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TSKB 2Q2026 Financial Results Webcast Transcript

Good evening dear participants. Thank you for attending our 1H-26 Financial Results Webcast. Today I am glad to present our distinguished first half results which are in line with our year-end targets.

- The loan portfolio of the bank continued to expand within the framework of Bank's sustainable development focus and growth targets. TSKB allocated USD 1.3 bn long term loans to Turkish economy, achieving an fx adjusted loan growth of 7.7% in the 1H26, along with the macroprudentials' almost no impact. To note, this loan growth is in line with our year-end guidance.
- Profitability metrics of the Bank differentiated among peers during the quarter. NIM continued to stand out as 4.5% showing a stability among quarters, given our steady loan spreads and contribution from elavated CPI linker gains. We seem to be quite parallel with our year end guidance.
- Fee income growth was remarkable during the period, doubling yoy with the contribution of an IPO advisory, second TGF investment and an early repayment fee in tandem with consultancy and non-cash loan activity fees going in line with projections. We forecast investment banking activities to stay vibrant and supportive of fee base in the next quarters depending on the market conditions. In addition, we expect to continue with our new investments to TGF going forward.
- Our cumulative ROE is calculated as 24% when one-off non-recurring items are excluded from annualized revenues. If we take into account the full first half net profit of the bank, ROE shall be reaching 24.5% level. We project both ratios to converge and reach our year-end guidance levels. In 2Q, robust NII was accompanied with strong fee and subsidiary income as well as TL 400 mn free provision reversals. To note, there is still TL 400 mn free provision stock in place which is likely to be reversed and contribute to revenues at the rest of the year.
- On the efficiency side, OPEX growth was in line with industry and above average CPI, as guided. As usual, main driver of OPEX was HR expenses. Overall, it pointed to a cost to income ratio of 25.1%, which is still the lowest in the sector. We do not foresee to change our OPEX guidance as well.
- Superior earnings performance translates into strong capital buffers. Our solvency ratios continue to stand well above the market. CAR in 2Q stood at 19% and Tier 1 Ratio was 17.9%, where both figures staying almost flat qoq. To highlight, our buffers are sufficiently comfortable to support our growth projections going forward.
- Two loans were started to be closely watched and transferred to stage 2 during the second quarter. Yet, the ratio of the total stage 2 and 3 continued to stay below 10%. With no new stage 3 inflows, NPL ratio edged down to 2.1% level given loan growth and currency impact. And overall, the cumulative net CoR excluding currency impact was 34 bps, which is in line with projections.

Next slide highlights the recent developments which support our future targets.

- 1H26 loan growth reached 7.7% as mentioned. As such, the funds were allocated to facilitate investments in the areas of climate finance, renewable energy projects including storage investments, energy and resource efficiency, enabling industries, capacity investments in manufacturing sector as well as women empowerment and reconstruction of earthquake affected regions. At the rest of the year, in line with our guidance we will continue to support Turkiye's sustainable future and prosperity.
- Second quarter was quite fruitful in terms of loan agreements signed with DFIs. On the top of 205 mn USD of private placements of 1Q, more than 870 mn dollar funding agreement was signed with DFIs corresponding to 80% of the total amount secured during the first half of the year. The recently issued Eurobond amounting to 300 mn USD and rolled syndicated loan of 229 mn USD in tandem with

ongoing negotiations with several DFIs indicate another potential year in terms of new funding opportunities.

- With 4.5% NIM and 24% ROE, the bank's profitability ratios continue to stand out among peers.
- Strong and distinguished coverage ratio of 4.2% was maintained as a result of our prudent stance. On the top of that, TL 400 mn of free provision stock is in place as a buffer and potential contributor to our profitability for rest of the year.
- Advisory and non-cash business lines have been consistently contributing to commission income. Moreover, investment banking side was also supportive during the quarter which is likely to stay active going forward.
- As we always underline, we feel ourselves comfortable with our capital buffers which enables us to execute our growth strategy going forward, even in the challenging backdrops like we are through.

Following slide depicts our quarterly net profit generation performance and superior ROE which shows a converging pattern with our year-end guidance going forward.

- TSKB posted nearly TL 3 bn of a solid quarterly net income in 1Q26 which was up by 3.2% on a qoq basis.
- The quarter was marked by doubling fee income and strong subsidiary income along with our consistently robust net interest income driven by our strong NIM, which shows a stable trend. In addition, TL 400 mn of free provision reversal supported our profitability.
- Our solid provision coverage of 4.2% was maintained over the previous quarter. Following TL 300 mn reversal in 1Q and 400 mn in 2Q, TL 400 mn free provision is left for the rest of the year.
- As result, TSKB delivered a distinguished ROE of 24% when non-recurring items are not annualized. The aforementioned ratio goes up to 24.5% when 6-month net income is fully annualized.

On the next page, I would like to go into more detail through P&L items and explain the main highlights of the second quarter.

- Quarterly NII was up by 6% qoq with stable swap costs and 300 bps of upward change in the CPI assumption.
- Solid NII generation was driven by our strategic security investments as well as maintained loan spreads.
- To note, our swap book and swap cost was almost flat qoq.
- We updated our CPI assumption for October to October from 24.1% to 25.7% in the 1Q. Further 300 bps of upward change was applied in the 2Q. Consequently, the assumption changes in the first half of the year generates extra TL 479 mn for the whole year.

- Trading line was flat on an annual basis, whereas it showed a contraction of 39 percent on a quarterly basis due to the absence of nearly TL 300 mn of collection impact in the first quarter.
- On the fees front, investment banking side as well as an early repayment fee supported the commission revenues. We expect corporate finance business line to stay vibrant and supportive of fees base in the upcoming quarters.
- Quarterly other income includes 400 mn TL of free provision reversal. (On a yearly basis, this item shows 55 percent of a contraction due to one-off large ticket collection in 2Q25.)
- As a result, our banking income was down by 9% compared to previous year whereas the quarterly figure flat qoq.
- OPEX went up by 46% yoy and 13% qoq, driven by mainly HR related expenses.
- On a quarterly basis, provision expenses were normalized due to 2 inflows to Stage 2 loans during the quarter. During the same period, there was no passage to Stage 3.

- The income from participations was up by 9 percent yoy, whereas it almost tripled qoq given the revaluation gains of our TSKB Trust Company on the top of strong performance of our subsidiaries. To note, this eye-catching quarterly jump is seasonal and it is likely to repeat in the last quarter of the year as well.
- The Bank as a result posted a net income of nearly 3 bn TL which is up by 3% on a quarterly basis. 10% yearly contraction is mainly driven by the one-off large ticket collection impact realized in 2Q25.

Next slide shows our long term, well diversified funding structure and robust FX liquidity.

- DFI funding remained to be the main source within the Bank's funding base, accounting for 65% of our outstanding liabilities as of the second quarter.
- As of the first half of 2026, approximately 1,2 billion USD worth of non-withdrawn DFI funding is available in climate & environment and earthquake-related green recovery themes. Please note that almost 85% of the non-withdrawn DFI funding is Ministry of Treasury and Finance guaranteed.
- Our well built engagements within the DFI space has continued to foster in the second quarter.
    - Following the EUR 150 million circular economy-themed loan agreement signed in first quarter with the French Development Agency (AFD), we completed the second EUR 300 million tranche under the Compliance Finance for Growth Project. This facility was secured with a partial guarantee from the International Bank for Reconstruction and Development (IBRD), a member of the World Bank Group, and a counter-guarantee from the Republic of Türkiye's Ministry of Treasury and Finance, increasing the total project size to EUR 600 million. In May, we signed the 350 million USD GREEN 4 loan agreement with the Japan Bank for International Cooperation (JBIC), marking the latest milestone in our nearly 25-year strategic partnership.
- As recent developments, in July, we successfully executed an intra-day USD 300 million senior Eurobond issuance with a 5 year maturity, demonstrating the continued confidence of global investors in our Bank. The issuance attracted a strong demand and achieved a nearly 40 bps of price improvement between opening and closing. Additionally, in July we successfully renewed our 2026 syndicated loan at a 110% rollover ratio compared with the previous year, raising 229 million USD.
- As a result, in the first half of the year, we have secured USD 1,1 billion in long-term funding, of which 80% was provided by DFIs. Moreover, when the total amount of funding secured in July including our Eurobond and syndication loan is also added, the total figure surpasses USD 1.6 billion, implying another record year.
- Our strong liquidity position is also well reflected by the FX LCR ratio which is around 314% as of the second quarter of 2026.

Next slide is on the composition of our bank’s healthy asset base;

- In line with our development bank status and our mission, the loans continue to constitute the majority of our asset base, accounting for 73%. And we would like to underscore that it is the highest figure as a percentage in the sector. Supported by strong loan growth, our total assets surpassed 369 billion TL in the second quarter of 2026. We also continued to actively manage our securities portfolio, which represents 15% of total assets.
- In line with our targets and last consecutive 3 years, 2026 remains as another growth year for the Bank. As of the second quarter, total loans surpassed 270 billion TL with an FX-adjusted loan growth of 7.7%in 2Q. Our long-term cash loan disbursements, primarily focused on supporting Türkiye’s sustainable development, reached almost 1.3 billion USD, with an additional 475 million USD disbursement in the second quarter.

- Consistent with our business model, FX-denominated loans continue to comprise the majority of our loan book at 95%, while TL loans account for 5%. The currency composition of the loan portfolio changed slightly from TL on behalf of EUR, whereas share of USD stayed almost the same qoq.
- With an average maturity of 5.4 years, investment loans account for 87% of the total book given our long-term development-focused mandate.

Following slide covers our outstanding loan book and first half loan activities in a bit detail.

- As discussed in the previous slides, 7.7% loan growth is strong and in line with our year-end target. In terms of new disbursements, energy generation continues to represent the largest share at 24%. As a result, the share of energy generation loans in our portfolio remained at 29%, of which 95% consisting of renewable energy. To remind, themes such as the inclusive reconstruction of earthquake-affected regions, hybrid renewable energy projects, and distributed solar power plants are monitored under their respective sectors such as Metal & Machinery, Chemistry & Plastics. Therefore, the weight composition of the disbursements is consistent with our strategic focus areas.
- As an outcome of our sustainable development focus, 93% of our total loan portfolio continues to account for SDG-linked loans.
- Taking Turkey’s investment needs and global trends into account; we believe that new areas such as electrification and climate-related industries, alongside with renewable energy projects including storage investments, green transformation in general but also in earthquake-affected regions as well as circular economy, climate adaptation, inclusiveness including women’s empowerment will address certain potential investment pipeline.
- With our strategic focus and updated sustainable finance targets, we will continue to support Türkiye’s sustainable development agenda and targets going forward.

Now we will present the bank’s asset quality figures.

- During the second quarter of 2026, there were no new NPL inflows materialized.
    - Our NPL ratio was slightly down in the second quarter from 2.2% to 2.1%. Stage 2 loans rose from 6.4% to 7.4% driven by the increase in stage 2 loans due to reclassification. As a result, our total problematic loan ratio still stood below 10%, remaining well below the sector average.
- To remind, we monitor a limited number of Stage 2 and Stage 3 loans in our portfolio. Those are all operational and belong to well-established groups and companies. 86% of Stage 2 loans and 28% of NPLs are restructured. As it is well known, TSKB has a strong capacity to closely monitor these loans and conduct regular analyses and stress tests. Moreover, TSKB, unlike the sector, has no retail or SME loans risk to monitor, which are the main drivers of the sectoral NPL flows due to current conditions.
- Provisioning levels were largely unchanged compared to the first quarter. The total coverage ratio was maintained at 4.2%, underlining our still conservative stance. The coverage ratio for Stage 2 loans decreased slightly during the quarter due to reclassification, while coverage for other stages remained unchanged.
- As a reminder, in the second quarter, we released 400 million TL of free provisions, which reached TL 700 mn in the first half, leaving the Bank’s total free provision stock at 400 million TL for the rest of the year.
- As a consequence of two files transferred to stage 2, the Bank’s FX-adjusted net cost of risk normalized around 34 basis points in the first half of the year, remaining well consistent with our year-end guidance. To note, the cumulative currency impact on the other hand was 36 bps.

On this page, I would like to emphasize that our strategic initiatives executed over recent years have begun to yield tangible results, delivering a consistent contribution to the Bank's net interest income (NII).

- In the first quarter of the year, the securities book as a share of total assets remained stable at 15%. Compared to first quarter, the portfolio composition has not changed significantly in the second quarter; we continue to maintain a balanced and high-yield securities portfolio and we are acting a bit of choosy.
- While the total securities book was elevated to 54.9 billion TL, the share of TL denominated securities within the total portfolio surged from 53% to 55%.
- Closely monitoring and leveraging the market opportunities, we selectively added fixed and floating-rate bonds to our portfolio, while keeping our CPI-linker exposure unchanged.
- We revised our October-October CPI linker assumption by 300 bps during the quarter, taking the current backdrop into consideration. Accordingly, it was updated from 25.7% to 28.7%. This revision added 180 mn TL of extra CPI-linker income to the first half, which will translate into TL 360 mn of extra interest income for the whole year.
- Going forward, we aim to maintain our proactive approach and strategic oversight of our securities book to further support and diversify our already solid NII base.

Now, we would like to further dwell on our solid NIM and its components.

- Banks net interest income continued to be strong and resilient in the second quarter of the year as well. Similar to previous quarter, main support came from solid loan spreads with front-loaded loan growth, while the strategically managed securities portfolio making extra contribution.
- Cumulative NII excluding CPI-linker gains was up by 5% year on year despite TL 300 mn collection which was included in 2Q25 NII. Compared to previous quarter it was almost flat, while CPI linker income showing an almost 27% lift quarterly. Total amount of swap book and cost were almost unchanged in the 2nd quarter compared to the previous one.
- As a result of revision in the CPI linker assumption, the quarterly CPI linker income figure rose to 808 mn TL including the revaluation gain.
- Overall, proactive balance sheet management and frontloaded positioning continued to underpin earnings quality as well as NIM resilience in first half of the year. We are fully in line with our year-end NIM guidance of 4.5% and expect this solid earning performance to continue in the second half of 2026.

This slide focuses on Bank's superior solvency metrics.

- In line with the Bank's strategic priorities, we have continued actively to support Turkey's economy growing our loan portfolio and expanding our risk weighted assets to TL 352 billion. At the same time, we focused on our solid capital efficiency, risk adjusted returns, and balance sheet strength.
- The impact of credit risk is largely offset by internal profit generation, which led to solvency metrics remaining comfortably above regulatory thresholds and sector benchmarks. The total capital adequacy ratio of the bank was at 19% level while the tier-1 ratio was at 17.9% indicating an almost flat stance on a quarterly basis.
- As a bank, balance sheet of which is dominated by fx assets, strong capital adequacy is essential for us enabling our growth strategy and long-term targets. Therefore, the bank will keep preserving a strong solvency buffer thanks to its supportive earnings quality and continue to differentiate from peers.

Last but not least, we would like to conclude our presentation with some highlights from our recent sustainability-related activities.

- We have published our report titled "Towards COP31: Priority Agenda Topics and a Transformation Opportunity for Türkiye." The report outlines Türkiye's key priorities and an implementation-focused roadmap for climate transformation in the lead-up to COP31. It highlights strategic focus areas including clean energy, green industrialization, and climate-resilient cities, while emphasizing the Climate Implementation Bridge (CIB)—a Türkiye-led initiative designed to translate national climate commitments into bankable projects and accelerate access to climate finance. In this context, the report provides a strategic perspective on Türkiye's climate transition opportunities and its evolving role in global climate governance.
- Another important development has been our second investment under the Türkiye Green Fund. We made a EUR 30 million investment under the fund, which was established with resources provided by the World Bank under the guarantee of the Ministry of Treasury and Finance of the Republic of Türkiye. Provided entirely through a capital increase, this investment aims to support the company's green transformation and growth strategies while contributing concretely to nature-positive production.
- We also closely followed London Climate Action Week by participating in events in person and engaging directly with key stakeholders. As a member of the International Development Finance Club (IDFC), we were among the speakers at the closed-door roundtable titled "Power in Partnerships: Aligning Development Banks to Mobilise Private Capital," as well as the panel discussion "Financing the Future: Public Development Banks and Climate Action."
- Finally, we successfully held the third annual TSKB Development Day conference on June 3 under the theme "Charting the Development Course in a Rapidly Transforming World." The conference brought together leading national and international speakers to discuss the evolving development agenda and key global trends.