

# ***The Industrial Development Bank of Türkiye***

*Earnings Presentation  
1Q-23 Bank-only Results*



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## ➤ 1Q-23 At a Glance

### 1.5% Loan Growth & Well-provisioned Intact Asset Quality

- 1.5% FX-adjusted loan growth
- TL 50 million extra free provisions
- NPL down to 2.6%

### Strong FX Liquidity and collection performance

- FX LCR: 379%
- ~80% ESG-linked funding
- Additional EUR 100 million new loan agreement

### Solid profitability and earnings quality maintained

- Stable core banking income generation
- NIM above guidance: 5.9%\*
- ROE: 42%

*\*Excluding FX Gains/Losses.*

### Well-capitalized, strong Internal Capital Generation Capacity

- CAR: 18.1%
  - Tier-I: 17.0%
- Excluding BRSA's temporary measures*

- Continuous **UN SDG-backed development impact** to the Turkish Economy with 1.5% FX-adjusted loan growth and 91% of loan book with SDG link
- **Intact asset quality**, further improving with **strong NPL collection** and a reverse migration of a big ticket file from Stage 2 to Stage 1
- **One of the highest coverages among the sector**
- **Total stock of free provisions reached TL 950 million**, with an extra TL 50 million set in 1Q23
- **Strong liquidity**, backed by a new loan agreement with KfW amounting to EUR 100 million
- **Successful management of security portfolio**
- **Sound profitability backed by stable and robust core spreads**, with ongoing CPI-linker contribution
- **Investment banking and advisory fees** continue to contribute to banking income
- **Solvency ratios above regulatory levels** given the strong capital generation capability



## 1Q-23 Performance & Year-End Guidance

Financial Guidance (Bank Only)	1Q-23 (%) Figures	YE-23 (%) Guidance
<b>Growth</b>		
FX Adjusted Loan Growth	1.5	~5
<b>Profitability</b>		
Net Interest Margin*	5.9	>5
Fees & Commissions Growth	102	~100
Return On Equity **	42	~35
<b>Efficiency</b>		
OPEX Growth	178	~90
Cost/Income Ratio	14.6	<13
<b>Solvency***</b>		
Capital Adequacy Ratio	18.1	~17.0
Tier I Ratio	17.0	~16.0
<b>Asset Quality</b>		
NPL Ratio	2.6	~2.5
Net Cost of Risk (including currency impact) ****	(-)75 bps	<100 bps

\*Excluding FX Gains /Losses.

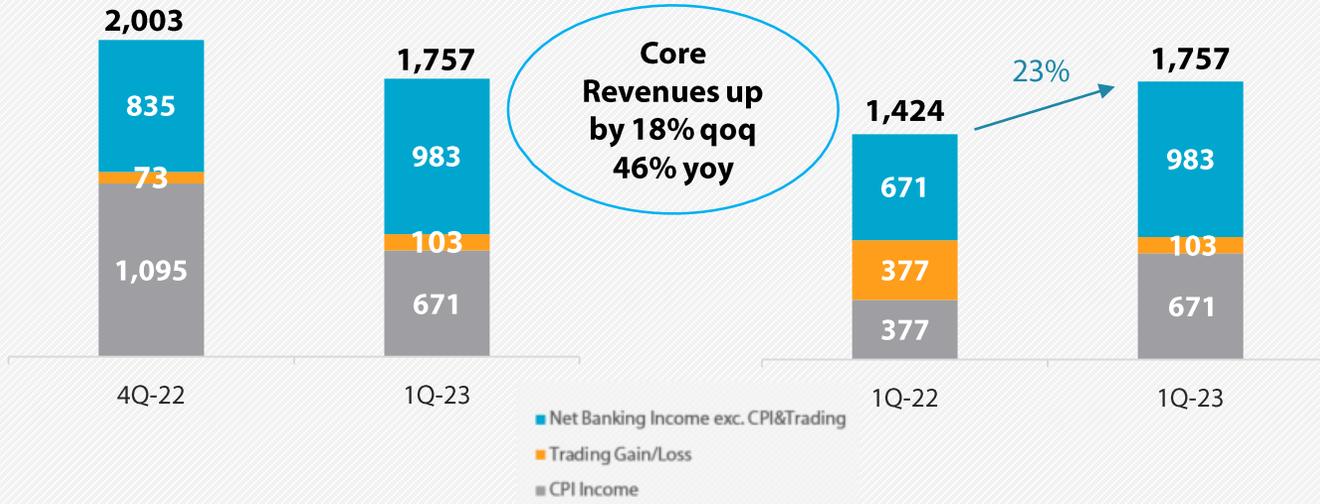
\*\*When free provisions set aside during first quarter of 2023 are adjusted, ROE reaches up to 43.4%

\*\*\*Excluding BRSA's temporary measures.

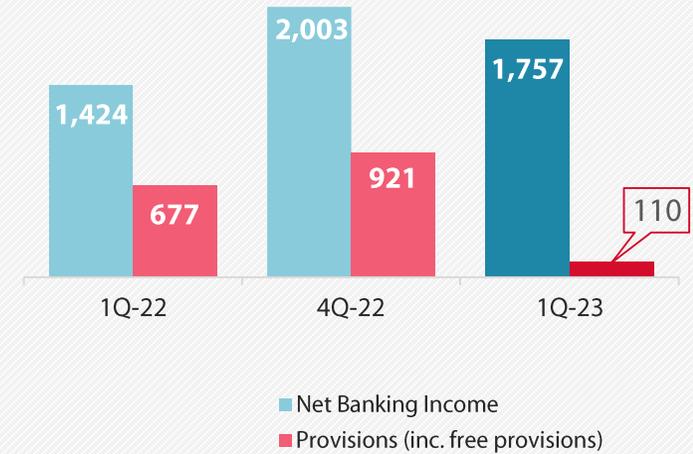
\*\*\*\* Currency impact adjusted Net COR is around -128 bps

# Strong profitability is maintained, given the differentiating business model

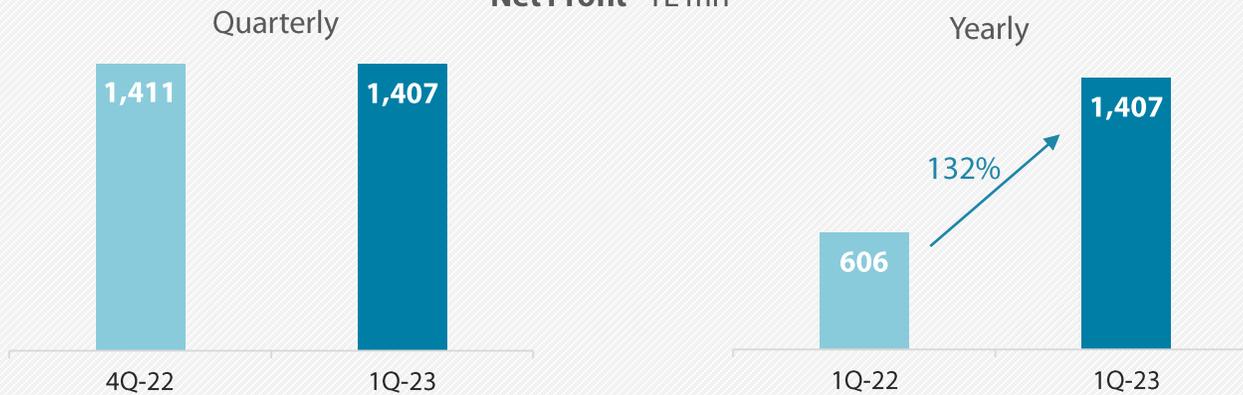
Net Banking Income - TL mn



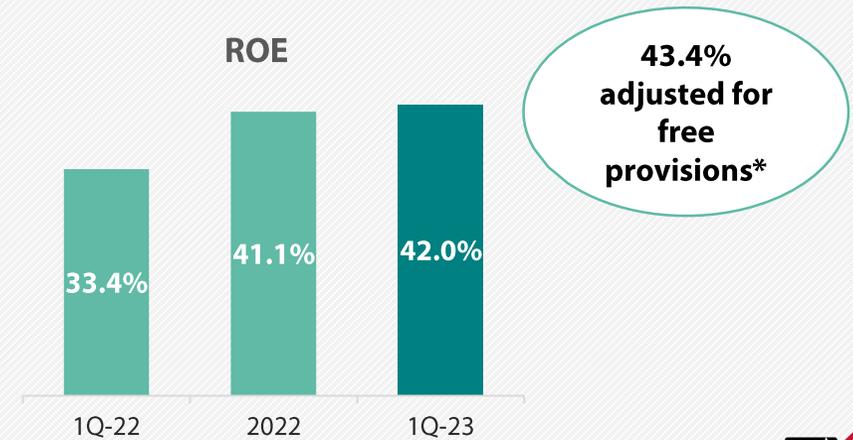
Net Banking Income vs Provisions - TL mn



Net Profit - TL mn



ROE



\*Excluding the extra provisions set aside in 1Q-23

## Income Statement Highlights

TL mn	1Q-22	4Q-22	1Q-23	YoY	QoQ
<b>Net Interest Income</b>	<b>1,093</b>	<b>2,010</b>	<b>1,584</b>	<b>%45</b>	<b>-%21</b>
Trading Income	377	73	103	-%73	%42
Net Fees & Commissions	32	39	64	%102	%64
Other Income (Inc. Dividend)	32	7	307	n.m.	n.m.
<b>Banking Income</b>	<b>1,533</b>	<b>2,129</b>	<b>2,058</b>	<b>%34</b>	<b>-%3</b>
OPEX (-)	108	127	301	%178	%138
<b>Net Banking Income</b>	<b>1,424</b>	<b>2,003</b>	<b>1,757</b>	<b>%23</b>	<b>-%12</b>
Provisions (-)	677	921	110	-%84	-%88
Income From Participations	75	645	180	%141	-%72
Tax Provisions (-)	216	316	420	%95	%33
<b>Net Profit</b>	<b>606</b>	<b>1,411</b>	<b>1,407</b>	<b>%132</b>	<b>%0</b>

- 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

*Outstanding YoY increase in the fees & commissions*

*Stellar NII generation despite lower CPI adjustment*

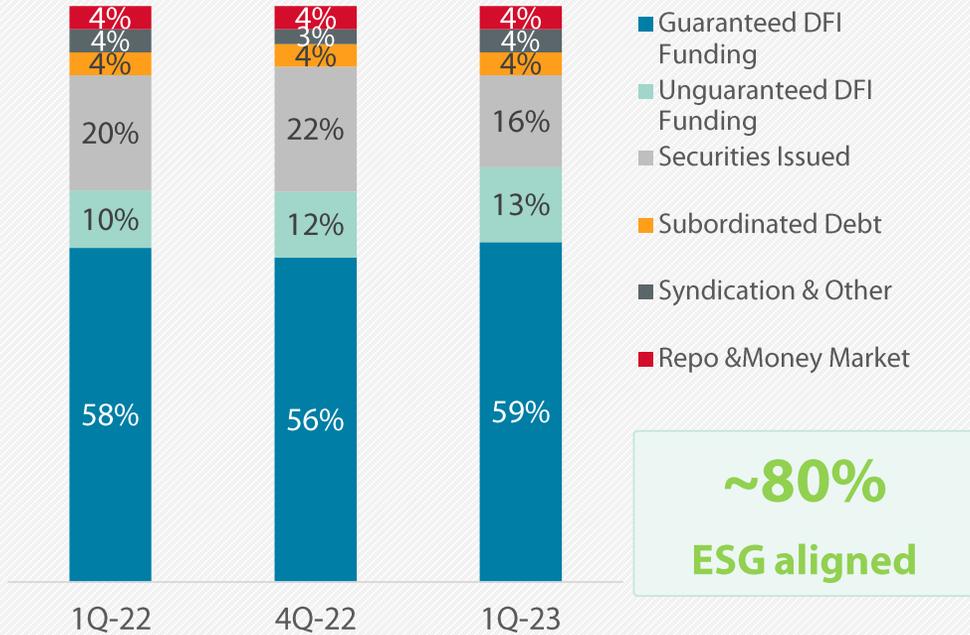
*Normalization in CoR on the back of provision reversals due to reverse loan migration and strong collections*

*Continuous support from participations income*

*Stable and solid net profit generation relative to industry*

# Comfortable FX Liquidity and Maturity Profile

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

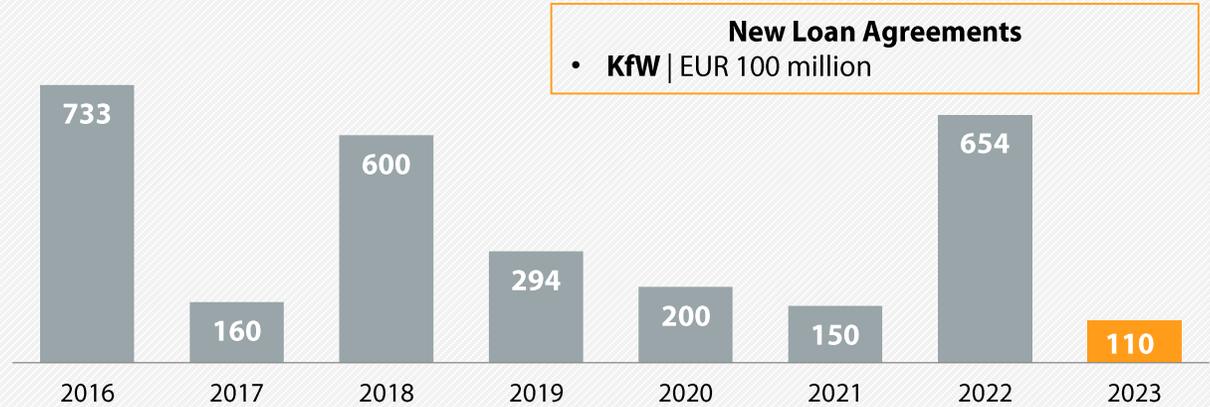


**~ USD 553 mn Non-Withdrawn DFI Funding**

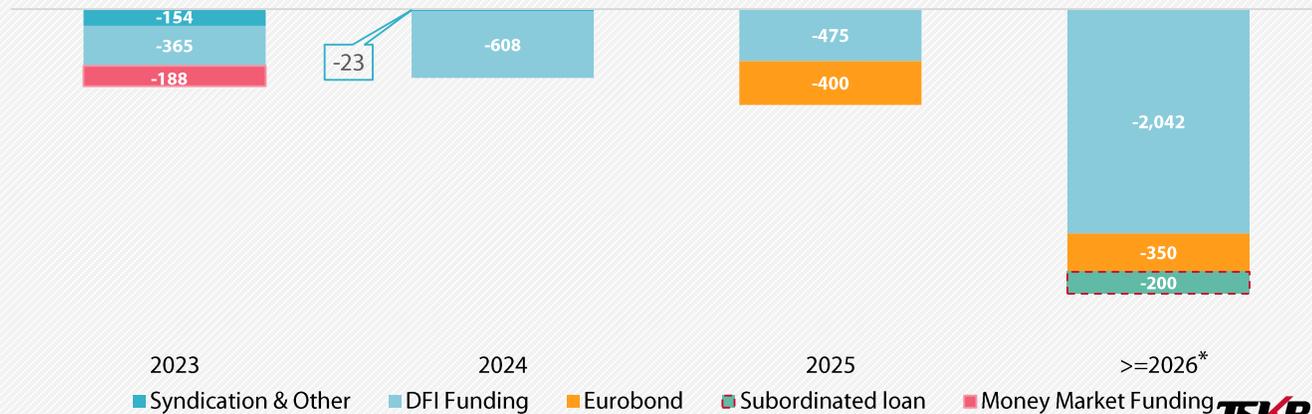
Climate + Environment 100%

**FX Liquidity Coverage Ratio**  
379%

Yearly Multilateral Funding Agreements – USD mn



Maturity Profile of External Debt - USD mn

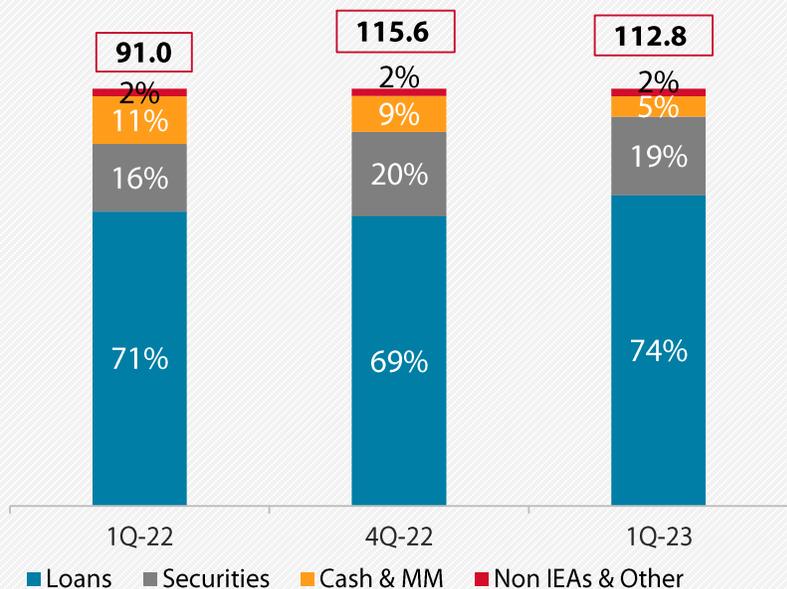


\* USD 200 million AT-I loan has a call option in 2027.

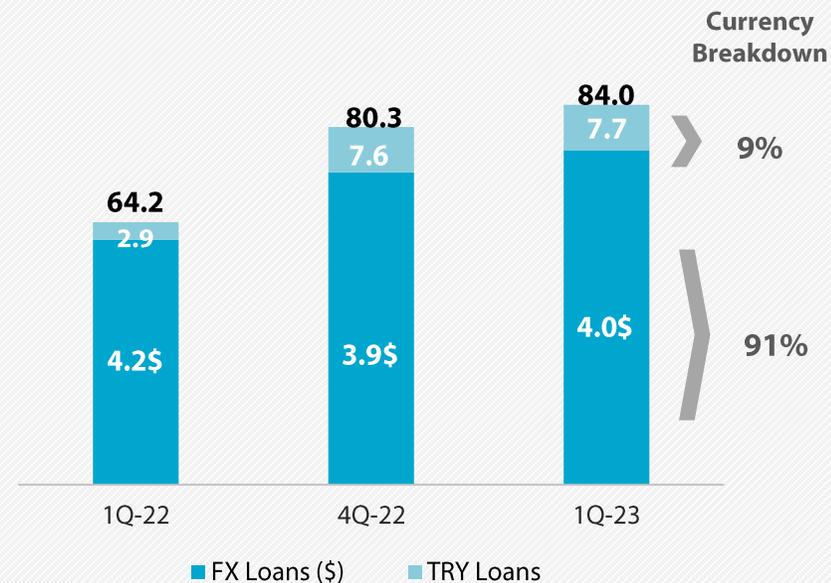


# Resilient Asset Composition

Asset Composition – TL bn



Total Loans – TL bn



Remaining Average Maturity - Years



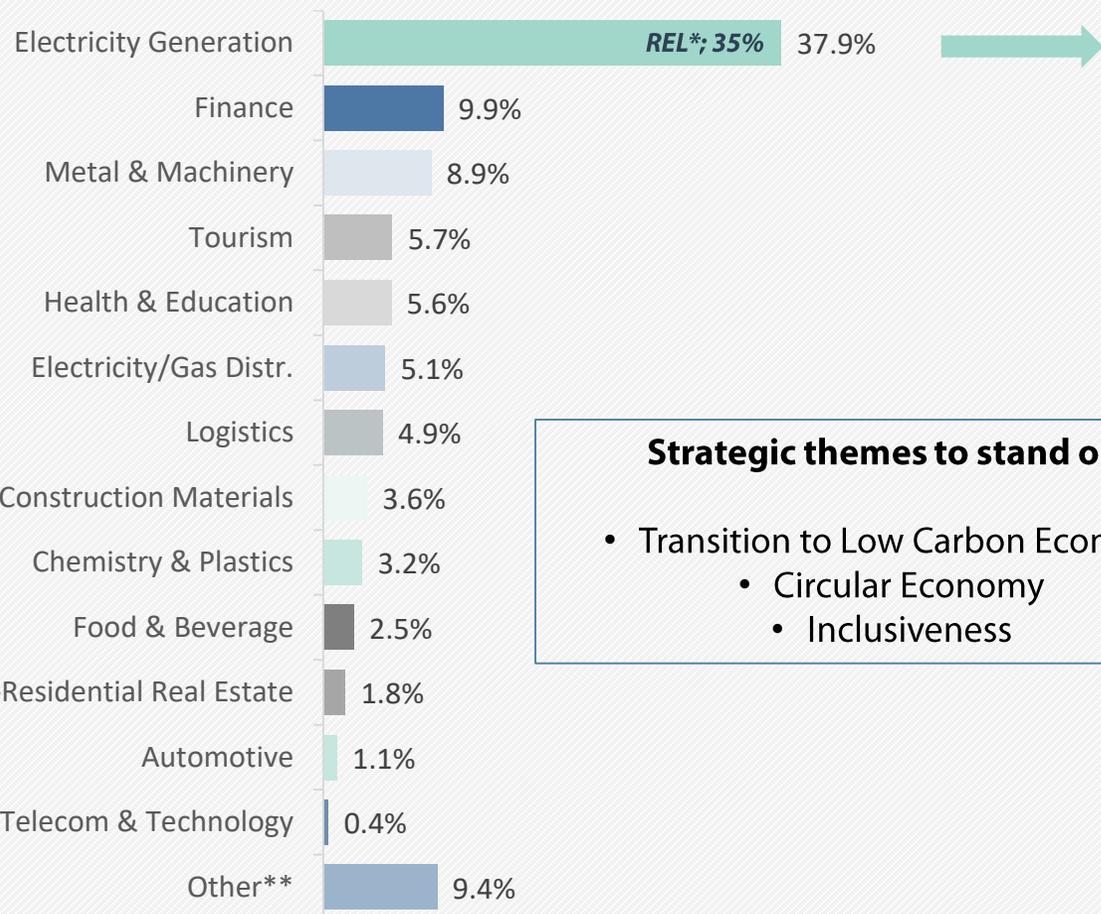
1Q-23 Loans by Currency & Type



\*DFI Linked working capital loans are 3.6%

# SDG-Linked Loans Account for 91% of the Portfolio

Loans by sector 1Q-23



**91% of which is Renewable Energy, where 81% benefits from Feed in Tariff**

Outstanding Risk: 269 Projects, 6,676 MW

Category	Percentage
WPP	36%
HPP	20%
GPP	19%
BIO	13%
SPP	13%

- Strategic themes to stand out**
- Transition to Low Carbon Economy
    - Circular Economy
    - Inclusiveness

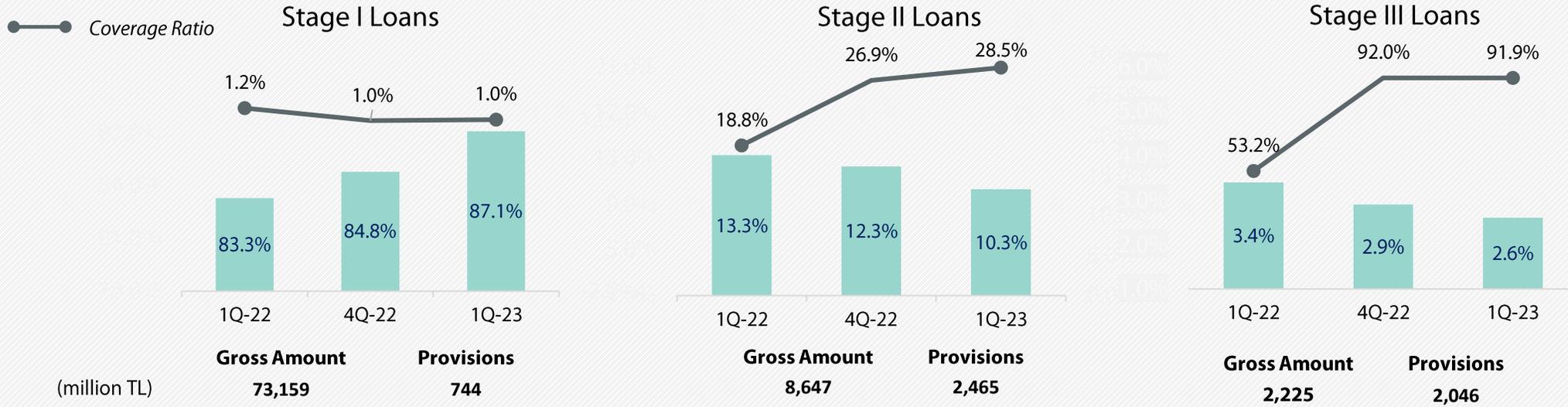
Substantially Supported SDGs through Loan Activities



\* Renewable Energy Loans  
 \*\* Textile, retail and others



# Asset quality remains intact on the back of reverse loan migration & strong collections



Total NPL Coverage: **187%\***

Total Stage 2 Coverage: **114%\***

Total Coverage: **6.25%**

Total Free Provisions: **TL 950 million**  
(Additional TL 50 million in 1Q)

\* Hard collateral & provisions are taken into consideration

Stage 2 Loans		
Sector	%	Coverage (%)
Tourism	37	32
Electricity/Gas Distribution	17	41.4
Electricity Generation	16	21.1
Renewables (%100 YEKDEM guarantee)	69.7	14.9
Non Renewables	30.3	35.3
Non-residential Real Estate	8	29.1
Telecom/Logistics	6	8.9
Metal and Machinery	5	17.9
Health	1	47
Other	10	20.8
<b>TOTAL</b>	<b>100</b>	<b>28.5</b>

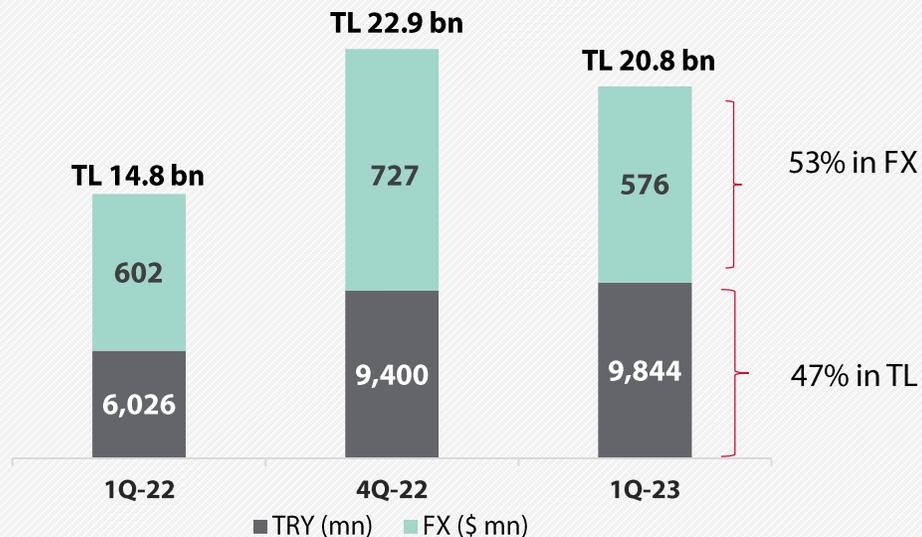
92% of Stage 3 Loans are restructured

60% of Stage 2&3 Loans are Restructured

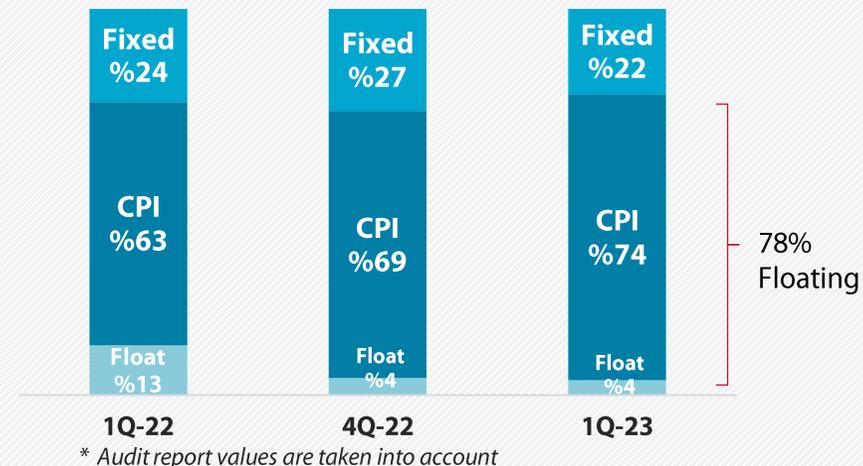


# Well-managed Security Book Supports our Bank's Profitability

**Total Securities Portfolio Breakdown**



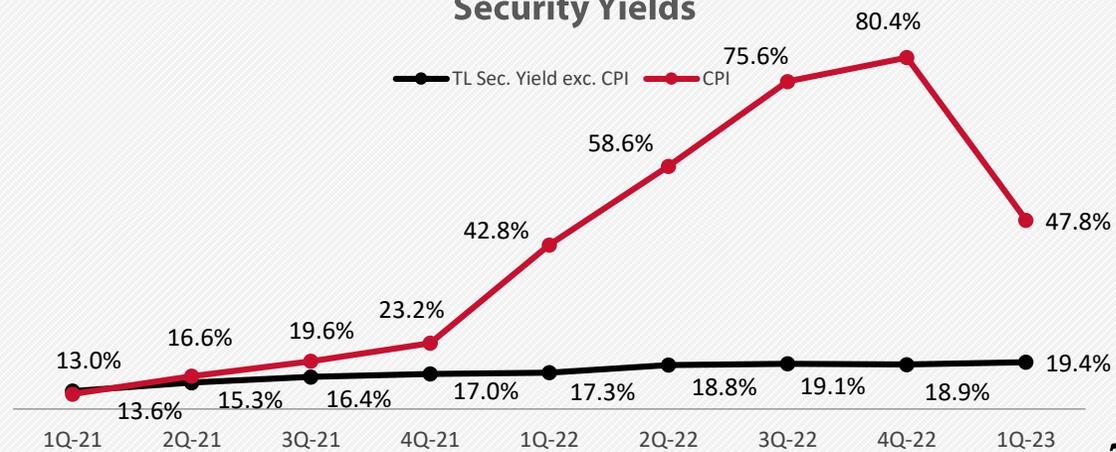
**TL Securities Portfolio Breakdown\***



**SECURITIES / ASSETS: 20%**

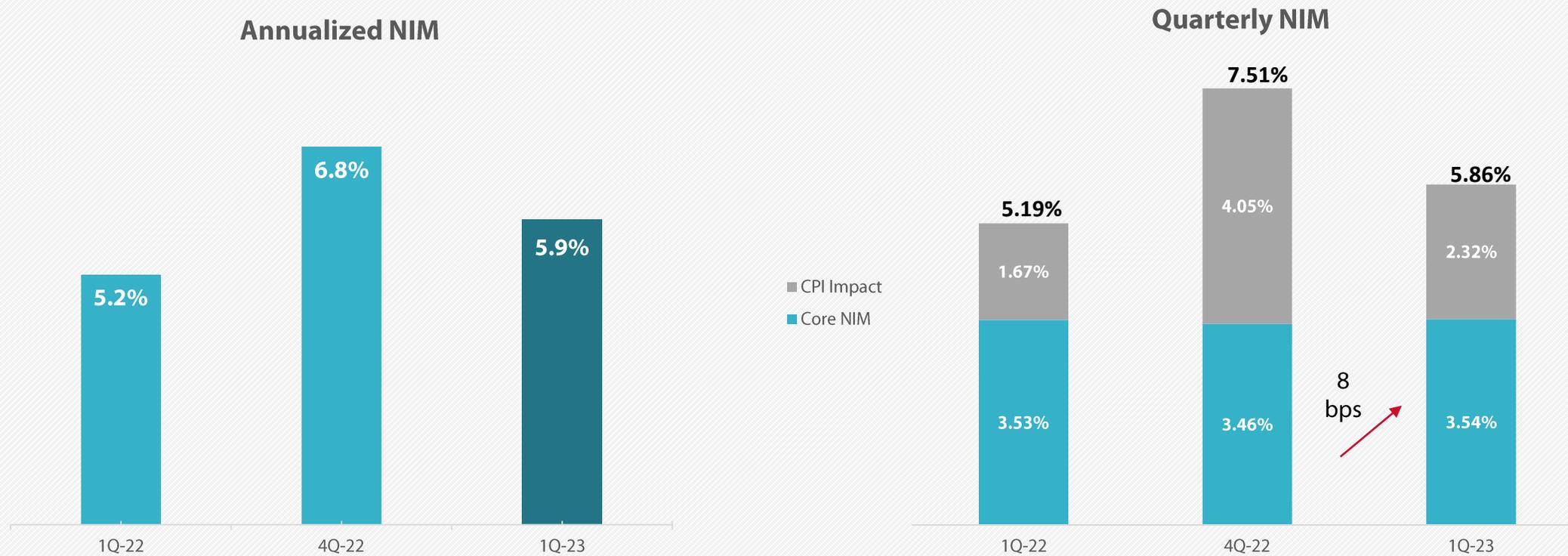
- Remaining Duration: **1.5 years** in Fixed bonds, **2.6 years** in Floating bonds, **4 years** in CPIs in TRY Sec. Portfolio.
- Investment in private sector bonds – 2.7% in TL securities book

**Security Yields**



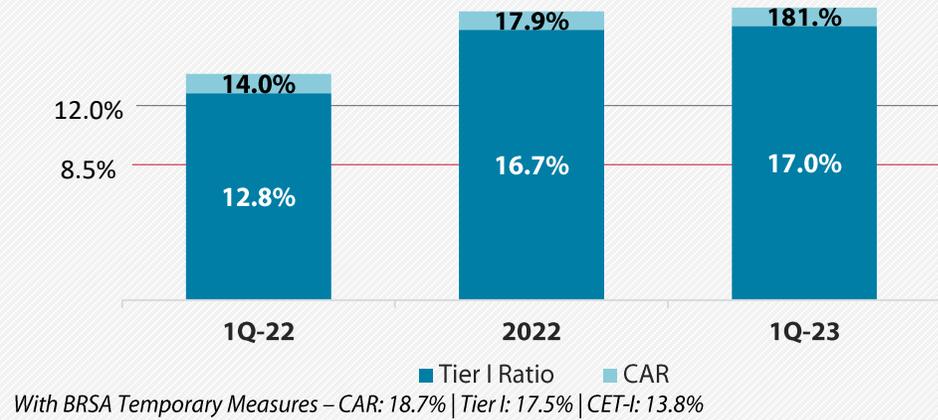
Oct-Oct. CPI assumption is 49.9percent.

## ➤ Framed contraction in NIM due to sustainable business model



# Strengthened Solvency Metrics above regulatory levels

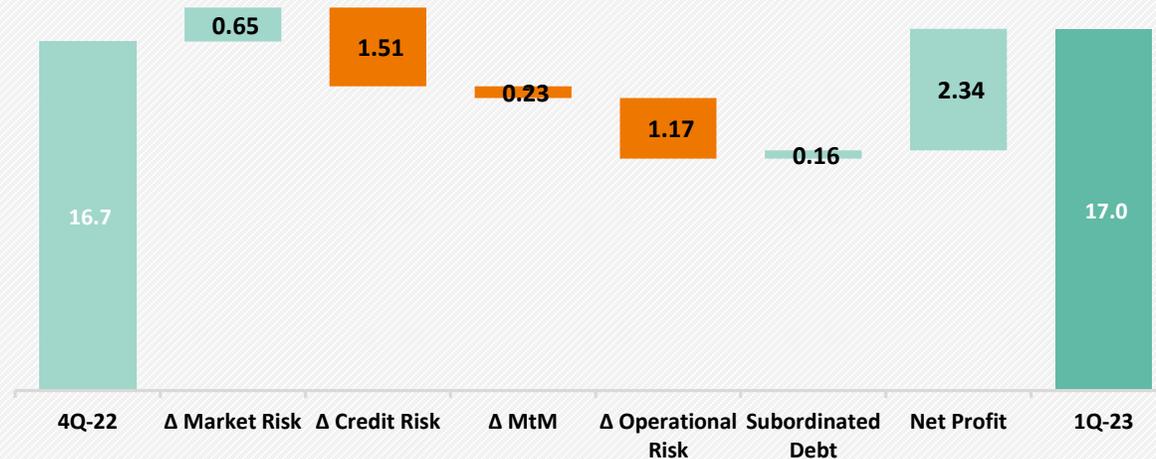
Capital Ratios Without BRSA Temporary Measures



Evolution of RWA and Equity – TL bn



Tier I Ratio Evolution



**Free Provision  
Adjusted  
CAR: 19.1%  
Tier I: 17.9%**

# Sustainable Banking Developments and Results



## TSKB 2022 Integrated Annual Report

- Updated and assured Stakeholder Participation and Materiality Analysis with **double materiality concept**
- **Risk and Opportunities Analysis** on a capital basis
- Short, medium and long-term **smart targets on a capital basis**
- **Digital Report with the smart assistant**
- UNEP FI Responsible Banking Principles Reporting with the **third version of the Portfolio Impact Analysis Tool**

## Allocation and Impact Reporting

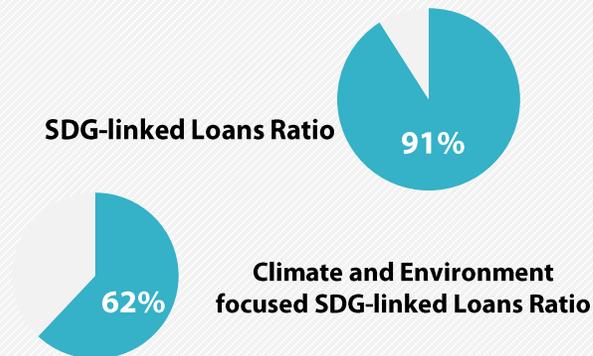
- 5th edition
- 2021 Sustainability Bond
- Reviewed by Sustainalytics, assured by PwC
- Impact through green and social projects

## Financial Capital

### Sustainable Financing



### SDG-linked Loans Ratio



### Intellectual and Manufactured Capital

**9.52/10**

TSKB Advisory Services NPS

### Social Capital

**85**

Gender equality assessment tool  
application

### Natural Capital

**8.4%**

of the loan portfolio included in the  
Scope 3 calculation and verification  
processes

### Human Capital

**0.008**

Gender pay gap



*Appendix*

## Balance Sheet

	31/03/2022			31/12/2022			31/03/2023			
	mn	TL	FX	TOTAL	TL	FX	TOTAL	TL	FX	TOTAL
Cash and Banks		3,552	6,851	10,403	5,758	4,130	9,888	2,060	3,448	5,508
Securities		6,283	8,493	14,776	9,868	13,534	23,401	10,310	10,986	21,295
Loans (Gross)		2,953	61,294	64,247	7,639	72,635	80,274	7,674	76,358	84,032
Provisions		-605	-2,858	-3,462	-2,292	-3,207	-5,499	-2,194	-3,076	-5,271
Subsidiaries		1,803	229	2,033	3,555	407	3,962	3,623	460	4,084
Other		2,572	466	3,039	2,015	1,533	3,548	1,769	1,431	3,199
<b>Total</b>		<b>16,559</b>	<b>74,476</b>	<b>91,035</b>	<b>26,544</b>	<b>89,031</b>	<b>115,575</b>	<b>23,241</b>	<b>89,606</b>	<b>112,848</b>
ST Funds		-	3,486	3,486	-	2,481	2,481	-	3,343	3,343
LT Funds		-	54,146	54,146	-	65,847	65,847	-	67,343	67,343
Securities Issued		-	16,217	16,217	-	21,048	21,048	-	14,538	14,538
Repo & MM		948	2,359	3,307	186	3,742	3,929	2,476	1,596	4,072
Other		2,140	1,237	3,377	2,067	3,593	5,659	2,907	2,790	5,697
Subordinated Debt		-	2,916	2,916	-	3,829	3,829	-	3,816	3,816
Shareholders' Equity		7,830	-245	7,585	13,048	-266	12,782	14,260	-221	14,039
<b>Total</b>		<b>10,918</b>	<b>80,116</b>	<b>91,035</b>	<b>15,301</b>	<b>100,274</b>	<b>115,575</b>	<b>19,643</b>	<b>93,204</b>	<b>112,848</b>

## ➤ Detailed Income Statement

TL mn	1Q-22	4Q-22	1Q-23	QoQ	YoY
<b>Net Interest Income inc. Swap Cost</b>	<b>1,092.9</b>	<b>2,010.1</b>	<b>1,583.5</b>	-21%	<b>45%</b>
Net Interest Income	1,197.4	2,078.3	1,569.4	-24%	31%
CPI Linkers	377.2	1,095.5	671.2	-39%	78%
Swap Costs (-)	104.5	68.2	-14.1	n.m.	n.m.
<b>Net Commissions</b>	<b>31.6</b>	<b>39.0</b>	<b>63.8</b>	<b>64%</b>	<b>102%</b>
<b>Other Income</b>	<b>31.7</b>	<b>7.1</b>	<b>307.2</b>	<b>n.m.</b>	<b>n.m.</b>
Dividends	4.3	-0.2	7.2	n.m.	67%
Other	27.4	7.3	300.0	n.m.	n.m.
<b>Trading &amp; FX gains/losses</b>	<b>376.5</b>	<b>73.0</b>	<b>103.4</b>	42%	<b>-73%</b>
FX gains/losses	217.8	57.9	119.5	106%	-45%
MtM gains/losses	2.6	15.0	-4.9	n.m.	n.m.
Trading gains/losses	156.1	0.1	-11.2	n.m.	n.m.
<b>Banking Income</b>	<b>1,532.7</b>	<b>2,129.2</b>	<b>2,057.9</b>	<b>-3%</b>	<b>34%</b>
OPEX (-)	108.3	126.5	300.9	138%	178%
<b>Net Banking Income</b>	<b>1,424.4</b>	<b>2,002.7</b>	<b>1,757.0</b>	<b>-12%</b>	<b>23%</b>
ECL (-)	677.1	920.6	110.2	-88%	-84%
Stage I	99.8	-38.0	49.6	-231%	-50%
Stage II	170.2	532.1	-	-	-
Stage III	72.4	245.7	3.8	-98%	-95%
Other Provisions	334.7	180.7	56.8	-71%	-83%
<b>Income From Subsidiaries</b>	<b>74.6</b>	<b>644.7</b>	<b>180.0</b>	<b>-72%</b>	<b>141%</b>
<b>Pre-Tax Income</b>	<b>821.9</b>	<b>1,726.8</b>	<b>1,826.8</b>	<b>6%</b>	<b>122%</b>
Tax (-)	216.0	315.8	420.2	33%	95%
<b>Net Income</b>	<b>605.9</b>	<b>1,411.0</b>	<b>1,406.6</b>	<b>0%</b>	<b>132%</b>

# TSKB Financial Institutions & Investor Relations

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