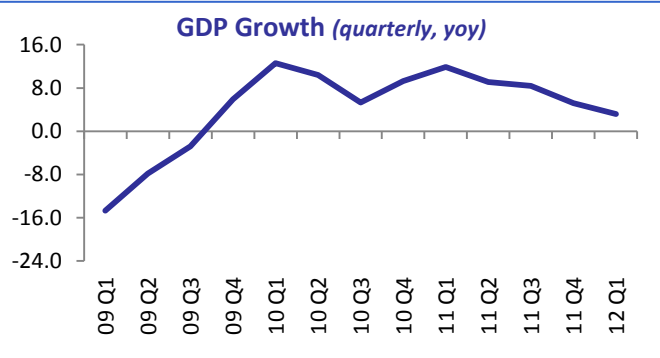




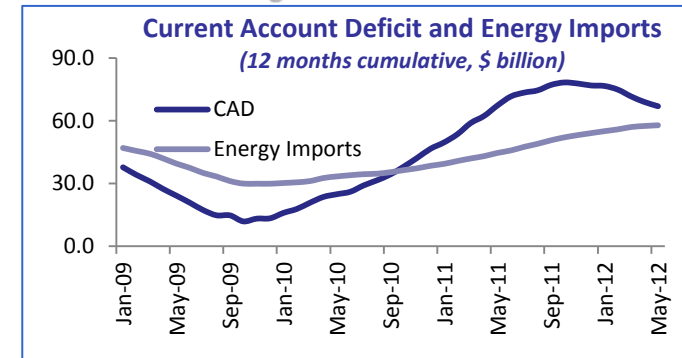
**ISBANK  
EARNINGS  
PRESENTATION  
2012 H1**

# Macroeconomic Environment

## Mild economic slowdown continues

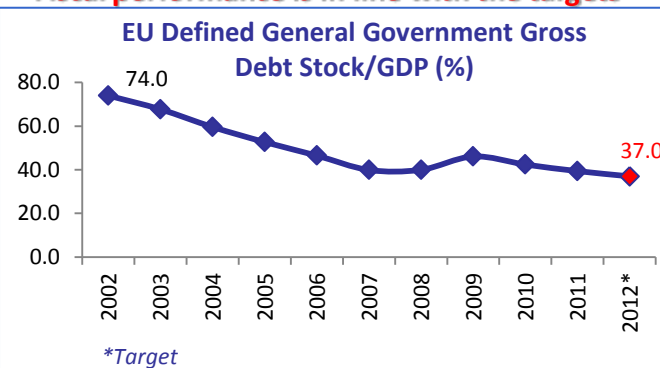


## Rebalancing became more evident

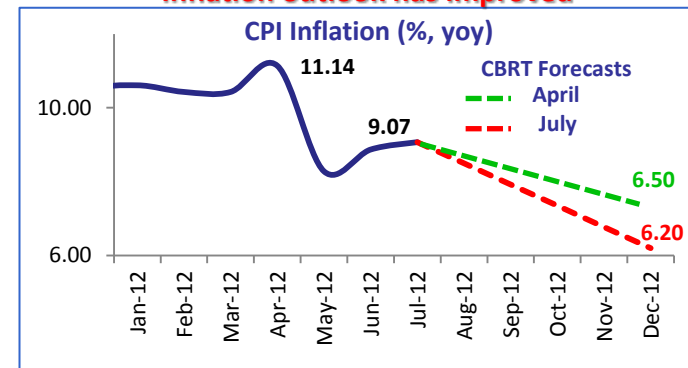


- Turkey continues to perform in line with the “soft landing” scenario.
- The rebalancing between the domestic and external demand became more evident and enabled Turkish economy to cope with the vulnerabilities.
  - o Moderate slowdown in domestic economic activity continued in 2Q 2012.
  - o In recent months, inflation pressures eased mainly as a result of the sharp decline in oil and unprocessed food prices, and CPI inflation is expected to approach to year-end forecast of CBRT, which is 6.2%.
  - o In the first half of 2012, 13.4% yearly increase in exports and 2.1% yearly contraction in imports contributed to the improvement in C/A deficit, thus, C/A deficit has continued to narrow down in 2Q 2012.
- Fiscal discipline continues to support the effectiveness of the monetary policy.

## Fiscal performance is in line with the targets



## Inflation outlook has improved



# Period's Highlights

## ***Loans & Asset Quality***

- Market share in total loans maintained with increased TL loans market share (up by 40 bps QoQ); share of loans in total assets increased to 59.3%.
- Sound asset quality has been maintained, NPL ratio decreased to 1.9%, net CoR remained flat.
- The growth in interest income on TL loans has continued.
- Sustained leadership in consumer loans, TL denominated loans and total loans

## ***Funding & Capital Adequacy***

- Effective funding management (Deposits/Liabilities 60%, up from 58%)
- Share of demand deposits in total deposits has increased to 18.6%.
- Largest TL, FX, TL savings, demand and total deposit base among private sector banks
- TL Securities issued, in which Isbank has the highest share in the market (21.6%), has continued to grow and their share in total liabilities has reached 2.6%.

## ***P&L***

- Net interest income increased by 8.9% QoQ and 24.9% YoY.
- Net fees and commissions income increased by 16.0% QoQ and 19.7% YoY.
- NIM has reached 4.0%.

## Largest Private Bank...

	Market Shares (%) <sup>(1)</sup>		Rank <sup>(2)</sup>	
	2011	2012 Q2	2011	2012 Q2
<b>Total Assets</b>	13.9	13.7	1 <sup>st</sup>	1 <sup>st</sup>
<b>Total Loans</b>	14.1	14.0	1 <sup>st</sup>	1 <sup>st</sup>
<b>TL Loans</b>	13.0	13.2	1 <sup>st</sup>	1 <sup>st</sup>
<b>FX Loans</b>	16.6	16.2	2 <sup>nd</sup>	2 <sup>nd</sup>
<b>Consumer Loans<sup>(3)</sup></b>	11.6	11.8	1 <sup>st</sup>	1 <sup>st</sup>
<b>Total Deposits</b>	14.2	13.8	1 <sup>st</sup>	1 <sup>st</sup>
<b>TL Deposits</b>	13.4	12.6	1 <sup>st</sup>	1 <sup>st</sup>
<b>FX Deposits</b>	15.7	16.0	1 <sup>st</sup>	1 <sup>st</sup>
<b>Demand Deposits</b>	15.9	15.2	1 <sup>st</sup>	1 <sup>st</sup>

(1) Market share calculations are based on weekly BRSA data excluding participation banks. Total assets market share is based on monthly BRSA data.

(2) Ranking among private-sector banks

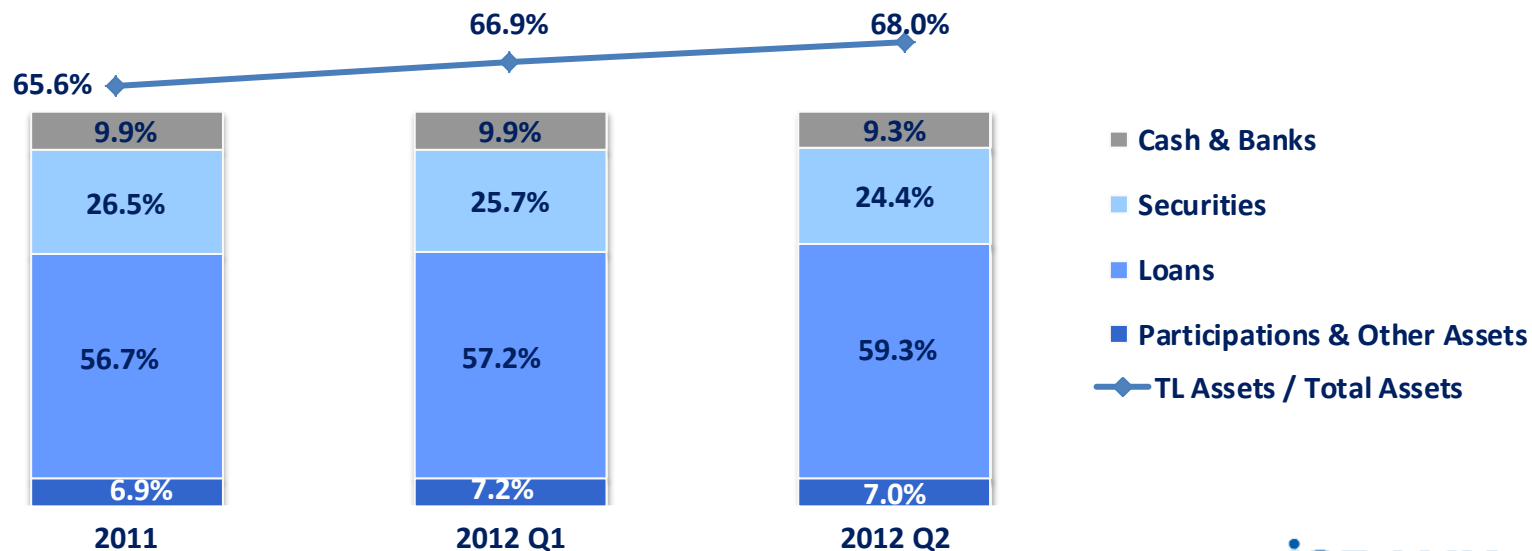
(3) Including retail overdraft accounts

# Asset Structure

## Assets

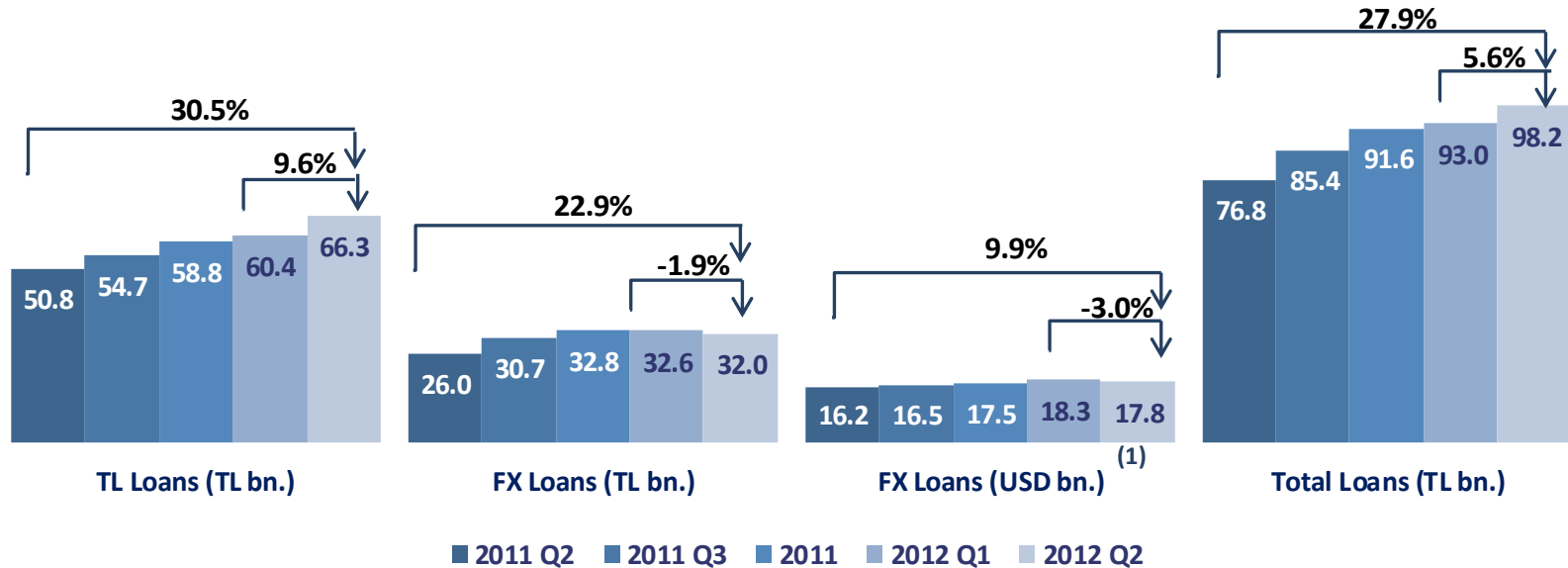
(TL mn.)	2011	2012 Q1	2012 Q2	Δ QoQ	Δ YtD
Cash & Banks	16,034	16,028	15,477	-3.4%	-3.5%
Securities (Net)	42,778	41,745	40,389	-3.2%	-5.6%
Loans	91,621	93,038	98,222	5.6%	7.2%
Participations (Net)	6,275	7,203	6,980	-3.1%	11.2%
Fixed Assets (Net)	1,983	1,941	1,927	-0.8%	-2.8%
Other Assets	2,977	2,629	2,613	-0.6%	-12.2%
<b>Total Assets</b>	<b>161,669</b>	<b>162,584</b>	<b>165,608</b>	<b>1.9%</b>	<b>2.4%</b>
TL Assets	106,007	108,733	112,621	3.6%	6.2%
FX Assets	55,661	53,851	52,987	-1.6%	-4.8%
FX Assets (USD mn.)	29,607	30,253	29,437	-2.7%	-0.6%

## Asset Composition



# Loan Portfolio

## Loans



## Loans/Deposits



- Market leader in TL & total loans
- Share of loans in total assets reached 59%.
- Loans/Deposits ratio remained almost stable.

(1) FX loans expressed in USD equivalent.  
 (2) TL securities issued added to deposits.

# Loan Portfolio

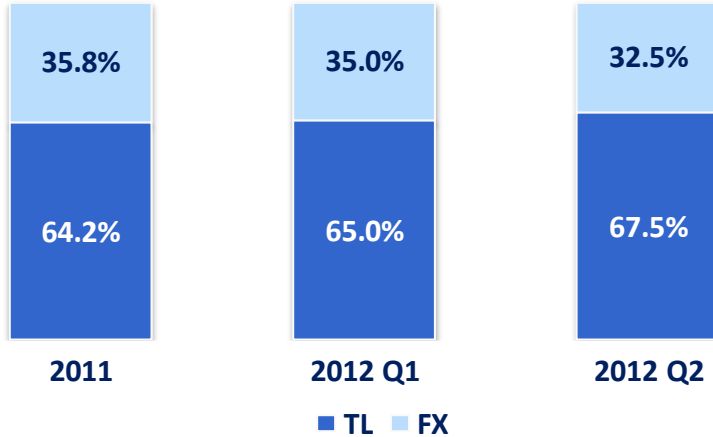
## Loans

(TL mn.)	2011	2012 Q1	2012 Q2	Δ QoQ	Δ YtD
<b>Total Loans</b>	91,621	93,038	98,222	5.6%	7.2%
<b>TL Loans</b>	58,804	60,434	66,253	9.6%	12.7%
<b>Retail Loans</b>	25,457	26,090	27,858	6.8%	9.4%
<b>Housing Loans</b>	7,943	8,180	8,510	4.0%	7.1%
<b>Auto Loans</b>	1,149	1,169	1,249	6.9%	8.8%
<b>GPLs</b>	9,741	9,956	10,705	7.5%	9.9%
<b>Credit Card Loans</b>	6,624	6,785	7,394	9.0%	11.6%
<b>SME Loans<sup>(1)</sup></b>	18,199	19,565	20,270	3.6%	11.4%
<b>Commercial and Corporate Loans</b>	15,148	14,780	18,125	22.6%	19.6%
<b>FX Loans</b>	32,817	32,604	31,969	-1.9%	-2.6%
<b>SME Loans<sup>(1)</sup></b>	1,600	1,754	1,664	-5.1%	4.0%
<b>Commercial and Corporate Loans</b>	31,217	30,849	30,304	-1.8%	-2.9%
<b>FX Loans (USD mn.)</b>	17,456	18,317	17,760	-3.0%	1.7%
<b>SME Loans<sup>(1)</sup></b>	851	986	924	-6.2%	8.6%
<b>Commercial and Corporate Loans</b>	16,605	17,331	16,836	-2.9%	1.4%

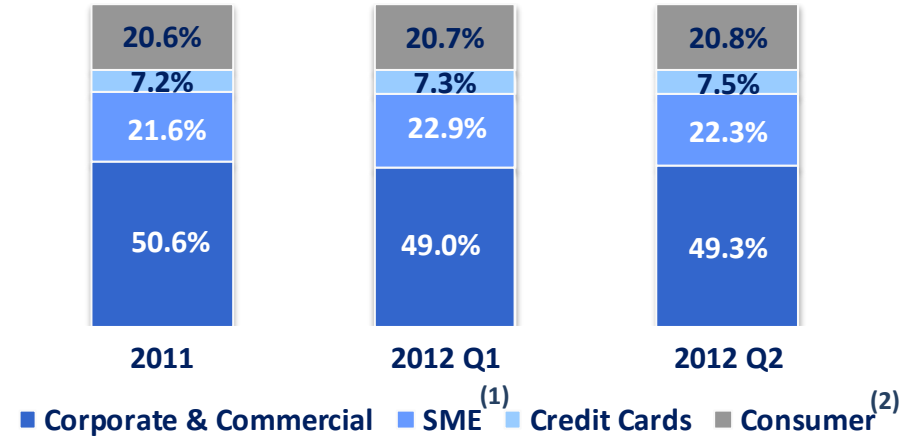
(1) SME definition includes companies with turnover or total assets < = TL 25 mn. or number of employees <= 250.

# Loan Composition

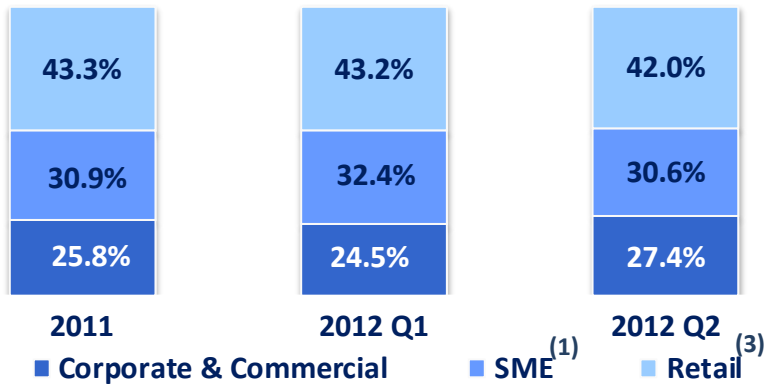
## Currency Mix



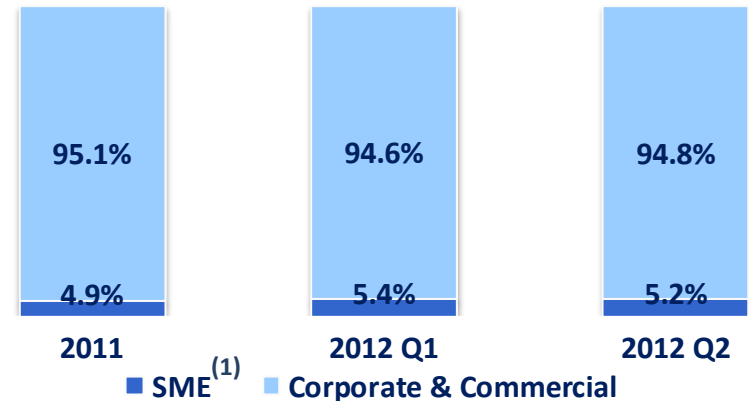
## Loan Composition - Total Loans



## Loan Composition - TL Loans



## Loan Composition - FX Loans



(1) SME definition includes companies with turnover or total assets <= TL 25 mn. or number of employees <= 250.

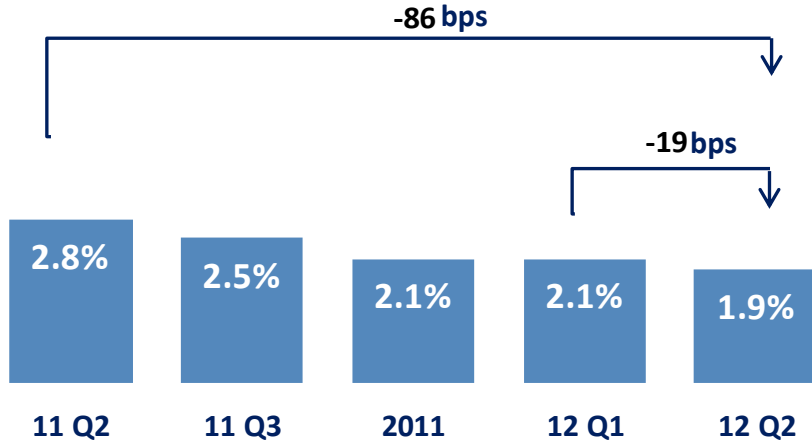
(2) Including retail overdraft accounts

(3) Including retail credit cards and overdraft accounts



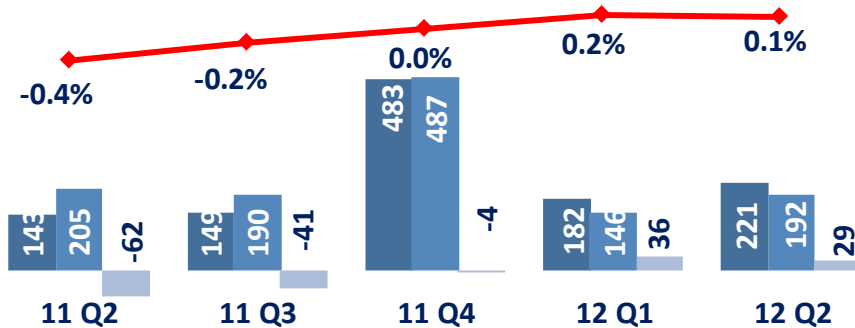
# Asset Quality

## NPL Ratio



- High asset quality sustained.
- Net CoR<sup>(2)</sup> remained at 7 bps.
- 100% provisioning policy
- 24% collection rate<sup>(3)</sup> in Q2 2012

## Management of NPLs



- Net NPL Formation Rate<sup>(1)</sup> ■ Additions to NPLs ■ Recoveries ■ Net NPL Formation

(1) Net NPL Formation (annualized) / Average Loans

(2) (Specific Provisions – Released Provisions) / Average Loans

(3) Collections / (Prior period ending balance NPL + Additions)

## NPL Sales (TL thousand)

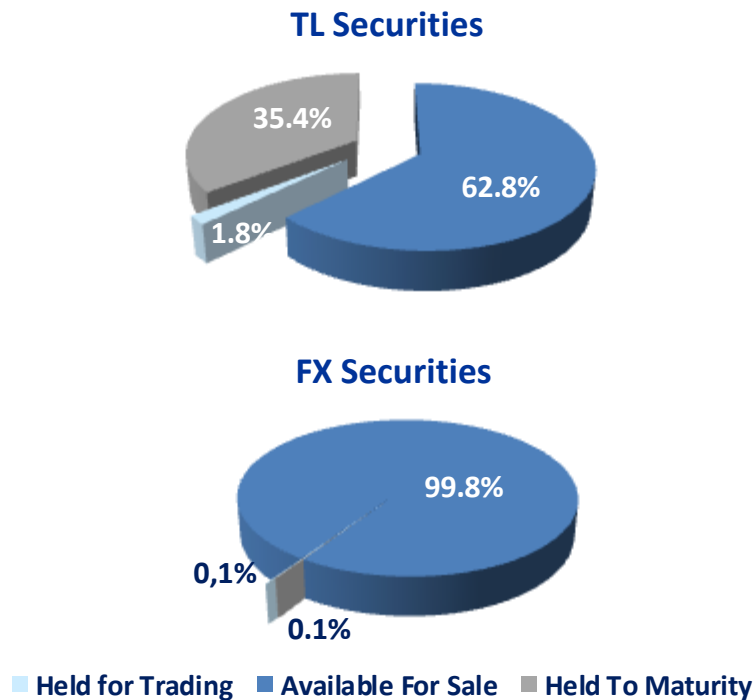
Period	Amount	Revenue
11 Q2	89,033	13,905
11 Q4	221,701	42,055
12 Q2	136,864	28,656

# Securities Portfolio

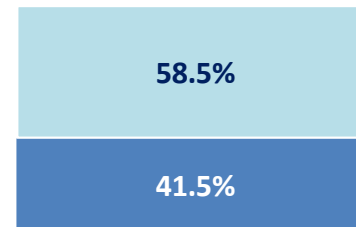
## Securities

(TL mn.)	2011	2012 Q1	2012 Q2	Δ QoQ	ΔYtD
Total Securities	42,778	41,745	40,389	-3.2%	-5.6%
TL Securities	32,452	33,667	33,235	-1.3%	2.4%
FX Securities	10,326	8,078	7,154	-11.4%	-30.7%
FX Securities (USD mn.)	5,492	4,538	3,974	-12.4%	-27.6%

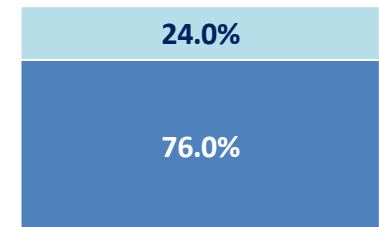
## Composition of Securities Portfolio (2012 Q2)



### TL Securities



### FX Securities



■ Discount & Fixed

■ Floating Rate Notes

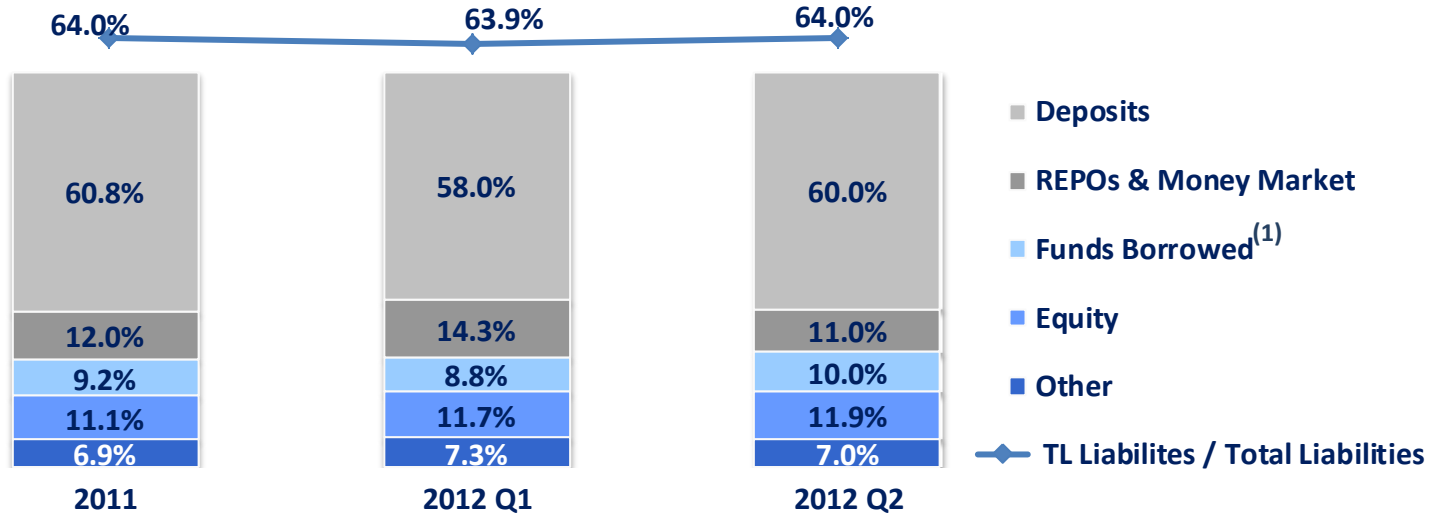
- 28% share of CPI linkers in total portfolio
- Market value – cost of HTM portfolio = TL 664 mn.
- TL 262 mn. of MtM gains from AFS portfolio
- Average durations:  
0.77 years for TL Securities  
3.40 years for FX Securities

# Liabilities Structure

## Liabilities

(TL mn.)	2011	2012 Q1	2012 Q2	Δ QoQ	Δ YtD
Deposits	98,313	94,284	99,433	5.5%	1.1%
REPOs & Money Market	19,461	23,177	18,230	-21.3%	-6.3%
Funds Borrowed <sup>(1)</sup>	14,930	14,282	16,512	15.6%	10.6%
Other	11,043	11,804	11,673	-1.1%	5.7%
Equity	17,921	19,038	19,761	3.8%	10.3%
<b>Total Liabilities &amp; Equity</b>	<b>161,669</b>	<b>162,584</b>	<b>165,608</b>	<b>1.9%</b>	<b>2.4%</b>
TL Liabilites	103,468	103,870	105,948	2.0%	2.4%
FX Liabilites	58,201	58,714	59,660	1.6%	2.5%
FX Liabilites (USD bn.)	30,958	32,985	33,145	0.5%	7.1%

## Liabilities Composition



(1) Funds Borrowed includes outstanding balances of TL bond issuances amounting to TL 4.3 bn. and FX bond issuances amounting to USD 0.5 bn. as of Q2 2012

# Deposits

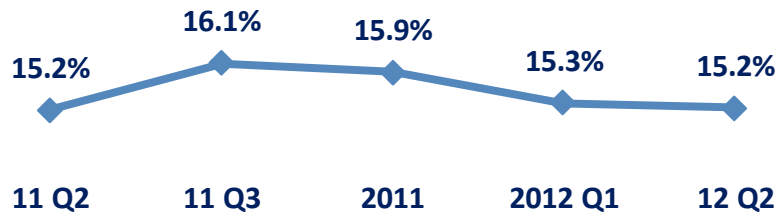
## Deposits

(TL mn.)	2011	2012 Q1	2012 Q2	Δ QoQ	Δ YtD
Total Deposits	98,313	94,284	99,433	5.5%	1.1%
TL Deposits	60,332	54,067	58,019	7.3%	-3.8%
TL Saving Deposits	40,664	38,358	39,136	2.0%	-3.8%
TL Commercial Deposits	11,678	9,318	11,424	22.6%	-2.2%
Other TL Deposits	7,991	6,391	7,459	16.7%	-6.7%
FX Deposits	37,981	40,217	41,414	3.0%	9.0%
FX Deposits (USD mn.)	20,202	22,594	23,008	1.8%	13.9%
Demand Deposits	18,627	17,166	18,530	7.9%	-0.5%

## Demand Deposits/Total Deposits



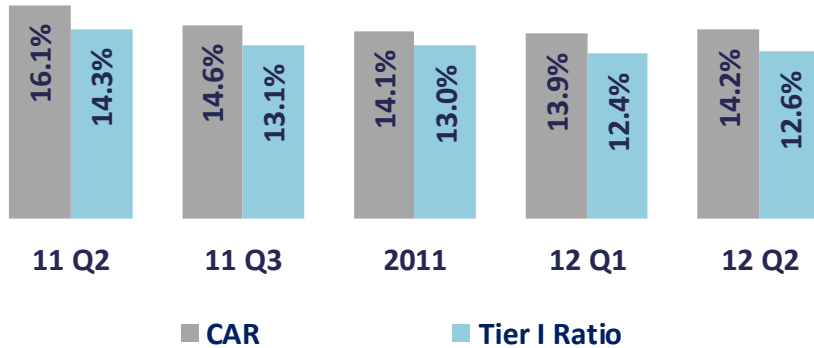
## Demand Deposits Market Share



- Leadership in TL, FX, demand & total deposits
- Deposits make up 60% of total liabilities.
- TL deposits make up 58% of total deposits.
- Share of demand deposits in total deposits is 19% .

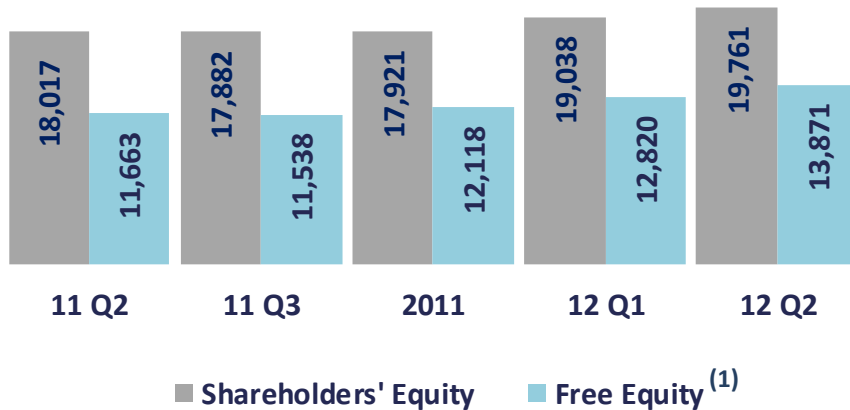
# Sufficient Capitalization

## Capital Adequacy Ratio



- Capital adequacy ratio is well above the regulatory limit, even after the impact of 20.3% cash dividend payout.
- Sufficient capital for growth in 2012

## Free Equity vs. Total Shareholders' Equity (TL mn.)



(1) Free Equity = Shareholders' Equity – (Non-Financial Participations + Fixed Assets)

# Income Statement Highlights

(TL mn.)	2012 Q1	2012 Q2	Δ QoQ	2011 H1	2012 H1	Δ YoY
<i>Interest Income</i>	3,291	3,378	2.7%	5,031	6,669	32.6%
<i>Interest Expense</i>	1,979	1,949	-1.5%	2,836	3,928	38.5%
Net Interest Income	1,312	1,429	8.9%	2,195	2,741	24.9%
Net Fees & Commissions	370	429	16.0%	668	799	19.7%
Net Trading Gains/Losses	82	194	137.3%	69	275	296.4%
Dividends Received	95	323	241.3%	556	418	-24.8%
Released Provisions	229	227	-0.8%	534	456	-14.7%
Gains on Asset Sales	11	23	114.3%	36	33	-7.0%
Other Operating Income	29	25	-13.3%	52	53	2.8%
<b>Total Operating Income</b>	<b>2,126</b>	<b>2,649</b>	<b>24.6%</b>	<b>4,109</b>	<b>4,775</b>	<b>16.2%</b>
Personnel Expenses	413	531	28.6%	930	944	1.5%
Other Operational Expenses	274	352	28.5%	500	626	25.2%
Depreciation & Amortization	58	62	6.5%	108	120	11.3%
Other Expenses	105	86	-17.6%	184	191	3.8%
<b>Total Operating Expenses</b>	<b>850</b>	<b>1,031</b>	<b>21.4%</b>	<b>1,722</b>	<b>1,881</b>	<b>9.2%</b>
<b>Operating Profit</b>	<b>1,276</b>	<b>1,618</b>	<b>26.7%</b>	<b>2,387</b>	<b>2,894</b>	<b>21.2%</b>
Loan Loss Provisions	170	206	21.1%	256	375	46.5%
General and Other Provision Charges	216 <sup>(2)</sup>	277	28.1%	367	492 <sup>(2)</sup>	34.3%
<b>Total Provision Charges (Excluding Tax Provisions)</b>	<b>386</b>	<b>482</b>	<b>25.0%</b>	<b>623</b>	<b>868</b>	<b>39.3%</b>
Tax Provisions	183	183	0.1%	288	365	26.7%
<b>Net Income</b>	<b>708</b>	<b>953</b>	<b>34.5%</b>	<b>1,476</b>	<b>1,661</b>	<b>12.5%</b>

- Significant growth in NII and net fees & commissions income
- Core banking income<sup>(1)</sup> up by 30%, operating profit up by 21% and net income up by 13% YoY.
- QoQ and YoY improvement in the bottom line

(1) Core Banking Income = NII + Net Fees & Commissions + Net Trading Gains

(2) Includes TL 50 mn. free provisions.

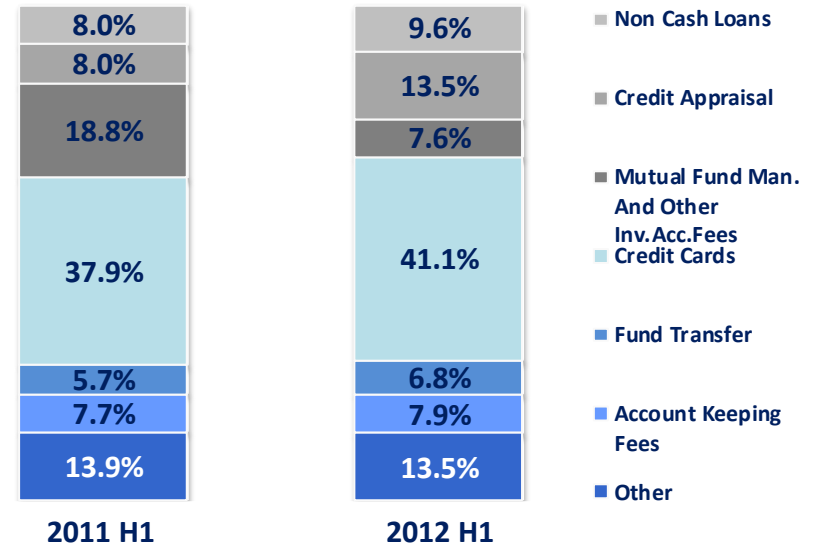
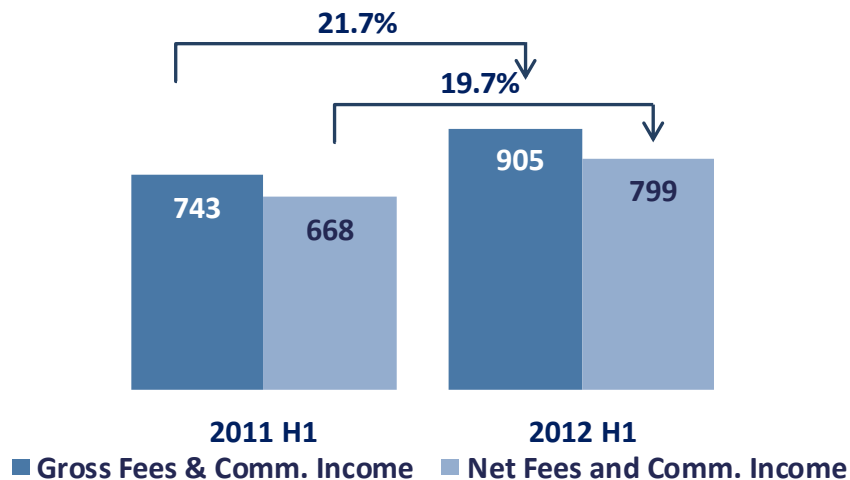
# Commissions Income Performance

## Fees and Commissions Received (Gross)

(TL thousand)	2011 H1	2012 H1	Δ YoY
Non-Cash Loans	59,758	86,718	45.1%
Credit Appraisal	59,196	122,121	106.3%
Mutual Fund Man. & Other Inv. Acc. Fees	139,941	68,359	-51.2%
Credit Cards	281,767	372,065	32.0%
Fund Transfer	42,647	61,739	44.8%
Account Keeping Fees	57,023	71,719	25.8%
Other	103,057	122,203	18.6%
<b>Total Gross Commissions Income</b>	<b>743,390</b>	<b>904,924</b>	<b>21.7%</b>
<b>Net Fees and Commissions Income</b>	<b>667,578</b>	<b>799,384</b>	<b>19.7%</b>

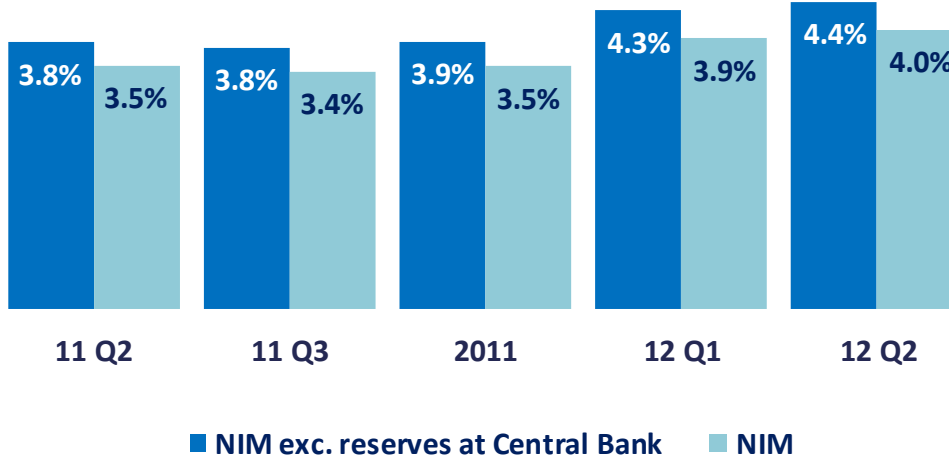
- Solid growth in all items except for mutual fund management fees
- Higher contribution to profitability
- Higher OPEX coverage
- Diversified fees & commissions base

## Fees & Commissions Income (TL mn.)



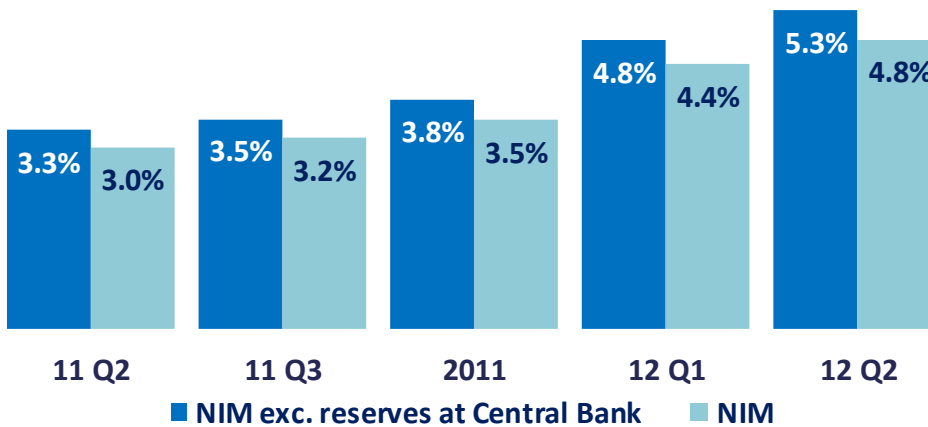
# Margins

## NIM (Cumulative) <sup>(1)</sup>



- Further recovery in NIM in Q2
- Higher NII as a result of lower funding costs

## Adjusted NIM (Cumulative)<sup>(1) (2)</sup>



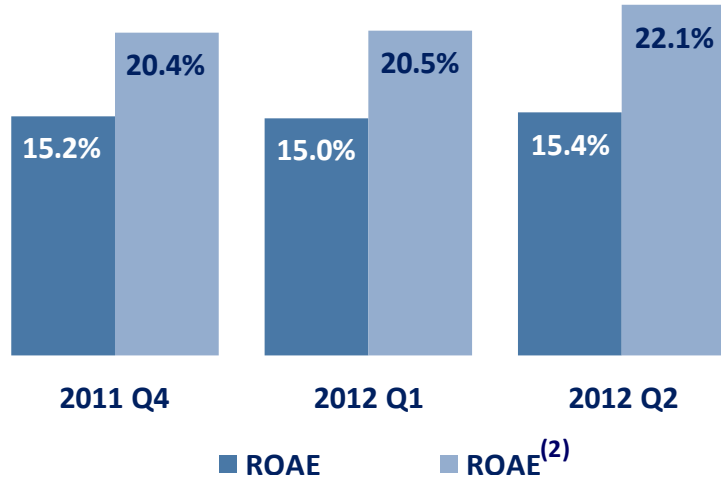
(1) Based on MIS data

(2) Adjusted for Securities Trading Gains / Losses and Foreign Exchange Gains / Losses

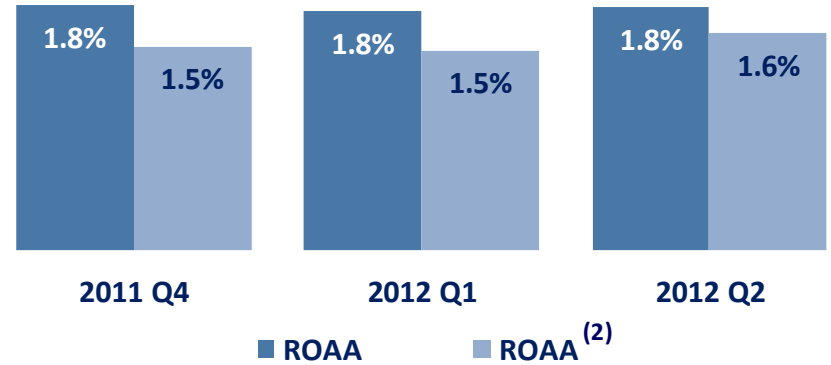


# Profitability and Efficiency Ratios<sup>(1)</sup>

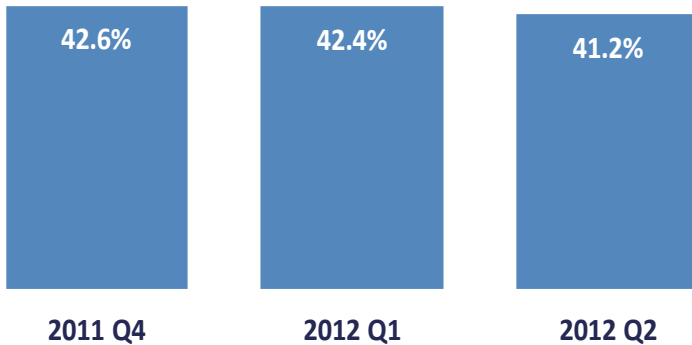
## ROAE



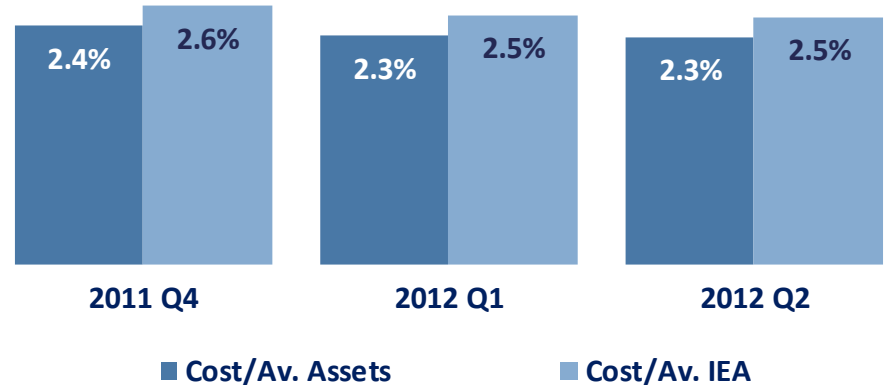
## ROAA



## Cost / Income



## Cost vs. Assets



(1) All calculations are based on trailing four quarters data.

(2) Banking business (Excluding equity participations portfolio)

# Appendix – Quarterly Income Statement Highlights

(TL mn.)	2011 Q2	2011 Q3	2011 Q4	2012 Q1	2012 Q2	Δ QoQ
<i>Interest Income</i>	2,595	2,764	3,103	3,291	3,378	2.7%
<i>Interest Expense</i>	1,519	1,712	1,788	1,979	1,949	-1.5%
Net Interest Income	1,076	1,052	1,315	1,312	1,429	8.9%
Net Fees & Commissions	364	358	403	370	429	16.0%
Net Trading Gains/Losses	-29	-42	279	82	194	137.3%
Dividends Received	456	0	0	95	323	241.3%
Released Provisions	246	215	313	229	227	-0.8%
Gains on Asset Sales	20	109	9	11	23	114.3%
Other Operating Income	23	21	22	29	25	-13.3%
<b>Total Operating Income</b>	<b>2,155</b>	<b>1,713</b>	<b>2,341</b>	<b>2,126</b>	<b>2,649</b>	<b>24.6%</b>
Personnel Expenses	538	475	413	413	531	28.6%
Other Operational Expenses	266	256	337	274	352	28.5%
Depreciation & Amortization	55	55	56	58	62	6.5%
Other Expenses	69	81	86	105	86	-17.6%
<b>Total Operating Expenses</b>	<b>928</b>	<b>867</b>	<b>893</b>	<b>850</b>	<b>1,031</b>	<b>21.4%</b>
<b>Operating Profit</b>	<b>1,227</b>	<b>846</b>	<b>1,449</b>	<b>1,276</b>	<b>1,618</b>	<b>26.7%</b>
Loan Loss Provisions	95	136	205	170	206	21.1%
General and Other Provision Charges	202	275	144	216 <sup>(1)</sup>	277	28.1%
<b>Total Provision Charges (Excluding Tax Provisions)</b>	<b>297</b>	<b>411</b>	<b>350</b>	<b>386</b>	<b>482</b>	<b>25.0%</b>
Tax Provisions	121	108	235	183	183	0.1%
<b>Net Income</b>	<b>809</b>	<b>327</b>	<b>864</b>	<b>708</b>	<b>953</b>	<b>34.5%</b>

(1) Includes TL 50 mn. free provisions.

# Q&A

# Disclaimer

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