Investor Presentation

June 2021

Turkey Ministry of Treasury & Finance

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Agenda

I. Covid-19 and Vaccinations in Turkey

II. Economic Activity and Reform Package

III. Turkey’s Public Finances

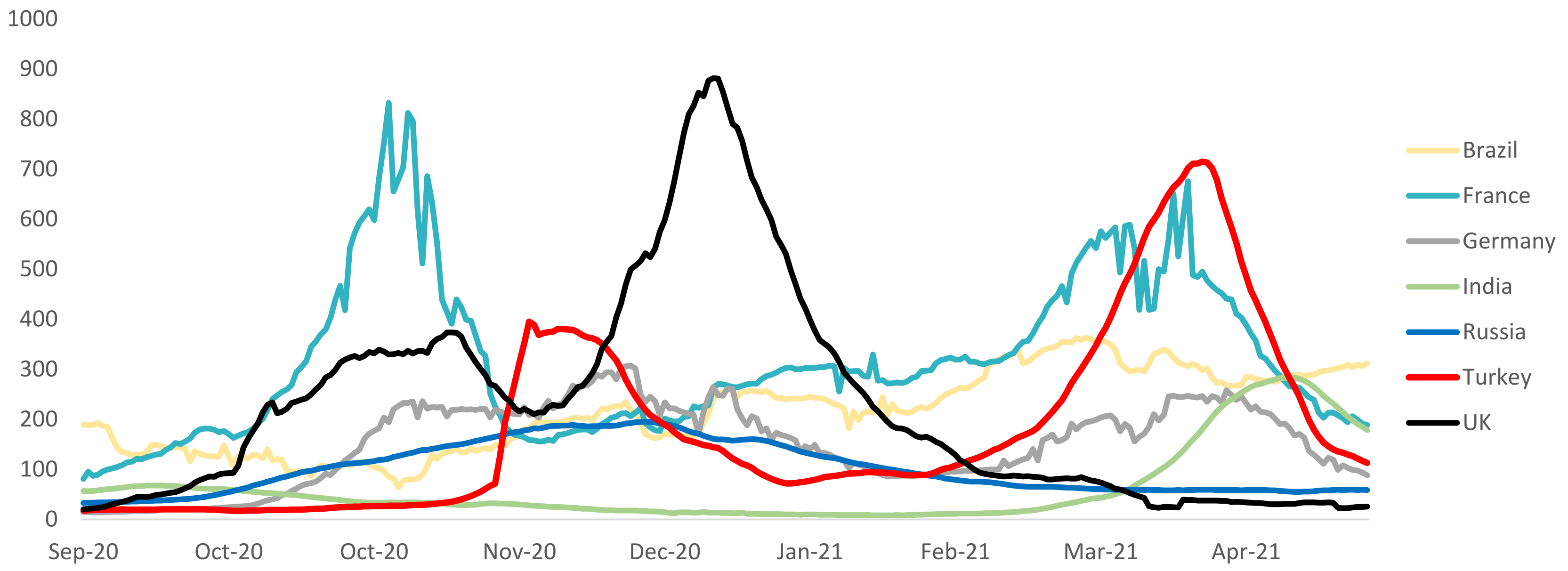
IV. Banking Sector

V. Transaction Summary

Covid-19 Pandemic & Vaccination

- **Having peaked at 60,000 in April 2021, the daily number of confirmed cases displayed a dramatic decline towards below 10,000 due to the full and partial lockdown measures**
- **Turkey fully vaccinated 16% of its population in line with EU averages**
- **First batch of massive vaccine supply arrived recently; herd immunity expected to be reached mid-summer**

Daily Confirmed Covid-19 Cases Per Million People (Rolling 7-Day Average)



Vaccination Campaign

	Brazil	EU	India	France	Germany	Russia	Turkey	UK
Doses Administered	63,277,523	222,939,788	198,443,550	33,699,182	44,385,214	24,000,000	33,624,342	60,965,594
Fully Vaccinated (% of Population)	9.9	15.2	3.2	15.3	13.7	6.8	16%	34.3

*Numbers for Turkey are as of 13 June 2021, April data is available for other countries
Source: Our World in Data, Bloomberg

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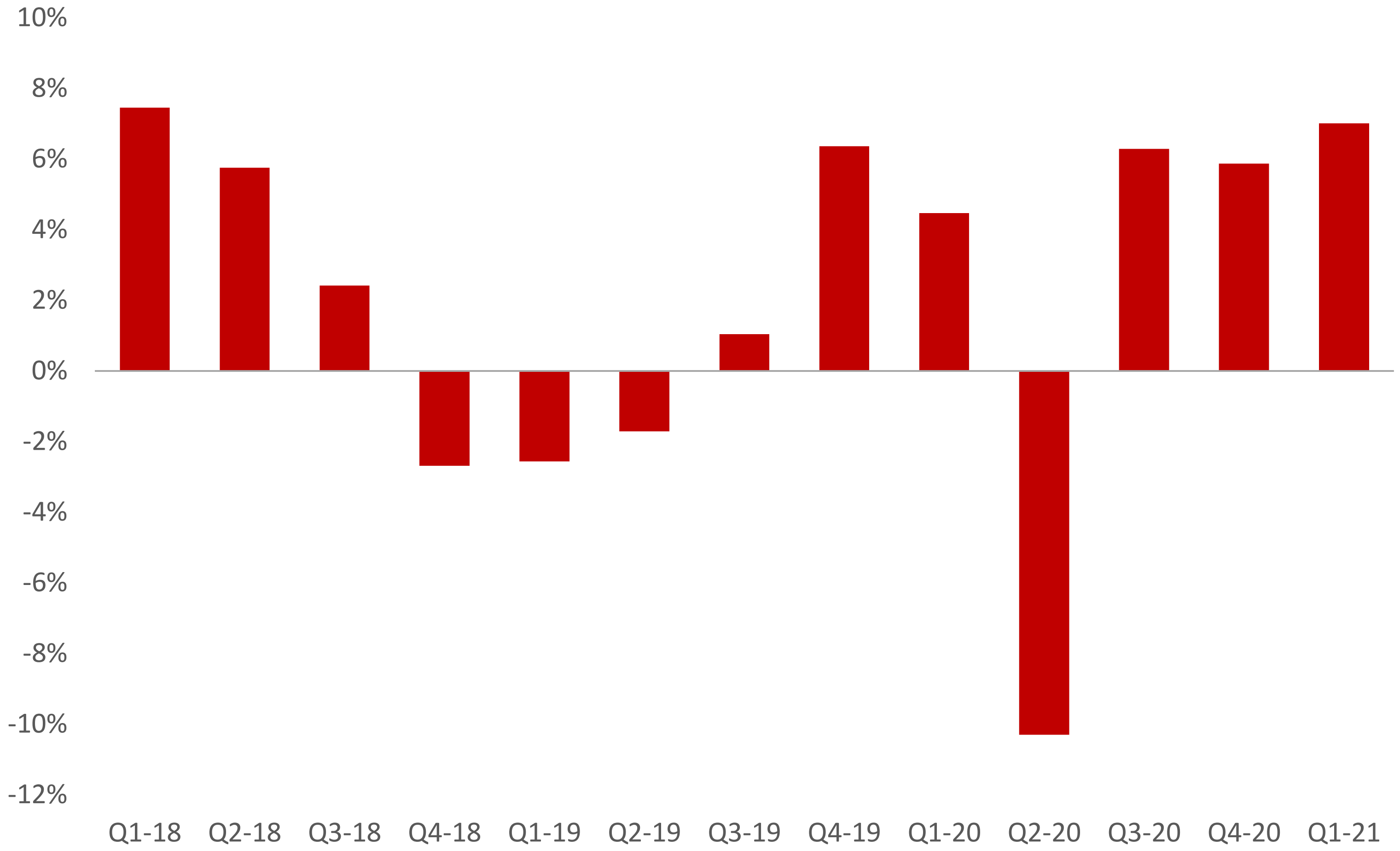
Economic Activity

- Turkish economy grew 1.8% in 2020, revealing a fast recovery in the second half of the year
- Despite tight financial conditions, economic growth has been strong at 7% in Q1-21
- Growth momentum is somewhat moderating in Q2 towards targeted levels, but no sign of a recessionary environment

Real GDP Growth

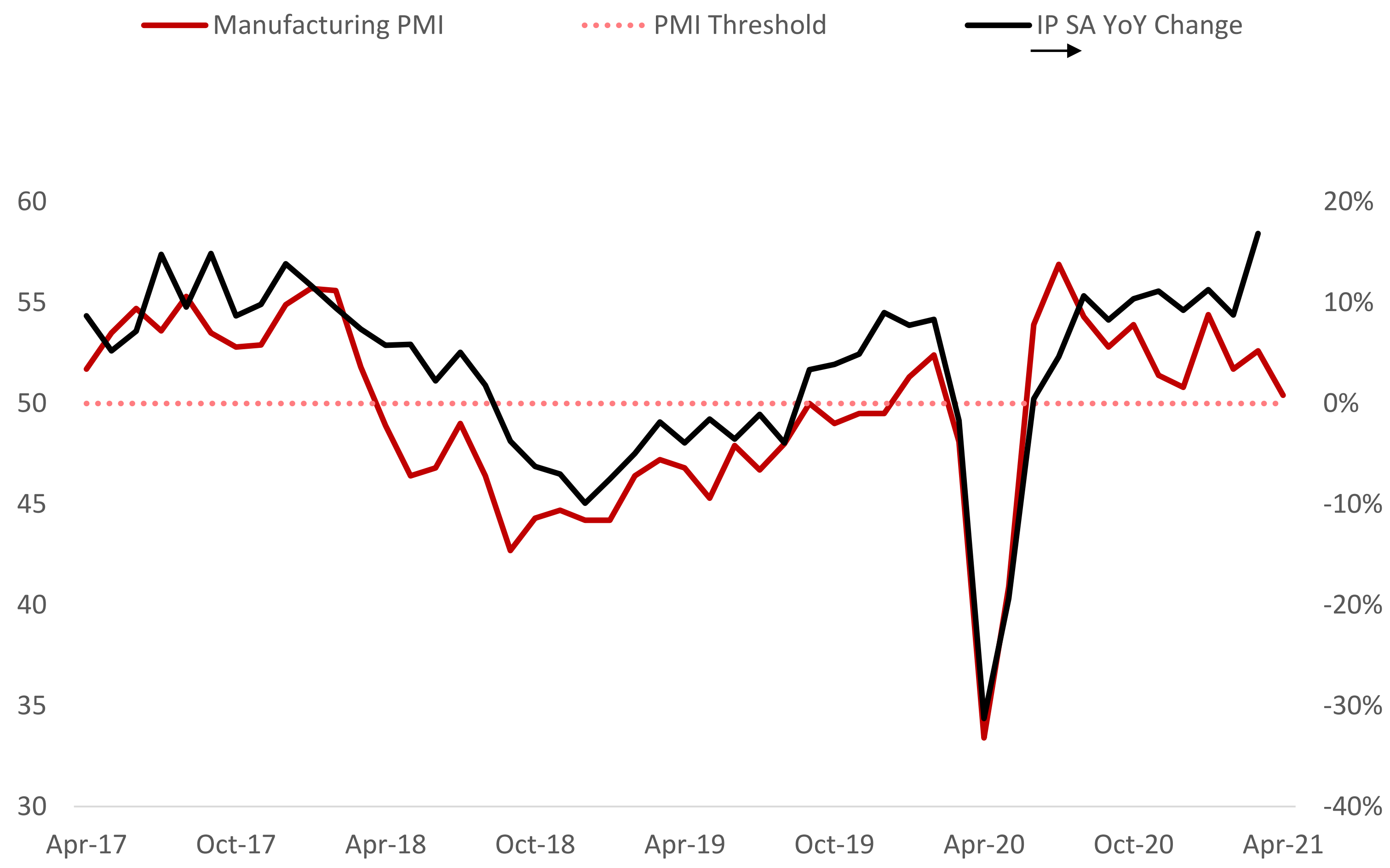


Source: Turkstat

Economic Activity

- Preliminary data shows that economic growth momentum has been strong in Q1-21
- Posting 50.4 in April, PMI has been above 50.0 threshold since Jun-20
- Seasonally-adjusted industrial production grew 12.3% y-o-y in Q1-21, QoQ IP growth was at 2.6% in seasonal and calendar adjusted terms

Industrial Production & Manufacturing PMI



Source: Turkstat, ICC

Economic Activity

- Credit card expenditures continued to increase during Q1-21 and peaked in early April.
- Partial lockdown measures in April and full lockdown afterwards in May have brought along a normalization in card expenditures

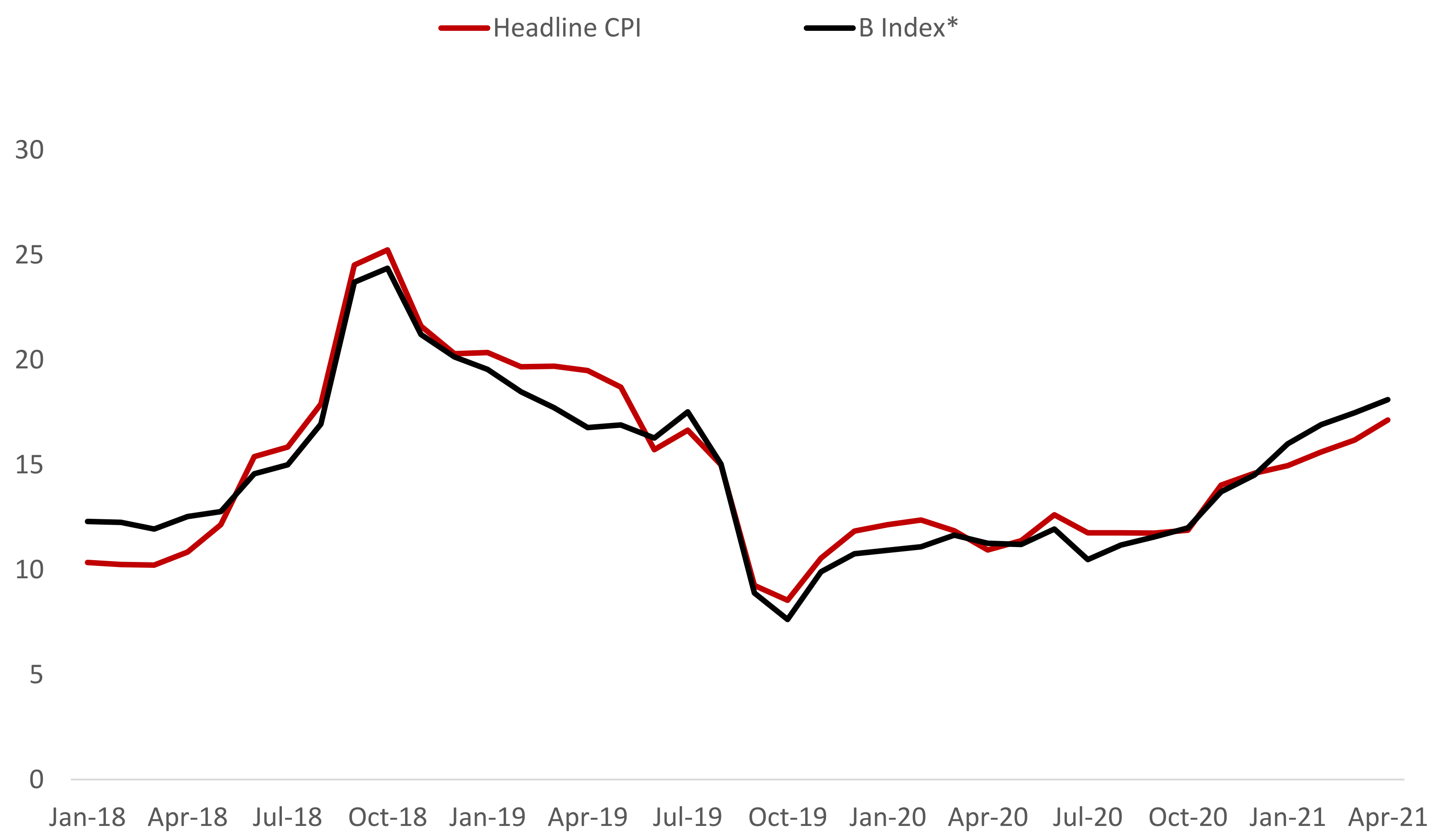
Credit & Debit Card Expenditures, 4-Week Moving Average (TRY billion)

Source: CBT

Inflation

- Headline CPI rose to 17.1% in April on the back of base effect, rising food and other commodity prices as well as inflation expectations adversely affecting inflation outlook
- Price stability is key to ensuring financial and economic stability
- Coordinated disinflationary efforts between institutions are strongly maintained and will be intensified further

Consumer Prices (Annual % Change)



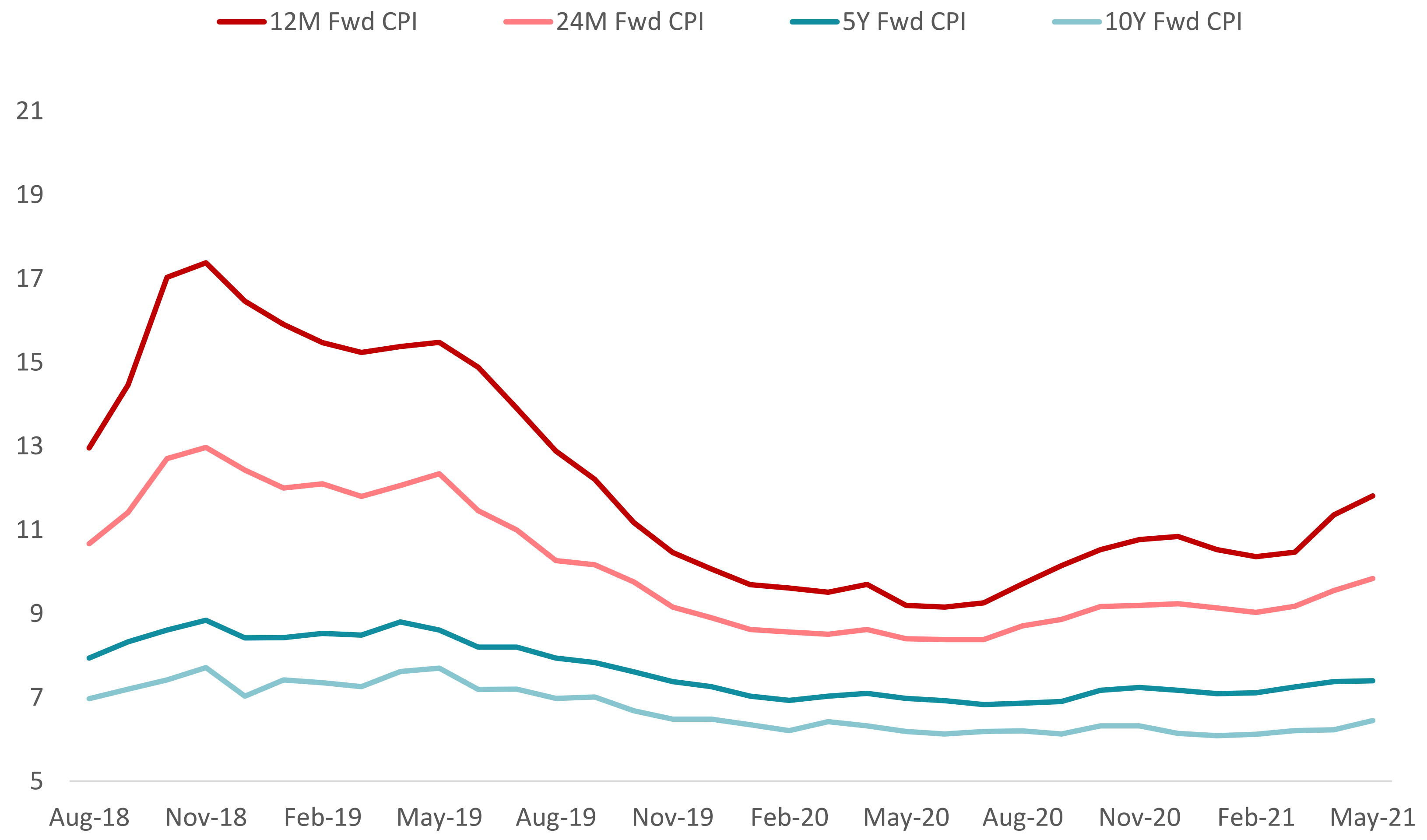
(*) B index: CPI excluding unprocessed food, energy, alcoholic beverages tobacco and gold.

Source: CBT

Inflation Expectations

- Short term inflation expectations deteriorated and run above the interim targets
- Starting from Dec-20, economic activity has maintained its vitality but slightly moderated, loan growth slowed down and dollarization trend stopped even partly reversed. These are supportive elements in terms of price stability outlook

CBRT Expectations Survey, Headline CPI (%)

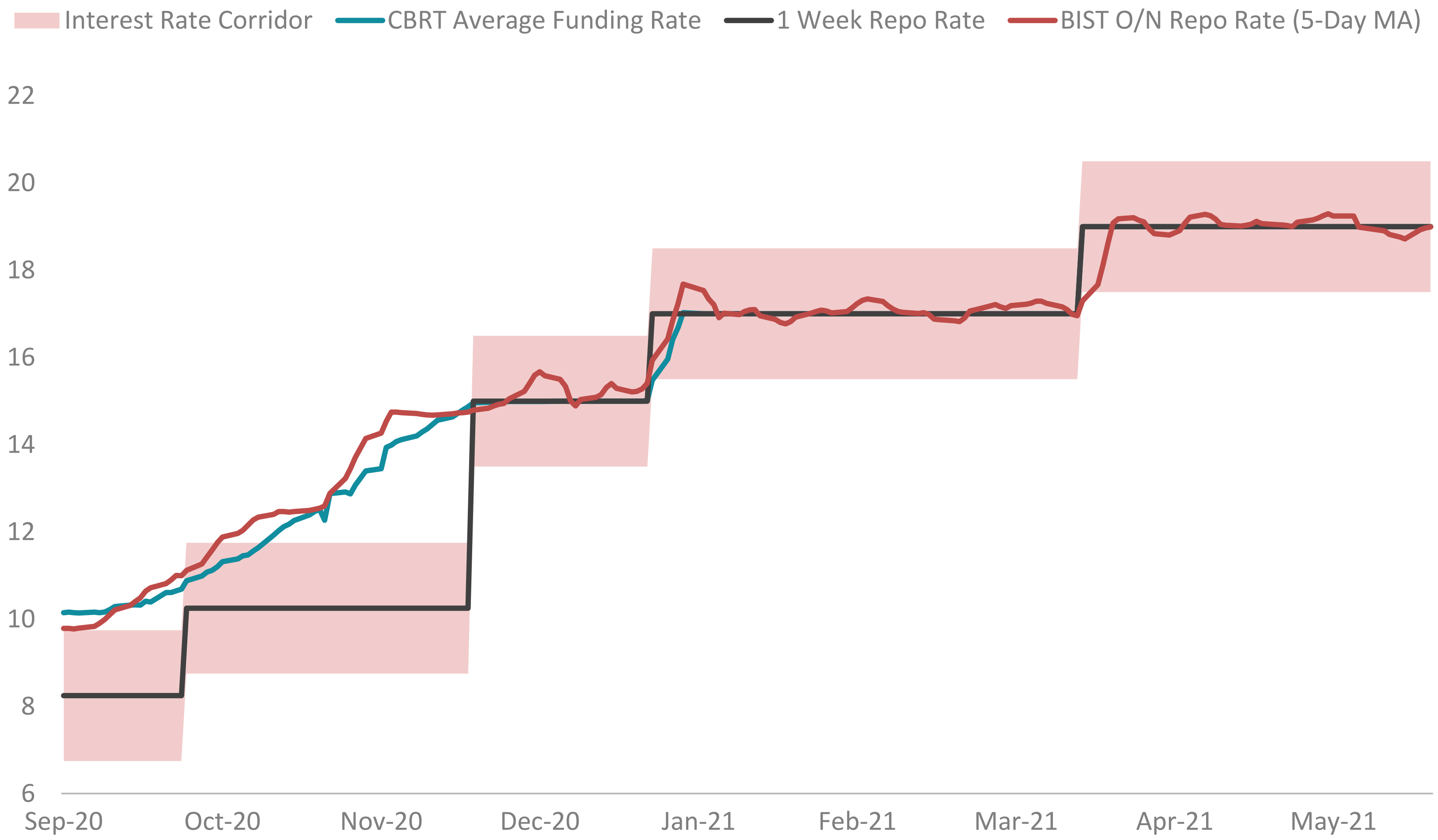


Source: CBT

Monetary Policy Tightening

- **Monetary policy has been strongly tightened since Q4-20 and short-term interest rates are anchored**
- **Tight monetary policy serves a significant buffer to anchor expectations, pricing behavior and financial markets**

Short Term Interest Rates (%)



Source: CBT

Economic Reform Package

- As part of the action plan:
  - Expenditure discipline will be ensured
  - Public debt management will be strengthened
  - Taxation regulations will be simplified
  - The asset quality of the banking sector will be improved
  - The capacity of asset management companies will be strengthened

- Economic reform efforts to grow Turkish economy on the basis of:
  - Investment
  - Production
  - Employment
  - Exports

Act promptly in this dynamic unpredictable environment

Take early action

Gain the first mover advantage

WHY NEEDED?

- Reduce vulnerabilities
- Boost productivity
- Integrate further to global value chains
- Improve competitiveness

Strong, sustainable, inclusive and balanced growth

Economic Reform Package

Major Particular Reform Areas

Macroeconomic Policies

- Fiscal Discipline
- Ensuring Price Stability
- Strengthening Financial Sector
- Improving Current Account Balance
- Supporting Employment

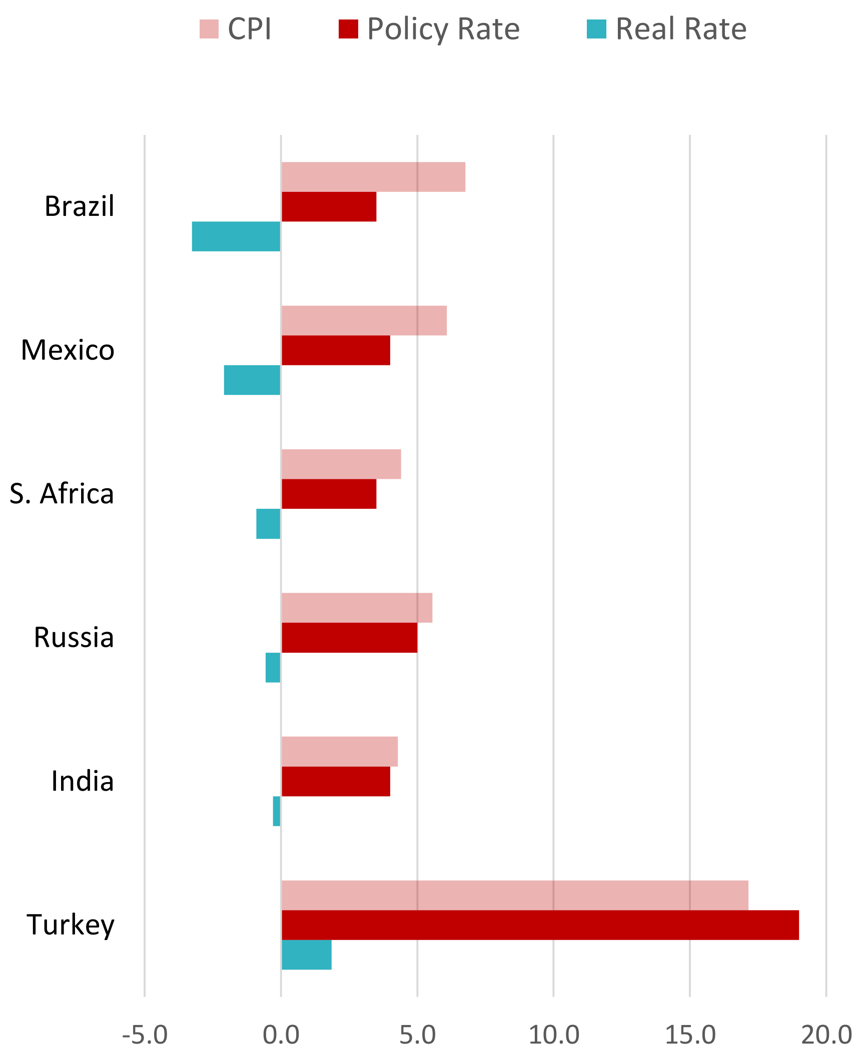
Structural Policies

- Strengthening Institutional Governance
- Encouraging Private Sector Investments
- Facilitating Domestic Trade
- Increasing Competitiveness
- Strengthening Market Surveillance and Supervision

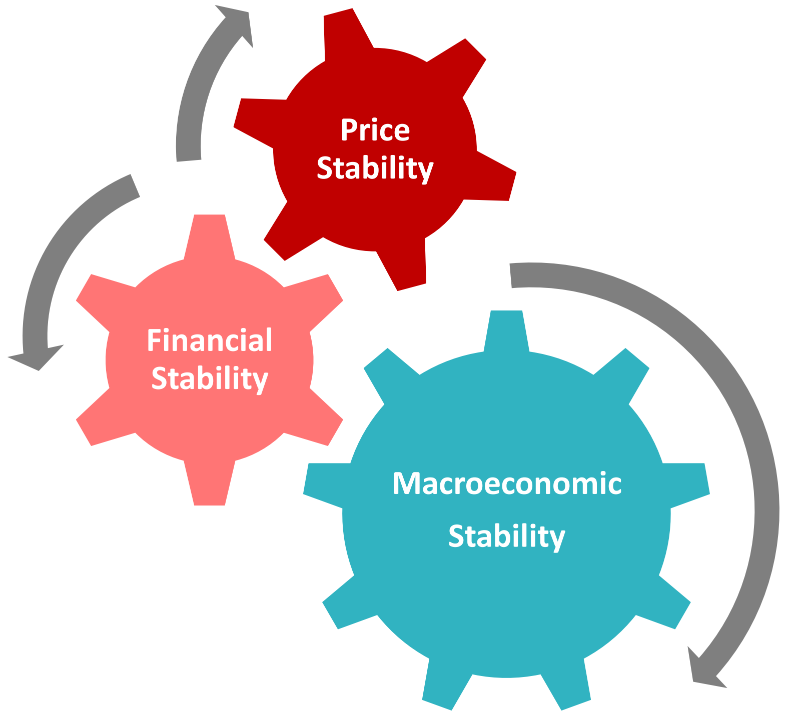
Economic Reform Package

- As a top priority item on our agenda, price stability is key to ensure financial stability and macroeconomic stability
- Pandemic response of loose monetary policy and excessive lending have been reversed since Nov-20
- Existing disinflationary policies will be stubbornly pursued, and any form of consumption-driven growth is not targeted

Ex-Post Real Policy Rates Across Selected Emerging Countries (%)



Source: Bloomberg



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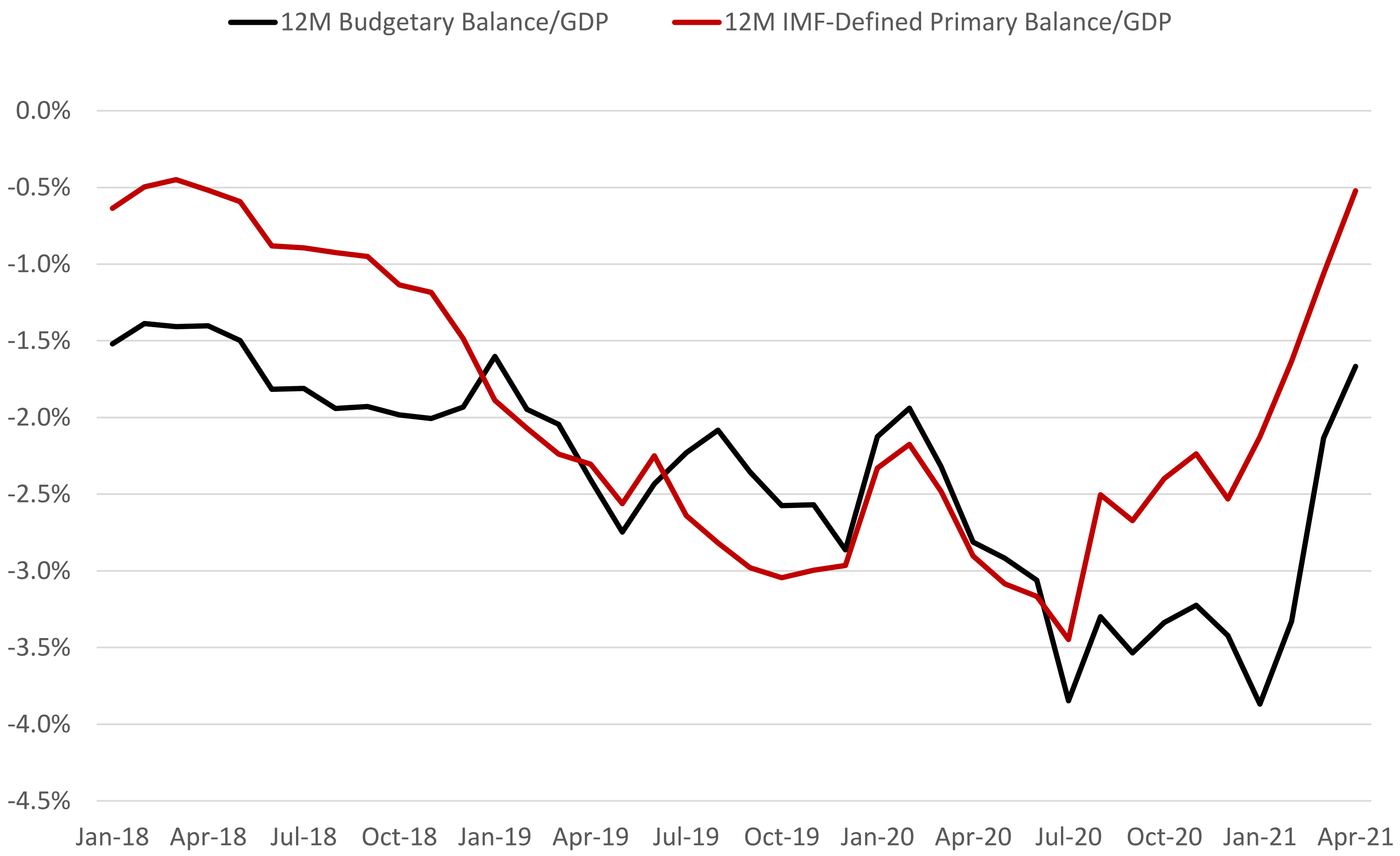
Central Government Budgetary Balance

- Budget deficit-to-GDP ratio came in at 3.4% last year, disciplined expense management has been in place since the last quarter of 2020 to support disinflationary efforts
- Budget realizations of 2021 are very encouraging as deficit-to-GDP ratio came down to 1.7%
- Budget deficit to GDP targeted at 4.3% for 2021 and 3.5% at the end of the programme period

Budgetary Deficit Evolution



Source: MoTF

Central Government Budgetary Balance

- Budgetary balance has a surplus of TRY 6 billion thanks to TRY 73 billion primary balance surplus
- Eye-catching budget performance hinges on strong tax collections as well as expenditure management
- Cumulative tax revenues grew by 47% y-o-y as of April, outpacing budget expenses growth of 10%

Breakdown of Budgetary Balance

Million TRY	Jan-20	Feb-20	Mar-20	Apr-20	YtD-20	Jan-21	Feb-21	Mar-21	Apr-21	YtD-21	Change YtD 21-20
Budget Revenues	**122,170**	**86,136**	**47,443**	**65,245**	**320,994**	**89,609**	**119,579**	**134,927**	**93,791**	**437,906**	**36.4%**
Tax Revenues	67,416	71,729	36,954	49,125	225,224	79,227	98,437	77,433	76,322	331,420	47.2%
Income Tax	17,322	10,447	9,576	12,113	49,458	17,750	12,532	18,000	16,452	64,733	30.9%
Corporate Tax	519	25,601	950	900	27,969	473	36,983	2,533	2,822	42,811	53.1%
Domestic VAT	9,097	4,504	-4,891	9,145	17,856	12,335	6,831	4,702	9,644	33,511	87.7%
Special Consumption Tax	12,930	11,851	13,360	12,942	51,083	16,107	14,030	17,844	16,226	64,207	25.7%
Taxes on International Trade	12,075	11,760	11,466	8,932	44,233	17,223	17,549	24,103	21,625	80,499	82.0%
Other Revenues	54,754	14,407	10,488	16,120	95,769	10,382	21,142	57,494	17,469	106,487	11.2%
Interest Income, Shares and Fines	8,344	7,231	5,266	11,894	32,735	6,390	12,708	12,589	10,872	42,558	30.0%
Budget Expenses	**100,669**	**93,499**	**91,162**	**108,443**	**393,773**	**113,763**	**96,409**	**111,164**	**110,708**	**432,043**	**9.7%**
Compensation of Employees	29,222	22,920	23,671	23,915	99,729	32,785	27,627	27,342	28,518	116,272	16.6%
Payments to Social Security Agencies	4,918	3,891	3,962	3,829	16,600	5,481	4,667	4,624	4,482	19,253	16.0%
Good and Service Purchase	4,078	7,532	6,733	6,650	24,993	3,358	5,210	8,344	6,565	23,477	-6.1%
Current Transfers	37,078	37,193	39,466	51,485	165,222	44,972	42,612	46,197	41,665	175,447	6.2%
Capital Expenses	9,183	3,094	3,838	3,659	19,774	2,524	1,425	6,057	8,344	18,350	-7.2%
Capital Transfers	20	336	438	523	1,317	0	406	754	797	1,958	48.6%
Interest Expenses	12,745	14,162	11,340	17,048	55,296	21,943	12,757	14,228	18,583	67,511	22.1%
Budget Balance	**21,501**	**-7,363**	**-43,719**	**-43,198**	**-72,779**	**-24,154**	**23,170**	**23,764**	**-16,917**	**5,863**	
Primary Budget Balance	**34,247**	**6,800**	**-32,379**	**-26,151**	**-17,483**	**-2,211**	**35,927**	**37,992**	**1,666**	**73,374**	

Source: MoTF

Liquidity Position

- Treasury's liquidity is at historic highs as of end of April, FX liquidity makes up the bigger portion
- Resulting from stronger than expected budget performance and ample liquidity, we started trimming onshore borrowing targets from April
- Following downward revisions in April and May, there is substantial space for further cuts in the monthly borrowing program in upcoming months

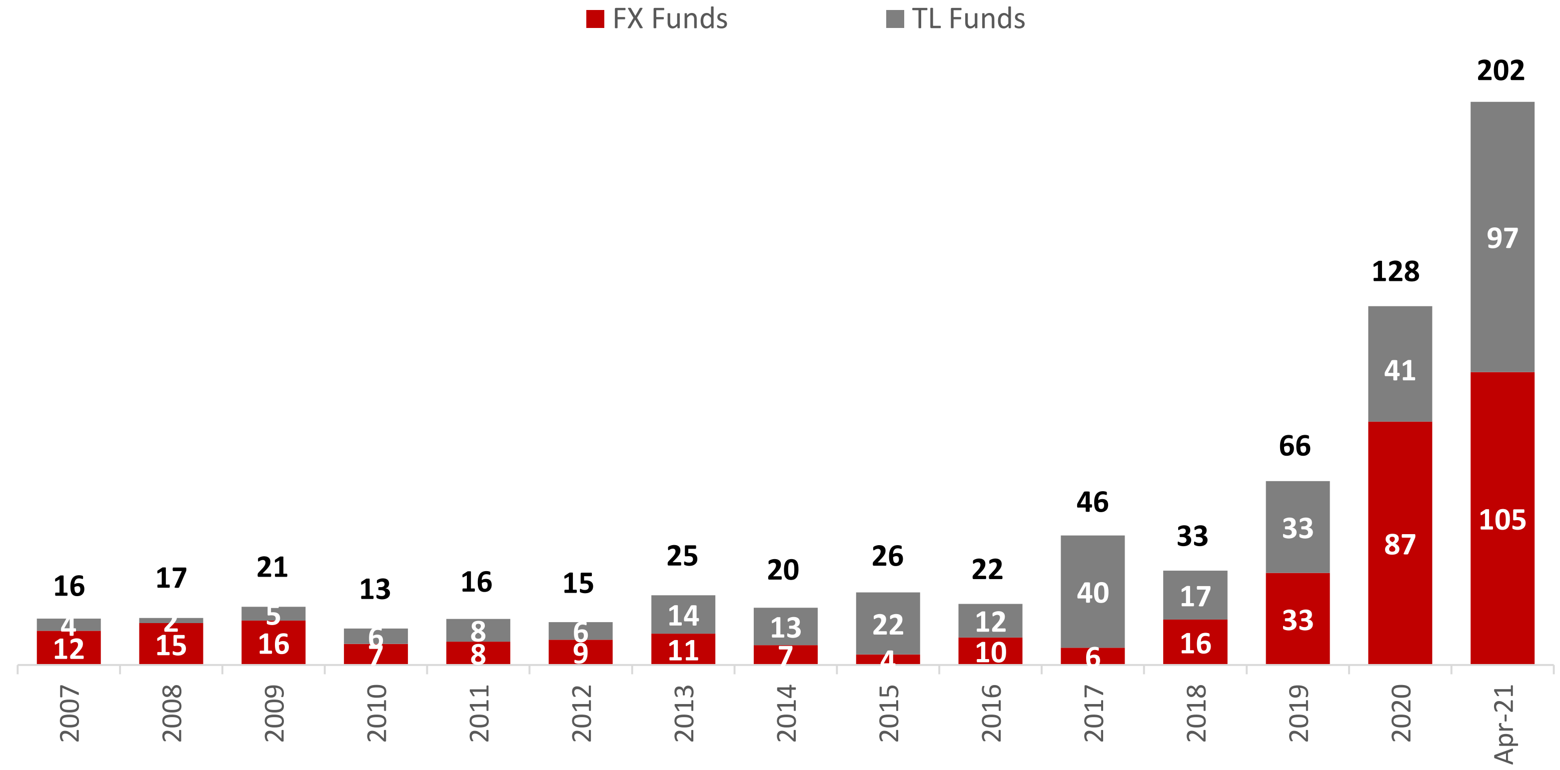
Treasury Liquidity Buffers* (TRY billion)

Strong budget execution

Solid liquidity buffers

TRY 10 billion cut to onshore monthly borrowing program in both April and May

Yearly on-shore borrowing program to downscale by ~10%



*Deposit account held with the CBT

Source: CBT

Debt Sustainability

- As per the strategic objectives we set out, our focus has shifted towards mid and long end of TL curve since Nov-20
- Average borrowing maturity has dramatically improved compared to last year
- Apart from gold, deleveraging foreign currency on-shore debt is still an ongoing process
- Switch auctions are helpful for improving the maturity profile and debt sustainability

Key Strategic Objectives in Domestic Borrowing

Increasing Turkish Lira and fixed rate issuances in total

Higher TL roll-over ratios thanks to longer term fixed rate issuances and increasing appetite from non-resident investors

Decreasing foreign currency debt

Foreign currency on-shore debt rollover ratio is below 50% cumulatively as of May-21

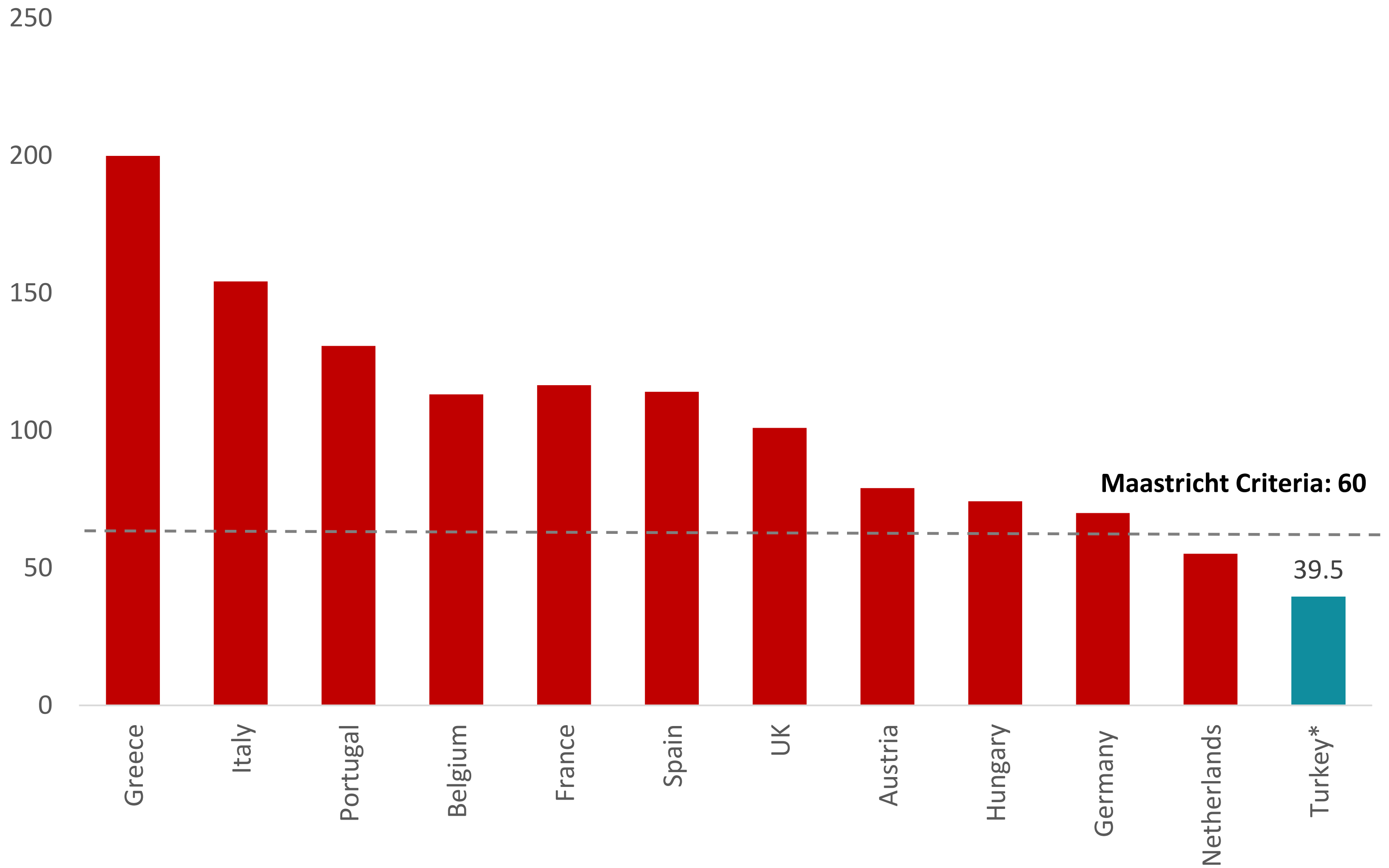
Extending average maturity of the debt

In April-21, the average maturity of domestic cash borrowing is at 53.9 months, from 30.9 in April-20.

Debt Sustainability

- Turkey has a very comfortable gross debt profile
- Despite deteriorating fiscal conditions globally, Turkey stands out with its disciplined budget execution and delivered one of the lowest deficits since the start of the pandemic
- Debt profile is expected to improve starting from 2021 on the back of GDP growth outperforming budgetary balances

EU-Defined General Government Gross Debt (% GDP)



*Q4-2020 results for Turkey, Sep-20 data is available for other countries

Source: Eurostat (Updated as of Feb-21), Ministry of Treasury & Finance (Mar-21)

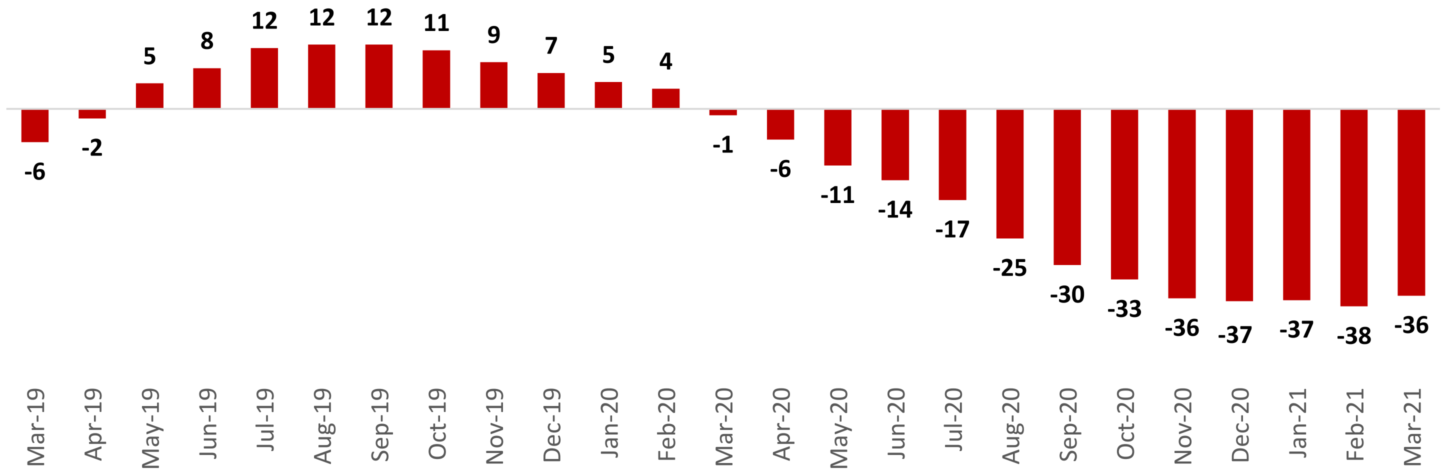
External Balance & Financing

- Loose financial conditions in 2020 translated into a widening in the current account deficit
- Worsened inflation expectations as well as global uncertainties led to a strengthening trend in dollarization and affected the external balance adversely
- Declining tourism revenues, strong demand for gold and durable goods overshadowed historic high levels of monthly export performance

12-Month Trailing Current Account Balance & Financing

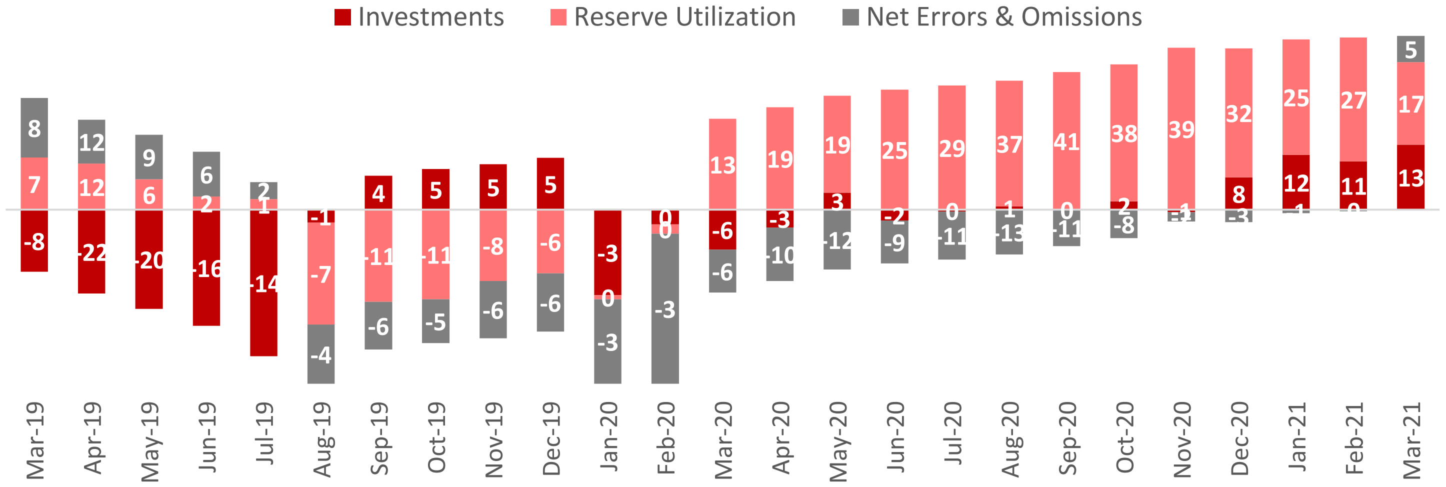
Current Account Balance

(USD billion)



Financing

(USD billion)

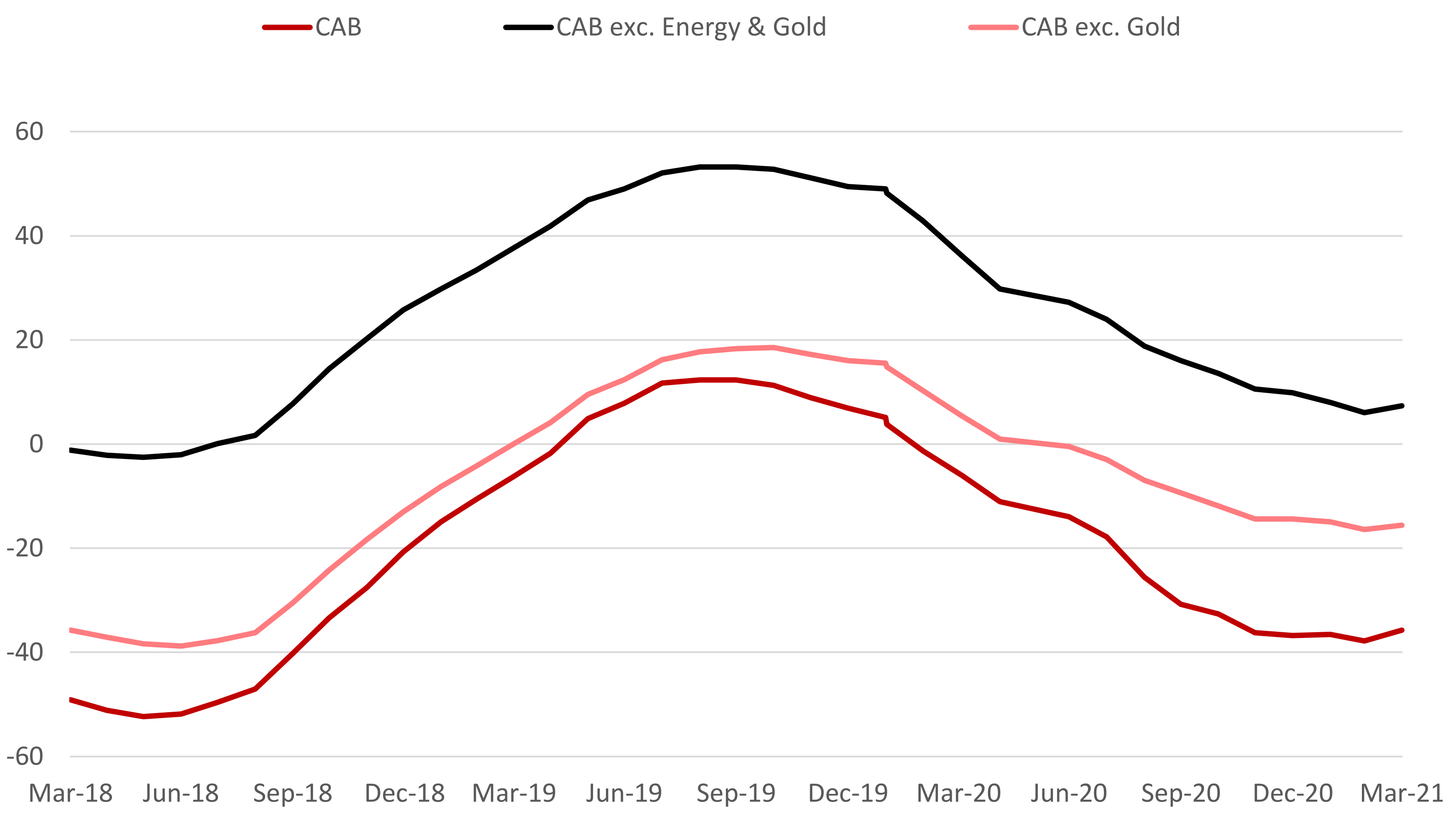


Source: CBT

External Balance

- Orthodox policy mix weight on import demand dynamics, especially that of gold. Preliminary data reveals that the net gold import was nil in April
- Positive adjustment in the Current Account Balance is expected to be more evident depending on the pace of recovery in the tourism and other services export performance post-pandemic

Current Account Balance Exc. Gold & Energy (USD billion)

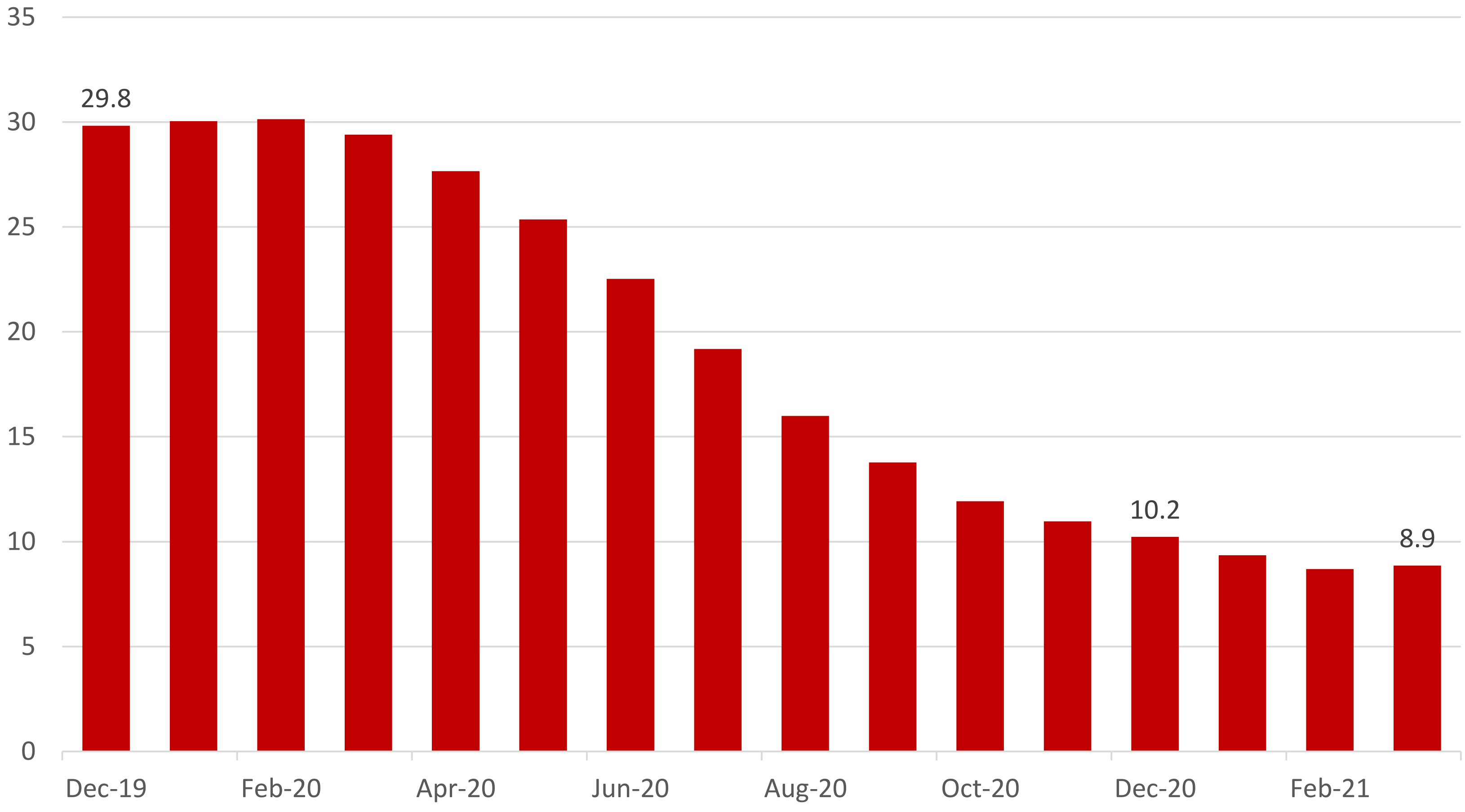


Source: CBT

External Balance

- The sharp fall in tourism revenues was one of the most important drivers behind the widening of the CAB in 2020
- Depending on the course of pandemic and vaccination developments globally, some recovery is expected in 2021
- Successful vaccine roll-outs and improving pace of vaccinations pose upside risks to our base case scenarios

Gross Travel Income, 12-Month Trailing (USD billion)

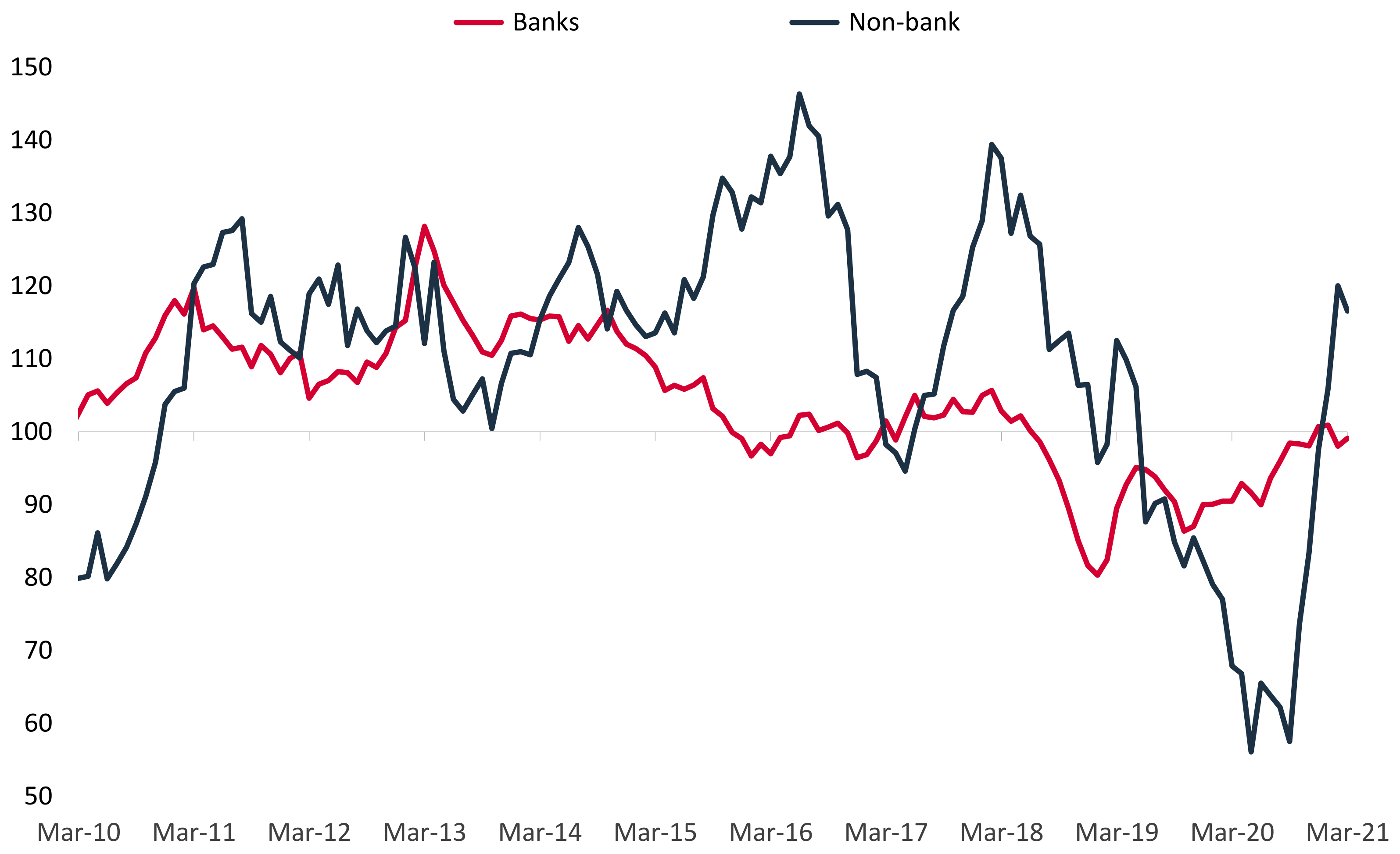


Source: CBT

External Finance

- Turkish banks and corporates proved to be capable of accessing external finance facilities even in the most volatile days
- External debt rollover ratios of both banks and corporates are increasing
- Banking sector so far renewed maturing syndicated loan facilities in April and May, with above 100% roll-over ratios

External Debt Roll-Over, 6-Month Moving Average (%)

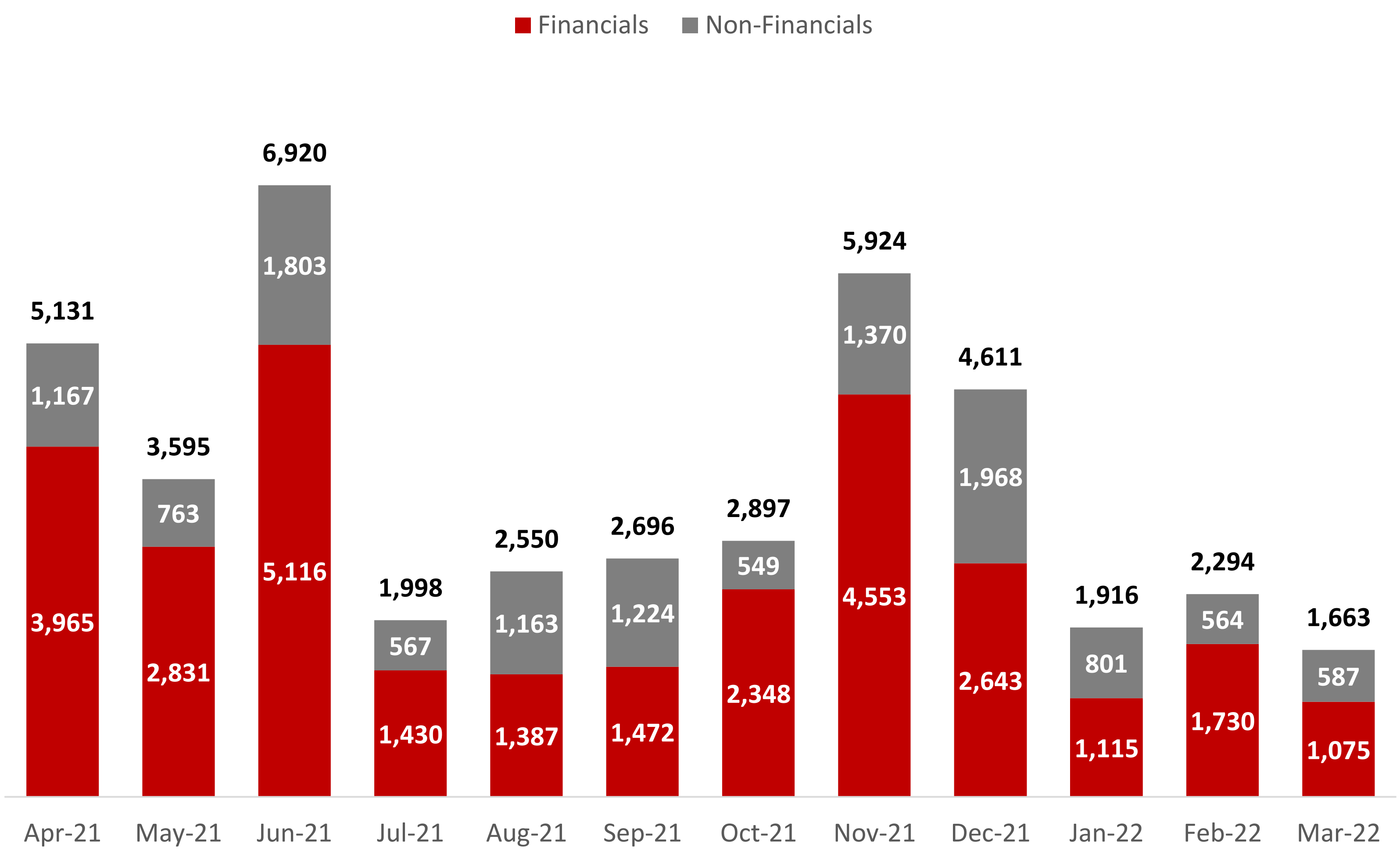


Source: CBT

External Finance

- Due to the seasonality in financial sector's syndicated loan facilities, private sector's external debt repayments are substantially higher in Q2s and Q4s in a year
- Banks are renewing syndicated loans at above 100%, non-financials external debt roll-over ratios are exceeding that of banks in recent months

Private Sector's Payment Schedule for External Debt (million USD)

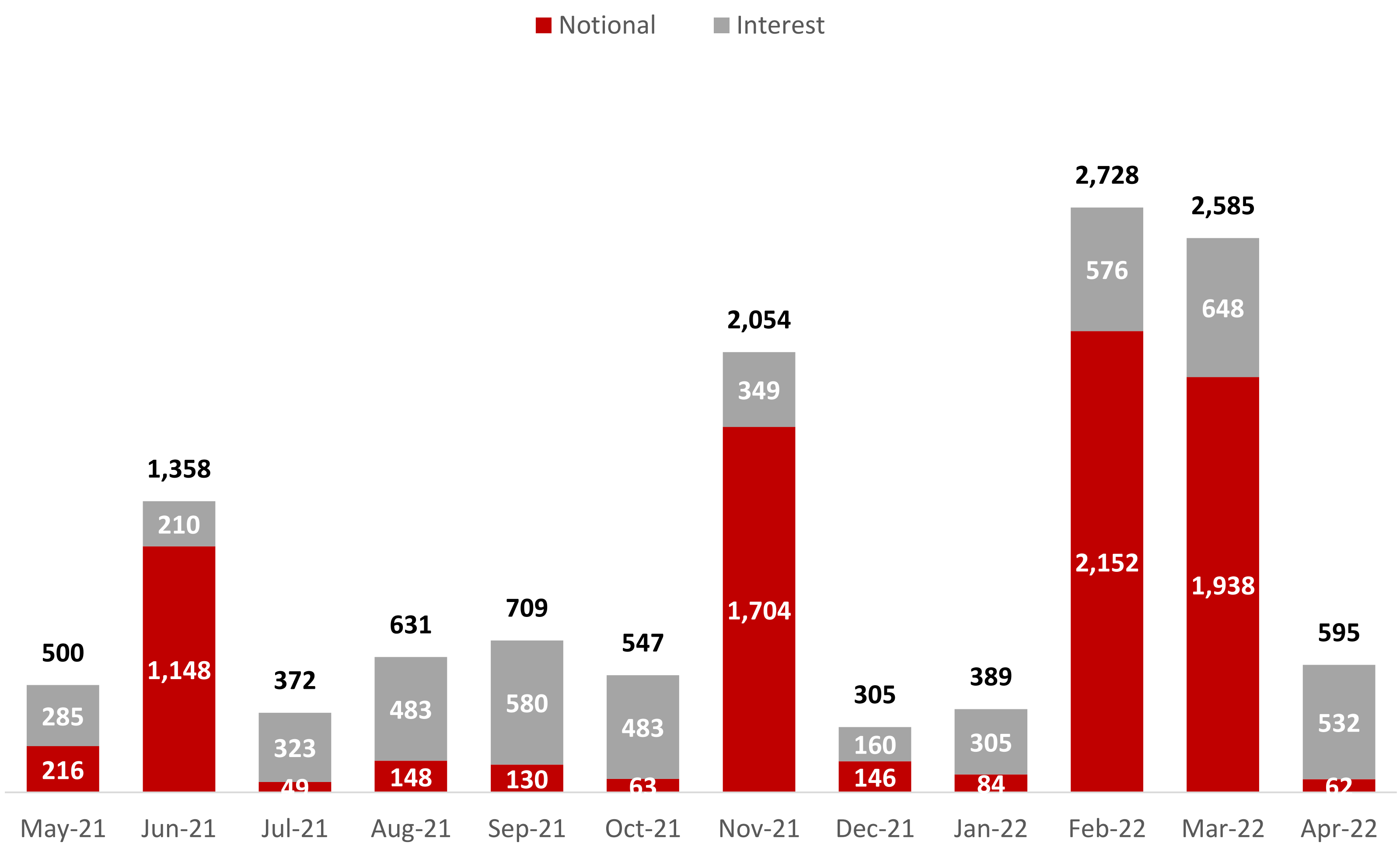


Source: CBT

External Finance

- Central government has a comfortable repayment schedule with a USD sukuk redemption in June and EUR senior unsecured in November
- On the external borrowing side, there is no need for revision on the yearly program of USD 10 billion, USD 3.5 billion of which was completed in January

Central Government External Debt Service (million USD)

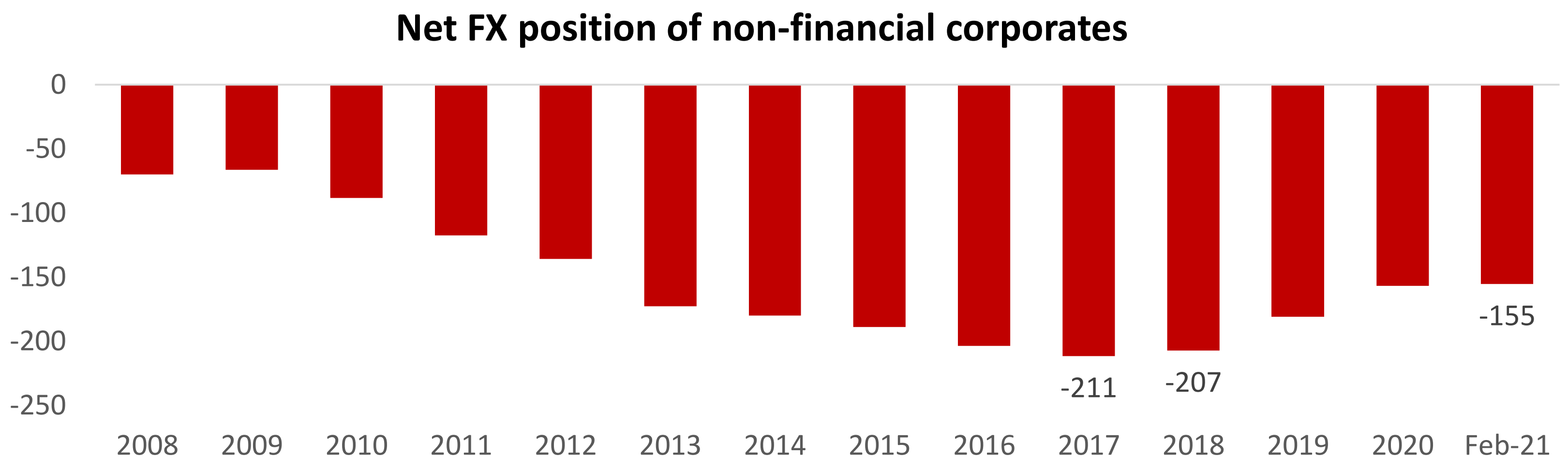


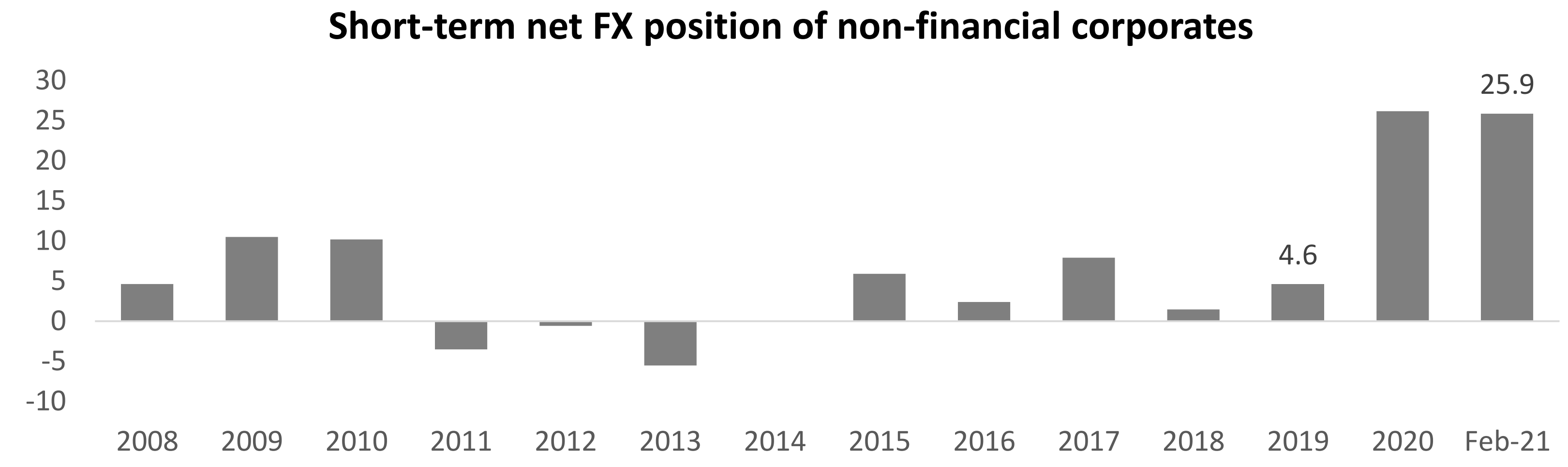
Source: MoTF

External Finance

- Non-financial sector lowered its net FX position by more than USD 50 billion in two years period
- As actively narrowing open FX positions, non-financials achieved building-up a long position of USD 26 billion in the short term

FX Position of Non-Financial Sector





Source: CBT

Agenda

I. Covid-19 and Vaccinations in Turkey

II. Economic Activity and Reform Package

III. Turkey’s Public Finances

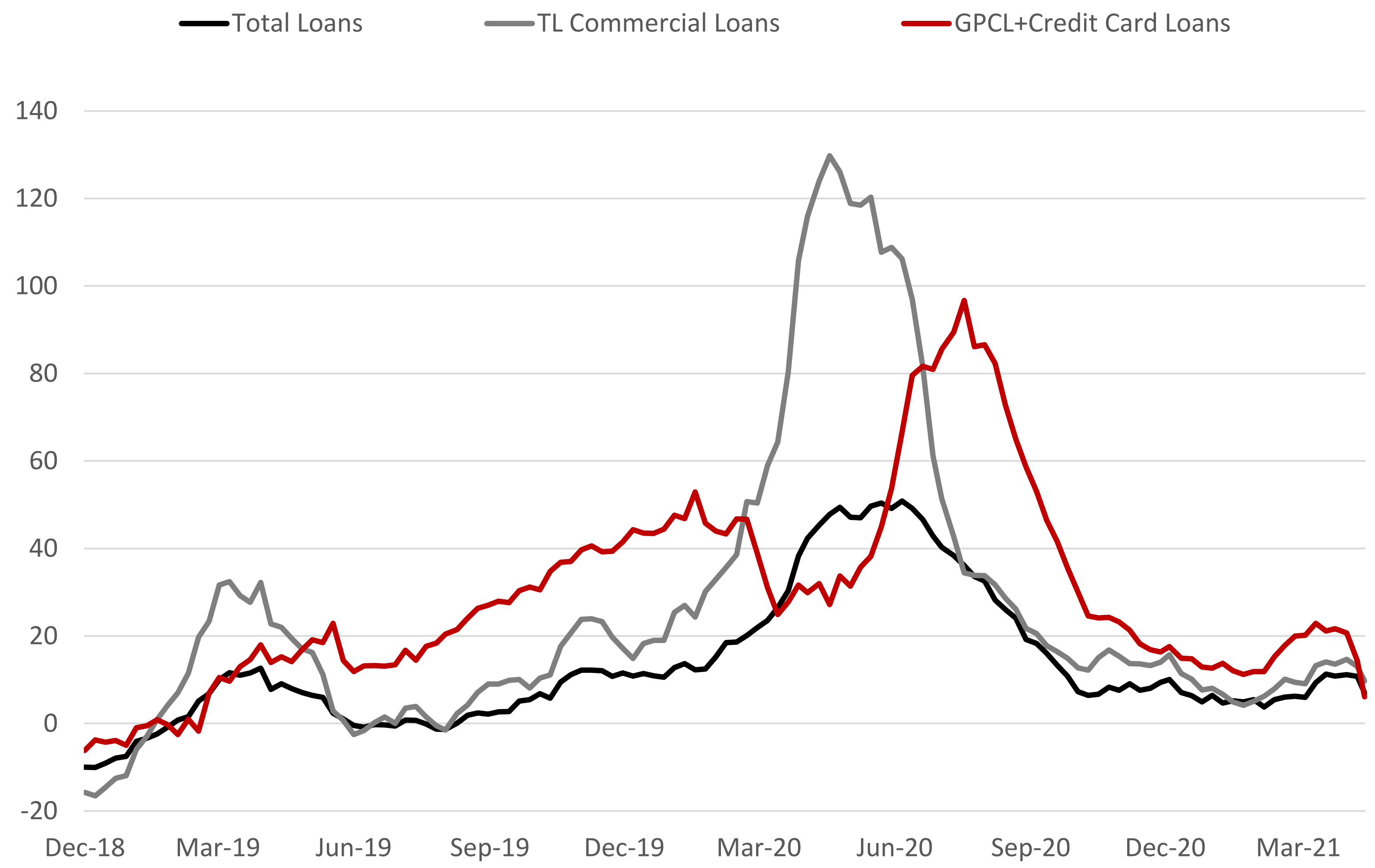
IV. Banking Sector

V. Transaction Summary

Banking Sector Lending Activity

- Loan growth has normalized across all sub-categories
- Loan growth in the banking sector is not consumption fueling due to the orthodox policy set in place
- Concessionary priced lending facilities are no longer available

Loan Growth in the Banking System, 13-Week Moving Average (%)

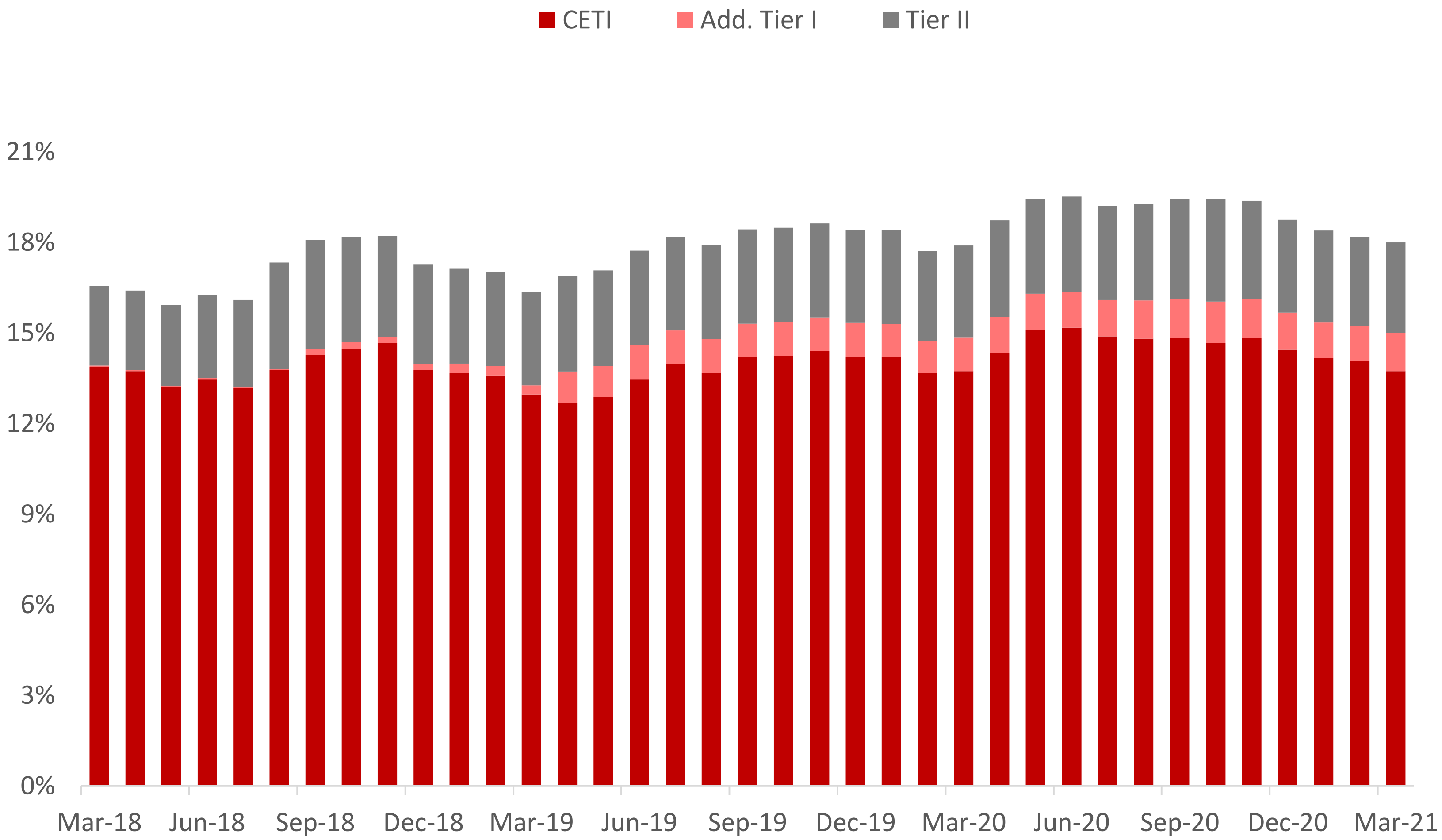


Source: BRSA

Banking Sector

- Banking sector continues to maintain solid set of solvency ratios, comfortable above regulatory thresholds
- Sector's total CAR stands at 18.0%, highest quality CET1 makes 76% of it.
- With modest risk weighted asset growth and improving profitability, banks will further improve their capital positions

Solvency Ratios



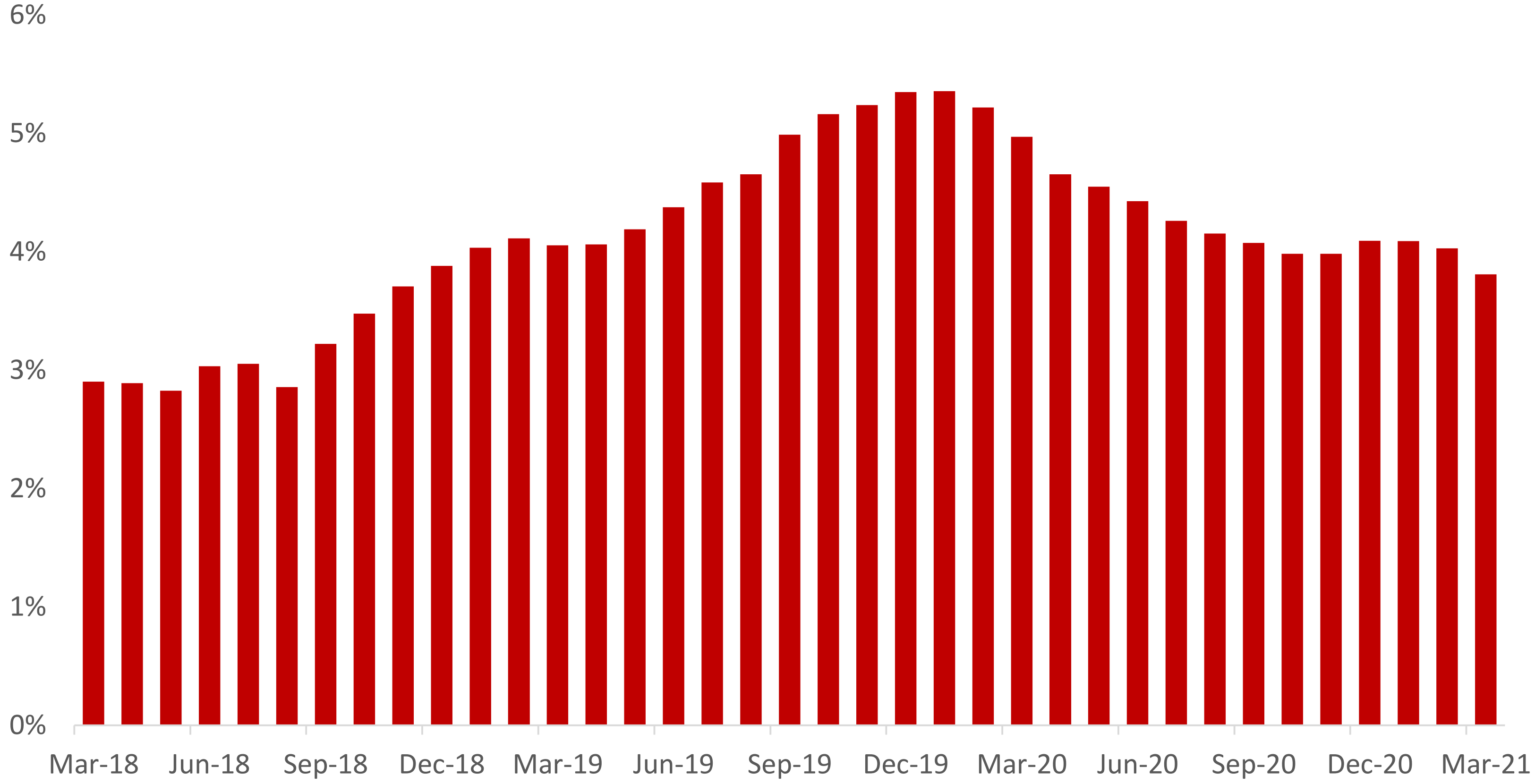
Source: BRSA

Banking Sector

- NPL ratio ended 2020 at 4.0% and improved to 3.8% as of March despite slowing down loan growth
- There is no expectation regarding a stress scenario in asset quality but a limited uptick following the removal of forbearance measures
- Excluding collateral value and free provisions, banking sector's NPLs are conservatively provisioned at 137%

Non-Performing Loan Ratio

NPL Coverage prudently high at 137%*



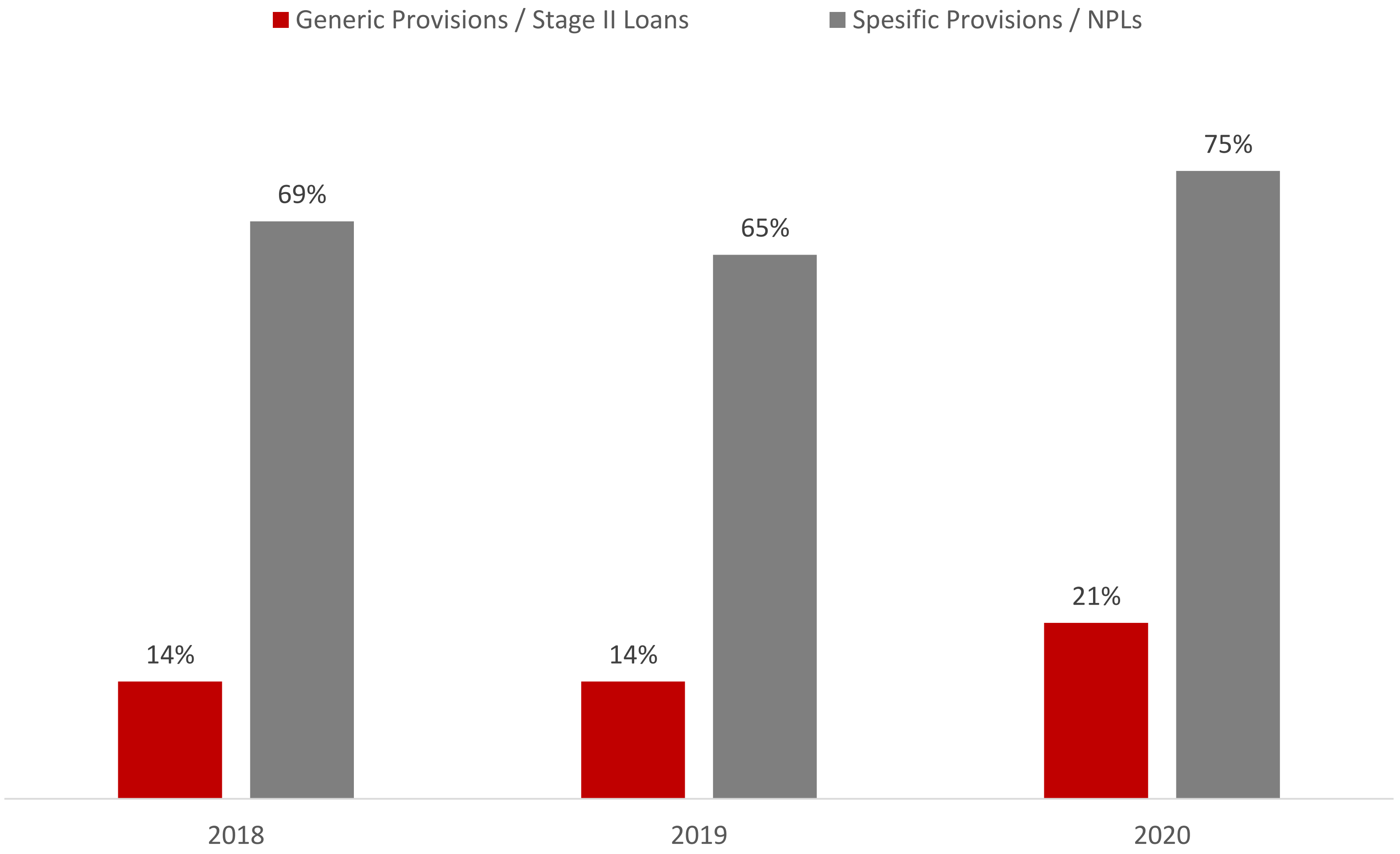
*Total Provisions (S1+S2+S3) / Gross NPLs, as of Mar-21

Source: BRSA

Banking Sector

- Banks maintained their prudent stance with provisioning policies in 2020. They created a huge buffer for any potential deterioration in the asset quality
- Stage III provisions-to-NPLs ratio increased from 65% in 2019 to 75% in 2020
- Stage I and II provisions-to-Stage II loans ratio rose from 14% to 21%

Loan Coverage Ratios



Source: The Banks Association of Turkey

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Transaction Summary

Issuer	Hazine Müsteşarlığı Varlık Kiralama Anonim Şirketi
Obligor	The Republic of Turkey
Obligor Ratings	Moody’s: B2; Fitch: BB-
Expected Issue Rating	Moody’s: B2; Fitch: BB-
Currency and Issue Size	USD Benchmark
Documentation	Standalone Prospectus
Format	144A /Reg S
Structure	Ijara
Tenor	TBD
Settlement	T + 5
Profit Rate	Fixed Rate, payable semi-anually in arrear
Denominations	USD 200,000 and integral multiples of USD 1,000
Listing	Irish Stock Exchange plc trading as Euronext Dublin
Governing Law	English Law / Turkish Law for asset-related documents
Joint Lead Managers	Dubai Islamic Bank, Emirates NBD Capital, HSBC, and Standard Chartered Bank

Structure Overview