



The Industrial Development Bank of Türkiye

*12th Foundation of Islamic Finance
Conference*

08 October 2022



Turkey's Most
Sustainable Bank



Best Bank for
Sustainable
Development Turkey



Best Sustainable
Practices in
Banking



Honor Prize in
Integrated Reporting

TSKB at a Glance

« Turkish pioneer in development banking and sustainability domains since the very early years of its foundation »
 « First and only privately owned development bank in Türkiye »

Our Mission is to focus on creating value for the inclusive and sustainable development of our country through the financing and consultancy solutions powered by our experience in development and investment banking as well as the visionary approach and well-established international collaboration initiatives we maintain.

Ratings	TSKB	Turkey
Fitch LTFC	B-	B
Moody's LTIR	B3	B3
SAHA Corporate Governance	9.59/10	
ISO 14001 Environmental Management System Standard, since 2007		
ISO 14064 Carbon Management Certification, since 2012		
ISO 45001 Occupational Health and Safety Management, since 2021		



Sustainable Relationship with Stakeholders

- Long-lasting relationship with DFIs and FIs
- Ministry of Treasury and Finance
- DFI Mission Clubs
- Policy Makers
- Investors

“Knowledge Banking”

- A strong technical team:
 - Economic research
 - Engineers
 - Financial Analysts
- Constant investment for the capacity expansion
- Advisory and investment banking teams

Prudent Credit Risk Assessment

- Multi-disciplinary assessment during allocation





Sustainability is Well Integrated into Our Business Model

Support for employment in Turkey;

- Encouraging women participation to the economy
- Providing financing to operational health and safety
- Supporting less developed regions



Financing to reduce energy dependency in Turkey

- Financing renewable energy projects;
- Energy and resource efficiency investments



Sustainability Reporting

- Integrated Report
- Climate Risks Report
- Impact & Allocation Report
- Carbon Disclosure Project
- Communication on Progress



TSKB



Support transition to low carbon economy



Environmental & Social Risk Evaluation for all investment projects

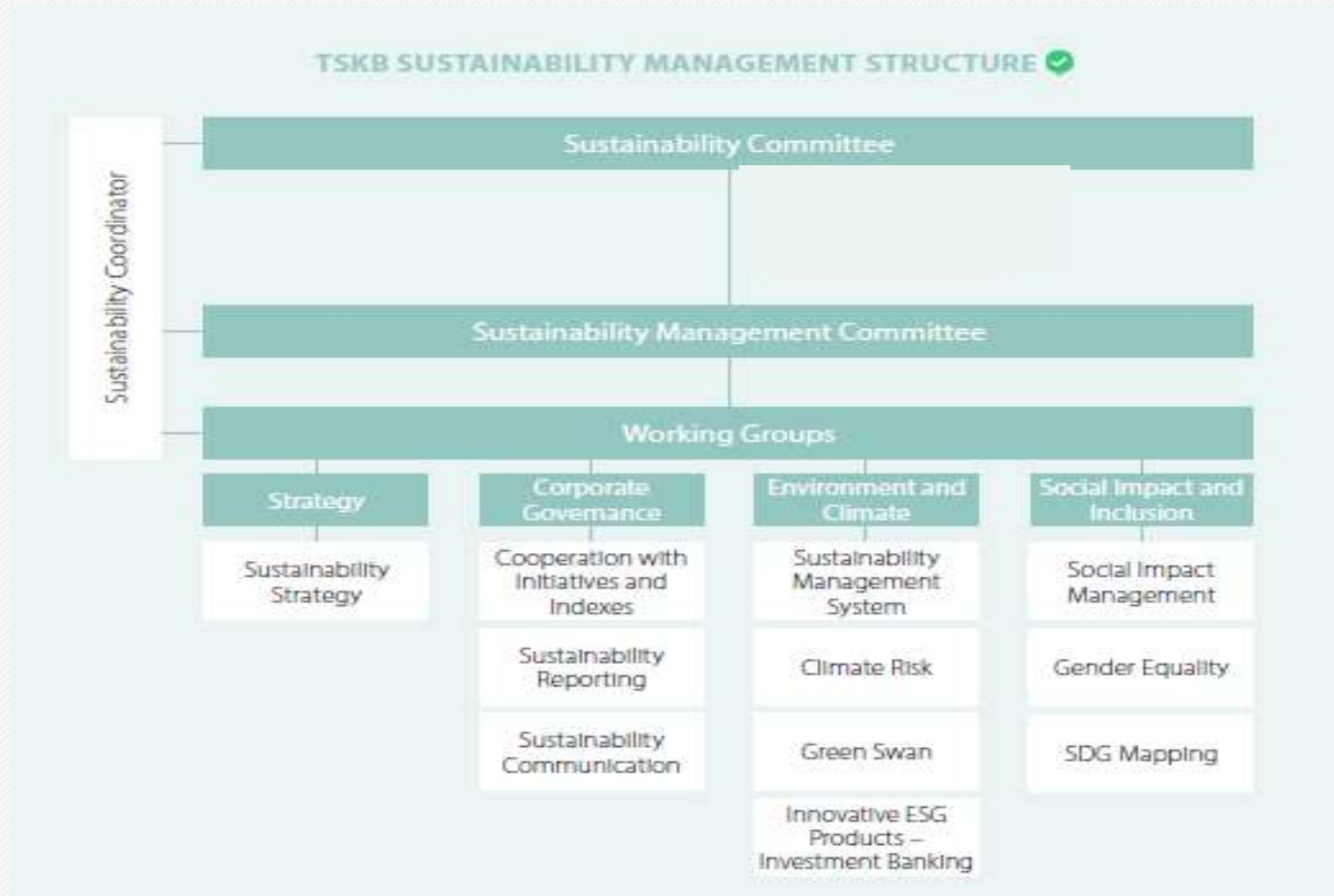
Monitoring social impacts of financed investments



Extend resources for UN Sustainable Development Goals

- UN SDG Mapping Project
- UN SDG Loan Model
- Supporting 13 of UN SDGs

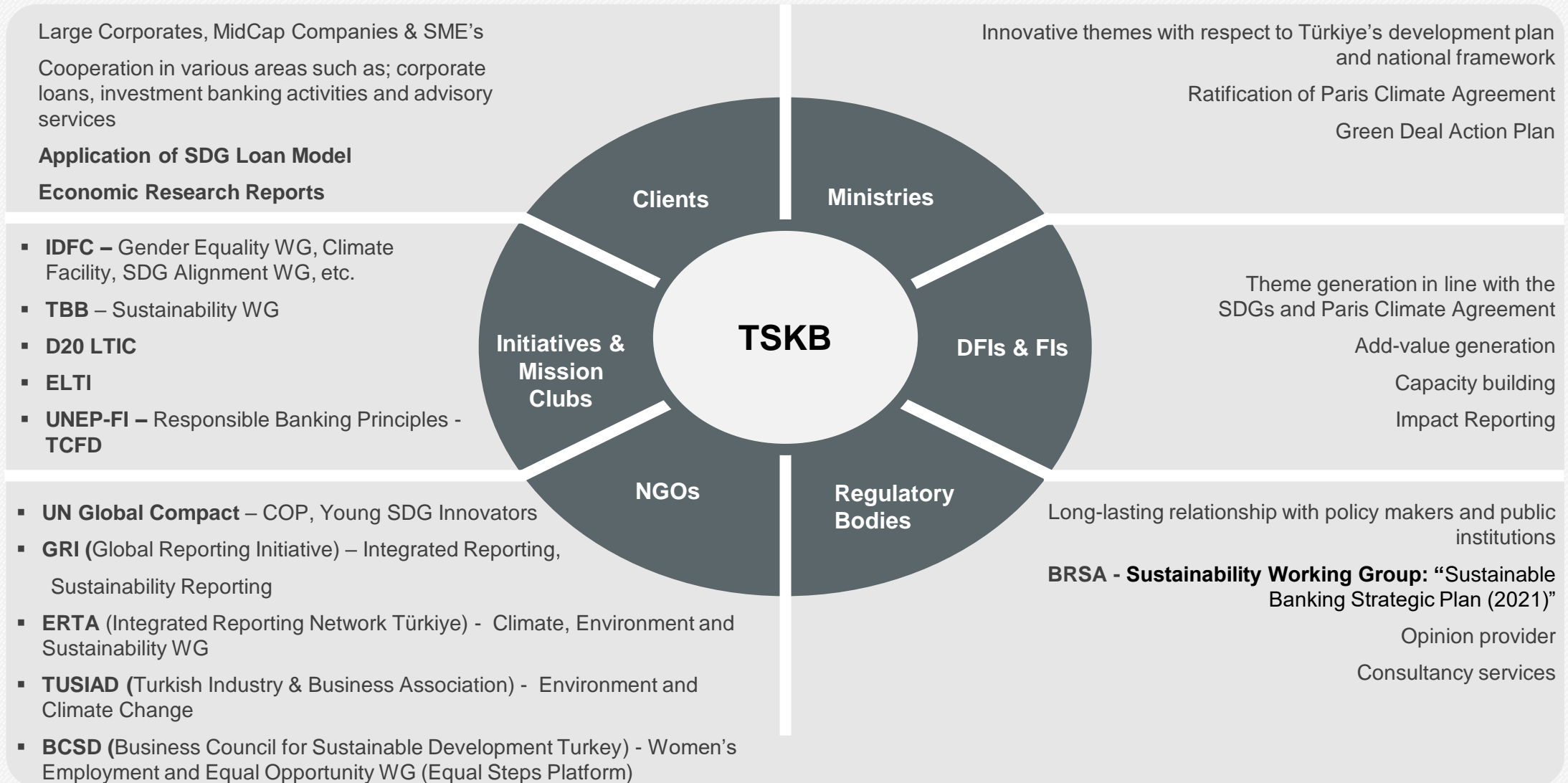
TSKB Sustainability Governance System



- **Sustainability Committee:** Established in 2014, consists of 4 BoD Members, CEO and 2 Executive Vice Presidents (EVPs)
- **Sustainability Management Committee:** 14 members – CEO, 3 EVPs and heads of different departments.
- **Working Groups:** 74 employee from 21 departments (20% of the Bank)

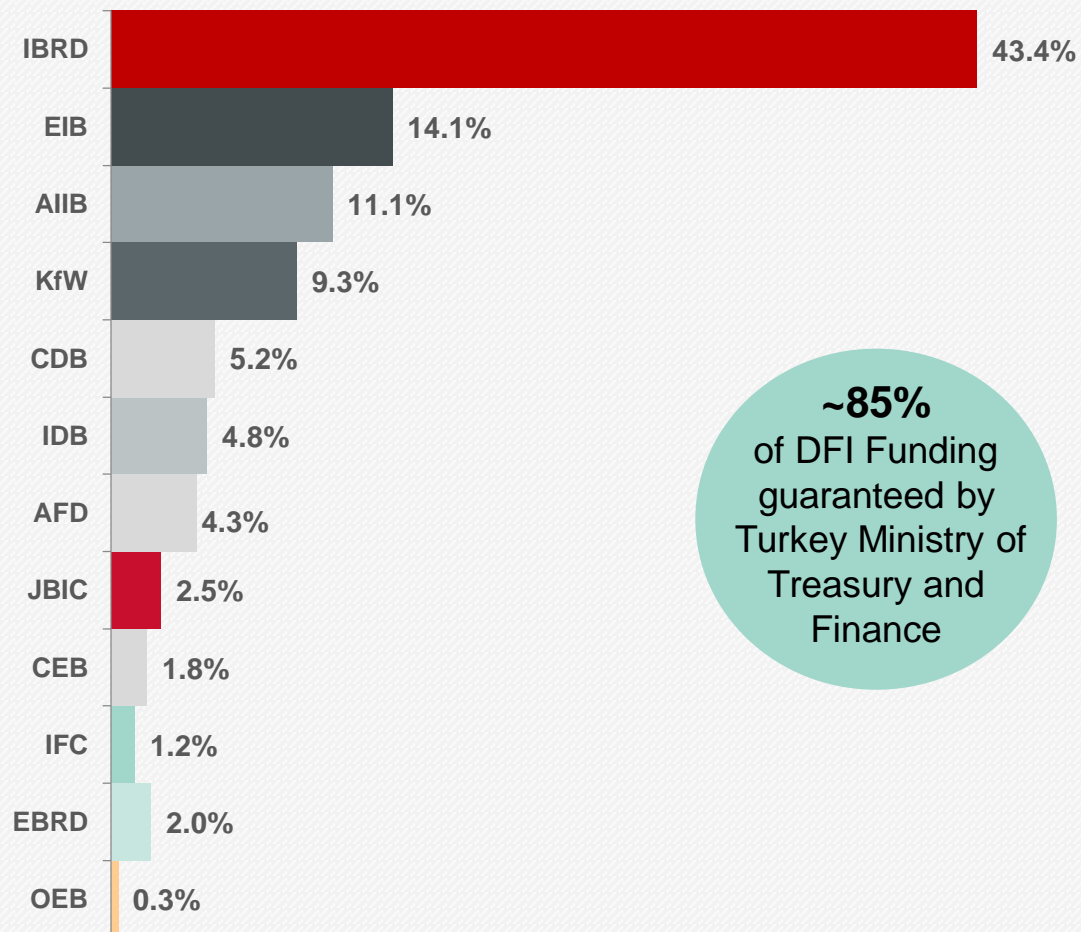


External Engagement

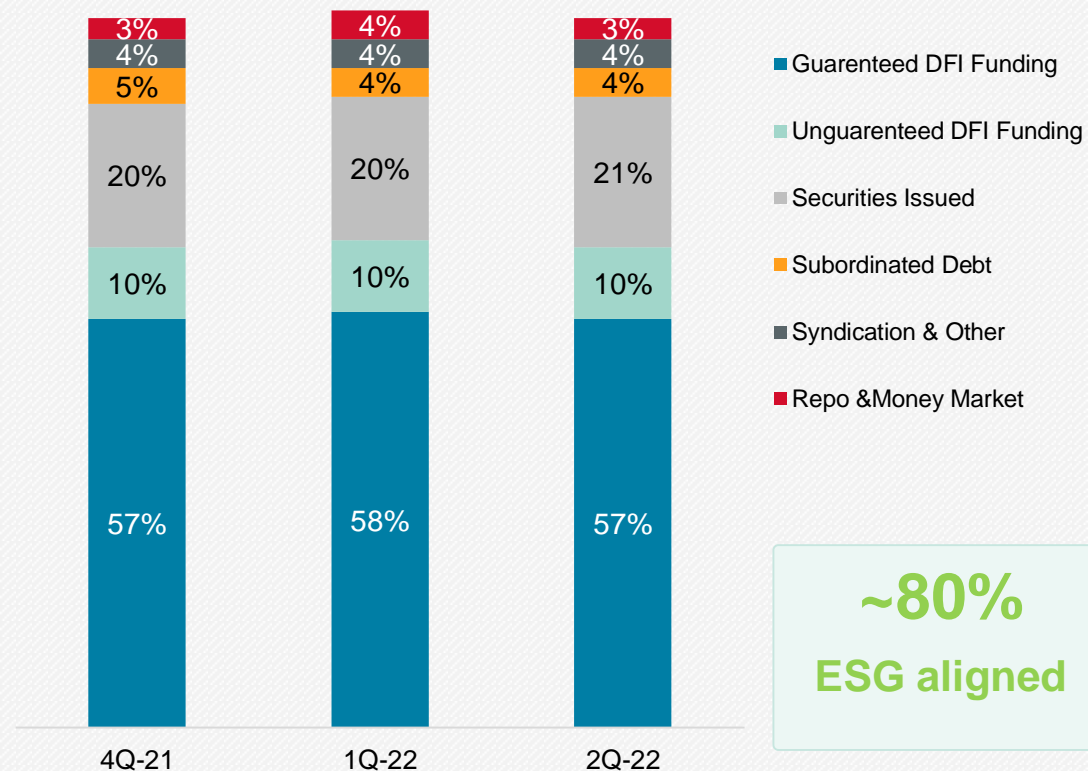


TSKB Long Term Funding Base

Outstanding DFI Funding Base – 2Q-22



Funding / Total Liabilities (exc. Equity & Oth.) – USD mn

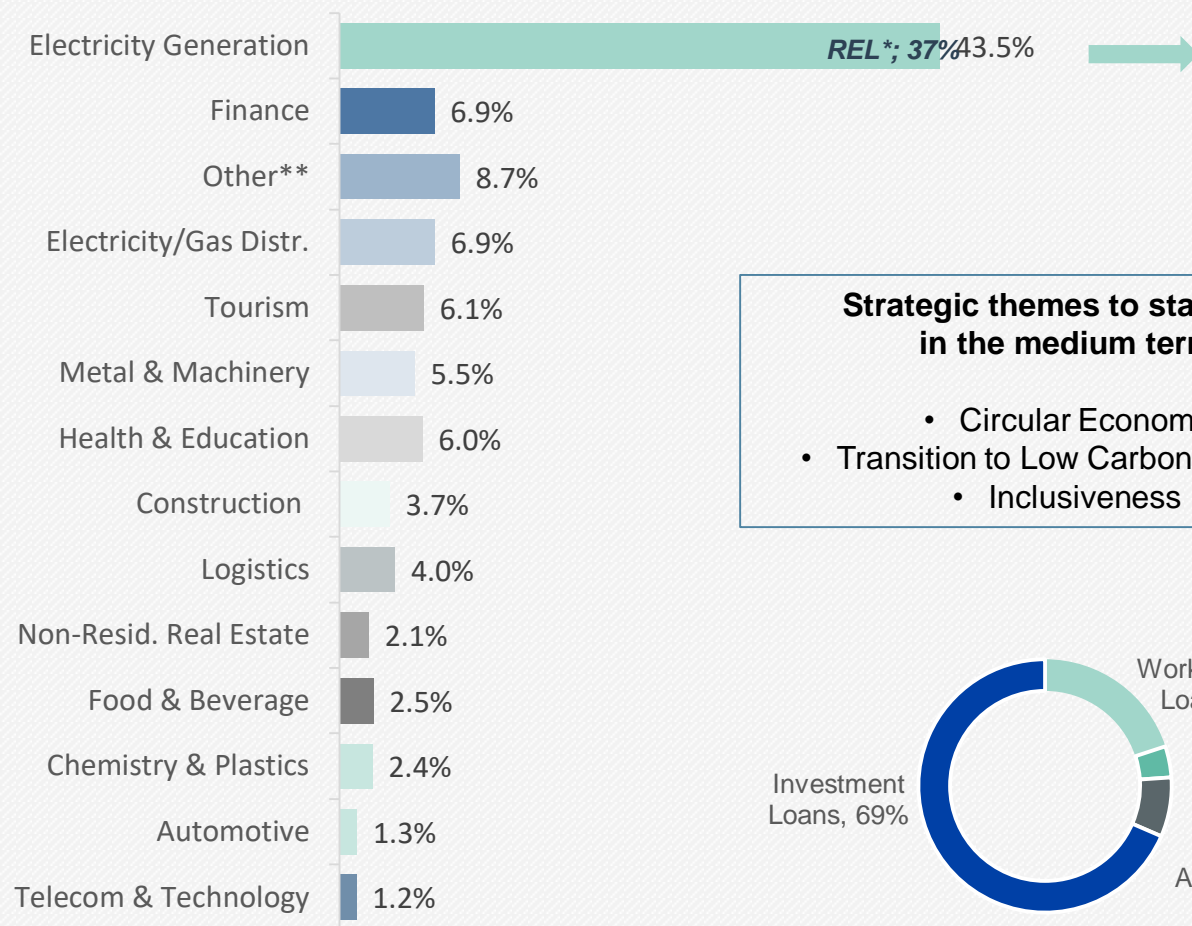


» Funding Diversification Important Milestones



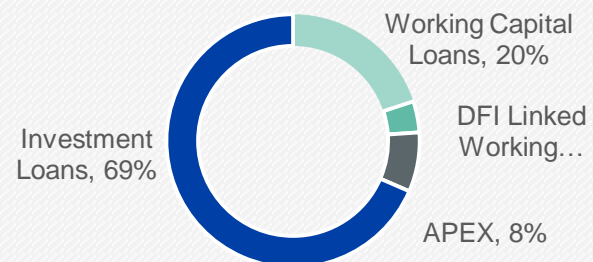
TSKB Lending Portfolio

Loans by sector 2Q-22



Strategic themes to stand out in the medium term

- Circular Economy
- Transition to Low Carbon Economy
- Inclusiveness



88% of which is Renewable Energy, where 90% benefits from Feed in Tariff

Outstanding Risk	HPP	GPP	WPP	BIO	SPP
263 Projects 6,840 MW	22%	19%	38%	11%	10%

SDG-Linked Loans Account for Nearly 93% of the Portfolio



Average Maturity 5.4 years

* Renewable Energy Loans

** Textile, retail and others

Outstanding Project Themes Shaping Future Loan Book

Energy and Resource Efficiency



Women's Employment and Equal Opportunity



Renewable Energy



Midcap Financing



Supporting Exporters



Regional Development



Supporting Employment



Sustainable Agriculture



Industrial Development



Sustainable Tourism



Occupational Health and Safety



Environmental Pollution Abatement in Industry



Innovation



Social Infrastructure



Health, Education & Clean Transportation



SME Support



Research Development



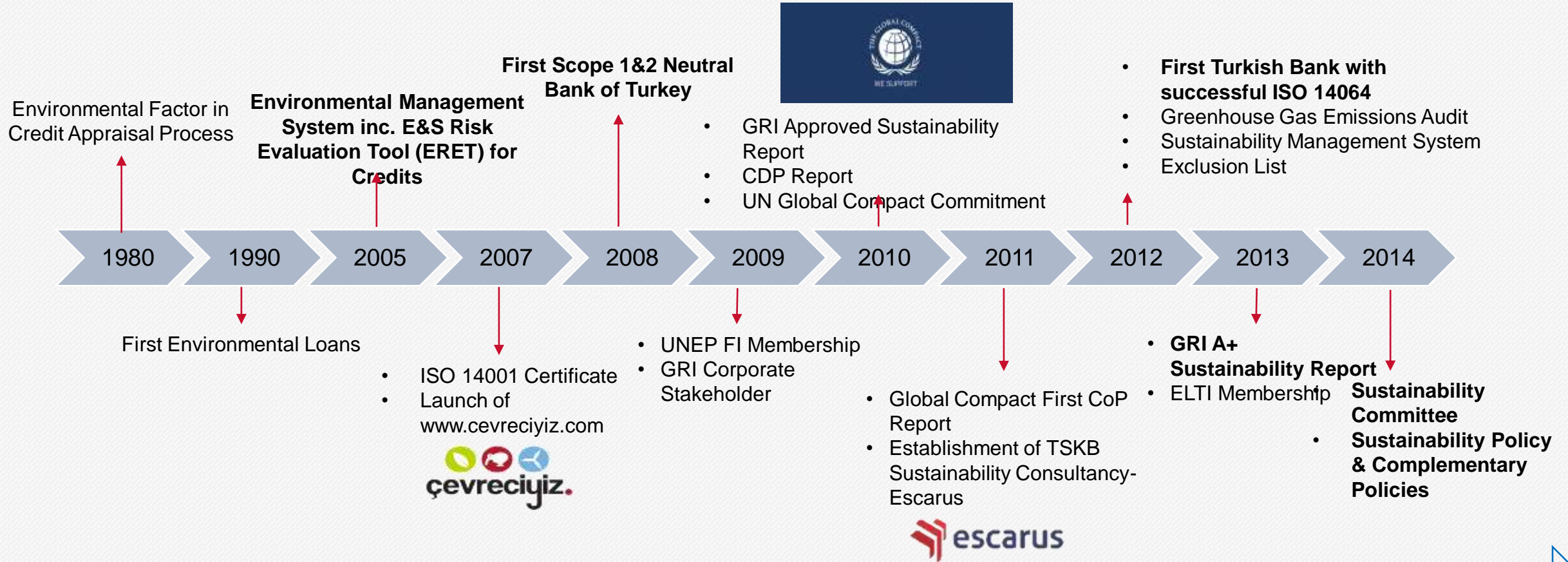
Infrastructure



Covid-19

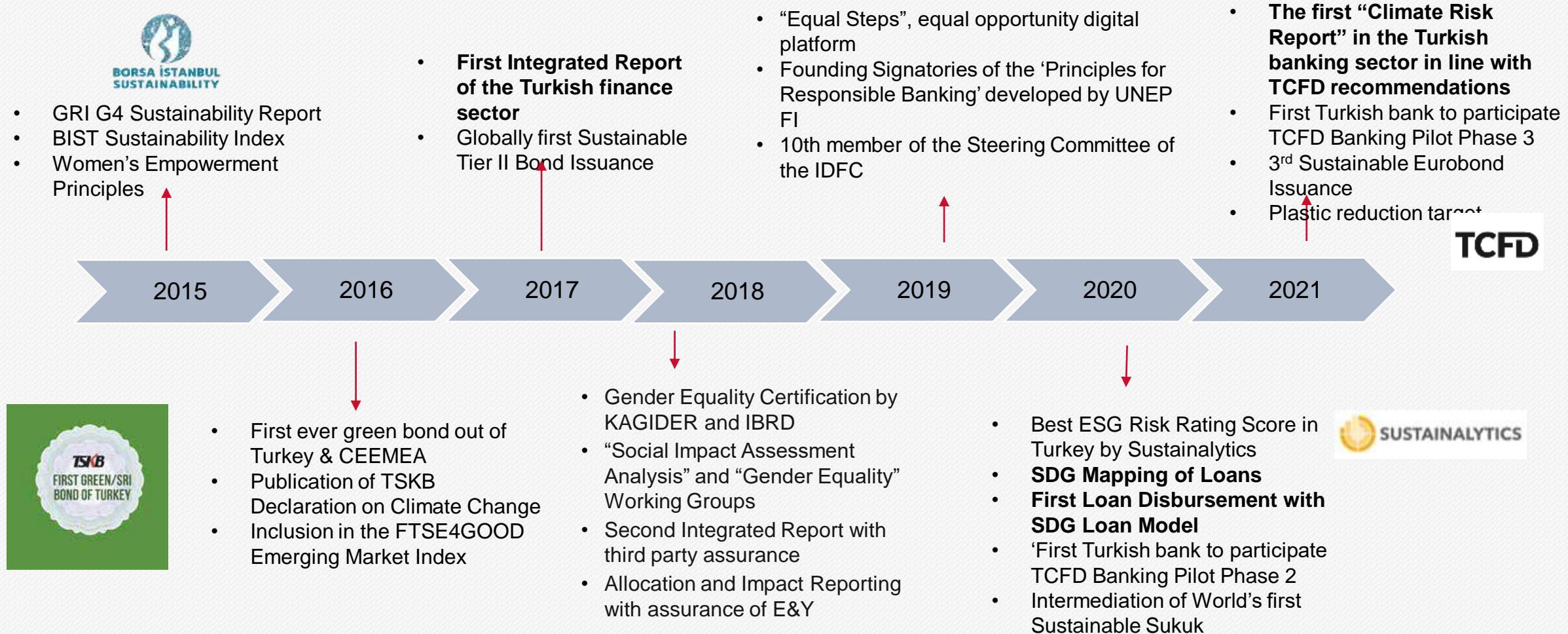


TSKB Sustainability Journey - I



2015 - 2021

TSKB Sustainability Journey - II



➤ TSKB - Recent Developments /2Q2022

Pathway to Net Zero

Climate Risks Evaluation Tool (CRET)

- Developed in-house
- Quantification of physical and transition risks
- Integrated into the credit evaluation criteria and started to submit to the committee

Long-term Emission Reduction Targets

- Started to include “financed emissions” into the emission calculation and verification processes
 - 2021 calculation:**
 - Carbon intensive sectors – Non-renewable power generation, cement and iron-steel
 - 7.5% of our loan portfolio which represent 70% of our financed emissions
- Submission to SBT-i for the verification of our long-term emission targets – *Ongoing*
- Membership in UN Net Zero Banking Alliance – *Ongoing*
- Submission of our CDP Climate Change Report for the year 2021 – *Done*

IDFC Training - Climate Strategy and Physical Risk Assessment

- First training week
- Hosted by TSKB in Istanbul
- 34 climate experts from 12 member institutions
- Capacity building

3rd Sustainability-linked Syndicated Loan

- USD 109 million
- 8 participants from 8 different countries
- Differentiating with 3 ambitious KPIs in line with the Bank's medium and long-term targets

SDG Mapping

- SDG Mapping of the loan portfolio
- SDG 1, SDG 7, SDG 8, SDG 9, SDG 12, SDG 13 and SDG 17 stand out

SDG Loan Model

- Performance of companies in the social, economic and environmental areas is evaluated and action plans are determined.
- In the final stage of the process, companies are offered improved financing costs depending on their assessed impacts.

TSKB - Medium to Long-Term Targets

Sustainable Financing Targets

USD 8 billion

SDG-linked financing by 2030

90%

Ratio of SDG-linked-loans by 2025

60%

Ratio of climate and environment focused SDG-linked loans by 2025

Social Targets

- In compliance with the "*Coalition for Social Investment Declaration*" signed by TSKB last year, it is aimed to raise awareness by strengthening cooperation on **Social Investment**.
- We aim to integrate a **gender equality perspective into loan evaluation processes** in order to raise awareness in the real sector.

Emissions Targets

Reduce our **Scope 1 (direct) emissions** by
%42 by 2030
%63 by 2035

Maintain offsetting **Scope 2 emission**

In 2021 we started to include
"financed emissions" in the calculation of greenhouse gas emissions (**Scope 3**)

Strategic Roadmap – Climate Change

- Climate risk management approach fully in line with UNEP FI and TCFD recommendations
- Evaluation of the loan portfolio and integration of climate risk into the loan evaluation and monitoring procedures.
- SBTi signatory since 2015.
- The approval process for Scope-1 emission targets is underway (planned to approve the relevant targets by the end of the year)


Effective Carbon Management

Our strategy in transition to a low carbon economy:

- Measuring and reporting greenhouse gas emissions arising from **operations and lending activities**, and having the calculations verified by independent institutions
- Setting **greenhouse gas emission reduction strategies** and designing projects
- Identifying the **impact of the portfolio** and managing the financing to support the transition to a low carbon economy

Financed Emissions Calculation

- Breaking new ground in the Turkish banking sector in 2021
- Inclusion of our "financed emissions", resulting from the financing we provide to our customers operating in **carbon-intensive sectors**
- Financing provided for coal and natural gas fired thermal power plants and iron-steel and cement production facilities of our customers, although the selected industries cover nearly 7.5% of the loan book, they constitute a significant part (between 60%-70%)

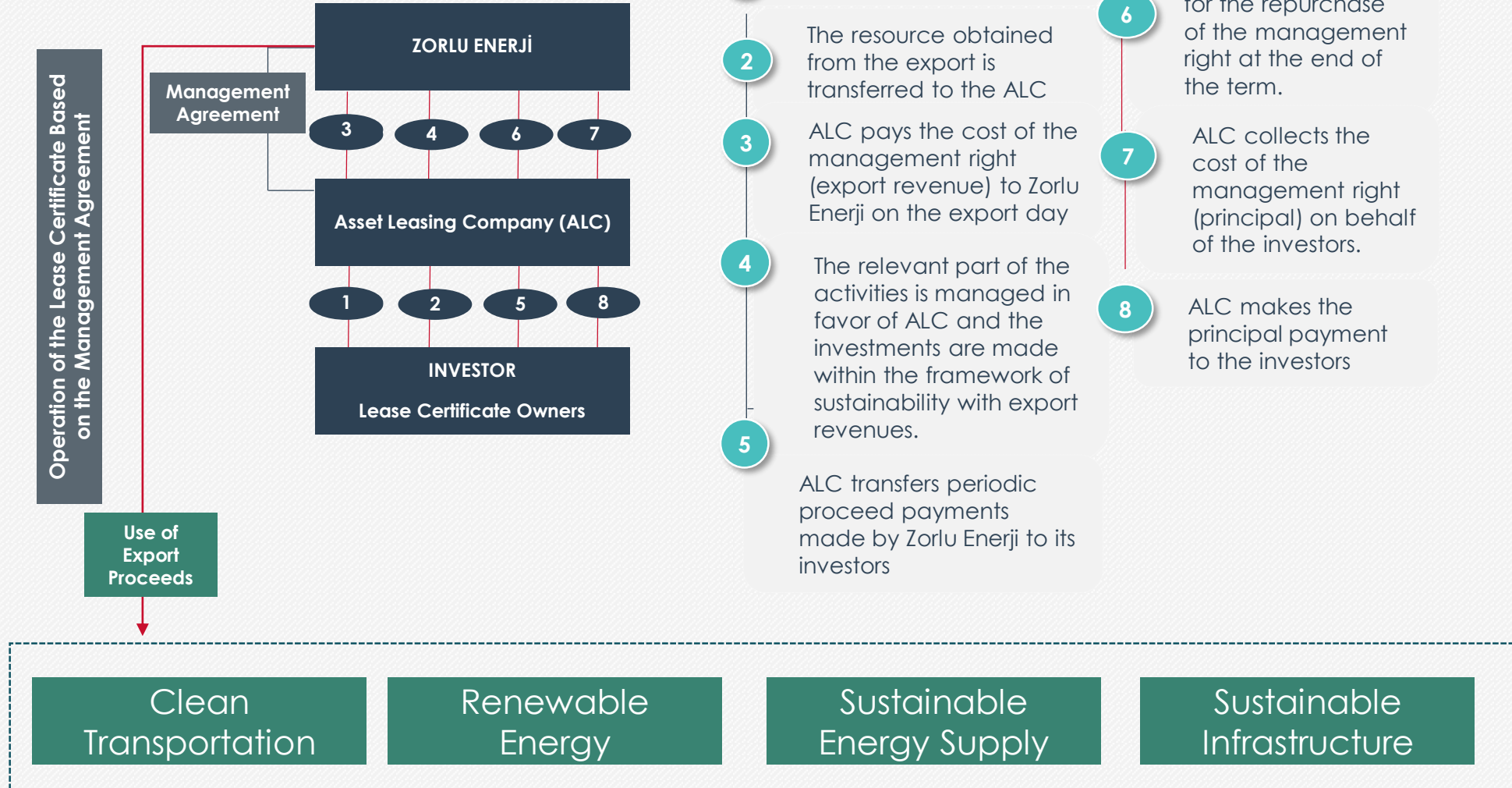
A large red geometric graphic consisting of two thick lines forming a stylized 'Z' or 'L' shape, positioned on the right side of the page.

Zorlu Energy Green Sukuk Issuance



Turkiye' s First Green Sukuk Issuance in 2020 by Zorlu Enerji with intermediary of TSKB

Sukuk Based on Sustainability Themed Management Agreement





Scope of Investments within the Framework of the Sustainability Theme

Clean Transportation

These are the investments to be made for the use of electric vehicles in Türkiye. Eligible investments:

- charging station etc. infrastructure investments,
- adaptation to the network, convenience to users, etc. all kinds of technology investments that serve the purpose.

Renewable Energy

These are renewable energy investments that produce energy with natural resources and contribute to CO₂ reduction. Eligible investments:

- capacity increase investments in existing facilities,
- efficiency improvement, etc. investments.

Sustainable Energy Demand

These are investments that contribute to the supply of the primary energy supply of our country, which is dependent on imports in energy consumption, with domestic resources. Eligible investments:

- new investments,
- capacity increase investments in existing facilities,
- efficiency improvement and rehabilitation investments,
- investments that enable the usage of alternative energy resources by society.

Sustainable Infrastructure

These are investments for the improvement and renewal of electricity distribution lines. Eligible investments:

- network renewal and capacity increase investments,
- city lighting investments,
- meter investments,
- technology investments.

Investments for the construction and improvement of natural gas distribution lines. Eligible investments:

- station investments,
- pipeline investments,
- map and geographic information system investments,
- SCADA and automation investments,
- meter investments,
- technology investments.



Criteria within the Framework of the Sustainability Theme (Key Performance Indicators)

Clean Transportation	Renewable Energy	Sustainable Energy Demand	Sustainable Infrastructure
<ul style="list-style-type: none">▪ Number of new charging stations▪ Data of regions where charging stations are provided▪ Number of vehicles served by charging stations▪ Driving length provided by charging stations (km) and avoided CO₂ emissions (ton/year)	<ul style="list-style-type: none">▪ Energy produced (kWh/year)▪ Prevented CO₂ emissions (ton/year)	<ul style="list-style-type: none">▪ Benefits of the investment to the country▪ Energy produced (kWh/year)	<ul style="list-style-type: none">▪ Benefits of the investment▪ Number of subscribers▪ Subscriber type distribution (household, industry, etc.)▪ Distribution of industry sectors served▪ Change in technical loss rate▪ Change of interruption time and number▪ Female employee rate



Thank you..

International Debt Capital Markets Issuance from Turkey since the start of 2021

6 Oct 2022 Republic of Turkey issued USD 2.5 billion 9.75% Senior Unsecured Sukuk Notes due Oct 2027

Issuer	Issue Ratings (at launch)	Pricing Date	Description	Issue Price	Issue Spread (+bps)	Issue Yield
	B2/NR/B+	5 April 2022	US\$ 305 million 10.750% Senior Unsecured Notes due April 2027	100.000	UST + 806.1	10.750 %
	B2/NR/B+	17 March 2022	US\$ 2 billion 8.600% Senior Unsecured Notes due September 2027	99.892	UST + 645.1	8.625 %
	B2/NR/B+	16 February 2022	US\$ 3 billion 7.250% Senior Unsecured Sukuk Notes due February 2027	100.000	MS + 524.7	7.250 %
	NR/BBB-/BBB-	13 January 2022	US\$ 500 million 4.500% Senior Unsecured Sustainability-Linked Notes due January 2029	98.526	MS + 306.2	4.750 %
	B2/NR/BB-	13 September 2021	US\$ 1.5 billion 6.500% Senior Unsecured Notes due September 2033	100.000	UST + 517.9	6.500 %
	B2/NR/BB-	13 September 2021	US\$ 750 million increase of 6.125% Senior Unsecured Notes due October 2028	102.445	UST + 459.6	5.700 %
	B2/NR/B+	9 September 2021	US\$ 500 million 5.500% Senior Unsecured Sustainable Notes due October 2026	99.454	UST + 484.8	5.625 %
	NR/NR/B+	9 September 2021	US\$ 350 million 6.125% Subordinated Callable Tier 2 Sustainability Sukuk due December 2031	100.000	UST + 533.2	6.125 % *
	NR/B/B+	26 July 2021	US\$ 750 million 7.750% Senior Secured Green Notes due February 2027 (callable August 2024)	99.191	N/A	7.950 %
	B2/NR/BB-	30 June 2021	€ 1.5 billion 4.375% Senior Unsecured Notes due July 2027	99.355	OBL + 497.9	4.500 %
	B2/NR/B+	23 June 2021	US\$ 750 million 5.750% Senior Unsecured Notes due July 2026	99.462	UST + 499.4	5.875 %

Issuer	Issue Ratings (at launch)	Pricing Date	Description	Issue Price	Issue Spread (+bps)	Issue Yield
	NR/BBB-/BBB-	22 June 2021	US\$ 500 million 3.375% Senior Unsecured Notes due June 2028	99.230	UST + 227.8	3.500 %
	B2/NR/BB-	15 June 2021	US\$ 2.5 billion 5.125% Senior Unsecured Sukuk Notes due June 2026	100.000	UST + 434	5.125 % *
	NR/NR/B-	15 June 2021	US\$ 500 million 6.800% Subordinated Callable Tier 2 Sustainability Notes due June 2031	100.000	UST + 601.5	6.800 %
	NR/CCC+/B-	25 May 2021	US\$ 300 million 9.000% Senior Secured Notes due June 2026 (callable from June 2023)	98.046	UST + 871.6	9.500 %
	NR/BB+/BB	20 May 2021	€ 350 million 3.000% Senior Unsecured Green Notes due May 2026	100.000	OBL + 349.9	3.000 %
	B3/NR/BB-	11 May 2021	US\$ 370 million 9.500% Senior Secured Amortizing Notes due July 2036	100.000	N/A	9.500 %
	NR/B/BB-	27 April 2021	US\$ 375 million 9.250% Senior Unsecured Notes due April 2026 (callable from April 2024)	100.000	UST + 837.5	9.250 %
	B2/NR/B+	26 January 2021	US\$ 600 million 5.375% Senior Unsecured Sustainability Notes due March 2026	99.445	UST + 509	5.500 %
	B2/NR/BB-	19 January 2021	US\$ 1.75 billion 4.750% Senior Unsecured Notes due January 2026	99.342	UST + 445.3	4.900 %
	B2/NR/BB-	19 January 2021	US\$ 1.75 billion 5.875% Senior Unsecured Notes due June 2031	99.430	UST + 486	5.950 %
	Caa2/NR/B-	14 January 2021	US\$ 500 million 7.875% Subordinated Callable Tier 2 Notes due January 2031	100.000	UST + 741.5	7.875 %
	B3/NR/B+	7 January 2021	US\$ 350 million 5.875% Senior Unsecured Sustainable Notes due January 2026	99.467	UST + 554.9	6.000 %

Data Source: Bloomberg, Bond Radar, and ICBC Standard Bank; Date = October 3rd, 2022

* Profit Rate for Sukuk issuance

- Total of USD 7.5 billion Sukuk Issuance in 2 years