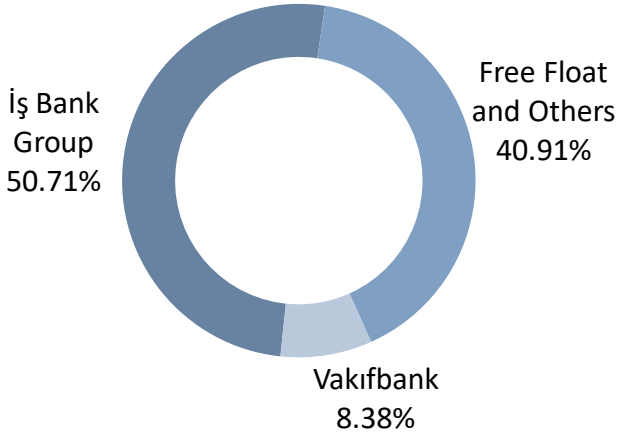
Investor Presentation

2Q2017 –BRSA
Bank only Results

Türkiye Sınai Kalkınma Bankası
www.tskb.com.tr

TSKB @ a Glance

Ownership Structure



- First and only Private Development Bank in Turkey
- **TRY 25.8 bn** asset size
- **368** employees, **2** branches
- **17th** bank in terms of Asset size
- **3.3%** market share in LTFC corporate loans
- **TRY 3.4 bn** MCAP*
- **59.1%** of free float belongs to **foreign funds**

As of June, 30

Main Subsidiaries

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

Ratings

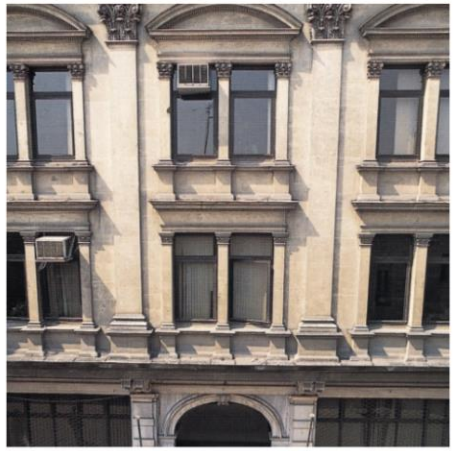
	TSKB	Turkey
Fitch LTFC	BB+	BB+
Moody's LTIR	Ba1	Ba1
Corporate Governance Rating		
SAHA	9.53/10	

TSKB's Historical Shareholding Structure

İş Bankası	24%
Osmanlı Bankası	16%
Yapı ve Kredi Bankası	12%
Selanik Bankası	4%
T. Ticaret Bankası	4%
Garanti Bankası	3.86%
Akbank	2%
Banka Komerçiyale İtalyana	2%
Banka di Roma	2%
Hollantse Bank Uni.	2%
Tutum Bankası	2%
T. İmar Bankası	2%
T. Kredi Bankası	2%
İstanbul Ticaret Odası	8%
İstanbul Ticaret Borsası	8%
Çukurova Sanayi İşletmeleri	2%
Mensucat Santral	2%
İzmir Pamuk Mensucat	2%
Others (7 persons)	0.14%
TOTAL	100%

Banks 77.86%

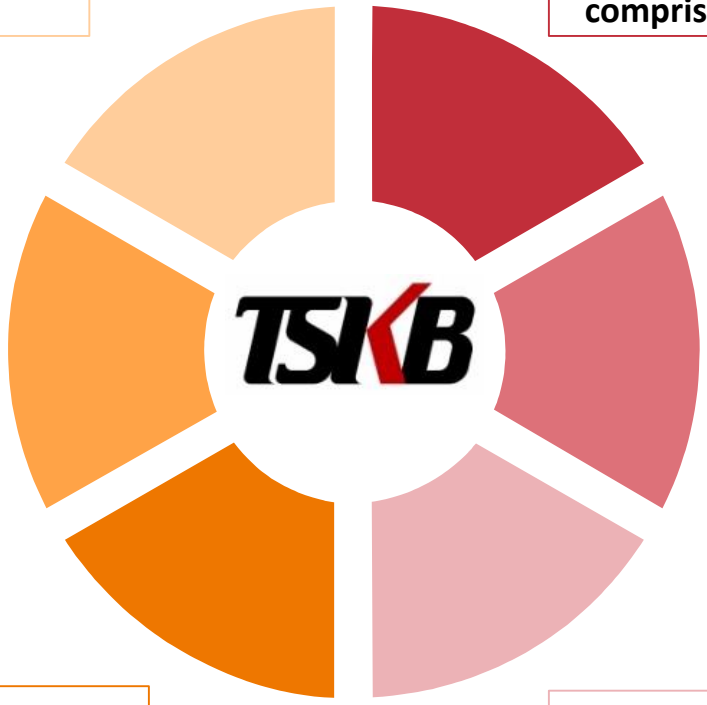
Chambers 16%



Primary Strengths

One of the leading Turkish development and investment banks with an 18% market share in its peer group

Ability to fund itself from leading supranational FIs/ long-term loans guaranteed by the Turkish Treasury comprise c. 56% of total funding



Strong supportive long-term majority shareholder İşbank

Prudent balance sheet structure (Leverage ratio=8.1X)

Consistently profitable niche franchise (1H-17 NIM =3.8%, ROAE =19.1%, C/I=14.8%)

Strong risk management culture (1H-17 NPL ratio =0.3%, negligible currency or rate risk)

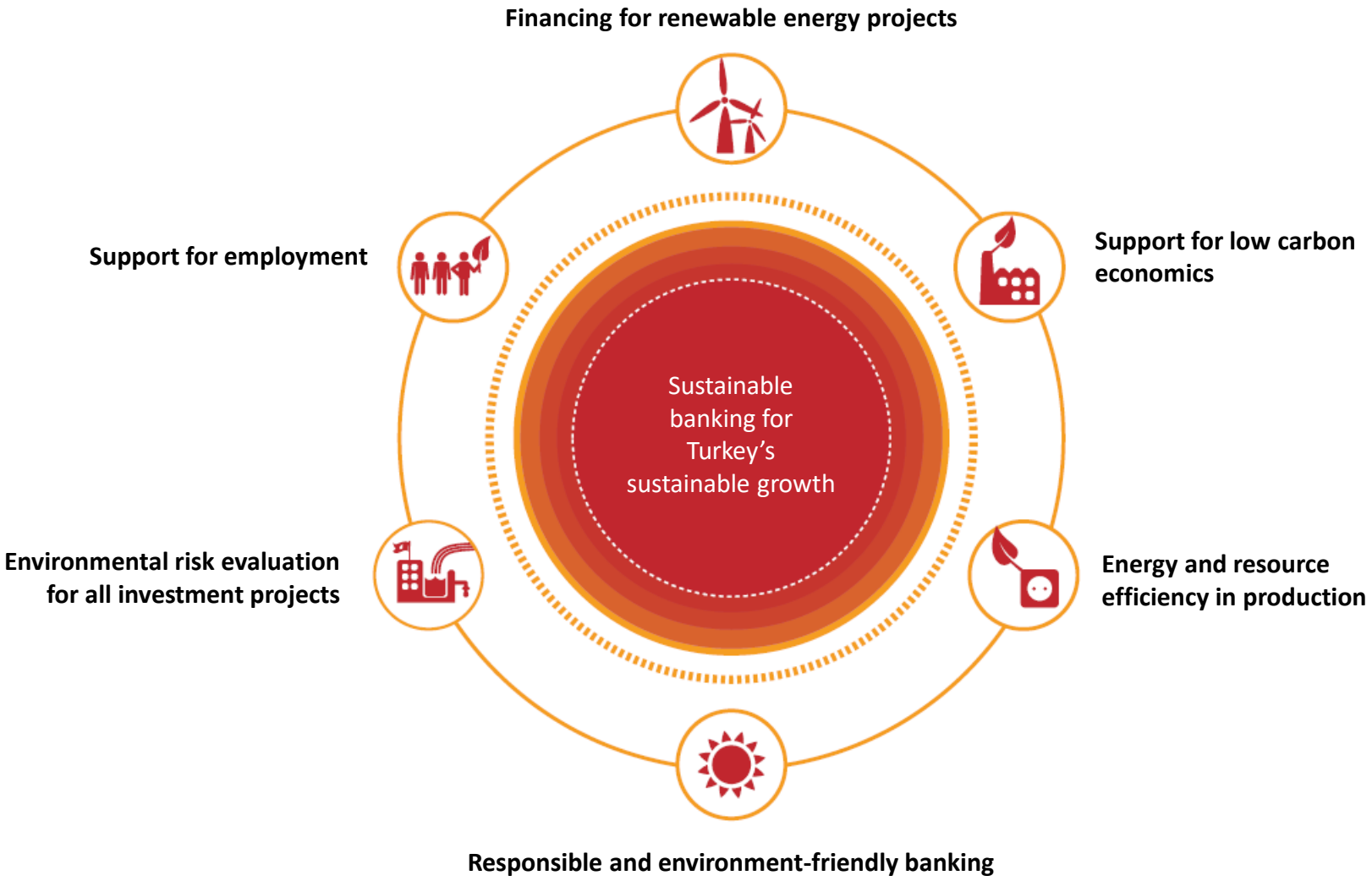
Main activities in support of mission

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

4Q-2016	% of Income	% of Assets
Corporate Banking	43%	69%
Investment Banking	47%	24%
Other Income, mainly from Subsidiaries as dividends	10%	7%

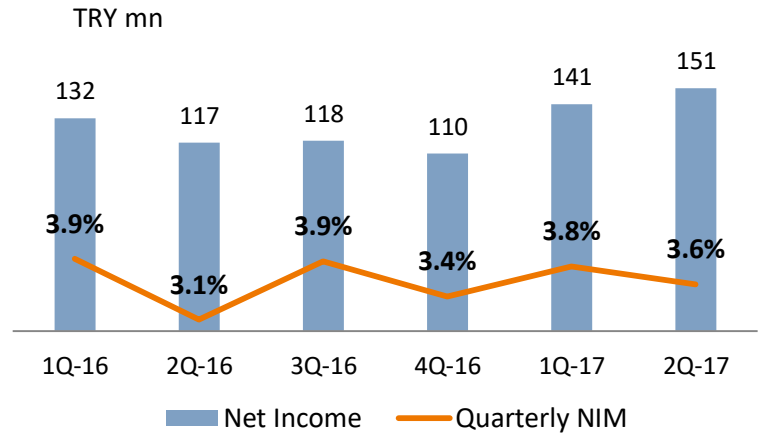
Sustainability is core to our activities



Financial Highlights

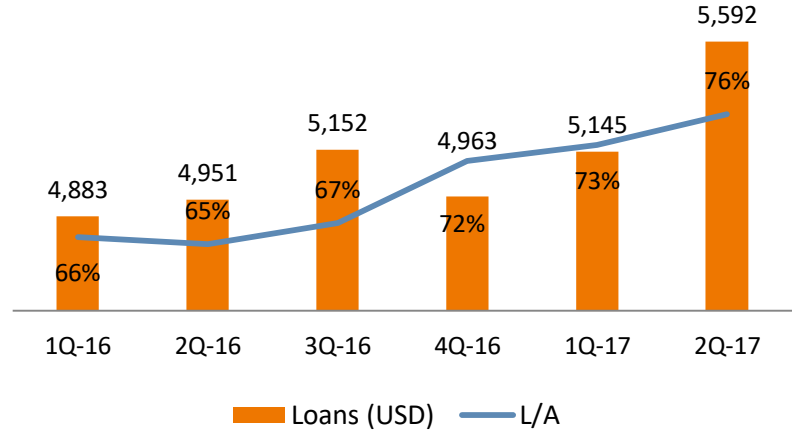
Sustainable Profitability & Net Interest Margin

- 1H-2017 profit **TL 291.3 mn** , 16.9% higher than 1H-16
- RoE @ **19.1%**, 5-years average @ 18.6%
- NIM@ **3.8%**
- C/I ratio @ **14.5%**



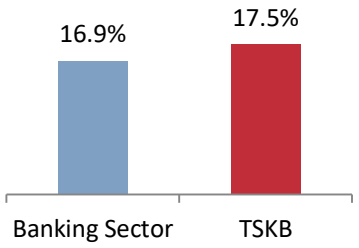
Robust Asset Quality - High Efficiency

- **5.5%** QoQ Loan Growth, NPL ratio @ **0.3%**
- Cost of risk : **19 bps**
- CAR @ **17.5%,** Tier 1 @ **12.5%**
- Leverage ratio : **8.1X**

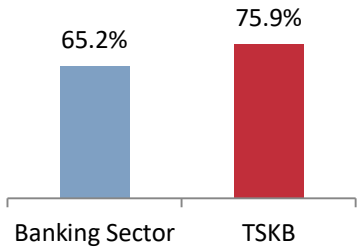


Banking Sector vs TSKB

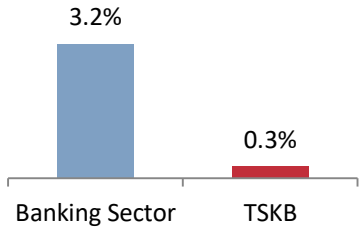
CAR



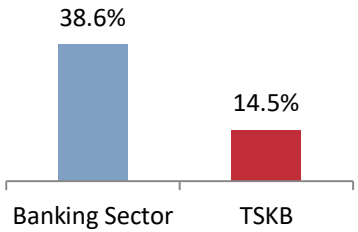
Loans/Assets



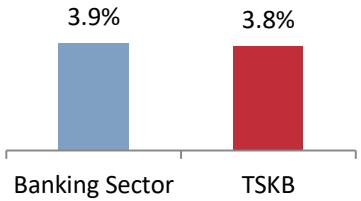
NPL



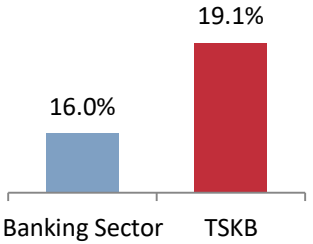
Cost to Income



NIM



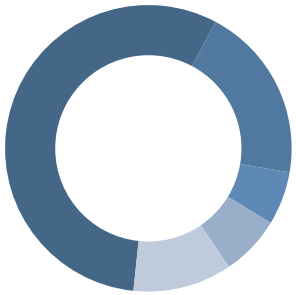
ROE



* Sector data as of June 17

Banking Sector

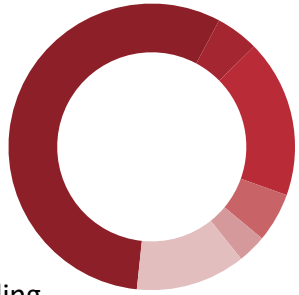
Deposits; 56.1%



Deposits
(Average maturity less than 3 months)

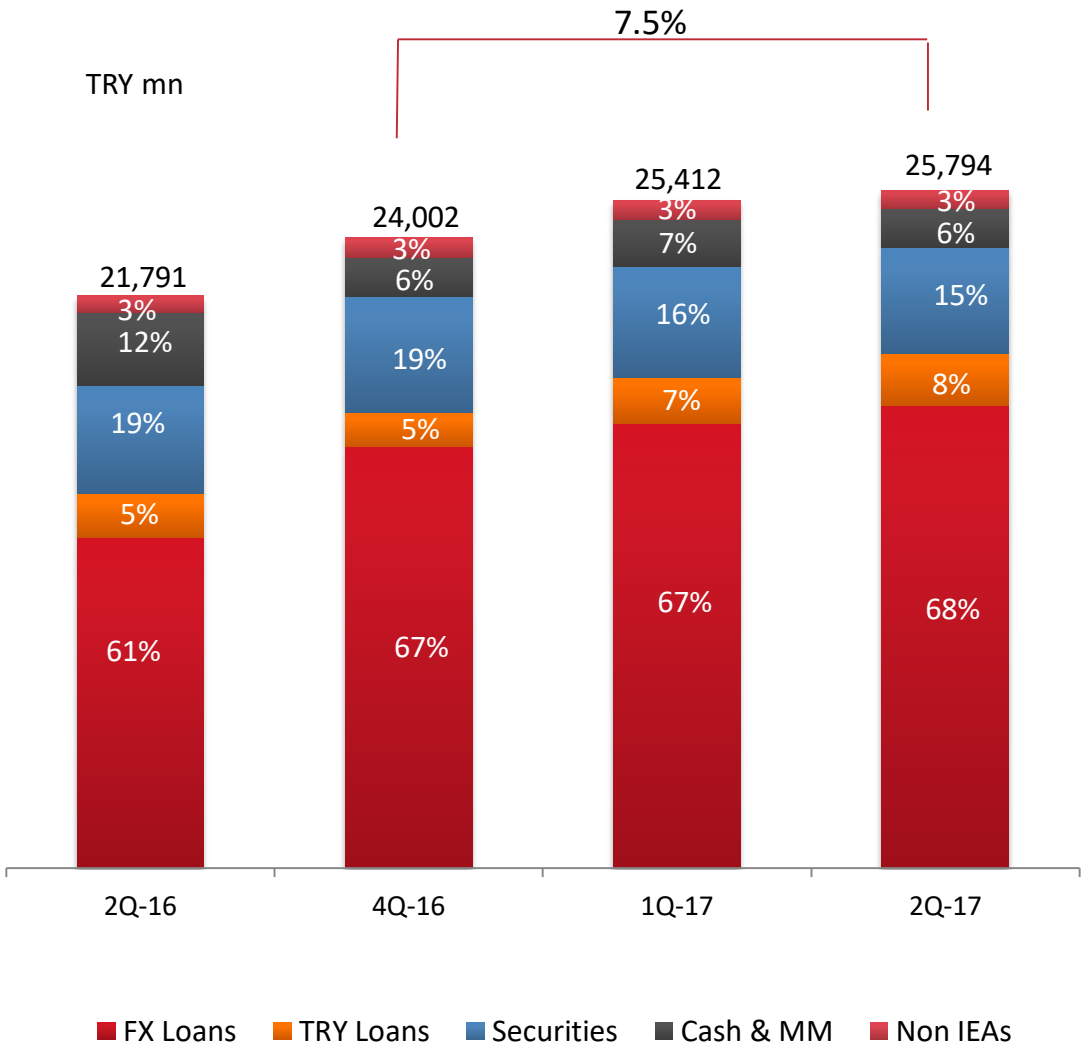
TSKB

Long Term DFI Funding 56%



Long Term DFI Funding
(11 years of average maturity)

Asset Composition

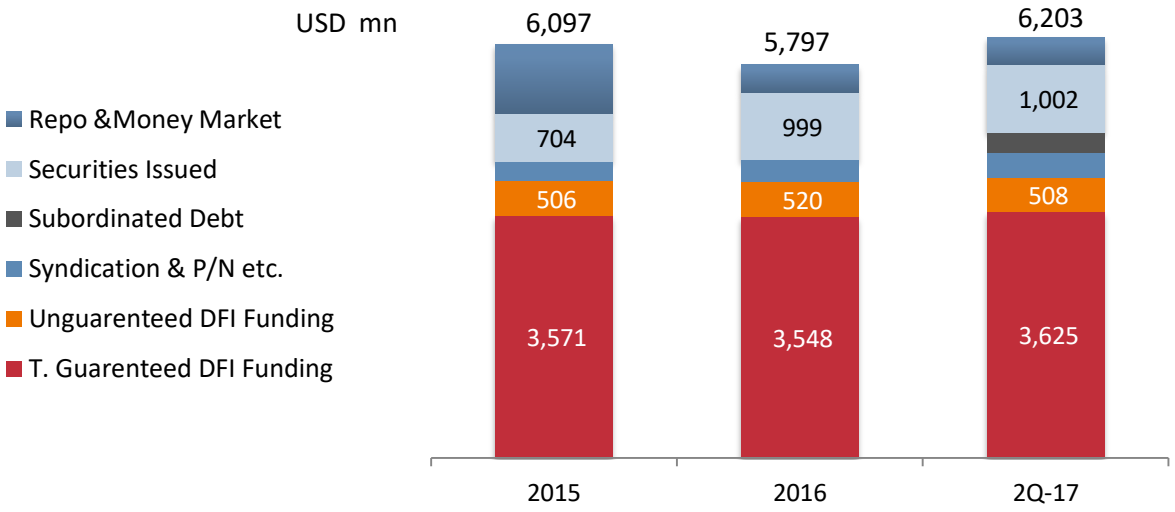


Growth (FX adjusted)

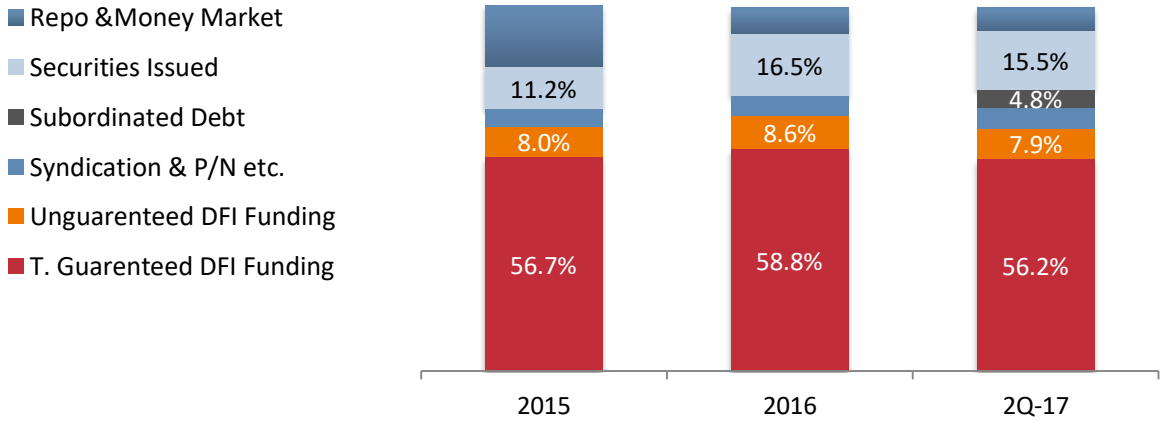
	QoQ	YTD	YoY
Loans	5.5%	9.3%	14.1%
Liquid Assets	-10.9%	-9.0%	-26.9%
Total Assets	2.1%	4.6%	1.3%
FX Assets	2.2%	3.7%	7.7%
TRY Assets	-0.1%	5.3%	-14.5%

Leverage Ratio	8.1X
Loan to Asset Ratio	75.9%
FX Assets Ratio	77%

Funding Structure



Funding / Total Liabilities (exc equity)



Total Funding:
USD 6,203 mn

87% of the Total Funding is Long Term

FX Short term funding: **9%**
(including syndication, P/N, Repo, Money Market)

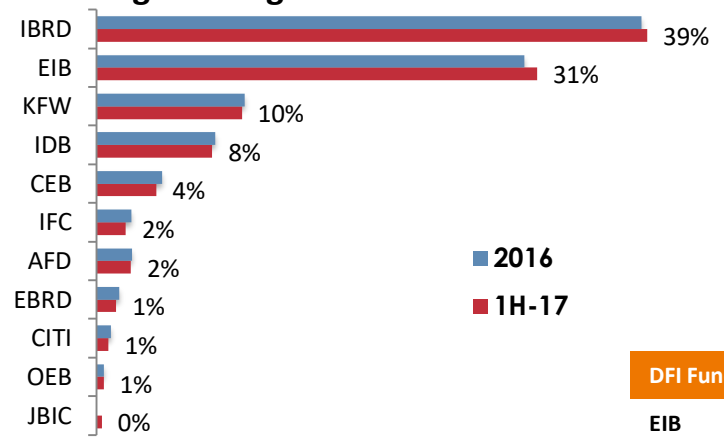
Total Senior Eurobond:
1 billion USD

Tier 2 Capital:
300 million USD

DFI Funding / Long Term Funding
78%

Long Term DFI Funding

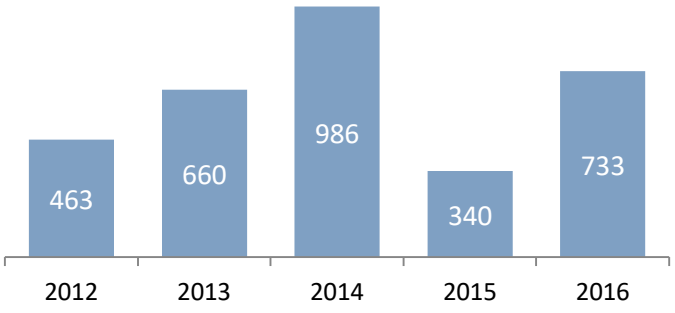
Outstanding Funding Base



88% of DFI Funding guaranteed by Turkish Treasury

Yearly Multilateral Funding Agreements

USD mn



DFI Funding - 2016	Amount	Theme
EIB	100 mio EUR	SME and Midcap
EIB	100 mio EUR	Energy and Environment
AFD	100 mio EUR	Women Employment and Occupational Health&Safety
IBRD	150 mio USD	Geothermal Energy
CEB	100 mio EUR	APEX
KfW	150 mio EUR	Renewable Energy and Environment
TOTAL 2016	**733 mio USD**	

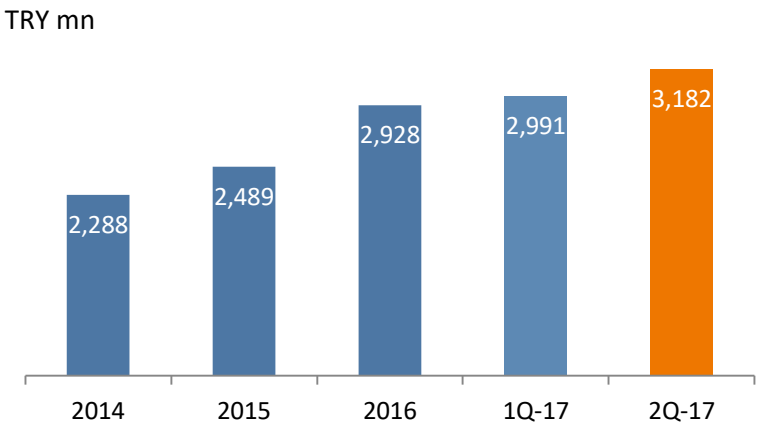
+

InnovFin SME Guarantee Facility agreement which has a maximum portfolio volume of EUR 20 million with European Investment Fund (EIF) to ease financial access of innovative SMEs and small Mid-caps

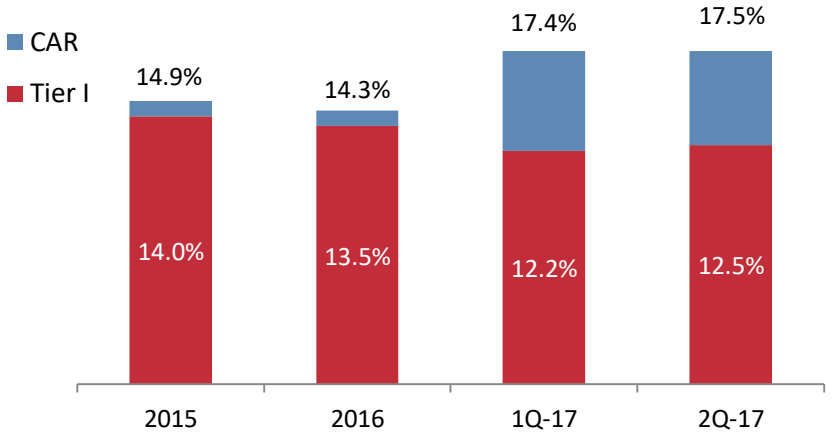
**DFI: Development Finance Institutions*

Shareholders' Equity

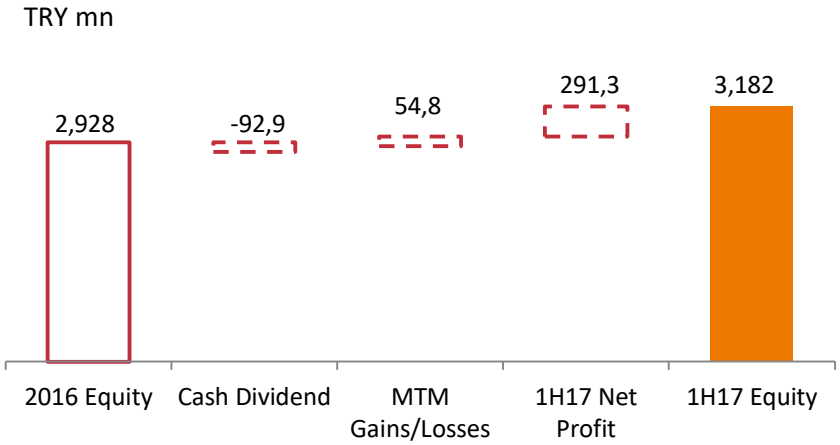
Equity



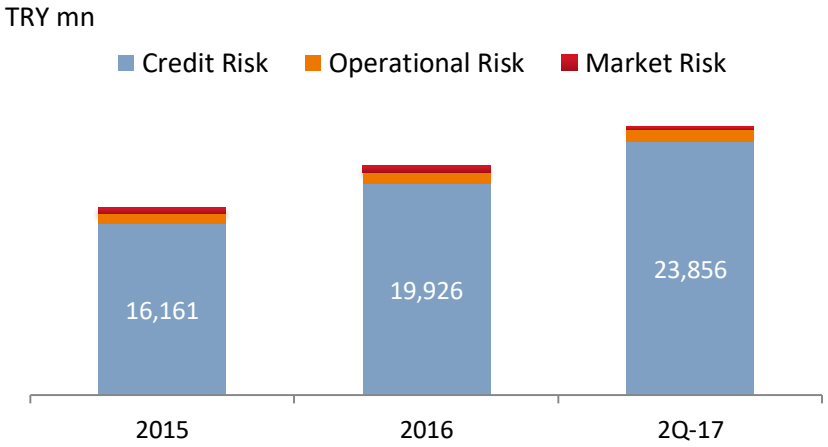
Capital Adequacy Ratio



Equity Movement

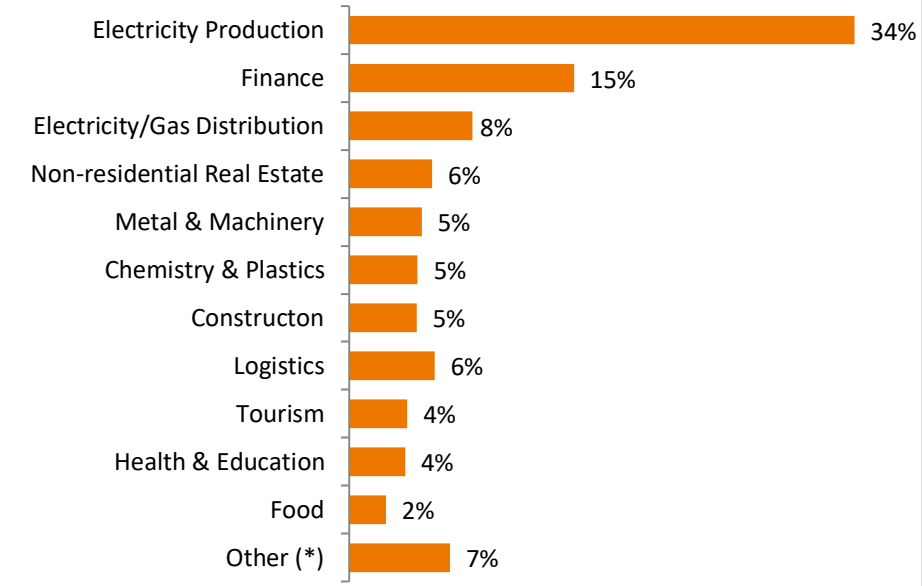


Risk Weighted Assets



Loan Portfolio

Loans by Sector



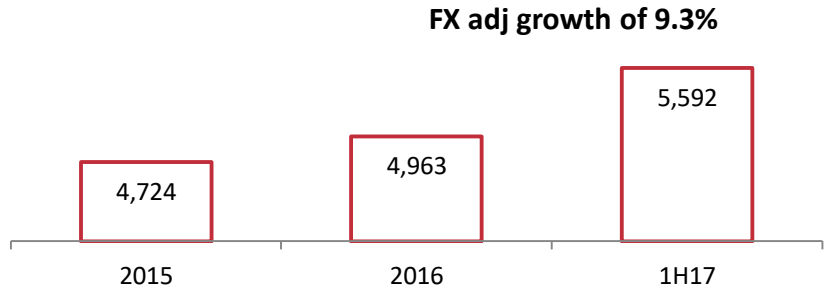
(*) Automative: 2%, Textile: 2%, Other: 3%

- **39%** in Euros, **51%** in USD, **%10** TRY
- **5.5 years** of average maturity
- **2.7 years** of average duration

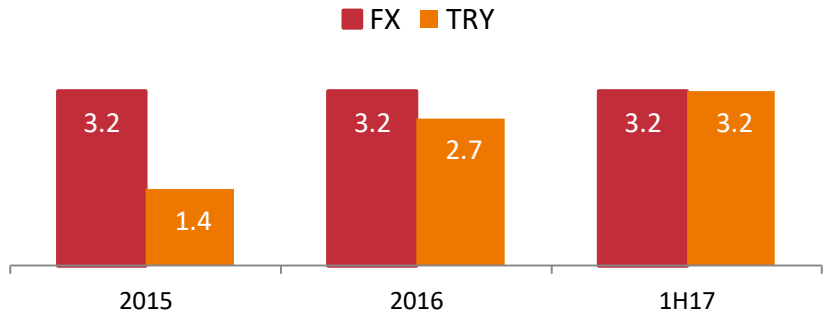
Loans by Type

- **62% Investment Loans**
- **32% Working Capital Loans**
- **6% APEX**

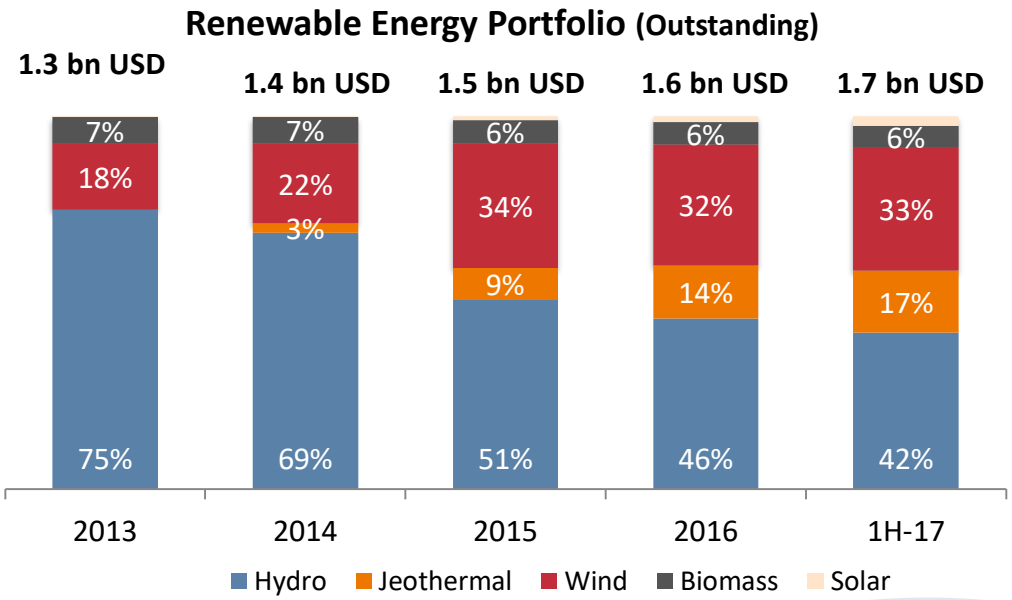
Loan Portfolio (mn USD)



Net Loan Spread



Renewable Energy and Energy&Resource Efficiency



- **152 of 282 RE are in operation**
- **5,541 mw installed capacity is financed:,**
  - **4,438 mw are in operation (80%)**

125 Projects in Energy&Resource Efficiency, **8%** of the portfolio

Resource Efficiency	Energy Efficiency
• 49 projects • Sectors; Tourism, Chemistry, Automative, Steel, Cement, Textile	• 76 projects • Sectors; Chemistry, Automative, Cement, Minery, Energy, Steel, Textile

Renewable Support Mechanism by YEKDEM Law

Guaranteed Sales Prices & Local Machinery Incentives		
Type	Guaranteed Sale Price (USD cent/kWh)	Local Machinery Incentives (USD cent/kWh)
Hydro Power Plant	7,3	1,0—2,3
Wind Power Plant	7,3	0,6—3,7
Geothermal Power Plant	10,5	0,7—2,7
Biomass Power Plant	13,3	0,4—5,6
Solar Power Plant	13,3	0,5— 9,2

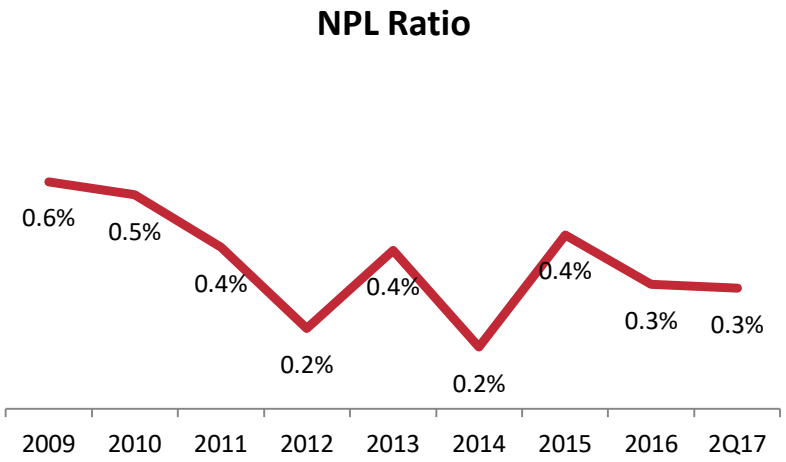
RE Plants Participated in «YEKDEM» Portfolio

	Established MW						Number of Plants					
	2012	**2013**	**2014**	**2015**	**2016**	**2017**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**
Hydro	930	217	598	2.218	9.561	11.498	**44**	14	40	126	388	418
Wind	685	76	825	2.775	4.320	5.396	**22**	3	21	60	106	141
Biomass	73	101	147	193	204	311	**8**	15	23	34	42	57
Geothermal	72	140	228	390	599	754	**4**	6	9	14	20	29
Solar	-	-	-	-	-	13	**-**	-	-	-	-	2
TOTAL	**1.760**	**534**	**1.798**	**5.575**	**14.684**	**17.972**	**78**	**38**	**93**	**234**	**556**	**647**

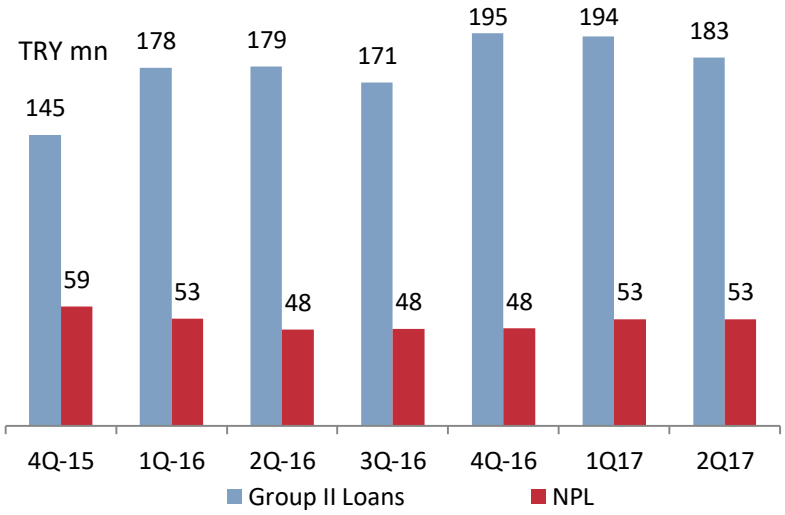
- The plants which become operative can apply to YEKDEM and utilise incentives until 31/12/2020 .
- The guaranteed prices are applicable for 10 years after commissioning.
- Local machinery incentives are applicable for 5 years after commissioning.

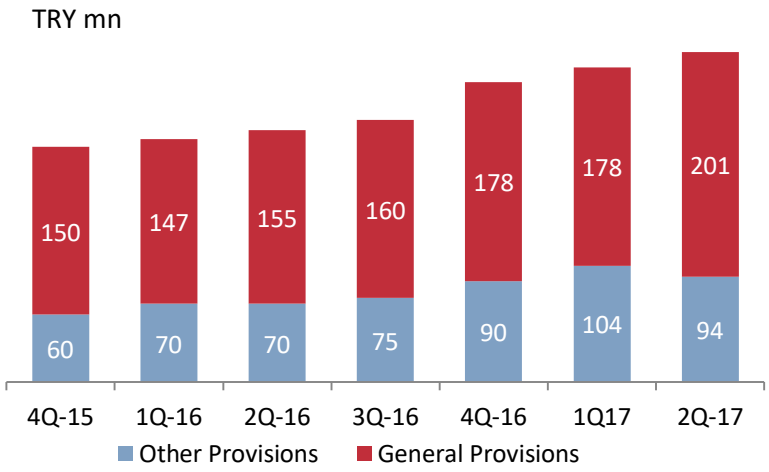
Mainly due to depreciation in TL

Robust Asset Quality



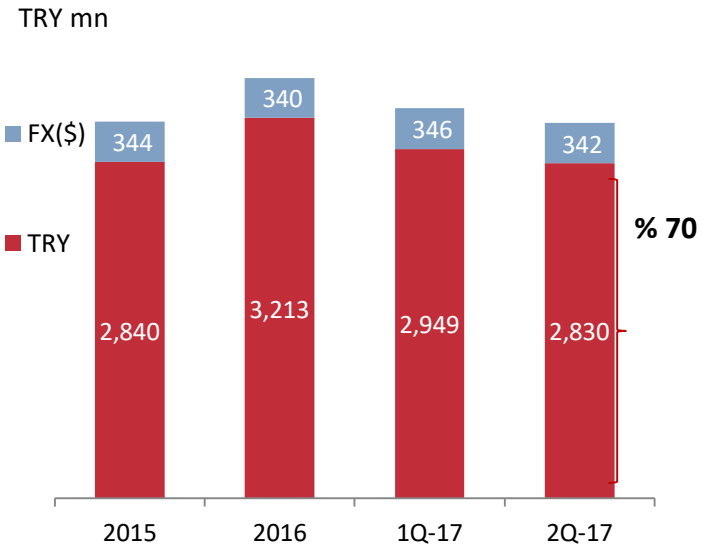
* Average NPL ratio for last 5 years is 0.3%





	4Q-15	1Q-16	2Q-16	3Q-16	4Q-16	1Q-17	2Q-17
2. Group Loans / T. Loans	1.1%	1.3%	1.3%	1.1%	1.1%	1.0%	0.9%
2. Group + NPL / T. Loans	1.5%	1.7%	1.6%	1.4%	1.4%	1.3%	1.2%
Provisions (exc General) / 2. Group + NPL	58%	54%	53%	56%	57%	64%	58%

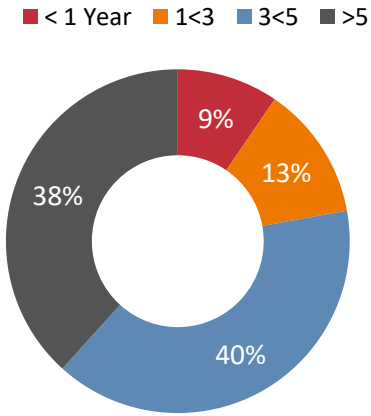
Securities Portfolio

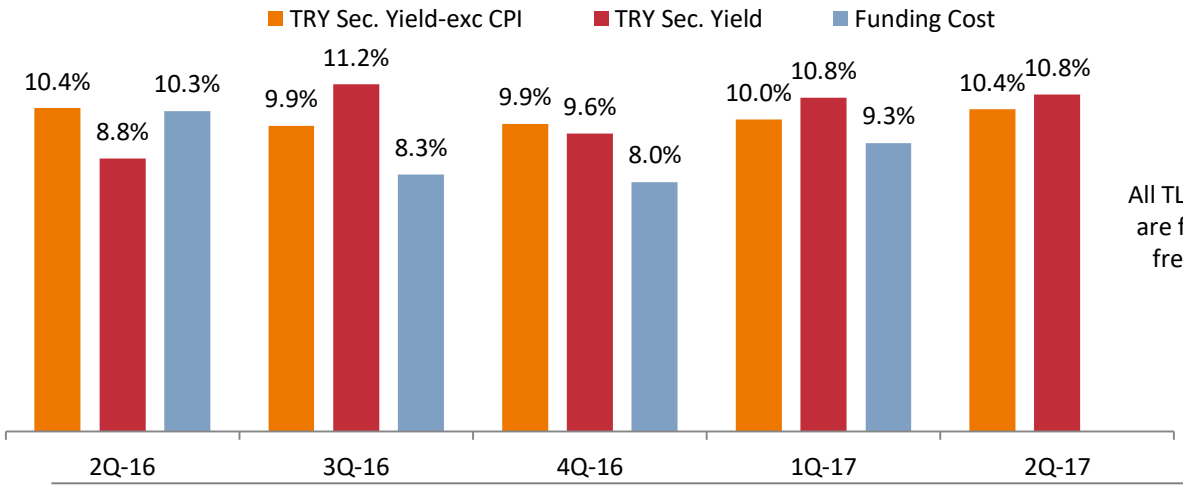


- Duration is **3.1 yrs** in Fixed & Floating bonds, **4.8 yrs** in CPIs.
- **64%** is in AFS portfolio.
- **3%** of TRY portfolio funded by repo
- Private sector bonds: **4%** of total portfolio

TRY Securities / Assets : 11%

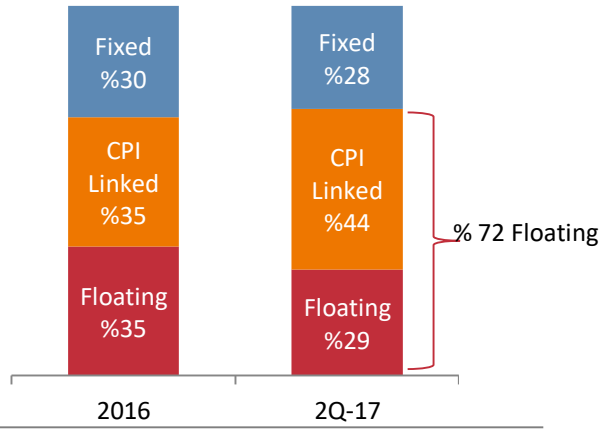
By maturity





All TL securities are funded by free equity

TRY Securities Portfolio Breakdown



Quarterly Income Breakdown

(TRY mn)	2Q-16	1Q-17	2Q-17	QoQ	YoY
Net Interest Income	159.1	209.0	205.7	-1.6%	29.3%
Trading Income – Adj.	-7.4	11.3	12.1	7.1%	-
Net Commissions	2.2	2.2	3.6	61.4%	65.0%
Dividend & Other	24.4	5.0	14.5	189.7%	-40.6%
Net Banking Income	178.3	227.5	235.8	3.6%	32.3%
OPEX	-32.1	-34.1	-33.2	-2.5%	3.6%
Operating Profit	146.2	193.5	202.6	4.7%	38.6%
Provisions	-3.8	-18.9	-12.8	-32.5%	238.5%
Tax	-25.6	-33.8	-39.3	16.2%	53.3%
Net Profit	116.9	140.8	150.6	7.0%	28.9%

NII; flat qoq, strong yoy

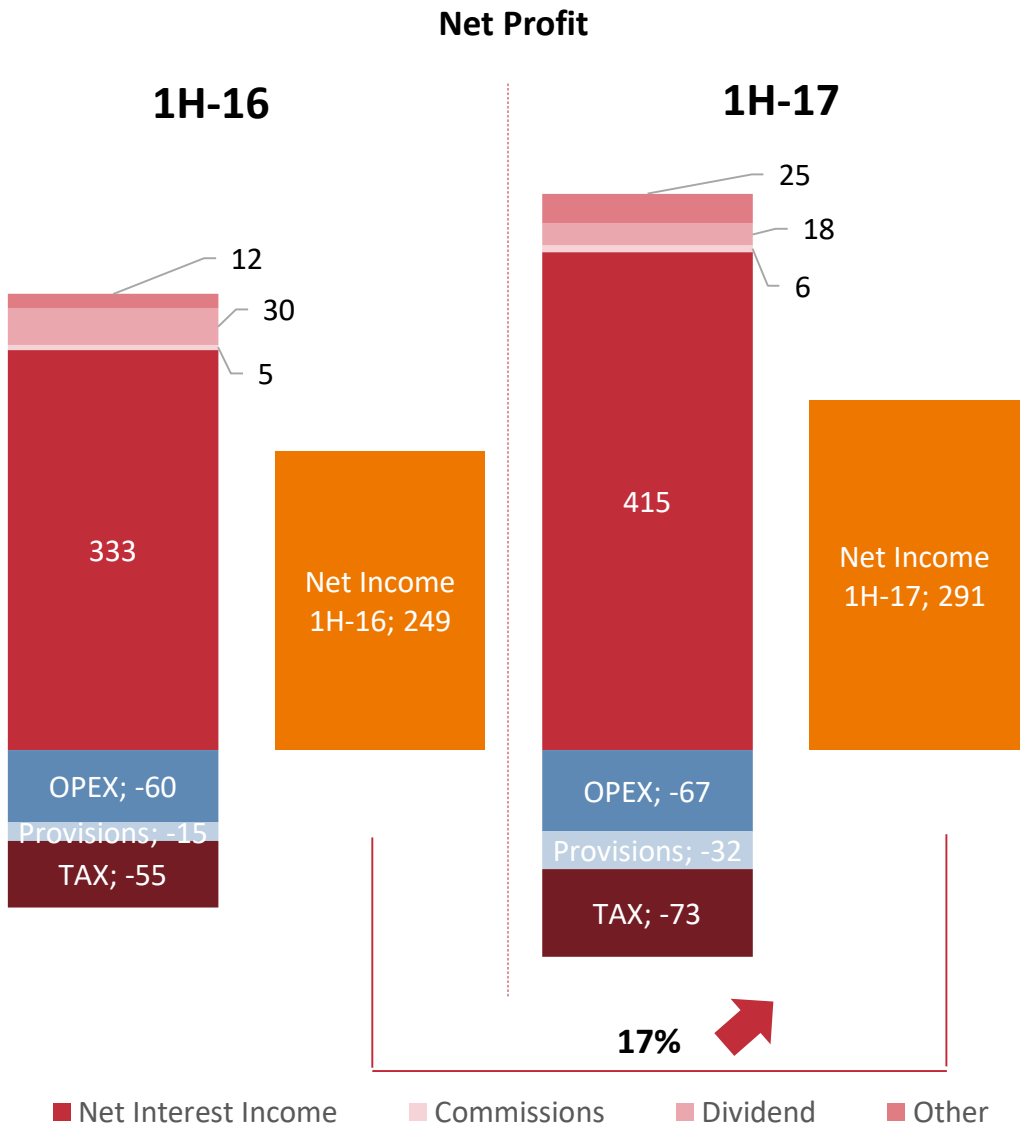
Dividend income from Is Leasing

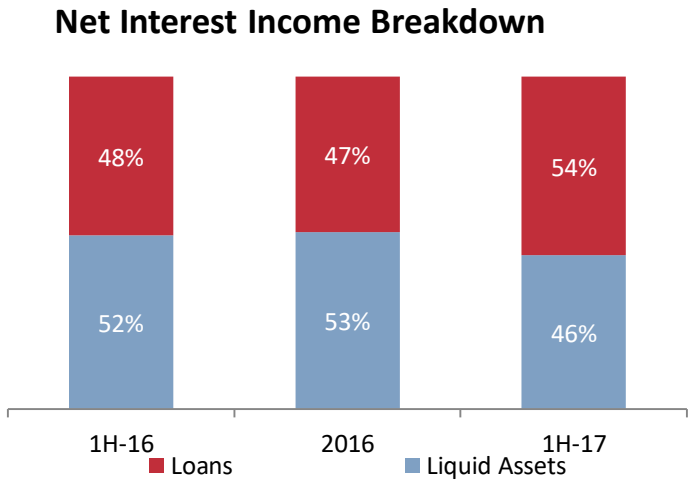
Normalized OPEX

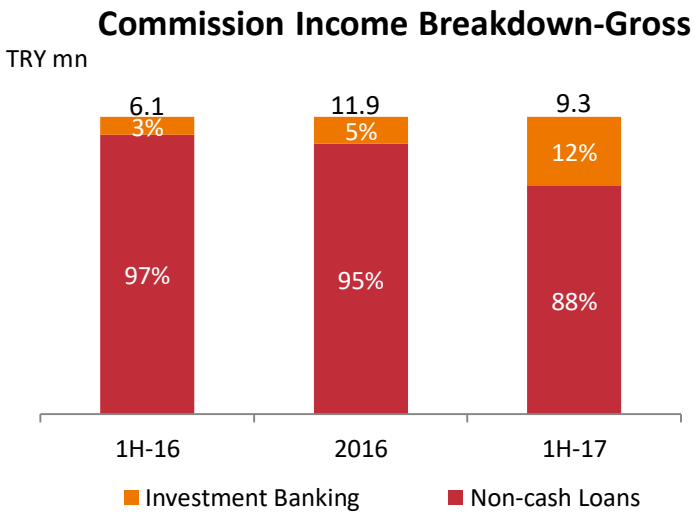
Sustainable qoq EPS growth

**Based on MIS data*
*** Swap costs are adjusted between trading income and interest income from loans.*
****Interest Income from securities includes impairment expenses of marketable securities with provisions.*

Cumulative Income Breakdown

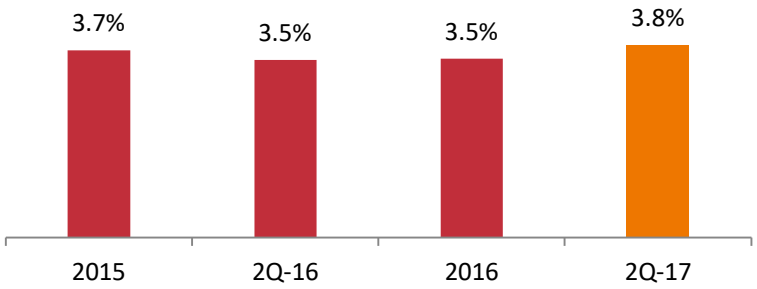




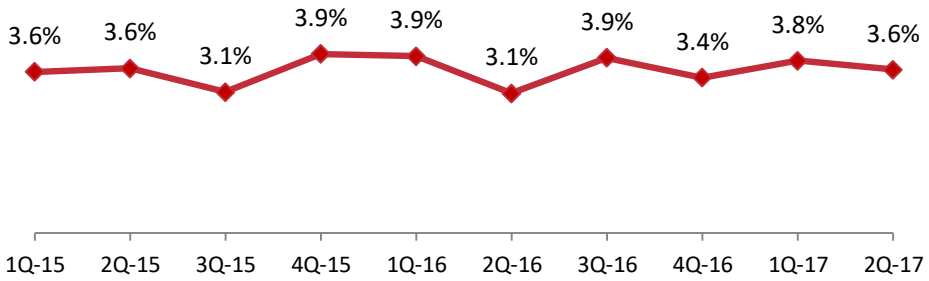


Net Interest Margin

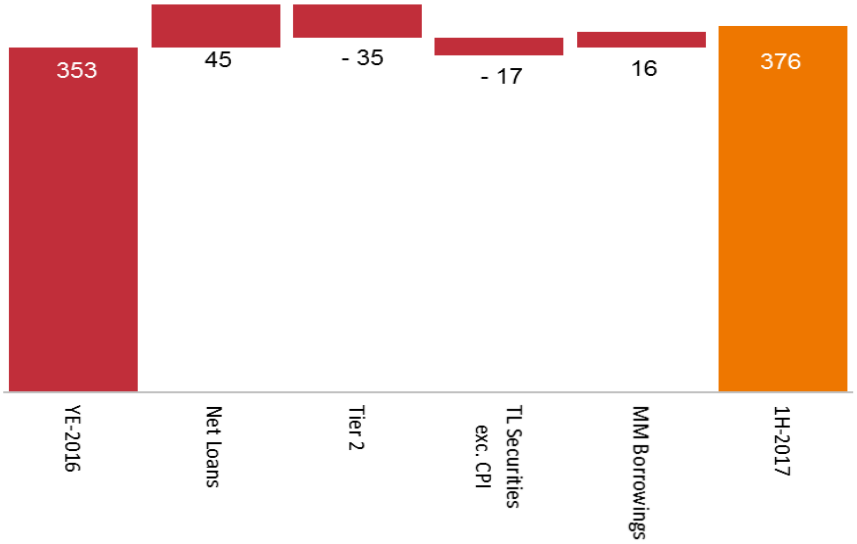
Annual NIM



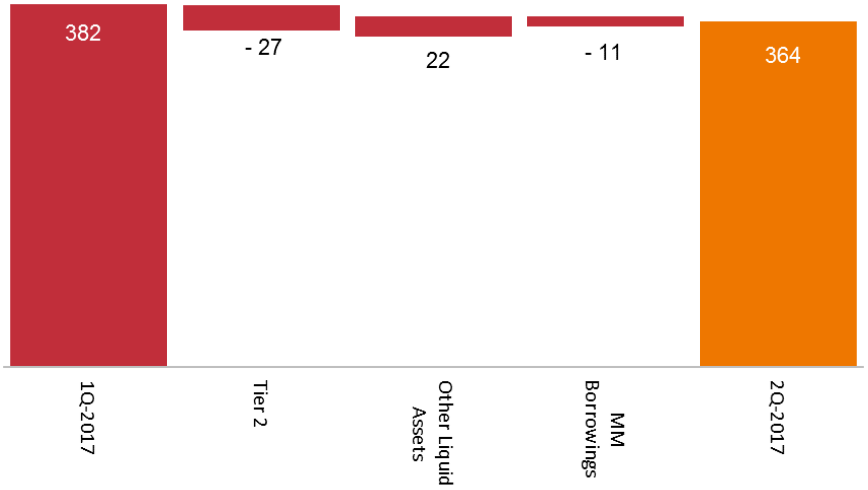
Quarterly NIM



NIM Evolution Cumulative

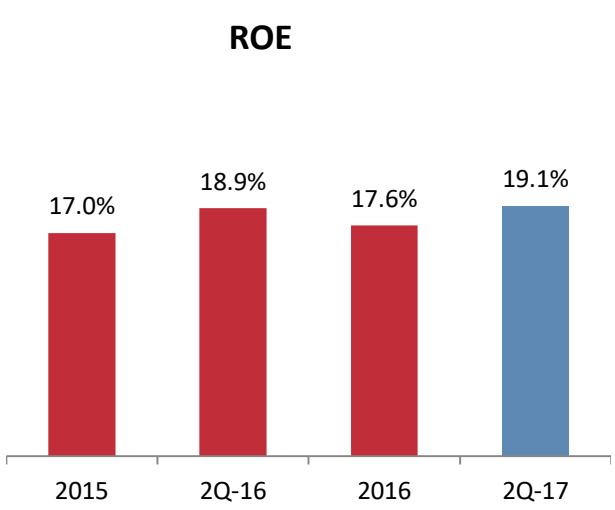


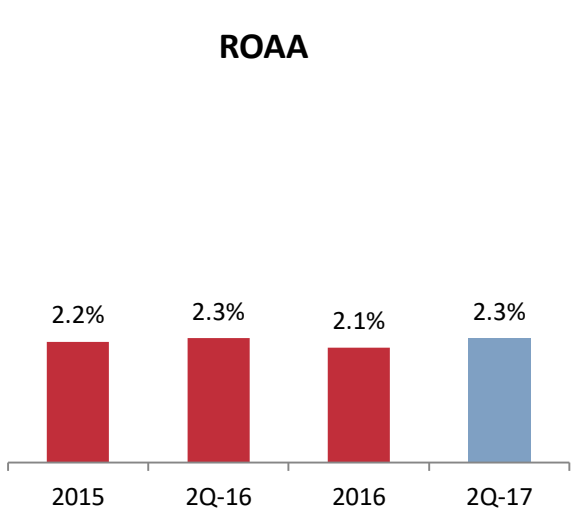
NIM Evolution Quarterly

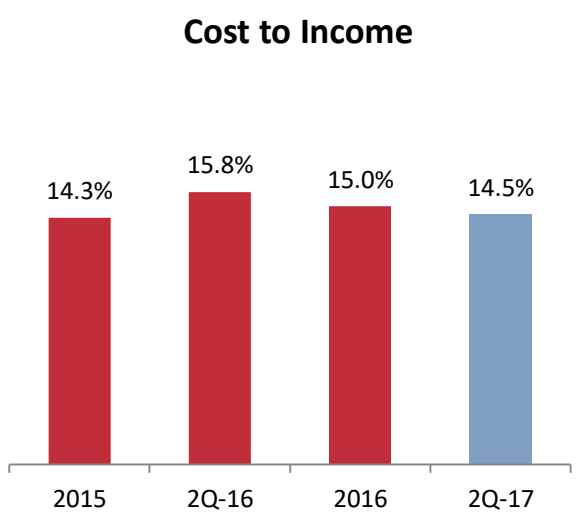


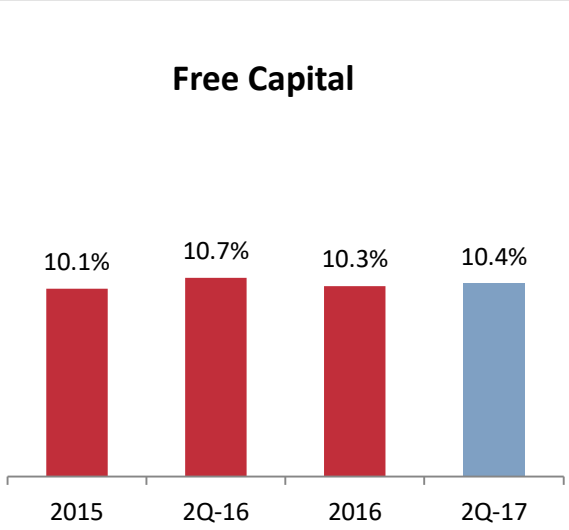
Based on Adj Net Interest Income excluding valuation gain/loss. Quarterly and Annual Adj. Net Interest Incomes are annualized.

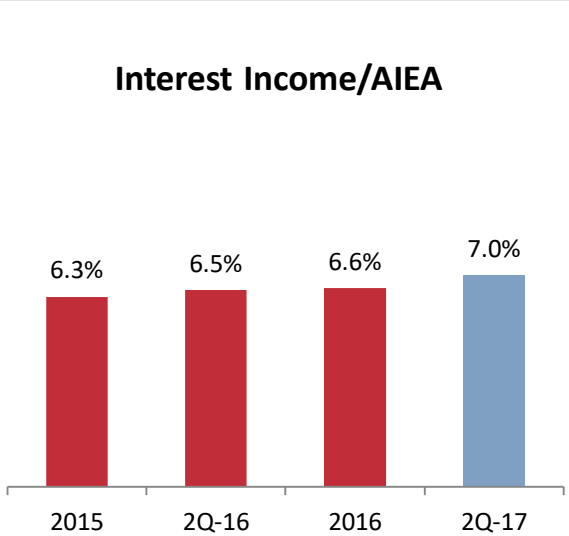
Key Performance Indicators

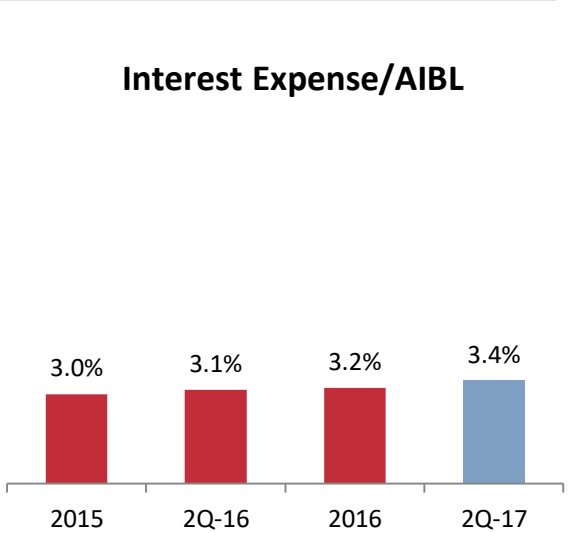












ROE; Annualized Net Income for the period / Average Total Equity. ROAA; Annualized Net Income for the period / Average Total Assets.

Appendix: 2017 Forward Looking Expectations

(%)	2017 Guidance
FX Adjusted Loan Growth	10-**13**
Loans/Assets Ratio	70
Net Interest Income Growth	>12
Net Fees & Commissions Growth	>20
Net Interest Margin	>3.5
Return On Equity	17-18
Return On Assets	~2.0
Cost/Income Ratio	15-16
OPEX Growth	13
Capital Adequacy Ratio	>14
NPL Ratio	<0.5
Leverage Ratio	~8X

Appendix: Balance Sheet

(TRY mn)	30/06/2016			31/12/2016			30/06/2017		
	TRY	FX	TOTAL	TRY	FX	TOTAL	TRY	FX	TOTAL
Cash and Banks	1,489	1,069	2,558	240	856	1,096	265	833	1,098
Securities	3,100	1,016	4,115	3,214	1,188	4,402	2,831	1,196	4,027
Loans	1,675	12,574	14,279	1,280	16,042	17,322	1,974	17,612	19,586
Subsidiaries	370	11	381	382	19	401	414	22	436
Other	156	333	488	254	527	781	298	348	646
Total	**6,789**	**15,002**	**21,791**	**5,370**	**18,632**	**24,002**	**5,783**	**20,011**	**25,794**
ST Funds	1,809	1,279	3,088	485	1,599	2,084	887	1,797	2,684
LT Funds	-	11,769	11,372	-	14,196	14,196	-	14,478	14,478
Securities Issued	-	2,943	2,943	-	3,487	3,487	-	4,608	4,608
Repo*	507	71	578	460	61	521	-	99	99
Other	443	187	630	501	285	786	486	258	744
Equity	2,740	43	2,783	2,955	-27	2,928	3,170	12	3,182
Total	**5,499**	**16,293**	**21,791**	**4,401**	**19,601**	**24,002**	**4,543**	**21,251**	**25,794**

* TRY security funding only

Appendix: Quarterly Income Breakdown

(TRY mn)	1Q-15	2Q-15	3Q-15	4Q-15	1Q-16	2Q-16	3Q-16	4Q-16	1Q-17	2Q-17	Change QoQ	Change YoY
Adj. Net Interest Income	136	152	142	185	181	153	183	201	220	218	-1.2%	42.6%
Net Commisions	2	3	4	3	1	1	1	1	2	4	61.4%	202.4%
Dividend Income	13	20	0	0	9	21	0	0	3	15	382.2%	-28.2%
Other Operating Income	16	1	1	1	10	4	1	1	2	0	-122.1%	-111.6%
Net Banking Income	**167**	**175**	**146**	**189**	**202**	**178**	**186**	**203**	**228**	**236**	**3.6%**	**32.3%**
Personnel Expenses	16	16	16	17	18	18	18	19	20	21	4.3%	17.0%
Adm. Expenses	5	6	5	6	5	6	6	6	10	7	-23.2%	30.9%
Other Op. Expenses	6	4	3	3	5	9	3	3	4	5	12.0%	-42.9%
Operating Profit	**141**	**150**	**123**	**164**	**174**	**146**	**158**	**175**	**194**	**203**	**4.7%**	**38.6%**
Provisions(+/-)	-27	-9	-16	-17	-12	-4	-11	-34	-19	-13	-32.5%	238.5%
Profit Before Tax	114	141	107	147	162	143	148	141	175	190	8.8%	33.3%
Tax Provisions	-19	-26	-24	-33	-30	-26	-30	-31	-34	-39	16.2%	53.3%
Net Profit	**94**	**116**	**82**	**115**	**132**	**117**	**118**	**110**	**141**	**151**	**7.0%**	**28.9%**

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ir@tskb.com.tr | www.tskb.com