

Q4 Earnings

2022 Financial Results

2023 Guidance

6 February 2023

İŞBANK

Geared up for our 2nd century

- **STRONG B/S STRUCTURE**
 - Largest Private Bank
 - Well-Diversified A&Ls
- **BEST IN CLASS ASSET QUALITY**
 - Lowest NPL excl.write-downs¹
 - Highest Collections¹
- **ROBUST PROFITABILITY**
 - Outstanding Core Banking Revenues
 - Striking RoE even with Inf. Acc.
- **SOLID SOLVENCY**
 - Topmost CAR level
 - Strong excess capital
 - Highest free provision buffer¹
- **AMPLE LIQUIDITY**
 - Robust LCR
 - Comfortable FX liquidity
- **DISTINGUISHED BRAND NAME**
 - Türkiye's Strongest Brand²

(1) Among peer group

(2) Brand Finance Strength Index published in 1.2.2023

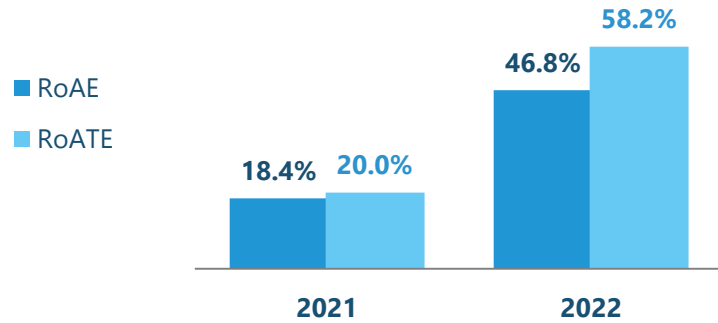
► 2022 Performance: Actual vs. Guidance

	Guidance	2022 Actual
TL Loan Growth	~45% ⁽¹⁾	75.5%
TL Deposit Growth	~60% ⁽¹⁾	130.4%
Return on Average Tangible Equity	>40% ⁽¹⁾	58.2%
Net Interest Margin (swap adj.)	>5% ⁽¹⁾	6.8%
Net Fees & Commissions Growth	>80% ⁽¹⁾	111.9%
OPEX Growth	In line with CPI	113.9%
Cost to Income Ratio	35-36%	25.8%
NPL Ratio	<4% ⁽¹⁾	2.96%
Net Cost of Risk	<125 bps ⁽¹⁾⁽²⁾	95 bps ⁽²⁾
Capital Adequacy Ratio (w/o forbearance)	>15%	21.5%

(1) Revised guidance on August 8th.

(2) Including currency impact

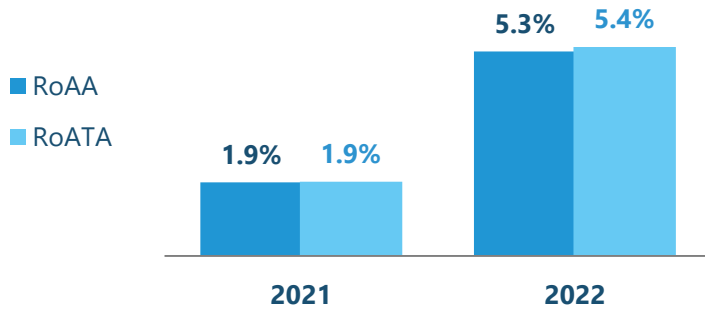
Return on Average Tangible Equity⁽¹⁾



22 Q4 RoAE:
55.7%

22 Q4 RoATE:
71.8%

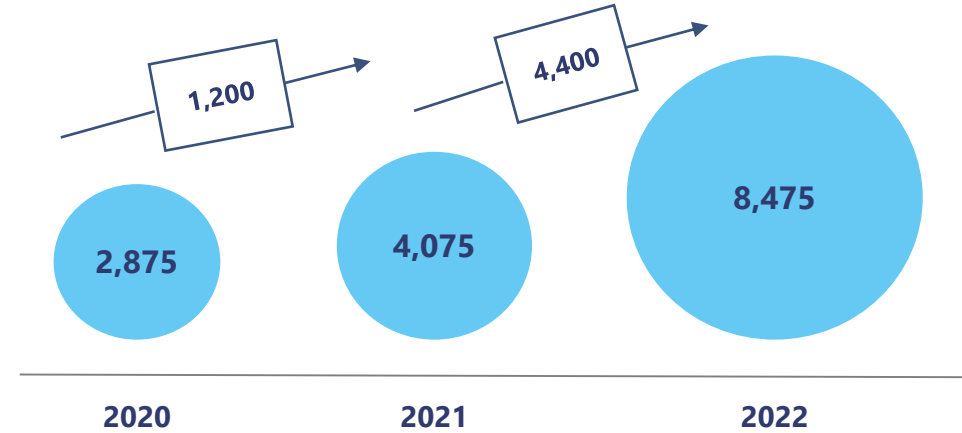
Return on Average Tangible Assets⁽¹⁾



22 Q4 RoAA:
7.0%

22 Q4 RoATA:
7.2%

Free Provisions (mn. TL)



✓ *Highest free provision base among peers*

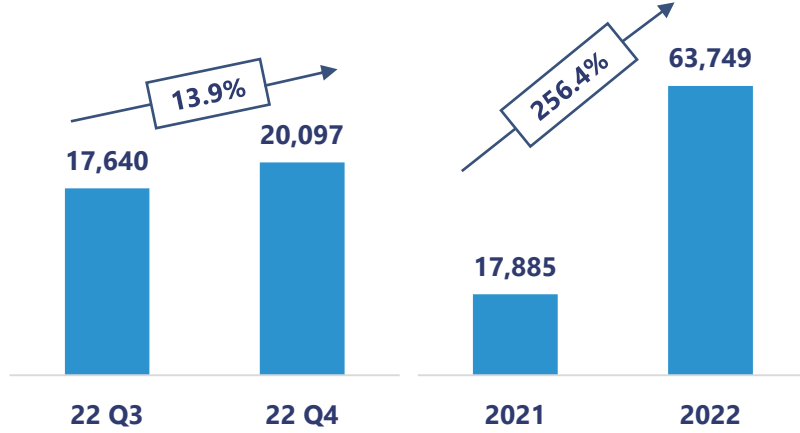
- 2022 RoE : **50%**⁽²⁾ adj. for free provisions
- 2022 H1 RoE: **17%** with inflation accounting - *Highest among Turkish banks*

(1) Tangible Equity (TE) and Tangible Assets (TA) are calculated by the deduction of M-t-M valuation differences regarding Fin. Assets Measured at FV through OCI and real estates from shareholders' equity and total assets.

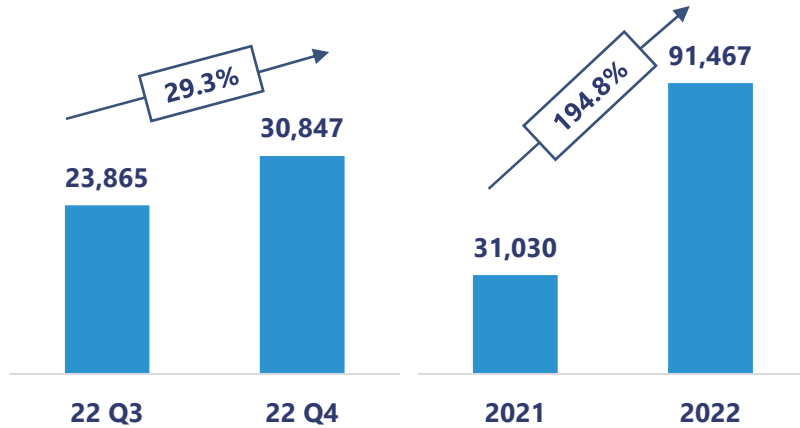
(2) Calculated by taking into account free provisions of TL 4.4 billion set aside in 2022.

► Strong Revenue Generation Capability

Net Interest Income (swap adjusted, mn. TL)



Pre-Provision Income⁽¹⁾⁽²⁾



4.6X YoY
Net Income

2.1X YoY
Net F&C

2.7X YoY
Total Operating Income⁽¹⁾

2X YoY
Clean Trading Income⁽³⁾

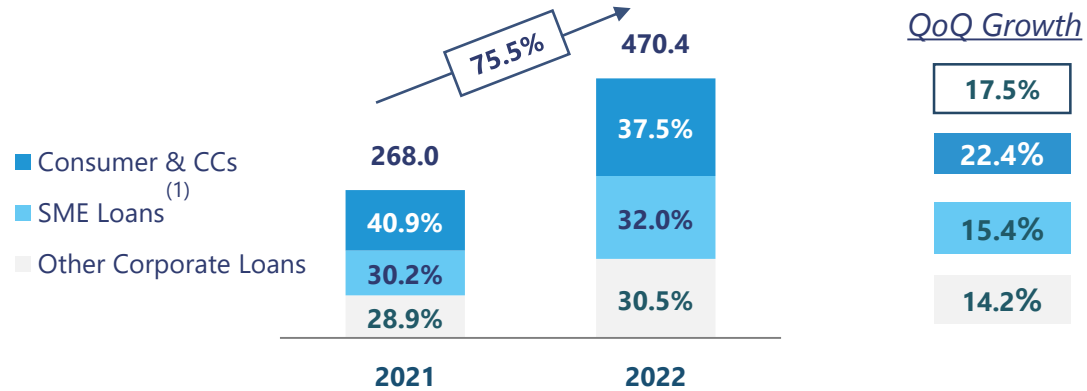
(1) Income figures include income from participations according to IAS 27 and exclude released Stage I+II provisions and other one-off items.

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

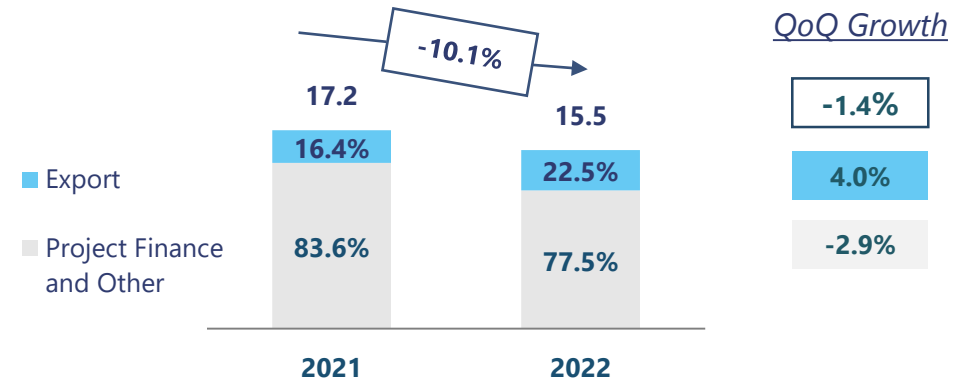
(3) Excluding swap cost.

▶ Selective and Prudent Lending

TL Loans



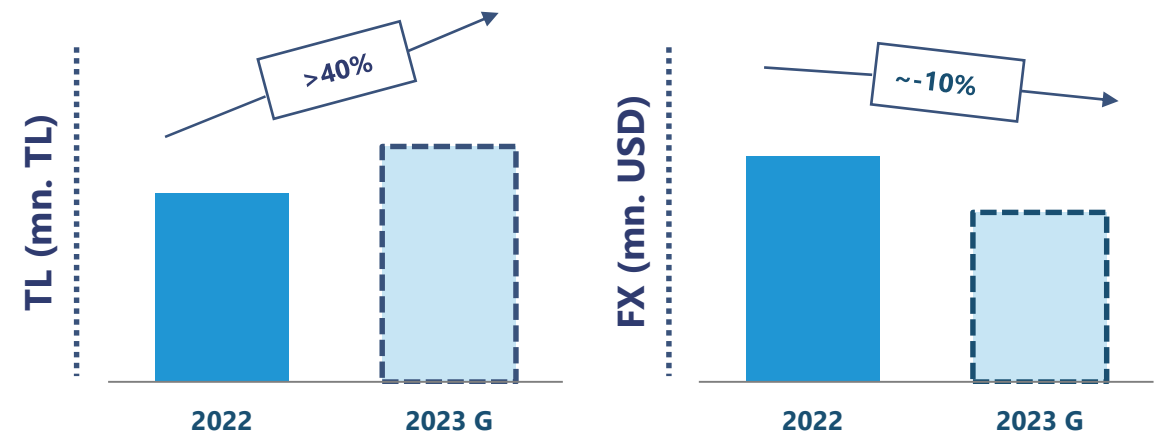
Composition of FX Loans (bn. USD)



- ✓ Total loans: **10.7%** market share⁽²⁾
- ✓ Export loans: **15.2%** market share⁽²⁾ **2.4 pp** ↑ yoy)

- Selective TL loan growth with **rational pricing**
- Improving maturity mismatch
- Prioritizing **SMEs**: Special focus on agro and women finance
- Non-export FX loans ↓ by 17% vs **23%** ↑ in exports YoY
- Share of payroll accounts in **GPLs**: **>50%**

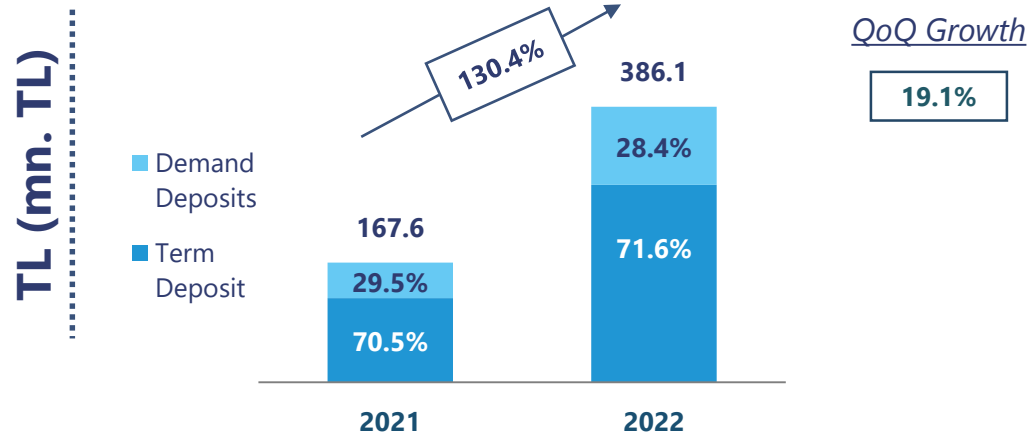
Loan Growth Outlook



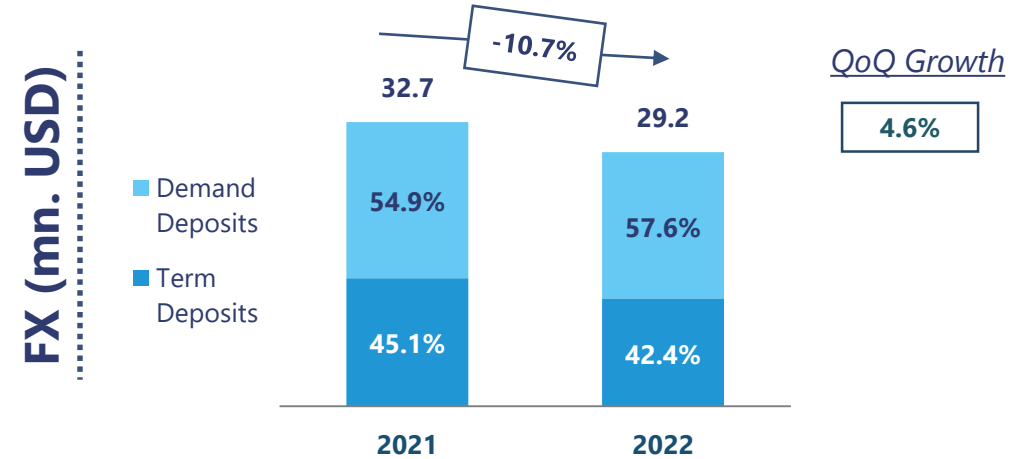
(1) SME definition includes companies with number of employees < 250 and turnover or total assets <= TL 250 mn.

(2) Market share calculations are based on weekly BRSA data excluding participation banks.

Composition of TL Deposits



Composition of FX Deposits

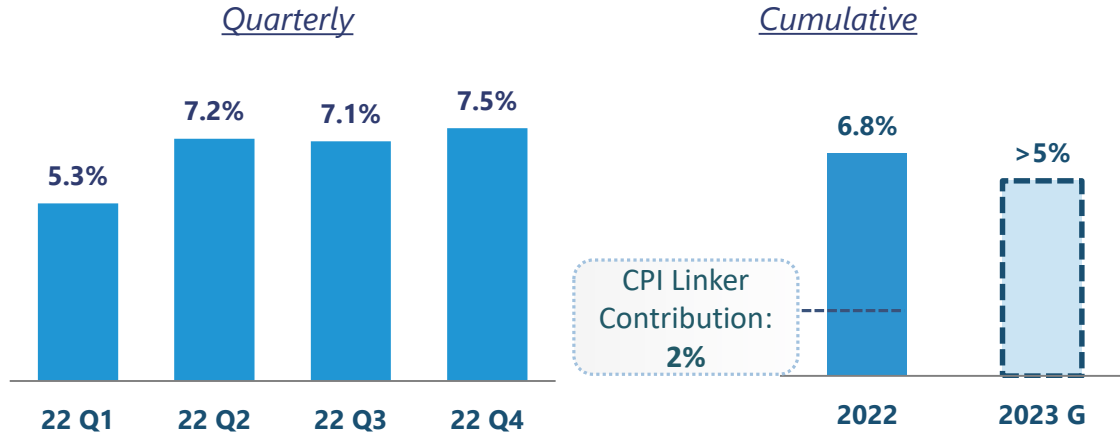


- ✓ Total deposits: **11.1%** market share⁽¹⁾
- ✓ Demand deposits: **15.2%** market share⁽¹⁾

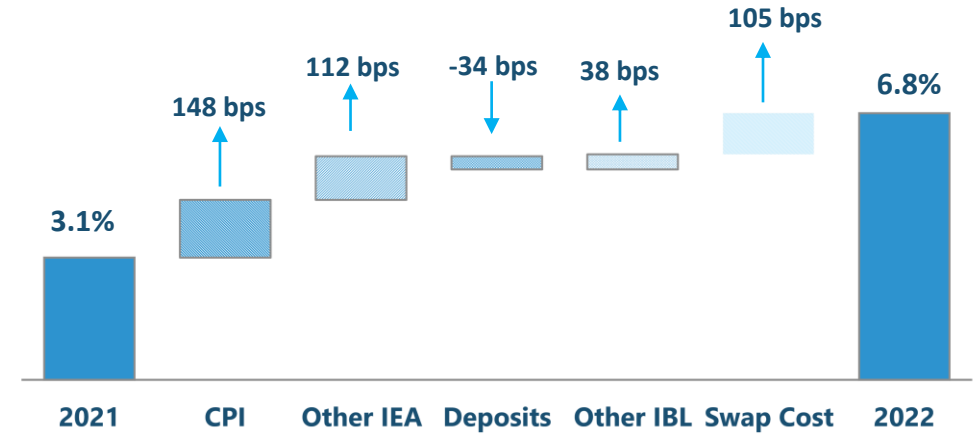
- Focus on **wide-spread, granular core** deposit base
- **Lengthening** maturity profile
- **Cost-sensitive & rational** pricing approach

► Strong Net Interest Margin

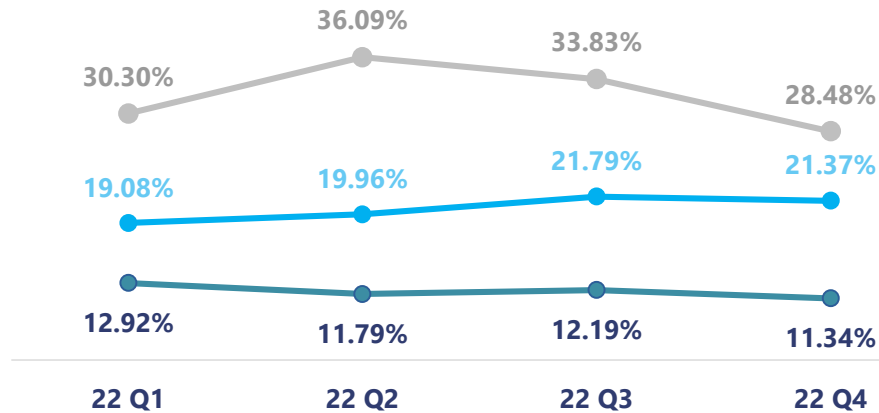
Swap Adjusted NIM⁽¹⁾⁽²⁾



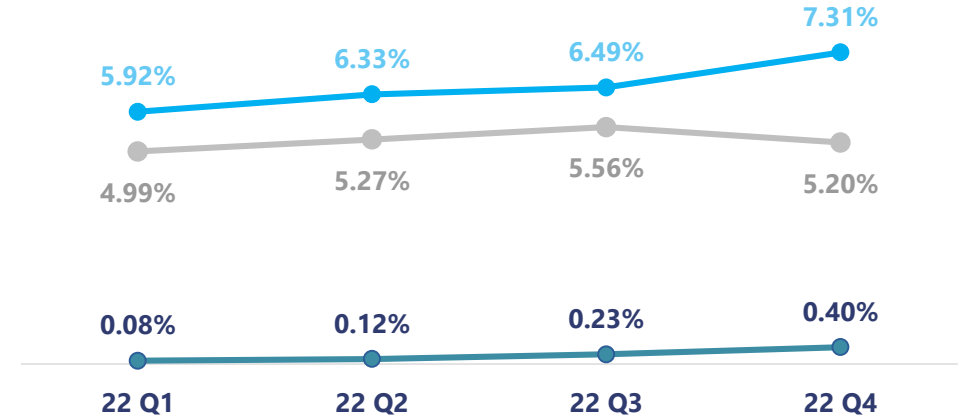
Swap Adjusted NIM Evolution⁽¹⁾⁽²⁾



Yield / Cost⁽¹⁾ (quarterly, TL)



Yield / Cost⁽¹⁾ (quarterly, FX)

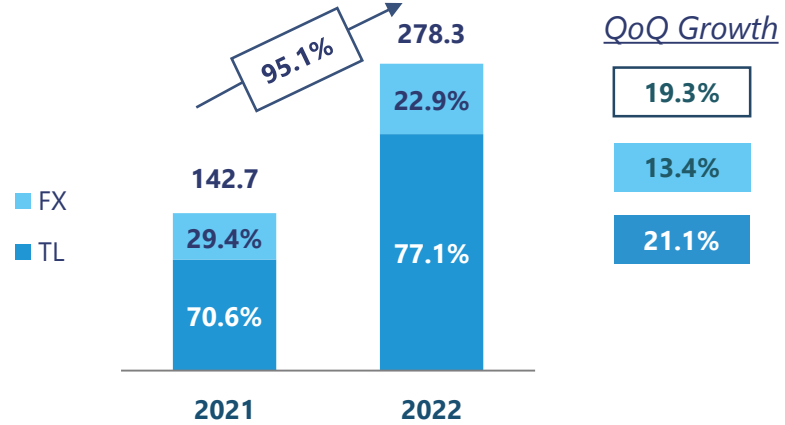


(1) Based on MIS data.

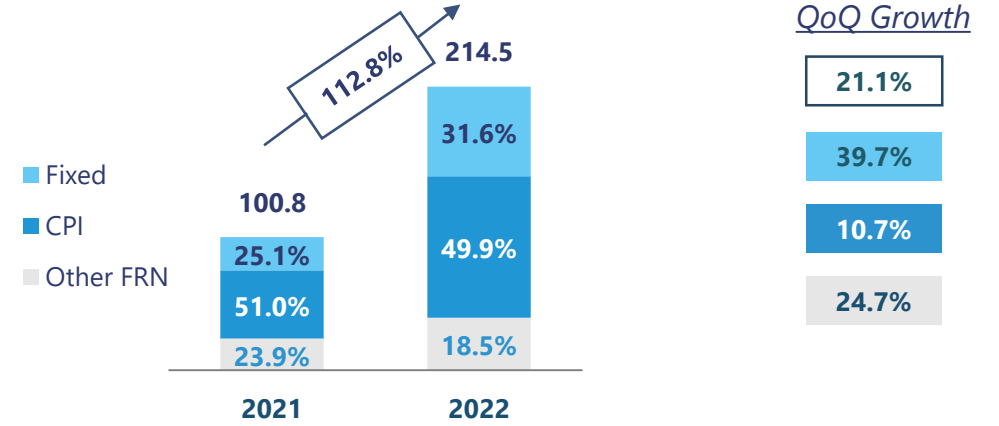
(2) Interest earning assets include Central Bank reserves.

(3) Including demand deposits.

Total Securities (bn. TL)



TL Securities (bn. TL)

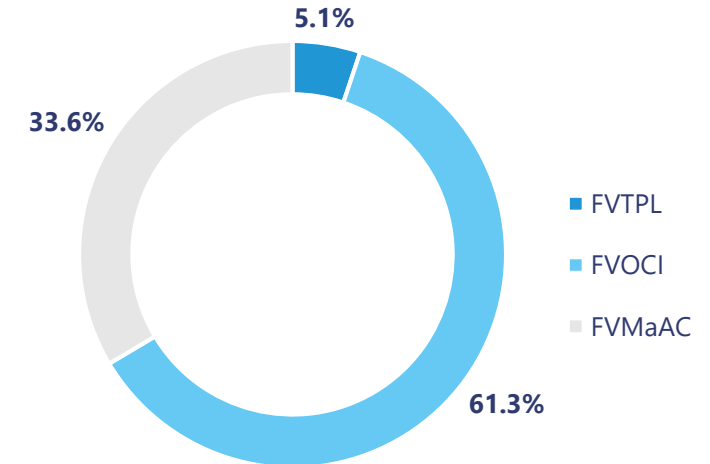


CPI Linkers

CPI Linkers	22 Q3	22 Q4
Quarterly Yield	52.76%	49.18%
Quarterly Interest Income (mn. TL)	7,419	7,511

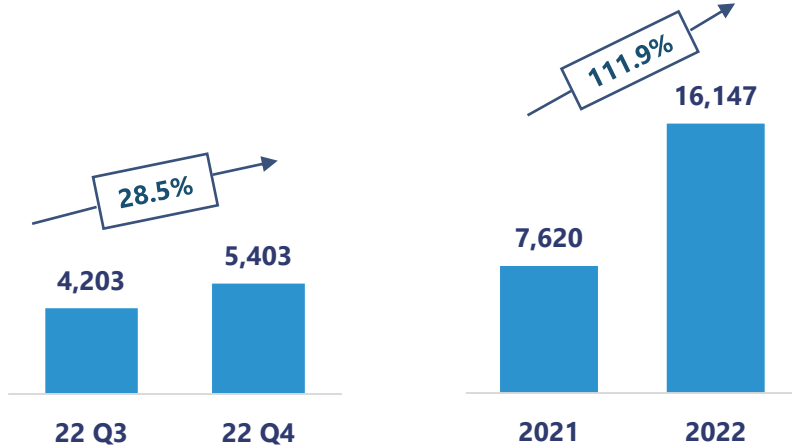
Inflation	22 Q3	22 Q4
12-Month Ahead Inflation Expectation	36.74%	34.92%
Headline	83.45%	64.27%

Breakdown of Securities



► Outstanding Fee Income Growth

Net Fees and Commissions (mn. TL)



F&C Growth (2022)

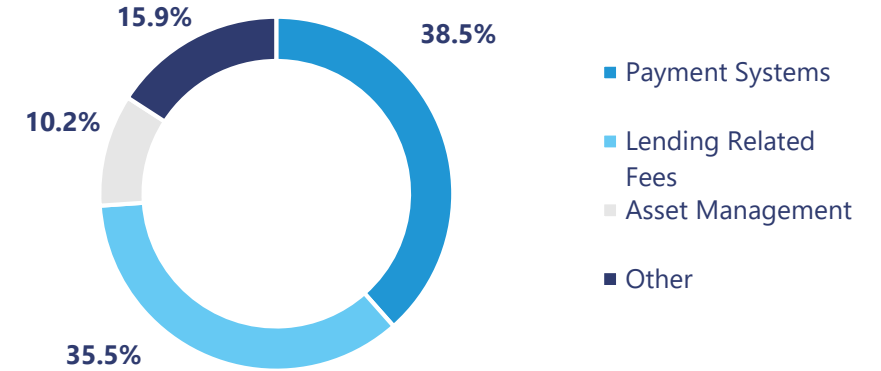
Cash
Loans
156% YoY

Payment
Systems (Net)
118% YoY

Money
Transfer
109% YoY

Bancassurance
120% YoY

Net F&C Composition (2022)

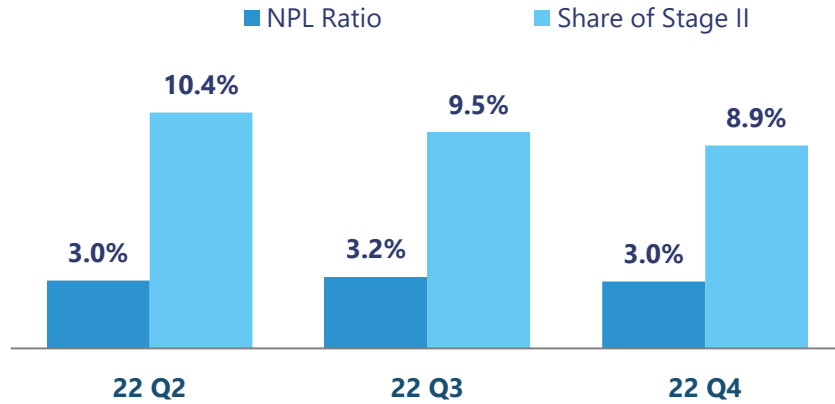


❖ *Opex coverage of Net F&C income : **47.5%***

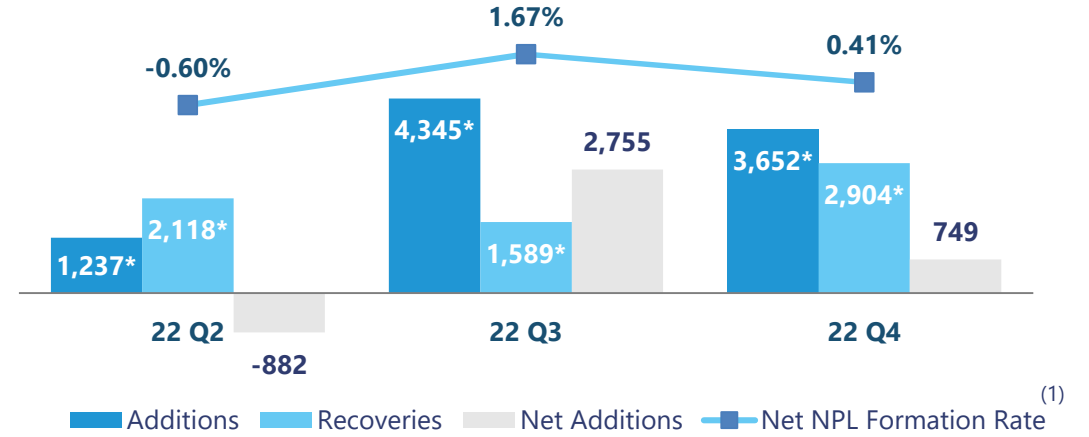
2023 G

Net F&C : ~**80%**

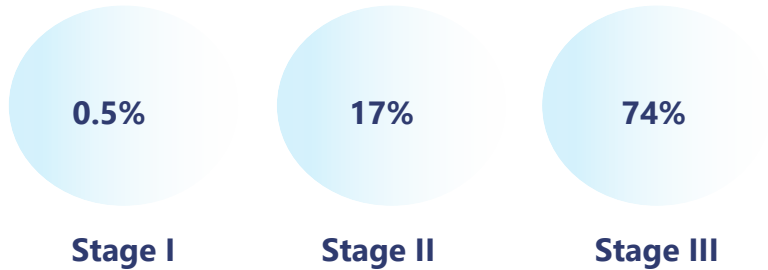
NPL Ratio & Stage II



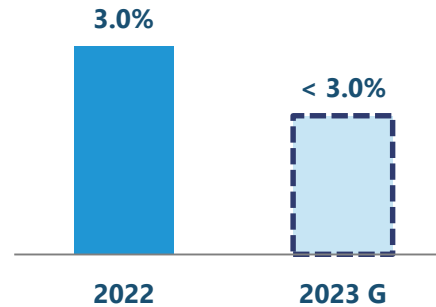
Net NPL Formation (mn. TL, quarterly)



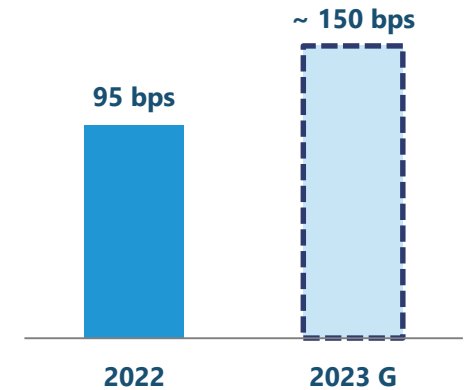
Coverage Ratios



NPL Ratio



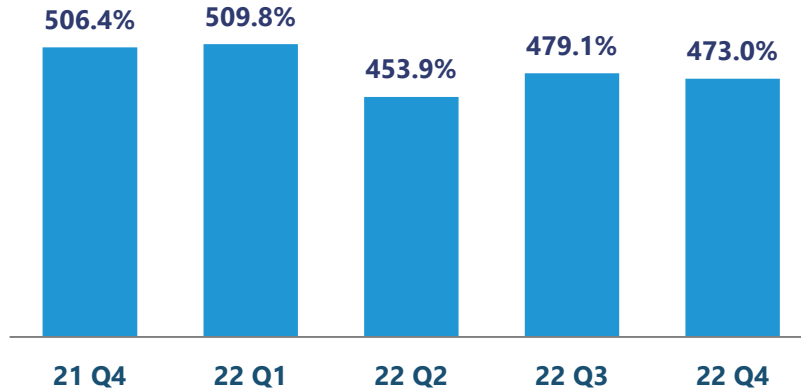
Net Cost of Risk⁽²⁾



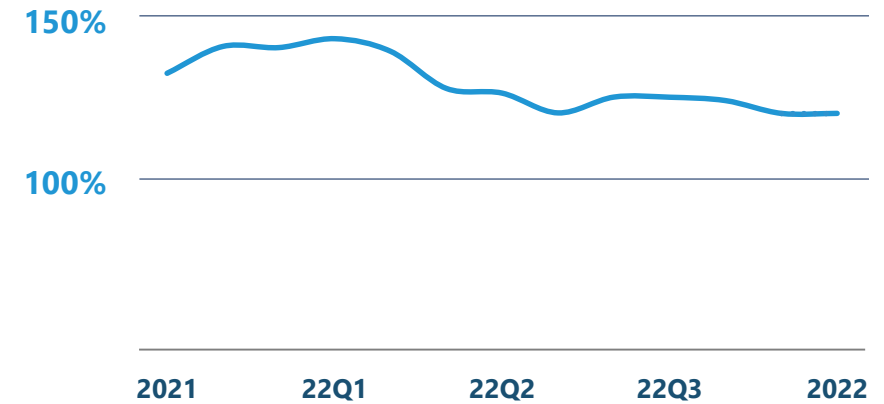
(*) LYY write down impact of 3.9 bn TL is netted both from additions and collections.
 (1) Net NPL Formation / Average Performing Loans
 (2) (Stage 1+2+3 Expected Credit Losses-Reversals) / Average Performing Loans. See appendix for details.

► Strong Liquidity

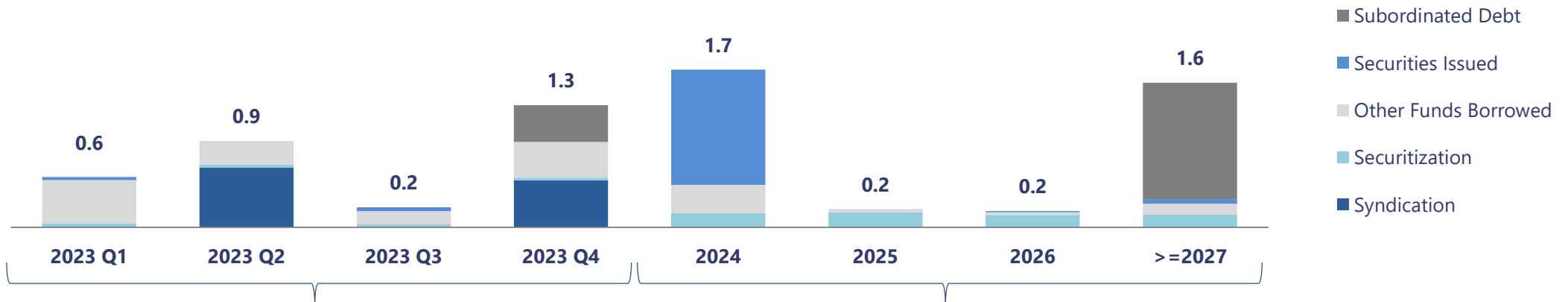
FX Liquidity Coverage Ratio (quarterly average)



Net Stable Funding Ratio



Maturity Profile of FX Wholesale Funding (bn. USD)



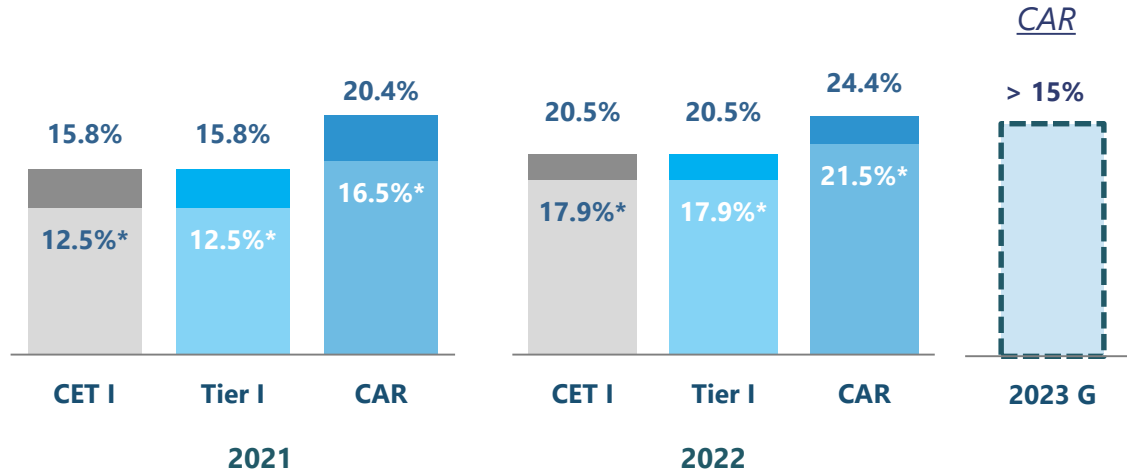
Short Term FX Liabilities: 3.0 billion USD⁽¹⁾

Long Term FX Liabilities: 3.7 billion USD

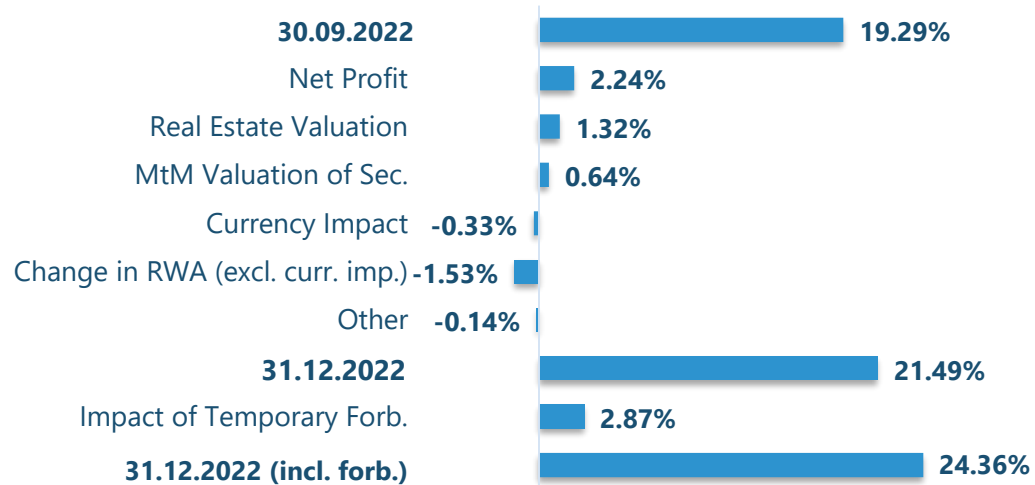
(1) Excluding repo transactions

► Comfortable Capital Buffers

Capital Ratios



Change in Capital Adequacy Ratio



Minimum Capital Requirements (2022, %)

	Bank-Only
CET 1 Ratio	7.06
Tier 1 Ratio	8.56
CAR	10.56

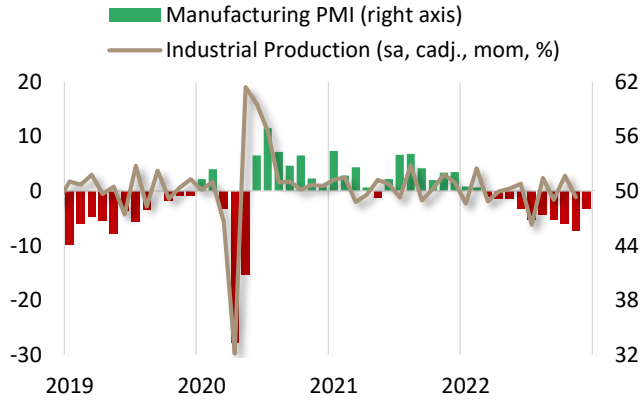
Excess Capital

Excess Capital (TL mn)	Reported	Without Forbearance
CET 1 Ratio	126,469	113,942
Tier 1 Ratio	112,364	98,190
CAR	129,760	114,782

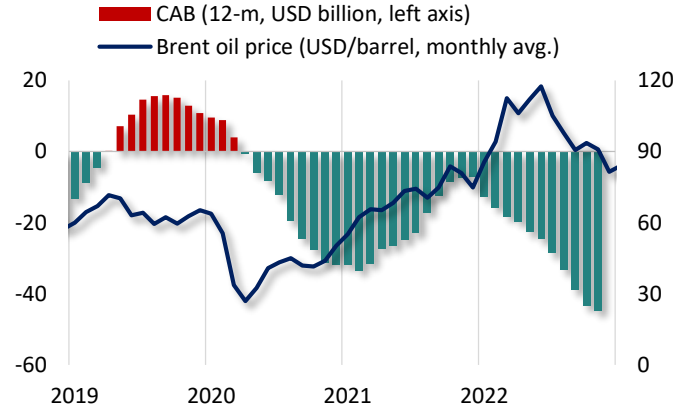
Guidance	
TL Loan Growth	>40%
Return on Average Equity	~30%
Net Interest Margin (swap adj.)	>5%
Net Fees & Commissions Growth	~80%
OPEX Growth	~80%
NPL Ratio	<3%
Net Cost of Risk	~150 bps
Capital Adequacy Ratio (w/o forbearance)	>15%

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- **Page 17 - Strong Focus on Digitalisation**
- **Page 18 - Sustainability Structure**
- **Page 19 - Sustainability Achievements**
- **Page 20 - Privileged Position – Excellence In All Areas**
- **Page 21 - Net Cost of Risk**
- **Page 22 – Decomposition of OPEX**
- **Page 23 - Asset Structure**
- **Page 24 - Loans**
- **Page 25 - Liabilities Structure**
- **Page 26 - Deposits**
- **Page 27 - Income Statement Highlights**
- **Page 28 - Fees & Commissions Income**

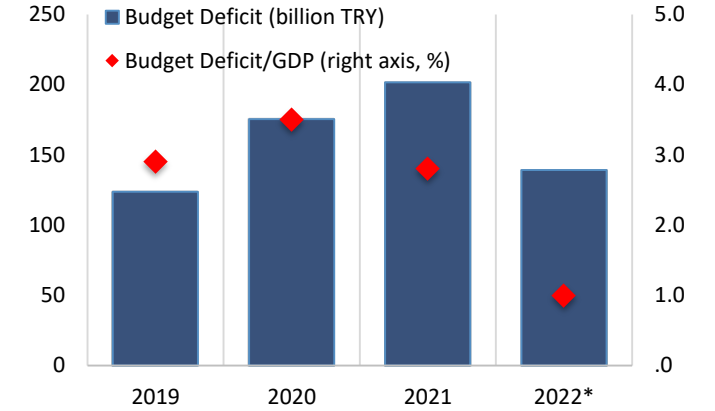
Economic Activity



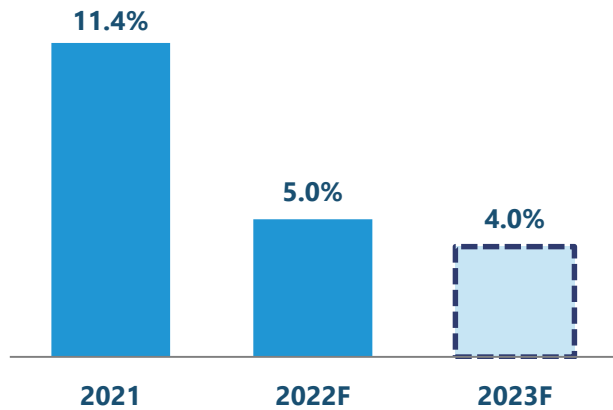
Current Account Balance



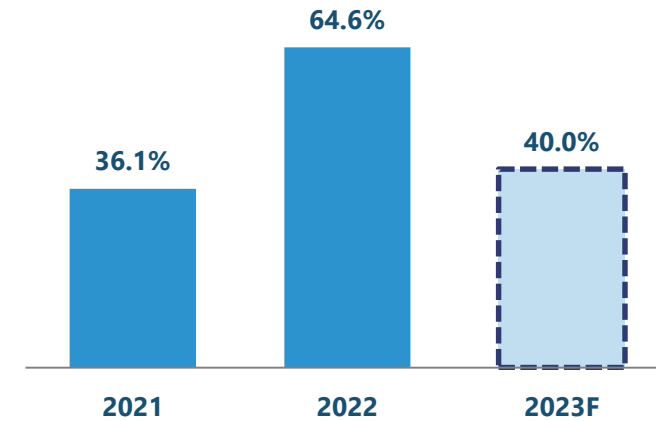
Budget Deficit



Real GDP Growth

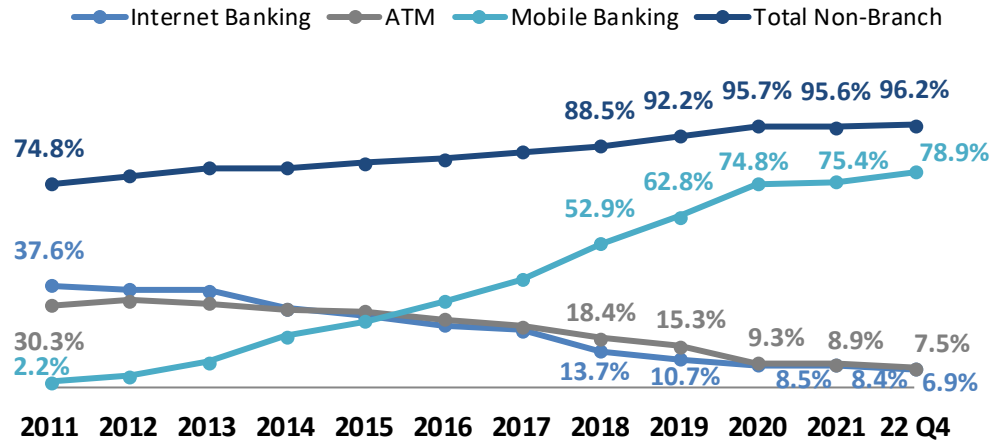


CPI Inflation

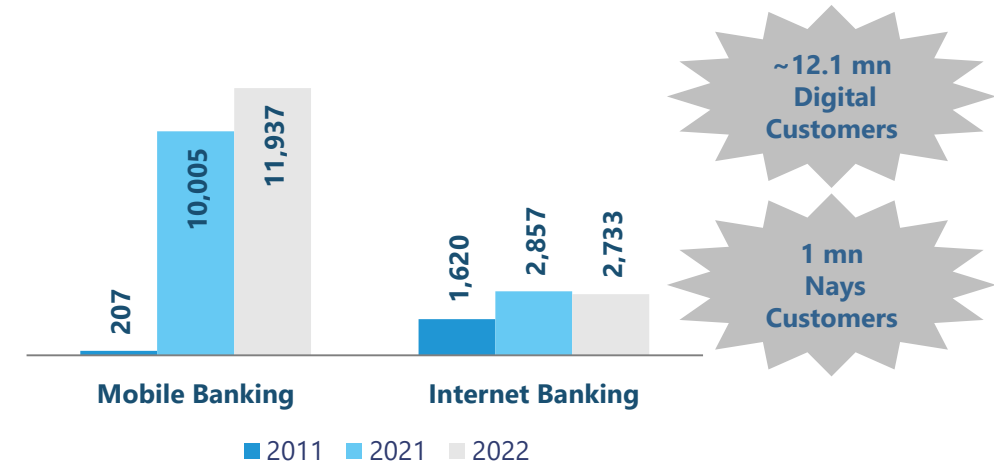


► Strong Focus on Digitalisation

Evolution of Share of Transactions per Channel



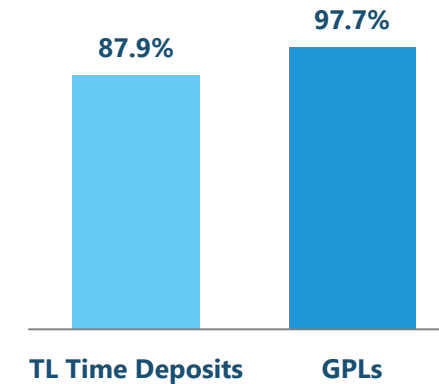
Digital Banking - Number of Digital Customers ('000)



Mobile Banking Market Shares⁽¹⁾

# Transactions	
Investment	28.1%
Credit Cards	14.9%
Money Transfer	10.7%
Payment	10.7%

Share of Digital Channels in Retail Sales⁽²⁾



(1) Source: The Banks Association of Turkey, as of 2022 Q3

(2) Number of sales in 2022 Q4

Environment

Strong support for the transition to net zero carbon economy...

- Net-Zero Banking Alliance (NZBA) commitment
- TL 300 bn sustainable loan pledge until 2026
- Share of RE projects /Energy generation portfolio 77%
- TL 2.3 bn ESG - mutual funds
- E&S risk analysis / Due Diligence investment projects / Portfolio
- Activities not Financed (coal and natural-gas phase out)

Social

**Financial inclusion, gender equality,
strong employee rights...**

- **TL 100 bn** financing pledge for women entrepreneurs in 5 years
- Main sponsor - **ARYA Women Investment Platform**
- Collaboration with TÜRKONFED & UN Women - **WeLead Project**
- Financial literacy for farmers - **IMECEMobil**
- Support for SMEs digital transformation - **DijiKolay**
- **Bloomberg Gender Equality Index (GEI)**
 - Female employees **54.91%**
 - Female managers **42.58%**
 - Return from maternity leave **99.71%**
 - Unionized employees **97.48%**
 - Turnover rate **1.90%**

Governance

Senior level commitment in sustainability governance...

- Sustainability Committee - Sustainability Leader
- Climate Change Risk Management – Climate Heatmap & Scenario Analysis



- **Board Diversity Policy**
- **30% Club**



► Sustainability Achievements

National and international initiatives ...



Reporting & awards...

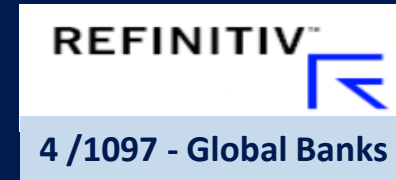


With 2021 Integrated Annual Report

- "Platinum Award" & "Best-in-House Report" at LACP
- "Silver Award" at Stevie IBA



ESG ratings & indices...



- Climate Change Leadership Category «A-»
- Water Security Management Category «B»



Environment-friendly buildings

- All locations covered by ISO 14001:2015 (As of 31.12.2022)
- Head Office Building - the BREEAM In-use Excellent certificate
- Tuzla Technology and Operations Center (TUTOM) - LEED Gold certificate
- Atlas Data Center - LEED v4 Gold certificate



- Bank of the Year
- The Best Consumer Digital Bank in Türkiye
- Best Digital Bank of the Year in CEE
- The Most Innovative Financial Institution of the Year
- The Most Creative Financial Institution of the Year



► Net Cost of Risk

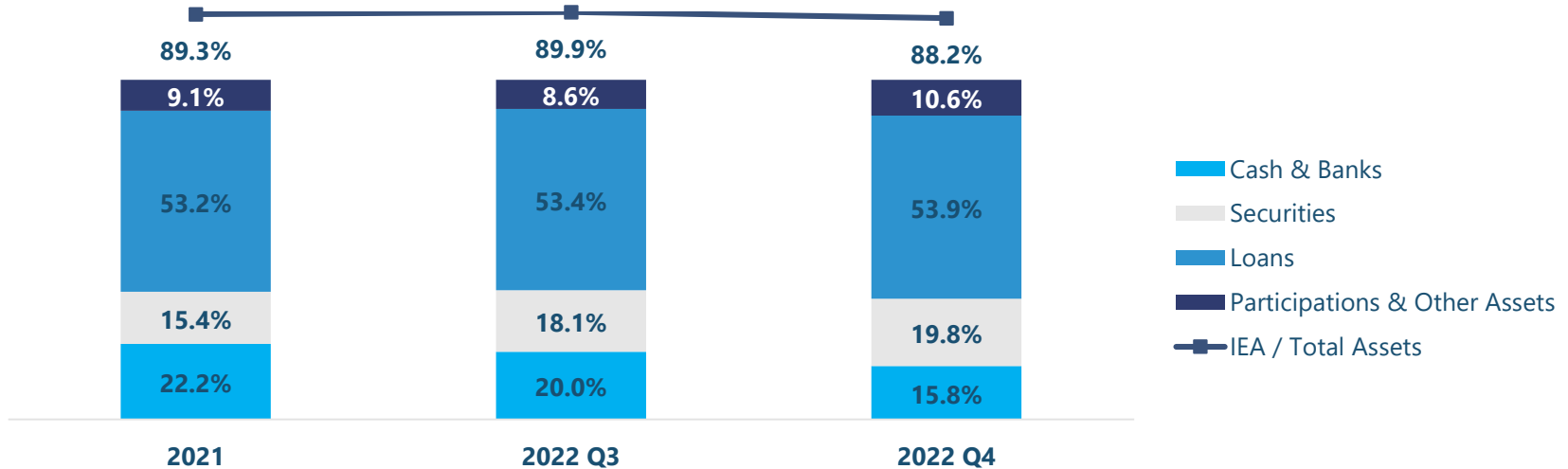
Provisions (TL mn)	Q1	Q2	Q3	Q4	2022 12M
Stage 1	193	93	379	245	910
Stage 2	674	909	189	-1,119	653
Stage 3	1,315	1,960	3,926	1,272	8,473
Reversals (TL mn) (-)	Q1	Q2	Q3	Q4	2022 12M
Stage 1+2	383	68	0	10	461
Stage 3	828	1,554	587	724	3,692
Net CoR *	76 bps	92 bps	236 bps	-19 bps	95 bps
<i>Currency Impact</i>	<i>82 bps</i>	<i>93 bps</i>	<i>55 bps</i>	<i>6 bps</i>	<i>38 bps</i>
Net CoR (exc. currency impact) *	-6 bps	-1 bps	181 bps	-25 bps	57 bps

► Decomposition of OPEX

(TL thousand)	2022 Q3	2022 Q4	Δ QoQ	2021 12M	2022 12M	Δ YoY
HR Expenses	3,595,504	4,901,878	%36.3	6,366,681	15,095,648	%137.1
Non-HR expenses	4,948,200	5,344,536	%8.0	9,545,008	18,933,630	%98.4
Advertisement & Marketing	158,318	246,280	%55.6	286,996	677,733	%136.1
IT and R&D	436,832	608,417	%39.3	690,852	1,045,249	%51.3
Rental Expenses	42,102	46,267	%9.9	116,435	154,605	%32.8
Maintenance	101,036	142,205	%40.7	237,531	398,243	%67.7
Depreciation	435,883	564,161	%29.4	1,021,310	1,664,909	%63.0
Provision for pension fund	800,000	-915,314	-%214.4	1,858,944	2,284,686	%22.9
Other	2,974,029	4,652,520	%56.4	5,332,940	12,708,205	%138.3
TOTAL	8,543,704	10,246,414	%19.9	15,911,689	34,029,278	%113.9

► Asset Structure

(TL mn.)	2021	2022 Q3	2022 Q4	Δ QoQ	Δ YoY
Cash & Banks	206,053	257,576	221,964	-13.8%	7.7%
Securities (Net)	142,653	233,314	278,281	19.3%	95.1%
Loans	493,378	689,192	759,289	10.2%	53.9%
Participations (Net)	39,461	58,622	79,859	36.2%	102.4%
Fixed Assets (Net)	11,278	14,176	22,312	57.4%	97.8%
Other Assets	33,746	38,075	46,616	22.4%	38.1%
Total Assets	926,569	1,290,955	1,408,323	9.1%	52.0%
TL Assets	441,121	684,321	831,511	21.5%	88.5%
FX Assets	485,448	606,634	576,812	-4.9%	18.8%
FX Assets (USD mn.)	37,100	32,996	30,928	-6.3%	-16.6%



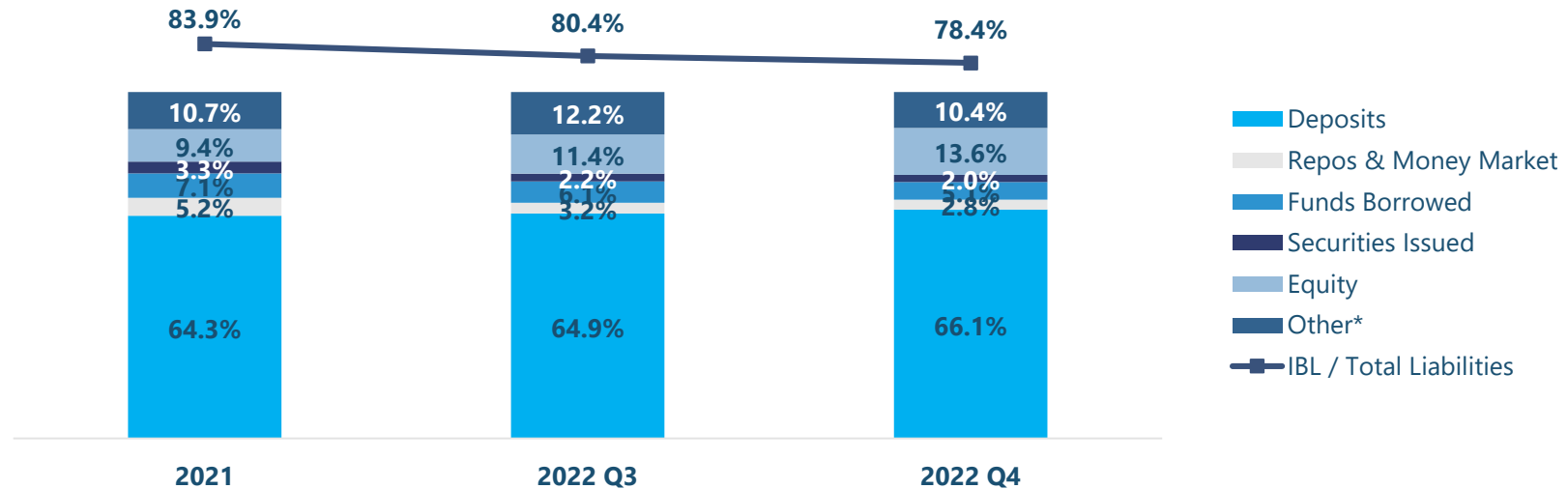
(TL mn.)	2021	2022 Q3	2022 Q4	Δ QoQ	Δ YoY
Total Loans	493,378	689,192	759,289	10.2%	53.9%
TL Loans	267,983	400,279	470,430	17.5%	75.5%
Retail Loans	109,658	144,272	176,523	22.4%	61.0%
Housing Loans	24,314	26,468	29,122	10.0%	19.8%
Auto Loans	1,229	2,849	3,952	38.7%	221.6%
GPLs ⁽¹⁾	59,695	72,793	85,144	17.0%	42.6%
Credit Card Loans	24,420	42,162	58,305	38.3%	138.8%
Non-Retail Loans	158,324	256,007	293,907	14.8%	85.6%
SME Loans ⁽²⁾	80,821	130,505	150,596	15.4%	86.3%
Commercial and Corporate Loans	77,503	125,502	143,311	14.2%	84.9%
FX Loans	225,396	288,913	288,859	0.0%	28.2%
SME Loans ⁽²⁾	11,766	14,712	13,917	-5.4%	18.3%
Commercial and Corporate Loans	213,629	274,201	274,942	0.3%	28.7%
FX Loans (USD mn.)	17,225	15,715	15,488	-1.4%	-10.1%
SME Loans ⁽²⁾	899	800	746	-6.7%	-17.0%
Commercial and Corporate Loans	16,326	14,914	14,742	-1.2%	-9.7%

(1) Including overdraft accounts

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

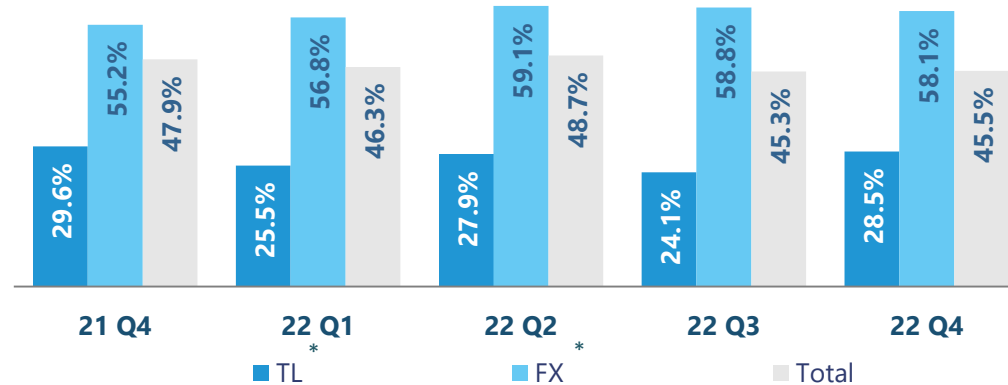
► Liabilities Structure

(TL mn.)	2021	2022 Q3	2022 Q4	Δ QoQ	Δ YoY
Deposits	595,628	837,731	931,077	11.1%	56.3%
REPOs & Money Market	48,235	41,336	40,099	-3.0%	-16.9%
Funds Borrowed	65,651	78,697	71,455	-9.2%	8.8%
Securities Issued	30,636	28,756	28,314	-1.5%	-7.6%
Other	99,579	157,768	146,001	-7.5%	46.6%
Equity	86,839	146,667	191,376	30.5%	120.4%
Total Liabilities & Equity	926,569	1,290,955	1,408,323	9.1%	52.0%
TL Liabilities	355,634	595,634	709,747	19.2%	99.6%
FX Liabilities	570,935	695,321	698,575	0.5%	22.4%
FX Liabilities (USD bn.)	43,633	37,820	37,457	-1.0%	-14.2%



(TL mn.)	2021	2022 Q3	2022 Q4	Δ QoQ	Δ YoY
Total Deposits	595,628	837,731	931,077	11.1%	56.3%
TL Deposits	167,618	324,341	386,134	19.1%	130.4%
TL Saving Deposits	111,574	206,844	222,123	7.4%	99.1%
TL Commercial Deposits	48,628	107,762	154,177	43.1%	217.1%
Other TL Deposits	7,416	9,735	9,834	1.0%	32.6%
FX Deposits	428,010	513,390	544,943	6.1%	27.3%
FX Deposits (USD mn.)	32,710	27,924	29,219	4.6%	-10.7%
<i>Demand Deposits</i>	<i>285,308</i>	<i>379,749</i>	<i>423,357</i>	<i>11.5%</i>	<i>48.4%</i>

Share of Demand Deposits



► Income Statement Highlights

(TL mn.)	2022 Q3	2022 Q4	Δ QoQ	2021 12M	2022 12M	Δ YoY
Net Interest Income	20,449	22,125	8.2%	30,941	75,203	143.1%
(-) SWAP Cost ⁽¹⁾	2,809	2,028	-27.8%	13,056	11,455	-12.3%
<i>Net Interest Income Incl. Swap Cost</i>	<i>17,640</i>	<i>20,097</i>	<i>13.9%</i>	<i>17,885</i>	<i>63,749</i>	<i>256.4%</i>
Net Fees & Commissions	4,203	5,403	28.5%	7,620	16,147	111.9%
Net Trading Gains/Losses	1,214	2,528	108.3%	-5,149	4,523	187.8%
<i>Net Trading Gains/Losses Excl. Swap Cost</i>	<i>4,023</i>	<i>4,556</i>	<i>13.3%</i>	<i>7,907</i>	<i>15,977</i>	<i>102.1%</i>
Other Operating Income	982	1,478	50.5%	4,422	6,119	38.4%
(-) Stage 1+2 Provision Reversals	0	10	NM	755	461	-39.0%
(-) Refund of the Administrative Fine	0	0	NM	0	110	NM
Total Operating Income	26,849	31,533	17.4%	37,834	101,992	169.6%
HR Expenses	3,596	4,902	36.3%	6,367	15,096	137.1%
Non-HR Expenses	4,948	5,345	8.0%	9,545	18,934	98.4%
(-) Provision for Pension Fund	800	-915	NM	1,859	2,285	22.9%
Total Operating Expenses	8,544	10,246	19.9%	15,912	34,029	113.9%
Operating Profit	18,305	21,287	16.3%	21,923	67,963	210.0%
Stage 3 Expected Credit Losses	3,926	1,272	-67.6%	5,808	8,473	45.9%
Stage 1+2 Expected Credit Losses	568	-874	NM	5,029	1,563	-68.9%
Other Provision Charges	58	2,786	NM	3,613	5,768	59.7%
(-) Free Provisions	0	2,000	NM	1,200	4,400	266.7%
Total Provision Charges	4,552	3,184	-30.0%	14,450	15,804	9.4%
Income from Participations	4,760	10,485	120.3%	8,003	21,791	172.3%
Tax Provisions	3,475	5,060	45.6%	2,008	12,411	518.1%
Net Income	15,038	23,528	56.5%	13,468	61,538	356.9%

► Fees & Commissions Income

(TL thousand)	2022 Q3	2022 Q4	Δ QoQ	2021 12M	2022 12M	Δ YoY
Cash Loans	857,612	1,214,978	41.7%	1,356,507	3,469,103	155.7%
Non-Cash Loans	584,961	670,605	14.6%	1,290,449	2,255,973	74.8%
Payment Systems	1,685,610	1,982,820	17.6%	2,851,820	6,210,540	117.8%
Asset Management	412,170	686,722	66.6%	915,578	1,649,822	80.2%
Money Transfer	416,298	469,485	12.8%	744,404	1,557,397	109.2%
Bancassurance	248,515	424,145	70.7%	487,282	1,070,235	119.6%
Total Fees & Commissions Income (Net)	4,203,270	5,402,831	28.5%	7,619,945	16,146,898	111.9%
Total Fees & Commissions Income (Gross)	5,578,823	6,532,418	17.1%	9,742,778	20,770,884	113.2%

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