

The Industrial Development Bank of Türkiye

Earnings Presentation
2Q22 Bank-only Results



Turkey's Most Sustainable Bank



Best Bank for Sustainable Development Turkey

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➤ 2Q-22 At a Glance

Strong FX liquidity boosted by new funding agreements

- New funding agreement signed with EBRD
- Sustainability-Linked syndication loan
- ~80% ESG-linked funding

Profitability above expectations

- ROE: 40.4%
- NIM: 5.7%
- Strong fees commission income

Intact Asset Quality & Strong Provisioning

- NPL: 3.3%
- No inflow to NPL

Further enhanced solvency above regulatory requirements

- CAR: 14.5%
 - Tier-I: 13.3%
- *Excluding BRSA's temporary measures

- Strong profitability backed by stable and robust core spreads, increasing yields of securities portfolio and continuation of fees commission income contribution
- Sustainability- Linked syndication loan agreement amounted USD 109 million
- Strong liquidity, with ESG weight reaching 80% within the funding base
- SDG focused development contribution to Turkish economy continues
- Successful management of security portfolio well-supported our NII.
- Investment banking and advisory fees continues to contribute banking income
- Solvency ratios above regulatory levels given the strong capital generation capability
- Well preserved asset quality, with no new inflow to NPL
- Maintained prudent approach and set aside additional 65 mio TL free provision for the quarter which increased the stock amount to 720 mio TL



2022YE Guidances vs 2Q22 Results

Financial Guidance (Bank Only)	1H22 (%) Results	2022YE (%) Guidance	2022YE (%) Guidance Revision
Growth			
FX Adjusted Loan Growth	-9.9	Contraction	Contraction
Profitability			
Net Interest Margin (*)	5.7	~4.0	>6
Fees & Commissions Growth	133	~30	~80
Return On Equity	40.4	Low twenties	>40**
Efficiency			
OPEX Growth	72	~50	in line with CPI
Cost/Income Ratio	6.8	<14	~7.0
Solvency***			
Capital Adequacy Ratio	14.5	~16.0	13.0
Tier 1 Ratio	13.3	~10.0	12.0
Asset Quality			
NPL Ratio	3.3	<4.5	~3.0
Net Cost of Risk****	268 bps	~200 bps	~250 bps

*Excluding FX Gains /Losses.

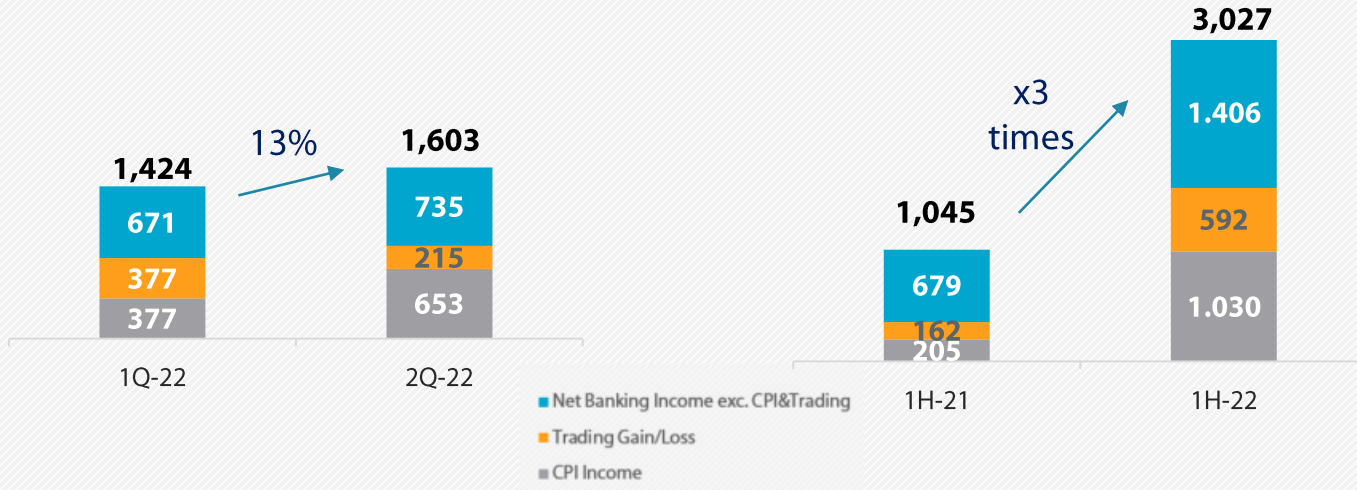
**When free provisions are adjusted, ROE reaches up to 47%

***Excluding BRSA's temporary measures.

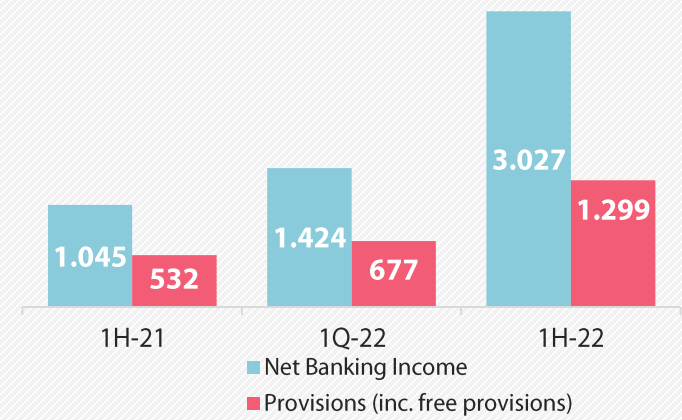
**** Including currency impact. When currency impact is adjusted, Net COR around 100 bps

Strong core revenue contribution continues

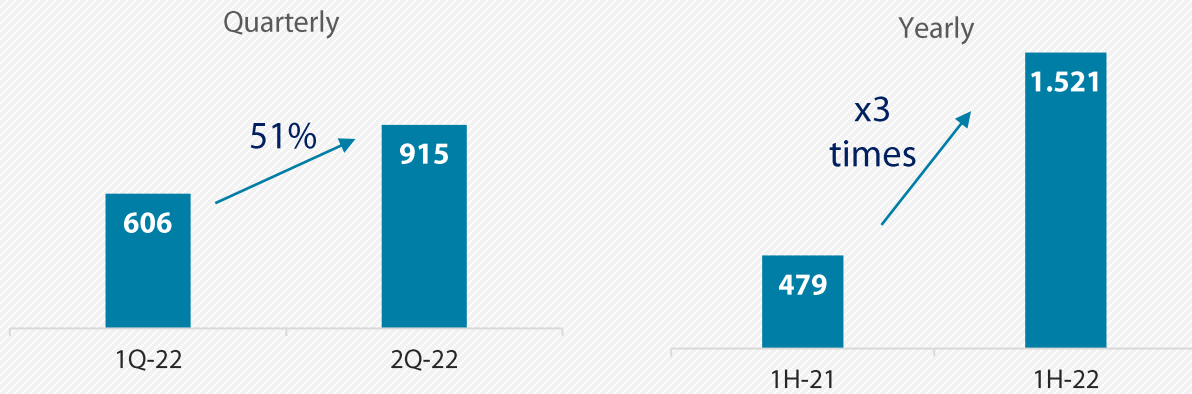
Net Banking Income - TL mn



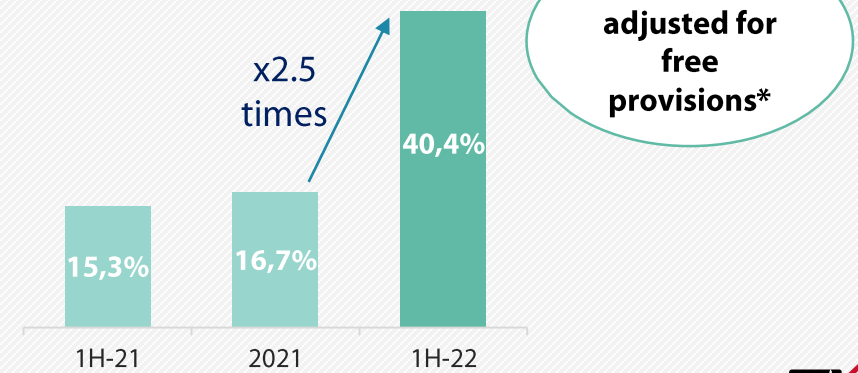
Net Banking Income vs Provisions - TL mn



Net Profit- TL mn

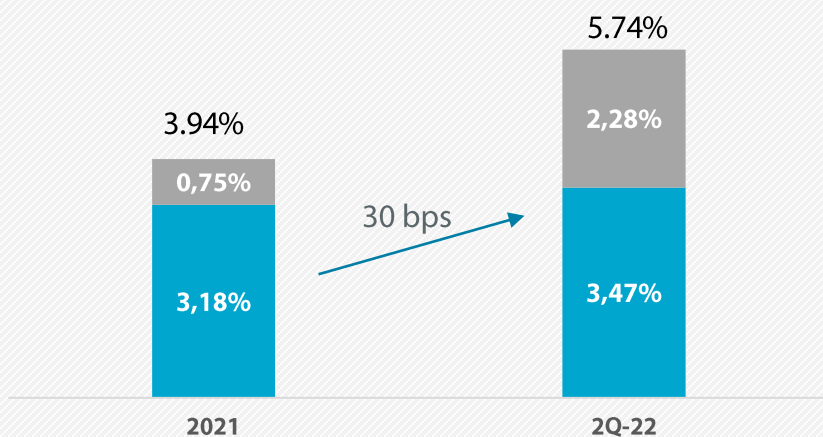
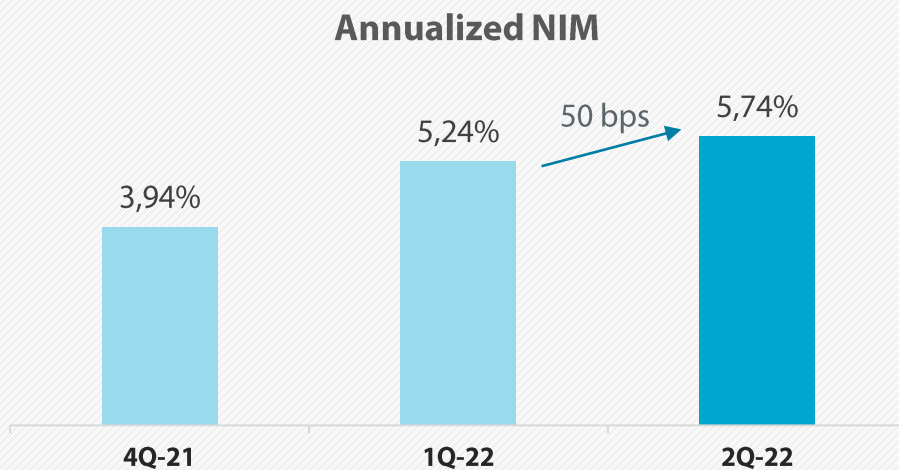


ROE



*Excluding the extra provisions set aside in 1H-22

Increasing NIM performance trend above expectations



■ Core NIM ■ CPI Impact

- Robust margin expansion continues excluding CPI linkers
- 2022 October to October CPI valuation assumption is revised to 66.5% from 49%.
- 437 mio TL additional revenue generated from CPI assumption revisions.
- Annualized NIM has elevated by 50 bps in the 2Q22

Income Statement Highlights

TL mn	1H-21	1H-22	YoY	1Q-22	2Q-22	QoQ
Net Interest Income	941.4	2,527.3	168%	1,092.9	1,434.4	31%
Trading Income	161.7	591.9	266%	376.5	215.4	-43%
Net Fees & Commissions	35.6	82.8	133%	31.6	51.2	62%
Other Income (Inc. Dividend)	35.5	47.6	34%	31.7	15.9	-50%
Banking Income	1,174.2	3,250	177%	1,532.7	1,716.9	12%
OPEX (-)	129.0	222.4	72%	108.3	114.1	5%
Net Banking Income	1,045.2	3,027.2	190%	1,424.4	1,602.8	13%
Provisions (-)	532.1	1,299.2	144%	677.1	622.1	-8%
Income From Participations	89.5	230	156%	74.6	154.9	108%
Tax Provisions (-)	123.8	436.3	252%	216.0	220.3	2%
Net Profit	478.8	1,521	218%	605.9	915.3	51%

*Sustainable
profitability
performance*

*Strong
contribution of
fees &
commissions*

*Stellar
profitability
continues to
support our
general and free
provisions*

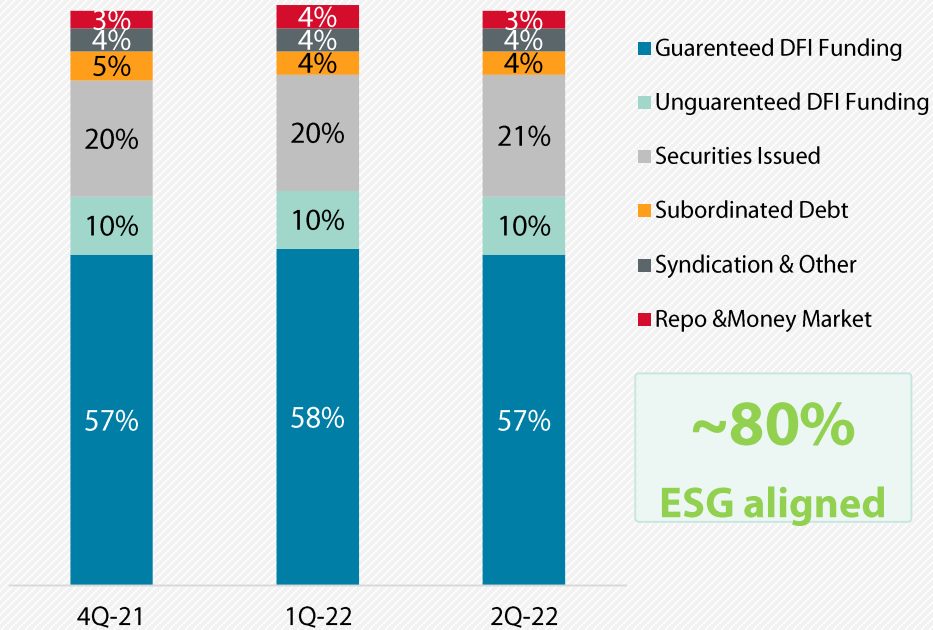
*Remarkable lift in
the income from
participations*

*Costs under
control*

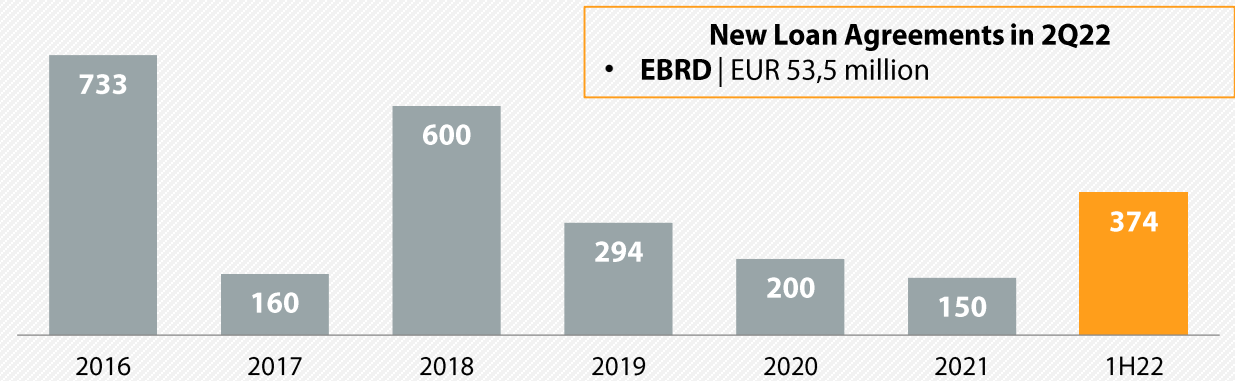
- Based on MIS data
- Interest expense of long and short term swaps, valuations of hedge positions for Eurobonds issued and exchange differences arising from rediscounts are adjusted under NII
- Provisions include Expected Credit Losses in the audited P&L excluding impairment expenses of marketable securities

Comfortable FX Liquidity and Maturity Profile

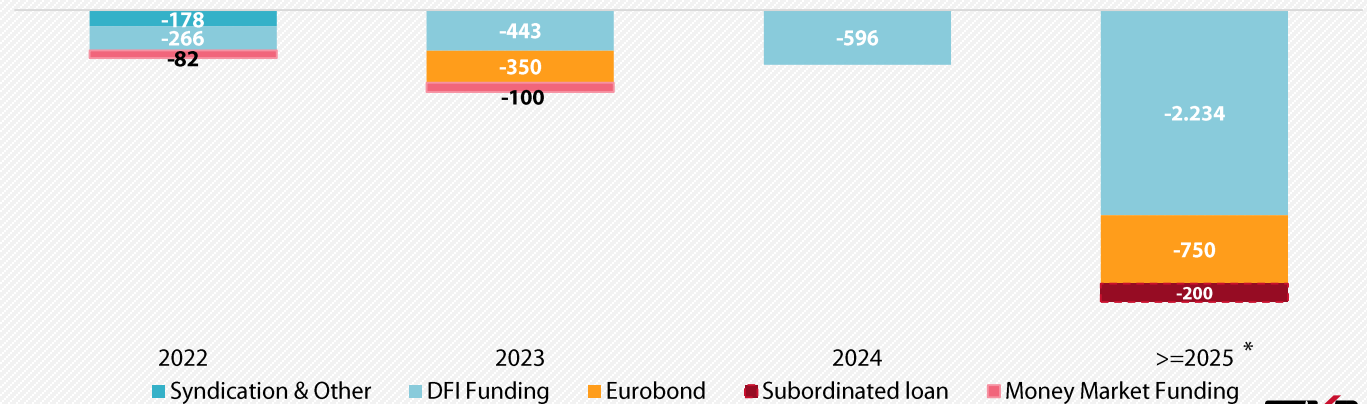
Funding / Total Liabilities (exc. Equity & Oth.) – USD mn



Yearly Multilateral Funding Agreements – USD mn



Maturity Profile of External Debt - USD mn



~ USD 540 mn Non-Withdrawn DFI Funding

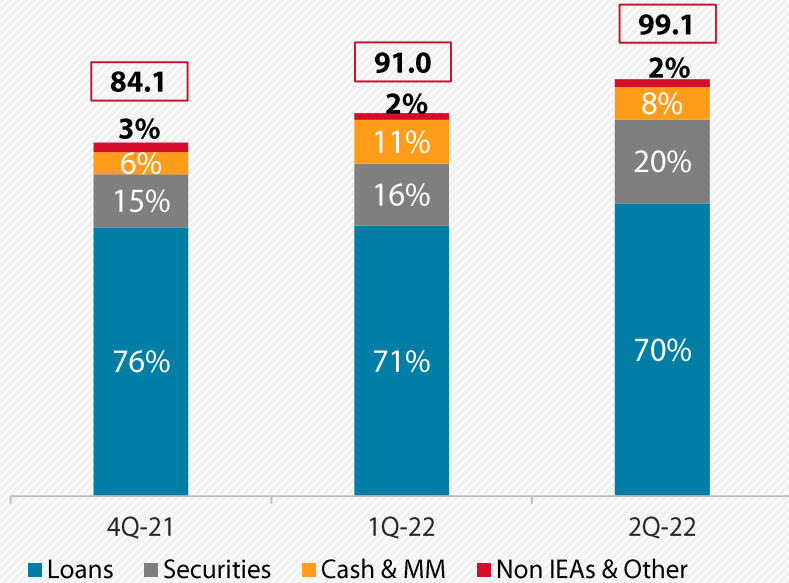
Climate 73%
Inclusiveness 27%

FX Liquidity Coverage Ratio :
308%

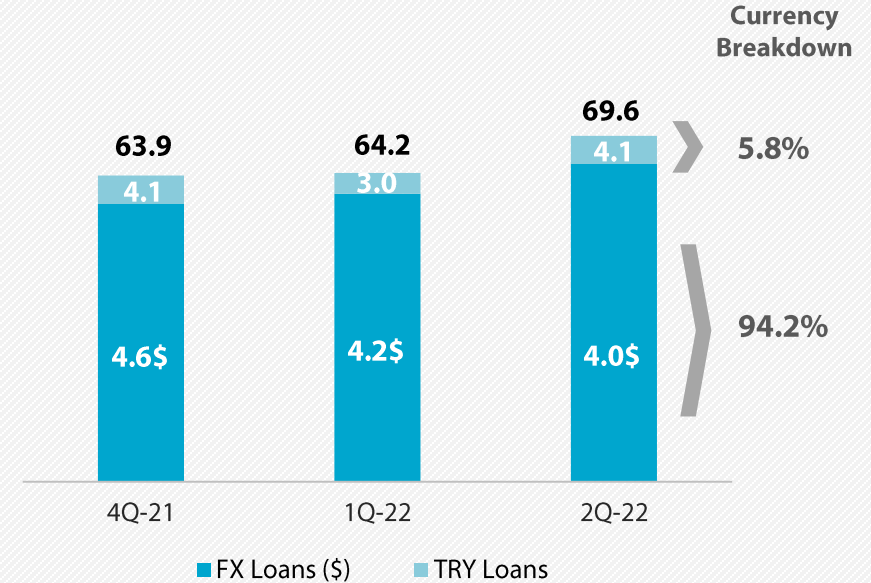
* USD 200 million AT-I loan has a call option in 2027.

Resilient Asset Composition

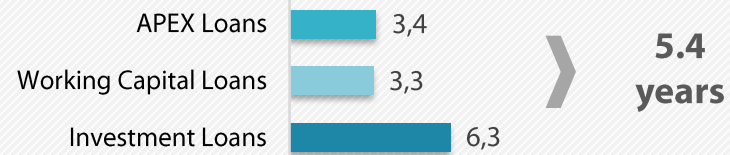
Asset Composition – TL bn



Total Loans – TL bn



Remaining Average Maturity - Years

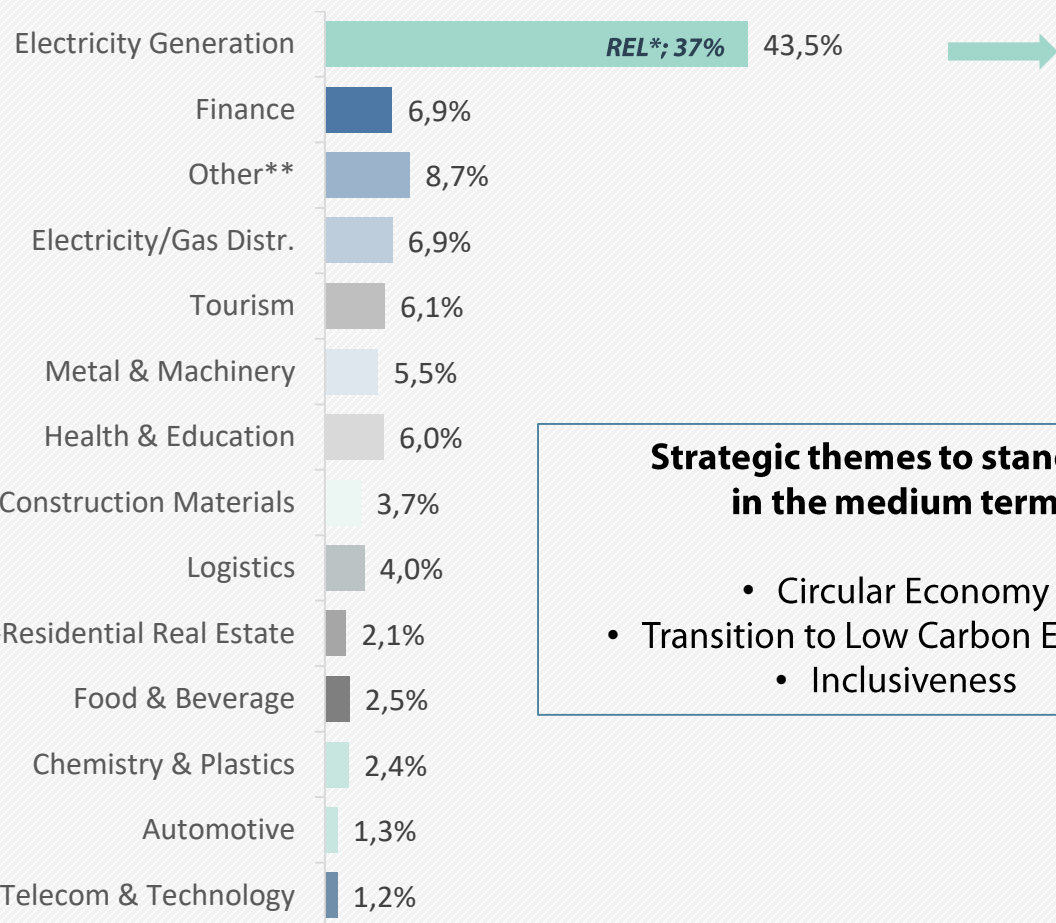


2Q-22 Loans by Currency & Type



SDG-Linked Loans Account for Nearly 93% of the Portfolio

Loans by sector 2Q-22



88% of which is Renewable Energy, where 90% benefits from Feed in Tariff

Outstanding Risk
259 Projects
6,784 MW

Category	Percentage
HPP	22%
GPP	19%
WPP	38%
BIO	11%
SPP	10%

Strategic themes to stand out in the medium term

- Circular Economy
- Transition to Low Carbon Economy
- Inclusiveness

Substantially Supported SDGs through Loan Activities



* Renewable Energy Loans
** Textile, retail and others



Asset quality remains intact, coverages further elevated thanks to strong profitability

—●— Coverage Ratio

Stage I Loans

1,2% — 1,2%



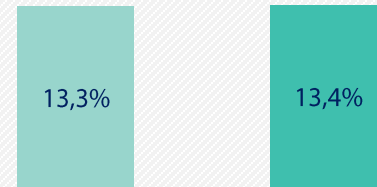
1Q-22 2Q-22

Gross Amount
57,986

Provisions
667

Stage II Loans

18,8% — 20,0%



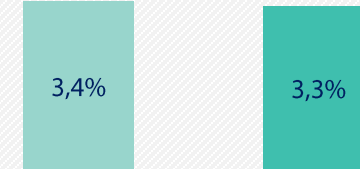
1Q-22 2Q-22

Gross Amount
9,290

Provisions
1,853

Stage III Loans

53,2% — 62,7%



1Q-22 2Q-22

Gross Amount
2,322

Provisions
1,456

Total NPL Coverage:
152%*

Total Stage 2 Coverage:
95%*

Total Coverage:
5.7%

Total Free Provisions:
TL 720 mio
(TL 65 mio additional in 2Q22)

* Hard collateral & provisions are taken into consideration

Stage 2 Loans

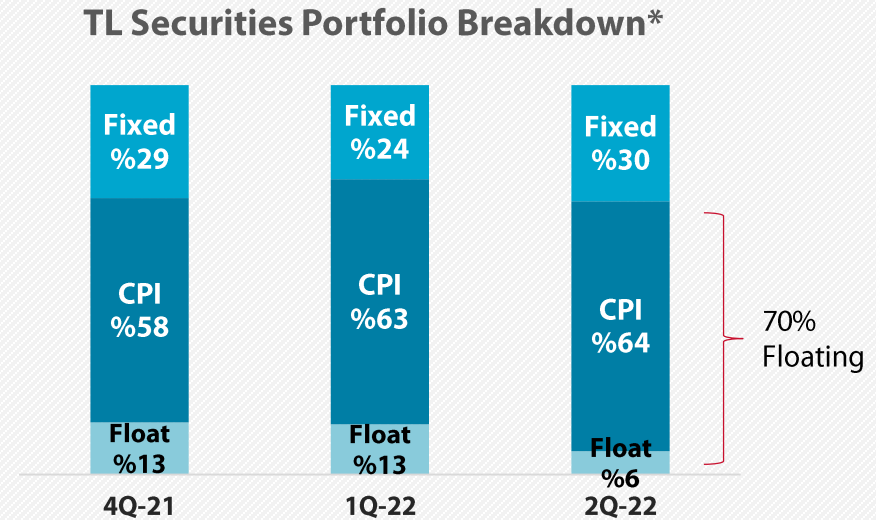
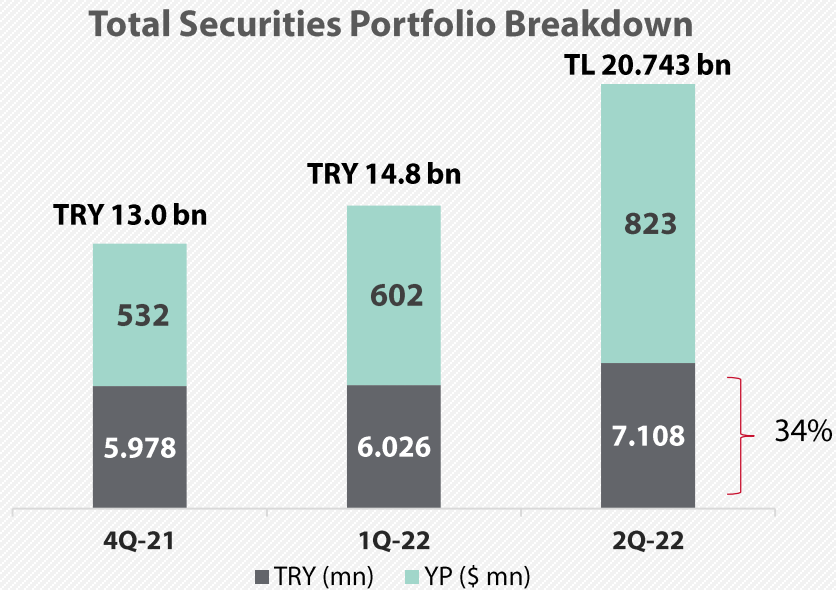
Sector	%	Coverage (%)
Tourism	26	17.0
Electricity/Gas Distribution	18	34.8
Health	16	13.9
Electricity Generation	12	17.7
Renewables (%100 YEKDEM guarantee)	73	11.0
Non Renewables	27	36.0
Telecom/Logistics	9	7.1
Non-residential Real Estate	7	26.4
Other	7	20.1
Metal and Machinery	4	20.8
TOTAL	100	19.9

92% of Stage 3
Loans are
restructured

70% of Stage 2&3
Loans are
Restructured

100 bps net CoR exc.
currency impact

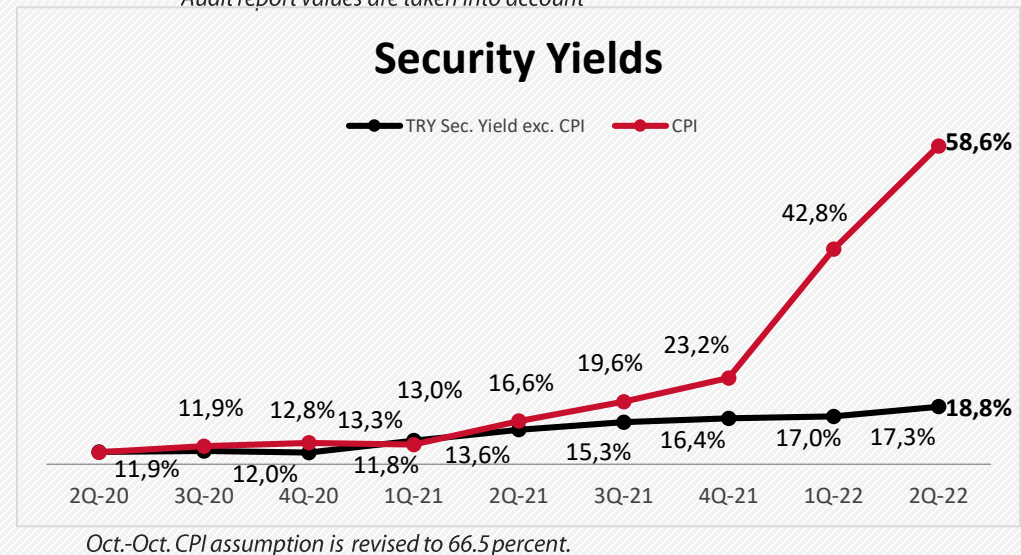
Well-managed Security Book Supports our Bank's Profitability



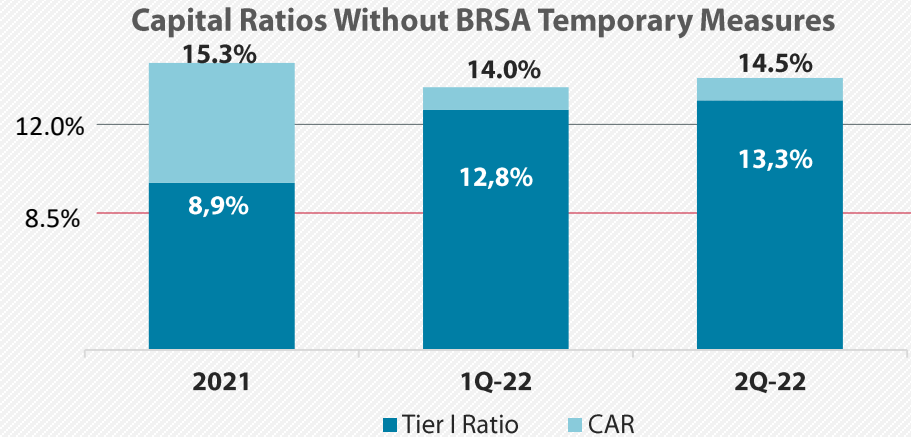
SECURITIES / ASSETS: 20%

Strategically managed securities portfolio

- Remaining Duration: **1.7 years** in Fixed bonds, **2.5 years** in Floating bonds, **3.8 years** in CPIs in TRY Sec. Portfolio.
- Investment in private sector bonds – 3.0% in TL securities book
- Redemptions were replaced with CPI linkers and fixed income TL securities with higher yields.

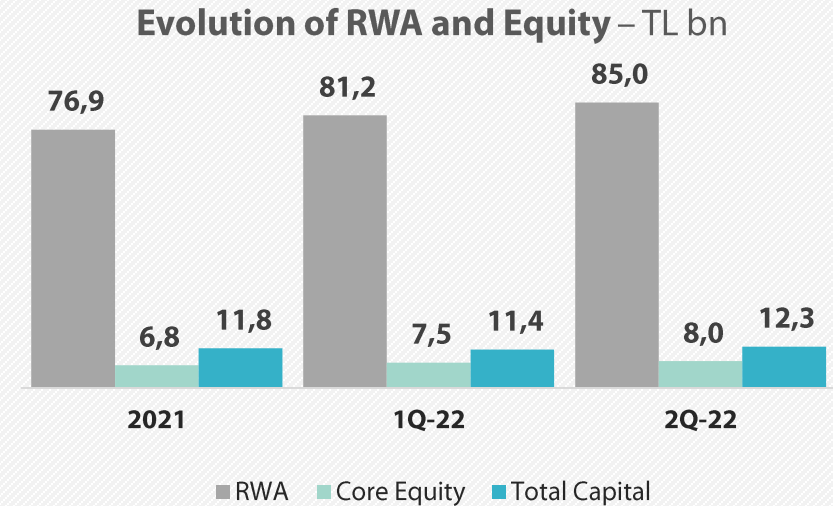


Strengthened Solvency Metrics above regulatory levels



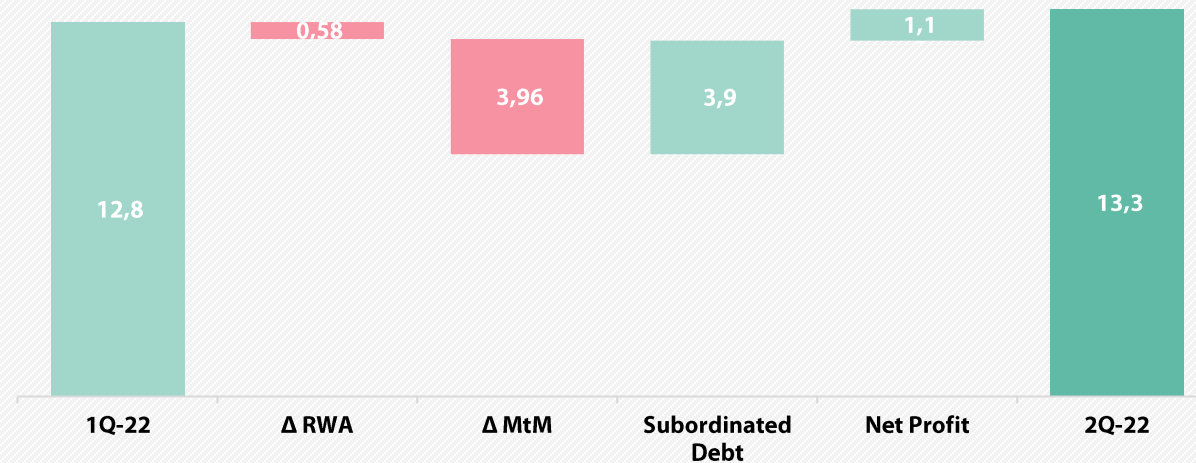
2Q-22 CET-I Ratio: 9.4%

With BRSA Temporary Measures – CAR: 17.7% | Tier I: 16.5% | CET-1: 12.0%



Free Provision Stock Adjusted
CAR: 15.3%
Tier I: 14.1%

Tier 1 Ratio Evolution



➤ Sustainability Developments – 2Q22

Pathway to Net Zero

Climate Risks Evaluation Tool (CRET)

- Developed in-house
- Quantification of physical and transition risks
- Integrated into the credit evaluation criteria and started to submit to the committee

Long-term Emissions Targets

- Started to include “financed emissions” into the emission calculation and verification processes
 - 2021 calculation:**
 - Carbon intensive sectors – Non-renewable power generation, cement and iron-steel
 - 7.5% of our loan portfolio which represent 70% of our financed emissions
- Submission to SBT-i for the verification of our long-term emission targets – *Ongoing*
- Membership in UN Net Zero Banking Alliance – *Ongoing*
- Submission of our CDP Climate Change Report for the year 2021 – *Done*

IDFC Training - Climate Strategy and Physical Risk Assessment

- First training week
- Hosted by TSKB in Istanbul
- 34 climate experts from 12 member institutions
- Capacity building

3rd Sustainability-linked Syndicated Loan

- USD 109 million
- 8 participants from 8 different countries
- Differentiating with 3 ambitious KPIs in line with the Bank's medium and long-term targets

Reduce our **Scope 1 (direct) emissions** by
%42 by 2030
%63 by 2035

Maintain offsetting **Scope 2 emission**

Further deepen **Scope 3 emission** studies



Turkey's Most Sustainable Bank



Best Bank for Sustainable Development Turkey





Appendix

Balance Sheet

mn	31/12/2021			31/03/2022			30/06/2022		
	TL	FX	TOTAL	TL	FX	TOTAL	TL	FX	TOTAL
Cash and Banks	1,526	3,715	5,241	3,552	6,851	10,403	2,280	5,457	7,738
Securities	5,896	6,730	12,626	6,283	8,493	14,776	7,159	12,711	19,870
Loans (Gross)	4,072	59,830	63,905	2,953	61,294	64,247	4,068	65,530	69,598
Provisions	-583	-2,530	-3,113	-605	-2,858	-3,462	-591	-3,394	-3,986
Subsidiaries	1,749	197	1,946	1,803	229	2,033	1,942	307	2,249
Other	2,441	1,051	3,492	2,572	466	3,039	2,566	1,101	3,666
Total	15,104	68,993	84,096	16,559	74,476	91,035	17,423	81,712	99,135
ST Funds	-	3,179	3,179	-	3,486	3,486	-	3,690	3,690
LT Funds	-	49,665	49,665	-	54,015	54,015	-	58,429	58,429
Securities Issued	-	14,928	14,928	-	16,217	16,217	-	18,678	18,678
Repo & MM	166	2,009	2,175	948	2,490	3,438	70	2,950	3,020
Other	1,671	1,509	3,180	2,140	1,237	3,377	1,569	2,229	3,798
Tier 2	-	4,029	4,029	-	2,916	2,916	-	3,408	3,408
Equity	7,157	-217	6,941	7,830	-245	7,585	8,959	-847	8,112
Total	8,995	75,102	84,096	10,918	80,116	91,035	10,598	88,537	99,135

➤ Detailed Income Statement

TL mn	1H-21	1H-22	YoY	1Q-22	2Q-22	QoQ
Net Interest Income inc. Swap Cost	941.4	2,527.3	168%	1,092.9	1,434.4	31%
Net Interest Income	1,182.6	2,733.7	131%	1,197.4	1,536.3	28%
CPI Linkers	204.8	1,029.7	n.m.	377.2	652.5	73%
Swap Costs (-)	-241.1	-206.4	-14%	-104.5	-101.9	-3%
Net Commissions	35.6	82.8	133%	31.6	51.2	62%
Other Income	35.5	47.60	34%	31.7	15.9	-50%
Dividends	3.0	5.80	93%	4.3	1.5	-65%
Other	32.5	41.8	29%	27.4	14.4	-47%
Trading & FX gains/losses	161.7	591.9	266%	376.5	215.4	-43%
FX gains/losses	168.6	419.8	149%	217.8	202.0	-7%
MtM gains/losses	-6.0	-36.4	n.m.	2.6	-39.0	n.m.
Trading gains/losses	-0.9	208.5	n.m.	156.1	52.4	-66%
Banking Income	1,174.2	3,250	177%	1,532.7	1,716.9	12%
OPEX (-)	129,0	222,4	72%	108,3	114,1	5%
Net Banking Income	1,045.2	3,027.2	190%	1,424.4	1,602.8	13%
ECL (-)	532.1	1,299.2	144%	677.1	622.1	-8%
Stage I	-82.6	115.8	n.m.	99.8	16.0	-84%
Stage II	385.3	416.6	8%	170.2	246.3	45%
Stage III	154.4	374.4	142%	72.4	302.0	317%
Other Provisions	74.9	392.5	n.m.	334.7	57.8	-83%
Income From Subsidiaries	89.5	22.5	156%	74.6	154.9	108%
Pre-Tax Income	602.6	1,957.5	225%	821.9	1,135.6	38%
Tax (-)	123.8	436.3	252%	216.0	220.3	2%
Net Income	478.8	1,521	218%	605.9	915.3	51%



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