



**ISBANK
EARNINGS
PRESENTATION
2020 H1**

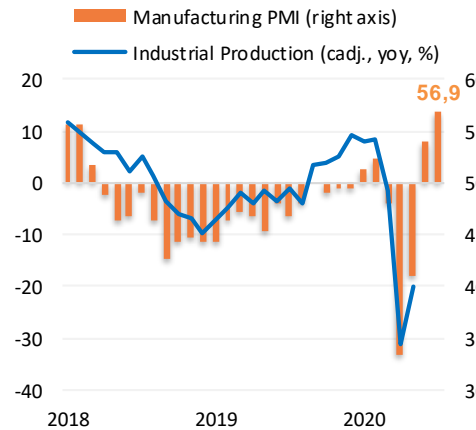
Economic Developments in 2020 Q2

Global Outlook

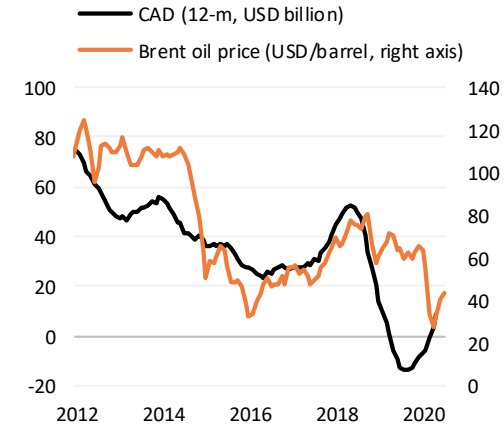
❑ Covid-19 economic crisis

- Lockdown measures to combat with the pandemic
- Sharp contraction in global economy in Q2
- Deterioration in labour market due to sudden stop in economic activity
- Strong fiscal and monetary policy support
- Extremely loose monetary policies in major economies, including quantitative easing
- Direct support to households and SME's
- Weak capital flows to EM's in Q2, not offsetting the outflows in March

Economic Activity in Turkey



Current Account Deficit

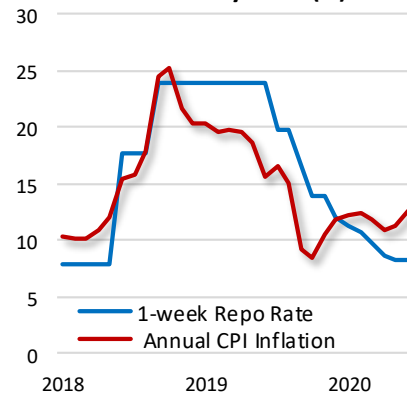


Domestic Outlook

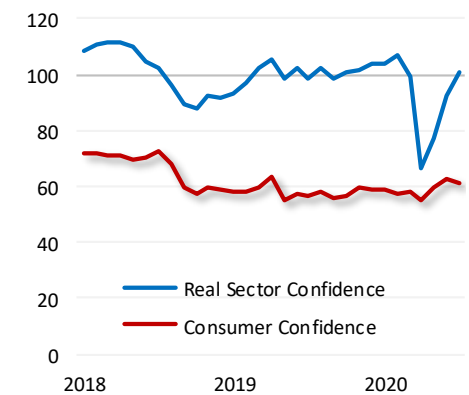
❑ Strong fall in economic activity in Q2

- Quick response to pandemic with large scale lockdown measures
- Bottoming of the economic activity in April
 - Significant decline in PMI, Industrial Production and CUR
 - Deterioration in Confidence Indices
- Continued supportive measures by policy makers
- Manageable widening in current account deficit due to the absence of tourism revenues, higher foreign trade deficit but favourable oil prices
- Stickiness in inflation due to the supply shocks in Q2
- Increased volatility in financial markets

CPI Inflation and CBRT Policy Rate (%)



Confidence Indices



Economic Recovery During Normalization

Strong Upturn in Leading Indicators

Improved global risk sentiment

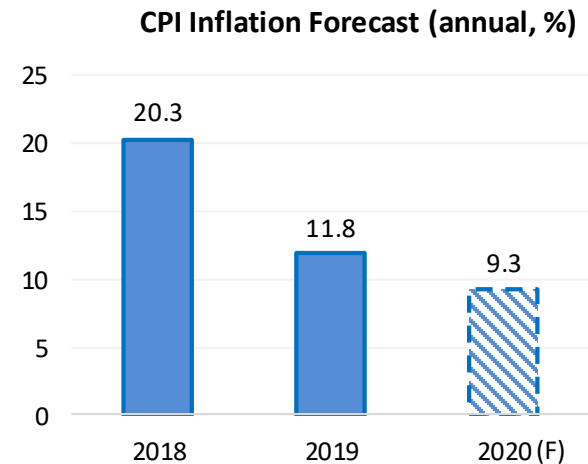
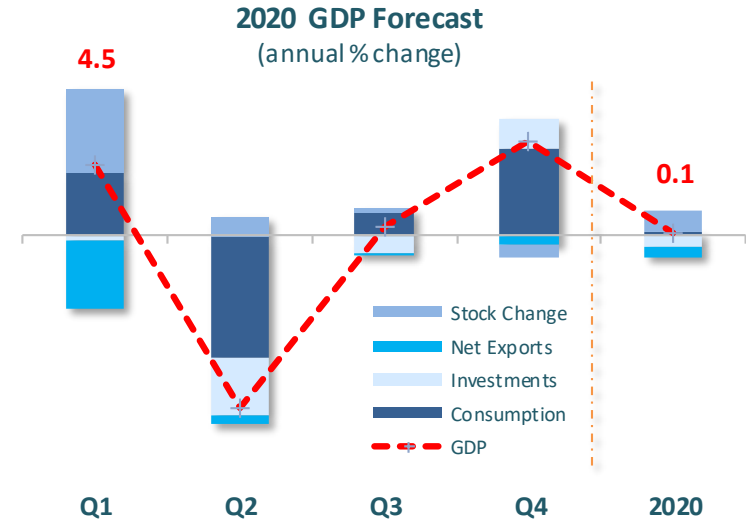
- Mild recovery in leading global economic indicators thanks to the easing of lockdown measures starting from June
- Recovery in leading financial markets
- A modest upturn in capital flows to EM's
- But still persisting concerns regarding the depth and duration of the pandemic

Robust Recovery in Domestic Leading Indicators

- PMI above 50 level starting from June, reaching 56.9, the highest level of last 9 years, in July
- CUR bouncing back to 70.7%
- Significant increase in sales volumes of housing and automotive markets
- Increasing exports and imports
- Expected downward trend in inflation in H2

Normalization Steps in Turkey

Macroeconomic Forecasts



For Our Customers

- Financial support to real sector and households continued:
 - CGF loan package utilization reached around 6 bn TL.
 - Loans corresponding to 13% of the loan book were subject to deferrals with a deferred payment amount of around 7 bn TL.
- Digital penetration further increased:
 - Number of active digital customers reached **8.6 mn.**
 - Transactions held from channels other than physical branches as percentage of overall transactions has increased to **96%**.
 - Share of digital channels in retail sales for TL time deposits and general purpose loans reached remarkable levels of **%86** and **%82**, respectively

For Our Staff & Business Continuity

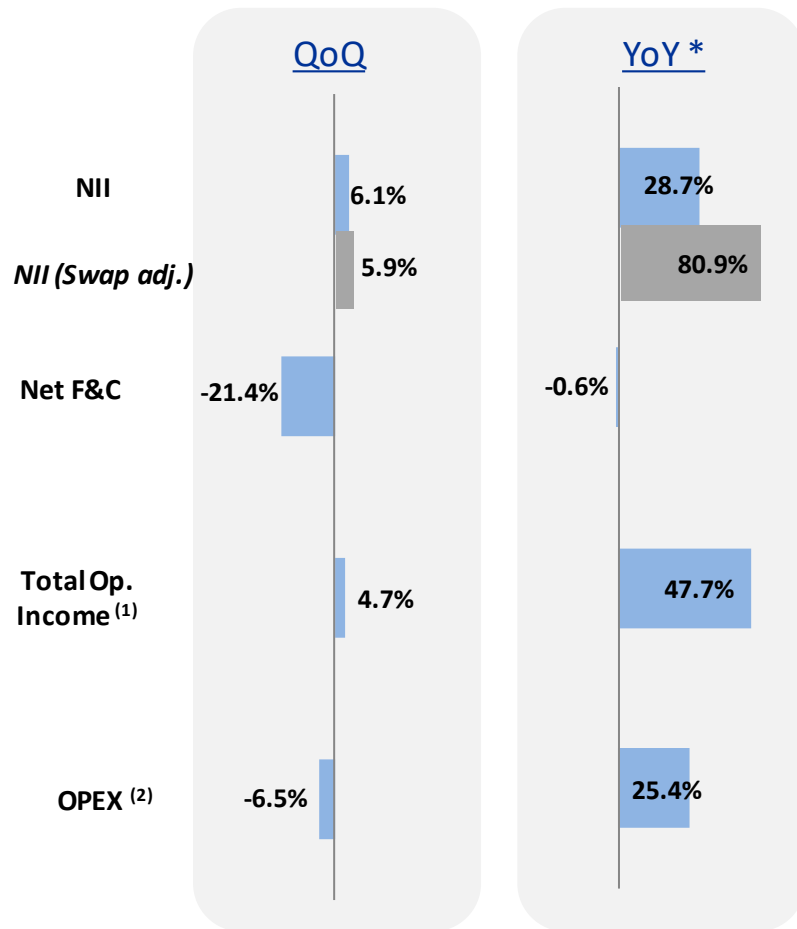
- Sanitary precautions and hygiene & health equipment support is provided for all employees and facilities.
- Meetings, seminars and other social, collective organizations are conducted online.
- Branch working hours are back to normal.
- Alternating remote working is in place for HQ staff.

Period's Highlights

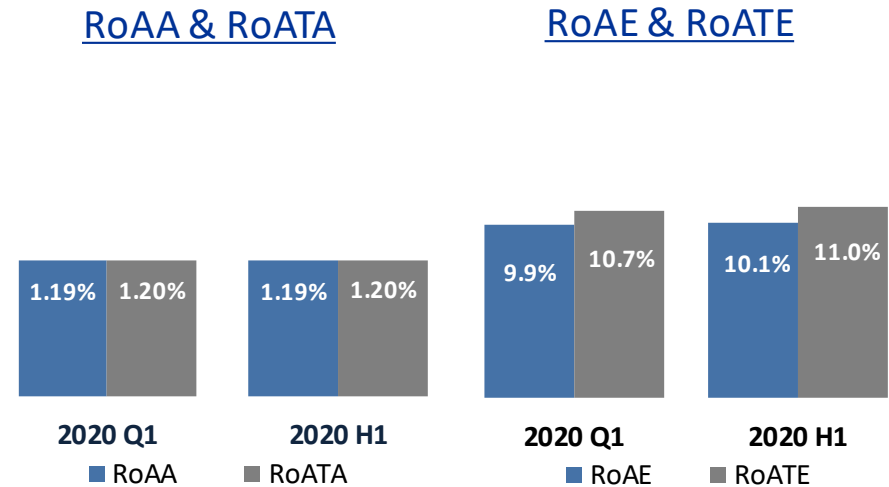
- TL loan growth continued in Q2, YtD change reaching 20.2%.
- Conservative stance in provisioning was maintained, quarterly Net CoR slightly increased to 260 bps.
- Coverage ratios increased further. Besides, TL 500 mn free provisions were set aside in Q2.
- Strong performance in Adj. NIM continued
- Net fees and commissions income was almost flat YoY, in the first half.
- Funding growth was mainly driven by TL deposits, which increased 13.4% on QoQ basis.
- Profitability ratios increased slightly despite higher provisioning.
- CAR stood comfortably at 16.6% before the adjustments for the regulatory forbearance.
- Our liquidity levels remained robust, with a total LCR of 172% and FX LCR of 413%.

Main P&L Items

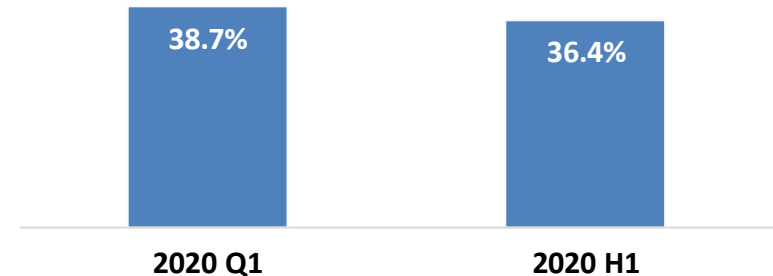
2020 H1 Revenue Growth & OPEX



Profitability Ratios ⁽³⁾



Cost / Income ⁽¹⁾⁽²⁾



(*) 2019 H1 vs 2020 H1

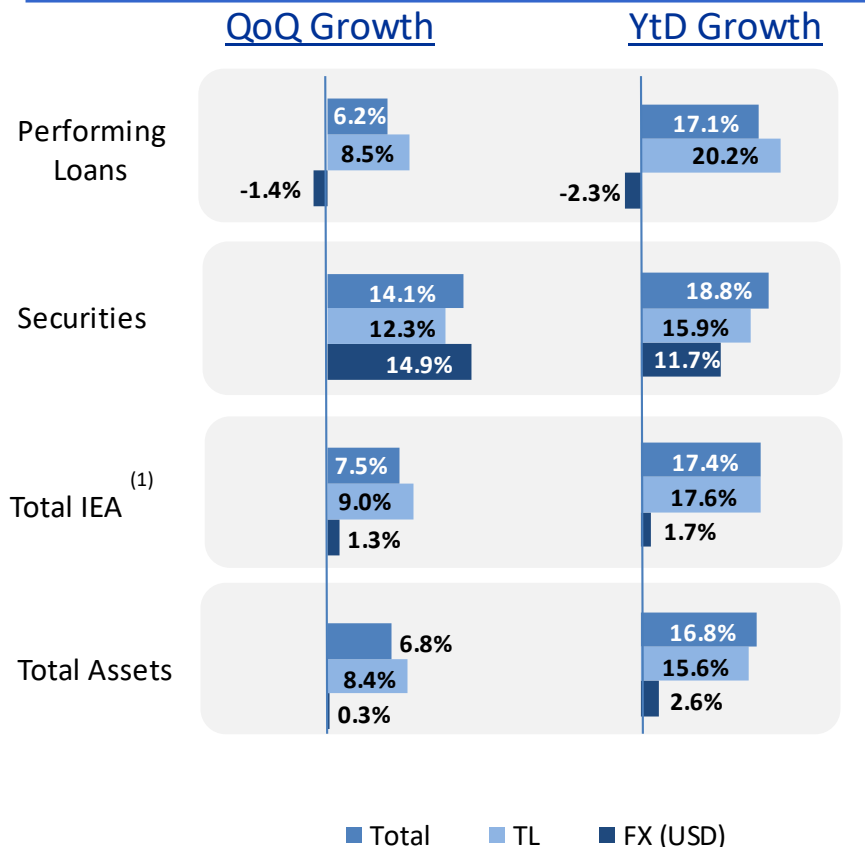
(1) Income figures include income from participations according to IAS 27 and exclude released Stage I+II provisions and other one-off items.

(2) OPEX adjusted for non-recurring and other items

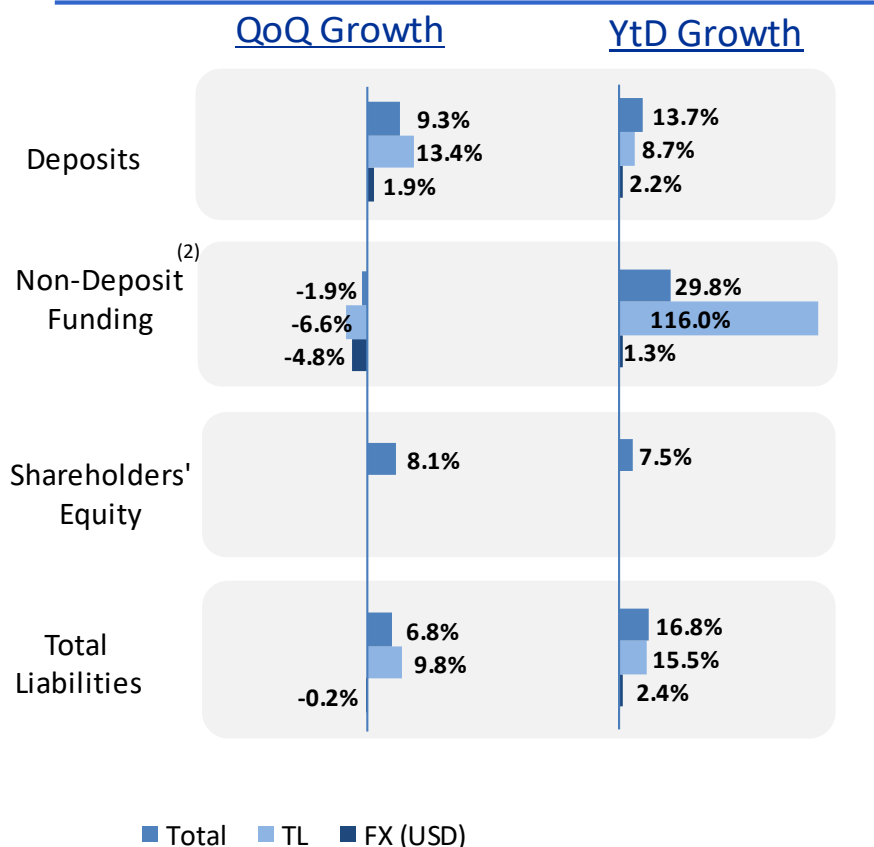
(3) Tangible Equity (TE) and Tangible Assets (TA) are calculated by the deduction of M-t-M valuation differences regarding AFS (FVOCI) portfolio and real estates from shareholders' equity and total assets.

Solid A&L Bases with Strong Liquidity

Assets



Liabilities



- Highest market share in total loans and deposits (3)
- Strong liquidity – Total LCR: **172.2%** FX LCR: **413.2%** for Q2 average.
- CGF loan disbursements reached around 6 bn TL.
- Largest demand deposits base (3)
- Share of demand deposits: **37%** in total

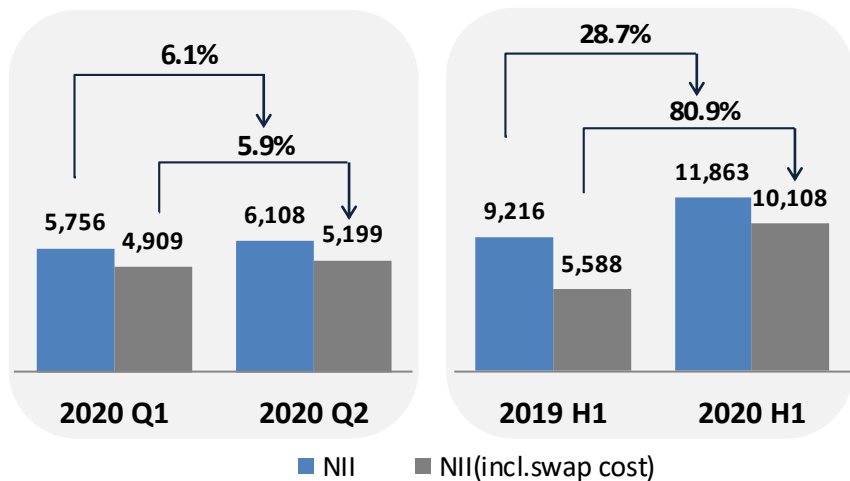
(1) Interest earning assets include Central Bank reserves.

(2) Non-deposit funding includes repo&money market, funds borrowed, securities issued and subordinated debt.

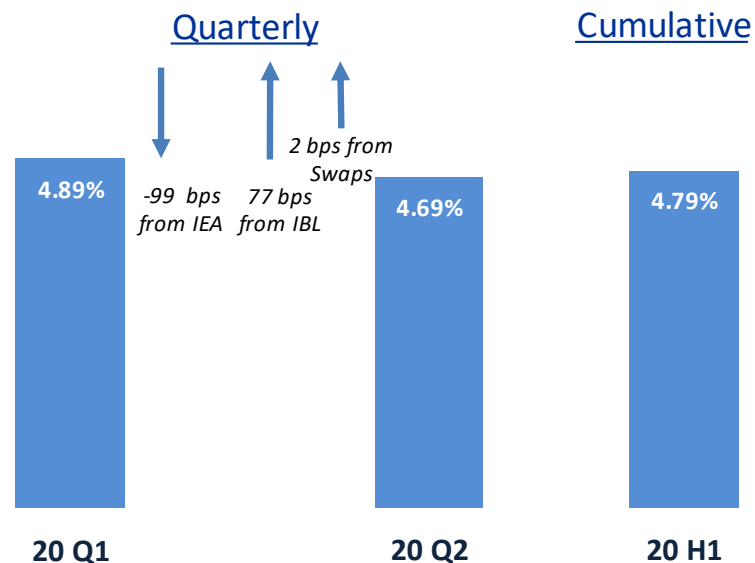
(3) Among private sector banks

Strong NIM Performance Maintained

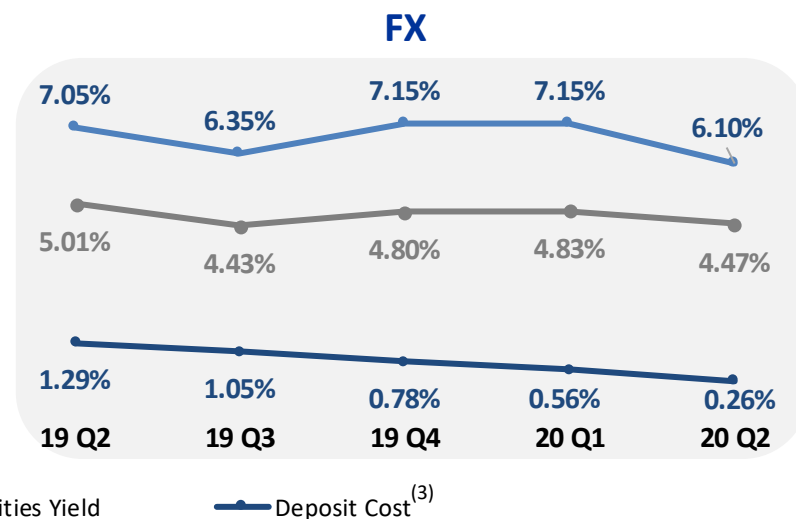
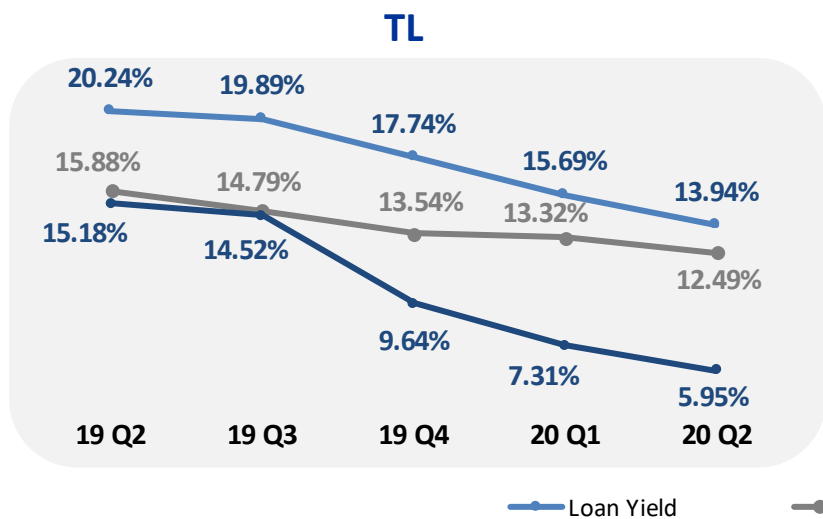
Net Interest Income (TL mn.)



Swap Adjusted NIM (Quarterly) ⁽¹⁾⁽²⁾



Yield/Cost (Quarterly) ⁽¹⁾



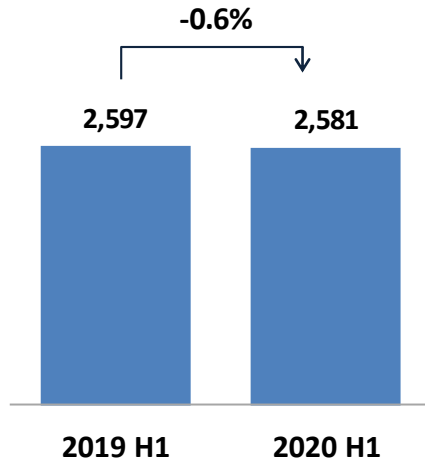
(1) Based on MIS data.

(2) Interest earning assets include Central Bank reserves.

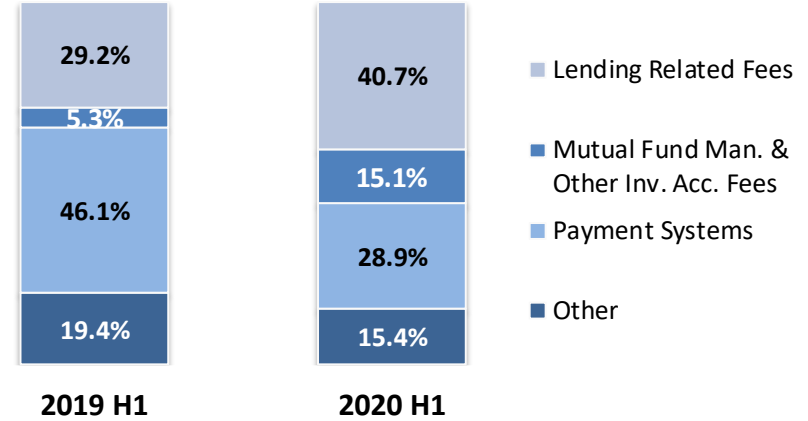
(3) Including demand deposits.

Fee Income Performance Maintained Despite Pressures

Net Fees & Commissions (TL mn.)



Net Fees & Commissions Composition



F&C Growth (2020 H1)

Growth	Δ QoQ	Δ YoY
Cash Loans	-29.9%	134.0%
Non-Cash Loans	11.4%	-1.6%
Mutual Fund Man. & Other Inv. Acc. Fees	33.6%	180.1%
Payment Systems (Net)	-45.6%	-37.6%
Total F&C (Net)	-21.4%	-0.6%

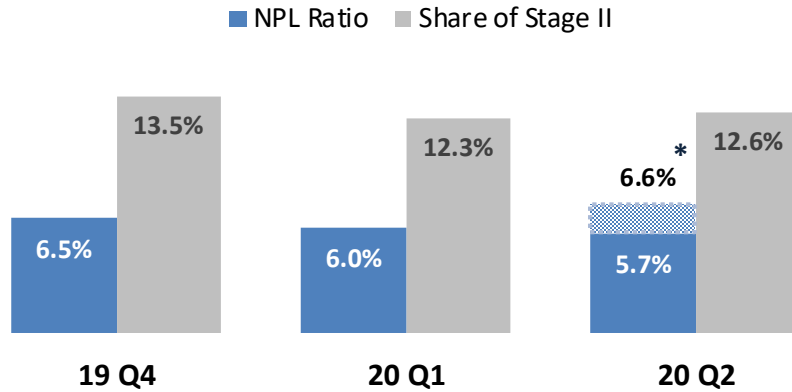
- Share of net F&C income in total operating income* is 16.7% as of 2020 H1.

- OPEX coverage of Net F&C income stood at around 42.9% as of 2020 H1.

(*)Total operating income includes income from participations according to IAS 27. Stage I+II provision reversals of TL 175 mn in 2020 H1 are excluded.

NPL & Provisioning Trends

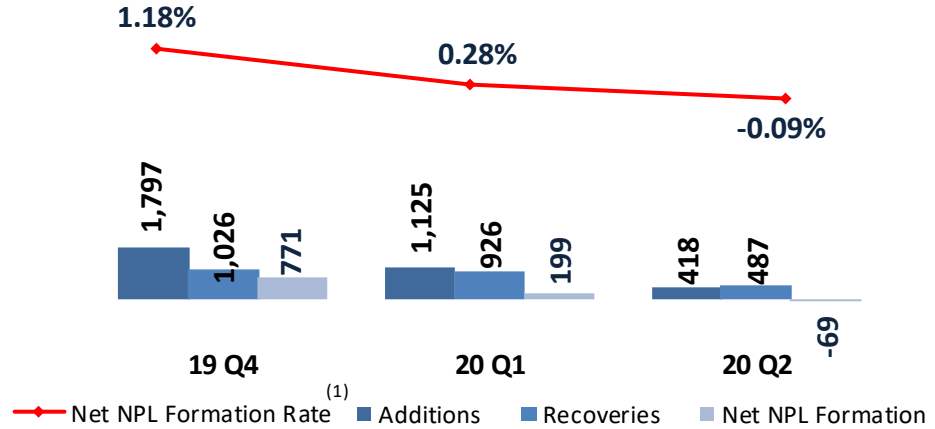
NPL Ratio & Share of Stage II



(*) Without the impact of BRSA forbearance measures.

NPL Trends (Quarterly)

(TL mn.)



Coverage Ratios

		Coverage Ratios	
		2020 Q1	2020 Q2
Performing Loans	Stage 1	0.6%	0.7%
	Stage 2	12.0%	14.3%
NPL	Stage 3	59.1%	60.8%

Net Cost of Risk (2)

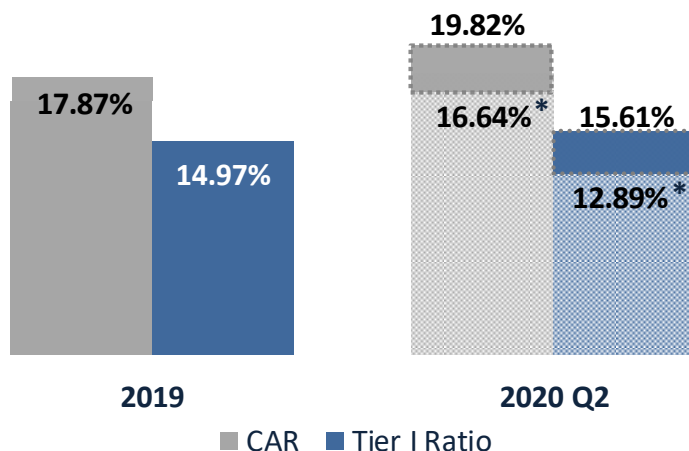
Provisions (TL mn)	Q1	Q2	H1
Stage 1	211	299	510
Stage 2	749	1,403	2,152
Stage 3	1,515	748	2,263
Reversals (TL mn) (-)	Q1	Q2	H1
Stage 1+2	156	19	175
Stage 3	547	437	984
Net CoR	249 bps	260 bps	255 bps

(1) Net NPL Formation / Average Performing Loans

(2) (Stage 1+2+3 Expected Credit Losses-Reversals) / Average Performing Loans

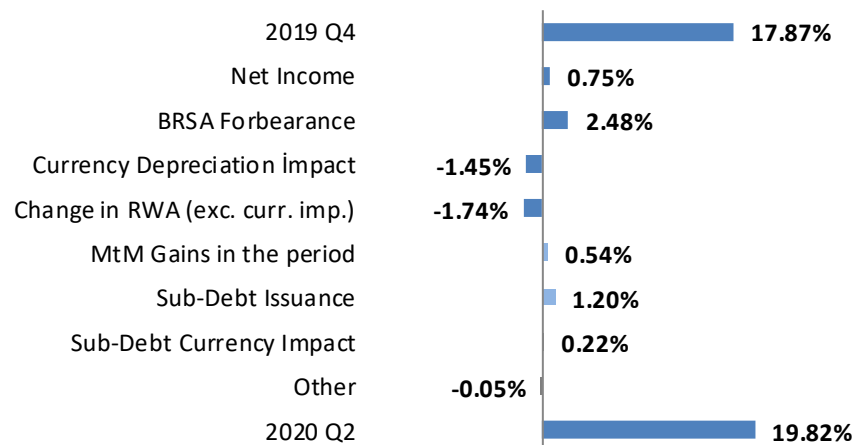
Comfortable Capitalization

Capital Adequacy Ratio



(*) Without the impact of BRSa forbearance measures.

Change in CAR



Basel III Buffers & Legal Requirements

Min. Legal Requirements (%)	2020
CAR	8
Tier 1 Ratio	6
CET 1 Ratio	4.5
Buffers (%)	2020
Capital Conservation Buffer	2.5
Counter Cyclical Buffer *	0.05
SIFI Buffer	2

2020 Minimum Requirements (%)	Bank-Only	Consolidated
CAR	10.55	12.56
Tier 1 Ratio	8.55	10.56
CET 1 Ratio	7.05	9.06

(*) On a consolidated basis, Counter Cyclical Buffer is 0.06%

Revised Expectations for 2020

	2020 Guidance	2020 H1	2020 Revised Guidance
TL Loan Growth	16 - 17%	20.2%	~ 30%
Return on Average Tangible Equity	14 – 15%	11%	11 – 12%
Return on Average Assets	1.6 – 1.8%	1.2%	~ 1.2%
Net Interest Margin (Swap adj.)	3.8 – 4.0%	4.8%	> 4%
Net Fees and Commissions Growth	~ 10%	Flattish	Flattish
Net Cost of Risk	< 150 bps	255 bps	~ 250 bps

Page 14 – Digitalisation

Page 15 – Securities

Page 16 – Strong FX Liquidity vs. Wholesale Borrowings

Page 17 – Asset Structure

Page 18 – Loans

Page 19 – Loan Composition

Page 20 – Liabilities Structure

Page 21 – Deposits

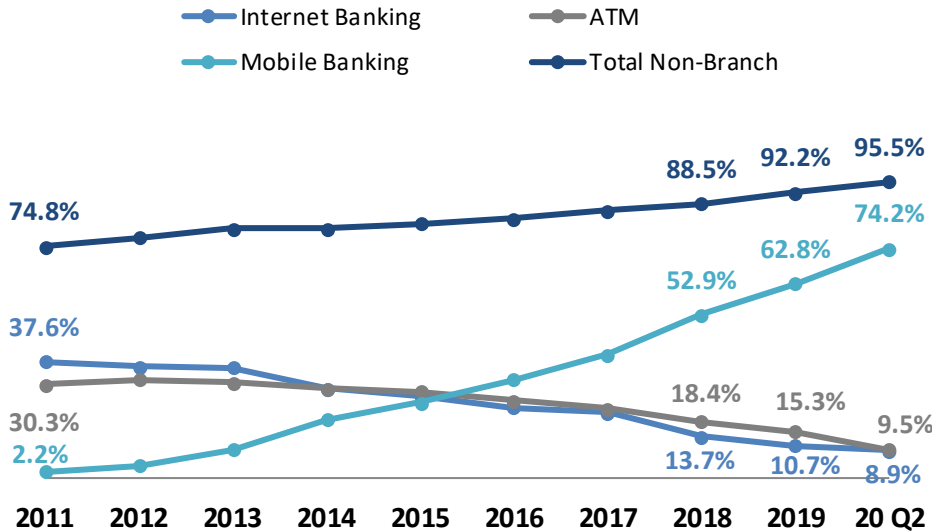
Page 22 – Income Statement Highlights

Page 23 – Fees & Commissions Income

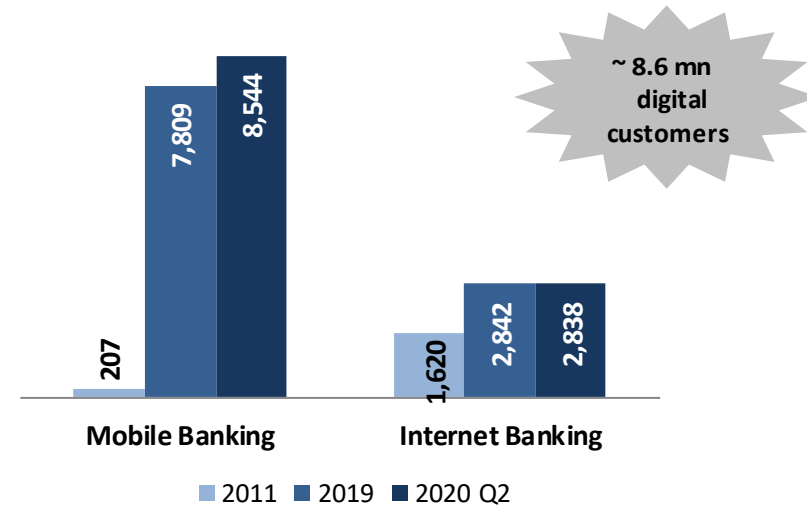
Page 24 – Market Shares

Strong Focus on Digitalisation

Evolution of Share of Transactions per Channel



Digital Banking – Number of Customers ('000)

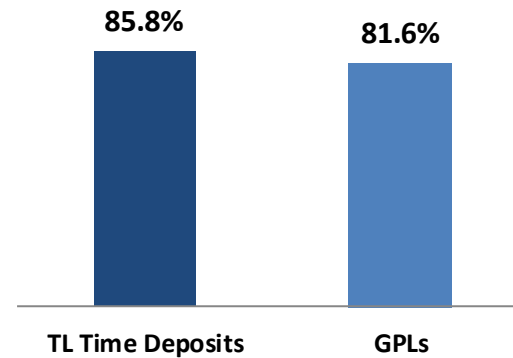


Mobile Banking Market Shares *

Transactions

Investment	30.9%
Credit Cards	15.7%
Money Transfer	11.6%
Payments	12.3%

Share of Digital Channels in Retail Sales *



(*) Source: The Banks Association of Turkey, as of 2020 Q1

(*) Number of sales in 2020 Q2

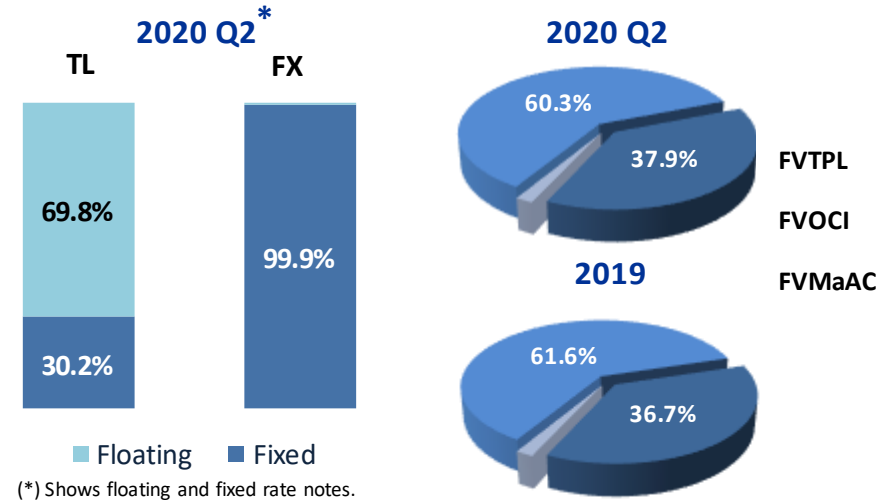
Securities

(TL mn.)	2019	2020 Q1	2020 Q2	Δ QoQ	Δ YtD
Total Securities	84,247	87,712	100,045	14.1%	18.8%
TL Securities	65,753	67,878	76,237	12.3%	15.9%
FX Securities	18,494	19,834	23,808	20.0%	28.7%
FX Securities (USD mn)	3,140	3,051	3,506	14.9%	11.7%

CPI Linkers

CPI Linkers	20 Q1	20 Q2
Quarterly Yield	13.45%	13.30%
Quarterly Interest Income (TL mn)	1,047	1,108

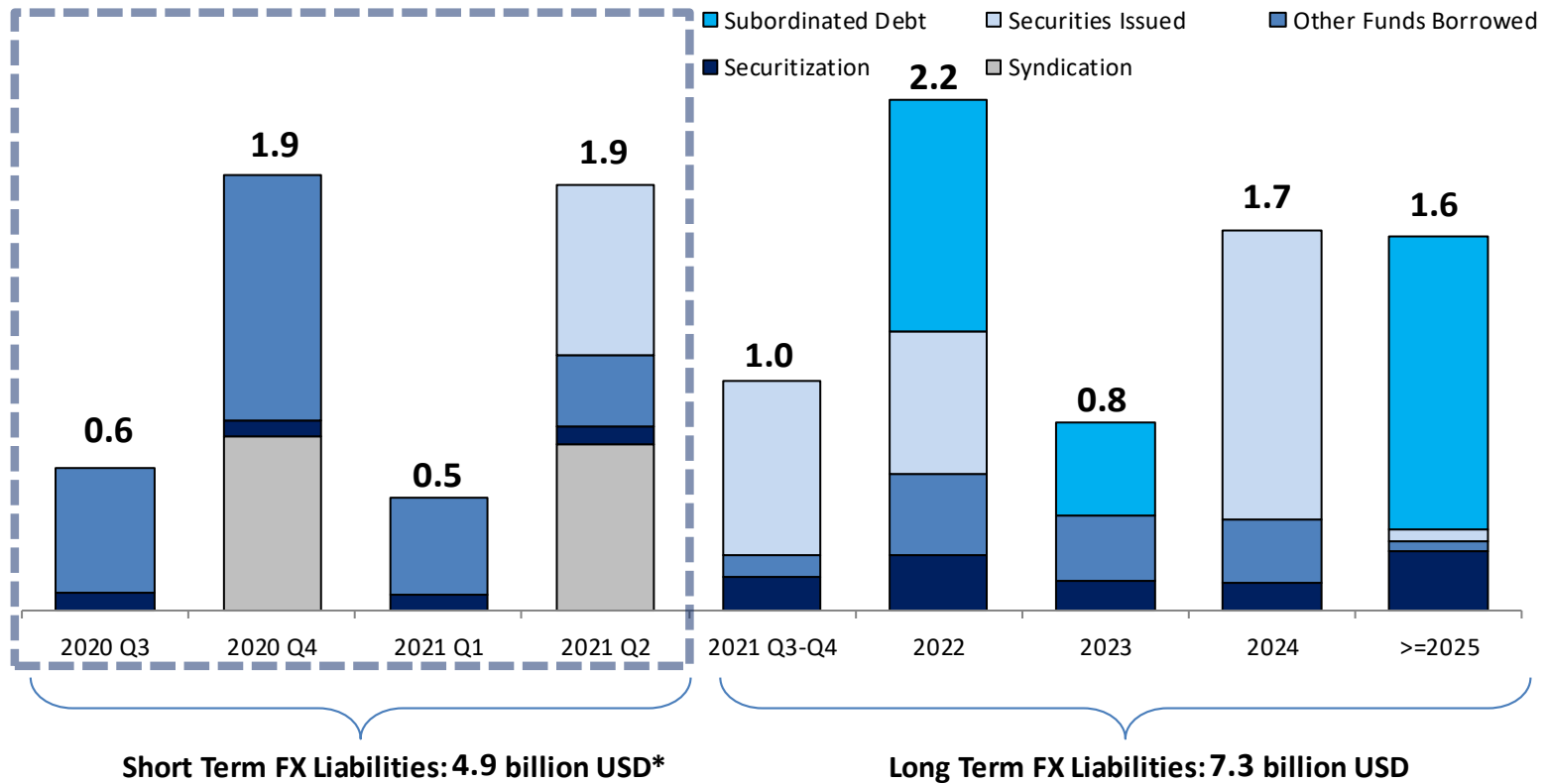
Composition of Securities



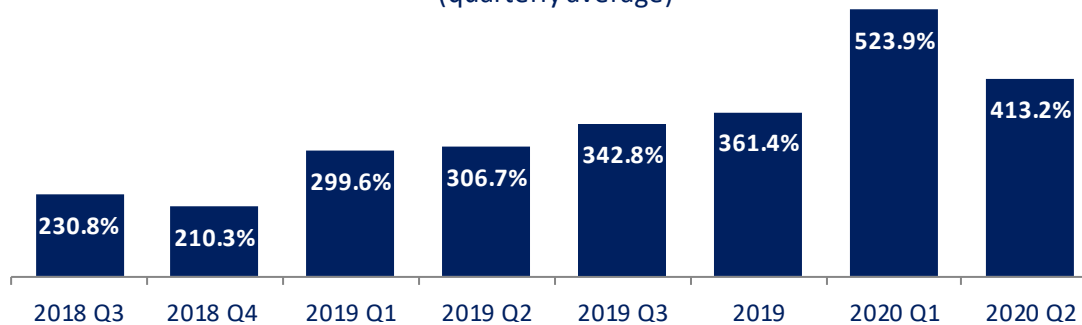
Inflation	20 Q1	20 Q2
Expected-12 Months	9.51%	9.03%
Actual	11.86%	12.62%

- CPI Linkers make up 50.2% of TL Securities as of 2020 H1 versus 48.9% by the end of 2019 YE.

Strong FX Liquidity vs. Wholesale Borrowings



FX Liquidity Coverage Ratio (quarterly average)



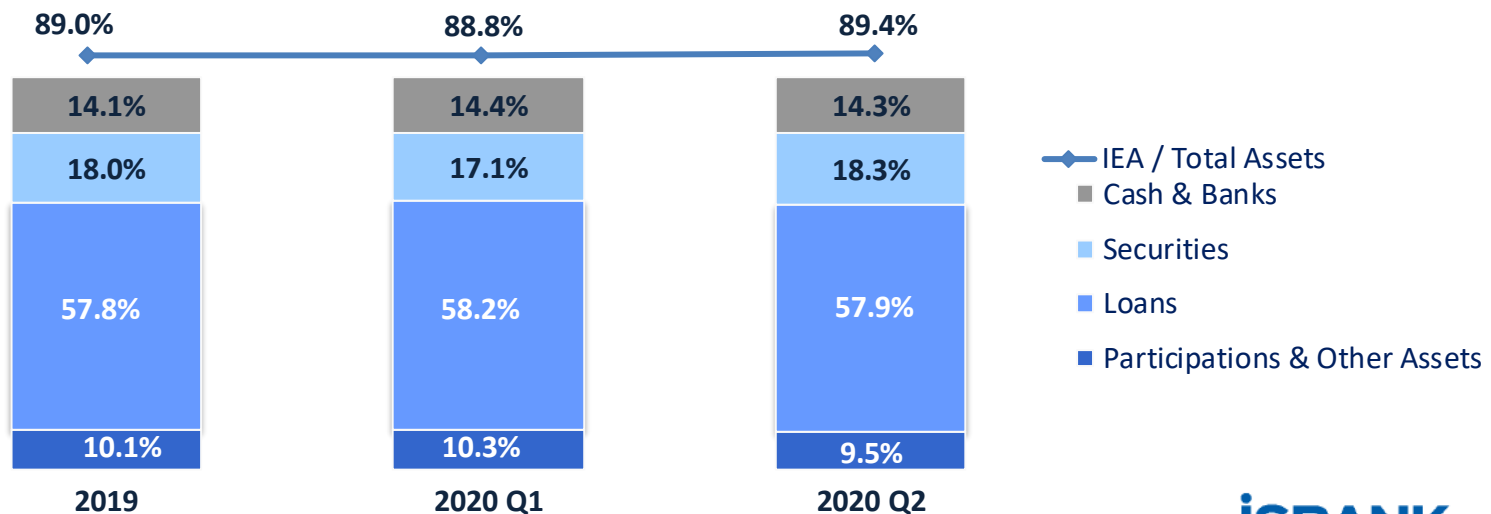
(*) Excluding repotransactions

Asset Structure

Assets

(TL mn.)	2019	2020 Q1	2020 Q2	Δ QoQ	Δ YtD
Cash & Banks	66,188	73,604	78,024	6.0%	17.9%
Securities (Net)	84,247	87,712	100,045	14.1%	18.8%
Loans	270,360	298,045	316,516	6.2%	17.1%
Participations (Net)	21,071	21,127	22,512	6.6%	6.8%
Fixed Assets (Net)	8,478	8,719	8,806	1.0%	3.9%
Other Assets	17,716	22,718	20,736	-8.7%	17.0%
Total Assets	468,059	511,926	546,639	6.8%	16.8%
TL Assets	265,925	283,667	307,469	8.4%	15.6%
FX Assets	202,135	228,259	239,170	4.8%	18.3%
FX Assets (USD mn.)	34,318	35,117	35,224	0.3%	2.6%

Asset Composition



Loan Portfolio

Loans

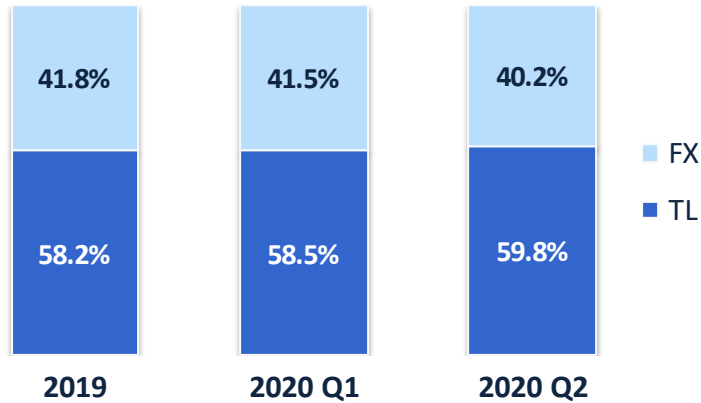
(TL mn.)	2019	2020 Q1	2020 Q2	Δ QoQ	Δ YtD
Total Loans	270,360	298,045	316,516	6.2%	17.1%
TL Loans	157,415	174,448	189,246	8.5%	20.2%
Retail Loans	63,784	69,549	73,992	6.4%	16.0%
Housing Loans	17,455	18,274	18,458	1.0%	5.7%
Auto Loans	532	534	671	25.7%	26.1%
GPLs ⁽¹⁾	31,000	36,475	40,715	11.6%	31.3%
Credit Card Loans	14,798	14,266	14,148	-0.8%	-4.4%
Non-Retail Loans	93,631	104,899	115,255	9.9%	23.1%
SME Loans ⁽²⁾	51,197	52,598	55,922	6.3%	9.2%
Commercial and Corporate Loans	42,434	52,301	59,333	13.4%	39.8%
FX Loans	112,945	123,597	127,269	3.0%	12.7%
SME Loans ⁽²⁾	7,496	7,597	7,107	-6.5%	-5.2%
Commercial and Corporate Loans	105,449	116,000	120,163	3.6%	14.0%
FX Loans (USD mn.)	19,176	19,015	18,744	-1.4%	-2.3%
SME Loans ⁽²⁾	1,273	1,169	1,047	-10.4%	-17.8%
Commercial and Corporate Loans	17,903	17,846	17,697	-0.8%	-1.2%

(1) Including overdraft accounts

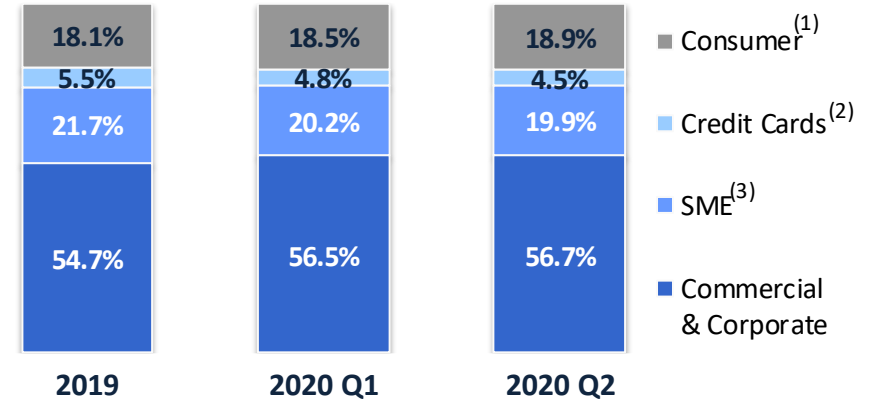
(2) SME definition includes companies with number of employees < 250 and turnover or total assets ≤ TL 125 mn.

Loan Composition

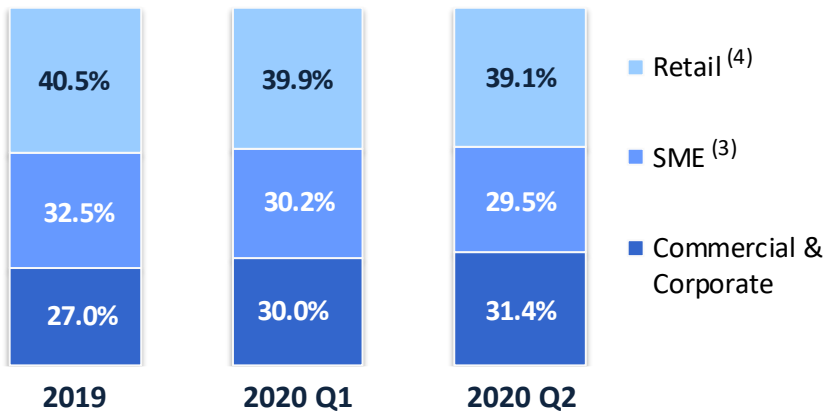
Currency Mix



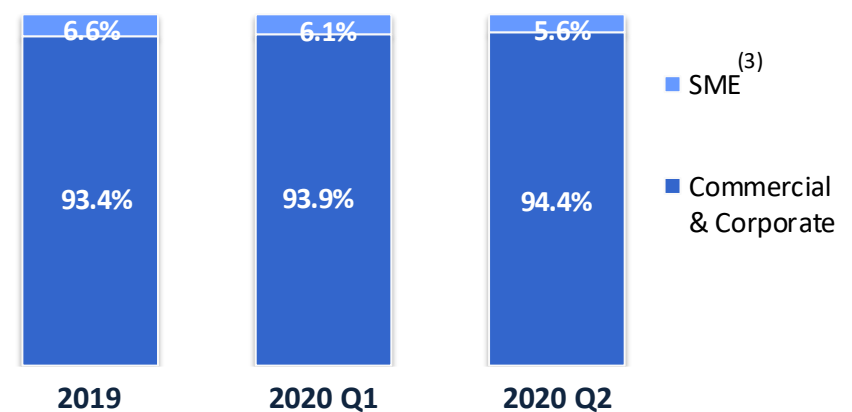
Loan Composition - Total Loans



Loan Composition - TL Loans



Loan Composition - FX Loans



(1) Including retail overdraft accounts

(2) Shows retail credit card balances only

(3) SME definition includes companies with number of employees < 250 and turnover or total assets <= TL 125 mn.

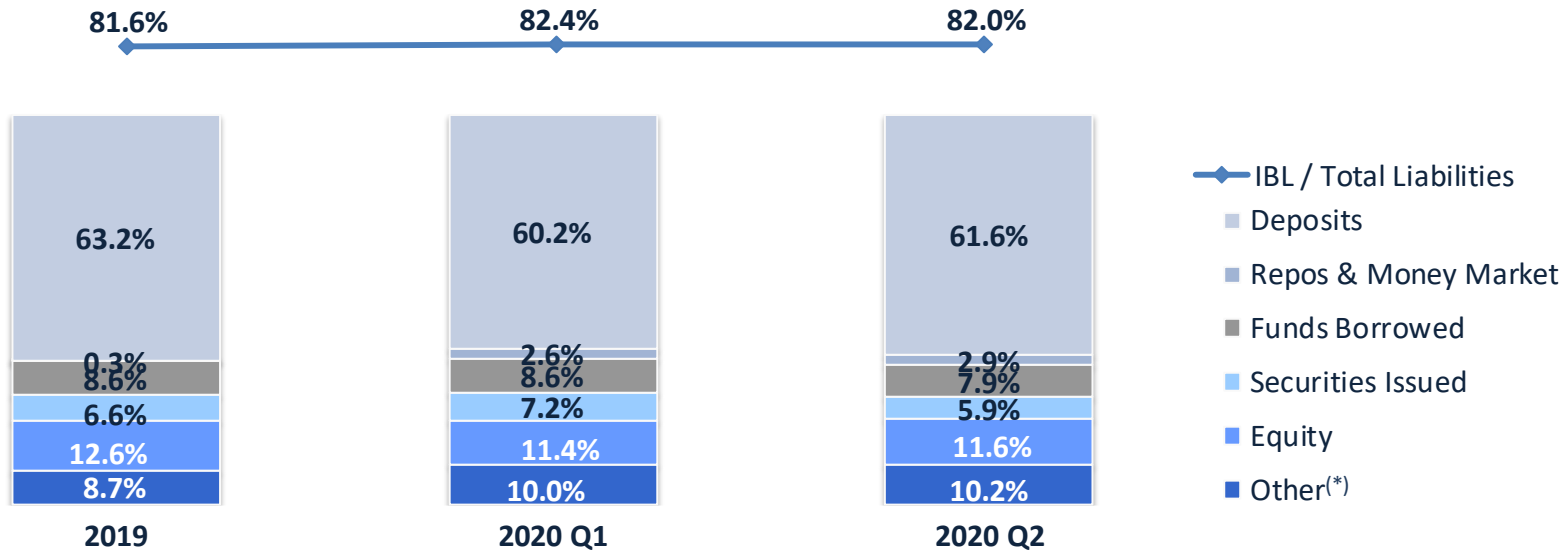
(4) Including retail credit cards and overdraft accounts

Liabilities Structure

Liabilities

(TL mn.)	2019	2020 Q1	2020 Q2	Δ QoQ	Δ YtD
Deposits	295,922	308,028	336,558	9.3%	13.7%
REPOs & Money Market	1,188	13,152	15,953	21.3%	1243.1%
Funds Borrowed	40,251	43,920	43,262	-1.5%	7.5%
Securities Issued	31,117	37,009	31,988	-13.6%	2.8%
Other ^(*)	40,708	51,285	55,612	8.4%	36.6%
Equity	58,873	58,531	63,266	8.1%	7.5%
Total Liabilities & Equity	468,059	511,926	546,639	6.8%	16.8%
TL Liabilities	224,348	235,948	259,024	9.8%	15.5%
FX Liabilities	243,711	275,978	287,615	4.2%	18.0%
FX Liabilities (USD bn.)	41,377	42,458	42,359	-0.2%	2.4%

Liabilities Composition



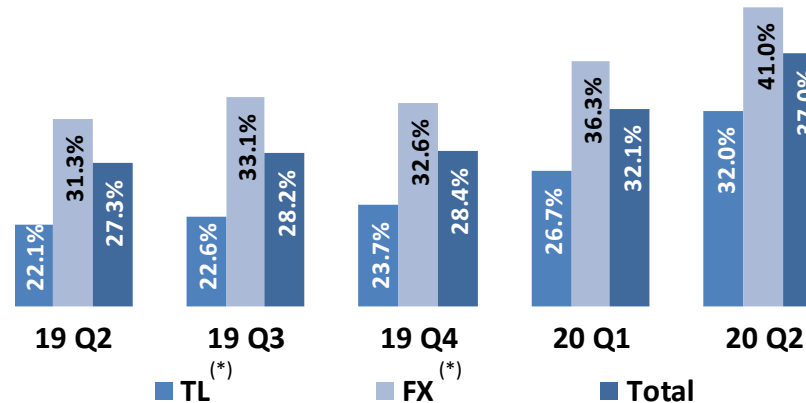
(*) Includes subordinated debt.

Deposit Base

Deposits

(TL mn.)	2019	2020 Q1	2020 Q2	Δ QoQ	Δ YtD
Total Deposits	295,922	308,028	336,558	9.3%	13.7%
TL Deposits	131,290	125,846	142,668	13.4%	8.7%
TL Saving Deposits	81,563	84,764	95,180	12.3%	16.7%
TL Commercial Deposits	39,980	34,629	40,772	17.7%	2.0%
Other TL Deposits	9,748	6,453	6,716	4.1%	-31.1%
FX Deposits	164,632	182,182	193,890	6.4%	17.8%
FX Deposits (USD mn.)	27,951	28,028	28,555	1.9%	2.2%
<i>Demand Deposits</i>	<i>84,040</i>	<i>98,962</i>	<i>124,487</i>	<i>25.8%</i>	<i>48.1%</i>

Demand Deposits / Total Deposits



(*) Excluding interbank deposits

Income Statement Highlights

(TL mn.)	2020 Q1	2020 Q2	Δ QoQ	2019 H1	2020 H1	Δ YoY
Net Interest Income	5,756	6,108	6.1%	9,216	11,863	28.7%
(-) SWAP Cost ⁽¹⁾	847	909	7.4%	3,628	1,756	-51.6%
Net Interest Income Incl. Swap Cost	4,909	5,199	5.9%	5,588	10,108	80.9%
Net Fees & Commissions	1,446	1,136	-21.4%	2,597	2,581	-0.6%
Net Trading Gains/Losses Excl. Swap Cost	-92	493	NM	40	401	NM
Other Operating Income	810 ⁽²⁾	578 ⁽²⁾	-28.7%	2,339	1,389 ⁽²⁾	-40.6%
Total Operating Income	7,073	7,405	4.7%	10,565	14,479	37.0%
(-) Released Free Provisions	0	0	NM	375	0	NM
(-) Provision Reversals for Administrative Fine	0	0	NM	83	0	NM
Total Operating Income - Adj.	7,073	7,405	4.7%	10,107	14,479	43.3%
HR Expenses	1,628	1,245	-23.5%	2,219	2,873	29.5%
Non-HR Expenses	1,479	1,670	12.9%	2,482	3,149	26.9%
Total Operating Expenses	3,106	2,915	-6.2%	4,701	6,021	28.1%
(-) Provision for Pension Fund	0	0	NM	0	0	NM
(-) Pre-provision for Pension Fund	180	180	0.0%	185	360	94.6%
Total Operating Expenses - Adj.	2,926	2,735	-6.5%	4,516	5,661	25.4%
Operating Profit	3,967	4,491	13.2%	5,864	8,458	44.2%
Operating Profit - Adj.	4,147	4,671	12.6%	5,591	8,818	57.7%
Stage 3 Expected Credit Losses	1,515	748	-50.7%	3,474	2,263	-34.9%
Stage 1+2 Expected Credit Losses	960	1,702	77.2%	957	2,662	178.2%
Other Provision Charges	405	626	54.6%	200	1,031	NM
Total Provision Charges	2,880	3,076	6.8%	4,631	5,956	28.6%
(-) Free Provisions	100	500	400.0%	0	600	NM
Total Provision Charges - Adj.	2,780	2,576	-7.4%	4,631	5,356	15.7%
Income from Participations	617	499	-19.0%	1,267	1,116	-11.9%
Tax Provisions	247	336	35.7%	91	583	NM
Net Income	1,456	1,579	8.4%	2,409	3,035	26.0%

NM: Not meaningful

(1) Based on MIS data

(2) Includes reversal of Stage I+II provisions.(2020 Q1: TL 156 mn. , 2020 Q2: TL 19 mn. , 2020 H1: TL 175 mn.)

Fees & Commissions Income

(TL thousand)	2020 Q1	2020 Q2	Δ QoQ	2019 H1	2020 H1	Δ YoY
Non-Cash Loans	248,582	276,968	11.4%	534,301	525,550	-1.6%
Cash Loans	308,284	215,962	-29.9%	224,082	524,246	134.0%
Mutual Fund Man. & Other Inv. Acc. Fees	166,355	222,290	33.6%	138,752	388,646	180.1%
Payment Systems	483,563	262,988	-45.6%	1,196,120	746,551	-37.6%
Other	238,871	157,579	-34.0%	503,818	396,449	-21.3%
Total Fees & Commissions Income (Net)	1,445,655	1,135,787	-21.4%	2,597,073	2,581,442	-0.6%
Total Fees & Commissions Income (Gross)	1,763,536	1,347,948	-23.6%	3,242,940	3,111,484	-4.1%

Largest Private Bank...

	Market Shares (%) ⁽¹⁾		Rank ⁽²⁾	
	2019	2020 Q2	2019	2020 Q2
Total Assets	11.1	11.0	1 st	1 st
Total Loans	10.6	10.2	1 st	1 st
TL Loans	10.1	9.5	1 st	2 nd
FX Loans	11.4	11.5	1 st	1 st
Consumer Loans ⁽³⁾	10.9	10.8	2 nd	1 st
Non-Retail Loans	10.4	10.0	1 st	1 st
Total Deposits	12.0	11.6	1 st	1 st
TL Deposits	10.7	9.7	1 st	1 st
FX Deposits	13.2	13.4	1 st	1 st
Demand Deposits ⁽⁴⁾	15.1	14.4	1 st	1 st

(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 banks.

(3) Including retail overdraft accounts

(4) Excluding interbank deposits

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