

## **İşbank Partial Demerger Transcript**

Ladies and gentlemen, welcome our audio webcast regarding the partial demerger decision of the Bank. The explanations will be given by MS. Gamze Yalcin, CFO. In the Q&A session our Deputy CEO, Mr Cahit Cinar who is responsible for subsidiaries will be accompanying her. Now I leave the floor to presenters. If you wish to ask a question, please raise your hand or type your question in the Q&A area.

### **Ms. Gamze Yalcin:**

Hello everyone & welcome all! Thank you for joining the teleconference. Today, we will provide you an overview of the Partial Demerger Decision we announced last Friday via the Public Disclosure Platform. We will have both Turkish and English sessions. First Turkish, than in English followed by a Q&A session in both languages. I would like to remind you that our teleconference may contain some forward-looking statements whose assumptions are based on current conditions and may be subject to change.

As you all know, next year we will be celebrating our Centennial. As mandated by Atatürk, our founder, we have been carrying out Banking and wide-spread subsidiary businesses in line with our Articles of Association and creating value for all our stakeholders. We are committed to boosting our performance through improved profitability and efficiency metrics and becoming the “Bank of the Future” with digitalisation and sustainability perspectives at the core. Of course, these commitments are reflected in every aspect of our business, including our subsidiaries portfolio, which accounting for approximately half of our Bank's equity, with a balance sheet value of more than 100 billion TL.

In the management of our subsidiaries portfolio, we aim to increase efficiency and dynamism by moving to a more focused and simplified structure that will maximize the synergy of the Group with a systematic approach. The new structure will include organic and inorganic growth potentials, making it much easier and quicker to make strategic investments in new areas of activity. It will contribute to the sustainable growth of our group. We believe that the investments we have made recently in the areas we see as an extension of digitalization and sustainability, such as İş Enerji, Pazarama, Moka and Proemtia, which are not yet publicly traded, have a separate value and potential in this structure.

So, the announced demerger decision by our Board of Directors is very much in line with this strategy. The decision based on partial facilitated demerger through associates model basically involves establishment of an umbrella company with 100% ownership of the Bank and the participations will be managed under this company.

Now we can touch upon the rationale behind and what the Bank aims to achieve with this transaction, which will also provide optimization:

- First of all, with the centralization of functions such as strategic portfolio management, financial planning and procurement etc., there will be an increase in synergy and

efficiency throughout the subsidiaries portfolio. Thanks to the lean structure to be provided by the focused and specialized management model, the Bank will be able to concentrate on banking; which will provide benefit to both our Bank and our shareholders as well.

- On the other hand, taking advantage of the strong digital and technological infrastructure that our Bank has built through its investments in recent years as well, the specialized corporate structure will enable us to evaluate opportunities in new growth areas, investment and strategic partnerships and allow us to unleash the potentials in this context while managing the financial and non-financial capital elements more effectively. In addition, it will ensure that capital is optimized through the implementation of a balanced investment and dividend policy. In this way, the investments required for the effective management of the subsidiary portfolio will be made flexibly without the need for the direct capital use of the Bank, so that the Bank will be able to increase its capacity to do more business by using its equity much more effectively. Although the new structure contains many opportunities in the medium and long term, it would be correct to state that the most concrete gains for today is this.
- As we have stated, the ownership of the company to be established will be 100% in our Bank. On the other hand, looking forward this transaction will provide us a potential for an IPO.
- In addition, it is possible to reach a higher amount of IPO potential while maintaining Group control in our subsidiaries.
- More importantly, as you know, there is a discount in banking sectors' stocks that has been going on for a while as a result of the conjuncture. Considering the market value performance of our subsidiaries, this situation becomes even more evident in our Bank. Given that relatively low multiples in equity investments means higher future value potential; and given the soundness of our fundamentals on the Banking side, we believe that the transaction can also make a significant contribution to unlocking the hidden potential inherent in our market value.
- We do not expect this transaction to have an initial impact on the financial statements. However, there may be potential increases in this area going forward , which could have an impact on the improvement of our key performance indicators.

When looking at the highlights about the transaction:

- There will be no cash out from the Bank during the partial demerger.
- There will be no change in the control power of the bank over its subsidiaries.
- In the accounting of group companies under the new structure, we plan to utilize equity method, as well. Therefore, the subsidiary contributions to be obtained in the new structure will again be reflected in our the financial statements.

- Since the planned transaction is within the scope of partial facilitated demerger through associate model in accordance with the relevant legislation, an independent audit report, as well as an opinion of the expert institution will not be required.
- In this context, the transaction does not include the exit right, in accordance with the CMB Communiqué on Significant Transactions and the Right to Separation. In addition, there will be no change of control with publicly traded companies as a result of the transaction. In this respect, obligation regarding mandatory purchase of subsidiary shares will not be on the agenda.
- There will be no change to the rights and obligations of the affiliates included in the transaction.
- Within the timeline of the transaction, upon obtaining the approval of the BRSA, in accordance with the Banking legislation; approval and disclosure processes will be carried out with respect to all relevant institutions, including CMB and the transaction will be completed after the approval of the General Assembly and registration.
- The process is targeted to be finalized by the end of the year.
- We will carry out the process based on financial statements dated on 30.06.2023.

All in all, as a result, we are very excited regarding this development that will enhance the value that İş Group can create through sustainable growth. We would like to stress once more that, while managing the subsidiaries portfolio, the primary aims of achieving a successful and competitive performance through profitability and efficiency gains, maximizing the synergies within the Group companies, as well as unlocking and making visible all the potentials will be further sustained going forward.

This concludes our explanations. Now, together with our Deputy CEO, Mr. Cahit Çınar who is in charge of Subsidiaries, we will take your questions, if you have any.

## **Q&A**

### **QUESTION 1: Waleed Mohsin from Goldman Sachs**

Congrats on this landmark announcement. If you kindly put some numbers around the long-term potential synergies for Isbank, and if you could share any numerical quantifiable long-term potential cost savings, any capital-related savings.

### **ANSWER:**

#### **Ms. Gamze Yalcin:**

Thank you very much for this question and your appreciation by mentioning your congrats on this landmark announcement. As I already mentioned, definitely, we'll have some potentials

related with this transaction -- with this demerger transaction. But however, it's a bit quite early to state all the quantifiable potentials as of today, but as time goes by, as we have some more concrete results related with the transaction, we'll be sharing it with you.

But I should also re-mention that definitely, with the centralization of some functions, which I stated during the presentation, there will be an increase in synergy and efficiency and of course, this will also able the Bank to focus more on banking which will in return benefit all shareholders

## **QUESTION 2: Cemal Demirtas, Ata Yatırım**

Mr. Cemal asks that the long-term, our concrete potentials that will be created by this demerger, especially the IPO potential of the new company.

### **ANSWER:**

#### **Ms. Gamze Yalcin & Mr. Cahit Cinar**

As you know, we have at around 150 subsidiaries within our portfolio, and of which, 118, of which we have direct management control. Definitely, as I mentioned earlier, synergy and efficiency gains will be visible starting from the human resources to procurement of some IT technologies within the Group companies, etc. And definitely, this transaction will give us the opportunity to increase our capacity of doing more business by effectively using our capital as well.

#### **Ms. Gamze Yalcin:**

Let me add one more issue. As I mentioned earlier regarding the timeline of the transaction, definitely as soon as we make some concrete studies, workouts on this process, we'll be sharing it with yourselves immediately, as well as the increased synergy and efficiency gains. Definitely, we will be able to increase our capacity to do more business and we'll have more free capital to do business, but it's a bit early if to share with all the concrete results for the time being because the transaction includes a set of approval processes, then they will be more visible with more efficient processes.

So definitely, this transaction will lead us to more lean organization, definitely this simplified structure will be enabling us with many opportunities as I said. And if you consider the fact that we have been established like almost 100 years ago, of course, we need to revise the reorganization in order to make visible the potentials and increase all the gains that we can provide and reflect on our financials. Definitely, this transaction will accelerate with a more agile focus going forward.

I have already mentioned during the presentation that the subsidiaries portfolio of the Bank accounts for approximately half of the Bank's equity, and with a balance sheet value of more than TRY100 billion. Definitely, this transaction going forward will take us to new investment opportunities and new strategic investments, and it will be much more easier and with a simplified process to invest in non-financial areas of investments. So that is another expectation behind this transaction.

### **QUESTION 3: Ms. Pinar Uguroglu, TEB Securities**

First of all, is there a reason why you chose this timing? Secondly, will this transaction have a tax liability? Will this separation have a tax impact on İşbank? Third, can we see this as a separation process?

**ANSWER:**

**Ms. Gamze Yalcin & Mr. Cahit Cinar:**

It was a very comprehensive question. Let me just share with yourselves. I'm sure that are very visible by looking at the answers.

We have said that by the end of June this year, our free capital is about TRY78 billion. Of course, the potential of an IPO transaction will definitely increase the free capital of the Bank, and definitely, it will be very much related with the dates of the premiums that we can have on the date of an IPO transaction.

The other explanation made by ourselves related with the question is that there will be no tax impact of the transaction as the transaction will be carried out according to the Articles 19 and 20 of the Corporate Tax Law. Another aspect of the answer we can share with yourself is that this transaction has nothing to do with Isbank's shareholders. The shareholders of Isbank, both the pension funds and the Ataturk shares and the shareholder structure in brief will not be affected by this transaction.

I see some questions related again with the structure of Isbank. Isbank shareholder structure will not be affected by this transaction. Let me re-mention this fact, and the new company -- umbrella company will be 100% owned by the Bank.

### **QUESTION 4:**

Will Isbank want control of the company after following potential IPO?

**ANSWER:**

**Ms. Gamze Yalcin:**

We can definitely say yes. I believe these are the questions. As you know, as always we share, you can definitely contact with ourselves afterwards this teleconference. And I must say again that we will be sharing the concrete steps of the transaction as we move along with the process, and whenever there is a concrete visible output of the transaction, definitely it will be shared with yourselves.

Thank you for all the participants. We'll be in contact with the following concrete -- further concrete steps. Thank you very much.