



**ISBANK
EARNINGS
PRESENTATION
1H 2015**

2Q-2015 Recent Developments in the Economy

Global Outlook

US

- Pick-up in the US economic activity during 2Q
- An increased probability of a September rate hike
- Diverging monetary policies & strengthening dollar

EZ

- Heightened uncertainty over Greece
- Growing risks to economic outlook in Euro zone
- Accommodative monetary policy stance

EM

- Slowdown in emerging economies
- Elevated geopolitical risks
- Instability in Chinese financial markets & plunge in commodity prices

Domestic Outlook

☐ Moderate economic growth

- Gradual recovery in domestic demand since 4Q 2014
- Deceleration in exports parallel to the ongoing weaknesses in Turkey's main export markets as well as a decline in €//\$ parity
- Structural transformation program and incentives to boost growth

☐ Sustained fiscal discipline

☐ Mild improvement in inflation

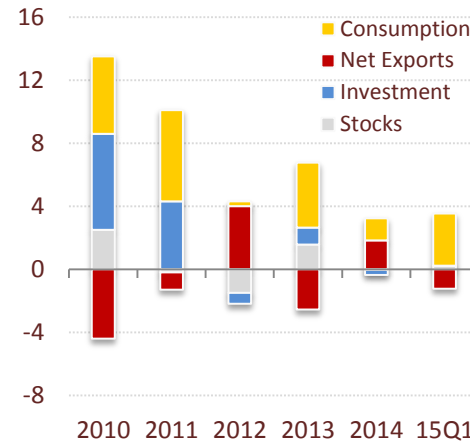
- Correction in food prices
- Lower inflation outlook on the back of the sliding oil prices

☐ Concerns over political uncertainties

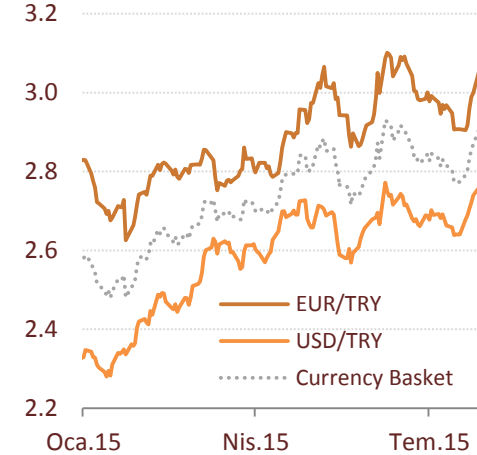
- The end of single-party era after the general elections
- Cautious monetary policy stance of CBRT

Economic Indicators of Turkey

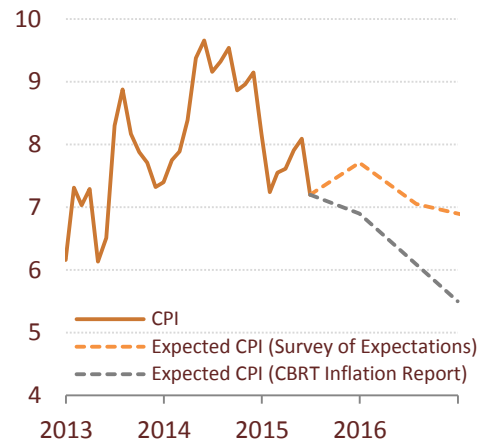
Contributions to GDP (% points)



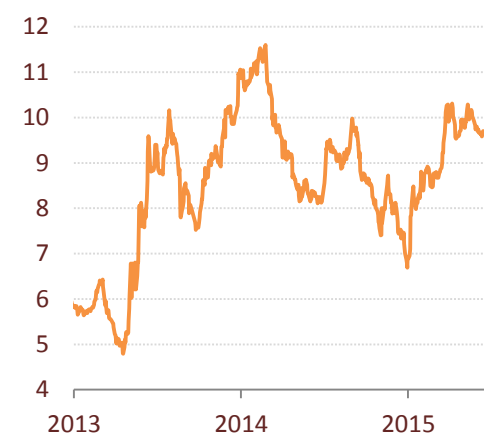
Exchange Rates



Annual Inflation and Inflation Expectations (%)



Compound Yield of 2 Year Benchmark Bond (%)



Period's Highlights

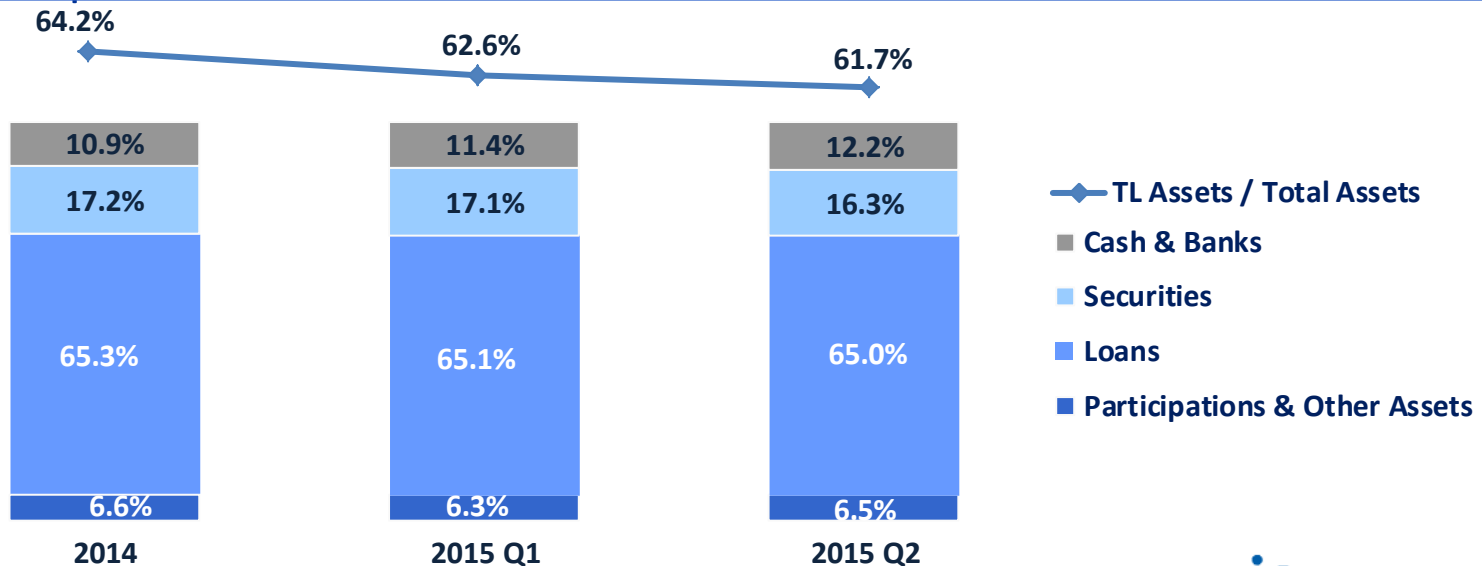
- Higher TL funding costs; however a slight increase in NIM as a result of higher FX funding contribution
- NII is up by 10% on a QoQ basis supported by volume growth and funding mix.
- 7.8% QoQ and 17.4% YoY growth in net fees and commissions
- Dividends received continued to make contribution to the bottom line.
- Lower provisioning requirement with gross specific CoR declining from 99 bps in Q1 to 74 bps in Q2
- 7.2% quarterly TL loan growth, which is at a faster pace compared to Q1
- Net NPL formation slightly declined to 69 bps in Q2.

Asset Structure

Assets

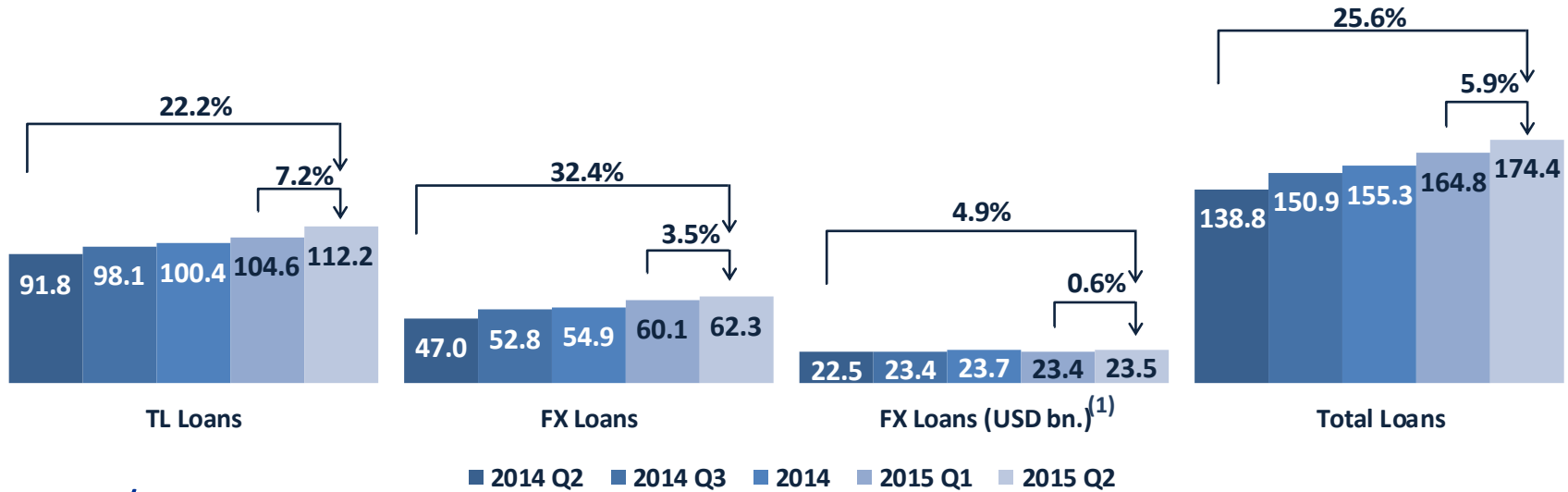
(TL mn.)	2014	2015 Q1	2015 Q2	Δ QoQ	Δ YtD
Cash & Banks	26,000	28,849	32,761	13.6%	26.0%
Securities (Net)	40,856	43,341	43,770	1.0%	7.1%
Loans	155,315	164,759	174,428	5.9%	12.3%
Participations (Net)	9,625	9,287	9,988	7.5%	3.8%
Fixed Assets (Net)	2,236	2,284	2,296	0.5%	2.7%
Other Assets	3,739	4,410	5,027	14.0%	34.4%
Total Assets	237,772	252,931	268,271	6.1%	12.8%
TL Assets	152,755	158,269	165,410	4.5%	8.3%
FX Assets	85,017	94,662	102,862	8.7%	21.0%
FX Assets (USD mn.)	36,740	36,833	38,889	5.6%	5.8%

Asset Composition

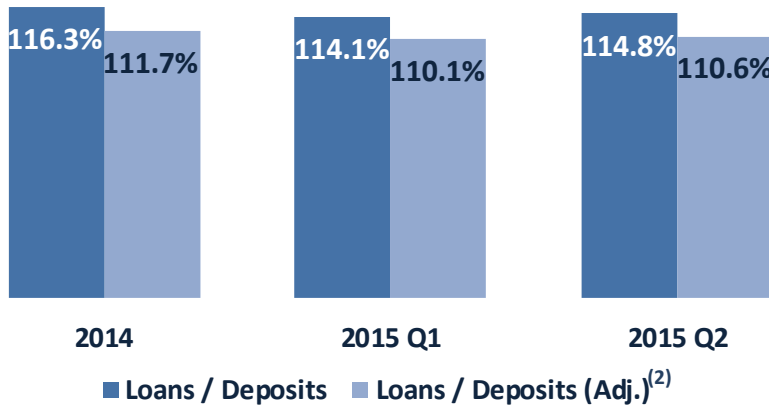


Loan Portfolio

Loans (TL bn.)



Loans/Deposits



- Share of loans in total assets is 65%.
- Comfortable level of Loans/Deposits ratio
- Adjusted Loans/Deposits ratio⁽²⁾ is 110.6%.

(1) FX loans expressed in USD equivalent.

(2) TL securities issued added to deposits.

Loan Portfolio

Loans

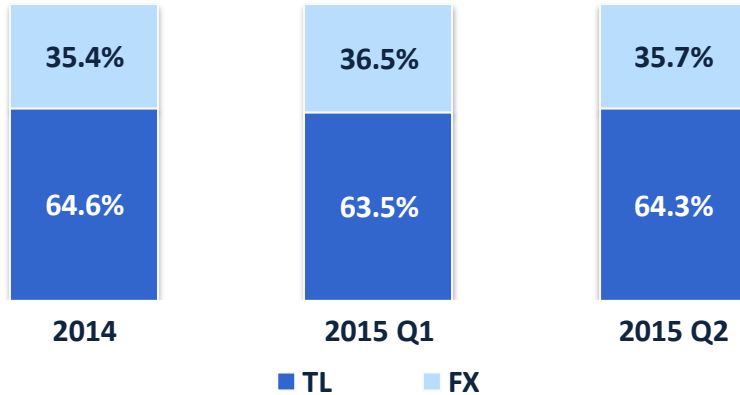
(TL mn.)	2014	2015 Q1	2015 Q2	Δ QoQ	Δ YtD
Total Loans	155,315	164,759	174,428	5.9%	12.3%
TL Loans	100,404	104,618	112,153	7.2%	11.7%
Retail Loans	42,415	44,440	46,331	4.3%	9.2%
Housing Loans	13,598	14,322	15,535	8.5%	14.2%
Auto Loans	952	898	876	-2.4%	-7.9%
GPLs ⁽¹⁾	18,767	20,037	20,391	1.8%	8.7%
Credit Card Loans	9,099	9,184	9,528	3.7%	4.7%
Non-Retail Loans	57,989	60,177	65,822	9.4%	13.5%
SME Loans ⁽²⁾	34,767	37,216	40,889	9.9%	17.6%
Commercial and Corporate Loans	23,222	22,961	24,933	8.6%	7.4%
FX Loans	54,911	60,141	62,275	3.5%	13.4%
SME Loans ⁽²⁾	2,133	2,383	2,469	3.6%	15.8%
Commercial and Corporate Loans	52,779	57,759	59,807	3.5%	13.3%
FX Loans (USD mn.)	23,730	23,401	23,545	0.6%	-0.8%
SME Loans ⁽²⁾	922	927	933	0.7%	1.3%
Commercial and Corporate Loans	22,808	22,474	22,611	0.6%	-0.9%

(1) Including overdraft accounts

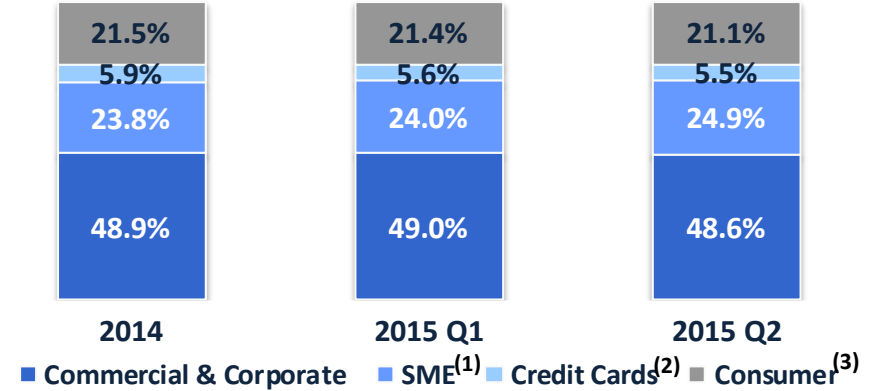
(2) SME definition includes companies with number of employees < 250 and turnover or total assets <= TL 40 mn.

Loan Composition

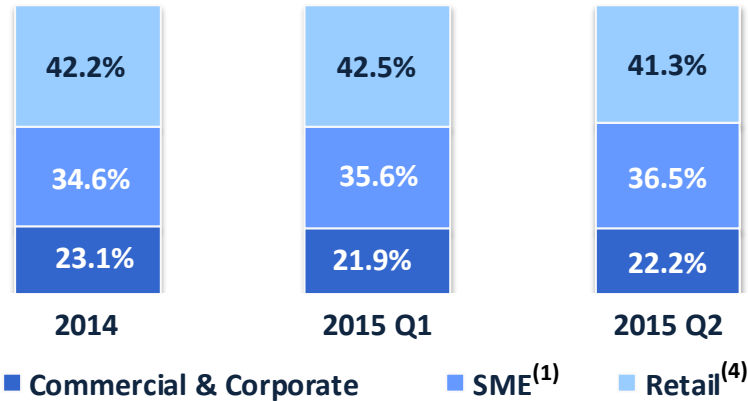
Currency Mix



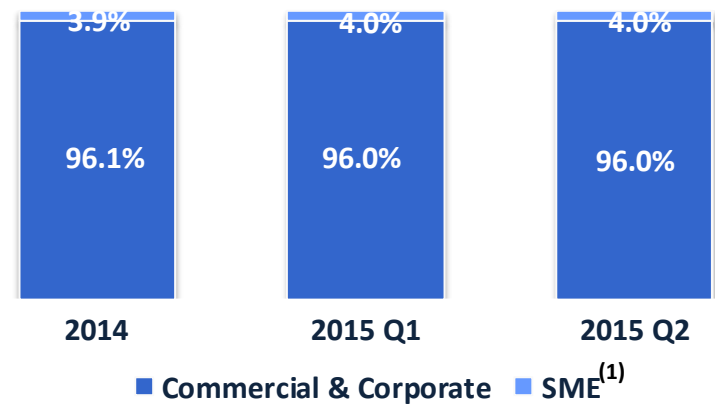
Loan Composition - Total Loans



Loan Composition - TL Loans



Loan Composition - FX Loans



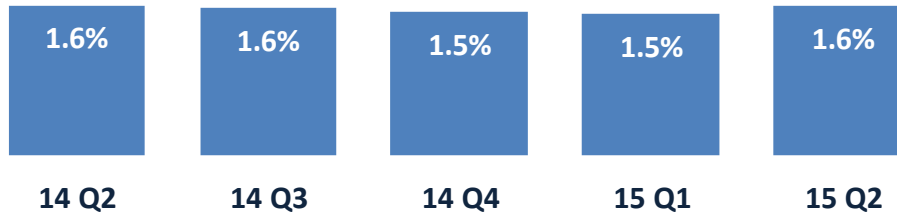
(1) SME definition includes companies with number of employees < 250 and turnover or total assets <= TL 40 mn.

(2) Shows retail credit card balances only

(3) Including retail overdraft accounts

(4) Including retail credit cards and overdraft accounts

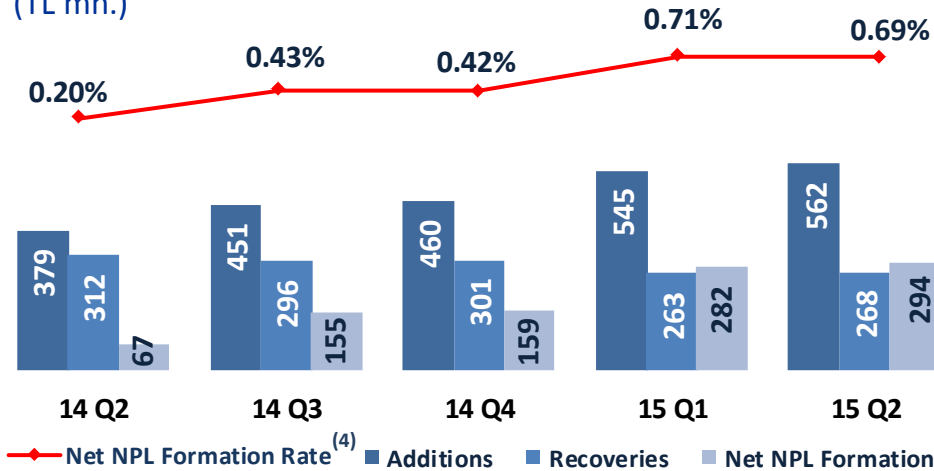
NPL Ratio



- Gross CoR⁽¹⁾ is 86 bps as of 2015 Q2.
- Coverage ratio is 76.1%.
- 22.9% collection rate⁽²⁾ as of 2015 Q2

NPL Trends⁽³⁾

(TL mn.)



NPL Sales (TL thousand)

Period	Amount	Revenue
13 Q1	-	-
13 Q2	87,849	10,430
13 Q3	-	-
13 Q4	163,865	32,041
14 Q1	-	-
14 Q2	272,517	44,017
14 Q3	-	-
14 Q4	217,861	22,272
15 Q1	189,224	29,091
15 Q2	-	-

(1) Specific Provisions / Average Loans

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

(3) Calculations are on quarterly basis.

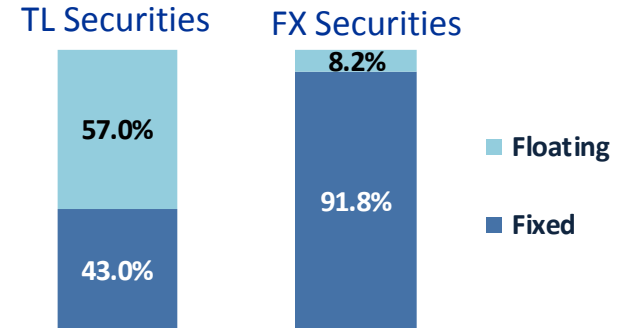
(4) Net NPL Formation / Average Loans

Securities Portfolio

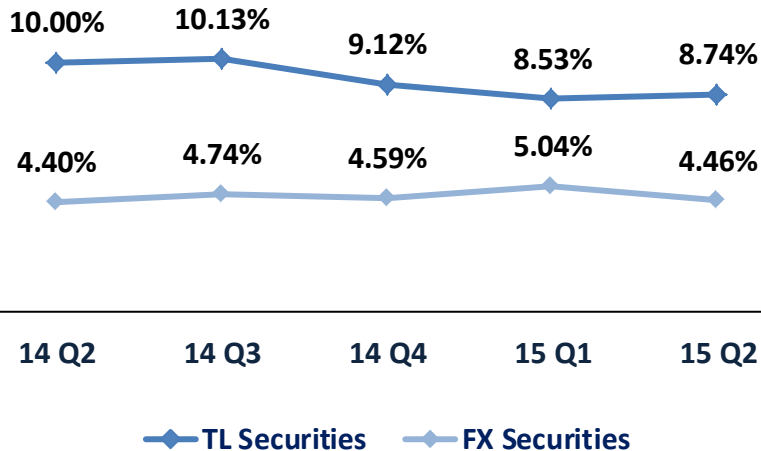
Securities

(TL mn.)	2014	2015 Q1	2015 Q2	Δ QoQ	Δ YTD
Total Securities	40,856	43,341	43,770	1.0%	7.1%
TL Securities	33,573	35,500	34,799	-2.0%	3.7%
FX Securities	7,283	7,841	8,971	14.4%	23.2%
FX Securities (USD mn)	3,147	3,051	3,392	11.2%	7.8%

Composition of Securities



Yield of Securities (Quarterly)



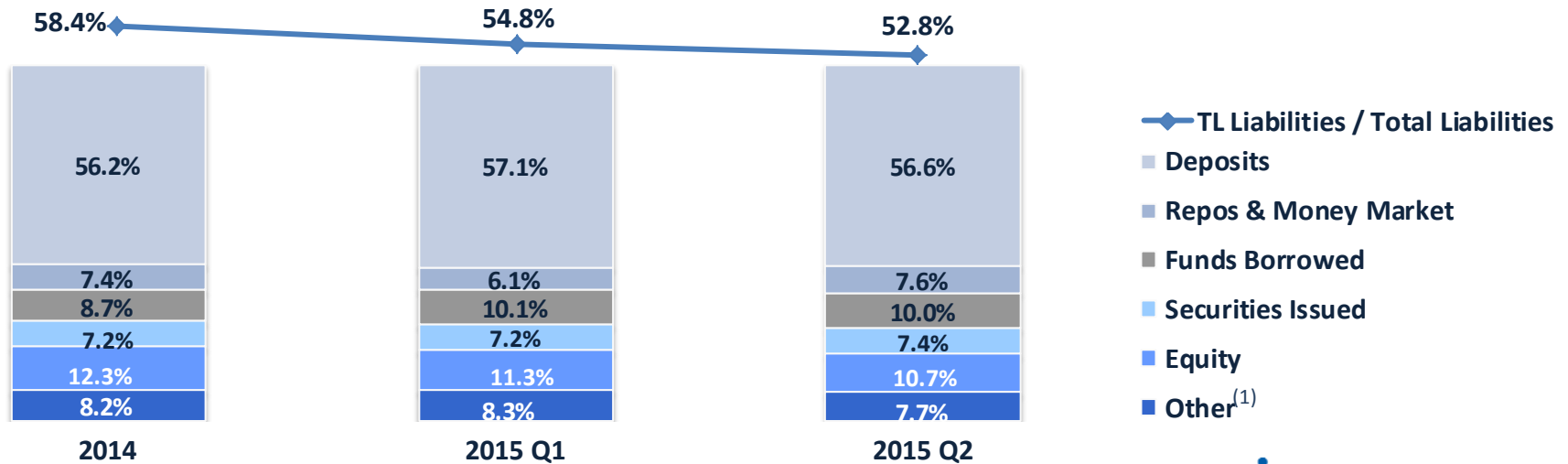
- 27.3% share of CPI linkers in total portfolio
- 259 mn. TL interest revenue and 8.89% quarterly yield on CPI linkers portfolio
- MtM differences for available for sale portfolio is TL-606 mn.
- Average durations:
 - 1.79 years for TL Securities
 - 5.80 years for FX Securities

Liabilities Structure

Liabilities

(TL mn.)	2014	2015 Q1	2015 Q2	Δ QoQ	Δ YtD
Deposits	133,551	144,363	151,885	5.2%	13.7%
REPOs & Money Market	17,696	15,414	20,265	31.5%	14.5%
Funds Borrowed	20,669	25,437	26,953	6.0%	30.4%
Securities Issued	17,154	18,114	19,727	8.9%	15.0%
Other ⁽¹⁾	19,391	21,092	20,613	-2.3%	6.3%
Equity	29,311	28,511	28,828	1.1%	-1.6%
Total Liabilities & Equity	237,772	252,931	268,271	6.1%	12.8%
TL Liabilities	138,762	138,588	141,539	2.1%	2.0%
FX Liabilities	99,010	114,343	126,733	10.8%	28.0%
FX Liabilities (USD bn.)	42,787	44,491	47,914	7.7%	12.0%

Liabilities Composition



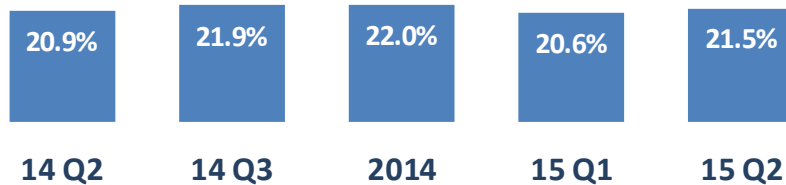
(1) Includes subordinated debt of USD 1.4 bn.

Deposits

Deposits

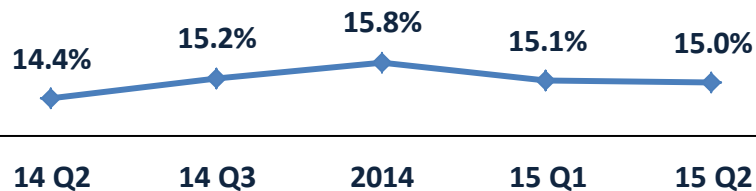
(TL mn.)	2014	2015 Q1	2015 Q2	Δ QoQ	Δ YtD
Total Deposits	133,551	144,363	151,885	5.2%	13.7%
TL Deposits	72,986	74,750	71,560	-4.3%	-2.0%
TL Saving Deposits	50,042	51,654	51,499	-0.3%	2.9%
TL Commercial Deposits	14,582	15,578	14,160	-9.1%	-2.9%
Other TL Deposits	8,362	7,519	5,902	-21.5%	-29.4%
FX Deposits	60,566	69,613	80,325	15.4%	32.6%
FX Deposits (USD mn.)	26,174	27,087	30,369	12.1%	16.0%
Demand Deposits	29,431	29,768	32,608	9.5%	10.8%

Demand Deposits / Total Deposits



- Deposits make up 56.6% of total liabilities.
- Share of demand deposits in total deposits is 21.5%. (In TL deposits, the share is 22.9%.)*

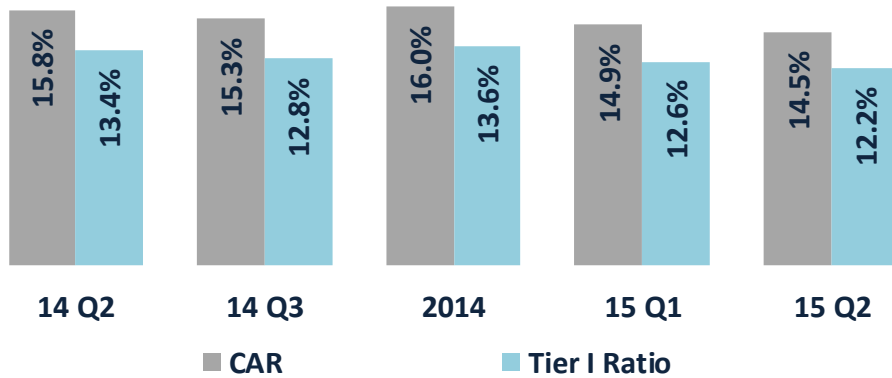
Demand Deposits Market Share



(*) Excluding interbank deposits

Sufficient Capitalization

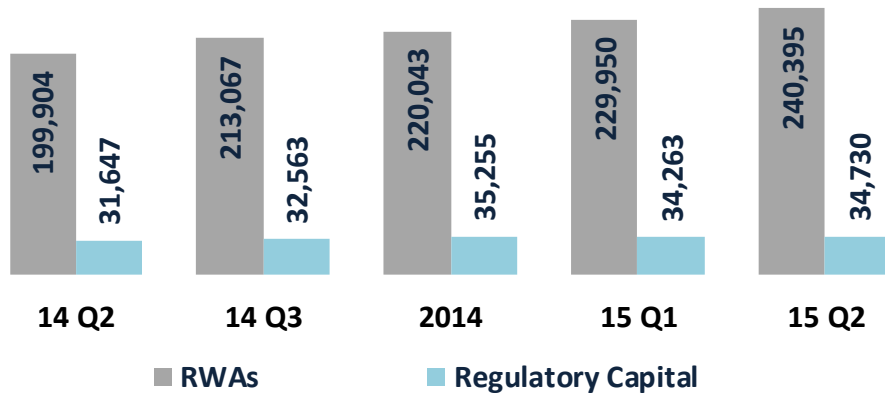
Capital Adequacy Ratio



- Capital adequacy ratio is well above the regulatory limit.
- Comfortable level of capital

RWAs vs. Regulatory Capital

(TL mn.)



Income Statement Highlights

(TL mn.)	2015 Q1	2015 Q2	Δ QoQ	2014 H1	2015 H1	Δ YoY
<i>Interest Income</i>	4,393	4,644	5.7%	7,749	9,037	16.6%
<i>Interest Expense</i>	2,443	2,498	2.2%	4,277	4,941	15.5%
Net Interest Income	1,950	2,146	10.0%	3,471	4,096	18.0%
Net Fees & Commissions	551	593	7.8%	975	1,144	17.4%
Net Trading Gains/Losses	22	-178	NM	-112	-156	-38.9%
Dividends Received	161	394	144.9%	595	555	-6.7%
Released Provisions ^(*)	385	141	-63.2%	622	526	-15.5%
Gains on Asset Sales	8	15	90.9%	22	23	1.4%
Other Operating Income	26	29	11.4%	63	54	-14.3%
Total Operating Income	3,101	3,141	1.3%	5,636	6,242	10.7%
Personnel Expenses	611	693	13.5%	1,188	1,304	9.8%
Other Operational Expenses	384	464	20.8%	733	849	15.7%
Depreciation & Amortization	91	93	2.2%	166	184	10.6%
Other Expenses ^(*)	263	296	12.5%	665	559	-16.0%
Total Operating Expenses	1,349	1,546	14.6%	2,752	2,895	5.2%
Operating Profit	1,752	1,594	-9.0%	2,884	3,347	16.0%
Loan Loss Provisions	396	314	-20.7%	498	711	42.7%
General and Other Provision Charges ^(*)	236	207	-12.1%	349	443	26.7%
Total Provision Charges (Excluding Tax Provisions)	632	522	-17.5%	848	1,154	36.1%
Tax Provisions	208	165	-20.8%	392	373	-4.7%
Net Income	912	908	-0.5%	1,645	1,820	10.7%

(*) See Appendix-2 for non-recurring and other items on page 19.

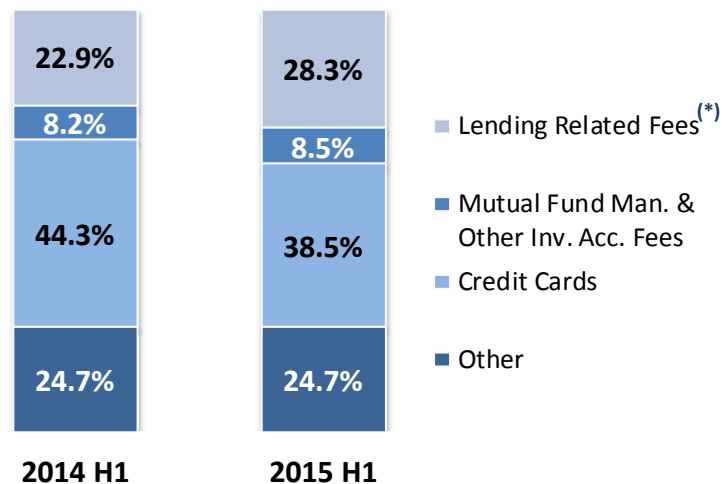
NM: Not meaningful

- QoQ and annual growth in NII and net fees & commissions income
- 10.7% yearly bottom-line growth

Commissions Income Performance

(TL thousand)	2015 Q1	2015 Q2	Δ QoQ	2014 H1	2015 H1	Δ YoY
Non-Cash Loans	81,420	100,062	22.9%	132,873	181,482	36.6%
Cash Loans ^(*)	74,317	68,257	-8.2%	90,034	142,574	58.4%
Mutual Fund Man. & Other Inv. Acc. Fees	47,985	49,084	2.3%	79,622	97,069	21.9%
Credit Cards (Net)	204,064	236,372	15.8%	431,752	440,436	2.0%
Fund Transfer (Net)	58,905	61,930	5.1%	95,648	120,835	26.3%
Insurance	34,194	32,249	-5.7%	42,548	66,443	56.2%
Account Keeping Fees	28,500	37,116	30.2%	72,451	65,616	-9.4%
Other	21,166	8,275	-60.9%	29,598	29,441	-0.5%
Total Fees & Commissions Income (Net)	550,551	593,346	7.8%	974,526	1,143,897	17.4%
Total Fees & Commissions Income (Gross)	635,653	697,712	9.8%	1,110,570	1,333,365	20.1%

Net Fee & Commission Composition

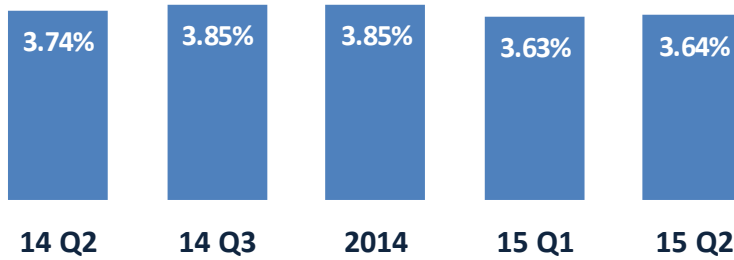


• Diversified fees & commissions base

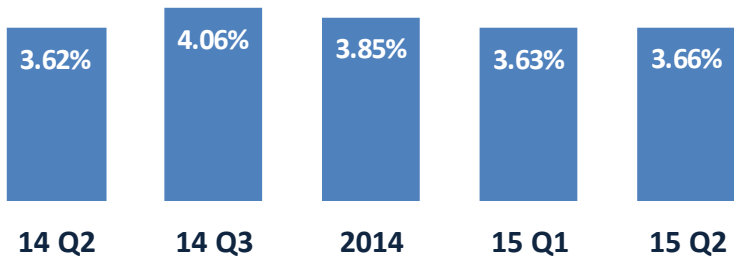
(*) Includes refinancing fees

Margin & Spreads (1)

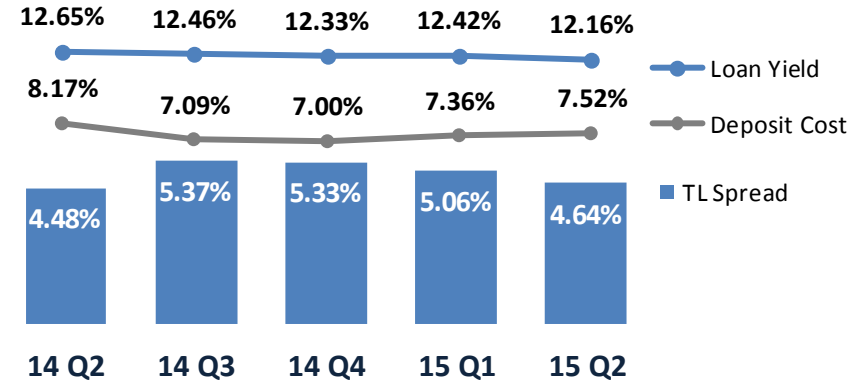
NIM⁽²⁾ (Cumulative)



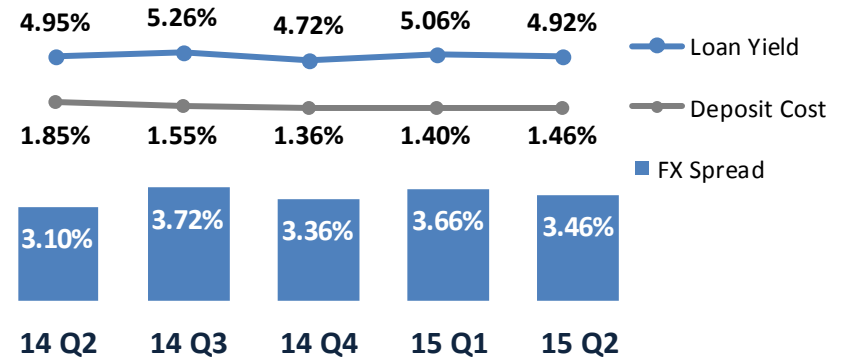
NIM⁽²⁾ (Quarterly)



TL Loan-Deposit Spread (Quarterly)



FX Loan-Deposit Spread (Quarterly)

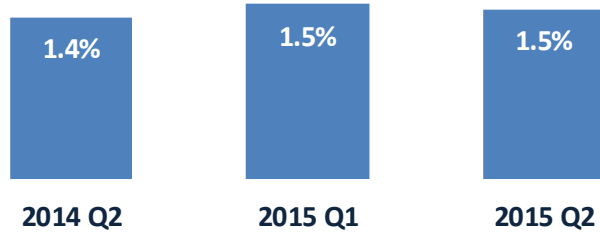


(1) Based on MIS data

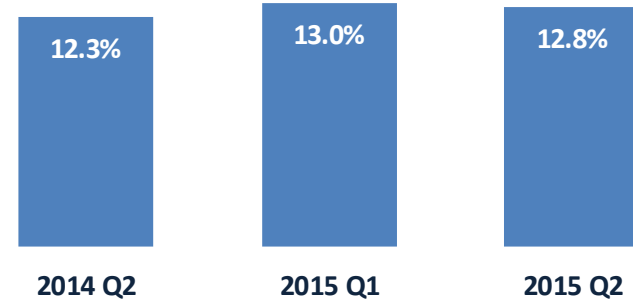
(2) Interest earning assets include Central Bank reserves.

Profitability and Efficiency Ratios (*)

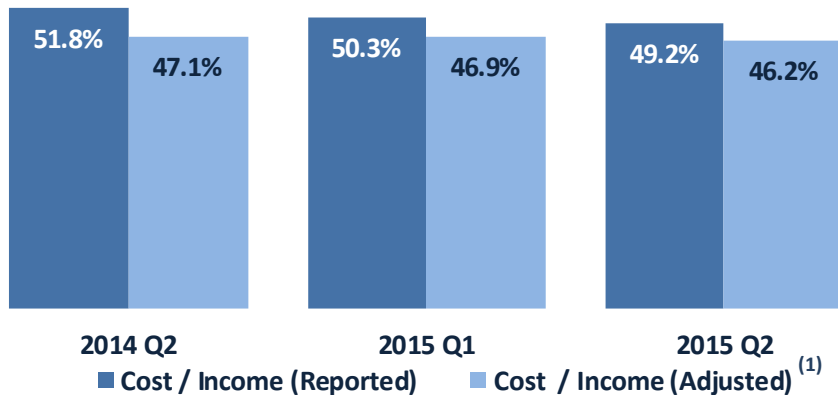
ROAA



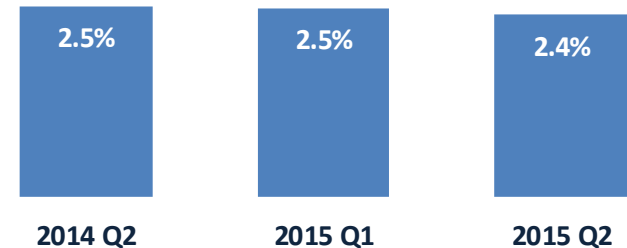
ROAE



Cost / Income



Cost / Average Assets



(1) Adjusted for non-recurring and other expense items given in Appendix-2 on page 19 plus the additional provision for pension fund in 2014 Q4.

(*) Calculations are based on trailing four quarters' data.

Q&A

Appendix 1 – Quarterly Income Statement Highlights

(TL mn.)	2014 Q2	2014 Q3	2014 Q4	2015 Q1	2015 Q2	Δ QoQ
Interest Income	3,922	4,106	4,231	4,393	4,644	5.7%
Interest Expense	2,223	2,118	2,236	2,443	2,498	2.2%
Net Interest Income	1,699	1,988	1,995	1,950	2,146	10.0%
Net Fees & Commissions	512	528	501	551	593	7.8%
Net Trading Gains/Losses	-199	164	133	22	-178	NM
Dividends Received	392	0	0	161	394	144.9%
Released Provisions ^(*)	327	127	100	385	141	-63.2%
Gains on Asset Sales	12	10	19	8	15	90.9%
Other Operating Income	28	21	27	26	29	11.4%
Total Operating Income	2,771	2,838	2,775	3,101	3,141	1.3%
Personnel Expenses	655	663	605	611	693	13.5%
Other Operational Expenses	386	389	522	384	464	20.8%
Depreciation & Amortization	82	87	88	91	93	2.2%
Other Expenses ^(*)	358	237	352	263	296	12.5%
Total Operating Expenses	1,481	1,376	1,567	1,349	1,546	14.6%
Operating Profit	1,290	1,462	1,208	1,752	1,594	-9.0%
Loan Loss Provisions	237	202	214	396	314	-20.7%
General and Other Provision Charges ^(*)	57	82	-23	236	207	-12.1%
Total Provision Charges (Excluding Tax Provisions)	295	284	191	632	522	-17.5%
Tax Provisions	166	260	198	208	165	-20.8%
Net Income	829	918	819	912	908	-0.5%

(*) See Appendix-2 for non-recurring and other items on page 19.

NM: Not meaningful

Appendix 2 – Non-recurring and Other Items

(TL mn.)	2014 Q1	2014 Q2	2014 Q3	2014 Q4	2015 Q1	2015 Q2
Released Provisions						
Provision reversals related to the asset sales	132	129				
Reversal of provisions set aside for the tax disputes					207	
Other Expenses						
Loss on the asset sales	132	135				
Provisions for tax disputes	5	21	69	19	7	10
Expenses related with fee returns	3	21	33	60	61	76
General & Other Provision Charges						
Free provision charges	200					
Reversal of free provisions			100	100		

Appendix 3 – Market Shares

Largest Private Bank...

	Market Shares (%) ⁽¹⁾		Rank ⁽²⁾	
	2014	2015 Q2	2014	2015 Q2
Total Assets	12.6	12.7	1 st	1 st
Total Loans	13.2	13.1	1 st	1 st
TL Loans	12.2	12.3	1 st	1 st
FX Loans	15.3	14.8	1 st	1 st
Consumer Loans ⁽³⁾	12.4	12.9	2 nd	1 st
Non-Retail Loans	13.5	13.2	1 st	1 st
Total Deposits	12.7	12.8	1 st	1 st
TL Deposits	11.4	10.9	1 st	1 st
FX Deposits	14.9	15.2	1 st	1 st
Demand Deposits	15.8	15.0	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-sector banks.

(3) Including retail overdraft accounts

Disclaimer

The information in this document has been obtained by Türkiye İş Bankası A.Ş. (“Isbank”) from sources believed to be reliable, however, Isbank cannot guarantee the accuracy, completeness, or correctness of such information. This document has been issued for information purposes only. The financial reports and statements announced by Isbank to the public and the relevant corporations are accepted to be the sole material. Isbank does not accept any liability whatsoever for any direct, indirect or consequential loss arising from any use of this document or its contents due to the misleading information in this document. All estimations, opinion, all forward looking statements and projections expressed, implied, contained in this document are the current beliefs or expectations of Isbank’s management as of the date of this document and are subject to significant risks, uncertainties and changes in circumstances. Actual results, performance or events could differ materially from those expressed or implied in the estimations, opinions and forward-looking statements in this document. All estimations, opinions and forward-looking statements contained in this document can be subject to change without notice. Isbank expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any estimations, opinions, forward-looking statements contained in this document to reflect any change in Isbank’s expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based. This document can not be interpreted as an advice to the investors or as an offer or solicitation for the purchase or sale of any financial instrument or the provision of an offer to provide investment services and Isbank can not be held responsible for the results of investment decisions made on account of this document. This document has been issued specially to the person, whom the document is concerned and may not be reproduced, distributed, published or shared with third parties for any purpose. All rights of Isbank are reserved.

Contact Information:

Türkiye İş Bankası A.Ş.
Head Office
Investor Relations Division

Phone: + 90 212 316 16 02

Fax: + 90 212 316 08 39

E-mail: investorrelations@isbank.com.tr

