

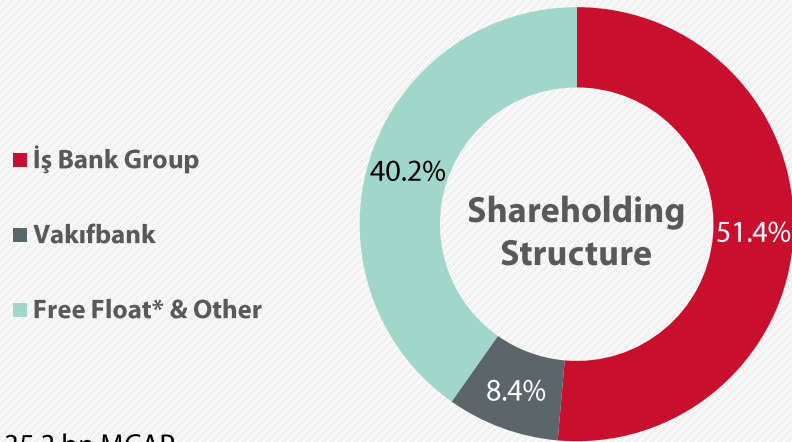
# ***The Industrial Development Bank of Türkiye***

*FI&IR Presentation*

*2Q-24 Bank-only Results*



## TSKB at a Glance



\*TRY 35.3 bn MCAP  
As of July 31<sup>th</sup> 2024

Ratings	TSKB	Turkey Sovereign
Fitch LTFC	B	B+
Moody's LTIR	B1	B1
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: 4.7 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

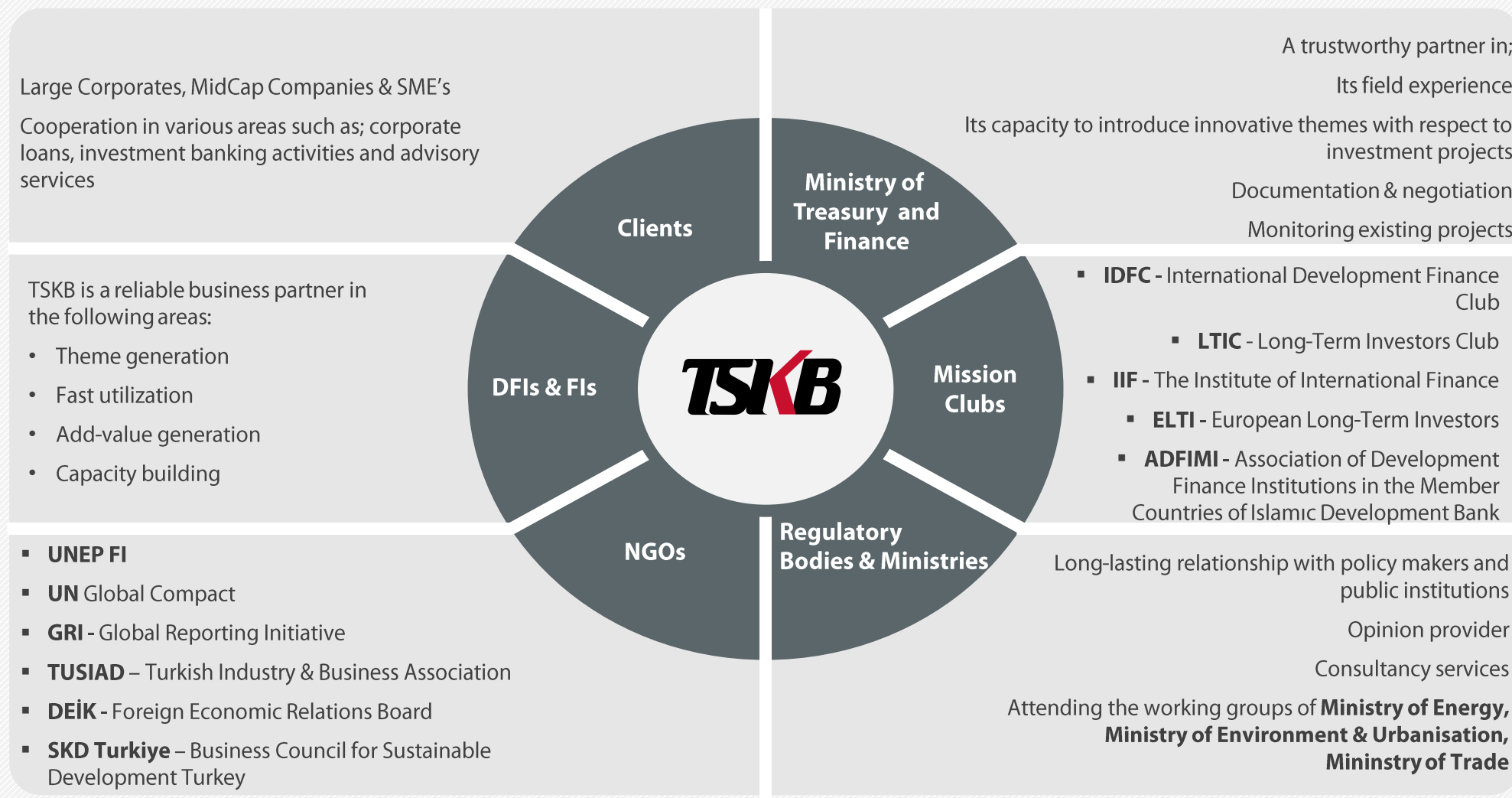
- Multi-disciplinary assessment during allocation
- Sector specific research analysts during allocation and monitoring period
- Strong collateralization
- Well capture of clients

## "Knowledge Banking"

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



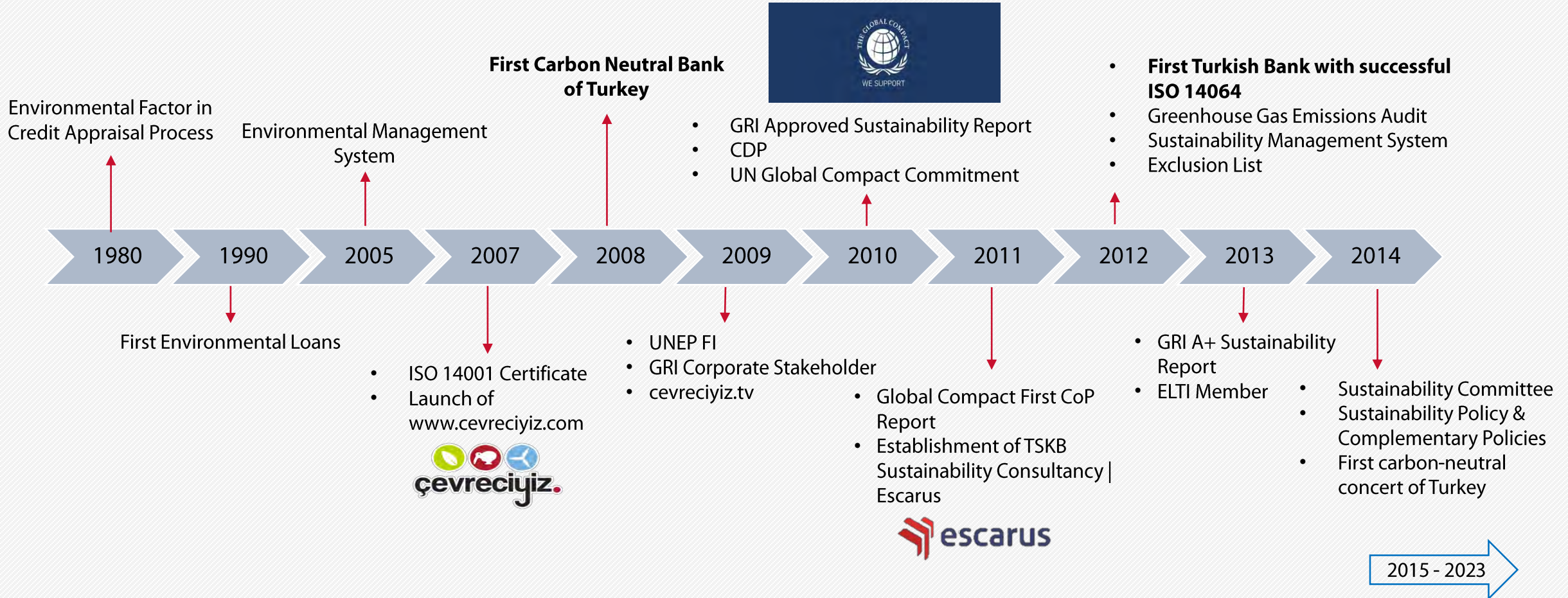
## Main Stakeholders of the Bank



# >> 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 3<sup>rd</sup> 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



## >> Sustainable Banking Developments



IDFC Steering Group meeting  
hosted by TSKB in Istanbul



20 years in Türkiye Awards  
Women and Men Equality Promoter



First place in  
Emerging Markets Gender  
Equality Index

### Reporting

Integrated Annual Report  
(1Q-24)

Climate Report  
(1Q-24)

UN Global Compact CoP  
(2Q-24)

CDP Environmental  
Disclosure  
(3Q-24)

Share in the loan  
portfolio

Financing  
Targets



**91%** SDG-linked loans  
**60%** Climate & Environment  
focused  
SDG-linked loans

**~40%** of the 10  
billion USD target  
by 2030  
since 2021  
**~10%** of the 4  
billion USD target  
by 2030  
since 2024



## Superior 2Q-24 Performance at a Glance

### Outstanding Profitability 28% QoQ 39% YoY earnings growth

- Best-in-class ROE
- FX Loan Spread
- Core NIM expansion
- Diversified fee income performance

### Strong FX Funding

- New DFI agreements and syndication loan with %156 roll-over ratio
- USD 1,1 bn Unwithdrawn DFI funding
- FX LCR: 378%
- ~80% ESG-linked funding profile

### Solid growth performance

- 1H24 fx adjusted loan growth reached 6.7%,
- Sustainable development focus
- Loan disbursements for 1H24 surpassed USD 1.1 bn

### Outstanding solvency supporting growth

- CAR: 20.3%
  - Tier-I: 19.2%
- \*Excluding BRSA's measures*

### Highly provisioned, intact asset quality

- Maintained coverage ratios: Stage-1 0.9%, Stage-2 33.6%, Stage-3 83.1%
- Superior total coverage ratio in the sector: 5.9%
- No free provision reversal

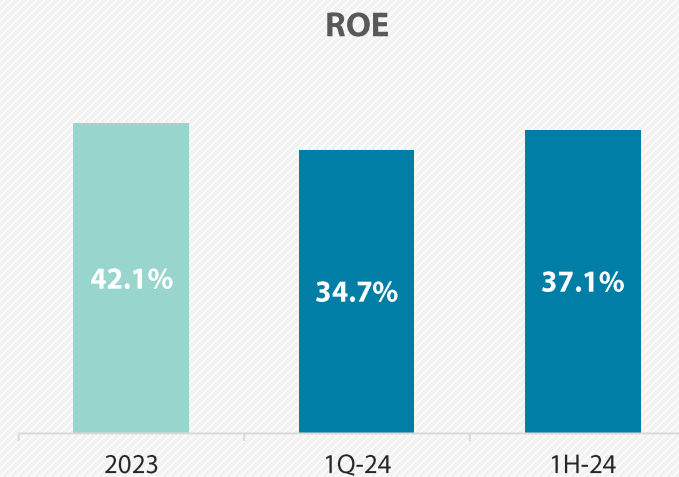
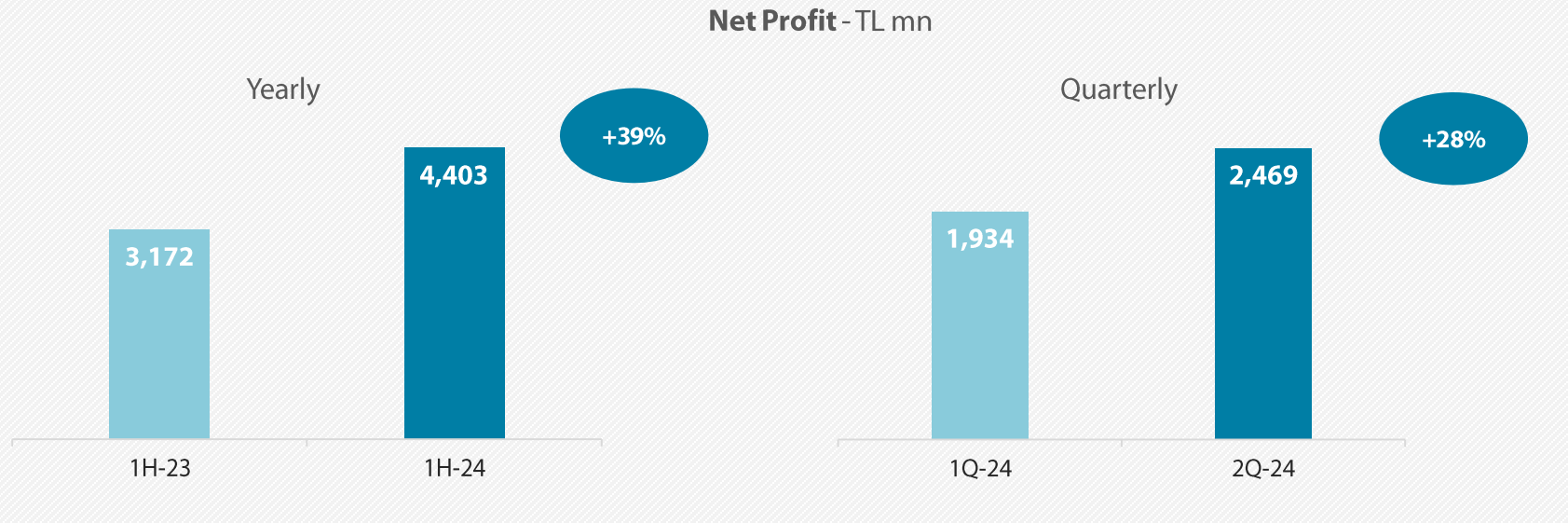
## ➤ 1H-24 Performance & YE-24 Guidance

Financial Guidance (Bank Only)	1H-24 Figures %	Previous YE24 Guidance %	Revised YE24 Guidance %
<b>Growth</b>			
FX Adjusted Loan Growth	6.7	High Single Digit	Low Teens ↑
<b>Profitability</b>			
Net Interest Margin	5.9	~6	-
Fees & Commissions Growth	115	> avg. CPI	-
Return On Equity	37.1	~40	-
<b>Efficiency</b>			
OPEX Growth	88	> avg. CPI	-
<b>Solvency*</b>			
Capital Adequacy Ratio	20.3	~18.0	-
Tier I Ratio	19.2	~17.0	-
<b>Asset Quality</b>			
NPL Ratio	2.7	<3	-
Net Cost of Risk (excluding currency impact)	27 bps	~100 bps	~50 bps ↓

\*Excluding BRSA's measures



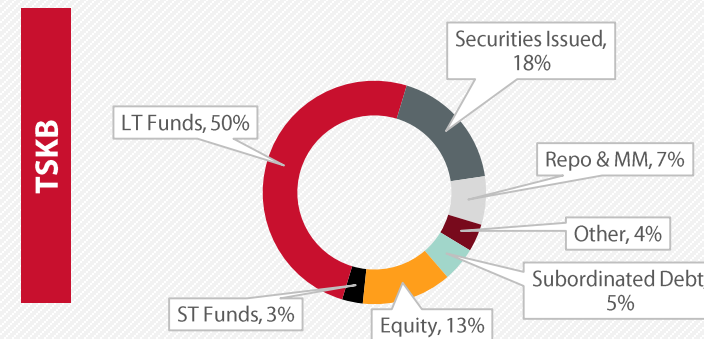
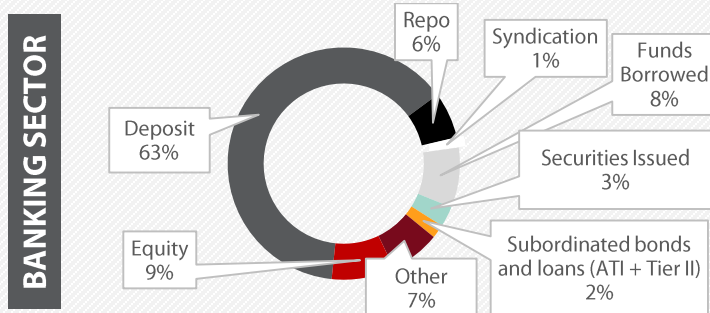
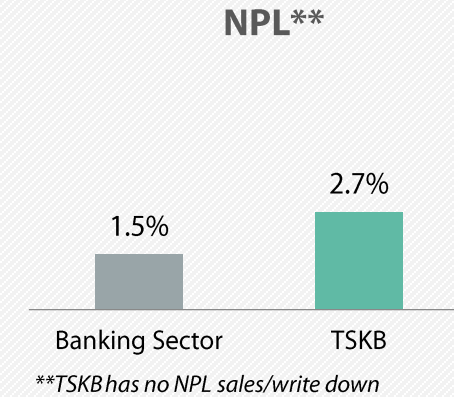
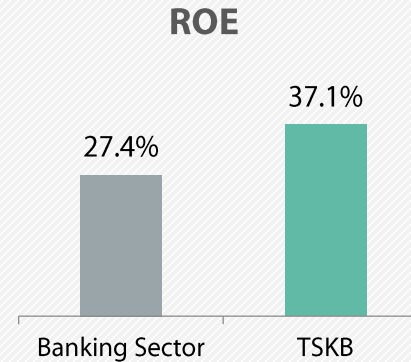
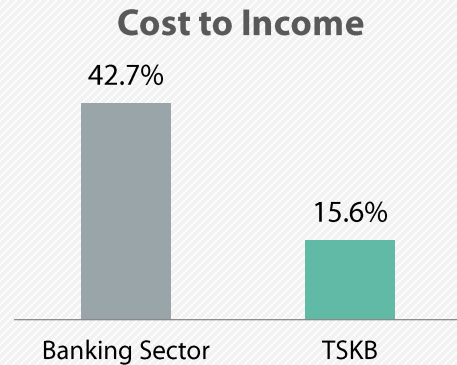
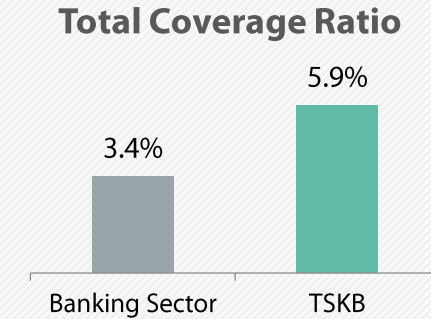
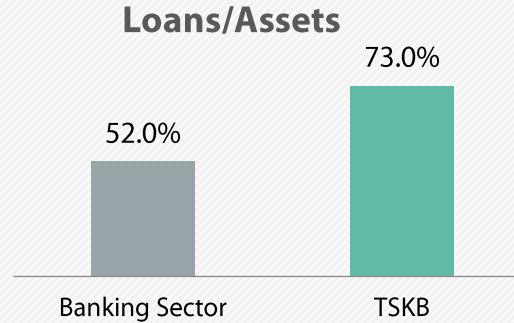
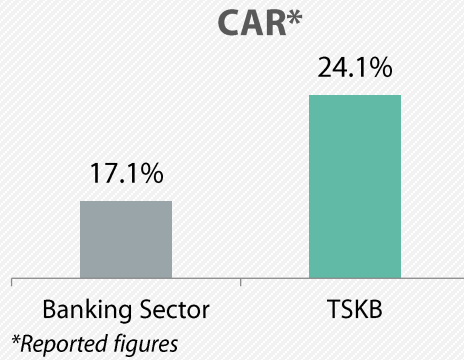
## Differentiating Continuous Profitability



**Strong coverage and free provision reserves to support profitability**

- ✓ Total coverage ratio stands at 5.9%
- ✓ Stock of free provisions 1.75 bn TL

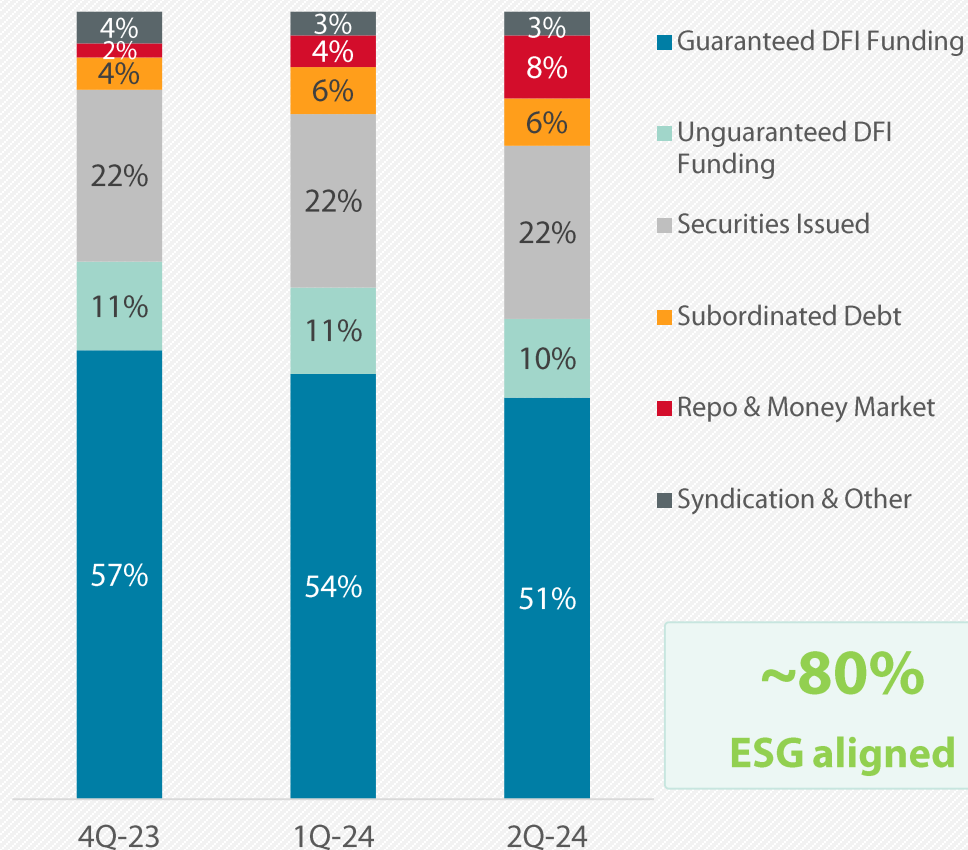
# Banking Sector vs TSKB



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

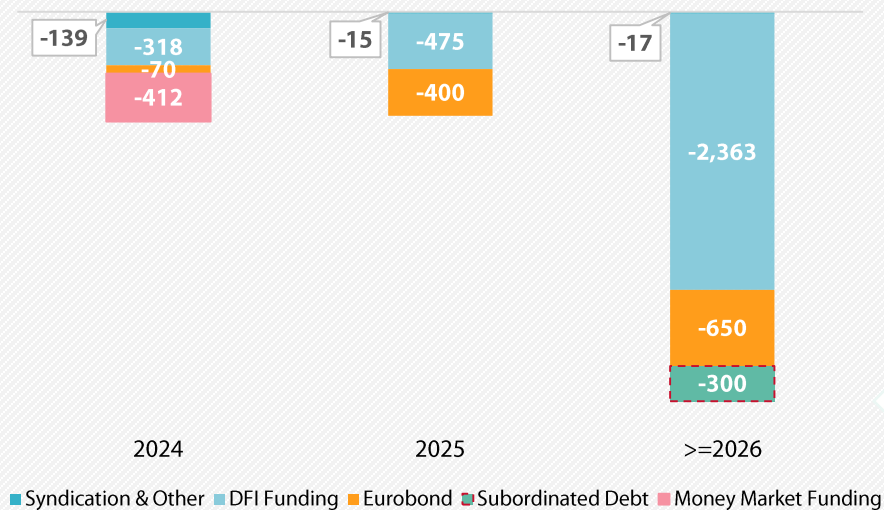
# Supported by new engagements, funds secured in 2024 reach USD 1.1 billion

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



**~80%  
ESG aligned**

Maturity Profile of External Debt - USD mn



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

**USD 1,131 mn Non-Withdrawn DFI Funding**

Climate Mitigation 100%

**FX Liquidity  
Coverage Ratio**

~378%

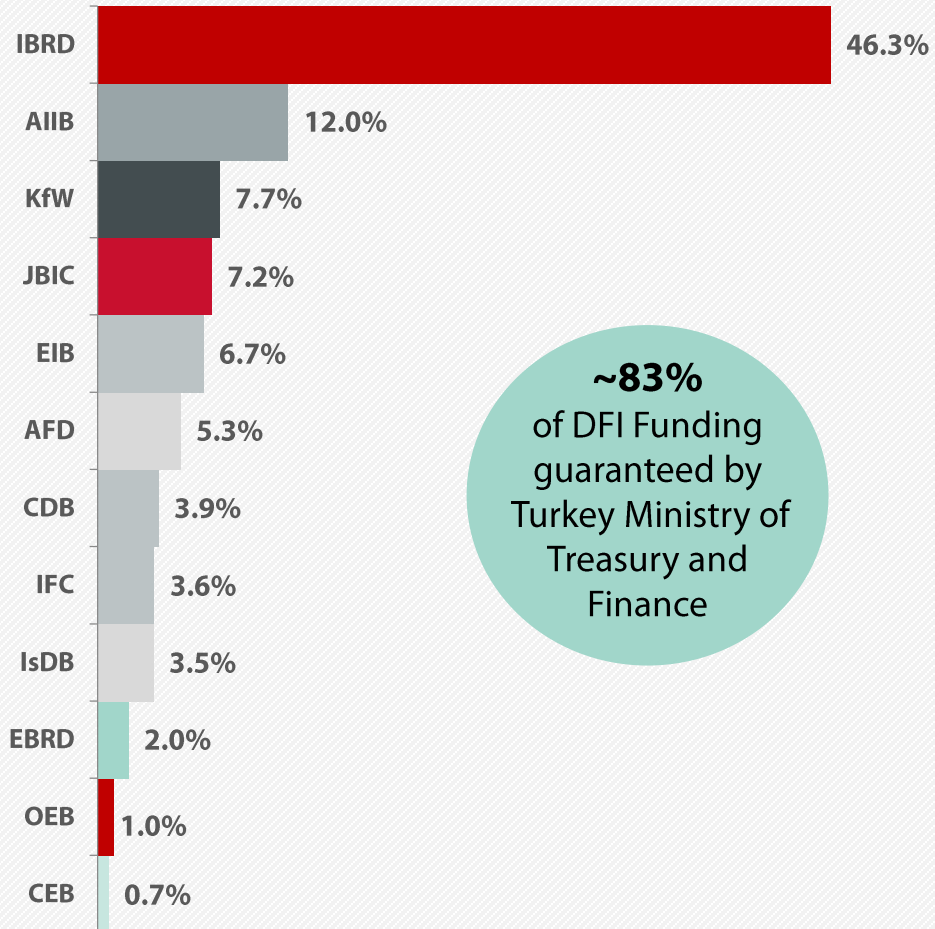
## Wholesale Funding in 2024

- ✓ **AT-1 Eurobond** | USD 300 million
- ✓ **Syndication** | USD 190 million
- ✓ **PP & Other** | USD 152 million
- ✓ **IBRD** | USD 345 million
- ✓ **AFD & CDP** | EUR 100 million

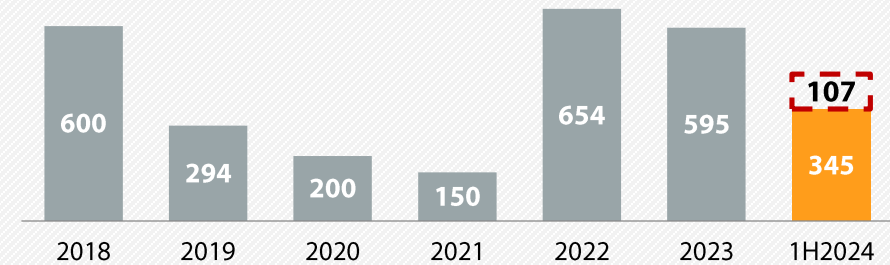


## Long Term DFI Funding Base

Outstanding DFI Funding Base – 2Q-24



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**



**Earthquake-affected Regions**

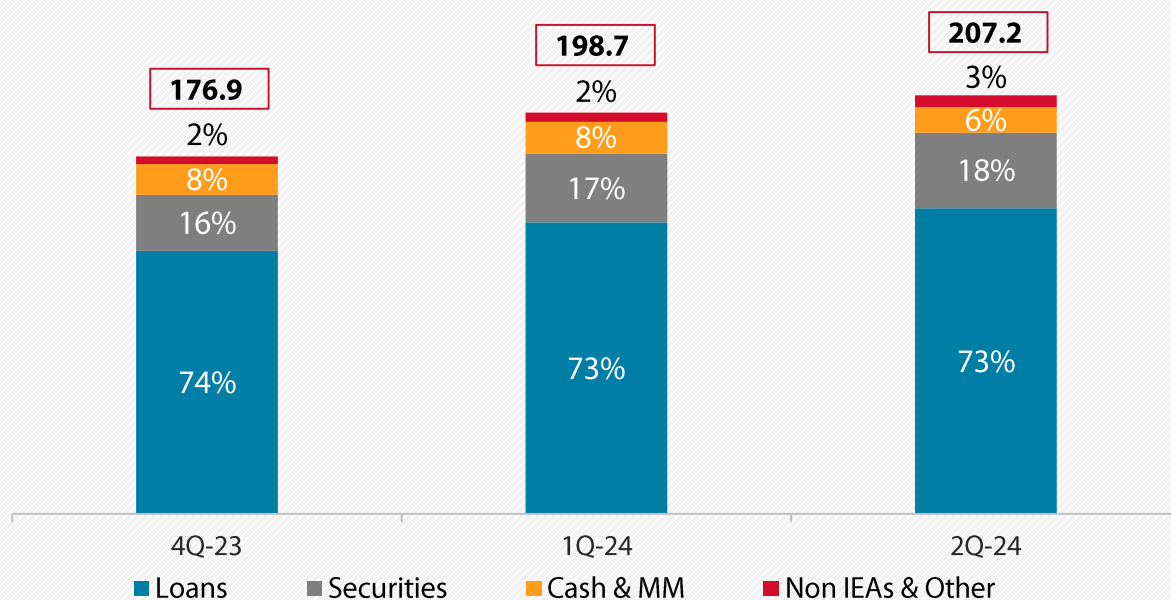


**Circular Economy**

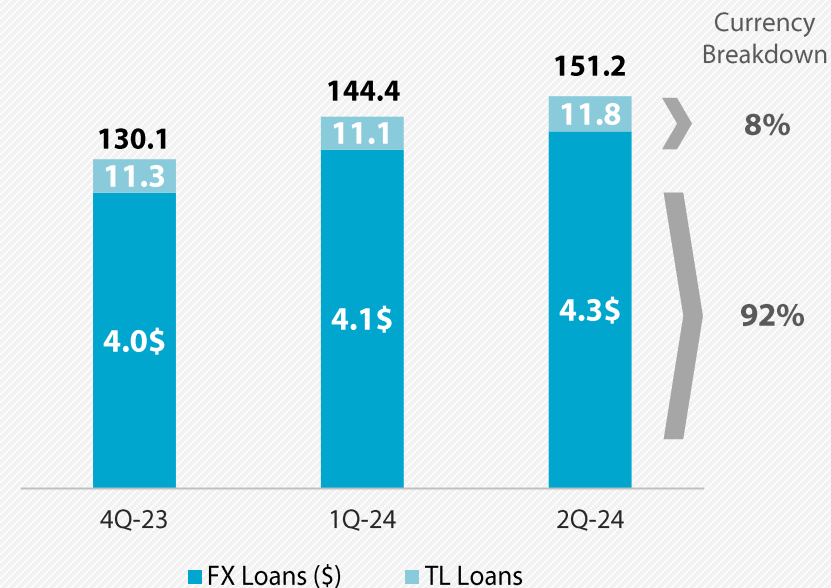


# Resilient Asset Composition

Asset Composition – TL bn



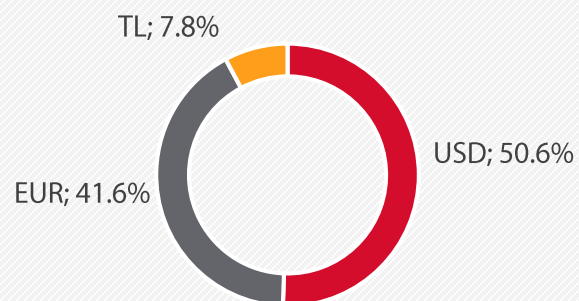
Total Loans – TL bn



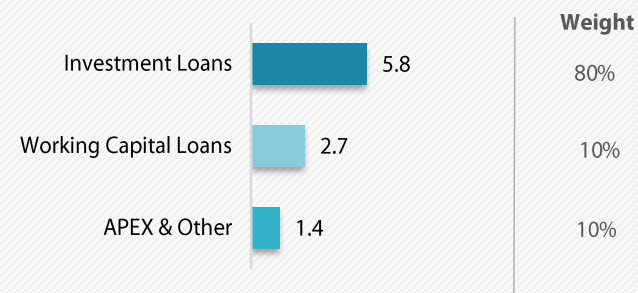
Loan Growth



Loans by Currency



Remaining Average Maturity - Years



No Maturity Mismatch in the Balance Sheet

4.7 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

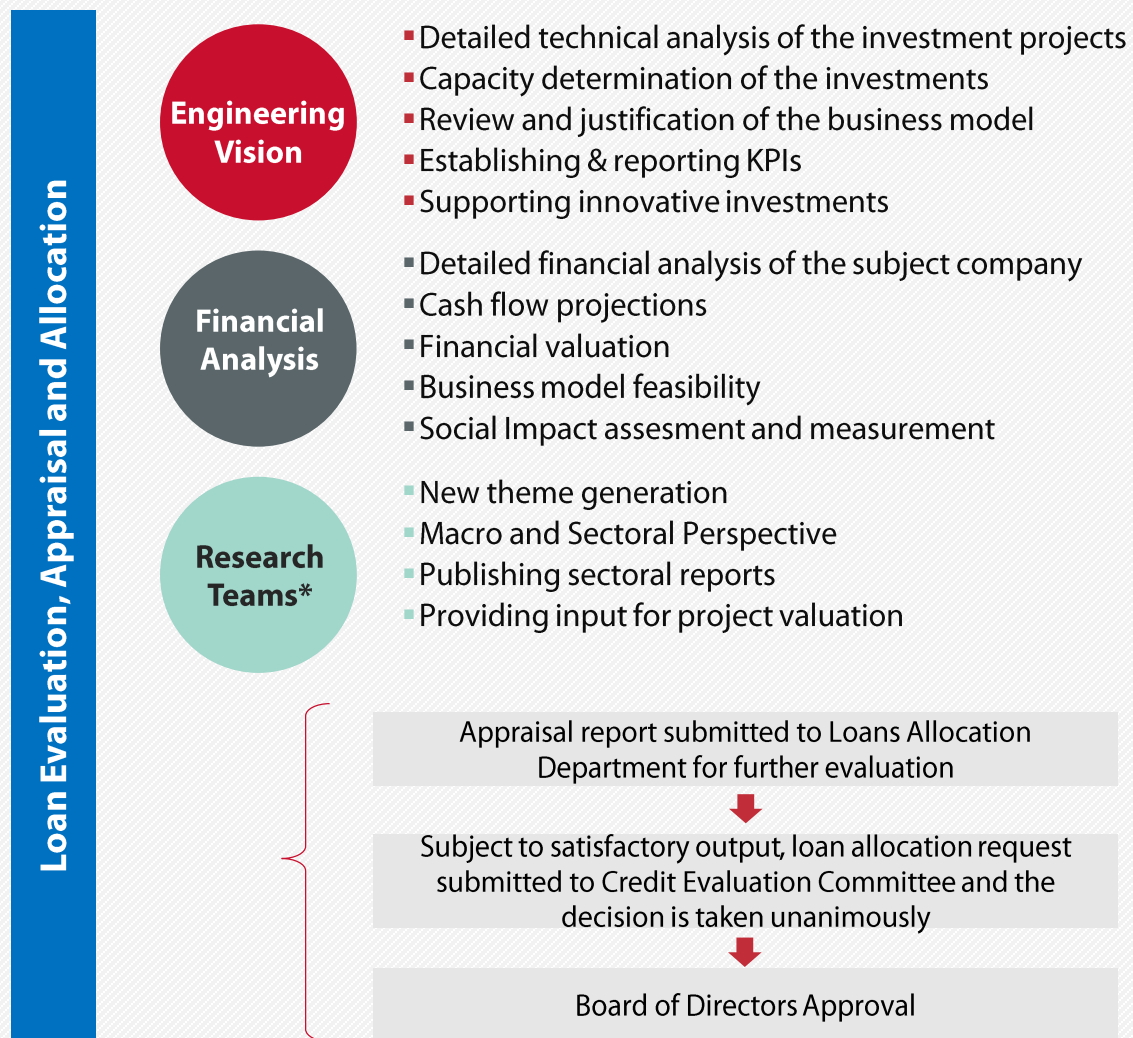
### Operational Risk

- 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

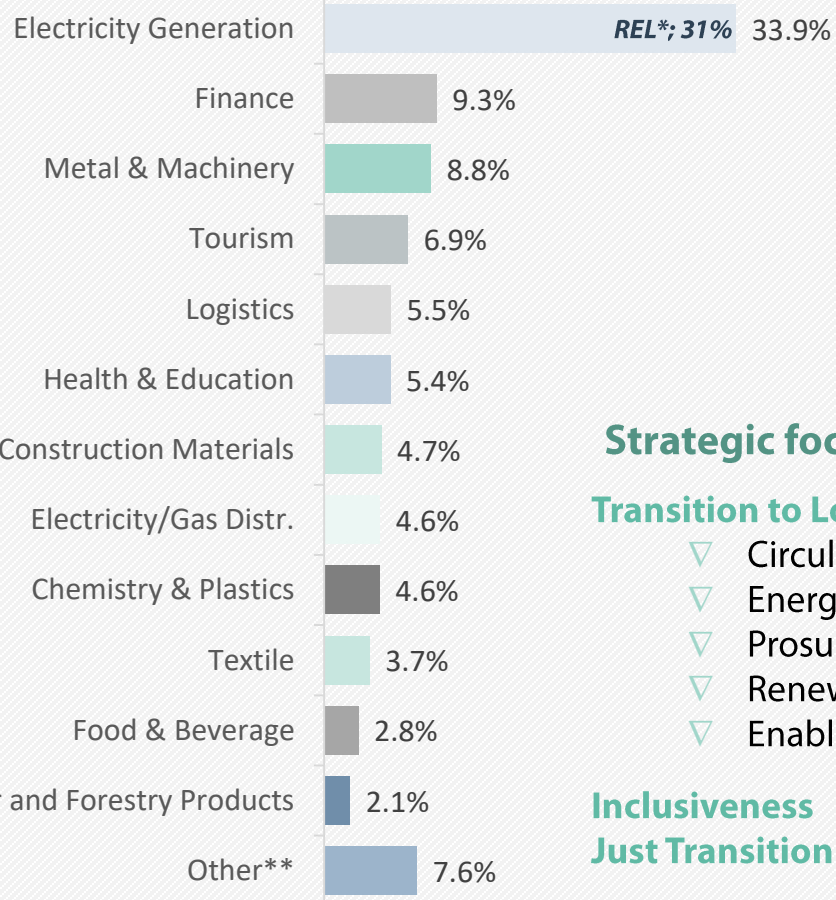


## Monitoring and Collateralization

- 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 91% of the portfolio

## Loans by sector



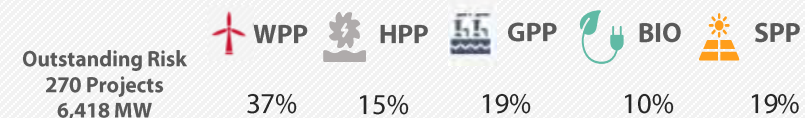
## Strategic focus going forward

### Transition to Low Carbon Economy

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

### Inclusiveness Just Transition

92% of which is Renewable Energy,  
where 79% benefits from Feed in Tariff



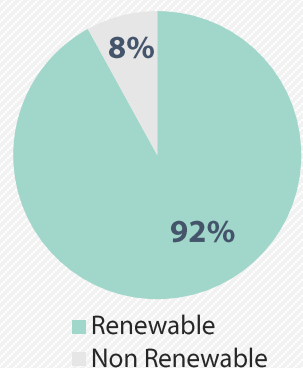
Climate and Environment focused SDG-linked Loans account for ~60% of the portfolio.

## Substantially Supported SDGs through Loan Activities



# Our Renewable Energy Focus

## Energy Portfolio Risk Breakdown



In terms of outstanding risk, **79%** of the operating energy projects are backed by Feed-in Tariff Mechanism (Yekdem).

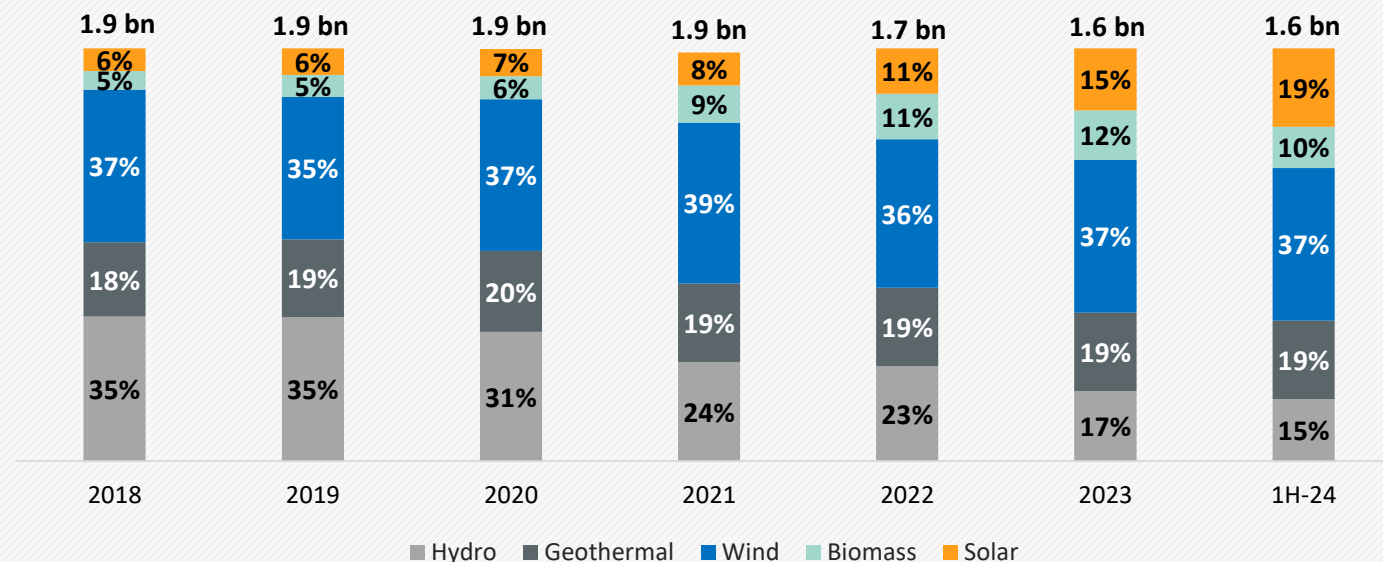
**83%** of non-renewable projects (in MWs) are under capacity enhancement mechanism supporting their cash flows.



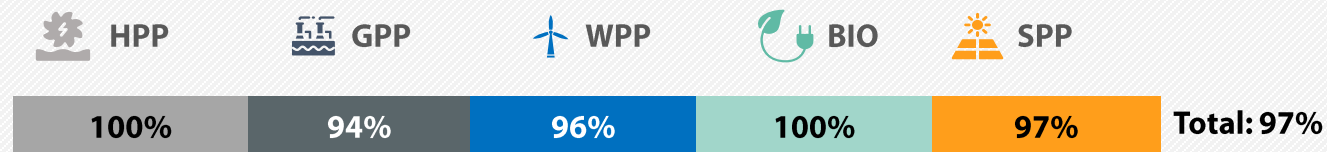
- With respect to number of projects, **97%** is **in operation**.
- With respect to their installed capacity (MW), **94%** is **in operation**.

\*Number of renewable energy projects in the outstanding portfolio

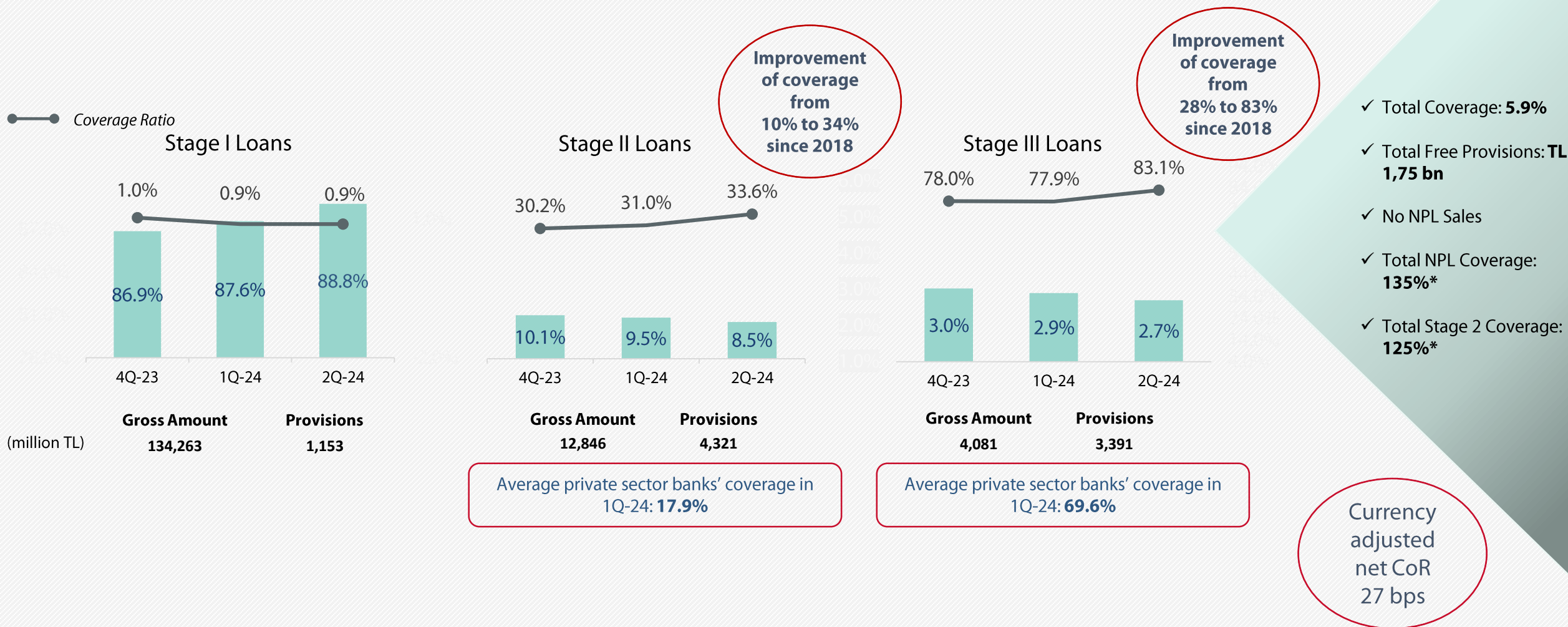
## Renewable Energy Portfolio (Outstanding - \$)



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



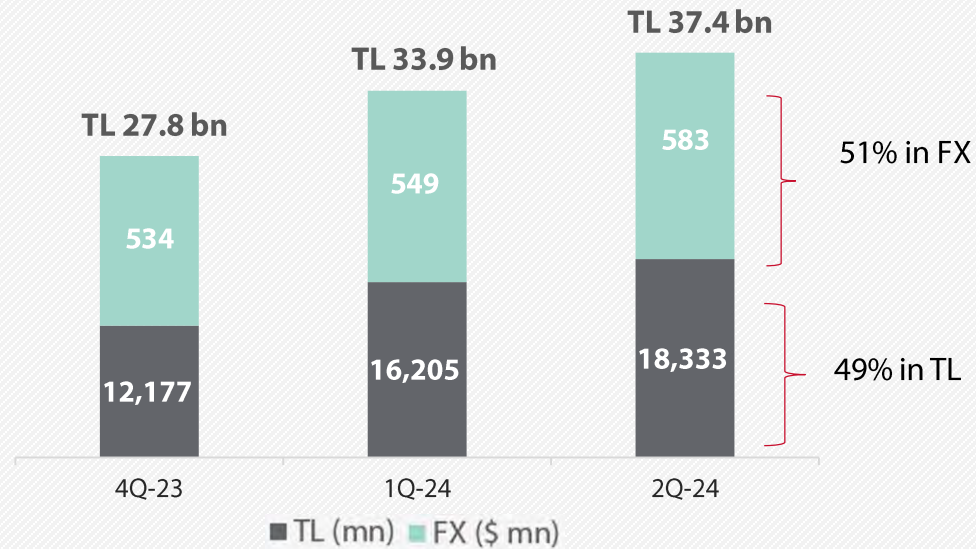
# Leading position on provision coverage among industry





## Well oriented asset liability management

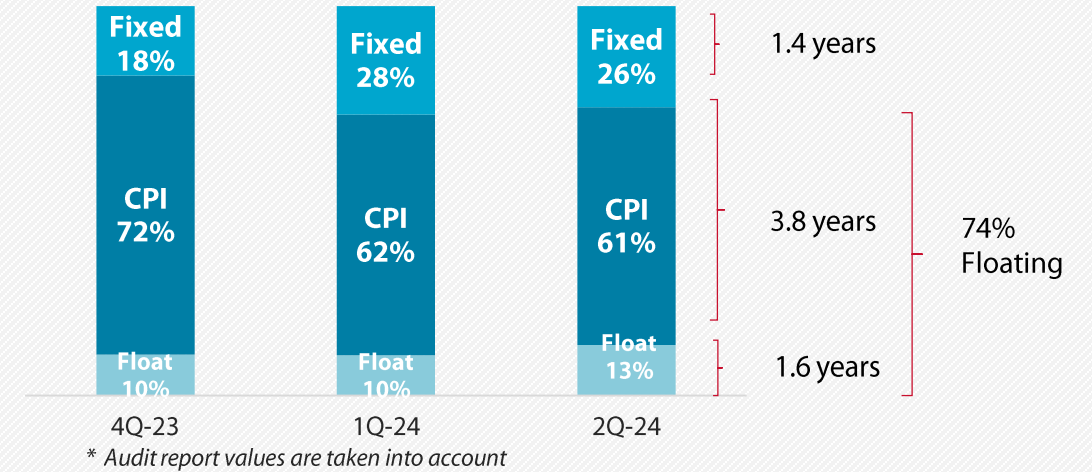
### Total Securities Portfolio Breakdown



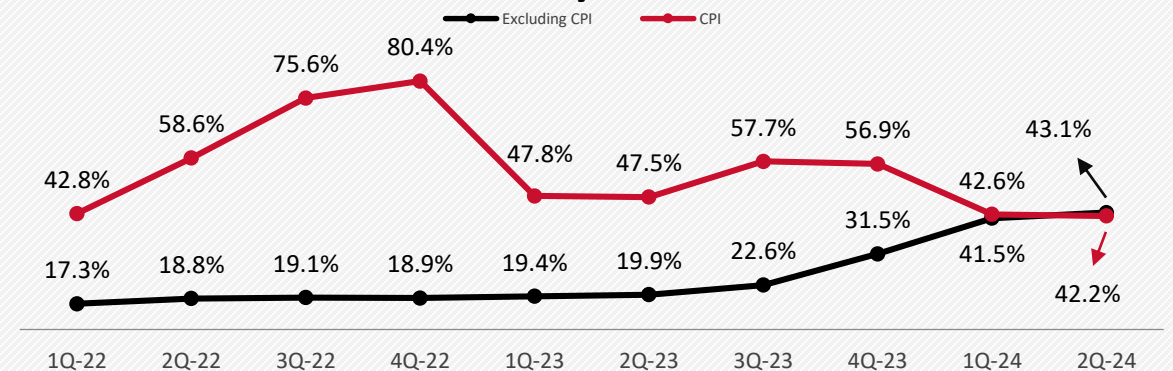
**SECURITIES / ASSETS: 18%**

- 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 44.9 percent.

## >> Income Statement Highlights

TL mn	1H-23	1H-24	YoY	1Q-24	2Q-24	QoQ
<b>Net Interest Income</b>	<b>3,932</b>	<b>5,302</b>	<b>35%</b>	<b>2,541</b>	<b>2,760</b>	<b>9%</b>
Trading Income	1,638	685	-58%	459	226	-51%
Net Fees & Commissions	137	294	115%	130	164	26%
Other Income (Inc. Dividend)	121	175	45%	60	114	90%
<b>Banking Income</b>	<b>5,827</b>	<b>6,455</b>	<b>11%</b>	<b>3,190</b>	<b>3,265</b>	<b>2%</b>
OPEX (-)	536	1,010	88%	505	505	0%
<b>Net Banking Income</b>	<b>5,291</b>	<b>5,445</b>	<b>3%</b>	<b>2,686</b>	<b>2,759</b>	<b>3%</b>
Provisions (-)	1,882	651	-65%	381	270	-29%
Income From Participations	730	1,037	42%	317	719	127%
Tax Provisions (-)	968	1,427	47%	688	739	7%
<b>Net Profit</b>	<b>3,172</b>	<b>4,403</b>	<b>39%</b>	<b>1,934</b>	<b>2,469</b>	<b>28%</b>

*Continuous  
Earnings  
Growth  
(+39% yoy,  
+28% qoq)*

*Remarkable NII  
generation*

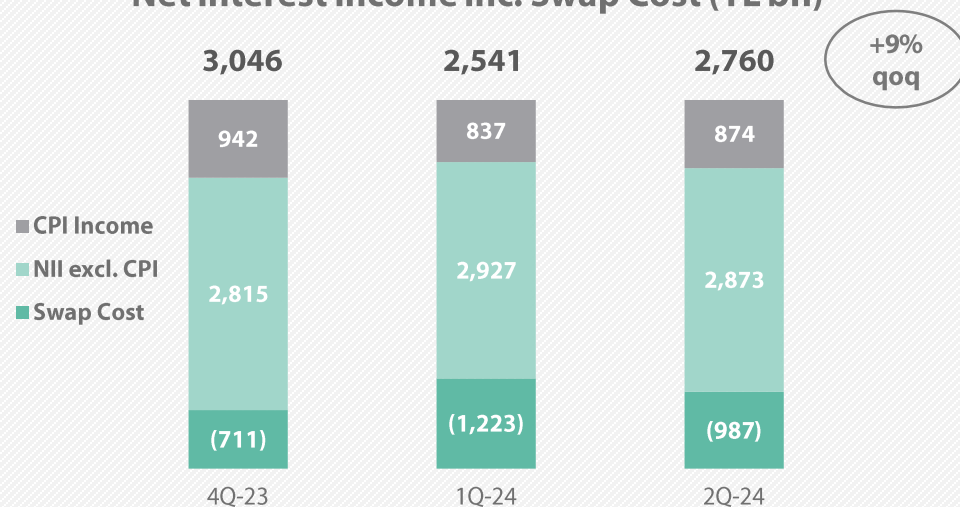
*Strong and well-  
diversified  
commission  
Income*

*Healthy  
provisioning  
policy*

- 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

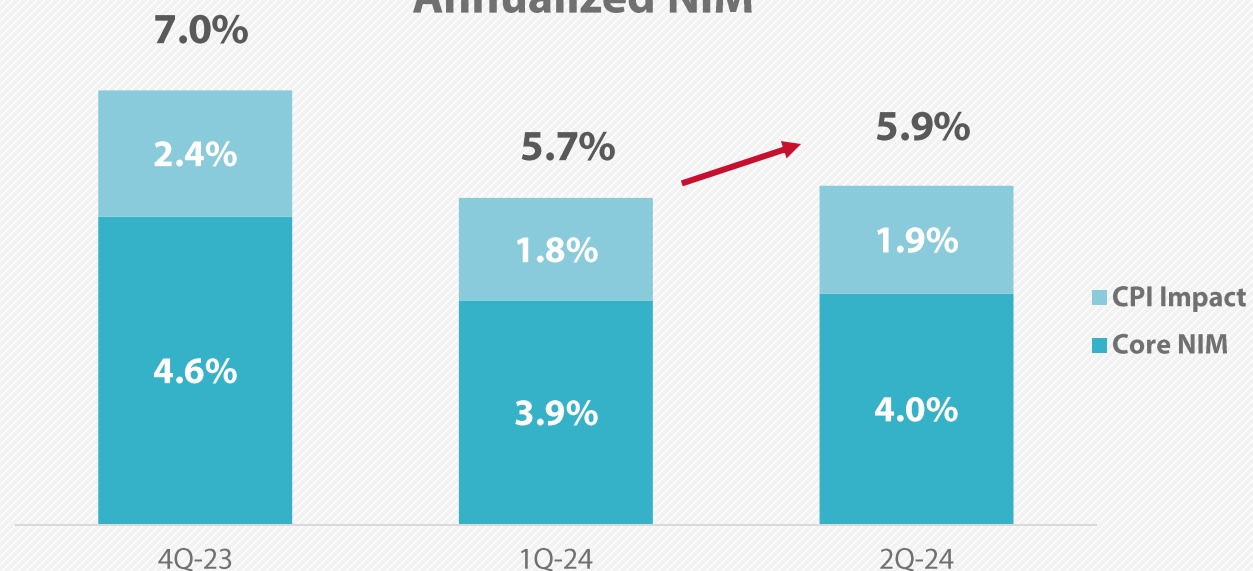
## ➤ Sustainable and Resilient NIM

Net Interest Income inc. Swap Cost (TL bn)



- ✓ Strong and resilient NII generation
- ✓ 9% qoq surge in NII inc. swap costs

Annualized NIM

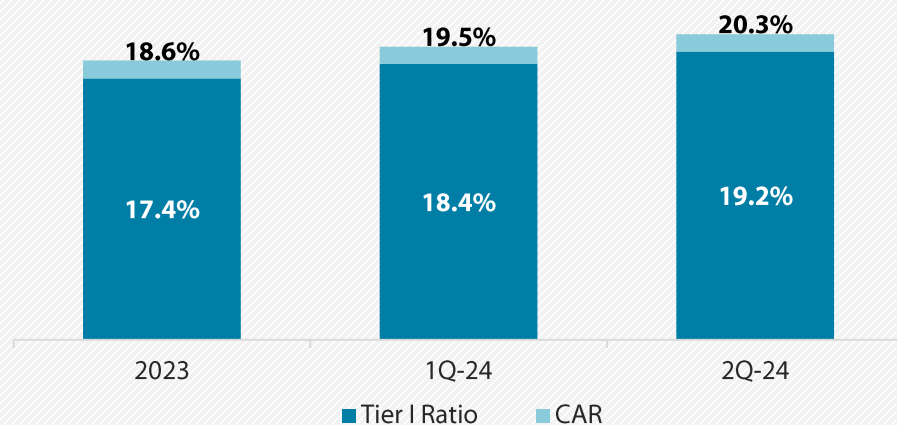


\*IEA Evolution can be seen in the Appendix

- ✓ NIM evolution is in line with 2024YE expectations
  - (+) Maintained strong loan spread
  - (+) QoQ 19% decrease in swap costs

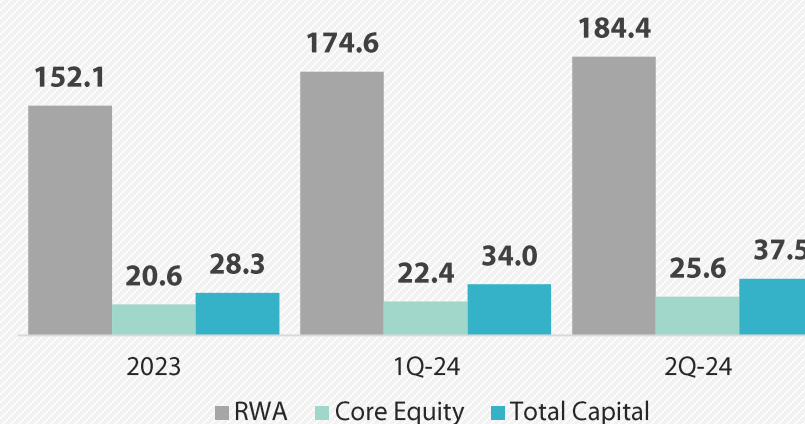
## ➤ Further strengthened solvency metrics support our growth plans

Capital Ratios Without BRSA Temporary Measures

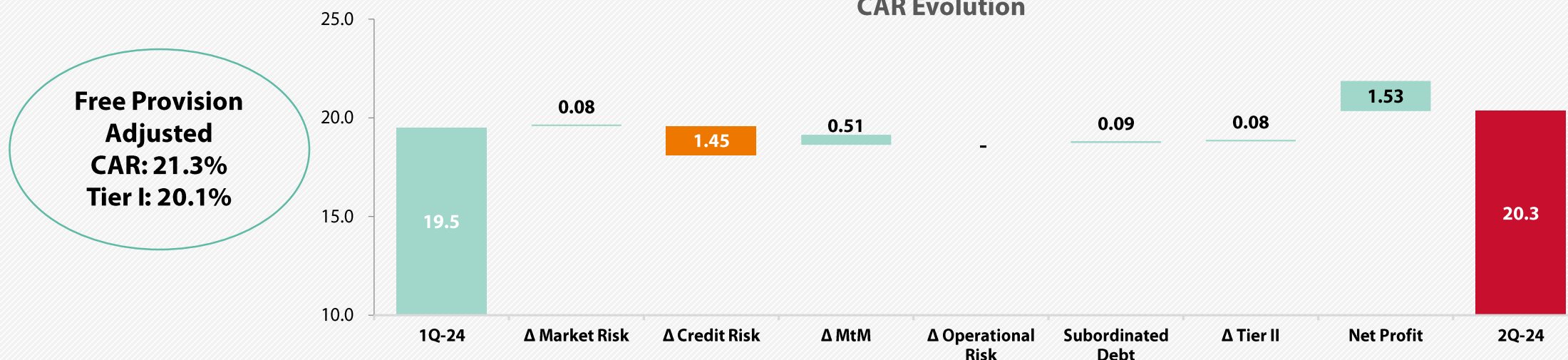


Reported Figures – CAR: 24.1% | Tier I: 23.0% | CET-I: 16.6%

Evolution of RWA and Equity – TL bn



CAR Evolution





## *Appendix*

## Balance Sheet

TL mn	31.12.2023			31.03.2024			30.06.2024		
	TL	FX	TOTAL	TL	FX	TOTAL	TL	FX	TOTAL
Cash and Banks	7,427	7,699	15,126	10,236	5,554	15,789	6,203	6,599	12,802
Securities	12,177	15,663	27,839	16,208	17,707	33,915	18,343	19,056	37,399
Loans (Gross)	11,299	118,839	130,137	11,051	133,311	144,362	11,816	139,373	151,189
Provisions	-3,920	-4,308	-8,228	-4,178	-4,522	-8,700	-4,294	-4,599	-8,893
Subsidiaries	6,616	753	7,370	6,906	813	7,719	8,320	832	9,151
Other	3,041	1,599	4,640	3,498	2,109	5,607	3,440	2,095	5,535
<b>Total</b>	<b>36,640</b>	<b>140,244</b>	<b>176,884</b>	<b>43,721</b>	<b>154,972</b>	<b>198,693</b>	<b>43,828</b>	<b>163,357</b>	<b>207,185</b>
ST Funds	-	5,913	5,913	-	5,574	5,574	-	6,146	6,146
LT Funds	-	100,763	100,763	-	108,132	108,132	-	104,716	104,716
Securities Issued	-	32,227	32,227	-	36,296	36,296	-	37,464	37,464
Repo & MM	432	2,225	2,656	2,433	4,128	6,562	7,570	6,683	14,254
Other	3,485	4,385	7,870	4,213	4,986	9,200	3,785	4,222	8,006
Subordinated Debt	-	6,043	6,043	-	9,686	9,686	-	10,073	10,073
Shareholders' Equity	21,357	54	21,412	23,199	44	23,243	26,471	55	26,526
<b>Total</b>	<b>25,274</b>	<b>151,610</b>	<b>176,884</b>	<b>29,845</b>	<b>168,847</b>	<b>198,693</b>	<b>37,826</b>	<b>169,359</b>	<b>207,185</b>











## Detailed Income Statement

TL mn	1H-23	1H-24	YoY	1Q-24	2Q-24	QoQ
<b>Net Interest Income inc, Swap Cost</b>	<b>3,932</b>	<b>5,302</b>	<b>35%</b>	<b>2,541</b>	<b>2,760</b>	<b>9%</b>
Net Interest Income	3,830	7,512	96%	3,764	3,747	0%
CPI Linkers	1,388	1,712	23%	837	874	4%
Swap Costs	102	-2,210	-2267%	-1,223	-987	-19%
<b>Net Commissions</b>	<b>137</b>	<b>294</b>	<b>115%</b>	<b>130</b>	<b>164</b>	<b>26%</b>
<b>Other Income</b>	<b>121</b>	<b>175</b>	<b>45%</b>	<b>60</b>	<b>114</b>	<b>90%</b>
Dividends	10	2	-84%	0	2	n.m.
Other	111	173	56%	60	113	87%
<b>Trading &amp; FX gains/losses</b>	<b>1,638</b>	<b>685</b>	<b>-58%</b>	<b>459</b>	<b>226</b>	<b>-51%</b>
FX gains/losses	1,513	540	-64%	394	145	-63%
Trading & MtM gain/loss	125	145	16%	65	81	25%
<b>Banking Income</b>	<b>5,827</b>	<b>6,455</b>	<b>11%</b>	<b>3,190</b>	<b>3,265</b>	<b>2%</b>
OPEX (-)	536	1,010	88%	505	505	0%
<b>Net Banking Income</b>	<b>5,291</b>	<b>5,445</b>	<b>3%</b>	<b>2,686</b>	<b>2,759</b>	<b>3%</b>
ECL (-)	1,882	651	-65%	381	270	-29%
Stage I	370	41	-89%	-21	62	-393%
Stage II	736	314	-57%	271	43	-84%
Stage III	-8	296	-3829%	131	165	26%
Other Provisions	785	0	-100%	0	0	n.m.
<b>Income From Subsidiaries</b>	<b>730</b>	<b>1,037</b>	<b>42%</b>	<b>317</b>	<b>719</b>	<b>127%</b>
<b>Pre-Tax Income</b>	<b>4,139</b>	<b>5,831</b>	<b>41%</b>	<b>2,622</b>	<b>3,208</b>	<b>22%</b>
Tax (-)	968	1,427	47%	688	739	7%
<b>Net Income</b>	<b>3,171</b>	<b>4,403</b>	<b>39%</b>	<b>1,934</b>	<b>2,469</b>	<b>28%</b>

"n.m." refers to not meaningful.

## Appendix: ESG Ratings

						
	Sustainalytics ESG Risk Rating	CDP Climate Change Score	Moody's ESG Credit Impact Score	Fitch ESG Credit Relevance Score	Sustainable Fitch ESG Entity Score	LSEG ESG Score
Range	0-40+	A/D-	1-5	1-5	1-5 (0-100)	A+/D-
Score	<b>6.9</b>	<b>A-</b>	<b>2</b>	<b>3</b>	<b>3 (61/100)</b>	<b>A</b>
	Negligible risk category	Leadership	Neutral-to-low	Neutral-to-minimal	Above global average	
	First place in Türkiye					
	9 <sup>th</sup> place among global development banks					
						
						BIST Sustainability Index BIST Sustainability 25 Index



## Appendix: Stage 2 Loans Breakdown

Stage 2 Loans		
Sector	%	Coverage (%)
Tourism	45	41
Electricity/Gas Distribution	19	41
Electricity Generation	15	14
Non-residential Real Estate	8	29
Metal and Machinery	6	31
Telecom/Logistics	4	10
Automotive Supply Industry	3	20
<b>TOTAL</b>	<b>100</b>	<b>34</b>

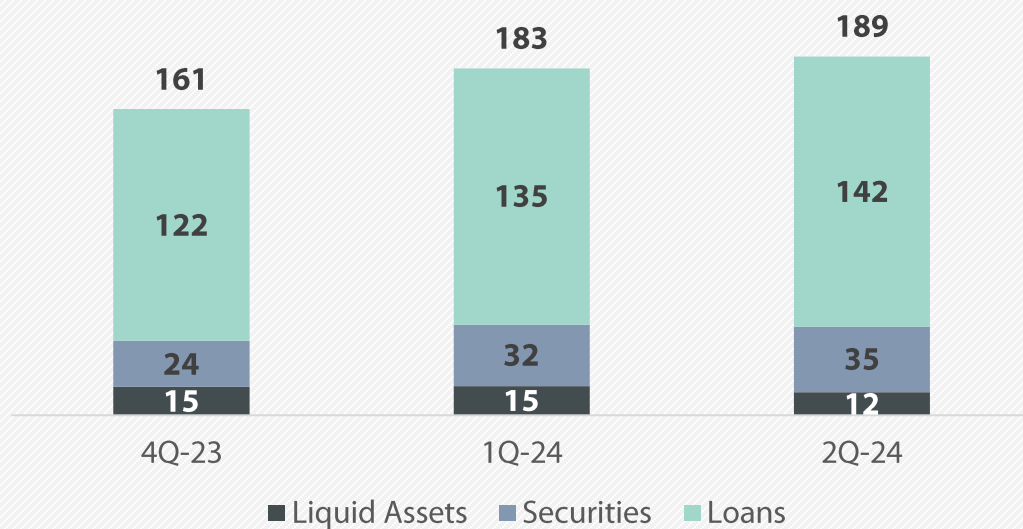
96% of Electricity  
Generation loans  
are Renewable

- Hard collateral & provisions are taken into consideration
- Renewable and non renewable percentages in electricity generation loans are as 96% and 4% respectively



## Appendix: IEA Evolution

Interest Earning Assets (TL bn)



- ✓ Interest Earning Assets were up by 3% QoQ and 37% YoY, which was driven by
- High FX denomination
  - Growth strategy



## Appendix: Net Cost of Risk Calculation

<b>Provisions (TL mn)</b>	<b>2Q24</b>
Stage 1*	41
Stage 2**	314
Stage 3	296
<b>Reversals*** (TL mn)</b>	<b>-58</b>
<b>Net CoR</b>	<b>84 bps</b>
<i>Currency Impact</i>	<i>57 bps</i>
<b><i>Net CoR excl. Currency Impact</i></b>	<b><i>27 bps</i></b>

\*Stage 1 provision costs are adjusted with TL 45.7 mn provisions set aside for securities.

\*\*Stage 1&2 provisions are shown netted off by Stage 1&2 reversals.

\*\*\*Reversals depicted in the table are attributable to Stage 3 Loans.



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