

Access to Risk Finance: A workshop for Financial Intermediaries



23 November 2017



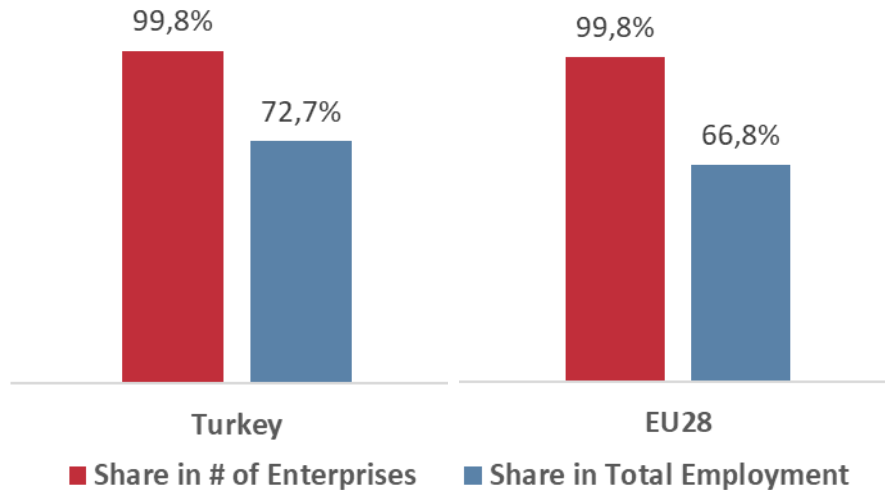
Türkiye Sınai Kalkınma Bankası

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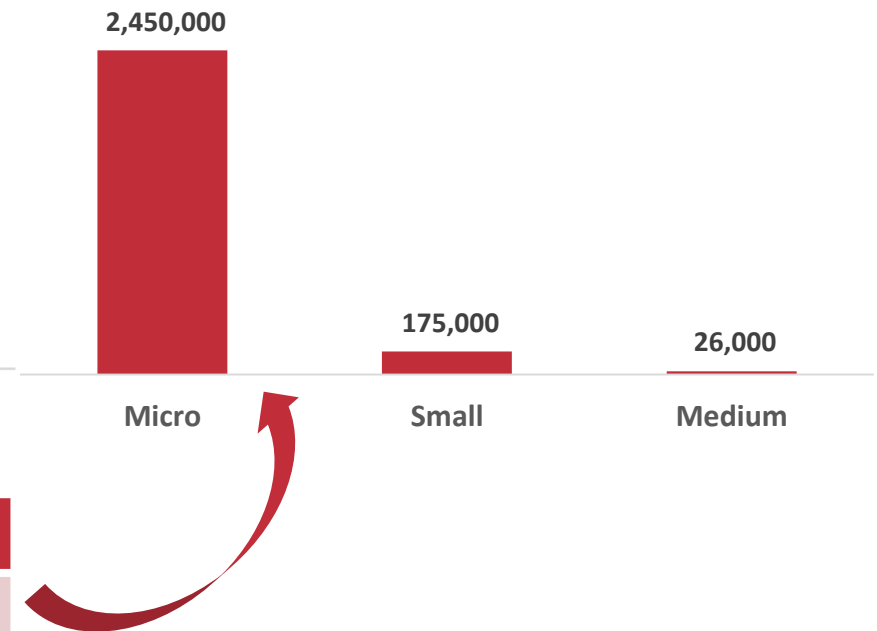
SMEs Role in the Economy

SMEs Role in Economic Activities

SMEs' share in # of Businesses and Employment (2015)



Number of SMEs by Size in Turkey (2015)



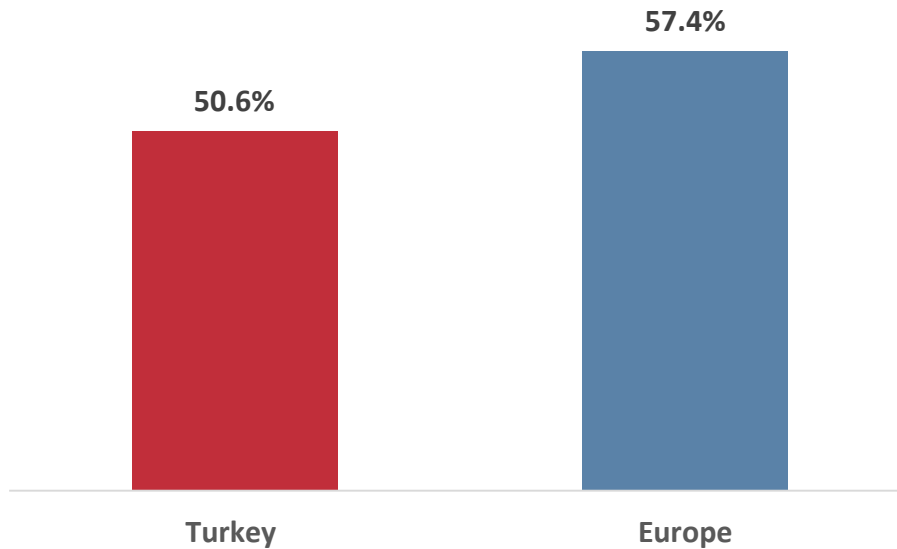
2015	# of SMEs	# of Employees in SMEs
Turkey	2.7 million	10 million
EU28	23 million	90 million

SMEs represent 99.8% of all enterprises in Turkey and employ nearly three quarters of the private sector workforce.

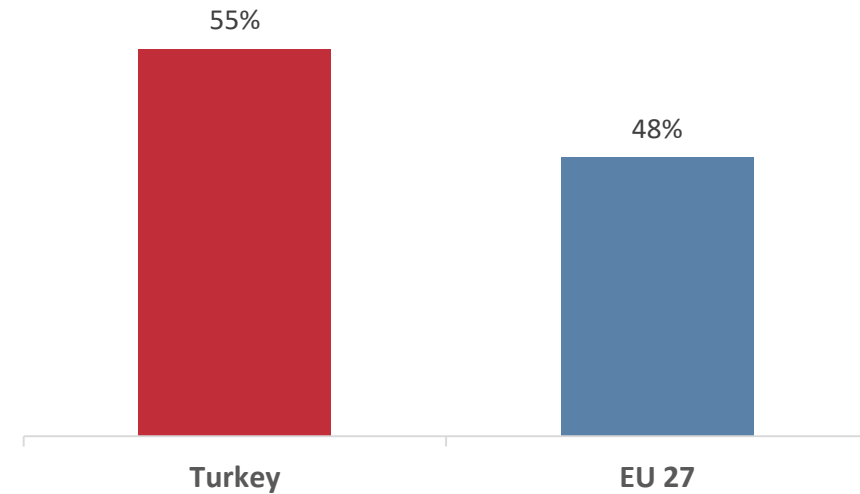
Enterprises that employ less than 20 persons account 96.6% of total enterprises in Turkey.

SMEs Role in Growth and Foreign Trade

Share of SMEs in Value Added generated in a year
(2015)



Exports by SMEs
(2015)



SMEs create more than half of the value added generated in a year and are the driving force behind exports.

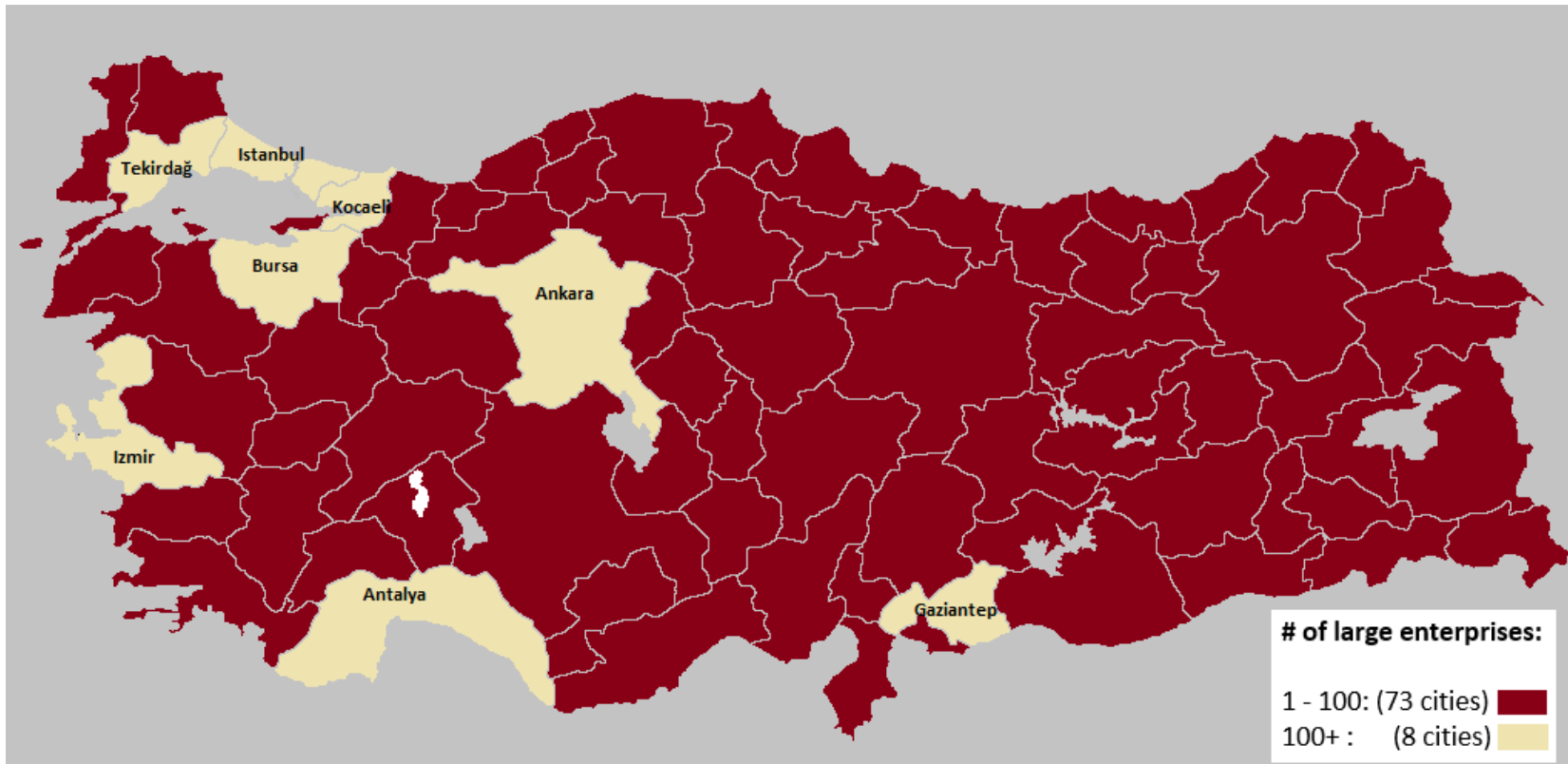
Note 1: Croatia, Czech Republic, Ireland, Luxembourg, Spain are not included in EU total because of lack of data.

Note 2: 'EU' refers to EU27 and EU exports graph excludes 'intra' trade; latest data available.

Source: Turkish Statistical Institute (TUIK), 2015, 2016; Annual Report on European SMEs, 2015/2016

SMEs Role in Turkish Economy

Heatmap of Turkey's SMEs (or the absence of large enterprises)



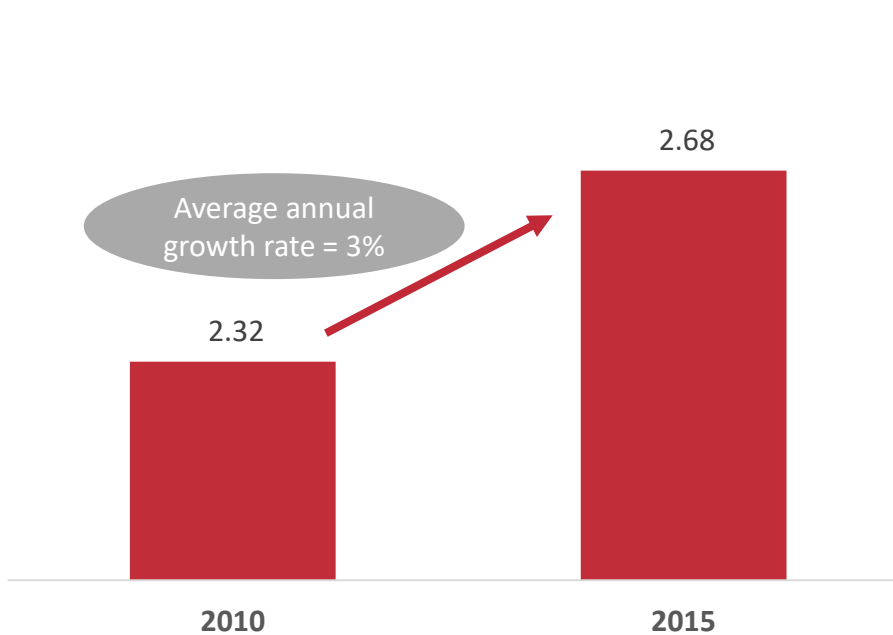
Economic activity is undertaken largely by SMEs in Turkish cities: There are only 8 cities housing more than 100 large enterprises. 25 cities have less than 10 large enterprises.

Large Enterprise refers to +250 employees and +40 million TRY annual sales

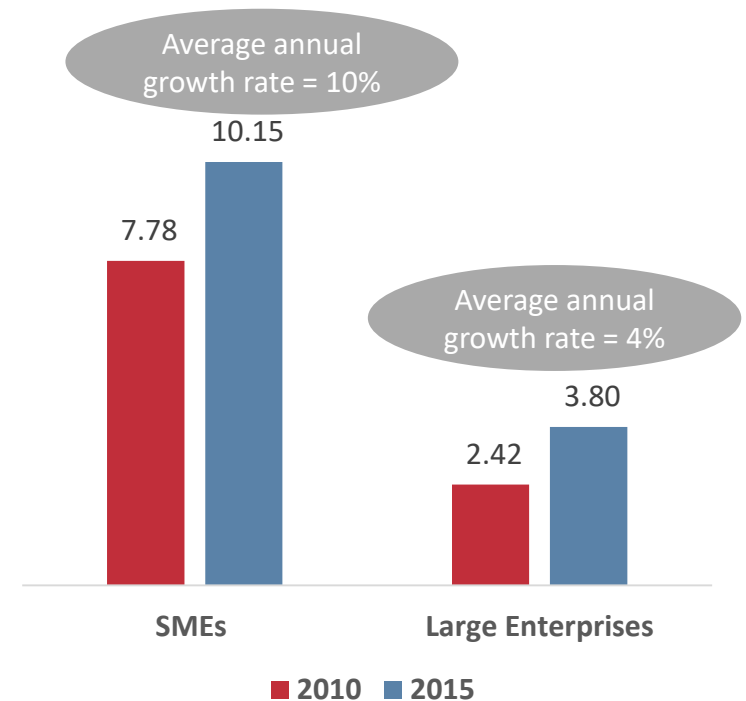
Source: TEPAV statistics May 2017, mapping by TSKB Research

SMEs Importance in Turkish Economy

of SMEs (million)



of Employees (million)

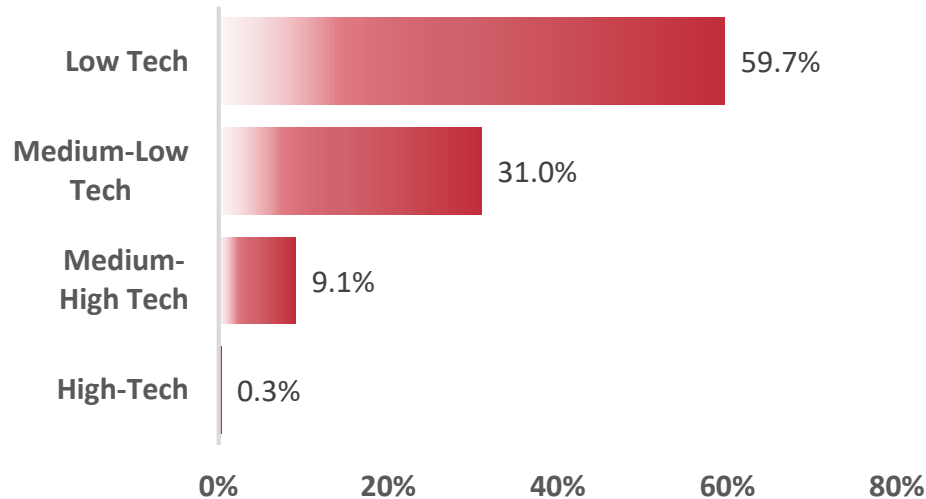


There has been a remarkable growth of SME numbers between 2010 – 2015.

Number of employees employed by SMEs also in an increasing trend.

SMEs and Technology

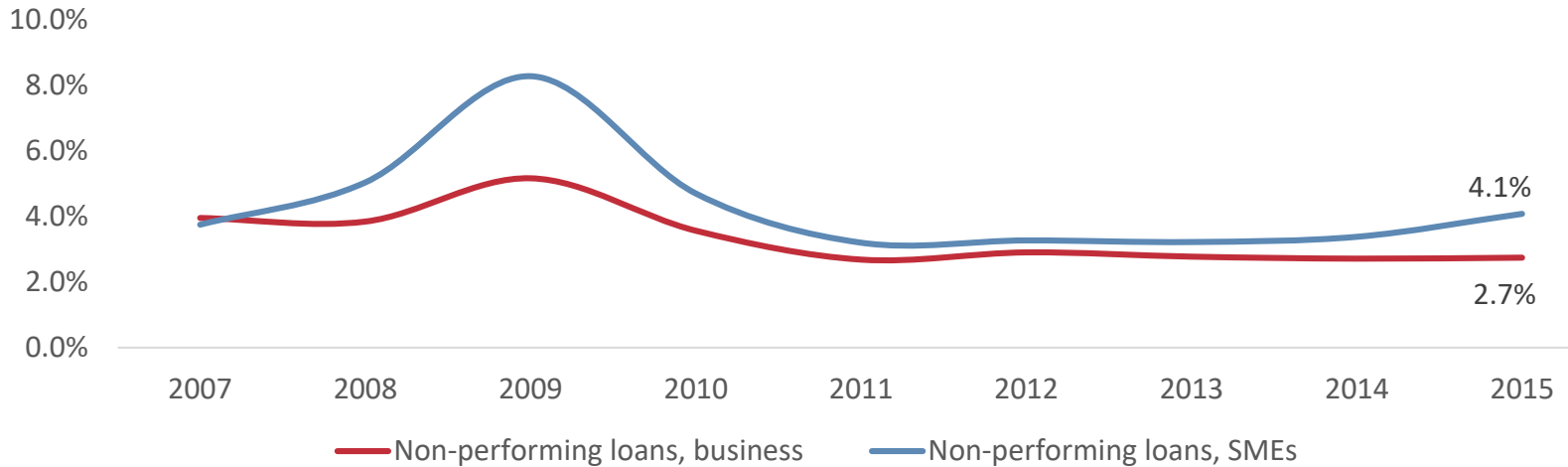
SMEs Technological Level (2014)



SMEs in Turkey concentrate mostly in labor intensive industries

SMEs are the crucial firms in export performance of Turkey, but some improvements are needed in terms of their technological production level.

Access to Finance of SMEs



NPLs were more prevalent within SMEs than for total businesses.



Access to finance is one of the major priority areas of SMEs

Main Institutions for SME Support



KOSGEB

KOSGEB constitutes the main body for executing SME policies in Turkey.

As a guarantee institution, KGF provides access to finance for those SMEs that can't benefit from bank loans due to insufficient collateral, by assisting them as a "joint guarantor".



KGF also provides Turkish Treasury Supported Guarantees to SMEs. In addition to that Turkish Treasury invests to «fund of funds» structure to support early stage SMEs.

Borsa Istanbul created Emerging Companies Market platform where securities are issued to raise funds for companies that have growth potential. Also Istanbul Private Market Platform which enables companies and investors to buy or sell shares without going to public created by Borsa Istanbul.



TSKB at a Glance

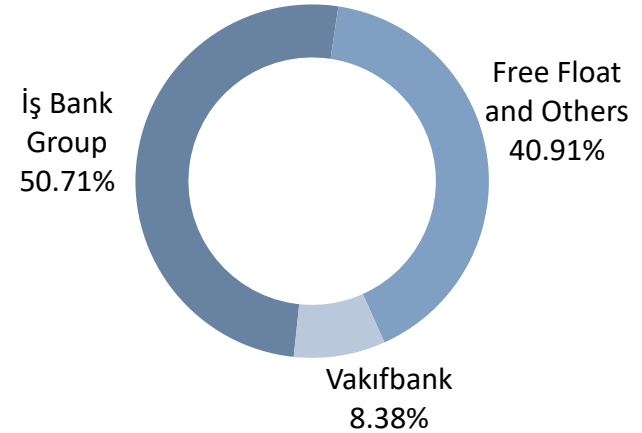
First Privately Owned Development & Investment Bank

- Established in 1950 further to World War II & Marshall Aid Programme with the support of World Bank.
- Approximately 78% of the shares were owned by Banks including İşbank with 25%.
- 1st CEO was from World Bank.
- Between 1963 and 1979, IFC was a shareholder.
- The main mission is to promote the development of Turkish economy by providing Long Term (LT) facilities for Turkish companies while enhancing added value.
- Non-deposit taking institution. Funds itself through DFI's, FI's and Debt Capital Markets.

Ratings

	TSKB	Turkey
Fitch LTFC	BB+	BB+
Moody's LTIR	Ba1	Ba1
Corporate Governance Rating		
SAHA	9.53/10	

Current Ownership Structure



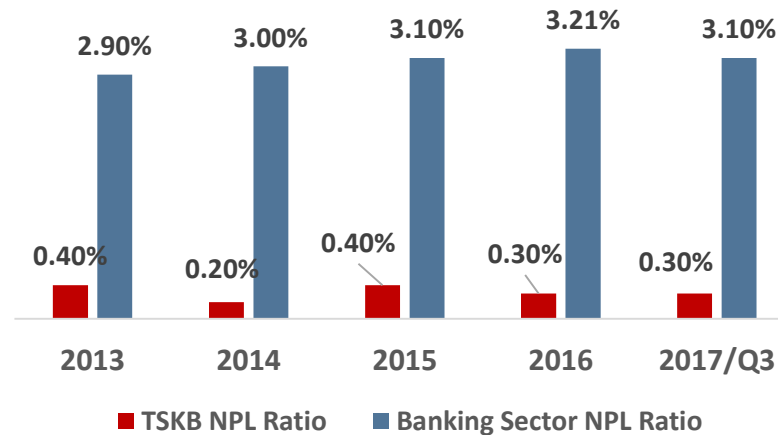
Main Subsidiaries



TSKB @ a Glance (2017 Q3)

Summary Financials - TL Mn	Q3 17	YE 16	YE 15	YE 14
Total Assets	27,225	24,002	20,735	15,701
Loans	20,684	17,322	13,675	10,981
Funds Borrowed	17,092	15,841	13,445	9,996
Shareholders' Equity	3,390	2,928	2,489	2,288

Non – Performing Loans (2013 – 2017)



Main Activities

Development Banking



- **Direct loan financing** – industrial investments, energy and resource efficiency, renewable energy, sustainability enhancement projects, women empowerment, education and health investments, SME and Midcap Loans
- **Project finance solutions** - PPPs, renewable energy production and distribution, infrastructure and logistic investments
- **On-lending of multilateral APEX funds** for SME and Export Finance

Investment Banking



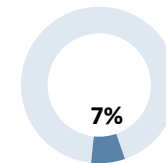
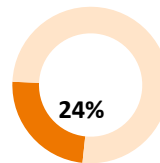
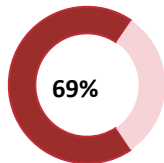
- Manages own securities portfolio
- Structured risk management and funding solutions, including currency and interest rate derivatives
- Customized corporate finance solutions:
 - IPOs & SPOs
 - Bond issuances
 - M&A advisory
 - Strategic consultancy
 - Asset purchase and sales advisory
 - Privatization activities

Advisory Services



- Strategic financial consultancy – LT partnership by way of valuation, feasibility analysis, financial structuring and strategic roadmaps
- Sustainability and environmental consulting:
 - ESMS
 - Technical consulting
 - Climate change management
 - Renewable energy consulting
 - Investment monitoring for FIs
 - Business Plan build up and monitoring
- Real estate appraisals

% of assets (YE'16)



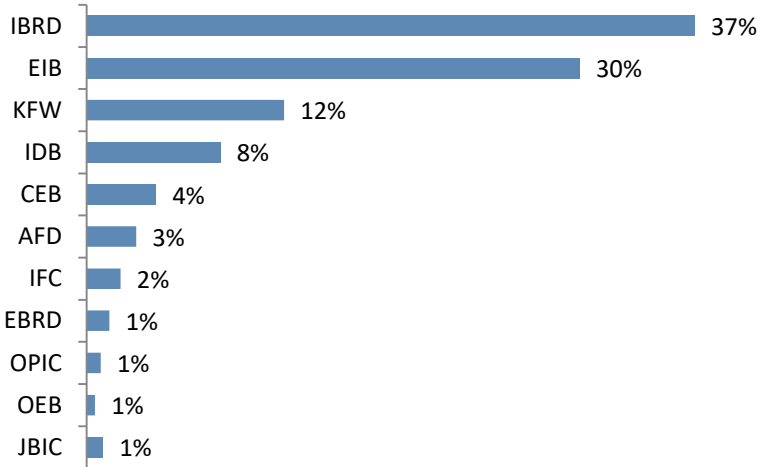
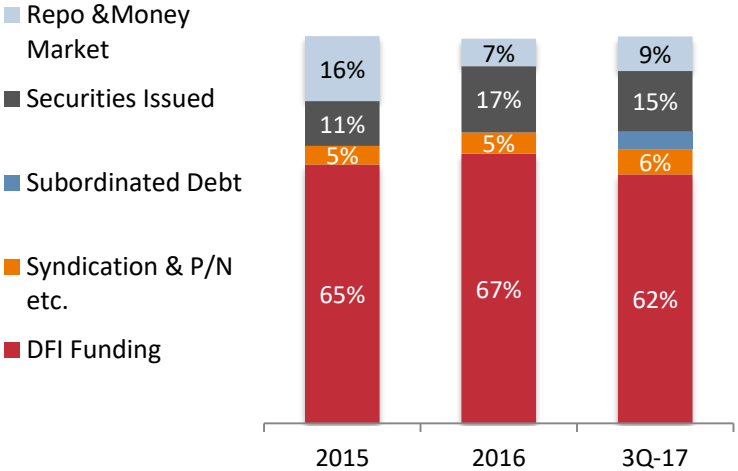
*Advisory services & Other operations


Funding Structure (2017 Q3)

Funding / Total Liabilities (exc equity)

Strong multilateral funding base (% of DFI Funding)

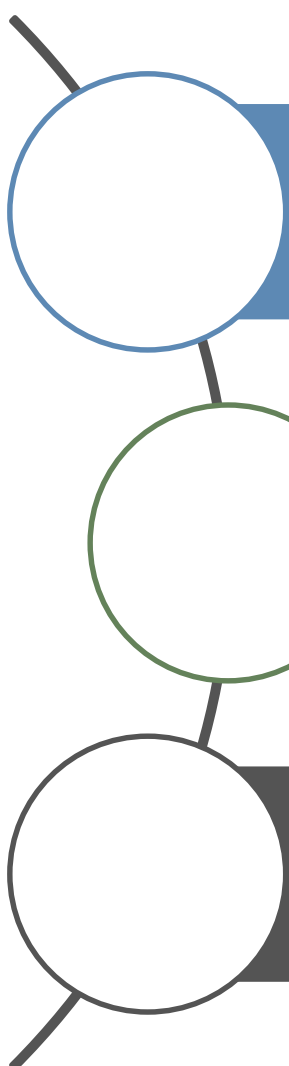
Funding / Total Liabilities (exc equity)





InnovFin SME Guarantee Facility agreement which has a maximum portfolio volume of EUR 20 million with European Investment Fund (EIF) to ease financial access of innovative SMEs and small Mid-caps

Supporting SME's



While responding working capital needs of SMEs, TSKB also finances the investments of the firms in a variety of fields: *technology update investments, capacity development, energy efficiency, environmental projects.*

The financing could be either a direct facility or an APEX loan. The share of **SME loans within the total loan portfolio** is circa 18%.

An innovative facility: **The first Turkish InnovFin SME Guarantee Agreement** signed with the EIF to support innovative investments by SMEs.

DFI Fundings with SME Theme

Loans Provided From DFIs
with SME Theme

3

Billion USD
In Total
(Since 1997)

European
Investment
Bank

CEB
COUNCIL OF EUROPE DEVELOPMENT BANK
BANQUE DE DEVELOPPEMENT DU CONSEIL DE L'EUROPE

OPIC

KFW
Bank aus Verantwortung

European Bank
for Reconstruction and Development

APEX Banking Operations

TSKB plays a key role in wholesale banking with an aim to reachout SMEs

12 Leasing Companies

11 Commercial Banks

4 Participation Banks

3 Factoring Companies

2

Billion USD Financing

1,685

Companies Financed

EIF InnovFin SME Guarantee Facility

InnovFin Product Overview

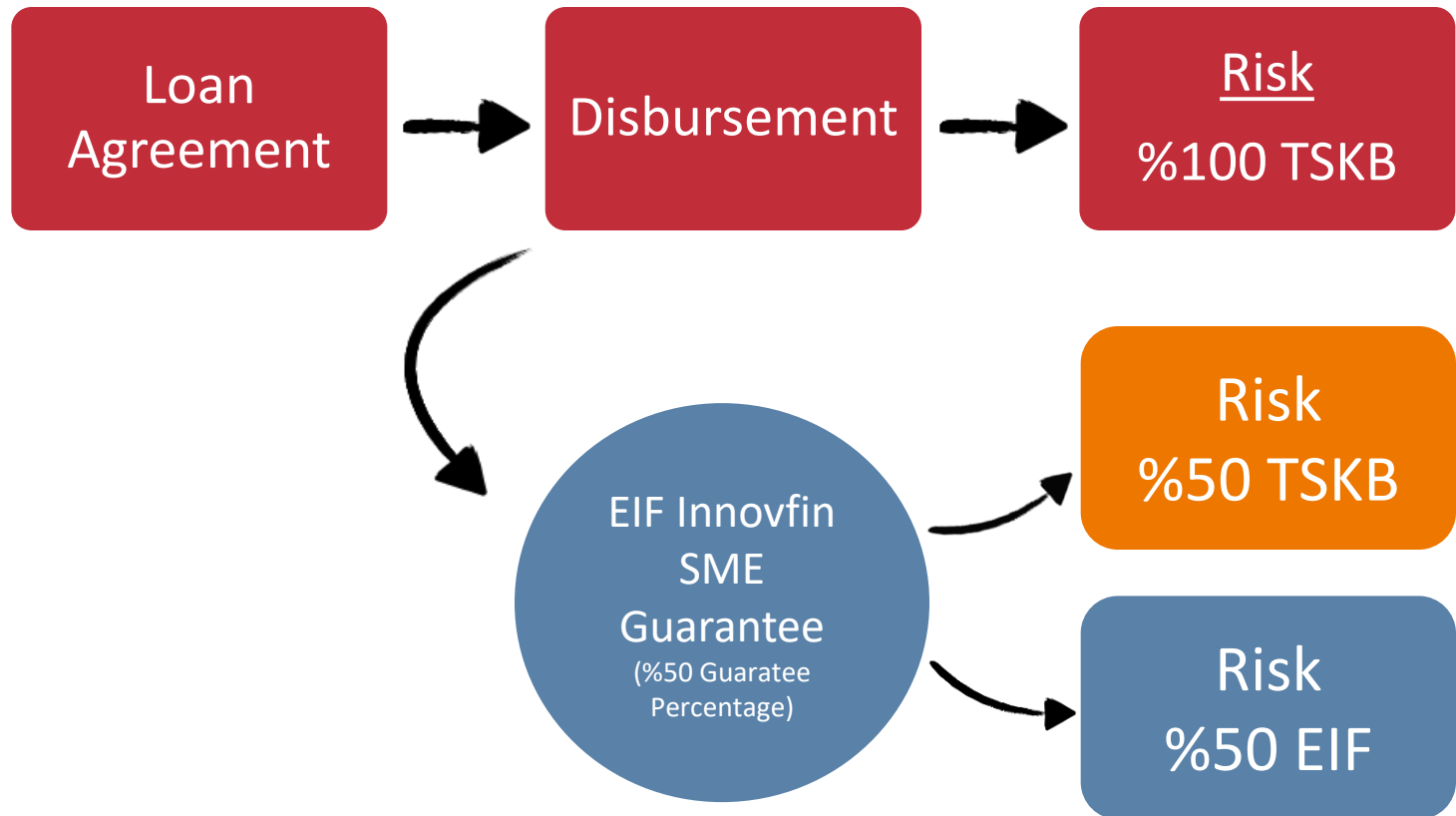


Early-Stage Enterprises	SMEs
InnovFin Technology Transfer	InnovFin SME Guarantee
InnovFin Business Angels	
InnovFin Venture Capital	
InnovFin Fund-of-Funds	
Early-Stage Enterprises, SMEs and Small Midcaps < 500 Employees	SMEs and Small Midcaps < 500 Employees
Intermediated Equity Financing	Intermediated Debt Financing

Midcaps	Large Caps	Thematic Finance	Advisory
InnovFin MidCap Guarantee	InnovFin Large Projects	InnovFin Energy Demo Projects	InnovFin Advisory
InnovFin MidCap Growth Finance		InnovFin Infectious Diseases	
Midcaps < 3 000 Employees	Large Caps Typically > 3 000 Employees	SPV, Midcaps and Large Caps	Public and Private Sector Promoters
Intermediated and/or Direct Corporate Lending	Direct Corporate Lending	Project Finance and/or Direct Corporate Lending	Financial Advisory

Direct products
 Indirect products

What is EIF Innovfin SME Guarantee?



EIF Innovfin SME Guarantee Main Terms

Inclusion Period: 2 Years

Portfolio Volume: 20 million Euro

Guarantee Rate: %50

Guaranteed Amount: up to 10 million Euro

**Guarantee Fees: SME – 50 bps per annum
Small Midcaps – 80 bps per annum**

Eligible Loans: Investment and Working Capital Loans

Loan Size: up to 5 million Euro

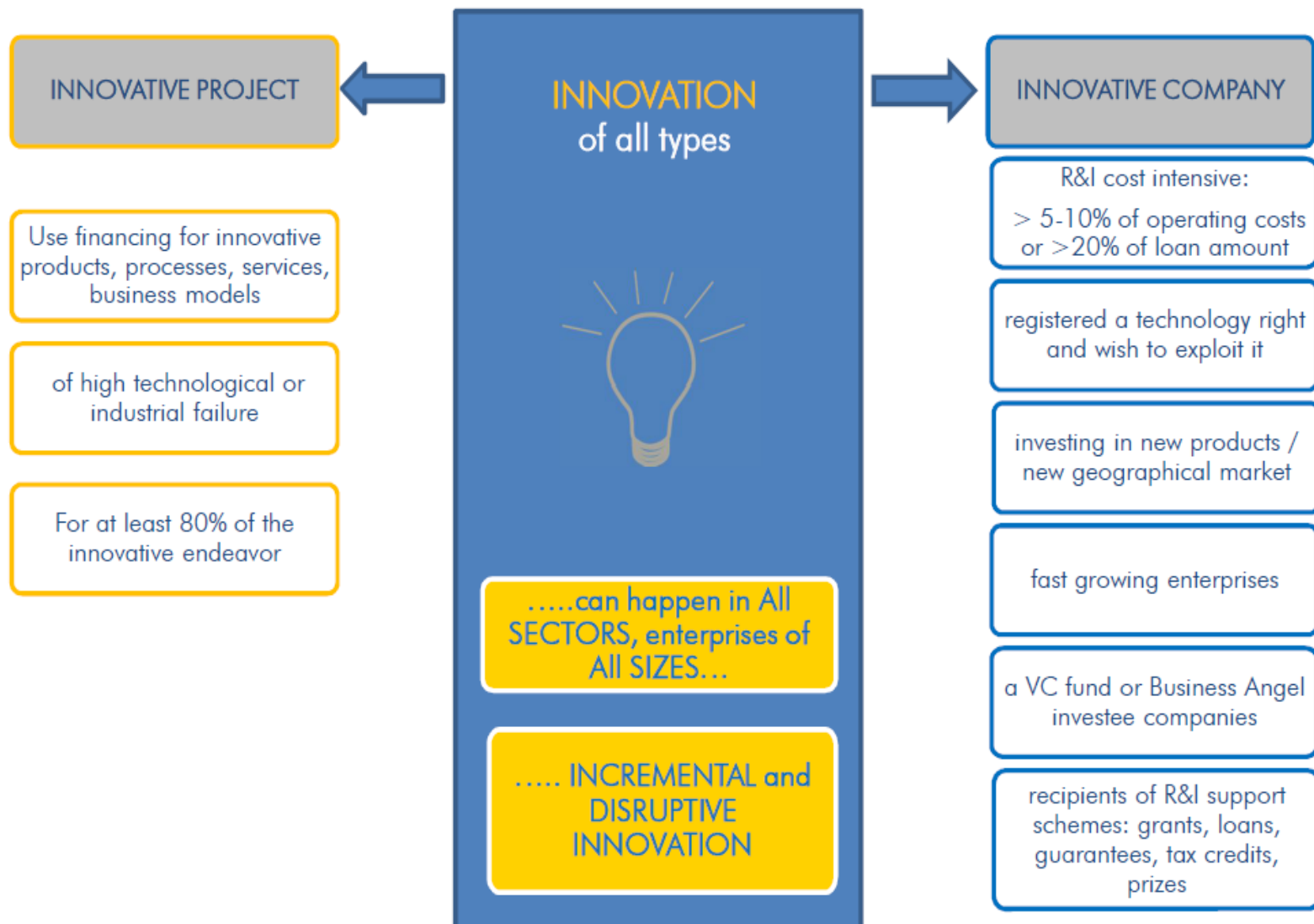
Tenor: 1 year – 10 years



InnovFin
SME Guarantee

InnovFin SME Guarantee

Innovation Logic



SME and Small-Midcap Definition

SME Definition

Company category	Staff headcount	Turnover	or	Balance sheet total
Medium-sized	< 250	≤ € 50 m		≤ € 43 m
Small	< 50	≤ € 10 m		≤ € 10 m
Micro	< 10	≤ € 2 m		≤ € 2 m

Small-Midcap Definition

- Has up to 499 employees calculated in accordance with EU Commission Recommendation
- Is not an SME

Guarantee Agreement Results

5 Projects Financed

Robotic Technology

Portfolio
Volume
EUR 4,7 mio

Lighting Industry

Automotive Industry

Electricity Distribution

Health Sector

Guaranteed
Amount
EUR 2,4
mio



Development Finance Institutions Department

Email: developmentfinanceinstitutions@tskb.com.tr

Thank You



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