

# The Industrial Development Bank of Türkiye

Earnings Presentation

3Q-23 Bank-only Results



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## 3Q-23 At a Glance

### Maintained profitability and earnings quality

- Sustainable banking income generation
- NIM performance above guidance
- Additional TL 150 million free provision in 3Q-23

### Highly provisioned intact asset quality while generating FX adjusted loan growth

- FX-adjusted 9M-23 loan growth remained almost flat
- NPL further dropped down to 1.8%
- Superior coverage position

### Strong FX liquidity, funding and collection performance

- FX LCR: 433%
- ~85% ESG-linked funding profile
- Issuance of 4<sup>th</sup> Sustainable Eurobond
- Sustainability-linked syndicated loan with 113% roll over

### Well-capitalized, strong solvency

- CAR: 17.6%
  - Tier-I: 16.4%
- Excluding BRSA's temporary measures*

- **Stellar NII generation bolstered by contribution of securities portfolio**
- **Solid profitability maintained** albeit extra TL 150 million free provision set aside in 3Q-23.
- Strong contribution of **investment banking and advisory fees**
- Continuous **SDG-focused lending** in line with our year-end guidance
- **Best in-class asset quality management**, supported by strong collections and no new NPL formation year to date
- Maintained **highest coverage position in the sector**
- **Strong liquidity**, backed by roll-over of **ESG-linked syndication loan** and issuance of **4<sup>th</sup> Sustainable Eurobond worth of USD 300 million**
- **Comfortable solvency ratios above regulatory levels** given the strong income and capital generation capability

## ➤ Upside potential compared to year-end guidance figures

Financial Guidance (Bank Only)	3Q-23 Figures %	YE-23 Guidance %	Year-end Expectation
<b>Growth</b>			
FX Adjusted Loan Growth	~2	~5	✓
<b>Profitability</b>			
Net Interest Margin*	6.6	>5	✓
Fees & Commissions Growth	140	~100	✓
Return On Equity **	42.3	~35	✓
<b>Efficiency</b>			
OPEX Growth	124	~90	In Line with Inflation
Cost/Income Ratio	9.6	<13	Downside Potential
<b>Solvency***</b>			
Capital Adequacy Ratio	17.6	~17.0	In Line
Tier I Ratio	16.4	~16.0	In Line
<b>Asset Quality</b>			
NPL Ratio	1.8	~2.5	✓
Net Cost of Risk (including currency impact) ****	166 bps	<100 bps	In Line with Prudent Approach

\*Excluding FX Gains /Losses. Including FX Gains/ Losses NIM figure is 7.9%

\*\*When free provisions set aside in 9M are adjusted, ROE reaches up to 46.4%

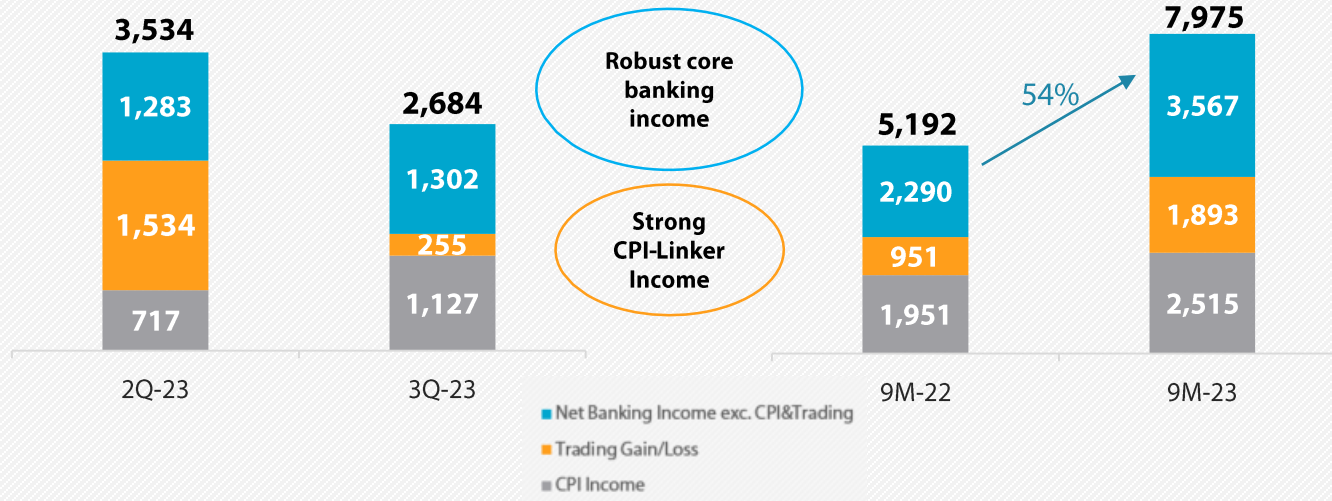
\*\*\*Excluding BRSA's temporary measures.

\*\*\*\* Currency impact adjusted Net COR is around -30 bps

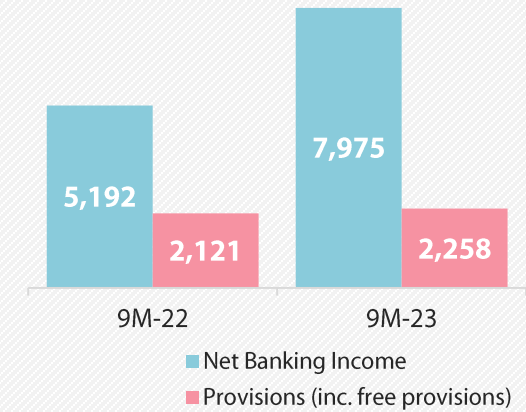


# Strong top line, backed by robust core banking income & CPI Linker revenues

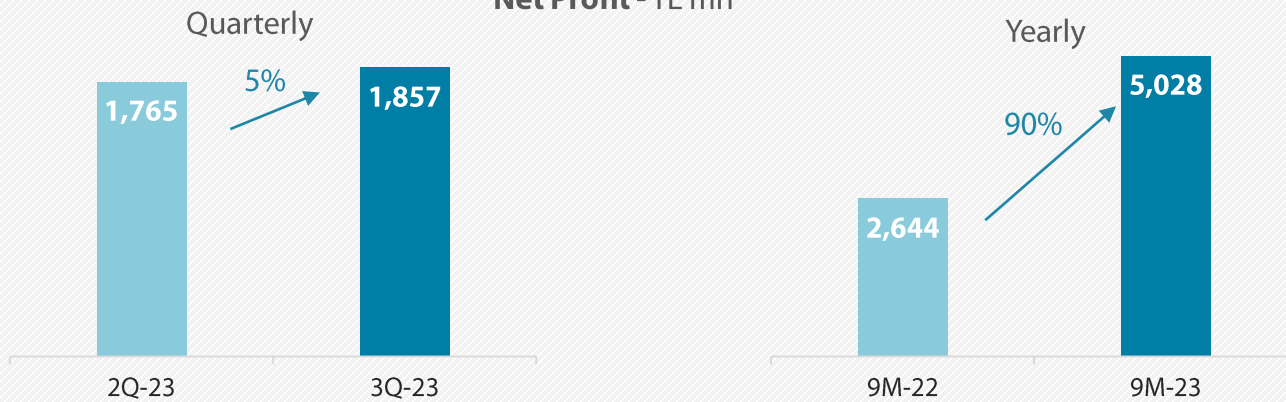
### Net Banking Income - TL mn



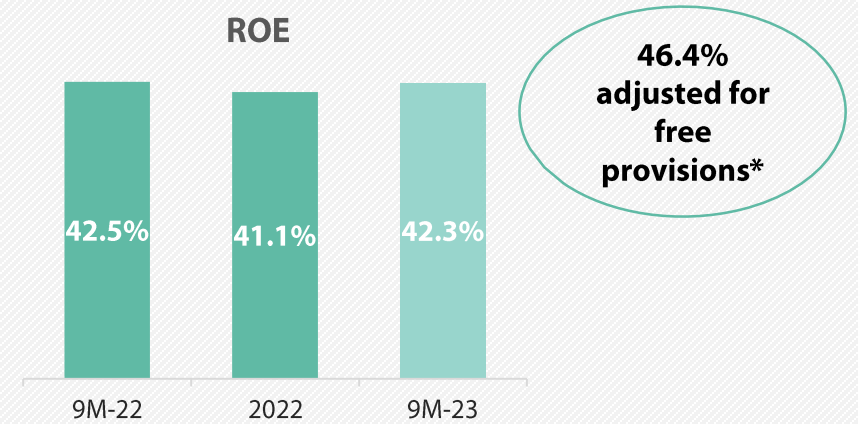
### Net Banking Income vs Provisions - TL mn



### Net Profit - TL mn



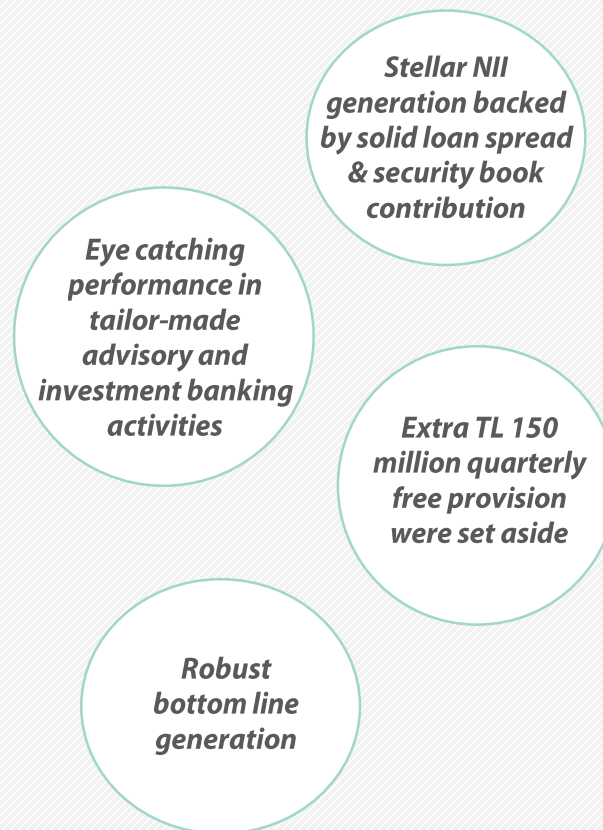
### ROE



\*Excluding the extra provisions set aside in 2023

## Income Statement Highlights

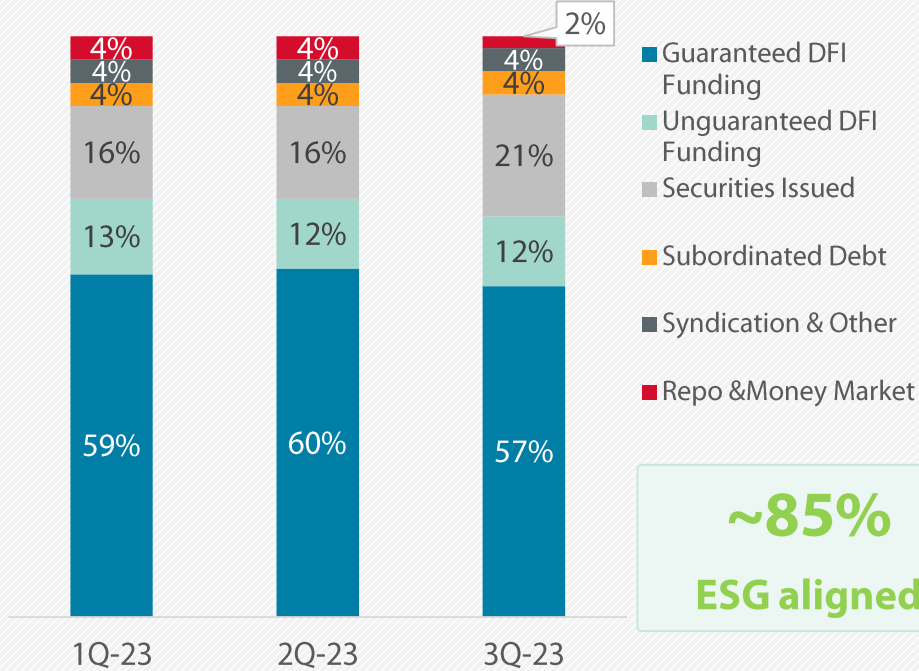
<i>TLmn</i>	9M-22	9M-23	YoY	2Q-23	3Q-23	QoQ
<b>Net Interest Income</b>	<b>4,405</b>	<b>6,518</b>	<b>48%</b>	<b>2,349</b>	<b>2,586</b>	<b>10%</b>
Trading Income	951	1,893	99%	1,534	255	(83%)
Net Fees & Commissions	120	287	140%	73	151	107%
Other Income (Inc. Dividend)	95	124	31%	-187	3	n.m.
<b>Banking Income</b>	<b>5,571</b>	<b>8,822</b>	<b>58%</b>	<b>3,769</b>	<b>2,995</b>	<b>(21%)</b>
OPEX (-)	379	847	124%	235	311	32%
<b>Net Banking Income</b>	<b>5,192</b>	<b>7,975</b>	<b>54%</b>	<b>3,534</b>	<b>2,684</b>	<b>(24%)</b>
Provisions (-)	2,121	2,258	6%	1,772	376	(79%)
Income From Participations	344	1,077	213%	550	346	(37%)
Tax Provisions (-)	771	1,766	129%	548	798	46%
<b>Net Profit</b>	<b>2,644</b>	<b>5,028</b>	<b>90%</b>	<b>1,765</b>	<b>1,857</b>	<b>5%</b>



- 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
- "n.m." is used for not meaningful.

# Comfortable FX Liquidity and Maturity Profile

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



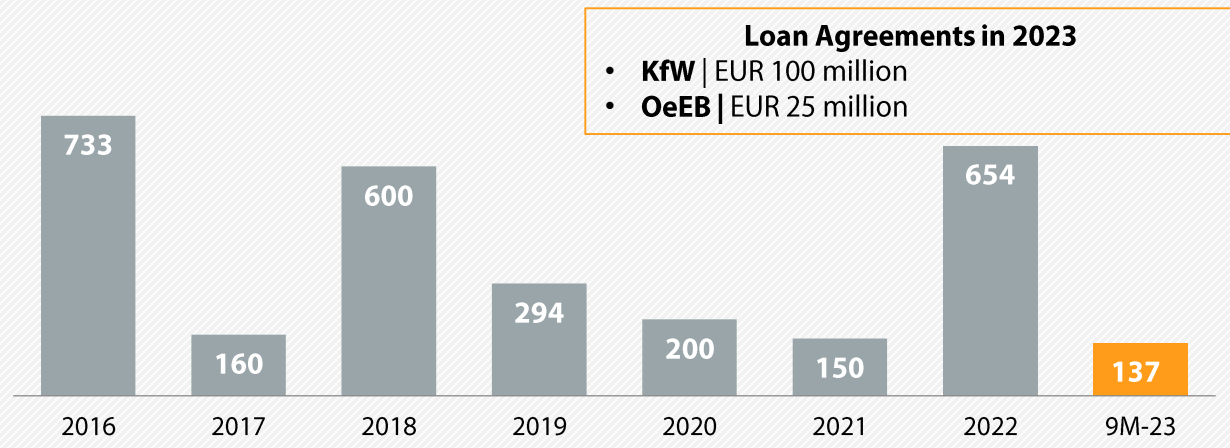
**~85%  
ESG aligned**

**~ USD 539 mn Non-Withdrawn DFI Funding**

Climate Mitigation 100%

**FX Liquidity Coverage Ratio**  
433%

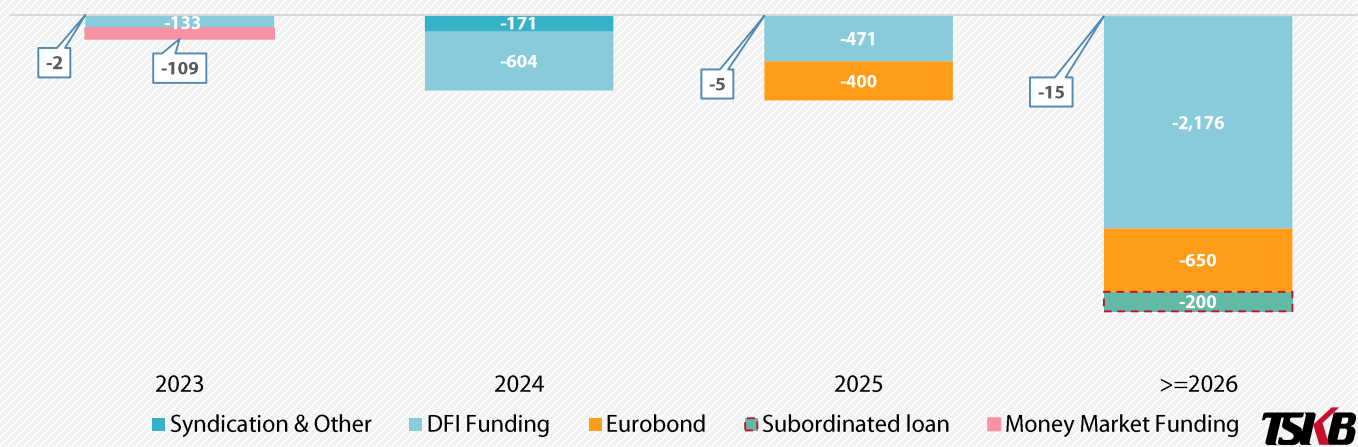
Yearly Multilateral Funding Agreements – USD mn



**Loan Agreements in 2023**

- KfW | EUR 100 million
- OeEB | EUR 25 million

Maturity Profile of External Debt - USD mn



2023 2024 2025 >=2026

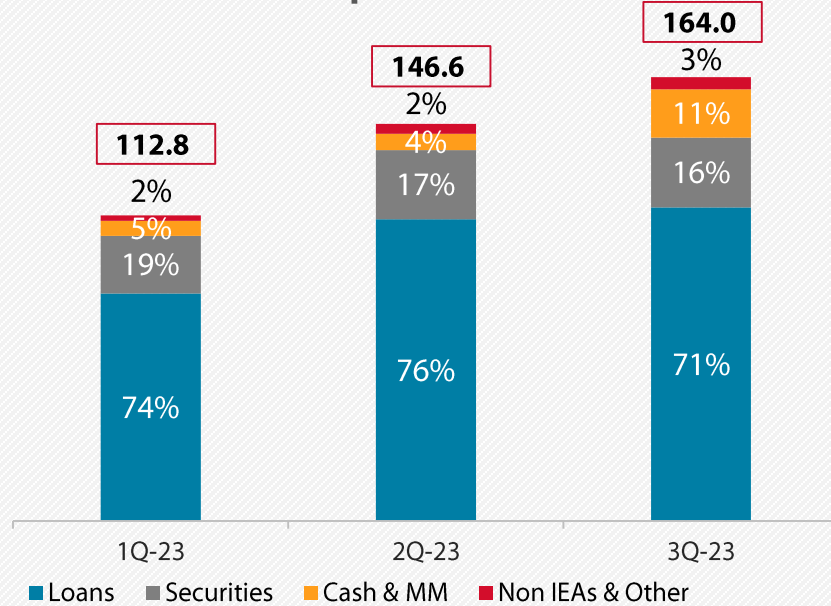
Syndication & Other DFI Funding Eurobond Subordinated loan Money Market Funding



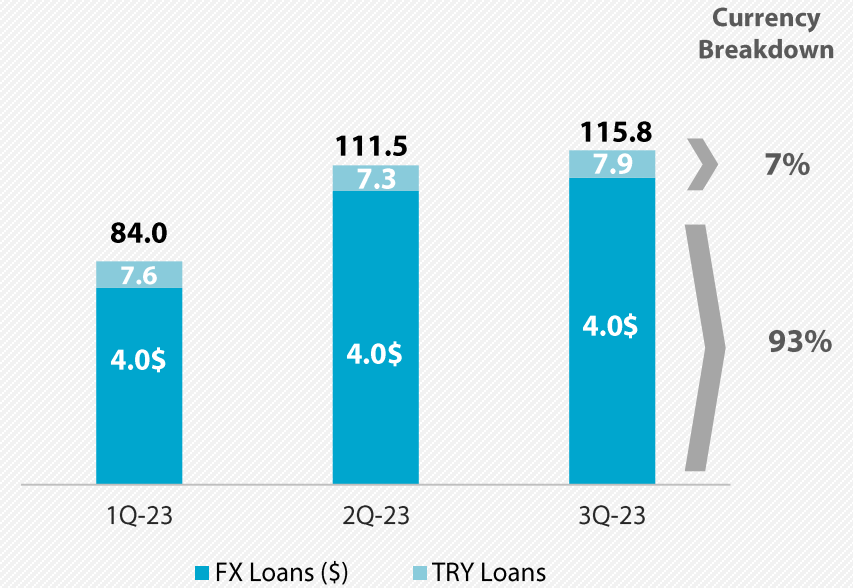
\* USD 200 million AT-I loan has a call option in 2027.

# Resilient Asset Composition

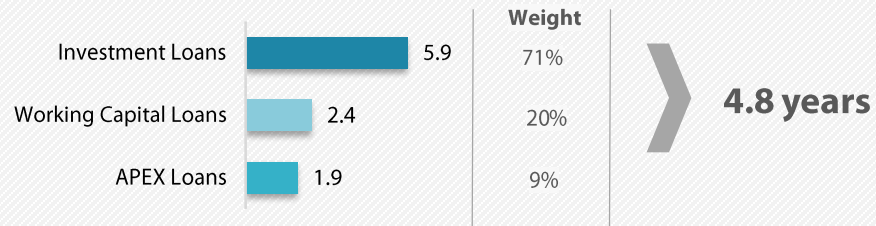
Asset Composition – TL bn



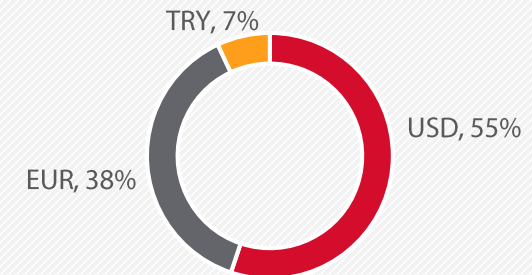
Total Loans – TL bn



Remaining Average Maturity - Years



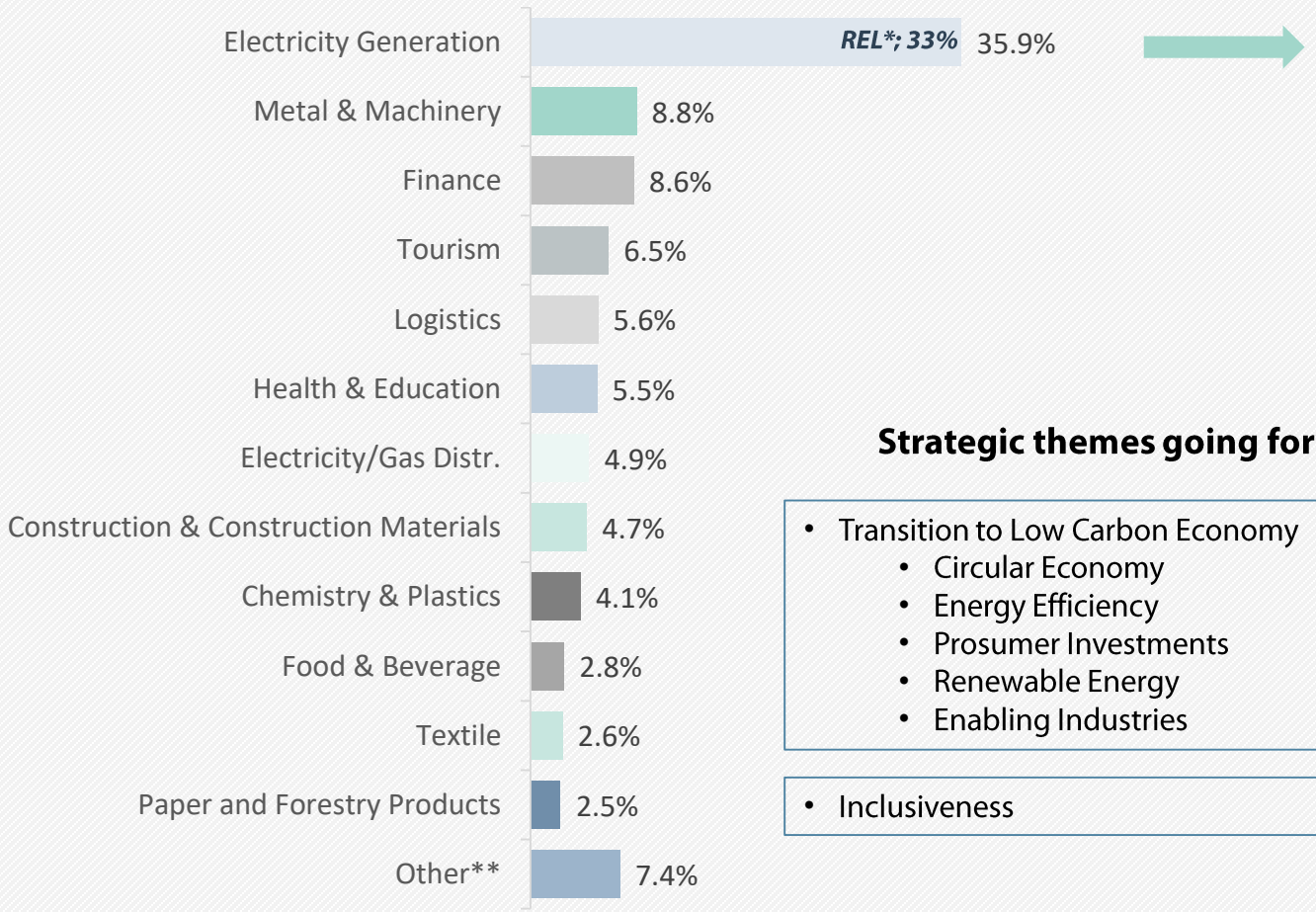
3Q-23 Loans by Currency



\*DFI Linked working capital loans are 3.7%

# SDG-Linked loans account for 92% of the portfolio

Loans by sector 3Q-23



91 % of which is Renewable Energy, where 87% benefits from Feed in Tariff

Outstanding Risk: 278 Projects, 6,326 MW

Category	Percentage
WPP	34%
HPP	21%
GPP	20%
BIO	13%
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  
 \*\*Non-Residential Real Estate, Automotive, Telecom/Technology and others

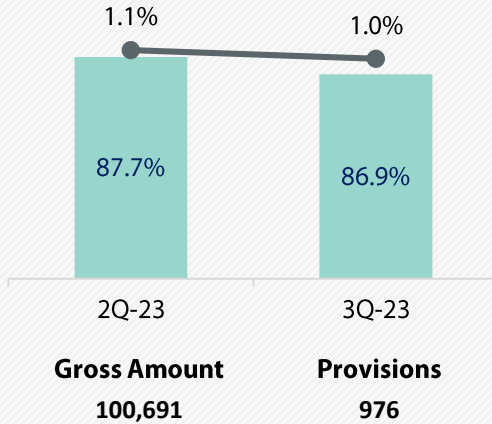




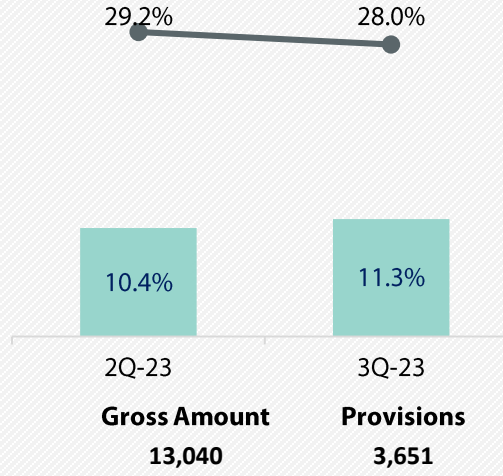
## Maintained asset quality and solid provision coverage

—●— Coverage Ratio

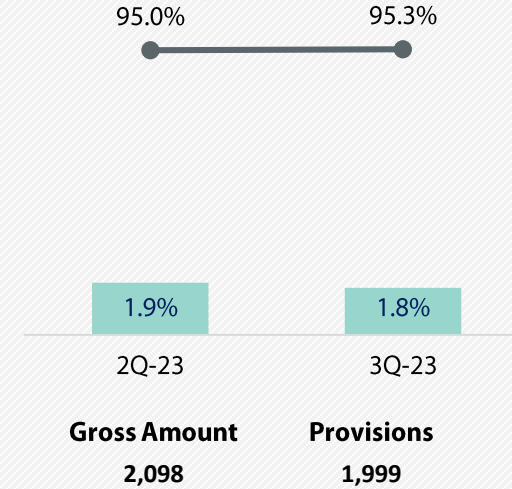
### Stage I Loans



### Stage II Loans



### Stage III Loans



Total NPL Coverage:  
**194%\***

Total Stage 2 Coverage:  
**106%\***

Total Coverage:  
**5.7%**

Total Free Provisions:  
**TL 1.75 billion**  
**(Additional TL 150 million in 3Q)**

\* Hard collateral & provisions are taken into consideration

### Stage 2 Loans

Sector	%	Coverage (%)
Tourism	35	33.5
Electricity Generation	17	20.8
Renewables	75	14
Non Renewables	25	41
Electricity/Gas Distribution	16	41.7
Construction	8	10.0
Non-residential Real Estate	7	29.1
Metal and Machinery	5	17.9
Telecom/Logistics	4	8.8
Automotive Supply Industry	2	43.0
Health	1	47.0
Other	5	14.0
<b>TOTAL</b>	<b>100</b>	<b>28.0</b>

61% of Stage 2&3  
Loans are  
Restructured

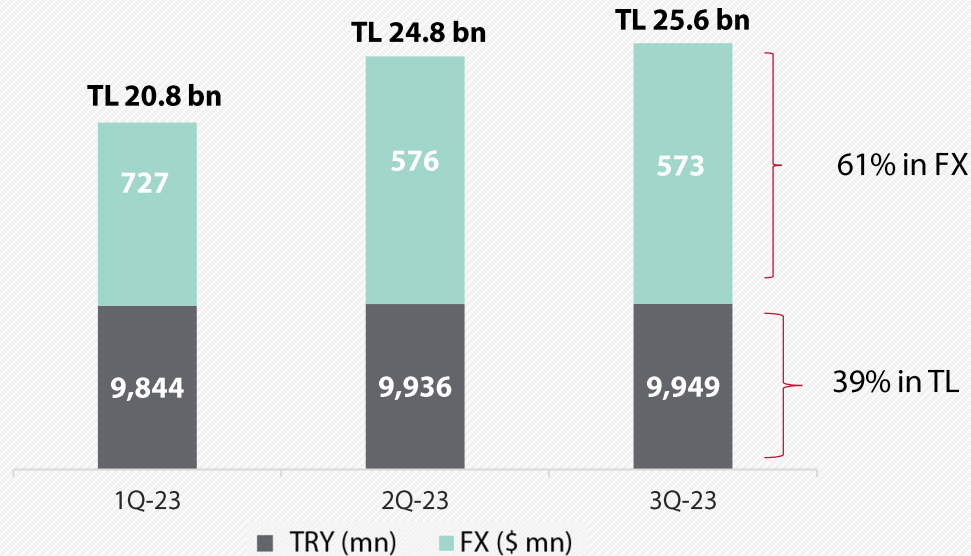
95% of Stage 3  
Loans are  
Restructured

Currency  
adjusted net  
CoR  
-30 bps



# Well-managed liquidity and security book supports our Bank's profitability

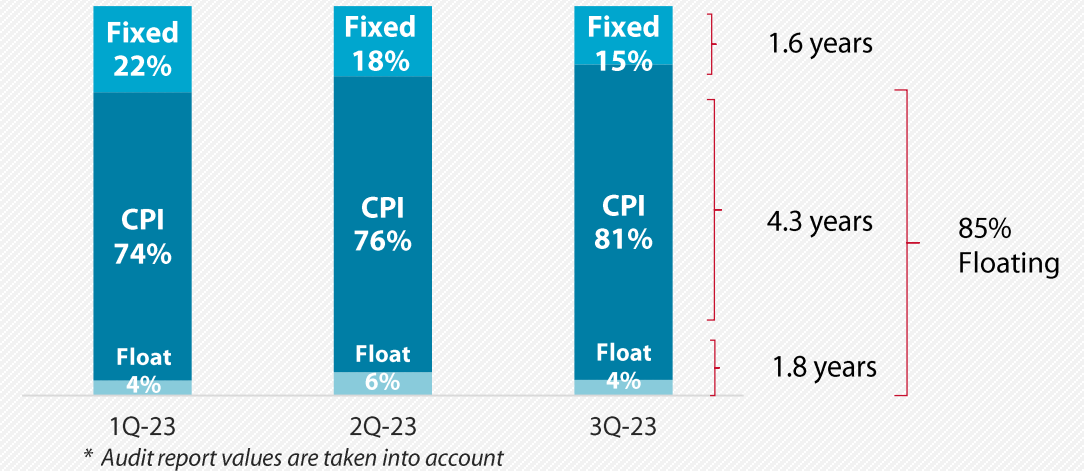
**Total Securities Portfolio Breakdown**



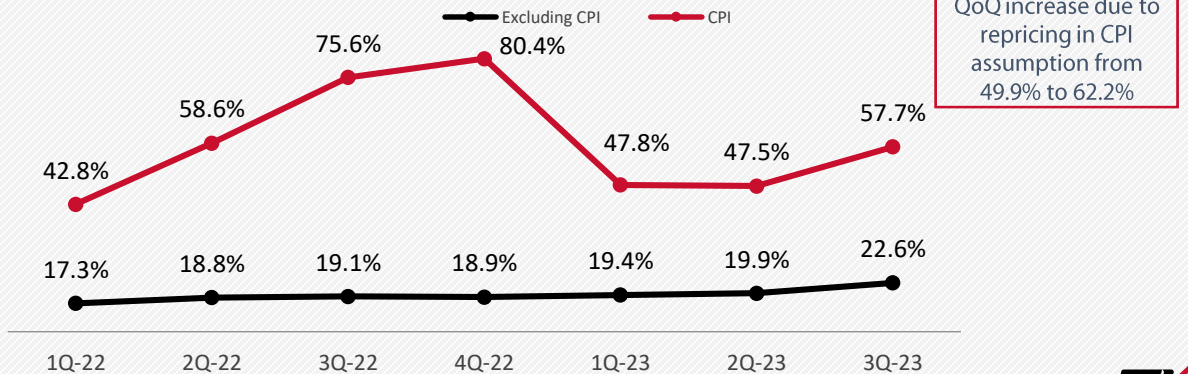
**SECURITIES / ASSETS: 16%**

- Swapping FX extra liquidity to TL for longer tenors to reduce the cost of TL.
- To feed up additional spread with lower RWA.
- Acting choosy on new securities portfolio foundation, no execution of lower yielded long term debt due to macro prudential policies.

**TL Securities Portfolio Breakdown\***



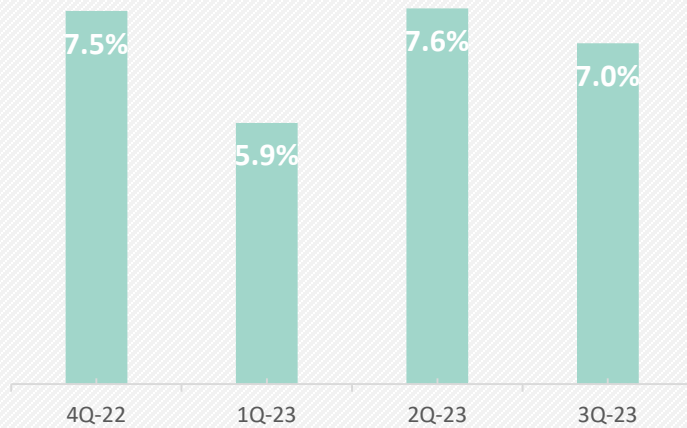
**Security Yields**



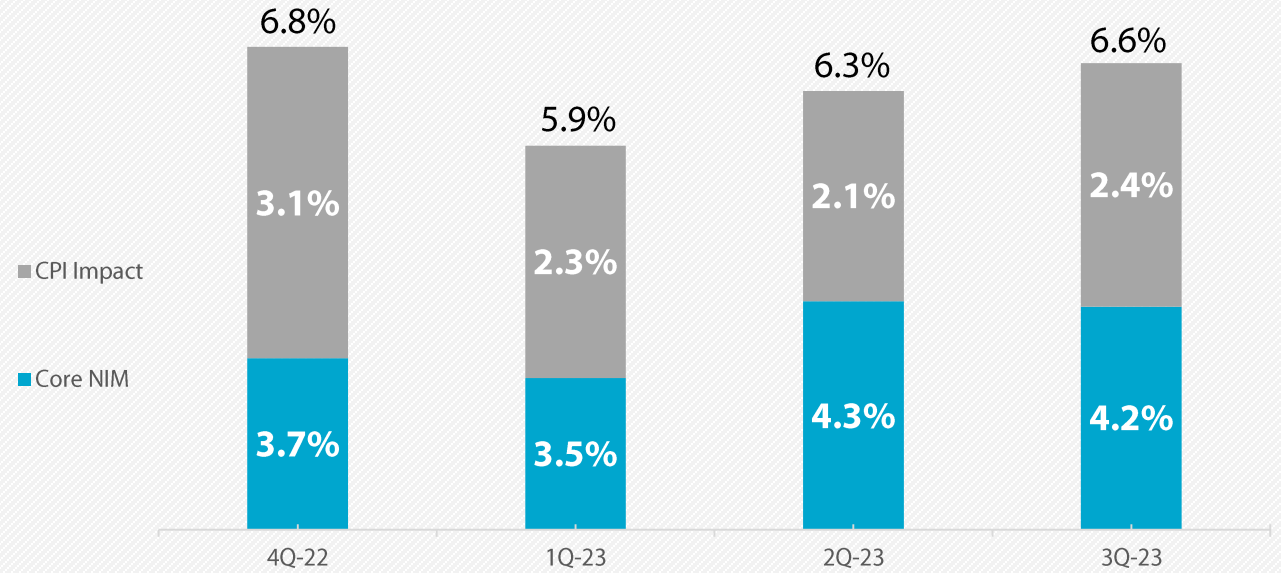
Oct-Oct. CPI assumption is 62.2percent.

# ➤ NIM evolution well above year-end guidance

### Quarterly NIM

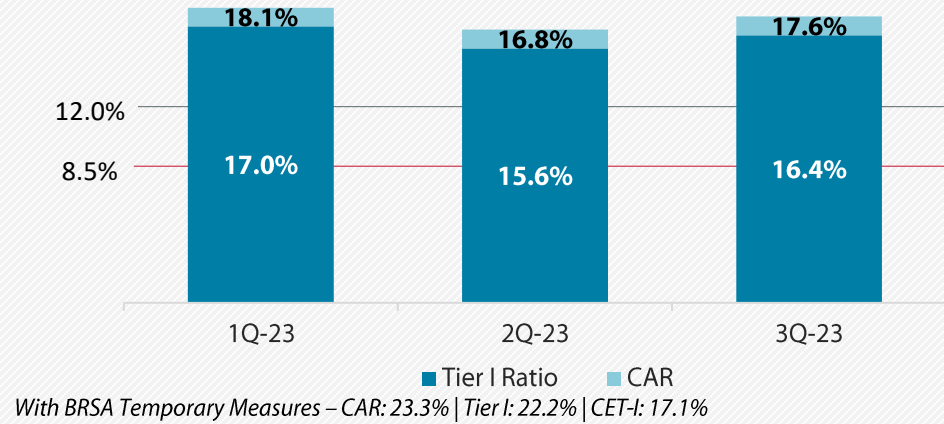


### Annualized NIM

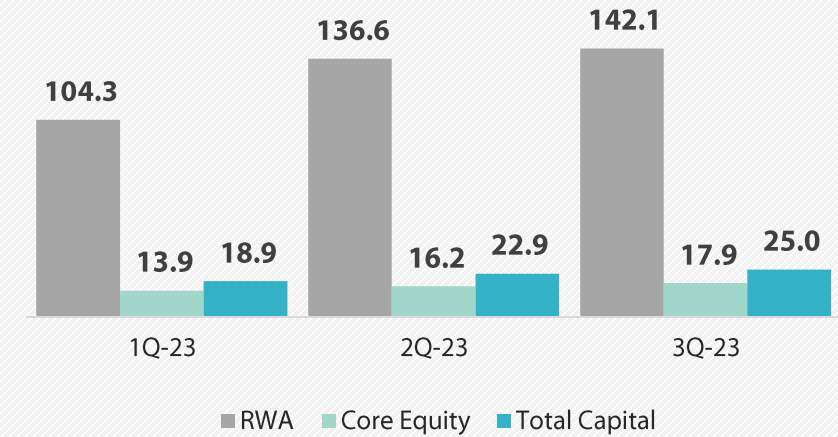


# Comfortable and resilient solvency metrics

Capital Ratios Without BRSA Temporary Measures

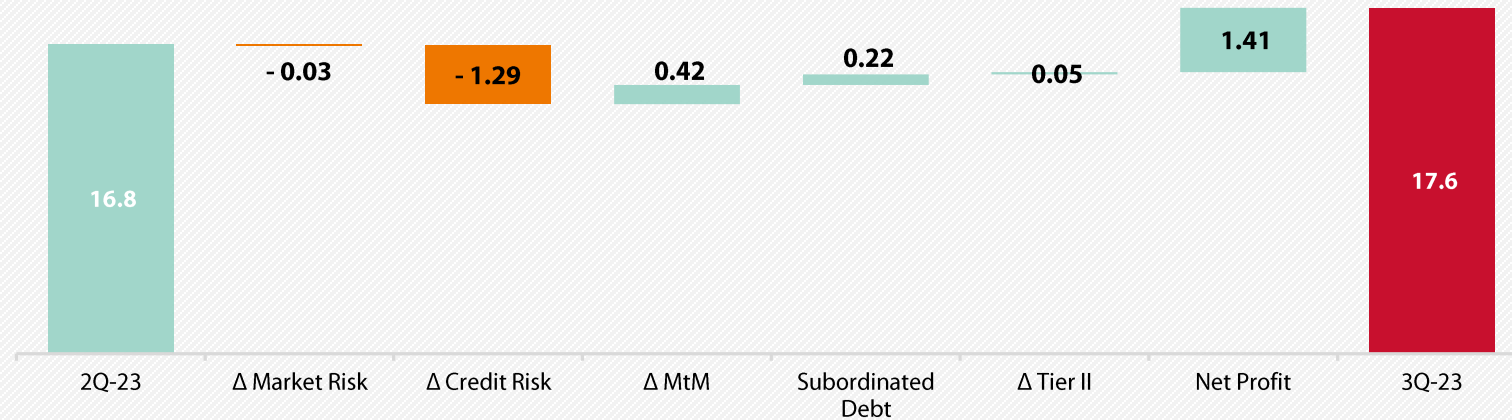


Evolution of RWA and Equity – TL bn



CAR Ratio Evolution

**Free Provision Adjusted  
CAR: 18.8%  
Tier I: 17.6%**



# 3Q-23 Sustainable Banking Developments and 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

Refinitiv ESG Score

Range

0-40+

A/D-

1-5

1-5

1-5 (0-100)

A+/D-

Score

**7.9**

**A-**

**2**

**3**

**3 (61/100)**

**A**

Negligible risk category

Leadership

Neutral-to-low

Neutral-to-minimal

Above global average

First place in Türkiye

16<sup>th</sup> place among global development banks



## Strong Sustainable Banking Performance

**Two ARC Awards** for our 2022 Integrated Annual Report

- **"Online Report-Interactive"**
- **"Customized Annual Report-Specialized AR"**

**Three awards** from the 23rd Excellence Awards organized by the **Brandon Hall Group** second year in a row

- **Two Gold Awards:** "Best Advance in "Coaching and Mentoring" and "Best Advance in Talent Acquisition Process"
- **One Silver Award:** "Best Benefits, Wellness and Well-Being Program".

**"Türkiye's Best Bank for Sustainable Development"** at the Global Banking and Finance Awards for the second consecutive year

### Corporate Governance Rating Improvement

- Updated in October 2023
- Improved our rating from **9.59** to **9.66/10**

### Launched our Second Development Base in Ankara

- to expand our sphere of influence in the second century of our Republic

## Diversified and Enhanced ESG-linked Funding Structure

### 4<sup>th</sup> Sustainable Bond Issuance

- **USD 300 million 5-year** Senior Sustainable Bond
- Oversubscription of ~ **2.5x**
- UoP: to fund green and social projects as outlined in our **Sustainable Finance Framework**
- Price improvement of 37.5 bps

### 4<sup>th</sup> 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



*Appendix*

## Balance Sheet

	31/03/2023			30/06/2023			30/09/2023			
	mn	TL	FX	TOTAL	TL	FX	TOTAL	TL	FX	TOTAL
Cash and Banks		2,060	3,448	5,508	1,500	4,550	6,051	12,483	5,427	17,909
Securities		10,310	10,986	21,295	10,651	14,868	25,518	10,084	15,663	25,747
Loans (Gross)		7,674	76,358	84,032	7,343	104,137	111,479	7,864	107,965	115,829
Provisions		-2,194	-3,076	-5,271	-2,186	-4,279	-6,465	-2,172	-4,476	-6,648
Subsidiaries		3,623	460	4,084	4,555	633	5,188	5,662	635	6,297
Other		1,769	1,431	3,199	3,078	1,796	4,874	2,366	2,485	4,851
<b>Total</b>		<b>23,241</b>	<b>89,606</b>	<b>112,848</b>	<b>24,941</b>	<b>121,704</b>	<b>146,645</b>	<b>36,286</b>	<b>127,700</b>	<b>163,986</b>
ST Funds		-	3,343	3,343	-	5,062	5,062	-	5,314	5,314
LT Funds		-	67,818	67,818	-	89,367	89,367	-	93,818	93,818
Securities Issued		-	14,538	14,538	-	19,935	19,935	-	28,897	28,897
Repo & MM		2,476	1,121	3,597	1,420	2,663	4,084	152	2,869	3,021
Other		2,907	2,790	5,697	2,785	3,630	6,415	3,984	4,592	8,576
Subordinated Debt		-	3,816	3,816	-	5,314	5,314	-	5,463	5,463
Shareholders' Equity		14,260	-221	14,039	16,799	-331	16,468	19,141	243	18,897
<b>Total</b>		<b>19,643</b>	<b>93,204</b>	<b>112,848</b>	<b>21,005</b>	<b>125,640</b>	<b>146,645</b>	<b>23,276</b>	<b>140,710</b>	<b>163,986</b>

## ➤ Detailed Income Statement

TL mn	9M-22	9M-23	YoY	2Q-23	3Q-23	QoQ
<b>Net Interest Income inc. Swap Cost</b>	<b>4,405</b>	<b>6,518</b>	<b>48%</b>	<b>2,349</b>	<b>2,586</b>	<b>10%</b>
Net Interest Income	4,642	6,482	40%	2,261	2,652	17%
CPI Linkers	1,951	2,515	29%	717	1,127	57%
Swap Costs	(237)	36	n.m.	88	(66)	n.m.
<b>Net Commissions</b>	<b>120</b>	<b>287</b>	<b>140%</b>	<b>73</b>	<b>151</b>	<b>107%</b>
<b>Other Income</b>	<b>95</b>	<b>124</b>	<b>31%</b>	<b>-187</b>	<b>3</b>	<b>n.m.</b>
Dividends	9	10	13%	3	1	-72%
Other	86	114	32%	-189	3	n.m.
<b>Trading &amp; FX gains/losses</b>	<b>951</b>	<b>1,893</b>	<b>99%</b>	<b>1,534</b>	<b>255</b>	<b>-83%</b>
FX gains/losses	608	1,677	176%	1,393	164	-88%
MtM gains/losses	1	8	789%	3	10	230%
Trading gains/losses	343	208	-39%	138	81	-41%
<b>Banking Income</b>	<b>5,571</b>	<b>8,822</b>	<b>58%</b>	<b>3,769</b>	<b>2,995</b>	<b>-21%</b>
OPEX (-)	379	847	124%	235	311	32%
<b>Net Banking Income</b>	<b>5,192</b>	<b>7,975</b>	<b>54%</b>	<b>3,534</b>	<b>2,684</b>	<b>-24%</b>
ECL (-)	2,121	2,258	6%	1,772	376	-79%
Stage I	181	281	55%	320	-88	-128%
Stage II	683	987	45%	736	251	-66%
Stage III	859	-2	n.m.	-12	6	n.m.
Other Provisions	398	992	149%	728	207	-72%
<b>Income From Subsidiaries</b>	<b>344</b>	<b>1,077</b>	<b>213%</b>	<b>550</b>	<b>346</b>	<b>-37%</b>
<b>Pre-Tax Income</b>	<b>3,415</b>	<b>6,794</b>	<b>99%</b>	<b>2,313</b>	<b>2,655</b>	<b>15%</b>
Tax (-)	771	1,766	129%	548	798	46%
<b>Net Income</b>	<b>2,644</b>	<b>5,028</b>	<b>90%</b>	<b>1,765</b>	<b>1,857</b>	<b>5%</b>





## TSKB Financial Institutions & Investor Relations

TSKB Financial Institutions & Investor Relations

[ir@tskb.com.tr](mailto:ir@tskb.com.tr)

[www.tskb.com](http://www.tskb.com)

Meclisi Mebusan Cad. 81  
Fındıklı 34427 İstanbul

