

The Industrial Development Bank of Turkey

Earnings Presentation

1H-21 Bank-only Results



*The Best Bank in Central and Eastern
Europe in Sustainable Finance
category*



*The Most Sustainable Bank
in Turkey for 2021*



*Islamic Finance Deal of the Year in
Europe with the issuance of a
Sustainable Lease Certificate*

➤ 1H-21 Key Highlights

3.3% FX Adjusted
Loan Growth in 1H21

Robust
Liquidity

Strong and Stable
Annualized NIM 4.2%

ROE 15.3%

NPL; 3.8%
Stage 2; 14.2%

Gross CoR*
202 bps

Solid Solvency**
CAR @15.2%

- Strong foreign currency loan growth in 1H-21, despite lockdown during 2Q-21.
- Sound liquidity was supported by the high roll-over ratio of the Sustainability-Linked Syndicated Loan.
- Robust and steady NIM supports our top-line.
- Investment banking and advisory fees continue to contribute to banking income.
- Asset quality remained intact in line with year-end expectations.
- Prudent stance is maintained during 1H-21. CoR will ease down at the rest of the year.
- High income generation will continue to back solvency ratios during 2H-21.
- 65 mio TL extra free provisions were set aside in the first 6 months.
- The efforts in sustainability continues in line with the Bank's mission and strategy.

*1H21 Gross CoR is 101 bps, Net CoR is 94 bps. Currency impact is 36 bps.

**Excluding forbearances

>> 1H-21 performance is in line with 2021 expectations

Financial Guidance (Bank Only)	2021E (%)	1H-21 Results (%)
Growth		
FX Adjusted Loan Growth	3-5	3.3
Profitability		
Fees & Commissions Growth	~20	20
Net Interest Margin (*)	~4.0	4.2
Return On Equity	~14	15.3
Efficiency		
OPEX Growth	< 20	19
Cost/Income Ratio	~14	11
Solvency**		
Capital Adequacy Ratio	~15.5	15.2
Tier 1 Ratio	~10.5	10
Asset Quality		
Stage 2 Loans Ratio	~15	14.2
NPL Ratio	~4.5	3.8
Cost of Risk***	< 175 bps	202 bps



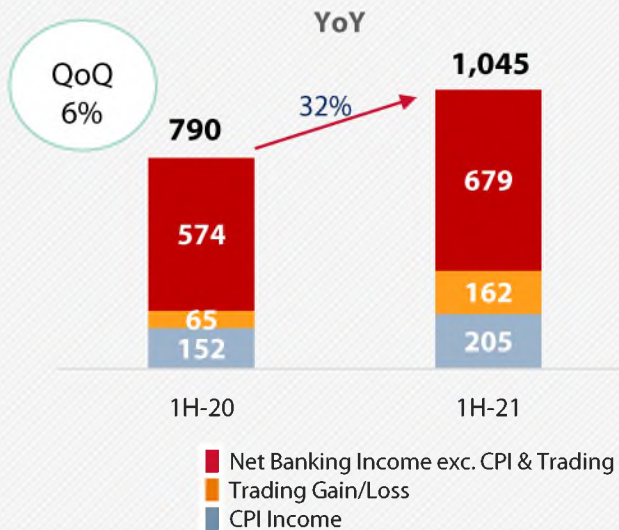
*Swap adjusted, including FX Gains /Losses.

**Excluding forbearance.

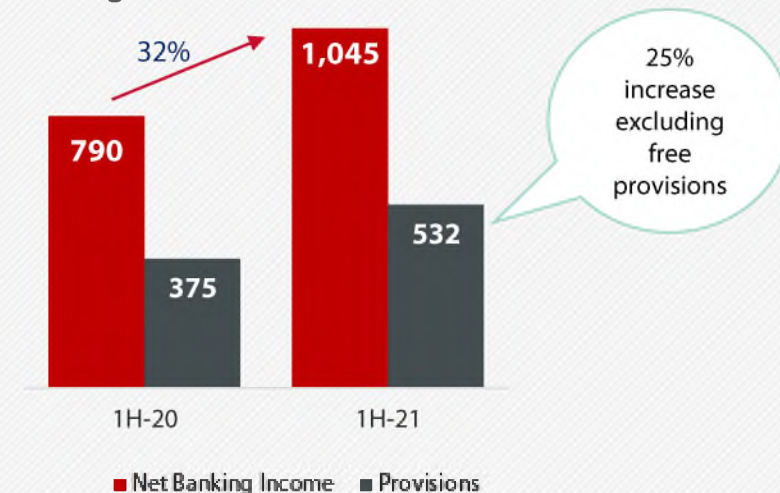
*** Our CoR calculation includes currency impact and excludes NPL provision reversals under other income.

➤ Strong profitability performance despite continuous prudent stance on provisions

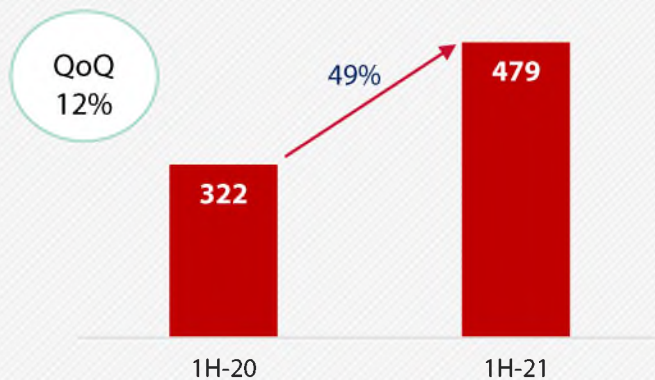
Net Banking Income - TRY mn



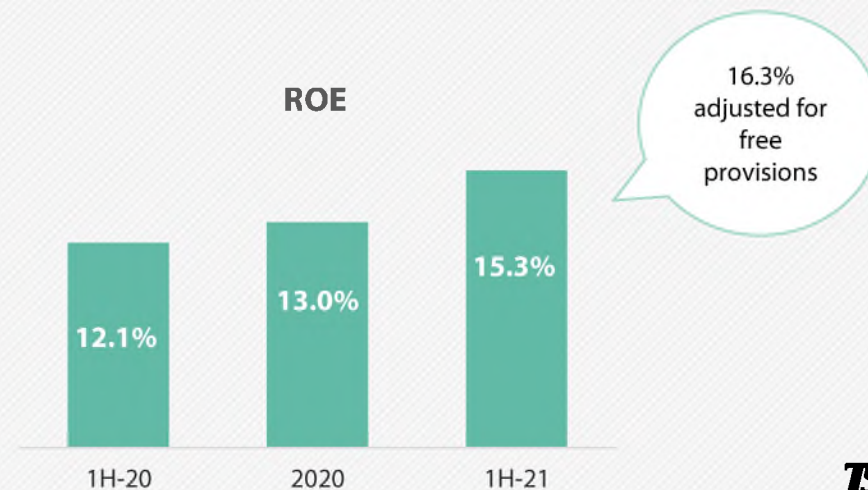
Net Banking Income vs Provisions - TRY mn



Net Profit- TRY mn



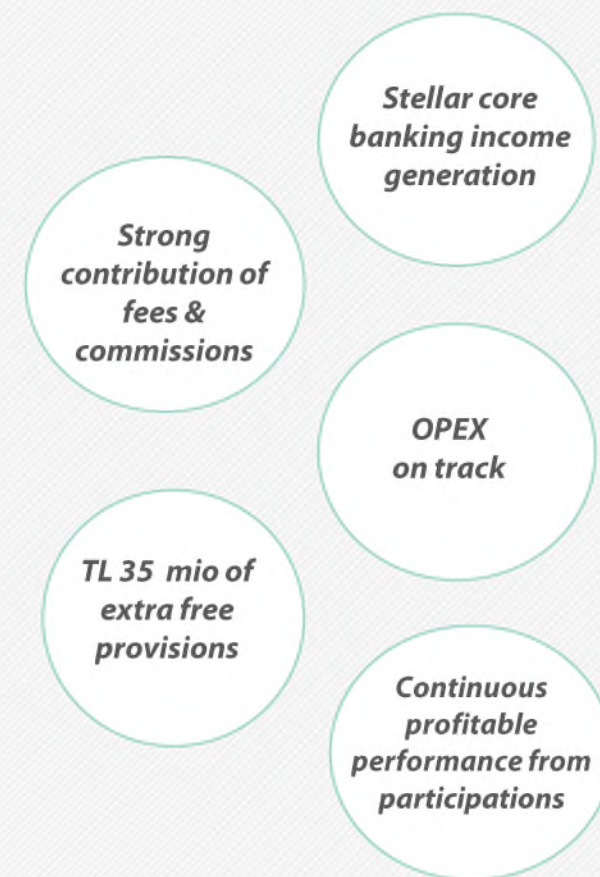
ROE



» Takeaways from the Income Statement

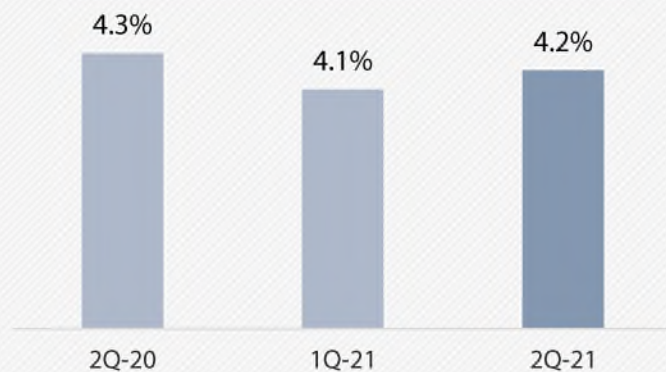
TRY mn	1H-20	1H-21	YoY	1Q-21	2Q-21	QoQ
Net Interest Income	797.8	941.4	18%	430.3	511.1	19%
Trading Income	64.8	161.7	150%	99.7	62.0	-38%
Net Fees & Commissions	29.6	35.6	20%	10.7	24.9	132%
Other Income (Inc. Dividend)	6.4	35.5	454%	32.1	3.4	-90%
Banking Income	898.6	1,174.2	31%	572.8	601.4	5%
OPEX (-)	108.3	129	19%	64.3	64.7	1%
Net Banking Income	790.3	1,045.2	32%	508.5	536.7	6%
Provisions (-)	375.2	532.1	42%	289.4	242.7	-16%
Income From Participations	1.4	89.5	n.m.	55.4	34.1	-39%
Tax Provisions (-)	94.4	123.8	31%	48.6	75.2	55%
Net Profit	322.0	478.8	49%	225.9	252.9	12%

- TMS 27 adjustments were applied for all given periods
- 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

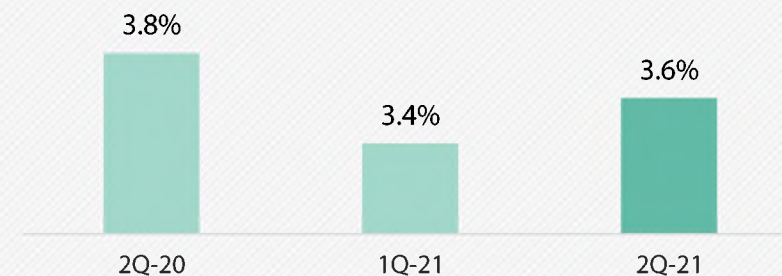


Steady NIM Performance

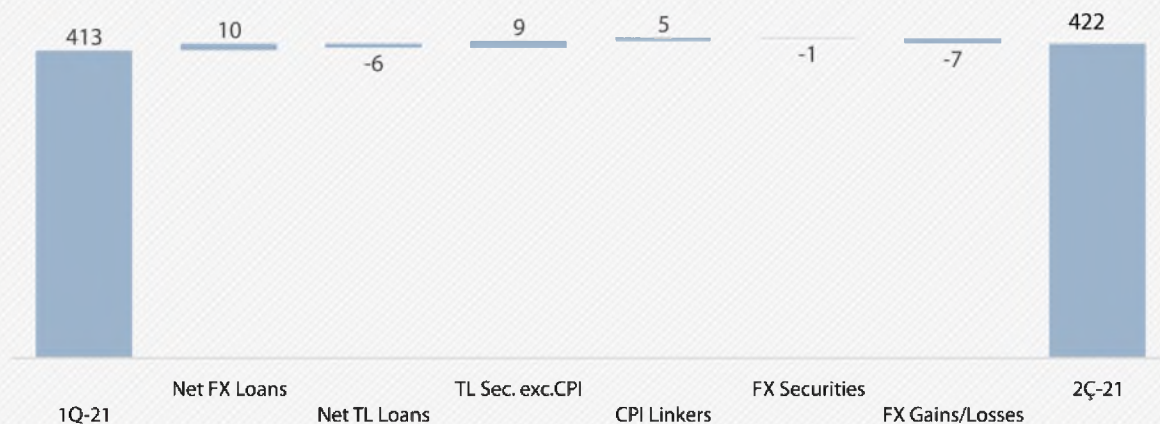
Annualized NIM*



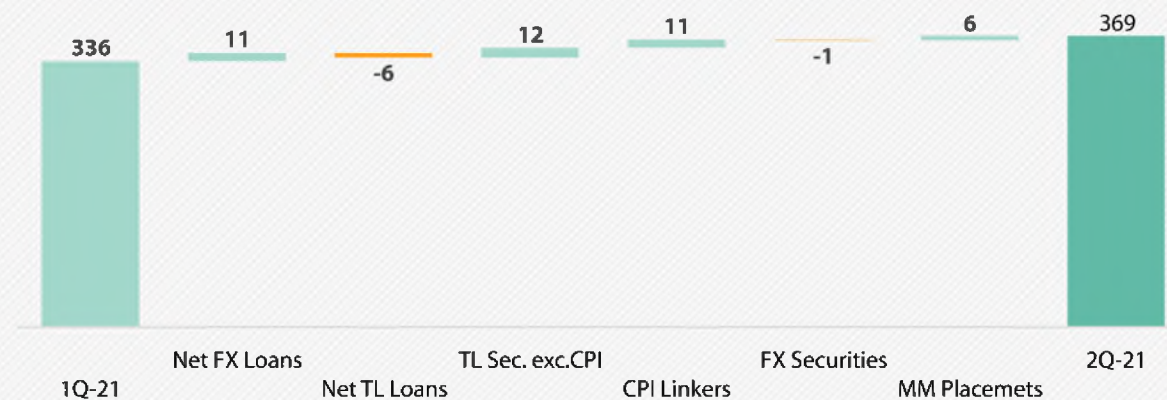
Annualized NIM** (excluding FX Gains/Losses)



Quarterly NIM Evolution

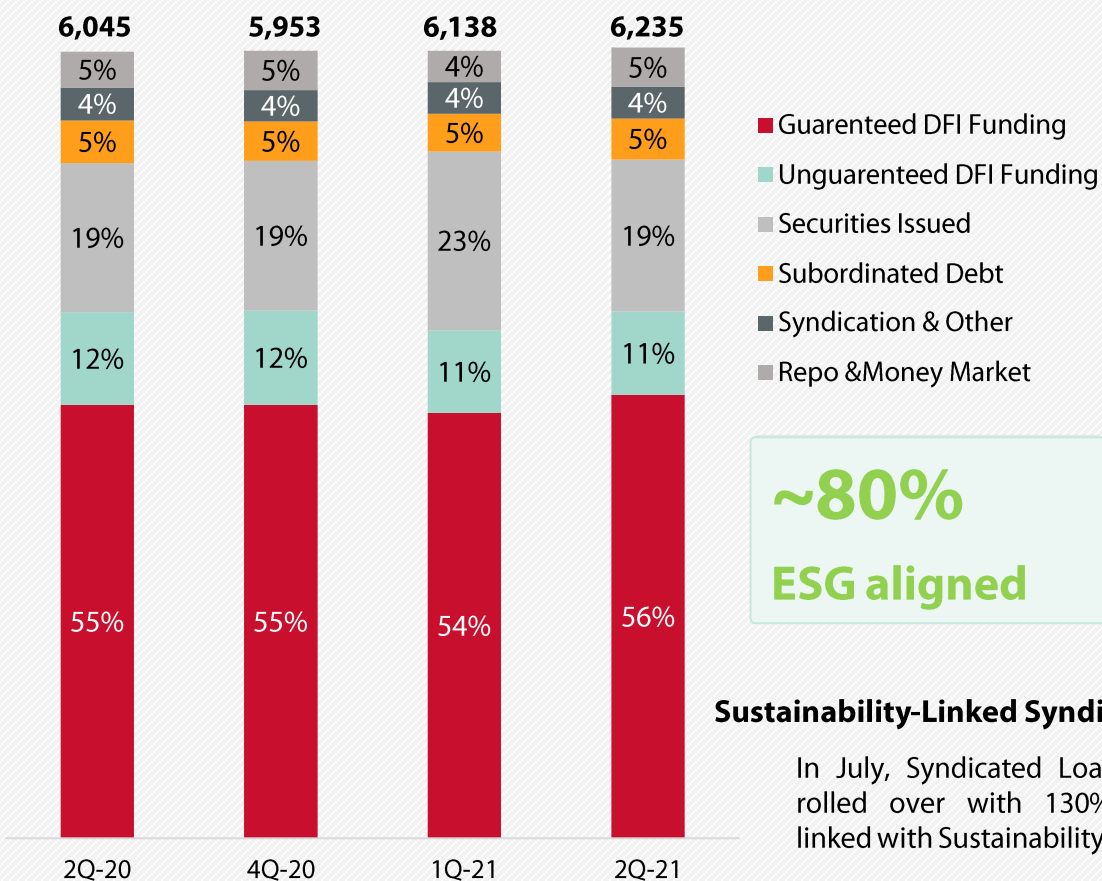


Quarterly NIM Evolution (excluding Fx Gains/Losses)



>> Comfortable FX liquidity and maturity profile

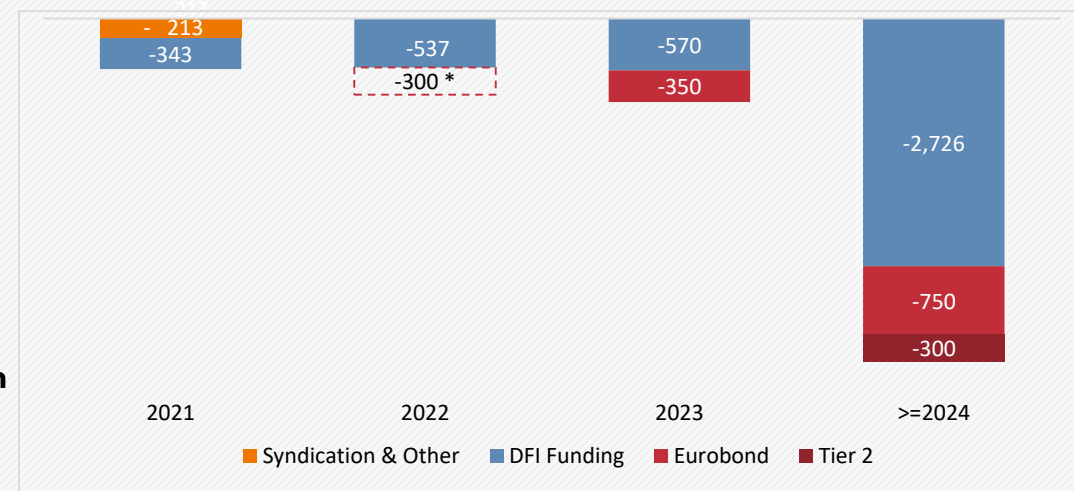
Funding / Total Liabilities (exc. Equity & Oth.) – USD mn



USD 255 mn Non-Withdrawn DFI Funding

Inclusiveness	68%
Climate + Environment	18%
Sustainable Infrastructure	10%
Manufacturing Industry	4%

Maturity Profile of External Debt - USD mn

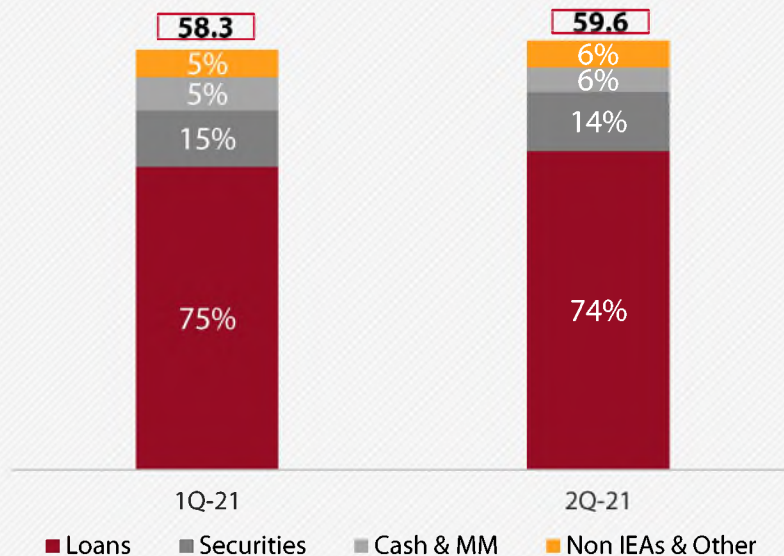


* Tier 2 bond has issuer call in 2022

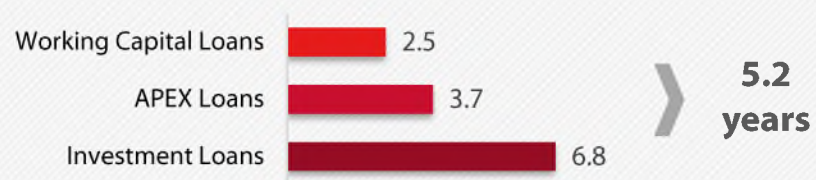
>> Resilient asset composition

3.6

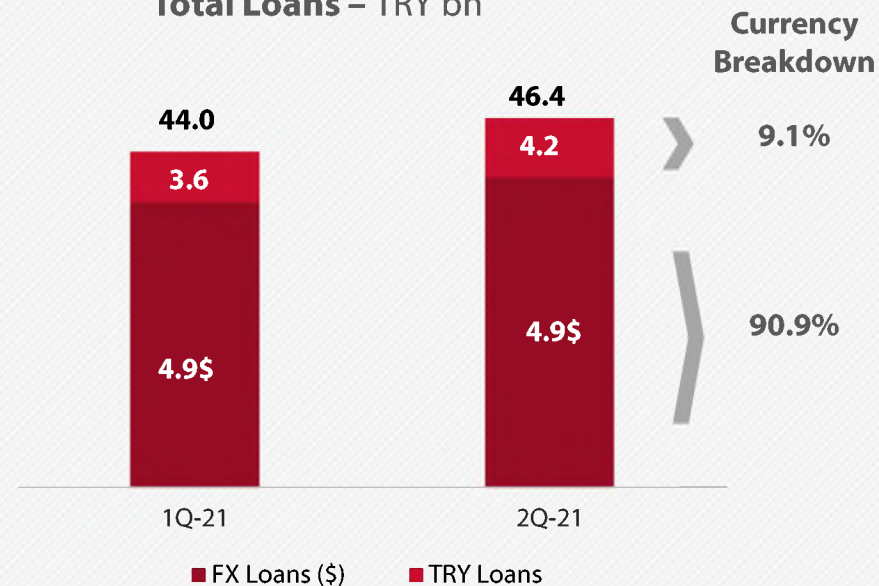
Asset Composition – TRY bn



Average Maturity - Years



Total Loans – TRY bn

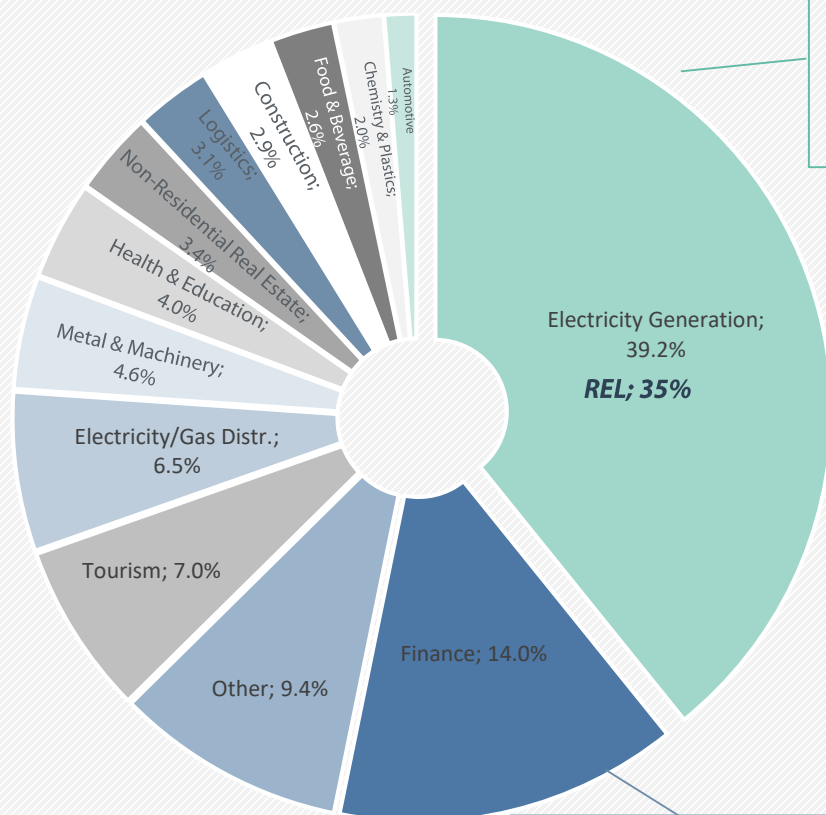


1H-21 Loans by Currency & Type



SDG-Linked loans account for nearly 90% of the portfolio

Loans by sector 2Q-21



47.4% of which are Apex Loans

89% of which is Renewable Energy,
where 88% benefits from Feed in Tariff



Substantially Supported SDGs through Loan Activities

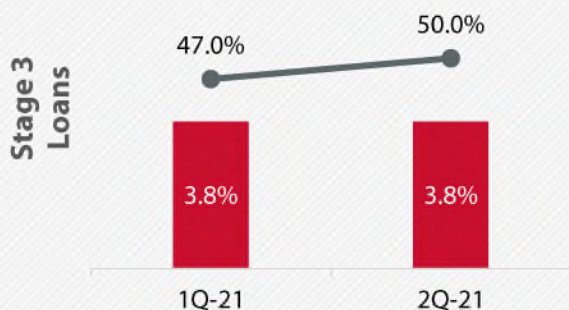
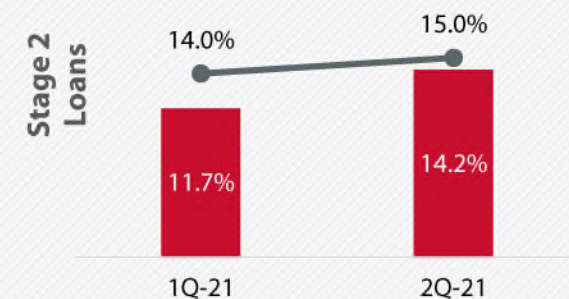
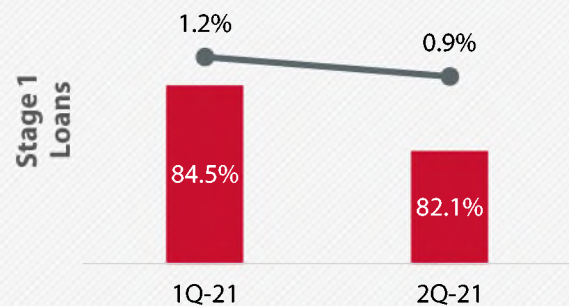


Medium & Long-term SDG-linked Target

- Provide USD 8 billion and more SDG-linked financing by **2030**.
- Keep the ratio of SDG-linked loans in the total portfolio at the level of 90% and above **between 2021 and 2025**.
- Target a ratio of loans contributing to climate and environment-focused SDGs within the total loan portfolio to be **at the level of 60% between 2021 and 2025**.



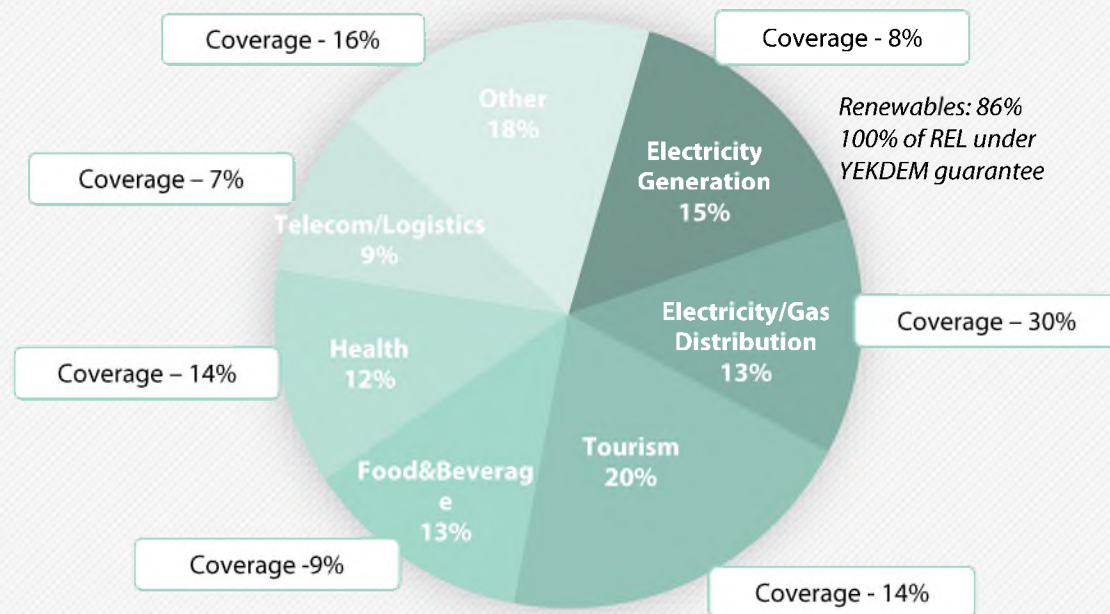
Asset quality remains intact



	Gross Amount	Share in Total	Coverage Ratio	Provisions (-)
Stage 1	38,097	82.1%	0.9%	339
Stage 2	6,582	14.2%	15%	961
Stage 3	1,742	3.8%	50%	877
Gross Loans	46,421	100.0%	4.7%	2,177



Stage-2 Loans Breakdown



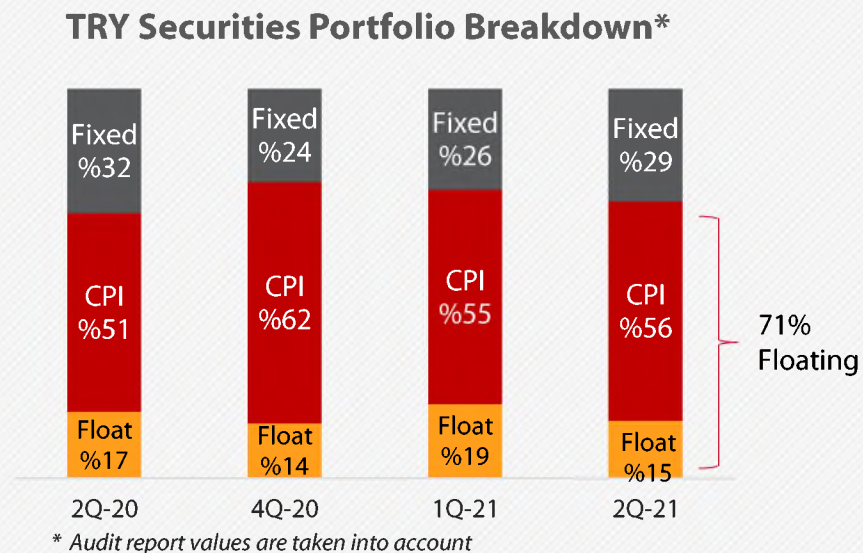
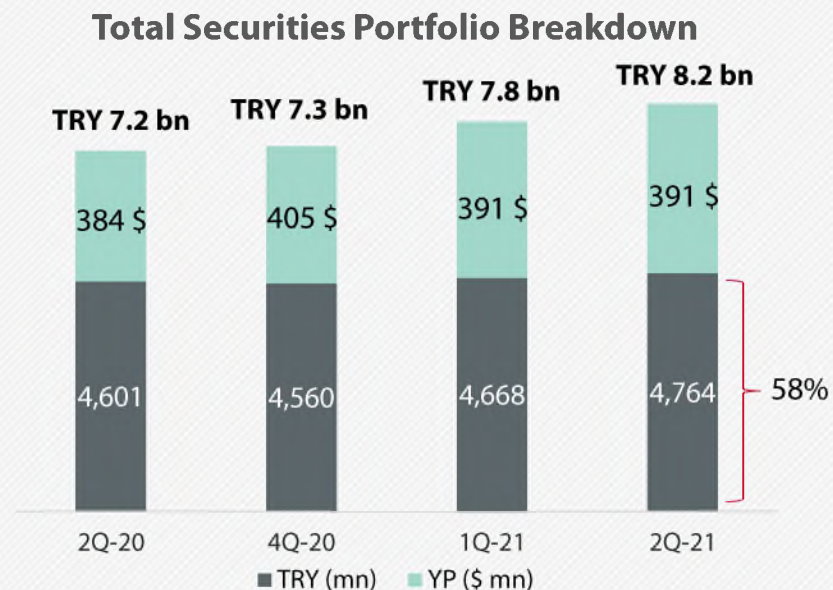
~70% of Stage 2&3 Loans are Restructured

61% of Stage 3 Loans are restructured

Long FX Position for Provisions to neutralize currency impact at bottom line

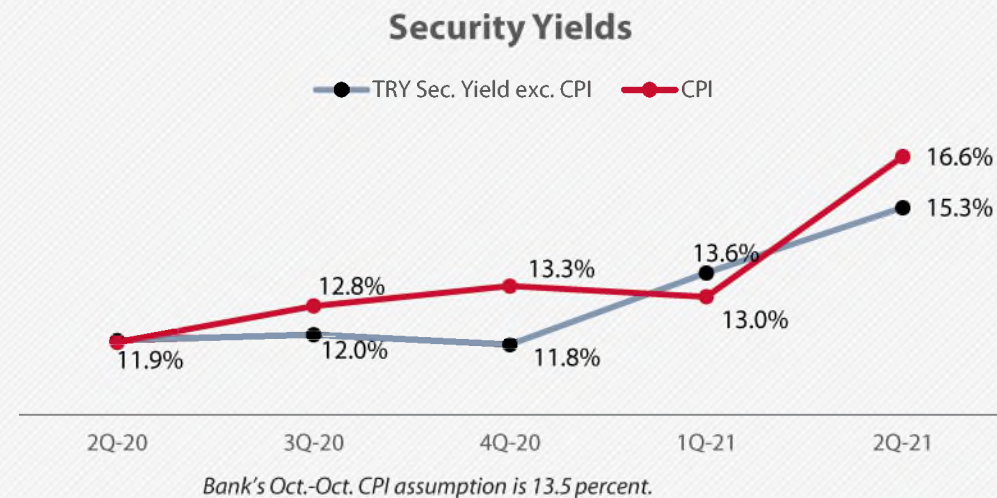
285 mn TL Free Provisions

>> Security book supporting Bank's profitability

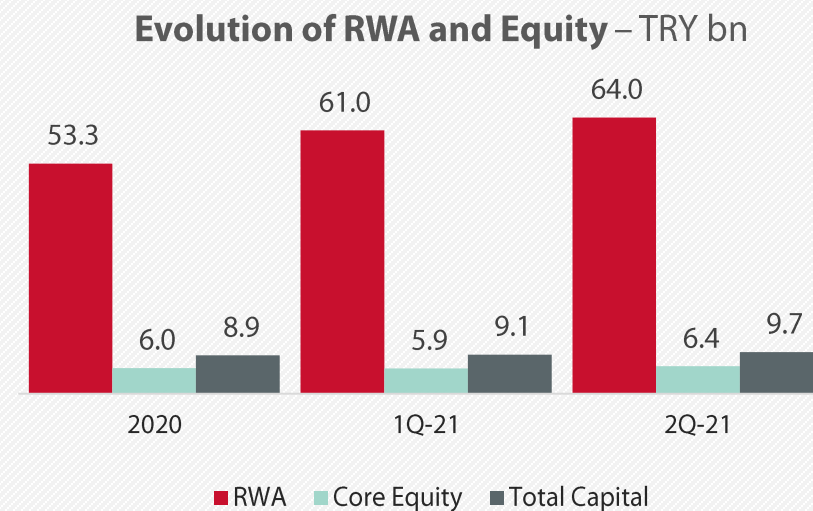
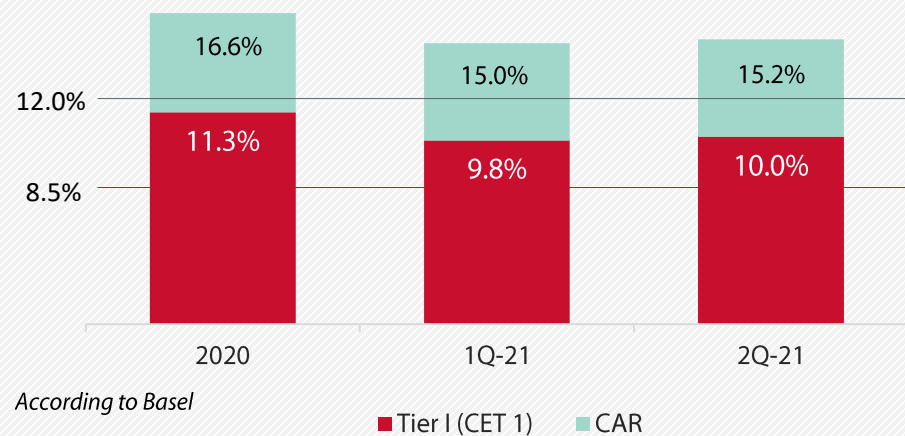


SECURITIES / ASSETS: 14.6%

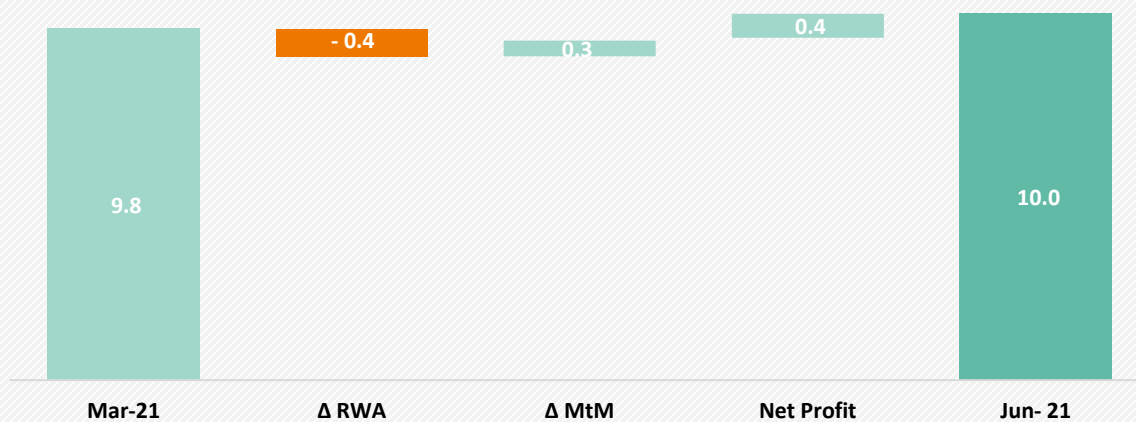
- Remaining Duration: **1.3 years** in Fixed bonds, **1.6 year** in Floating bonds, **2.2 years** in CPIs in TRY Sec. Portfolio.
- Real coupon rate of CPI Linker portfolio is 2.8%.
- Private sector bonds: **5%** of total portfolio



Strong internal capital generation supports our solvency metrics



Tier 1 (CET1) Evolution



Solvency Limits (%)

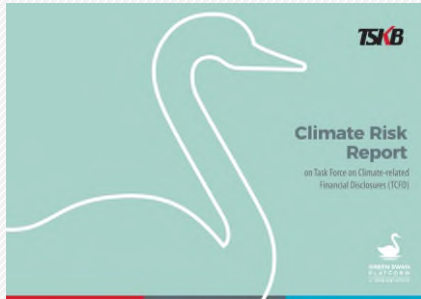
Solvency Limits (%)	2021
Capital Conservation Buffer	2.500
Counter Cyclical Buffer	0.010

CET 1	7.010
Tier 1 Ratio	8.510
CAR	10.510

Recent developments on ESG and Sustainable Banking

TSKB's Perspective on Climate Risks

First “**Climate Risks Report**” in the Turkish banking sector in line with Task Force on Climate-Related Financial Disclosures (TCFD) recommendations



- Combatting climate change
- Supporting transition to a low-carbon economy
- Physical and transition risks
- Science-based targets
- Sectoral case studies
- Sector-based heat map

TSKB undertakes to reduce its *Scope 1 emission*

42% by 2030

63% by 2035

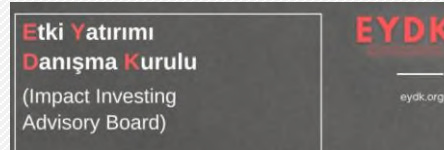
Since 2009, TSKB has been **offsetting** its *Scope 2 emission* by exclusively using renewable energy and will maintain this practice.

Funding: Sustainability-linked Syndicated Loan

- 192 million USD
- 3 Sustainability KPIs
- 14 Banks from 11 different countries
- 130% roll-over ratio

Investment Banking: Sukuk Issuance with a focus on the UN SDGs

- 45 mio TL
- w/ Zorlu Enerji
- SDG Contribution: SDG 7, SDG 12 and SDG 13



Member of “EYDK” which will facilitate the development of impact investing and a well-functioning ecosystem in Turkey.



ISO 45001 – Occupational Health and Safety Management
ISO 27001 – Information Security Management System



Appendix

Balance Sheet

mn	30/06/2020			31/12/2020			30/06/2021		
	TRY	FX	TOTAL	TRY	FX	TOTAL	TRY	FX	TOTAL
Cash and Banks	1,478	959	2,437	1,481	1,191	2,672	1,775	1,631	3,406
Securities	4,604	2,612	7,216	4,564	2,983	7,547	4,733	3,450	8,183
Loans (Gross)	3,779	31,273	35,052	4,136	34,984	39,120	4,227	42,194	46,421
Provisions	-350	-902	-1,252	-529	-1,223	-1,752	-607	-1,575	-2,182
Subsidiaries	935	63	998	1,295	77	1,372	1,342	102	1,444
Other	1,024	1,354	2,378	1,063	1,445	2,508	1,195	1,097	2,293
Total	11,470	35,360	46,830	12,009	39,457	51,466	12,666	46,899	59,566
ST Funds	-	1,667	1,667	-	1,894	1,894	-	1,991	1,991
LT Funds	-	26,615	26,615	-	29,349	29,349	-	34,479	34,479
Securities Issued	-	7,529	7,529	-	8,021	8,021	-	9,927	9,927
Repo & MM	879	935	1,813	842	1,258	2,100	619	1,785.19	2,404
Other	830	716	1,545	889	810	1,699	804	846	1,650
Tier 2	-	2,153	2,153	-	2,300	2,300	-	2,696	2,696
Equity	5,551	-43	5,508	5,981	123	6,105	6,347	72	6,419
Total	7,260	39,570	46,830	7,712	43,754	51,466	7,770	51,796	59,566

Detailed Income Statement

TRY mn	1Q-21	2Q-21	QoQ
Net Interest Income inc. Swap Cost	430.3	511.1	19%
Net Interest Income	551.7	630.8	14%
CPI Linkers	93.6	111.2	19%
Swap Costs (-)	121.5	119.7	-2%
Net Commissions	10.7	24.9	133%
Other Income	32.1	3.4	-90%
Dividends	2.7	0.3	-90%
Other	29.3	3.1	-89%
Trading & FX gains/losses	99.7	62.0	-38%
FX gains/losses	100.7	67.9	-33%
MtM gains/losses	-3.9	-2.1	-46%
Trading gains/losses	2.9	-3.8	n.m.
Banking Income	572.8	601.4	5%
OPEX (-)	64.3	64.7	1%
Net Banking Income	508.5	536.7	6%
ECL (-)*	289.4	242.7	-16%
Stage I	42.9	-125.4	n.m.
Stage II	143.6	241.7	68%
Stage III	71.6	82.8	16%
Other Provisions	31.3	43.6	40%
Income From Subsidiaries	55.4	34.1	-38%
Pre-Tax Income	274.5	328.1	20%
Tax (-)	48.6	75.2	55%
Net Income	225.9	252.9	12%

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