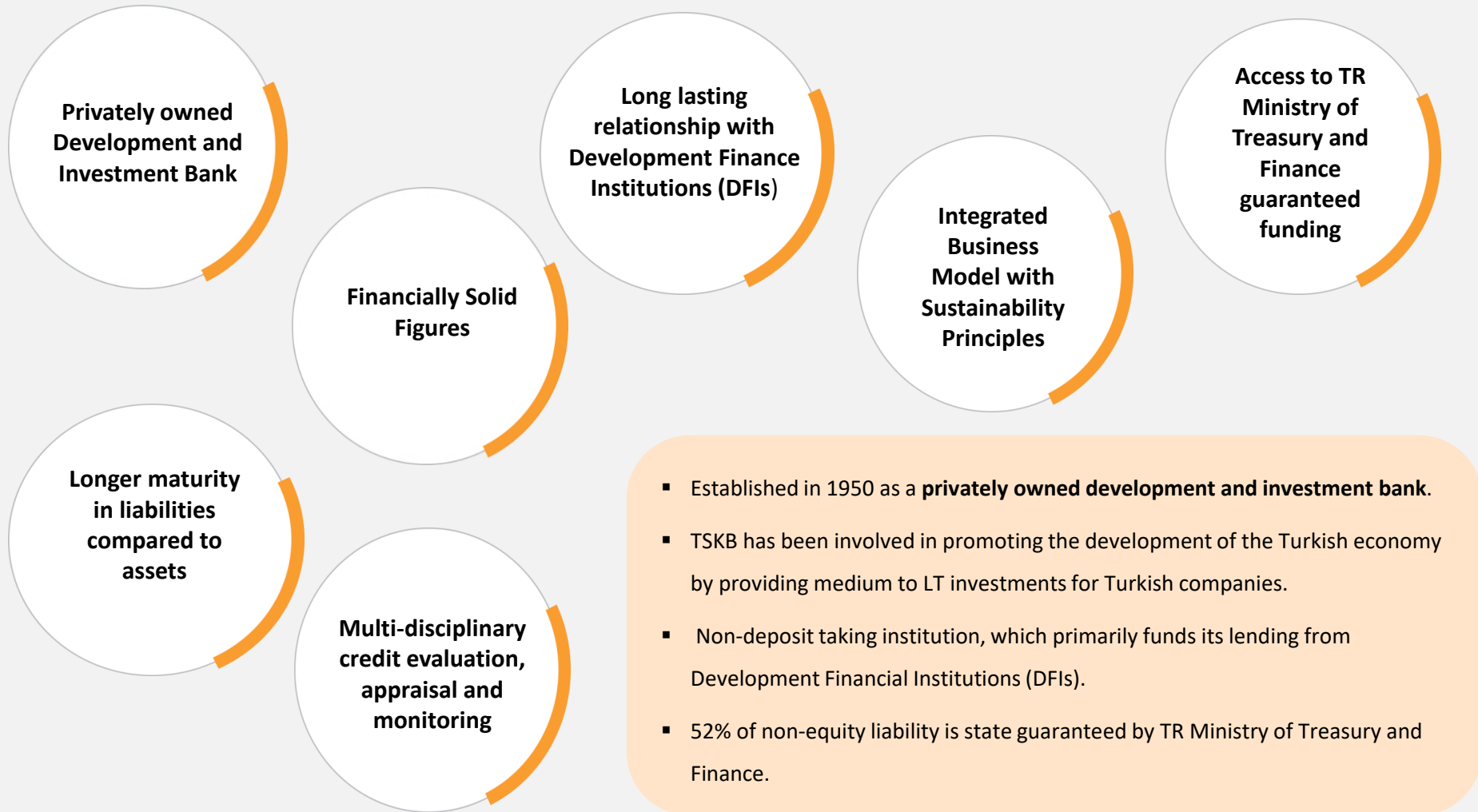


The Industrial Development Bank of Turkey by 3Q '19



Türkiye Sınai Kalkınma Bankası
www.tskb.com.tr

Unique Banking Model

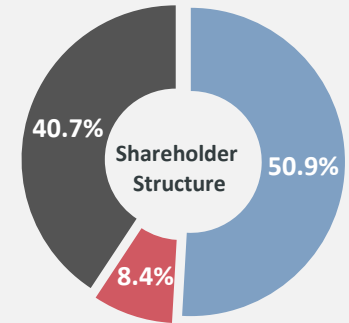


TSKB at a Glance

- TRY 40.3 bn asset size
- 369 employees, 1 branch
- 13th bank in terms of asset size
- 3.4% market share in LTFC corporate loans
- TRY 2.6 bn MCAP*
- 58.4% of free float belongs to **foreign investors**

*As of Nov. 4, 2019

- İş Bank Group
- Vakıfbank
- Free Float and Other

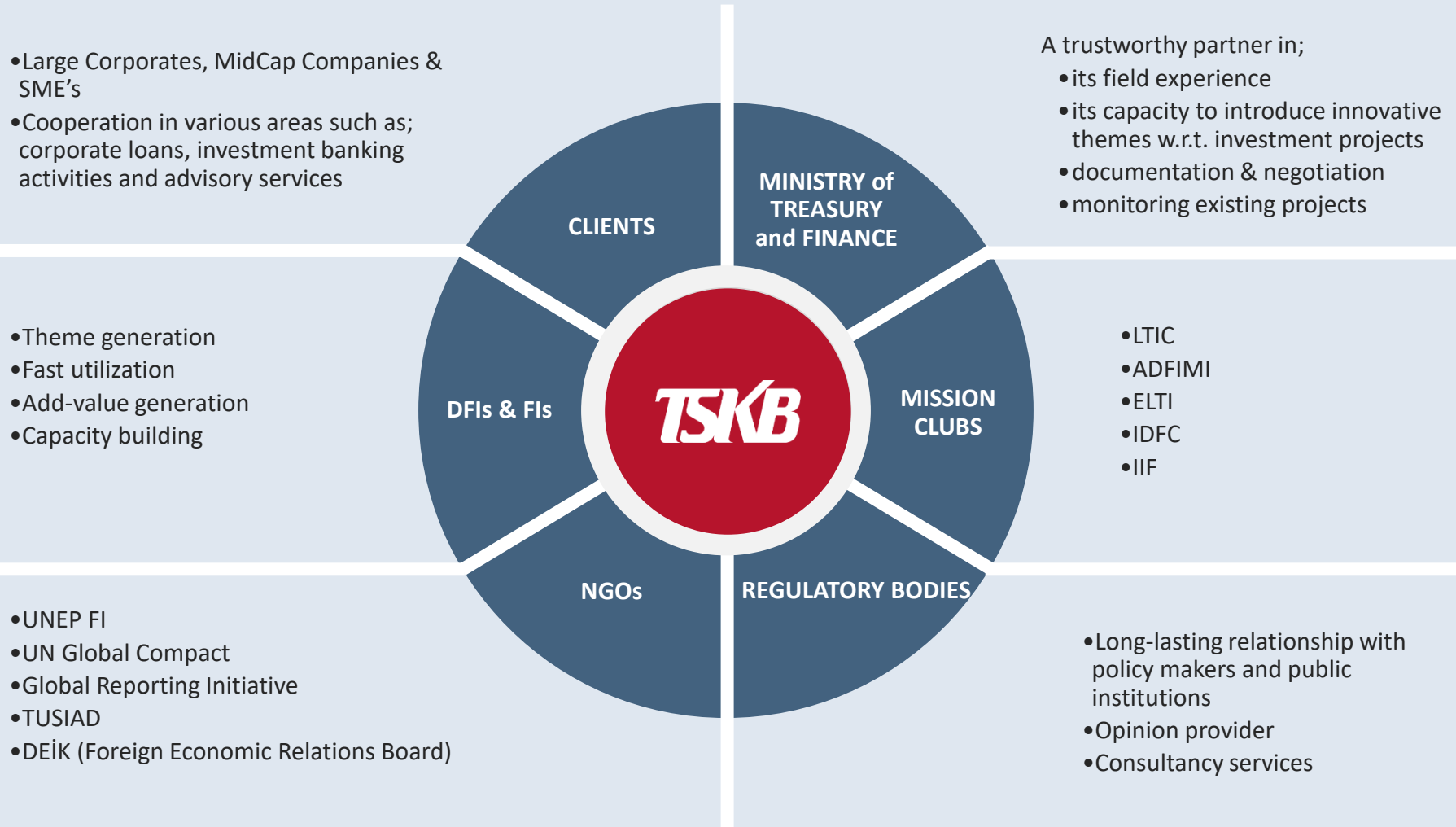


Ratings	TSKB	Turkey
Fitch LTFC	B+	BB-
Moody's LTIR	B3	B1
SAHA	9.56/10	

Subsidiaries



Main Stakeholders of the Bank



Sustainability is Key to Our Activities



Core Business Lines Supporting the Bank's Mission

Corporate Banking

- **Direct loan financing** – industrial investments, energy and resource efficiency, renewable energy, inclusiveness, women empowerment, education and health investments
- **Project finance loans** - Renewable energy, PPPs, infrastructure and logistic investments
- **On-lending of multilateral APEX funds** for SME and Export Finance secured from:
 - IBRD
 - CEB
 - EIB

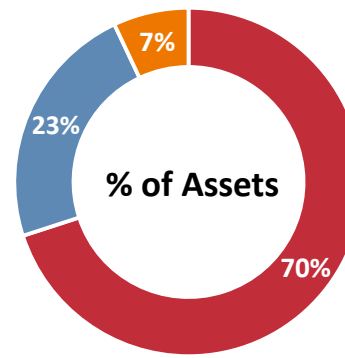
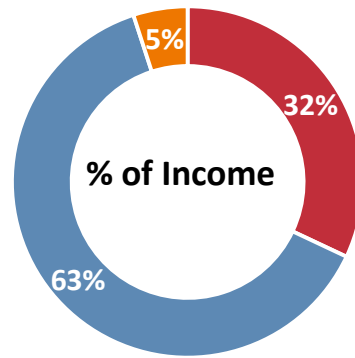
Investment Banking

- Manages own securities portfolio
- Structured risk management and funding solutions,
- Customized corporate finance solutions:
 - M&A advisory
 - Strategic consultancy
 - Asset purchase and sales advisory
 - Equity and bond issuances
 - Privatization activities

Advisory Services

- Strategic financial consultancy – LT partnership to support strategic expansion by way of valuation, feasibility analysis, financial structuring and providing strategic roadmaps
- Sustainability and environmental consulting:
 - ESMS
 - Technical consulting
 - Climate change management
 - Renewable energy consulting
 - Investment monitoring for FIs
- Real estate appraisals

- Corporate Banking
- Investment Banking
- Other Income, mainly from Subsidiaries as dividends

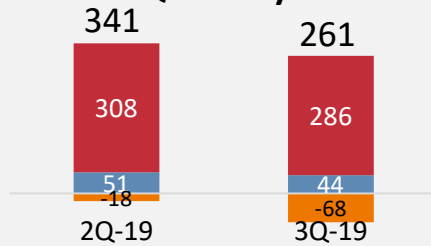


3Q-19 Highlights

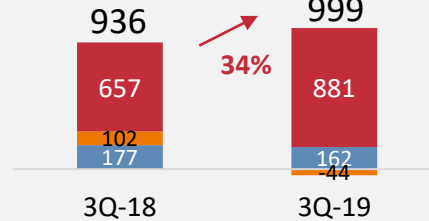
Net Banking Income

TL mn

Quarterly



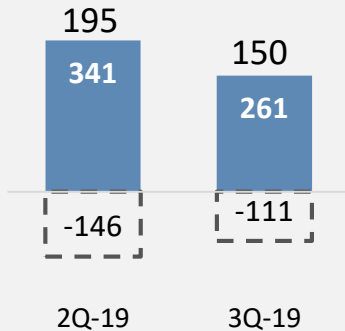
Cumulative



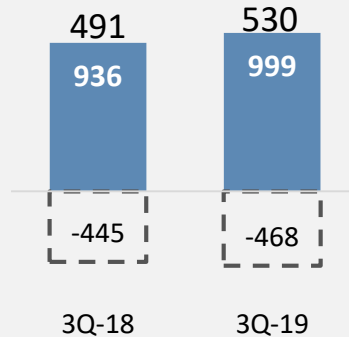
- Net Banking Income exc. CPI&Trading
- Trading Gain/Loss
- CPI Income

Net Profit

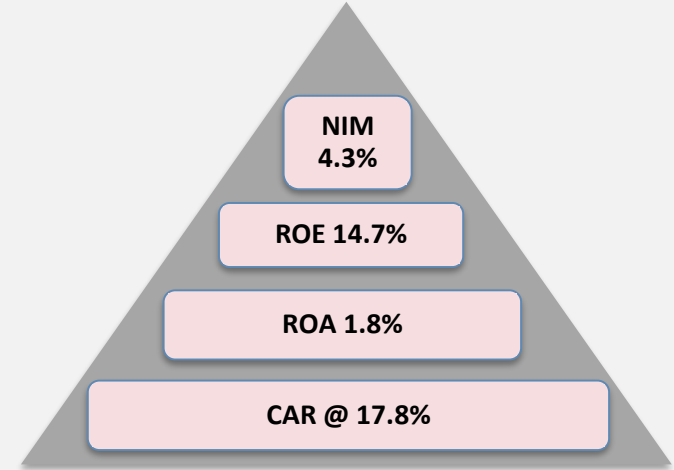
Quarterly



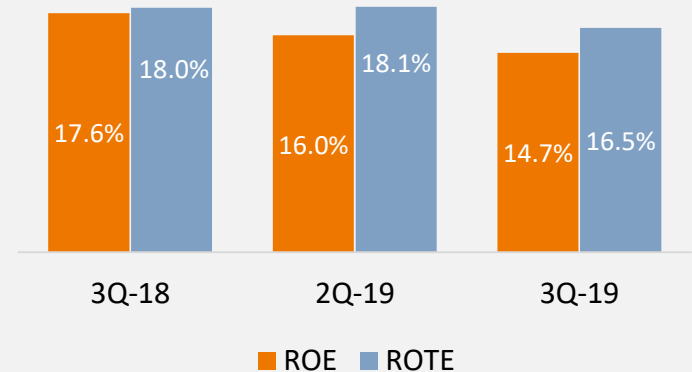
Cumulative



- Provisions&Tax
- Net Banking Income



Annualized ROE & ROTE

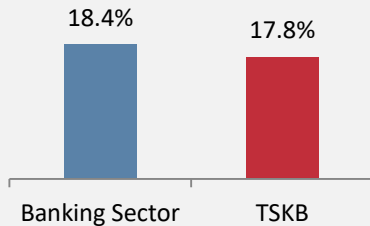


*Net Banking Income = Income before provisions and tax

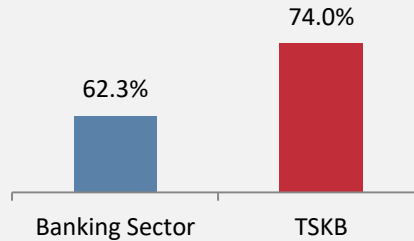
Tangible Equity (TE) = Shareholder equity – MtM valuations regarding FVOCI portfolio

Banking Sector vs TSKB

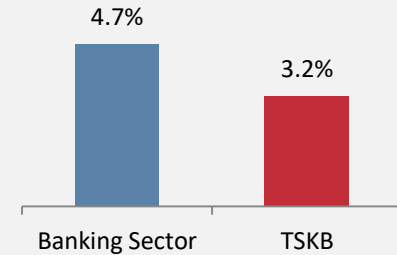
CAR



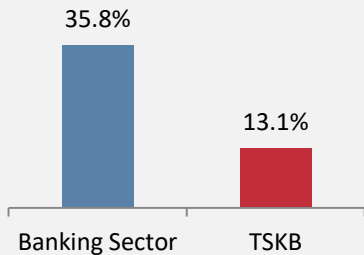
Loans/Assets



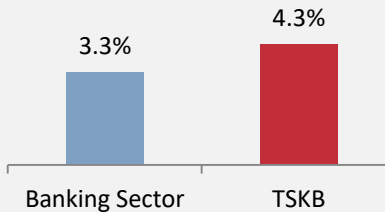
NPL



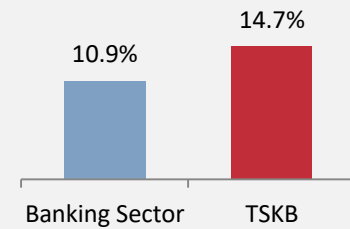
Cost to Income



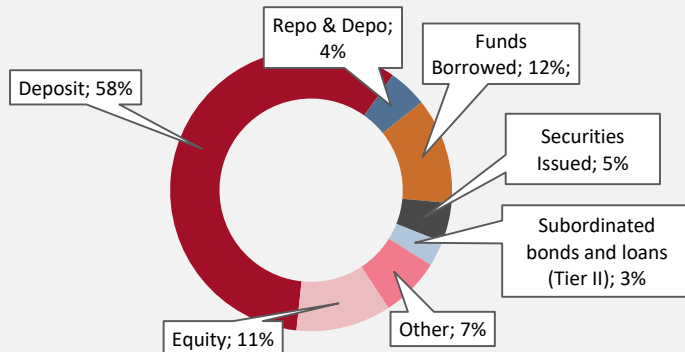
NIM



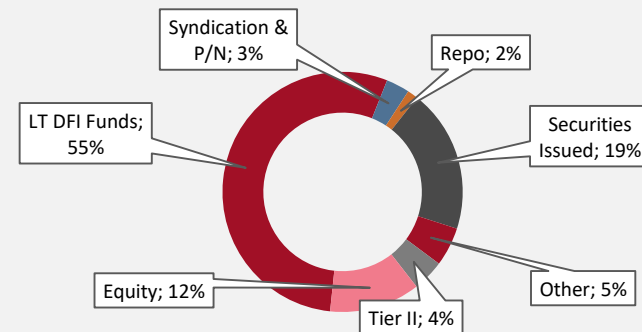
ROE



BANKING SECTOR



TSKB

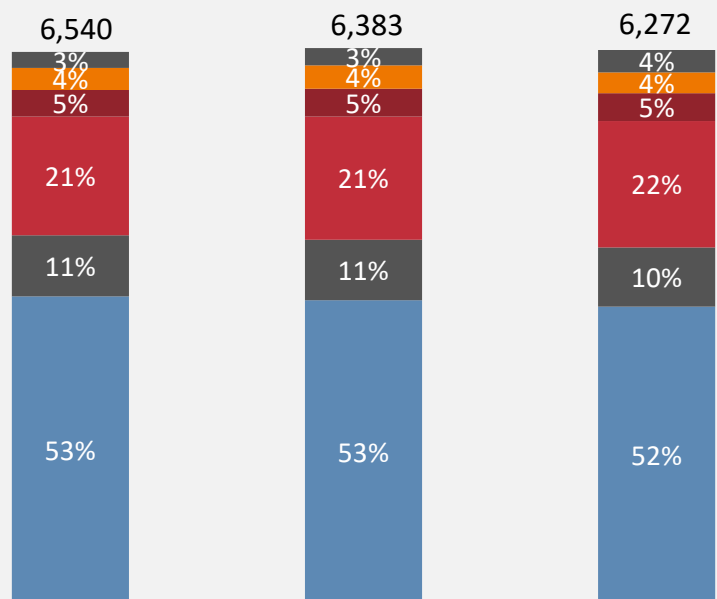


Majority of the funding is deposits with an average maturity of circa 1.1 months, while that of credits is almost 2.0 years.

Majority of the funding is in long term with an average maturity of 11 years while that of the loans is 5.5 years.

Solid FX Liquidity and Maturity Profile

Funding / Total Liabilities (exc. equity)



4Q-18

2Q-19

3Q-19

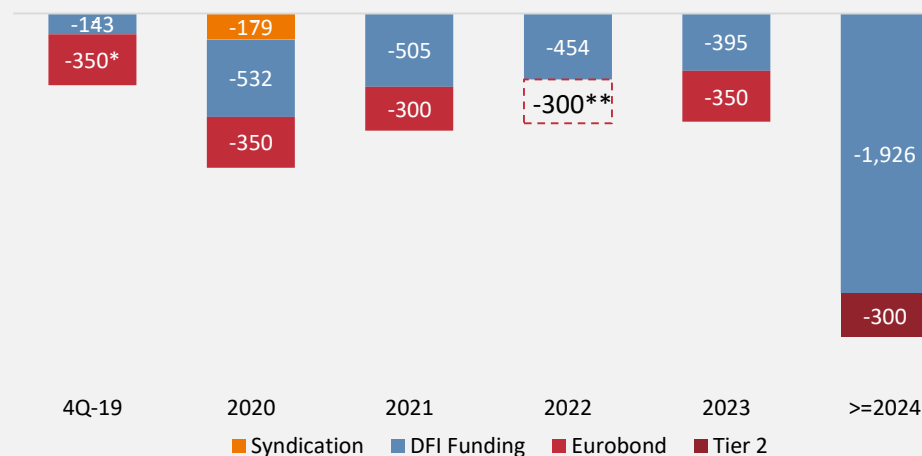
T. Guaranteed DFI Funding
Securities Issued
Syndication & Other

Unguarenteed DFI Funding
Subordinated Debt
Repo & Money Market

**Total
Funding:
\$ 6,272 mn**

92% of the Total Funding is Long Term

Maturity Profile of External Debt USD mn



4Q-19

2020

2021

2022

2023

>=2024

Syndication DFI Funding Eurobond Tier 2

*First eurobond amounting 350 mio dollars has been redeemed in 30th October.

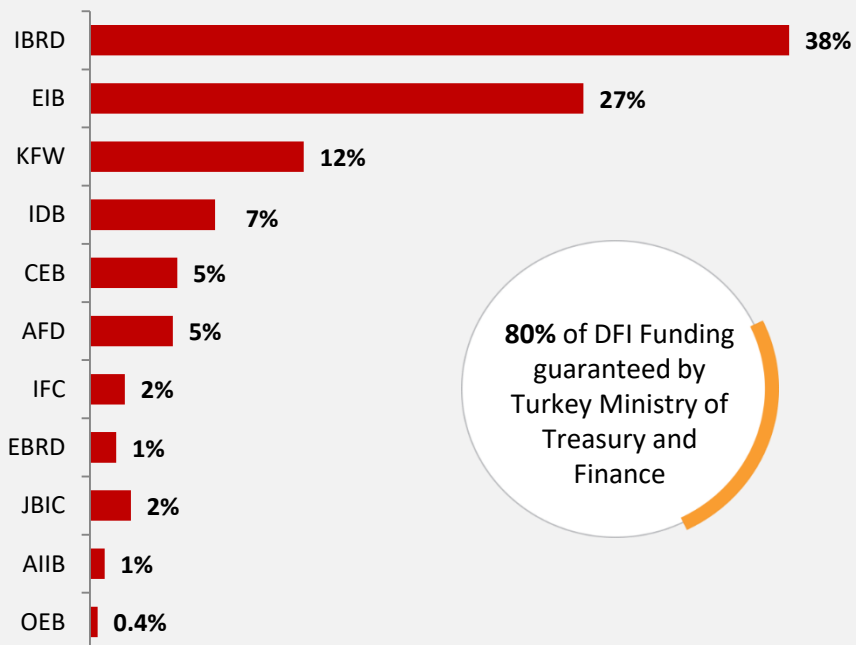
** Tier 2 bond has an issuer call in 2022

\$865 mn Non-Withdrawn DFI Funding

- Inclusiveness 37%
- Climate + Environment 36%
- Sustainable Infrastructure 15%
- Manufacturing Industry 12%

Long Term DFI Funding Base

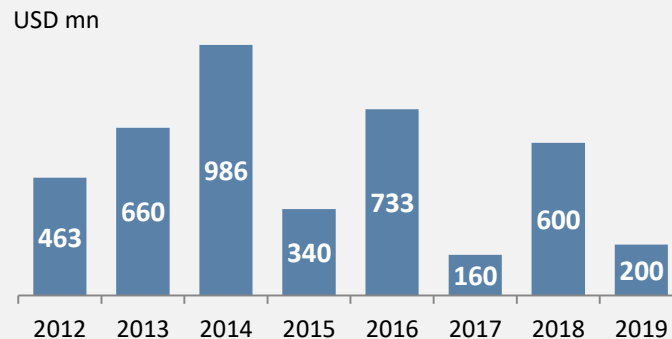
Outstanding DFI Funding Base (3Q-19)



80% of DFI Funding guaranteed by Turkey Ministry of Treasury and Finance



Yearly Multilateral Funding Agreements



DFI Funding Agreements in 2019

China Development Bank – USD 200 mn

First Treasury Guaranteed CDB loan with long maturity in Turkey
Manufacturing sector, SME, Energy, Infrastructure, Health and Education

DFI Funding Agreements in 2018

World Bank – USD 400 mn

Inclusive Access to Finance Project

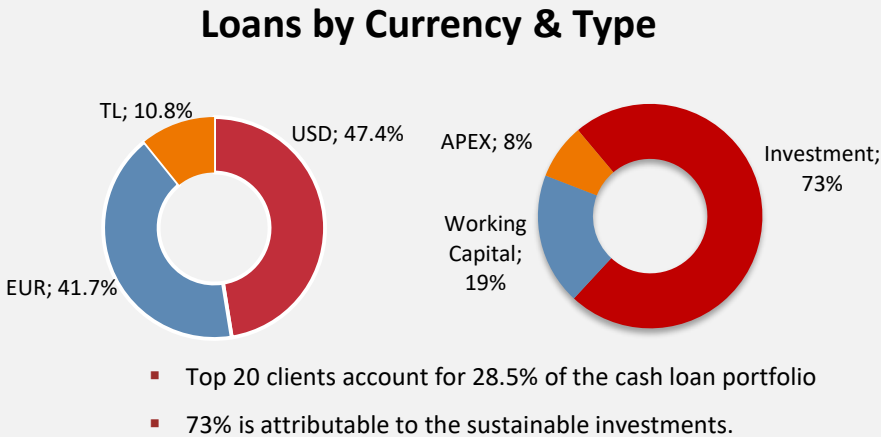
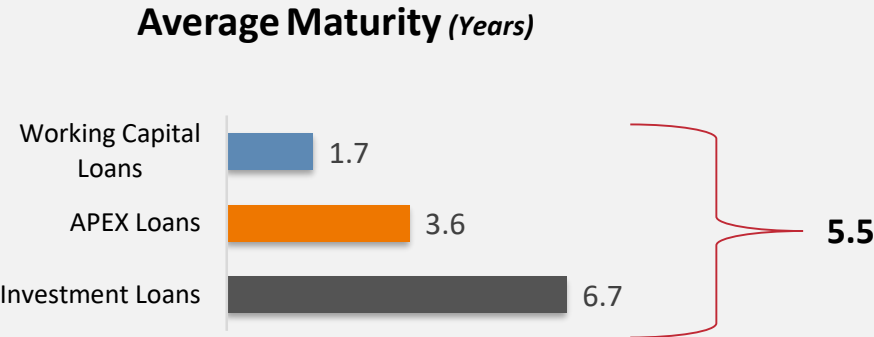
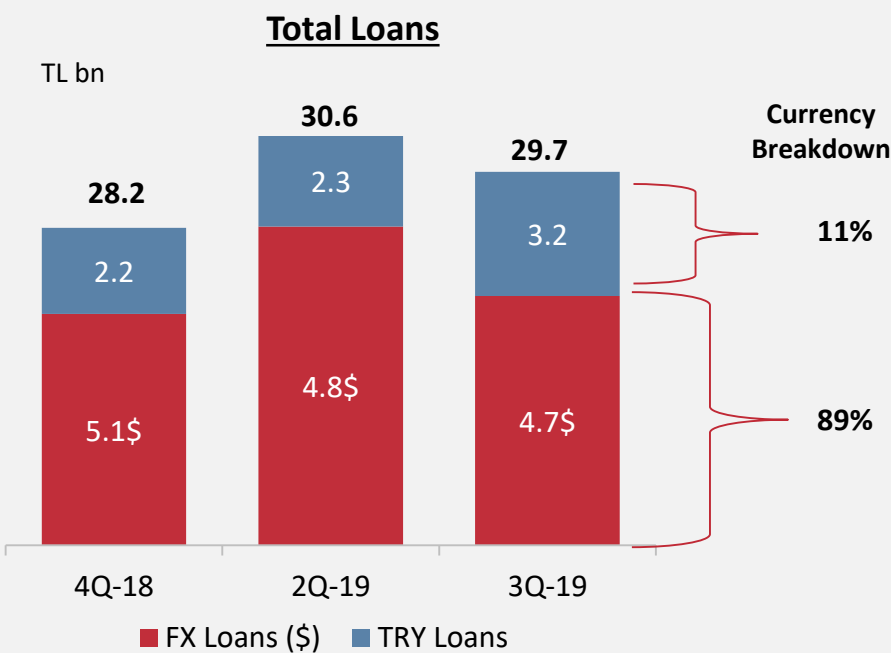
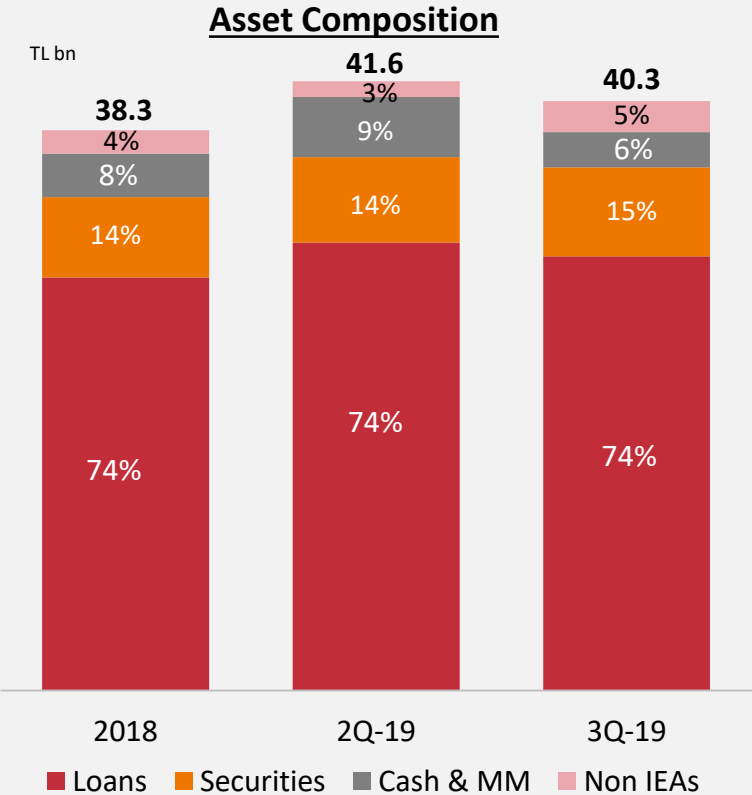
AIIB – USD 200 mn

Sustainable Energy and Infrastructure

Outstanding project themes shaping future loan book



Resilient Balance Sheet against volatile market conditions



Strong Risk Management Perspective

Credit Risk

- Monitoring the clients individually with analysing the financials
- Preparing monitoring reports for the clients at least once a year
- Keeping track of internal and external (if it is done) ratings of the customers, reviewing the internal ratings annually
- Actively managing the companies that are categorized in watch list (defined as loans that are 30 to 90 days delinquent)
- The value of the collateral taken is generally above the value of the loan
- Bank's lending is subject to the principles and internal limits set by the Board of Directors

Market Risk

- Matching policy of assets and liabilities with fixed and floating interest rates in different currencies. Close matching structure of loans and funding for interest and currency risks
- Utilising derivative instruments, such as currency and interest rate swaps, as well as forward, futures and options transactions, for general hedging purposes
- Monitoring market risk on the Bank's trading book on a monthly basis with standard method and on a daily basis with VaR which does not exceed 1% of equity
- While the BRSA maximum ratio of Net foreign exchange position / (Tier I + Tier II Capital) is set at 20%, TSKB maintains a much more conservative ratio

Operational Risk

- Effective internal control systems to prevent, detect and manage the operational risks which results in a very low level of losses in connection with operational risk
- In compliance with the regulations, holding capital for operational risk equal to the average over the previous three years of a fixed percentage (15%) of positive annual gross income
- Setting maximum limit for the operational risk exposure calculated according to the Basic Indicator Approach, of 10% of the Bank's total risk weighted assets
- Risks identified are reported to the Audit Committee and Board of Directors and "Monitoring Action Plans" are prepared accordingly

Liquidity Risk

- Liquidity ratios above the minimum regulatory levels proscribed by BRSA are maintained
- A policy of close matching of loans and funding maturities is adhered to liquidity risk
- Projections of Turkish Lira and foreign currency cash flows are produced

Multi-Disciplinary Loan Appraisal and Monitoring

Engineering Vision

- Detailed technical analysis of the investment projects
- Capacity determination of the investments
- Review and justification of the business model
- Establishing & reporting KPIs
- Supporting innovative investments

Financial Analysis

- Detailed financial analysis of the subject company
- Cash flow projections
- Financial valuation
- Business model feasibility
- Social Impact assesment and measurement

Economic Research

- New theme generation
- Setting economical value added KPI's
- Monitoring the market and sector dynamics
- Publishing sectoral reports
- Providing input for project valuation

Appraisal report submitted to Loan Allocation Department for further evaluation



Subject to satisfactory output, loan allocation request submitted to Credit Evaluation Committee and the decision is taken unanimously



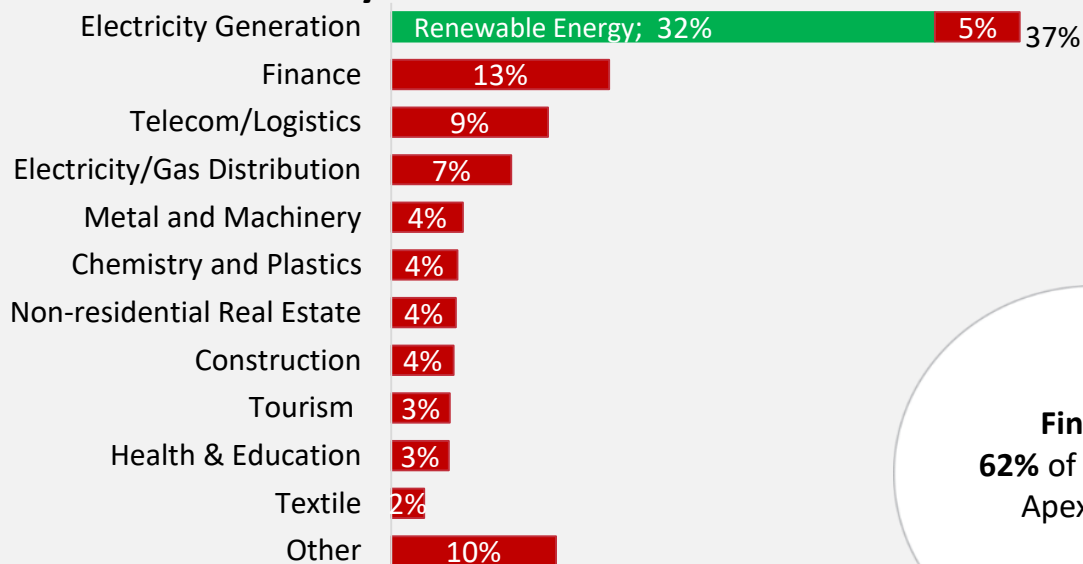
Board of Directors Approval

Monitoring and Collateralization

- Loan concentration is prudently watched during loan allocation and monitoring processes, and is also limited by internal ratios through Risk Management.
- TSKB has a comprehensive monitoring process involving
 - Compliance rules.
 - Credit risk monitoring for borrower and its group,
 - Collateral package monitoring,
 - Sectoral and regional analysis,
 - NPL management
- Collateral package for project finance loans includes
 - pledges over the shares,
 - mortgages over immovable
 - commercial enterprise pledges
 - pledges over bank accounts
 - project completion guarantees
 - assignment of receivables.

Selective Lending Book

Loans by sector (3Q-19)



*Other: %4 Food&Beverage, %2 Automotive, %1 Packaging, %3 Other

Electricity Generation;
85% of which is
Renewable Energy,
where **91%** benefits
from Feed in Tariff

Finance;
62% of which are
Apex Loans

**Non-residential Real
Estate;**
50% accounts for
Energy & Resource
Efficiency projects

**147 Projects in
Efficiency
Investments;
6% of the
portfolio**

Resource Efficiency

- 62 Projects
- Sectors; Tourism, Chemistry, Automotive, Steel, Cement, Textile

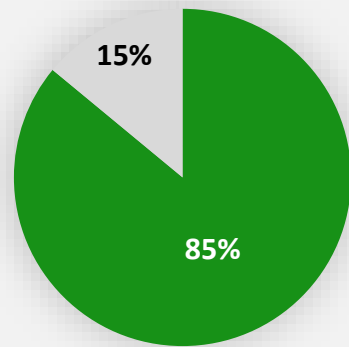
Energy Efficiency

- 85 Projects
- Sectors; Chemistry, Automotive, Cement, Minery, Energy, Steel, Textile

* «The loan under Financial Assets at Fair Value Through P/L» (former OTAŞ Loan) is included in Gross Loans.

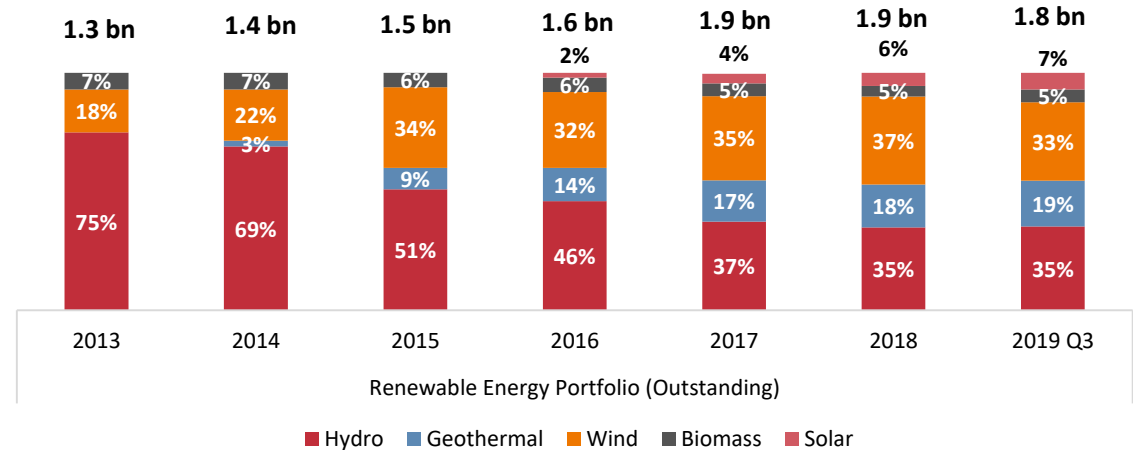
Energy Generation Portfolio in Detail

Energy Generation Portfolio Risk Breakdown



■ Renewable ■ Non Renewable

Renewable Energy Portfolio (Outstanding Risk \$)



Operating

96%

82%

97%

87%

87%

TOTAL : 90%

- Within 289 REL projects, 90% is in operation.
- With respect to their installed capacity (MW), 87% of them are operative.
- In terms of MW power, 97% of the operating energy projects are backed by Feed-in Tariff Mechanism (*Yekdem*).

State Incentive Mechanisms for RELs in Turkey

Guaranteed Sales Prices & Incentives for Local Manufactured Equipments		
Type	Guaranteed Sale Price (USD cent/kWh)	Incentives for Local Equip. (USD cent/kWh)
Hydro Power Plant (HPP)	7.3	1.0—2.3
Wind Power Plant (WPP)	7.3	0.6—3.7
Geothermal Power Plant (GEO)	10.5	0.7—2.7
Biomass Power Plant (Biomass)	13.3	0.4—5.6
Solar Power Plant (SPP)	13.3	0.5—9.2

Established MW								Number of Plants						
	2013	2014	2015	2016	2017	2018	2019	2013	2014	2015	2016	2017	2018	2019
Hydro	217	598	2,218	9,561	11,096	11,706	12,588	14	40	126	388	418	447	463
Wind	76	825	2,775	4,320	5,239	6,200	6,496	3	21	60	106	141	151	160
Biomass	101	147	193	204	300	349	503	15	23	34	42	57	70	100
Geothermal	140	228	390	599	752	997	1,253	6	9	14	20	29	37	45
Solar	-	-	-	-	13	14	82	-	-	-	-	2	3	9
TOTAL	534	1,798	5,575	14,684	17,400	19,266	20,922	38	93	234	556	647	708	777

- The guaranteed prices are applicable for 10 years. Local machinery incentives are applicable for 5 years.
- By the end of 2020, the YEKDEM mechanism for renewable energy projects will be discontinued. After 2020, the plants, which become operational until end of 2020 will continue to benefit from YEKDEM with current conditions. The Government Officials have told several times that the government has been working on a supporting mechanism for post-YEKDEM period.

Separately;

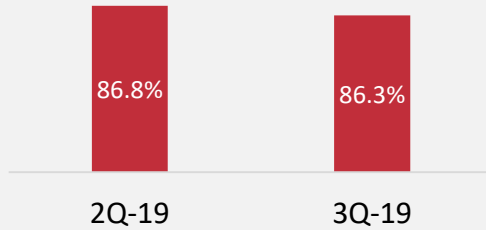
- In 2018, the electricity capacity mechanism was introduced as a support mechanism mainly for thermal power plants in order to ensure supply and system security. In 2019, TEİAŞ extended this to include hydroelectric power plants with large reservoir areas, which did not benefit from the YEKDEM mechanism.

As a result, 10 hydroelectric power plants with a total installed capacity of 1,666 MW will be benefitting from the electricity capacity mechanism in 2019. The total amount of payment to be carried out in 2019 within the capacity mechanism is 2 billion TL.

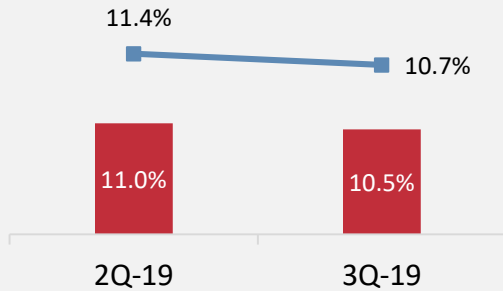
- The Ministry of Energy and Natural Resources holds YEKA tenders. Since 2017, three YEKA tenders were successfully completed (two wind, one solar). The second solar YEKA tender is expected to be held in the form of smaller tenders in the first quarter of 2020.

Proactive Classification of Loans

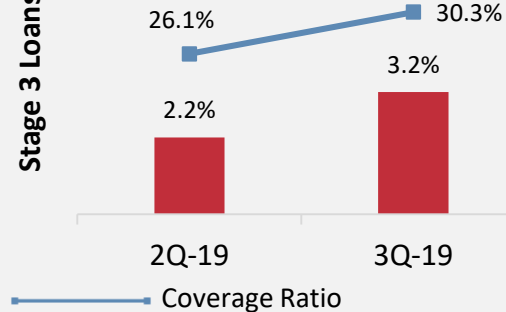
Stage 1 Loans



Stage 2 Loans



Stage 3 Loans



30.06.2019				
TL Mn.	Gross Amount	Share in Total	Coverage Ratio	Provisions (-)
Stage 1	26,578	86.8%	0.63%	167
Stage 2*	3,375	11.0%	11.4%	384
Stage 3	682	2.2%	26.1%	178
Gross Loans	30,635	100.0%	2.4%	729
Free Provisions				240

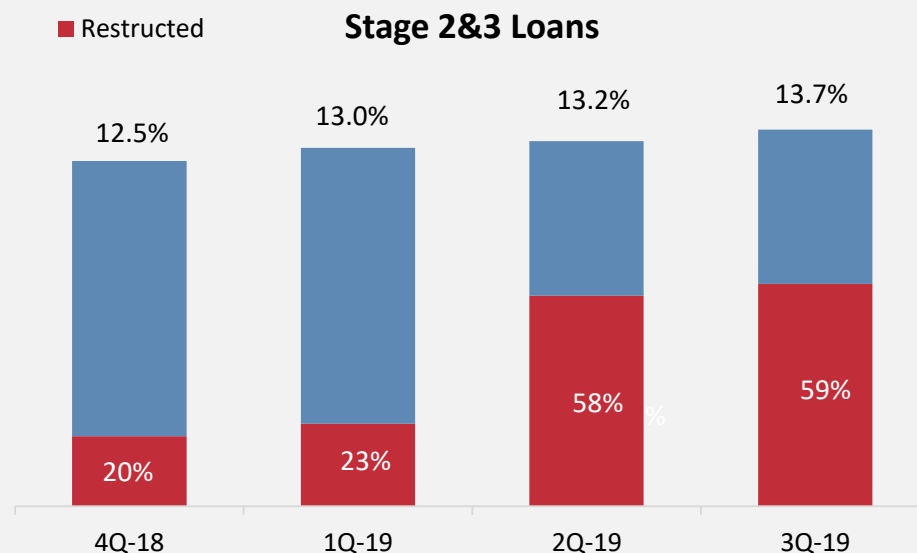
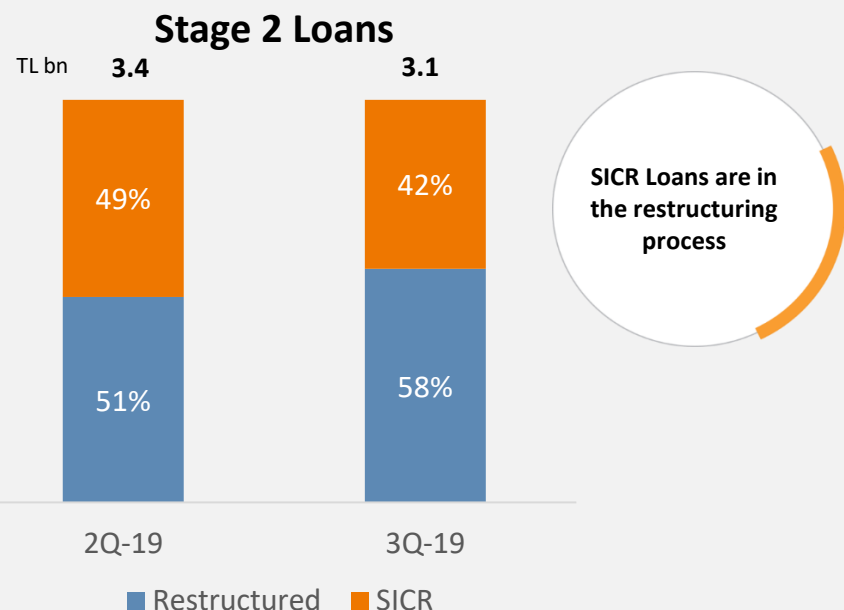
30.09.2019				
TL Mn.	Gross Amount	Share in Total	Coverage Ratio	Provisions (-)
Stage 1	25,645	86.3%	0.67%	171
Stage 2*	3,108	10.5%	10.7%	332
Stage 3	952	3.2%	30.3%	288
Gross Loans	29,705	100.0%	2.7%	791
Free Provisions				240

* The loan under Financial Assets at Fair Value Through P/L (former OTAŞ loan) is included in Stage 2 Loans

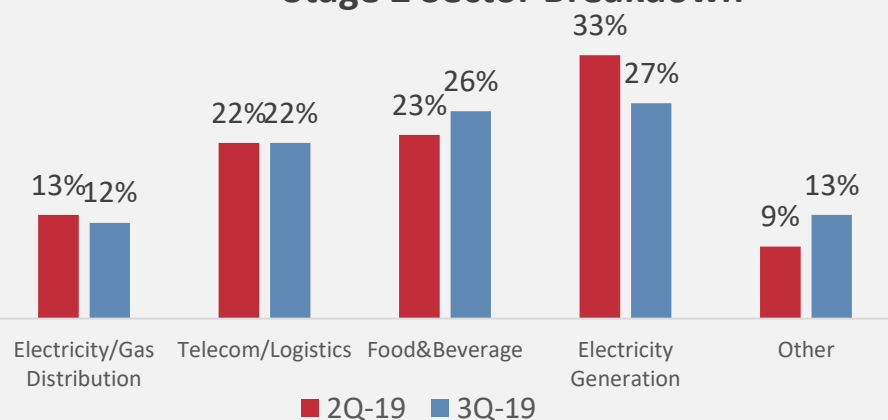
** Net Cost of Risk is calculated for the first 9M of the year.

Sep'19
Net CoR **
101 bps

Visible Improvement in the Weight of Restructured Loans

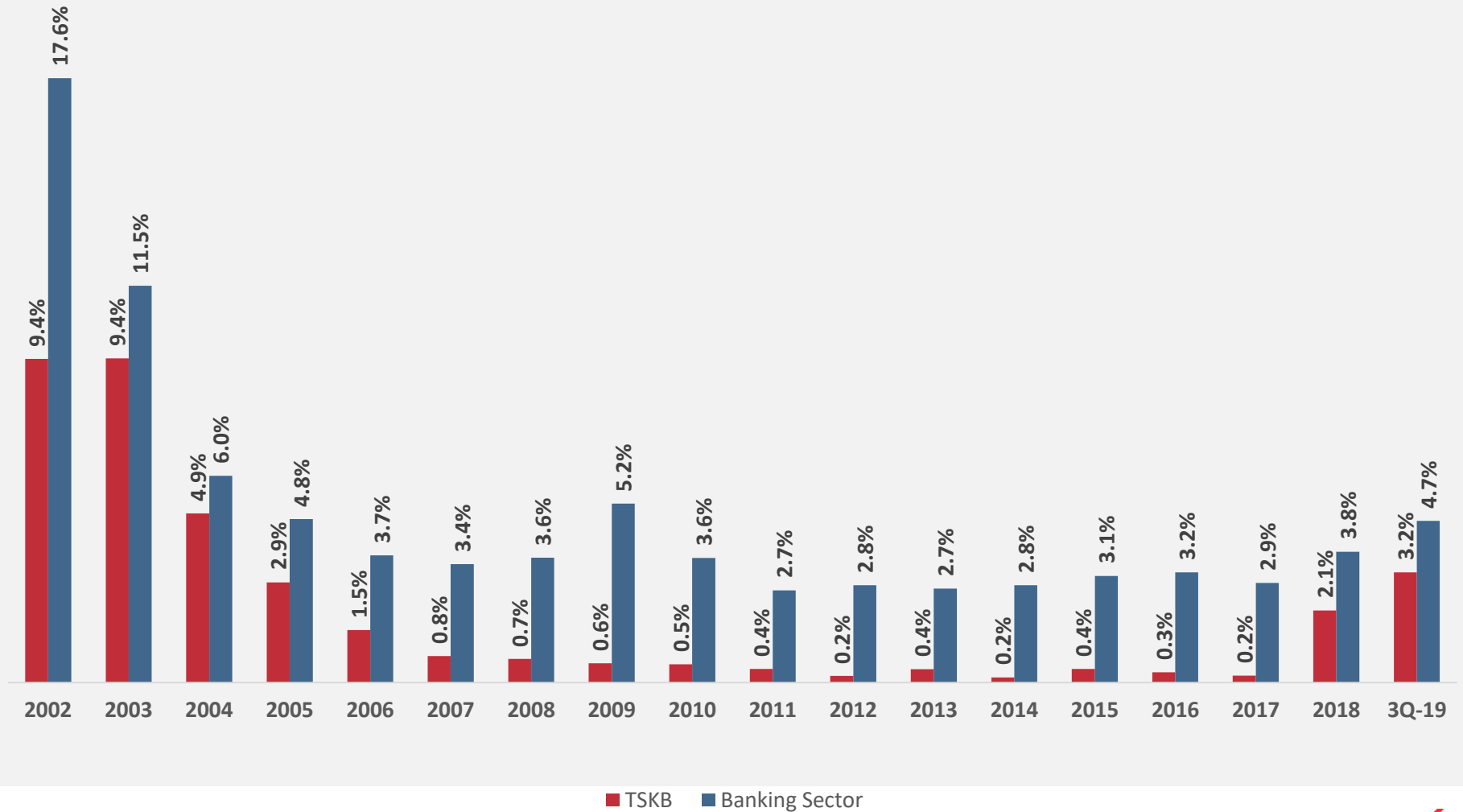


Stage 2 Sector Breakdown

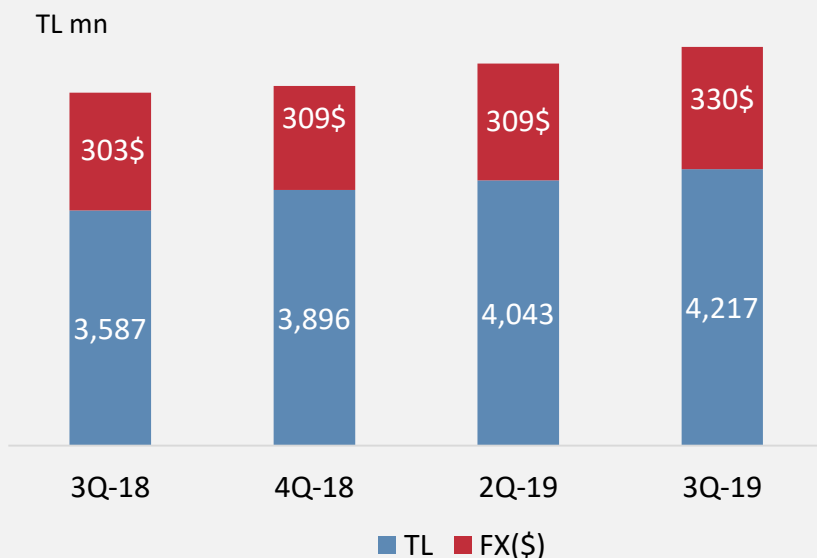


- Well-diversified Stage 2 sectoral breakdown
 - 82% of Electricity Generation Loans are RE, all of which are under feed-in tariff
 - OTAŞ (LYY) loan is illustrated under telecom/logistics risk.

Historical Trend of NPL Ratio: TSKB vs Banking Sector



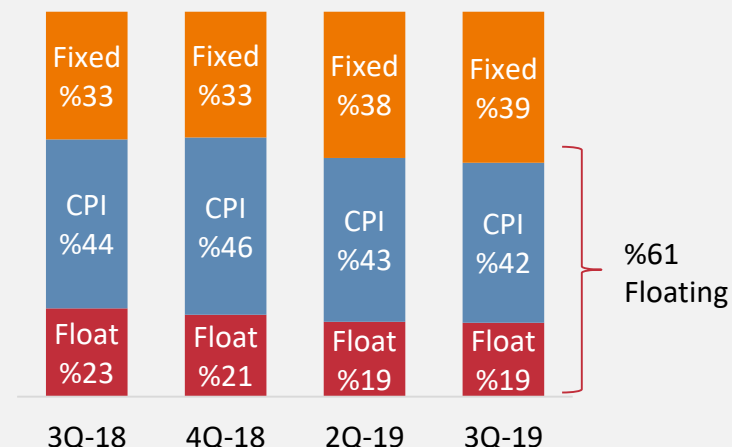
Favorable Yields on Securities support Profitability



Securities / Assets : 15%

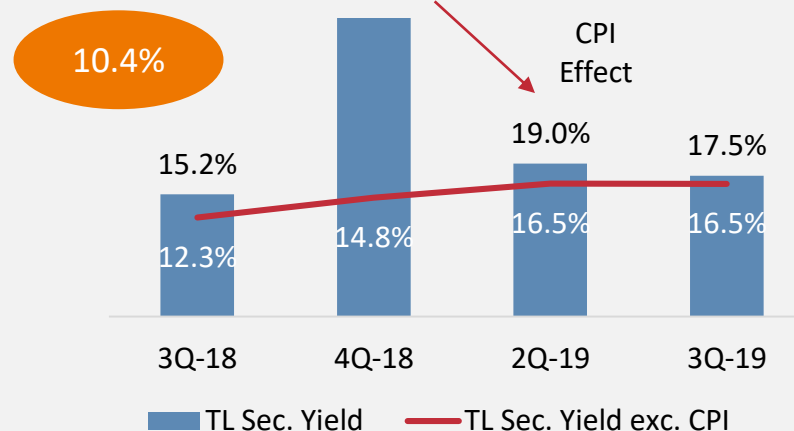
- **69%** of the total securities portfolio is in TL terms.
- Duration: **1.0 yrs** in Fixed bonds, **1.5 yrs** in Floating bonds, **3.1 yrs** in CPIs in TL Sec. Portfolio.
- **70%** is in AFS portfolio.
- Private sector bonds: **2.8%** of total portfolio

TL Securities Portfolio Breakdown



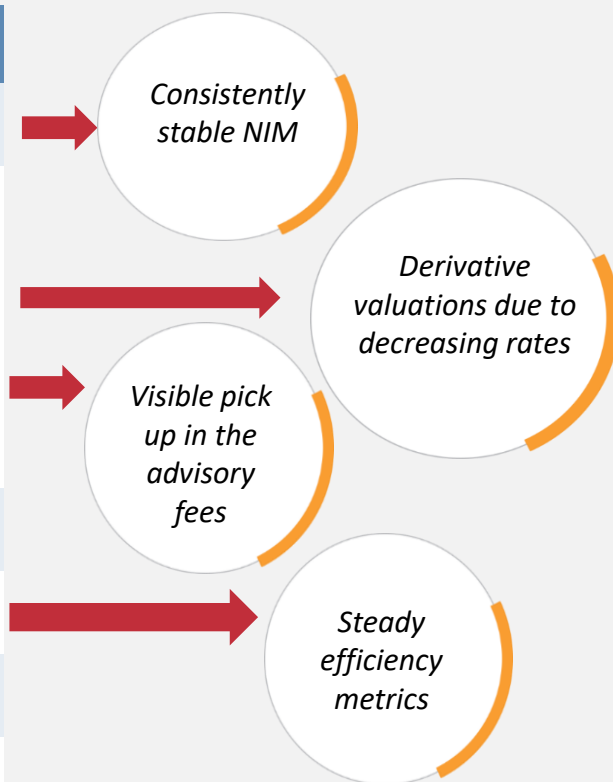
TL Security Yields

Free Capital / IEA



Elevating Contribution of Commissions to Quarterly and Yearly Net Income

TL mn	Cumulative			Quarterly		
	9Q-18	9Q-19	YoY	2Q-19	3Q-19	QoQ
Net Interest Income	922.2	1,142.5	24%	398.8	371.7	-7%
Trading Income	101.8	-44.4	-144%	-18.3	-68.4	n.m
<i>(Derivative MtM Valuation)</i>	<i>41.1</i>	<i>-40.2</i>	<i>n.m</i>	<i>-13.8</i>	<i>-45.7</i>	<i>n.m</i>
Net Commissions	13.2	19.8	50%	5.2	6.8	30%
Dividend & Other	19.0	31.6	66%	5.4	1.6	-70%
Banking Income	1,056.3	1,149.5	9%	391.1	311.7	-20%
OPEX (-)	120.1	150.8	26%	50.5	50.6	0%
Net Banking Income	936.2	998.7	7%	340.7	261.1	-23%
Provisions (-)	333.8	318.4	-5%	91.2	68.4	-25%
Tax Provisions (-)	111.3	150.0	35%	54.6	42.4	-22%
Net Profit	491.0	530.3	8%	194.8	150.3	-23%



→ Based on MIS data

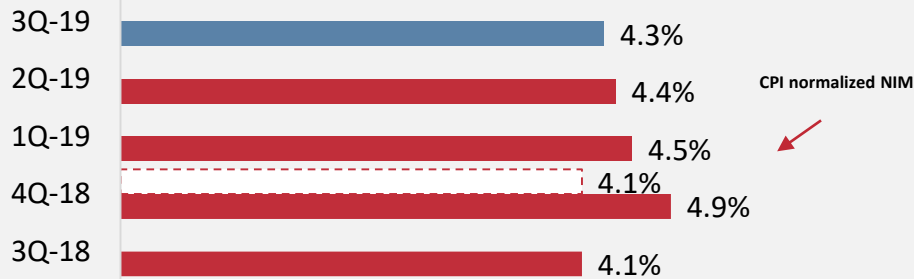
→ Swap costs are adjusted to net interest income.

→ Interest Income from securities includes impairment expenses of marketable securities with provisions.

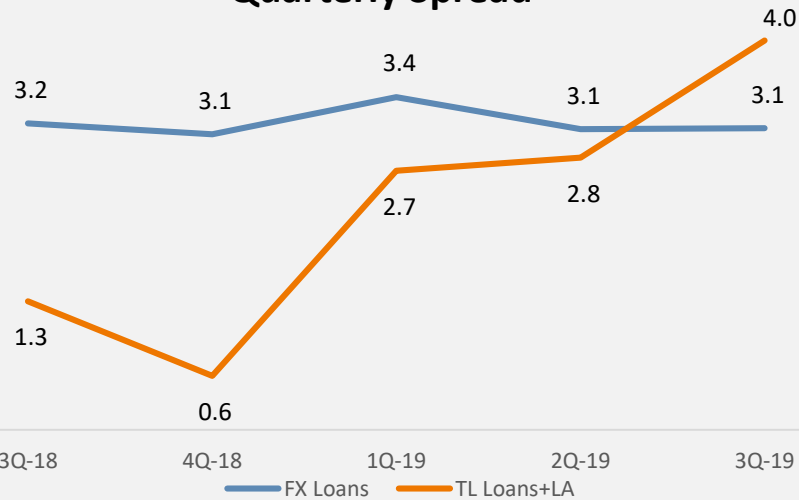
→ 2Q19 Provisions include Other Income, Deferred Tax and Expected Credit Losses in the audited P&L excluding impairment expenses of marketable securities

Sustained Core NIM Generation

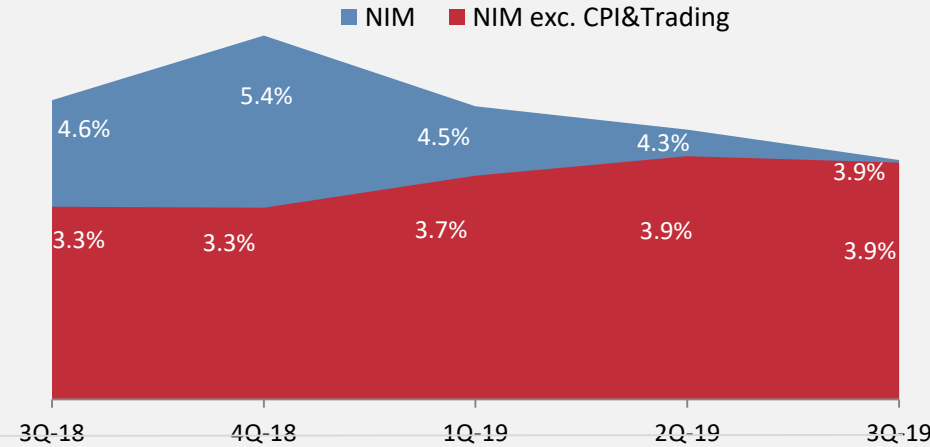
Annualized NIM



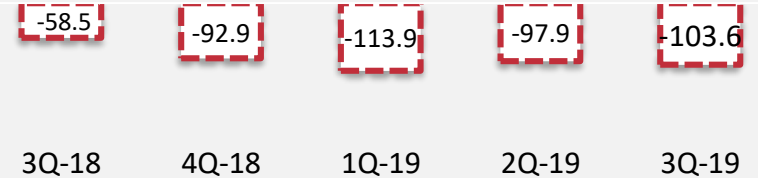
Quarterly Spread



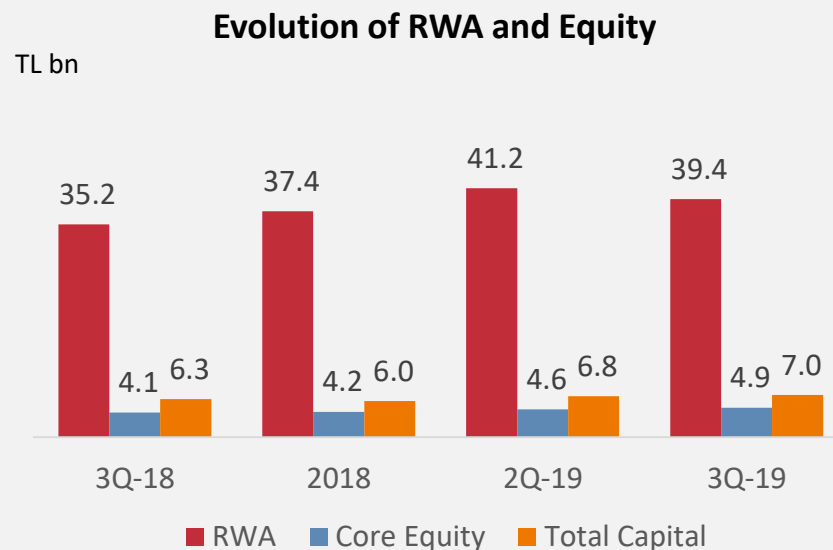
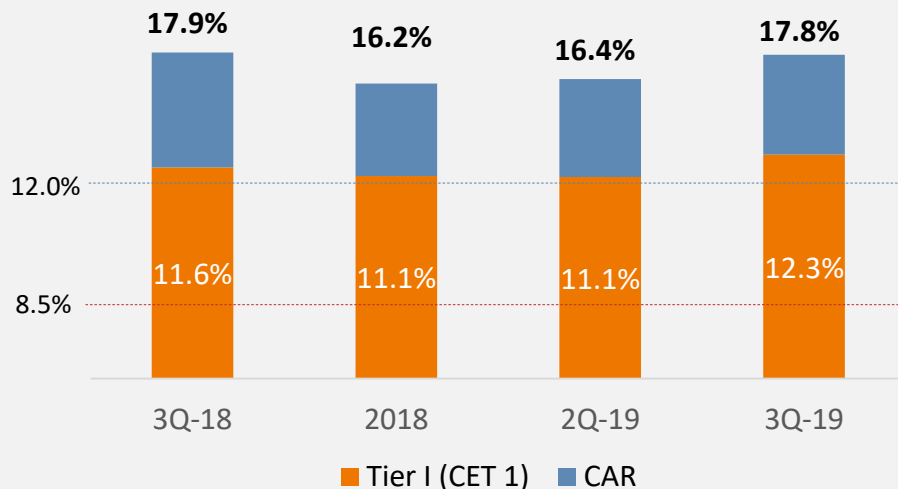
Quarterly NIM



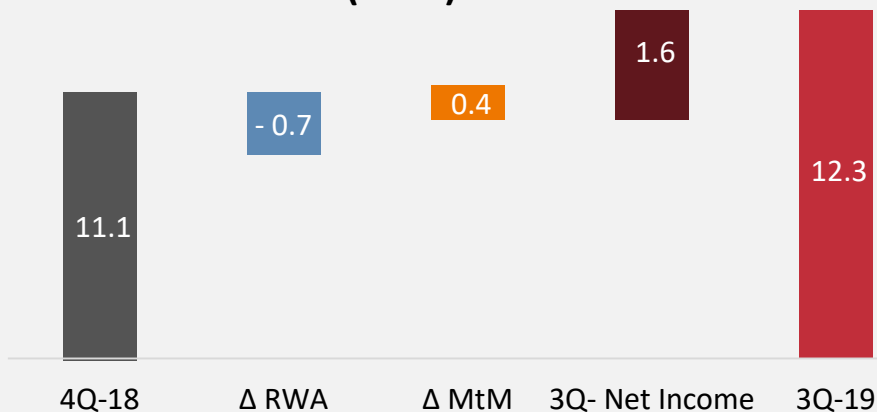
Quarterly Swap Costs TL mn



Solid Solvency Metrics backed by Internal Capital Generation



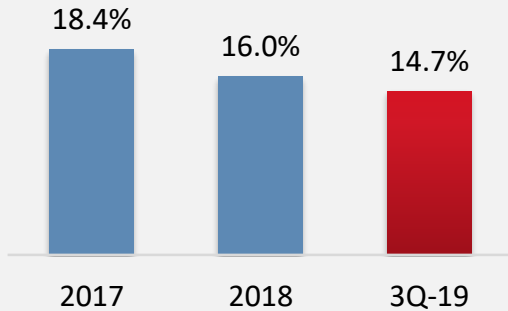
Tier 1 (CET1) Evolution



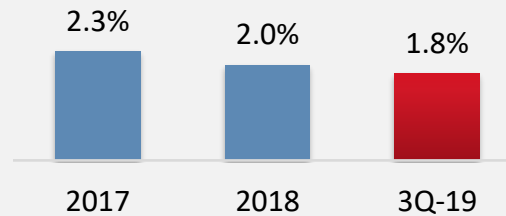
Solvency Limits (%)	2019
Capital Conservation Buffer	2.500
Counter Cyclical Buffer	0.011
<hr/>	
CET 1	7.011
Tier 1 Ratio	8.511
CAR	10.511

Key Performance Indicators

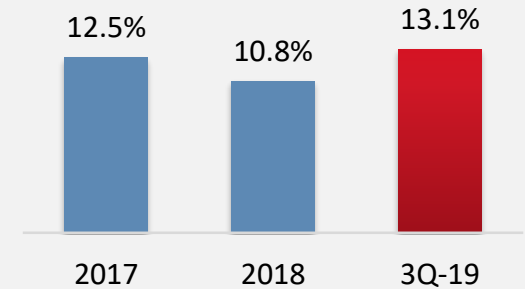
ROE



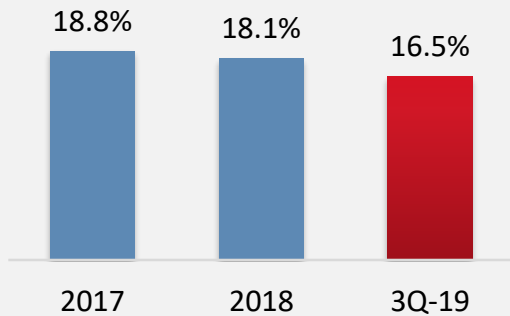
ROA



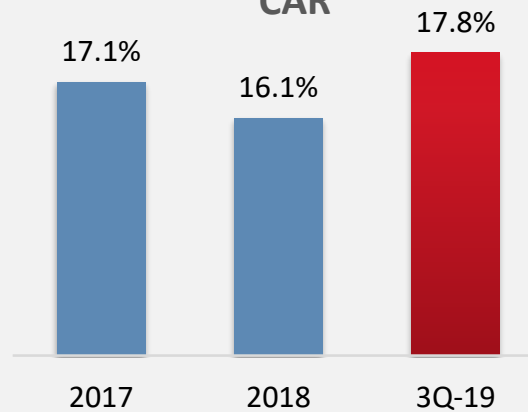
Cost to Income



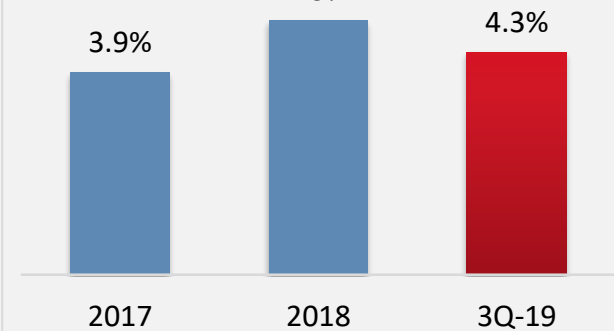
ROTE



CAR



NIM



ROE; Annualized Net Income for the period / Average Total Equity. ROAA; Annualized Net Income for the period / Average Total Assets.
Tangible Equity (TE) = Shareholder equity – MtM valuations regarding FVOCI portfolio

2019YE Guidance Revisions

Financial Guidance (%)	<u>3Q19</u> <u>Figures</u>	<u>2019</u> <u>Guidance</u>	<u>Revised</u> <u>Guidance</u>
FX Adjusted Loan Growth	-1.3	~5	Flat
Loans/Assets Ratio	74	~75	no Δ
Loans/Long Term Funding Ratio*	126	~115	no Δ
Fees & Commissions Growth	50	>35	no Δ
OPEX Growth	26	<25	no Δ
Net Interest Margin (adj.)**	4.3	3.5-3.8	~4
Return On Equity	14.7	14-15	no Δ
Return On Assets	1.8	1.5-1.7	no Δ
Cost/Income Ratio	13.1	13-14	no Δ
Capital Adequacy Ratio	17.8	>15	no Δ
NPL Ratio	3.2	~4	<5
Net Cost of Risk	101 bps***	~100 bps	~130 bps

* Long term (LT) funding does not include securities issued (Eurobonds).

**Swap adjusted.

***Net CoR as of 3Q19

What Lies Ahead?



Targets for Sustainability & Inclusiveness

Development Banking

- Support transition to low carbon economy
- Extend resources to support UN Sustainable Development Goals
- Supporting manufacturing and infrastructure investments
- Increase support to SMEs and Midcaps
- Focus on geothermal, solar, wind and biomass investments in renewable energy
- Continue to support energy and resource efficiency investments
- Encourage women's participation to the economy
- Preserve and increase employment
- Provide financing to operational health and safety

Financials

- Sustainable growth of the Bank
- Innovative finance models
- Strengthen the existing cooperations with DFI's
- Increase customer diversity
- Increase sectoral diversity in loan portfolio
- Increase fee income

Environmental Targets

- Offset carbon foot print and continue banking activities with zero carbon principles
- Continue managing internal impacts under ISO 14001 and ISO 14064 Standards
- Continue conducting environmental and social risk assessments for all investment credits
- Strengthen position at BIST Sustainability Index
- Maintain to be involved in FTSE4Good Emerging Index which is a series of benchmark indices for ESG investors

Investment Banking & Advisory

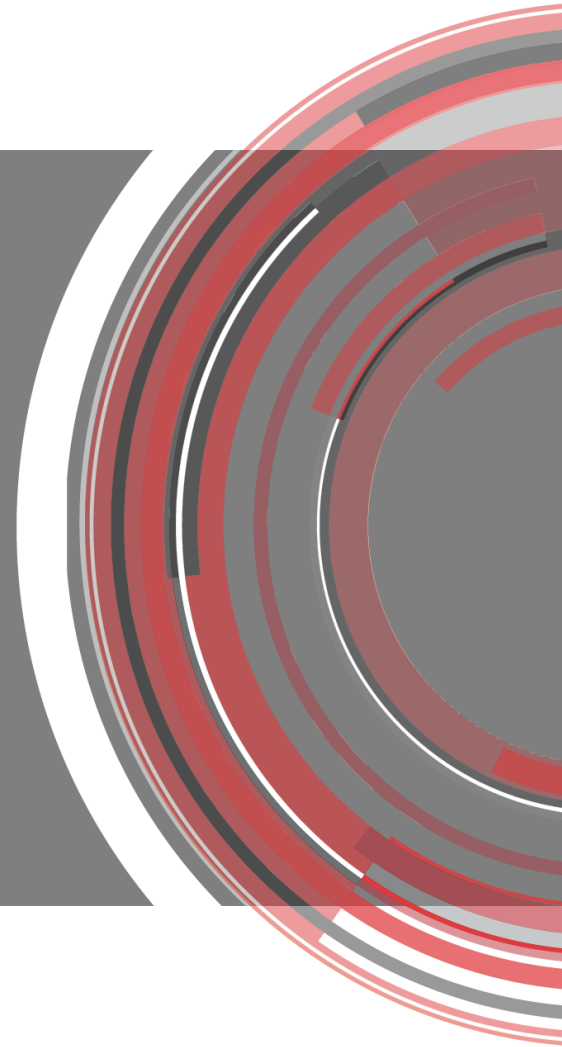
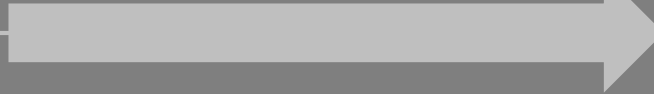
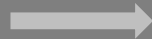
- Extend our accumulated knowledge to a wider client base through our advisory services
- Strengthening advisory activities and enhancing the product range
- Becoming a regional player in M&A services
- Targeting collaboration potentials outside Turkey to build-up expertise

Social Targets

- Managing, monitoring and improving social impacts of our banking activities
- Continuously monitor stakeholder expectations
- Supporting future managers, environment, culture, art by social responsibility projects



Appendix



A Long Award-Wining Track Record

2010s

- "Best Green Bond in CEE Award" & "Best structured finance deal in CEE" & "Best syndicated loan in CEE" & "Best Infrastructure Deal" & "Best Privatization Deal in EMEA" - EMEA Finance Awards 2017
- "SRI Bond of the Year" – IFR (International Financing Review) Awards 2016
- "EMEA Green/SRI Bond Deal of the Year" - GlobalCapital SRI/Green Bond Awards 2016
- Climate Disclosure Leadership, CDP Turkey, 2015
- Best Structured Finance Deal of the Year, Etlik PPP (Winner) | Bonds, Loans & Sukuk Turkey 2015
- Best Natural Resource Finance Deal of the Year: Yeniköy Kemerköy | Bonds, Loans & Sukuk Turkey 2015
- Runner-up award for M&A/Acquisition Finance Deal of the Year: Yeniköy Kemerköy | Bonds, Loans & Sukuk Turkey 2015
- Highest Corporate Report Transparency rating given to a bank by Transparency International (2015)
- Low Carbon Hero Award – Sustainable Production and Consumption Association,SPCA (2015)
- Corporate Governance Association of Turkey (TKYD) – Highest Corporate Governance Rating (2012,2014,2015)
- "Climate Change Leaders" awards – CDP Turkey (2013)
- TSKB ranked among top three in Europe in "Sustainable Banking" category of the Sustainable Finance Awards organized by Financial Times and IFC (2013)
- TSKB's 2nd Sustainability Report wins "Astrid Awards Bronz" Award (2012)
- Stevie Business Awards – Distinguished Honoree Award - Printed Annual Report (2010)
- TIREC-Turkish Wind Power Awards/Best Solution Partner Award (2011)
- Euromoney - "European Utilities Deal of the Year" Uludağ Elektrik Dağıtım A.Ş. (UEDAŞ) and Çamlıbel Elektrik Dağıtım A.Ş. (ÇEDAŞ) "Equisition Project Finance" (2010)
- EMEA Finance European Banking Awards - Best Equity House in Turkey Award (2011)
- Euromoney - "European Hydroelectric Power Deal of the Year"/Boyabat Dam and Hydroelectric Power Finance (2011)
- The award of "Sustainable Emerging Markets Bank of the Year" in Eastern Europe as part of the "Sustainable Banking Awards" given by Financial Times and IFC (International Finance Corporation) (2008,2009,2010)
- European Renewables Geothermal Deal of the Year" given by Euromoney (2008)
- The award of "European Transport Deal of the Year " given by Euromoney Magazine in (2007)
- The award of "EMEA Infrastructure Deal of the Year" given by PFI (2007)
- The award of "Best M&A - Best mergers and acquisitions" given as part of "Awards for Excellence-2005" by Euromoney Magazine in 2005
- The award of "Best Local Partner" given as part of "Awards for Excellence-2004" by Euromoney Magazine in 2004
- The award of "Best Investment Bank of Turkey" -Euromoney Magazine (1997, 1998, 1999)
- Highest rating given to a bank within all developing economies by the international rating corporation Thompson Bankwatch (1998)

1990s

Appendix: Balance Sheet

(TRY mn)	30/09/2018			31/12/2018			30/09/2019		
	TRY	FX	TOTAL	TRY	FX	TOTAL	TRY	FX	TOTAL
Cash and Banks	14	1,547	1,561	600	1,340	1,940	1,491	919	2,410
Securities	3,591	1,795	5,387	3,896	1,585	5,481	4,203	1,862	6,065
Loans (Gross)	2,493	31,105	33,598	2,232	25,994	28,226	3,460	26,212	29,673
Provisions	- 94	- 504	-599	- 96	-416	- 512	-210	-551	-761
Subsidiaries	676	50	726	1,343	42	1,385	888	47	935
Other	1,401	1,480	2,881	904	873	1,777	925	1,026	1,951
Total	8,080	35,473	43,553	8,880	29,418	38,298	10,758	29,515	40,273
ST Funds	-	2,322	2,488	-	1,292	1,292	-	1,271	1,271
LT Funds	-	25,362	25,362	-	21,521	21,521	-	21,901	21,901
Securities Issued	-	8,004	8,004	-	6,949	6,949	-	7,781	7,781
Repo&MM	166	210	376	169	773	942	199	1,195	1,394
Other	1,061	747	1,808	905	420	1,325	832	457	1,290
Tier II	-	1,778	1,778	-	1,550	1,550	-	1,717	1,717
Equity	4,018	-113	3,905	4,788	- 69	4,719	4,960	-41	4,919
Total	5,244	38,309	43,553	5,862	32,436	38,298	5,991	34,282	40,273

* TL security funding only

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