSKB reaches many SMEs which act as the locomotive of Turkish economy and meet their financing needs.

TSKB is the leader of APEX banking in our country. With the credit packages supplied from supranational institutions including three successive EFIL credit (Export Finance Intermediary Loan) lines that are secured the World Bank, TSKB undersigned a success story in APEX banking in 2000's.

APEX lending is new among TSKB's conventional business lines. APEX credits comprise 1/3 of TSKB's total outstanding load and represent the largest group of clients. It is an efficient model for TSKB to reach SME clients.

The long term resources through APEX activities are provided mostly to SMEs, manufacturing and exporting companies through the intermediation of commercial banks and financial leasing companies (PFI- participating financial institutions). TSKB cooperated with 20 different intermediary institutions within the context of EFIL II - III - IV Loans, Kreditanstalt für Wiederaufbau (KfW) APEX Loan and European Investment Bank (EIB) SME APEX Loan.

TSKB is the primarily preferred business partner regarding intermediation activities in Turkey for international institutions like the World Bank, EIB and KfW. APEX lending is a very valuable implementation for TSKB with limited number of branches that enables to reach all sectors which contribute to the GNP.

EFIL loans are important part of APEX lending at TSKB

The common aim of the EFIL loan packages secured from the World Bank is to finance the export producer companies to support their capacity enlargement investments and to increase their power to compete.

Another aim of the project is to enlarge the lending capacities of commercial banks and leasing companies which act as distribution channels. Working with leasing companies within the context of APEX Banking plays an important role to reach SMEs.

EFIL packages also serve to create new business areas and to increase employments which are both of great importance for Turkey. The related data is given in the following table:

TSKB - WORLD BANK EFIL CREDITS- BASIC INDICATORS

NAME OF PROGRAM	YEAR	AMOUNT OF RESOURCE	NUMBER OF COMPANIES USING CREDITS	NUMBER OF EMPLOYMENT CREATED	CURRENT STATUS OF THE PROGRAM
EFIL IV*	2008	300 million USD	86	800	Continues
EFIL III	2005	300 million USD	168	2,588	Completed
EFIL II	2004	300 million USD	249	4,993	Completed

*Represents the status of EFIL IV program as of 2009/3rd quarter end.

INVESTING IN CLIENTS=INVESTING IN SUSTAINABLE FUTURE

TSKB APEX banking infrastructure is accepted as “the best practice” among developing countries.

TSKB APEX Banking has a web based technological infrastructure focused on the process of lending. It also enables the Bank to integrate the loan applications to electronic business and loan evaluation/ approval processes of TSKB. The financial, environmental and technical information about the company suggested by the intermediary are sent to TSKB through internet application system and as TSKB approves the credit the company sends the disbursement documents facilitate using the loan.

The innovative and successful TSKB APEX Banking model is accepted as “the best practice” among developing countries by the World Bank.

TSKB proactively supports and consults the participating financial institutions and the borrowing companies about environmental issues and processes. TSKB’s environment sensitive point of view is shared by all mediation institutions and companies. With this approach TSKB leads to generalize environment sensibility among various sectors besides Turkish financial sector.

TSKB aims to maintain its leadership in APEX banking and continue to finance an increasing number of export-oriented companies.

SUSTAINABLE FINANCE

TSKB successfully internalized its philosophy of sustainable finance into its mission, vision, policies, standards and business processes.

With a strategic point of view to maintain a long term position, TSKB closely follows the new trends, opportunities and threats both in and outside Turkey and structures its products, services and sectoral priorities accordingly.

Besides renewable energy, environment and energy efficiency sectors also gained importance in the recent past throughout the world. TSKB identified renewable energy as one of the key sectors to support Turkey’s sustainable development in 2003 and focused on this business line since then. At the end of the seven years past, renewable energy and energy distribution sectors comprised an important portion of TSKB’s total credit portfolio.

TSKB and Climate Change

The combat with climate change requires carbon reduction or replacement technologies to be taken effective worldwide and as soon as possible. According to the projections, for the world to sustain its economic growth and to maintain carbon dioxide (CO₂) concentration on a manageable level, production of two times more energy at a carbon level almost as much as half of today’s level, in 2050 is required.

TSKB ASSURES THAT ENVIRONMENT PRESERVATION CONDITIONS ARE MET IN EVERY PROJECT IT FINANCES BY FOLLOWING THE COHERENCE THROUGHOUT THE LIFE CYCLE OF THE PROJECT.

Total green house emissions increased rapidly since 1950's as industrialization grew. As a result of the common consensus that green house emissions will threaten the future of the human kind as it increases with its current ratio, governments, companies and NGOs started to be more active to solve the problem. Under these critical conditions, all the banks in the world will take responsibilities by means of managing environmental risks and developing sustainable finance models.

As one of the most important items on the agenda of the world, climate change is the primary issue on TSKB Environment Policy.

TSKB assures that environment preservation conditions are met in every project it finances by following the coherence throughout the life cycle of the project. TSKB highly considers the efficient use of natural and depleting resources such as energy, raw materials and water besides recycling and reuse of materials.

Management of environmental risks requires balancing of various factors regarding the project. Although a hydro electric plant project points out a renewable energy source, negative environmental and social impacts could be possible during the construction. TSKB aims to direct resources to the right projects where environmental risk policies are managed. It is important for the Bank to be able to minimize or abate environmental impacts.

RENEWABLE ENERGY: LEAVING A CLEAN WORLD TO THE FUTURE GENERATIONS

Turkey is one of the fastest growing basic energy markets with an annual energy use of 194 GWh and 6-7% growth rate in energy consumption.

Passing two ordinances on renewable energy in 2005 and energy efficiency in 2007, Turkey has a great potential of renewable energy such as wind, water and heat. The total investment in electricity sector during 1987-2008 period amounts to 45.3 billion USD. The current renewable energy resources of Turkey comprise 14,301 MW hydro electric, 658 MW wind, 77 MW geothermal and 81 MW biogas/bio fuels.

The projection of investment potential to renewable energy in Turkey in the next five years is about 5 billion Euros.

Sources: TEİAŞ (Turkish Electricity Transmission Company), World Energy Council Turkish National Committee, DPT, EÜAŞ, DSI (General Directorate of State Hydraulic Works) and TSKB Projection

BETWEEN 2007 AND 2023, THE PREDICTED ENVIRONMENTAL INVESTMENTS IN TURKEY WILL APPROXIMATELY AMOUNT TO 59 BILLION EUROS.

The fast growing industrialization and urbanization will also accelerate the environmental investments. It is predicted that in the next 14 years the amount of environmental investments will be about 59 billion Euros in Turkey where a third of the investments will be realized by the private sector and the rest will be public sector investments.

Source: EU Integrated Environmental Strategy Project, Ministry of Environment and Forestry, 2006

TSKB BELIEVES TO SUPPORT AND IMPROVE LOW CARBON ECONOMY FOR A BETTER FUTURE.

TSKB aims for “low-carbon economy” for a livable tomorrow.

TSKB believes to support and improve low carbon economy for a better future. The Bank follows the trends and changes both in and outside Turkey and makes the necessary changes on its product-service line under the light of its innovative business approach.

Energy is one of the primary sectors for TSKB.

TSKB continues its support to energy sector where it sees great growth potential.

As a holder of leading roles in the largest financing activities realized in Turkey, the total number of renewable energy projects that TSKB financed until 2009/3rd quarter is 80. The Bank evaluated about 150 renewable energy projects in detail up to date.

With the energy projects it financed TSKB has planned 2,218 MW installed capacity.

This level corresponds to 15% of the total installed renewable energy capacity and 5% of the total installed energy production capacity in Turkey.

All projects TSKB finances serve the transition from fossil fuel based energy production to renewable energy sources.

When these projects are completed more than 4 million tones of CO₂ emission reduction will be achieved in Turkey.

GREENHOUSE GAS EMISSIONS IN TURKEY

Greenhouse gas emission of Turkey in 2007 increased by 12% and reached 373 million tones CO₂ equivalent. This increase is 119% compared to 1990. 77% of the CO₂ emissions in 2007 was from energy production and consumption of energy and 9% of it was based on waste disposal. Agricultural and industrial activities comprise 7% share.

Source: TÜİK (Turkish Statistical Institute)

RENEWABLE ENERGY LOANS USED BY TSKB (AS OF 2009/3RD QUARTER)

Electricity production	Financed investments
1,260 million USD is committed to 80 continuing electricity production projects with an expected installed capacity of 2,218 MW	72 (HEP) Hydroelectric- Total 2,046 MW installed capacity 4 (WPP) Wind Power - Total 94 MW installed capacity 2 (GPP) Geothermal Power - Total 57 MW installed capacity 2 Biomass (based on landfill gas-LFG) - Total 21 MW installed capacity
Natural gas distribution projects	Distribution in 17 regions - 180 million USD

IN 2009 TSKB STARTED CONSIDERING ENERGY EFFICIENCY PROJECTS AND DEVELOPING ITS CAPACITY.

Turkish industry's energy intensity is high and is almost two times as much as EU15 countries. The only way to reduce this amount is by implementing energy efficiency mechanisms. This issue is of great importance in terms of climate change and sustainable development.

TSKB started financing energy efficiency projects in 2009.

Energy efficiency projects took its place within financing of renewable energy investments in 2009.

Turkey has to decrease its dependency upon fossil fuels and the ratio of energy in GNP. Rapid implementation of energy efficiency projects is vital for our country. Energy efficiency is as important as reduction of world greenhouse gas (GHG) emissions and the combat against climate change.

With its high awareness level on these issues, TSKB started considering energy efficiency projects and developing its capacity. During this reporting period, TSKB added 3 energy efficiency projects in its energy portfolio.

Two of these investments are in iron and steel and the third one is in paper sector where in both industries energy consumption and saving potential is high.

- Iron and Steel Sector: One of the projects financed aimed to reduce the energy intensity per unit product by increasing the number of production shifts and transferring the furnace waste heat to production. The second project aimed at changing the electric motors of the plant and making technological amendments in the production line that serve energy efficiency. With this investment the energy intensity per unit product will be reduced.
- Paper Sector: This project aims to increase the dry elements on the production line with the help of the waste heat formed during production and as a result to reduce the total energy consumption in paper unit.

Another important transaction of 2009: 420 million USD worth of credit from the World Bank's Clean Technology Fund (CTF)

Under the loan contract signed on June 9, 2009, TSKB secured 350 million USD credit from The World Bank and 70 million USD credit from the Clean Technology Fund, which is managed by the World Bank aiming to supply the finance that countries need in transition to low carbon economy.

As Turkey has been one of the first countries that CTF provided resources with, TSKB has been the first business partner selected in Turkey. This loan will be allocated to investments of private sector companies on energy production and energy efficiency projects based on renewable energy sources.

The number of environmental investments of various sectors that TSKB finances has reached 18.

Some of these investments are:

- Wastewater treatment plants in textile, food, automotive and paper sectors.
- Gas emission reduction and dust collection investments in cement, energy and automotive sectors
- Investments for the compatibility to EU norms in chemical and logistics sectors
- Process development and improvement investments in automotive sector regarding ISO 14001 Environment Management Standard
- Infrastructural investments on natural gas distribution aiming to reduce CO₂ emission and air pollution
- Projects concerning resource savings and energy efficiency in metal, packaging and food sectors
- Recycling investments in harbors.

PORTFOLIO MANAGEMENT AT TSKB



“Providing our individual clients with investment banking and portfolio management services, our Bank successfully diversifies its products in the light of its “environment-friendly bank” mission.

The Clean Energy Fund that we launched in 2009 has ushered a new era in our sector. In a period of global crises, the fund has been strongly demanded by the investors showing their trust to TSKB creating motivation for us to continue providing our clients with innovative products.”

Şeniz Yarcın
Executive Vice President

Thematic mutual fund advertisements in 2009



INNOVATIVE PRODUCTS FROM TSKB IN PORTFOLIO MANAGEMENT

TSKB provides investment banking and portfolio management services for its individual clients and diversifies its products in the light of its environment-friendly bank mission. On January 16, 2009 TSKB issued Clean Energy Fund with a 10% rate of guaranteed return for investors. With this new fund based on Clean Energy Index TSKB has undersigned another ‘first’. At a period when the investment world is highly interested in sectors like renewable energy, energy efficiency and waste management, Clean Energy Fund is launched as the first related product.

With Clean Energy Fund, TSKB started a unique social responsibility project.

The Bank has offset carbon foot prints (calculated over Turkey’s average) of 348 fund participants through the Gold Standard Carbon Credits that it purchased from the voluntary carbon market and presented the related certificates to investors at a ceremony on June 1, 2009.

100% Capital Guaranteed Fund Based on Agriculture Products

The fund was public offered by five Intermediary Institutions along with TSKB on June 26, 2009. Besides being the first fund to invest in agriculture commodities in Turkey, it assures 100% capital guarantee to the fund investor.

Dynamic Commodity Fund, served to investors on October 9, 2009 is the first fund in Turkey to invest in commodity sectors like agriculture, energy, metal, precious metal in a broad coverage with 100% capital guarantee.



GOLD Carbon Credit Certificate (Sample Certificate)

PROJECTS



SOME OF THE PROJECTS FINANCED BY TSKB

“TSKB believes in the contribution of sustainable banking to the economic and social development of Turkey.

Our Bank prioritizes the projects that it finances in line with the investment needs of our country and focuses on sectors that create employment, high added value and development.

Besides renewable energy, energy efficiency and environmental investments, TSKB also focused on health, tourism, education and transportation as growth areas by transferring resources to these sectors as well.”

Burak Akgüç
Executive Vice President

ENERGY - WPP / BANDIRMA RES (BARES) - BANDIRMA

A Project reducing the carbon emission of Turkey by 70 thousand tons annually

BARES is a wind power plant with 30MW installed power and has been in service since May 2006. At the time it was completed Turkey's total wind power installed capacity was 19 MW and BARES increased this amount by 150%. As Turkey's first wind power plant that was established by private sector, Bares is located on the 10 km. west of Bandırma parallel to Marmara Sea.

Since the time BARES was put in service average of 70,000 tones of CO₂ and greenhouse gas emission was reduced annually. The most important feature of BARES Project is that it was financed by TSKB as an environmental, clean, local and renewable energy resource.

ENERGY - GPP / BERKET JES - DENİZLİ

Turkey's first geothermal power plant established by private sector

Bereket JES has been in service since the beginning of 2008 in Sarayköy, Denizli. With 6.8 MW installed capacity it produces electric power based on geothermal sources.

The project is based on taking the independent organic gas isopentane inside the turbine and turning it with pressure by heating. Hot geothermal fluid taken from the wells is injected back to the well basin after it is cooled.

Besides being financed by TSKB, the most important feature of this project is that it produces electricity from geothermal fluid which is an environmental, clean, local and renewable energy resource and it is designed far beyond the investment models with a high priced purchase guarantee of government.

ENERGY - HEP / BAHÇELİK HES - KAYSERİ**An exemplary plant producing clean energy from a completely renewable source**

Located on Zamantı River close to Kayseri Bahçelik HES is one of the first HEP projects that TSKB has financed. Bahçelik HES is a distinct Project as it was completed in a period when the government did not offer high purchase prices for electricity and was built on a renewable energy basis.

The plant was built beside the dam wall built by DSI (General Directorate of State Hydraulic Works) and the energy is used by another company of the project owner group. The main efficiency determinants in the plant are reservoir (catch basin) capacity and annual rain amount. Since the location of the plant is in a rainy region, energy production is continuous throughout the year. The stabilization capacity of the plant for changing currents resulting from seasonal rain is about 94%. The ratio of accredited energy production amount is higher than the total production target.

ENERGY - LANDFILL GAS / MAMAK INTEGRATED DOMESTIC WASTE DISPOSAL PROJECT**A global scale plant with high social and environmental utilities**

Accepted as a globally exemplary environment project ITC Mamak Integrated Domestic Waste Disposal Project aims rehabilitation of Mamak solid waste storage area and decomposing the waste (paper, glass, aluminum, plastic, nylon) and bringing them back to the economy by producing electricity from the garbage. The investment has started in 2006 and reached 22.4 MW installed capacity and continues in phases. The biogas formed in the feeding tanks is burned in the gas generators and turned to electric power.

Social and environmental utilities of the project

- Within this project, solid waste with economic value is decomposed and brought back in the economy and as a result the amount of waste to be stored is reduced.
- Before the project investment as the garbage was not processed, a great amount of methane gas emission was generated. Besides reducing the emission the investment enables the collected gases to be used in electric power production.
- The project has Gold Standard Carbon Credit.
- The rehabilitation of garbage storage areas also stopped the smell pollution in the region.
- The Project created employment for about 200 unskilled laborers.
- Another environmental benefit of the project is to grow tomatoes in the greenhouses built within the context of the project by heating them with the waste heat of the gas generators and forestation of the rehabilitated storage areas.

TOURISM / GÖÇAY TURİZM - HILTON DALAMAN GOLF RESORT&SPA**TSKB believes that tourism will play an important role in development**

TSKB has recently financed a 5-star hotel and golf resort of Göçay Turizm, located and built in Sarıgerme tourism area (in Fevziye village of Ortaca town connected to Muğla). The hotel construction has been completed and started serving as Hilton Dalaman Golf Resort & Spa. The 18-hole golf course is planned to be completed by October 2010. In the tourism season, the project employs 450 people.

EDUCATION/BİLFEN SCHOOLS**The example of “sustainable banking” in education sector**

Since 1999, TSKB has been financing education projects of Etur. Founded in 1980, Etur has established one kindergarten, two primary schools (8 years) and three high schools and one tourism high school. Serving with Bilfen brand, all the schools have high success graphics and reputation.

INDUSTRIAL FACILITY BASED ON AGRICULTURE / KESKİNKILIÇ GIDA SAN VE TİC. A.Ş.**An efficient and environment-friendly plant**

Turkey's first private sugar factory was established in Aksaray by Keskinkılıç Gıda. With an annual production capacity of 112,350 metric tons, the factory was built on 550 acres (2,200,000 square meters) of land where the buildings take up about 250 acres (1,000,000 square meters) and the rest of the land is used for beet storage area, inventories, oil-cake desiccation facility, industrial treatment plants and roads. Also practical trainings to farmers for growing high efficiency sugar canes were organized. Keskinkılıç Gıda is an environment-friendly factory. The industrial waste water is processed in the chemical and biological waste water treatment unit with 250 m³/hr capacity as closed circuit and used in steam production of energy turbines. 480 people work in the factory during campaign season.



ENVIRONMENT



THE ENVIRONMENTAL JOURNEY OF TSKB

“Perceiving environment protection as one of the basic components of its lending policy since 1980s and leading the sector with this approach, TSKB systemized its efforts on environment in 2000’s and strongly internalized it in its business processes and corporate culture. The process starting with the establishment of EMS is crowned by ISO 14001 Certification and placed TSKB to a key point in its environmental journey.

In the next decades, TSKB will take more responsibility in Turkey’s sustainable development and in the transition to low carbon economy and will continue investing in the future of the humankind.”

Hülya Kurt
Environment Management Representative

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 who believes in implementing a worldwide, efficient and coordinated framework to combat against environmental problems especially the negative results of greenhouse emissions as soon as possible.

TSKB’s journey of environment is developed in two phases:

- **Between 1980 and 2005**
- **After 2005**

The 1980-2005 period is one when TSKB seeded a new approach in the sector with its exemplary initiatives regarding environment.

During this period TSKB considered its own initiatives about environment in the credit evaluation processes and monitored the realization of environmental obligations in the projects.



INVESTING IN ENVIRONMENT=INVESTING IN SUSTAINABLE FUTURE

These applications indicate that TSKB internalized consideration of environmental factors in its banking and lending practices long before the By-law On Environmental Impact Assessment took effect in 1993.

TSKB has also been the first bank to provide finance to environmental projects for Turkish industry to finance the investments with the resources assured from the international markets in 1990's.

The issue of environment has been diligently and carefully pursued by TSKB for long years.

The following quoted passages from the credit evaluation reports are concrete examples...

From an evaluation report of a fiberglass manufacturer in 1988

“Environment pollution: The waste water of the plant is 175 m³/ day. 50 m³ is process water and the rest is domestic waste water. After the process water is precipitated with aluminum sulfate, lime and polyelectrolyte it is sent to common biological treatment plant with the domestic waste water. The treatment plant is set up and opened to service in June 1986.

The capacity of biological treatment plant is 1,600 m³/day which is equal to domestic waste of 8,000 people.”

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, “reputation 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.

Source: TBB Banking Magazine, September 2009, Issue: 70 / Hülya Kurt - Environment and Sustainable Banking for Financial Institutions



EMS

From an evaluation report of a pharmaceutical factory in 1989

“Environment pollution: To treat the waste water of medicine and raw material production units, total of 19.77 m³/ day, and a biological treatment plant is built and is ready to put in service.

The biological oxygen demand (BOD) parameters of waste water for producing raw material and medicine are 20,000 mg/l and 3,000 mg/l. Chemical oxygen demand (COD) is about 1.5 times of this amount. After the waste water is treated in the new treatment plant the BOD and COD will be reduced to 250 mg/l and 800 mg/l before released to channels of ISKI (Istanbul Municipality Waterworks).”

From an evaluation report of a cement factory in 1991

“Environment pollution: Furnace chimneys are filtered but the tile inventory in the open storage area creates dust pollution. A closed storage area is suggested. Besides, the inner filters integrated in the transportation system will reduce the pollution. The electro filter attached to the concrete mill is said to have a 99.99% dust reduction capacity and will prevent dust formation during the grinding process.”

ENVIRONMENT MANAGEMENT SYSTEM AT TSKB

2005 has been a turning point for TSKB to internalize environment in its business processes and place it into a systematic structure by establishing Environment Management System (EMS).

For the aim of improving internal capacity and structure on environment KfW proposed help to TSKB in the establishment process of EMS and made intense contributions with its experience.

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

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

In 2005 TSKB started the establishment process of EMS and completed the project successfully at the end of 2006 as planned.

TSKB structured EMS based on Deming cycle of “Plan - Do - Check - Act”.

ON DECEMBER 17, 2009, TSKB HAS SUCCESSFULLY PASSED THE SECOND TERM CERTIFICATION PROCESS OF ISO 14001.

Independent audit and documentation of the system was completed by TUV Rheinland (Germany) and TSKB EMS has been given ISO 14001 Certificate on December 22, 2006.

TSKB is the first bank with an Environment Management System.

All activities executed in TSKB regarding preservation of environment are in line with TSKB Environment Policy and Environment Management System (EMS)

TSKB Environment Management System (EMS) approach and principles are;

- Shared intensively with clients, stakeholders and public
- Implemented in the process of serving products and services
- Used to guide the Bank's systematic activities to reduce its direct impacts on environment

ISO 14001



TSKB has achieved ISO 14001 Certification on December 22, 2006 and has successfully passed the continuity audits on January 10, 2008 and December 19, 2008. The audits showed that the EMS met all the requirements of ISO 14001 international certification. The first 3 years term of certification will be completed on December 19, 2009. On December 17, 2009, TSKB has successfully passed the second term certification process of ISO 14001.*

*ISO standards require a certification audit in the third year and continuity audits annually.

EMS of TSKB was established within the context of a series of meetings organized with the aim of informing senior and junior managers of the Bank about environment and risk management and to include them in the process. The first meeting took place in April 2005.

The establishment of EMS structure in TSKB took 18 months. At each phase of the project the top management of TSKB was informed about the development and the next steps and is asked of their opinions. TSKB Top Managers have empathically contributed to the establishment and development of EMS.

TSKB intensely supports its environmental approach by training activities.

Before EMS:

- In the process of IPAP (Industrial Pollution Abatement Project) credit lending, KfW has provided technical support program for the project evaluation team to increase their environmental awareness. In this context, for about 2 years environmental capacity improvement program was implemented.
- TSKB has attended "Environmental Risk Management for Financial Institutions Workshop" by "IFC, FI Safeguards Training Workshop" by World Bank and the feedback group of IFC Environmental and Social Assessment Tool (ESAT) program.

In the process of establishing EMS:

- The Bank's Environment Management Team has participated in all establishment phases of EMS and attended 8 workshops organized at different dates.
- The member of Board of Auditors are trained on "EMS internal audit"
- When structuring ERET the Engineering Department was trained by environmental consultants. ERET was prepared with the interactive participation of the Engineering Department.
- All employees of the Bank attended the environment awareness training.

After the establishment of EMS:

- TSKB employees are trained on environment, ISO 14001, climate change and sustainable living on a regular basis.
- Engineering Department staff is trained on environmental evaluation on a regular basis.
- Energy Efficiency Training is organized in the Bank and given by AFD (Agence Française de Développement).

Following the establishment of EMS TSKB published its Environmental Policy on June 1, 2006 for the first time. After 3 years of embracing new responsibilities and renewing its mission, TSKB updated its Environment Policy and shared it with public.

ESTABLISHMENT PROCESS OF ENVIRONMENT MANAGEMENT SYSTEM OF TSKB

PHASES	ACTIVITIES	RESULTS
1st Phase	<p>Beginning and first findings - In the first study the core team of EMS identified the first principles considering the EMS structure, human resources and project approach.</p> <p>Data collection and improvement of the EMS structure - In the second study of the first phase the methods of data compilation and the basic components of EMS were determined.</p> <p>Identifying environmental risks - In this study, the products and services of TSKB were analyzed in line with the requirements of EMS and environmental risks of TSKB were identified. Also methods of TSKB Credit Risk Analyses were evaluated.</p>	The first findings concerning the project, structure of EMS and the related risks were presented to the TSKB top management and were discussed.
2nd Phase	<p>Environment and risk management program - In the light of the findings of the previous studies, an environment and risk management program is prepared. To evaluate the environmental risks of lending activities, ERET (Environmental Risk Evaluation Tool) infrastructure is decided to be formed.</p> <p>Management system - Documentation of the management system is completed. Within this study, TSKB Environmental Policy, TSKB Environment Procedures, TSKB Manuel, Basic Objectives and Goals were prepared.</p>	Implementation of the program and system documentation was completed and TSKB management was informed.
3rd Phase	<p>Training and audit - The related employees were trained on how they will work in line with EMS and what they can do to improve the system. The inspection staff of the Bank is also trained about EMS.</p> <p>Inspection, preventive and regulatory actions - The first environmental audit took place at the headquarters of TSKB in Istanbul and the preventive and regulatory actions were identified with the participation of the employees.</p>	The audit and the trainings were completed.
4th Phase	<p>Evaluation of management - Results of the inspections and the actions determined were evaluated by the top management of the Bank and improvement areas have been identified.</p>	The results were evaluated with the management and the trainees were certified.

AFTER EMBRACING NEW RESPONSIBILITIES AND RENEWING ITS MISSION, TSKB UPDATED ITS ENVIRONMENT POLICY AND SHARED IT WITH PUBLIC.

SEMINAR ON CLIMATE CHANGE FOR TSKB EMPLOYEES



Seminar on Climate Change

Istanbul University Geography Department lecturer Dr. Barbaros Gönencgil has given a seminar about “Climate Change and Human Regarding Natural Processes” on December 4, 2008. With the participation of 100 people this interactive seminar played an important role to increase the knowledge level of employees on climate change.

In 2008-2009 following seminars were organized:

November 28, 2008 - Fire Awareness Seminar
 May 28, 2009 - Climate Change & TSKB
 October 20, 2009 - ISO14001 Awareness Seminar

TSKB ENVIRONMENT POLICY

(Revision 01, March 25, 2009)

Founded in 1950 with the support of the World Bank as a joint venture of the Government of Turkey and commercial banks, Türkiye Sınai Kalkınma Bankası (TSKB: Turkish Industrial Development Bank) is Turkey’s first privately-owned investment and development bank. 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.

TSKB CATEGORIZES ITS IMPACTS AS INTERNAL AND EXTERNAL, MEASURES THEM AND PLANS IMPROVING AND DEVELOPING ACTIVITIES BY ANALYTICAL METHODS.

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 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.

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 on page 47.

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 on page 39.

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.

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.

The Bank has developed ERET (Environmental Risk Evaluation Tool) to calculate the environmental risks of the lending activities. The detailed information about ERET model implemented since 2005 are given on page 52.

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.

Environment Management Team of TSKB

Environment Management Team is responsible for the permanence of EMS. The basis of this team was formed in the EMS study group established in 2005 gathering representatives of different departments and turning to be the EMS project team. After the completion of the EMS the same team became Environment Management Team.



Soldan sağa: Sercan Karaman, İttr Özmen, Canan Coşkun, Coşkun Kanberoğlu, Nesrin Beyler, Hülya Kurt, Öjen Arslanyan, Gürkan Gürbüz, Berna Sahillioğlu, Meltem Gülsoy, Murat Özcanlı

The team is coordinated by TSKB Environment Representative who directly reports to the CEO.

Engineering Department has been one of the keystones of EMS
Engineering Department of TSKB is unique in the Turkish Banking sector with its 8 engineers.

The department staff has deep experience and knowledge in project evaluation, especially on renewable energy. In the project evaluation process the department is responsible with handling the environmental issues besides other technical issues. While preparing the credit reports the project engineer visits the related sights and monitors environmental impacts himself. The ÇED (Environmental Impact Evaluation) regulations and other related by-laws are taken into consideration to locate the plant/project socially and environmentally in the right place and the environment report is prepared accordingly.

The close cooperation that TSKB has built with the World Bank, EIB (European Investment Bank), CEB (Council of Europe Development Bank), IFC (International Finance Corporation), AFD (Agence Française de Développement) enables the Bank to work with international experts and to improve its staff's competencies.,

The Engineering, Economics, Marketing and Project Finance Department staff regularly attend trainings, conferences and workshops on renewable energy, energy efficiency, environment, sustainable development, carbon emissions and climate change.

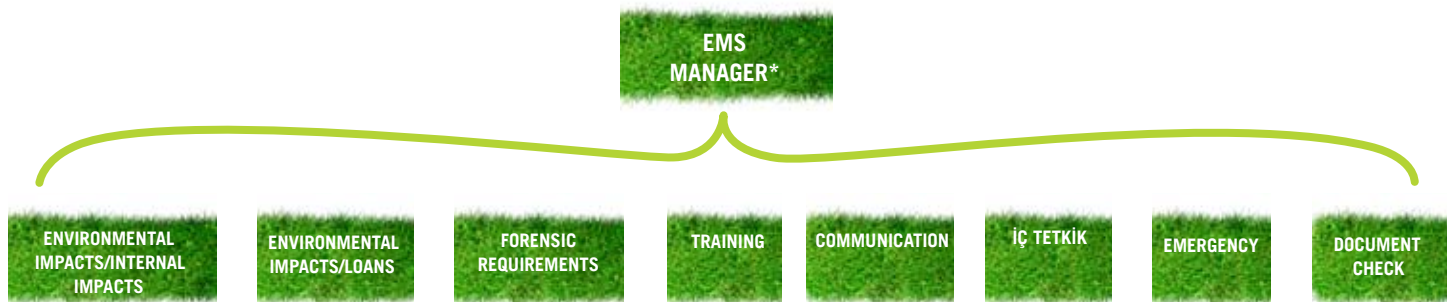
Seeing internal capacity as the key to sustainable banking TSKB organized two informative meetings on climate change and global warming with the participation of local experts. TSKB believes that building internal capacity about sustainability is a long term task and is determinant to continue its efforts.

EMS Documents of TSKB is open to audit

All reports, procedures and records created by TSKB on environmental impacts are open to local and international audit. These documents are kept electronically and bilingually in Turkish and in English.

TSKB emergency plans are kept updated and tested regularly. In emergency cases the TSKB employees responsible with business continuity and their responsibilities are all specified.

ORGANIZATION CHART OF TSKB ENVIRONMENT MANAGEMENT SYSTEM



*This function reports directly to the CEO.



**THIS FUNCTION REPORTS DIRECTLY TO THE CEO
DEVELOPMENTS ON MANAGING ENVIRONMENTAL IMPACTS**

Impacts of Internal Environment

TSKB employees intensely and voluntarily put their efforts to minimize the environmental impacts of their daily activities at work. The TSKB Environment Policy is internalized by employees enabling it to be a living and developing concept.

TSKB thanks all of its employees for their sensitivity and voluntary contributions.

Although TSKB has been measuring its internal environmental impacts since 2006, the calculations in the coming years will be based on 2008 data. The renovation that took place during 2006-2007 in the TSKB headquarters buildings created some deviations in the data. An example is a dramatic variation in the overall consumption data as a result of an unused building under construction. Considering this factor TSKB decided to take 2008 data as reference to determine the improvement targets.

INDICATORS REGARDING INTERNAL ENVIRONMENTAL IMPACTS AT TSKB

INDICATOR*, **	2006	2007	2008	2008/1ST HALF	2009/1ST HALF
Electricity Consumption					
Electricity Consumption kWh	1,282,371	1,338,675	1,431,067	647,861	607,718
Electricity Consumption / m ²	71	79	84	38	36
Electricity Consumption / per capita	4,452.68	4,492.20	4,631.28	2,159.54	1,935.41
Natural Gas Consumption					
Natural Gas Consumption kWh	125,701	94,549	95,872	68,939	60,990
Natural Gas Consumption / m ²	7	6	6	4	4
Natural Gas Consumption / per capita	436.46	317.28	310.27	229.80	194.24
Water Consumption					
Water Consumption m ³	11,983	10,993	8,416	4,046	3,710
Water Consumption / m ³	0.66	0.65	0.49	0.24	0.22
Water Consumption / per capita m ³	42	37	27	13	12
Paper Consumption					
Paper Consumption kg	12,160	11,300	9,800	5,500	5,050
Paper Consumption / per capita kg	42	38	32	18	16
Waste paper					
Waste paper kg	5,600	7,000	4,000	2,000	2,000
Waste paper / per capita kg	19	23	13	7	6
CO₂ emission***					
CO ₂ emission kg	1,298,040	1,252,720	1,249,070	628,370	517,050
CO ₂ emission / profit	0.017	0.010	0.016	0.010	0.009
CO ₂ emission / per capita	4,507.08	4,203.76	4,042.30	2,094.57	1,646.66
Carbon foot print distribution in TSKB (%)					
Electricity	63.62%	68.82%	73.78%	66.40%	59.94%
Natural Gas	18.17%	14.16%	14.40%	20.58%	22.13%
Paper	2.50%	2.40%	2.09%	2.33%	2.61%
Total transportation	15.71%	14.62%	9.72%	10.69%	15.32%
Building m ²	18,119	17,008	17,008	17,008	17,008
Employees	288	298	309	300	314
Income (USD)	75,462,000	126,702,000	78,484,000	60,064,000	59,226,000

Notes

* In order to save electricity time and movement sensitive systems have been installed in the illumination system.

** All systems have gone through maintenance and cleaning to reach label data efficiency.

*** As a result of transition to 100% green energy since June 1, 2009, the electricity consumption has not been creating carbon emission.

References of calculation

Regarding the environmental indicators given in the above table;

- The Greenhouse Gas Protocol Initiative (www.ghgprotocol.org) methods are used to calculate the CO₂ emission created by electricity and gas consumption and the business trips.
- Environmental Defense Fund (www.edf.org) methods are used to calculate the emission created by paper consumption.

ACCORDING TO 2008 DATA CARBON FOOTPRINT OF TSKB IS EQUIVALENT TO 1.249 TONES CO₂ AND 74% OF THIS AMOUNT IS CREATED BY ELECTRICITY CONSUMPTION.

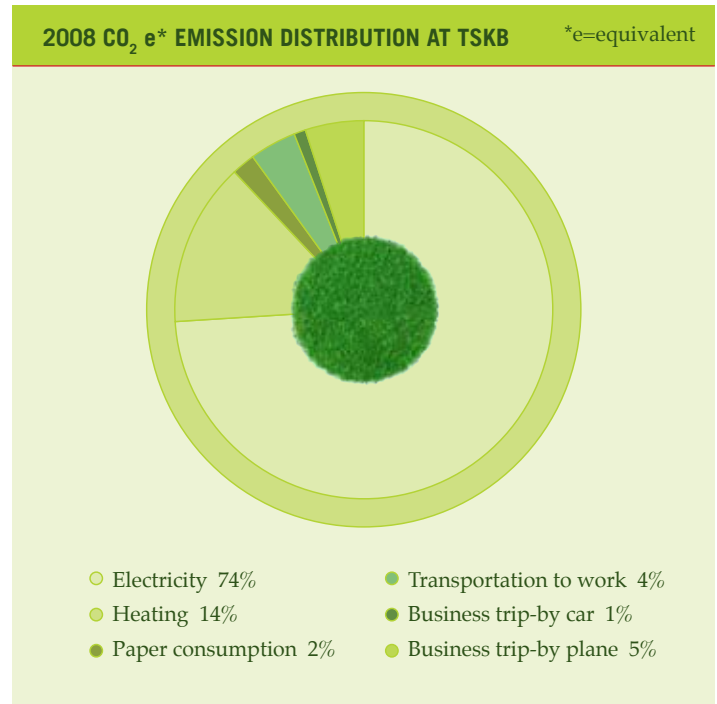
TSKB CARBON NEUTRALIZATION PROJECT

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 foot print 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.



TSKB SET ITS STRATEGY OF REDUCING CO₂ EMISSION THROUGH ENERGY SAVINGS AND IMPROVEMENT PLANS.

TSKB has been calculating its carbon footprint since 2006.

According to 2008 data carbon footprint of TSKB is equivalent to 1.249 tones CO₂ and 74% of this amount is created by electricity consumption. Ecofys prepared a carbon neutral report analyzing TSKB's electricity, natural gas, paper consumption numbers and traveling kilometers.

The carbon neutral report by Ecofys was sent to Holland based HIER for assurance. HIER, formation of more than 40 NGOs, deemed the project and the targets fit and proper and approved TSKB's carbon neutral identity as a result of its analyses.

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

CARBON CREDITS PURCHASED	USES OF CREDITS	TOTAL
3,000 tones of Gold Standard Carbon Credit	• TSKB Carbon Neutralization Project	1.249 tones CO ₂ equivalent
	• Offsetting carbon footprints of Clean Energy Fund clients (Please see page 35.)	1.740 tones CO ₂ equivalent

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.

TSKB's STRATEGY OF REDUCING CARBON FOOT PRINT GOALS OF 2009/2010, REALISATION OF SEMI ANNUAL GOALS 2009/I AND MEASURES TAKEN REGARDING GOALS

	GOALS OF 2009-2010	REALIZATION OF SEMI ANNUAL 2009/I GOALS AND OVERALL EVALUATION	MEASURES TAKEN REGARDING GOALS
Electricity	Achieving 7% savings and transition to renewable energy	<p>TSKB reduced its electricity consumption by 6.2% and aims to surpass this achievement with the efficiency studies on electricity consumption.</p> <p>With this saving rate the Bank has nearly reached its 2 years goal of 7% in six months.</p>	<ul style="list-style-type: none"> • All systems functioning with electricity were gone through maintenance and cleaning to reach their maximum efficiency. • Unnecessary lighting fixtures were put out of service. • A system is installed by the Bank technicians to put the lighting system out of service after business hours. • Air conditioning system is turned off one hour before the business hours end. • Elevator usage is optimized.
Natural Gas	Numerical savings goal is not saved but highest possible improvement is targeted.	TSKB reduced its natural gas consumption by 10.75% in the first half of 2009.	<ul style="list-style-type: none"> • Heating system has gone through maintenance and cleaning to reach its maximum efficiency • Heating system is turned off one hour before the business hours end. • The inner temperature is controlled as a result of outer temperature controls.
Water	Numerical savings goal is not saved but highest possible improvement is targeted.	TSKB reduced its water consumption by 8.30% in the first half of 2009.	<ul style="list-style-type: none"> • At each floor, water pressure adjustments are made and special captions are installed on the faucets to control the water consumption in the Bank. • With the automation of cooling towers water dissipation is averted.
Paper	Numerical savings goal is not put but highest possible improvement is targeted.	<p>TSKB reduced its paper consumption by 8.16% in the first half of 2009.</p> <p>TSKB finds its own performance inadequate regarding paper consumption and collection of waste paper. Aiming a larger reduction in paper consumption the Bank wants to increase the awareness level and regaining the waste paper and plans systematic projects in achieving this target.</p> <p>TSKB's target is to increase the amount of paper waste collected and to reduce the paper consumption.</p>	<ul style="list-style-type: none"> • The business flows at TSKB are all realized on an electronic platform which is continuously improved. • All paper waste is collected throughout the Bank and after decomposing is given to a paper collecting organization authorized by Beyoğlu Municipality. • Paper consumption is audited and controlled by monthly counts.

ERET

Tskb not only finances renewable energy investments but also uses renewable energy itself.

Since June 2006, TSKB uses “green energy” (renewable energy). With an “independent consumer” status since June 1, 2009, the Bank started purchasing the electricity needed for headquarters, Ankara and Izmir branches from Bereket Energy, which is a company generating electricity from renewable sources.

INDEPENDENT CONSUMER

The companies with production licenses sell the electricity to independent consumers or wholesalers under the framework of mutual contracts. In the beginning of 2009 EPDK reduced the independent consumer threshold (the minimum consumption level to be able to select its own supplier) from 1.2 million kWh/year to 480 thousand kWh/year. At this level 55% of the market turns to be potential independent consumer. The meaning of this reduction is that almost all industrial companies, medium and large size trading firms turn to be potential clients of the electricity producers to sell their product directly.

Source: EPDK (Energy Market Regulatory Authority)

BUILDINGS OF TSKB

The headquarters of TSKB is located in two buildings in Kabataş. Total size of the front building is 6,905 m² and the second building is 9,710 m². The third building of the complex Garden of Eden is an annex for specific use.

These buildings have gone through a comprehensive renovation; the heating and air conditioning systems were renewed, the illumination systems were modernized, strong exterior isolation was done and window casings were repaired.

External Environmental Impacts

After EMS was established in 2000's, an advanced environmental risk evaluation model ERET was designed and a new era started regarding environmental risk evaluation.

ERET is the basic instrument of TSKB to measure external environmental risks.

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.

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.

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.

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.

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.

Information technology Implementations: A valuable tool to protect environment

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.

The 73% of the documentation used in the service cycle of TSKB 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.

TSKB 2005-2009/I SEMIANNUAL ERET RESULTS

	2005	2006	2007	2008	2009/1ST HALF
Number of projects in hand	20	33	67	87	22
Risk category*					
Client					
A	-	-	-	-	-
B	2	11	18	50	14
C	18	22	49	37	8
Project					
A	-	-	-	-	-
B	1	15	6	12	8
C	19	18	61	75	14

* 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.

TSKB'S CONTRIBUTION TO THE PROTECTION OF ENVIRONMENT

GLOBAL TARGET: MAINTAINING AND SUSTAINING A LIVABLE WORLD WHERE NATURAL RESOURCES ARE CONSUMED BY EFFICIENT, EFFECTIVE, FAIR AND INNOVATIVE METHODS

Turkey: Supporting sustainable development in transition to low carbon economy / Reducing CO₂ emission / environment protecting development model



TSKB foresees that renewable energy sources will reduce the consumption of fossil fuels predominantly in the next decades.

With its specialized banking products and services TSKB developed in 59 years, it will continue to support innovative technologies like renewable energy and energy efficiency projects to contribute to the goal of a livable and sustainable world.

SOCIETY



“TSKB is in the belief that social contributions are shaped around employees and society.

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. A participating work environment will feed personal development and enable our human resources’ social and cultural diversity to turn up as a valuable asset.

The long-term social responsibility projects that we initiate show our belief in the importance of public awareness on environment and describe our social contribution clearly.”

Şemseddin Arat
Executive Vice President



SOCIAL CONTRIBUTION OF TSKB=OUR EMPLOYEES AND SOCIETY

HUMAN RESOURCES AND WORK ENVIRONMENT AT TSKB

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
- And 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.



EMPLOYEES

Salary and Bonus Scheme at TSKB

TSKB builds its salary and bonus scheme in the light of its encouraging human resources policies, and evaluates and supports the total benefit of its employees accordingly. In this respect, the Bank focuses on a competent and market sensitive compensation policy.

The results of market surveys regularly run by expert consultants are taken into consideration in the execution of this policy.

- Performance of the employees,
- Self improvement efforts,
- Sectoral averages,
- Inflation rates

are evaluated in fixing the salaries.

TSKB salary package includes monthly pay, four quarterly bonuses and profit based dividends paid to employees.

The employees who perform superior success according to the results of Performance Management System are paid bonuses.

Besides legal retirement, bank employees have the opportunity to gain a second retirement scheme and to be treated at the contracted private health institutions by being a member of TSKB Pension and Assistance Funds.

As a result of TSKB's increasing focus on speciality banking since 2002, the 'banking' staff has grown.

Management Trainee Programs at TSKB

The Bank has tenaciously adopted the approach of 'raising its own managers' and 'creating the TSKB family' for years and has started Management Trainee Programs in 2003 with the aim of raising specialists and managers of the future. TSKB orients and prepares the management trainees intensely for their new jobs providing them with a structured training program.

Considering the individual preferences and talents as well as the Bank's needs, TSKB systematically continues to invest into high quality human resources and completely satisfying the staff needs of the business units in line with its employment policy.

Summary Info on the Human Resources Structure of TSKB

According to 2009/1st semiannual results, the number of banking personnel working both in the headquarters and throughout the branches of the Bank is 272.

Of this number;

- 54% are female and 46% are male.
- 92% have university degrees and 24% of this 92% have postgraduate degrees
- 81% speak English

Average age of the Bank's employees is 35, which indicates a young and dynamic staff and this quality plays a strong role in the overall performance of the Bank.

Average length of years served in the Bank is 8.1 and this number indicates the high loyalty level in TSKB.

TSKB HUMAN RESOURCES POLICY IS BASED ON DIVERSITY AND EQUAL OPPORTUNITY.

HR BASIC FIGURES - ACCORDING TO 2009/1ST SEMIANNUAL DATA

NUMBER OF PERSONNEL (BANKING)	NUMBER	%	
Total	272	100	67
Female	148	54	
Male	124	46	
Average number of years served	8.1		

DISTRIBUTION OF TOP MANAGEMENT ACCORDING TO GENDER	FEMALE	MALE	
CEO	-	1	67
Executive Vice President	3	4	67
General Secretary	-	1	67
Head of Board of Internal Auditors	1	-	67

DISTRIBUTION OF PERSONNEL ACCORDING TO EDUCATION LEVEL	FEMALE	MALE	TOTAL
Professor	-	1	1
Doctor	2	1	3
Graduate degree	27	28	55
University degree	101	89	190
Vocational high school degree	8	1	9
High school degree	10	4	14
Total	148	124	272

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.

Diversity and equal opportunities are the key components of TSKB human resources policy

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

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.

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.

TSKB AIMS TO CONSISTENTLY INCREASE THE CONSCIOUSNESS AND AWARENESS OF ITS HUMAN RESOURCES ON ENVIRONMENTAL ISSUES AND SEES THIS AIM AS THE BASIC COMPONENT OF ITS TRAINING AND DEVELOPMENT ACTIVITIES.

Developing competencies and continuous training

TSKB continuously cultivates the performance and individual competencies of its employees through professional training and development programs. The core and common goal of the training activities planned, organized and executed by the Human Resources Department is to sustain the Bank's highest possible level of efficiency, and consistently increase employee satisfaction by providing the occupational and personal training programs needed.

The training programs at TSKB are designed to support continuous training and excel the performance not only at the individual level, but also throughout the Bank as a whole as well.

The training programs which are shaped according to the subject and determined according to the positions include the goals regarding the knowledge and skills needed to develop TSKB's organizational structure, management and marketing strategies.

Besides technical training programs, the Bank also invests in programs to support personal development of its human resources.

The in-service training methods in TSKB include internal training, external training (local and abroad) and conferences.

BASIC FIGURES IN TRAINING - 2009/1ST SEMI ANNUAL DATA

TRAINING HOURS (PER PERSON)	2009/1ST HALF
Total of technical and personal development trainings	17.7
Technical	14.4
Personal development	3.4
Number of Employees (excluding administrative staff)	272

TSKB;

- **Within the context of personal development trainings, healthy nutrition, NLP, communication, personal image and outdoor trainings are included in order to motivate employees by increasing their life quality.**
- **As 'The Environmentalist Bank of Turkey', TSKB aims to consistently increase the consciousness and awareness of its human resources on environmental issues and sees this aim as the basic component of its training and development activities.**
- **The Bank systematically realizes training programs for its employees within the framework of EMS.**
- **TSKB organizes informative activities within the context of emergency and business continuity plan.**
- **Activities such as boat cruises, motivation and vision meetings are also arranged with the participation of all personnel, in order to increase internal communication.**

ACCORDING TO 2008 DATA, 4% THE BANK'S CO₂ EMISSION IS CREATED BY THE DAILY TRANSPORTATION OF ITS PERSONNEL.

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.

Emergency Rehearsals at TSKB

TSKB tests its emergency plans by periodically performing rehearsals and improving its employees' reactions and competencies towards emergency cases.

TSKB executes fire rehearsals annually at the headquarter buildings with the participation of all employees. The aim of these rehearsals is to evacuate all the employees in foreseen periods of time and the emergency treatments are applied according to scenarios. Rehearsals create a great opportunity for the first aid and fire fighting teams to be tested and trained on the job.

In the light of the outcomes gained during and after the rehearsals, TSKB periodically improves its emergency action plans.

An environmental transportation policy; taking advantage of the seaway

Transportation of the employees creates an important amount of CO₂ emission. According to 2008 data, 4% the Bank's CO₂ emission is created by the daily transportation of its personnel.

In the last ten years, transportation between the two continents has become more difficult everyday due to the continuously increasing motor vehicle traffic on the bridges and highways.

Having 32% of its personnel residing on the Asian side of Istanbul, TSKB efficiently uses the sea transportation opportunity the Bosphorus offers.

TSKB HAS BUILT ITS SOCIAL SECURITY SYSTEMS IN THE FIRST HAND, BASED ON “BEST PRACTICES” OF THE WORLD AND PROVIDED COMPARABLE BENEFITS.

With the Bank’s sea transportation arrangement, the HQ staff is able to cross to Üsküdar on the Asian side, from Kabataş port near the TSKB headquarters, in just 8 minutes. End product: Stress-free commuting in the majority of distance between work and home in fresh Bosphorus air, and much less CO₂ emission compared to highway transportation.

Internal Communication at TSKB

TSKB has an internal communication system which enables the human resources to communicate constantly, transparently and interactively. Regular internal communication plays an important role in preserving and developing the corporate culture, executing the Bank’s strategies accurately, and in improving the work environment and the corporate success.

TSKB intranet is the main platform for the internal communication. Every employee is given an e-mail account. The TSKB IT is built on an advanced technology infrastructure, providing a deep information pool including daily market data and regulations and enabling users to take advantage of the information efficiently.

SUSTAINABILITY AND LEADERSHIP ON SOCIAL SECURITY: TRUSTS OF TSKB

TSKB has established two Pension and Assistance Funds in 1964 and in 1994

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

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

Having established its own social security scheme 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.



Vision Meeting on February 17, 2009



Managers Meeting

TSKB IS A COMPANY THAT BUILDS ITS STRONG FUTURE UPON THE KNOWLEDGE AND EXPERIENCE DERIVED FROM ITS ROOTED HISTORY.

Sustainable employee satisfaction at TSKB

Sustainability of employee satisfaction is a priority for TSKB and is intensely considered in human resources policies and in daily applications. Activities and social platforms that are organized by the Bank enable the employees to socialize and support employee satisfaction.

- Motivation and vision meetings with the participation of junior and senior managers and consultants create an important communication and sharing environment to review and update TSKB's banking vision and goals. In 2008, TSKB organized motivation and vision meetings in Antalya and Sapanca. In February 2009, The Managers Meeting took place in Abant with the participation of managers, and in April 2009, the "2008 Evaluation and motivation" meeting with the participation of all employees.
- In the Vision Meeting on February 17, 2009, CEO Halil Eroğlu presented the financial tables of the last five years and highlighted that even in the times of crisis none of the TSKB employees would lose their jobs. The second half of the meeting included a nice surprise of various musical instruments given to the employees as gifts and an opportunity to play a jam session with the worldwide-known percussion master, Okay Temiz,
- Photography is embraced intensively at TSKB. The Bank is focused on photography and organizes contests on themes. The participating photos are presented in the Bank's Intranet and graded by the personnel. The winner photos are rewarded and exhibited at the TSKB Arts Corridor.

- Besides backgammon tournament, various rewards are given at the cocktail parties of New Year's Day and establishment anniversary.

TSKB is an institution which builds its strong future over the accumulation of knowledge and experience deep-rooted in its past.

TSKB SPOKEN HISTORY PROJECT

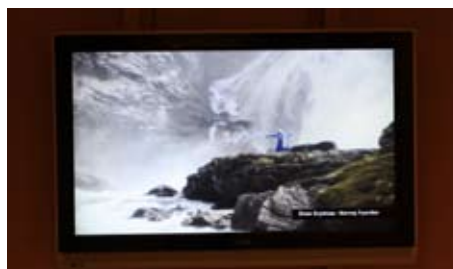
Interviews and visual recordings are made with the former CEOs of TSKB in order to create a spoken history archive, to enrich it with visual elements and leave it for the use of next generations.

The questions that are asked to CEOs regarding their periods not only included TSKB's history but also covered information on macroeconomic and market conditions of the related periods and resulted as a quite valuable work. It is shared with all TSKB employees at the Vision meeting and will be updated periodically to exist as a living documentary.

In a rapidly changing and developing market, TSKB is decisive on managing its human resources with sustainable policies and strengthening its competitiveness on human resource management.



TSKB Arts Corridor



TSKB Spoken History Project

INVESTING IN KNOWLEDGE=INVESTING IN SUSTAINABLE FUTURE

SOCIAL RESPONSIBILITY AT TSKB

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.

TSKB MEMORIAL FOREST: 46 THOUSAND SAPLINGS HAVE GROWN AND ARE TURNING GREEN TO A HOPEFUL FUTURE...

With the sincere belief in the vital importance of forests TSKB planted 46,000 trees to support the Afforestation activities and to celebrate its 46th establishment anniversary in 1996, creating the "TSKB Memorial Forest". The saplings located in Rumeli Feneri, Sarıyer, Istanbul have grown in 13 years and turned to be symbols of hope for the future.

'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.

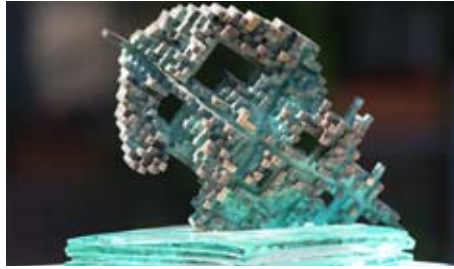
Since its first inception in 2007, the project has continued to develop with various activities and sponsorships and in the meantime the Bank has taken its place intensely at environmental platforms.

THE MAIN EVENTS WITHIN THE CONTEXT OF 'ENVIRONMENT IS OUR PRIORITY' PROJECT

2007	2008	2009
<ul style="list-style-type: none"> • Sculpture competition titled 'Environment is Our Priority' with Mimar Sinan Academy of Fine Arts • 'Environment is Our Priority at TSKB' Conference • Day of Meeting Nature • Launch of Cevreciyiz.com 	<ul style="list-style-type: none"> • Akasya Summit Sponsorship • Sponsorship of TEMA education CD • Conference on Opportunities and Expectations on Renewable Energy • Face lift of Cevreciyiz.com. 	<ul style="list-style-type: none"> • 26 spots on environment in cooperation with TRT • Cevreciyiz.tv is getting ready to broadcast.



TSKB Sculpture Competition



Summary of activities and events within the context of 'Environment is Our Priority'

Sculpture Competition titled 'Environment is Our Priority'

In cooperation with Mimar Sinan University's Faculty of Fine Arts, students' works of art with Environment as the theme competed and the winners were given mentions at the ceremony arranged at TSKB's Garden of Eden.

'Environment is Our Priority with TSKB' Conference

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 environment and sustainable development.

The conference has 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.

The moderator of the conference was Mr. Yavuz Canevi, one of the former presidents of Central Bank of the Republic of Turkey and Chairman of TEB.

The opening address was made by Ersin Özince, President of TBB (The Banks Association of Turkey) and CEO of İş Bankası who mentioned the importance of realistic solutions to preserve environment without excluding to grow and develop and said "Our investors need to be encouraged; they need to know the tools to preserve environment while investing. Today, economic growth and employment are realized by private sector all around the world. In this respect, private sector holds an important role for environmental sustainability and to establish the mechanisms to effectuate this objective."

Day of Meeting Nature

TSKB the Day of Meeting Nature took place in Fenerbahçe Park on June 9, 2007, with interesting shows, presentations and concert of MARA.

Besides nongovernmental organizations like TEMA, TURMEPA, TÜRÇEK; ÇEKÜL and SAD, the event was supported by The Istanbul Municipality and The Ministry of Environment and Forestry. Hundreds of Istanbul residents spent a fine day in nature with this activity.



'Environment is Our Priority with TSKB' Conference



Day of Meeting Nature



www.cevreciyiz.com



www.cevreciyiz.TV

CEVRECIYIZ.COM

The Most Comprehensive Environment Portal of Turkey 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.

Cevreciyiz.tv is preparing to broadcast

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.



Conference on Opportunities and Expectations on Renewable Energy

Cevreciyiz.com supported the 2nd Photography Festival at METU (Middle East Technical University)

In 2008, TSKB supported the photography festival organized by METU Alumni Association Photography Club in Istanbul. The festival was a great platform for photography lovers to meet the masters through workshops, chats, slide shows and exhibitions.

Akasya Summit Sponsorship

TSKB became the main sponsor of the 7th Akasya National Youth Environment Summit held at the Tuzla Campus of Sabancı University on April 18-20, 2008. The summit was organized in cooperation with The Turkish Environmental and Woodlands Protection Society (TÜRÇEK) and Sabancı University Civic Involvement Projects (TDP) and brought together non-governmental organizations, university clubs and the youngsters working on environment by individual initiatives, on a democratic platform embracing different opinions. With the theme of 'energy', the relationship between energy and environment was discussed thoroughly during the summit.

Sponsorship of TEMA education CD

In 2008, TSKB sponsored the education CD named "Erosion, Nature and Environment" prepared by TEMA Foundation. The CD includes documentaries on Erosion, Nature and Environment, Global Warming and Climate Change, Ecosystem and biological diversity, Agriculture and Agricultural Applications, Aral Lake and Macahel.

Conference on Opportunities and Expectations on Renewable Energy

TSKB with the cooperation Undersecretariat of the Treasury organized a conference in Istanbul entitled Opportunities and Expectations on Renewable Energy on October 24, 2008.

CEO of TSKB Halil Eroğlu, President of European Investment Bank Phillippe Maystadt, Minister of Energy and Natural Resources Hilmi Güler and the Minister of Economy Mehmet Şimşek gave speeches and the important issue of renewable energy was discussed thoroughly throughout the conference.

Mr. Eroğlu mentioned that by activating the renewable energy projects financed in Turkey, 4 million tones of greenhouse gas emission would be prevented annually and this amount corresponds to more than 1% of Turkey's greenhouse gas emission which was 330 million tons in 2006.

TSKB project in cooperation with TRT (Turkish Radio and Television) - 26 spots on environment

The spots called "Yemyeşil (So Green)" were prepared in cooperation with TSKB and TRT and were broadcast on the national channels of TRT from June 1, 2009 on. Among the issues covered were; climate change, renewable energy and energy efficiency, how to decrease carbon footprint, domestic waste, waste and recycling, efficient energy usage, greenhouse gases and their effects, effects of global warming on Turkey, seas and pollution, clean water usage. TSKB supported the project also by providing content.

During 2008 and 2009 TSKB supported the following conferences, panels and workshops with its top managers participating as speakers to these events.

- On May15-17, 2008 - ICCI 2008-14th Energy and Environment Technology Systems Exhibition and Conference
- On May 28, 2008 - Small Enterprises and Big Businesses Conference by KfW and CEB
- On June 17-18, 2008 - The Turkey Finance and Investment Forum by Euromoney
- On June 24, 2008 - Panel on Financing Sustainability at Black Sea Region Countries by REC (Regional Environmental



ICCI 2008 and 2009

Center), University of Venice, Bilgi University and Italian Ministry of Environment

- On October 21, 2008 - Banking on Turkey Conference in London by Financial Times
- On November 27, 2008 - Conference on Renewable Energy Policies, Business and Finance Opportunities by Dünya Newspaper and KfW
- On January 15-16, 2009 - 1st International Energy Efficiency Forum
- On January 22, 2009 - UNEP Conference
- On May 13-15, 2009 - ICCI 2009-15th Energy and Environment Technology Systems Exhibition and Conference
- On May 21-22, 2009 - 2nd Conference on Financing Energy and Infrastructure in Turkey
- On May 27, 2009 - Symposium on Geothermal Energy by German-Turkish Chamber of Commerce and Industry
- On July 3, 2009 - 2nd International Energy and Value Conference by Hacettepe University
- On August 14, 2009 - International Carbon Markets Arena by STEAM
- On September 11, 2009 - Panel on Role of International Institutions on Financing Sustainable Development by REC
- On October 14, 2009 - Workshop on Environmental Sustainability of Small Hydroelectric Power Stations by KfW
- On October 21, 2009 - National Forum of TÜSİAD
- On October 31, 2009 - 3rd OSB (Industrial Zones) Energy Summit
- On November 5, 2009 - 5th Swiss-Turkish Economic Forum
- On November 12, 2009 - IWES Solid Waste Energy Production Symposium
- On November 22-23, 2009 - UNEP FI 2009 Global Roundtable Cape Town

SUSTAINABLE SUPPORT TO CULTURE AND ARTS

TSKB has been supporting the Istanbul Music Festival since 1990, organized by Istanbul Culture and Arts Foundation where TSKB is a founder member...

1990 - Martha Graham Dance Company • 1991- Soviet Philharmonic Orchestra • 1992 - Royal Philharmonic Orchestra • 1993 - Israel Chamber Orchestra • 1996 - The Hanover Band • 1997 - Katia & Marielle Labeque • 1998 - Presidential Symphony Orchestra • 1999 - Peter Schaufuss Ballet • 2000 - Piano Circus • 2001 - Capitole de Toulouse National Orchestra • 2002 - Berlin Philharmonic Violins • 2003 - Tokyo String Quartet • 2004 - Farinelli's Voice in Istanbul • 2005 - Moscow Virtuosos • 2006 - Ala Turka • 2007 - Festival on the Bosphorus! Roby Lakatos • 2008 - Romantic Variations • 2009 - Festival Gatherings II



www.tskbverisor.com

TSKB is systematically and interactively in cooperation with NGOs while executing its social responsibility projects. Summary information about these NGOs is given in the following table.

NGOS THAT TSKB COOPERATES WITH	
TEMA - The Turkish Foundation for Combating Soil Erosion, Reforestation and Protection of Natural Habitats	TEMA's activities mainly include fighting against erosion, and the Foundation works intensely to create awareness on all segments of society about erosion. www.tema.org.tr
TÜRÇEK - Turkish Environmental And Woodlands Protection Society	TÜRÇEK works on preserving environment and nature. www.turcek.org.tr
TURMEPA - Turkish Marine Environment Protection Association	TURMEPA works on protecting Turkey's seas and shores from pollution to leave a healthy environment for the next generations. www.turmepa.org.tr
REC - Regional Environmental Center	REC works on different fields of sustainable development, and gives support to environmental stakeholders on topics such as environmental policy, biodiversity, climate change, renewable energy, environmental information, water and waste management. www.rec.org.tr
ÇEKÜL - The Foundation for the Promotion and Protection of the Environment and Cultural Heritage	ÇEKÜL considers natural resources, cultural heritage and humans as a whole and formulates and implements projects at 'city-basin-region-country' levels. www.cekulvakfi.org.tr
YEŞİL ADIMLAR (GREEN STEPS) - Foundation of Environmental Education	Yeşil Adımlar Foundation of Environmental Education works on creating awareness about environment which is needed for a healthy 21st century society who is in peace with nature and city life. www.yesiladimlar.org
İKSV - Istanbul Foundation of Culture and Arts	İKSV is a worldwide known culture and arts foundation in Turkey. www.iksv.org
TCK - Turkish Geographical Society	TCK works on development of geography, geology and other social sciences in Turkey. www.tck.org.tr

VERISOR / TSKB INFORMATION CENTER: THE ONLY ADDRESS FOR HIGH QUALITY AND SORTED INFORMATION

Established in 1971, TSKB Library is still the only sample in the banking sector. By hiring Turkey's first university educated librarians, the library turned to be the most important reference point for the sector and also was opened to community.

In 1980's, sector files system was adopted and a new archive of 15 different sectors was created by daily scans and high quality reading. One million pages under 560 different subject headings are included in the archive.

In the beginning of 2000's, within the context of sustainability activities, it was decided to keep the Library in digital environment. Regarding the Library's needs special document management software was ordered and took effect in a short time.

This software which has been housing the whole achieve since 2003 is called VeriSOR and has been serving to its subscribers, TSKB employees, academicians and students with its user friendly and fast infrastructure.

TSKB Library differentiates itself basically on the high quality reading activity that is done daily by an expert staff. This approach enables the unpolluted and sorted information to reach the users as fast as possible by adding an average of 170 pages of information a day.

Including and following 12 thousand books, 235 national and 60 foreign periodicals, TSKB Library is one of the two addresses for people doing sector search in Turkey.

For more information on VeriSOR and on-line subscription please visit www.tskbverisor.com.

PERFORMANCE

SUMMARY OF OUR PERFORMANCE AND GOALS

Our country has started to experience the consequences of climate change.

Overwhelming heat waves, drought, diminishing water sources, strong rains and floods indicate the changes in the climate. Scientists predict that Turkey is in one of the geographies to be affected at most. The situation is similar in the other parts of the world: The strong hurricanes and tornados affecting USA and the Far East, floods in Europe and the living and geographical conditions of Africa getting tougher every year.

The responsibility of banks and financial services companies lies within managing the environmental risks regarding the global climate change initiatives and taking active role in the transition of low carbon economy and clean production techniques. TSKB, with its continuously expanding renewable energy portfolio clearly embraces its responsibility working for our country, our people and the world...

TSKB is determined to achieve its goals with its stakeholders.



SUMMARY OF OUR PERFORMANCE AND GOALS

2008-2009 SEMIANNUAL GOALS		2008-2009 SEMIANNUAL PERFORMANCE	OUR GOALS FOR THE NEXT REPORTING PERIOD	
ENVIRONMENT AND SUSTAINABLE BANKING	SUSTAINABLE BANKING	To expand our renewable energy portfolio and maintain our sector leadership based on the number of projects	The total number of renewable energy projects financed by TSKB is 80.	TSKB aims to expand its renewable energy portfolio in terms of quantity and proportion in the total credit portfolio in 2010 and after.
		To expand our energy efficiency project portfolio	The total number of energy efficiency projects financed by TSKB in its first year of inclusion in the product line in 2009 is 3.	TSKB aims to finance total of 10 energy efficiency projects by the end of 2010.
		To expand our environmental investments project portfolio	TSKB has financed 18 environment investment projects in the reporting period.	TSKB aims to increase this number in 2010 as Turkey intensely needs environmental infrastructure investments in the mid and long term.
		To manage an environment sensitive portfolio and to develop environment sensitive investment products	TSKB issued Clean Energy Fund in 2009 and undersigned a unique social responsibility project. The Bank has offset carbon foot prints (calculated over Turkey's average) of 348 fund participants by the Gold Standard Carbon Credit that it purchased from the voluntary carbon market.	TSKB aims to provide long term finance opportunities for its clients with the optimum conditions especially on renewable energy, energy efficiency and APEX lending of the international markets.
		To reach international finance resources	TSKB kept assuring the long term finances needed by its sustainable banking mission through reaching the international resources.	TSKB aims to provide long term finance opportunities for its clients with the optimum conditions especially on renewable energy, energy efficiency and APEX lending of the international markets.
ENVIRONMENT	To be a carbon neutral bank*	TSKB achieved to be carbon neutral in 2009.	TSKB's aim is to maintain its carbon neutral identity in 2010 and after.	
	To reduce our carbon footprint by 5% in two years**	Carbon footprint of TSKB is reduced by 17.6% from 2008 1st half to 2009 1st half. This rate will be improved till the end of 2009 as a result of the renewable energy used by the Bank.	TSKB aims to reduce its carbon footprint by 5% in 2009-2010 foreseeing this to be reached easily as a result of 2009 semiannual achievements. TSKB will continue its electricity and natural gas saving efforts to reduce its carbon footprint.	
	To use renewable energy	TSKB started using renewable energy in all its buildings on June 1, 2009.	TSKB aims to keep using renewable energy in all its buildings except its branch in Bahrain.	
	To expand internal capacity regarding climate change	TSKB continuously develops its internal capacity regarding climate change. TSKB shared its updated Environment Policy with public in line with its new responsibilities and renewed mission on March 25, 2009.	TSKB aims to improve its competencies and to support investments to ease the transition to low carbon economy in Turkey. TSKB aims to improve Environment Risk Evaluation Tool (ERET) in 2010.	
	To maintain ISO14001 standard	TSKB has successfully passed the continuity audits on January 10, 2008 and December 19, 2008.	The first 3 year term of ISO 14001 certification will be completed on December 19, 2009. The Bank aims to pass the second term certification process and gain its new 3 years certification.	
	To follow all the developments globally and locally regarding climate change and to trace the results of Copenhagen Climate Conference	TSKB systematically traces all the developments and each step taken globally regarding climate change and follows the global developments and actively participates voluntary initiatives organized by NGOs.	TSKB aims to closely follow and consider the general results of The Copenhagen Climate Conference in December 2009 and their impacts on Turkey.	

SUMMARY OF OUR PERFORMANCE AND GOALS (CONT'D)

2008-2009 SEMIANNUAL GOALS		2008-2009 SEMIANNUAL PERFORMANCE	OUR GOALS FOR THE NEXT REPORTING PERIOD	
CORPORATE GOVERNANCE AND COMPLIANCE	To fully comply with laws, corporate governance principles and ethical principles	TSKB acted in full compliance with laws, corporate governance principles and ethical principles during the reporting period.	TSKB's aim is to maintain its level of "zero mistake/ corruption/ complaint"	
	To complete its corporate governance rating	TSKB has been given its first corporate governance rating during the reporting period.	TSKB's aim is to maintain the highest corporate governance rate in the sector and strengthen the weaknesses placed in the first report.	
	To prevent laundering proceeds of crime and financing of terrorism	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 aim is to maintain its "zero case" level.	
SOCIAL CONTRIBUTIONS	HUMAN RESOURCES	To continue providing occupational and personal development trainings	TSKB has provided 17.7 hours of technical and personal development training per capita in the first half of 2009.	TSKB's aim is to advance and continue technical and personal development training programs
		To increase the number of trainings on environment	TSKB has provided various environment awareness trainings during the reporting period.	TSKB aims to increase the hours of environmental trainings of its human resources in the next reporting period.
		To maintain diversity	The ratio of female employees of TSKB is 57% with 40% holding top manager positions.	TSKB's aim is to maintain and improve the gender diversity in its human resources.
	SOCIAL RESPONSIBILITY	To improve and continue Environment is Our Priority project.	TSKB continued to improve Environment is Our Priority project through various activities and sponsorships in environmental platforms.	TSKB aims to form different platforms to increase the overall awareness on environment in Turkey through the social responsibility projects.
	To complete cevreciyiz.tv project	Cevreciyiz.tv, with its rich content is launched on November 23, 2009 and met with its audience.	TSKB's aim is to improve the first environment-related video portal of Turkey cevreciyiz.tv	
<p>* Please see TSKB Carbon Neutralization Project on Page 48.</p> <p>** Within the context of TSKB Carbon Neutralization Project and reduction of carbon footprint, the goals, improvements and measures taken regarding electricity, natural gas, water and paper consumption are given in detail in a table on page 50.</p>				

GRI INDEX

GRI QUALIFICATION



On January 5, 2009, Global Reporting Initiative (GRI) confirmed TSKB's sustainability report's compliance with G3 Guidelines and qualified it as Application Level C.

TSKB IS A SOCIAL STAKEHOLDER OF GRI.



TSKB is a social stakeholder of GRI and supports GRI Guidelines. GRI Guidelines basically sets out the principles for sustainability reporting and promote transparency and accountability in economic, social and social performance.

Further information on GRI is available at www.globalreporting.org.

GRI INDICATORS TABLE

GRI INDICATOR	TITLE OF THE SECTION	PAGE	NOTES
Strategy and Analysis			
1.1	CEO's statement	Assessment of the CEO	14
CORPORATE PROFILE			
2.1	Name of the reporting organization	About this report	4
2.2	Products, services and brands	Sustainable banking in TSKB	25 See also www.tskb.com.tr
2.3	Operational structure	TSKB in a nutshell, Sustainable banking in TSKB, Environmental journey of TSKB	6, 24, 45 See also www.tskb.com.tr
2.4	Location of head office	TSKB in a nutshell	6 See also www.tskb.com.tr
2.5	Countries of Operation	GRI index	71 TSKB operates mainly in Turkey. The Bank has also a branch in Bahrain.
2.6	Nature of ownership and legal form	TSKB in a nutshell	6 See also www.tskb.com.tr
2.7	Markets served	TSKB in a nutshell	6
2.8	Scale of the organization	Headlines from our economic, environmental and social performance	10
2.9	Changes during reporting period	GRI index	71 There has not been any change during the reporting period.
2.10	Awards received	Awards and recognition	
REPORT PARAMETRES			
Report profile			
3.1	Reporting period	About this report	4
3.2	Most recent previous report	GRI index	71 The report covering the period 2008-2009/QII is the first sustainability report published by TSKB.
3.3	Reporting cycle	About this report	4 TSKB will publish its sustainability reports once in one and a half years.
3.4	Contact point	Back cover - Contact details	See also www.tskb.com.tr

GRI INDICATORS TABLE (CONT'D)

GRI INDICATOR	TITLE OF THE SECTION	PAGE	NOTES
Reporting scope and boundary			
3.5	Defining the report content	About this report	4
3.6	Boundary of the report	About this report	4
3.7	Specific limitations of the boundary	About this report	4
3.8	Basis for reporting on joint ventures	About this report	4 The performance of the joint ventures is excluded from the content of the report.
3.10	Restatements	GRI index	71 The report covering the period 2008-2009/QII is the first sustainability report of TSKB.
3.11	Significant changes	GRI index	71 The report covering the period 2008-2009/QII is the first sustainability report of TSKB.
GRI indicators			
3.12	GRI index	GRI index	71
GOVERNANCE, COMMITMENTS, and ENGAGEMENT			
Governance			
4.1	Governance structure	Corporate governance and compliance in TSKB	18 See www.tskb.com.tr
4.2	Function of CEO	Corporate governance and compliance in TSKB	18 See www.tskb.com.tr
4.3	Independent board members	Corporate governance and compliance in TSKB	18 See www.tskb.com.tr
4.10	Evaluation of performance of highest governance body	TSKB's relations with its stakeholders, Human resources and business environment in TSKB	16, 54
Stakeholder engagement			
4.14	Stakeholder groups	TSKB's relations with its stakeholders	16
4.15	Identification of stakeholder groups	TSKB's relations with its stakeholders	16

GRI PERFORMANCE INDICATORS

	INDICATOR	CONTENT	TITLE OF THE SECTION	PAGE	NOTES
	ECONOMIC PERFORMANCE INDICATORS				
	Economic performance				
CORE	EC1	Direct economic value	Highlights from our economic, environmental and social performance	10	See also TSKB annual report on www.tskb.com.tr
	EC2	Financial implications due to climate changes	Sustainable finance	31, 43	
	EC3	Defined benefit plan obligations			See TSKB annual report on www.tskb.com.tr
	EC4	Significant financial assistance received from government	GRI performance indicators	71	TSKB does not get any type of financial assistance or aid from the government.
	Environmental Performance Indicators				
	Materials				
CORE	EN1	Materials used by weight or volume	Developments on managing environmental impacts	47	It covers consumption of paper.
	EN2	Recycled materials	Developments on managing environmental impacts	47	It consists of waste paper.
	Energy				
	EN3	Direct energy consumption	Developments on managing environmental impacts	47	
	EN5	Energy saved	Developments on managing environmental impacts	50	
	Su				
CORE	EN8	Total water withdrawal	Developments on managing environmental impacts	47	
	Emissions, effluents, and waste				
	EN16	Greenhouse gas emissions	Developments on managing environmental impacts	47, 48	
CORE	EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved.	The Environmental Journey of TSKB	33 (for internal benefit) 47 (for internal benefit)	TSKB finances renewable energy and energy efficiency projects which contribute to the reduction of Turkey's CO ₂ emissions. Details of these projects are given on page 27.

GRI PERFORMANCE INDICATORS (CONT'D)

INDICATOR	CONTENT	TITLE OF THE SECTION	PAGE	NOTES	
CORE	Products and services				
	EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.	Sustainable finance (New loan facilities such as the REL II credit from World Bank and CTF loan)	31	
CORE	Compliance				
	EN28	Incident of non-compliance	GRI performance indicators	71	There was not such an incident in TSKB during the reporting period.
ADD	Transport				
	EN26	Significant environmental impacts of transporting products and other goods, and materials used for the organization's operations, and transporting members of the workforce	Environmental journey of TSKB	48	TSKB has reported its employees' CO ₂ emissions in the fragment of employees' transportation.
SOCIAL PERFORMANCE INDICATORS					
CORE	Employment				
	LA1	Breakdown of workforce	Human resources and business environment in TSKB	57	
	Occupational and health safety				
	LA7	Rates of injury/ absenteeism	GRI performance indicators	71	In the reporting period, there were not any incidents of death or injury. As the level of absenteeism was so low to consider in the reporting time, absenteeism is not noted in the report.
	Training and Education				
ADD	LA10	Training	Human resources and business environment in TSKB	58	
	LA11	Skills management	Human resources and business environment in TSKB	58	
	LA12	Employees receiving regular performance and career development reviews	Human resources and business environment in TSKB	56	In the reporting period, 90% of TSKB employees' performance was evaluated.

GRI PERFORMANCE INDICATORS (CONT'D)

	INDICATOR	CONTENT	TITLE OF THE SECTION	PAGE	NOTES
CORE	Diversity and Equal Opportunity				
	LA13	Breakdown by gender	Human resources and business environment in TSKB	57	
	LA14	Ratio of basic salary of men to women by employee category.	GRI performance indicators	71	Because the salaries depend on many variables such as longitude of the employment, age and type of job we cannot report a proper insight of ratio on salaries.
CORE	Human rights performance indicators				
	Non-discrimination				
	HR4	Total number of incidents of discrimination	GRI performance indicators	71	There were not any incidents of discrimination in TSKB during the reporting period.
	Society performance indicators				
CORE	Corruption				
	SO4	Actions taken in response to incidents of corruption	GRI performance indicators	71	There were not any incidents of corruption in TSKB during the reporting period
CORE	Compliance				
	SO8	Non-monetary sanctions for non-compliance with laws and regulations	GRI performance indicators	71	In the reporting period, there were not any non-monetary sanctions for non-compliance with laws and regulations
ADD	Product responsibility performance indicators				
	Marketing communications				
	PR7	Incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship	GRI performance indicators	71	There was not such an incident in TSKB during the reporting period.
	Customer privacy				
CORE	PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	GRI performance indicators	71	In the reporting period, there were not any complaints delivered to TSKB.
	Compliance				
CORE	PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	GRI performance indicators	64	In the reporting period, there were not any significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.

CLIMATE CHANGE: THE BIGGEST THREAT FACING HUMANKIND

According to the Stern Report published by British Government, climate change creates serious global threats and actions should be taken globally as soon as possible.

The last report of IPCC (Intergovernmental Panel on Climate Change) states that between 1906 and 2005 the temperature of the earth increased 0.74 °C.

Greenhouse Effect

70% of the energy passes through atmosphere during the day. The remaining 30% is either captured or reflected back to the earth by the clouds. These are mostly invisible beams of light which are absorbed by the earth and turns into heat. The heat is then reflected upward again as a type of slow-moving energy called infrared radiation. Some of this heat cannot escape from the atmosphere as it is absorbed by the “greenhouse gases” such as carbon dioxide (CO₂) and methane. These gases regulate our climate by trapping heat and holding it in a kind of warm-air blanket that surrounds the planet. This phenomenon is what scientists call the “greenhouse effect.”

Greenhouse effect is a natural mechanism that keeps the heat scattered from the earth.

The average temperature on earth is 14°C (57°F). In the lack of greenhouse effect this would be -19°C (-2°F). The most important greenhouse gases on earth are carbon dioxide (CO₂), methane (CH₄), nitrous oxide (N₂O) and chloro fluoro carbon (CFC) which dominate in holding the heat of the atmosphere by 97%. The components of the greenhouse gases - especially CO₂ - and their effects on climate have been discussed intensely. The proportion of these gases in the atmosphere has been gradually increasing in the last 250 years, and with a rapid pace in the last fifty years.

Today, the amount of CO₂ in the atmosphere is 385 ppm (parts per million).

Before industrialization, this amount was around 280 ppm. By analyzing a piece of ice from Antarctica, the scientists saw that the CO₂ amount has reached its highest rate in the last 650,000 years. This shows how greenhouse effect becomes more effective and the earth gets warmer. The rise on the temperature is higher on the lands compared to the seas so it is more effective on the northern hemisphere. There's also an increase in the heat waves and hard rains. Ice on the top of the mountains melts away while the level of the oceans rises. These are all natural results of the global warming.

Stern Report states that it is highly possible to have a rate of 550 ppm CO₂ in 2035.

At this level, the risk rate of an additional 2°C global warming is 77%. Unless global actions are taken, the greenhouse gas level will triple its current amount at the end of this century. This shows that in the coming decades the risk of an additional 5°C global warming will be about 50%.

Such a change in temperature will also affect the physical geography of the world which will result in a radical change in social demography creating basic differences in the ways of living.

Global steps regarding climate change

With the formation of awareness on environment and that the serious threats of destruction of environment on living life, important steps are taken in the international arena.

The first step of the process was The Intergovernmental Panel on Climate Change (IPCC), established in 1988 under the auspices of the United Nations Environment Programme (UNEP) and the World Meteorological Organization (WMO) for the purpose of assessing “the scientific, technical and socioeconomic information relevant for the understanding of the risk of human-induced climate change.

With the perception that global warming would create serious results and that the warming was mainly created by the activities of humans, countries needed to take actions against global warming with the leadership of UN.

As a second big step, at the Rio Summit “United Nations Framework Convention on Climate Change (UNFCCC)” was opened to signing, and this was especially important for developed countries to start taking serious actions.

The Kyoto Protocol was signed by the UN countries that were together at Kyoto in 1997 and took effect on February 16, 2005. The major feature of the Kyoto Protocol is that it sets binding targets for 37 industrialized countries and the European community for reducing greenhouse gas (GHG) emissions. This amount stands to an average of 5% against 1990 levels over the five-year period 2008-2012. This target is the first big step taken within the context of United Nations Framework Convention on Climate Change.

CLIMATE CHANGE: THE BIGGEST THREAT FACING HUMANKIND (DEVAMI)

Towards 2009 Climate Conference in Copenhagen

On December 7-18, 2009, IPCC will meet together with 192 countries' representatives. The aim of the conference is to enlarge the coverage of United Nations Framework Convention on Climate Change and to find solutions to the problems created by the climate change. The developed countries are expected to adhere strictly to the new agreement and to decrease their greenhouse emissions until 2020. The most important issue here is the activities to decrease greenhouse emissions and how to finance them.

The policy of Turkey on global climate change

Since the Rio Summit in 1992, Turkey declared that in principle it supports the idea of decreasing greenhouse emissions. As an OECD member, Turkey would both be included in Annex 1 parties as one of the priority countries to decrease greenhouse emissions and in Annex 2 lists where it would financially and technically support developing countries to decrease their greenhouse emissions. Being on both lists, Turkey hesitated to sign the protocol with the concern that it could slow down its economic development.

Turkey's point of view on UNFCCC during 1992-1997 periods (from Rio to Kyoto) shows differences compared to the period after 1997.

Until Kyoto Turkey's general policy was either to be excluded from both of the annexes or to be a party to UNFCCC in case special clauses were taken into account. After 1997, Turkey has started searching for more concrete ways to be a part of UNFCCC with a more moderate approach. In November 2000 at Hague Conference, Turkey declared that it wants to be a party as an Annex 1 country in case it is excluded from Annex 2. Connected to the decision made at Hague Conference, another decision was made in Marrakech and finally Turkey became free of the obligation to give technical and financial support and for the rest of the liabilities, the clauses special to Turkey were recommended.

While taking steps to be a member state of EU, Turkey has passed laws on renewable energy in 2005 and energy efficiency in 2007. In February 2009 the government bill regarding Turkey's participation in Kyoto protocol was passed in the General Meeting of Turkish Grand National Assembly and in May 2009, the decision of the Council of Ministers was published in the Official Gazette and came in force. Turkey is not obliged to meet the emission targets set for 2008-2012 period.

In 2012-2020 periods, sectors like "transportation, aviation, maritime business, aluminum, petro chemicals" are expected to be included in the Kyoto Protocol. During this period, 20% decrease in greenhouse gas emission is targeted to keep the increase at a certain level. In December 2009 in Copenhagen, the approaches and policies to be adopted after 2012 will be discussed and Turkey will present its Action Plan. This meeting is critically important for the industry and finance sectors in Turkey.

During the preparation process of the Action Plan, TSKB took place proactively. The Bank shared its opinions on new regulations like carbon/environment tax and the new probable restrictions that could take effect on industrial activities with other parties.

Turkey is in its initial stage in preparing emission inventory.

As being a party to Kyoto Protocol, Turkey should make the necessary preparations at political, industrial and corporation levels and prepare its emission inventory. The obligations that Kyoto Protocol brings on the combat against climate change require almost a change in the framework of government. On the other side to prepare a regular and accredited emission inventory is of great importance and to realize this emission recording systems should be established in Turkey.

The areas like energy, transportation and waste management are candidates of a great change.

Turkey is object to take serious steps in areas such as renewable energy, energy efficiency, mass transportation and sustainable waste management in the coming years.

In Turkey, 95% of transportation is done on the highways. Civil air transportation is drastically increased in the last 4-5 years. These are all negative factors on the emission of carbon dioxide and a switch from individual and air transportation to mass transportation like railway is needed. Waste management is a quite serious problem that should be addressed to, organized and regulated by the public and private segments.

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Disclaimer

This Sustainability Review is a translation of the Turkish Sustainability Review. In the event of any conflict in interpretation, the Turkish original takes precedence.

Annual Reports

TSKB publishes the following Annual/Interim Reports:

- Annual Report and Consolidated Financial Statements 2009
(in Turkish and English to be published in March 2010)
- Quarterly Interim Reports 2010
(in Turkish and English to be published quarterly in 2010)

For copies of these reports please contact TSKB Investor Relations Department at ir@tskb.com.tr

All Annual Reports are also available on the internet: www.tskb.com.tr

For more information about sustainability and CSR within TSKB, please contact sustainability@tskb.com.tr

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