

The Industrial Development Bank of Türkiye

Earnings Presentation
2Q-23 Bank-only Results



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➤ 2Q-23 At a Glance

Solid profitability and earnings quality maintained

- Stellar banking income generation
 - NIM above guidance: 6.3%*
 - ROE: 43.4%
- *Excluding FX Gains /Losses.*

1.7% FX adjusted loan growth & well-provisioned intact asset quality

- 1.7% FX-adjusted loan growth
- TL 650 mn extra free provisions
- NPL down to 1.9%

Strong FX liquidity and collection performance

- FX LCR: 205%
- ~85% ESG-linked funding
- New loan agreements worth EUR 125 million

Well-capitalized, strong internal capital generation capacity

- CAR: 16.8%
 - Tier-I: 15.6%
- Excluding BRSA's temporary measures*

- **Stellar net income generation** bolstered by solid QoQ NII expansion
- Boosted trading income as a result of **successful treasury management**
- **Surged investment banking and advisory fees**
- Continuous **SDG-focused lending** in line with our year-end guidance
- **Best in-class asset quality management**, supported by reverse migrations from Stage 2 to Stage 1 and from Stage 3 to Stage 2 while further increasing provisioning
- Maintained **highest coverage position in the sector**
- **Additional** TL 650 mn free provision set aside in 2Q23. **Total stock of free provisions reached TL 1.6 bn.**
- **Strong liquidity**, backed by a new loan agreement with KfW and OeKB amounting to EUR 125 mn and syndication loan amounting worth of USD 120 mn
- **Comfortable solvency ratios above regulatory levels** given the strong income and capital generation capability

➤ Maintained Year-End Guidance & 1H-23 Performance

Financial Guidance (Bank Only)	1H-23 (%) Figures	YE-23 (%) Guidance
Growth		
FX Adjusted Loan Growth	1.7	~5
Profitability		
Net Interest Margin*	6.3	>5
Fees & Commissions Growth	65	~100
Return On Equity **	43.4	~35
Efficiency		
OPEX Growth	141	~90
Cost/Income Ratio	9.2	<13
Solvency***		
Capital Adequacy Ratio	16.8	~17.0
Tier I Ratio	15.6	~16.0
Asset Quality		
NPL Ratio	1.9	~2.5
Net Cost of Risk (including currency impact) ****	218 bps	<100 bps

*Excluding FX Gains /Losses. Including FX Gains/ Losses NIM figure is 7.6%

**When free provisions set aside during 2Q-23 are adjusted, ROE reaches up to 47.0%

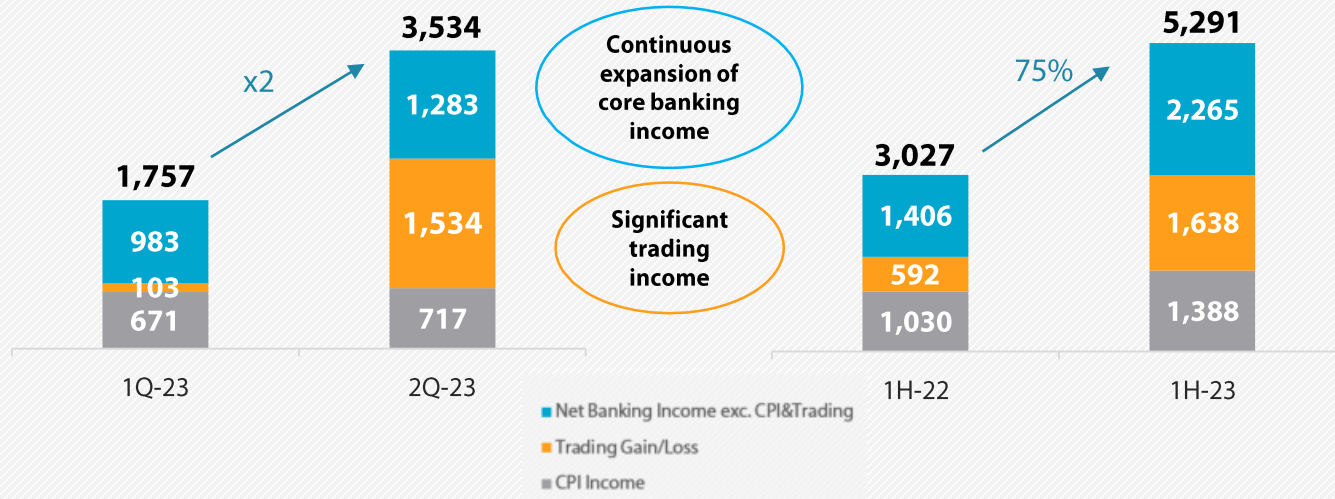
***Excluding BRSA's temporary measures.

**** Currency impact adjusted Net COR is around -45 bps

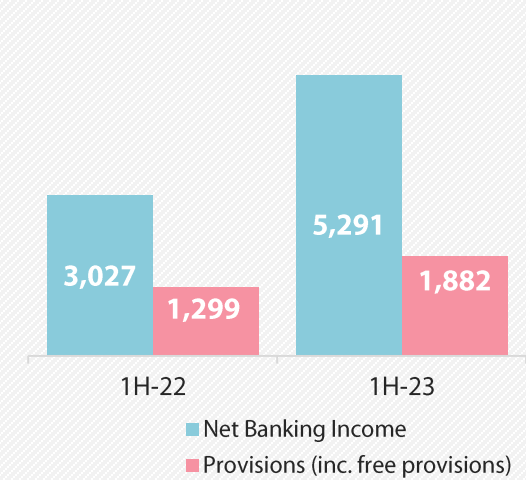


Strong top line, backed by continuous expansion of core banking income & remarkable trading gain

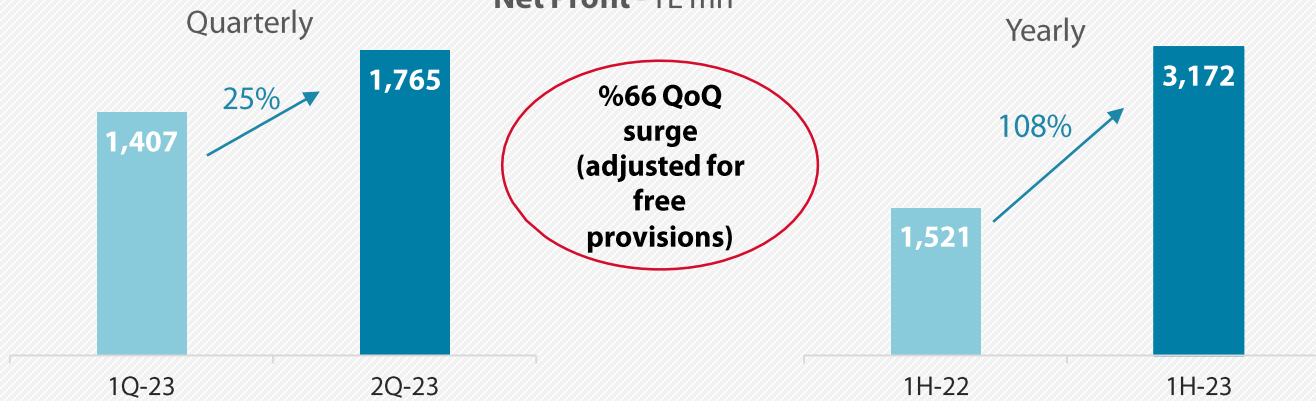
Net Banking Income - TL mn



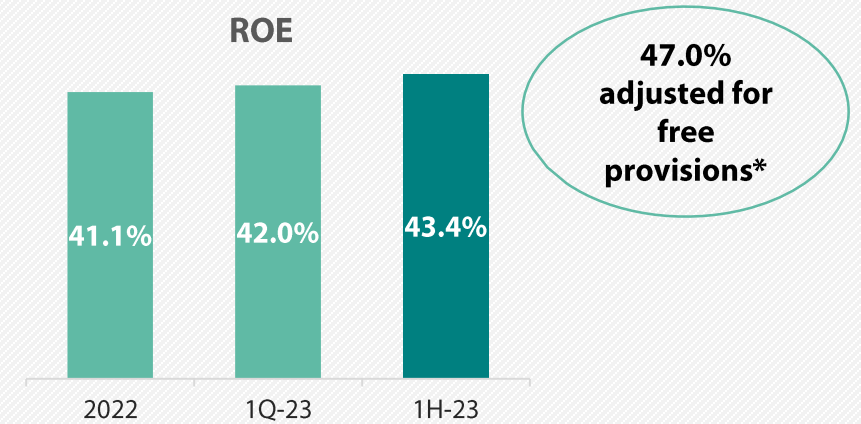
Net Banking Income vs Provisions - TL mn



Net Profit - TL mn



ROE



*Excluding the extra provisions set aside in 2Q-23

➤ Solid bottom line increase despite further strengthened provisions

TL mn	1H-22	1H-23	YoY	1Q-23	2Q-23	QoQ
Net Interest Income	2,527	3,932	56%	1,584	2,349	48%
Trading Income	592	1,638	177%	103	1,534	1384%
Net Fees & Commissions	83	137	65%	64	73	14%
Other Income (Inc. Dividend)	48	121	154%	307	-187	n.m.
Banking Income	3,250	5,827	79%	2,058	3,769	83%
OPEX (-)	222	536	141%	301	235	-22%
Net Banking Income	3,027	5,291	75%	1,757	3,534	101%
Provisions (-)	1,299	1,882	45%	110	1,772	1508%
Income From Participations	230	730	218%	180	550	206%
Tax Provisions (-)	436	968	122%	420	548	30%
Net Profit	1,521	3,172	108%	1,407	1,765	25%

Contribution from tailor-made advisory and investment banking expertise

Stellar NII generation

Outstanding trading gains driven by successful treasury activities

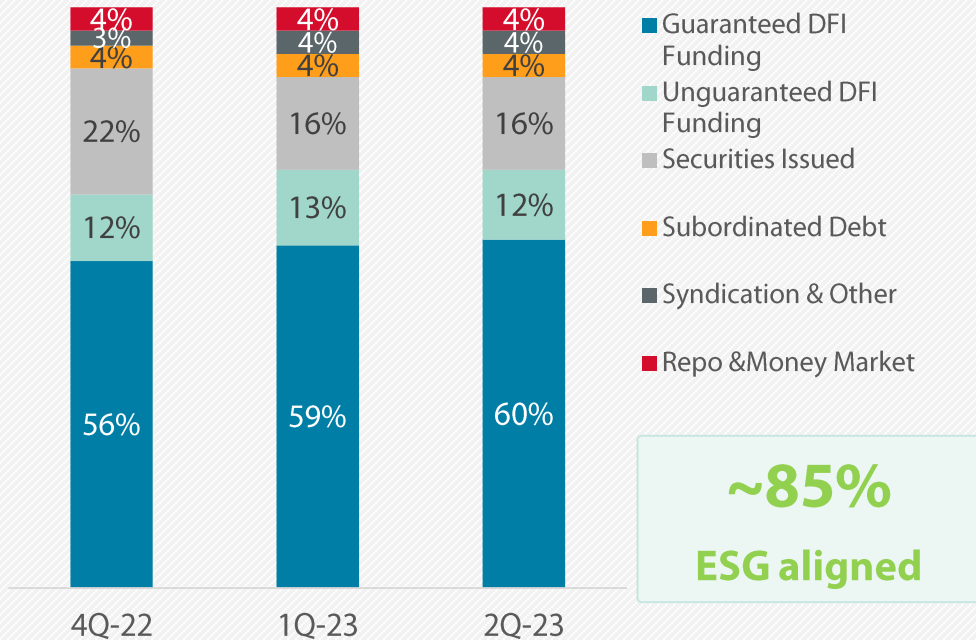
Extra TL 650 mn free provisions were set aside

Continuous expansion in bottom line

- Based on MIS data
- Interest expense of long and short term swaps, valuations of hedge positions for Eurobonds issued and exchange differences arising from discounts 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



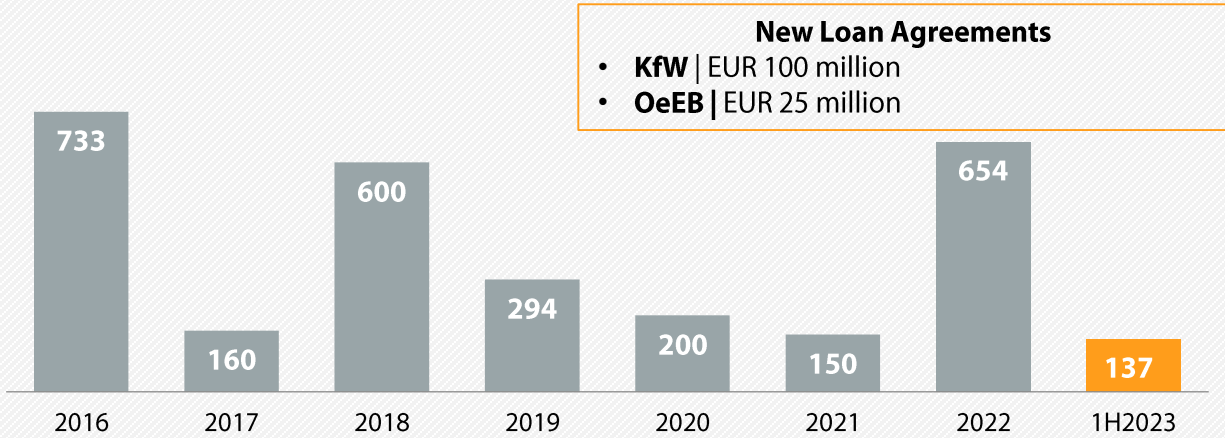
**~85%
ESG aligned**

~ USD 638 mn Non-Withdrawn DFI Funding

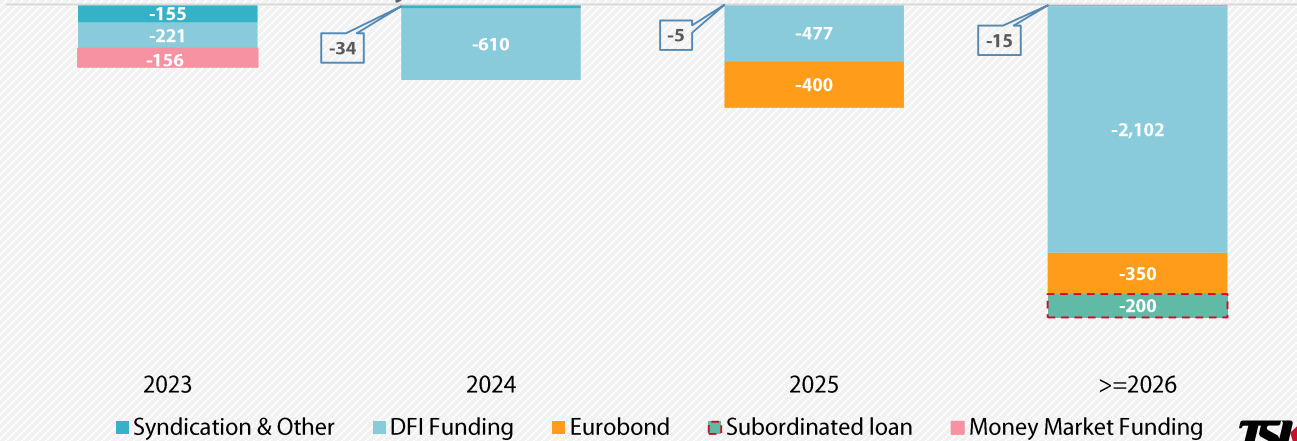
Climate Mitigation 100%

FX Liquidity Coverage Ratio
205%

Yearly Multilateral Funding Agreements – USD mn



Maturity Profile of External Debt - USD mn

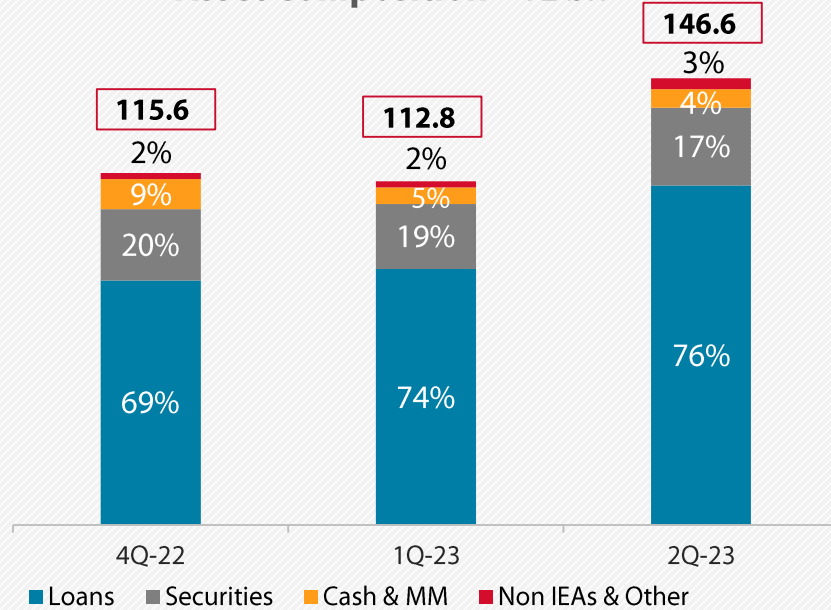


* USD 200 million AT-I loan has a call option in 2027.

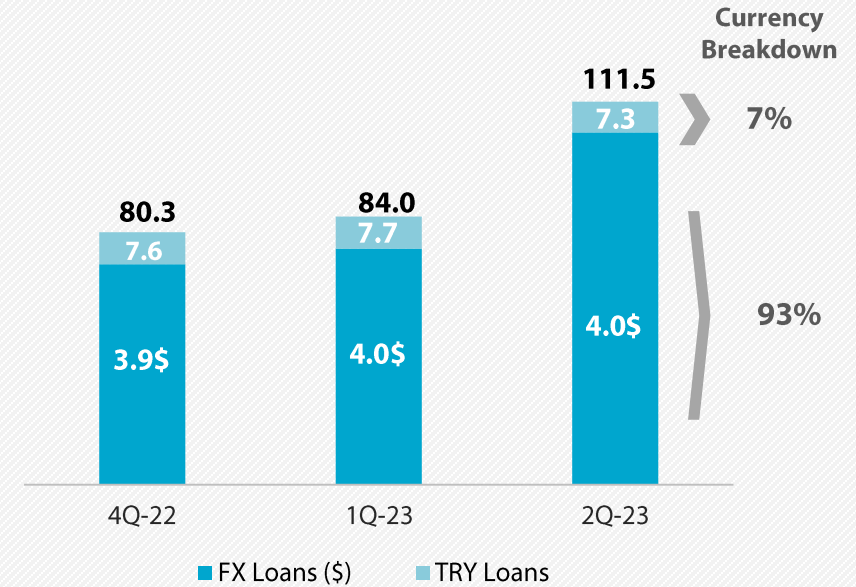


Resilient Asset Composition

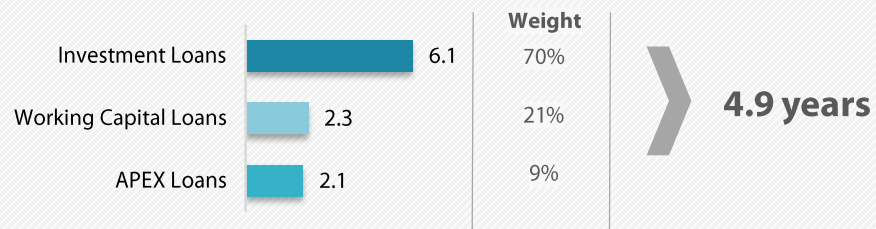
Asset Composition – TL bn



Total Loans – TL bn

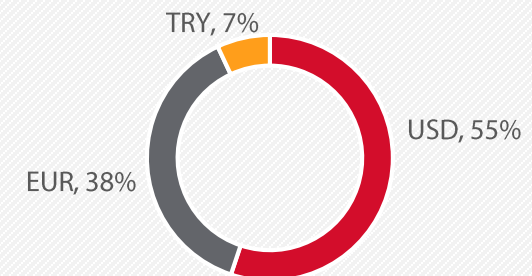


Remaining Average Maturity - Years



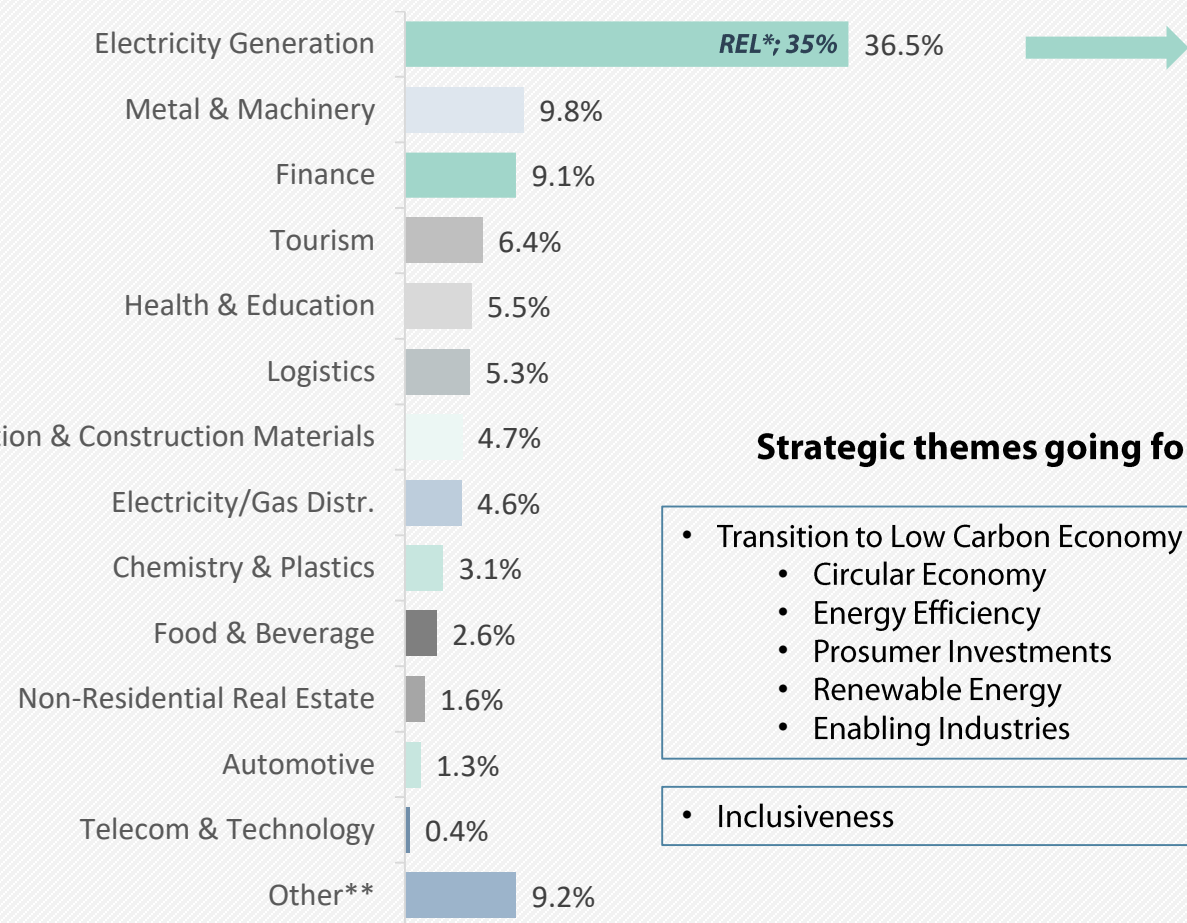
*DFI Linked working capital loans are 3.5%

2Q-23 Loans by Currency



SDG-Linked Loans Account for 92% of the Portfolio

Loans by sector 2Q-23



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

Outstanding Risk: 278 Projects, 6,507 MW

Category	Percentage
WPP	34%
HPP	21%
GPP	19%
BIO	14%
SPP	12%

Strategic themes going forward

- Transition to Low Carbon Economy
 - Circular Economy
 - Energy Efficiency
 - Prosumer Investments
 - Renewable Energy
 - Enabling Industries
- Inclusiveness

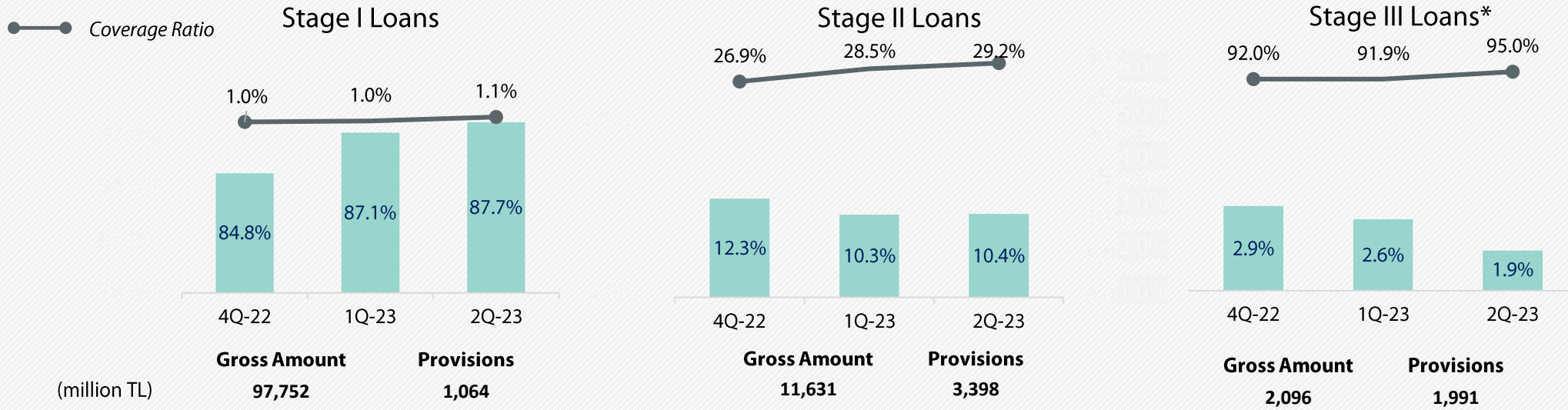
Substantially Supported SDGs through Loan Activities



* Renewable Energy Loans
 ** Textile, retail and others



Further improved asset quality metrics given the reverse migrations & strong collection performance



Total NPL Coverage: 194%*

Total Stage 2 Coverage: 114%*

Total Coverage: 5.79%

Total Free Provisions: TL 1.6 billion (Additional TL 650 million in 2Q)

* Hard collateral & provisions are taken into consideration

Stage 2 Loans		
Sector	%	Coverage (%)
Tourism	38	33.5
Electricity/Gas Distribution	17	41.5
Electricity Generation	19	19.6
Renewables	77	14
Non Renewables	22	36
Non-residential Real Estate	8	29.1
Telecom/Logistics	5	9.7
Metal and Machinery	5	17.9
Automotive Supply Industry	2	43.0
Health	1	47.0
Other	5	13.7
TOTAL	100	28.6

59% of Stage 2&3 Loans are Restructured

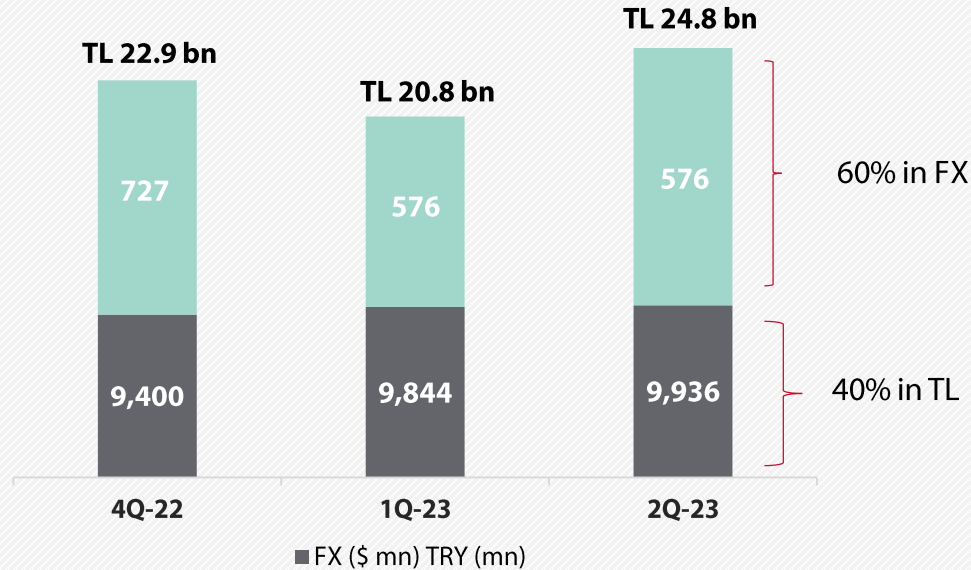
96% of Stage 3 Loans are Restructured

Currency adjusted net CoR -45 bps



Well-managed Security Book Supports our Bank's Profitability

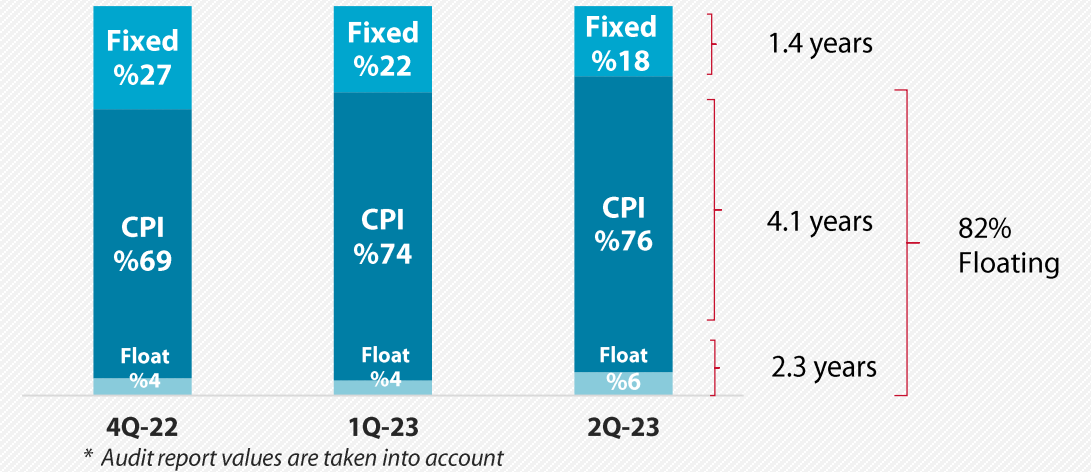
Total Securities Portfolio Breakdown



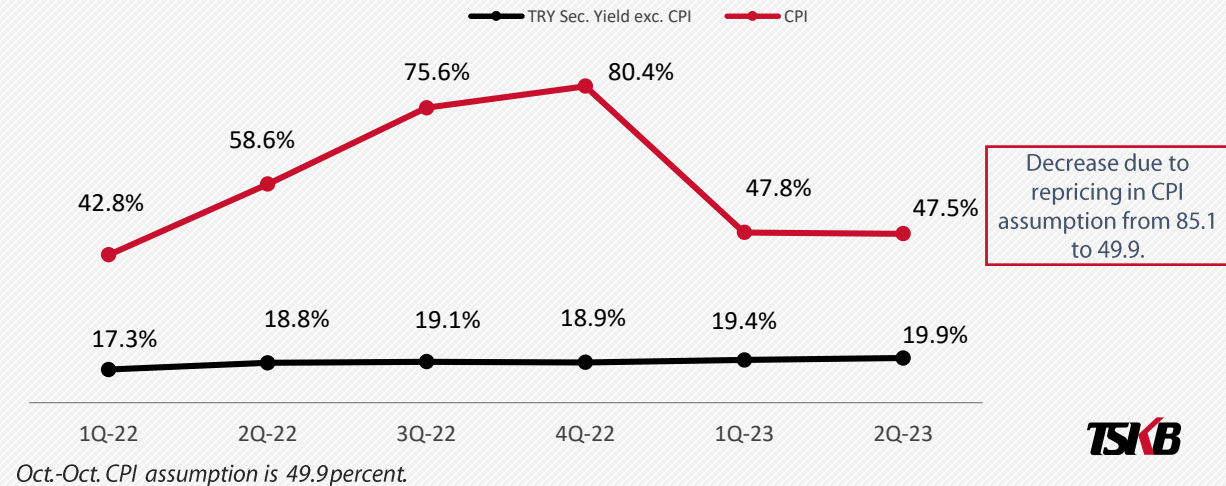
SECURITIES / ASSETS: 17%

- Swapping FX extra liquidity to TL for longer tenors as to reduce the cost of TL.
- Utilizing TL for money market transactions to generate additional spread with lower RWA.
- Acting choosy on new securities portfolio build up.
- No execution of lower yielded long term debt due to macro prudential policies.
- Well managed collateral and mandatory reserves portfolio.

TL Securities Portfolio Breakdown*

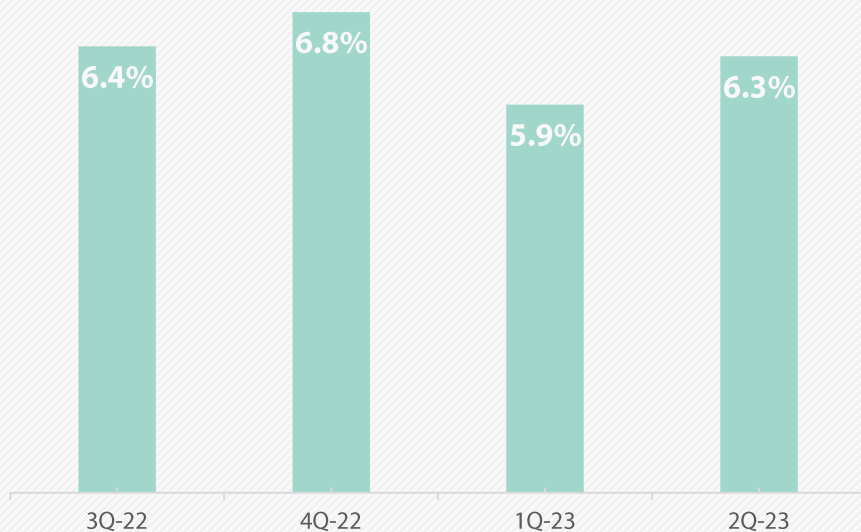


Security Yields

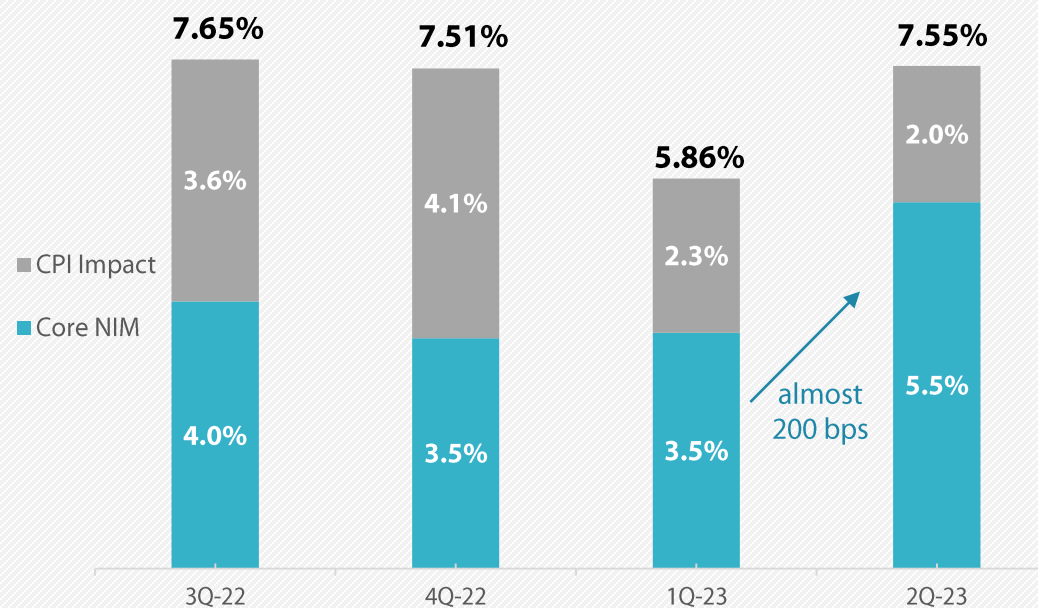


Core NIM continues to widen

Annualized NIM

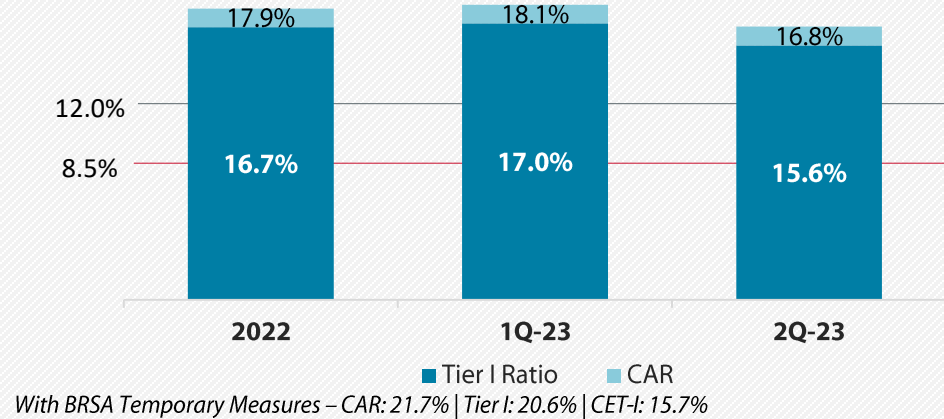


Quarterly NIM

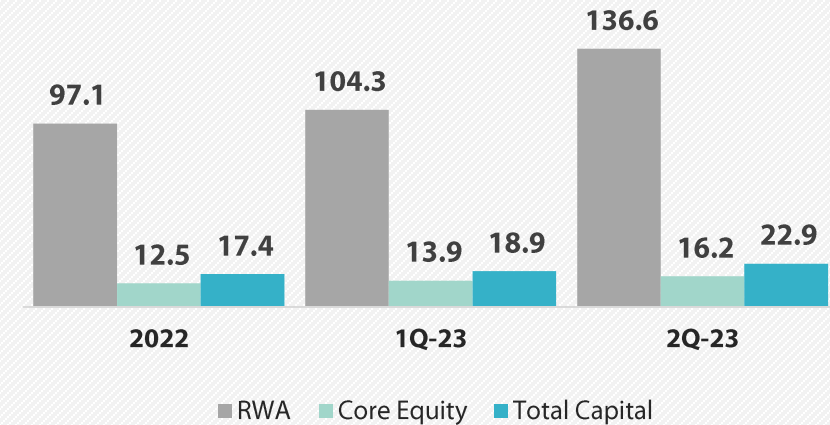


Comfortable and resilient solvency metrics despite depreciation

Capital Ratios Without BRSA Temporary Measures

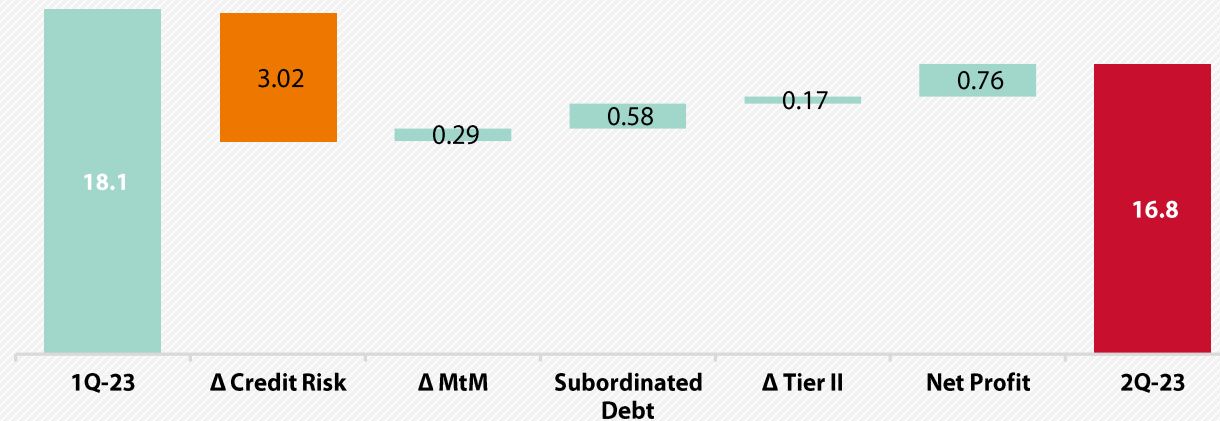


Evolution of RWA and Equity – TL bn



CAR Ratio Evolution

**Free Provision Adjusted
CAR: 17.3%
Tier I: 16.1%**



Net-Zero Transition Pathway

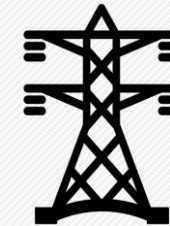
In 2022, we became UN NZBA member and submitted our Scope 1-2-3 emissions targets to SBTi. As of June 2023, SBTi approved our below targets.



Scope 1
reduce absolute scope 1 GHG emissions **63%** by 2035

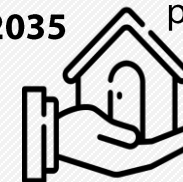
Scope 2
continue active annual sourcing of **100%** renewable electricity through 2030

Scope 3
representing **53%** of total assets & covering **70%** of the Bank's total loan and investment loan portfolio



reduce our electricity generation **project finance** portfolio GHG emissions from **85.6%** per kWh by 2035

reduce GHG emissions from the electricity generation sector within our **corporate loan** portfolio **85.7%** per kWh by 2035



reduce GHG emissions from the commercial real estate sector within our **corporate loan** portfolio **71%** per square meter by 2035



1H-23 Sustainable Finance Developments and ESG Ratings

Sustainable Reporting Developments

- Alignment check of our Integrated Annual Report with **IFRS S1** and **IFRS S2 Standards by ISSB**
- Submitted **2023 CDP Climate Change Report**

Further Strengthened ESG-linked Funding

Continuing Engagement with DFIs

- KfW** | EUR 100 million climate finance loan agreement
- OeKB** | EUR 25 million renewable energy and energy efficiency loan agreement

4th Sustainability-Linked Syndicated Loan

- USD 123 million, with a roll-over ratio of 113%
- Differentiating with 3 ambitious KPIs:
 - Reconstruction of earthquake zones
 - Green Transformation by financing renewable energy projects
 - Sustainability-focused intellectual capital within the Bank



Sustainalytics ESG Risk Rating

Range 0-40+

Score **7.9**

Negligible risk category

First place in Türkiye

12th place among global development banks



CDP Climate Change Score

A/D-

A-

Leadership



Moody's ESG Credit Impact Score

1-5

2

Neutral-to-low



Fitch ESG Credit Relevance Score

1-5

3

Neutral-to-minimal



Sustainable Fitch ESG Entity Score

1-5 (0-100)

3 (61/100)

Above global average



Refinitiv ESG Score

A+/D-

A





Appendix

Balance Sheet

	31/12/2022			31/03/2023			30/06/2023		
	mn	TL	FX	TOTAL	TL	FX	TOTAL	TL	FX
Cash and Banks	5,758	4,130	9,888	2,060	3,448	5,508	1,500	4,550	6,051
Securities	9,868	13,534	23,401	10,310	10,986	21,295	10,651	14,868	25,518
Loans (Gross)	7,639	72,635	80,274	7,674	76,358	84,032	7,343	104,137	111,479
Provisions	- 2,292	-3,207	-5,499	-2,194	-3,076	-5,271	-2,186	-4,279	-6,465
Subsidiaries	3,555	407	3,962	3,623	460	4,084	4,555	633	5,188
Other	2,015	1,533	3,548	1,769	1,431	3,199	3,078	1,796	4,874
Total	26,544	89,031	115,575	23,241	89,606	112,848	24,941	121,704	146,645
ST Funds	-	2,481	2,481	-	3,343	3,343	-	5,062	5,062
LT Funds	-	65,847	65,847	-	67,343	67,343	-	89,367	89,367
Securities Issued	-	21,048	21,048	-	14,538	14,538	-	19,935	19,935
Repo & MM	186	3,742	3,929	2,476	1,596	4,072	1,420	2,663	4,084
Other	2,067	3,593	5,659	2,907	2,790	5,697	2,785	3,630	6,415
Subordinated Debt	-	3,829	3,829	-	3,816	3,816	-	5,314	5,314
Shareholders' Equity	13,048	-266	12,782	14,260	-221	14,039	16,799	-331	16,468
Total	15,301	100,274	115,575	19,643	93,204	112,848	21,005	125,640	146,645

➤ Detailed Income Statement

TL mn	1H-22	1H-23	YoY	1Q-23	2Q-23	QoQ
Net Interest Income inc. Swap Cost	2,527	3,932	56%	1,584	2,349	48%
Net Interest Income	2,734	3,830	40%	1,569	2,261	44%
CPI Linkers	1,030	1,388	35%	671	717	7%
Swap Costs (-)	-206	102	n.m.	14	88	n.m.
Net Commissions	83	137	65%	64	73	14%
Other Income	48	121	154%	307	-187	n.m.
Dividends	6	10	67%	7	3	n.m.
Other	42	111	166%	300	-189	n.m.
Trading & FX gains/losses	592	1,638	177%	103	1,534	n.m.
FX gains/losses	420	1,513	260%	120	1,393	n.m.
MtM gains/losses	-36	-2	-95%	-5	3	n.m.
Trading gains/losses	209	127	-39%	-11	138	n.m.
Banking Income	3,250	5,827	79%	2,058	3,769	83%
OPEX (-)	222.4	536	141%	301	235	n.m.
Net Banking Income	3,027	5,291	75%	1,757	3,534	101%
ECL (-)	1,299	1,882	45%	110	1,772	n.m.
Stage I	116	370	219%	50	320	n.m.
Stage II	417	736	77%	-	736	n.m.
Stage III	374	-8	n.m.	4	-12	n.m.
Other Provisions	393	785	100%	57	728	n.m.
Income From Subsidiaries	230	730	218%	180	550	206%
Pre-Tax Income	1,958	4,139	111%	1,827	2,313	27%
Tax (-)	436	968	122%	420	548	30%
Net Income	1,521	3,172	108%	1,407	1,765	25%



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