

# ***The Industrial Development Bank of Turkey***

*Earnings Presentation*

*3Q-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*

## >> 3Q-21 Key Highlights

16.4% Loan Growth

Robust  
Liquidity

Strong and Stable  
Annualized NIM 4.4%

ROE 16.1%

NPL; 3.8%  
Stage II; 11.9%

Gross CoR\*  
176 bps

Solid Solvency\*\*  
CAR @15.6%

- 16.4% nominal and 0.5% currency adjusted loan growth in the first 9 months
- Ample liquidity thanks to timely and successful wholesale borrowing activities and strong collection performance
- Robust and steady NIM supporting top-line including strong contribution from CPI-linkers
- Investment banking and advisory fees boost banking income
- Well preserved asset quality with no new inflow to problematic loans
- Gross CoR eased down to 176 bps will end-up below 150 bps
- Strong capital generation more than offsetting depreciation impact on solvency
- 115 mio TL additional free provisions in the third quarter
- Significant achievement and efforts in sustainability area in line with the Bank's mission and strategy

\*Net CoR is 167 bps. Currency impact is ~30 bps.

\*\*Excluding forbearances

## >> Guidance revisions

Financial Guidance (Bank Only)	2021E (%)	2021E (%) Revised	9M-21 Results (%)
<b>Growth</b>			
FX Adjusted Loan Growth	3-5	<2	0.5
<b>Profitability</b>			
Fees & Commissions Growth	~20	~35	32
Net Interest Margin (*)	~4.0	~4.5	4.4
Return On Equity	~14	~16	16.1
<b>Efficiency</b>			
OPEX Growth	<20	No change	20
Cost/Income Ratio	~14	No change	10.1
<b>Solvency**</b>			
Capital Adequacy Ratio	~15.5	No change	15.6
Tier 1 Ratio	~10.5	No change	10.3
<b>Asset Quality</b>			
Stage 2 Loans Ratio	~15	< 12.5	11.9
NPL Ratio	~4.5	~4.0	3.8
Cost of Risk***	<175 bps	~150 bps	176 bps

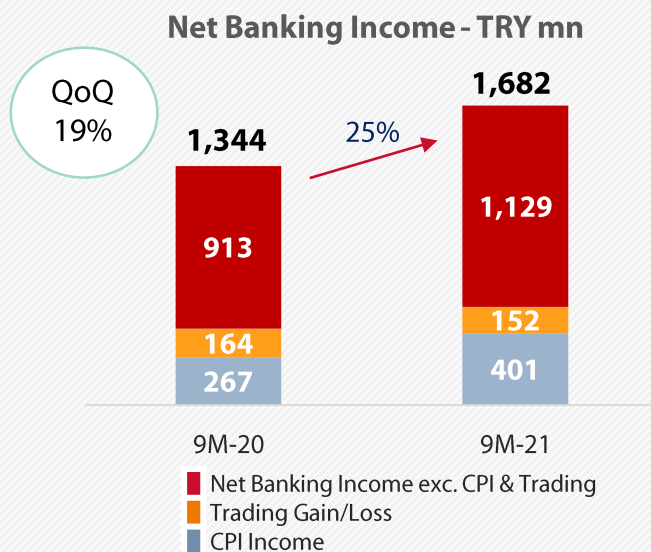
\*Swap adjusted, including FX Gains /Losses.

\*\*Excluding forbearance.

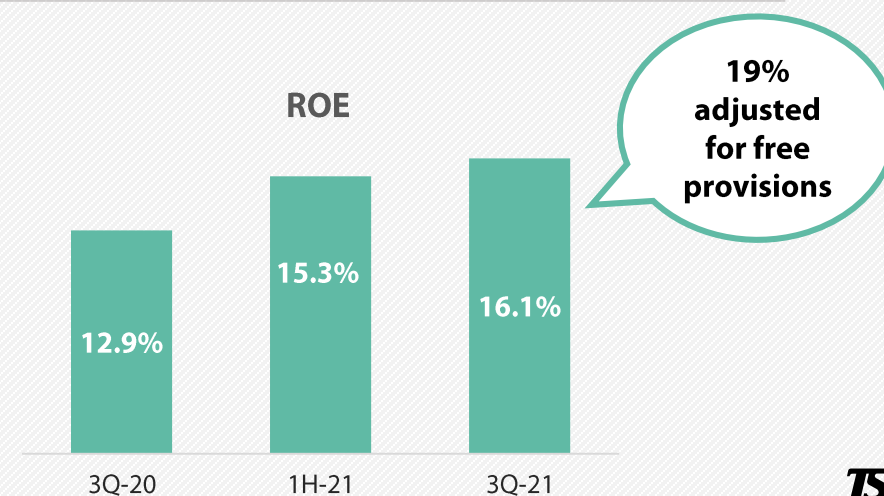
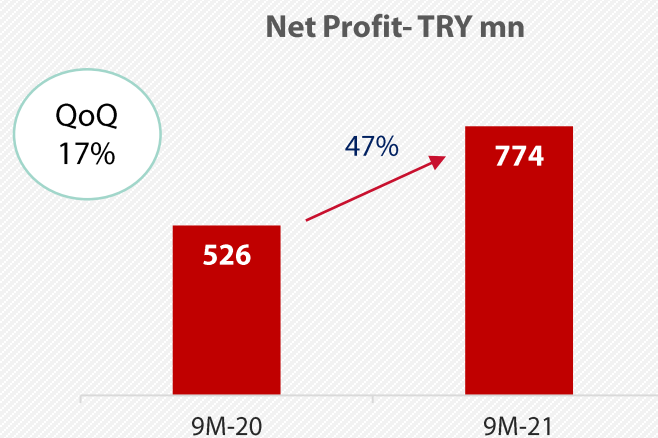
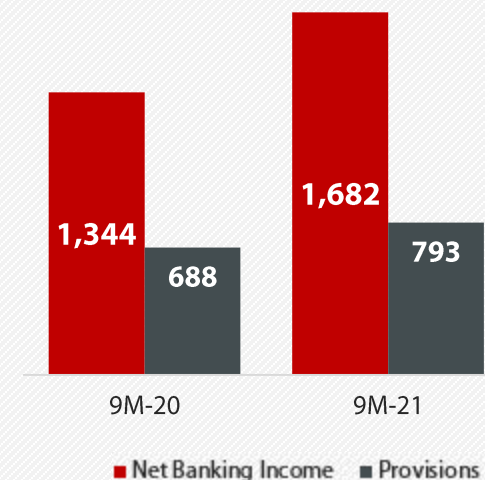
\*\*\* Gross CoR figure. Our CoR calculation includes currency impact and excludes NPL provision reversals.



## Strong profitability performance, further backed by CPI-linker revenues



**Net Banking Income vs Provisions - TRY mn**



## Takeaways from the Income Statement

TRY mn	9M-20	9M-21	YoY	2Q-21	3Q-21	QoQ
<b>Net Interest Income</b>	<b>1,293.9</b>	<b>1,621.3</b>	<b>25%</b>	<b>511.1</b>	<b>679.9</b>	<b>33%</b>
Trading Income	163.7	151.7	-7.3%	62.0	-10.0	n.m.
Net Fees & Commissions	38.6	50.9	32%	24.9	15.3	-39%
Other Income (Inc. Dividend)	7.4	49.5	n.m.	3.4	14.0	n.m.
<b>Banking Income</b>	<b>1,503.6</b>	<b>1,873</b>	<b>25%</b>	<b>601.4</b>	<b>699.2</b>	<b>16%</b>
OPEX (-)	159.9	191.8	20%	64.7	62.8	-3%
<b>Net Banking Income</b>	<b>1,343.7</b>	<b>1,681.6</b>	<b>25%</b>	<b>536.7</b>	<b>636.4</b>	<b>19%</b>
Provisions (-)	688.1	793.4	15%	242.7	261.3	8%
Income From Participations	18.0	132	n.m.	34.1	42.5	25%
Tax Provisions (-)	147.4	245.9	66.9%	75.2	122.1	62%
<b>Net Profit</b>	<b>526.1</b>	<b>774.3</b>	<b>47%</b>	<b>252.9</b>	<b>295.5</b>	<b>17%</b>

*Strong  
contribution of  
fees &  
commissions*

*Stellar core  
banking income  
generation*

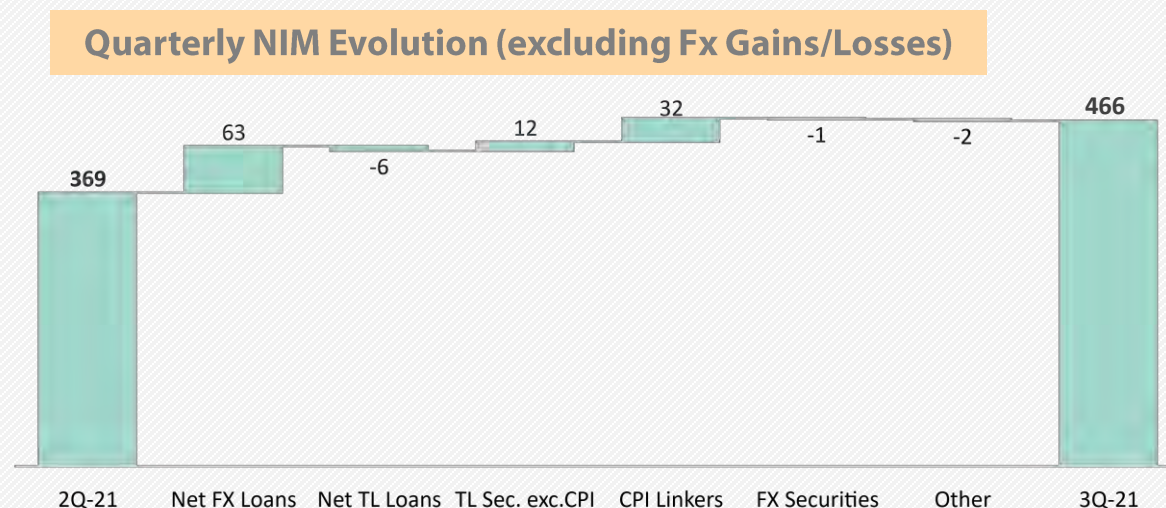
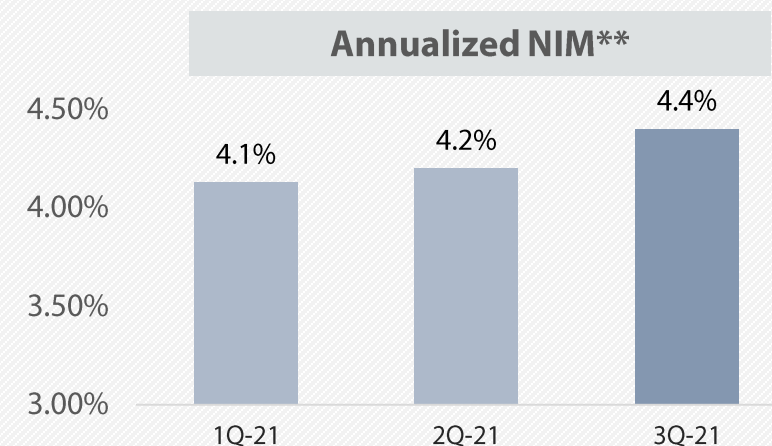
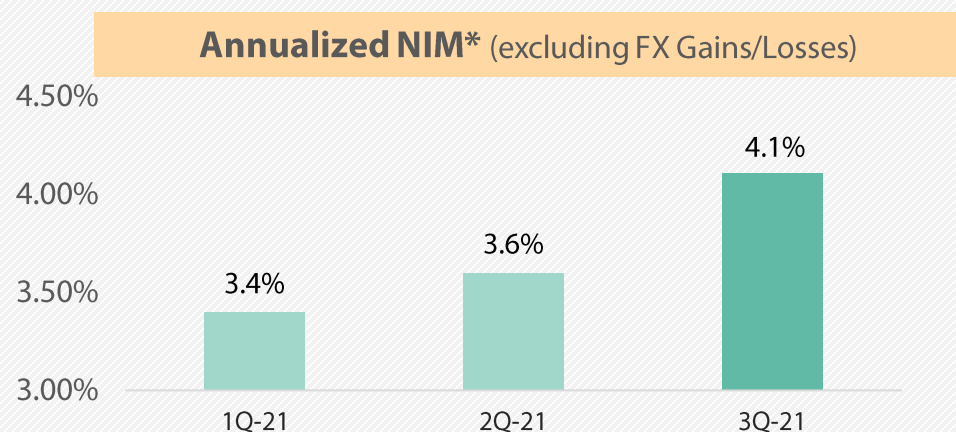
*OPEX  
on track*

*TL 115 mio of  
additional free  
provisions in 3Q*

*Continuous  
profitable  
performance from  
participations*

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

## Steady NIM Performance

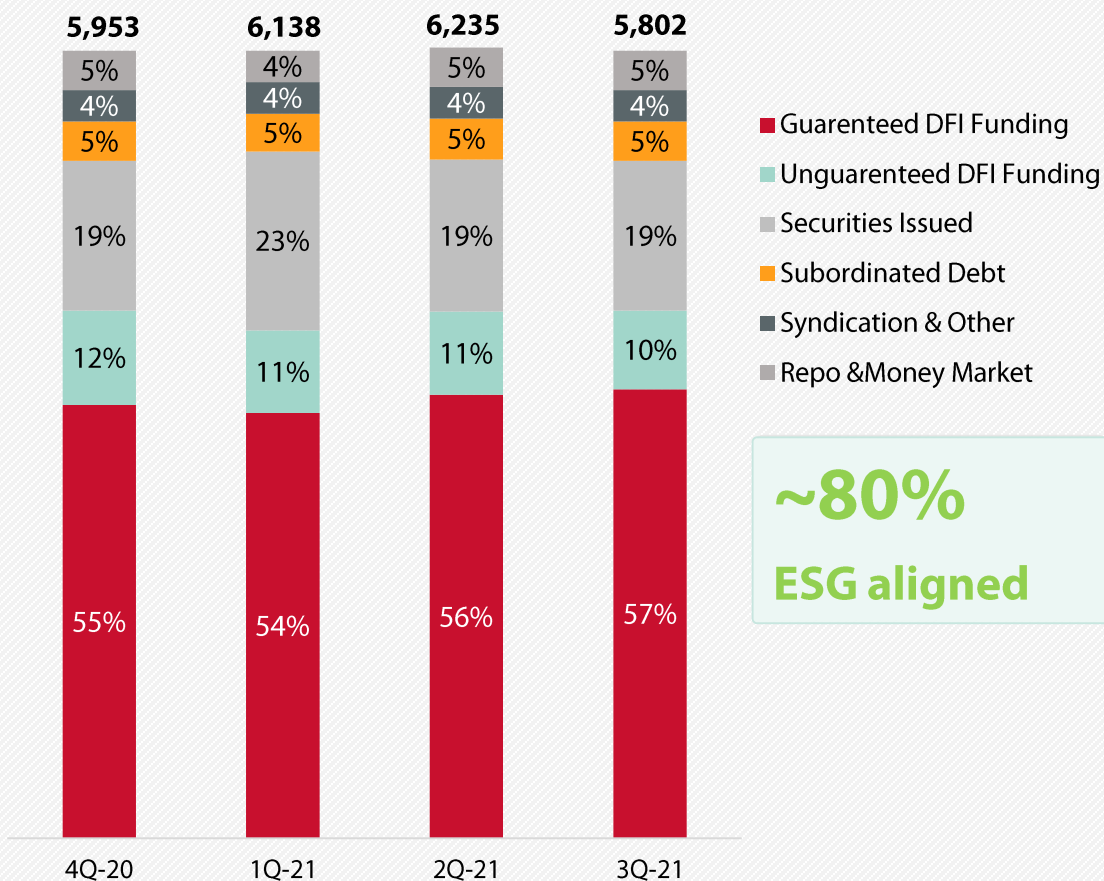


- NIM to overbeat year-end guidance, driven by improvements in the loan and security yields.
- Oct. to oct. CPI valuation is revised to 18.5%.

\*\*Annualized NIM computation in line with guidance calculation methodology.

## >> Comfortable FX liquidity and maturity profile

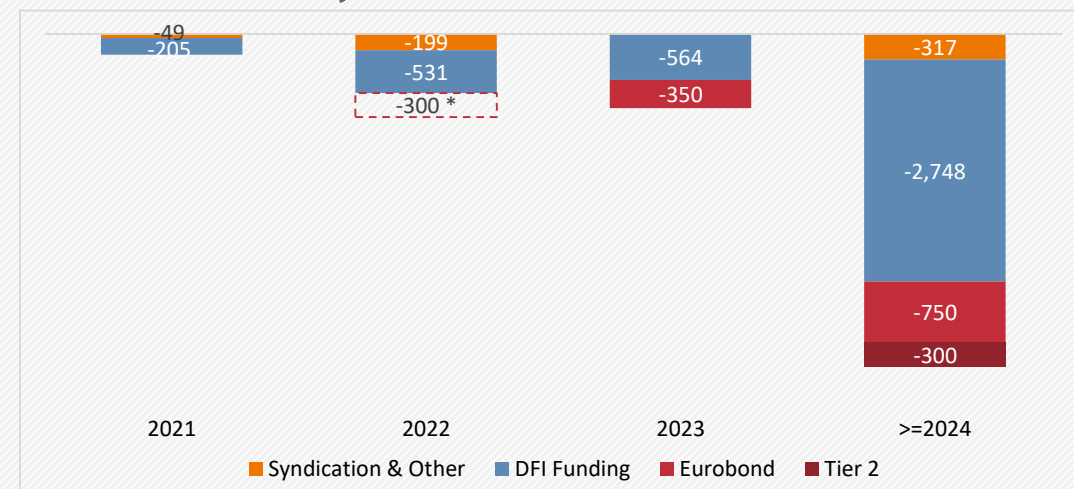
Funding / Total Liabilities (exc. Equity & Oth.) – USD mn



### ~ USD 200 mn Non-Withdrawn DFI Funding

Inclusiveness	69%
Sustainable Infrastructure	14%
Climate + Environment	12%
Manufacturing Industry	5%

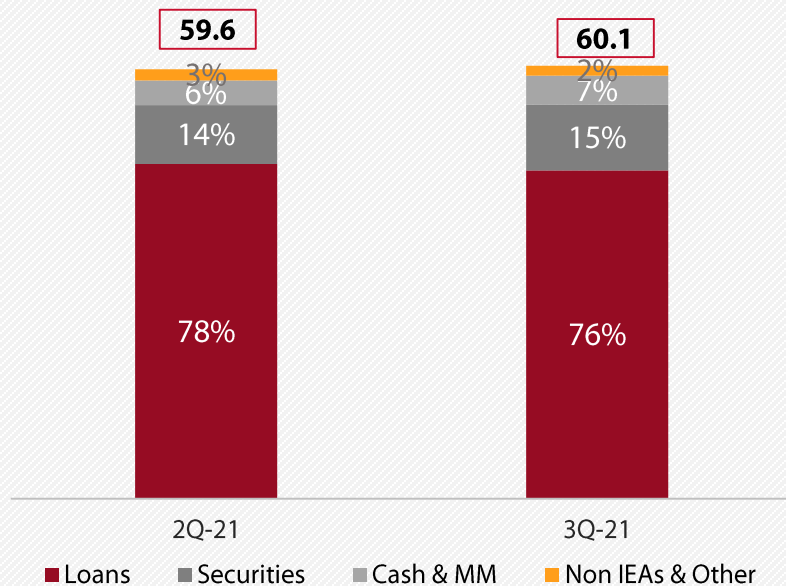
Maturity Profile of External Debt - USD mn



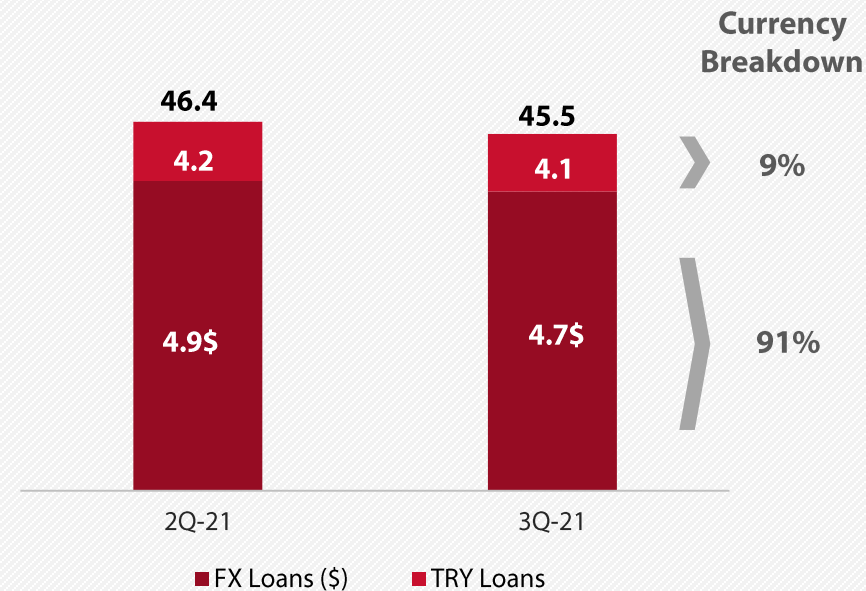
\* Tier 2 bond has issuer call in 2022

# Resilient asset composition

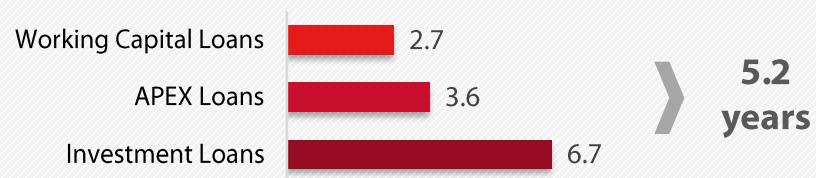
Asset Composition – TRY bn



Total Loans – TRY bn



Average Maturity - Years

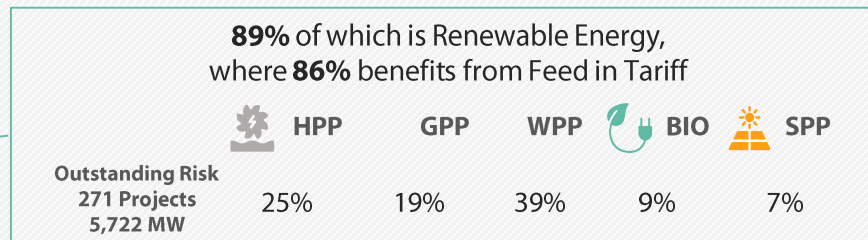
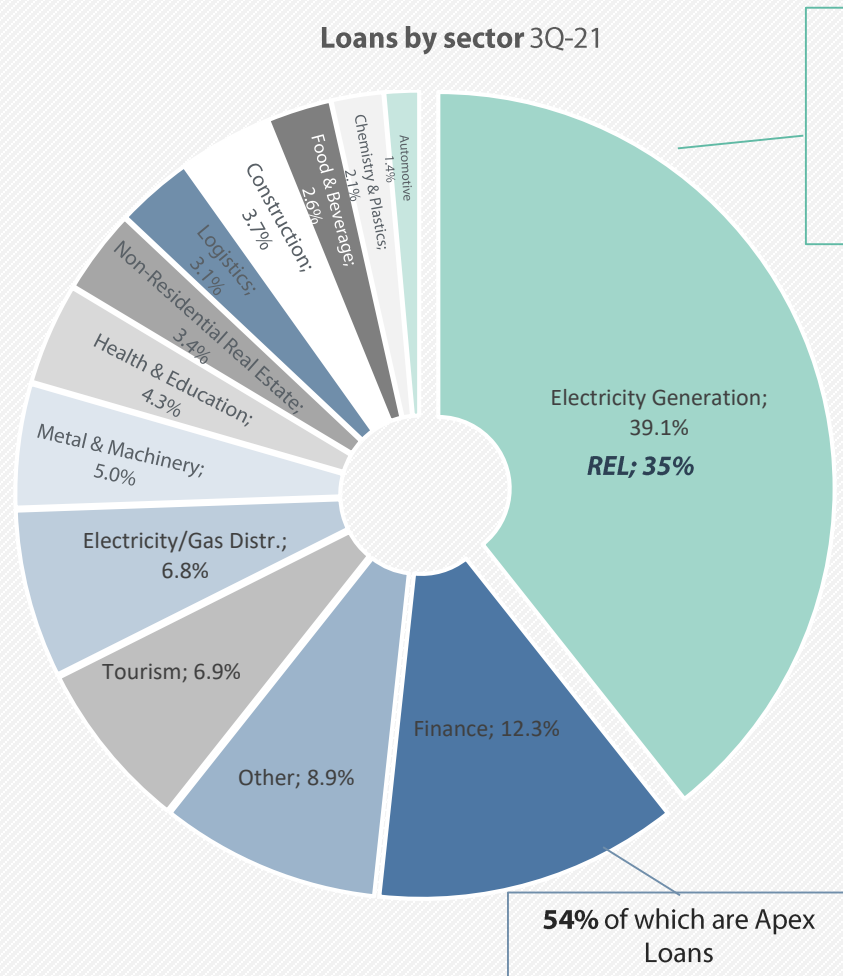


3Q-21 Loans by Currency & Type





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



## Substantially Supported SDGs through Loan Activities

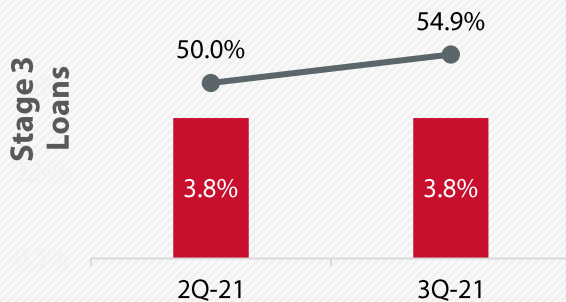
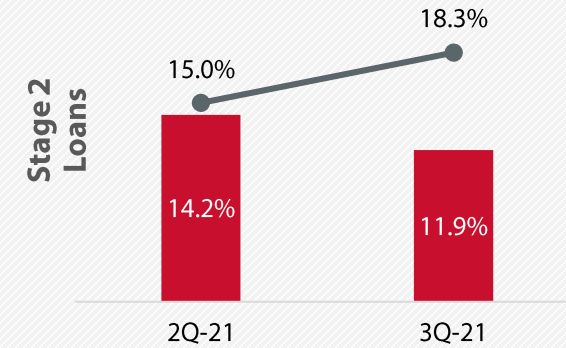
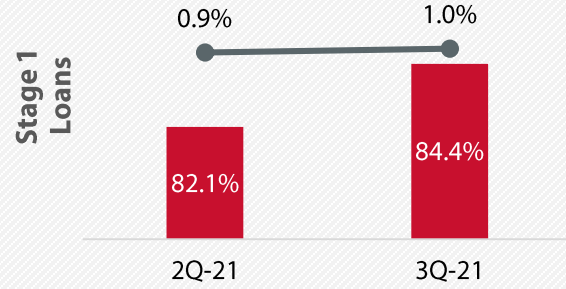


## Medium & Long-term SDG-linked Target

- 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

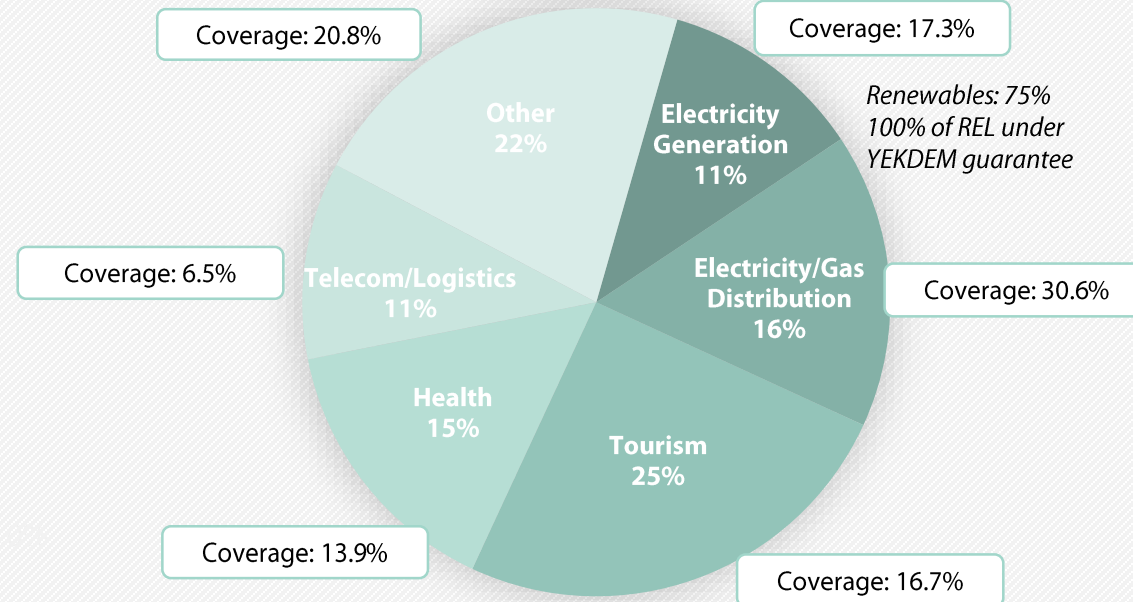


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—●— Coverage Ratio

	Gross Amount	Share in Total	Coverage Ratio	Provisions (-)
Stage 1	38,423	84.4%	0.96%	369
Stage 2	5,401	11.9%	18.4%	992
Stage 3	1,727	3.8%	54.9%	948
Gross Loans	45,551	100.0%	5.1%	2,309

### Stage-2 Loans Breakdown



~70% of Stage 2&3 Loans are Restructured

91% of Stage 3 Loans are restructured

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

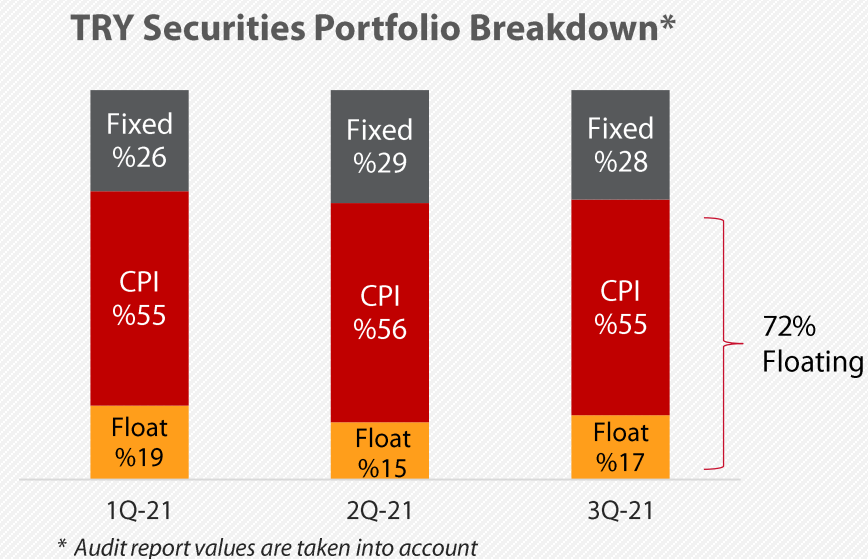
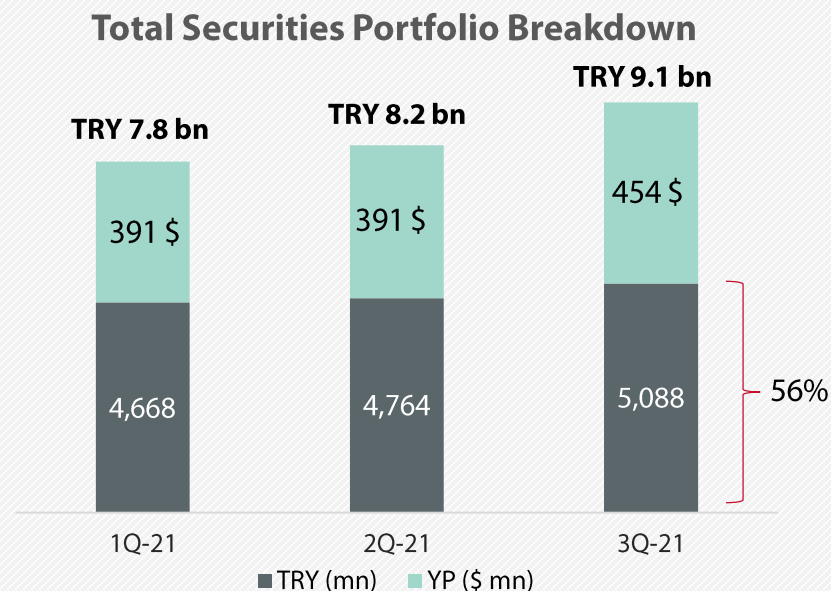
400 mn TL Free Provisions

Gross CoR  
176 bps

Net CoR  
167 bps

\*Others: Non-residential Real Estate, Metal&Machinery, Automotive and others.

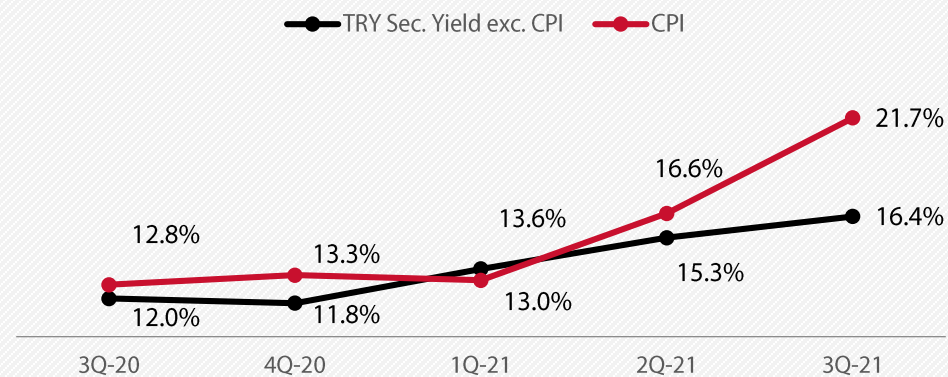
## Security book supporting Bank's profitability



### SECURITIES / ASSETS: 14.6%

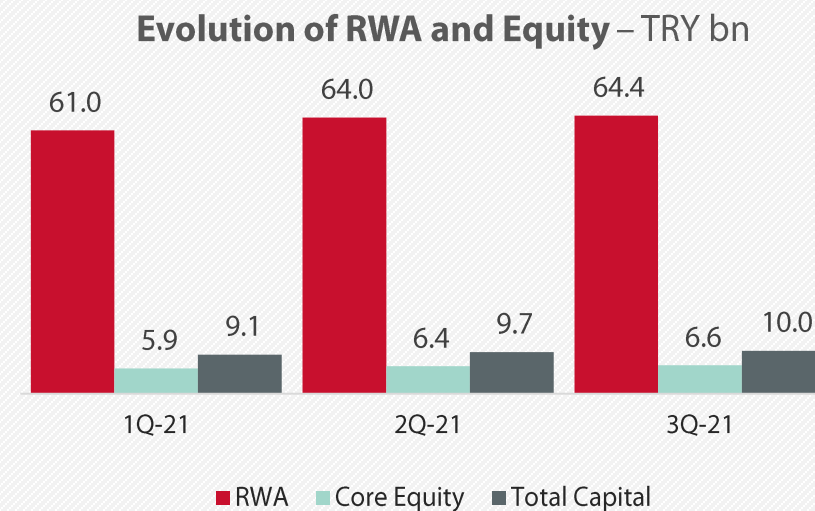
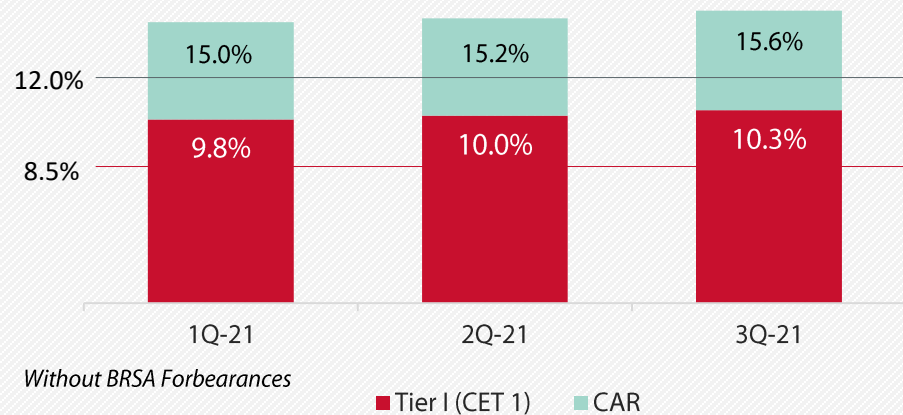
- Remaining Duration: **1.4 years** in Fixed bonds, **1.7 year** in Floating bonds, **2 years** in CPIs in TRY Sec. Portfolio.
- Real coupon rate of CPI Linker portfolio is **2.8%**.
- Private sector bonds: **5.4%** of total portfolio

### Security Yields

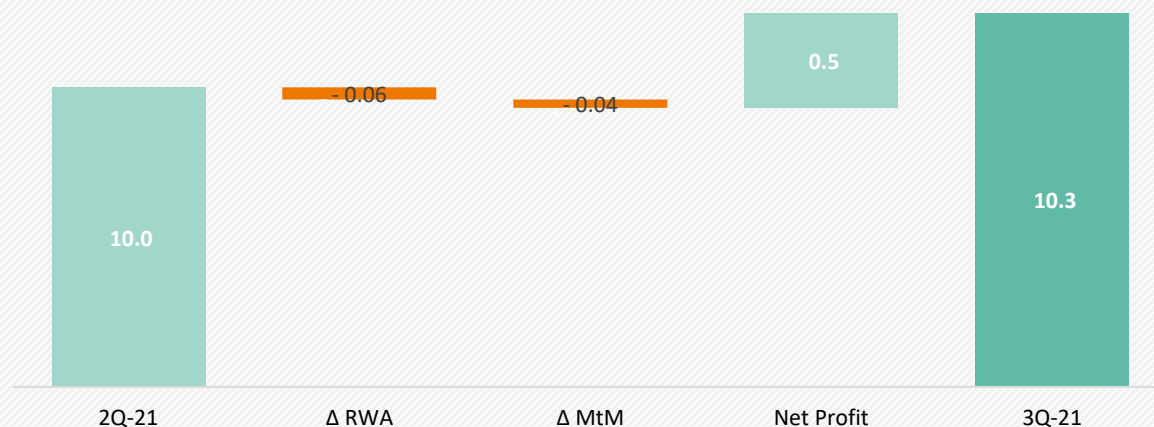


Bank's Oct.-Oct. CPI assumption is 18.5 percent.

## Strong internal capital generation supports our solvency metrics



### Tier 1 (CET1) Evolution



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

## ESG Risk Rating Update



**13.6**  
**ESG Risk Rating**  
**Low Risk**



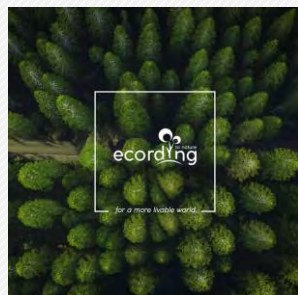
3.1 points improvement

**72.1**  
**ESG Risk Management**  
**Strong**



10.7 points improvement

1<sup>st</sup> place in Turkey  
6<sup>th</sup> place in subindustry  
54<sup>th</sup> place in industry



## Sustainable Collaboration

- w/ ecordimg
- Total 150 thousand seed balls via ecoDrone
- 100 seeds for each USD 1 Million-loan in compliance with SDGs

## Corporate Governance Rating Update

- Saha Rating
- Revised up to 9.59 from 9.56 over 10

## First SDG Linked Working Capital Loan

- 20 mio USD
- 3 Sustainability KPIs
- Contribution to SDG 5, SDG 8 and SDG 9



## Climate Review

- 4<sup>th</sup> issue
- Soil Theme
- Agricultural production
- Biodiversity
- Ecological balance



## *Appendix*



## Balance Sheet

mn	30/12/2020			30/06/2021			30/09/2021		
	TRY	FX	TOTAL	TRY	FX	TOTAL	TRY	FX	TOTAL
Cash and Banks	1,481	1,191	2,672	1,775	1,631	3,406	572	3,431	4,003
Securities	4,564	2,983	7,547	4,733	3,450	8,183	5,116	4,031	9,147
Loans (Gross)	4,136	34,984	39,120	4,227	42,194	46,421	4,134	41,417	45,551
Provisions	-529	-1,223	-1,752	-607	-1,575	-2,182	-583	-1,731	-2,314
Subsidiaries	1,295	77	1,372	1,342	102	1,444	1,511	123	1,634
Other	1,063	1,445	2,508	1,195	1,097	2,293	1,126	925	2,050
<b>Total</b>	<b>12,009</b>	<b>39,457</b>	<b>51,466</b>	<b>12,666</b>	<b>46,899</b>	<b>59,566</b>	<b>11,876</b>	<b>48,196</b>	<b>60,072</b>
ST Funds	-	1,894	1,894	-	1,991	1,991	-	2,234	2,234
LT Funds	-	29,349	29,349	-	34,479	34,479	-	34,720	34,720
Securities Issued	-	8,021	8,021	-	9,927	9,927	-	9,984	9,984
Repo & MM	842	1,258	2,100	619	1,785	2,404	452	1,330	1,781
Other	889	810	1,699	804	846	1,650	886	1,094	1,980
Tier 2	-	2,300	2,300	-	2,696	2,696	-	2,687	2,687
Equity	5,981	123	6,105	6,347	72	6,419	6,657	30	6,687
<b>Total</b>	<b>7,712</b>	<b>43,754</b>	<b>51,466</b>	<b>7,770</b>	<b>51,796</b>	<b>59,566</b>	<b>7,995</b>	<b>52,077</b>	<b>60,072</b>

## Detailed Income Statement

TRY mn	1Q-21	2Q-21	3Q-21	QoQ
<b>Net Interest Income inc. Swap Cost</b>	<b>430.3</b>	<b>511.1</b>	<b>679.9</b>	<b>33%</b>
Net Interest Income	551.7	630.8	744.4	18%
CPI Linkers	93.6	111.2	195.6	76%
Swap Costs (-)	121.5	119.7	64.5	-46%
<b>Net Commissions</b>	<b>10.7</b>	<b>24.9</b>	<b>15.3</b>	<b>-39%</b>
<b>Other Income</b>	<b>32.1</b>	<b>3.4</b>	<b>14.0</b>	<b>n.m.</b>
Dividends	2.7	0.3	-	-
Other	29.3	3.1	14.0	n.m.
<b>Trading &amp; FX gains/losses</b>	<b>99.7</b>	<b>62.0</b>	<b>-10.0</b>	<b>n.m.</b>
FX gains/losses	100.7	67.9	-20.8	n.m.
MtM gains/losses	-3.9	-2.1	2.3	n.m.
Trading gains/losses	2.9	-3.8	8.5	n.m.
<b>Banking Income</b>	<b>572.8</b>	<b>601.4</b>	<b>699.2</b>	<b>16%</b>
OPEX (-)	64.3	64.7	62.8	-3%
<b>Net Banking Income</b>	<b>508.5</b>	<b>536.7</b>	<b>636.4</b>	<b>19%</b>
ECL (-)	289.4	242.7	261.3	8%
Stage I	42.9	-125.4	29.6	124%
Stage II	143.6	241.7	31.0	-87%
Stage III	71.6	82.8	85.5	3%
Other Provisions	31.3	43.6	115.2	n.m.
<b>Income From Subsidiaries</b>	<b>55.4</b>	<b>34.1</b>	<b>42.5</b>	<b>25%</b>
<b>Pre-Tax Income</b>	<b>274.5</b>	<b>328.1</b>	<b>417.6</b>	<b>27%</b>
Tax (-)	48.6	75.2	122.1	62%
<b>Net Income</b>	<b>225.9</b>	<b>252.9</b>	<b>295.5</b>	<b>17%</b>





## TSKB Financial Institutions & Investor Relations

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