



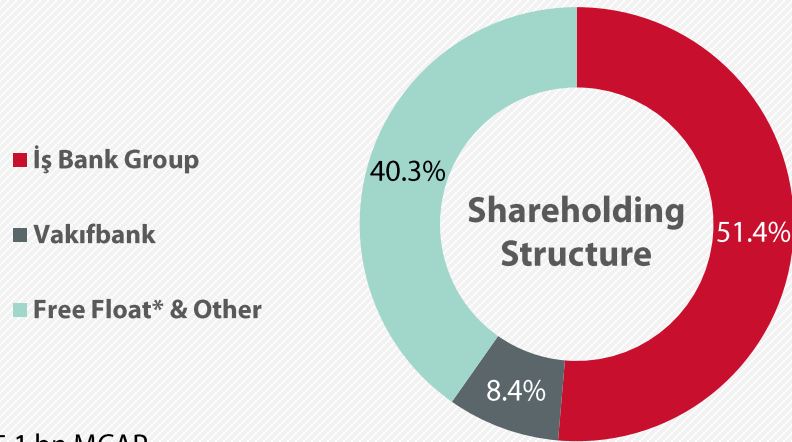
The Industrial Development Bank of Turkey

FI&IR Presentation

1Q 2022 Bank-only Results



TSKB at a Glance



TRY 5,1 bn MCAP

As of May 17, 2022

*<https://www.borsaistanbul.com/en/sayfa/6511/investing-in-borsa-istanbul-markets>

Ratings	TSKB	Turkey Sovereign
Fitch LTFC	B	B+
Moody's LTIR	B3	B2
SAHA Corporate Governance Rating	9.59/10	
Sustainalytics ESG Risk Rating	13,6 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 89% 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

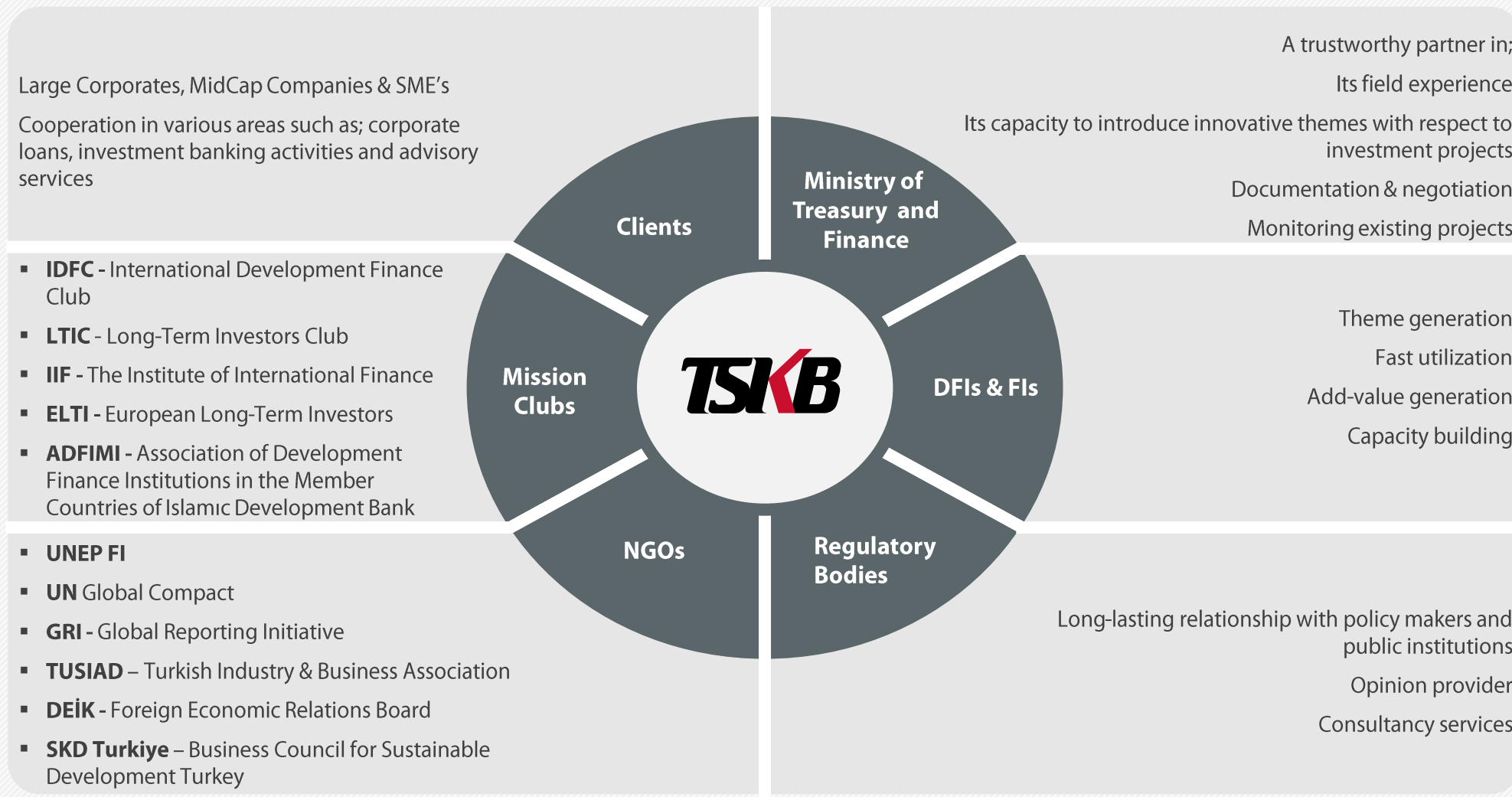
- Multi-disciplinary assessment during allocation
- Sector specific research analysts during allocation and monitoring period
- Strong collateralization
- Well capture of clients

“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





2022YE Guidances vs 1Q22 Results

Financial Guidance (Bank Only)	2022YE (%) Guidance	1Q22 (%) Results	Notes
Growth			
FX Adjusted Loan Growth	Contraction	-8.7	Subdued FX loan demand and heavy redemptions
Profitability			
Net Interest Margin (*)	~4.0	5.2	Upside potential
Fees & Commissions Growth	~30	195	Strong investment banking activities
Return On Equity	Low twenties	33.4	Upside potential
Efficiency			
OPEX Growth	~50	68	Balance with macro dynamics
Cost/Income Ratio	<14	7.4	High efficiency
Solvency**			
Capital Adequacy Ratio	~16.0	14.0	Strong internal capital generation capacity
Tier 1 Ratio	~10.0	12.8	
Asset Quality			
NPL Ratio	<4.5	3.4	Strong asset quality
Net Cost of Risk***	~200 bps	219 bps	49 bps excluding currency impact

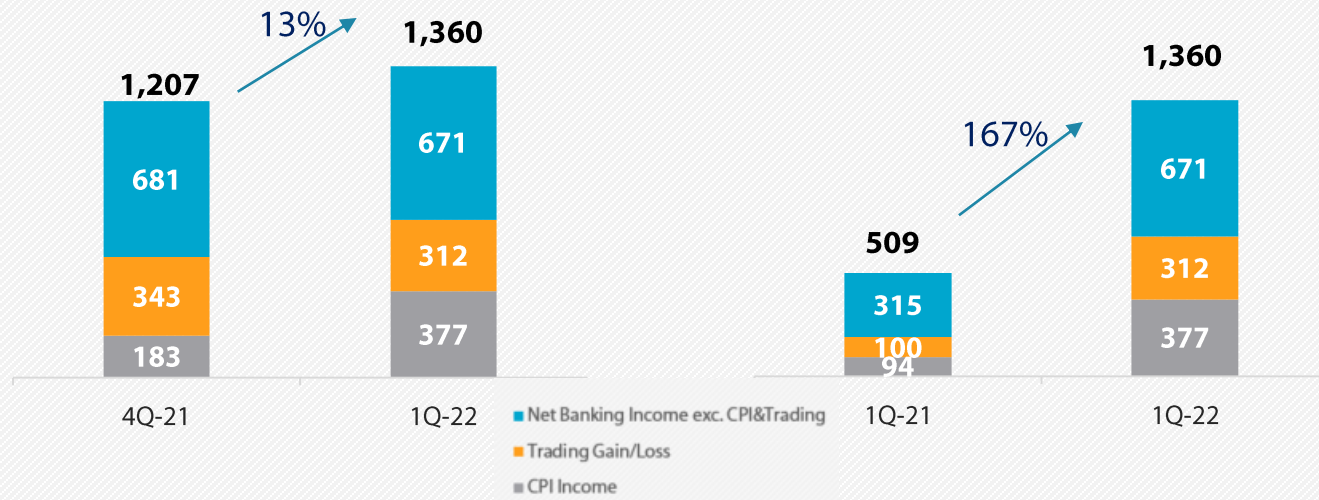
*Excluding FX Gains /Losses.

**Excluding BRSA's temporary measures.

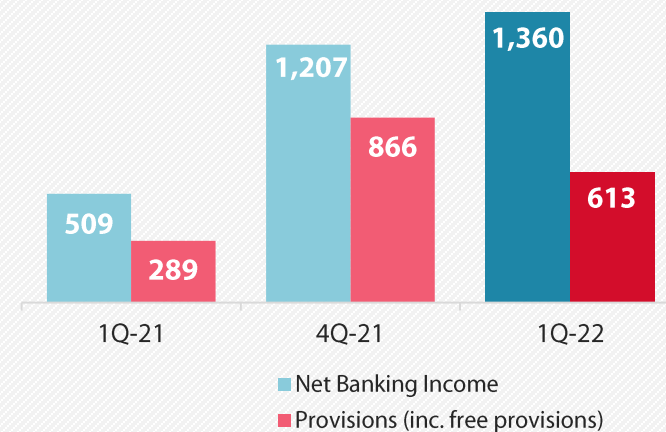
***Including currency impact.

>> Robust Yearly Core Banking Income Expansion

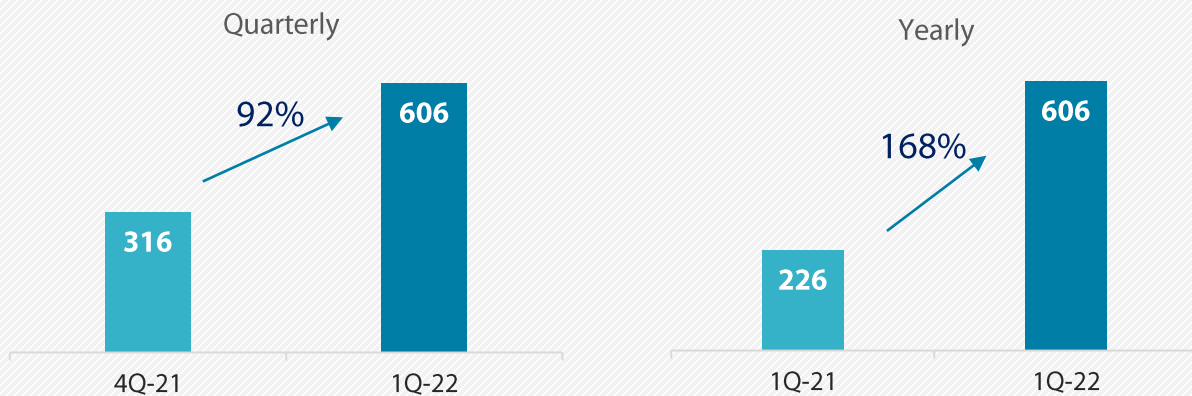
Net Banking Income - TL mn



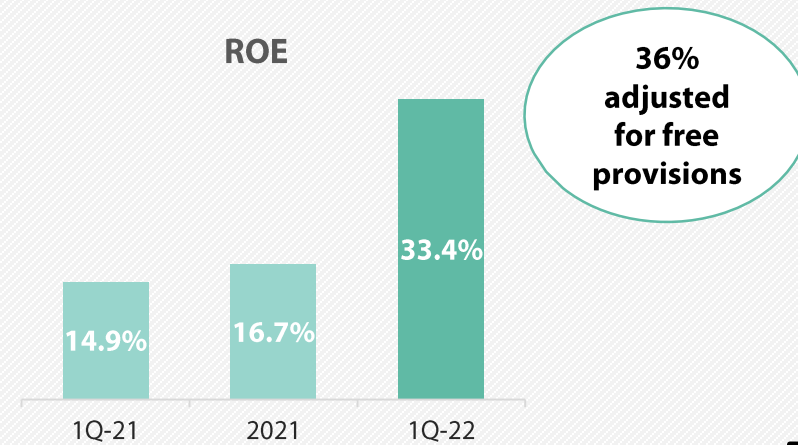
Net Banking Income vs Provisions - TL mn



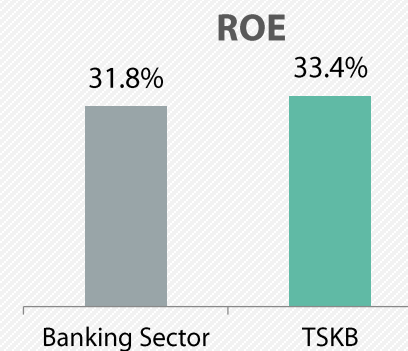
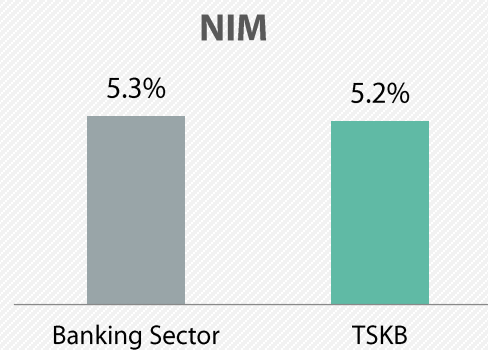
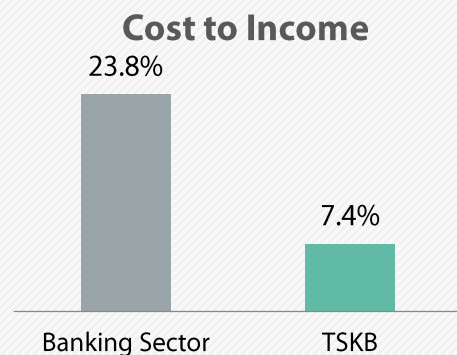
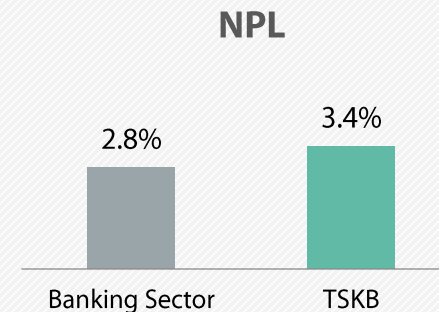
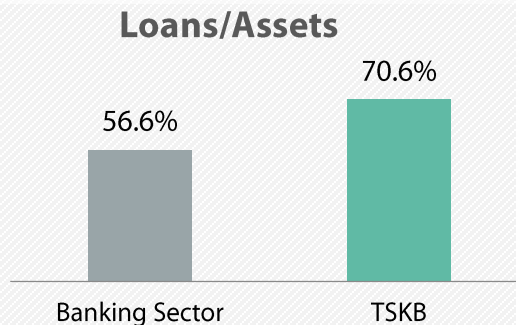
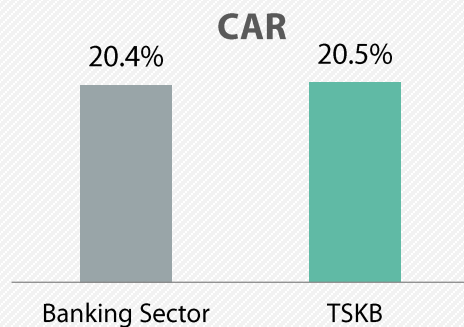
Net Profit- TL mn



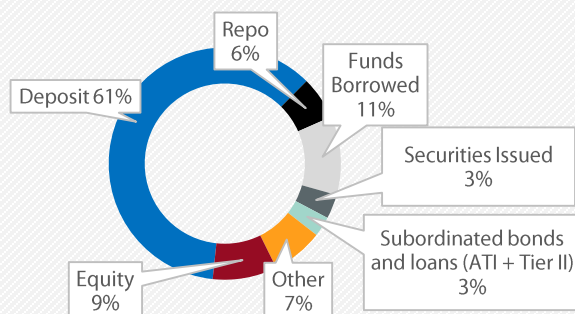
ROE



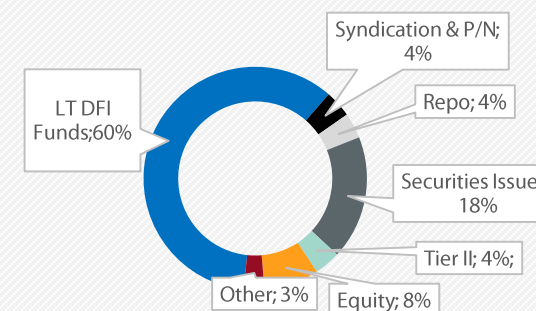
Banking Sector vs TSKB



BANKING SECTOR



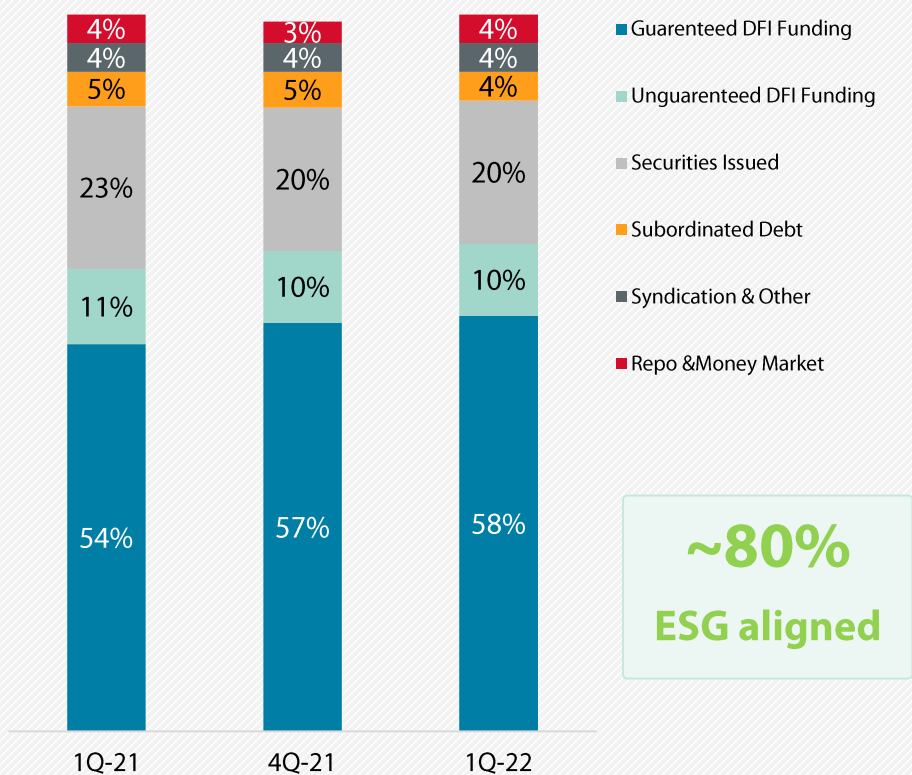
TSKB



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



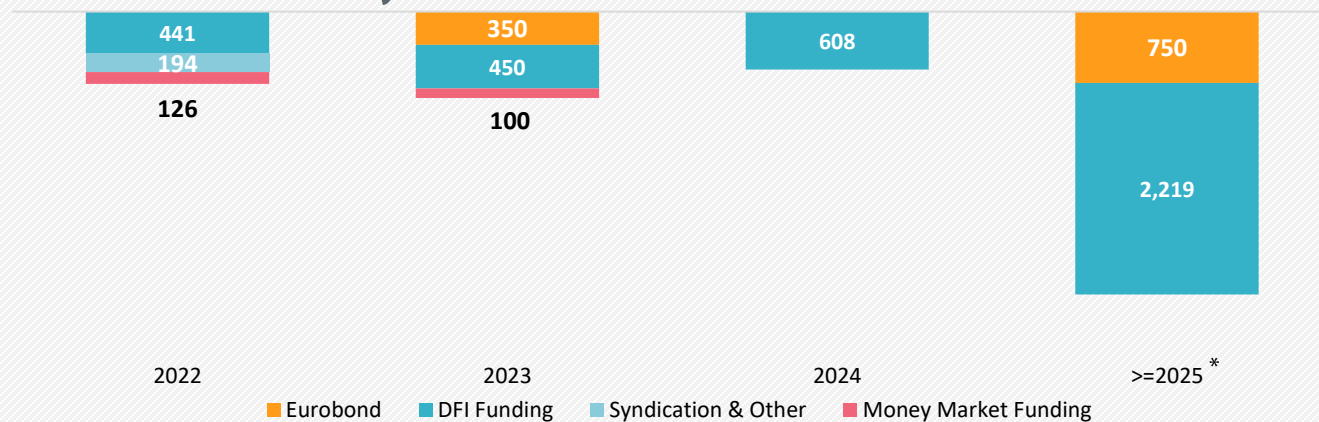
~ USD 540 mn Non-Withdrawn DFI Funding

Climate	73%
Inclusiveness	27%

New Loan Agreements in 1Q22

- **JBIC** under State Guarantee | USD 220 million
- **IFC** | USD 100 million

Maturity Profile of External Debt - USD mn

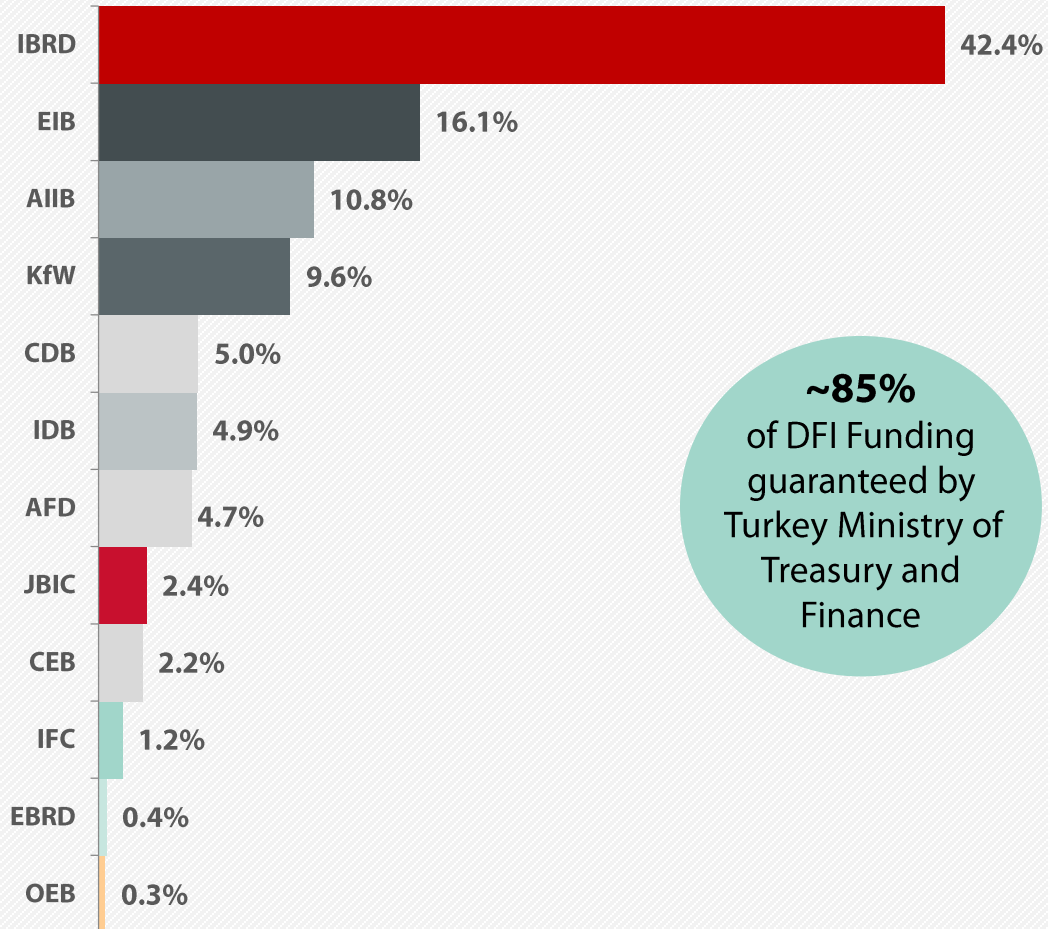


* USD 200 million AT-I loan has a call option in 2027.

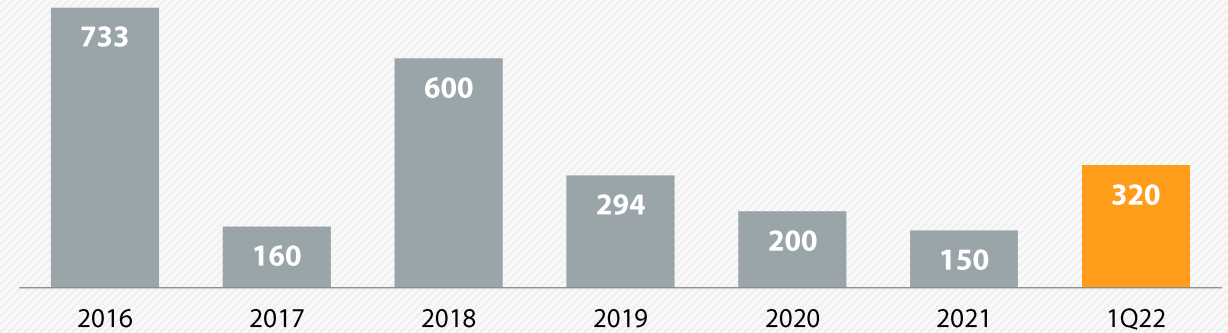


Long Term DFI Funding Base

Outstanding DFI Funding Base – 1Q-22



Yearly Multilateral Funding Agreements – USD mn



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

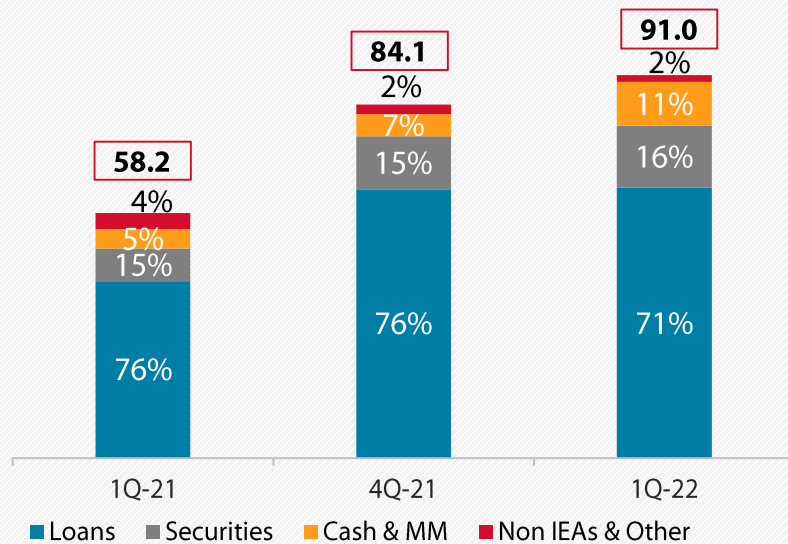


Covid-19

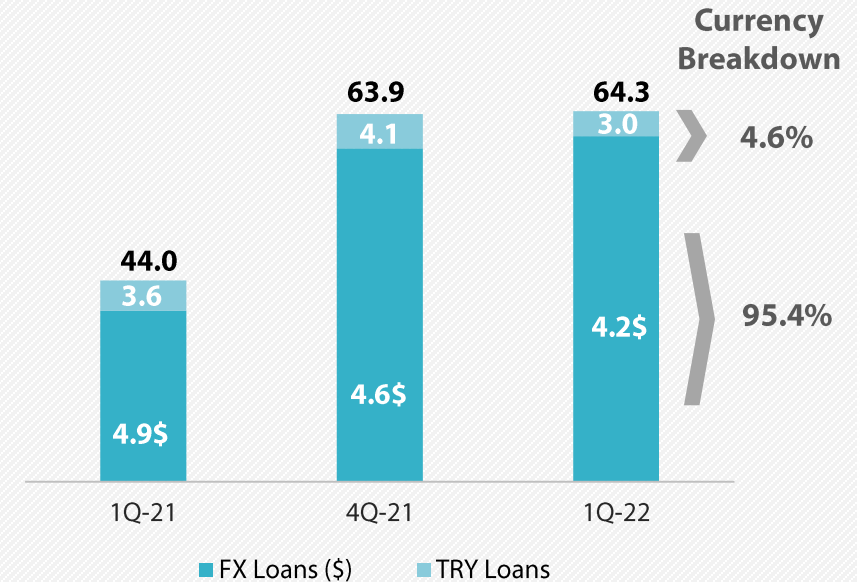


Resilient Asset Composition

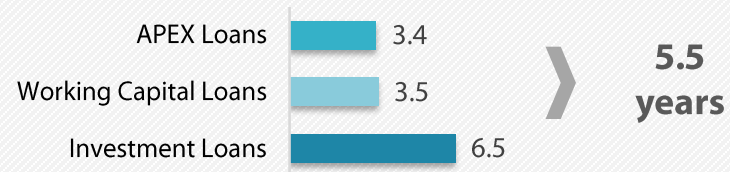
Asset Composition – TL bn



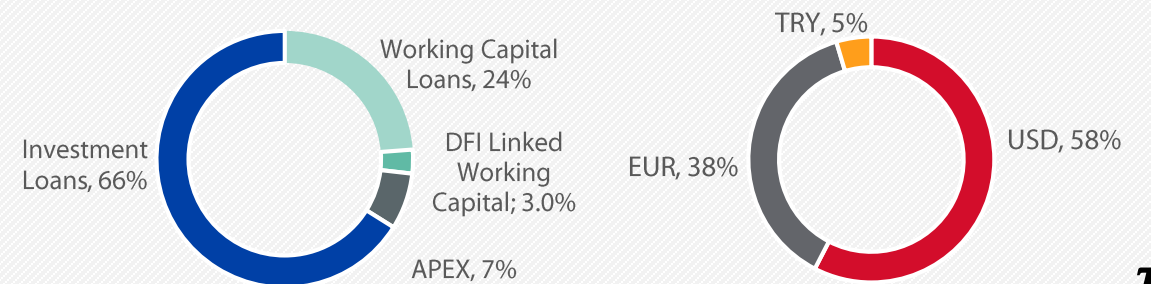
Total Loans – TL bn



Average Maturity - Years



1Q-22 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

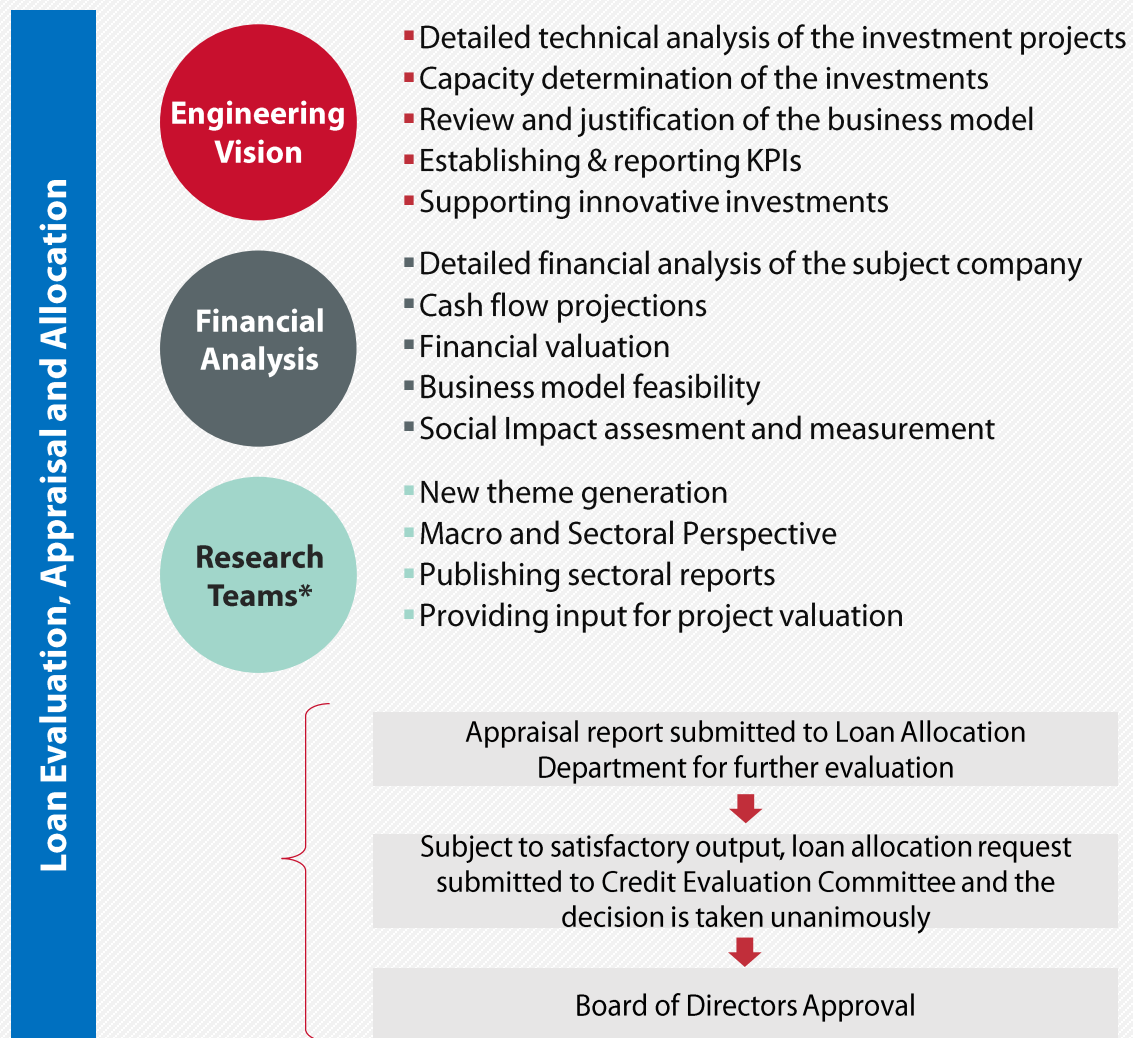
Operational Risk

- 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



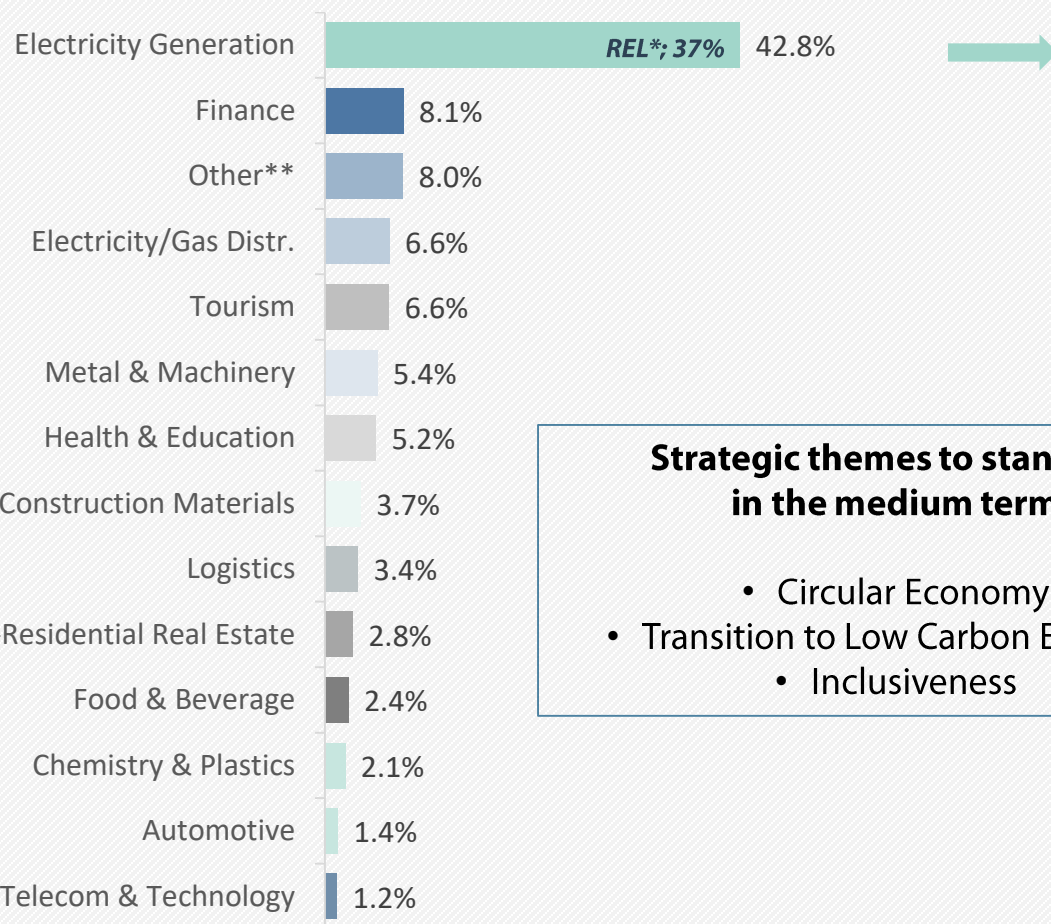
Monitoring and Collateralization

- 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.

*Research teams comprising of Financial Analysis, Financial Advisory and Economic Research departments

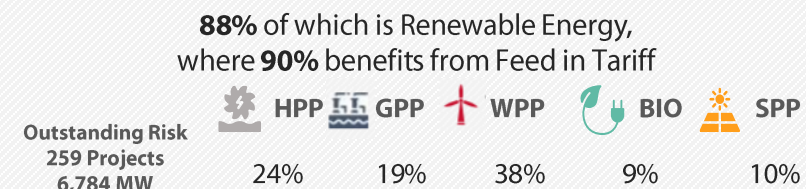
SDG-Linked Loans Account for Nearly 90% of the Portfolio

Loans by sector 1Q-22



Strategic themes to stand out in the medium term

- Circular Economy
- Transition to Low Carbon Economy
- Inclusiveness

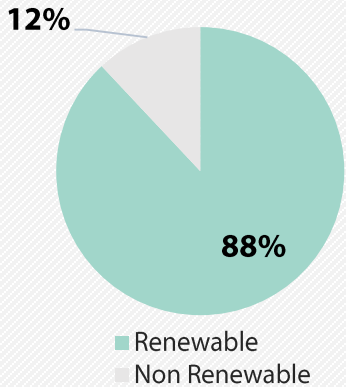


Substantially Supported SDGs through Loan Activities



Our Renewable Energy Focus

Energy Portfolio Risk Breakdown



In terms of outstanding risk, **90%** of the operating energy projects are backed by Feed-in Tariff Mechanism (Yekdem).

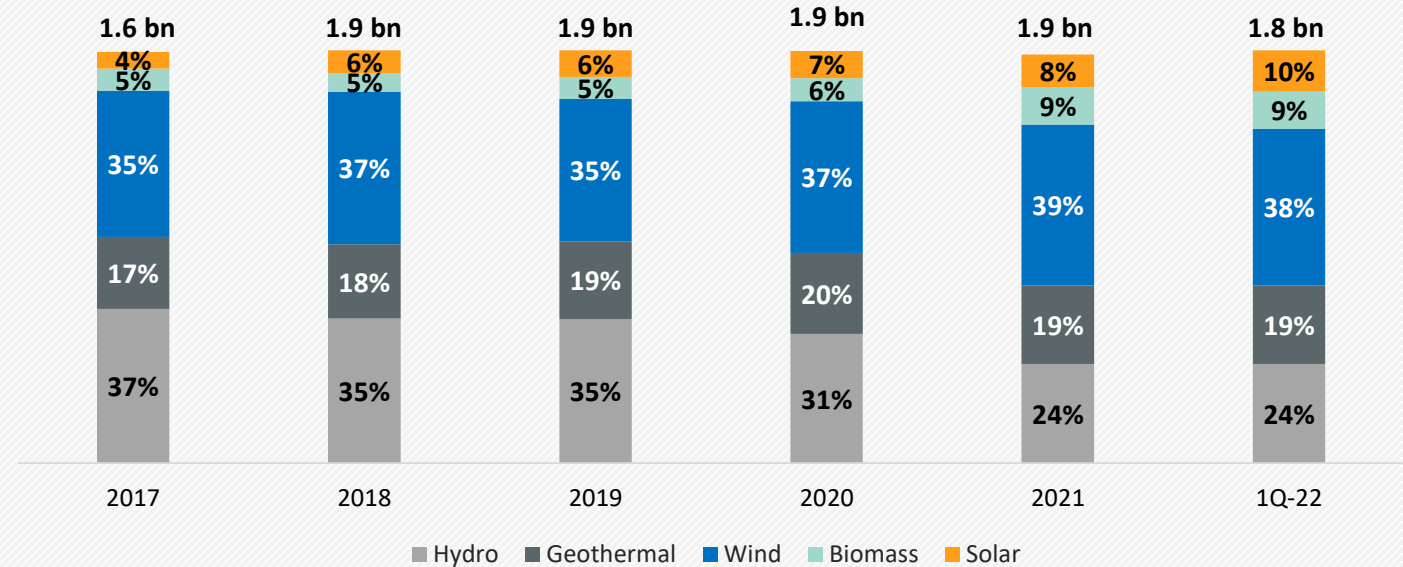
84% of non-renewable projects (in MWs) are under capacity enhancement mechanism supporting their cash flows.



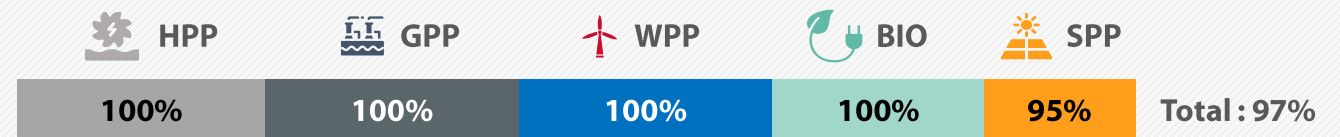
- With respect to number of projects, **97%** is **in operation**.
- With respect to their installed capacity (MW), **91%** is **in operation**.

*Number of renewable energy projects in the outstanding portfolio

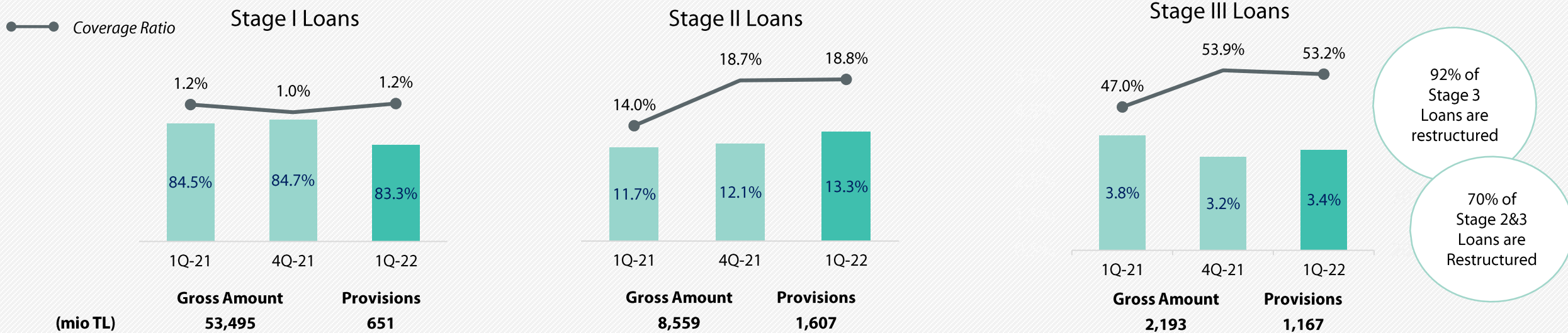
Renewable Energy Portfolio (Outstanding - \$)



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



Asset Quality Remains Intact, Further Improved Coverages



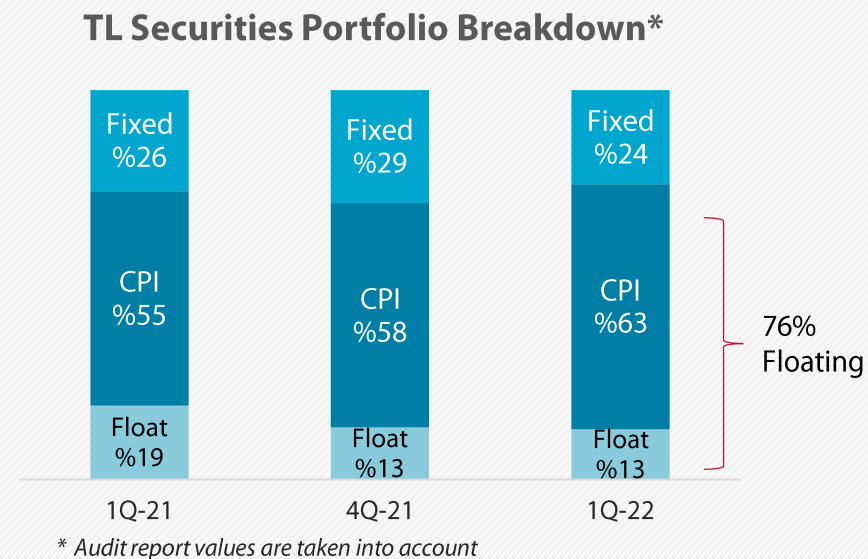
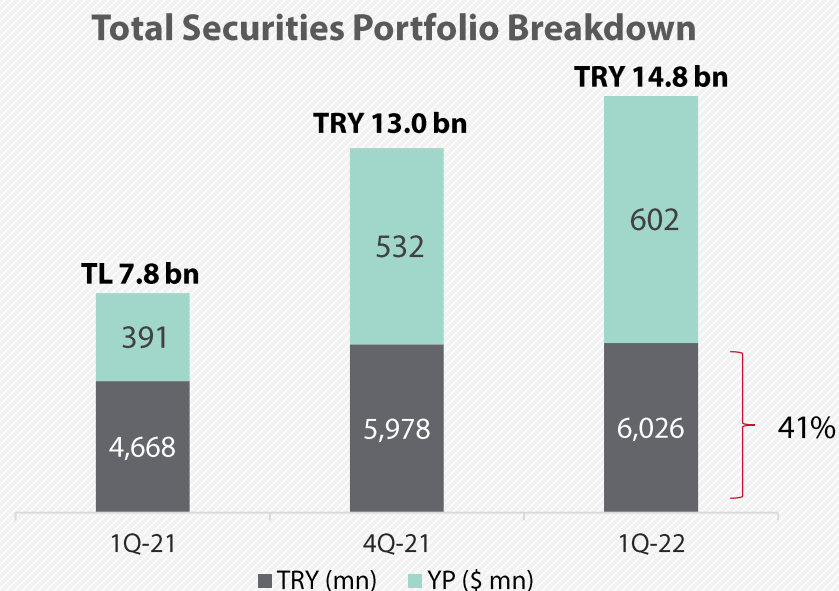
Stage 2 Loans		
Sector	%	Coverage (%)
Tourism	26	16.1
Electricity/Gas Distribution	17	32.2
Health	16	13.9
Electricity Generation	12	17.3
Renewables (%100 YEKDEM guarantee)	75	11.3
Non Renewables	25	34.9
Telecom/Logistics	10	6.4
Non-residential Real Estate	7	26.5
Other	8	19.7
Metal and Machinery	4	18.8
TOTAL	100	18.8

5.3%
Total Coverage

TL 655 mio total
free provisions
(TL 215 mio
additional in
1Q22)

49 bps net CoR exc.
currency impact

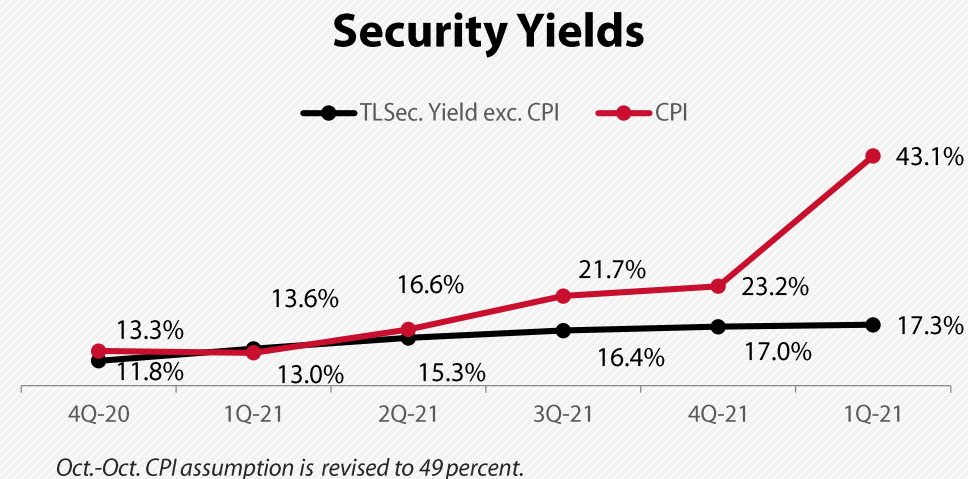
Well-managed Security Book Supports our Bank's Profitability



SECURITIES / ASSETS: 16%

Strategically managed securities portfolio

- Remaining Duration: **1.9 years** in Fixed bonds, **1.4 years** in Floating bonds, **4.2 years** in CPIs in TRY Sec. Portfolio.
- Investment in private sector bonds – 3.0% in TL securities book
- Replacement of maturing fixed income securities with higher yielded bonds and CPI-linkers.



Income Statement Highlights

TL mn	1Q-21	4Q-21	1Q-22	QoQ	YoY
Net Interest Income	430.3	907.3	1,092.9	20%	154%
Trading Income	99.7	342.8	312.1	-9%	213%
Net Fees & Commissions	10.7	20.0	31.6	58%	195%
Other Income (Inc. Dividend)	32.1	11.5	31.7	176%	-1%
Banking Income	572.8	1,281.6	1,468	15%	156%
OPEX (-)	64.3	74.6	108.3	45%	68%
Net Banking Income	508.5	1,207.0	1,360	13%	167%
Provisions (-)	289.4	865.9	612.7	-29%	112%
Income From Participations	55.4	96.8	74.6	-23%	35%
Tax Provisions (-)	48.6	122.0	216.0	77%	344%
Net Profit	225.9	315.9	605.9	92%	168%

*Sustainable
profitability
performance*

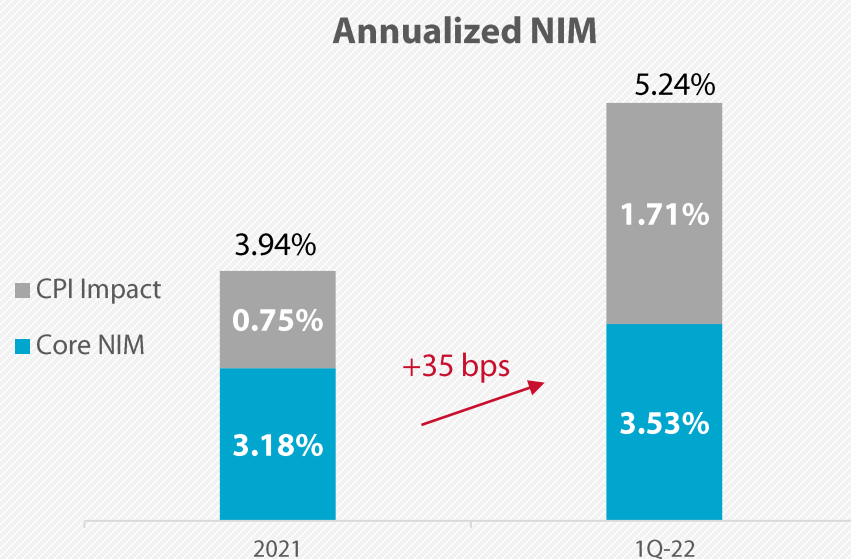
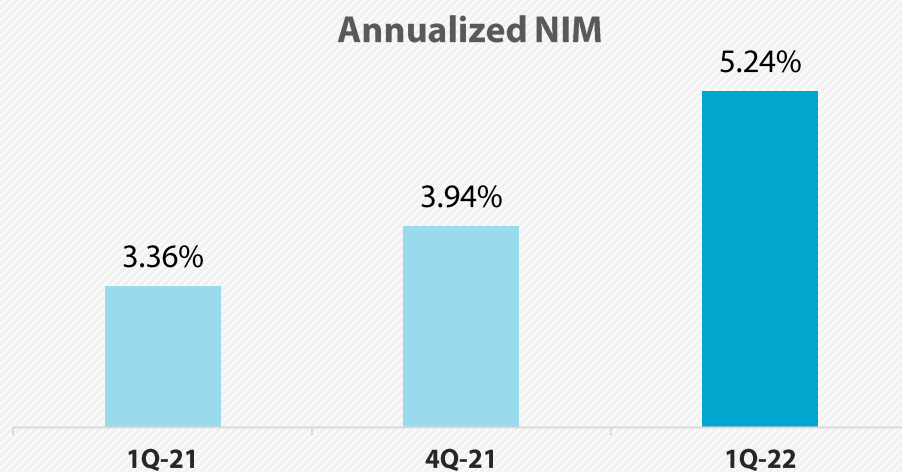
*Strong
contribution of
fees &
commissions*

*Prudent
provisioning:
extra TL 215 mio
free provisions
totaling
TL 655 mio*

*Consistent
support from
participations*

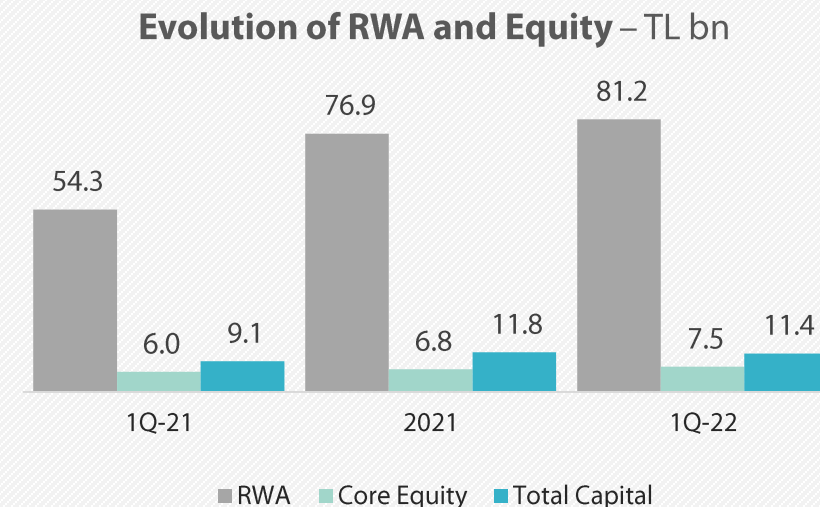
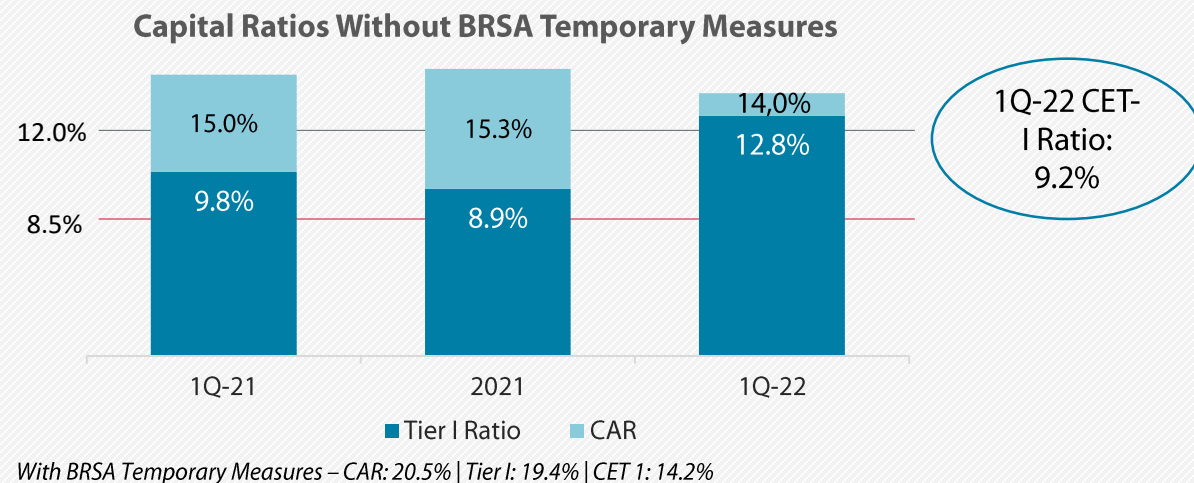
- Based on MIS data
- Interest expense of long and short term swaps, valuations of hedge positions for Eurobonds issued and exchange differences arising from rediscounts are adjusted under NII
- Provisions include Expected Credit Losses in the audited P&L excluding impairment expenses of marketable securities

>> Healthy and Consistent NIM Performance Exceeding our Guidance

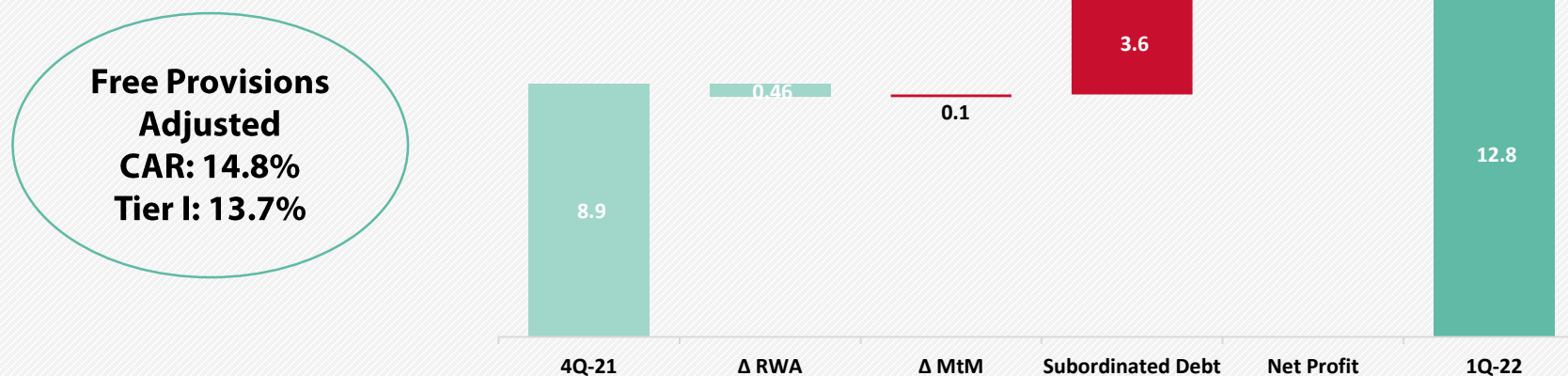


- Robust margin performance continues
- 2022 October to October CPI valuation assumption is revised to 49% from 28.2%.
- 480 mio TL extra revenue generated from CPI assumption revisions.
- Annualized NIM has expanded by 130 bps.

Strengthened Solvency Metrics



Tier 1 Ratio Evolution



- The call option of our 2027 Sustainable Tier-II Eurobond with the amount of USD 300 million was exercised on March 29, 2022.
- New AT-1 Loan Agreement was signed with main shareholder with amount of USD 200 million on March 30, 2022.

Sustainability Developments in 1Q-22 and Long-term Targets



2021 Integrated Annual Report

- Positive impact we created
- Short, medium and long-term targets
- UNEP FI Responsible Banking Principles
- WEF Stakeholder Capitalism metrics
- Website with the digital assistant

Social Impact with innovative solutions

Delivered 25,000 seed balls via ecoDrones in cooperation with the social enterprise Ecording

Climate Review

6th issue focusing on the theme “Water”



Sustainable Financing Targets

USD 8 billion

SDG-linked financing by 2030

90%

Ratio of SDG-linked-loans by 2025

60%

Ratio of climate and environment focused SDG-linked loans by 2025

Emissions Targets

Reduce our **Scope 1 (direct) emissions** by
%42 by 2030
%63 by 2035

Maintain offsetting **Scope 2 emission**

In 2021 we started to include **“financed emissions”** in the calculation of greenhouse gas emissions (**Scope 3**)

Strategic Roadmap

- Climate risk management approach fully in line with UNEP FI and TCFD recommendations
- Integrate a gender equality perspective into the loan evaluation process

New Theme Working Groups

- Circular Economy
- European Green Deal
- Sustainable Agriculture
- Climate Change Adaptation
- Youth Employment



Appendix

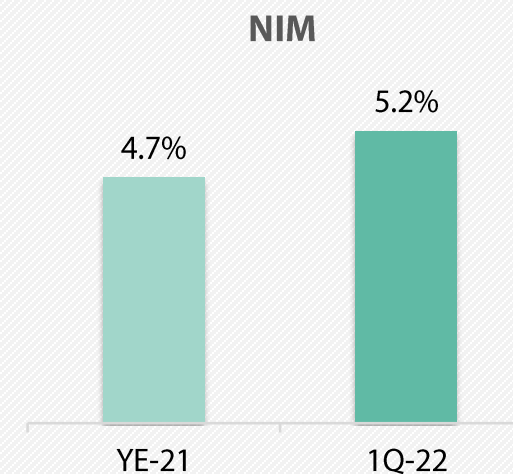
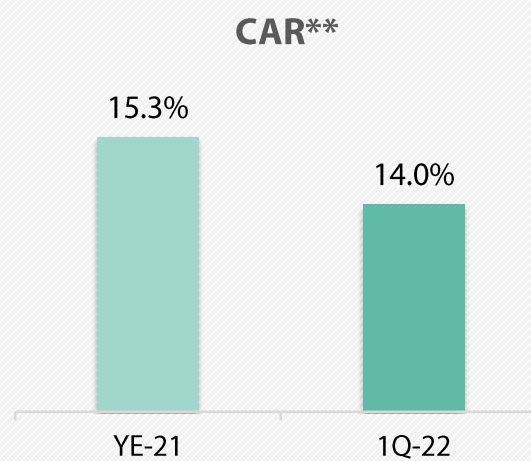
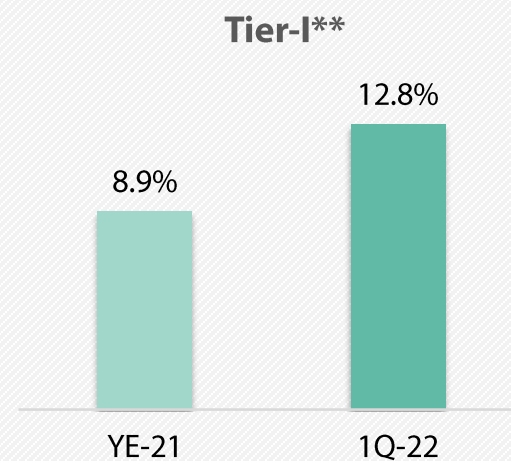
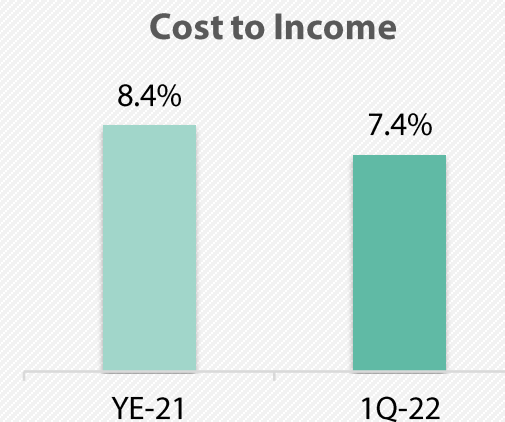
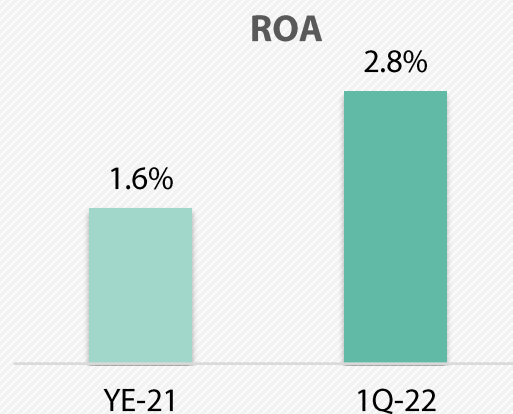
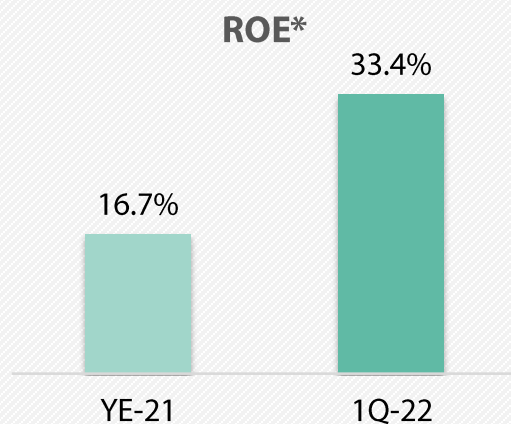
Balance Sheet

mn	31/03/2021			31/12/2021			31/03/2022		
	TL	FX	TOTAL	TL	FX	TOTAL	TL	FX	TOTAL
Cash and Banks	2,078	2,540	4,618	1,526	3,715	5,241	3,552	6,851	10,403
Securities	4,672	3,131	7,803	5,896	6,730	12,626	6,283	8,493	14,776
Loans (Gross)	3,622	40,408	44,030	4,072	59,830	63,905	2,953	61,294	64,247
Provisions	-567	-1,416	-1,983	-583	-2,530	-3,113	-605	-2,858	-3,462
Subsidiaries	1,327	90	1,417	1,749	197	1,946	1,803	229	2,033
Other	1,387	1,014	2,401	2,441	1,051	3,492	2,572	466	3,039
Total	12,518	45,767	58,285	15,104	68,993	84,096	16,559	74,476	91,035
ST Funds	-	2,013	2,013	-	3,179	3,179	-	3,486	3,486
LT Funds	-	32,843	32,843	-	49,665	49,665	-	54,015	54,015
Securities Issued	-	11,847	11,847	-	14,928	14,928	-	16,217	16,217
Repo & MM	199	1,277	1,476	166	2,009	2,175	948	2,490	3,438
Other	732	809	1,541	1,671	1,509	3,180	2,140	1,237	3,377
Tier 2	-	2,529	2,529	-	4,029	4,029	-	2,916	2,916
Equity	6,123	-86	6,037	7,157	-217	6,941	7,830	-245	7,585
Total	7,054	51,232	58,285	8,995	75,102	84,096	10,918	80,116	91,035

Detailed Income Statement

TL mn	1Q-21	4Q-21	1Q-22	QoQ	YoY
Net Interest Income inc. Swap Cost	430.3	907.3	1,092.9	20%	154%
Net Interest Income	551.7	931.9	1,197.4	28%	117%
CPI Linkers	93.6	183.2	377.2	106%	303%
Swap Costs (-)	121.5	24.6	104.5	324%	-14%
Net Commissions	10.7	20.0	31.6	58%	195%
Other Income	32.1	11.5	31.7	176%	-1%
Dividends	2.7	-	4.3	-	59%
Other	29.4	11.5	27.4	138%	-7%
Trading & FX gains/losses	99.7	342.8	312.1	-9%	213%
FX gains/losses	100.7	333.3	217.8	-35%	116%
MtM gains/losses	-3.9	-30.9	2.6	n.m.	n.m.
Trading gains/losses	2.9	40.4	91.7	127%	n.m.
Banking Income	572.8	1,281.6	1,468.3	15%	156%
OPEX (-)	64.3	74.6	108.3	45%	68%
Net Banking Income	508.5	1,207.0	1,360.0	13%	167%
ECL (-)	289.4	865.9	627.7	-29%	112%
Stage I	42.9	182.5	99.8	-45%	133%
Stage II	143.6	444.6	170.2	-62%	19%
Stage III	71.6	175.7	72.4	-59%	1%
Other Provisions	31.4	63.1	270.3	329%	762%
Income From Subsidiaries	55.4	96.8	74.6	-23%	35%
Pre-Tax Income	274.5	437.9	821.9	88%	199%
Tax (-)	48.6	122.0	216.0	77%	344%
Net Income	225.9	315.9	605.9	92%	168%

>> Key Performance Indicators



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

** Excluding BRSA temporary measures



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