

The Industrial Development Bank of Turkey

Earnings Presentation

YE 2021 Bank-only Results



The Best Bank in Central and Eastern Europe in Sustainable Finance category



The Most Sustainable Bank in Turkey for 2021



Islamic Finance Deal of the Year in Europe with the issuance of a Sustainable Lease Certificate

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» 4Q-21 At a Glance

Contribution to economy totalling USD 1 billion

- **Annual long term disbursements amounted to USD 1 billion in 2021.**

Solid profitability supporting solvency

- **ROE increases to 16.7%**
- **Stable NIM at 4.7%**
- **Solvency ratios above legal limits**

Intact asset quality

- **NPL; 3.2%**
Stage 2; 12.1%
Net CoR; 218 bps
- **Net CoR (excluding currency impact); 143 bps**

- ESG focus embraces in each business line pursuant to the Bank's mission
- Strong liquidity, with ESG weight reaching 80% within the funding base
- SDG focused contribution to Turkish economy continues.
- Successful management of security portfolio backed our NII.
- Investment banking and advisory fees continues to contribute banking income
- Solvency ratios above regulatory levels given the strong capital generation capability
- Well preserved asset quality with no new inflow to NPL
- 40 million TL additional free provisions in the last quarter, totalling 220 million TL for the whole year and 440 million TL in total.

>> 2021YE Guidances

Financial Guidance (Bank Only)	2021YE (%) Guidance	YE-21 Results (%)	2022YE (%) Guidance	2022YE Guidance Drivers
Growth				
FX Adjusted Loan Growth	<2	-0.8	Contraction	Subdued investment appetite
Profitability				
Net Interest Margin (*)	~4.5	4.7	~4.0	Consistent loan and security spreads
Fees & Commissions Growth	~35	41	~30	High base effect
Return On Equity	~16	16.7	Low twenties	Profitability backed by solid core banking income and intact asset quality
Efficiency				
OPEX Growth	<20	19.4	~50	Attributable to surge in personnel costs along with inflation
Cost/Income Ratio	~14	8.4	<14	Continuously lower relative to sector
Solvency**				
Capital Adequacy Ratio	~15.5	15.3	~16.0	Solid solvency ratios by well structured business model
Tier 1 Ratio	~10.5	8.9	~10.0	
Asset Quality				
Stage 2	<12.5	12.1	-	Due to contraction in the loan book, no material move
NPL Ratio	~4.0	3.2	<4.5	
Cost of Risk***	~150 bps	225 bps	~200 bps	Prudent provisioning policy; without currency impact net CoR 143 bps

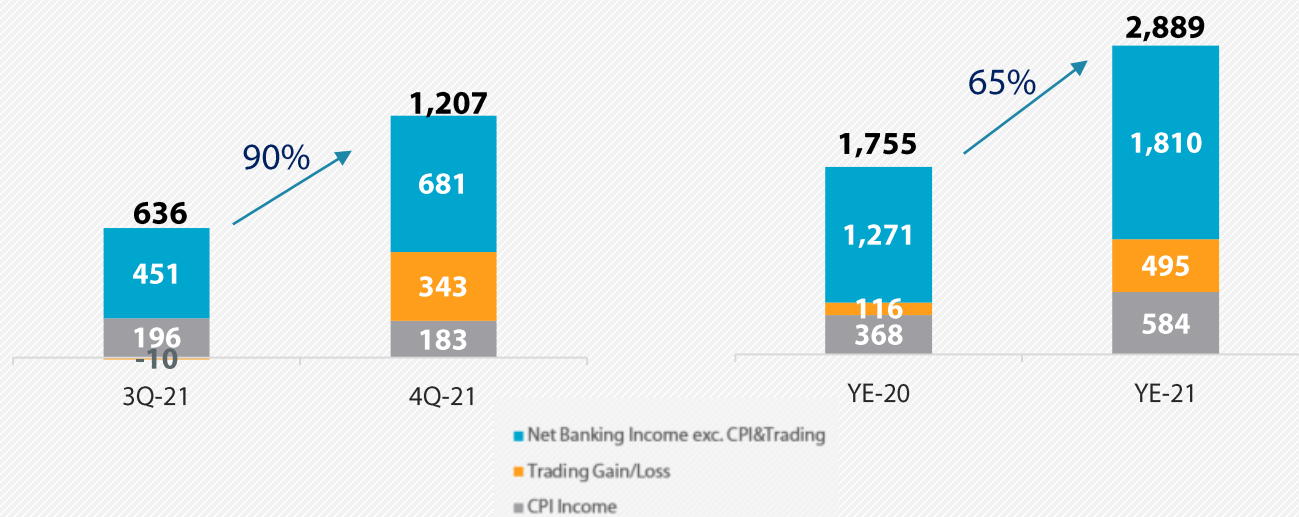
*Swap adjusted, including FX Gains /Losses. 2022 guidance is given excluding FX Gains /Losses.

**Excluding BRSA's temporary measures.

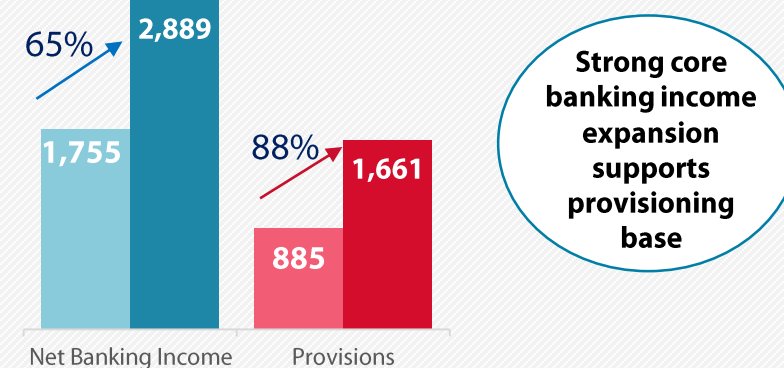
3 *** Gross CoR figure for 2021 Guidance. Our CoR calculation includes currency impact and excludes NPL provision reversals. 2022 guidance is given as net cor including currency impact.

>> Robust core banking income generation capability ensures sustainable earnings growth

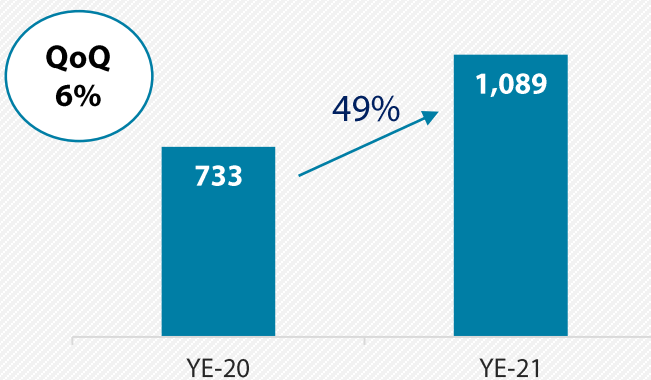
Net Banking Income - TRY mn



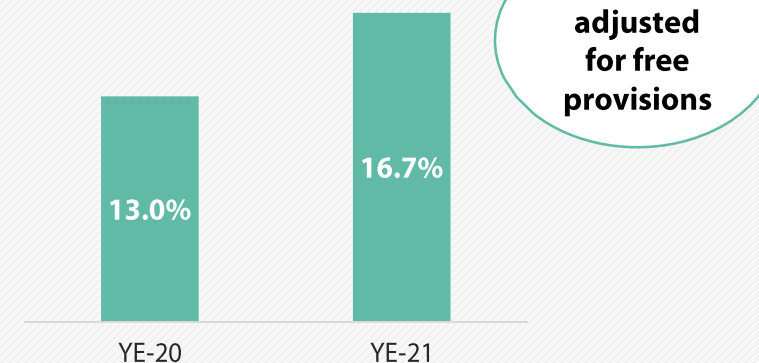
Annual Evolution of Net Banking Income vs Provisions - TRY mn



Net Profit- TRY mn

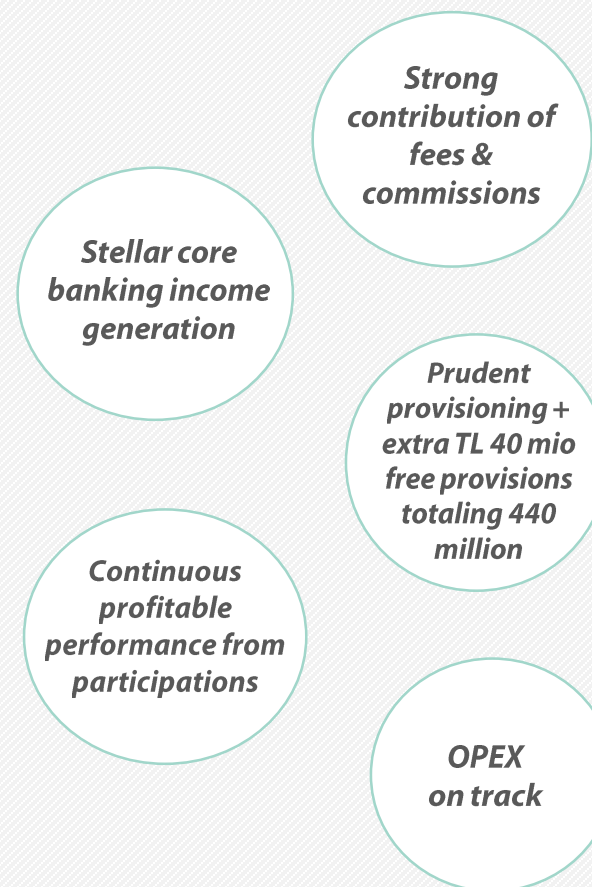


ROE



>> Income Statement Highlights

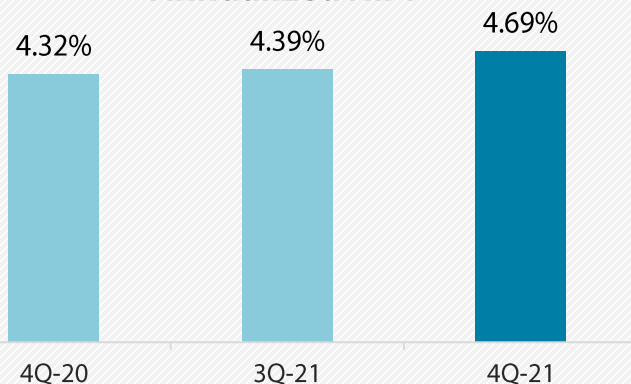
TRY mn	YE-20	YE-21	YoY	3Q-21	4Q-21	QoQ
Net Interest Income	1,801	2,529	40%	679.9	907.3	33%
Trading Income	116	495	326%	-10.0	342.8	n.m.
Net Fees & Commissions	50	71	41%	15.3	20.0	31%
Other Income (Inc. Dividend)	10	61	493%	14.0	11.5	-18%
Banking Income	1,978	3,155	60%	699.2	1,281.6	83%
OPEX (-)	223	266	19%	62.8	74.6	19%
Net Banking Income	1,755	2,889	65%	636.4	1,207.0	90%
Provisions (-)	885	1,661	88%	261.3	867.1	232%
Income From Participations	78	229	195%	42.5	96.8	128%
Tax Provisions (-)	215	368	71%	122.1	122.0	-
Net Profit	733	1,089	49%	295.5	314.7	6%



- Based on MIS data
- Interest expense of long and short term swaps, valuations of hedge positions for Eurobonds issued and exchange differences arising from rediscounts are adjusted under NII
- Provisions include Expected Credit Losses in the audited P&L excluding impairment expenses of marketable securities

➤ Healthy and Consistent NIM Performance

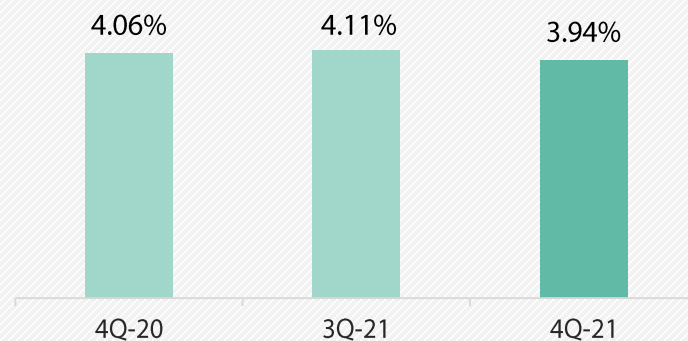
Annualized NIM*



*Annualized NIM computation: $(NII\text{-}swap\text{ costs} + fx\text{ gains\&losses}) / (IEA\text{-}accruals)$

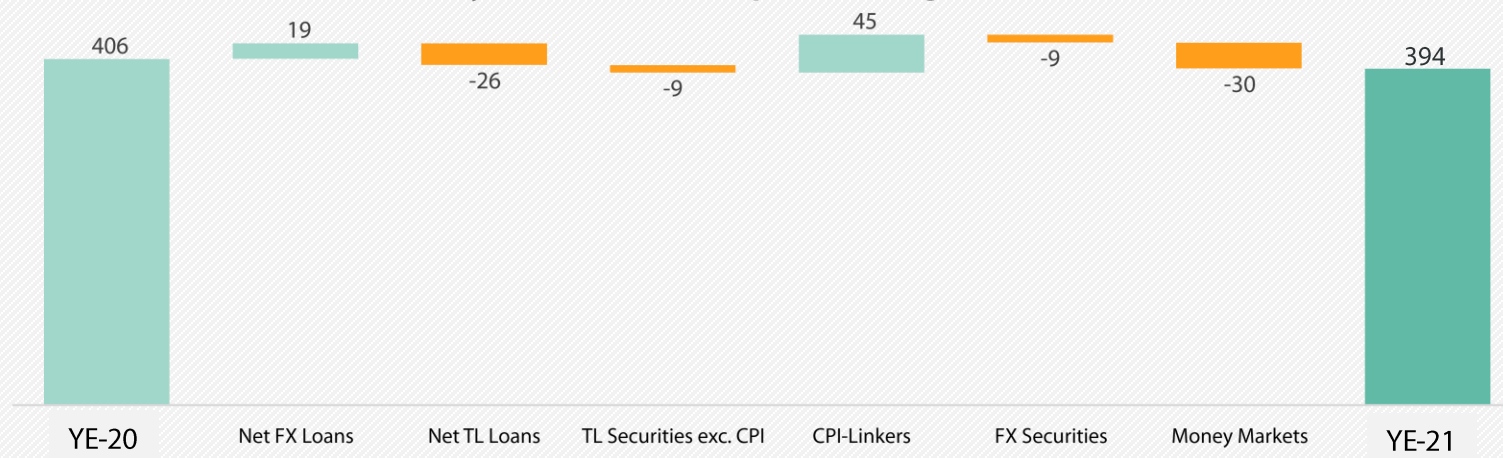
Annualized NIM

(excluding FX Gains/Losses)



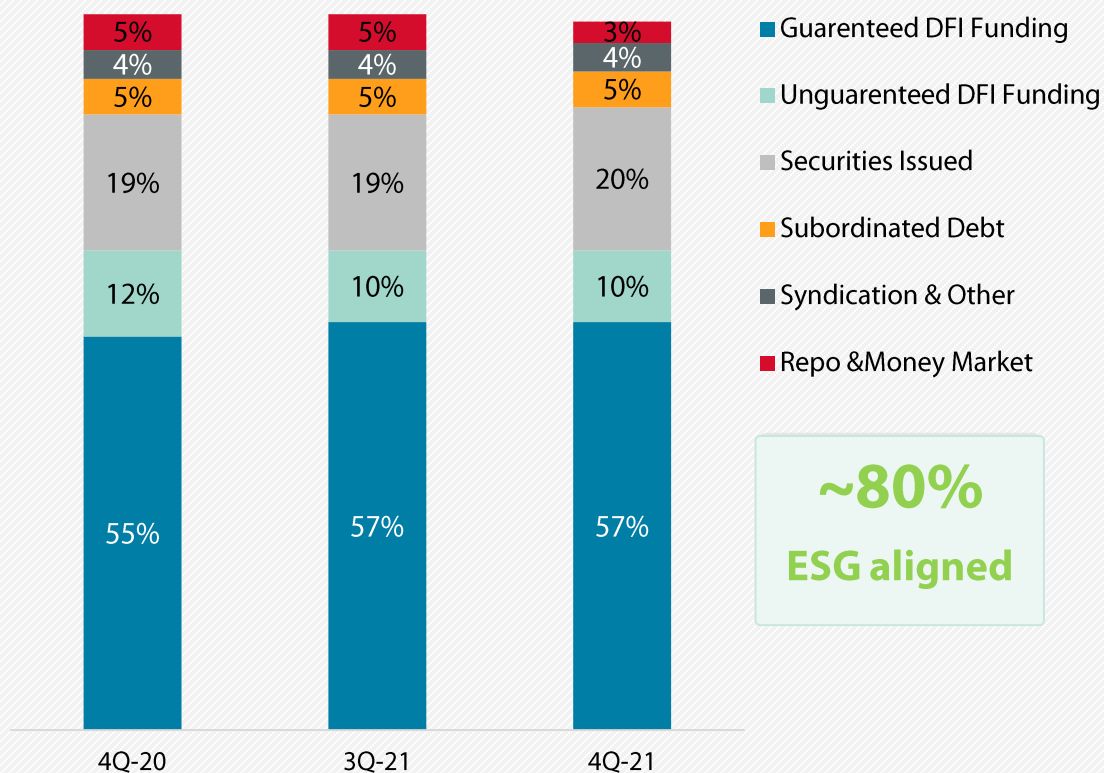
- Robust margin performance continues
- 220 mio TL extra revenue generated from CPI assumption revisions.
- 2022 oct. to oct. CPI valuation assumption is 28.2%. (There may be upward revision going forward)

Yearly NIM Evolution in bps (excluding Fx Gains/Losses)



Comfortable FX liquidity and maturity profile

Funding / Total Liabilities (exc. Equity & Oth.) – USD mn



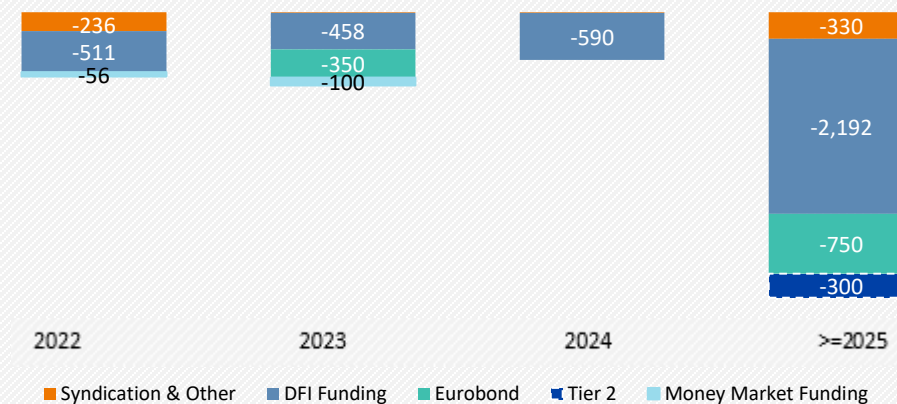
~80%
ESG aligned

~ USD 250 mn Non-Withdrawn DFI Funding

Climate + Environment	67%
Inclusiveness	26%
Sustainable Infrastructure	4%
Manufacturing Industry	3%

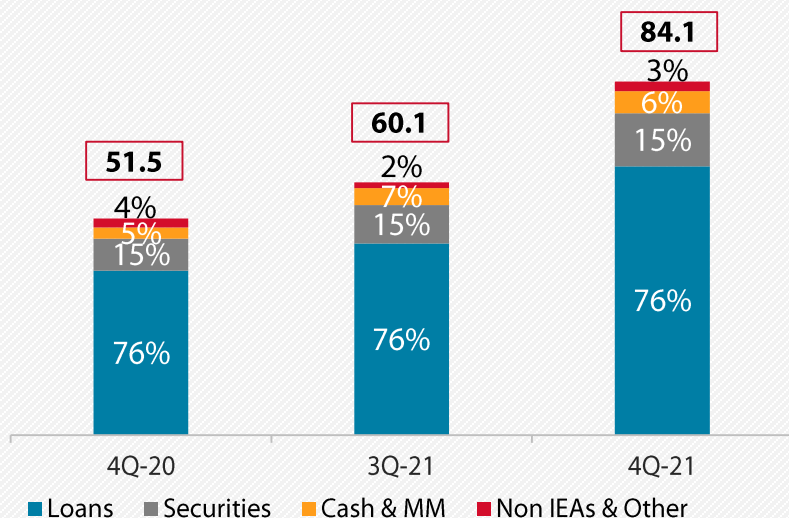
New Loan Agreement in December 2021
with IBRD under State Guarantee

Maturity Profile of External Debt - USD mn

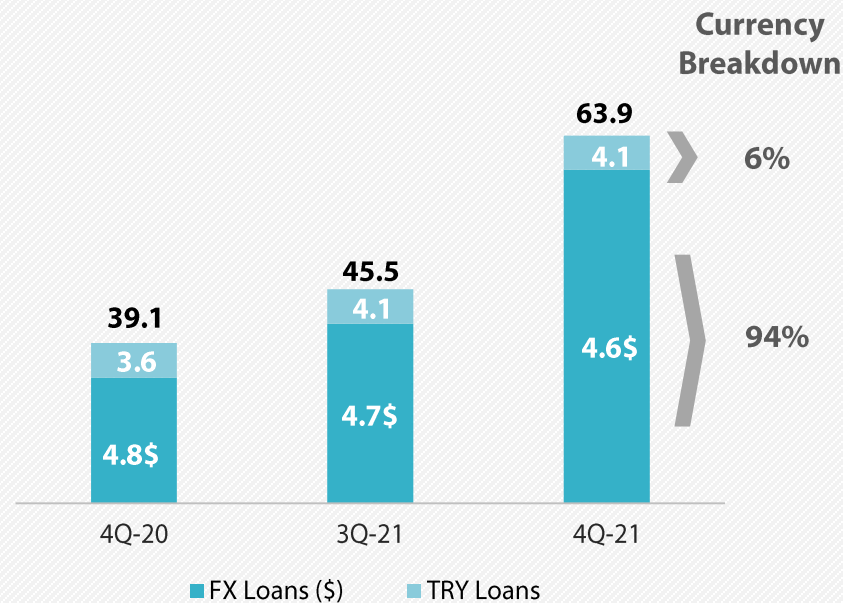


Resilient asset composition

Asset Composition – TRY bn

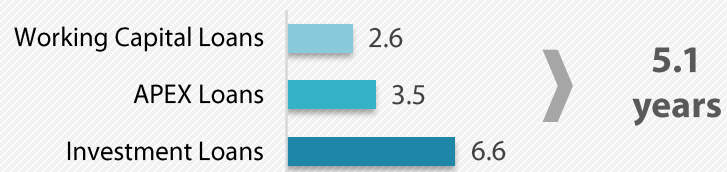


Total Loans – TRY bn



- Assets and loans grew by 63.4% yoy on a nominal basis.
- New long-term cash loan disbursements totaling USD 1 billion.

Average Maturity - Years

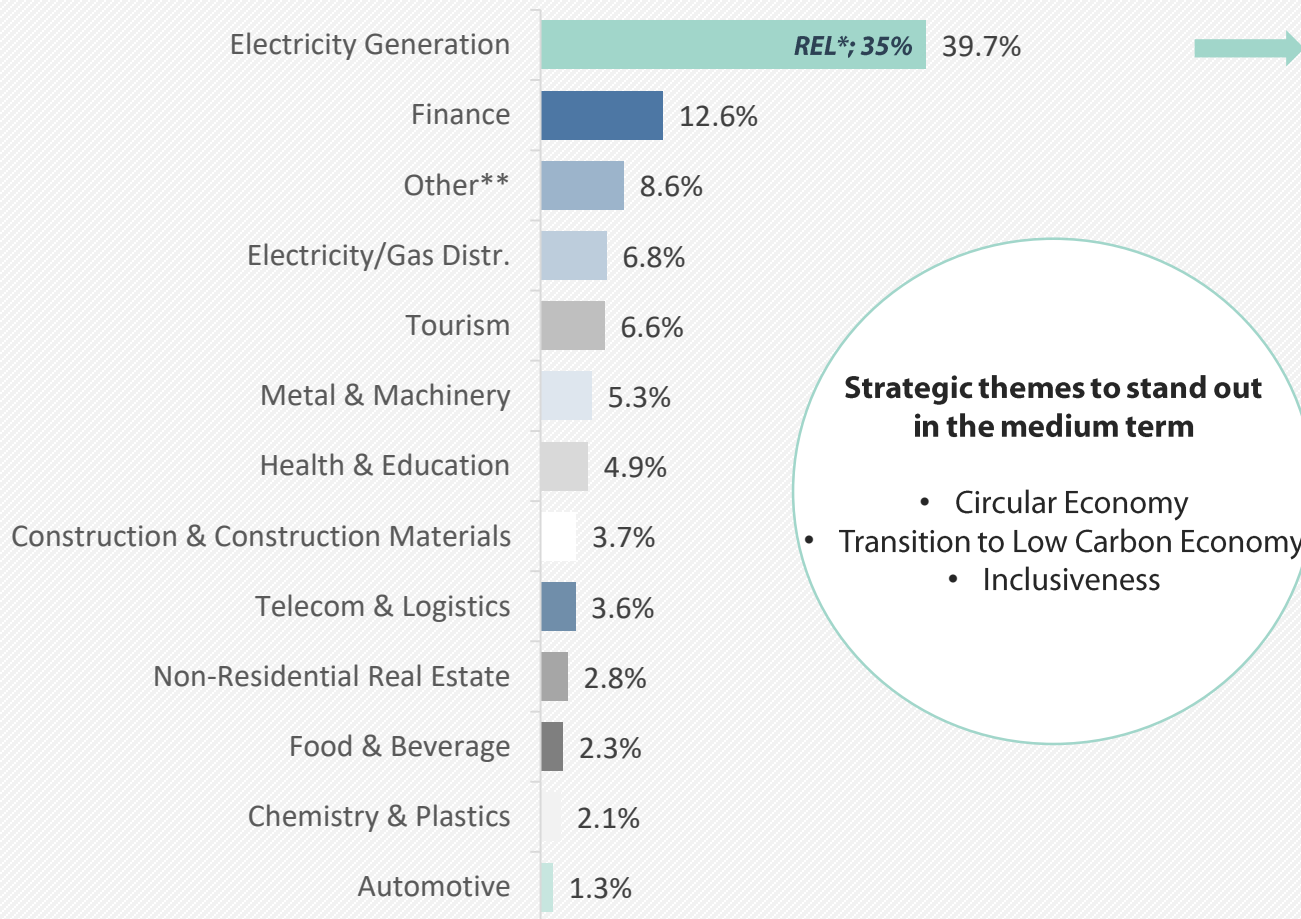


4Q-21 Loans by Currency & Type



SDG-Linked loans account for nearly 90% of the portfolio

Loans by sector 4Q-21



Strategic themes to stand out in the medium term

- Circular Economy
- Transition to Low Carbon Economy
- Inclusiveness

89% of which is Renewable Energy, where 91% benefits from Feed in Tariff

Outstanding Risk
257 Projects
6,727 MW

Project Type	Percentage
HPP	24%
GPP	19%
WPP	39%
BIO	9%
SPP	8%

Substantially Supported SDGs through Loan Activities



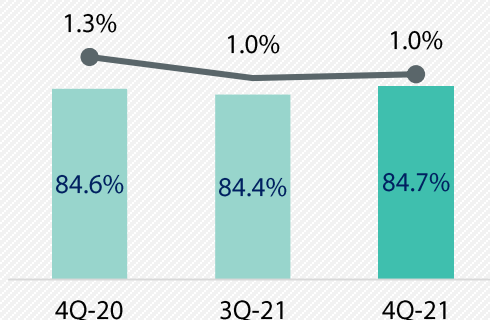
* Renewable Energy Loans
** Textile, retail and others



Asset quality remains intact

—●— Coverage Ratio

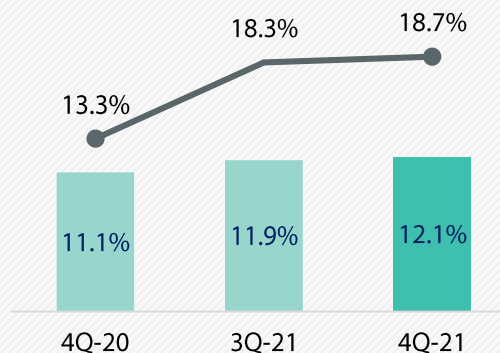
Stage I Loans



Gross Amount
54,124

Provisions
551

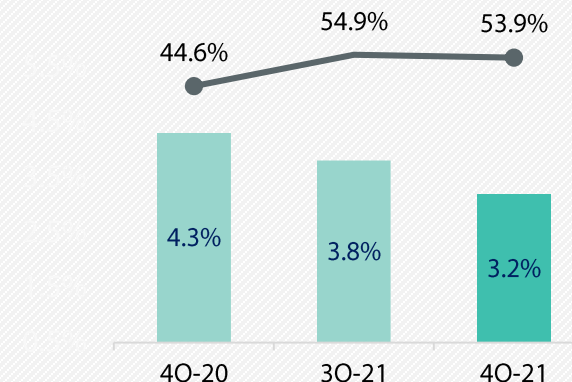
Stage II Loans



Gross Amount
7,704

Provisions
1,437

Stage III Loans



Gross Amount
2,077

Provisions
1,120

92% of
Stage 3
Loans are
restructured

70% of
Stage 2&3
Loans are
Restructured

Stage 2 Loans

Sector	Percentage	Coverage
Tourism	26%	16.1%
Electricity/Gas Distribution	17%	32.1%
Health	15%	13.9%
Electricity Generation	12%	17.3%
Renewables (%100 YEKDEM guarantee)	75%	11.3%
Non Renewables	25%	34.9%
Telecom/Logistics	10%	6.4%
Non-residential Real Estate	8%	25.2%
Other	8%	19.4%
Metal and Machinery	4%	18.7%
TOTAL	100%	18.7%

No new
inflow to
Stage-2&3 in
4Q21

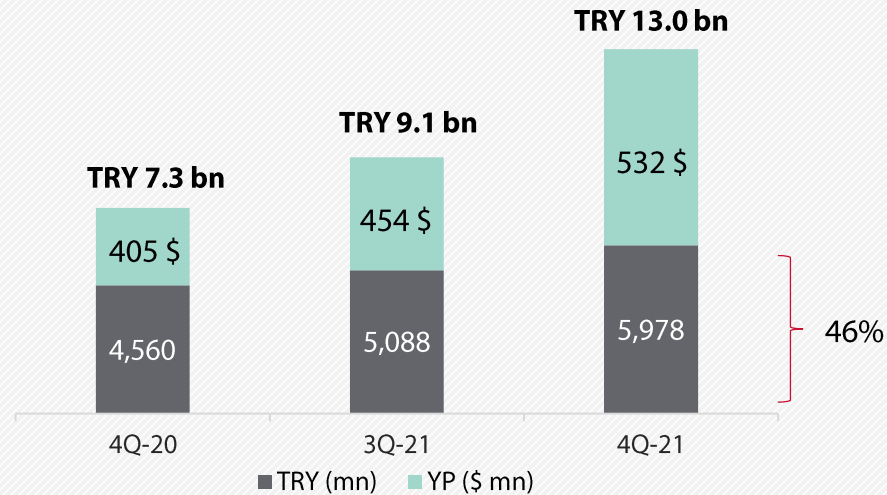
TL 440
million Total
Free
Provisions in
2021

No new NPL
formation in
2021

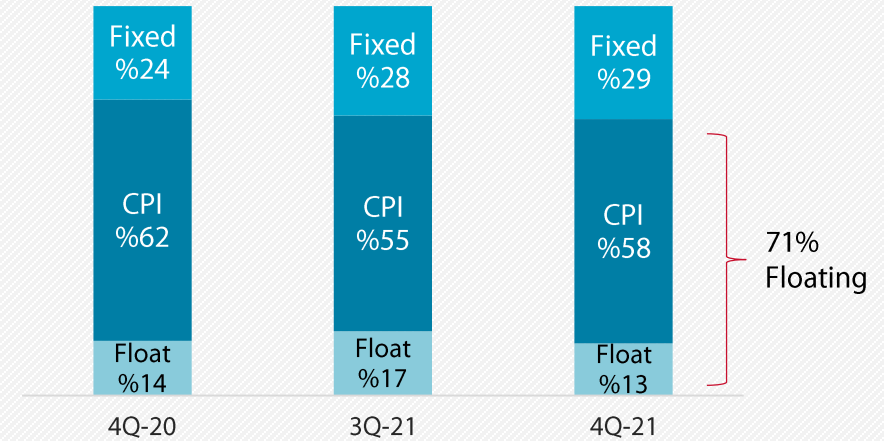
143 bps net CoR exc.
currency impact
(218 bps net CoR)

>> Security book supporting Bank's profitability

Total Securities Portfolio Breakdown



TRY Securities Portfolio Breakdown*



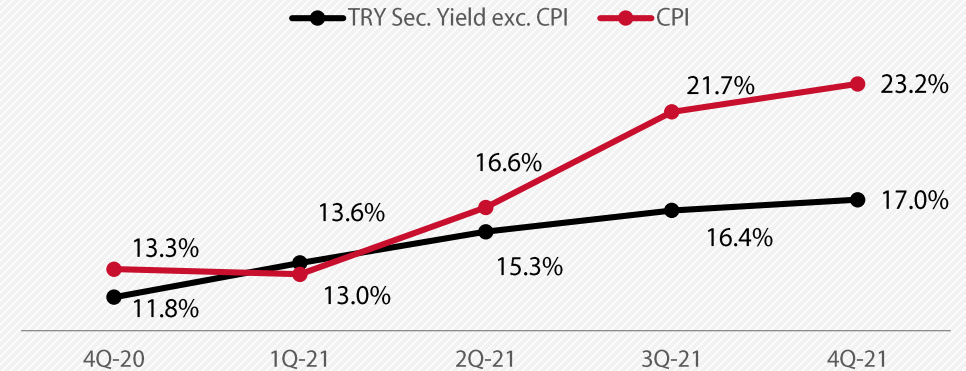
* Audit report values are taken into account

SECURITIES / ASSETS: 15.0%

Strategically managed securities portfolio

- Continuous investment in CPI-linker
- Remaining Duration: **1.7 years** in Fixed bonds, **1.6 years** in Floating bonds, **2.3 years** in CPIs in TRY Sec. Portfolio.
- Investment in private sector bonds – 4.4% in TL securities book
- Replacement of maturing fixed income securities with higher yielded bonds and CPI-linkers.

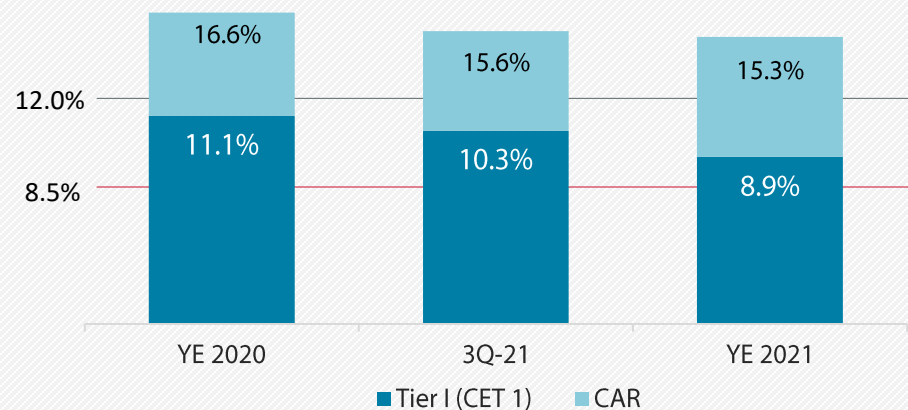
Security Yields



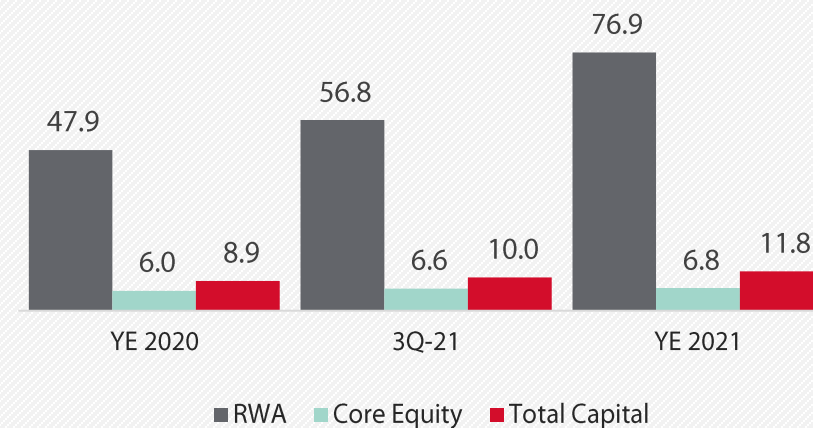
Oct.-Oct. CPI is 19.9percent.

Strong internal capital generation supports our solvency metrics

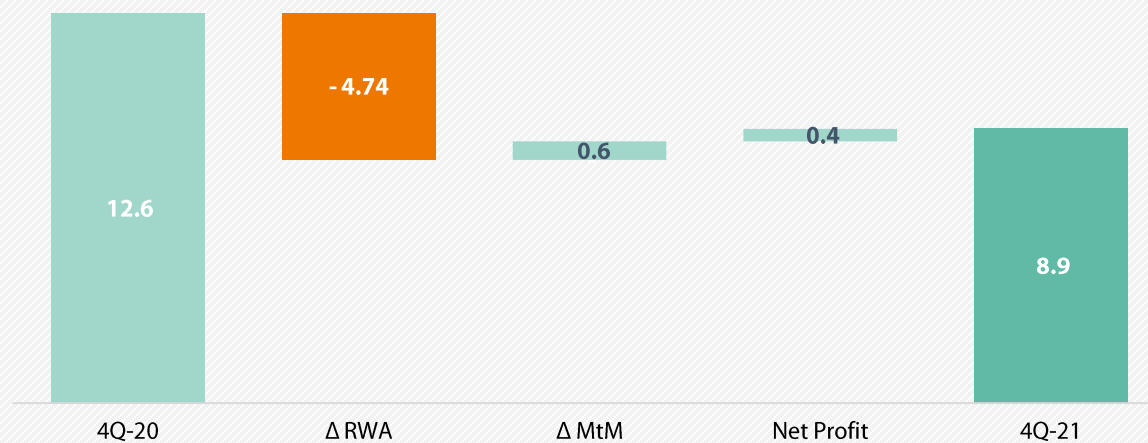
Capital Ratios Without BRSA Temporary Measures



Evolution of RWA and Equity – TRY bn



Tier 1 (CET1) Evolution



**Free Provisions
Adjusted
CAR: 15.9%
Tier I: 9.4%**

In light of the upcoming call option on our US\$300mm 7.625% Tier 2 notes, which have a call date of March 29th, 2022, we will continue to explore opportunities to raise a new Tier 2 Sustainability bond or placement in US\$, likely in RegS/144A format.

➤ Sustainability Developments in 2021 and Long-Term Targets

▪ Funding

- 3rd Sustainable Eurobond Issuance
- Sustainability-linked Syndication Loan
- Sustainable bilateral agreement with Citi
- Geothermal Development Project Loan Agreement with IBRD

Reporting

- First Climate Risks Report
- 5th Integrated Report
- CDP Climate Change Report (Score: B)
- UNEP FI Responsible Banking Principles Report
- Climate Review Reports

Ratings

ESG Risk Rating Update by Sustainalytics
Score: 13.6 Low Risk

- 1st place in Turkey
- 6th place in subindustry
- 54th place in industry



Corporate and Investment Banking Activities

- SDG-linked Working Capital Loan
- Sukuk Issuance with a focus on the UN SDGs
- Green IPO
- Sustainable Collaboration with Ecording

Long-Term Targets

2021 Realization

Not to finance greenfield coal-fired thermal power plants and coal mining investments for electricity generation purposes



Keep the ratio of **SDG-linked loans** in the total portfolio at the level of **90% and above**

~%90

Provide **USD 8 billion and more SDG-linked** financing by 2030

~1 billion USD

Provide USD 150 million in financing in order to contribute boosting the resilience of the companies adversely affected by the **Covid-19 pandemic**.

155 million USD

Maintain offsetting Scope 2 emission by exclusively using renewable energy



Target a ratio of loans contributing to climate and environment-focused SDGs within the total loan portfolio to be **at the level of 60%**

~%55

Integrate climate risks during loan evaluation, internal rating stage, loan allocation and monitoring processes.

Pilot Climate Risk Evaluation Tool

Maintain **gender pay gap** below %0.1

%0.087

Obtain **ISO 27001 Information Security Management System** certificate



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Appendix

Balance Sheet

mn	31/12/2020			30/09/2021			31/12/2021		
	TRY	FX	TOTAL	TRY	FX	TOTAL	TRY	FX	TOTAL
Cash and Banks	1,481	1,191	2,672	572	3,431	4,003	1,526	3,715	5,241
Securities	4,564	2,983	7,547	5,116	4,031	9,147	5,896	6,730	12,626
Loans (Gross)	4,136	34,984	39,120	4,134	41,417	45,551	4,072	59,830	63,902
Provisions	-529	-1,223	-1,752	-583	-1,731	-2,314	-583	-2,531	-3,114
Subsidiaries	1,295	77	1,372	1,511	123	1,634	1,749	197	1,946
Other	1,063	1,445	2,508	1,126	925	2,050	2,435	1,051	3,487
Total	12,009	39,457	51,466	11,876	48,196	60,072	15,095	68,992	84,087
ST Funds	-	1,894	1,894	-	2,234	2,234	-	3,179	3,179
LT Funds	-	29,349	29,349	-	34,720	34,720	-	49,665	49,665
Securities Issued	-	8,021	8,021	-	9,984	9,984	-	14,928	14,928
Repo & MM	842	1,258	2,100	452	1,330	1,781	166	2,010	2,175
Other	889	810	1,699	886	1,094	1,980	1,662	1,509	3,171
Tier 2	-	2,300	2,300	-	2,687	2,687	-	4,029	4,029
Equity	5,981	123	6,105	6,657	30	6,687	7,157	-217	6,941
Total	7,712	43,754	51,466	7,995	52,077	60,072	8,985	75,102	84,087

Detailed Income Statement

TRY mn	1Q-21	2Q-21	3Q-21	4Q-21	QoQ
Net Interest Income inc. Swap Cost	430.3	511.1	679.9	907.3	33%
Net Interest Income	551.7	630.8	744.4	931.9	25%
CPI Linkers	93.6	111.2	195.6	183.2	-6%
Swap Costs (-)	121.5	119.7	64.5	24.6	-62%
Net Commissions	10.7	24.9	15.3	20.0	31%
Other Income	32.1	3.4	14.0	11.5	-18%
Dividends	2.7	0.3	-	-	-
Other	29.3	3.1	14.0	11.5	-18%
Trading & FX gains/losses	99.7	62.0	-10.0	342.8	n.m.
FX gains/losses	100.7	67.9	-20.8	333.3	n.m.
MtM gains/losses	-3.9	-2.1	2.3	-30.9	n.m.
Trading gains/losses	2.9	-3.8	8.5	40.4	375%
Banking Income	572.8	601.4	699.2	1,281.6	83%
OPEX (-)	64.3	64.7	62.8	74.6	19%
Net Banking Income	508.5	536.7	636.4	1,207.0	90%
ECL (-)	289.4	242.7	261.3	867.1	232%
Stage I	42.9	-125.4	29.6	182.6	n.m.
Stage II	143.6	241.7	31.0	445.8	n.m.
Stage III	71.6	82.8	85.5	175.7	106%
Other Provisions	31.3	43.6	115.2	63.1	-45%
Income From Subsidiaries	55.4	34.1	42.5	96.8	128%
Pre-Tax Income	274.5	328.1	417.6	436.7	5%
Tax (-)	48.6	75.2	122.1	122.0	-
Net Income	225.9	252.9	295.5	314.7	%6



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