

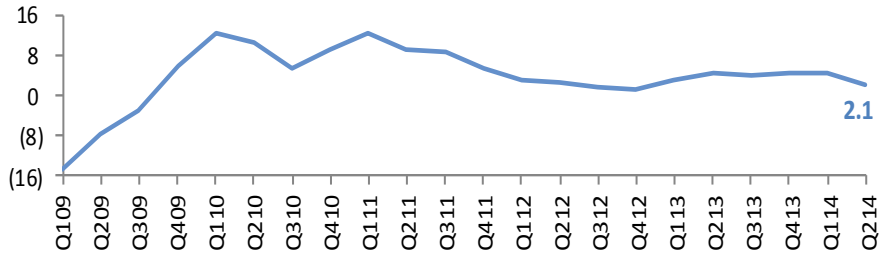


**ISBANK  
EARNINGS  
PRESENTATION  
3Q 2014**

# Recent Macro Developments

## Moderate course in economic growth

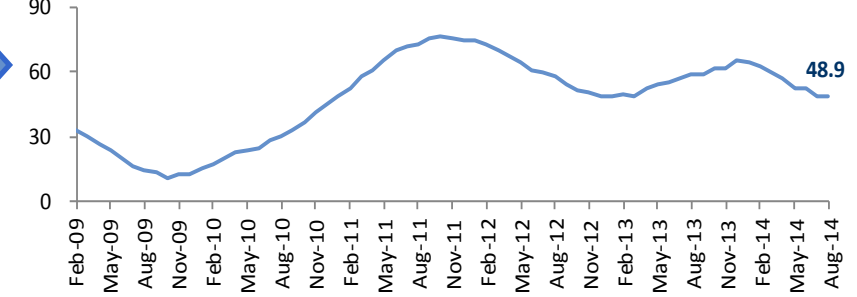
GDP growth (quarterly, yoy,%)



Source: Turkstat

## Downward pressure on current account deficit

\$ billion Current Account Deficit (12 months cumulative)

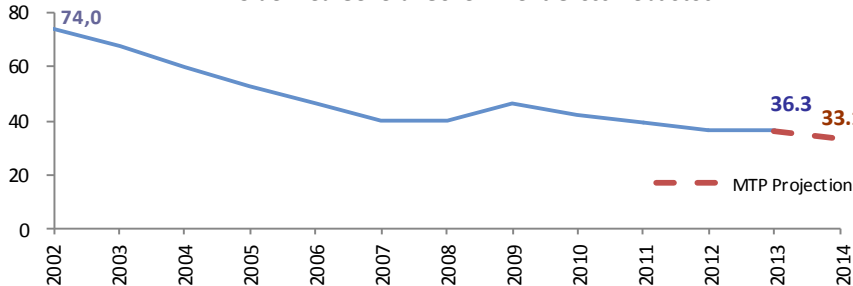


Source: Central Bank of Turkey

- In the first half of 2014, Turkish economy registered an annual growth rate of 3.3%. In the second half of the year, CBRT's rate cuts will be influential on the course of the economic growth.
- 12-month cumulative C/A deficit exhibited a downward course in 2014.
- Budget discipline was maintained during the first half of 2014 despite the local elections and Presidential election. EU defined General Government Gross Debt Ratio is expected to decline to 33.1% at the end of 2014 according to Medium Term Program.
- Annual inflation in October 2014 was 9.0%, above the CBRT's target due to the lagged impacts of the depreciation in Turkish Lira and rise in food prices.

## Sound fiscal performance maintained

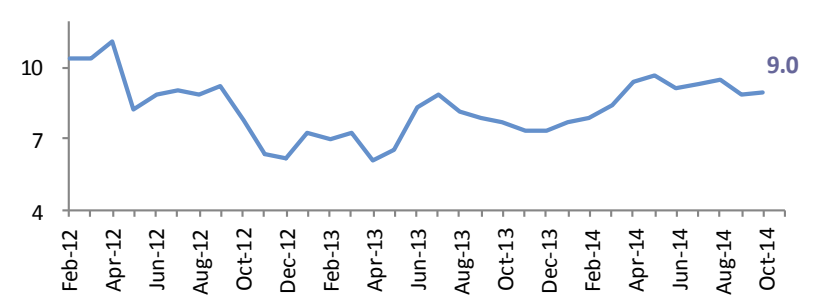
Stock/GDP (%) EU defined General Government Gross Debt Stock



Source: Undersecretariat of Treasury, Ministry of Development MTP 2015-2017.

## Inflation has remained above the target

CPI inflation (% yoy)



Source: Turkstat

# Period's Highlights

## ***Loans & Asset Quality***

- Pick up in TL and FX loan growth in Q3
- Share of loans in total assets exceeded 65%.
- Market leadership in total loans sustained.
- NPL ratio remained flat at 1.6%, CoR slightly declined in the quarter.

## ***Funding & Capital Adequacy***

- Flexible funding base management aiming at lowering cost of funding, diversification and longer maturity profile
- On the funding side, all major items contributed to growth in Q3.
- Share of demand deposits in total deposits continued to rise and reached 21.9%.
- Isbank has the largest TL, FX and demand deposit base among private banks.
- Share of securities issued in total liabilities increased to 6.3%.
- CAR remained strong at 15.3%, indicating a comfortable level for future growth.

## ***P & L***

- 17% QoQ growth in NII, as result of loan growth and lower cost of funding
- Higher net fees and commissions in Q3 compared to the second quarter
- Operating profit up by 13.3% on a QoQ basis
- Improvement in ROAA and ROAE quarterly

## Largest Private Bank...

	Market Shares (%) <sup>(1)</sup>		Rank <sup>(2)</sup>	
	2013	2014 Q3	2013	2014 Q3
<b>Total Assets</b>	12.9	12.6	1 <sup>st</sup>	1 <sup>st</sup>
<b>Total Loans</b>	13.5	13.4	1 <sup>st</sup>	1 <sup>st</sup>
<b>TL Loans</b>	12.4	12.5	1 <sup>st</sup>	1 <sup>st</sup>
<b>FX Loans</b>	16.2	15.7	1 <sup>st</sup>	1 <sup>st</sup>
<b>Consumer Loans</b> <sup>(3)</sup>	11.9	12.0	2 <sup>nd</sup>	2 <sup>nd</sup>
<b>Non-Retail Loans</b>	14.2	14.0	1 <sup>st</sup>	1 <sup>st</sup>
<b>Total Deposits</b>	12.7	12.7	1 <sup>st</sup>	1 <sup>st</sup>
<b>TL Deposits</b>	11.5	10.9	1 <sup>st</sup>	1 <sup>st</sup>
<b>FX Deposits</b>	14.7	15.2	1 <sup>st</sup>	1 <sup>st</sup>
<b>Demand Deposits</b>	14.9	15.2	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

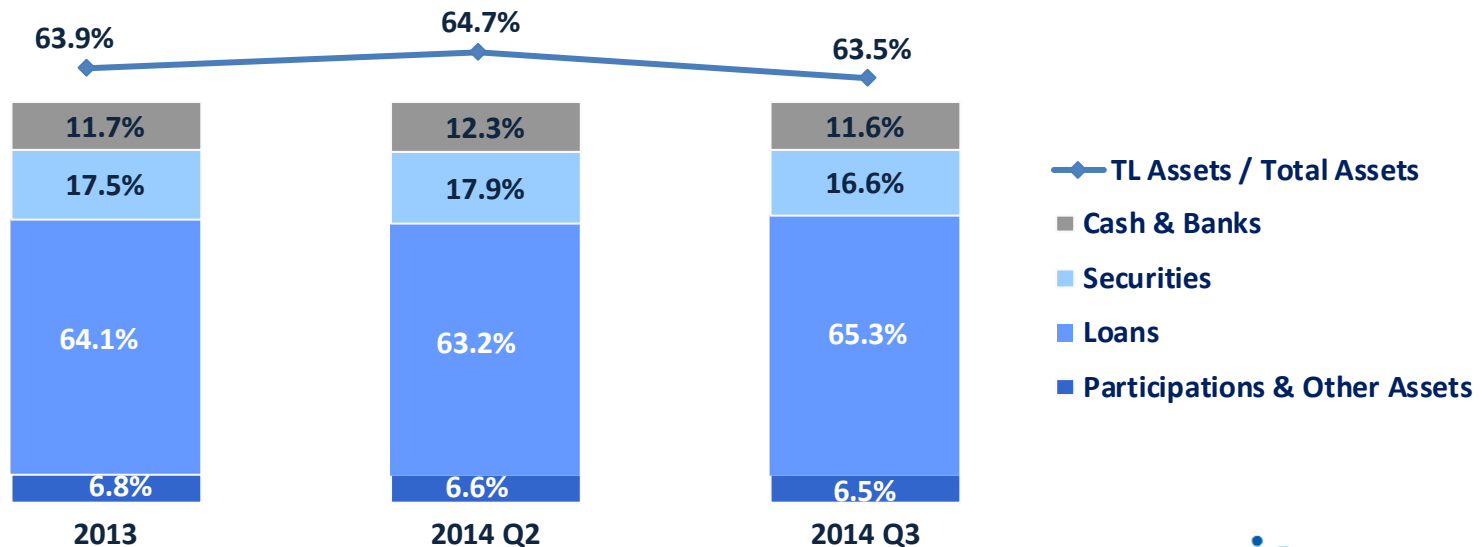
(3) Including retail overdraft accounts

# Asset Structure

## Assets

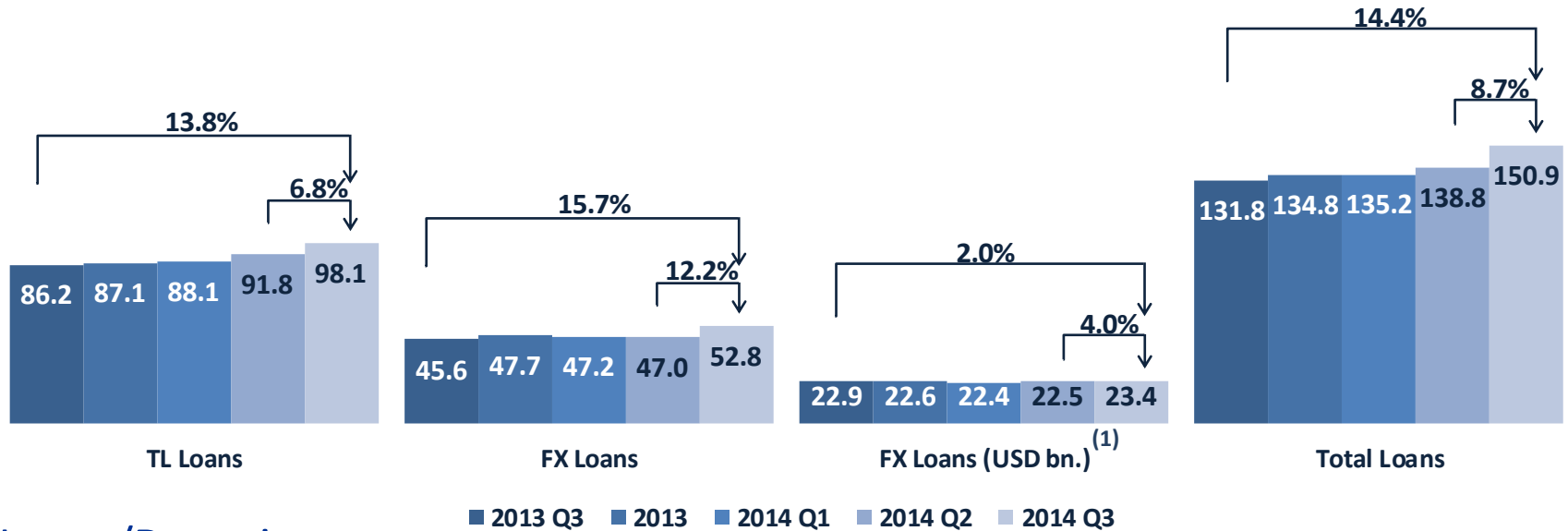
(TL mn.)	2013	2014 Q2	2014 Q3	Δ QoQ	Δ YtD
Cash & Banks	24,555	27,070	26,687	-1.4%	8.7%
Securities (Net)	36,866	39,302	38,422	-2.2%	4.2%
Loans	134,843	138,834	150,855	8.7%	11.9%
Participations (Net)	7,761	8,373	8,501	1.5%	9.5%
Fixed Assets (Net)	2,090	2,137	2,152	0.7%	3.0%
Other Assets	4,384	3,882	4,370	12.6%	-0.3%
<b>Total Assets</b>	<b>210,500</b>	<b>219,599</b>	<b>230,989</b>	<b>5.2%</b>	<b>9.7%</b>
<b>TL Assets</b>	134,457	141,999	146,633	3.3%	9.1%
<b>FX Assets</b>	76,043	77,600	84,356	8.7%	10.9%
<b>FX Assets (USD mn.)</b>	35,997	37,041	37,342	0.8%	3.7%

## Asset Composition

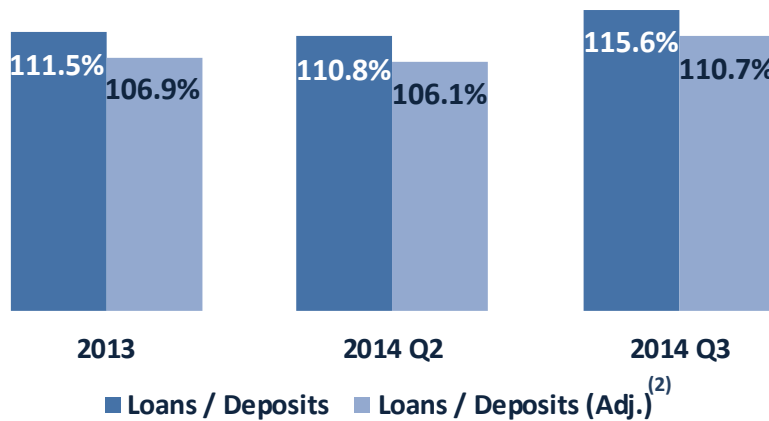


# Loan Portfolio

## Loans (TL bn.)



## Loans/Deposits



- Market leader in commercial & corporate, FX, as well as total loans
- Share of loans in total assets is 65.3%.
- Comfortable level of Loans/Deposits ratio
- Adjusted Loans/Deposits ratio<sup>(2)</sup> is 110.7%.

(1) FX loans expressed in USD equivalent.

(2) TL securities issued added to deposits.

# Loan Portfolio

## Loans

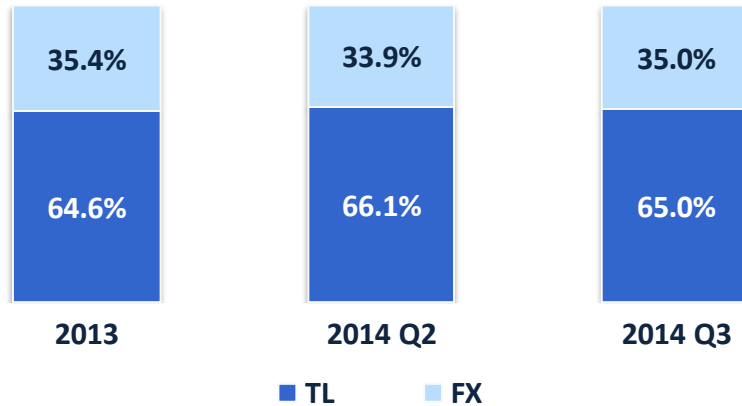
(TL mn.)	2013	2014 Q2	2014 Q3	Δ QoQ	Δ YtD
<b>Total Loans</b>	134,843	138,834	150,855	8.7%	11.9%
<b>TL Loans</b>	87,116	91,795	98,080	6.8%	12.6%
<b>Retail Loans</b>	38,487	38,312	40,194	4.9%	4.4%
Housing Loans	11,780	11,864	12,799	7.9%	8.7%
Auto Loans	1,303	1,047	966	-7.7%	-25.8%
GPLs <sup>(1)</sup>	15,282	16,188	17,360	7.2%	13.6%
Credit Card Loans	10,123	9,213	9,069	-1.6%	-10.4%
<b>Non-Retail Loans</b>	48,628	53,484	57,886	8.2%	19.0%
SME Loans <sup>(2)</sup>	31,943	33,760	36,737	8.8%	15.0%
Commercial and Corporate Loans	16,685	19,724	21,149	7.2%	26.8%
<b>FX Loans</b>	47,728	47,039	52,775	12.2%	10.6%
SME Loans <sup>(2)</sup>	4,672	4,357	5,242	20.3%	12.2%
Commercial and Corporate Loans	43,055	42,682	47,533	11.4%	10.4%
<b>FX Loans (USD mn.)</b>	22,593	22,453	23,362	4.0%	3.4%
SME Loans <sup>(2)</sup>	2,212	2,080	2,321	11.6%	4.9%
Commercial and Corporate Loans	20,381	20,373	21,041	3.3%	3.2%

(1) Including overdraft accounts

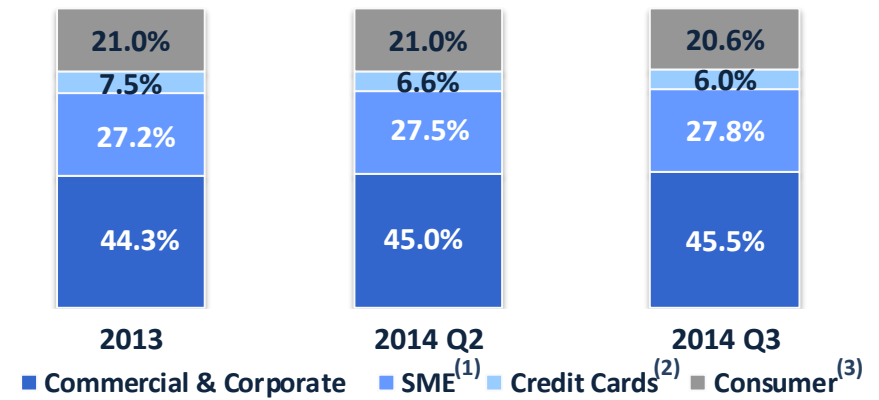
(2) SME definition includes companies with number of employees <= 250 and turnover or total assets <= TL 40 mn.

# Loan Composition

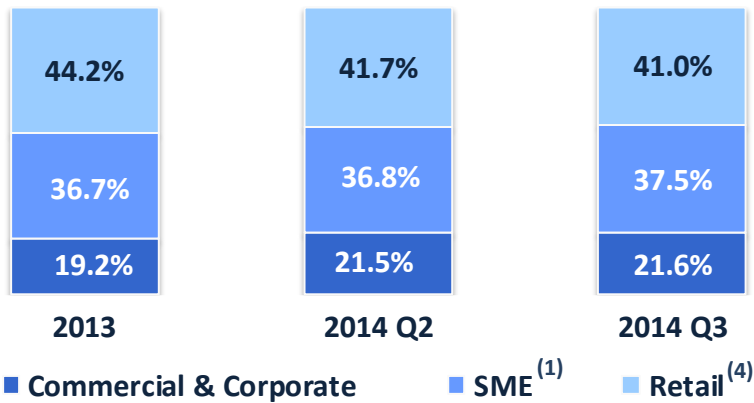
## Currency Mix



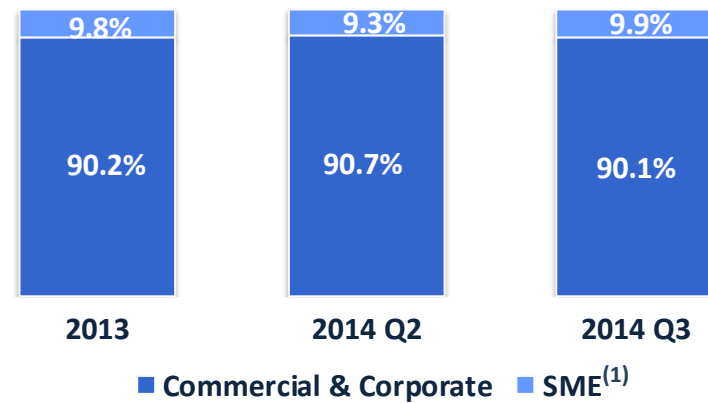
## Loan Composition - Total Loans



## 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.

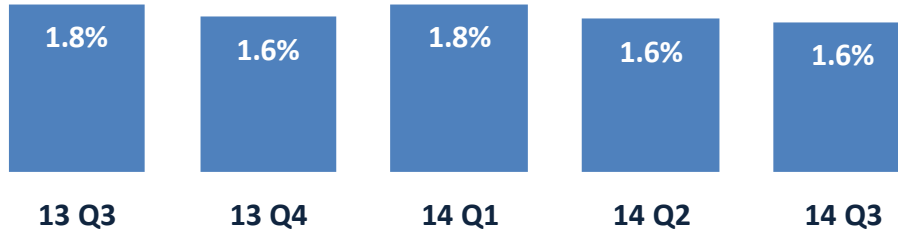
(2) Shows retail credit card balances only

(3) Including retail overdraft accounts

(4) Including retail credit cards and overdraft accounts



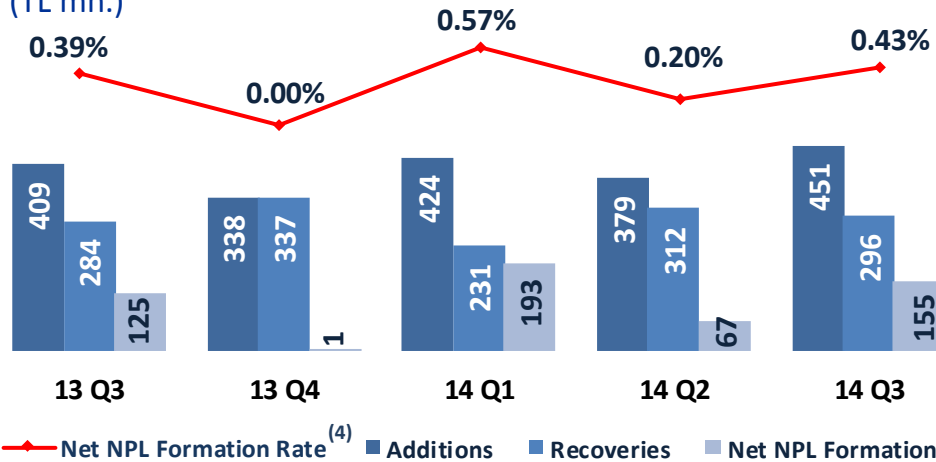
## NPL Ratio



- Gross CoR<sup>(1)</sup> is 67 bps as of 2014 Q3.
- Coverage ratio is 77.4%.
- 28.6% collection rate<sup>(2)</sup> as of 2014 Q3

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

(TL mn.)



(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

## NPL Sales (TL thousand)

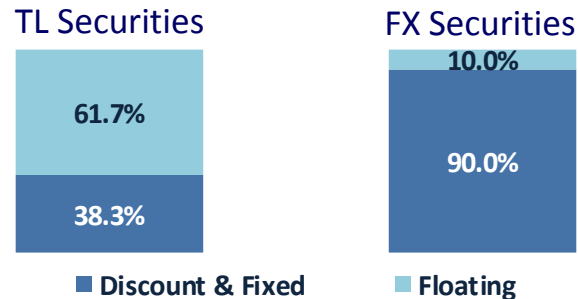
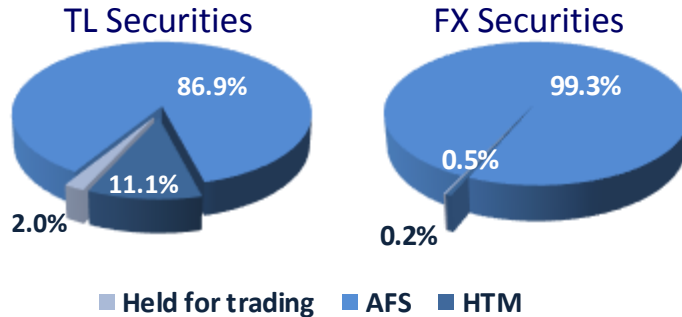
Period	Amount	Revenue
12 Q1	-	-
12 Q2	136,864	28,656
12 Q3	-	-
12 Q4	287,061	50,127
13 Q1	-	-
13 Q2	87,849	10,430
13 Q3	-	-
13 Q4	163,865	32,041
14 Q1	-	-
14 Q2	272,517	44,017
14 Q3	-	-

# Securities Portfolio

## Securities

(TL mn.)	2013	2014 Q2	2014 Q3	Δ QoQ	Δ YtD
Total Securities	36,866	39,302	38,422	-2.2%	4.2%
TL Securities	30,444	33,276	31,920	-4.1%	4.8%
FX Securities	6,422	6,026	6,502	7.9%	1.3%
FX Securities (USD mn.)	3,040	2,876	2,878	0.1%	-5.3%

## Composition of Securities Portfolio (2014 Q3)



- 31.6% share of CPI linkers in total portfolio
- MtM differences:  
HTM TL 6 mn.\*  
AFS TL 29mn.
- Average durations:  
1.77 years for TL Securities  
4.86 years for FX Securities

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

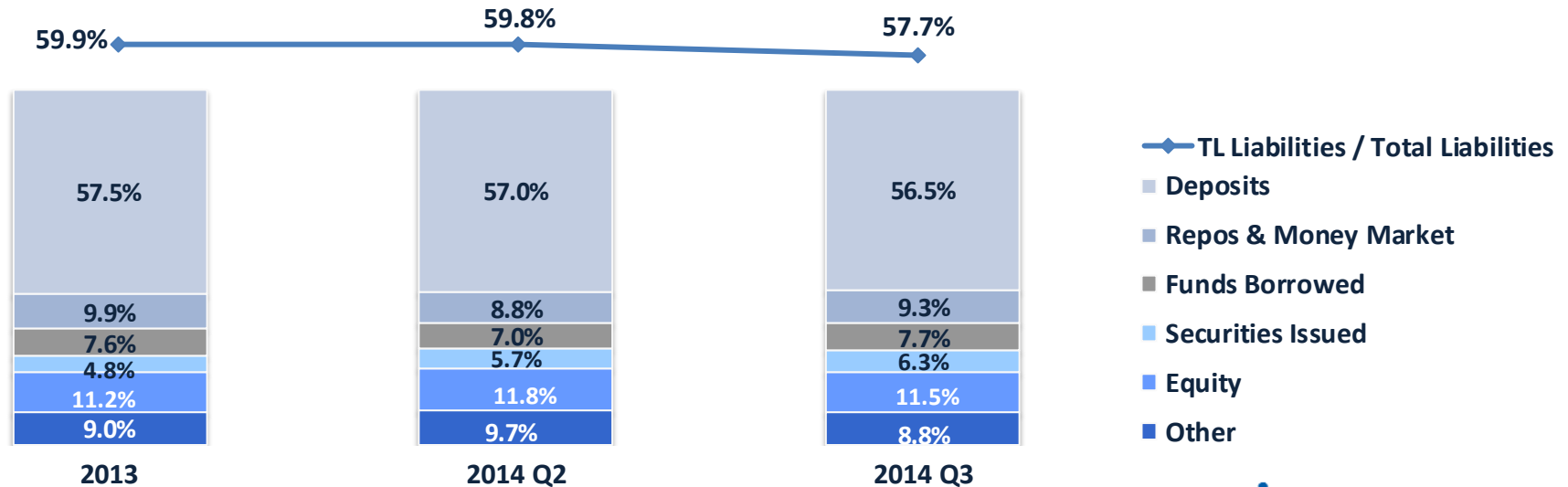
# Liabilities Structure

## Liabilities

(TL mn.)	2013	2014 Q2	2014 Q3	Δ QoQ	Δ YtD
Deposits	120,975	125,257	130,461	4.2%	7.8%
REPOs & Money Market	20,916	19,291	21,486	11.4%	2.7%
Funds Borrowed	15,922	15,343	17,681	15.2%	11.0%
Securities Issued	10,095	12,583	14,452	14.9%	43.2%
Other <sup>(1)</sup>	19,013	21,224	20,372	-4.0%	7.1%
Equity	23,579	25,902	26,536	2.4%	12.5%
<b>Total Liabilities &amp; Equity</b>	<b>210,500</b>	<b>219,599</b>	<b>230,989</b>	<b>5.2%</b>	<b>9.7%</b>
<b>TL Liabilities</b>	126,101	131,249	133,389	1.6%	5.8%
<b>FX Liabilities</b>	84,399	88,350	97,600	10.5%	15.6%
<b>FX Liabilities (USD bn.)</b>	39,952	42,172	43,205	2.4%	8.1%

(1) Includes subordinated debt of USD 1.4 bn.

## Liabilities Composition

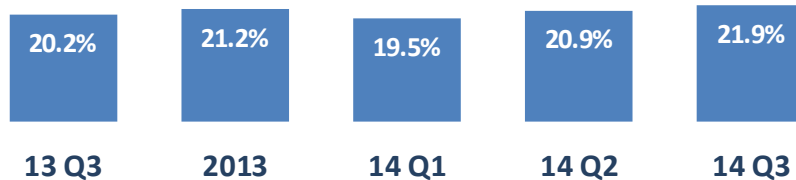


# Deposits

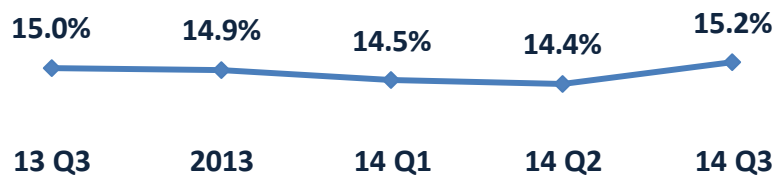
## Deposits

(TL mn.)	2013	2014 Q2	2014 Q3	Δ QoQ	Δ YtD
<b>Total Deposits</b>	120,975	125,257	130,461	4.2%	7.8%
<b>TL Deposits</b>	66,440	66,798	67,157	0.5%	1.1%
TL Saving Deposits	45,374	47,563	48,316	1.6%	6.5%
TL Commercial Deposits	15,269	12,829	13,252	3.3%	-13.2%
Other TL Deposits	5,797	6,406	5,589	-12.8%	-3.6%
<b>FX Deposits</b>	54,535	58,458	63,304	8.3%	16.1%
<b>FX Deposits (USD mn.)</b>	25,815	27,904	28,023	0.4%	8.6%
<b>Demand Deposits</b>	25,623	26,173	28,514	8.9%	11.3%

## Demand Deposits / Total Deposits



## Demand Deposits Market Share

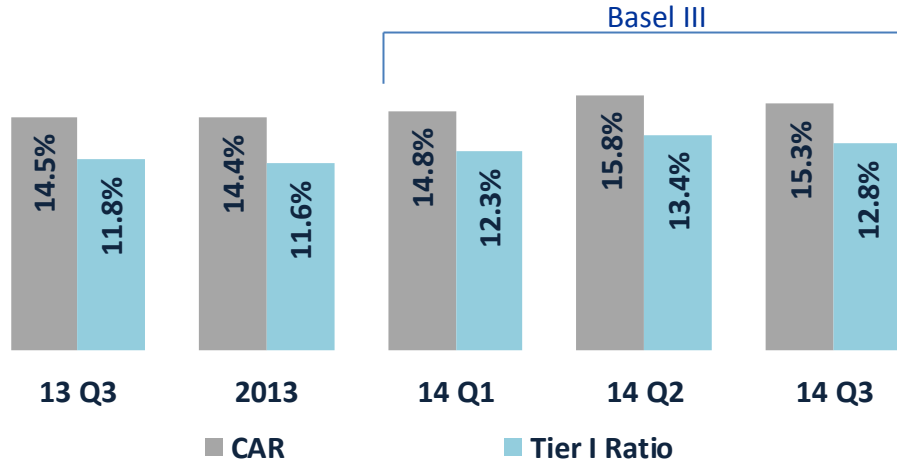


- Leadership in TL, FX, demand & total deposits among private sector banks
- Deposits make up 56.5% of total liabilities.
- Share of demand deposits in total deposits is 21.9%. (In TL deposits, the share is 23.5%\*.)

(\*) Excluding interbank deposits

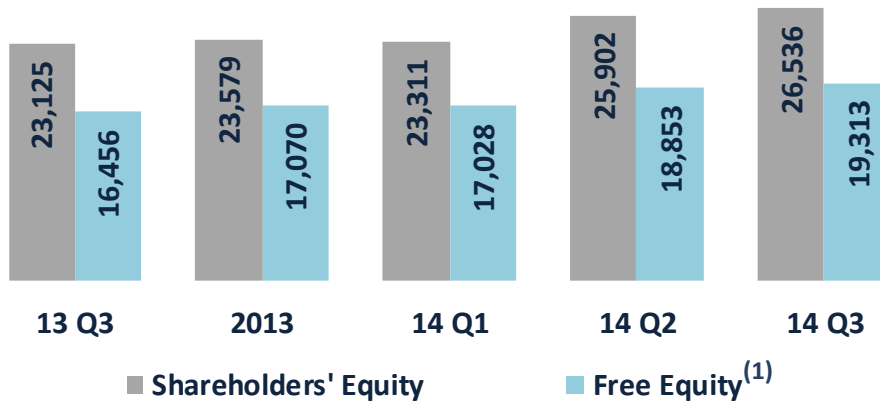
# Sufficient Capitalization

## Capital Adequacy Ratio



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

## 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.)	2014 Q2	2014 Q3	Δ QoQ	2013 9M	2014 9M	Δ YoY
Interest Income	3,922	4,106	4.7%	9,947	11,855	19.2%
Interest Expense	2,223	2,118	-4.7%	4,854	6,396	31.8%
Net Interest Income	1,699	1,988	17.0%	5,093	5,459	7.2%
Net Fees & Commissions	512	528	3.2%	1,431	1,503	5.0%
Net Trading Gains/Losses	-199	164	NM	293	52	-82.3%
Dividends Received	392	0	NM	450	595	32.1%
Released Provisions <sup>(*)</sup>	327	127	-61.2%	612	749	22.4%
Gains on Asset Sales	12	10	-14.8%	105	33	-68.9%
Other Operating Income	28	21	-25.6%	75	84	11.7%
<b>Total Operating Income</b>	<b>2,771</b>	<b>2,838</b>	<b>2.4%</b>	<b>8,060</b>	<b>8,474</b>	<b>5.1%</b>
Personnel Expenses	655	663	1.3%	1,788	1,851	3.5%
Other Operational Expenses	386	389	0.9%	1,026	1,123	9.4%
Depreciation & Amortization	82	87	5.6%	223	253	13.3%
Other Expenses <sup>(*)</sup>	358	237	-33.8%	504	902	79.0%
<b>Total Operating Expenses</b>	<b>1,481</b>	<b>1,376</b>	<b>-7.1%</b>	<b>3,541</b>	<b>4,128</b>	<b>16.6%</b>
<b>Operating Profit</b>	<b>1,290</b>	<b>1,462</b>	<b>13.3%</b>	<b>4,519</b>	<b>4,346</b>	<b>-3.8%</b>
Loan Loss Provisions	237	202	-14.8%	680	700	3.0%
General and Other Provision Charges <sup>(*)</sup>	57	82	43.1%	733	432	-41.1%
<b>Total Provision Charges (Excluding Tax Provisions)</b>	<b>295</b>	<b>284</b>	<b>-3.6%</b>	<b>1,413</b>	<b>1,132</b>	<b>-19.9%</b>
Tax Provisions	166	260	56.2%	572	651	13.8%
<b>Net Income</b>	<b>829</b>	<b>918</b>	<b>10.7%</b>	<b>2,533</b>	<b>2,563</b>	<b>1.2%</b>

- Annual and quarterly growth in NII and net fees & commissions income
- Operating profit up by 13.3% on a QoQ basis
- 10.7% quarterly bottom-line growth

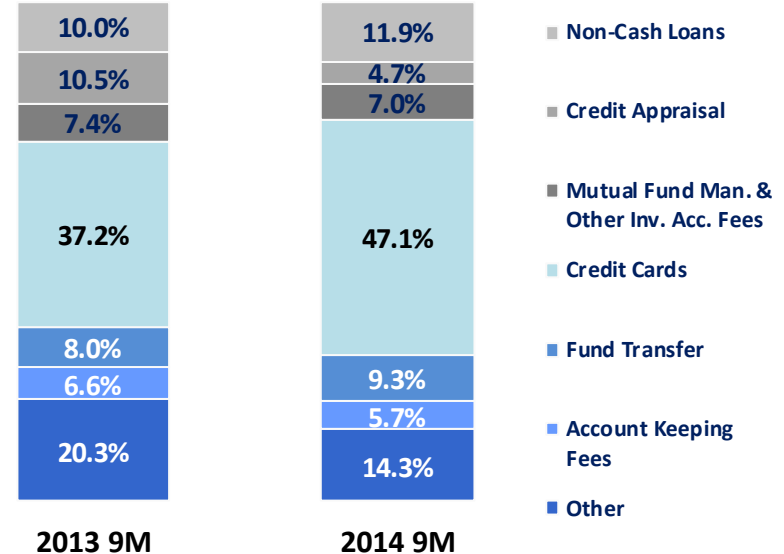
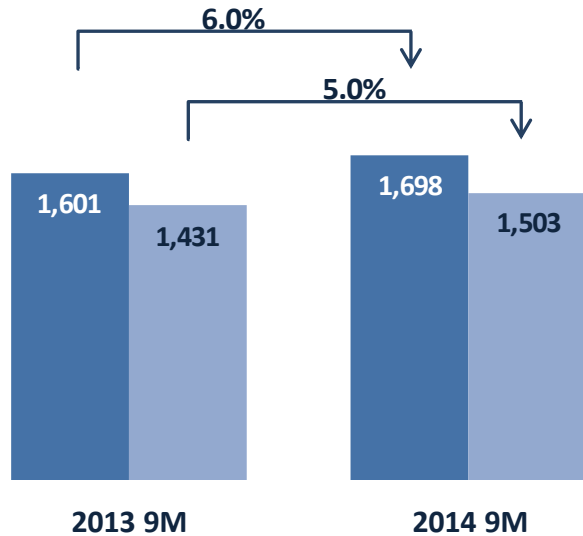
(\*) See Appendix-2 for non-recurring and other items on page 20.

# Commissions Income Performance

(TL thousand)	2014 Q2	2014 Q3	Δ QoQ	2013 9M	2014 9M	Δ YoY
Non-Cash Loans	65,941	68,961	4.6%	160,330	201,834	25.9%
Credit Appraisal	21,834	28,752	31.7%	168,069	79,068	-53.0%
Mutual Fund Man. & Other Inv. Acc. Fees	40,680	39,891	-1.9%	118,468	119,513	0.9%
Credit Cards	264,750	284,596	7.5%	595,494	799,053	34.2%
Fund Transfer	54,878	54,646	-0.4%	128,185	158,011	23.3%
Account Keeping Fees	48,564	24,809	-48.9%	105,236	97,260	-7.6%
Other	79,196	85,950	8.5%	325,641	243,436	-25.2%
<b>Total Fees &amp; Commissions Income (Gross)</b>	<b>575,842</b>	<b>587,606</b>	<b>2.0%</b>	<b>1,601,424</b>	<b>1,698,176</b>	<b>6.0%</b>
<b>Total Fees &amp; Commissions Income (Net)</b>	<b>511,841</b>	<b>528,098</b>	<b>3.2%</b>	<b>1,431,370</b>	<b>1,502,624</b>	<b>5.0%</b>

• Diversified fees & commissions base

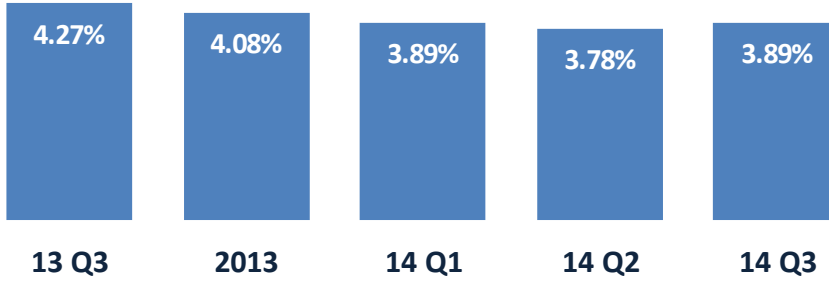
## Fees & Commissions Income (TL mn.)



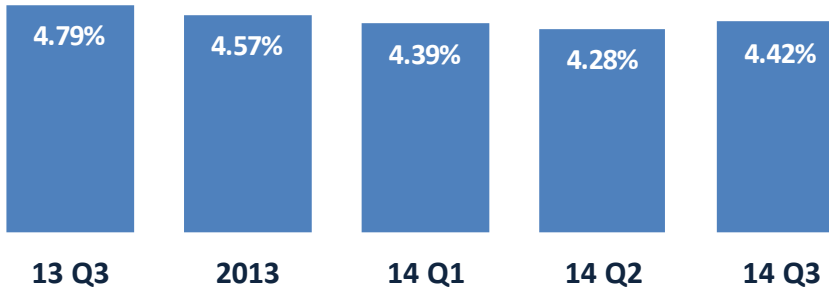
■ Total Fees & Commissions Income (Gross) ■ Total Fees & Commissions Income (Net)

# Margins

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



## NIM (Exc. Reserves at Central Bank)<sup>(1)</sup>

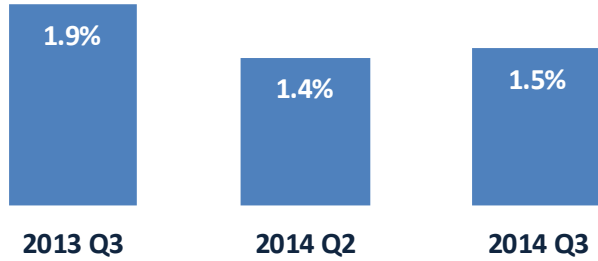


(1) Cumulative, based on MIS data

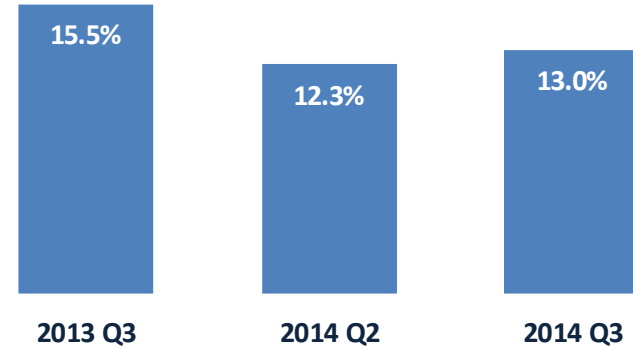


# Profitability and Efficiency Ratios (\*)

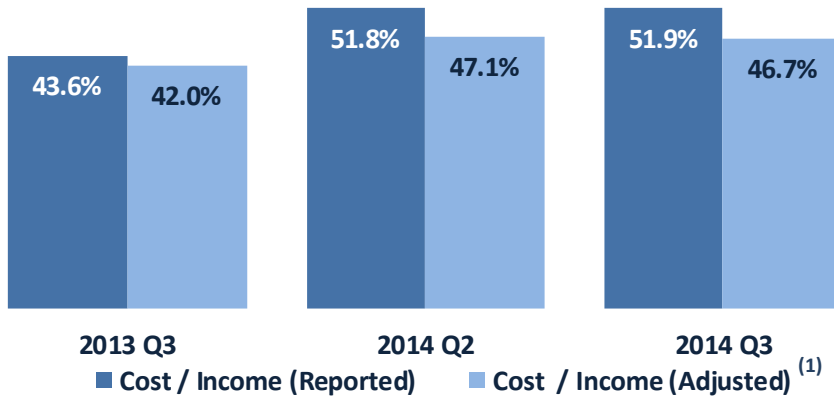
## ROAA



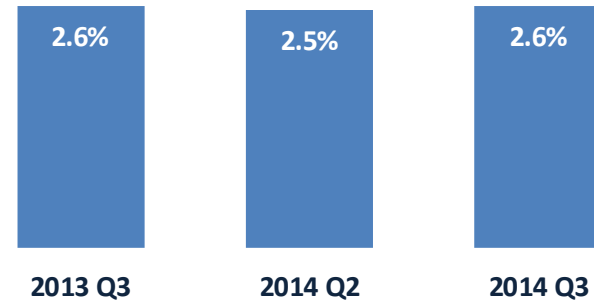
## ROAE



## Cost / Income



## Cost / Average Assets



(1) Adjusted for additional provision for pension fund in 2012, provisions for the Competition Board fine in 2013 Q4 and provisions for tax disputes in 2013 Q4, 2014 Q1, 2014 Q2 and 2014 Q3, and the asset sale impacts in 2013 Q1, 2014 Q1 and 2014 Q2.

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

# Q&A

# Appendix 1 – Quarterly Income Statement Highlights

(TL mn.)	2013 Q3	2013 Q4	2014 Q1	2014 Q2	2014 Q3	Δ QoQ
<i>Interest Income</i>	3,438	3,514	3,826	3,922	4,106	4.7%
<i>Interest Expense</i>	1,795	1,951	2,054	2,223	2,118	-4.7%
Net Interest Income	1,643	1,563	1,772	1,699	1,988	17.0%
Net Fees & Commissions	453	488	463	512	528	3.2%
Net Trading Gains/Losses	-1	-70	86	-199	164	NM
Dividends Received	0	0	203	392	0	NM
Released Provisions <sup>(*)</sup>	134	166	296	327	127	-61.2%
Gains on Asset Sales	38	55	10	12	10	-14.8%
Other Operating Income	33	24	35	28	21	-25.6%
<b>Total Operating Income</b>	<b>2,299</b>	<b>2,226</b>	<b>2,865</b>	<b>2,771</b>	<b>2,838</b>	<b>2.4%</b>
Personnel Expenses	580	487	532	655	663	1.3%
Other Operational Expenses	335	413	347	386	389	0.9%
Depreciation & Amortization	78	80	84	82	87	5.6%
Other Expenses <sup>(*)</sup>	102	441	308	358	237	-33.8%
<b>Total Operating Expenses</b>	<b>1,095</b>	<b>1,421</b>	<b>1,272</b>	<b>1,481</b>	<b>1,376</b>	<b>-7.1%</b>
<b>Operating Profit</b>	<b>1,204</b>	<b>805</b>	<b>1,594</b>	<b>1,290</b>	<b>1,462</b>	<b>13.3%</b>
Loan Loss Provisions	214	153	261	237	202	-14.8%
General and Other Provision Charges <sup>(*)</sup>	195	-100	292	57	82	43.1%
<b>Total Provision Charges (Excluding Tax Provisions)</b>	<b>409</b>	<b>54</b>	<b>553</b>	<b>295</b>	<b>284</b>	<b>-3.6%</b>
Tax Provisions	163	121	225	166	260	56.2%
<b>Net Income</b>	<b>632</b>	<b>630</b>	<b>815</b>	<b>829</b>	<b>918</b>	<b>10.7%</b>

(\*) See Appendix-2 for non-recurring and other items on page 20.

## Appendix 2 – Non-recurring and Other Items

(TL mn.)	2014 Q1	2014 Q2	2014 Q3	2014 9M	2013 9M
<b>Released Provisions</b>					
Provision reversals related to the asset sales	132	129		261	112
<b>Other Expenses</b>					
Loss on the asset sales	132	135		267	97
Provisions for tax disputes	5	21	69	96	
<b>General &amp; Other Provision Charges</b>					
Free provision charges	200			200	100
Reversal of free provisions			100	100	100

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**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](mailto:investorrelations@isbank.com.tr)*

