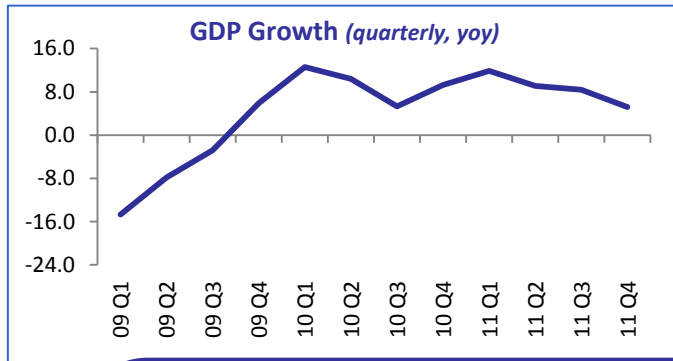




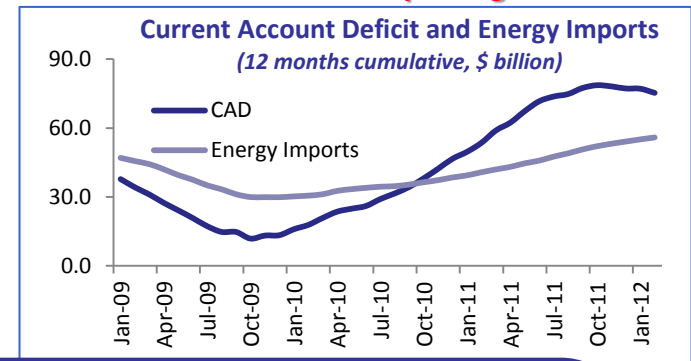
**ISBANK  
EARNINGS  
PRESENTATION  
2012 Q1**

# Macroeconomic Environment

## Economic slowdown has started



## CAD is Improving



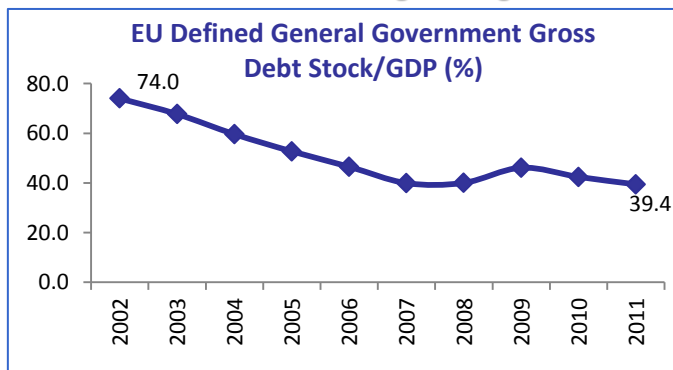
-Turkey continues to benefit from her strong macroeconomic fundamentals in 2012.

-The rebalancing between the domestic and external demand enables to cope with the macroeconomic vulnerabilities.

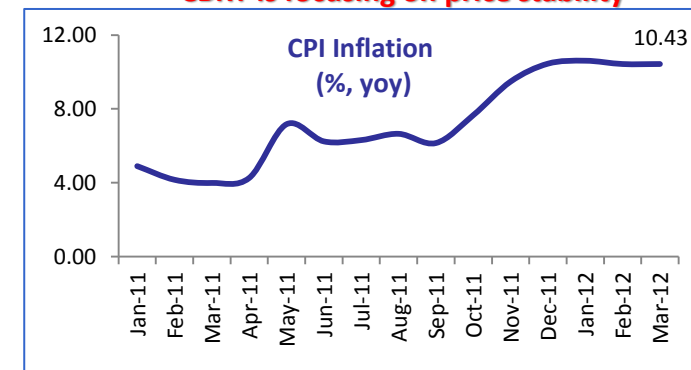
- A moderate slowdown in domestic economic activity has become more evident in Q1 2012.
- Annual CPI inflation, which has been hovering around double-digit levels since December 2011, is expected to decline in line with the flexible monetary policy of CBRT, approaching to year- end forecast of 6.5%.
- C/A deficit has been narrowing since November 2011. Energy excluded C/A deficit declined to \$19.4 billion as of February 2012.

- Fiscal discipline continues to support the effectiveness of the monetary policy.

## Fiscal stance is strengthening



## CBRT is focusing on price stability



# Period's Highlights

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

- Slower loan growth, but a higher loan portfolio yield and a lower CoR
- 74 bps CoR (vs 77bps in 2011) with 100% provisioning policy
- NPL ratio remained stable at 2.1% and net NPL formation rate slightly increased to 0.2% due to normalized pace of collections.
- QoQ surge in interest income on TL and FX loans (10.1% and 12.4%, respectively) in Q1 was driven by higher loan yields
- Continued leadership in consumer, TL and total loans among private sector banks

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

- Largest TL, FX, demand and total deposit base among private sector banks
- Demand deposits make up 18.2% of total deposits and 16.8% of TL deposits (excluding interbank deposits).
- Largest amount of outstanding TL security issues in the banking system
- Shareholders' equity rose by 6.2% QoQ, after TL 543 mn dividend payment (20.3% payout ratio).

## ***P&L***

- Net interest income remained stable QoQ, grew by 17.3% YoY
- Strong growth in net fees and commissions income, 21.7% YoY
- 4.8% quarterly decline in OPEX pulled down the C/I ratio to 40.0% from 42.6% in 2011.
- Stable ROAE in Q1 2012 compared the full year 2011

# Market Shares

## Largest Private Bank...

	Market Shares (%) <sup>(1)</sup>		Rank <sup>(2)</sup>	
	2011	2012 Q1	2011	2012 Q1
<b>Total Assets</b>	13.9	13.9	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	12.8	1 <sup>st</sup>	1 <sup>st</sup>
<b>FX Loans</b>	16.6	16.9	2 <sup>nd</sup>	2 <sup>nd</sup>
<b>Consumer Loans<sup>(3)</sup></b>	11.6	11.6	1 <sup>st</sup>	1 <sup>st</sup>
<b>Total Deposits</b>	14.2	13.6	1 <sup>st</sup>	1 <sup>st</sup>
<b>TL Deposits</b>	13.4	12.1	1 <sup>st</sup>	1 <sup>st</sup>
<b>FX Deposits</b>	15.7	16.3	1 <sup>st</sup>	1 <sup>st</sup>
<b>Demand Deposits</b>	15.9	15.3	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.

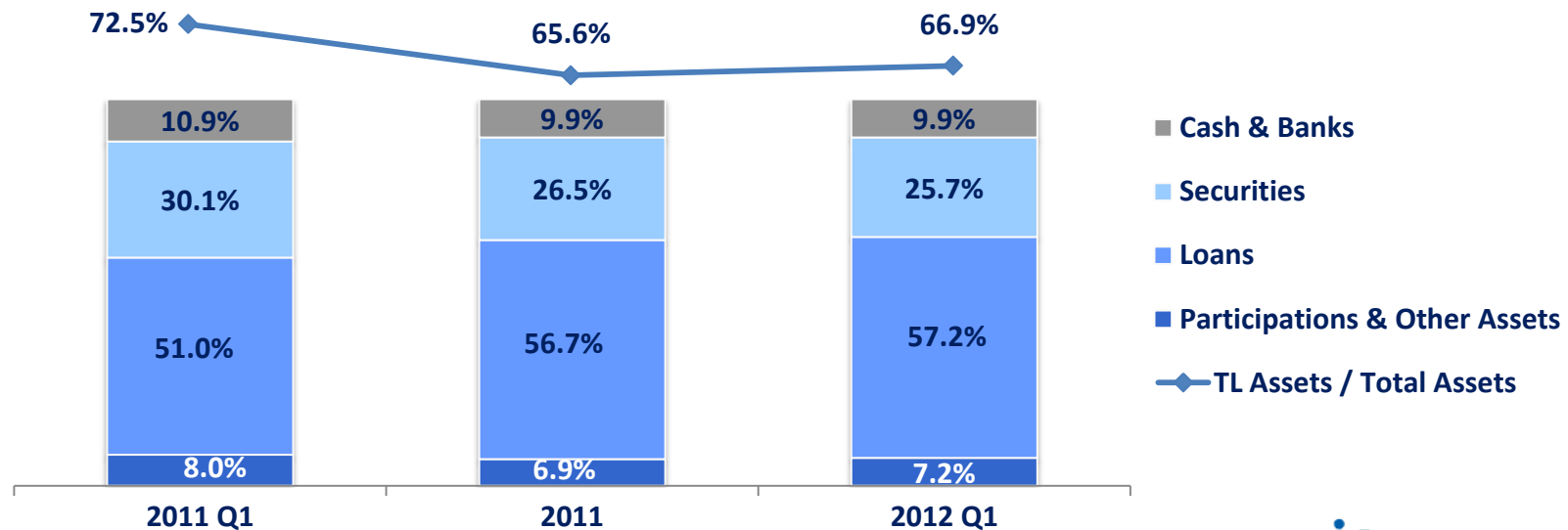
(3) Including overdraft accounts.

# Asset Structure

## Assets

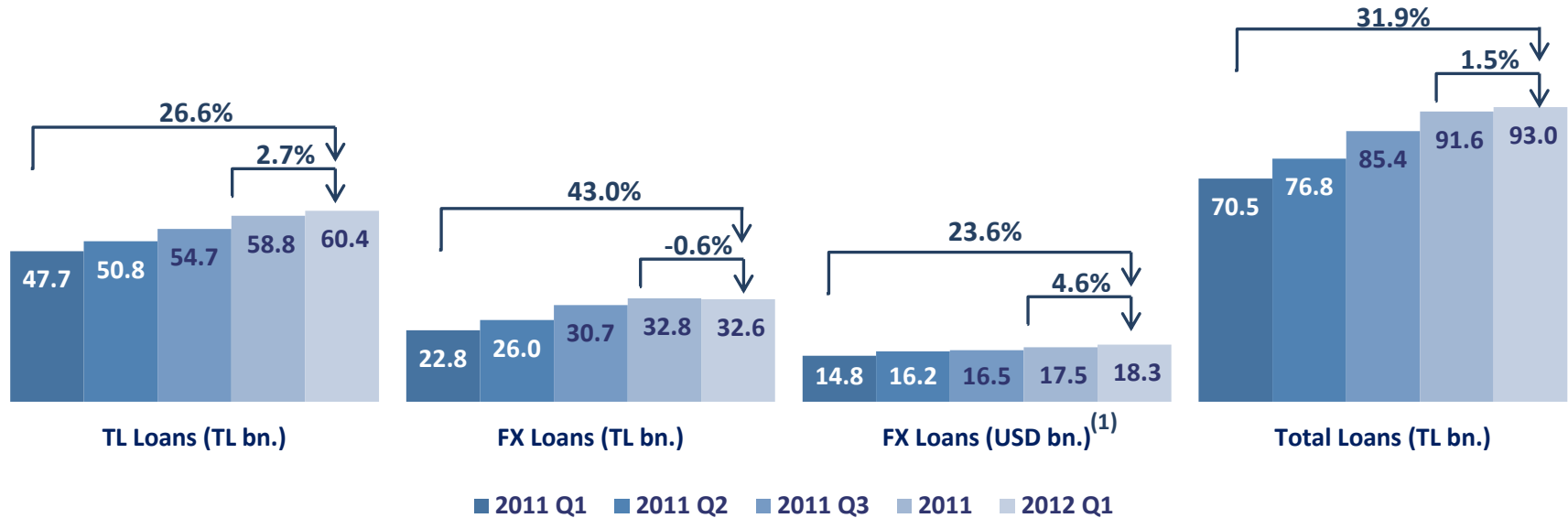
(TL mn.)	2011 Q1	2011	2012 Q1	Δ YtD	Δ YoY
Cash & Banks	15,146	16,034	16,028	0%	6%
Securities (Net)	41,600	42,778	41,745	-2%	0%
Loans	70,542	91,621	93,038	2%	32%
Participations (Net)	6,883	6,275	7,203	15%	5%
Fixed Assets (Net)	1,966	1,983	1,941	-2%	-1%
Other Assets	2,271	2,978	2,629	-12%	16%
<b>Total Assets</b>	<b>138,408</b>	<b>161,669</b>	<b>162,584</b>	<b>1%</b>	<b>17%</b>
TL Assets	100,330	106,007	108,733	3%	8%
FX Assets	38,078	55,662	53,851	-3%	41%
FX Assets (USD mn.)	24,726	29,607	30,253	2%	22%

## Asset Composition

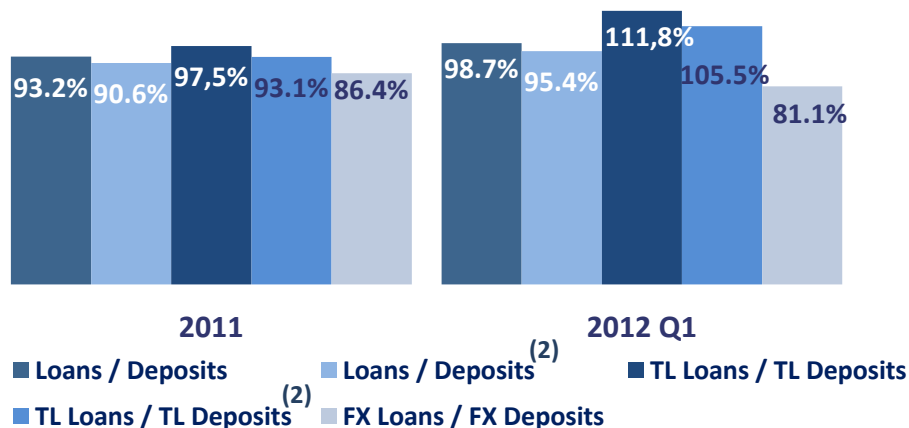


# Loan Portfolio

## Loans



## Loans/Deposits



- Market leader in TL & total loans
- Increasing market share in FX loans
- Loans/Deposits ratio rose due to increased usage of non-deposit funding.

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

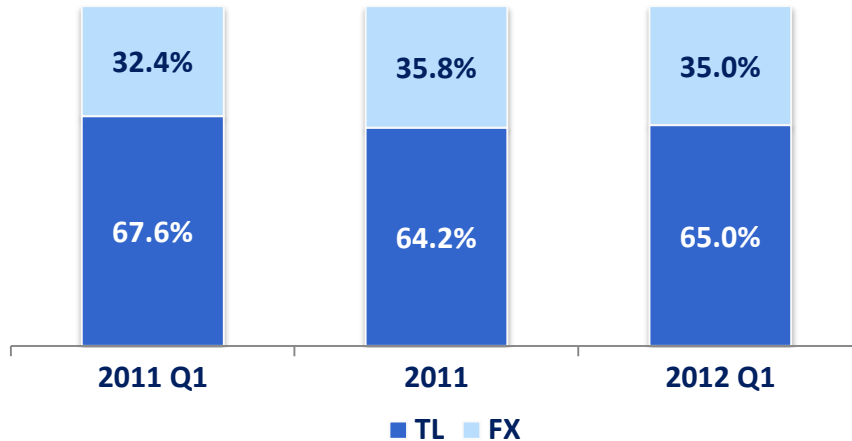
# Loan Portfolio

Loans (TL mn.)	2011 Q1	2011	2012 Q1	Δ YtD	Δ YoY
<b>Total Loans</b>	70,542	91,621	93,038	2%	32%
<b>TL Loans</b>	47,709	58,804	60,434	3%	27%
<b>Retail Loans</b>	20,662	25,457	26,090	2%	26%
<b>Housing Loans</b>	6,855	7,943	8,180	3%	19%
<b>Auto Loans</b>	892	1,149	1,169	2%	31%
<b>GPLs</b>	7,575	9,741	9,956	2%	31%
<b>Credit Card Loans</b>	5,341	6,624	6,785	2%	27%
<b>SME Loans<sup>(1)</sup></b>	14,632	18,199	19,565	8%	34%
<b>Commercial and Corporate Loans</b>	12,415	15,148	14,779	-2%	19%
<b>FX Loans</b>	22,833	32,817	32,604	-1%	43%
<b>SME Loans<sup>(1)</sup></b>	1,283	1,600	1,754	10%	37%
<b>Commercial and Corporate Loans</b>	21,550	31,217	30,850	-1%	43%
<b>FX Loans (USD mn.)</b>	14,826	17,456	18,317	5%	24%
<b>SME Loans</b>	833	851	986	16%	18%
<b>Commercial and Corporate Loans</b>	13,993	16,605	17,331	4%	24%

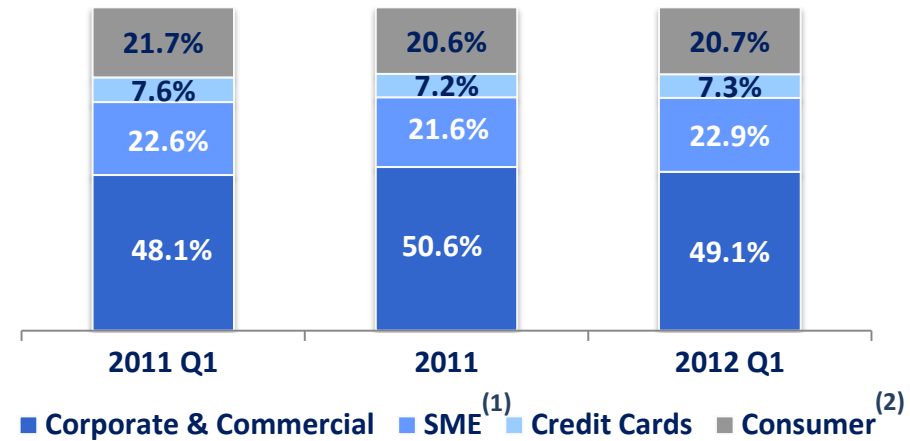
(1) SME definition includes companies with turnover or total assets < = TL 25 mn. or number of employees < = 250.

# Loan Composition

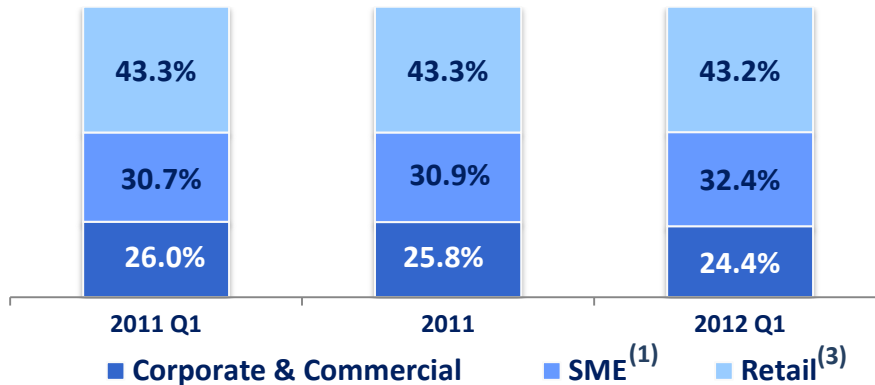
## Currency Mix



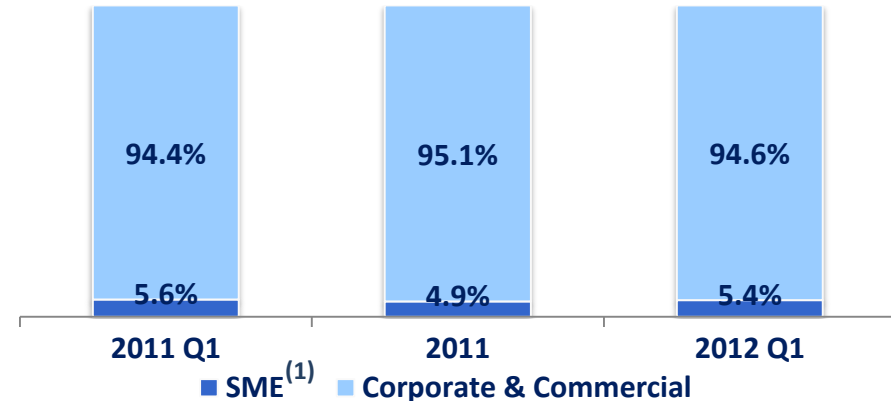
## Loan Composition - Total Loans



## 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.

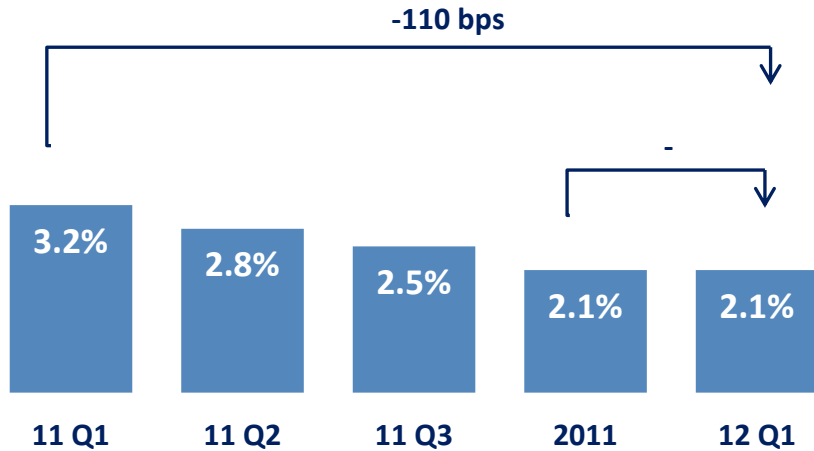
(2) Including retail overdraft accounts

(3) Including retail credit cards and overdraft accounts



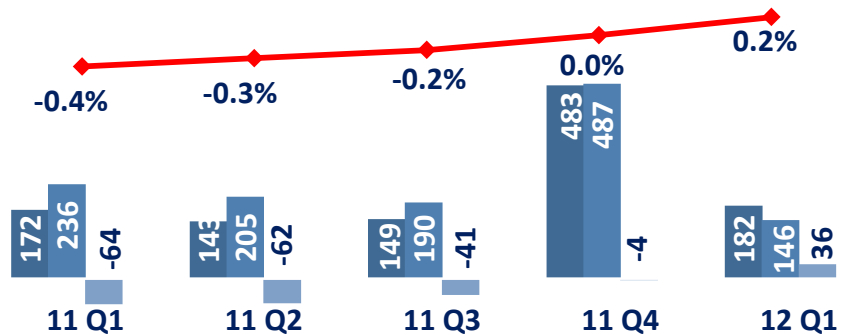
# Asset Quality

## NPL Ratio



- High asset quality sustained.
- Gross CoR declined to 74 bps.
- 100% provisioning policy
- 22% collection rate<sup>(3)</sup> in Q1 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 / Average Loans

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

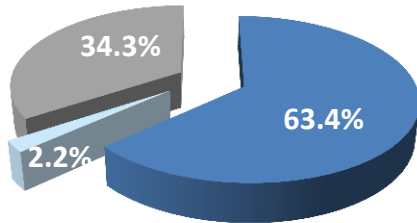
# Securities Portfolio

## Securities

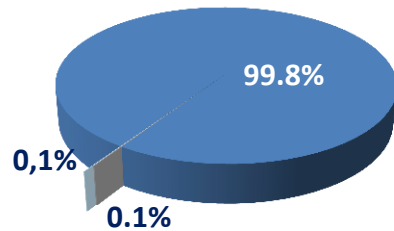
(TL mn.)	2011 Q1	2011	2012 Q1	Δ YtD	ΔYoY
Total Securities	41,600	42,778	41,745	-2%	0%
TL Securities	33,162	32,452	33,667	4%	2%
FX Securities	8,438	10,326	8,078	-22%	-4%
FX Securities (USD mn.)	5,479	5,492	4,538	-17%	-17%

## Composition of Securities Portfolio Q1 2012

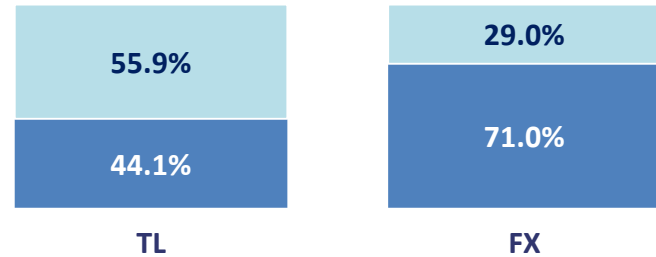
### TL Securities



### FX Securities



■ Held for Trading ■ Available For Sale ■ Held To Maturity



■ Discount & Fixed ■ Floating Rate Notes

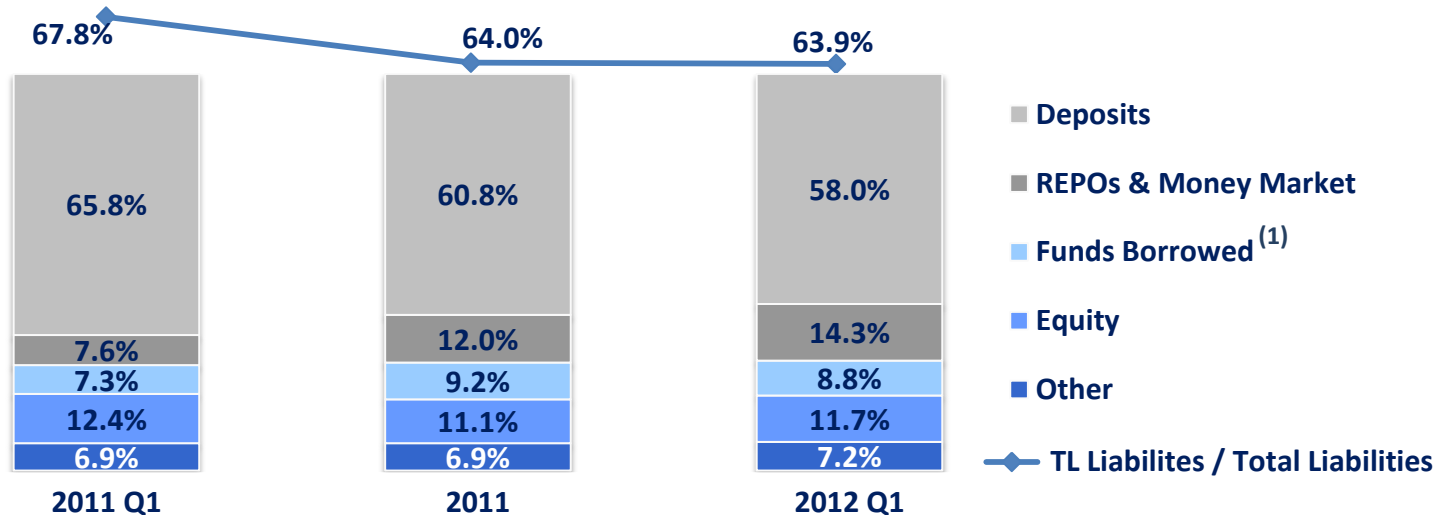
- 26% share of CPI linkers in total portfolio
- Market value – cost of HTM portfolio = TL 761 mn.
- Average durations:  
0.82 years for TL Securities  
3.39 years for FX Securities

# Liabilities Structure

## Liabilities

(TL mn.)	2011 Q1	2011	2012 Q1	Δ YtD	Δ YoY
Deposits	91,132	98,313	94,284	-4%	3%
REPOs & Money Market	10,499	19,461	23,177	19%	121%
Funds Borrowed <sup>(1)</sup>	10,134	14,930	14,282	-4%	41%
Other	9,481	11,044	11,803	7%	24%
Equity	17,162	17,921	19,038	6%	11%
<b>Total Liabilities</b>	<b>138,408</b>	<b>161,669</b>	<b>162,584</b>	<b>1%</b>	<b>17%</b>
TL Liabilites	93,801	103,468	103,870	0%	11%
FX Liabilites	44,606	58,201	58,714	1%	32%
FX Liabilites (USD bn.)	28,965	30,958	32,985	7%	14%

## Liabilities Composition



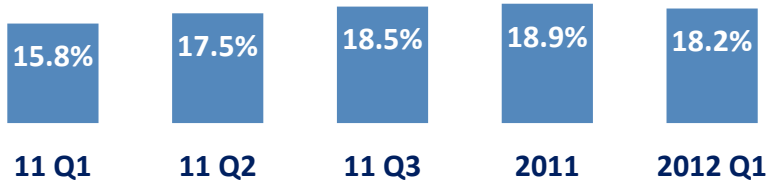
(1) Funds Borrowed includes TL bond issuances amounting to TL 3.2 bn. and FX bond issuances amounting to USD 0.5 bn. as of Q1 2012 .

# Deposits

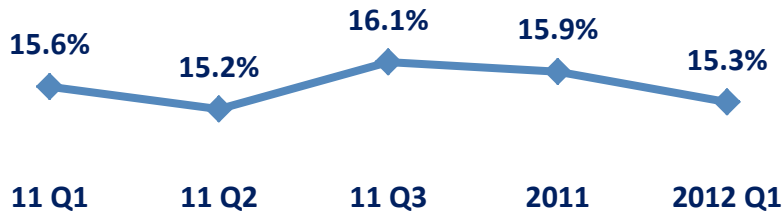
## Deposits

(TL mn.)	2011 Q1	2011	2012 Q1	Δ YtD	Δ YoY
Total Deposits	91,132	98,313	94,284	-4%	3%
TL Deposits	60,730	60,332	54,067	-10%	-11%
TL Saving Deposits	39,838	40,664	38,358	-6%	-4%
TL Commercial Deposits	11,364	11,678	9,318	-20%	-18%
Other TL Deposits	9,528	7,990	6,391	-20%	-33%
FX Deposits	30,402	37,981	40,217	6%	32%
FX Deposits (USD mn.)	19,742	20,202	22,594	12%	14%
Demand Deposits	14,425	18,627	17,166	-8%	19%

## Demand Deposits/Total Deposits



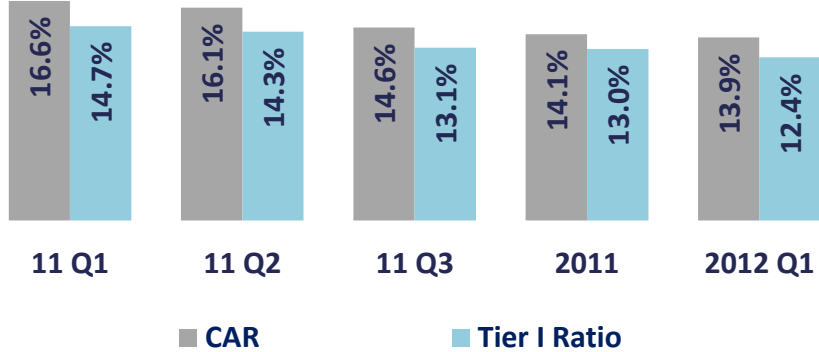
## Demand Deposits Market Share



- Leadership in TL, FX, demand & total deposits
- TL deposits make up 57% of total deposits.
- Share of demand deposits in total deposits is 18%.

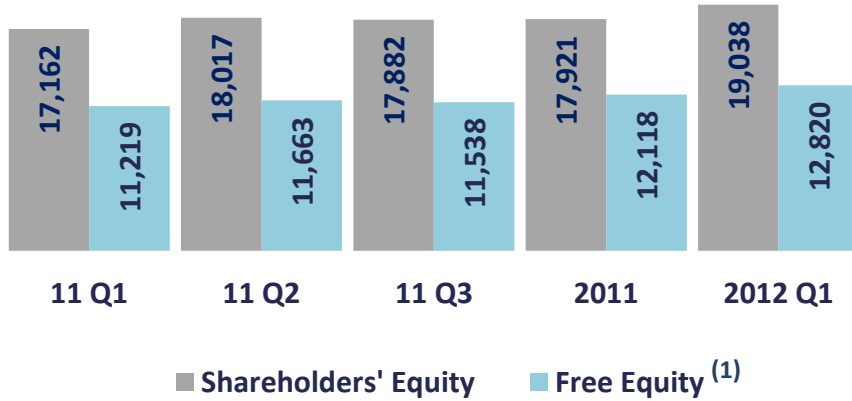
# Sufficient Capitalization

## 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.)	2011 Q1	2011 Q4	2012 Q1	Δ QoQ	Δ YoY
<i>Interest Income</i>	2,435	3,103	3,291	6%	35%
<i>Interest Expense</i>	1,317	1,788	1,979	11%	50%
Net Interest Income	1,118	1,315	1,312	0%	17%
Net Fees & Commissions	304	403	370	-8%	22%
Net Trading Gains/Losses	99	279	82	-71%	-17%
Dividends Received	100	0	95	+++	-5%
Released Provisions	288	313	229	-27%	-20%
Gains on Asset Sales	16	9	11	22%	-31%
Other Operating Income	29	22	27	23%	-7%
<b>Total Operating Income</b>	<b>1,954</b>	<b>2,341</b>	<b>2,126</b>	<b>-9%</b>	<b>9%</b>
Personnel Expenses	392	413	413	0%	5%
Other Operational Expenses	234	337	274	-19%	17%
Depreciation & Amortization	52	56	58	4%	12%
Other Expenses	116	86	105	21%	-9%
<b>Total Operating Expenses</b>	<b>794</b>	<b>892</b>	<b>850</b>	<b>-5%</b>	<b>7%</b>
<b>Operating Profit</b>	<b>1,160</b>	<b>1,448</b>	<b>1,276</b>	<b>-12%</b>	<b>10%</b>
Loan Loss Provisions	161	205	170	-17%	6%
General and Other Provision Charges	165	145	216 <sup>(2)</sup>	49%	31%
<b>Total Provision Charges (Excluding Tax Provisions)</b>	<b>326</b>	<b>350</b>	<b>386</b>	<b>10%</b>	<b>18%</b>
Tax Provisions	167	235	183	-22%	10%
<b>Net Income</b>	<b>667</b>	<b>864</b>	<b>708</b>	<b>-18%</b>	<b>6%</b>

- NII maintained QoQ despite higher costs in deposit market, 17% YoY growth in NII
- Significant YoY growth in net fees & commissions
- Core banking income<sup>(1)</sup> up by 16%, operating profit up by 10% and net income up by 6% YoY

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

(2) Includes TL 50 mn. free provisions.

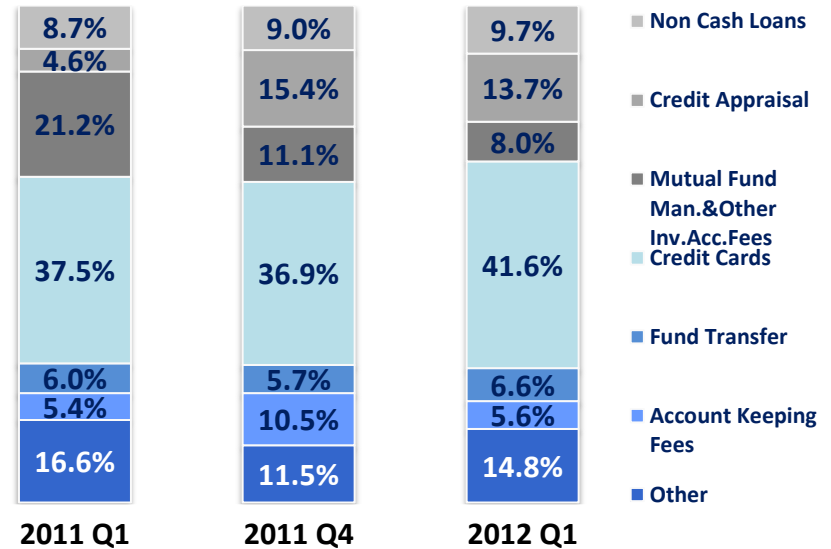
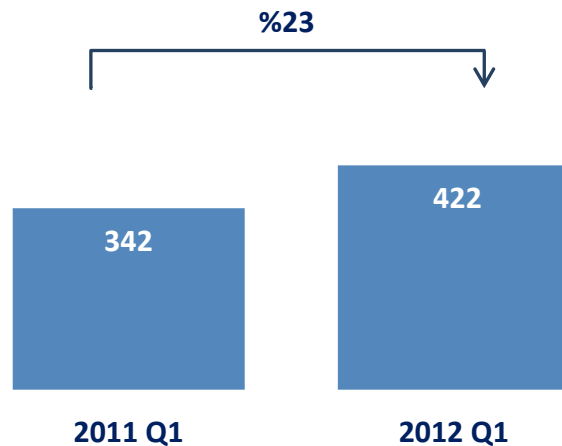
# Commissions Income Performance

## Fees and Commissions Received (Gross)

(TL thousand)	2011 Q1	2011 Q4	2012 Q1	Δ QoQ	Δ YoY
Non-Cash Loans	29,817	40,755	41,119	1%	38%
Credit Appraisal	15,672	69,227	57,619	-17%	268%
Mutual Fund Man. & Other Inv. Acc. Fees	72,447	49,959	33,838	-32%	-53%
Credit Cards	128,362	166,243	175,722	6%	37%
Fund Transfer	20,413	25,830	27,670	7%	36%
Account Keeping Fees	18,498	47,107	23,550	-50%	27%
Other	56,994	51,636	62,439	21%	10%
<b>Total Gross Commission Income</b>	<b>342,203</b>	<b>450,757</b>	<b>421,957</b>	<b>-6%</b>	<b>23%</b>

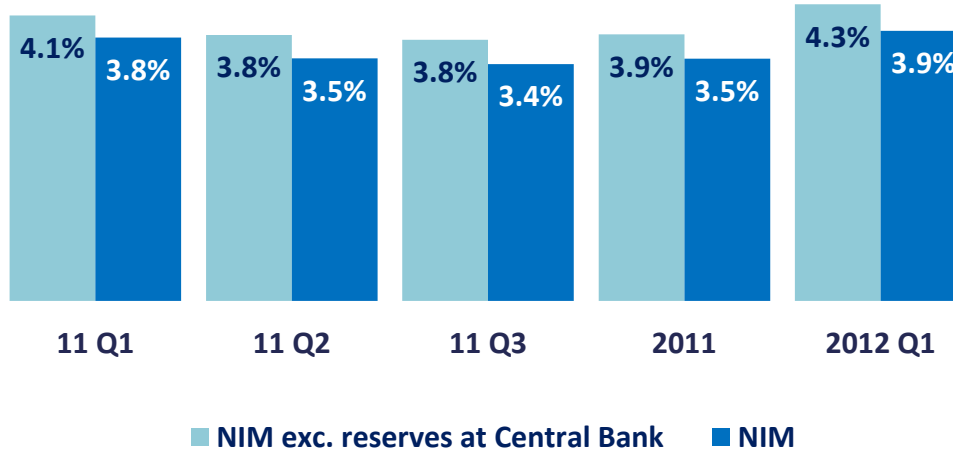
- Solid growth in all items except for mutual fund management fees
- Higher contribution to profitability
- Higher OPEX coverage
- Diversified fees & commissions base

## Gross Fees & Commissions Income (TL mn.)



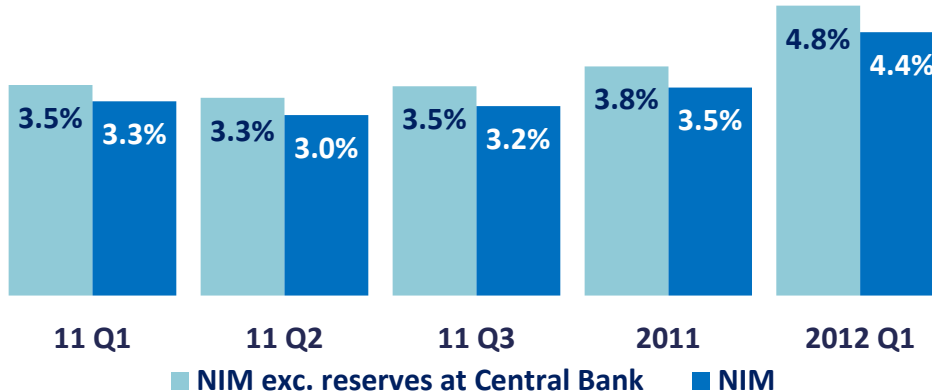
# Margins

## NIM (Cumulative)



- Slight recovery in NIM in Q1
- Sustained NII despite cost pressures

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

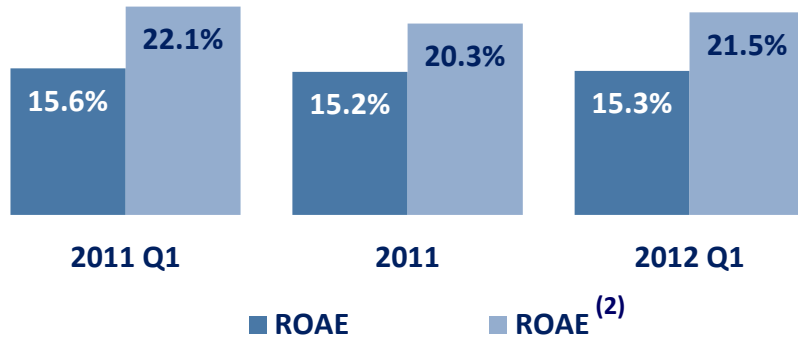


(1) Adjusted for Securities Trading Gains / Losses and Foreign Exchange Gains / Losses

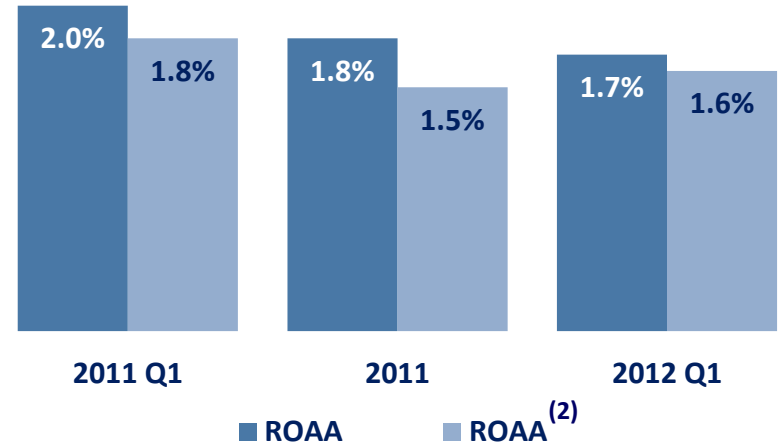


# Profitability and Efficiency Ratios

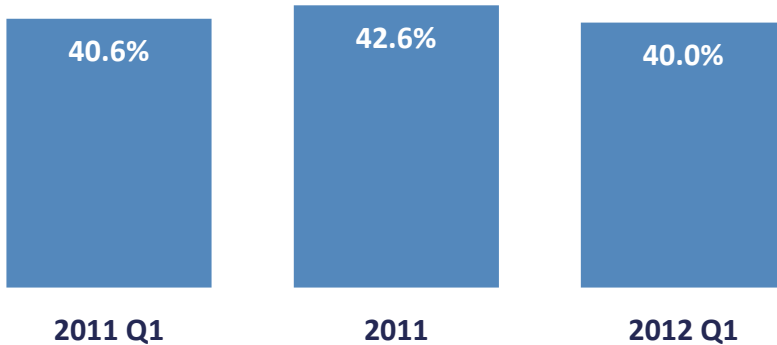
## ROAE<sup>(1)</sup>



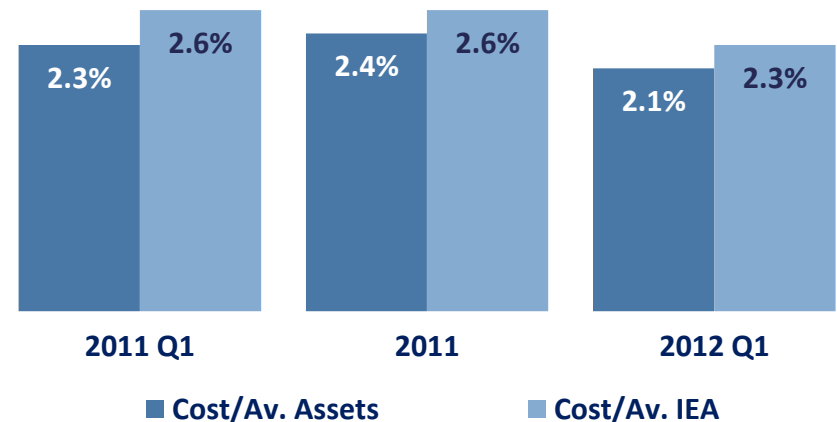
## ROAA<sup>(1)</sup>



## Cost / Income



## Cost vs. Assets<sup>(1)</sup>



(1) Calculations are based on each quarters' average in the relevant year.

(2) Banking business (Excluding equity participations portfolio)

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