

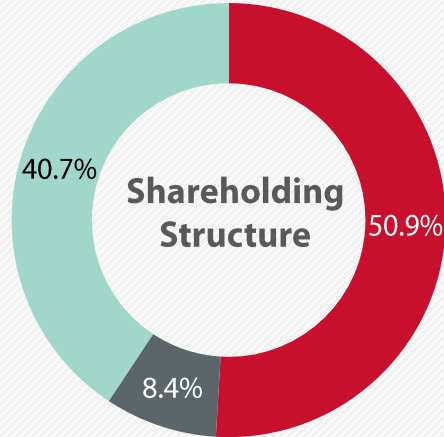
The Industrial Development Bank of Turkey

FI&IR Presentation

1Q-21 Bank-only Results

TSKB at a Glance

- İş Bank Group
- Vakıfbank
- Free Float & Other



TRY 3,8 bn MCAP
As of 17th May, 2021

Ratings	TSKB	Türkiye
Fitch LTFC	B+	BB-
Moody's LTIR	B3	B2
SAHA Corporate Governance Rating	9.56/10	
Sustainalytics ESG Risk Rating	16,7 Low Risk	

CORPORATE BANKING

Loan products that contribute to sustainable development of Turkish economy

- Corporate Loans
- Project Finance
- Other Loan Products

INVESTMENT BANKING

Products and services that create tailor-made value for its clients

- Corporate Finance
- Money and Capital Markets Advisory Services
- Derivates

ADVISORY SERVICES

Products and services driven by "Information-based Banking"

- Economic Research
- Financial Advisory Services
- Engineering and Technical Advisory Services

- ✓ 3.8% market share in LTFC corporate loans
- ✓ SDG-linked loans account for nearly 90% of the Portfolio





A Unique Business Model

Long Term Funding and Strong Liquidity

- Long term tenor in liabilities: 11 years
- Medium term in assets: 5 years
- Diversified funding tools
- Amortized loan book

Sustainable Relationship with Stakeholders

- Long-lasting relationship with DFIs* and FIs
- Ministry of Treasury and Finance
- DFI Mission Clubs
- Policy Makers
- Investors

✓ **Identifying the actual and future needs for sustainable development**

✓ **Sustainable Banking Income Generation**

✓ **Solid & Consistent Financial Ratios**

✓ **Securing those by way of utilization of existing resources and of reaching out potential ones**

Prudent Credit Risk Assessment

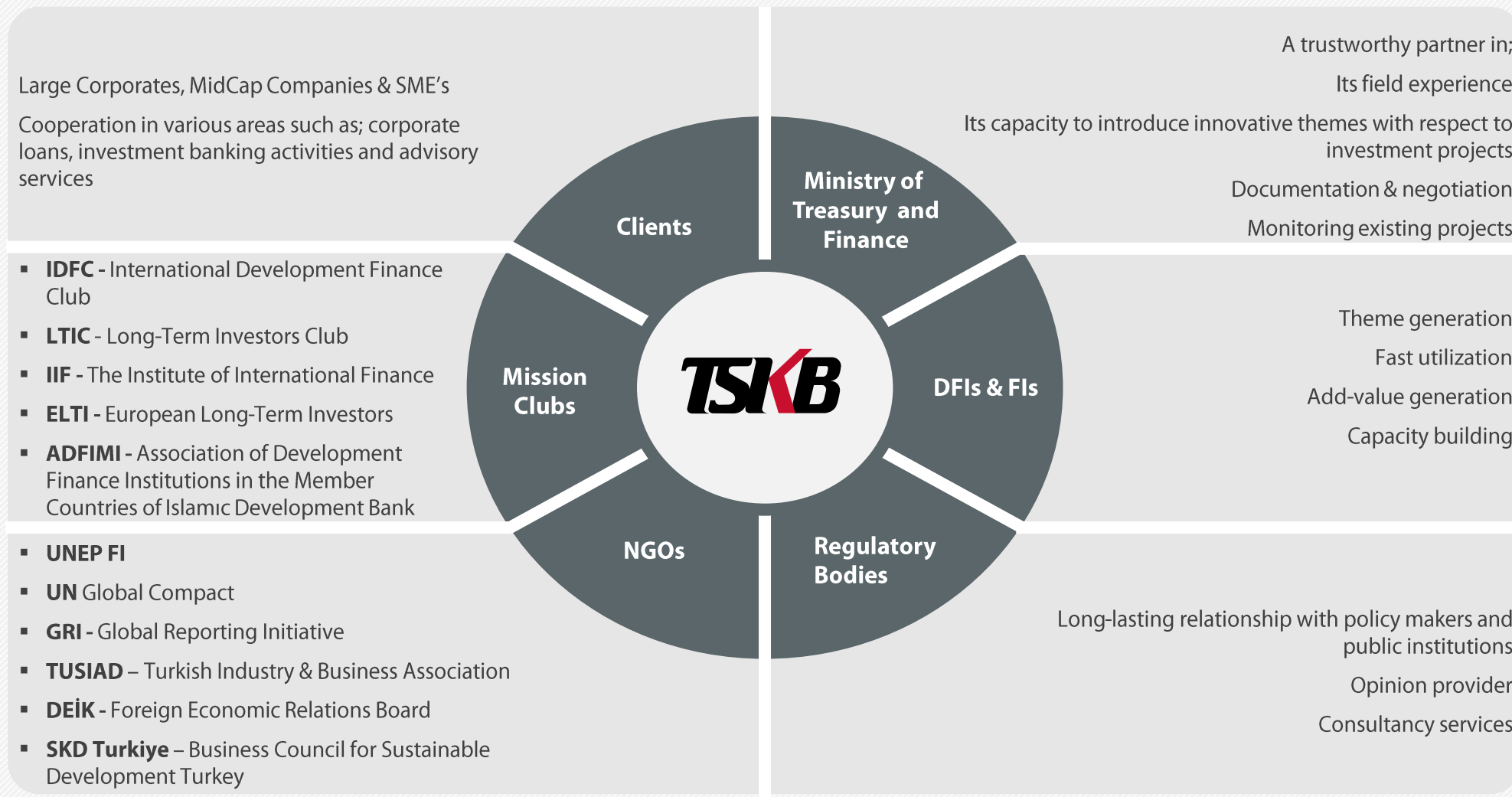
- Multi-disciplinary assessment during allocation
- Sector specific research analysts during allocation and monitoring period
- Strong collateralization
- Well capture of clients

“Knowledge Banking”

- A strong technical team:
 - Economic research
 - Engineers
 - Financial Analysts
- Constant investment for the capacity expansion
- Advisory and investment banking teams



Main Stakeholders of the Bank



>> Sustainability is Well Integrated into Our Business Model

Support for employment in Turkey;

- Encouraging women participation to the economy
- Providing financing to operational health and safety
- Supporting less developed regions



Financing to reduce energy dependency in Turkey

- Financing renewable energy projects;
- Energy and resource efficiency investments



Sustainability Reporting

- Integrated Report
- Impact & Allocation Report
- Carbon Disclosure Project
- Communication on Progress



TSKB



Support transition to low carbon economy



Environmental & Social Risk Evaluation for all investment projects

Monitoring social impacts of financed investments



Extend resources for UN Sustainable Development Goals

- UN SDG Mapping Project
- UN SDG Loan Model
- Supporting 13 of UN SDGs

Recent Developments on Sustainable Banking



3rd Sustainable Eurobond Issuance

- USD 350 million
- First Eurobond out of Turkey
- Oversubscription of almost 6x
- 1/3 of allocated demand linked to ESG
- 0 new issue premium
- Price improvement of over 50 bps



Climate Change

- Combating Climate Change and Adaptation Policy
- UNEP FI Responsible Banking Principles Report
- CDP Climate Change Report
- Participation to the Phase 2 & 3 Banking Pilot Program of the TCFD



2020 Integrated Annual Report

- 5th Integrated Report
- Sustainability Principles Compliance Report
- Short, medium and long-term financial and non-financial targets
- Assurance for financial and non-financial data
- Digital Report Assistant developed within the Bank



Climate Review Report

- Part of the Green Swan Platform
- 2nd issue with "water" theme
- Finish Water Index (FWI)

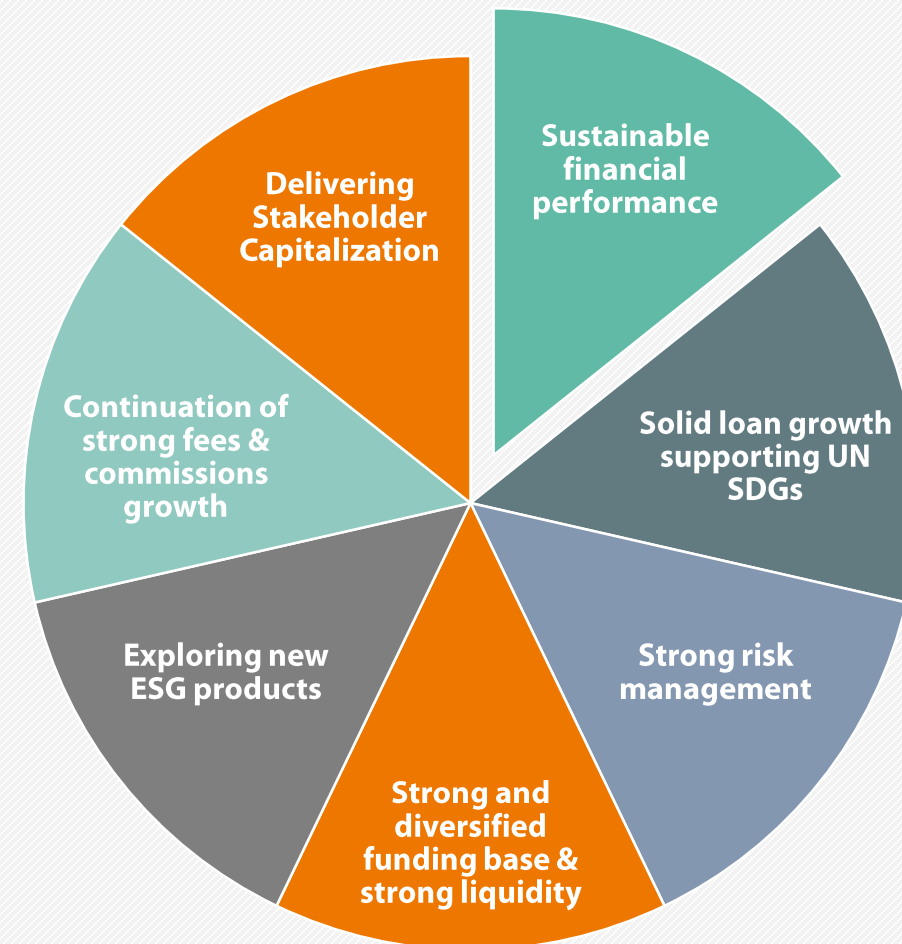


Sustainability Award

Asia's Top Sustainability International Superwomen

>> 2021 Guidance and TSKB's priorities for the year

Financial Guidance (Bank Only)	2021E (%)	1Q21 Results
Growth		
FX Adjusted Loan Growth	3-5	3.1
Profitability		
Fees & Commissions Growth	~20	-50.3
Net Interest Margin (adj*.)	~4.0	4.1
Return On Equity	~14	14.9
Efficiency		
OPEX Growth	< 20	17.2
Cost/Income Ratio	~14	11.2
Solvency**		
Capital Adequacy Ratio	~15.5	15.0
Tier 1 Ratio	~10.5	9.8
Asset Quality		
Stage 2 Loans Ratio	~15	11.7
NPL Ratio	~4.5	3.8
Cost of Risk***	< 175 bps	236 bps



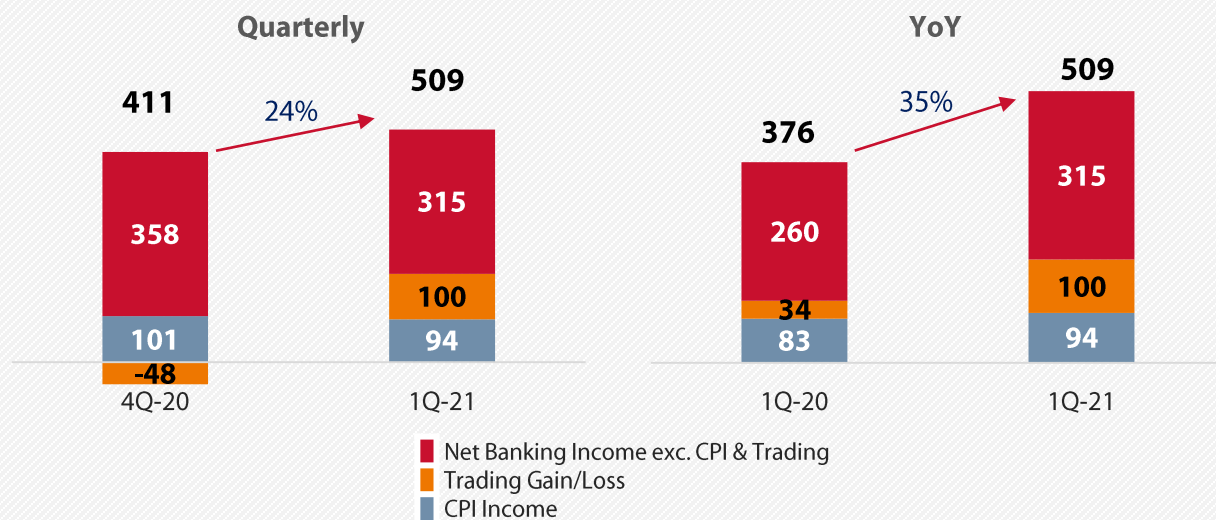
*Swap adjusted.

**Excluding forbearance.

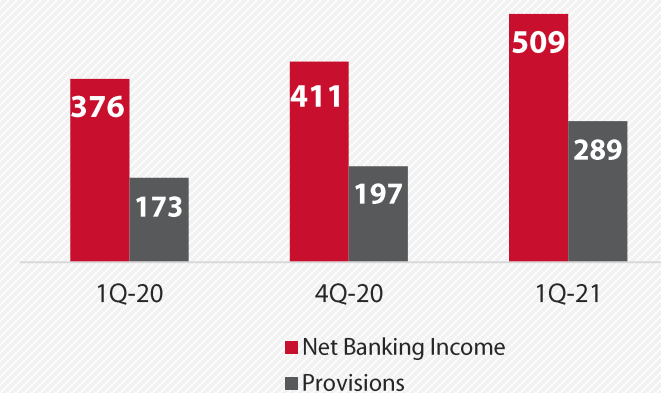
*** Our CoR calculation does not include NPL provision reversal under other income.

>> 1Q21 Key Highlights

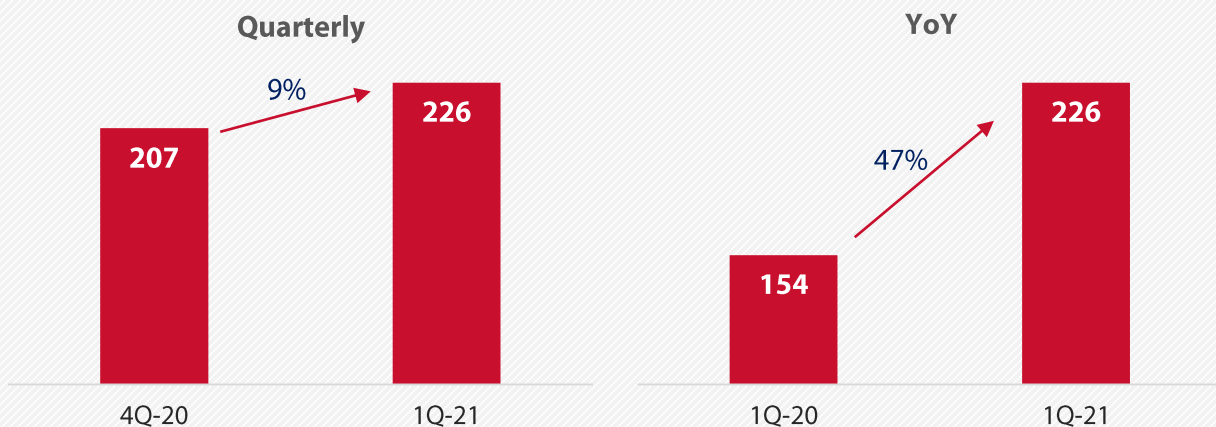
Net Banking Income - TRY mn



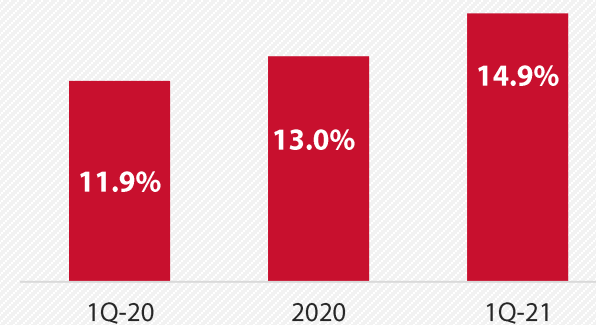
Net Banking Income vs Provisions - TRY mn



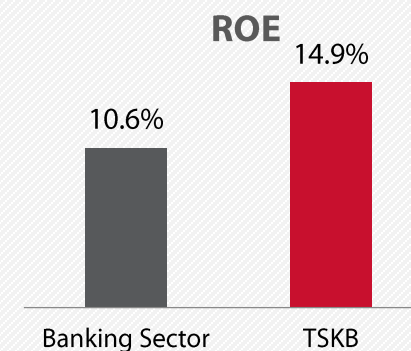
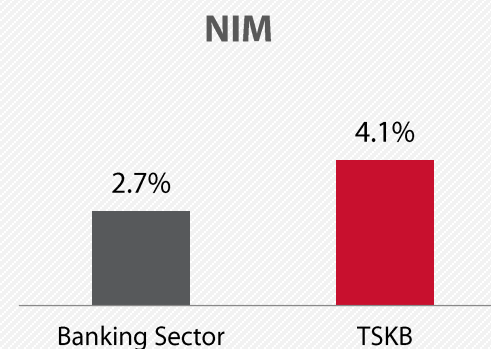
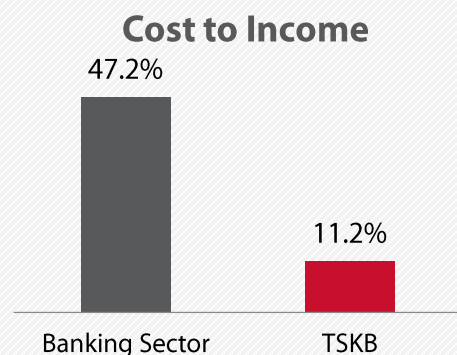
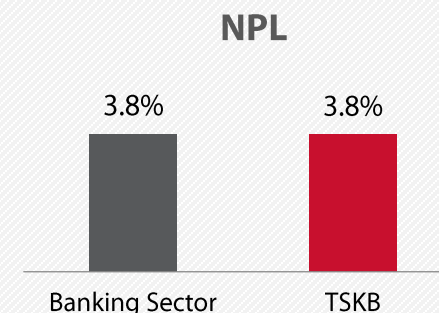
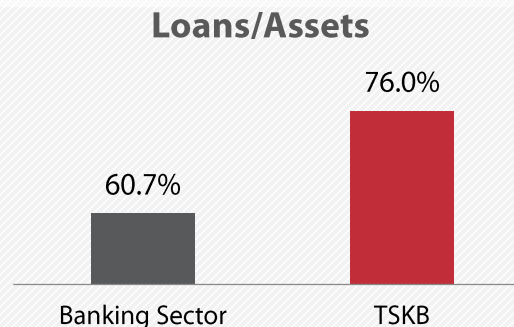
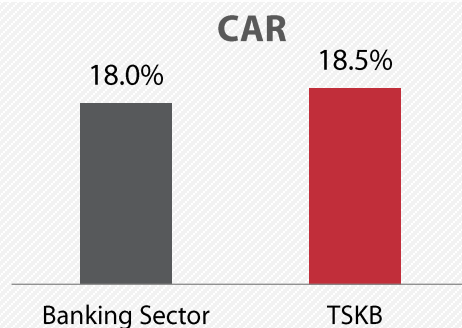
Net Profit- TRY mn



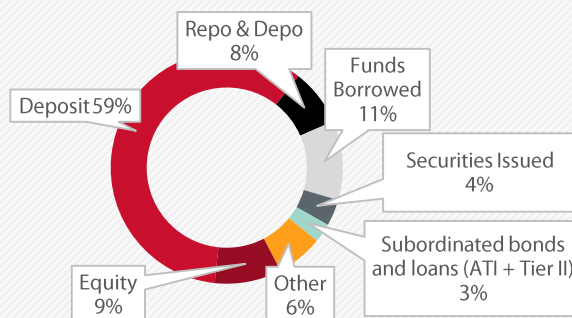
ROE



Banking Sector vs TSKB

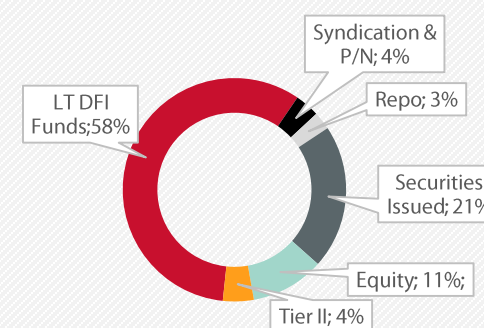


BANKING SECTOR



Majority of the funding is deposits with an average maturity of circa 1 month, while that of credits is almost 2.1 years.

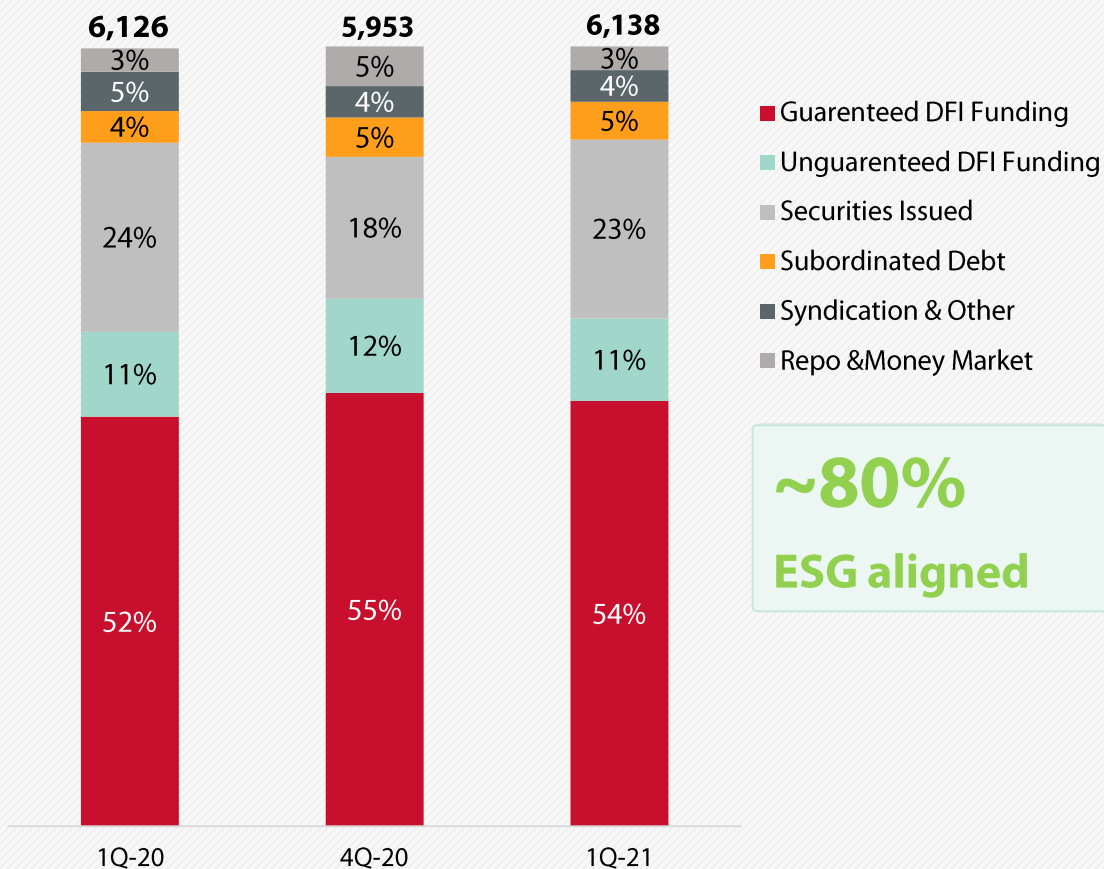
TSKB



Majority of the funding is in long term with an average maturity of 11 years.

Comfortable FX Liquidity and Maturity Profile

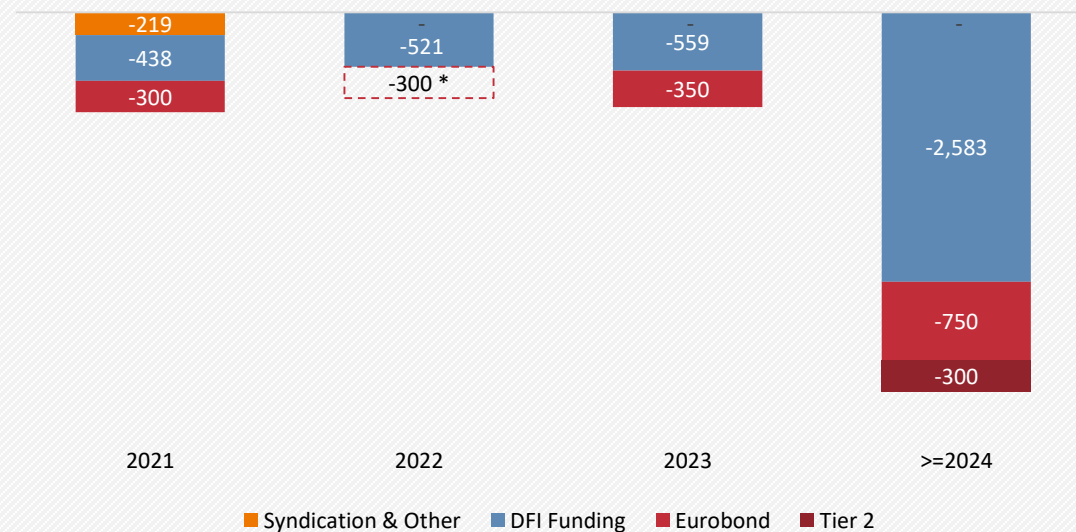
Funding / Total Liabilities (exc. Equity & Oth.) – USD mn



USD 400 mn Non-Withdrawn DFI Funding

Inclusiveness	46%
Manufacturing Industry	22%
Climate + Environment	22%
Sustainable Infrastructure	9%

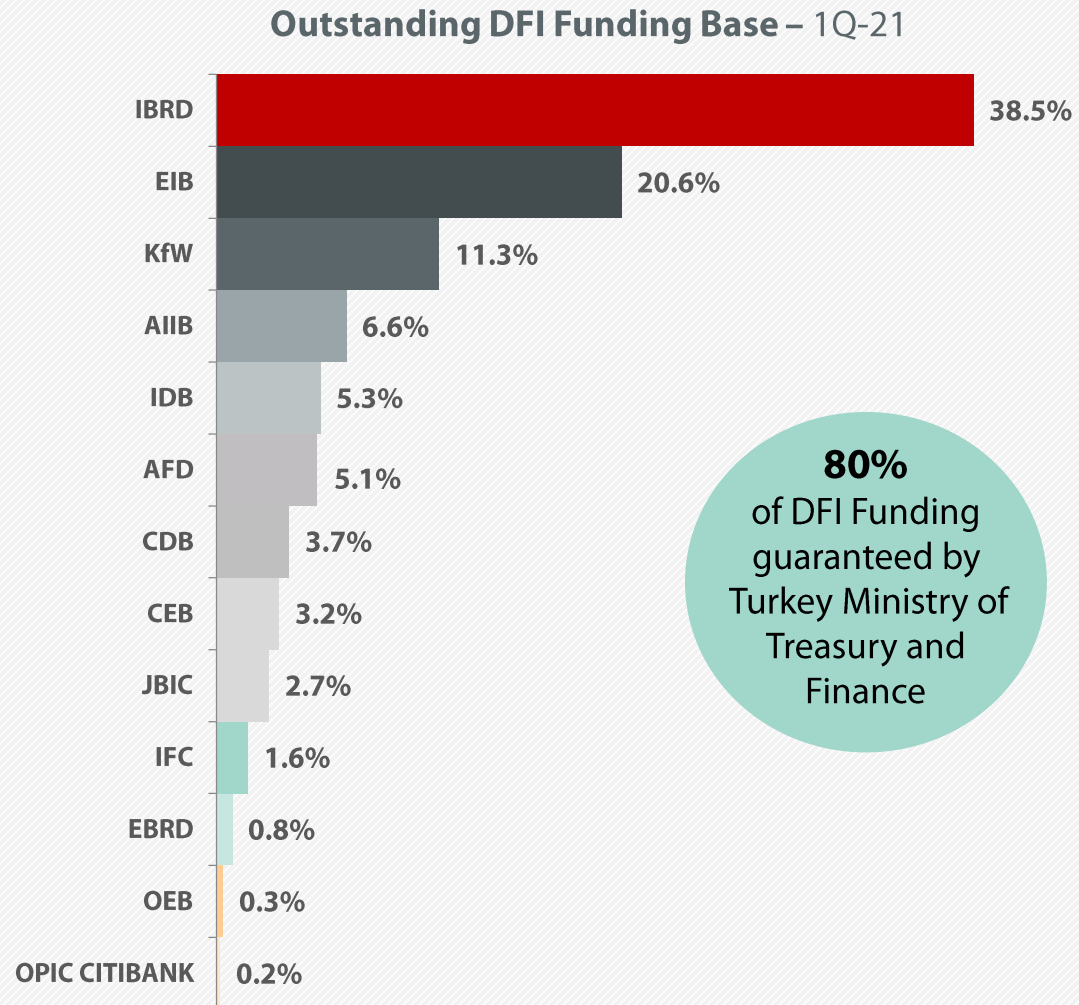
Maturity Profile of External Debt - USD mn



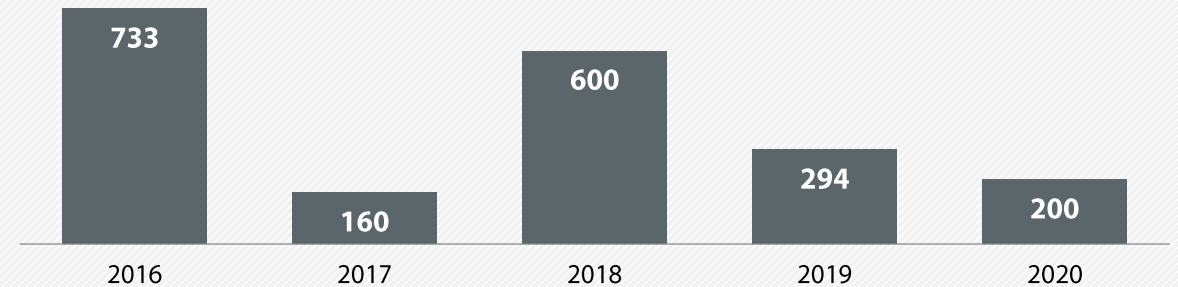
* Tier 2 bond has issuer call in 2022



Long Term DFI Funding Base



Yearly Multilateral Funding Agreements – USD mn



2021 – New DFI Funding Agreements worth of USD 400 mio in pipeline

Outstanding Project Themes Shaping Future Loan Book

Energy and Resource Efficiency



Women's Employment and Equal Opportunity



Renewable Energy



Midcap Financing



Supporting Exporters



Regional Development



Supporting Employment



Sustainable Agriculture



Industrial Development



Sustainable Tourism



Occupational Health and Safety



Environmental Pollution Abatement in Industry



Innovation



Social Infrastructure

Health, Education & Clean Transportation



SME Support



Research Development



Infrastructure



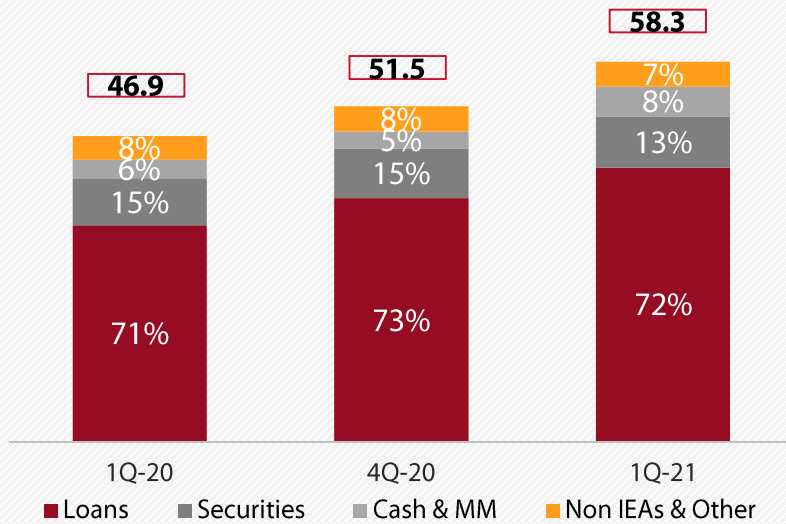
Covid-19



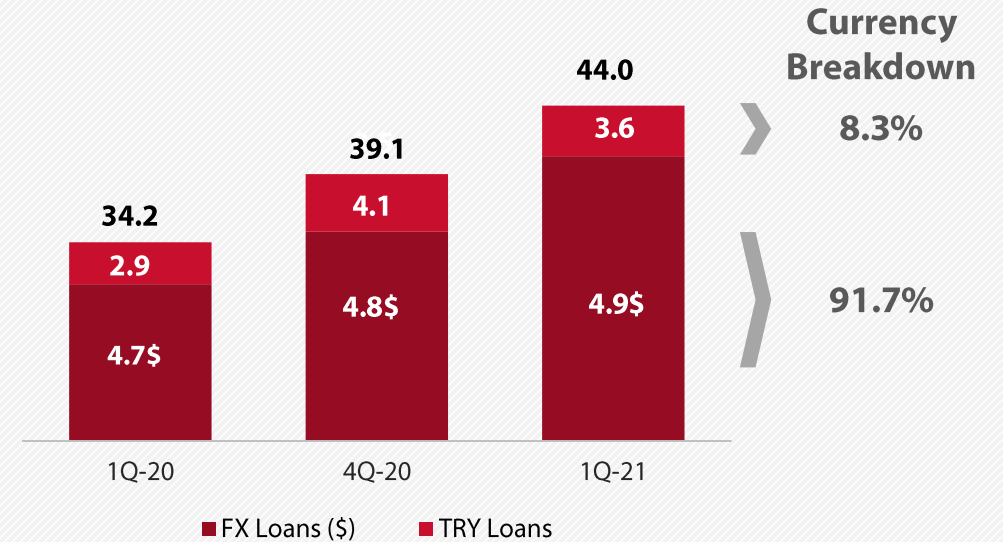
Resilient Asset Composition

3.6

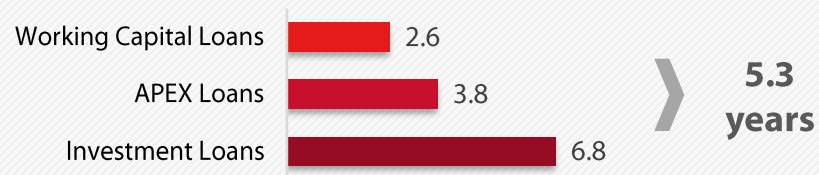
Asset Composition – TRY bn



Total Loans – TRY bn



Average Maturity - Years



1Q-21 Loans by Currency & Type





Risk Management Pillars

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

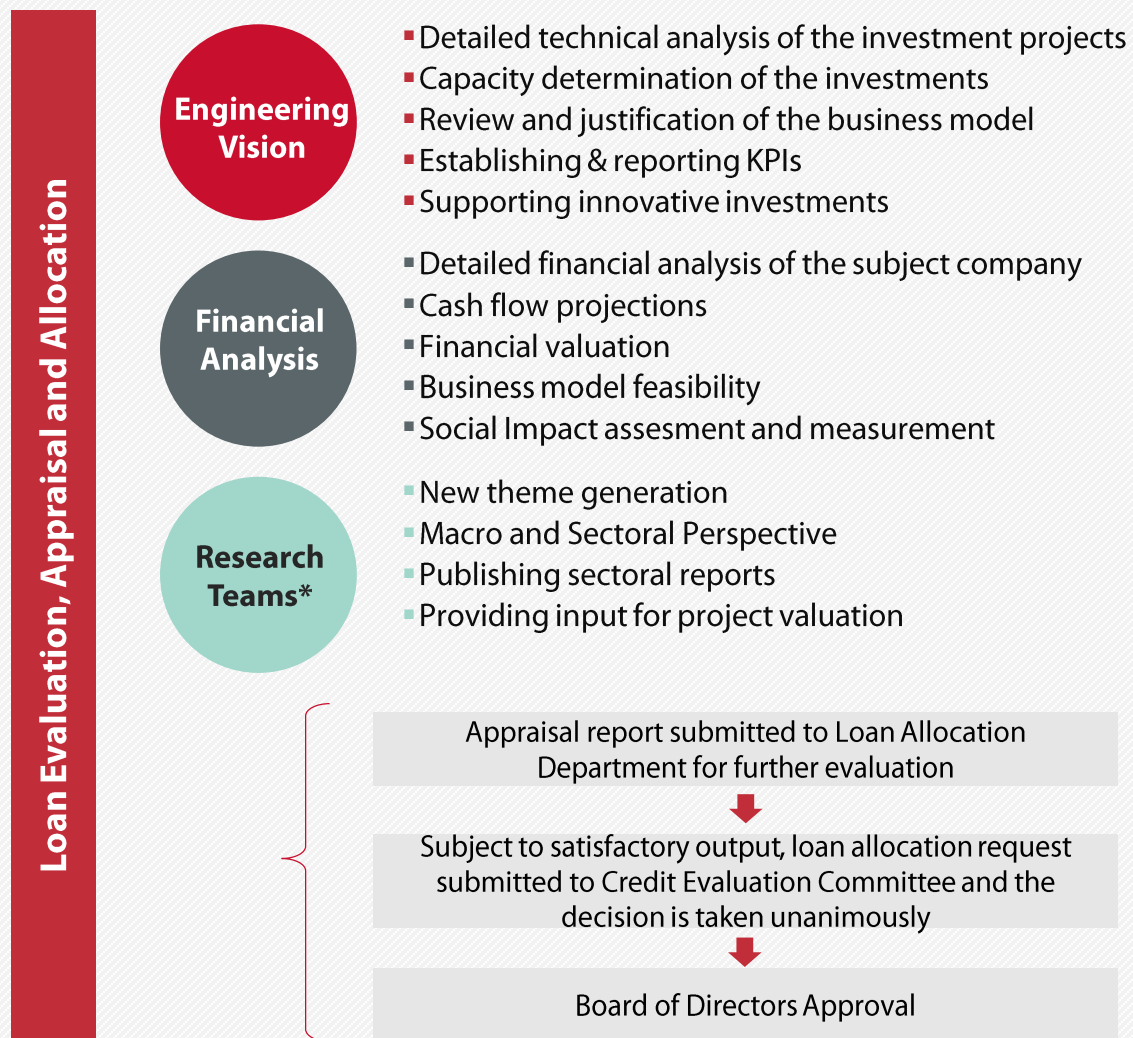
Operational Risk

- 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

Strong Risk Management Perspective

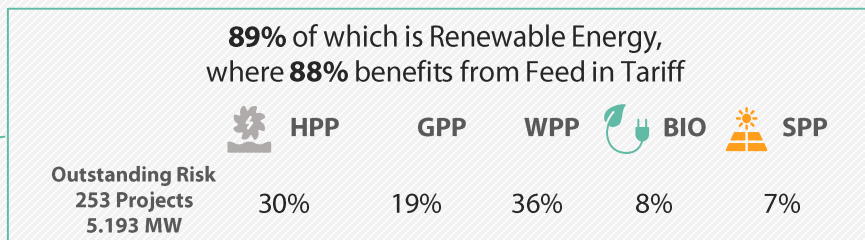
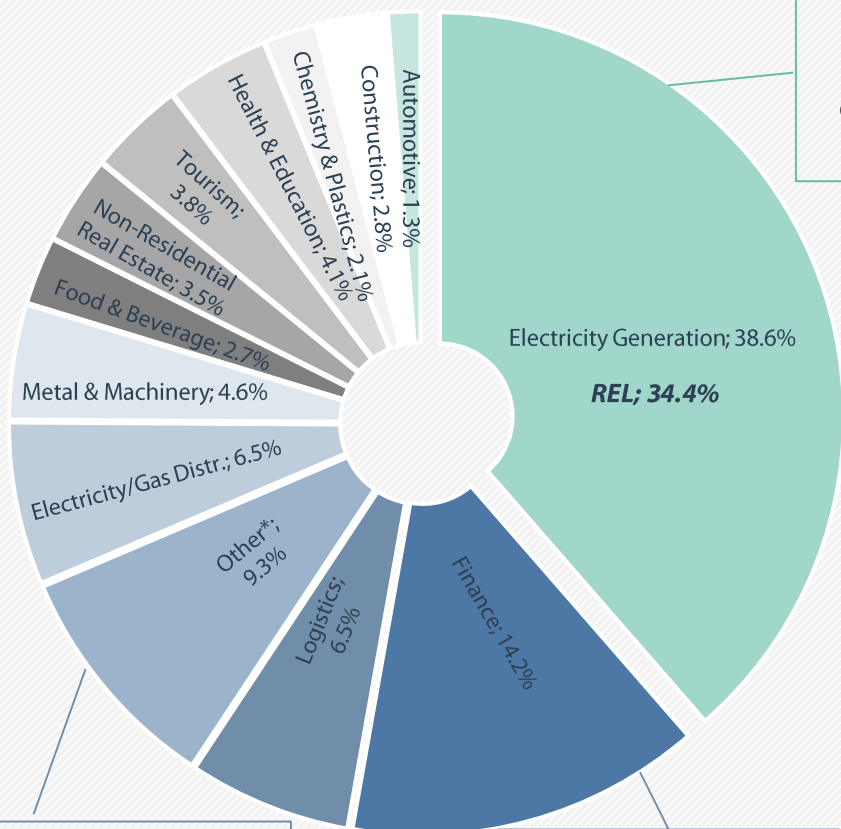


Monitoring and Collateralization

- 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.

SDG-Linked Loans Account for Nearly 90% of the Portfolio

Loans by sector 1Q-21



Substantially Supported SDGs through Loan Activities

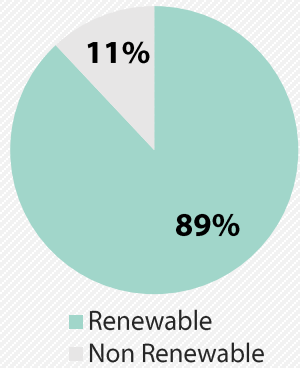


Medium & Long-term SDG-linked Target

- Keep the ratio of SDG-linked loans in the total portfolio at the level of 90% and above **between 2021 and 2025**.
- Provide USD 8 billion and more SDG-linked financing by **2030**.

Our Renewable Energy Focus

Energy Portfolio Risk Breakdown



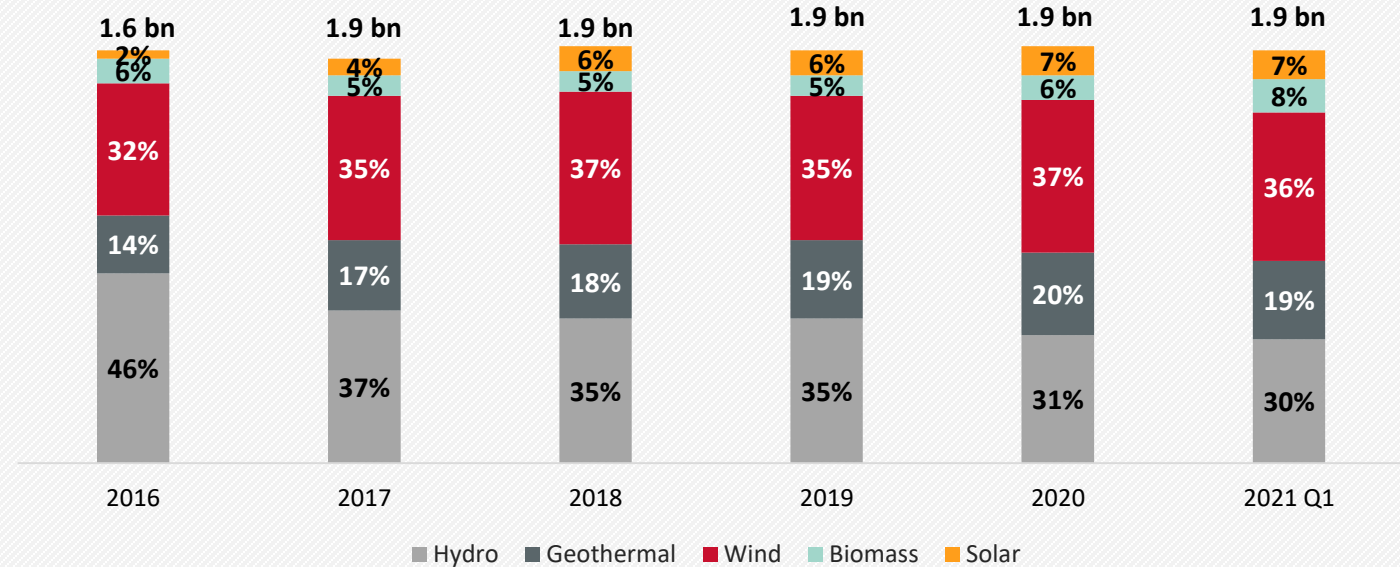
In terms of outstanding risk, **88%** of the operating energy projects are backed by Feed-in Tariff Mechanism (Yekdem).

86% of non-renewable projects (in MWs) are under capacity enhancement mechanism supporting their cash flows.



- With respect to number of projects, **96%** is **in operation**.
- With respect to their installed capacity (MW), **96%** is **in operation**.

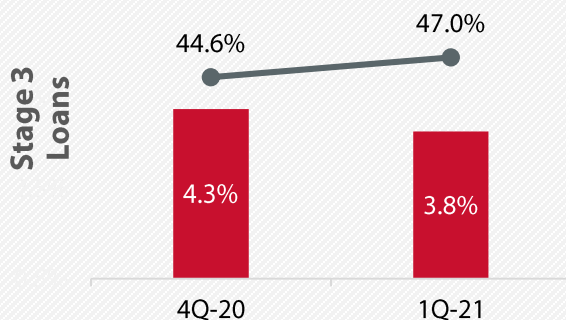
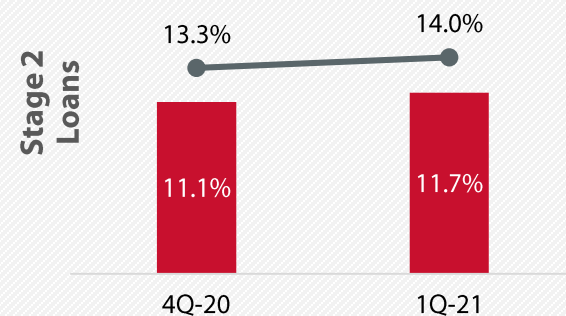
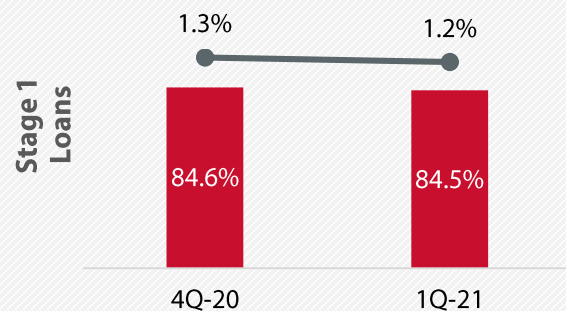
Renewable Energy Portfolio (Outstanding)



Operating Projects in the Energy Loan Book (In terms of Number)

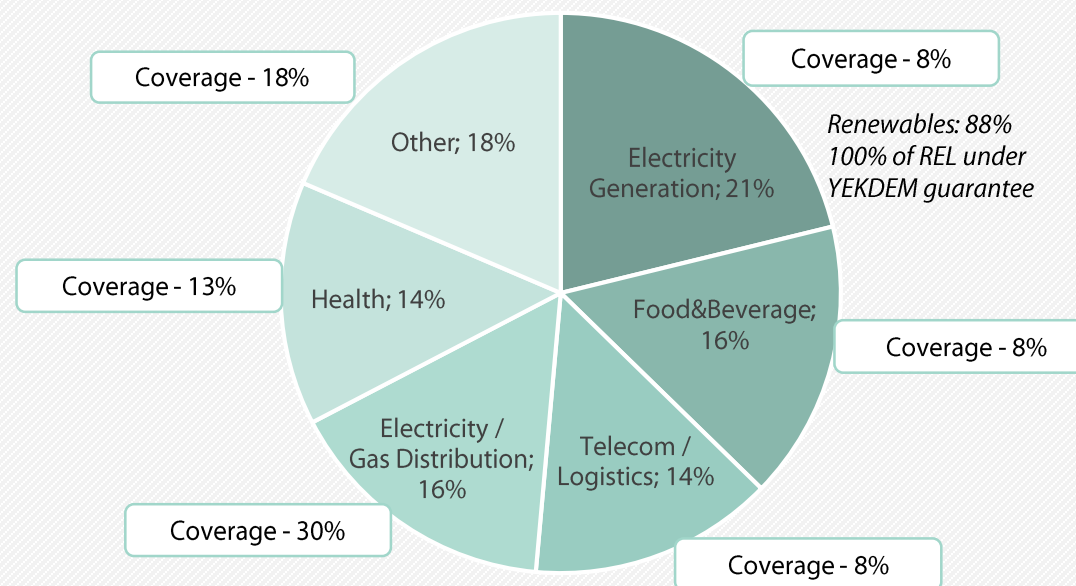


Asset Quality



	Gross Amount	Share in Total	Coverage Ratio	Provisions (-)
Stage 1	37,187	84.5%	1.2%	465
Stage 2	5,153	11.7%	14%	719
Stage 3	1,690	3.8%	47%	795
Gross Loans	44,030	100.0%	4.5%	1,979

Stage II Sectoral Breakdown



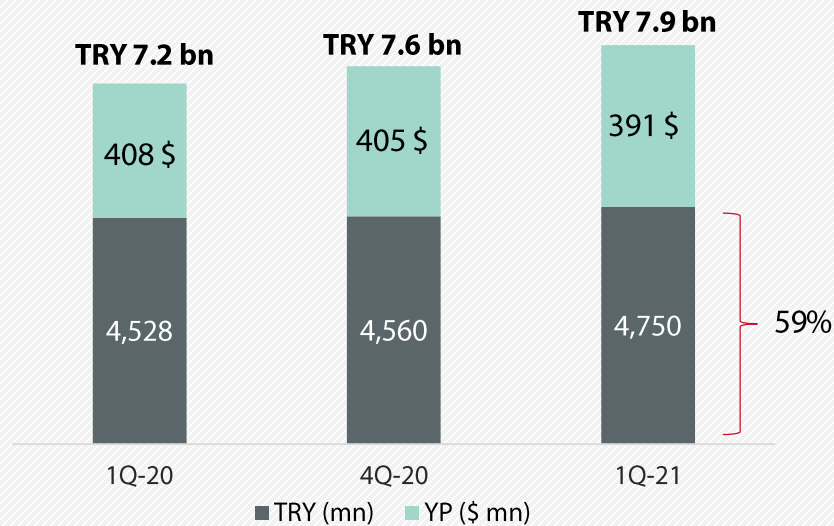
CoR
236 bps

79% of Stage 2&3 Loans Restructured

Long Positioned FX Provisions

250 mn TL Free Provisions

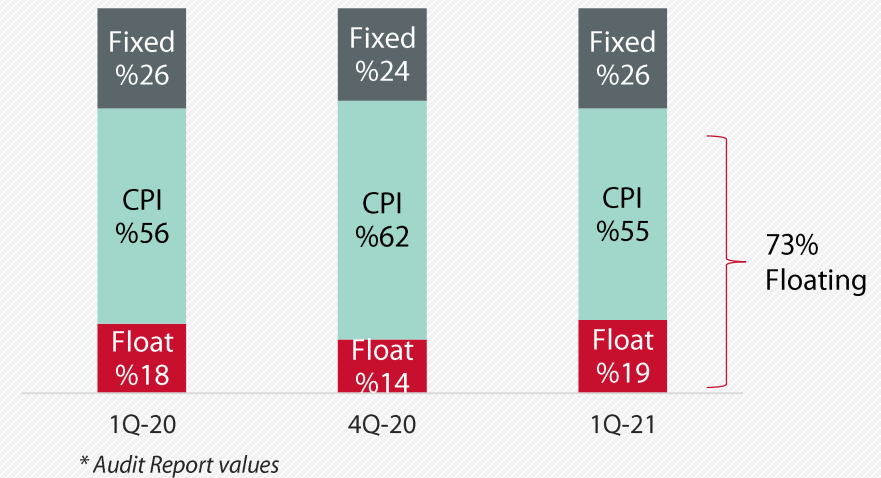
Total Securities Portfolio Breakdown



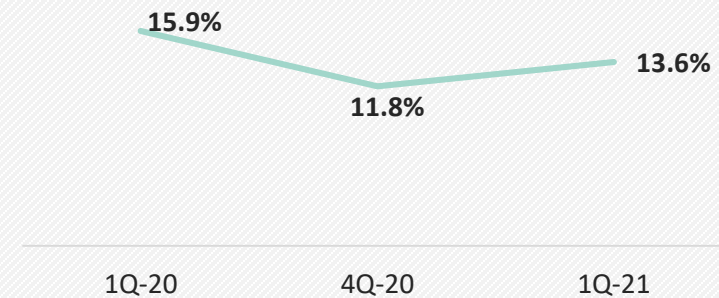
SECURITIES / ASSETS: 14.6%

- Remaining Duration: **1.6 years** in Fixed bonds, **1.5 year** in Floating bonds, **2.4 years** in CPIs in TRY Sec. Portfolio.
- Real coupon rate of CPI Linker portfolio is 2.7%.
- Private sector bonds: **4.1%** of total portfolio

TRY Securities Portfolio Breakdown*



TRY Security Yields exc. CPI**



**As of March 31

Bank's Oct. 20 - Oct. 21 CPI assumption is 11.8 percent.

Takeaways from the Income Statement

TRY mn	1Q-20	4Q-20	1Q-21	QoQ	YoY
Net Interest Income	370.2	507.2	430.3	-15%	16.2%
Trading Income	33.5	-47.6	99.7	n.m.	n.m.
Net Fees & Commissions	21.5	11.6	10.7	-7%	-50.3%
Other Income (Inc. Dividend)	5.3	2.9	32.1	n.m.	n.m.
Banking Income	430.5	474.0	572.8	21%	33.0%
OPEX (-)	54.9	63.2	64.3	2%	17.2%
Net Banking Income	375.7	410.8	508.5	24%	35.3%
Provisions (-)	173.4	196.7	289.4	47%	67%
Income From Participations	-3.4	77.7	55.4	29%	n.m.
Tax Provisions (-)	45.1	67.1	48.6	-28%	7.6%
Net Profit	153.7	206.7	225.9	9%	46.9%

Stellar quarterly performance

Continuous contribution of fees & commissions

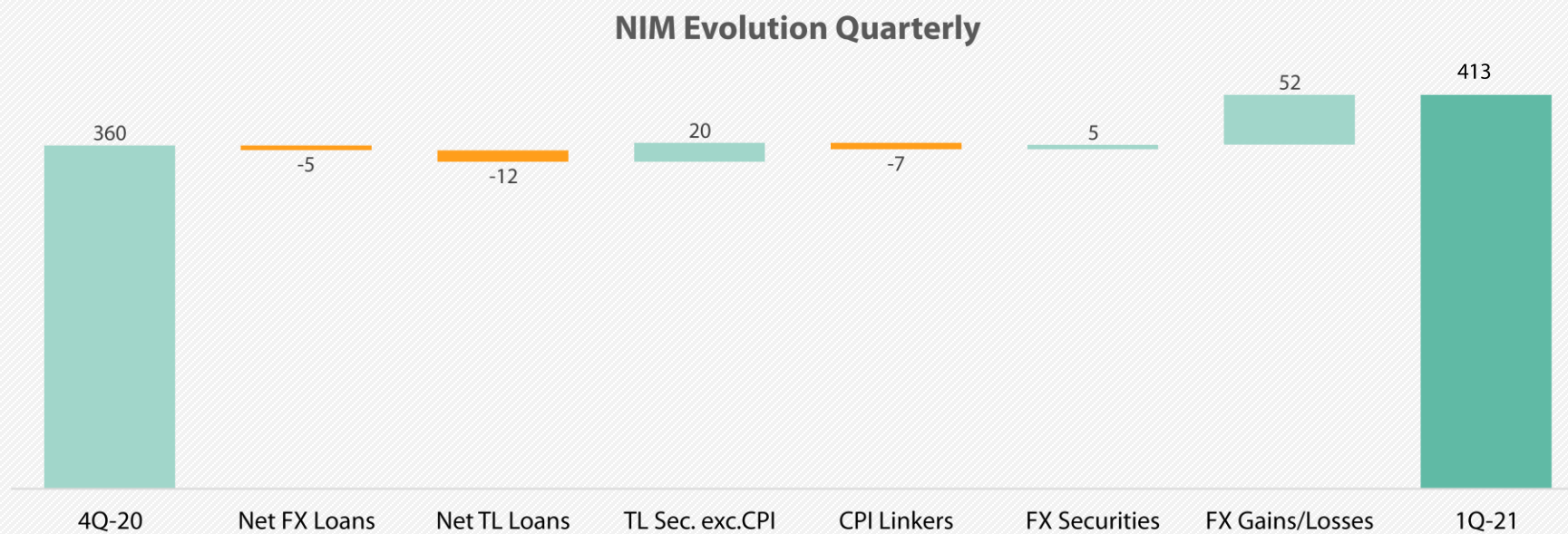
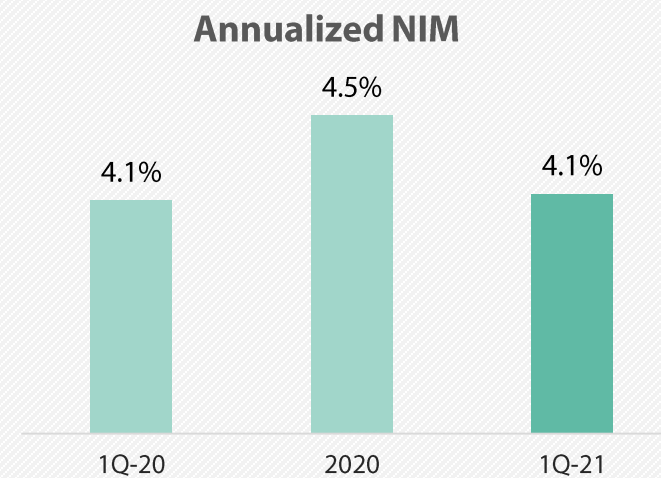
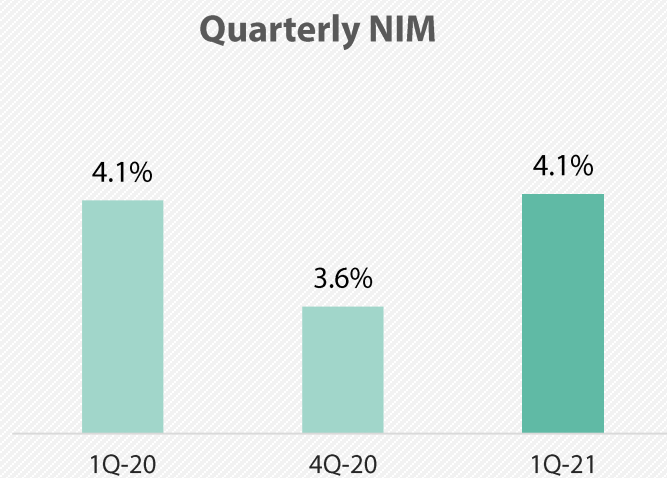
OPEX under discipline

Front loaded provisions + extra free provisions

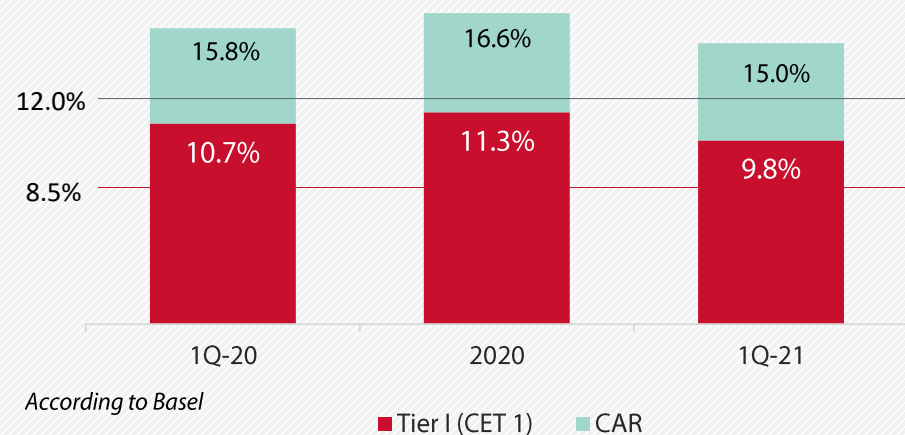
Strong performance from participations

- TMS 27 adjustments were applied for all given periods
- Based on MIS data
- Interest expense of long and short term swaps, valuations of hedge positions for Eurobonds issued, LYY MtM gain/loss 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

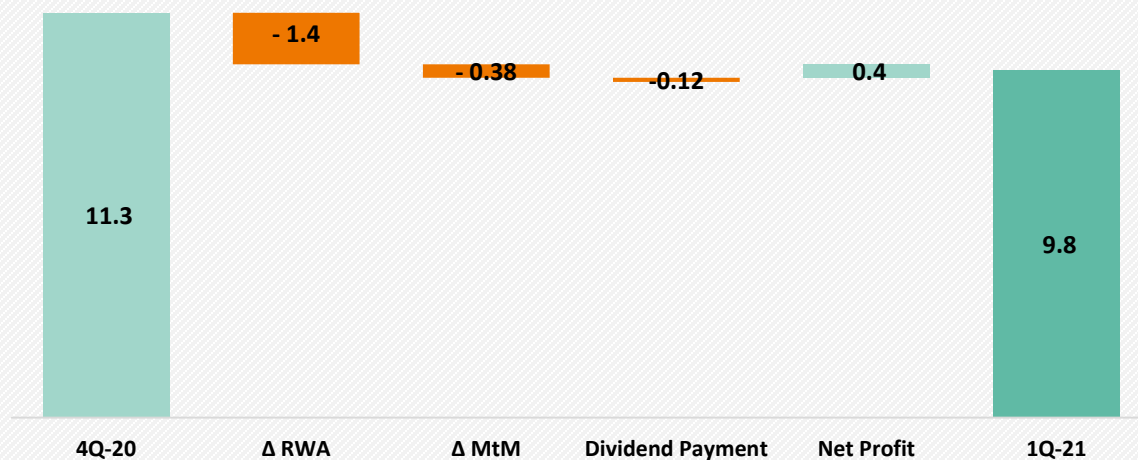
Steady NIM



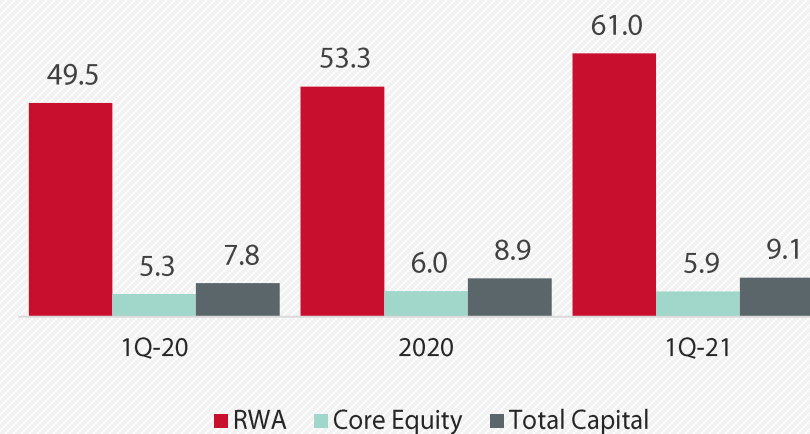
Strong Internal Capital Generation supports our Solvency Metrics



Tier 1 (CET1) Evolution



Evolution of RWA and Equity – TRY bn



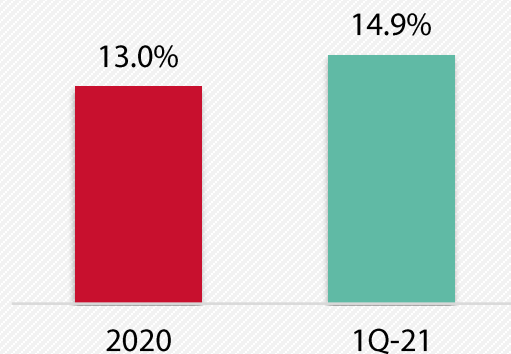
Solvency Limits (%)

Solvency Limits (%)	2021
Capital Conservation Buffer	2.500
Counter Cyclical Buffer	0.010

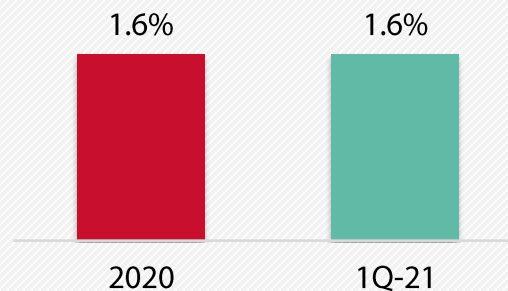
CET 1	7.010
Tier 1 Ratio	8.510
CAR	10.510

>> Key Performance Indicators

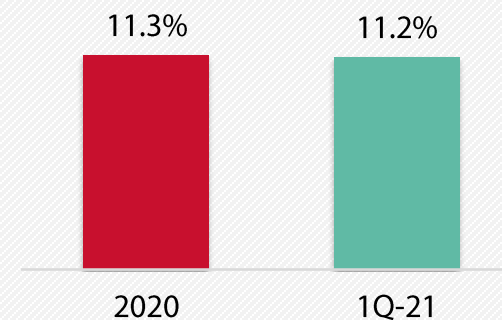
ROE*



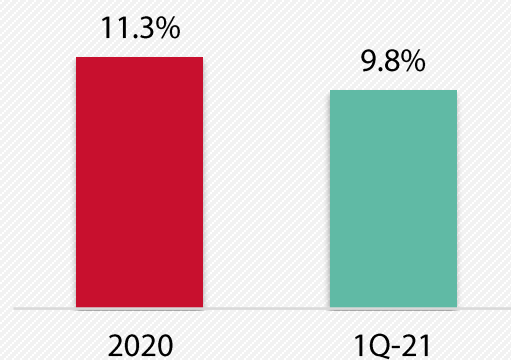
ROA



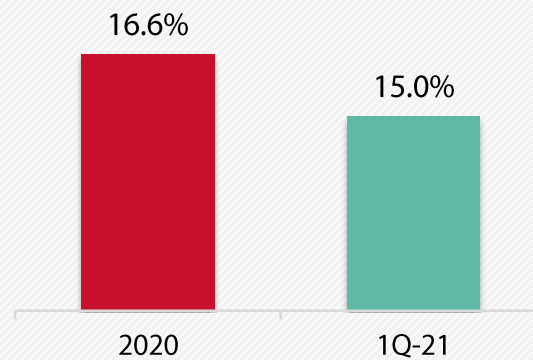
Cost to Income



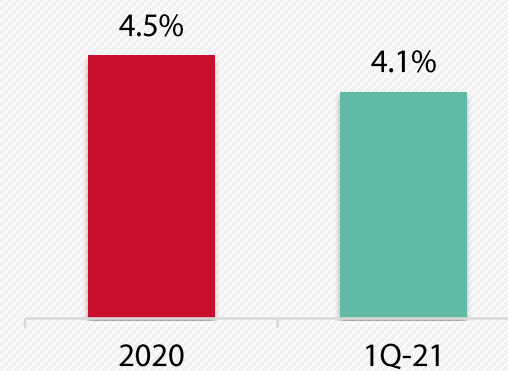
Tier-I**



CAR**



NIM



*ROE: Annualized Net Income for the period / Average Total Equity

** Excluding forbearance



Appendix

Balance Sheet

mn	31/03/2020			31/12/2020			31/03/2021		
	TRY	FX	TOTAL	TRY	FX	TOTAL	TRY	FX	TOTAL
Cash and Banks	224	2,644	2,868	1,481	1,191	2,672	2,078	2,540	4,618
Securities	4,528	2,687	7,215	4,564	2,983	7,547	4,672	3,131	7,803
Loans (Gross)	2,955	31,276	34,231	4,136	34,984	39,120	3,622	40,408	44,303
Provisions	-315	-737	-1,052	-529	-1,223	-1,752	-567	-1,416	-1,983
Subsidiaries	903	59	962	1,295	77	1,372	1,327	90	1,417
Other	1,235	1,428	2,663	1,063	1,445	2,508	1,387	1,014	2,401
Total	9,530	37,357	46,887	12,009	39,457	51,466	12,518	45,767	58,285
ST Funds	-	1,586	1,586	-	1,894	1,894	-	2,013	2,013
LT Funds	-	25,630	25,630	-	29,349	29,349	-	32,843	32,843
Securities Issued	-	9,573	9,573	-	8,021	8,021	-	11,847	11,847
Repo & MM	239	1,247	1,486	842	1,258	2,100	199	1,277	1,476
Other	623	800	1,423	889	810	1,699	732	809	1,541
Tier 2	-	2,040	2,040	-	2,300	2,300	-	2,529	2,529
Equity	5,346	-196	5,149	5,981	123	6,105	6,123	-86	6,037
Total	6,207	40,680	46,887	7,712	43,754	51,466	7,054	51,232	58,285

Detailed Income Statement

TRY mn	1Q-20	4Q-20	1Q-21	QoQ	YoY
Net Interest Income inc. Swap Cost	370.2	507.2	430.3	-15%	16%
Net Interest Income	397.4	597.5	582.4	-3%	47%
CPI Linkers	82.5	100.9	93.6	-7%	13.5%
Swap Costs (-)	27.2	90.3	152.1	69%	n.m.
Net Commissions	21.5	11.6	10.7	-7%	-50%
Other Income	5.3	2.9	32.0	n.m.	n.m.
Dividends	4.3	-	2.7	n.m.	-37%
Other	1.0	2.9	29.3	n.m.	n.m.
Trading & FX gain/loss	33.5	-47.6	99.7	n.m.	198%
FX gain/loss (ECL Hedging)	39.8	-52.1	100.7	n.m.	153%
MtM gain/loss	-42.8	21.8	-3.9	n.m.	-91%
Trading gain/loss	36.4	-17.4	2.9	n.m.	-92%
Banking Income	430.6	474.0	572.7	21%	33%
OPEX (-)	54.9	63.2	64.3	2%	17%
Net Banking Income	375.7	410.8	508.4	24%	35%
ECL (-)	173.3	196.7	289.4	37%	55%
Stage I	68.0	-12.5	42.9	n.m.	-37%
Stage II	65.8	-17.9	143.6	n.m.	118%
Stage III	38.0	221.5	71.6	-68%	89%
Other Provisions	1.5	5.6	31.3	n.m.	n.m.
Currency Impact	-39.8	52.1	-100.7	n.m.	-153%
Income From Participations	-3.4	59.7	55.4	1%	n.m.
Pre-Tax Income	198.9	273.8	274.5	1%	48%
Tax (-)	45.1	67.1	48.6	-28%	8%
Net Income	153.8	206.7	225.9	19%	60%

■ TMS 27 adjustments were applied for all given periods

>>> A Long Award-Wining Track Record

Banking Awards

Investing&Financing Category Finalist (2019) Finance for the Future
Energy Finance Deal of the Year (2019) Bonds&Loans Turkey
M&A/Acquisition Finance - Second place (2019) Bonds&Loans Turkey
Structured Loan Deal - Third place (2019) Bonds&Loans Turkey
Low Carbon Hero of the Year (2019) Sustainable Production and Consumption Association (Süt-D)
Project Finance Deal of the Year (2018) Bonds&Loans Turkey
M&A/Acquisition Finance Deal of the Year (2018) Bonds&Loans Turkey
Structured Loan Deal of the Year (2018) Bonds&Loans Turkey
Natural Resources Finance Deal of the Year (2018) Bonds&Loans Turkey
Syndicated Loan Deal of the Year (2018) Bonds&Loans Turkey

Sustainability Awards

Sustainability Leaders 50 List - 4 th place (2020) Fast Company Magazine
Asia's Top Sustainability International Superwomen (2020) CSR Works International
Structured Finance Deal of the Year (Winner) (2017) Bonds&Loans Türkiye
International Bond Deal of the Year (2017) Bonds&Loans Türkiye
Sustainable Bond Issuance of the Year (2016) IFR
Green/Sustainable Bond Issuance of the Year (2016) Global Capital
Low Carbon Hero (2016) Sustainable Production and Consumption Association (Süt-D)
Low Carbon Hero (2015) Sustainable Production and Consumption Association (Süt-D)
Climate Disclosure Leadership (2015) CDP

Corporate Governance Awards

Women Empowered Boards Special Award (2018) Sabancı University Corporate Governance Forum
Company with the Second Highest Corporate Governance Rating Score (2015) Turkey Corporate Governance Association (TKYD)
Highest Score in Multi-Stakeholder Approach for Transparency in Corporate Reporting (2015) Transparency International Turkey



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