



**ISBANK  
EARNINGS  
PRESENTATION  
2011**

## ***A mild slowdown in growth***

- Turkish economy, maintained its strong momentum in 2011 despite the measures taken by the policy makers against the worsening global outlook.
- 2011 GDP growth is estimated to be 8.3%.
- GDP growth rate is expected to slow down to 3.5% in 2012, due to the tightening measures taken by CBRT and the lagged effects of the slowdown in the Euro Area.

## ***Tight stance and flexibility in monetary policy will continue.***

- Since September 2011, CPI increased considerably, reaching 10.45% at the end of 2011.
- CBRT has been following a very active policy given the increased uncertainties in global markets. With a credit growth around 15% and a moderate TL appreciation trend, inflation is expected to materialize around 6.5% at the end of 2012.

## ***Strong fiscal outlook***

- Budget deficit declined to TL 17.4 billion at the end of 2011 (2010: TL 40 billion). The primary surplus reached TL 24.8 billion, nearly three times of its 2010 level.
- Turkey's fiscal indicators displayed a favorable outlook which makes the Turkish economy resilient at a time when many countries are in financial crises.

## ***Annualized current account (C/A) deficit has been narrowing since November 2011.***

- The C/A deficit widened to USD 77.1 billion in 2011.
- The C/A deficit has started to contract as a result of CBRT policies and measures introduced by other authorities.

# Period's Highlights

## ***Loan Growth & Asset Quality***

- The bank sustained better loan growth performance compared to the sector on annual (%43 vs %30) and quarterly (%7 vs %3) basis.
- Loan growth driven by both retail and non-retail segments
- 93% L/D ratio still below private banks' average, 98% at the end of 2011
- 14.1% CAR, well above the regulatory limit and continued to support growth
- Net NPL formation still negative in Q4
- 77 bps CoR (vs 138 bps in 2010) with 100% provisioning policy

## ***Funding***

- Number 1 position among private sector banks in TL, FX and demand deposits maintained
- Share of demand deposits increased to 18.9% from 18.5% at the end of Q3
- The balance of securities issued reached 3.8 billion TL

## ***P&L***

- Positive quarterly growth in all top-line revenue items including net interest income, net fees and commissions income and net trading income
- Interest income grew by 12% quarterly, whereas the growth in interest expense was 4%, leading to 25% growth in net interest income
- Continued strong growth in net fees and commissions income, with 13% quarterly and 16% annual growth rate
- ROAA and ROAE improved in Q4 to 1.8% and 15.2%, respectively

# Market Shares

## Largest Private Bank...

	Market Shares (%) <sup>(1)</sup>		Rank <sup>(2)</sup>	
	2010	2011	2010	2011
<b>Total Assets</b>	13.7	13.9	1 <sup>st</sup>	1 <sup>st</sup>
<b>Total Loans</b>	12.8	14.1	2 <sup>nd</sup>	1 <sup>st</sup>
<b>TL Loans</b>	12.3	13.0	1 <sup>st</sup>	1 <sup>st</sup>
<b>FX Loans</b>	14.2	16.6	3 <sup>rd</sup>	2 <sup>nd</sup>
<b>Consumer Loans<sup>(3)</sup></b>	11.5	11.6	1 <sup>st</sup>	1 <sup>st</sup>
<b>Total Deposits</b>	14.4	14.2	1 <sup>st</sup>	1 <sup>st</sup>
<b>TL Deposits</b>	14.0	13.4	1 <sup>st</sup>	1 <sup>st</sup>
<b>FX Deposits</b>	15.5	15.7	1 <sup>st</sup>	1 <sup>st</sup>
<b>Demand Deposits</b>	15.1	15.9	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.

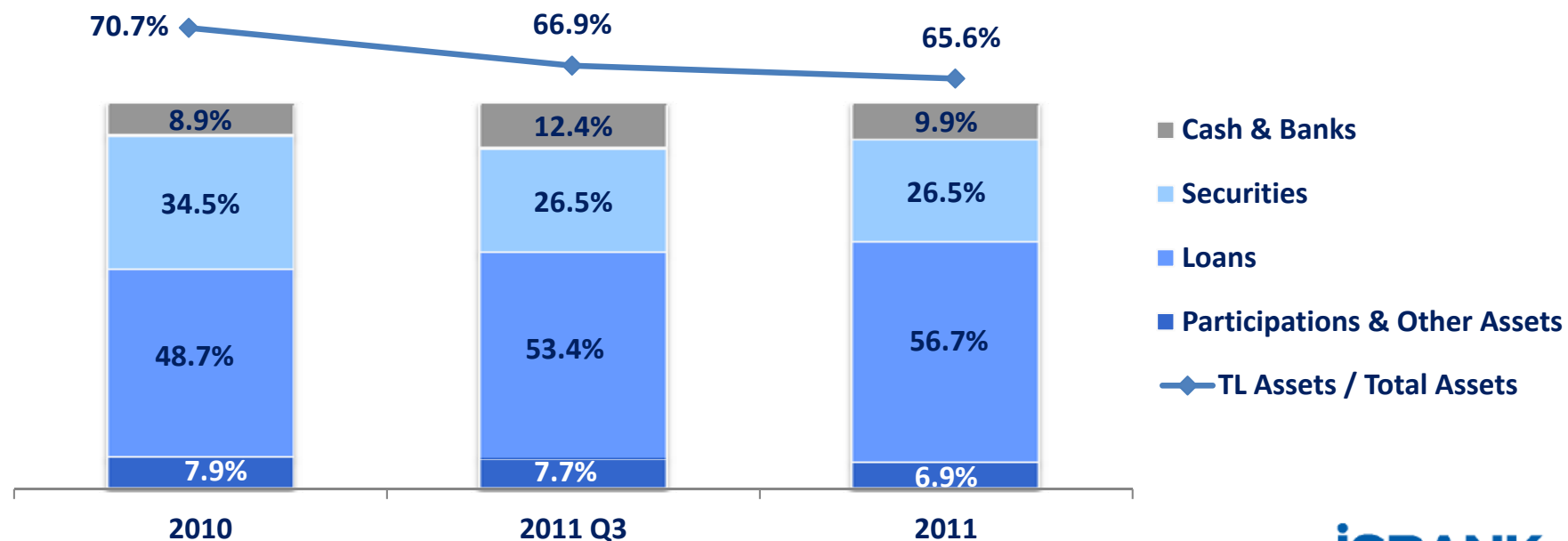
(3) Including overdraft accounts.

# Asset Structure

## Assets

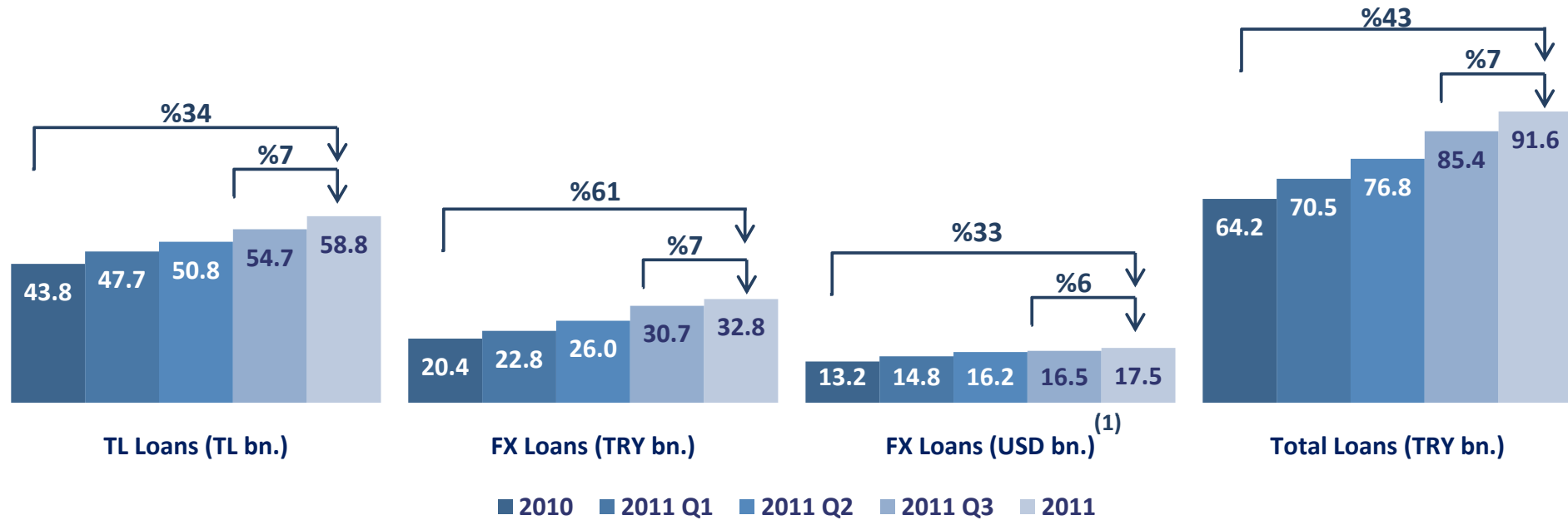
(TL mn.)	2010	2011 Q3	2011	Δ QoQ	Δ YTD
Cash & Banks	11,708	19,831	16,034	-19%	37%
Securities (Net)	45,437	42,365	42,778	1%	-6%
Loans	64,232	85,433	91,621	7%	43%
Participations (Net)	6,264	6,984	6,275	-10%	-
Fixed Assets (Net)	1,918	1,952	1,983	2%	3%
Other Assets	2,237	3,440	2,978	-13%	33%
<b>Total Assets</b>	<b>131,796</b>	<b>160,005</b>	<b>161,669</b>	<b>1%</b>	<b>23%</b>
TL Assets	93,182	106,971	106,007	-1%	14%
FX Assets	38,614	53,034	55,662	5%	44%
FX Assets (USD mn.)	25,074	28,590	29,607	4%	18%

## Asset Composition

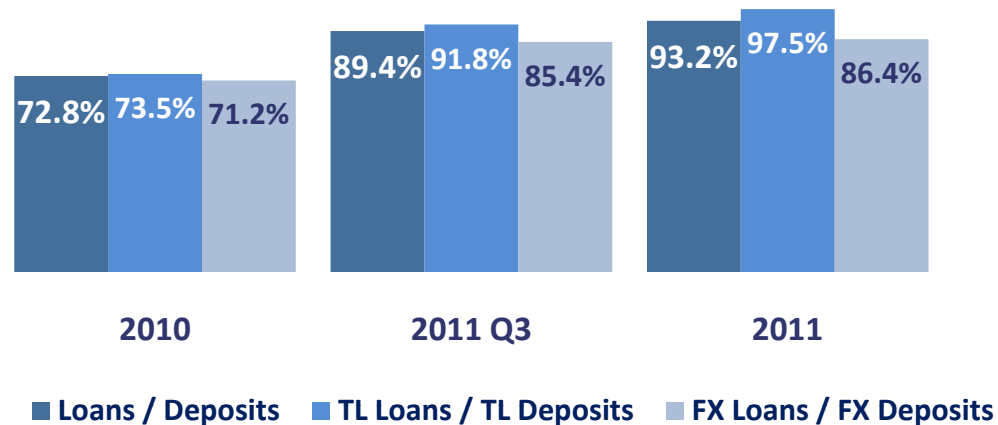


# Loan Portfolio

## Loans



## Loans/Deposits



(1) FX loans expressed in USD equivalent.

- Market leader in total loans
- Strong growth relative to the sector, 43% vs 30%
- Still room for growth with lower L/D ratio

# Loan Portfolio

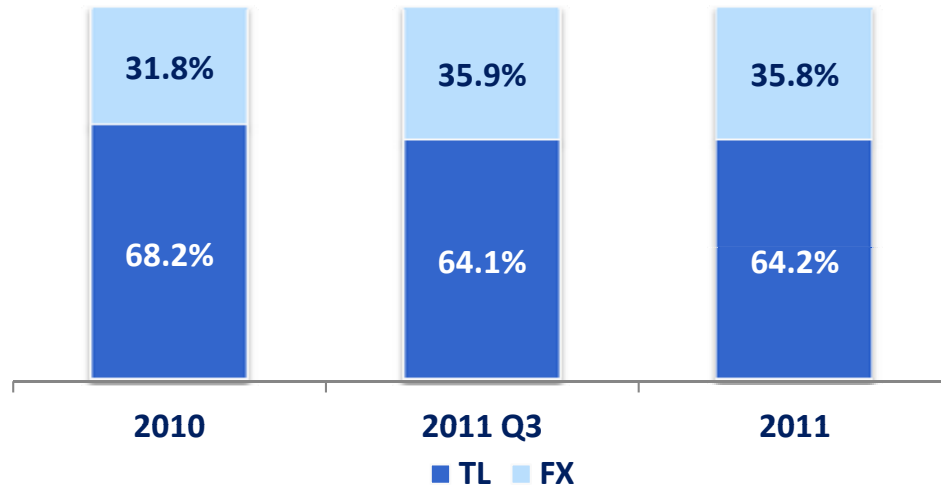
## Loans

(TL mn.)	2010	2011 Q3	2011	Δ QoQ	Δ YTD
<b>Total Loans</b>	64,232	85,433	91,621	7%	43%
<b>TL Loans</b>	43,827	54,750	58,804	7%	34%
<b>Retail Loans</b>	19,685	23,956	25,457	6%	29%
<b>Housing Loans</b>	6,279	7,511	7,943	6%	27%
<b>Auto Loans</b>	882	984	1,149	17%	30%
<b>GPLs</b>	7,241	9,037	9,741	8%	35%
<b>Credit Card Loans</b>	5,283	6,424	6,624	3%	25%
<b>SME Loans</b>	13,407	16,651	18,199	9%	36%
<b>Commercial and Corporate Loans</b>	10,735	14,143	15,148	7%	41%
<b>FX Loans</b>	20,405	30,684	32,817	7%	61%
<b>SME Loans<sup>(1)</sup></b>	1,051	1,536	1,600	4%	52%
<b>Commercial and Corporate Loans</b>	19,354	29,148	31,217	7%	61%
<b>FX Loans (USD mn.)</b>	13,250	16,541	17,456	6%	32%
<b>SME Loans</b>	682	828	851	3%	25%
<b>Commercial and Corporate Loans</b>	12,568	15,713	16,605	6%	32%

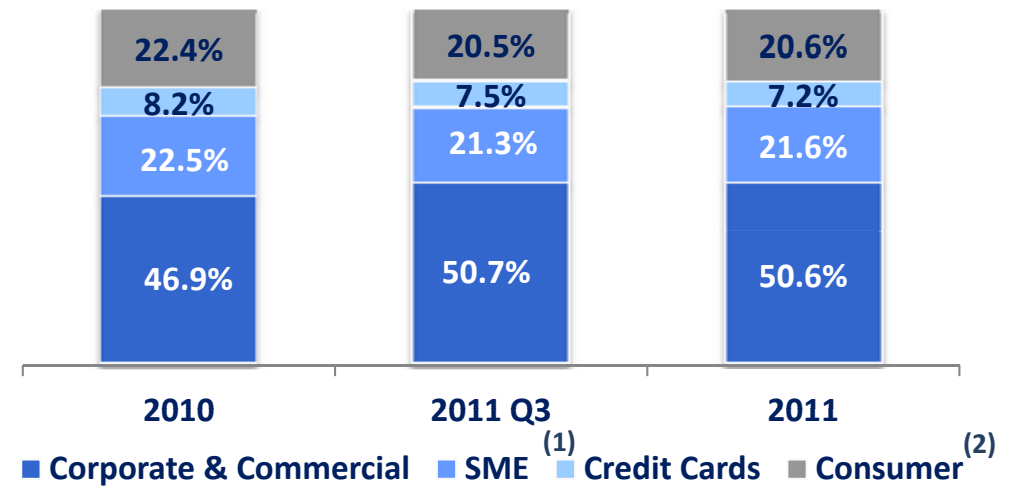
(1) SME definition includes companies with turnover or total assets <= TL 25 mn. or number of employees <= 250

# Loan Composition

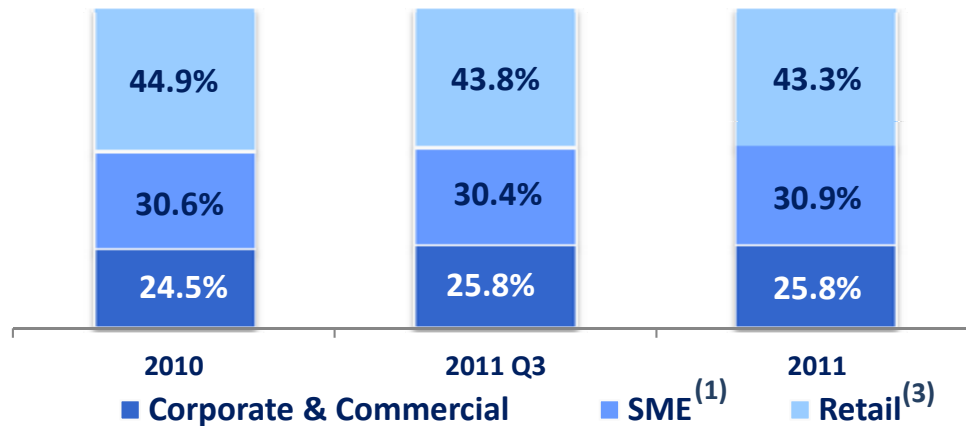
## Currency Mix



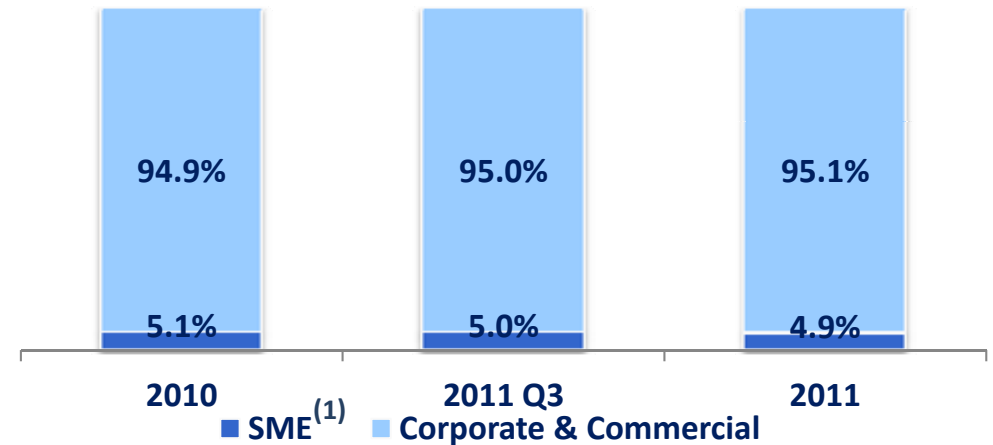
## Loan Composition - Total Loans



## 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

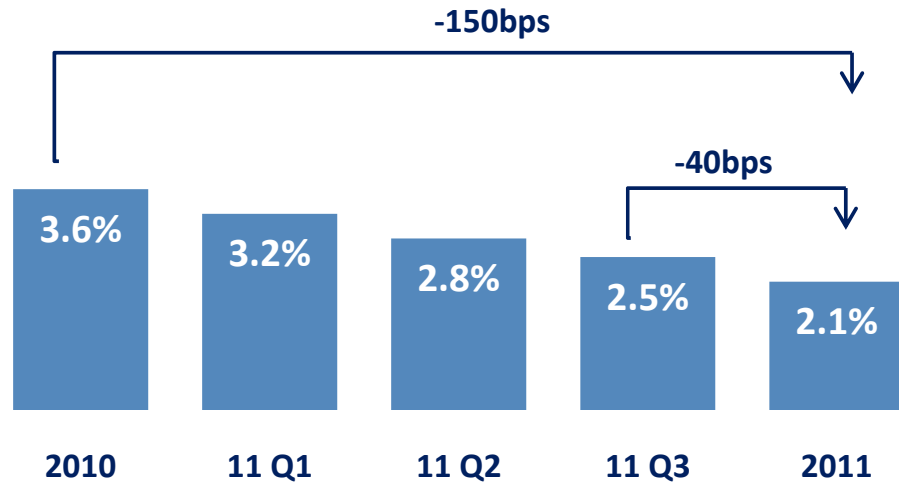
(2) Include retail overdraft accounts.

(3) Include retail credit cards and overdraft accounts.

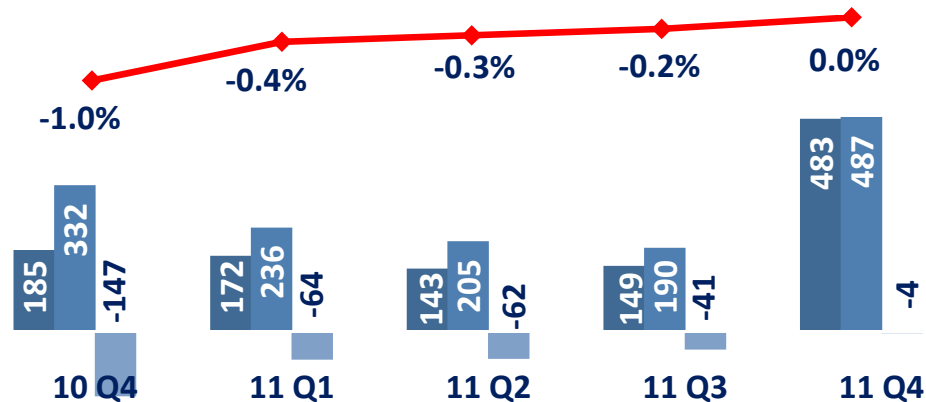


# Asset Quality

## NPL Ratio



## 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)

- Continuous improvement in asset quality
- Net NPL formation is negative, with recoveries exceeding additions.
- 100% provisioning policy
- 77 bps of gross cost of risk<sup>(2)</sup> in 2011
- 33.3% collection rate<sup>(3)</sup> in 2011
- TL 309 million of NPLs sold for TL 56 million in 2011.

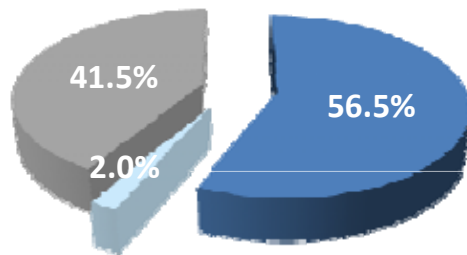
# Securities Portfolio

## Securities

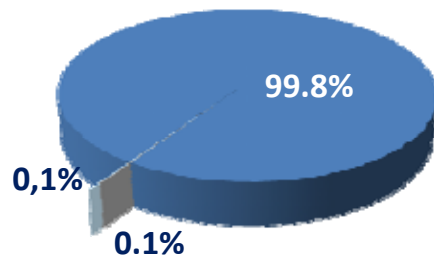
(TL mn.)	2010	2011 Q3	2011	Δ QoQ	Δ YTD
<b>Total Securities</b>	45,437	42,365	42,778	1%	-6%
<b>TL Securities</b>	35,578	32,159	32,452	1%	-9%
<b>FX Securities</b>	9,859	10,207	10,326	1%	5%
<b>FX Securities (USD mn.)</b>	6,402	5,502	5,492	0%	-14%

## Composition of Securities Portfolio 2011

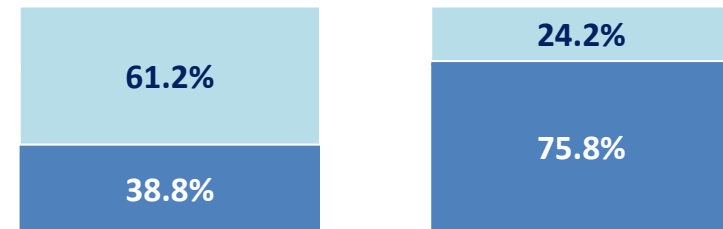
### TL Securities



### FX Securities



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



■ Discount & Fixed 
 ■ Floating Rate Notes

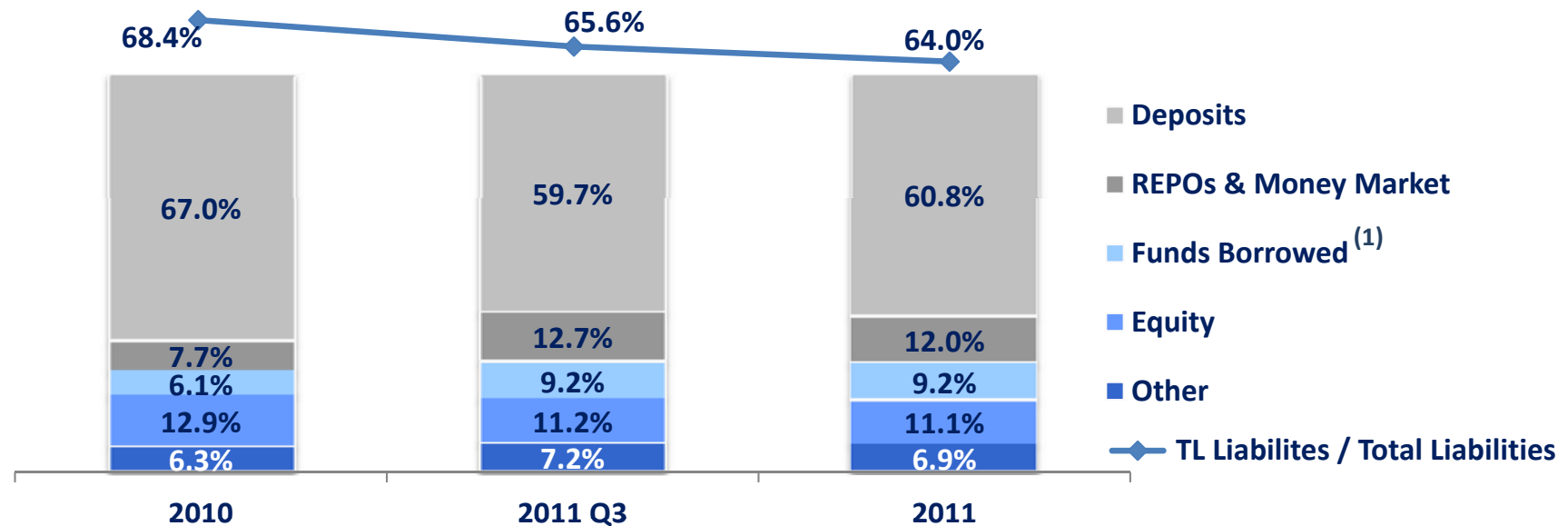
- 27% share of CPI linkers in total portfolio
- Market value – cost of HTM portfolio = TL 680 mn.
- Average durations:  
0.71 years for TL Securities  
2.70 years for FX Securities

# Liabilities Structure

## Liabilities

(TL mn.)	2010	2011 Q3	2011	Δ QoQ	Δ YTD
Deposits	88,260	95,544	98,313	3%	11%
REPOs & Money Market	10,159	20,364	19,461	-4%	92%
Funds Borrowed <sup>(1)</sup>	8,042	14,676	14,930	2%	86%
Other	8,321	11,539	11,044	-4%	33%
Equity	17,014	17,882	17,921	0%	5%
<b>Total Liabilities</b>	<b>131,796</b>	<b>160,005</b>	<b>161,669</b>	<b>1%</b>	<b>23%</b>
TL Liabilites	90,164	104,949	103,468	-1%	15%
FX Liabilites	41,632	55,056	58,201	6%	40%
FX Liabilites (USD bn.)	27,034	29,680	30,958	4%	15%

## Liabilities Composition



(1) Funds Borrowed includes TL bond issuances amounting to TL 2.8 bn. and FX bond issuances amounting to USD 0.5 bn. in 2011.

# Deposits

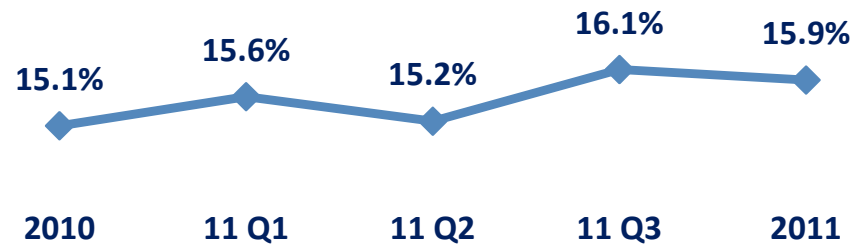
## Deposits

(TL mn.)	2010	2011 Q3	2011	Δ QoQ	Δ YTD
Total Deposits	88,260	95,544	98,313	3%	11%
TL Deposits	59,591	59,636	60,332	1%	1%
TL Saving Deposits	38,274	40,656	40,664	0%	6%
TL Commercial Deposits	12,068	10,741	11,678	9%	-3%
Other TL Deposits	9,249	8,239	7,990	-3%	-14%
FX Deposits	28,669	35,908	37,981	6%	32%
FX Deposits (USD mn.)	18,616	19,358	20,202	4%	9%
Demand Deposits	14,469	17,706	18,627	5%	29%

## Demand Deposits/Total Deposits



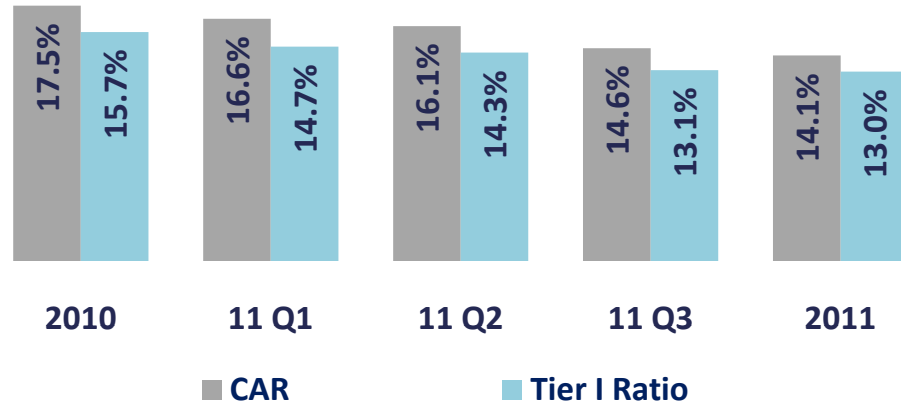
## Demand Deposits Market Share



- Sustained leadership in total deposits
- TL deposits make up 61% percent of total deposits.
- Share of demand deposits reached 19%.

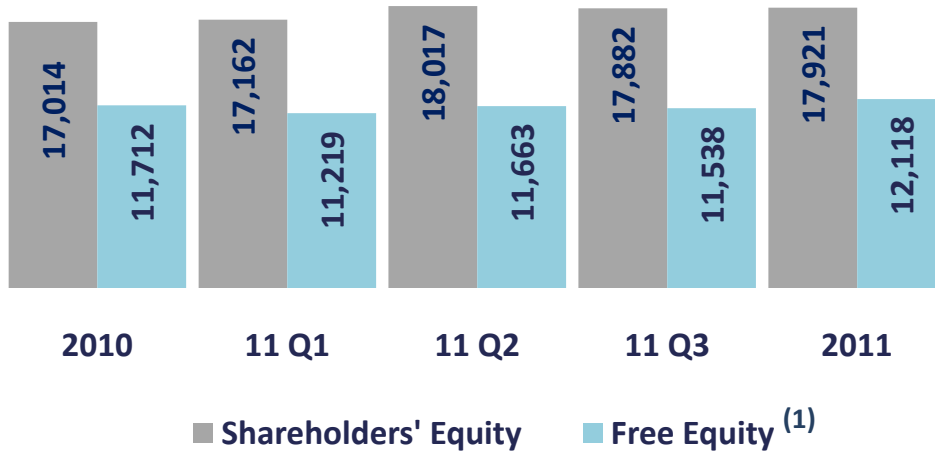
# Sufficient Capitalization

## Capital Adequacy Ratio



- Capital adequacy ratio is well above the regulatory limit.
- 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 (YoY)

(TL mn.)	2010	2011	Change YoY
<i>Interest Income</i>	9,798	10,898	11%
<i>Interest Expense</i>	5,216	6,336	21%
Net Interest Income	4,582	4,562	-
Net Fees & Commissions	1,236	1,429	16%
Net Trading Gains/Losses	135	306	127%
Dividends Received	369	556	51%
Released Provisions	1,300	1,063	-18%
Gains on Asset Sales	181	154	-15%
Other Operating Income	88	93	6%
<b>Total Operating Income</b>	<b>7,891</b>	<b>8,163</b>	<b>3%</b>
Personnel Expenses	1,625	1,819	12%
Other Operational Expenses	905	1,093	21%
Depreciation & Amortization	197	219	11%
Other Expenses	476	350	-26%
<b>Total Operating Expenses</b>	<b>3,203</b>	<b>3,481</b>	<b>9%</b>
<b>Operating Profit</b>	<b>4,688</b>	<b>4,682</b>	<b>-</b>
Loan Loss Provisions	770	597	-22%
General and Other Provision Charges	365	787	116%
<b>Total Provision Charges (Excluding Tax Provisions)</b>	<b>1,135</b>	<b>1,384</b>	<b>22%</b>
Tax Provisions	571	631	11%
<b>Net Income</b>	<b>2,982</b>	<b>2,667</b>	<b>-11%</b>

- NII maintained despite declining margins
- Significant growth in net fees & commissions
- Core banking income<sup>(1)</sup> up by 6% YoY
- Total operating income up by 3%
- Operating profit maintained
- Declining CoR supporting profitability

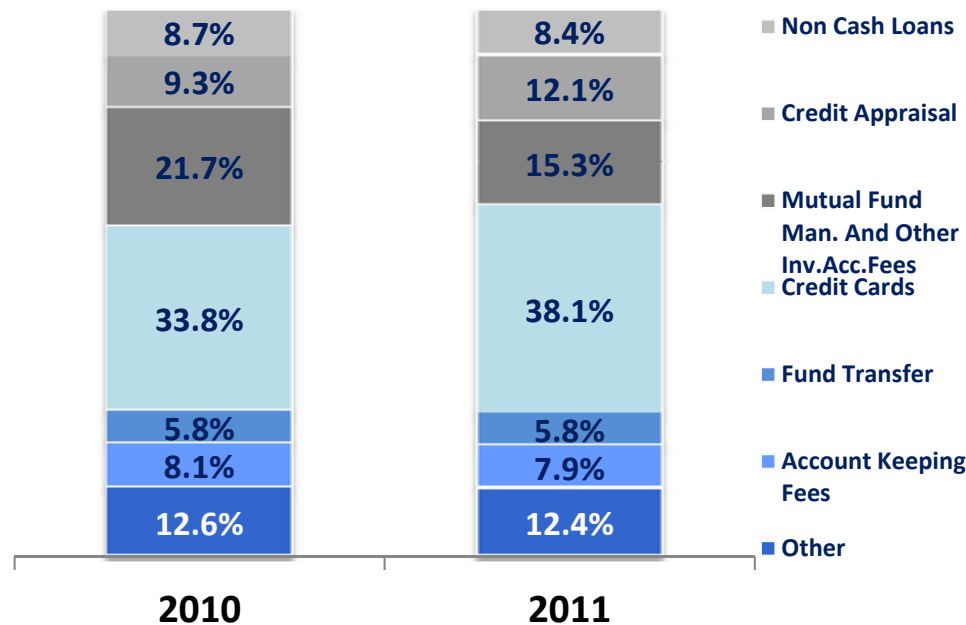
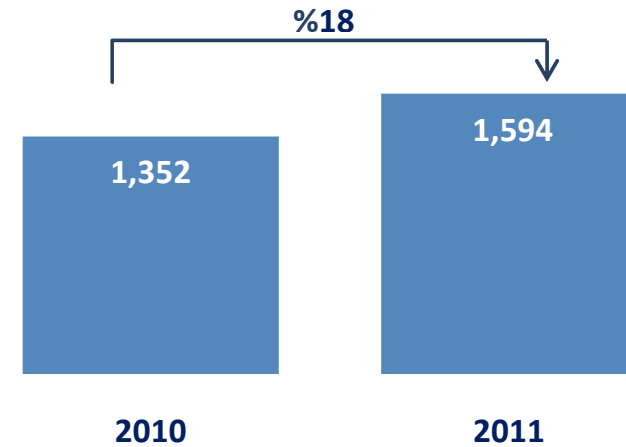
(1) Core Banking Income = NII + Net Fees & Commissions + Net Trading Gains

# Commissions Income Performance

## Fees and Commissions Received (Gross)

(TL mn.)	2010	2011	Change
Non-Cash Loans	118	134	14%
Credit Appraisal	125	193	54%
Mutual Fund Man. & Other Inv. Acc. Fees	293	244	-17%
Credit Cards	457	608	33%
Fund Transfer	79	92	16%
Account Keeping Fees	109	126	16%
Other	171	197	15%
<b>Total Gross Commission Income</b>	<b>1,352</b>	<b>1,594</b>	<b>18%</b>

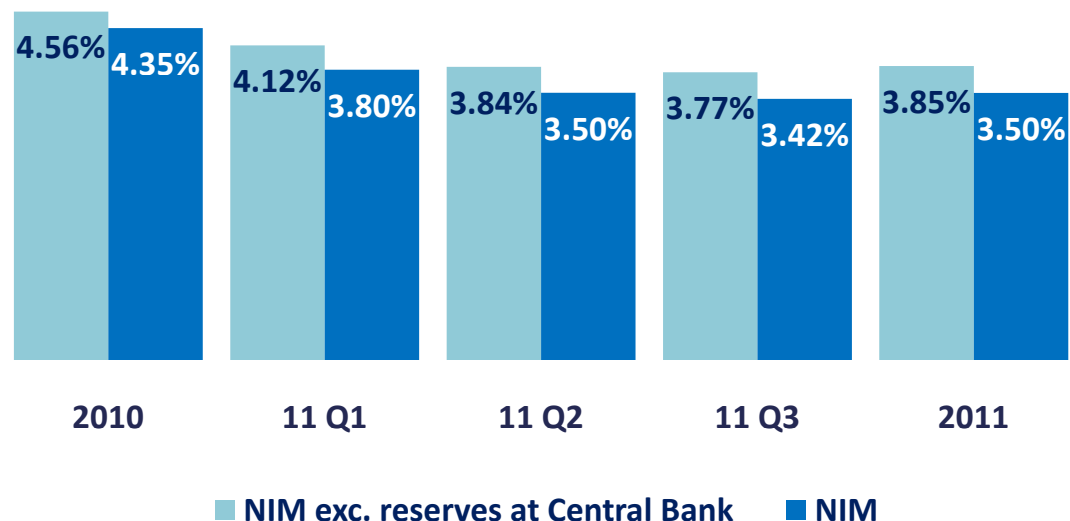
## Gross Fees & Commissions Income (TL mn.)



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

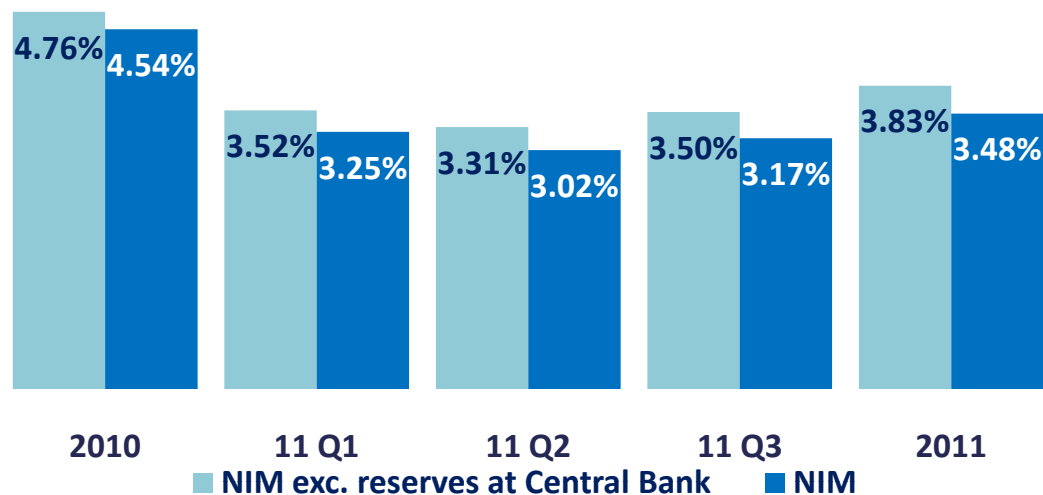
# Margins

## NIM (Cumulative)



- Slight recovery in Q4
- NII sustained despite falling NIM on YoY basis
- Upward repricing in loans and selective TL deposit growth with a cost oriented approach helped to stabilise the NIM.

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

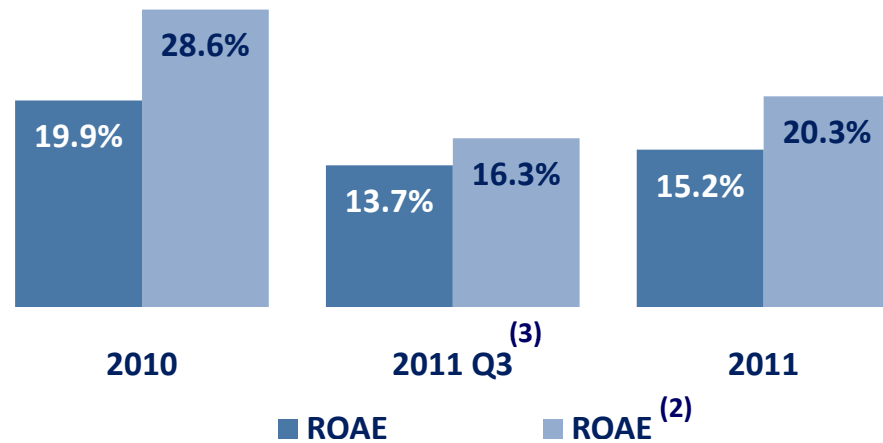


(1) Adjusted for Securities Trading Gains / Losses and Foreign Exchange Gains / Losses

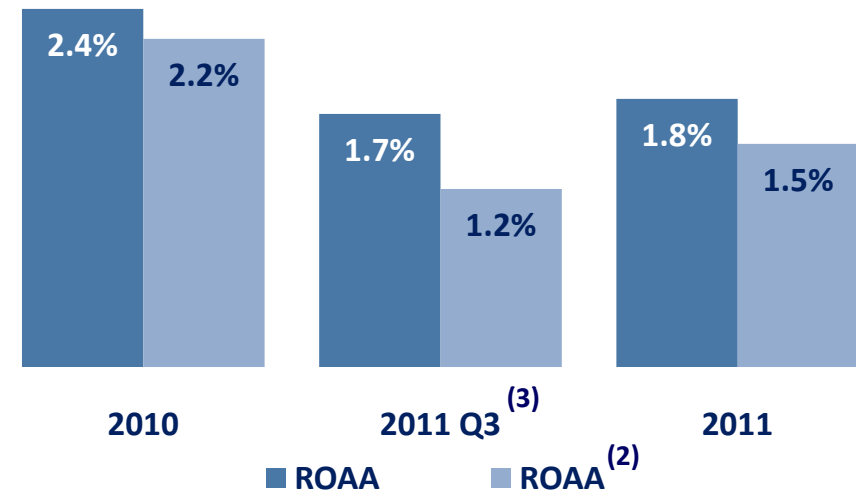


# Profitability and Efficiency Ratios

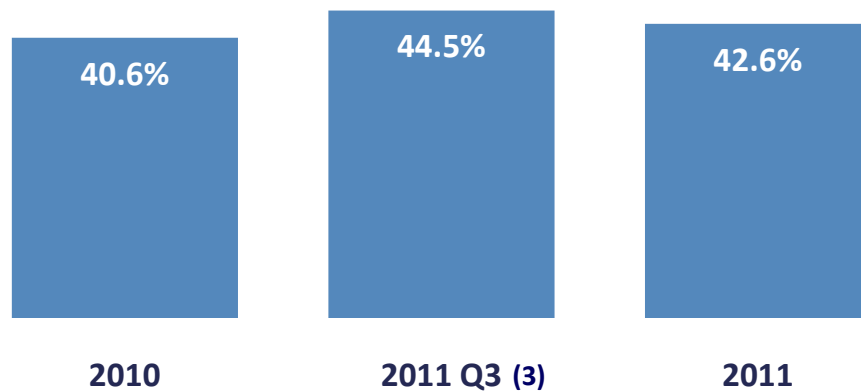
## ROAE<sup>(1)</sup>



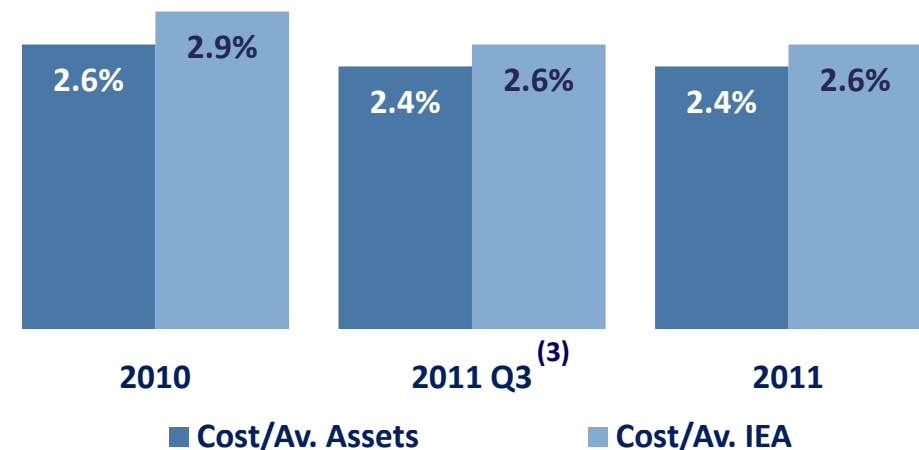
## ROAA<sup>(1)</sup>



## 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)  
 (3) Calculations are for the first nine months.

# 2012 Expectations

	2011	2012 Expectations
Loans Growth	43%	15% - 17%
Deposits Growth	11%	10% - %12
Share of Securities in Total Assets	26.5%	↓
Loans / Deposits	93.2%	95% - 100%
NPL Ratio	2.1%	≤ 2%
CoR (gross)	77 bps	→
NIM	3.5%	↑
Net Fees & Commissions Growth	16%	10% +
OPEX Growth	9%	CPI +
Net Branch Additions	59	40 - 45

# Appendix – Quarterly Income Statement Highlights

(TL mn.)	2011 Q1	2011 Q2	2011 Q3	2011 Q4	Change QoQ
<i>Interest Income</i>	2,435	2,595	2,764	3,103	12%
<i>Interest Expense</i>	1,317	1,519	1,712	1,788	4%
Net Interest Income	1,118	1,076	1,052	1,315	25%
Net Fees & Commissions	304	364	358	403	13%
Net Trading Gains/Losses	99	-29	-42	279	+++
Dividends Received	100	456	0	0	-
Released Provisions	288	246	215	313	46%
Gains on Asset Sales	16	20	109	9	-92%
Other Operating Income	29	22	21	22	5%
<b>Total Operating Income</b>	<b>1,954</b>	<b>2,155</b>	<b>1,713</b>	<b>2,341</b>	<b>37%</b>
Personnel Expenses	392	538	475	413	-13%
Other Operational Expenses	234	266	256	337	32%
Depreciation & Amortization	52	55	55	56	2%
Other Expenses	116	69	81	86	6%
<b>Total Operating Expenses</b>	<b>794</b>	<b>928</b>	<b>867</b>	<b>892</b>	<b>3%</b>
<b>Operating Profit</b>	<b>1,160</b>	<b>1,227</b>	<b>846</b>	<b>1,448</b>	<b>71%</b>
Loan Loss Provisions	161	95	136	205	51%
General and Other Provision Charges	165	202	275	145	-47%
<b>Total Provision Charges (Excluding Tax Provisions)</b>	<b>326</b>	<b>297</b>	<b>411</b>	<b>350</b>	<b>-15%</b>
Tax Provisions	167	121	108	235	118%
<b>Net Income</b>	<b>667</b>	<b>809</b>	<b>327</b>	<b>864</b>	<b>164%</b>

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