Investor Presentation

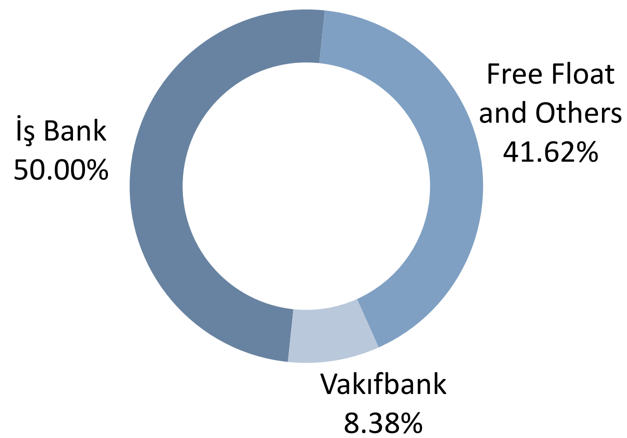
3Q2015 –BRSA
Bank only Results

TSKB Türkiye Sınai Kalkınma Bankası

www.tskb.com.tr

TSKB @ a Glance

Ownership Structure



- First and only Private Development Bank in Turkey
- **TRY 20.9 bn** asset size
- **330** employees, **2** branches
- **19th** bank in terms of Asset size
- **3.5%** market share in LTFC corporate loans
- **TRY 2.7 bn** MCAP*
- **62%** of free float belongs to **foreign funds**

Main Subsidiaries

- Yatırım Finansman Securities
- TSKB REIT
- Iş Leasing
- TSKB Real Estate Appraisal
- Escarus

Ratings

	TSKB	Turkey
Fitch LTFC	BBB-	BBB-
Moody's LTIR	Baa3	Baa3
Corporate Governance Rating		
SAHA	9.52/10	

Main Strengths

One of the leading Turkish development and investment banks with an 25% market share in its peer group

Low cost / long-term loans guaranteed by the Turkish Treasury comprise c. 60% of total funding

Strong supportive long-term majority shareholder İşbank

Baa3/ BBB-

Prudent balance sheet structure (Leverage ratio=9X)

Consistently profitable niche franchise (3Q-15 NIM =3.4%, ROAE =16.9%, C/I=14.7%)

Strong risk management culture (3Q15 NPL ratio =0.4%, negligible currency or rate risk)

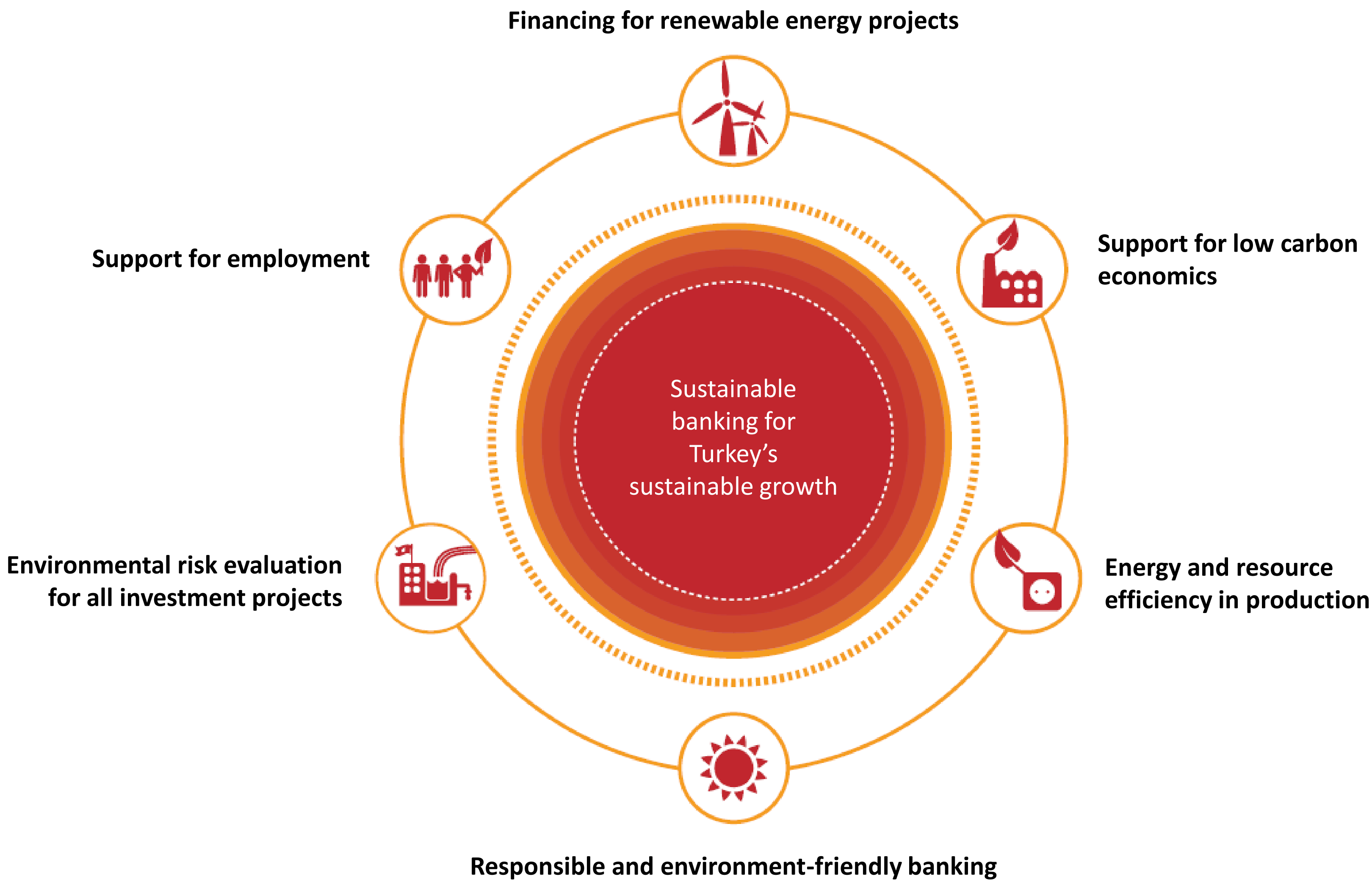
Principal activities in support of mission

Products and Services of the Group

Corporate Banking	Investment Banking	Advisory Services
▪ Direct loan financing for industrial investments, energy and resource efficiency, renewable energy, sustainable tourism projects and education and health investments ▪ Best project finance solutions including PPPs, energy, infrastructure and logistic investments ▪ On-lending of multilateral APEX funds secured from World Bank, Council of Europe Development Bank and the European Investment Bank for SME and Export Finance	▪ Managing own securities portfolio and investment consultancy ▪ Structured risk management and funding solutions, including currency and interest rate derivatives including options, swaps, swaptions, caps & floor transactions, ▪ Customized advisory and brokerage services, including equity and bond issuances, M&A advisory and strategic consultancy, privatization activities and asset purchase and sales advisory	▪ Strategic Consultancy, LT partnership to support strategic expansion by way of valuation and feasibility analysis, financial structuring and strategic roadmaps ▪ Real Estate Appraisal, visionary guidance for foreign and domestic investors ▪ Sustainability management, ESMS, Technical Consultancy, Climate Change Management, Renewable Energy Consultancy, and Consultancy for FIs

3Q-2015	**% of Income**	**% of Assets**
Corporate Banking	54%	66%
Investment Banking	44%	28%
Other Income, mainly from Subsidiaries as dividends	3%	7%

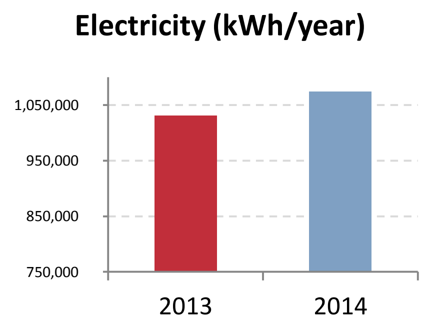
Sustainability is core to our activities

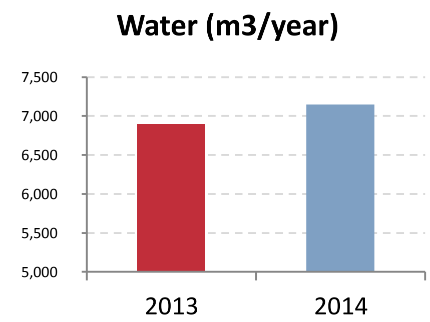


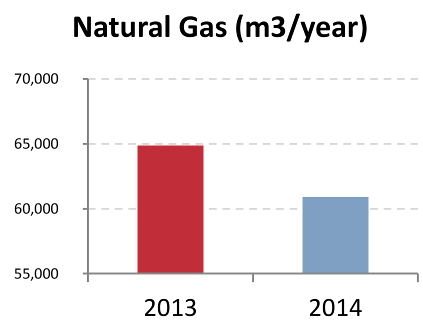
Internal and External Environmental Impacts

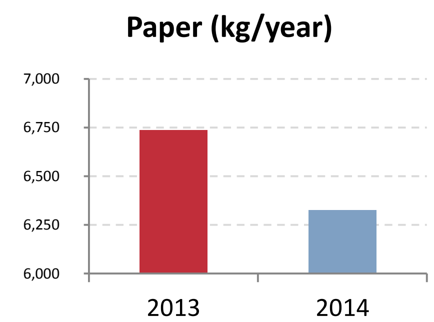
- The electricity consumption in 2014 was slightly over 2013 figure.
- The natural gas consumption in 2014 fell by 6.2% compared to 2013.
- The water consumption in 2014 slightly overshot the previous year figure by 3.6%.
- The paper consumption in 2014 declined by 6.1% compared to 2013.

ERET RESULT OF 2014		
Risk Category	**Client Side**	**Project Side**
A	1	0
B+	10	8
B-	23	21
C	30	35
Total	**64**	**64**
ERET RESULT OF 2013		
A	2	1
B+	9	3
B-	15	24
C	24	22
Total	**50**	**50**









Risk Cathegory A : High risk Level

Risk Cathegory B + : Middle Sensitive Risk Level

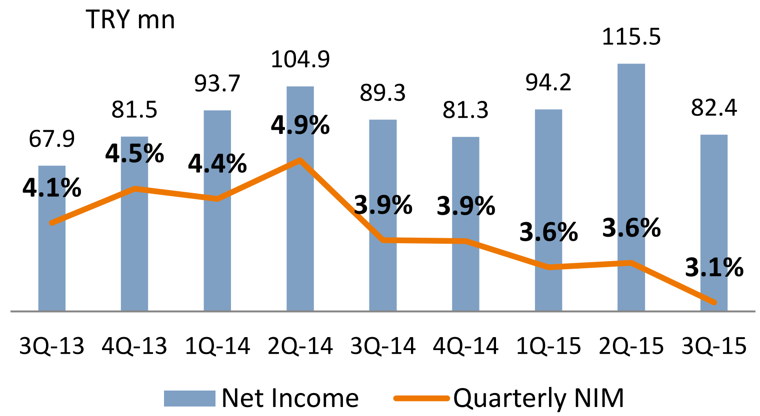
Risk Cathegory B - : Middle Risk Level

Risk Cathegory C : Low Risk Level

Financial Highlights

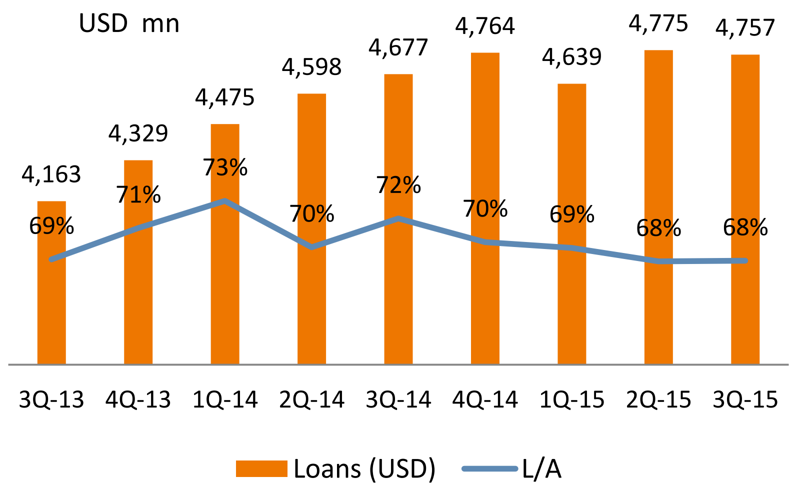
Sustainable Profitability & Net Interest Margin

- 3Q-2015 profit **TL 292 mn** , 1.4% higher than 3Q-2014
- RoE @ **16.9%**, 5-years average @ 18%
- NIM@ **3.4%**
- C/I ratio @ **14.7%**



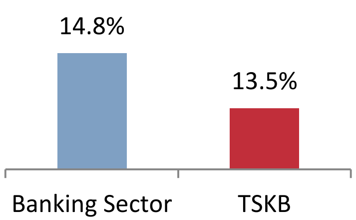
Robust Asset Quality - High Efficiency

- Loan volume totaling **USD 4.8 bn**; up by **4.4%** ytd
- NPL ratio @ **0.4%**
- Cost of risk : **70 bps (Net CoR 48 bps) (YE target 40 bps)**
- CAR @ **13.5%** free capital @ **9.5%**
- Leverage ratio : **9.0X**

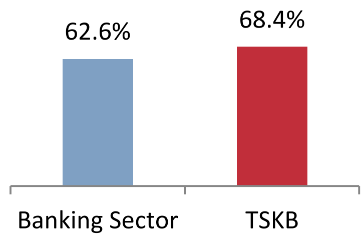


Banking Sector vs TSKB

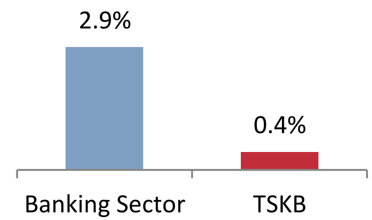
CAR



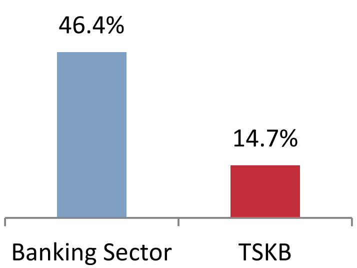
Loans/Assets



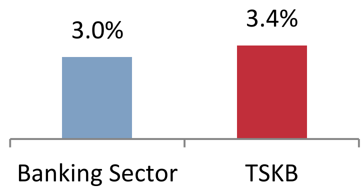
NPL



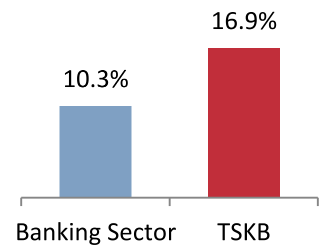
Cost to Income



NIM



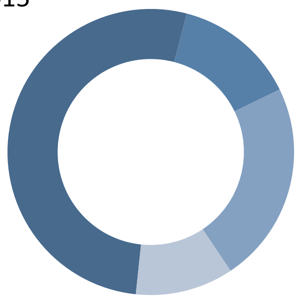
ROE



* Banking Sector data as of August 2015

Banking Sector

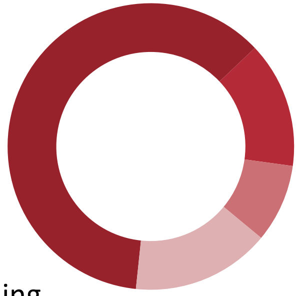
Deposits; 52.4%



Deposits
(Average maturity less than 3 months)

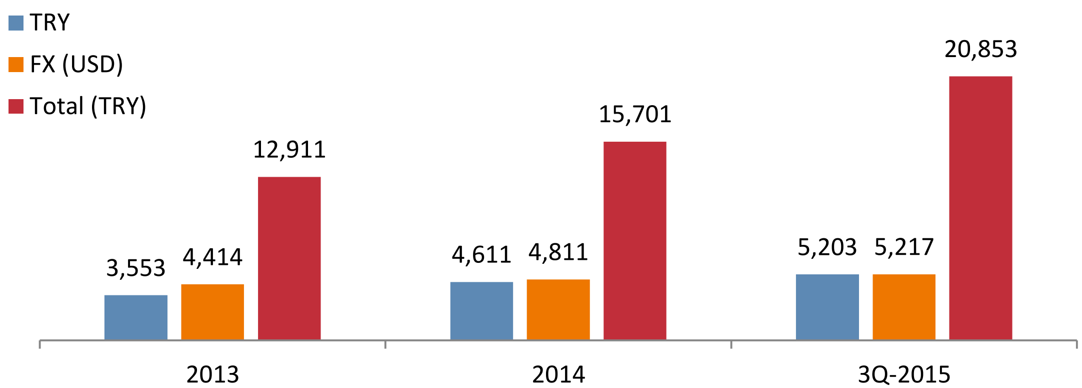
TSKB

Long Term DFI Funding 57%



Long Term DFI Funding
(11 years of average maturity)

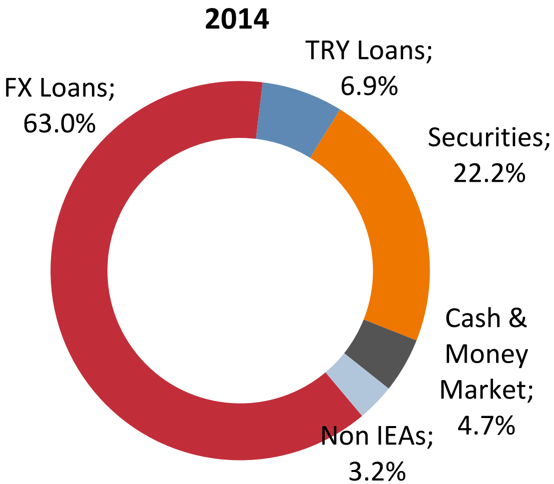
Asset Composition



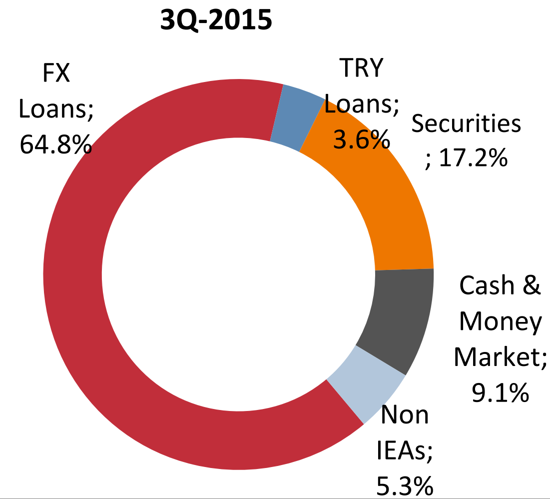
	2014	3Q-15
FX / Total Assets	70.6%	75.0%

Growth (FX adjusted)

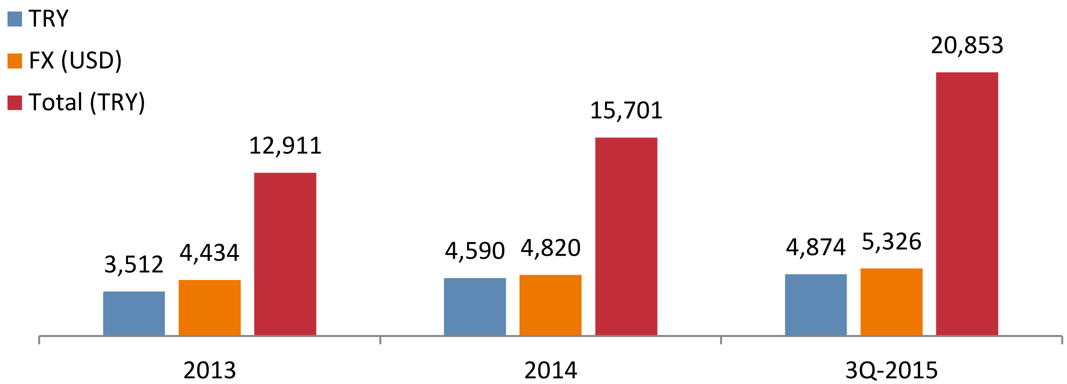
	YoY	YtD	QoQ
Loans	8.2%	4.4%	0.1%
Securities &Other IEAs	49.5%	28.4%	2.7%
Total Assets	19.3%	12.0%	2.5%
FX Assets	16.4%	10.7%	1.3%
TRY Assets	24.3%	12.8%	3.6%



Leverage Ratio	9.0X
Loan to Asset Ratio	68.4%



Liabilities Composition

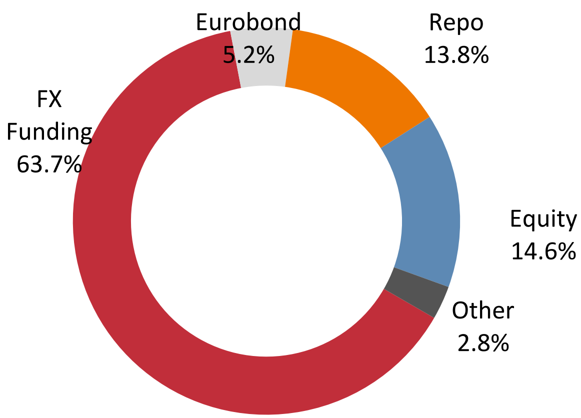


	2014	3Q-2015
FX / Total Liabilities	70.8%	76.6%

Growth (FX Adjusted)

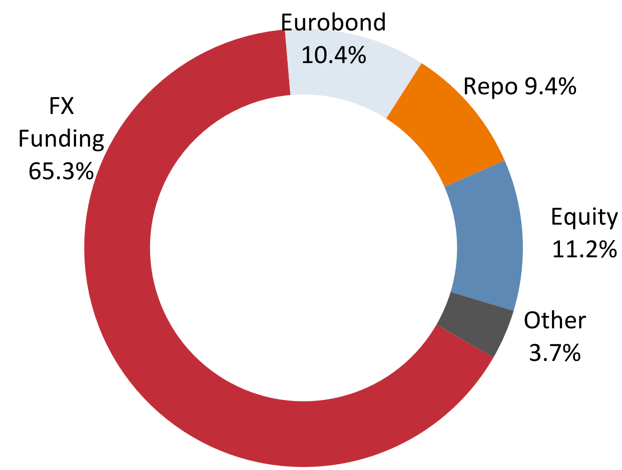
	YoY	YtD	QoQ
Funding	25.8%	16.1%	2.2%
Equity	8.3%	1.7%	1.9%
FX Liabilities	22.9%	13.6%	2.2%
TRY Liabilities	9.1%	6.2%	2.2%

2014

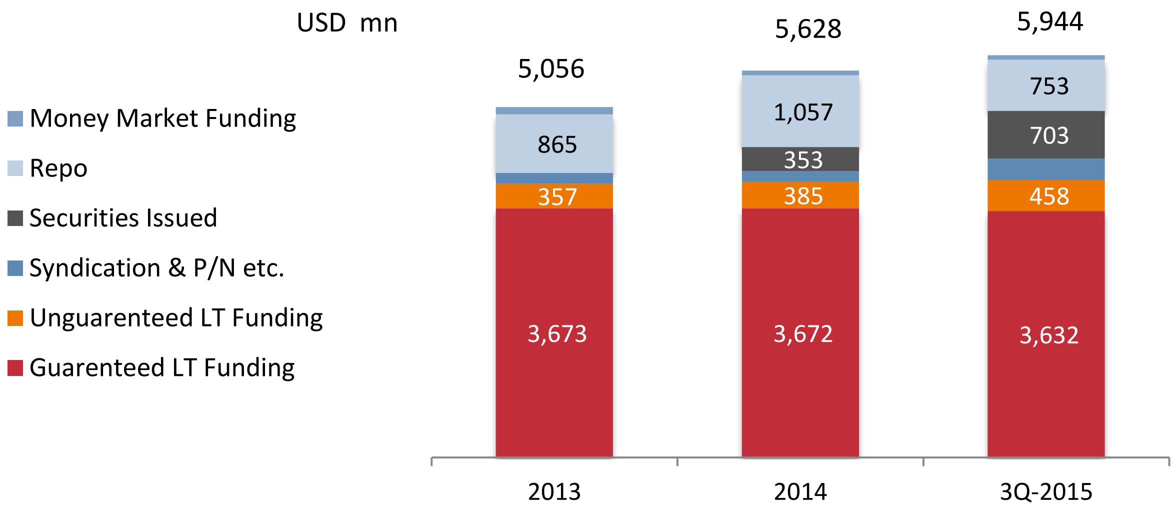


Duration:	
Loans	2.7Y
Funding	5.6Y

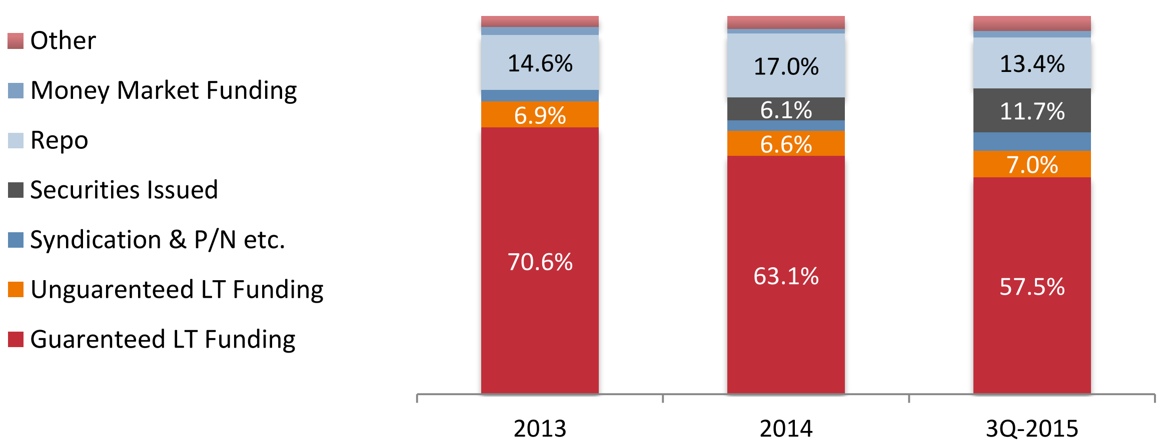
3Q-2015



Funding Structure



Funding / Total Liabilities (exc equity)



Total Funding:
USD 5,944 mn

79% of the Total Funding is Long Term

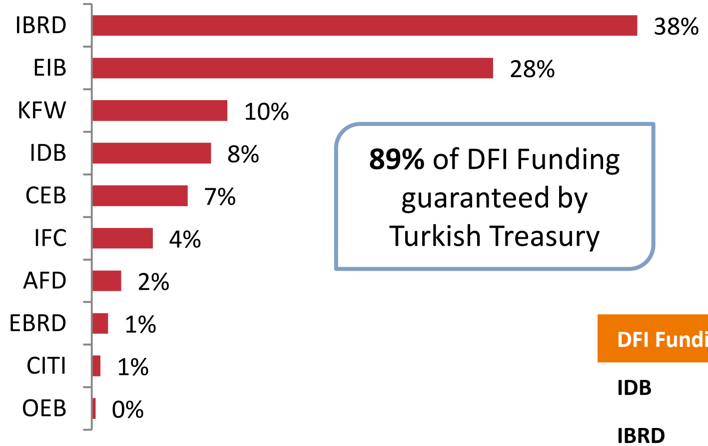
FX Short term funding: **11%**
(including syndication, P/N, Repo, Money Market)

New Senior Eurobond issuance in the 2Q, **amount 350 million USD, term 5 years.**

Guaranteed Funding / Long Term Funding
75%

Long Term DFI Funding

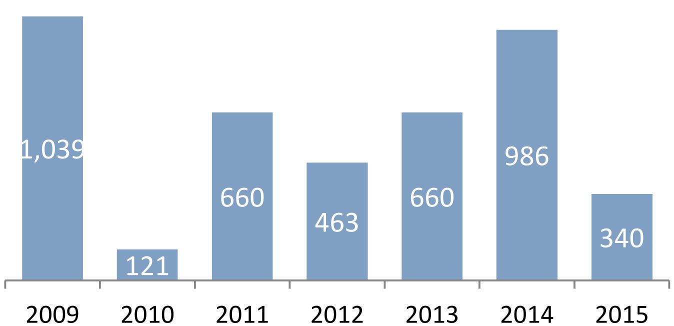
Outstanding Funding Base



89% of DFI Funding guaranteed by Turkish Treasury

Yearly Multilateral Funding Agreements

USD mn

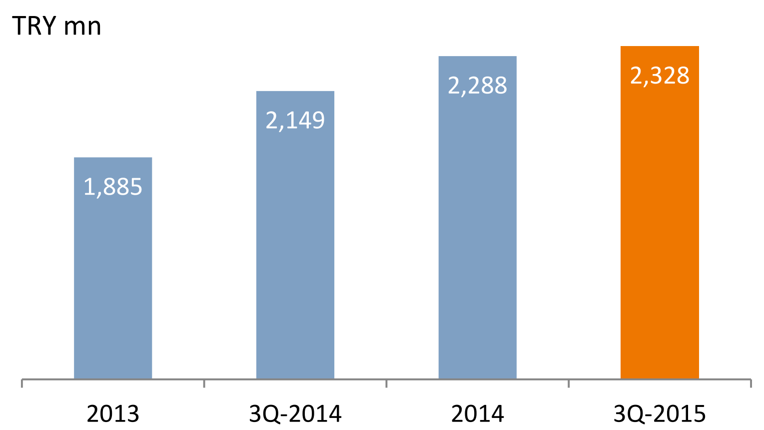


DFI Funding - 2014	Amount	Theme
IDB	220 mio USD	Renewable Energy and Energy Efficiency
IBRD	250 mio USD	APEX
Citibank – OPIC	40 mio USD	SME, Renewable Energy and Energy Efficiency
AFD	60 mio EUR	Sustainable Tourism and Innovative Energy Projects
EBRD	50 mio EUR	Resource Efficiency
KFW	150 mio EUR	Resource Efficiency
EIB	100 mio EUR	Environment/ Renewable Energy/ Resource Efficiency
OeEB	20 mio EUR	Renewable Energy & Energy Efficiency
TOTAL 2014	**986 mio USD**	
DFI Funding - 2015	**Amount**	**Theme**
JBIC	150 mio USD	Renewable Energy and Energy Efficiency
EIB	100 mio EUR	SME and Midcap
IFC	75 mio USD	Renewable Energy, Resource and Energy efficiency
TOTAL 2015	**340 mio USD**	

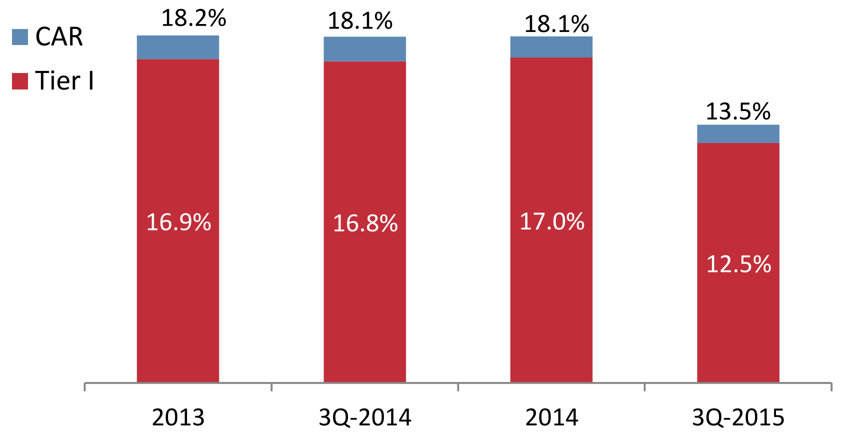
**DFI: Development Finance Institutions*

Shareholders' Equity

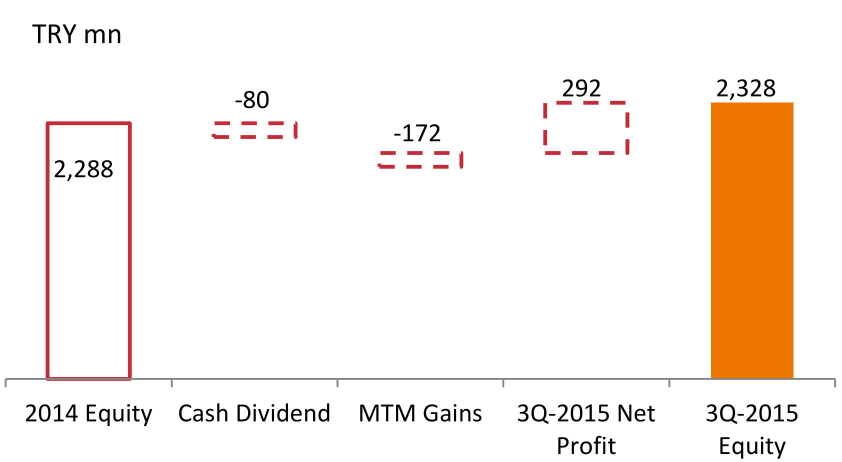
Equity



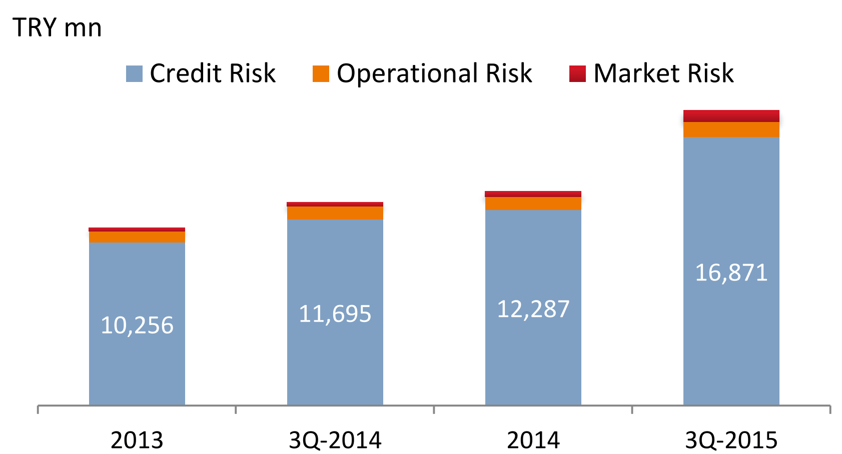
Capital Adequacy Ratio



Equity Movement

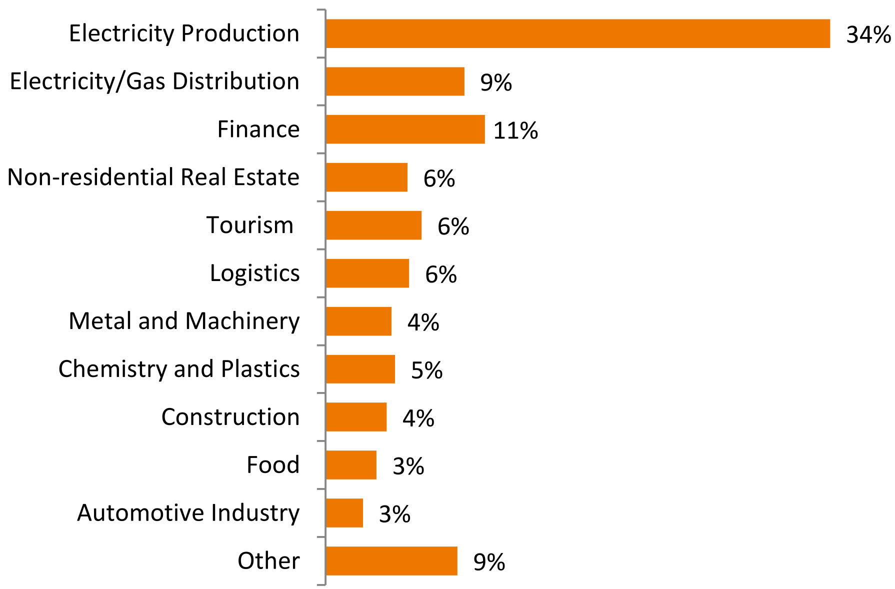


Risk Weighted Assets



Loan Portfolio

Loans by Sector



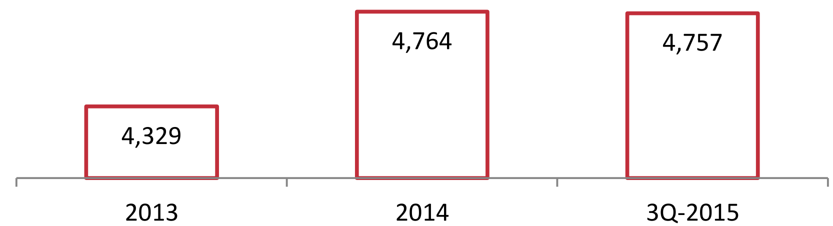
- **73** Projects in Energy&Resource Efficiency, **7%** of the portfolio
- **95%** foreign currency denominated
- **36%** in Euros, **59%** in USD
- **5 years** of average maturity

Loans by Type

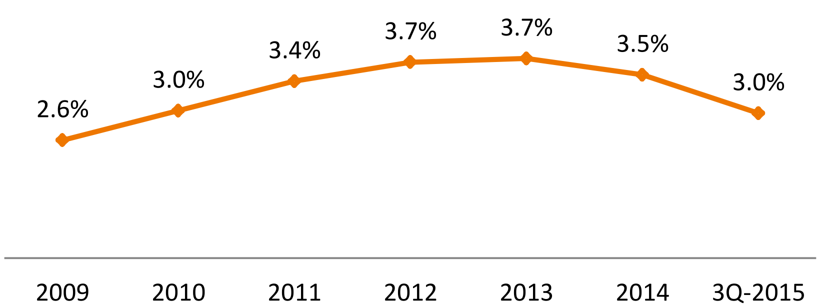
- **67% Investment Loans**
- **26% Working Capital Loans**
- **7% APEX**

Loan Portfolio (mn USD)

FX Aje growth of 4.4%

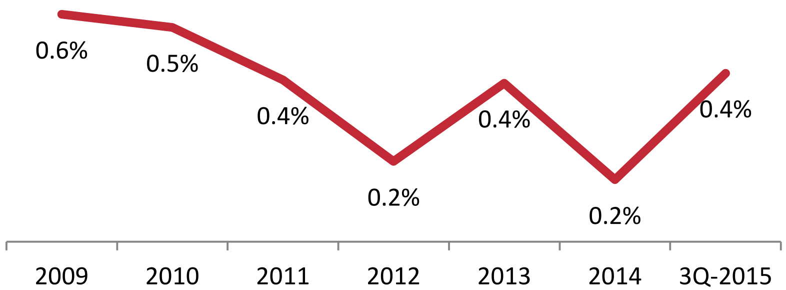


Net Loan Spread

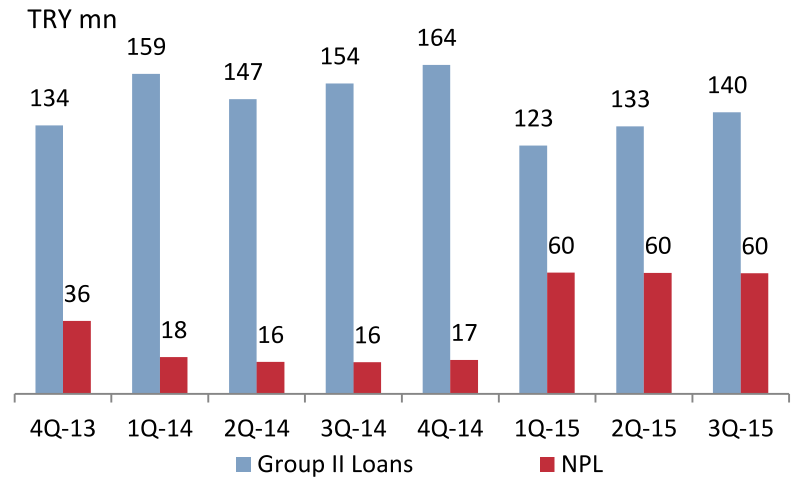


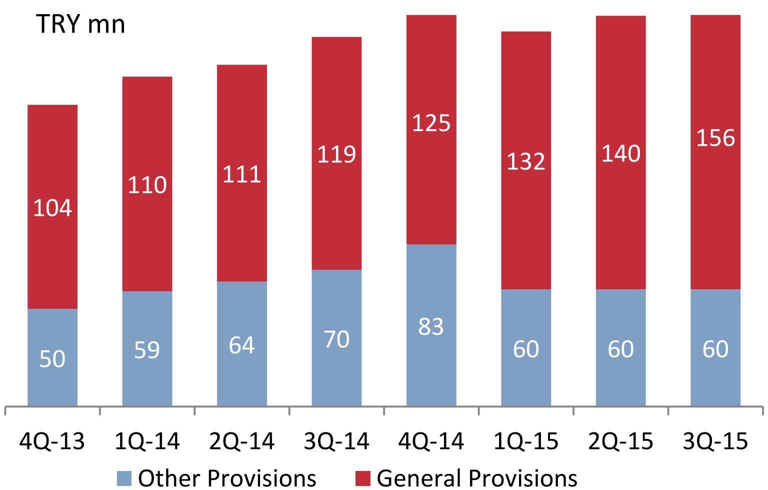
Robust Asset Quality

NPL Ratio



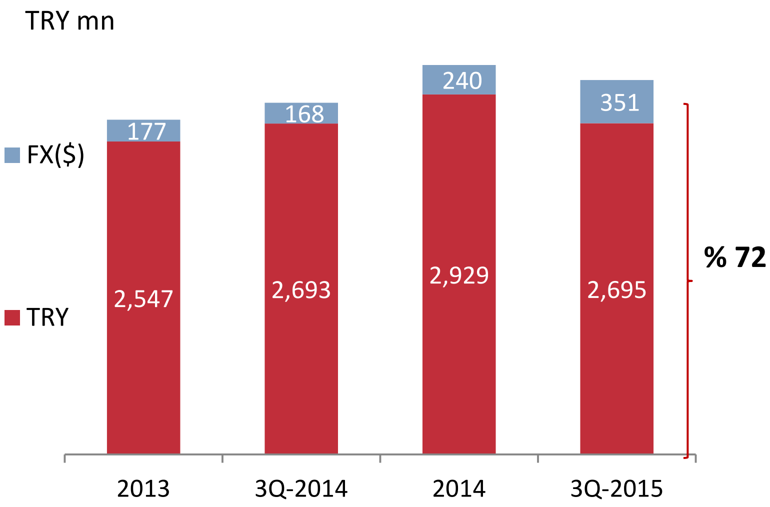
* Average NPL ratio for last 5 years is 0.5%





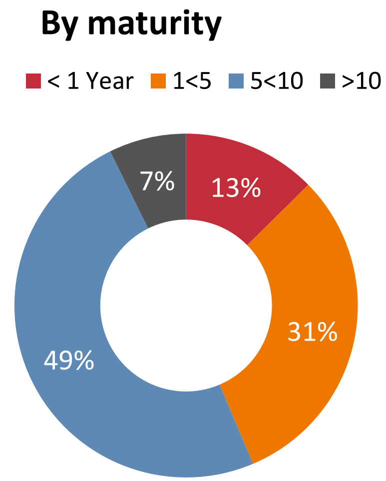
	1Q-14	2Q-14	3Q-14	4Q-14	1Q-15	2Q-15	3Q-15
2. Group Loans / T. Loans	1.7%	1.5%	1.5%	1.5%	1.0%	1.0%	1.0%
2. Group + NPL / T. Loans	1.8%	1.7%	1.6%	1.6%	1.5%	1.5%	1.4%
Provisions (exc General) / 2. Group + NPL	44%	49%	50%	55%	65%	62%	60%

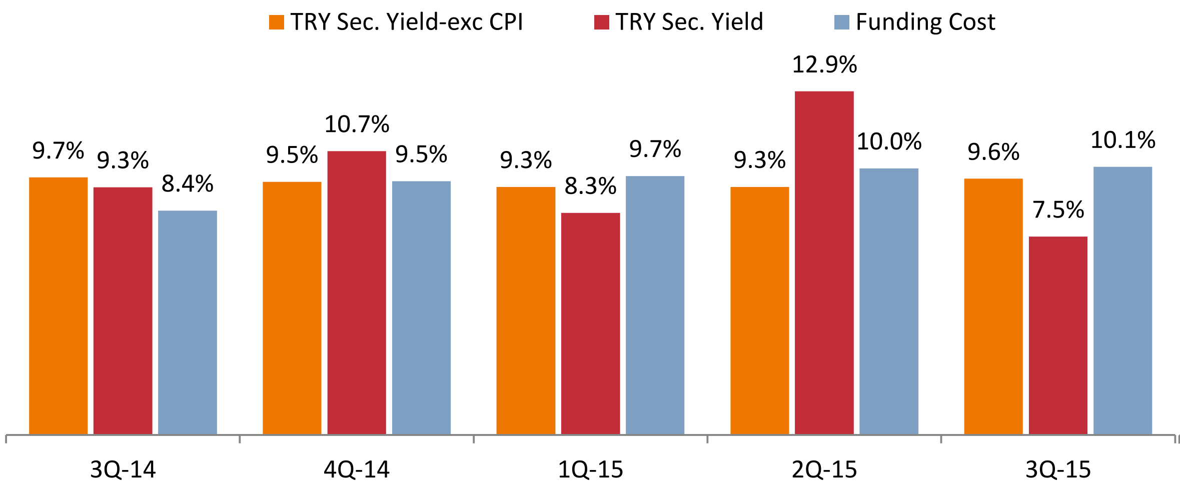
Securities Portfolio

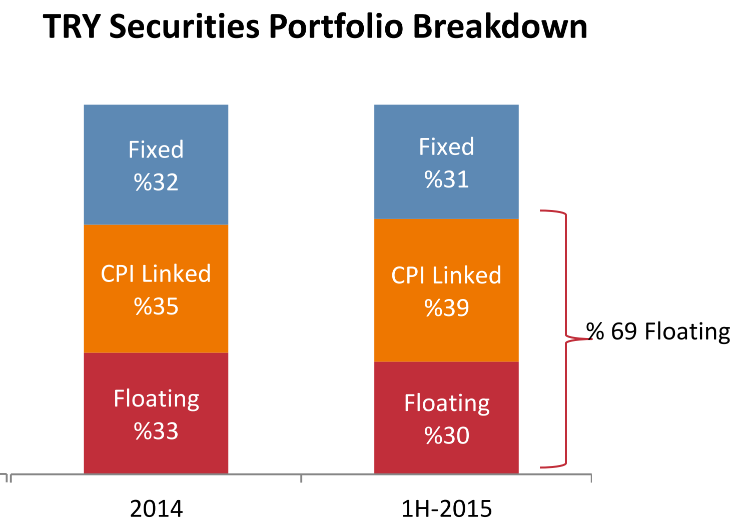


- Duration is **2.3 yrs** in Fixed & Floating bonds, **6.3 yrs** in CPIs.
- **73%** is in AFS portfolio.
- **21%** of TRY portfolio funded by repo
- Private sector bonds: **9%** of total portfolio

TRY Securities / Assets : 13%





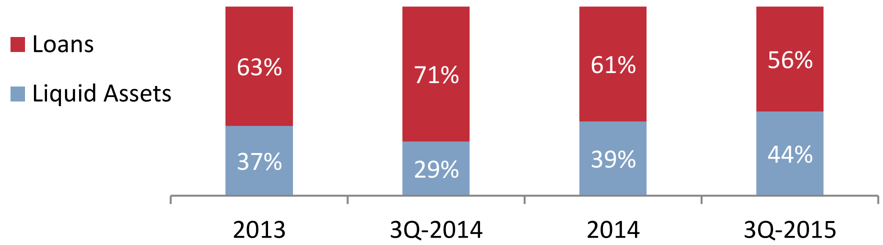


Income Statement

(TRY mn)	3Q-2014	3Q-2015	YoY Change
Adj. Net Interest Income	421.9	429.6	1.8%
Net Commisions	7.2	8.1	11.8%
Dividend Income	23.5	33.6	42.9%
Other Operating Income	29.2	17.7	-39.3%
Net Banking Income	**481.8**	**489.0**	**1.5%**
Personnel Expenses	41.7	47.5	13.8%
Adm. Expenses	13.9	16.0	15.6%
Other Op. Expenses	33.4	12.7	-62.1%
Operating Profit	**392.8**	**412.8**	**5.1%**
Provisions(+/-)	-33.5	-51.7	54.3%
Profit Before Tax	359.3	361.0	0.5%
Tax Provisions	-71.3	-69.0	-3.2%
Net Profit	**288.0**	**292.0**	**1.4%**

Income Breakdown

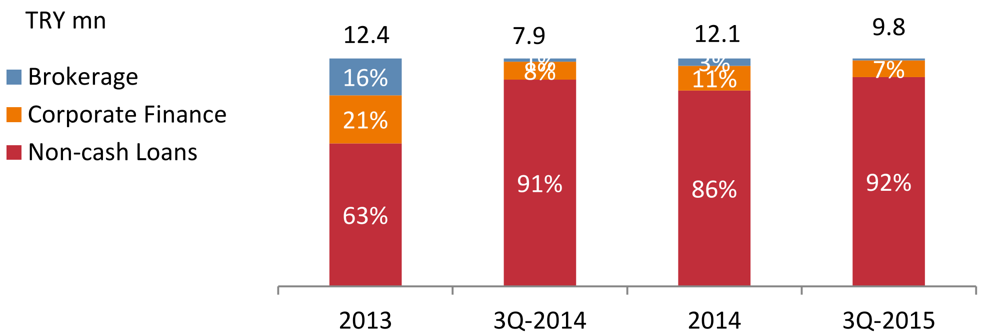
Net Interest Income Breakdown



Portion of Banking Income

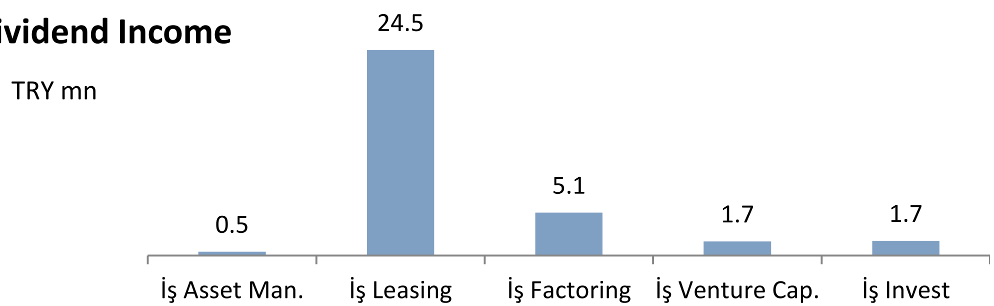
Net Interest Income	
2013	90.5%
2014	89.3%
3Q-2015	**87.7%**

Commission Income Breakdown-Gross



Net Commissions	
2013	2.2%
2014	1.8%
3Q-2015	**1.8%**

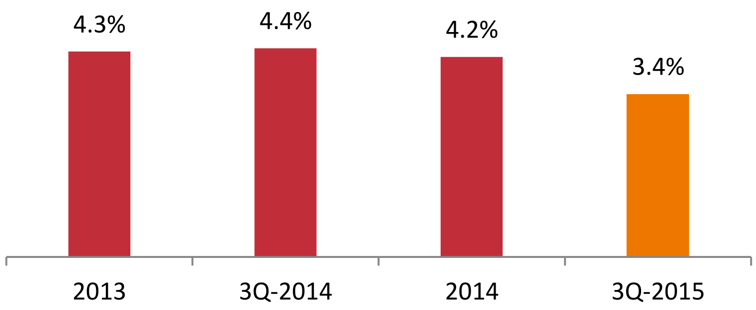
Dividend Income



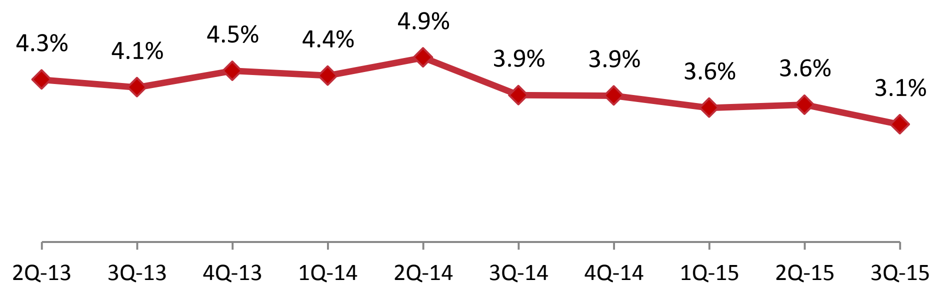
Dividend Income	
2013	5.8%
2014	3.9%
3Q-2015	**6.9%**

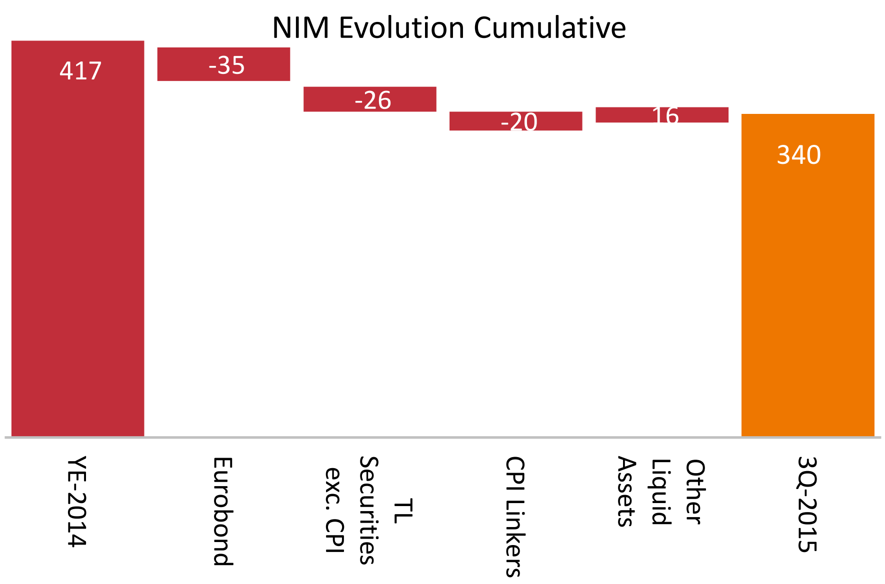
Net Interest Margin

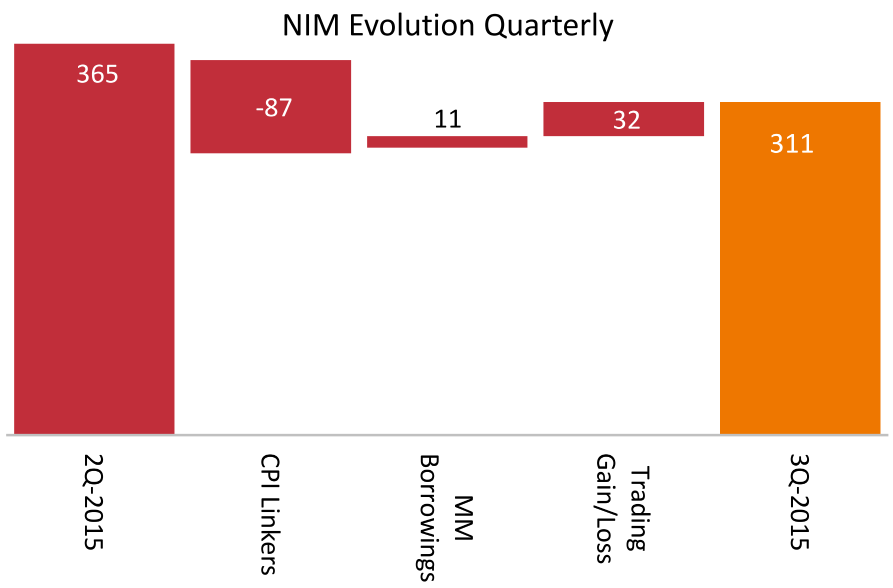
Annual NIM



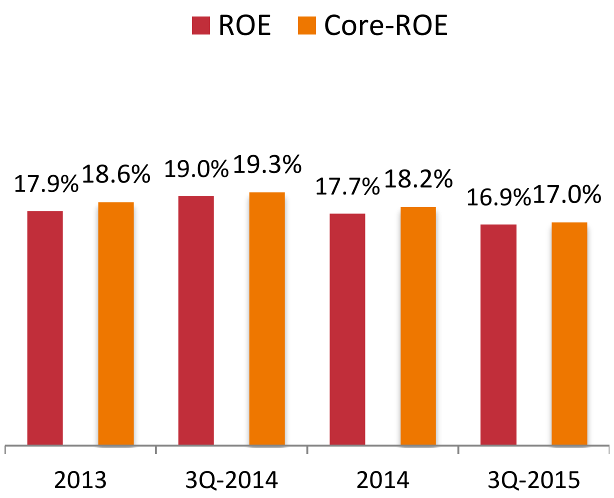
Quarterly NIM

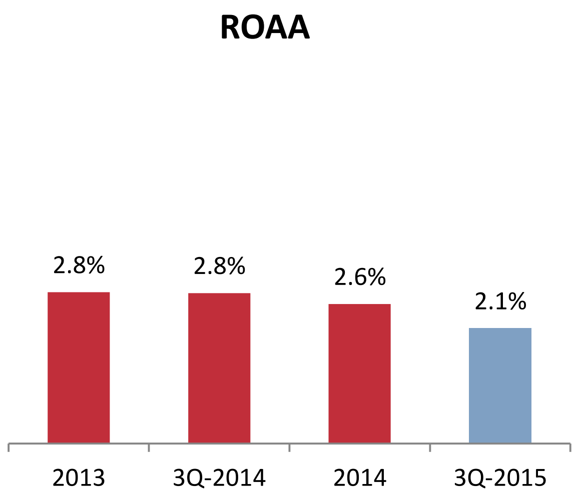


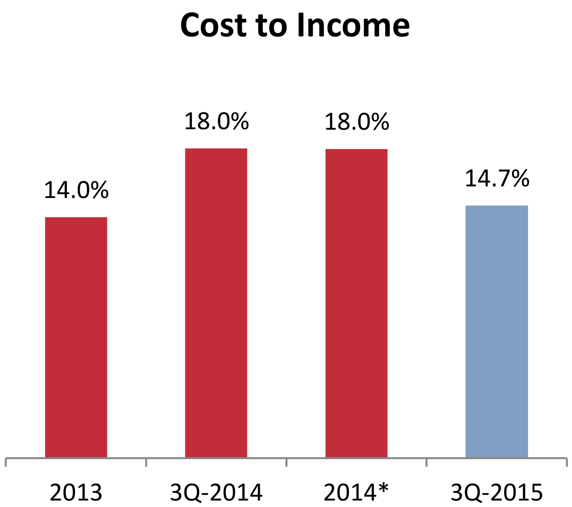




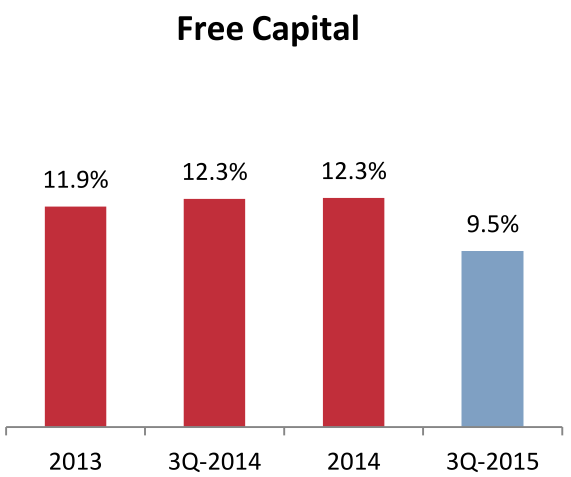
Key Performance Indicators

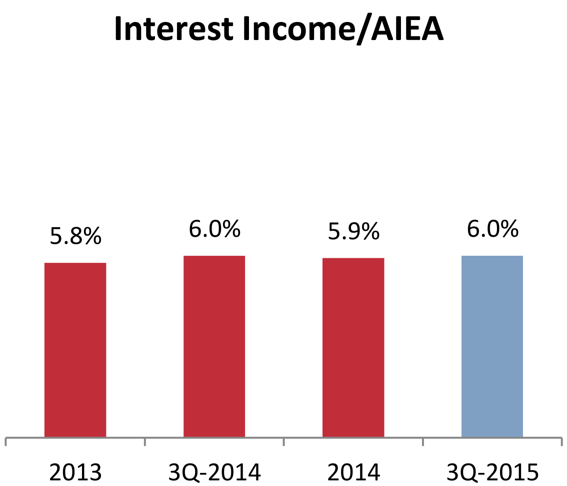


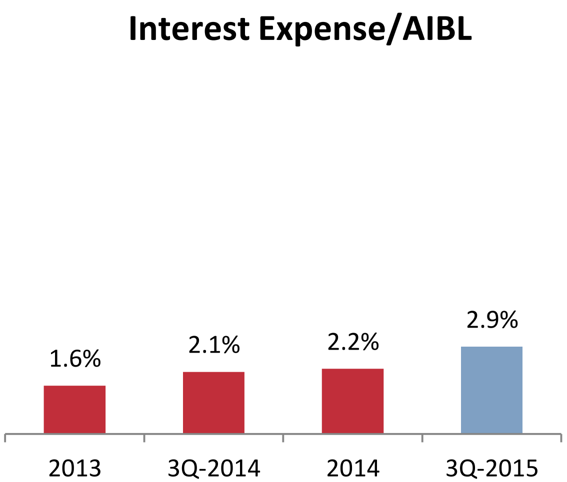




*14.1% excluding one-off







Quarterly Income Breakdown

(TRY mn)	1Q-2014	2Q-2014	3Q-2014	4Q-2014	1Q-2015	2Q-15	3Q-15	Change QoQ	Change YoY
Adj. Net Interest Income	135	156	131	137	136	152	142	8.2%	-6.7%
Net Commisions	2	3	2	4	2	3	4	45.5%	34.7%
Dividend Income	9	4	11	1	13	20	0	-100.0%	-100.0%
Other Operating Income	22	7	1	1	16	1	1	-5.2%	42.1%
Net Banking Income	**168**	**169**	**145**	**144**	**167**	**175**	**146**	**0.8%**	**-16.7%**
Personnel Expenses	14	14	14	15	16	16	16	12.3%	-1.1%
Adm. Expenses	5	5	5	5	5	6	5	17.1%	-6.9%
Other Op. Expenses	5	4	2	1	6	4	3	55.9%	-39.4%
Operating Profit	**145**	**146**	**125**	**123**	**141**	**150**	**123**	**-1.8%**	**-18.1%**
Provisions(+/-)	-27	-14	-14	-20	-27	-9	-16	13.4%	85.3%
Profit Before Tax	117	131	111	102	114	141	107	-3.7%	-24.5%
Tax Provisions	-24	-26	-21	-21	-19	-26	-24	13.2%	-5.5%
Net Profit	**94**	**105**	**89**	**81**	**94**	**116**	**82**	**-7.8%**	**-28.6%**

Balance Sheet

(TRY mn)	30/09/2014			31/12/2014			30/09/2015		
	TRY	FX	TOTAL	TRY	FX	TOTAL	TRY	FX	TOTAL
Cash and Banks	152	436	588	159	576	735	1,145	757	1,902
Securities	2.693	380	3.072	2,929	553	3,482	2,695	1,052	3,746
Loans	934	9,608	10,542	1,080	9,901	10,981	756	13,514	14,270
Subsidiaries	315	6	322	322	6	328	295	11	306
Other	58	90	148	72	103	175	162	466	628
Total	**4,152**	**10,520**	**14,671**	**4,561**	**11,140**	**15,701**	**5,053**	**15,799**	**20,853**
ST Funds	1,398	840	2,814	1,166	532	1,698	1,461	1,668	3,129
LT Funds	-	9,079	9,079	-	9,464	9,464	-	11,953	11,953
Securities Issued	-	-	-	-	814	814	-	2,170	2,170
Repo*	576	259	259	759	240	999	536	47	583
Other	304	67	371	329	109	438	404	287	690
Equity	2.112	38	2.149	2,237	51	2,288	2,329	-2	2,328
Total	**4,390**	**10,281**	**14,671**	**4,492**	**11,210**	**15,701**	**4,730**	**16,123**	**20,853**

* TRY security funding only

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