

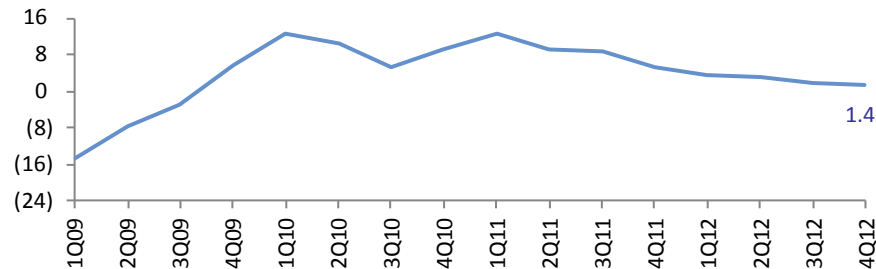


**ISBANK  
EARNINGS  
PRESENTATION  
2013 Q1**

# Recent macro developments

## «Soft landing» in the economy

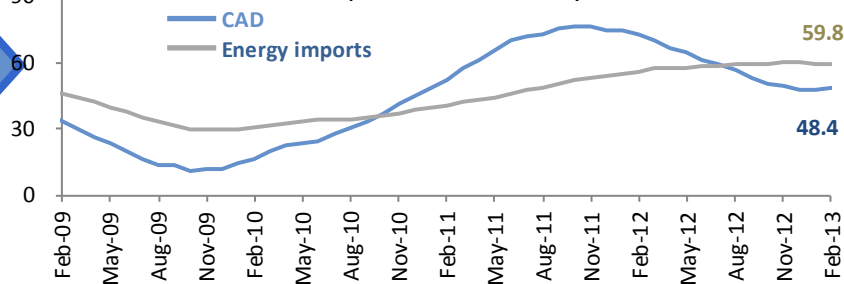
GDP growth (quarterly, yoy)



Source: Turkstat

## Improvement in current account deficit

Current account deficit and energy imports (12 months cumulative)



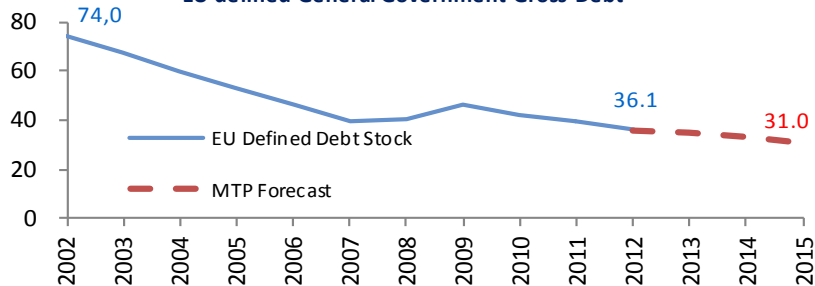
Source: Central Bank of Turkey, Turkstat

- According to data regarding the first quarter of 2013, a mild recovery was observed in domestic economic activity.
- The rebalancing of domestic and external demand enables Turkish economy to better cope with vulnerabilities.
- In 2012, 13.0% annual growth in exports and 1.8% decline in imports contributed to the improvement in C/A deficit. Thus, C/A deficit contracted by 36.8% in 2012 compared to the previous year. However, due to the revival in domestic demand conditions the contribution of net exports to growth diminished in the first quarter of 2013, signaling a mild widening in the C/A deficit.
- EU defined General Government Gross Debt Ratio is expected to decline to 31% in 2015.
- CPI inflation was realized as 6.1% as of April 2013. Annual CPI increase is expected to be 5.3% at the end of 2013 according to CBRT.

## Sound fiscal performance

Stock/GDP (%)

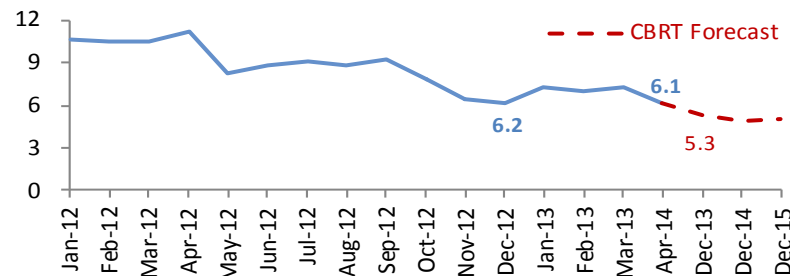
EU defined General Government Gross Debt



Source: Undersecretariat of Treasury

## Inflation outlook has improved

CPI inflation (% yoy)



Source: Turkstat, CBRT

# Period's Highlights

## *Loans & Asset Quality*

- Loan growth driven by corporate and commercial loans, housing loans and credit cards
- Shift from securities portfolio to lending continued in Q1, share of loans in total assets reached 61.0%.
- Slight increase in the NPL ratio, however, gross cost of risk remained almost stable at 83 basis points and additions to NPLs declined, quarterly.
- NPL coverage ratio, which is 78.0%, remained above the sector average.
- Highest market share in TL, FX and total loans

## *Funding and Capital Adequacy*

- Dynamic funding pool management sustained; funding from FX deposits and REPO transactions increased.
- Largest TL, FX, TL savings and demand deposits base among private sector banks
- CAR remained almost stable at 16.2%.

## *P&L*

- Net interest margin continued to improve in 2013 (+12 bps QoQ).
- Solid growth in net interest income and net fees and commissions
- Improved ROAA and ROAE

## Largest Private Bank...

	Market Shares (%) <sup>(1)</sup>		Rank <sup>(2)</sup>	
	2012	2013 Q1	2012	2013 Q1
<b>Total Assets</b>	13.5	13.4	1 <sup>st</sup>	1 <sup>st</sup>
<b>Total Loans</b>	14.2	14.0	1 <sup>st</sup>	1 <sup>st</sup>
<b>TL Loans</b>	13.1	12.8	1 <sup>st</sup>	1 <sup>st</sup>
<b>FX Loans</b>	17.2	17.3	1 <sup>st</sup>	1 <sup>st</sup>
<b>Consumer Loans</b> <sup>(3)</sup>	12.0	11.6	1 <sup>st</sup>	2 <sup>nd</sup>
<b>Total Deposits</b>	13.7	13.4	1 <sup>st</sup>	1 <sup>st</sup>
<b>TL Deposits</b>	12.9	12.0	1 <sup>st</sup>	1 <sup>st</sup>
<b>FX Deposits</b>	15.4	16.3	1 <sup>st</sup>	1 <sup>st</sup>
<b>Demand Deposits</b>	15.5	15.5	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

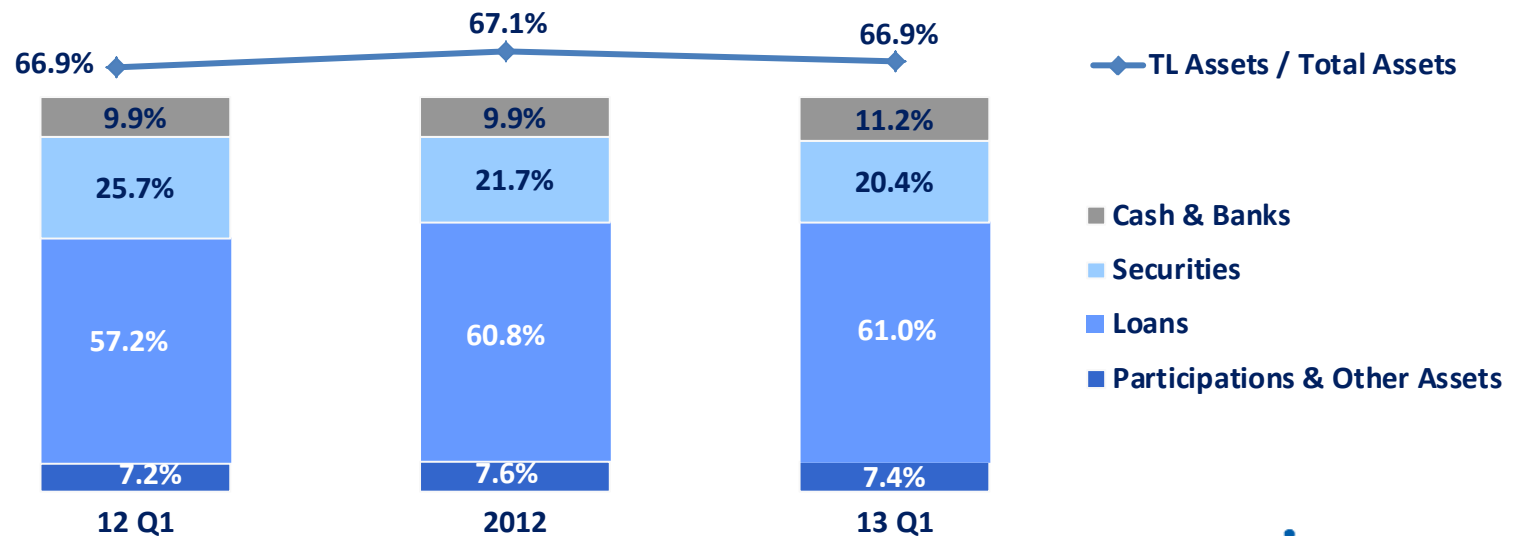
(3) Including retail overdraft accounts

# Asset Structure

## Assets

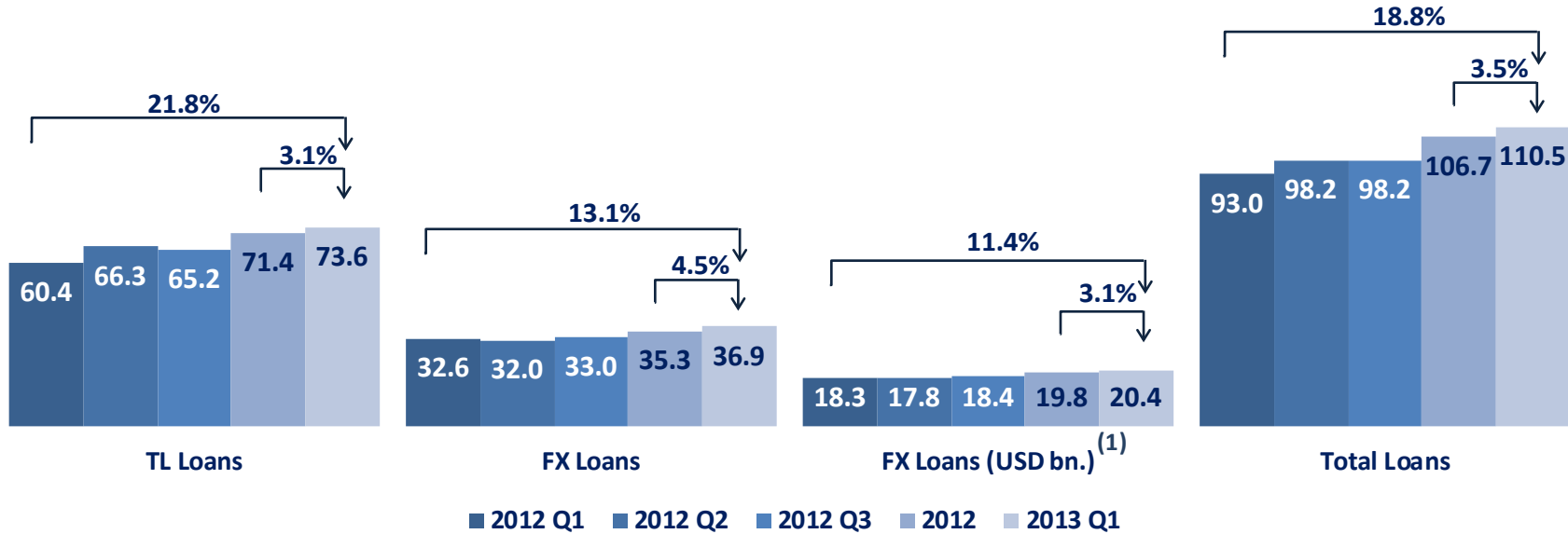
(TL mn.)	2012 Q1	2012	2013 Q1	Δ YtD	Δ YoY
Cash & Banks	16,028	17,391	20,261	16.5%	26.4%
Securities (Net)	41,745	38,055	36,986	-2.8%	-11.4%
Loans	93,038	106,716	110,494	3.5%	18.8%
Participations (Net)	7,203	7,700	8,218	6.7%	14.1%
Fixed Assets (Net)	1,941	1,999	2,054	2.8%	5.8%
Other Assets	2,629	3,585	3,051	-14.9%	16.1%
<b>Total Assets</b>	<b>162,584</b>	<b>175,444</b>	<b>181,064</b>	<b>3.2%</b>	<b>11.4%</b>
<b>TL Assets</b>	108,733	117,672	121,197	3.0%	11.5%
<b>FX Assets</b>	53,851	57,773	59,867	3.6%	11.2%
<b>FX Assets (USD mn.)</b>	30,253	32,366	33,113	2.3%	9.5%

## Asset Composition

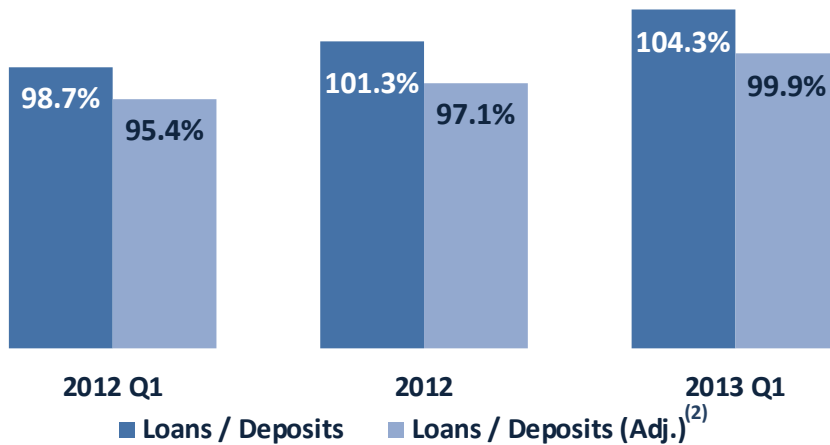


# Loan Portfolio

## Loans



## Loans/Deposits



- Market leader in TL, FX & total loans
- Share of loans in total assets is 61.0%.
- Comfortable level of Loans/Deposits ratio
- Adjusted Loans/Deposits ratio<sup>(2)</sup> is 99.9%.

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

# Loan Portfolio

## Loans

(TL mn.)	2012 Q1	2012	2013 Q1	Δ YtD	Δ YoY
<b>Total Loans</b>	93,038	106,716	110,494	3.5%	18.8%
<b>TL Loans</b>	60,434	71,415	73,614	3.1%	21.8%
<b>Retail Loans</b>	26,090	30,491	31,448	3.1%	20.5%
Housing Loans	8,180	9,539	10,147	6.4%	24.1%
Auto Loans	1,169	1,317	1,287	-2.2%	10.2%
GPLs <sup>(1)</sup>	9,956	11,522	11,575	0.5%	16.3%
Credit Card Loans	6,785	8,113	8,438	4.0%	24.4%
<b>Non-Retail Loans</b>	34,345	40,924	42,166	3.0%	22.8%
SME Loans <sup>(2)</sup>	19,565	26,424	26,852	1.6%	NM
Commercial and Corporate Loans	14,780	14,500	15,313	5.6%	NM
<b>FX Loans</b>	32,604	35,301	36,880	4.5%	13.1%
SME Loans <sup>(2)</sup>	1,754	3,564	3,778	6.0%	NM
Commercial and Corporate Loans	30,849	31,737	33,101	4.3%	NM
<b>FX Loans (USD mn.)</b>	18,317	19,776	20,398	3.1%	11.4%
SME Loans <sup>(2)</sup>	986	1,996	2,090	4.7%	NM
Commercial and Corporate Loans	17,331	17,780	18,308	3.0%	NM

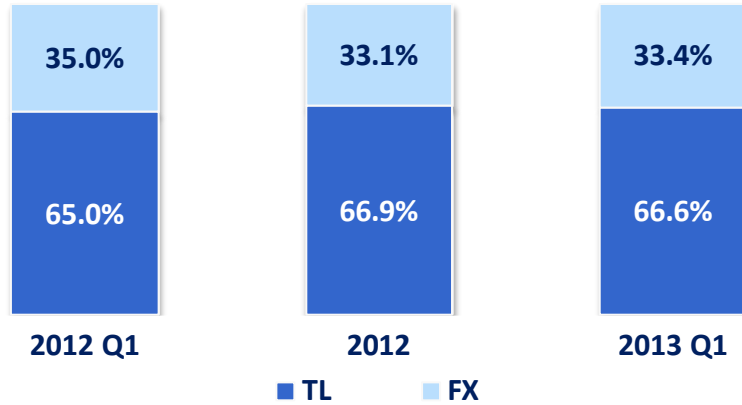
(1) Including overdraft accounts

(2) SME definition for 2012 Q1 includes companies with number of employees <= 250 and turnover or total assets <= TL 25 mn., whereas SME definition for 2012YE and 2013 Q1 includes companies with number of employees <= 250 and turnover or total assets <= TL 40 mn.

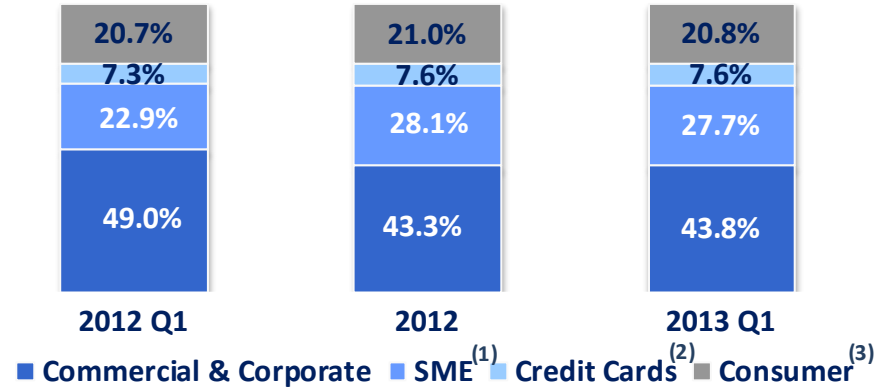
NM: Not meaningful

# Loan Composition

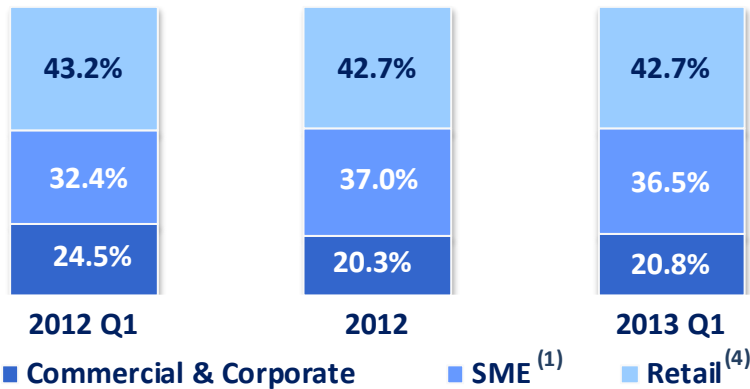
## Currency Mix



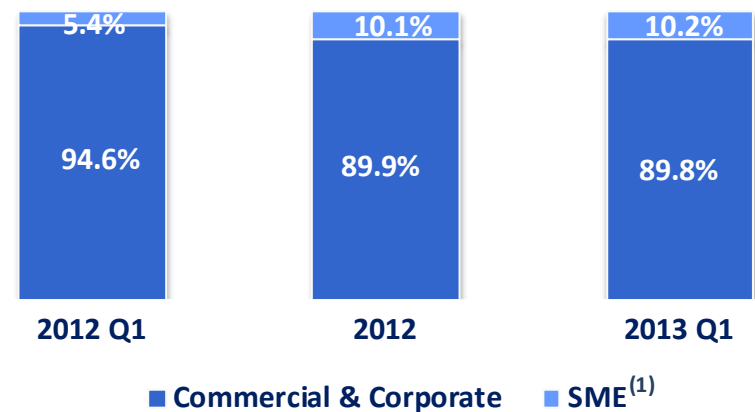
## Loan Composition - Total Loans



## Loan Composition - TL Loans



## Loan Composition - FX Loans



(1) SME definition for 2012 Q1 includes companies with number of employees <= 250 and turnover or total assets <= TL 25 mn., whereas SME definition for 2012YE and 2013 Q1 includes companies with number of employees <= 250 and turnover or total assets <= TL 40 mn.

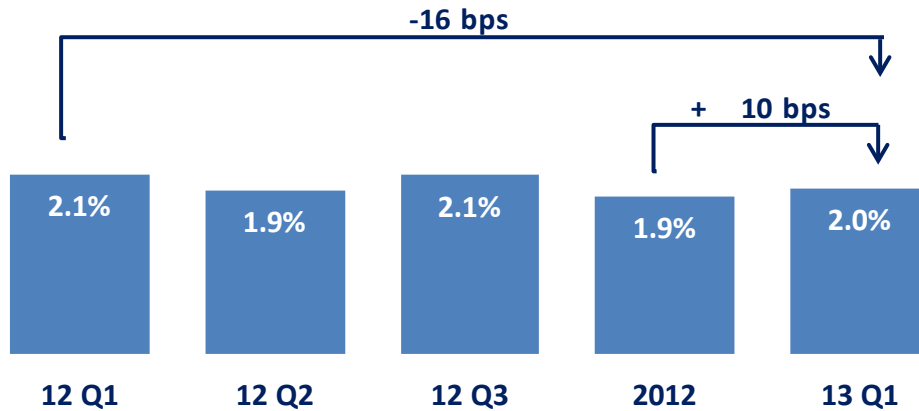
(2) Shows retail credit card balances only

(3) Including retail overdraft accounts

(4) Including retail credit cards and overdraft accounts

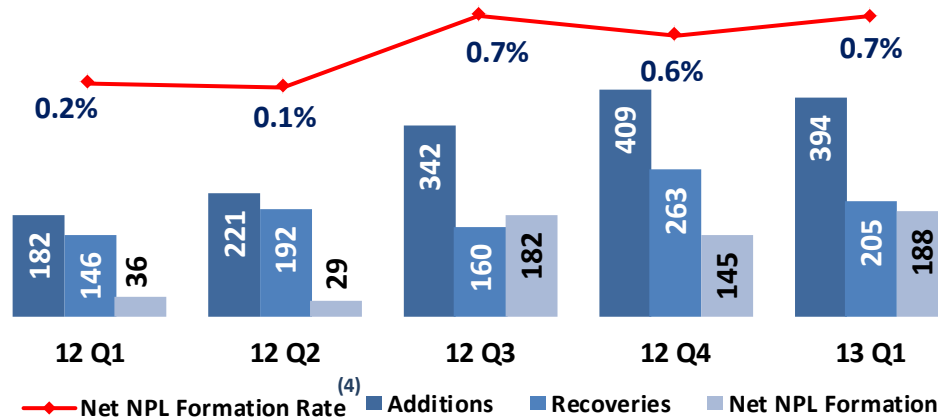


## NPL Ratio



- Quarterly decline in gross additions to NPLs
- Gross CoR<sup>(1)</sup> is 83 bps.
- Coverage ratio is 78.0%.
- 22.8% collection rate<sup>(2)</sup> in Q1 2013

## NPL Trends<sup>(3)</sup>



## NPL Sales (TL thousand)

Period	Amount	Revenue
12 Q1	-	-
12 Q2	136,864	28,656
12 Q3	-	-
12 Q4	287,061	50,127
13 Q1	-	-

- (1) Specific Provisions / Average Loans  
 (2) Collections / (Prior period ending balance NPL + Additions)  
 (3) Ratios are calculated on quarterly basis.  
 (4) Net NPL Formation / Average Loans

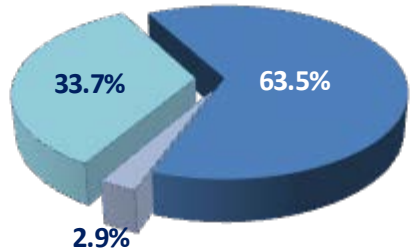
# Securities Portfolio

## Securities

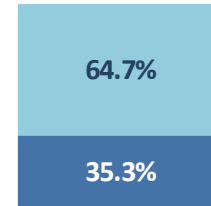
(TL mn.)	2012 Q1	2012	2013 Q1	Δ YtD	ΔYoY
Total Securities	41,745	38,055	36,986	-2.8%	-11.4%
TL Securities	33,667	31,703	31,188	-1.6%	-7.4%
FX Securities	8,078	6,351	5,799	-8.7%	-28.2%
FX Securities (USD mn.)	4,538	3,558	3,207	-9.9%	-29.3%

## Composition of Securities Portfolio (Q1 2013)

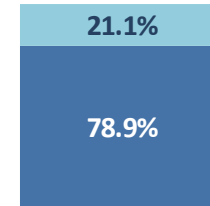
TL Securities



TL Securities

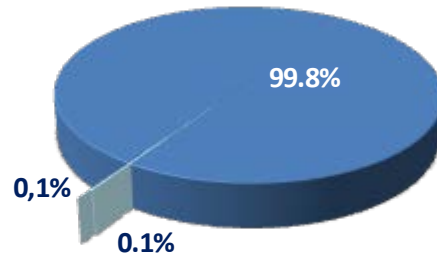


FX Securities



■ Discount & Fixed ■ Floating Rate Notes

FX Securities



■ Held for Trading ■ Available for Sale ■ Held to Maturity

- 31.5% share of CPI linkers in total portfolio
- TL 1,277 mn. of MtM differences:  
HTM TL 519 mn.\*  
AFS TL 757 mn.
- Average durations:  
0.92 years for TL Securities  
3.64 years for FX Securities

\* MtM differences for the HTM portfolio are not accounted for in the financial statements.

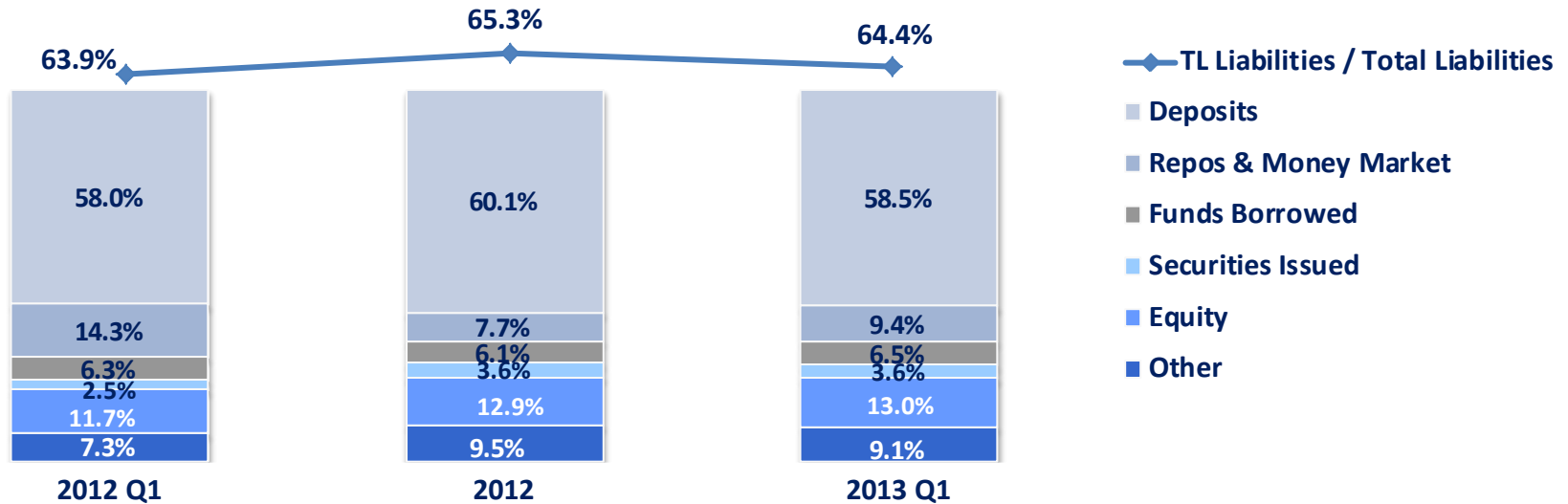
# Liabilities Structure

## Liabilities

(TL mn.)	2012 Q1	2012	2013 Q1	Δ YtD	Δ YoY
Deposits	94,284	105,383	105,889	0.5%	12.3%
REPOs & Money Market	23,177	13,519	16,973	25.5%	-26.8%
Funds Borrowed	10,200	10,748	11,730	9.1%	15.0%
Securities Issued	4,082	6,364	6,510	2.3%	59.5%
Other	11,804	16,711 <sup>(1)</sup>	16,471 <sup>(1)</sup>	-1.4%	39.5%
Equity	19,038	22,719	23,490	3.4%	23.4%
<b>Total Liabilities &amp; Equity</b>	<b>162,584</b>	<b>175,444</b>	<b>181,064</b>	<b>3.2%</b>	<b>11.4%</b>
<b>TL Liabilites</b>	103,870	114,591	116,583	1.7%	12.2%
<b>FX Liabilites</b>	58,714	60,853	64,482	6.0%	9.8%
<b>FX Liabilites (USD bn.)</b>	32,985	34,091	35,665	4.6%	8.1%

(1) Includes subordinated debt of USD 1 bn.

## Liabilities Composition

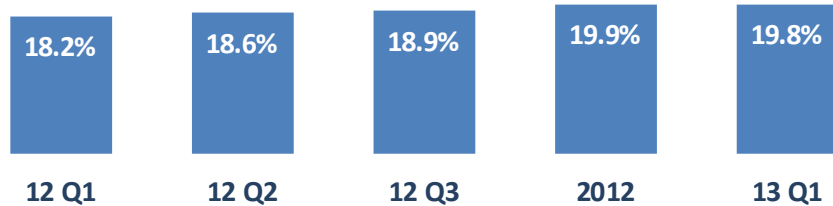


# Deposits

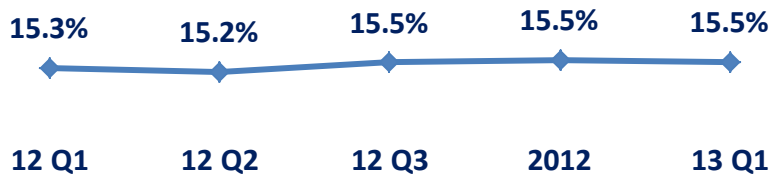
## Deposits

(TL mn.)	2012 Q1	2012	2013 Q1	Δ YtD	Δ YoY
<b>Total Deposits</b>	94,284	105,383	105,889	0.5%	12.3%
<b>TL Deposits</b>	54,067	64,990	62,342	-4.1%	15.3%
TL Saving Deposits	38,358	41,453	41,443	0.0%	8.0%
TL Commercial Deposits	9,318	14,200	12,445	-12.4%	33.6%
Other TL Deposits	6,391	9,337	8,453	-9.5%	32.3%
<b>FX Deposits</b>	40,217	40,394	43,548	7.8%	8.3%
<b>FX Deposits (USD mn.)</b>	22,594	22,629	24,086	6.4%	6.6%
<b>Demand Deposits</b>	17,166	20,947	21,015	0.3%	22.4%

## Demand Deposits / Total Deposits



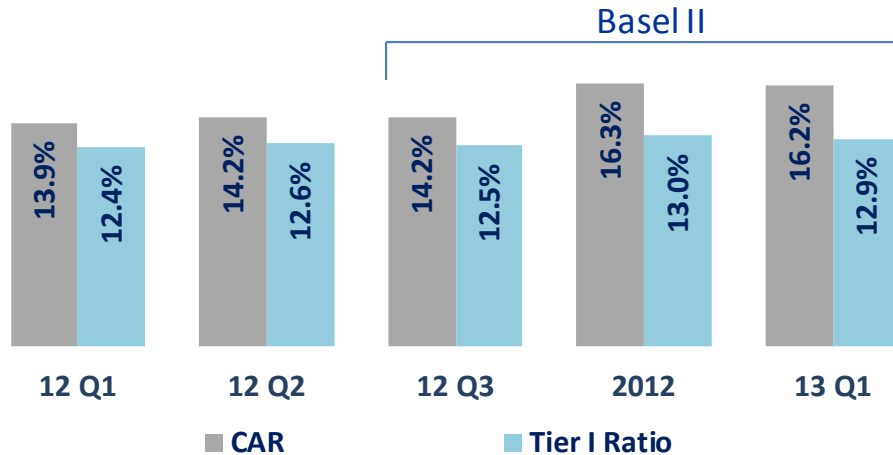
## Demand Deposits Market Share



- Leadership in TL, FX, demand & total deposits among private sector banks
- Deposits make up 58.5% of total liabilities.
- TL deposits make up 58.9% of total deposits.
- Share of demand deposits in total deposits is 19.8%.

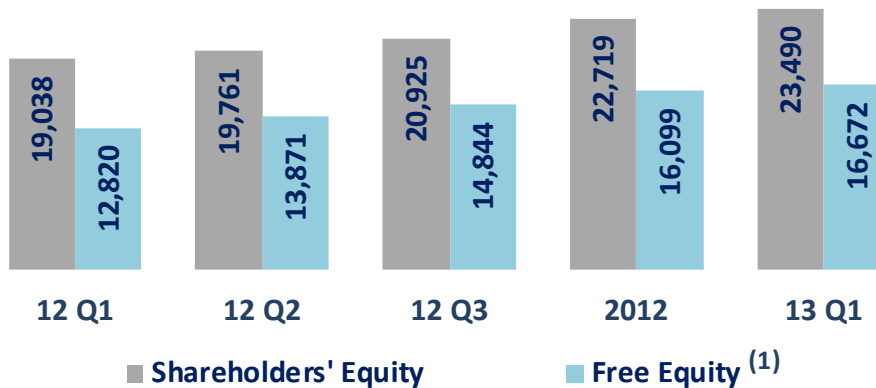
# Sufficient Capitalization

## Capital Adequacy Ratio



- Capital adequacy ratio is well above the regulatory limit, even after the impact of 20.1% cash dividend payout.
- Comfortable level of capital for further growth

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



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

# Income Statement Highlights

(TL mn.)	2012 Q1	2012 Q4	2013 Q1	Δ QoQ	Δ YoY
<i>Interest Income</i>	3,291	3,318	3,231	-2.6%	-1.8%
<i>Interest Expense</i>	1,979	1,646	1,509	-8.3%	-23.8%
Net Interest Income	1,312	1,672	1,722	3.0%	31.3%
Net Fees & Commissions	370	501	463	-7.6%	25.1%
Net Trading Gains/Losses	82	326	153	-53.1%	87.5%
Dividends Received	95	0	160	++	68.9%
Released Provisions	229	222	291 <sup>(1)</sup>	30.9%	27.0%
Gains on Asset Sales	11	42	50	19.0%	376.2%
Other Operating Income	29	89	23	-73.9%	-18.7%
<b>Total Operating Income</b>	<b>2,126</b>	<b>2,853</b>	<b>2,862</b>	<b>0.3%</b>	<b>34.6%</b>
Personnel Expenses	413	400	442	10.5%	6.9%
Other Operational Expenses	274	334	331	-0.8%	20.9%
Depreciation & Amortization	58	67	67	0.4%	15.3%
Other Expenses	127	584 <sup>(2)</sup>	316 <sup>(3)</sup>	-45.9%	148.3%
<b>Total Operating Expenses</b>	<b>872</b>	<b>1,385</b>	<b>1,156</b>	<b>-16.5%</b>	<b>32.5%</b>
<b>Operating Profit</b>	<b>1,254</b>	<b>1,468</b>	<b>1,706</b>	<b>16.2%</b>	<b>36.1%</b>
Loan Loss Provisions	170	208	225	8.4%	32.6%
General and Other Provision Charges	193 <sup>(4)</sup>	30	271 <sup>(4)</sup>	812.1%	40.4%
<b>Total Provision Charges (Excluding Tax Provisions)</b>	<b>363</b>	<b>237</b>	<b>496</b>	<b>109.0%</b>	<b>36.7%</b>
Tax Provisions	183	266	186	-29.9%	2.1%
<b>Net Income</b>	<b>708</b>	<b>965</b>	<b>1,024</b>	<b>6.1%</b>	<b>44.5%</b>

- Significant YoY growth in NII and net fees & commissions income
- Core banking income up by 32.6%, and operating profit up by 36.1% annually
- 44.5% annual bottom-line growth

(1) Include TL 112 mn. provision reversals related to the asset sales.

(2) Include one-off pension fund liability of TL 123 mn. plus provisions for salary increase.

(3) Include TL 97 mn. loss on the asset sales.

(4) 2012 Q1 and 2013 Q1 figures include TL 50 mn. and TL 100 mn. free provisions, respectively.

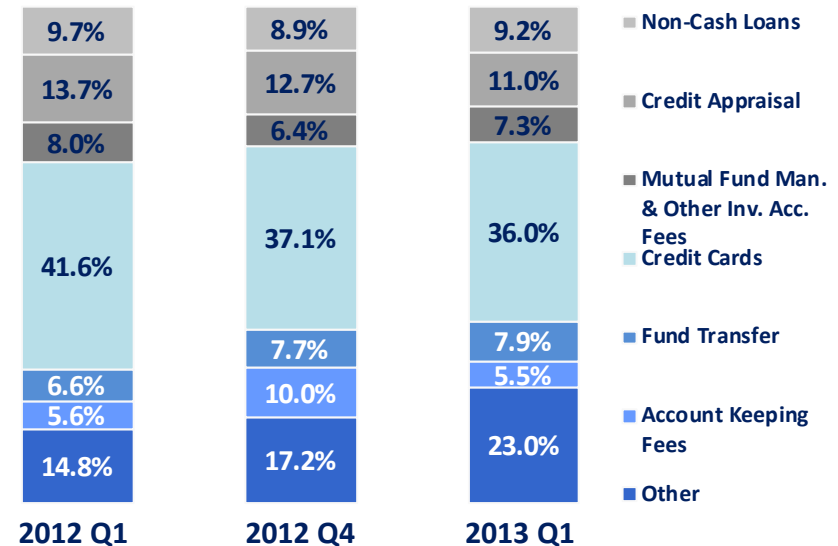
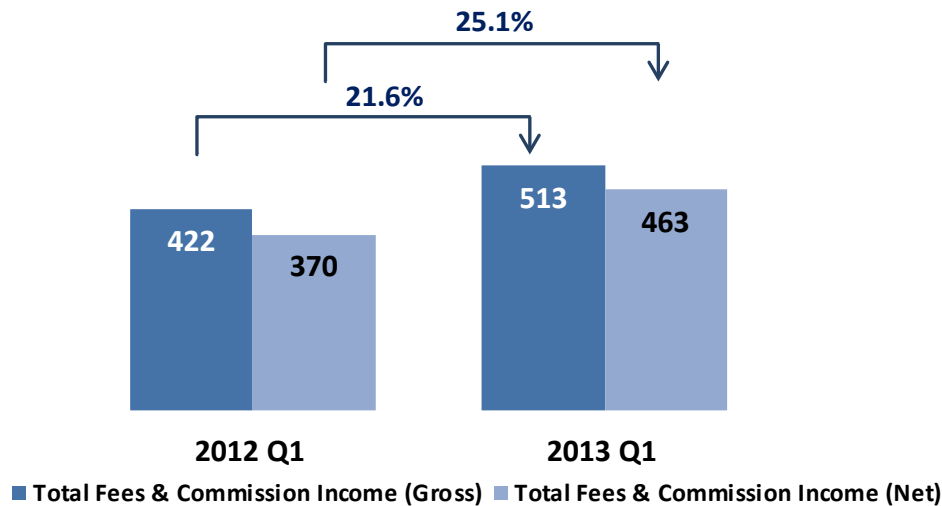
# Commissions Income Performance

(TL thousand)	2012 Q1	2012 Q4	2013 Q1	Δ QoQ	Δ YoY
Non-Cash Loans	41,119	49,413	47,445	-4.0%	15.4%
Credit Appraisal	57,619	70,660	56,190	-20.5%	-2.5%
Mutual Fund Man. & Other Inv. Acc. Fees	33,838	35,609	37,419	5.1%	10.6%
Credit Cards	175,722	206,392	184,922	-10.4%	5.2%
Fund Transfer	27,670	42,791	40,665	-5.0%	47.0%
Account Keeping Fees	23,550	55,386	28,255	-49.0%	20.0%
Other <sup>(1)</sup>	62,439	95,490	118,064	23.6%	89.1%
<b>Total Fees &amp; Commission Income (Gross)</b>	<b>421,957</b>	<b>555,740</b>	<b>512,960</b>	<b>-7.7%</b>	<b>21.6%</b>
<b>Total Fees &amp; Commission Income (Net)</b>	<b>370,125</b>	<b>501,018</b>	<b>462,932</b>	<b>-7.6%</b>	<b>25.1%</b>

(1) Other item includes refinancing fees of TL 6,451 (2012 Q1), TL 23,191 (2012 Q4), TL 42,526 (2013 Q1).

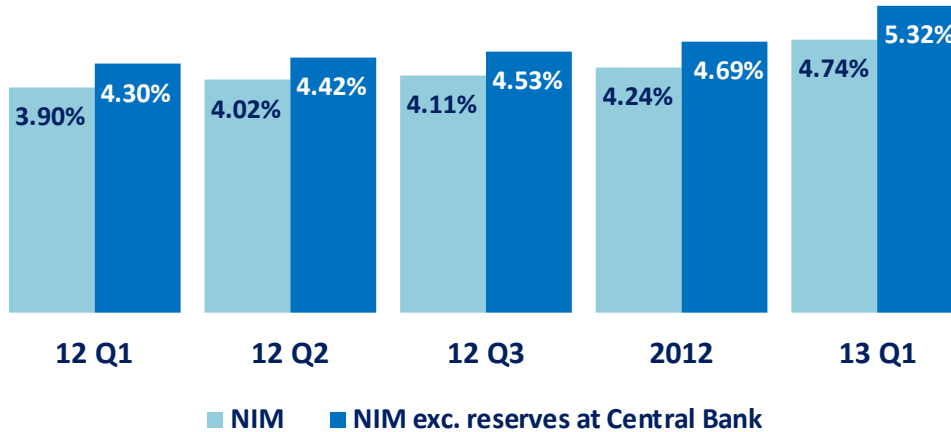
- All items except lending related fees contributed to fee income growth.
- Higher OPEX coverage
- Diversified fees & commissions base

## Fees & Commissions Income (TL mn.)



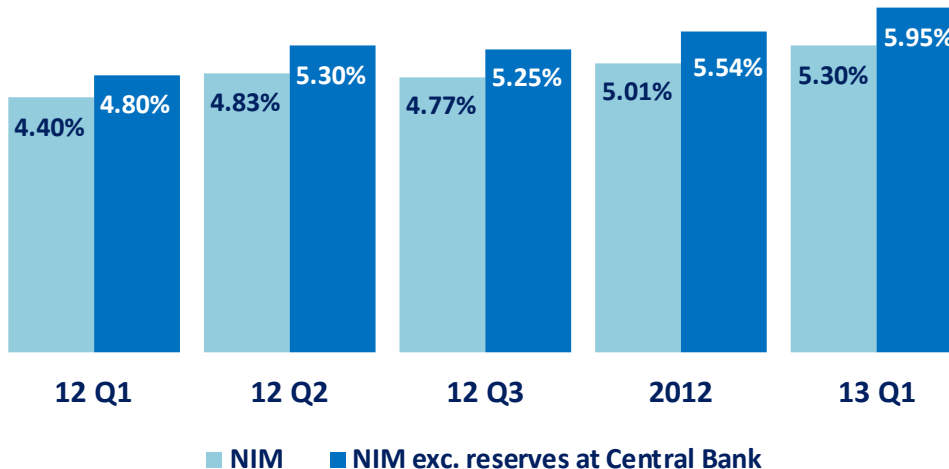
# Margins

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



- NIM continued to improve in 2013 (+12 bps QoQ).
- Further decline in the cost of funding

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



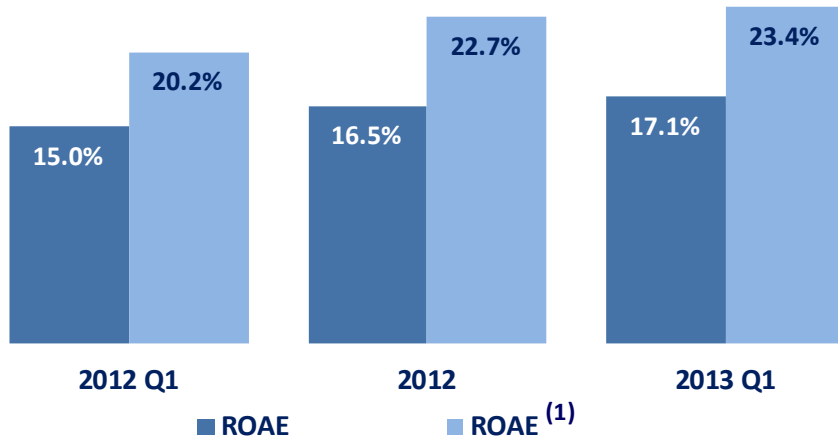
(1) Based on MIS data

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

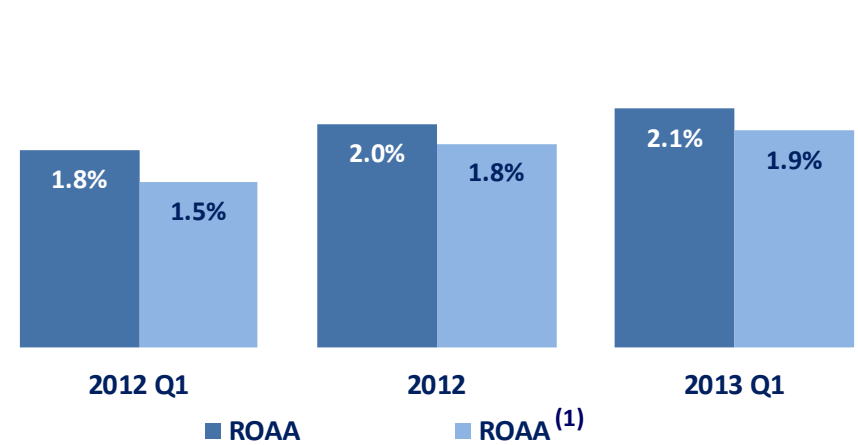


# Profitability and Efficiency Ratios (\*)

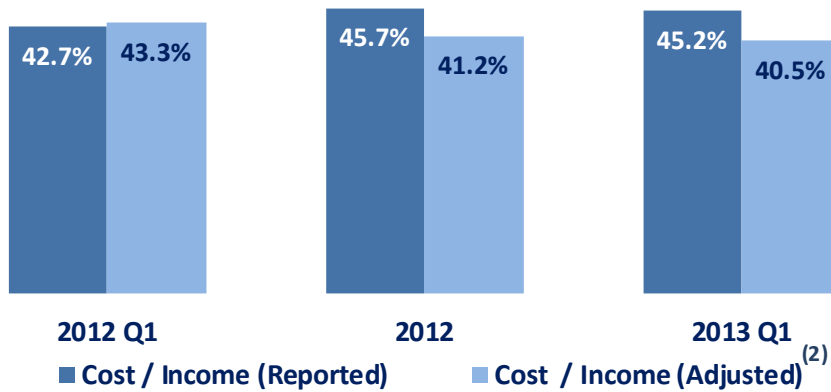
## ROAE



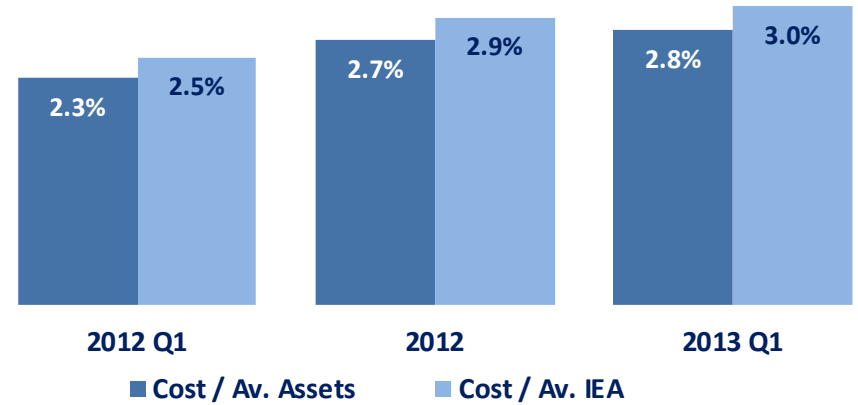
## ROAA



## Cost / Income



## Cost vs. Assets



(1) On banking business (excluding equity participations portfolio)

(2) Adjusted for the asset sale impact in 2013 Q1 and pension fund liability of TL 440 mn.

(\*) All calculations are based on trailing four quarters' data.

# Q&A

# Appendix – Quarterly Income Statement Highlights

(TL mn.)	2012 Q1	2012 Q2	2012 Q3	2012 Q4	2013 Q1	Δ QoQ
<i>Interest Income</i>	3,291	3,378	3,404	3,318	3,231	-2.6%
<i>Interest Expense</i>	1,979	1,949	1,888	1,646	1,509	-8.3%
Net Interest Income	1,312	1,429	1,515	1,672	1,722	3.0%
Net Fees & Commissions	370	429	406	501	463	-7.6%
Net Trading Gains/Losses	82	194	-11	326	153	-53.1%
Dividends Received	95	323	0	0	160	++
Released Provisions	229	227	247	222	291 <sup>(1)</sup>	30.9%
Gains on Asset Sales	11	23	10	42	50	19.0%
Other Operating Income	29	25	21	89	23	-73.9%
<b>Total Operating Income</b>	<b>2,126</b>	<b>2,649</b>	<b>2,187</b>	<b>2,853</b>	<b>2,862</b>	<b>0.3%</b>
Personnel Expenses	413	531	477	400	442	10.5%
Other Operational Expenses	274	352	262	334	331	-0.8%
Depreciation & Amortization	58	62	66	67	67	0.4%
Other Expenses	127	63	414	584 <sup>(2)</sup>	316 <sup>(3)</sup>	-45.9%
<b>Total Operating Expenses</b>	<b>872</b>	<b>1,009</b>	<b>1,219</b>	<b>1,385</b>	<b>1,156</b>	<b>-16.5%</b>
<b>Operating Profit</b>	<b>1,254</b>	<b>1,640</b>	<b>968</b>	<b>1,468</b>	<b>1,706</b>	<b>16.2%</b>
Loan Loss Provisions	170	206	18	208	225	8.4%
General and Other Provision Charges	193 <sup>(4)</sup>	299	86	30	271 <sup>(4)</sup>	812.1%
<b>Total Provision Charges (Excluding Tax Provisions)</b>	<b>363</b>	<b>505</b>	<b>104</b>	<b>237</b>	<b>496</b>	<b>109.0%</b>
Tax Provisions	183	183	180	266	186	-29.9%
<b>Net Income</b>	<b>708</b>	<b>953</b>	<b>684</b>	<b>965</b>	<b>1,024</b>	<b>6.1%</b>

(1) Include TL 112 mn. provision reversals related to the asset sales.

(2) Include one-off pension fund liability of TL 123 mn. plus provisions for salary increase.

(3) Include TL 97 mn. loss on the asset sales.

(4) 2012 Q1 and 2013 Q1 figures include TL 50 mn. and TL 100 mn. free provisions, respectively.

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