



# Recent Developments and Financial Updates

Investor Presentation

June 2020

No

Agenda

1 Economic Outlook

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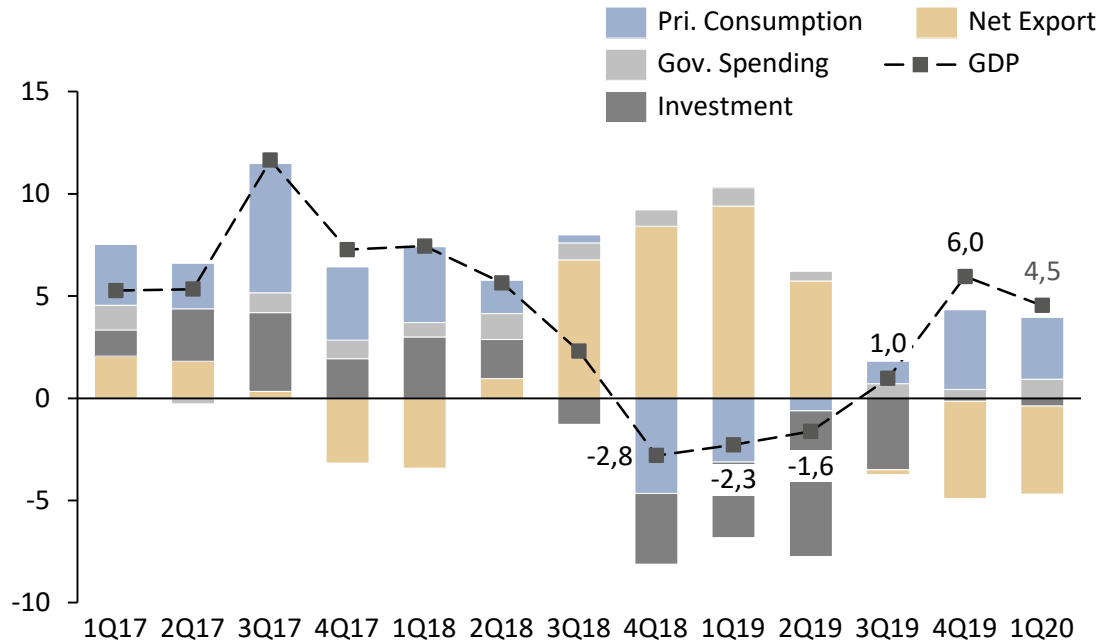
2 Financial Outlook

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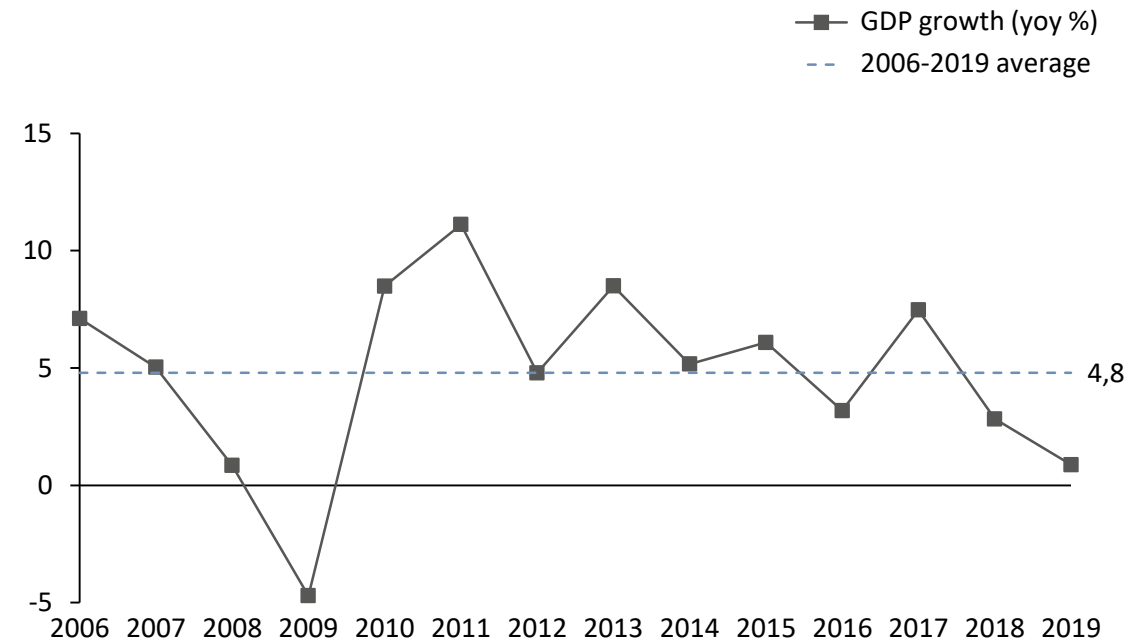
## **1** | **Economic Outlook**

# Turkey's Economic Performance

## Contribution to GDP Growth (pp)



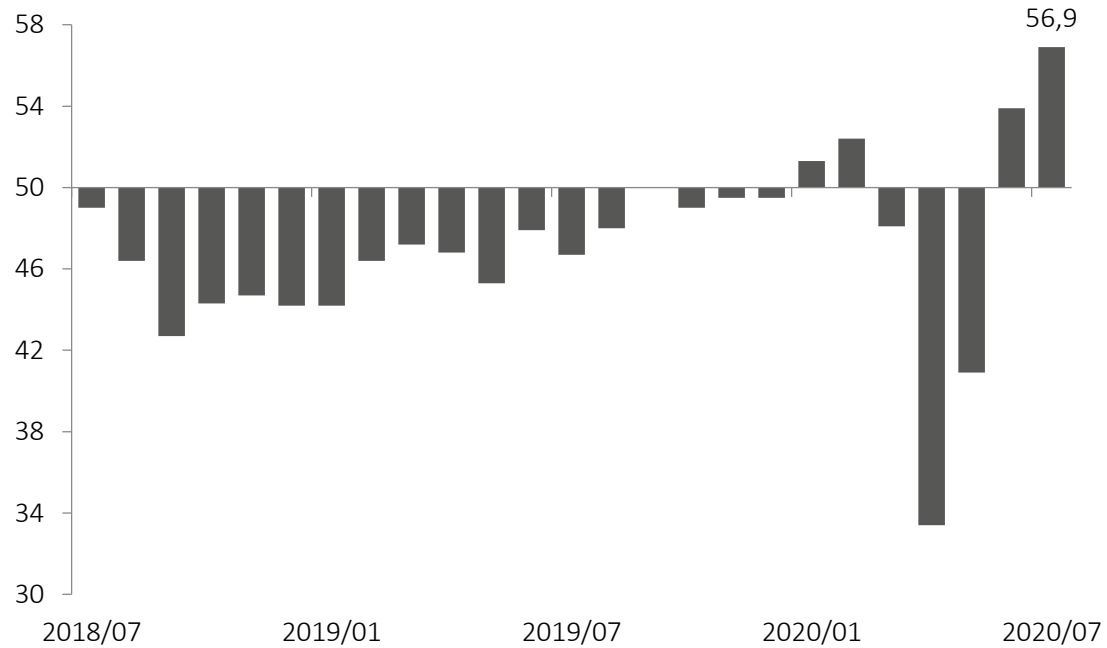
## LT GDP Growth (pp)



- In 2019 GDP grew by a rate of 0,9%, lower than Turkey's long-run average (2006-2019). Growth was driven by net exports by 2,7 pp.
- In the first quarter of 2020, Turkish economy grew by 4,5% thanks to pre-covid19 period.
- It is expected that Turkish economy would record a positive growth in the second half of the year.

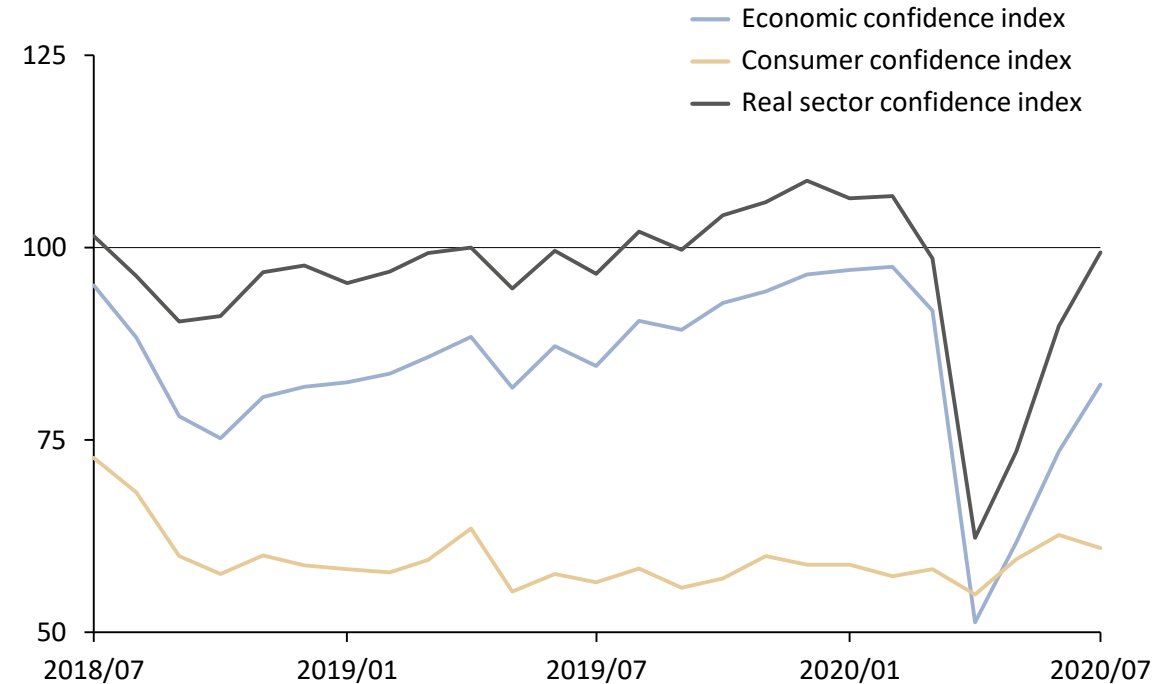
# Leading Indicators

## Manufacturing Purchasing Managers' Index



- In July 2020, the PMI for the manufacturing sector recovered rapidly to 56,9 after the shock of covid-19

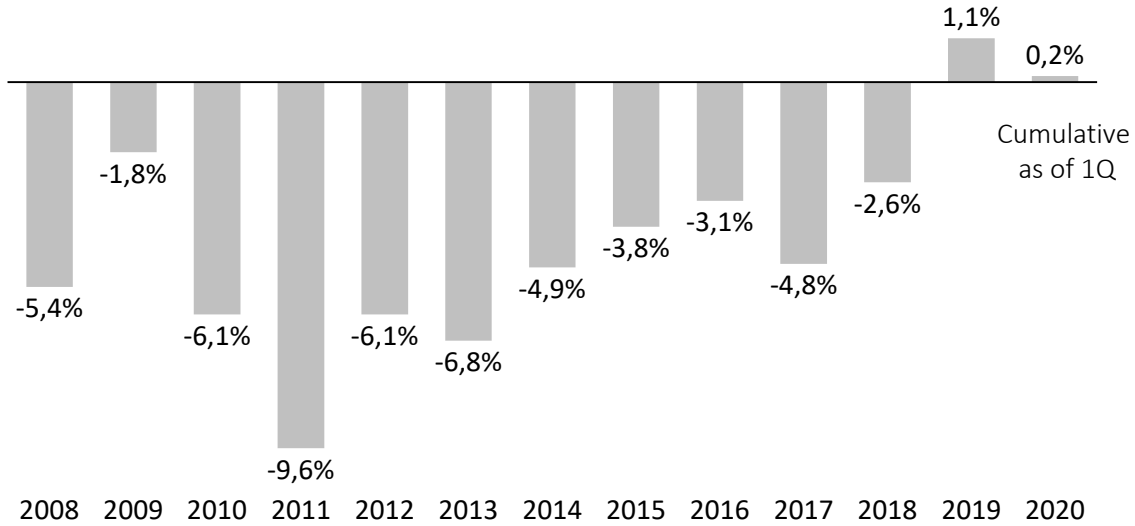
## Confidence Indices



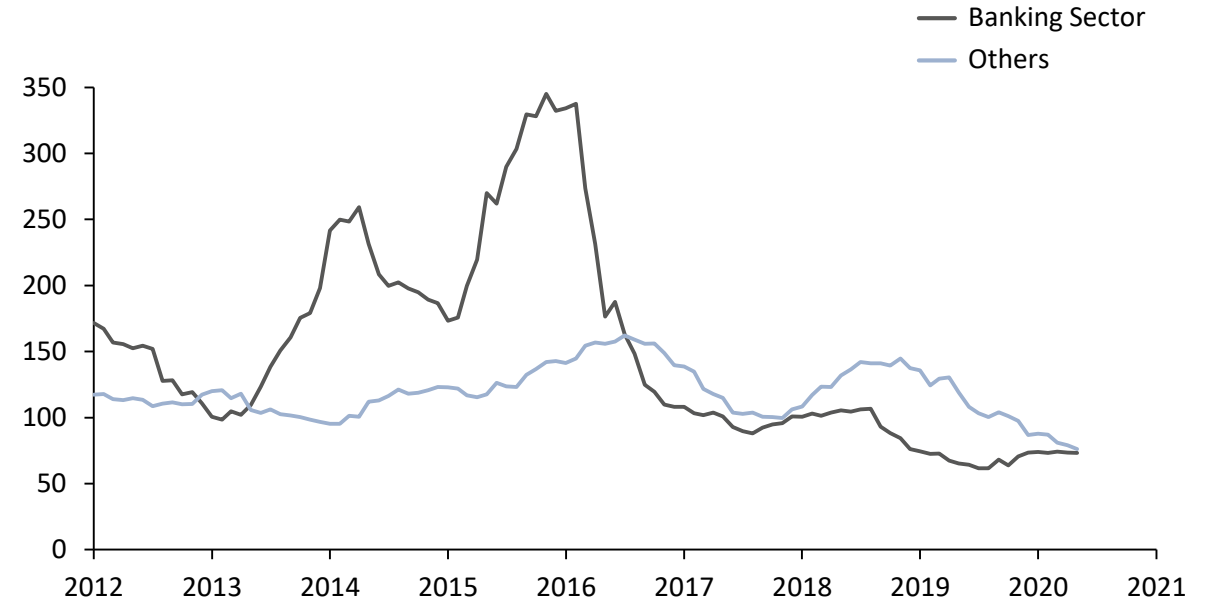
- Confidence indexes implies signs of recovery

# Balance of Payments

## Current Account Balance (% of GDP)



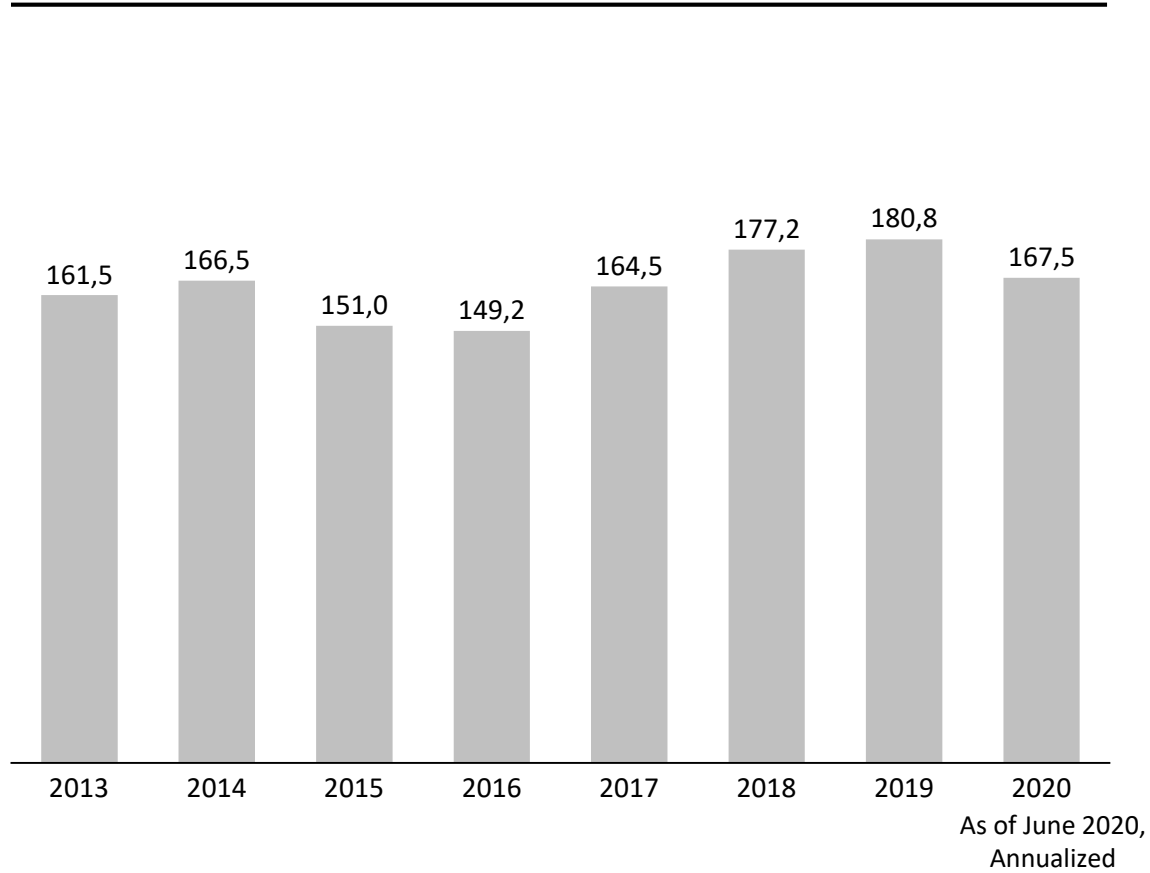
## Long Term External Debt Roll-over Ratio (%)



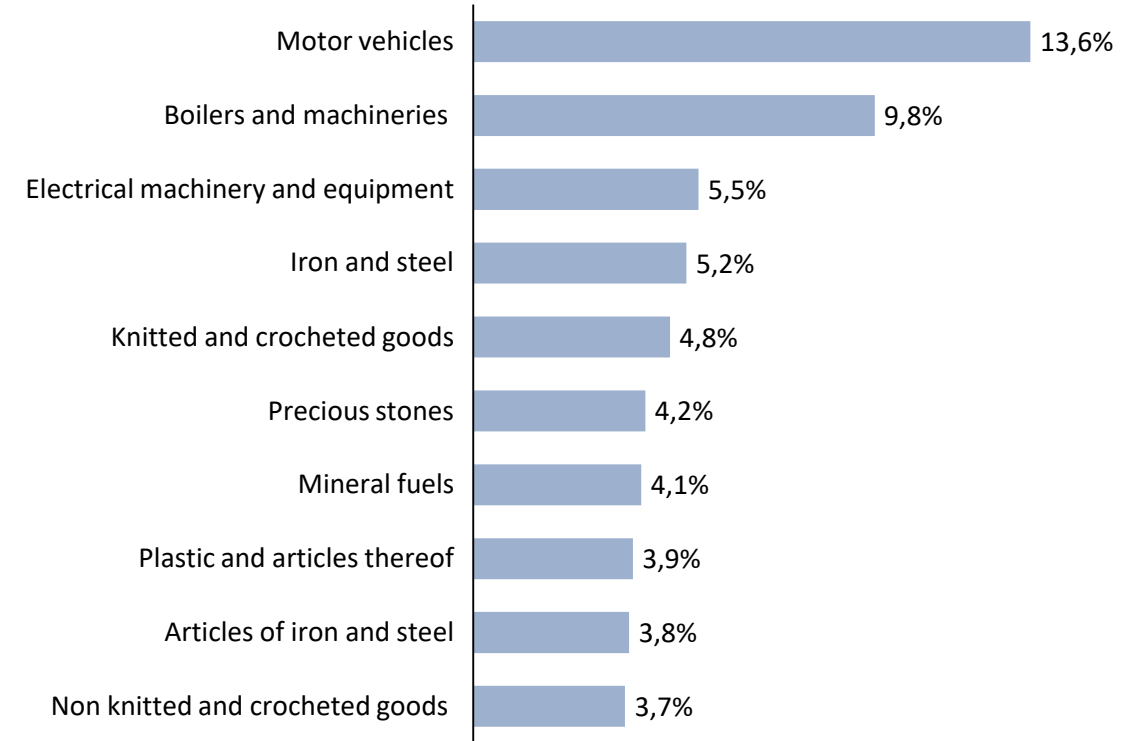
- Current account surplus to GDP was at 1,1% as of 2019.
- In first quarter of 2020, 12-month cumulative current account surplus to GDP ratio declined 0,2%.
- 12-month cumulative long-term roll-over ratio of the banking sector and other sectors is 73% and 76% respectively.

# Foreign Trade

## Exports (USD BN, GTS<sup>1</sup>)



## Export of Goods (as of June 2020, Annualized)

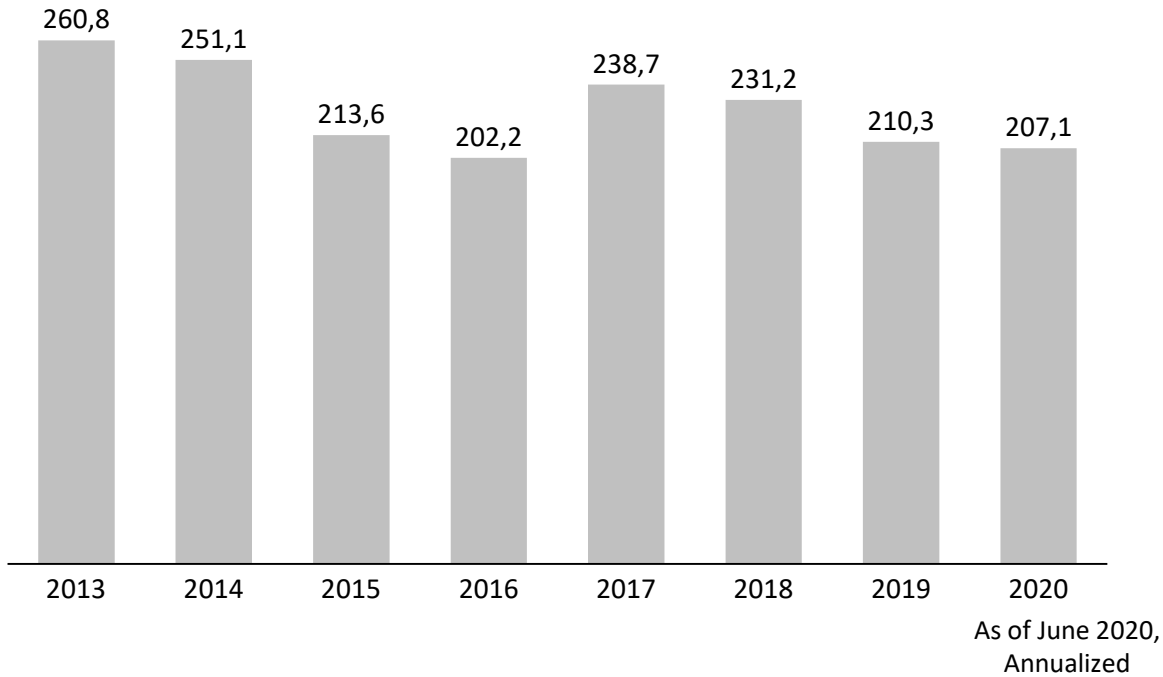


(1) General Trade System (GTS)

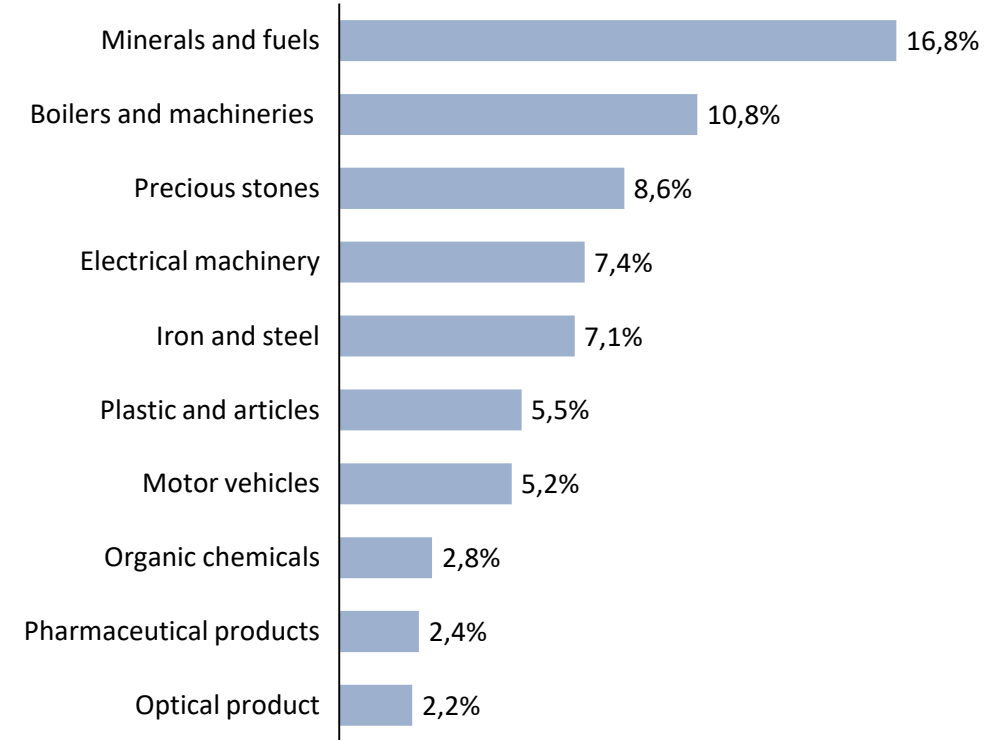
Source: Ministry of Trade, Turkstat

# Foreign Trade

## Imports (USD BN, GTS<sup>1</sup>)



## Import of Goods (as of June 2020, Annualized)



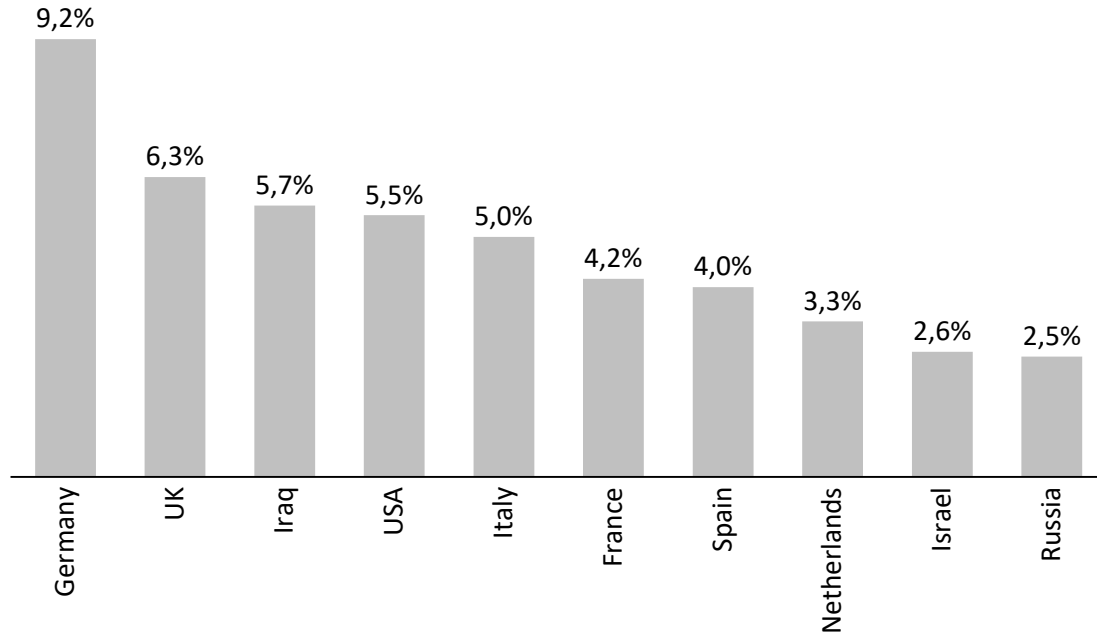
(1) General Trade System (GTS)



# Foreign Trade

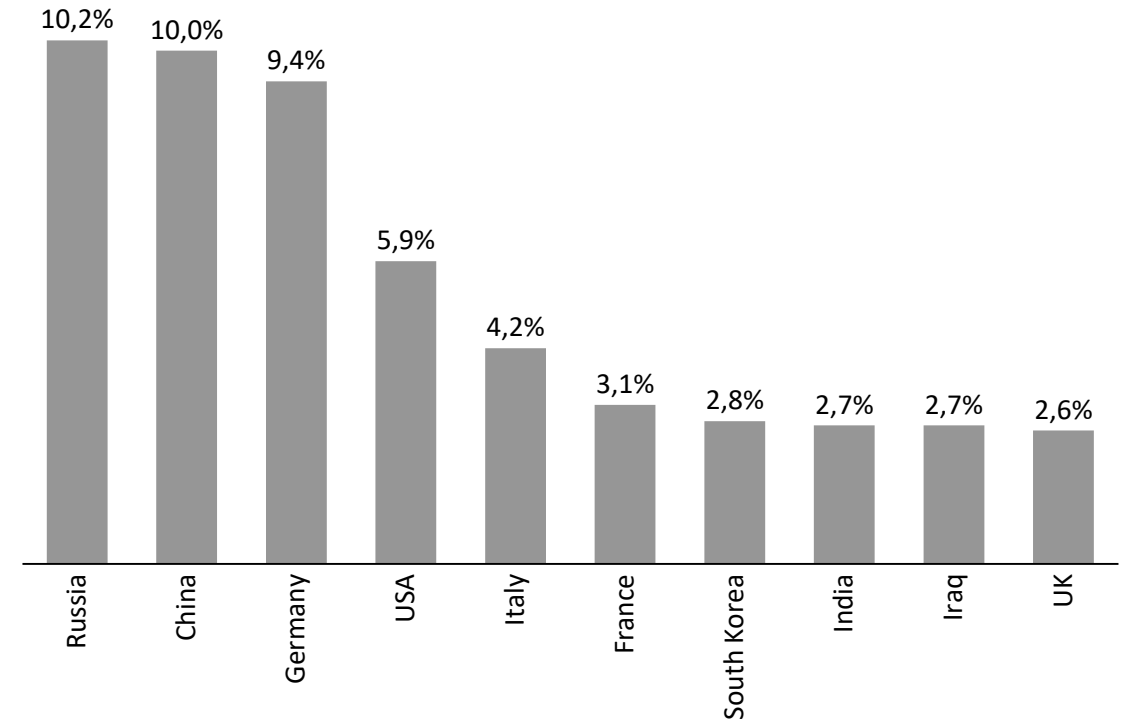
## Export – Top 10 Markets

as of June 2020, Annualized - Share



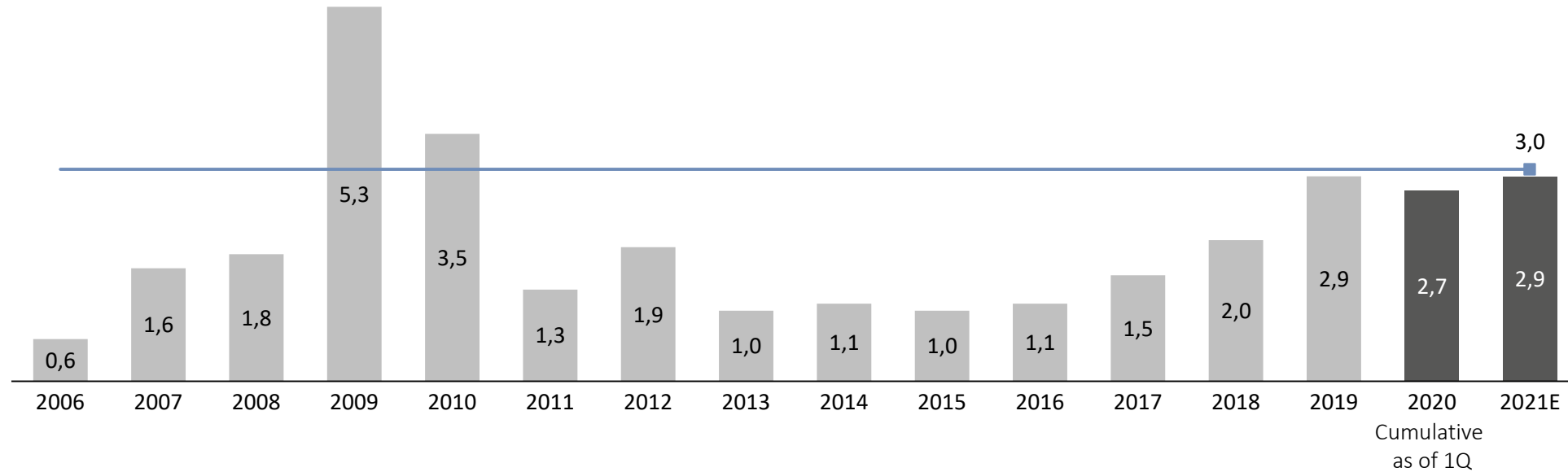
## Import – Top 10 Markets

as of June 2020, Annualized - Share



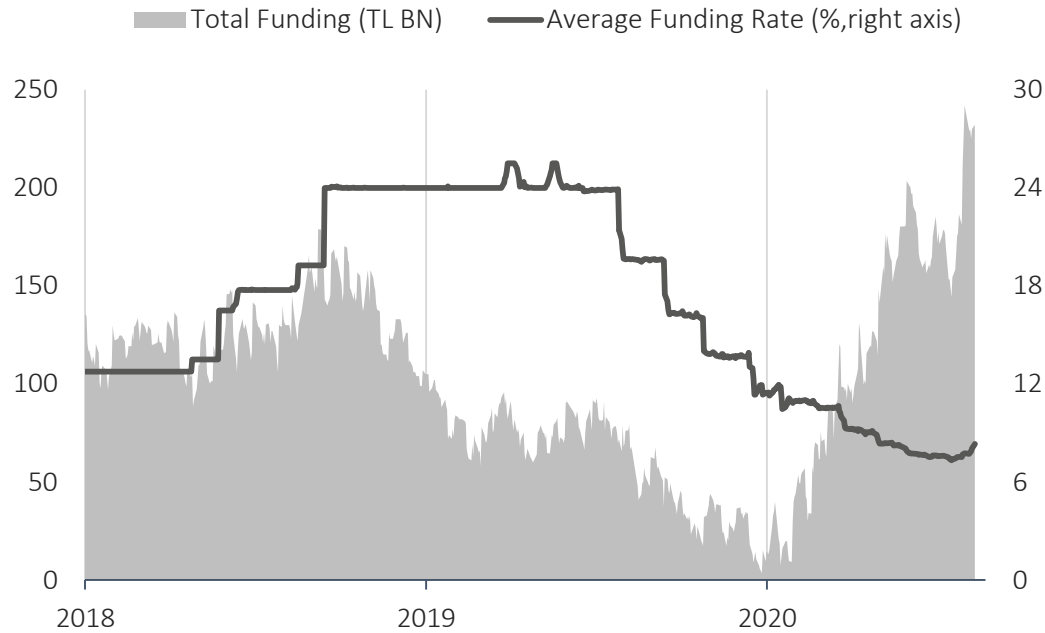
## Central Government Budget Deficit (% of GDP)

Central Government Budget Deficit (% of GDP)  
 NEP Forecast  
 Maastricht Criteria



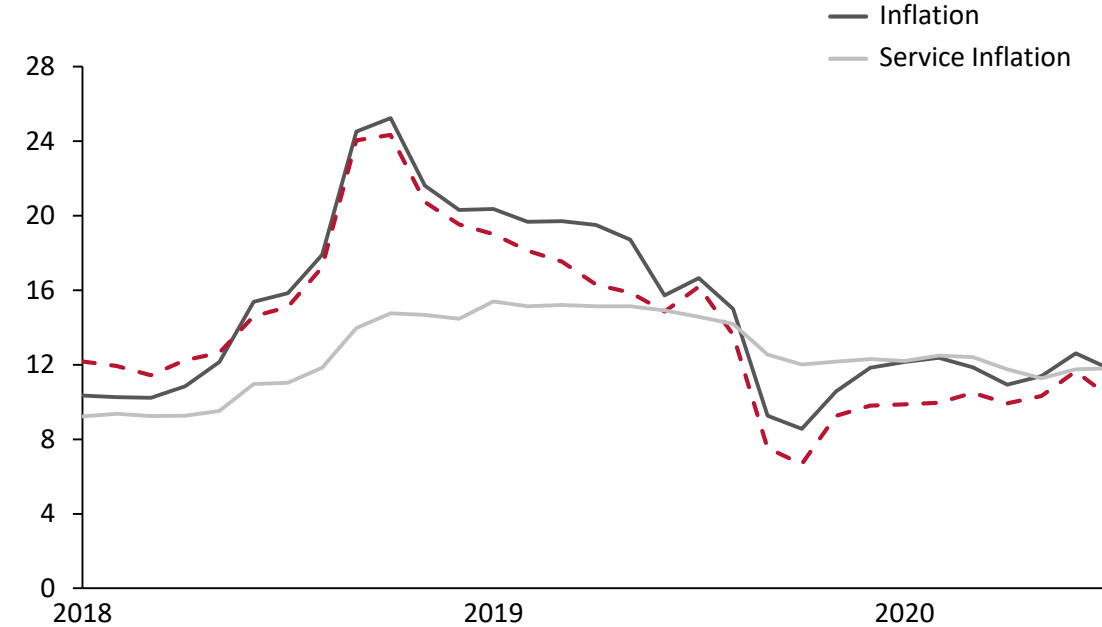
- In 2019, budget realizations were in line with the estimates of the New Economy Program (NEP).
- In the first quarter of 2020, Central Government Budget Deficit to GDP ratio equaled to 2,70%.

## CBRT Funding Amount and Avg. Funding Rate



- CBRT kept its policy interest rate (one-week repo rate) constant at 8,25% in last two meeting.
- Between July 2019 and May 2020, CBRT’s total interest rate cuts reached 1,575 bps.

## Annual CPI Inflation (%)

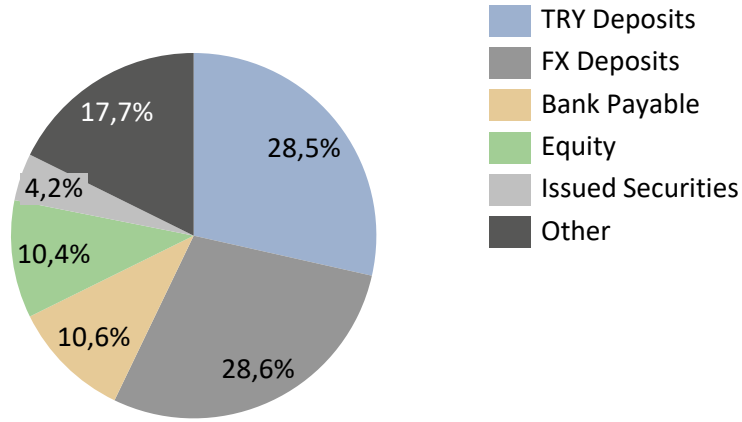


- In addition to the fall in the policy rate, decline in inflation expectations and improvement in the banking sector liquidity resulted in significant decreases in loan and deposit rates, thus boosting credit growth.
- Annual CPI inflation became 11,76% in July.

# Banking Sector

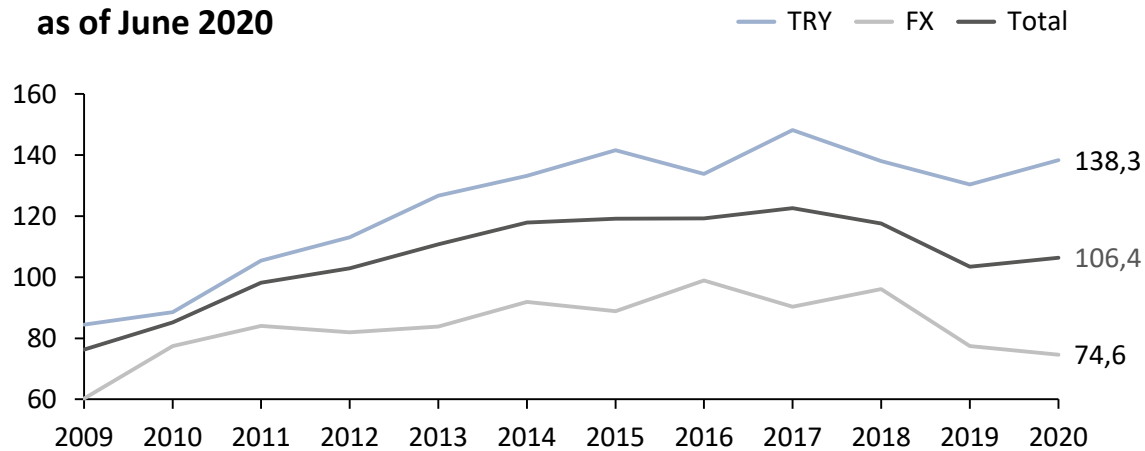
## Composition of Banking System Liabilities

as of June 2020



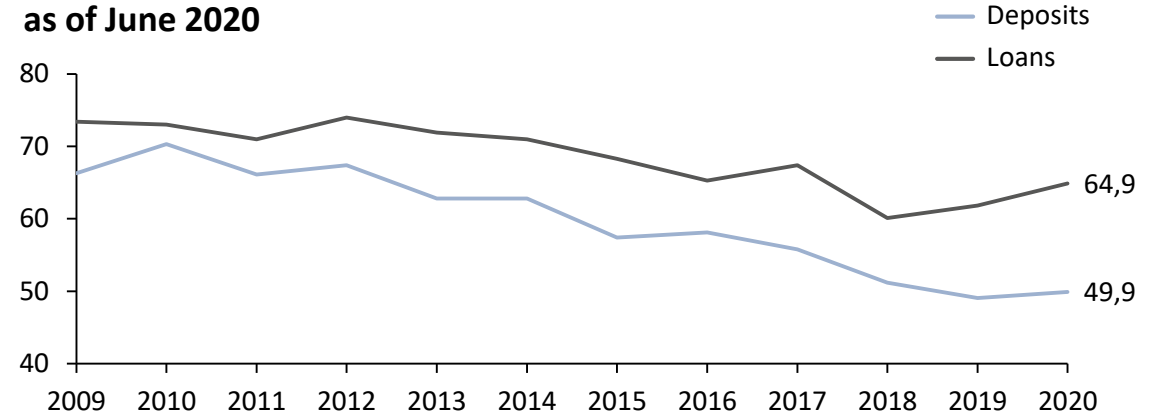
## Loan to Deposit Ratio - LDR (%)

as of June 2020



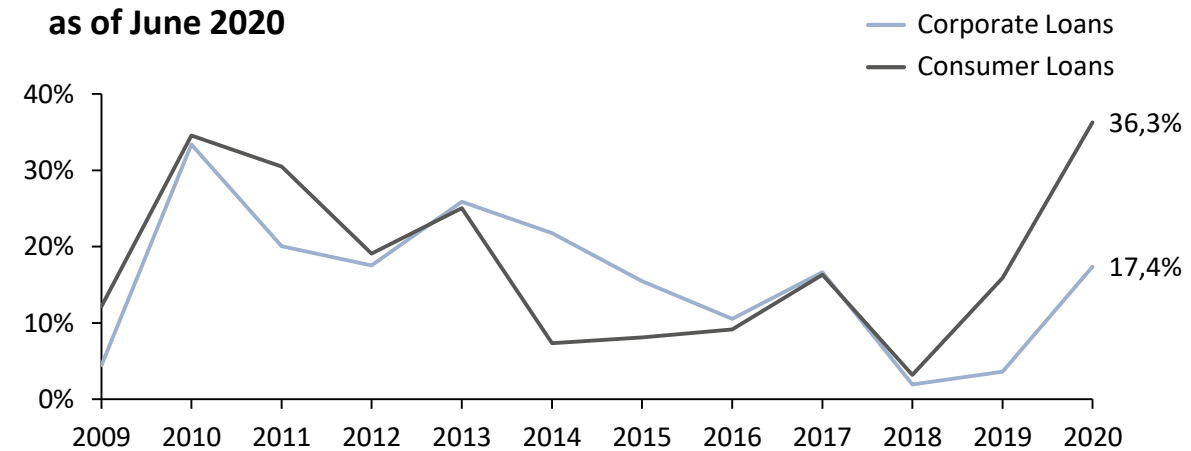
## The Share of TRY in Loans and Deposits (%)

as of June 2020



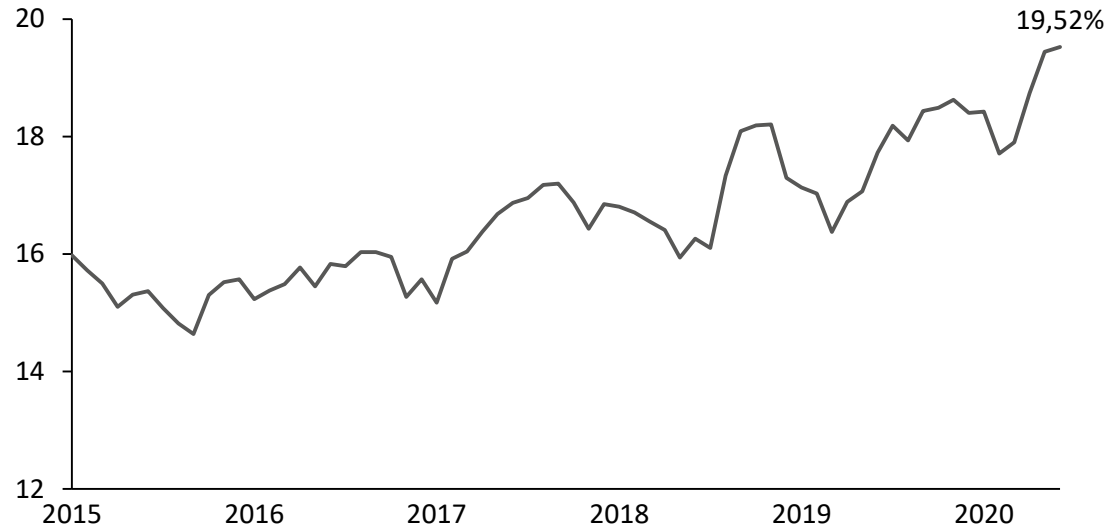
## Loan Growth Rates (yoy %, excluding parity effect)

as of June 2020



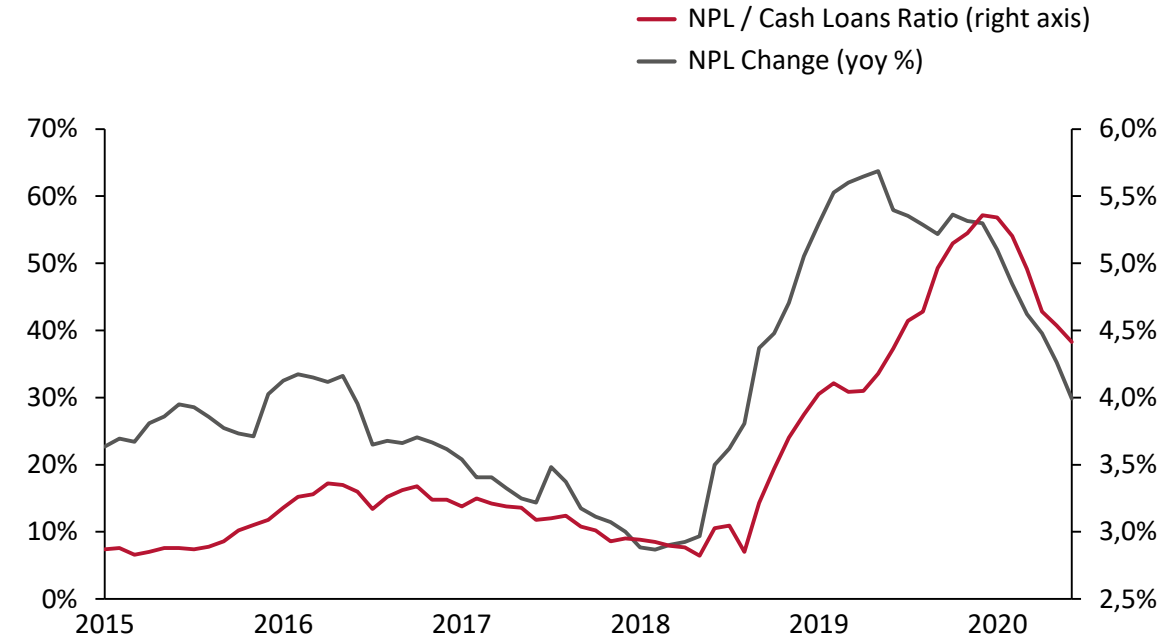
# Banking Sector Capital

## Capital Adequacy Ratio



- The sector maintained a strong capital base, with a capital adequacy ratio in compliance with Basel III at 19,52% according to the BRSA as of June 2020.

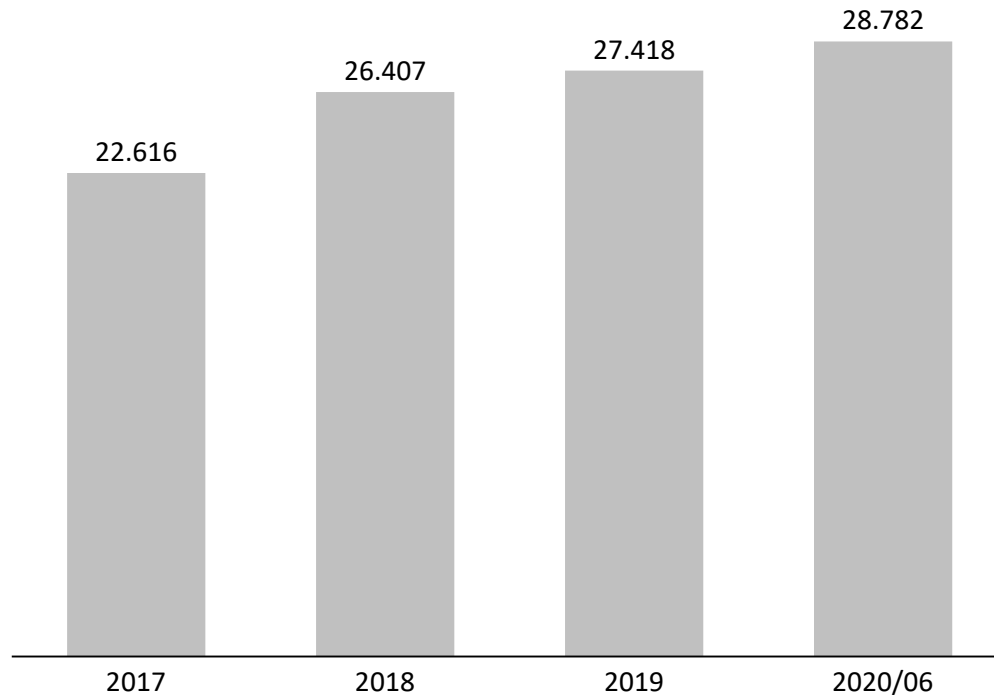
## Non Performing Loans To Cash Loans Ratio



- NPL's have improved thanks to government actions.

## 2 | Financial Outlook

## Total Asset Size of Türk Eximbank (USD M)

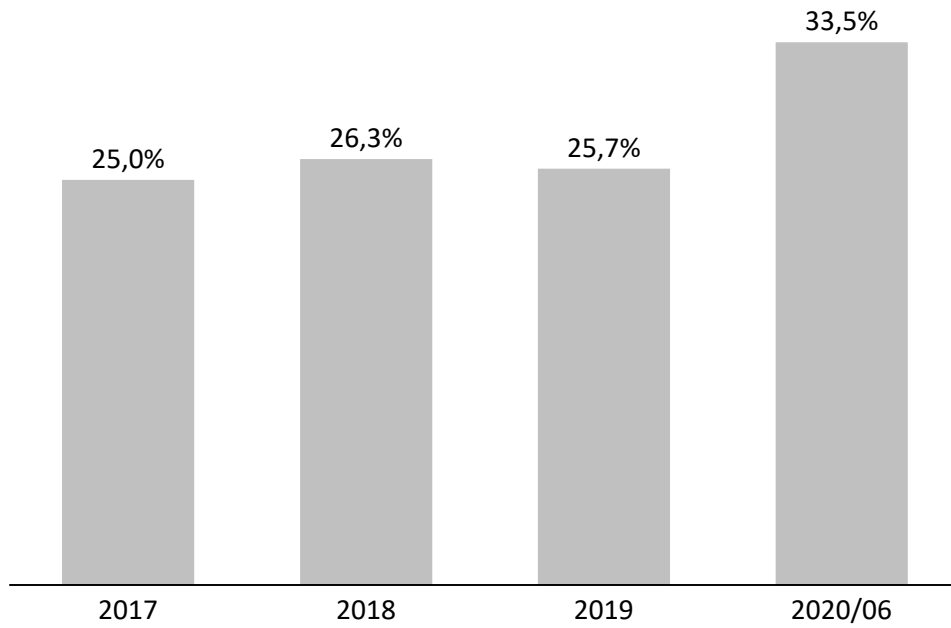


- The official Export Credit Agency of Turkey
- 100% ownership by the Ministry of Treasury & Finance
- Türk Eximbank supports the Turkish Economy as part of the government's export-led growth policy. In the first half of 2020, it supported 33,5% of Turkish exports
- Easy access to credit programs for exporters via 20 branches and 11 liaison offices in addition to headquarter in Istanbul and three regional directorates
- Involved in both direct lending and insurance/guarantee activities, Türk Eximbank aims to offer a “one-stop shop”

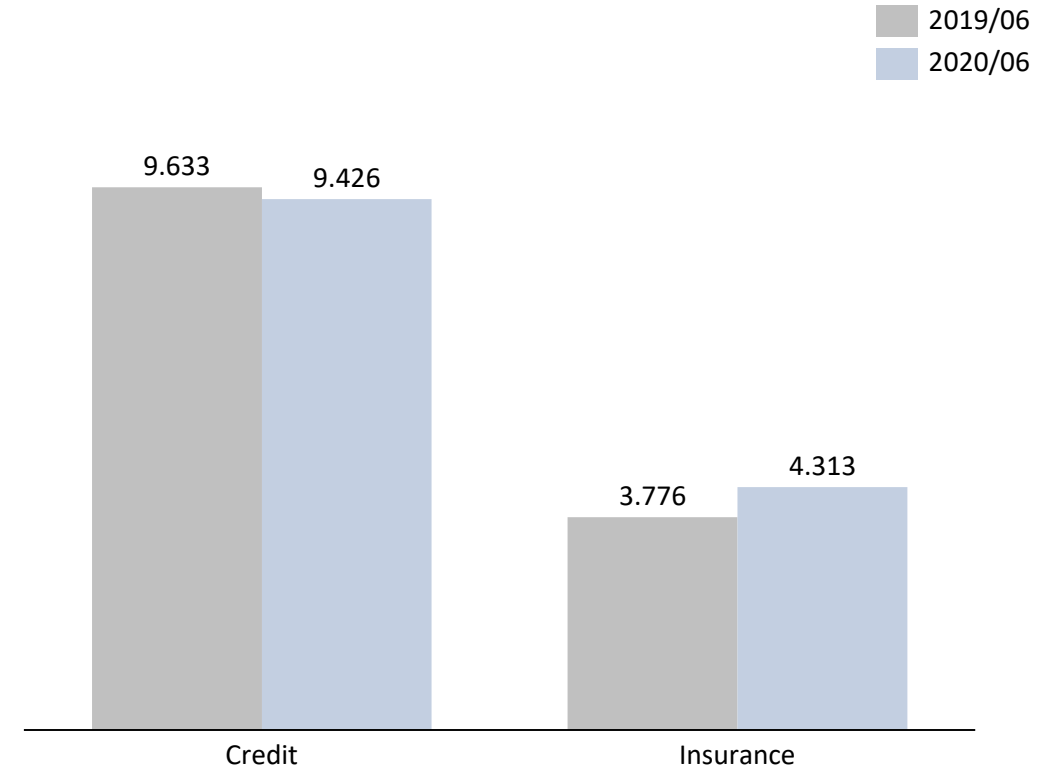
**Note:** Exchange rate: USD/TRY 6,8444 (2020/06), 5,9407 (2019/12), 5,2801 (2018/12), 3,7750 (2017/12)

**Source:** Türk Eximbank 2017, 2018, 2019 BRSA Financial Reports and internal accounts as of 30 June 2020

## Financial Support To Total Export



## Number Of Companies





- Losses incurred by Türk Eximbank under the credit, guarantee and insurance programs due to political risk are covered by the Ministry of Treasury & Finance
- Exempt from Corporate Tax and Stamp Tax
- Exempt from reserve requirement ratio
- The Ministry of Treasury & Finance guarantee for borrowings from supranational institutions such as World Bank and EIB
- In August 2019, Türk Eximbank's paid-in capital has been increased with retained earnings (TRY810M) from TRY6,35BN to TRY7,16BN
- Rated B2 (negative) by Moody's; B+ (stable) by Fitch

## Short, Medium & Long Term Export Credits

### Short Term Export Credits

- Central Bank's rediscount facility accounting for 68% of total loans as of 30 June 2020
- Short-term indirect lending via 30 of Turkey's 53 banks
- Direct short-term credits – collateralized by Turkish banks or Credit Guarantee Fund

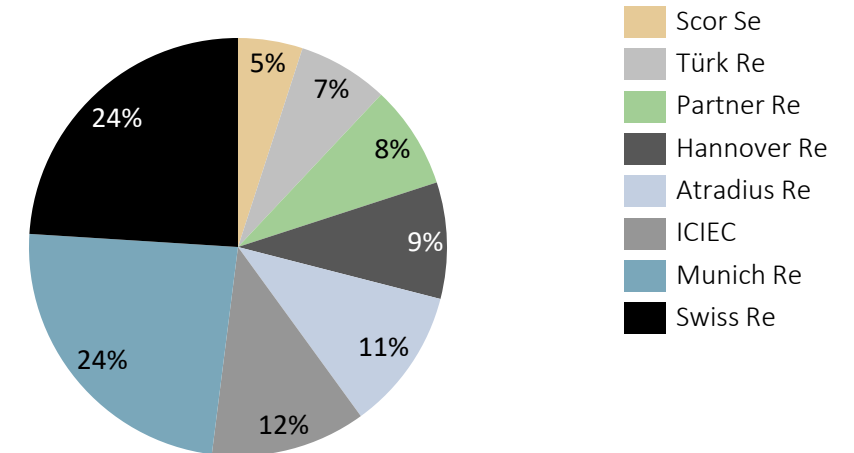
### Medium and Long Term Export Credits

- Accounting for 27% of total loans as of 30 June 2020
- Buyers' Credits to the importing countries of Turkish goods and services comply with OECD Arrangement rules
- Fixed Capital Investment and Working Capital Loans

## Insurance

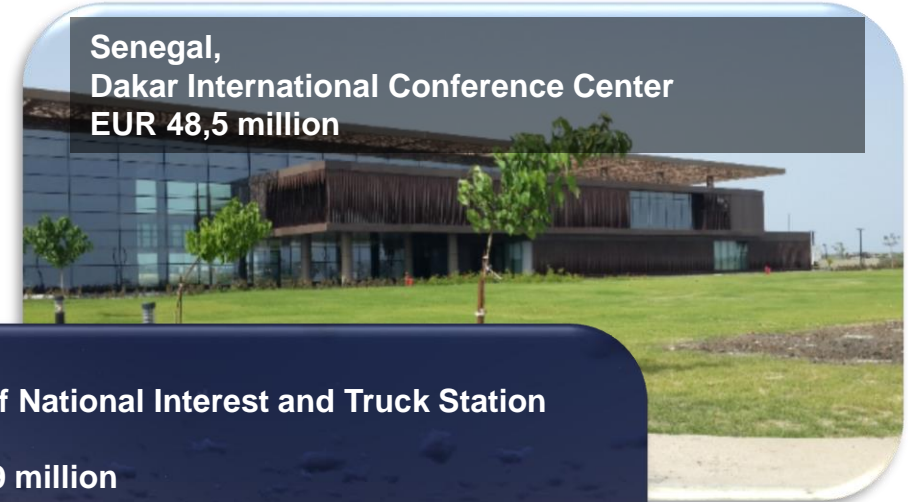
- Export credit insurance against commercial and political risks
- Holding 40% of the commercial risks out of 90% shipment coverage amounting to USD1.540M<sup>1</sup> as of 30 June 2020

### Reinsurance Panel 2020



(1) "Other Guarantees" under off-balance sheet commitments (Exchange rate: USD/TL 6,8444)

## Project Loans - Examples



# International Loans – Projects in the Pipeline



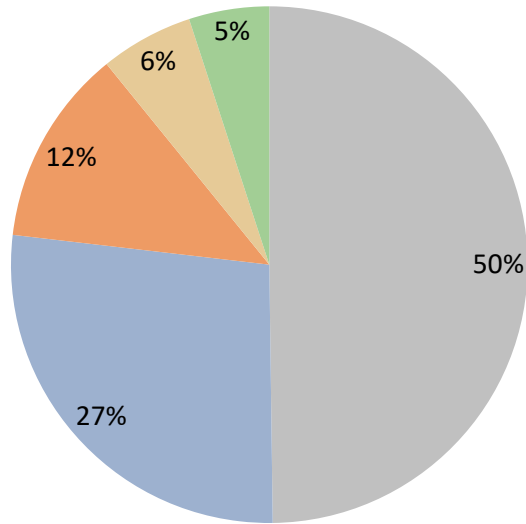
| Country                  | Guarantee Type | Project Type                      | Currency | Project Amount (M) | Loan Amount (M) |
|--------------------------|----------------|-----------------------------------|----------|--------------------|-----------------|
| Georgia                  | Bank           | Hotel Project                     | EUR      | 90,0               | 20,0            |
| Ghana                    | Sovereign      | Water Supply Project              | USD      | 181,6              | 129,8           |
|                          | Sovereign      | Construction of Conference Centre | USD      | 145,6              | 102,9           |
| North Macedonia          | Sovereign      | Natural Gas Distribution Project  | EUR      | 300,0              | 204,0           |
| The United Arab Emirates | Bank           | Airport Expansion Project         | USD      | 44,0               | 4,1             |
| Turkmenistan             | Sovereign      | Cement Plant Project              | USD      | 250,0              | 210,0           |
|                          | Sovereign      | Cement Plant Project              | EUR      | 250,0              | 210,0           |
| Ukraine                  | Sovereign      | Bridge Project                    | USD      | 400,0              | 136,0           |
| TOTAL                    |                |                                   | USD      | 1.824,9            | 1.135,1         |

EUR denominated amounts have been converted to USD by Turk Eximbank cross exchange rate of August 7, 2020.

# Product and Country Diversification (in Total Loan Volumes)

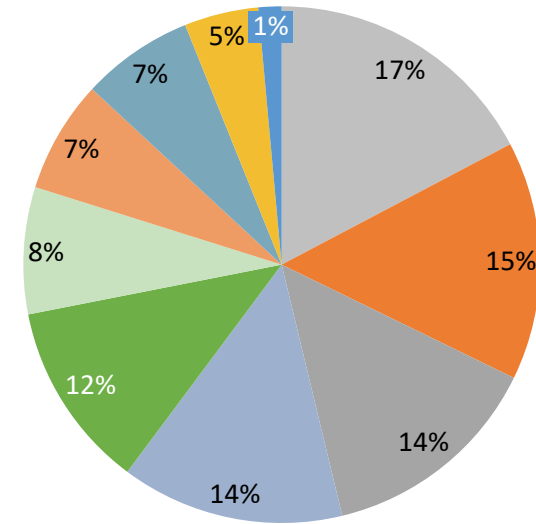
## By Destination

- EU
- Other
- Middle East & North Africa
- United States and Canada
- Other European Countries



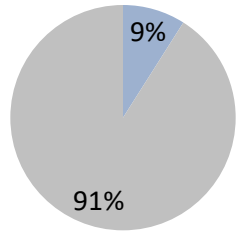
## By Sector

- Metal
- Wholesale Trade and Services
- Logistics and Transportation
- Textile/ Ready-to-Wear/ Leather
- Other
- Construction and Construction Products
- Food/ Agr./ Livestock
- Chemicals and Plastics
- Motor Vehicles
- Machinery / El. Appliances

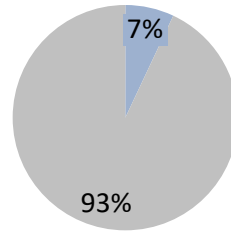


## Loans by Customer Segment/Type

31 December 2019



30 June 2020

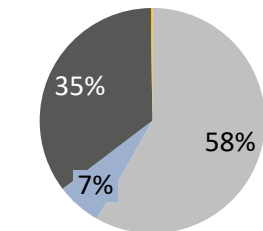


■ Domestic FIs ■ Corporate Customers other than FIs (Guaranteed by banks)

- 20 largest clients represent 27% of the loan portfolio as of 30 June 2020 (25,6% as of 31 December 2019)
- Top 20 country risk exposures under export credit insurance programs constituted 68% of total insurance exposure as of 30 June 2020 (67% in the same period of 2019)

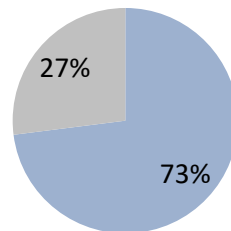
## Loans by Currency / Maturity / Direct-Indirect Lending (30 June 2020)

Currency Distribution



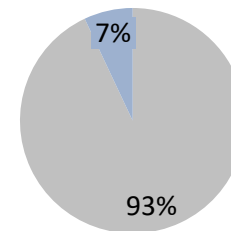
■ Euro ■ USD  
■ TL ■ Other FC

Maturity Distribution<sup>1</sup>



■ Short Term  
■ Medium and Long Term

Direct/Indirect Lending



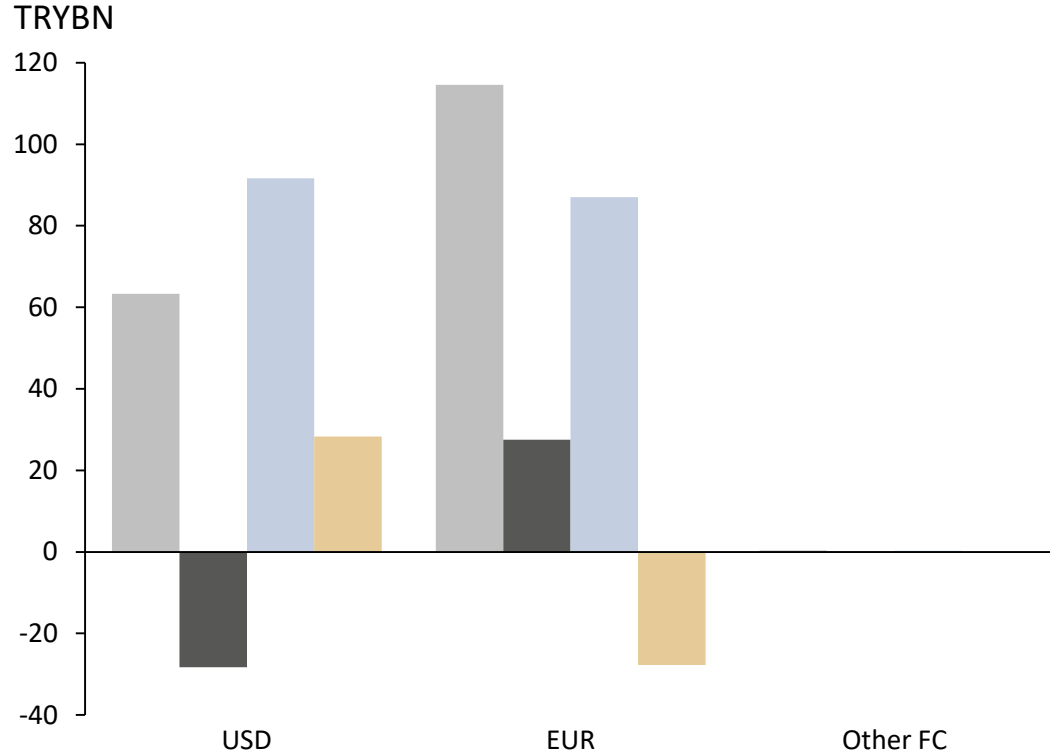
■ Direct Credits  
■ Indirect credits

- 93% of loans are Foreign Currency denominated (7% TRY loans)
- 58% and 35% of total loans are denominated in EUR and USD respectively

(1) 0-12 months, Medium & Long Term: 1 year +

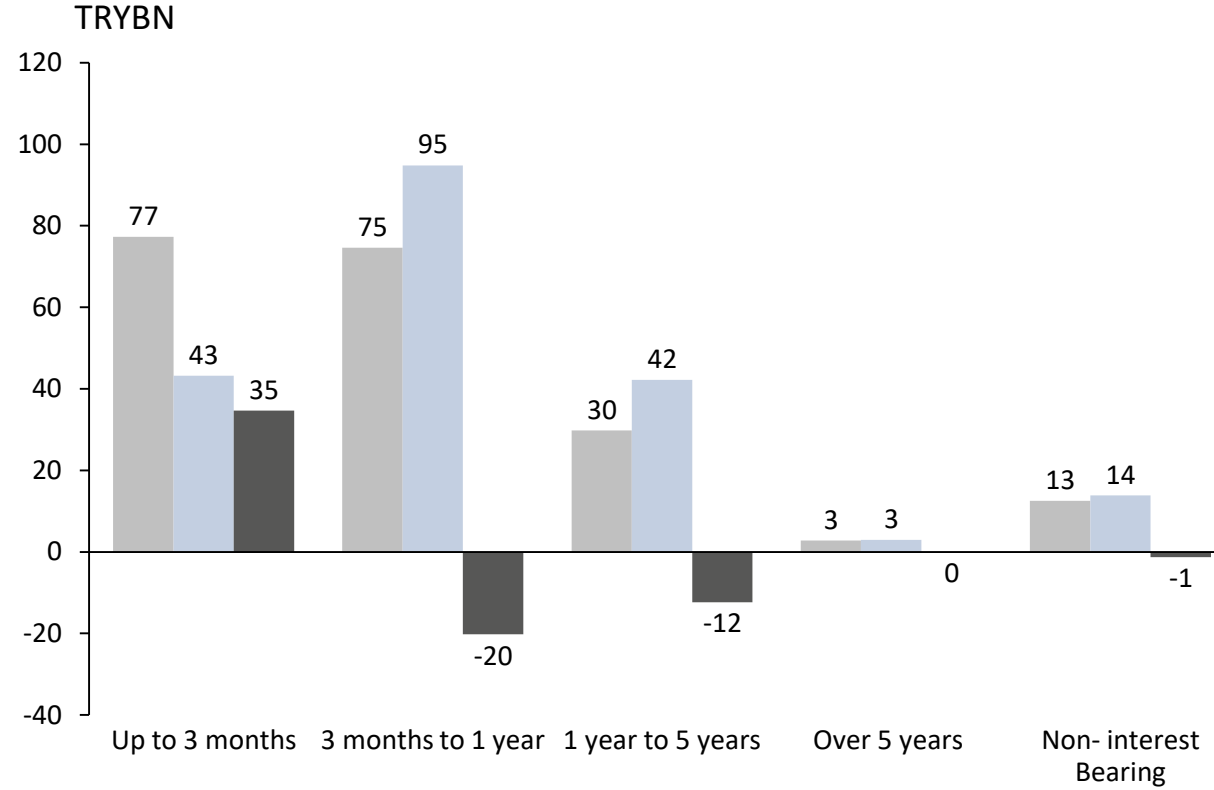
# Currency and Interest Rate Risk

## Currency Risk



Total Assets  
 Total Liabilities  
 Net Balance Sheet Position  
 Net Off-Balance Sheet Position

## Interest Rate Risk (Repricing Analysis)<sup>1</sup>



Total Assets  
 Total Liabilities  
 Total Position of the Bank (Including Off-Balance Sheet Position)

(1) Amounts of the Bank's assets and liabilities, classified in terms of periods remaining to contractual repricing dates

# Strong Risk Management Culture

## Market Risk

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- TRY assets (excluding Rediscount TRY credits) funded by equity
- Maintaining conservative net foreign exchange position ratio (close to square FX position)
- Assets and liabilities matching via cross-currency swaps, interest rate swaps or currency swaps
- Maximum 20% restriction regarding the ratio of floating / fixed interest-bearing assets and liabilities mismatches

## Liquidity Risk

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- Liquidity cushion – liquidity ratio regularly reported to BRSA
- Short-term nature of receivables and even distribution of the receivables within a year

## Credit Risk

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- Short-term export credits - collateralized by Turkish banks or Credit Guarantee Fund
- 100% of political risk loss indemnification by the Ministry of Treasury & Finance for Buyer's Credits under sovereign guarantee
- 60% of commercial risk of export credit insurance transferred to reinsurers
- As per guaranteeing policy, since credits are mostly extended based on the risk of the domestic bank, the Bank can undertake risk of up to 20% of the cash and non-cash total credit risk amount for a single bank

## Operational and Legal Risk

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- Effective internal audit systems and IT system and independent external audit of these systems
- Legal risk minimised by using standard forms of documentation



| TRY M  | 2017   | 2018    | 2019    | 1H20                 |
|--|--------|---------|---------|----------------------|
| Total Assets   | 85.375 | 139.429 | 162.883 | 196.998              |
| Loans And Advances   | 80.271 | 129.497 | 142.893 | 169.857              |
| Total Equity   | 5.774  | 7.654   | 9.080   | 9.903                |
| CAR  | 13,55% | 18,66%  | 19,06%  | 20,44%               |
| Av. Liquid Assets / Av. Total Assets <sup>1</sup>                    | 4,2%   | 4,2%    | 6,2%    | 6,8%                 |
| Net Profit   | 568    | 842     | 1.432   | 814                  |
| Aggregate Net Margin On Total Interest Earning Assets <sup>2-5</sup> | 1,0%   | 0,95%   | 1,2%    | 1,3% <sup>(5)</sup>  |
| Return On Average Assets (ROAA) <sup>3-5</sup>                       | 0,8%   | 0,8%    | 0,9%    | 1,0% <sup>(5)</sup>  |
| Return On Average Equity (ROAE) <sup>3-5</sup>                       | 10,9%  | 13,1%   | 18,7%   | 17,9% <sup>(5)</sup> |
| NPL / Gross Loans <sup>4</sup>                                       | 0,4%   | 0,3%    | 0,4%    | 0,4%                 |

Employees: 736 (as of 30 June 2020)

(1) Liquid assets consist of cash and due from banks, money market placements, financial assets held for trading and financial assets available for sale.

(2) Aggregate net margin on total interest earning assets is calculated as the Bank's total of net interest income and trading profit/loss divided by the average balance of the Bank's total interest earning assets during the applicable period.

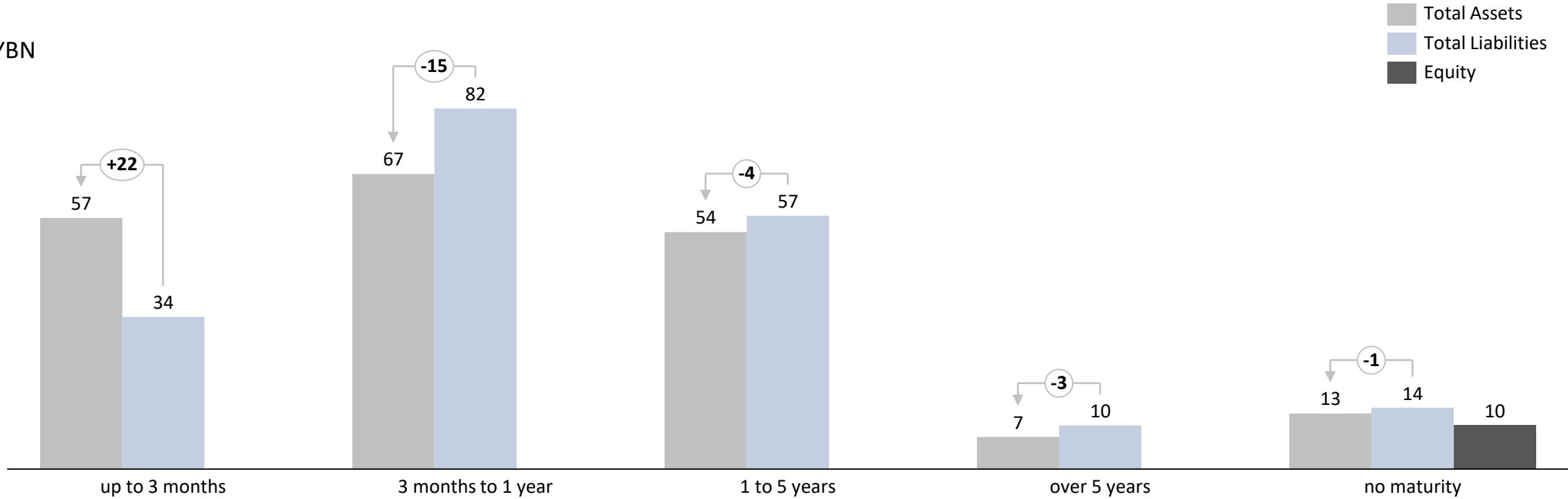
(3) ROAA and ROAE are calculated as net profit for the period divided by average total assets and average equity for the period, respectively

(4) Ratio is calculated as non-performing receivables (also expressed as loans under follow-up) divided by loans (net) as at the relevant date.

(5) ROAA, ROAE and Aggregate Net Margin on Total Interest Earning Assets figures are annualized as of 30 June 2020.

# Strong Liquidity Risk Management Policy Limited Maturity Mismatch

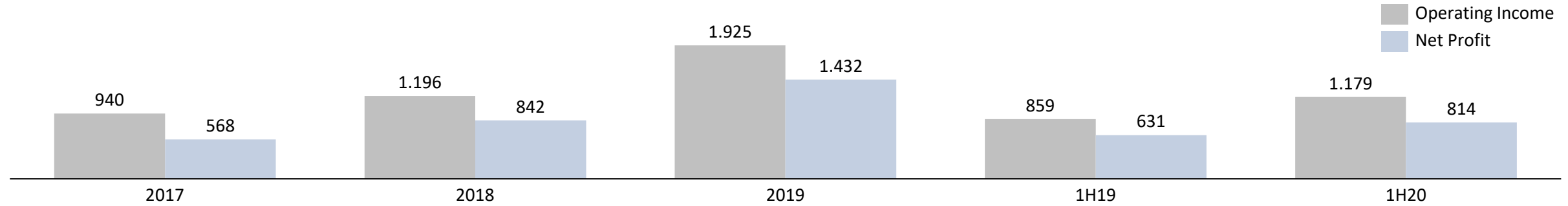
TRYBN



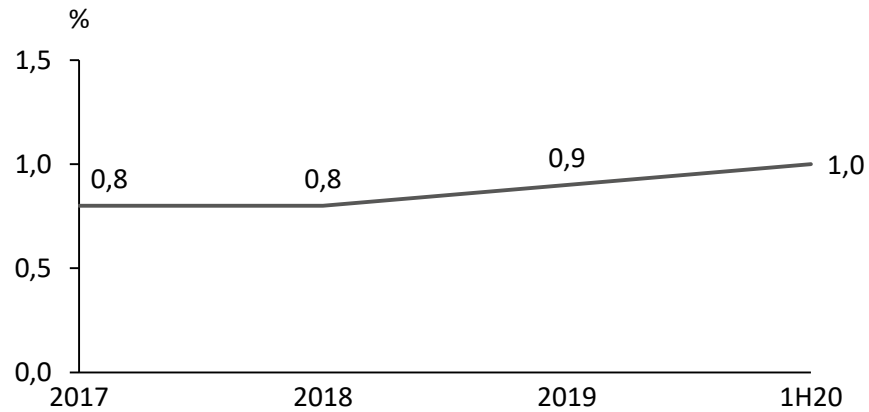
- Limited maturity mismatch
- Average Remaining Maturity of Total Loans: 353 days as of 30 June 2020
- Average Remaining Maturity of Interest Bearing Liabilities: 515 days as of 30 June 2020

# Solid Profitability Despite Policy Objectives

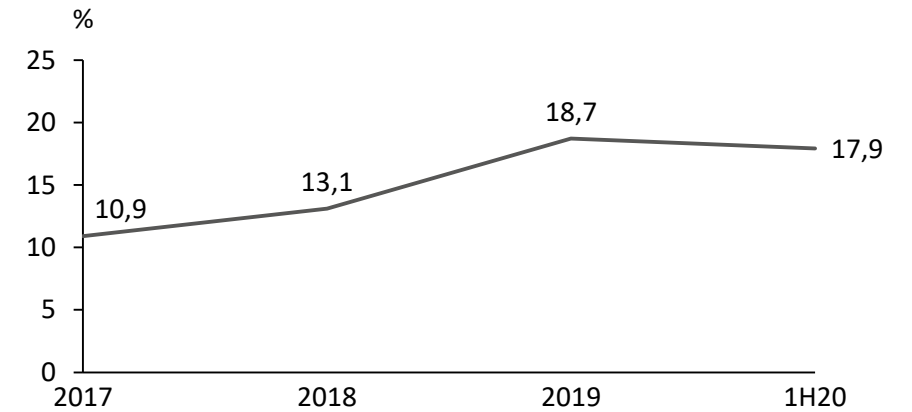
## Profit Evaluation (TRY M)



## Return on Average Assets



## Return on Average Equity

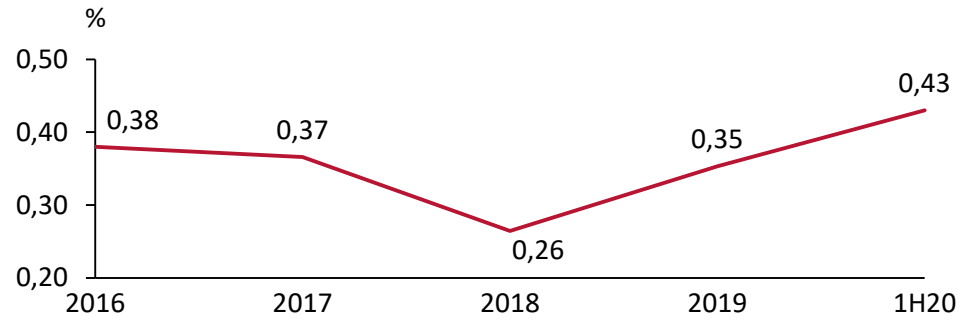


**Note:** In accordance with standard ratios. Group grade 1 consists of the lowest and 4 of the highest risk profile banks and financial institutions

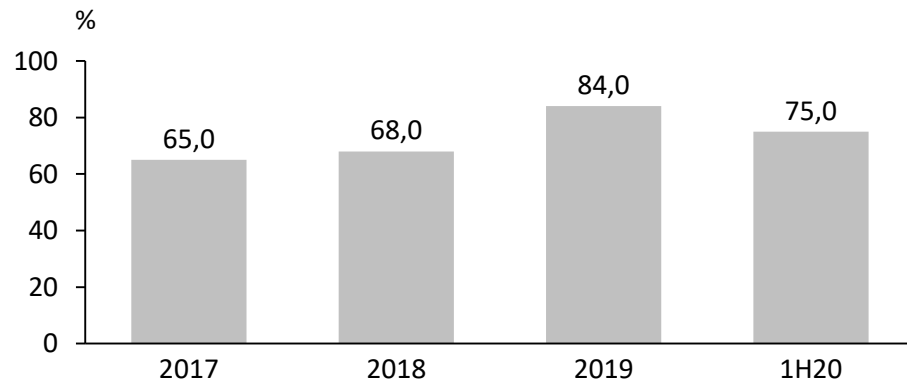
**Source:** Türk Eximbank 2020/6 BRSA Financial Report

# High Credit Quality and Sound Lending Portfolio

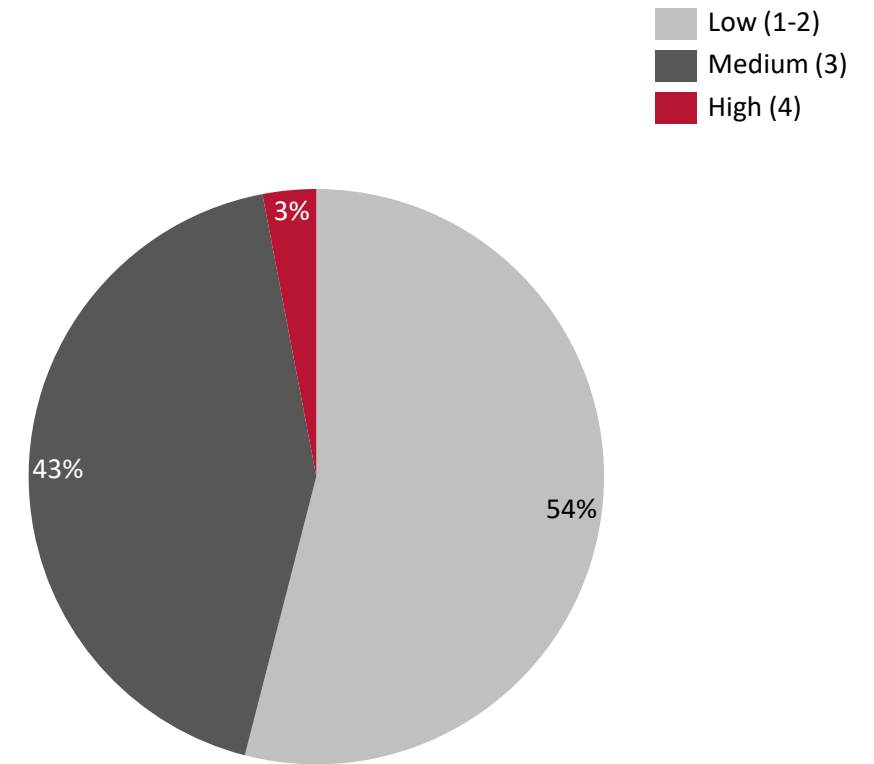
## NPLs/Total Loans



## NPL Coverage Ratio



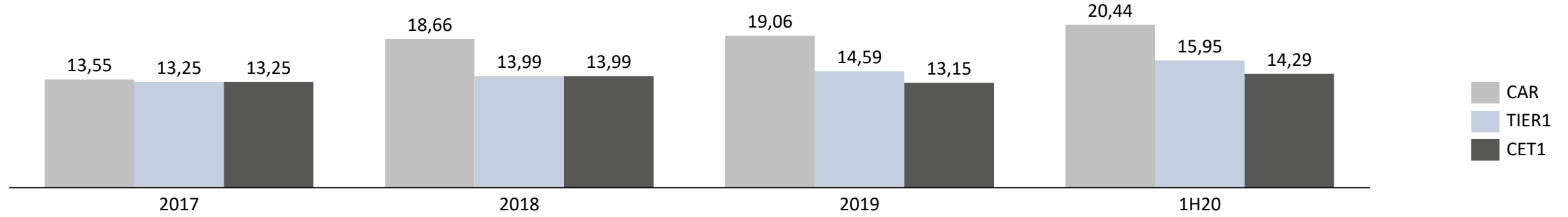
## Indirect Lending Portfolio by Int. Risk Rating <sup>1</sup>



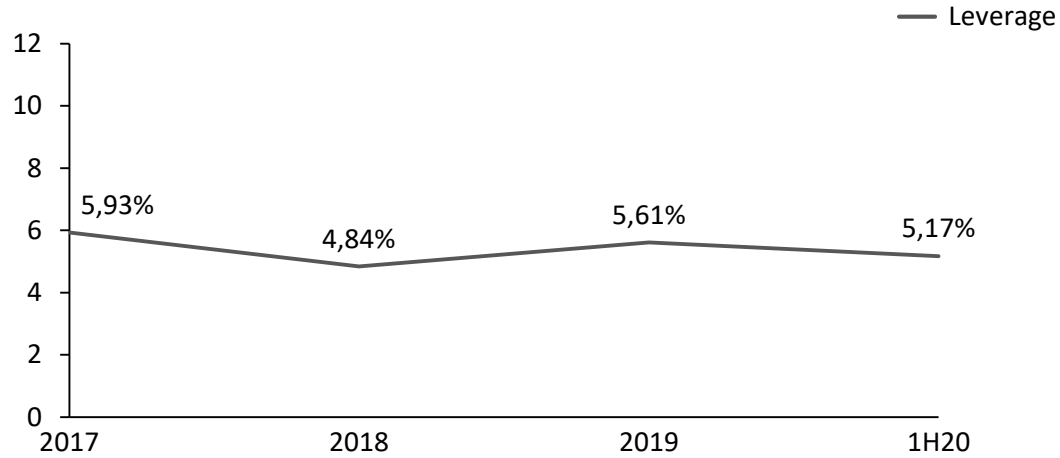
- Low (1-2)
- Medium (3)
- High (4)

(1) In accordance with standard ratios. Group grade 1 consists of the lowest and 4 of the highest risk profile banks and financial institutions

## Capital Ratios (%)

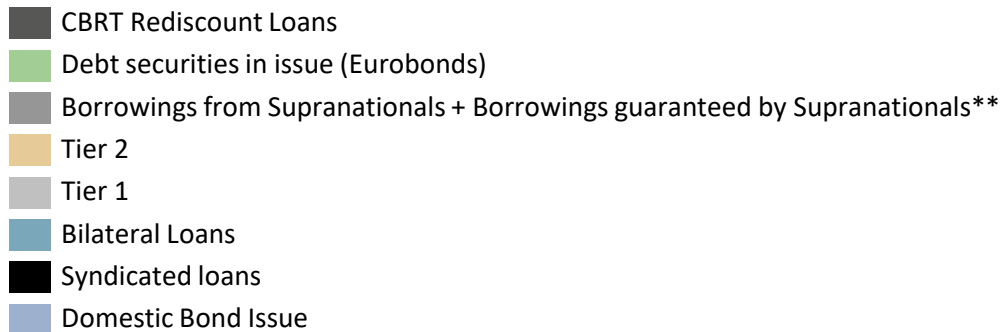
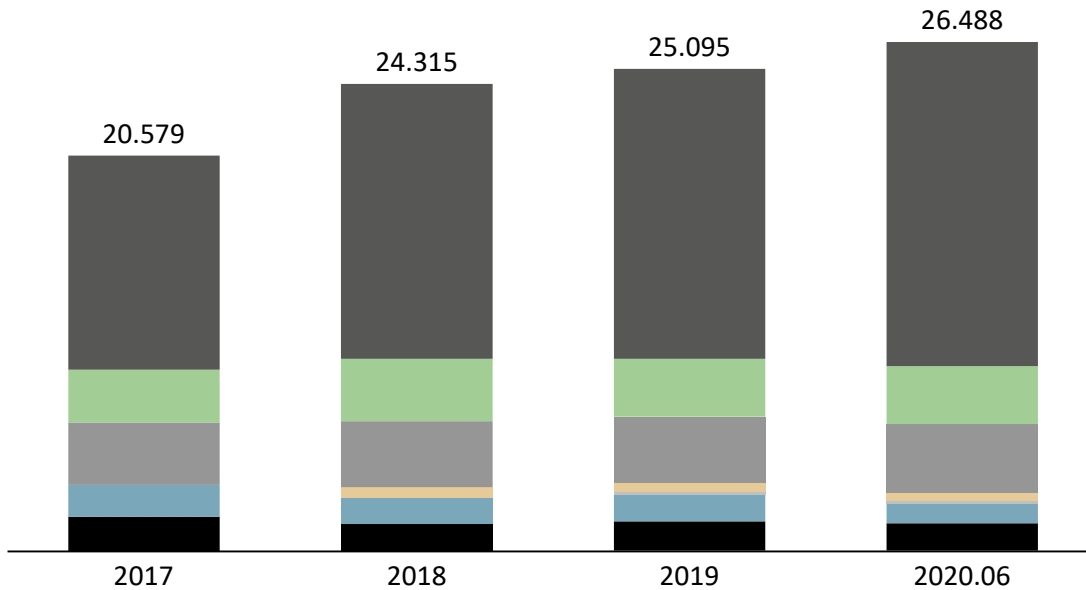


## Leverage (%)



# Funding Structure & Objectives

## Sources of Funding (USD BN)\*



## Funding Objectives

- Increase average tenor of funding to match tenor of assets
- Diversify the funding sources in order to further optimize funding mix
- Further develop an liquid international bond yield curve

## Funding Objectives

- As of the end of June 2020 debt stock consisted of:
  - CBRT Loans: USD16,9BN
  - Other Loans: USD9,6BN
- TRY2,9BN Tier 2 domestic issuance in 2018
- EUR150M Tier I domestic loan
- Ongoing support from supranational

\* Türk Eximbank's period-end buying exchange rates are used: USD/TL 6,8444 (2020/06), 5,9407 (2019/12), 5,2801 (2018/12), 3,7750 (2017/12)

\*\*Includes borrowings from supranational institutions such as ITFC, IDB, EIB, IBRD, BSTDB, WB, CEB and guaranteed borrowings from MIGA, ICIEC

A light gray world map is centered in the background of the image. The map shows the outlines of continents and oceans.

**TÜRK**  
**EXIMBANK**