

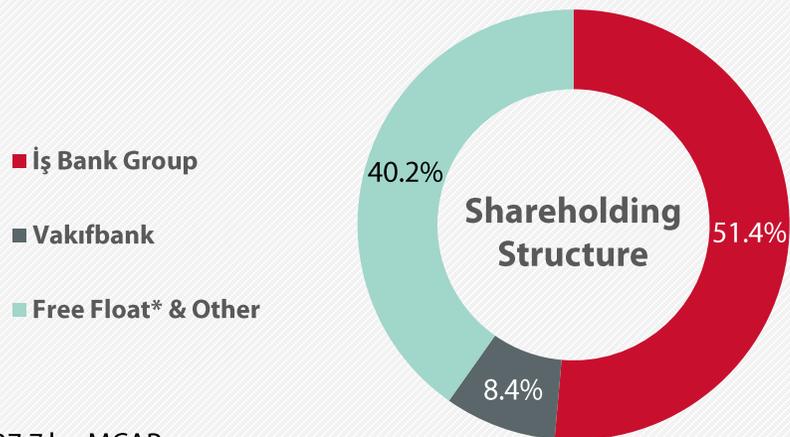
The Industrial Development Bank of Türkiye

FI&IR Presentation

1Q-24 Bank-only Results



TSKB at a Glance



TRY 27.7 bn MCAP
As of May 6th 2024

Ratings	TSKB	Turkey Sovereign
Fitch LTFC	B	B+
Moody's LTIR	B3	B3
SAHA Corporate Governance Rating	9.66/10	
Sustainalytics ESG Risk Rating	6.9 Negligible 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 and Technical Advisory
- Engineering





A Unique Business Model

Long Term Funding and Strong Liquidity

- Long term tenor in liabilities: 11 years
- Medium term in assets: 4.6 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**

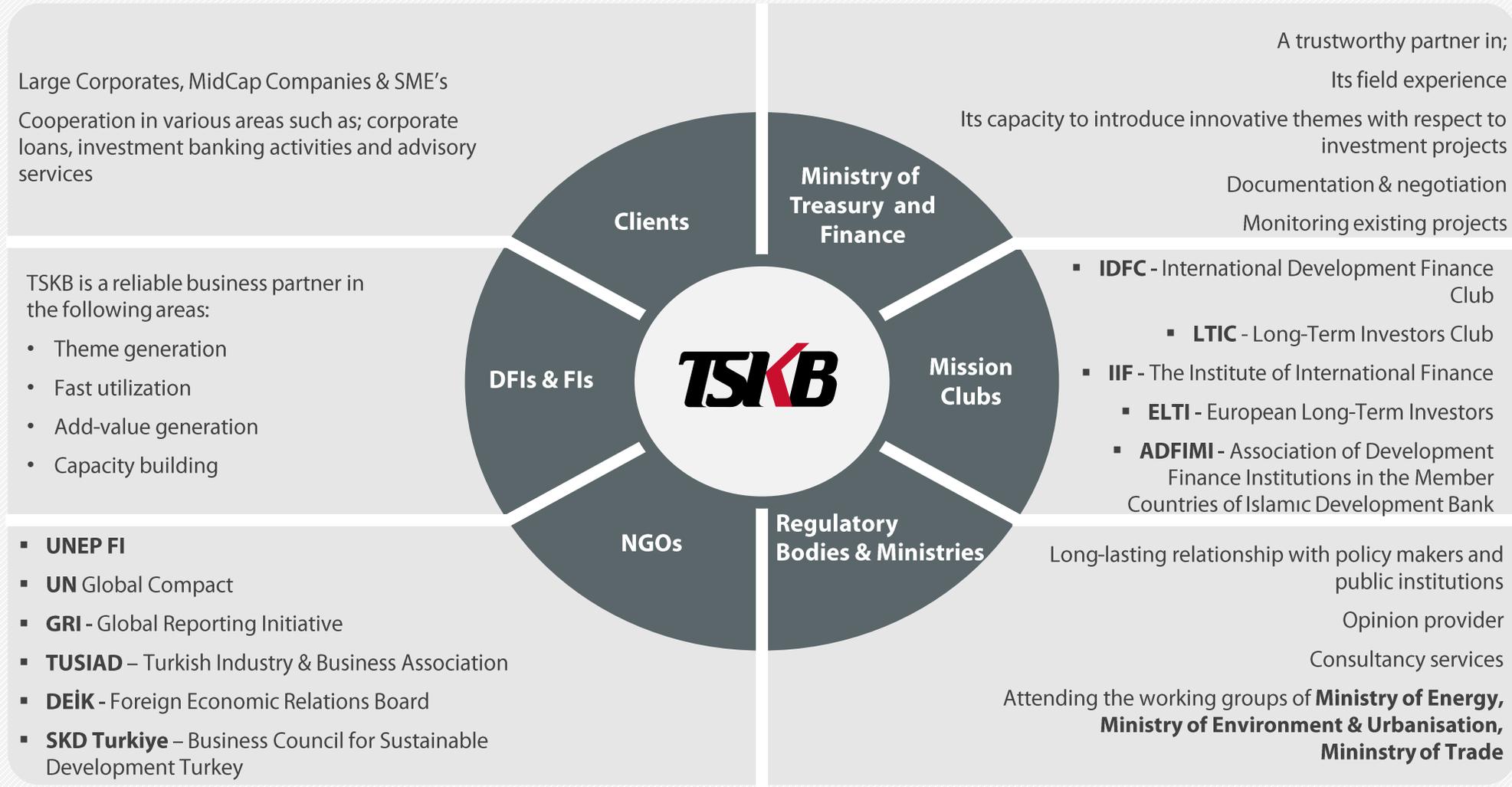
Prudent Credit Risk Assessment

- 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

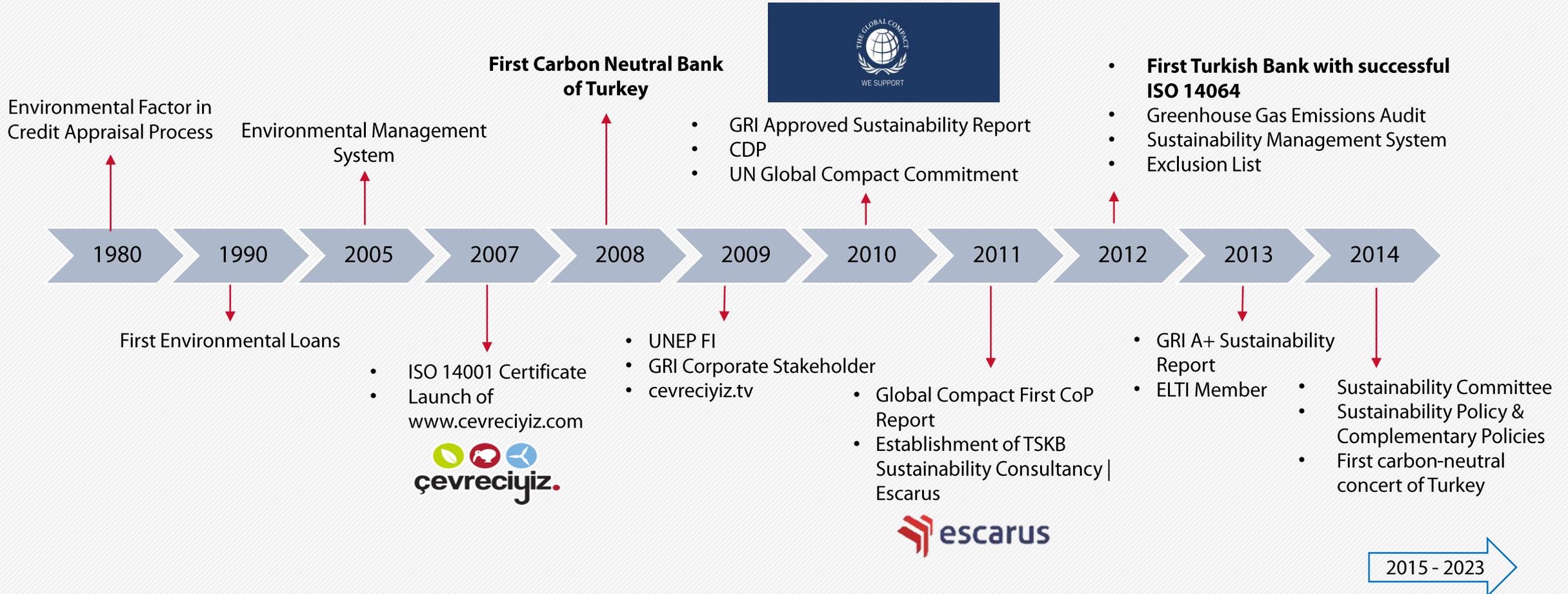
➤ Main Stakeholders of the Bank



➤ Sustainability is Well Integrated into Our Business Model



TSKB Sustainability Journey - I



TSKB Sustainability Journey – II



- Signatory of IDFC Climate declaration
- BIST Sustainability Index
- Women's Empowerment Principles

- First Integrated Report of the Turkish finance sector
- Globally first Sustainable Tier II Bond Issuance
- First Allocation and Impact Reporting published in Türkiye for the green and sustainable bond

- "Equal Steps", equal opportunity digital platform
- Founding Signatories of the 'Principles for Responsible Banking' developed by UNEP FI
- 10th member of the Steering Committee of the IDFC

- New structure of the Sustainability Committee
- TSKB 3rd Sustainable Bond issuance
- Participation in the TCFD Phase 3 Banking Pilot Program
- Publication of the Climate Change Combat and Adaptation Policy
- Publication of the Climate Risk Report
- Plastic Footprint Reduction Target

- SBT-i approved emission targets
- 4th sustainable bond issuance
- USD 155 mn loan agreement with IBRD to initiate TGF
- Globally outstanding Sustainalytics ESG Risk Score
- Launch of 2nd development base in Ankara

2015

2016

2017

2018

2019

2020

2021

2022

2023



- First ever green/sustainable bond out of Türkiye & CEEMEA
- Publication of TSKB Declaration on Climate Change

- Gender Equality Certification by KAGİDER and IBRD
- "Social Impact Assessment Analysis" and "Gender Equality" Working Groups

- First women CEO appointment
- Green Swan Platform establishment
- SDG Mapping Project for the loan portfolio
- Best ESG Risk Rating Score in Türkiye by Sustainalytics
- First new loan disbursement with SDG Loan Model
- First club loan linked to ESG Risk Rating
- World's first Sustainable Lease Certificate
- Founding of Climate Risks Working Group

- Chair of TBA Sustainability Committee
- Application of CRET Model to investment loans analysis and allocation processes
- Being located among the top 50 global corporations with our Sustainalytics ESG Risk Score
- NZBA signatory, founded by UNEP FI
- Publication of Responsible Sustainability Communication Policy

2024

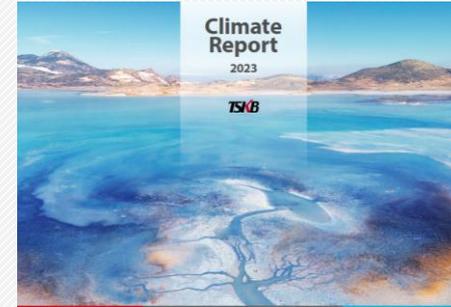


2024 Sustainable Banking Performance & Metrics



2023 Integrated Annual Report

IFRS S1 and S2 were taken into account



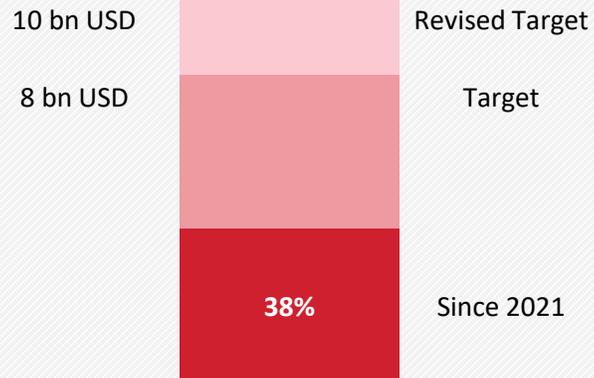
2023 Climate Report

IFRS S2 were taken into account

SDG-linked Loans



SDG-linked Financing by 2030



Climate and Environment focused SDG-linked Loans



4 bn USD -Climate and Environment focused SDG-linked financing target by 2030

➤ 1Q-24 At a Glance

Strong Profitability Differentiating Business Model

- Best-in-class ROE, QoQ flat net income generation
- NIM evolution in line with guidance
- Maintained FX Loan Spread

Further strengthened solvency, supporting our growth strategy

- USD 300 mn AT-1 issuance
 - CAR: 19.5%, Tier-I: 18.4%
- *Excluding BRSA's temporary measures and free provision stock*

Strong FX liquidity & Funding Solid Collection Performance

- FX LCR: 436%
- USD 880 mn Unwithdrawn DFI funding
- ~81% ESG-linked funding profile

Highly provisioned intact asset quality with no NPL sales or write-down

- No free provision reversal
- Superior coverage position in the sector: 6% coverage ratio
- No new unexpected NPL inflow

- ✓ **Differentiating profitability** despite the high base impact of the previous quarter
- ✓ **Outstanding and diversified fee income performance** driven by **investment banking** and **advisory services**
- ✓ **Strategic funding management** and **advantageous AT-1 issuance**
- ✓ 3% fx-adjusted **loan growth**, in line with 2024 YE guidance
- ✓ **Intact asset quality** and **maintained leading position** in terms of strong **coverage ratios**

1Q-24 Performance & YE-24 Guidance

Financial Guidance (Bank Only)	1Q-24 Figures %	YE-24 Guidance %
Growth		
FX Adjusted Loan Growth	3	High Single Digit
Profitability		
Net Interest Margin	5.7	~6
Fees & Commissions Growth	104	> avg. CPI
Return On Equity	34.7	~40
Efficiency		
OPEX Growth	68	> avg. CPI
Cost/Income Ratio	15.8	-
Solvency*		
Capital Adequacy Ratio	19.5	~18.0
Tier I Ratio	18.4	~17.0
Asset Quality		
NPL Ratio	2.9	<3
Net Cost of Risk (including currency impact)	109 bps	~100 bps (exc. currency impact)

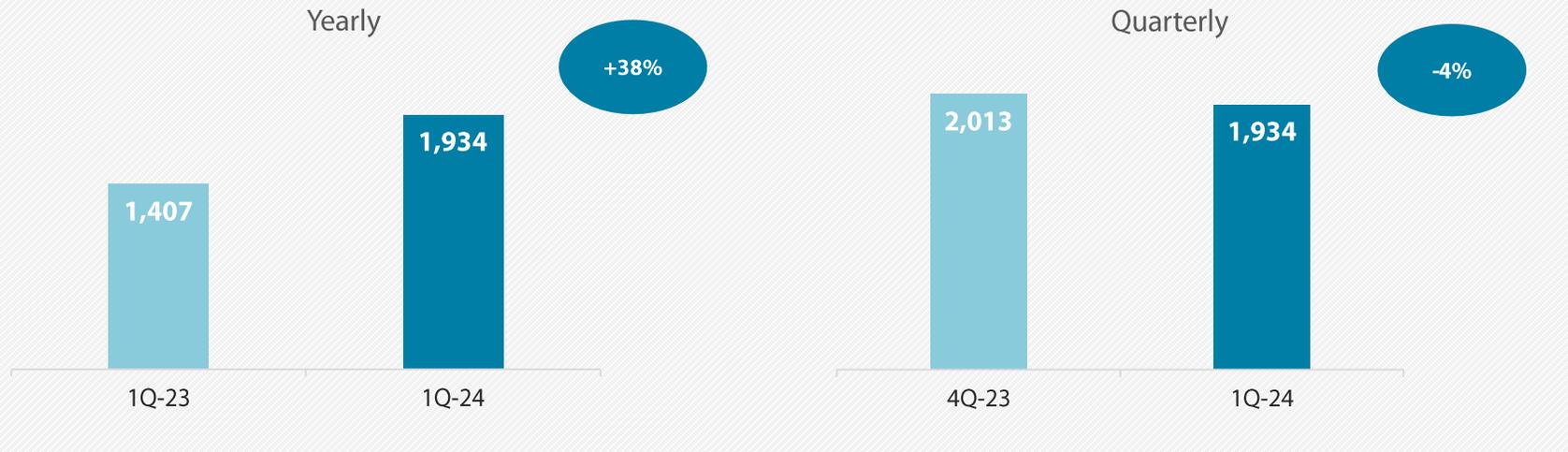
14 bps excluding
currency impact

*Excluding BRSA's temporary measures



Robust Profitability Continues

Net Profit - TL mn



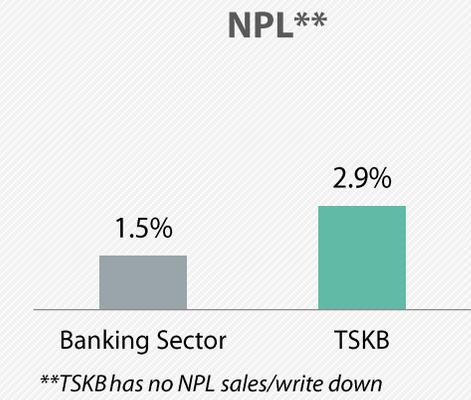
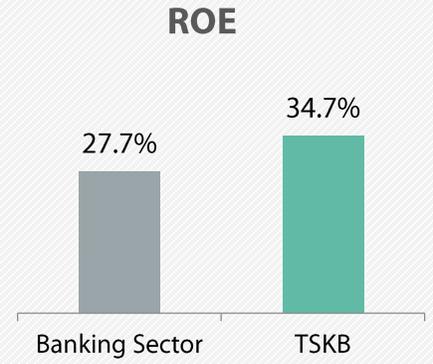
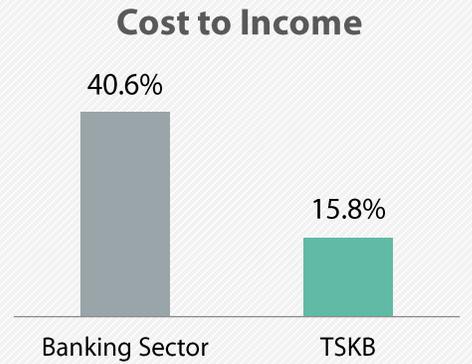
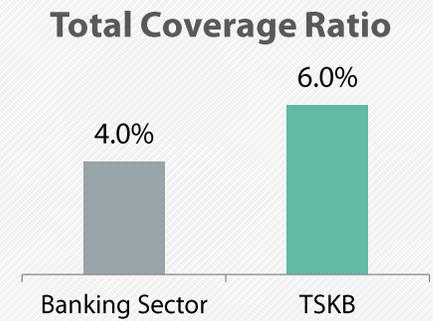
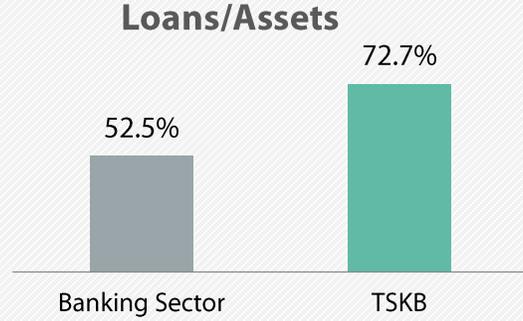
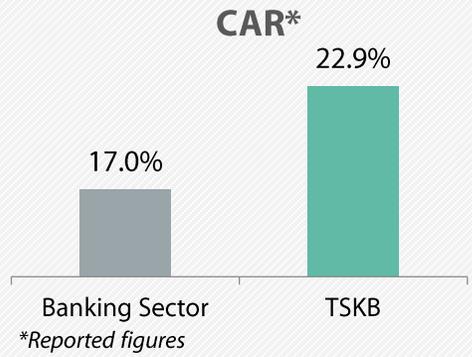
ROE



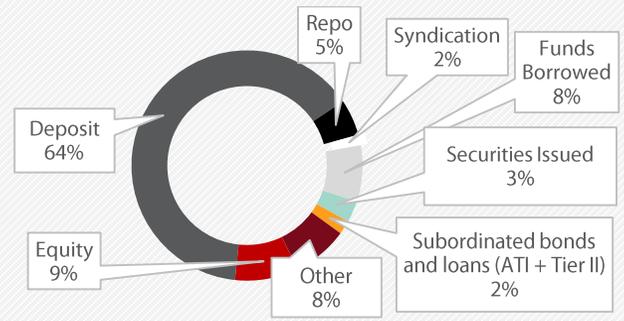
Strong coverage base and free provision stock will support our profitability going forward

- ✓ Total coverage ratio stands at 6.0%
- ✓ Stock of free provisions 1.75 bn TL

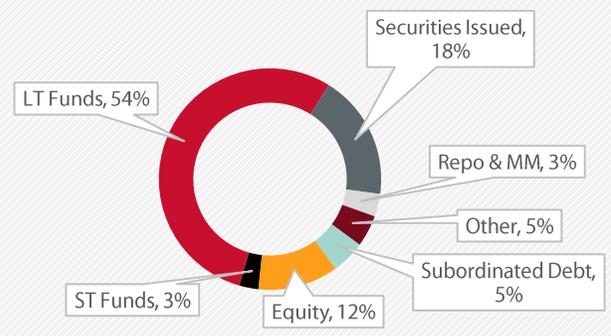
Banking Sector vs TSKB



BANKING SECTOR



TSKB

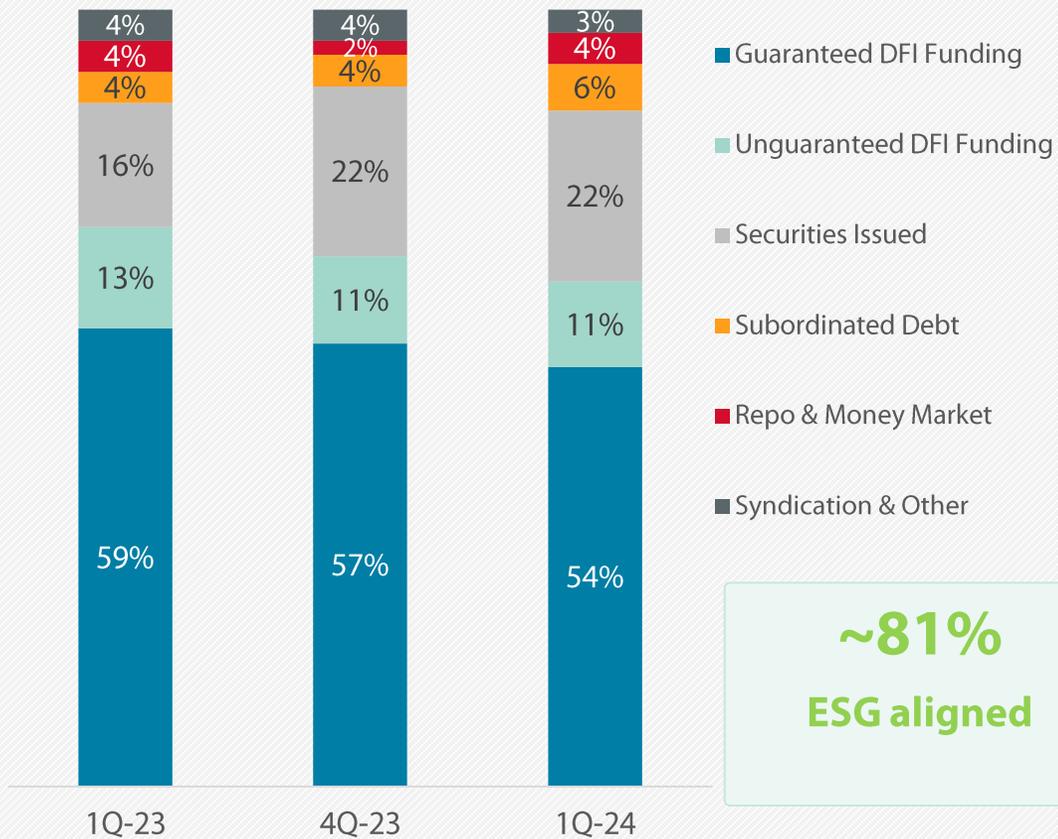


Majority of the funding is in long term with an average maturity of 11 years.



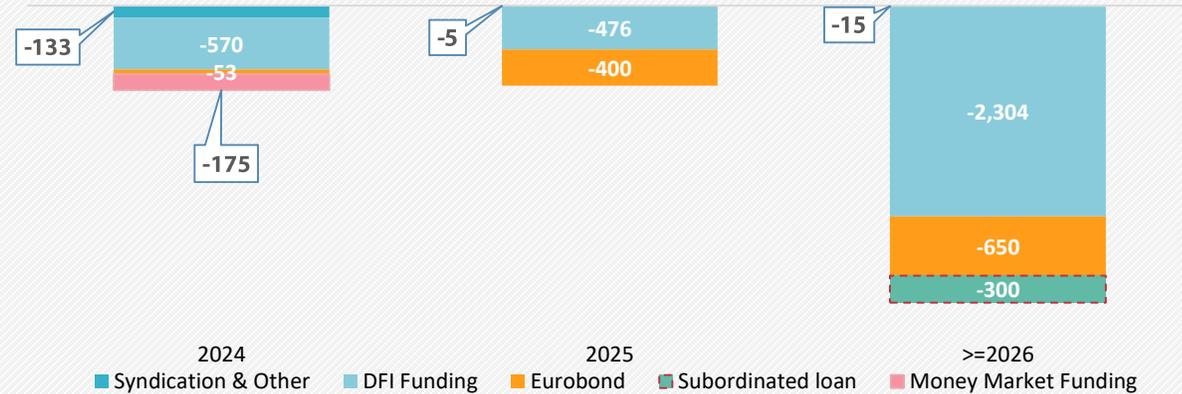
Strong liquidity and ESG aligned funding base

Funding / Total Liabilities (exc. Equity & Oth.)



**~81%
ESG aligned**

Maturity Profile of External Debt - USD mn



* USD 300 million AT-I loan has a call option in 2029.

~ USD 880 mn Non-Withdrawn DFI Funding

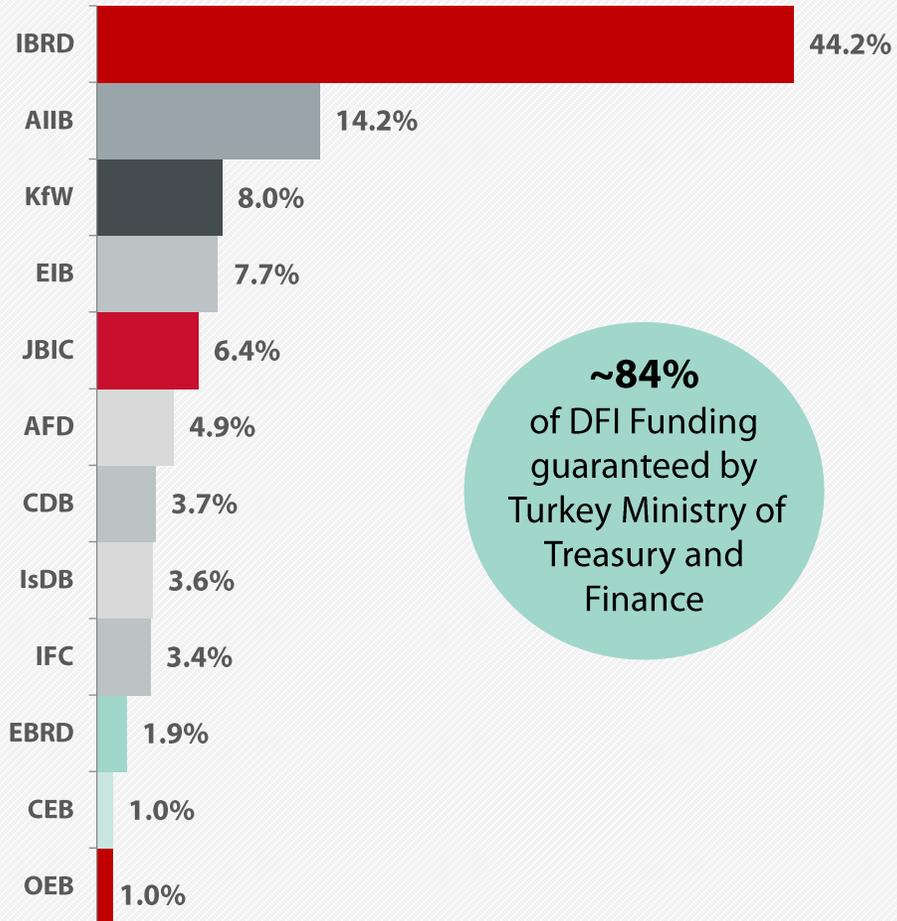
Climate Mitigation 100%

**FX Liquidity
Coverage Ratio
~436%**



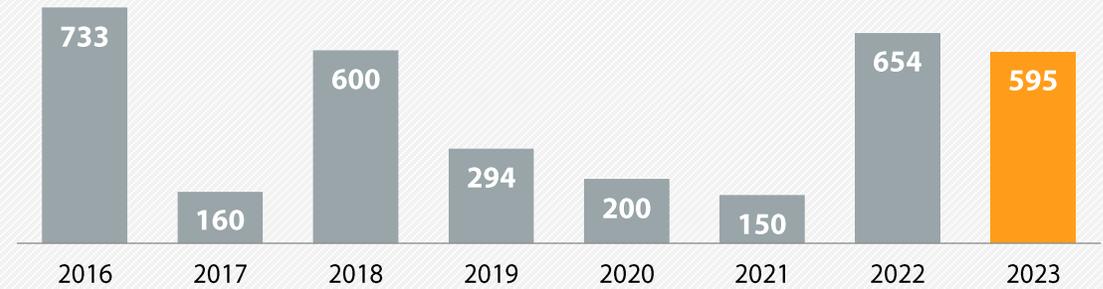
Long Term DFI Funding Base

Outstanding DFI Funding Base – 1Q-24



~84%
of DFI Funding
guaranteed by
Turkey Ministry of
Treasury and
Finance

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 and R&D



Social Infrastructure

Health, Education & Clean Transportation



SME Support



Infrastructure



Covid-19

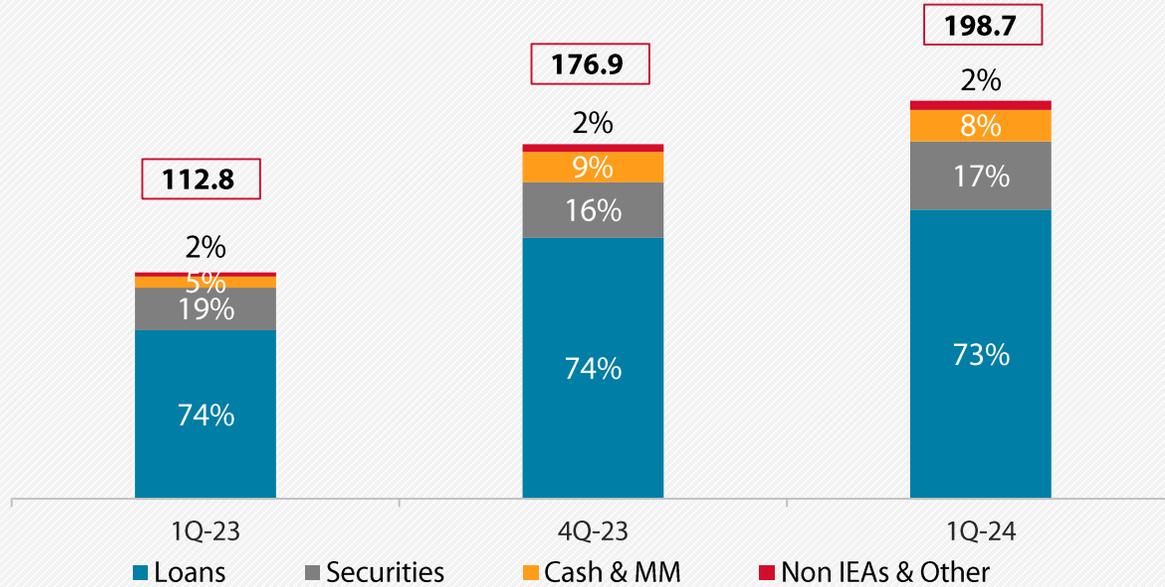


Circular Economy

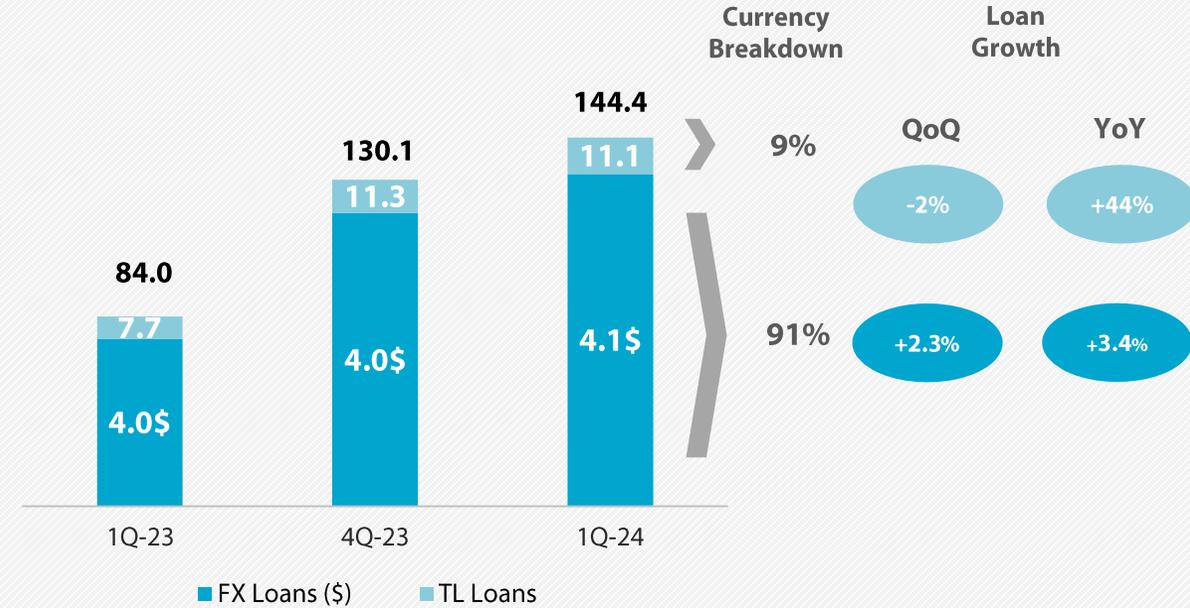


Resilient Asset Composition

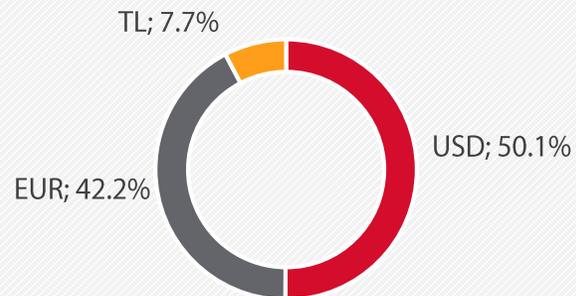
Asset Composition – TL bn



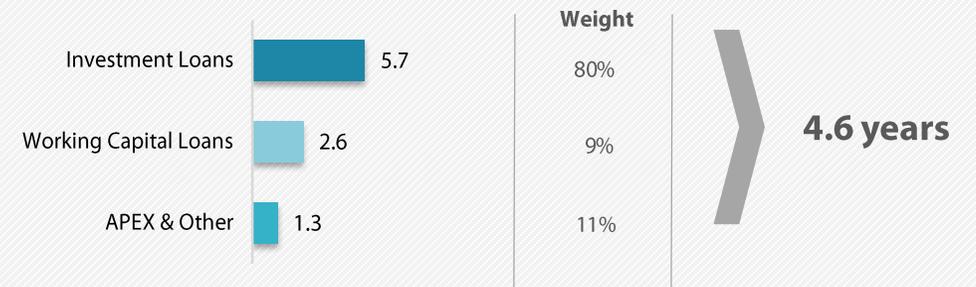
Total Loans – TL bn



1Q-24 Loans by Currency



Remaining Average Maturity - Years



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

Loan Evaluation, Appraisal and Allocation

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

Research Teams*

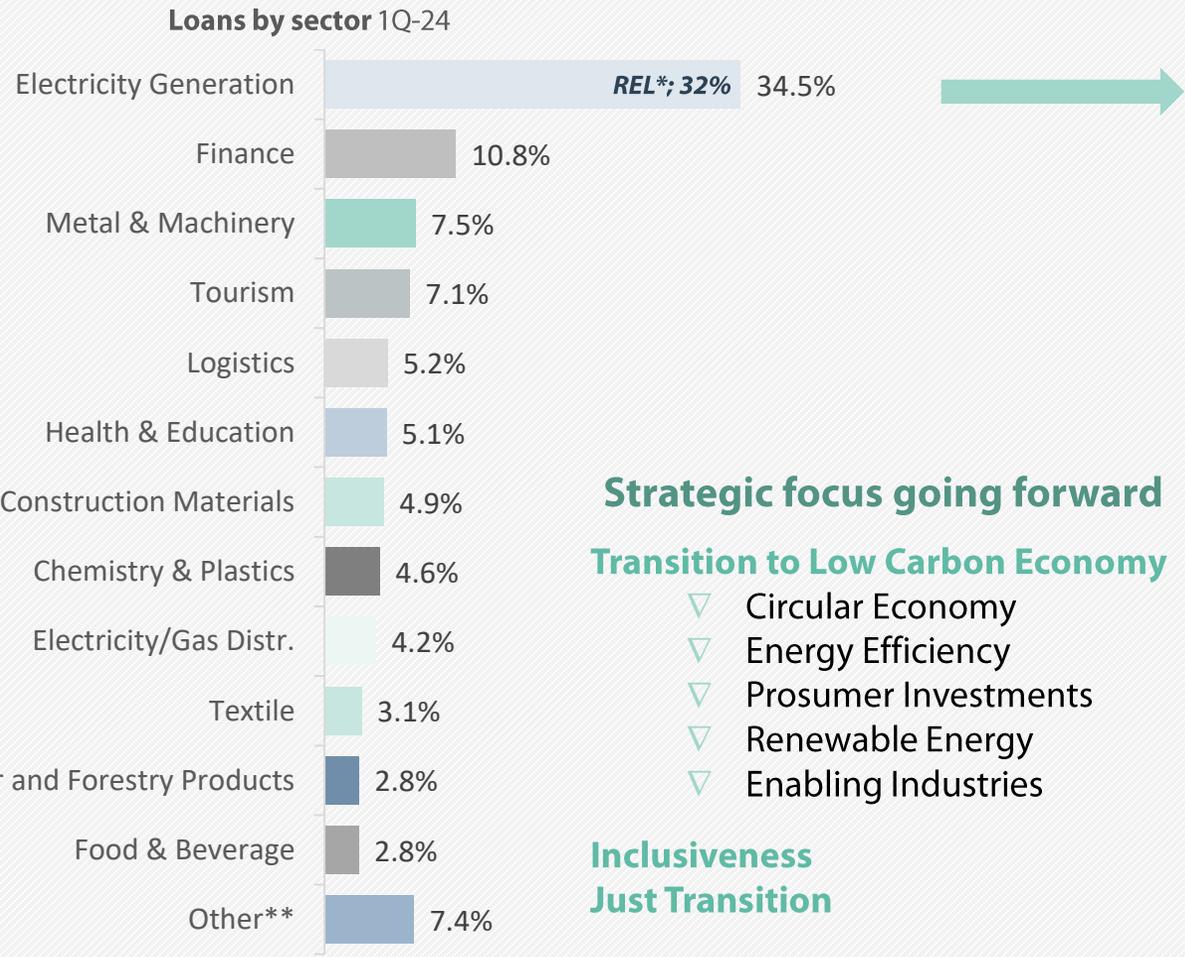
- New theme generation
- Macro and Sectoral Perspective
- Publishing sectoral reports
- Providing input for project valuation



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 90% of the portfolio



92% of which is Renewable Energy, where 85% benefits from Feed in Tariff

Outstanding Risk: 278 Projects, 6,372 MW

Project Type	Percentage
WPP	35%
HPP	16%
GPP	19%
BIO	11%
SPP	19%

Climate and Environment focused SDG-linked Loans account for **60%** of the portfolio.

Strategic focus going forward

Transition to Low Carbon Economy

- ▽ Circular Economy
- ▽ Energy Efficiency
- ▽ Prosumer Investments
- ▽ Renewable Energy
- ▽ Enabling Industries

Inclusiveness Just Transition

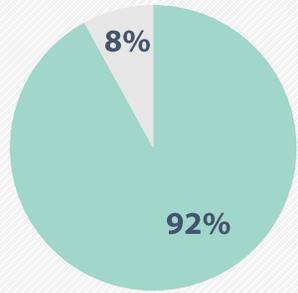
Substantially Supported SDGs through Loan Activities



* Renewable Energy Loans
 **Non-Residential Real Estate, Automotive, Holding, Telecom/Technology and others

Our Renewable Energy Focus

Energy Portfolio Risk Breakdown



■ Renewable
■ Non Renewable



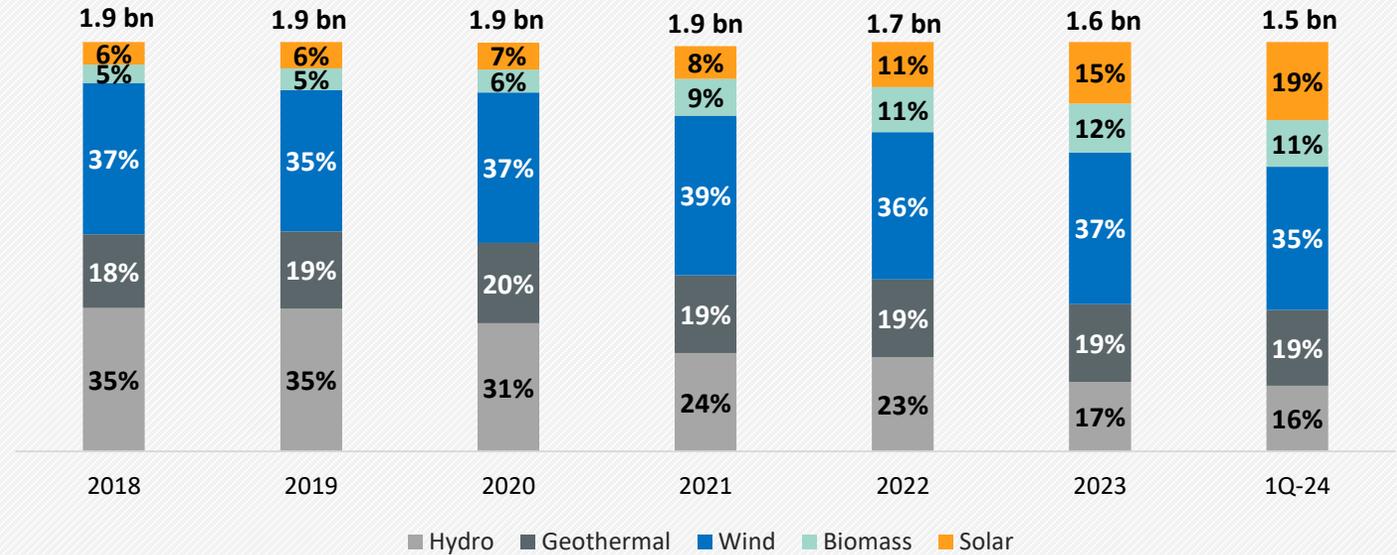
In terms of outstanding risk, **85%** of the operating energy projects are backed by Feed-in Tariff Mechanism (Yekdem).

83% of non-renewable projects (in MWs) are under capacity enhancement mechanism supporting their cash flows.

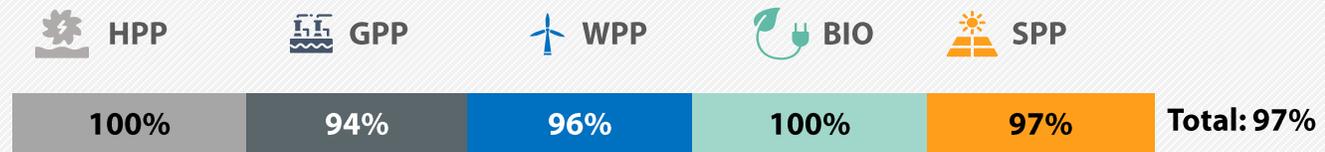
- With respect to number of projects, **97%** is **in operation**.
- With respect to their installed capacity (MW), **94%** is **in operation**.

*Number of renewable energy projects in the outstanding portfolio

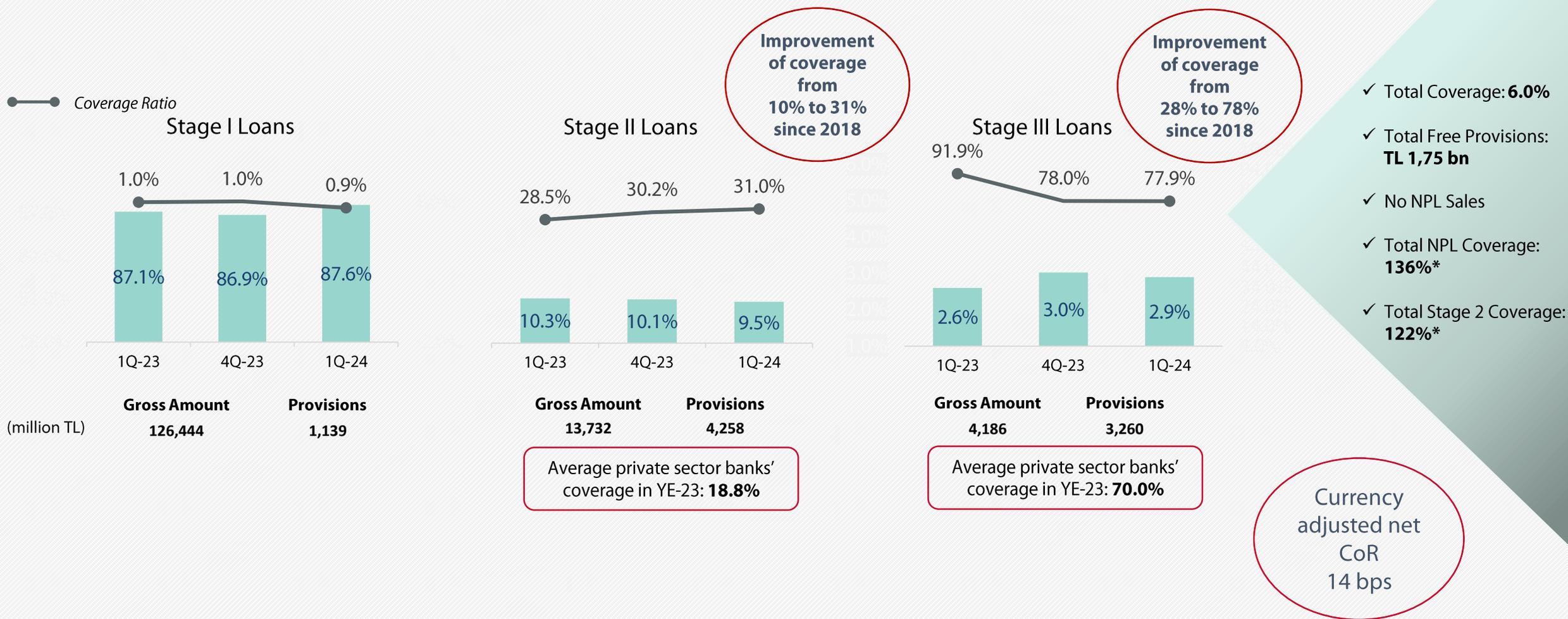
Renewable Energy Portfolio (Outstanding - \$)



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



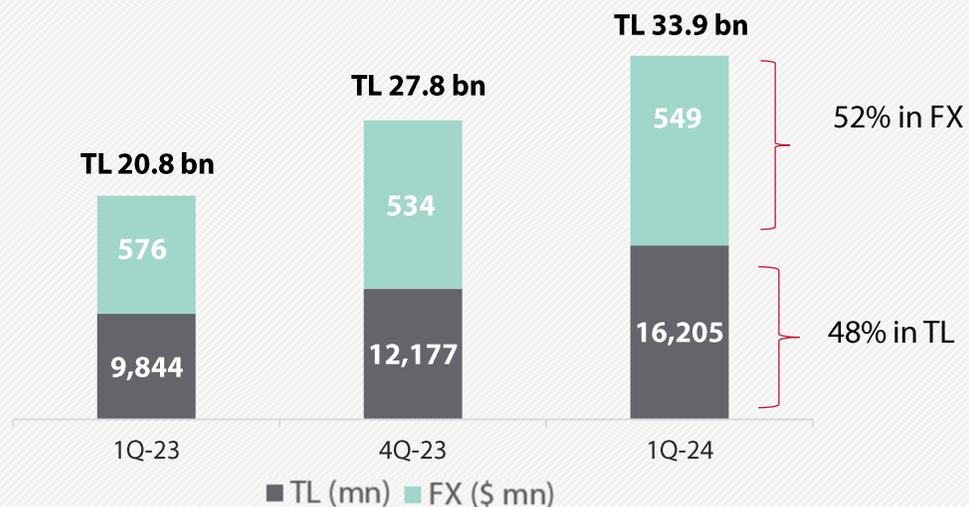
Leading position on provision coverage among industry





Well oriented asset liability management

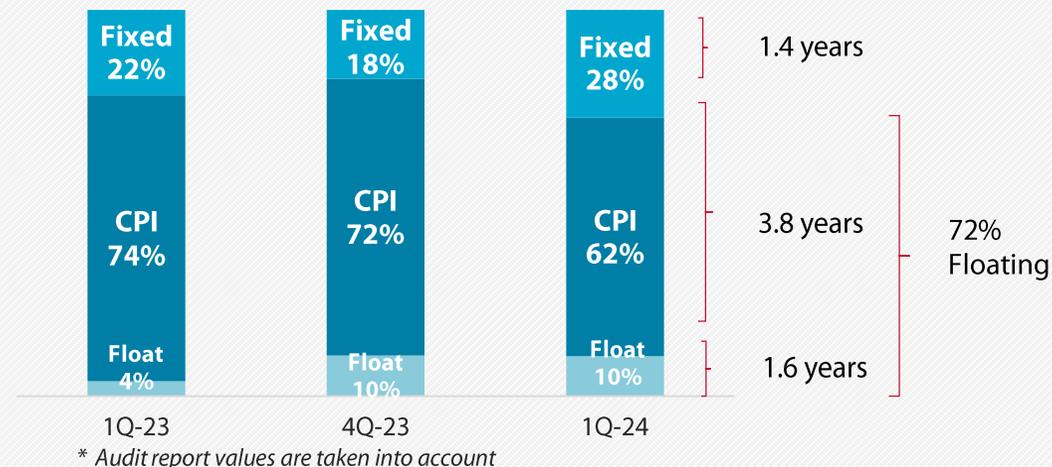
Total Securities Portfolio Breakdown



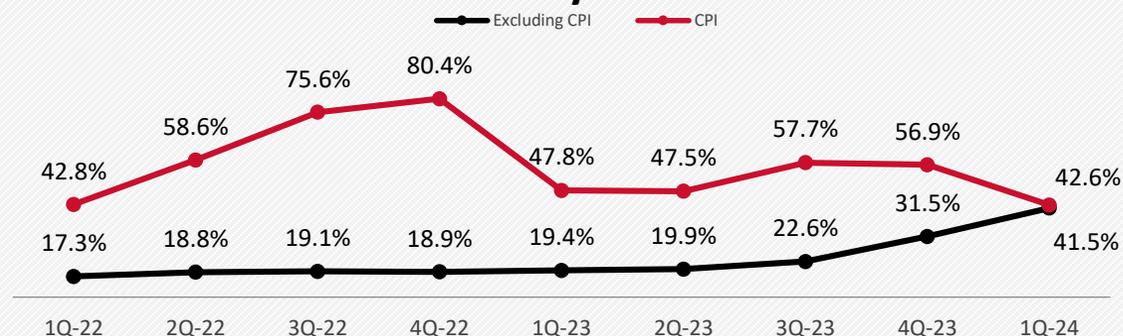
SECURITIES / ASSETS: 17%

- Swapping FX extra liquidity to TL for longer tenors to reduce the cost of TL.
- To build up additional spread with lower RWA.

TL Securities Portfolio Breakdown*



Security Yields



Oct-Oct. CPI assumption is 44.9percent.

Income Statement Highlights

TL mn	1Q-23	4Q-23	1Q-24	YoY	QoQ
Net Interest Income	1,584	3,046	2,541	60%	-17%
Trading Income	103	479	459	344%	-4%
Net Fees & Commissions	64	166	130	104%	-22%
Other Income (Inc, Dividend)	307	125	60	-80%	-52%
Banking Income	2,058	3,815	3,190	55%	-16%
OPEX (-)	301	342	505	68%	48%
Net Banking Income	1,757	3,474	2,686	53%	-23%
Provisions (-)	110	1,785	381	245%	-79%
Income From Participations	180	809	317	76%	-61%
Tax Provisions (-)	420	485	688	64%	42%
Net Profit	1,407	2,013	1,934	37%	-4%

*Robust
+37% yoy
bottom line
surge
(almost flat
qoq)*

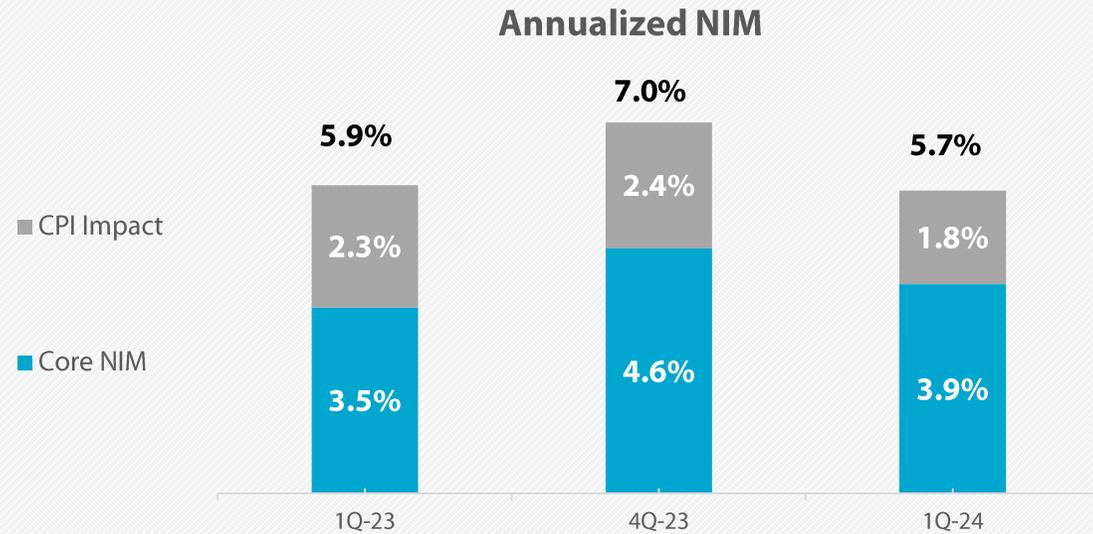
*Stellar
NII expansion,
despite lower
CPI-Linker
income*

*Strong and well-
diversified
commission
Income*

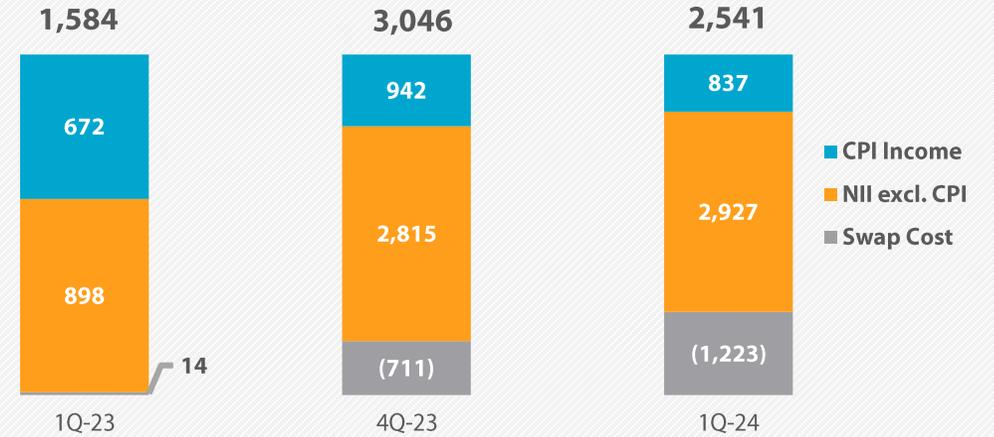
*Maintained
superior
position in
coverages
among sector*

- 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

➤ NIM stayed strong and in line with the guidance



Net Interest Income inc. Swap Cost (TL mn)



- ✓ NIM evolution is in line with expectations
 - (+) Maintained strong loan spread
 - (-) Elevated QoQ swap costs
 - (-) QoQ decline in CPI-linker income

- ✓ NII stayed flat on a quarterly basis despite high base
- ✓ NII excluding CPI elevated by 4% qoq, more than tripled yoy
- ✓ CPI October-October assumption is 44.9% vs 62% for 4Q23

Further strengthened solvency metrics support our growth plans

Capital Ratios Without BRSA Temporary Measures



With BRSA Temporary Measures – CAR: 22.9% | Tier I: 21.8% | CET-I: 15.3%

Evolution of RWA and Equity – TL bn



CAR Evolution



**Free Provision
Adjusted
CAR: 20.5%
Tier I: 19.4%**



Appendix

Balance Sheet

mn	31/03/2023			31/12/2023			31/03/2024		
	TL	FX	TOTAL	TL	FX	TOTAL	TL	FX	TOTAL
Cash and Banks	2,060	3,448	5,508	7,427	7,699	15,126	10,236	5,554	15,789
Securities	10,310	10,986	21,295	12,177	15,663	27,839	16,208	17,707	33,915
Loans (Gross)	7,674	76,358	84,032	11,299	118,839	130,137	11,051	133,311	144,362
Provisions	-2,194	-3,076	-5,271	-3,920	-4,308	-8,228	-4,178	-4,522	-8,700
Subsidiaries	3,623	460	4,084	6,616	753	7,370	6,906	813	7,719
Other	1,769	1,431	3,199	3,041	1,599	4,640	3,498	2,109	5,607
Total	23,241	89,606	112,848	36,640	140,244	176,884	43,721	154,972	198,693
ST Funds	-	3,343	3,343	-	5,913	5,913	-	5,574	5,574
LT Funds	-	67,818	67,818	-	100,763	100,763	-	108,132	108,132
Securities Issued	-	14,538	14,538	-	32,227	32,227	-	36,296	36,296
Repo & MM	2,476	1,121	3,597	432	2,225	2,656	2,433	4,128	6,562
Other	2,907	2,790	5,697	3,485	4,385	7,870	4,213	4,986	9,200
Subordinated Debt	-	3,816	3,816	-	6,043	6,043	-	9,686	9,686
Shareholders' Equity	14,260	-221	14,039	21,357	54	21,412	23,199	44	23,243
Total	19,643	93,204	112,848	25,274	151,610	176,884	29,845	168,847	198,693

➤ Detailed Income Statement

TL mn	1Q-23	4Q-23	1Q-24	QoQ	YoY
Net Interest Income inc, Swap Cost	1,584	3,046	2,541	-17%	60%
Net Interest Income	1,569	3,757	3,764	0%	140%
CPI Linkers	672	942	837	-11%	25%
Swap Costs	14	-711	-1,223	72%	n.m.
Net Commissions	64	166	130	-22%	104%
Other Income	307	125	60	-52%	-80%
Dividends	7	3	0	-100%	-100%
Other	300	123	60	-51%	-80%
Trading & FX gains/losses	104	478	459	-4%	343%
FX gains/losses	120	463	394	-15%	230%
Trading & MtM gain/loss	-16	16	64	305%	-503%
Banking Income	2,058	3,815	3,190	-16%	55%
OPEX (-)	301	342	505	48%	68%
Net Banking Income	1,757	3,474	2,686	-23%	53%
ECL (-)	110	1,785	381	-79%	245%
Stage I	50	197	-34	n.m.	n.m.
Stage II	0	336	289	-14%	n.m.
Stage III	4	1,147	130	-89%	n.m.
Other Provisions	57	106	-4	n.m.	n.m.
Income From Subsidiaries	180	809	317	-61%	76%
Pre-Tax Income	1,827	2,498	2,622	5%	44%
Tax (-)	420	485	688	42%	64%
Net Income	1,407	2,013	1,934	-4%	37%

Appendix: ESG Rating



Sustainalytics ESG Risk Rating

Range 0-40+
Score **6.9**

Negligible risk category

First place in Türkiye

9th place among global development banks



CDP Climate Change Score

A/D-
A-

Leadership



Moody's ESG Credit Impact Score

1-5
2

Neutral-to-low



Fitch ESG Credit Relevance Score

1-5
3

Neutral-to-minimal



Sustainable Fitch ESG Entity Score

1-5 (0-100)
3 (61/100)

Above global average



Refinitiv ESG Score

A+/D-
A



BIST Sustainability Index
BIST Sustainability 25 Index

Appendix: Stage 2 Loans Breakdown

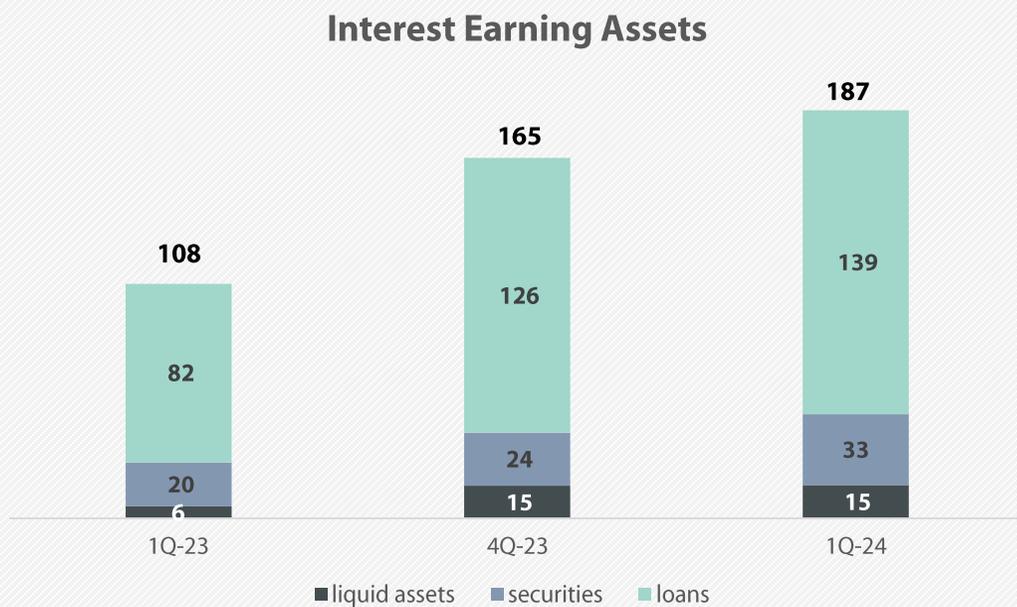
Stage 2 Loans		
Sector	%	Coverage (%)
Tourism	42	41
Electricity Generation	21	11
Electricity/Gas Distribution	17	41
Non-residential Real Estate	7	30
Metal and Machinery	5	24
Telecom/Logistics	4	9
Automotive Supply Industry	3	20
Health	1	47
TOTAL	100	31

97% of Electricity Generation loans are Renewable

- Hard collateral & provisions are taken into consideration
- Renewable and non renewable percentages in electricity generation loans are as 97% and 3% respectively



Appendix: IEA Evolution



- ✓ Interest Earning Assets were up by 13% qoq, 73% yoy, which was driven by
- High FX denomination
 - Growth strategy

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TSKB Financial Institutions & Investor Relations

ir@tskb.com.tr
www.tskb.com



Meclisi Mebusan Cad. 81
Fındıklı 34427 İstanbul