

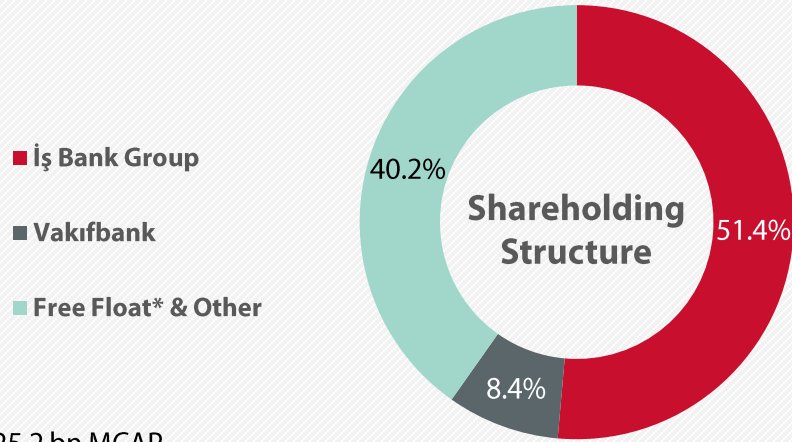
The Industrial Development Bank of Türkiye

FI&IR Presentation

4Q-23 Bank-only Results



TSKB at a Glance



TRY 25.2 bn MCAP
As of February 8th 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: 10 years
- Medium term in assets: 4.7 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

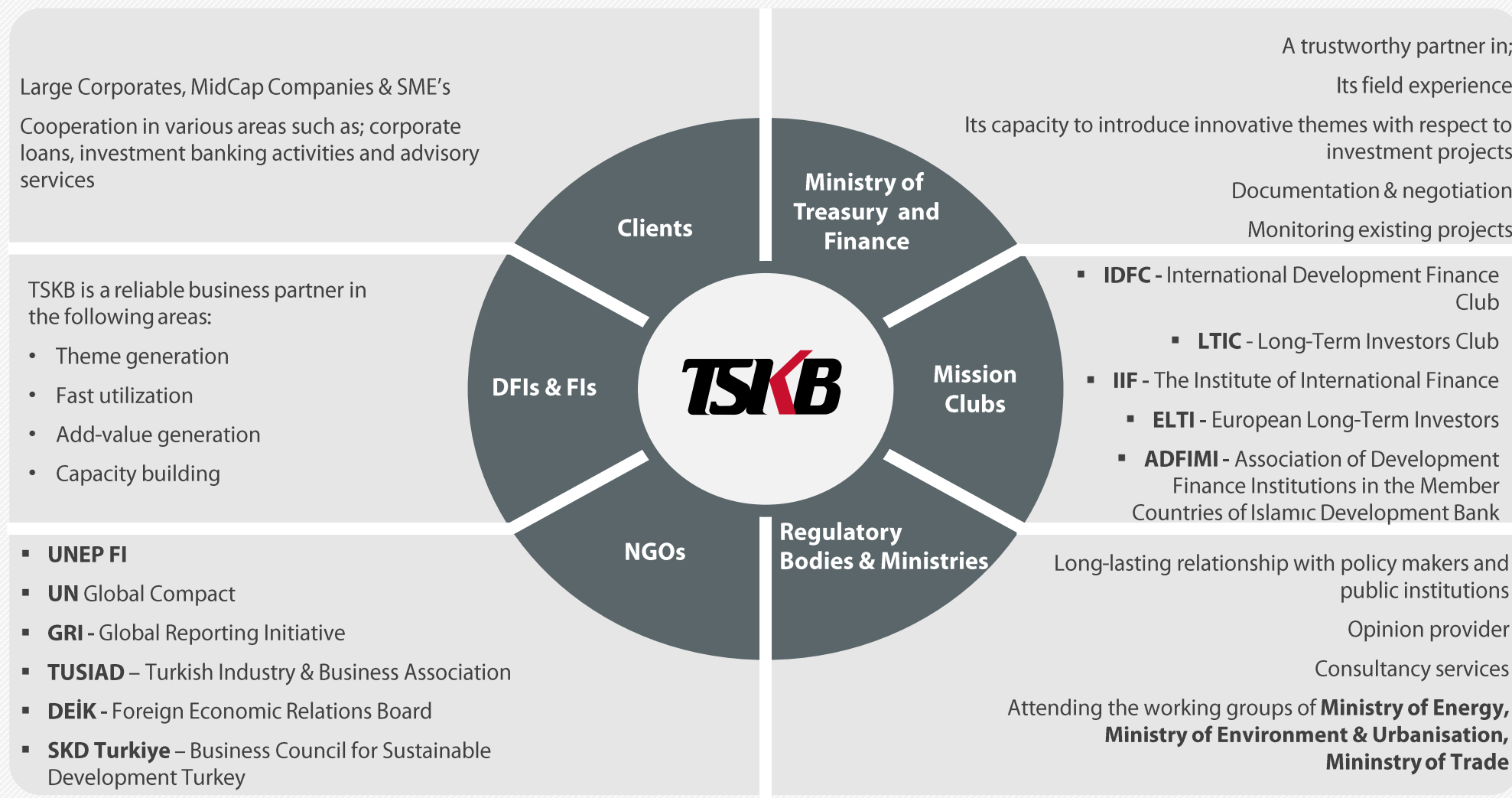
- Multi-disciplinary assessment during allocation
- Sector specific research analysts during allocation and monitoring period
- Strong collateralization
- Well capture of clients

"Knowledge Banking"

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



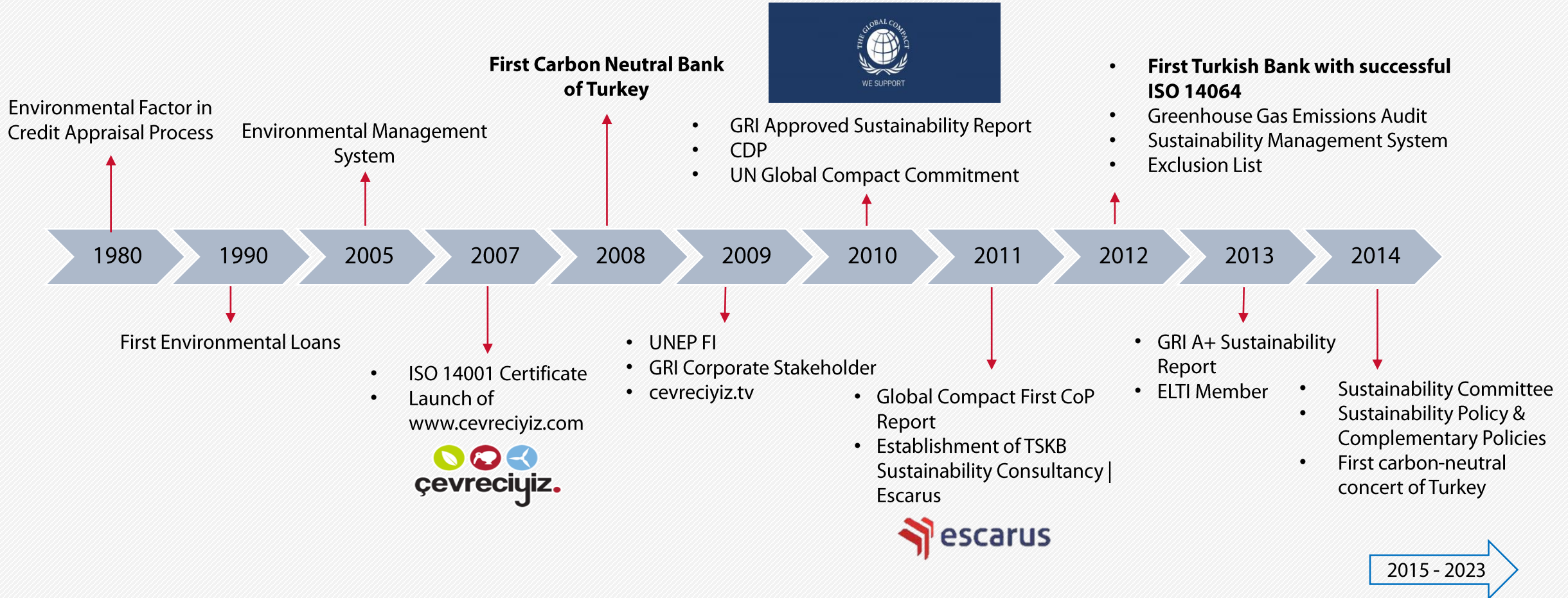
Main Stakeholders of the Bank



>> 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



2023 Sustainable Banking Performance & Metrics

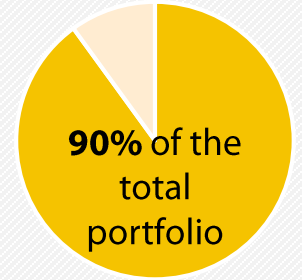
USD 8 billion SDG-linked financing by 2030

40% realization since 2021

Upside Revision

USD 10 billion SDG-linked financing by 2030

SDG-linked Loans



Climate focused financing

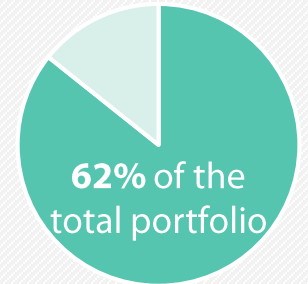
USD 450 million in 2023

- Reducing and adapting to climate risks
- Circular economy
- Energy efficiency projects supported by advanced technology

New Target

USD 4 billion climate focused financing by 2030

Climate and Environment focused SDG-linked Loans



Only Turkish institution ranking in the global 50 top-rated companies list by Sustainalytics
6.9 Risk Rating



Newly established
Climate Change and Sustainability Management department

>> 4Q-23 At a Glance

Differentiating profitability performance overbeating our guidance

- Robust core banking income generation
- NIM outperformance vs guidance
- 8% QoQ, 74% YoY bottom line expansion

Strong FX liquidity, funding and collection performance

- FX LCR: 696%
- ~85% ESG-linked funding profile
- 3 New DFI loan agreements in the last quarter

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

- Superior coverage position in the sector: 6.3% coverage ratio
- No free provision reversal

Well-capitalized, strong solvency

- CAR: 18.6%
 - Tier-I: 17.4%
- Excluding BRSA's temporary measures*

- ✓ **Stellar NII expansion** bolstered by strong quarterly loan volume and contribution of securities portfolio
- ✓ **Outstanding fee income performance** continued
- ✓ Funds secured reached **USD 1.1 billion** as of YE-23, supporting our **solid liquidity**
- ✓ Year-end loan growth guidance was achieved with **accelerated quarterly loan activity**
- ✓ Prudent provisioning and **strong coverage ratios well above the sector average**
- ✓ **Comfortable solvency ratios** supporting our future growth plans
- ✓ New business dimensions such as **Turkish Green Fund**

YE-23 Performance & YE-24 Guidance

Financial Guidance (Bank Only)	YE-23 Guidance %	YE-23 Figures %	YE-24 Guidance %
Growth			
FX Adjusted Loan Growth	~5	5	High Single Digit
Profitability			
Net Interest Margin	>5	7	~6
Fees & Commissions Growth	~100	186	> avg. CPI
Return On Equity	~35	41.2	~40
Efficiency			
OPEX Growth	~90	135	> avg. CPI
Cost/Income Ratio	<13	9.4	-
Solvency*			
Capital Adequacy Ratio	~17.0	18.6	~18.0
Tier I Ratio	~16.0	17.4	~17.0
Asset Quality			
NPL Ratio	~2.5	3	<3
Net Cost of Risk (including currency impact)	<100 bps	274 bps	~100 bps (exc. currency impact)

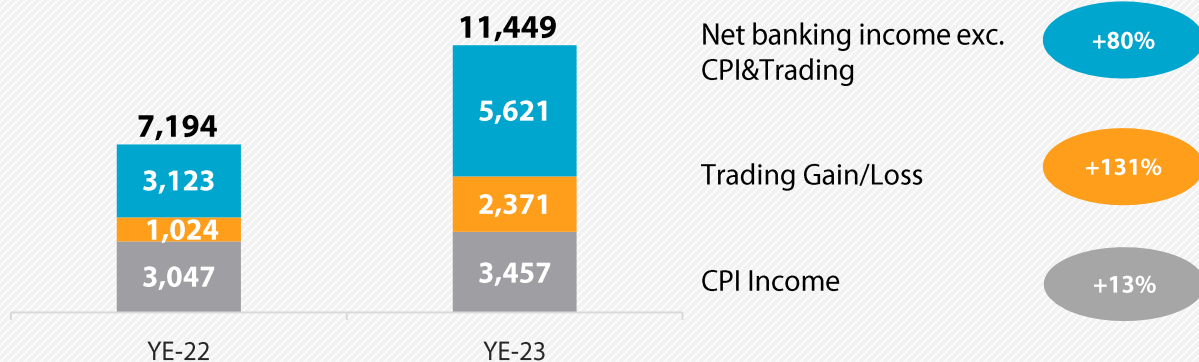
113 bps
excluding
currency impact

*Excluding BRSA's temporary measures

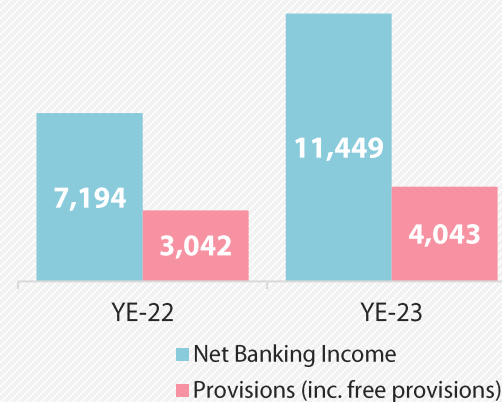


Robust Core Banking Income Expansion

Core Banking Income - TL mn



Annual Evolution of Net Banking Income vs Provisions - TL mn



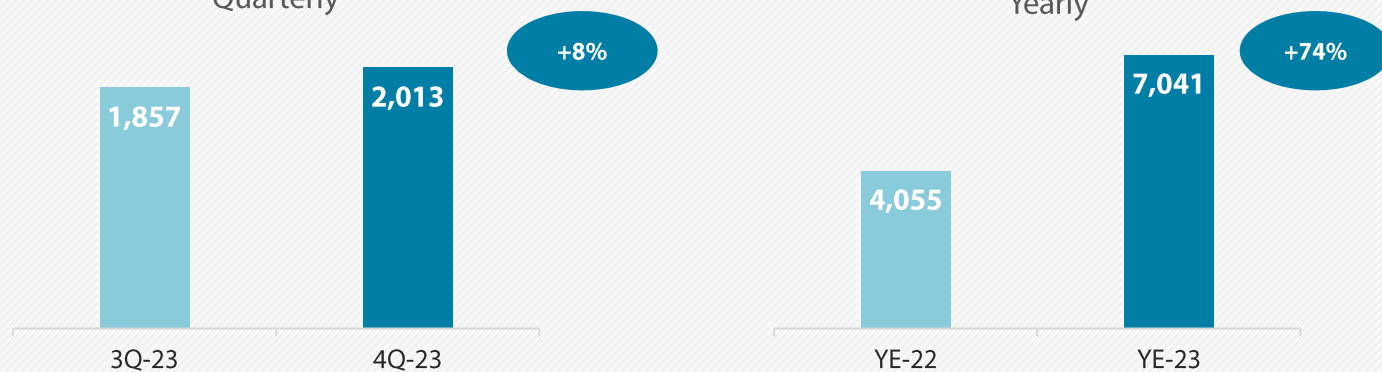
Strong profitability supported our prudent approach and leading position with respect to coverage ratios

- ✓ Total coverage ratio stands at 6.3%
- ✓ Stock of free provisions reached 1.75 bn TL

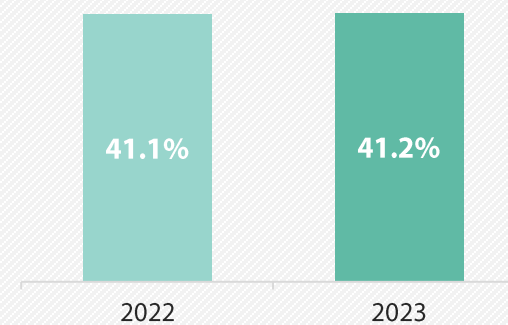
Net Profit - TL mn

Quarterly

Yearly



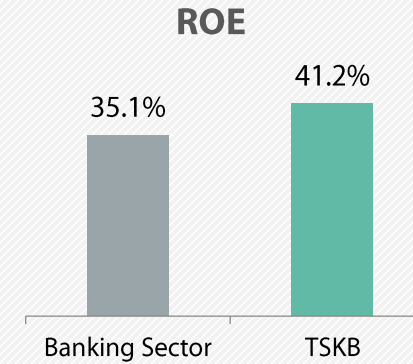
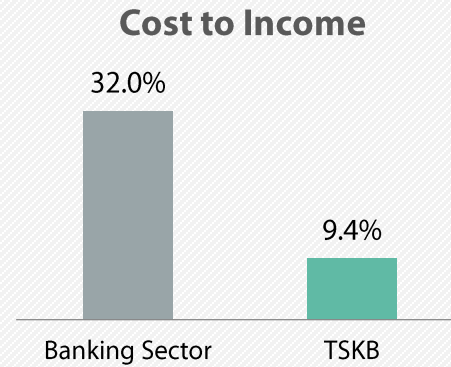
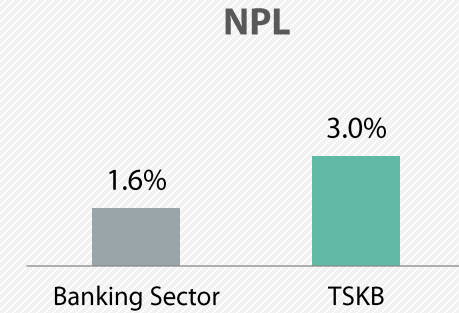
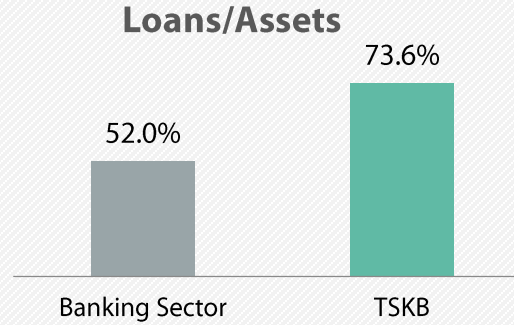
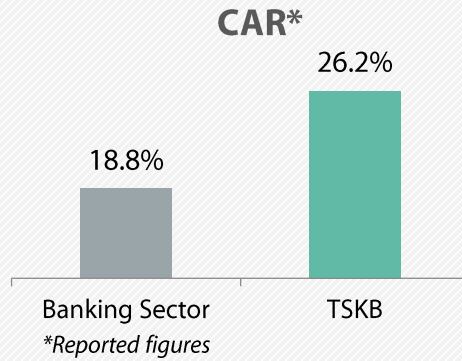
ROE



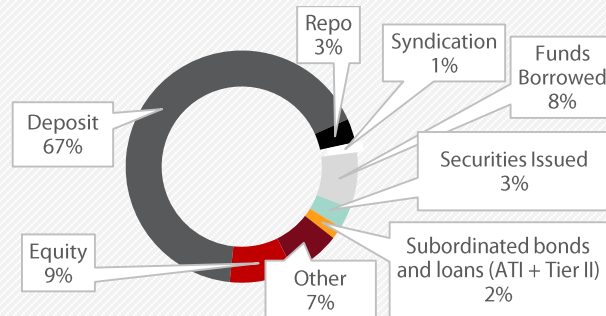
45% adjusted for free provisions*

*Excluding extra provisions set aside in 2023

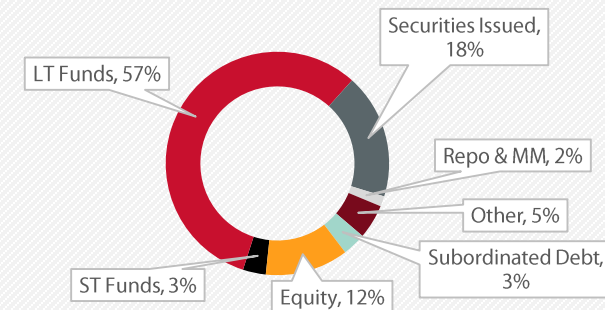
Banking Sector vs TSKB



BANKING SECTOR



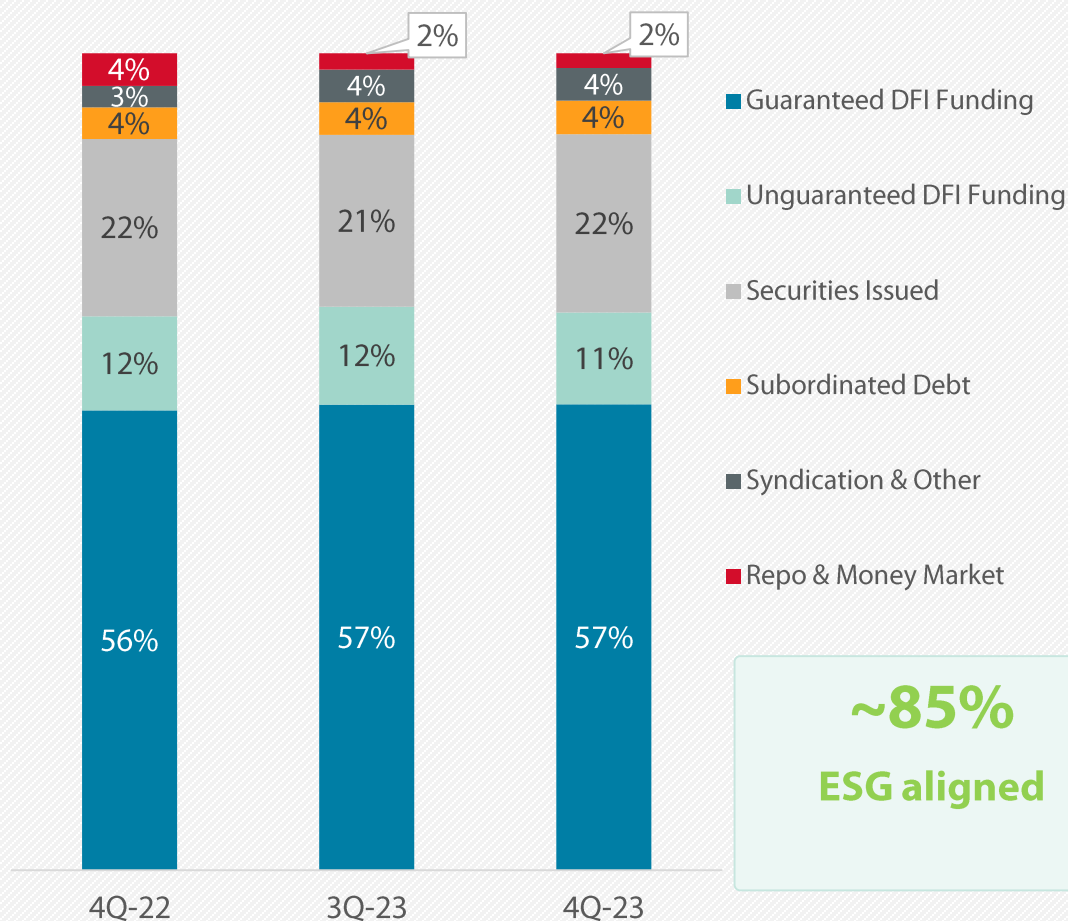
TSKB



Majority of the funding is in long term with an average maturity of 10 years.

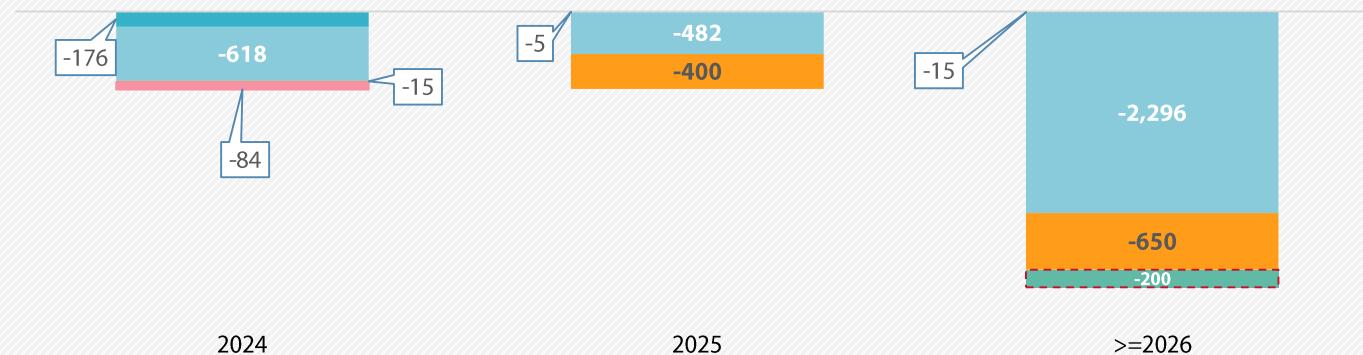
>> Funds secured in 2023 reached USD 1.1 billion

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



**~85%
ESG aligned**

Maturity Profile of External Debt - USD mn



Legend: Syndication & Other, DFI Funding, Eurobond, Subordinated loan, Money Market Funding
** USD 200 million AT-I loan has a call option in 2027.*

~ USD 903 mn Non-Withdrawn DFI Funding

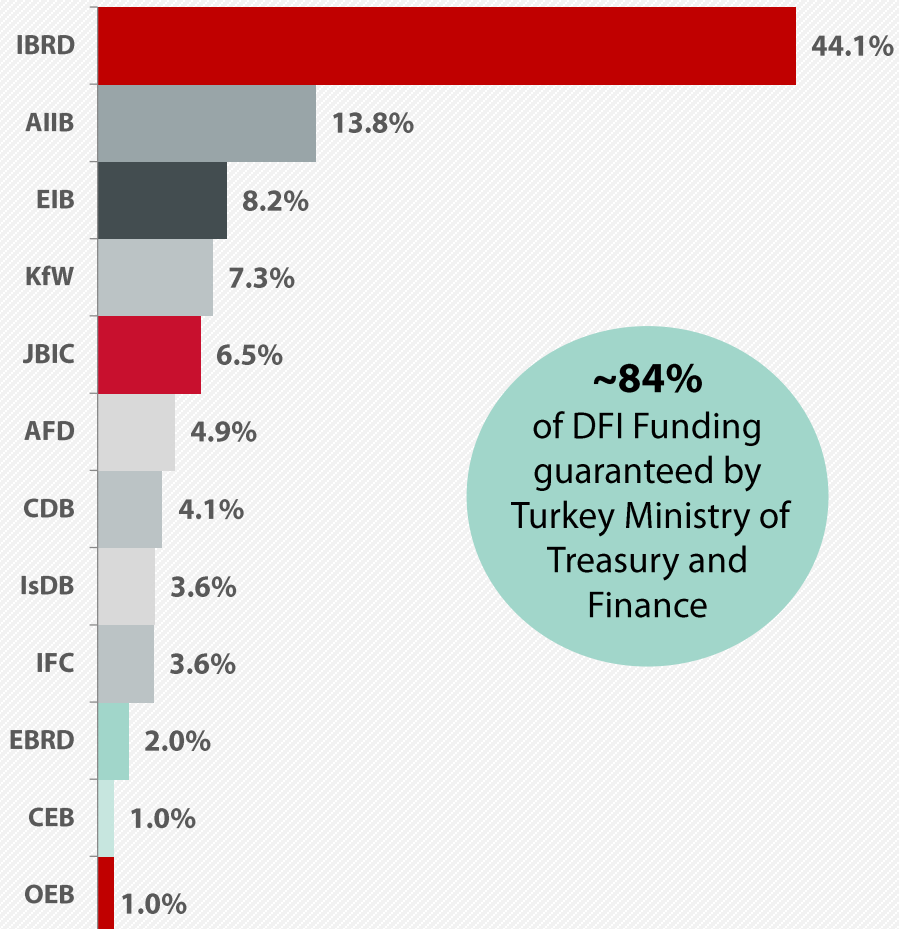
Climate Mitigation 100%

**FX Liquidity
Coverage Ratio
~700%**

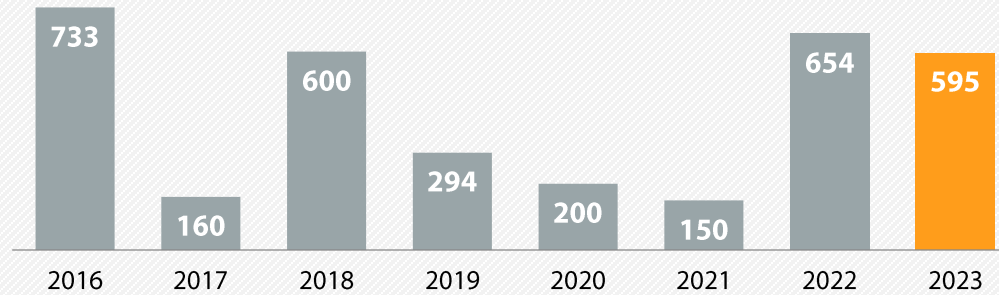


Long Term DFI Funding Base

Outstanding DFI Funding Base – 4Q-23



Yearly Multilateral Funding Agreements – USD mn



Loan Agreements in 2023

- ✓ **KfW** | EUR 100 million
- ✓ **OeEB** | EUR 25 million
- ✓ **IsDB** | USD 100 million
- ✓ **JBIC** | USD 200 million
- **IBRD TGF** | USD 155 million

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

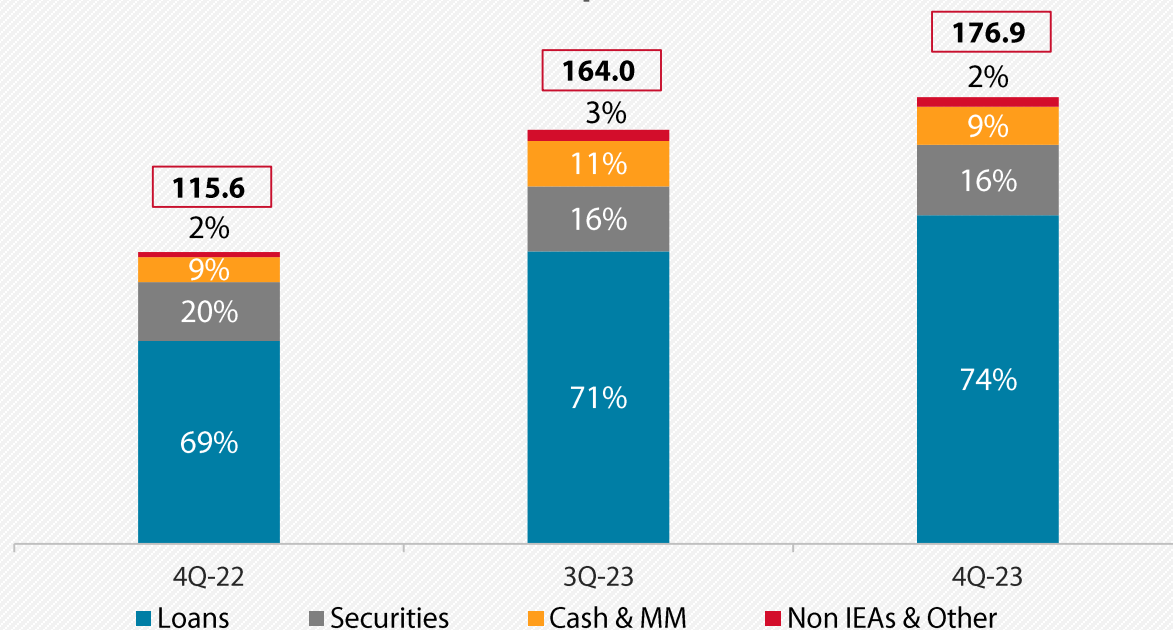


Circular Economy

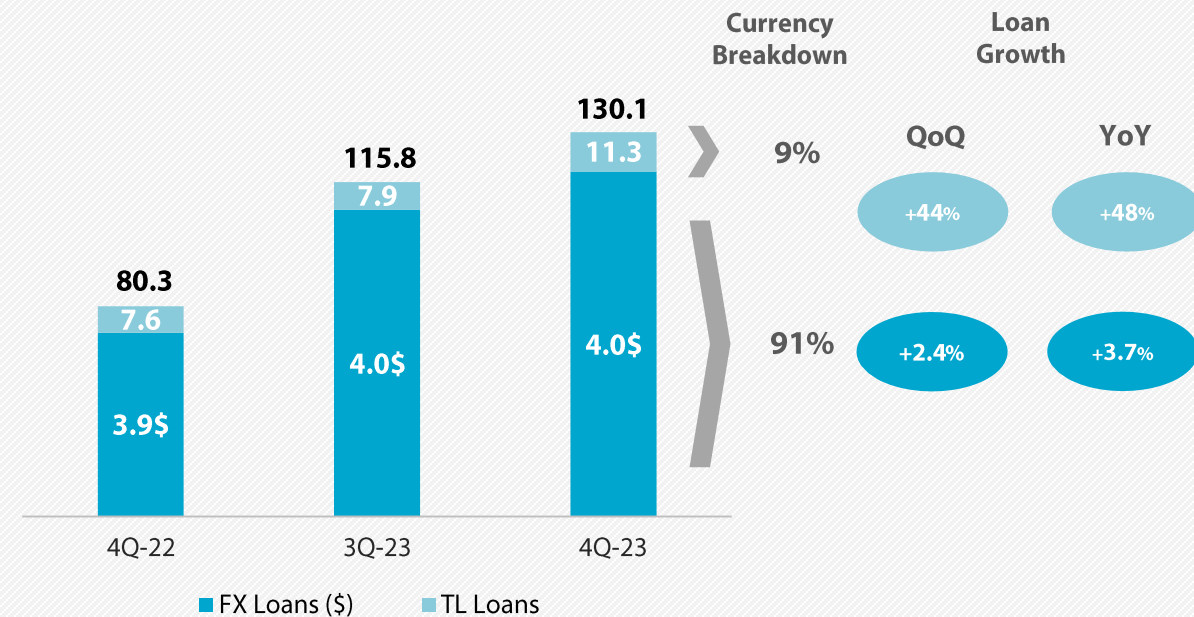


Resilient Asset Composition

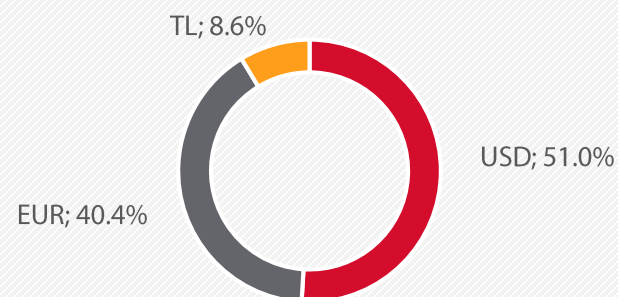
Asset Composition – TL bn



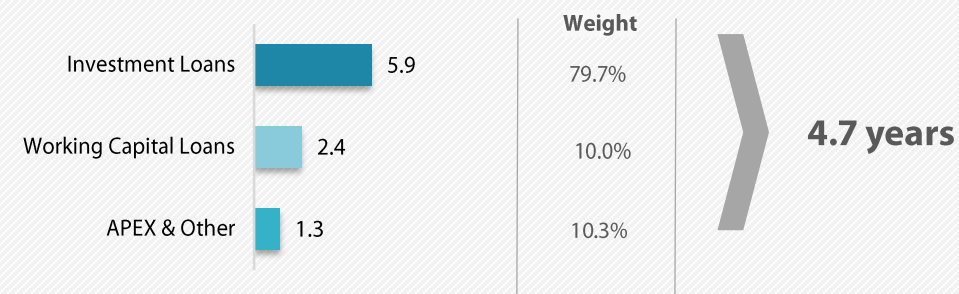
Total Loans – TL bn



4Q-23 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

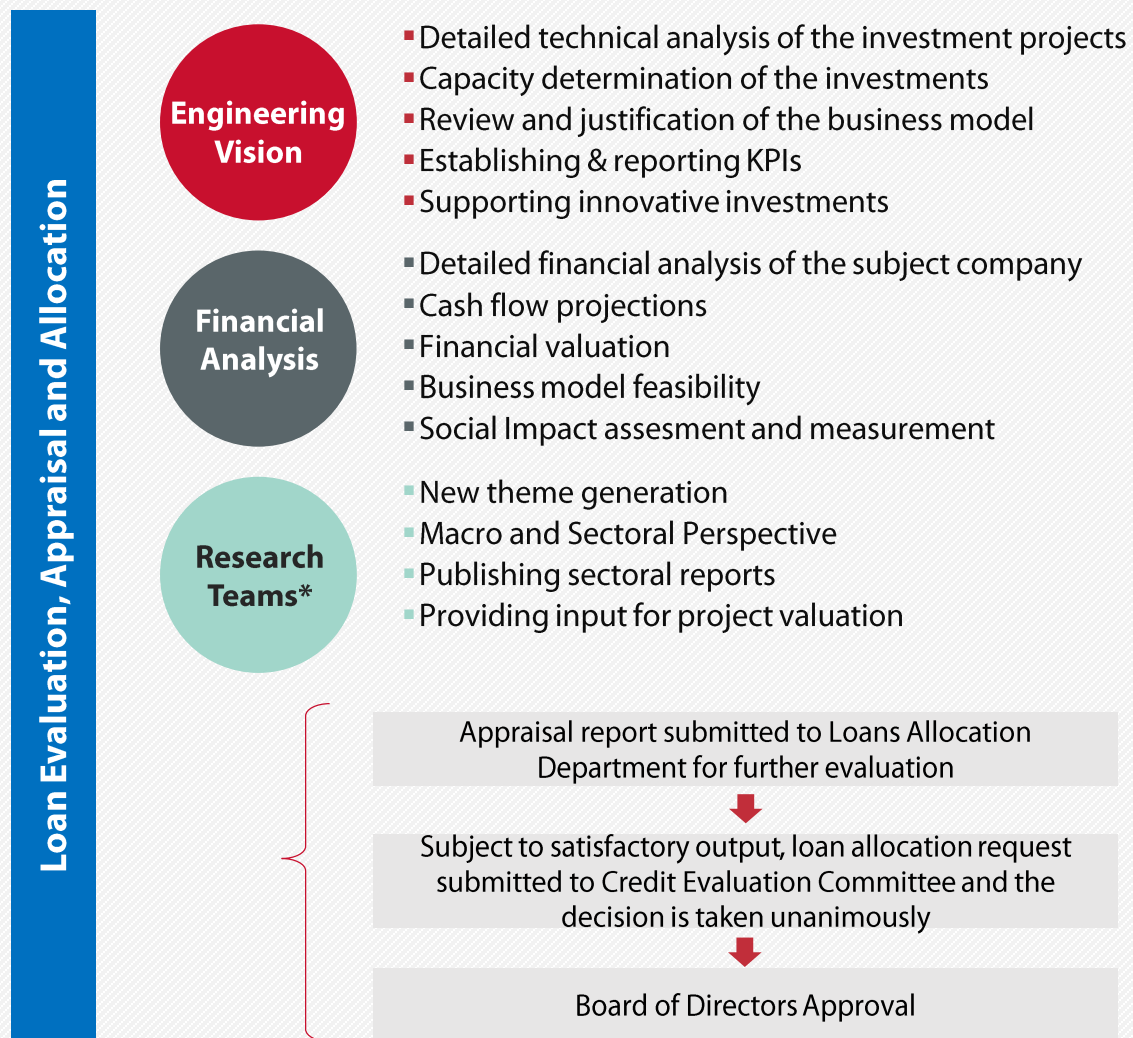
Operational Risk

- 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

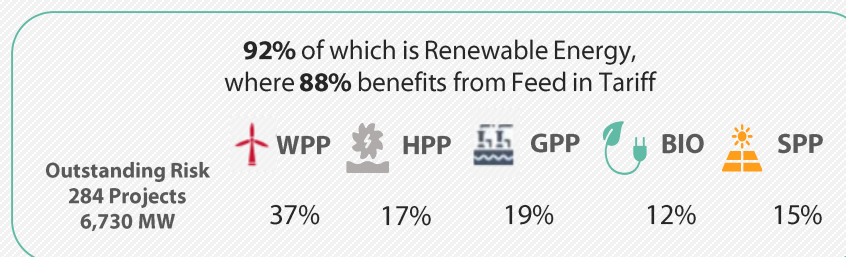
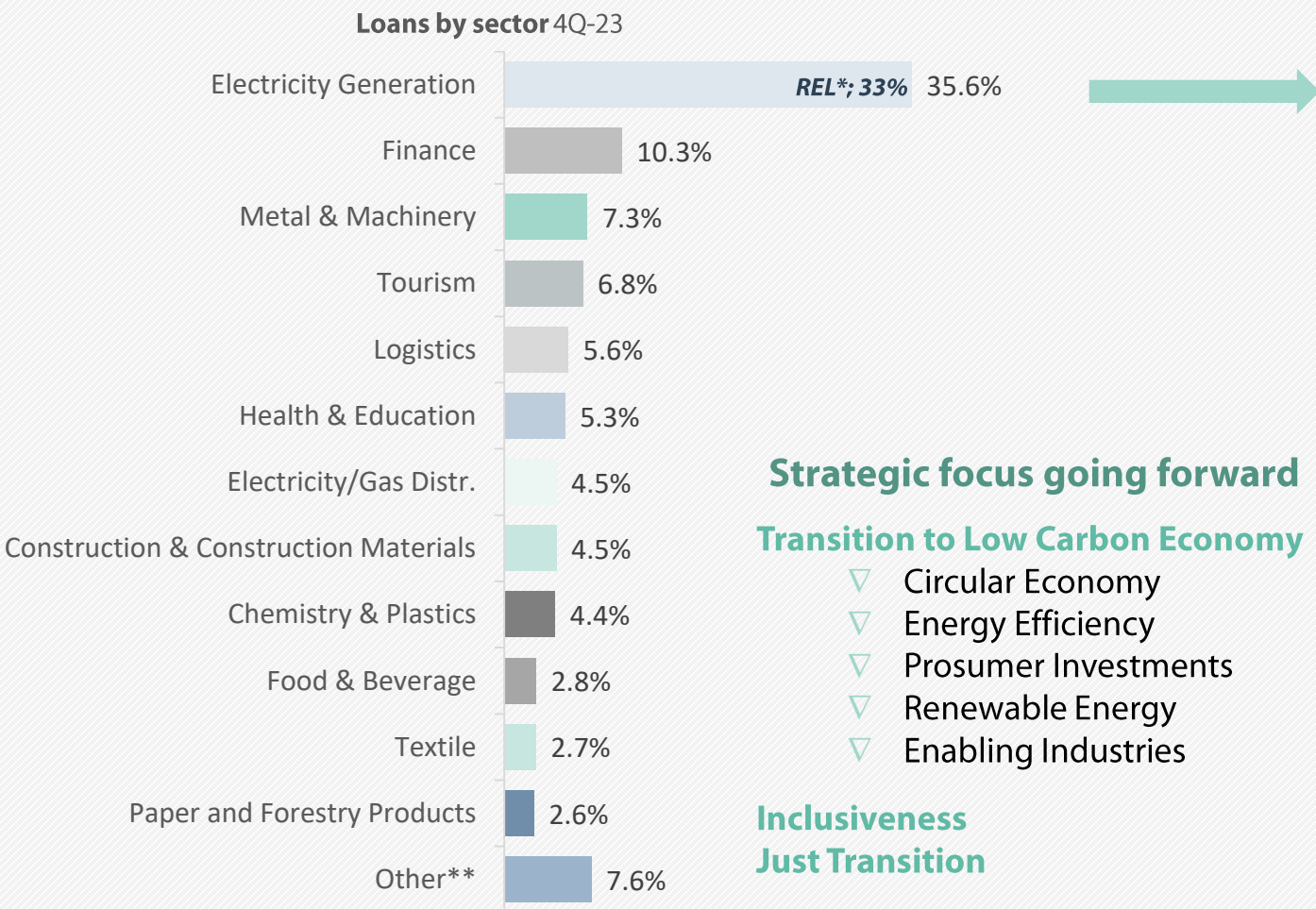
Strong Risk Management Perspective



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



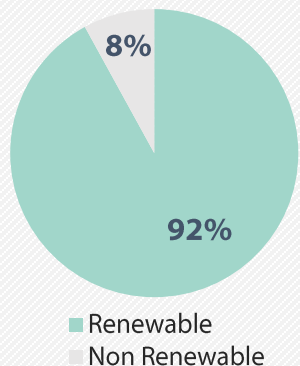
Climate and Environment focused SDG-linked Loans account for **62%** of the portfolio.

Substantially Supported SDGs through Loan Activities



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).

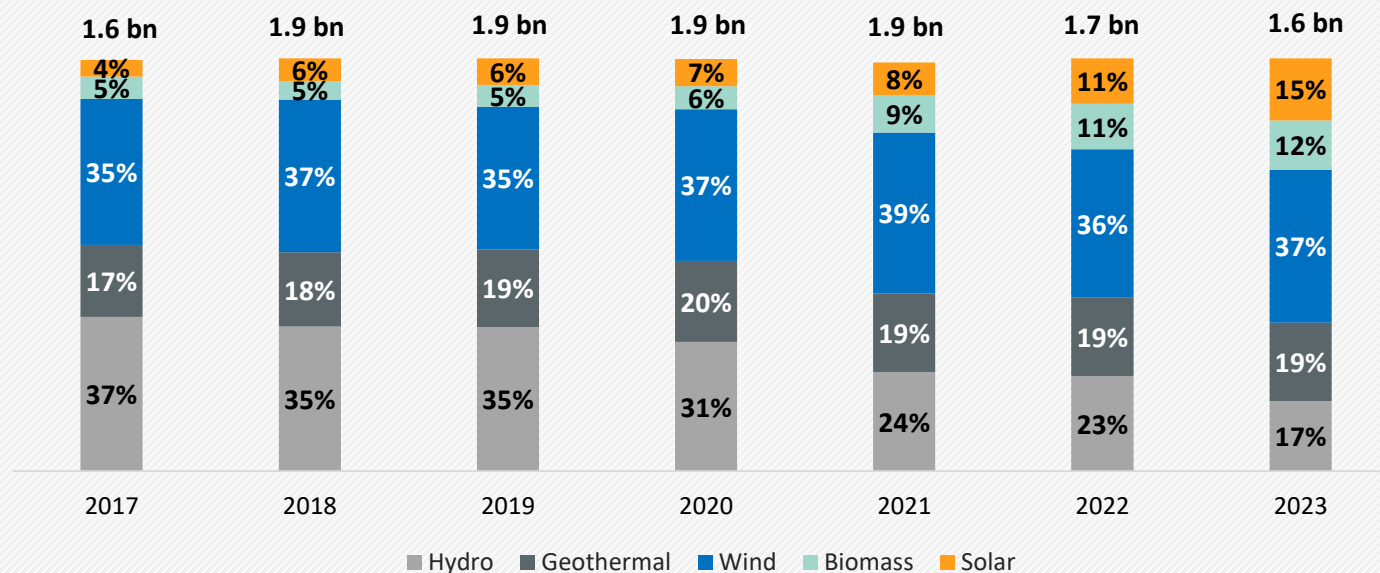
83% of non-renewable projects (in MWs) are under capacity enhancement mechanism supporting their cash flows.



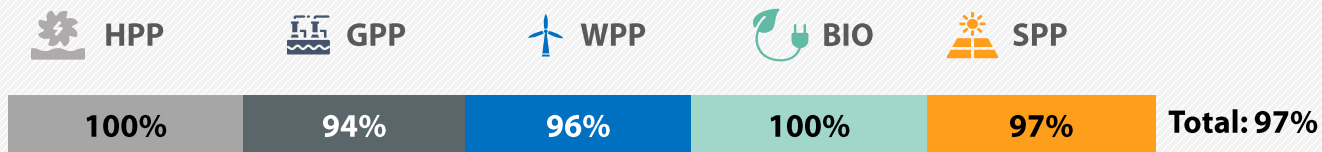
- With respect to number of projects, **97%** is **in operation**.
- With respect to their installed capacity (MW), **94%** is **in operation**.

*Number of renewable energy projects in the outstanding portfolio

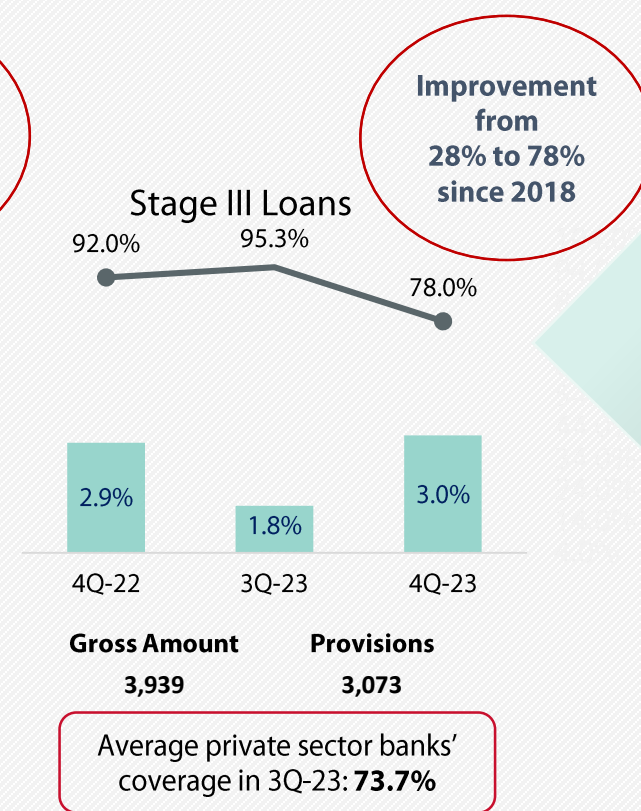
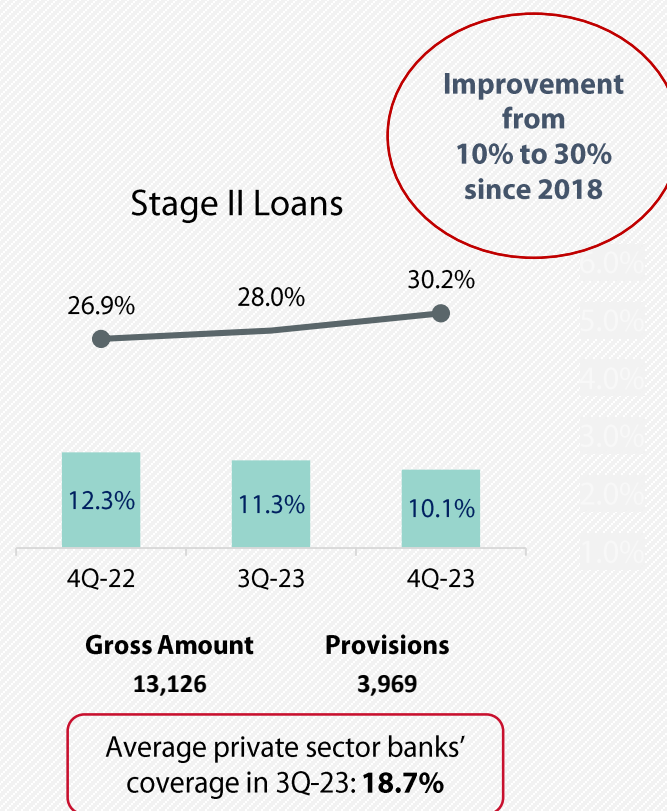
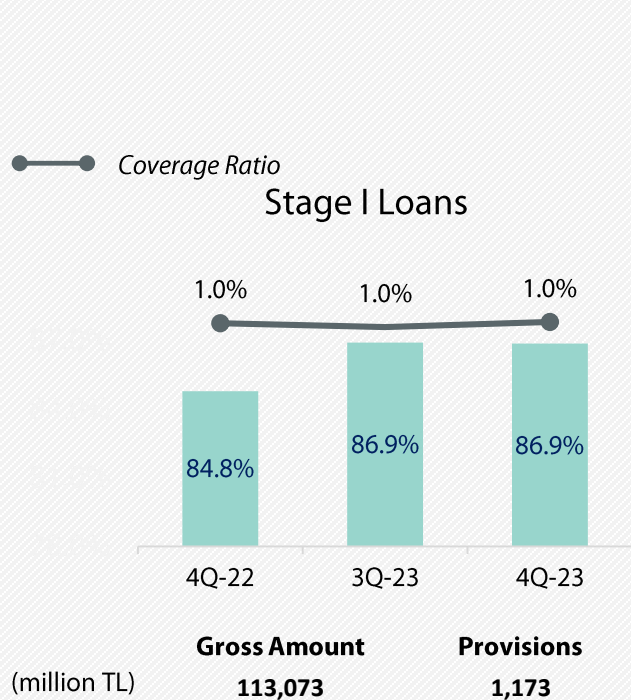
Renewable Energy Portfolio (Outstanding - \$)



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



Leading position on provision coverage among industry



- ✓ Total Coverage: **6.3%**
- ✓ Total Free Provisions: **TL 1,75 bn (extra TL 850 mn in 2023)**
- ✓ No NPL Sales
- ✓ Total NPL Coverage: **140%***
- ✓ Total Stage 2 Coverage: **115%***

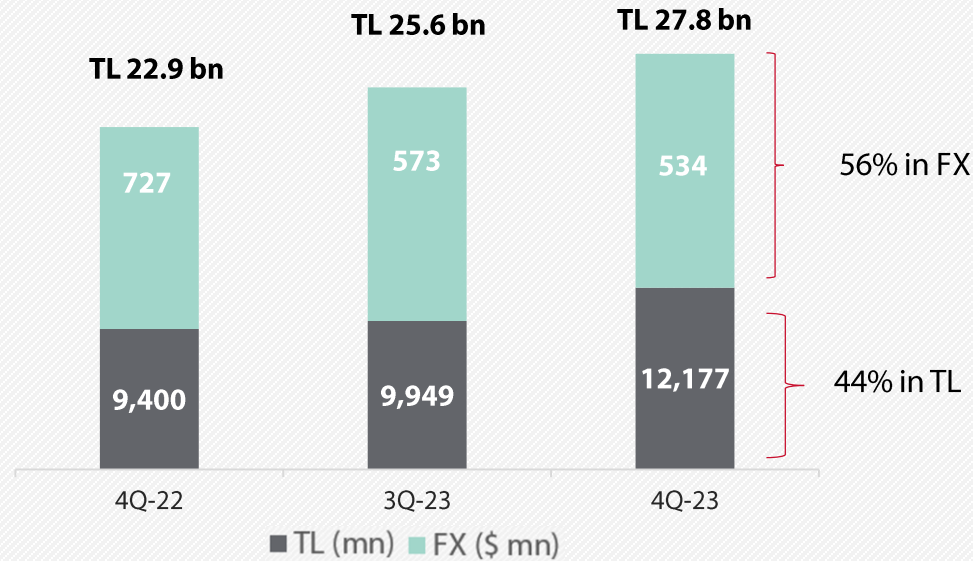
All Stage 3 loans are converted to TL

Currency adjusted net CoR 113 bps



Well-managed liquidity and security book supports our Bank's profitability

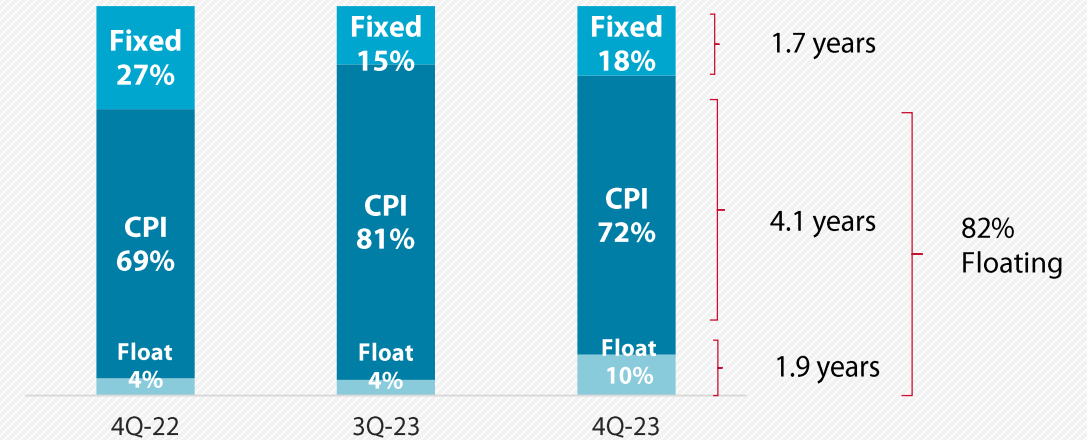
Total Securities Portfolio Breakdown



SECURITIES / ASSETS: 16%

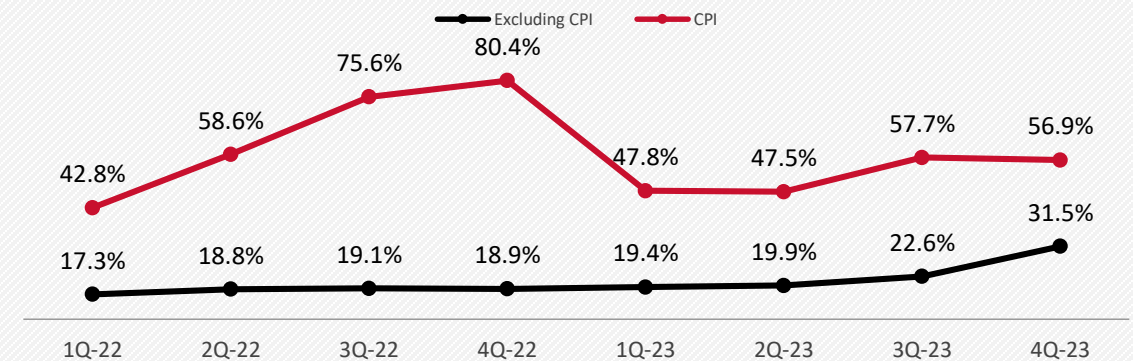
- Swapping FX extra liquidity to TL for longer tenors to reduce the cost of TL.
- To building up additional spread with lower RWA.
- New securities portfolio foundation by the last quarter, no execution of lower yielded long term debt due to macro prudential policies.

TL Securities Portfolio Breakdown*



* Audit report values are taken into account

Security Yields



CPI reading: Realized: YoY: 61.4%, 9M23: 62.0%, 1H23: 49.9%, 1Q23 49.9%

>> Income Statement Highlights

TL mn	YE-22	YE-23	YoY	3Q-23	4Q-23	QoQ
Net Interest Income	6,415	9,564	49%	2,586	3,046	18%
Trading Income	1,024	2,371	131%	255	478	88%
Net Fees & Commissions	159	453	186%	151	166	10%
Other Income (<i>inc. dividends</i>)	102	249	144%	3	125	n.m.
Banking Income	7,700	12,638	64%	2,995	3,815	27%
OPEX (-)	505	1,189	135%	311	342	10%
Net Banking Income	7,194	11,449	59%	2,684	3,474	29%
Provisions (-)	3,042	4,043	33%	376	1,785	375%
Income From Participations	989	1,886	91%	346	809	134%
Tax Provisions (-)	1,086	2,251	107%	798	485	-39%
Net Profit	4,055	7,041	74%	1,857	2,013	8%

**Robust
bottom line
surge
+74% YoY**

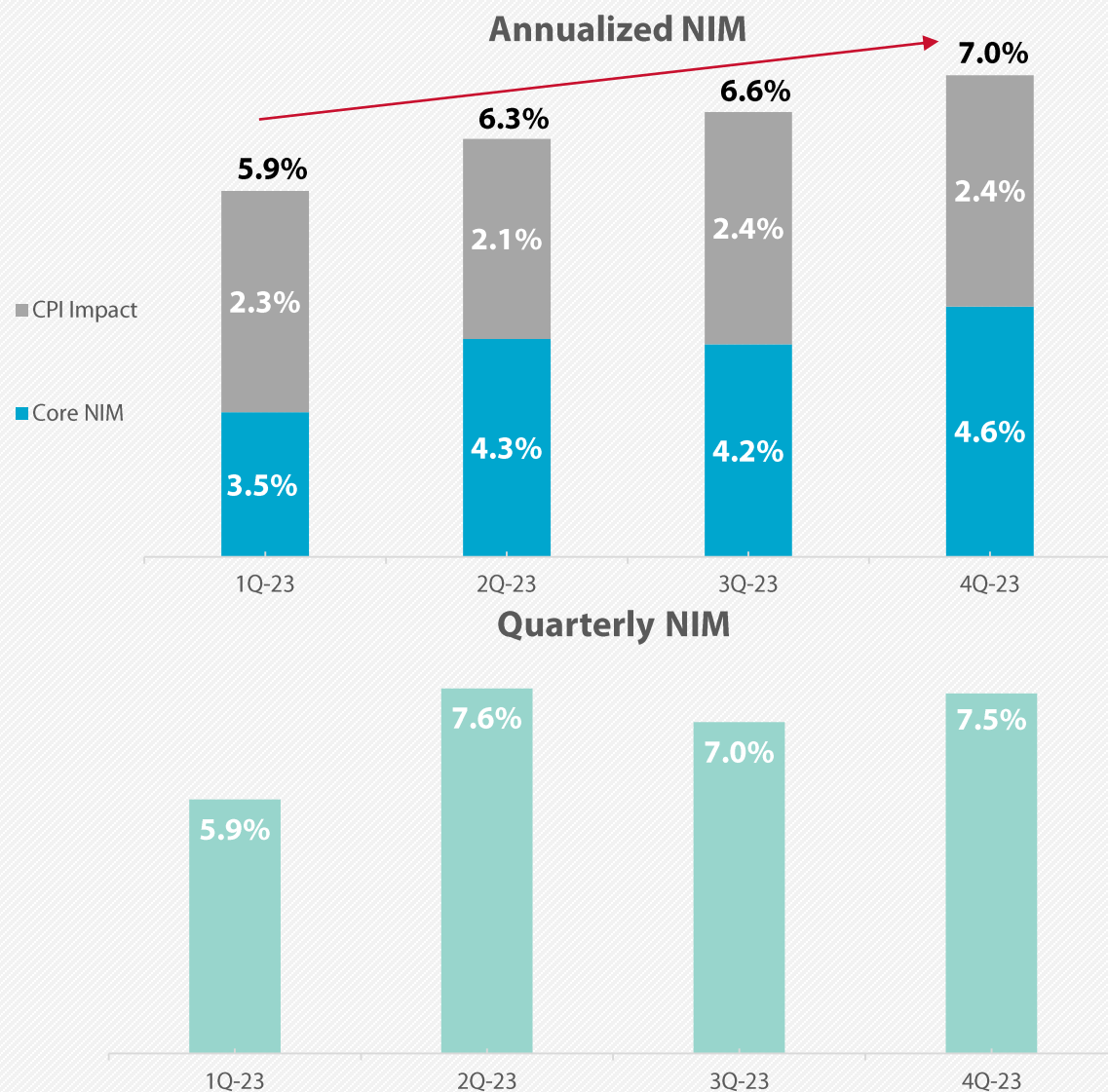
**Stellar
NII expansion**

**Strong
continued
contribution of
Subsidiary
Income**

**Eye catching
Fees &
Commissions
income
performance**

- 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
- "n.m." is used for not meaningful.

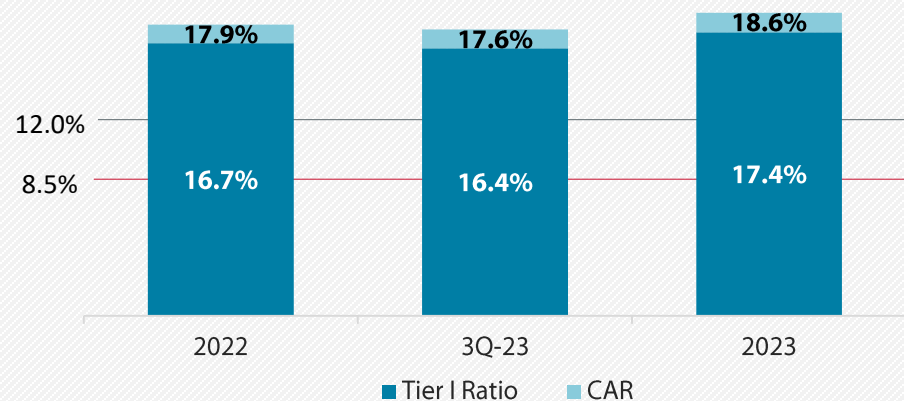
>> NIM overperformed vs guidance given core NIM expansion and security book yields



- ✓ Upward NIM trend in 2023
- ✓ Solid core NIM expansion
 - ✓ Robust loan spread
 - ✓ Strategic treasury management
 - ✓ CPI-linker contribution

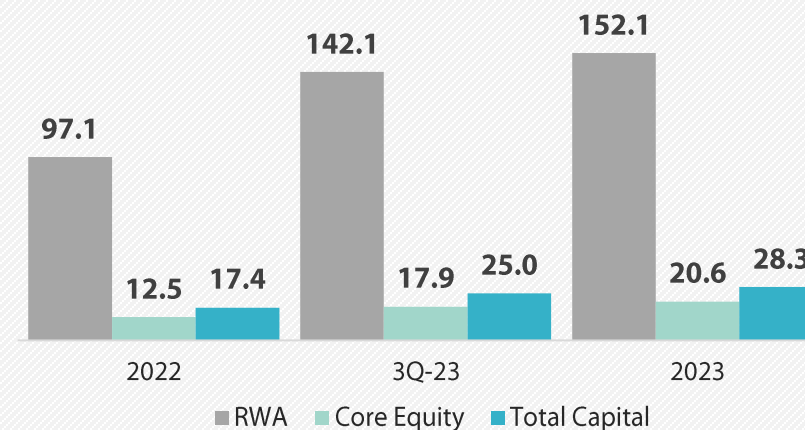
Resilient solvency metrics support our growth plans

Capital Ratios Without BRSA Temporary Measures

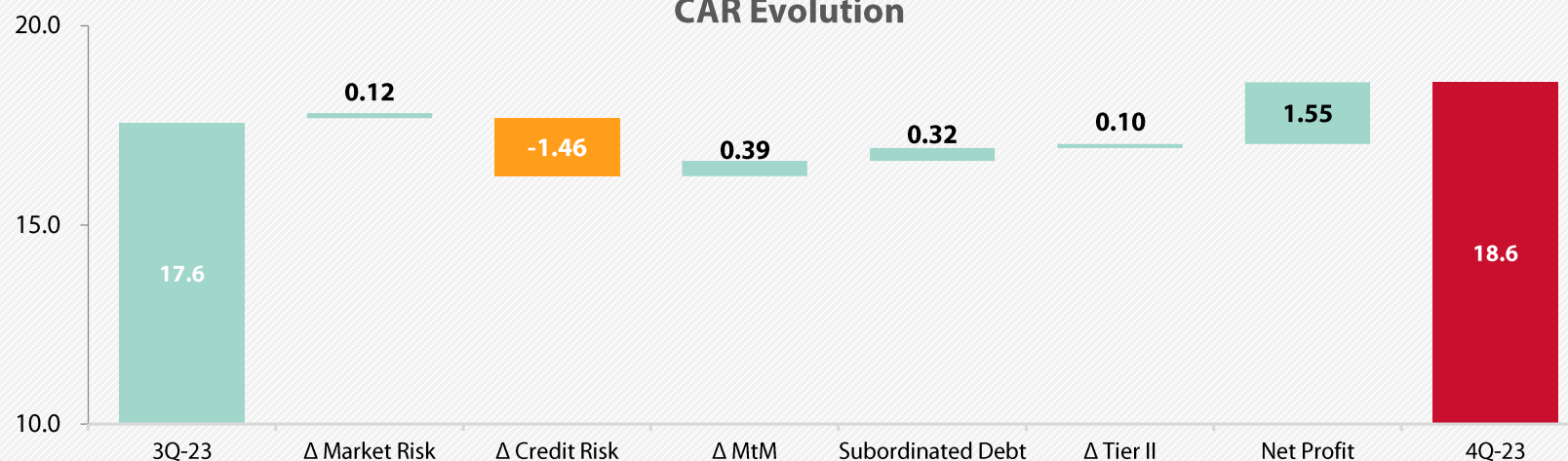


With BRSA Temporary Measures – CAR: 26.2% | Tier I: 25.0% | CET-I: 19.5%

Evolution of RWA and Equity – TL bn



CAR Evolution



**Free Provision
Adjusted
CAR: 19.7%
Tier I: 18.6%**



Appendix

Balance Sheet








mn	31/12/2022			30/09/2023			31/12/2023		
	TL	FX	TOTAL	TL	FX	TOTAL	TL	FX	TOTAL
Cash and Banks	5,758	4,130	9,888	12,483	5,427	17,909	7,427	7,699	15,126
Securities	9,868	13,534	23,401	10,084	15,663	25,747	12,177	15,663	27,839
Loans (Gross)	7,639	72,635	80,274	7,864	107,965	115,829	11,299	118,839	130,137
Provisions	-2,292	-3,207	-5,499	-2,172	-4,476	-6,648	-3,920	-4,308	-8,228
Subsidiaries	3,555	407	3,962	5,662	635	6,297	6,616	753	7,370
Other	2,015	1,533	3,548	2,366	2,485	4,851	3,041	1,599	4,640
Total	26,544	89,031	115,575	36,286	127,700	163,986	36,640	140,244	176,884
ST Funds	-	2,481	2,481	-	5,314	5,314	-	5,913	5,913
LT Funds	-	65,847	65,847	-	93,818	93,818	-	100,763	100,763
Securities Issued	-	21,048	21,048	-	28,897	28,897	-	32,227	32,227
Repo & MM	186	3,742	3,929	152	2,869	3,021	432	2,225	2,656
Other	2,067	3,593	5,659	3,984	4,592	8,576	3,485	4,385	7,870
Subordinated Debt	-	3,829	3,829	-	5,463	5,463	-	6,043	6,043
Shareholders' Equity	13,048	-266	12,782	19,141	243	18,897	21,357	54	21,412
Total	15,301	100,274	115,575	23,276	140,710	163,986	25,274	151,610	176,884



Detailed Income Statement

TL mn	4Q-22	3Q-23	4Q-23	y/y	q/q	2022	2023	y/y
Net Interest Income inc, Swap Cost	2,010	2,586	3,046	52%	18%	6,415	9,564	49%
Net Interest Income	2,078	2,652	3,757	81%	42%	6,720	10,239	52%
CPI Linkers	1,095	1,127	942	-14%	-16%	3,047	3,457	13%
Swap Costs	-68	-66	-711	n.m.	977%	-306	-675	121%
Net Commissions	39	151	166	325%	10%	159	453	186%
Other Income	7	3	125	n.m.	n.m.	102	249	144%
Dividends	0	1	3	n.m.	271%	9	13	44%
Other	7	3	123	n.m.	n.m.	93	236	154%
Trading & FX gains/losses	73	255	478	555%	88%	1,024	2,371	131%
FX gains/losses	58	164	463	699%	182%	666	2,139	221%
MtM gains/losses	15	10	75	400%	658%	16	83	422%
Trading gains/losses	0	81	-59	n.m.	-173%	343	149	-57%
Banking Income	2,129	2,995	3,815	79%	27%	7,700	12,638	64%
OPEX (-)	127	311	342	170%	10%	505	1,189	135%
Net Banking Income	2,003	2,684	3,474	73%	29%	7,194	11,449	59%
ECL (-)	921	376	1,785	94%	375%	3,042	4,043	33%
Stage I	-38	-88	197	-618%	-323%	143	478	233%
Stage II	532	251	336	-37%	34%	1,215	1,323	9%
Stage III	246	6	1,147	367%	n.m.	1,105	1,144	4%
Other Provisions	181	207	106	-41%	-49%	579	1,097	90%
Income From Subsidiaries	645	346	809	26%	134%	989	1,886	91%
Pre-Tax Income	1,727	2,655	2,498	45%	-6%	5,141	9,292	81%
Tax (-)	316	798	485	53%	-39%	1,086	2,251	107%
Net Income	1,411	1,857	2,013	43%	8%	4,055	7,041	74%

Appendix: ESG Ratings

	 SUSTAINALYTICS	 CDP	 MOODY'S	 FitchRatings	 Sustainable Fitch	 REFINITIV
	Sustainalytics ESG Risk Rating	CDP Climate Change Score	Moody's ESG Credit Impact Score	Fitch ESG Credit Relevance Score	Sustainable Fitch ESG Entity Score	Refinitiv ESG Score
Range	0-40+	A/D-	1-5	1-5	1-5 (0-100)	A+/D-
Score	6.9	A-	2	3	3 (61/100)	A
	Negligible risk category	Leadership	Neutral-to-low	Neutral-to-minimal	Above global average	
	First place in Türkiye					
	9 th place among global development banks					
						



Appendix: Stage 2 Loans Breakdown

Stage 2 Loans		
Sector	%	Coverage (%)
Tourism	40	40
Electricity Generation	20	13
Electricity/Gas Distribution	17	41
Non-residential Real Estate	7	30
Metal and Machinery	5	20
Telecom/Logistics	4	9
Automotive Supply Industry	3	20
Other	4	14
TOTAL	100	30

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

97% of Electricity
Generation loans
are Renewable



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