TURKEY GEOTHERMAL
RISK SHARING MECHANISM

DEVELOPMENT INVESTMENT
BANK OF TURKEY

IGC TURKEY 2019- 4th INTERNATIONAL GEOTHERMAL ENERGY CONGRESS AND EXHIBITION

DEVELOPMENT AND INVESTMENT BANK OF TURKEY

WORLD BANK GEOTHERMAL DEVELOPMENT PROJECT- RISK SHARING MECHANISM

Some Facts

Founded in 1975
in Ankara

Got investment
banking license in 2018

Relocated to Istanbul
in June 2019

Owned by Turkish
Ministry of Treasury
and Finance

Shareholder Structure

99,08%
Turkish Ministry of Treasury and Finance

0,92%
Listed on BIST since 1991

Member of

ADFIAP

ADFIMI

IIF Institute of International Finance

European Investment Fund

DEVELOPMENT AND INVESTMENT BANK OF TURKEY- CORPORATE

- The Development and Investment Bank of Turkey has a strong shareholding structure with the Turkish Ministry of Treasury and Finance holding 99.08% of the Bank's paid-in capital. Aiming to boost the employment, income and prosperity levels across Turkey, the Bank has been allocating funds to private sector investments in various sectors.
- In the line with its objectives, the Bank has assumed strategic positions in providing longterm resources from International Financial Institutions to investors through direct lending and APEX banking.

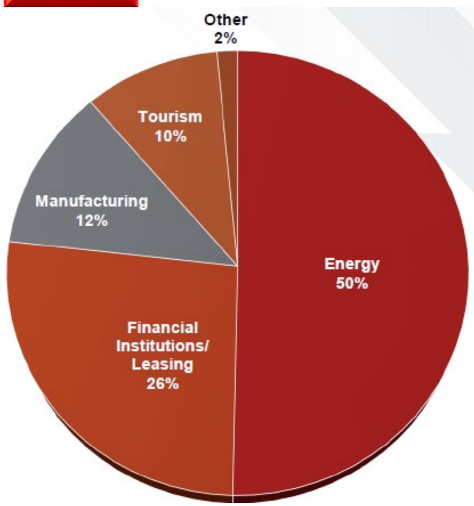
With the entry into force of Law No. 7147 in 2018, the Bank was restructured in line with the development goals of our country and used modern development and investment banking instruments for the following purposes:

- To support investments and projects for sustainable growth,
- To ensure efficient use of capital and fund resources,
- To finance domestic, foreign, and international joint investments,
- To ensure that all development and investment banking functions including profit-sharing and leasing-based loans are performed in a competitive, dynamic, and efficient manner.

DEVELOPMENT AND INVESTMENT BANK OF TURKEY- CORPORATE

FINANCIALLY SUPPORTED SECTORS

- ENERGY
- ENERGY EFFIENCY
- INDUSTRY
- TOURISM
- EDUCATION
- HEALTHCARE



INTERNATIONAL FINANCIAL INSTITUTIONS

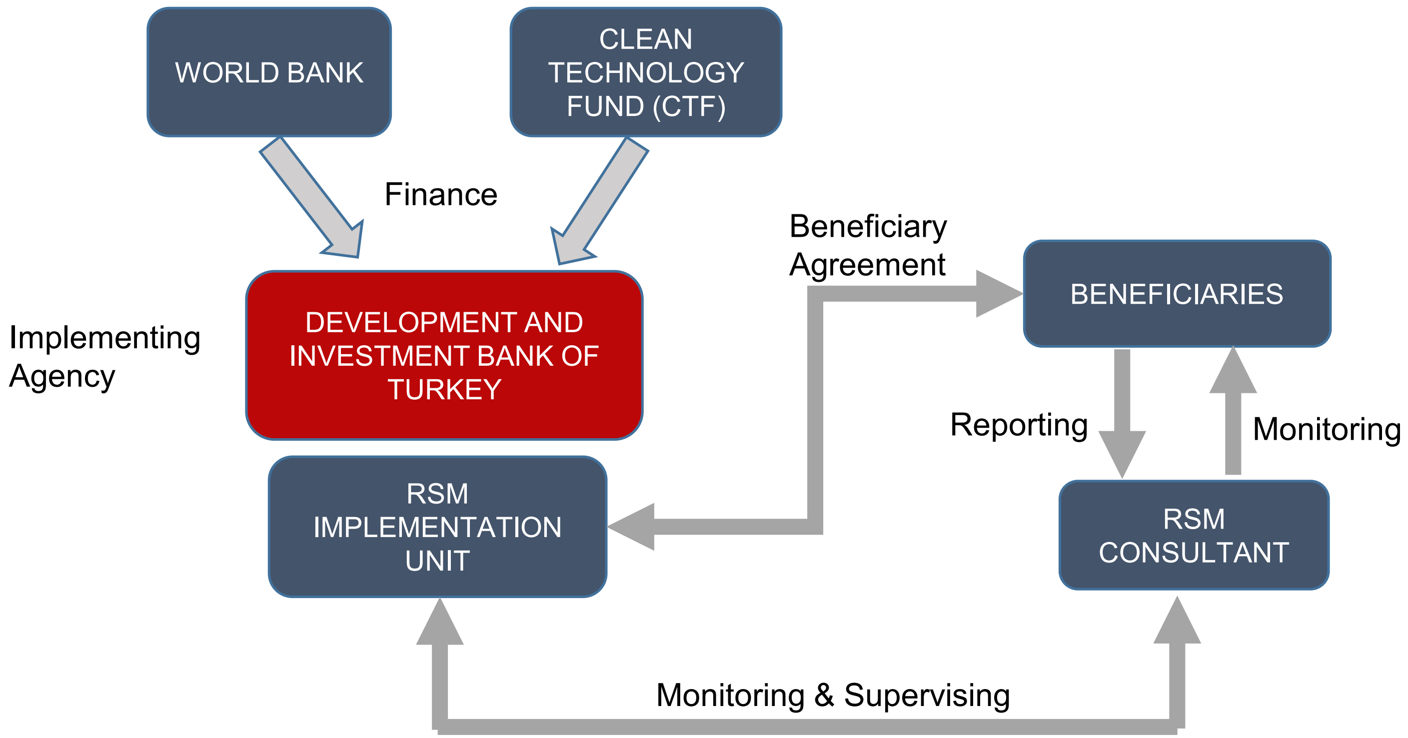
- AFD — AFD Agence Française de Développement
- World Bank — The World Bank IBRD • IDA
- EIB — European Investment Bank The EU bank
- JBIC — Japan Bank for International Cooperation
- IsDB — IsDB Islamic Development Bank
- KFW — KFW Bank aus Verantwortung
- BSTDB — Black Sea Trade & Development Bank
- CEB — CEB Council of Europe Development Bank

- Turkey Geothermal Development Project was signed between the World Bank and Development and Investment Bank of Turkey on October, 30 2016. This Project has two components; one is a credit facility for private sector geothermal energy investments, the other is the Risk Sharing Mechanism (RSM) for resource validation in geothermal energy sector.

- The RSM has been capitalized with a contingent grant from the Clean Technology Fund (CTF) by World Bank to the Government of Turkey in the amount $ 39.8 . TKYB is responsible for implementing the Project. The program consists of a mechanism through which the developer's exploratory drilling cost will be covered in a pre-defined percentage of actual acceptable well cost (i.e. Eligible drilling expenditures) incurred by the license holder in the case of an unsuccessful well.

- The goal is to be achieved by reducing the financial risk of exploration drilling projects in greenfield areas. In this context, an exploration drilling project is defined as the drilling of one or more wells in a given geothermal reservoir in order to validate the viability of power production, and/or direct use application, at that site.

RISK SHARING MECHANISM FLOW DIAGRAM



Manisa

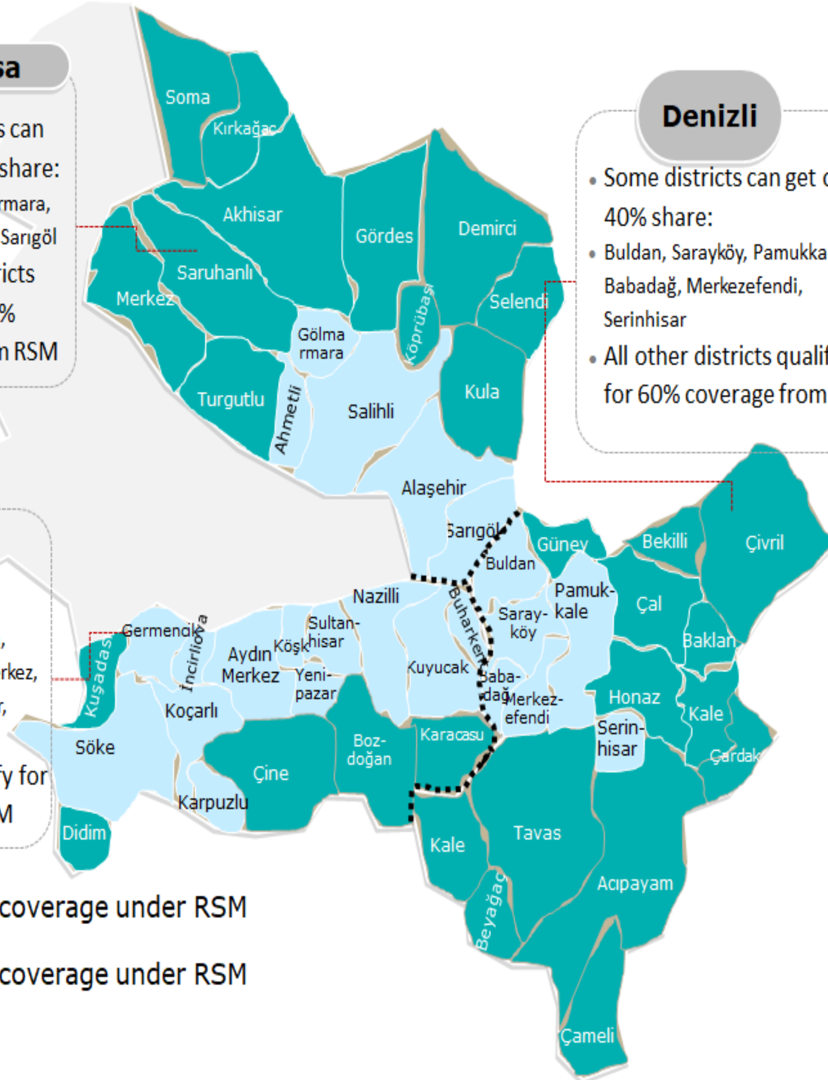
- Some districts can get only 40% share:
- Ahmetli, Gölmarmara, Salihli, Alaşehir, Sarıgöl
- All other districts qualify for 60% coverage from RSM

Denizli

- Some districts can get only 40% share:
- Buldan, Sarayköy, Pamukkale, Babadağ, Merkezefendi, Serinhisar
- All other districts qualify for 60% coverage from RSM

Aydın

- Some districts can get only 40% share:
- Söke, Germencik, İncirliova, Koçarlı, Karpuzlu, Aydın Merkez, Köşk, Yenipazar, Sultanhisar, Nazılı, Buharkent, Kuyucak
- All other districts qualify for 60% coverage from RSM



40% coverage under RSM

60% coverage under RSM

RSM Partial Coverage Rate

The Partial Coverage Rate is the percentage of actual acceptable well cost (i.e. eligible drilling expenditures) incurred by the license holder in the case of an unsuccessful well.

- Applications made from some certain districts in Aydın, Manisa and Denizli provinces can benefit from RPM by 40%
- Applications made from all other districts in Aydın, Manisa and Denizli provinces can benefit from RPM by 60%

- A standard RSM program will consider drilling costs of three wells per project, but the program can be extended to a fourth and a fifth well according to RPM Implementation Unit's decision.

- Regardless of the coverage ratio of the three wells being 60% or 40%, if wells 4 and 5 are drilled, the RPM coverage ratio will be 40% for each.

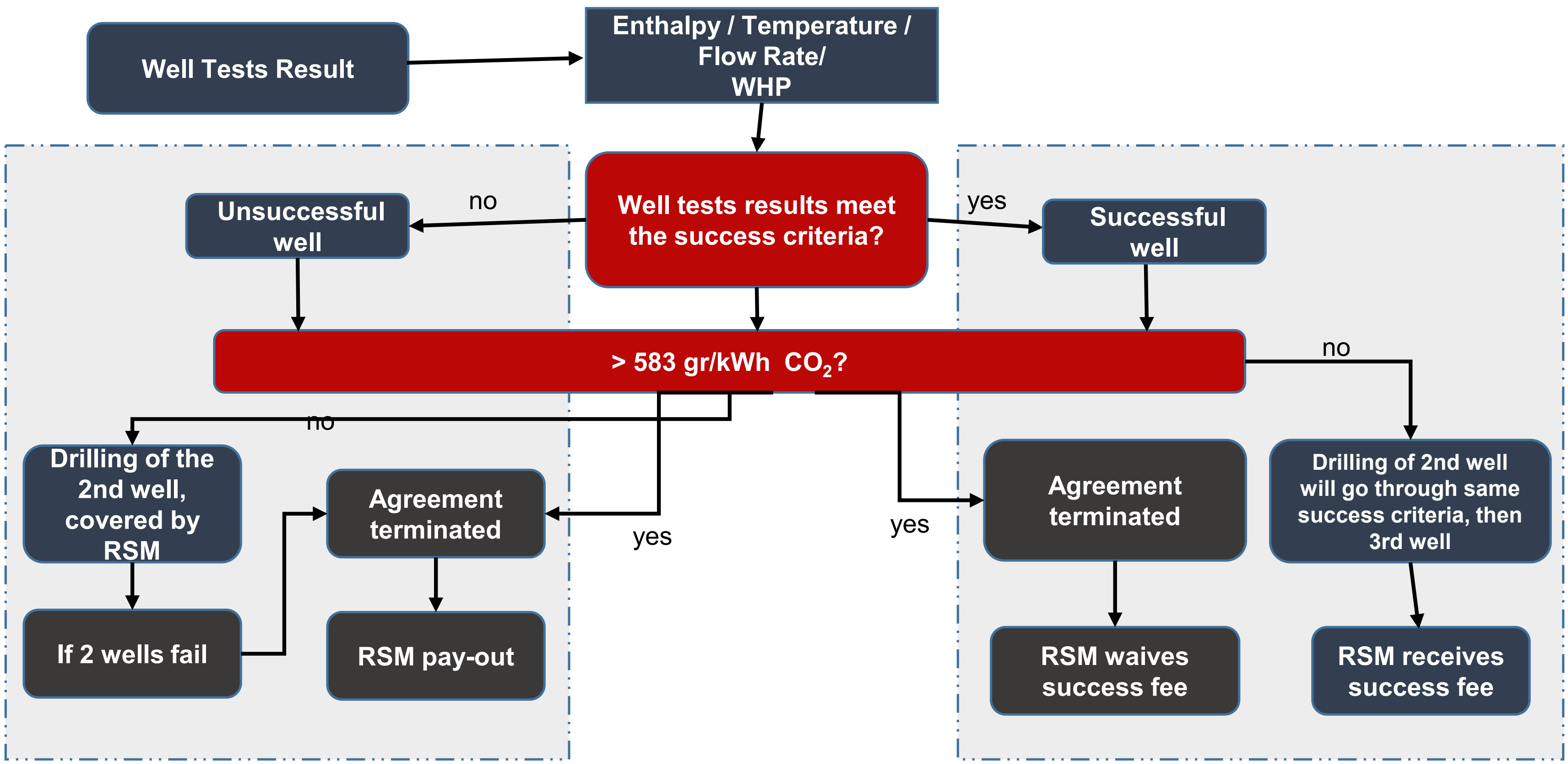
- If the wells within the scope of the RSM are successful, a 10% success fee that is calculated on acceptable well cost will be received. For the 4th and 5th wells under RPM, the success fee is calculated as 25% of the acceptable well costs.

- The maximum pay-out from the RSM for a single project will be capped at USD 4 million.

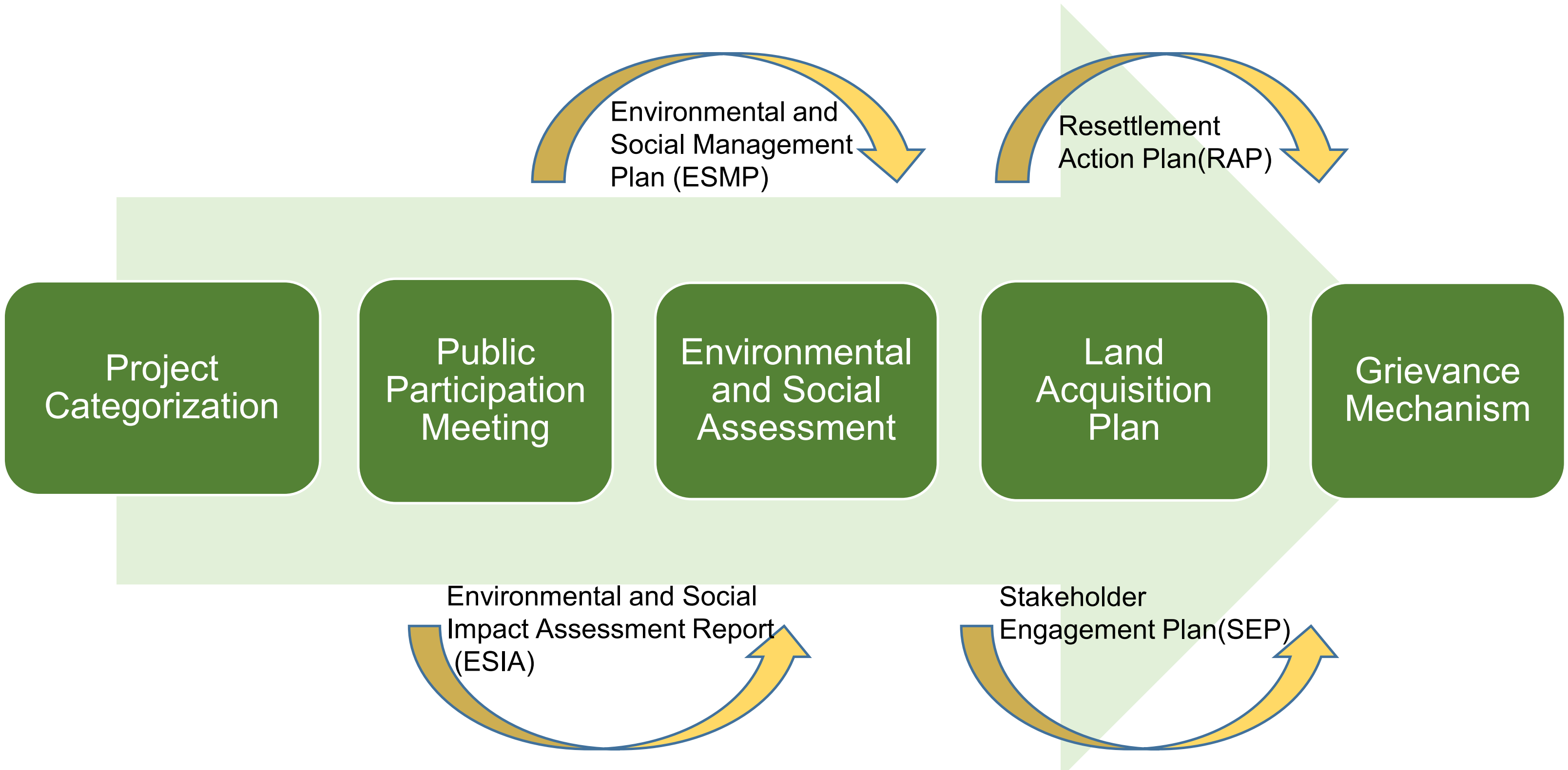
- Measured CO_2 concentration of the wells within the scope of the RSM must be lower than 583 gr/kWh. RSM program will be terminated if CO_2 concentration of the well give higher values.

- RSM program will be terminated if 2 wells within the scope of the Program are unsuccessful.

RSM IMPLEMANTATION PROCESSES



RSM ENVIRONMENTAL AND SOCIAL ISSUES IMPLEMANTATION PROCESS



RSM PROJECT IMPLEMANTATION PHASES

Phase-1

- **Preparation Period:** Documentation, process development
- Introduction of the Project to Stakeholders: Project Introductory Workshop (05.07.2018)
- Preparation of Web-site: www.rpmjeoturkiye.com
- Preparation of national project database

Phase-2A

- **Project application period:** Receiving applications
- Technical evaluation of applications
- Environmental and social evaluation of applications
- Scoring
- Potential projects list for the first round
- Informing the applicants on the first round scoring results

Phase-2B

- **Negotiations with potential Beneficiaries**
- Determination of success criteria
- Revised Business Plan and Environmental-Social documents
- Signing Beneficiary Agreement between TKYB and Beneficiaries

Phase-3

- **Start of drilling operation**
- Drilling plans implemented
- Well testing protocols implemented
- Site visits, monitoring and data collection

Phase-4

- **Reporting :** Preparing the Evaluation Report for each phases
- Preparing quarterly and annual reports

RSM PROJECT CURRENT STATUS

Phase-1

- **Preparation Period:** Documentation, process development
- Introduction of the Project to Stakeholders: Project Introductory Workshop (05.07.2018)
- Preparation Web-site: www.rpmjeoturkiye.com
- Preparation national project database **COMPLETED**

Phase-2A

- **Project Application Period:**Receiving applications
- Technical evaluation of applications
- Environmental and social evaluation of applications
- Scoring
- Potential projects list for the first round
- Informing the applicants on the first round scoring results **COMPLETED**

Phase-2B

- **Negotiations with Potential Beneficiaries**
- Determination of success criteria
- Revised Business Plan and Environmental-Social documents **COMPLETED**
- Planning signing date of first Beneficiary Agreement (BA) between TKYB and Beneficiaries: 15.11.2019
- Starting Negotiations for second Beneficiary, planning signing BA: 30.11.2019
- Completed other 5 Beneficiaries Negotiations and planning signing BA: 31.12.2019

Phase-3

- **Start of drilling operation**
- Well testing protocols implemented
- Site visits, monitoring and data collection

Phase-4

- **Reporting Period:** Preparing the Evaluation Report for each phases
- Preparing Quarterly and Annual Reports

THANK YOU

CONTACT

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RISK SHARING MECHANISM UNIT

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