



**ISBANK
EARNINGS
PRESENTATION
3Q 2015**

3Q 2015 Recent Developments in the Economy

Global Outlook

US

- Moderate performance of the US economy in 3Q
- Shifting expectations about Fed's rate hike
- Fed's emphasis on global economic and financial developments

EZ

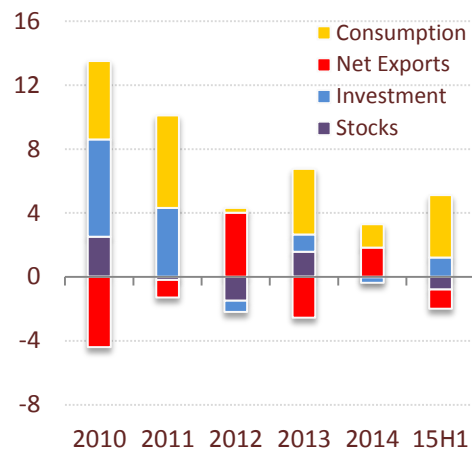
- Loosening credit conditions in Euro Zone
- The return of deflation
- ECB signals more stimulus measures

EM

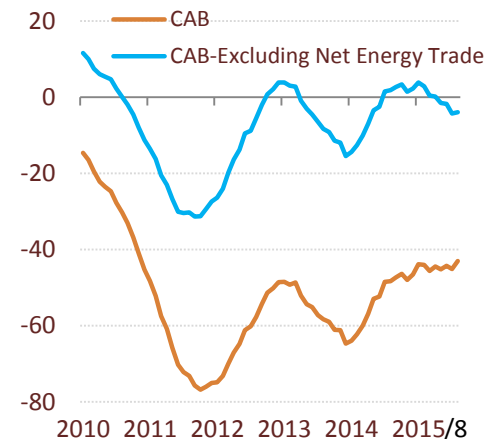
- Slowdown in economic activity, especially in China
- Volatile capital flows towards emerging markets
- Low commodity prices

Main Indicators of Turkey

Contributions to GDP (pp)



CA Balance (12-m, bn USD)



Domestic Outlook

☐ Moderate economic growth

- Gradual recovery in domestic demand
- Improving foreign balance on the back of lower energy prices

☐ Sustained fiscal discipline

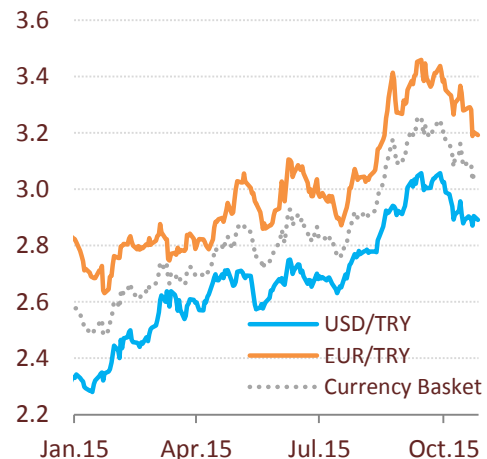
☐ Inflation close to 8%

- The pass-through of exchange rate fluctuations to the prices
- The high level of food prices
- Low commodity prices affecting favorably inflation outlook

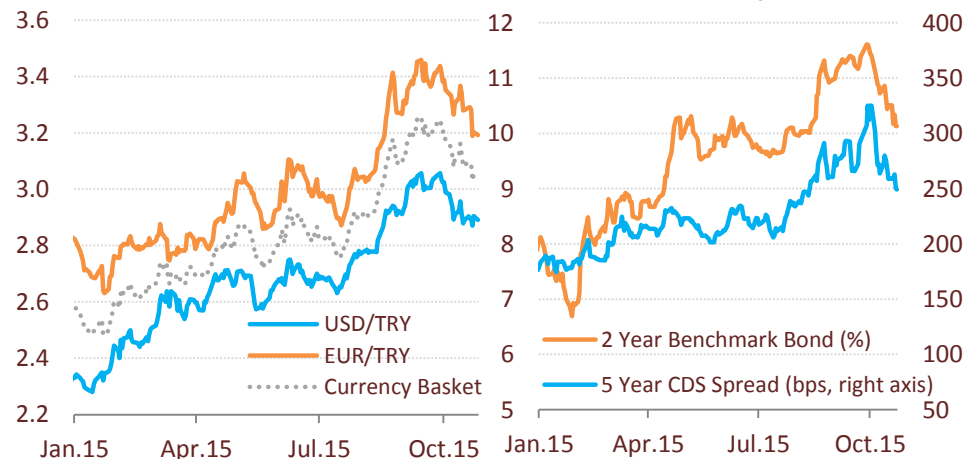
☐ Cautious monetary policy stance

☐ Ongoing political uncertainties

Exchange Rates



Yield of 2-Y Benchmark Bond & 5-Y CDS Spread



Period's Highlights

- 25 bps quarterly increase in NIM as a result of higher asset yields, contained cost of TL funding and funding mix
- QoQ decline in specific and general provisioning requirements
- Lack of dividend income, net trading losses and one-off expenses led to QoQ ↓ in net income.
- 5.2% YoY growth in operating income*
- Strong growth performance of net fees and commissions at 14.9% annually
- Managed loan growth with a specific focus on risk-return and profitability
- Despite unfavourable market conditions, improved deposit costs – 3 bps ↓ in TL deposits and 10 bps ↓ in FX
- Improvement in CoR – 9 bps ↓ QoQ
- Revaluation of real estate portfolio with a contribution of around 80 bps to CAR

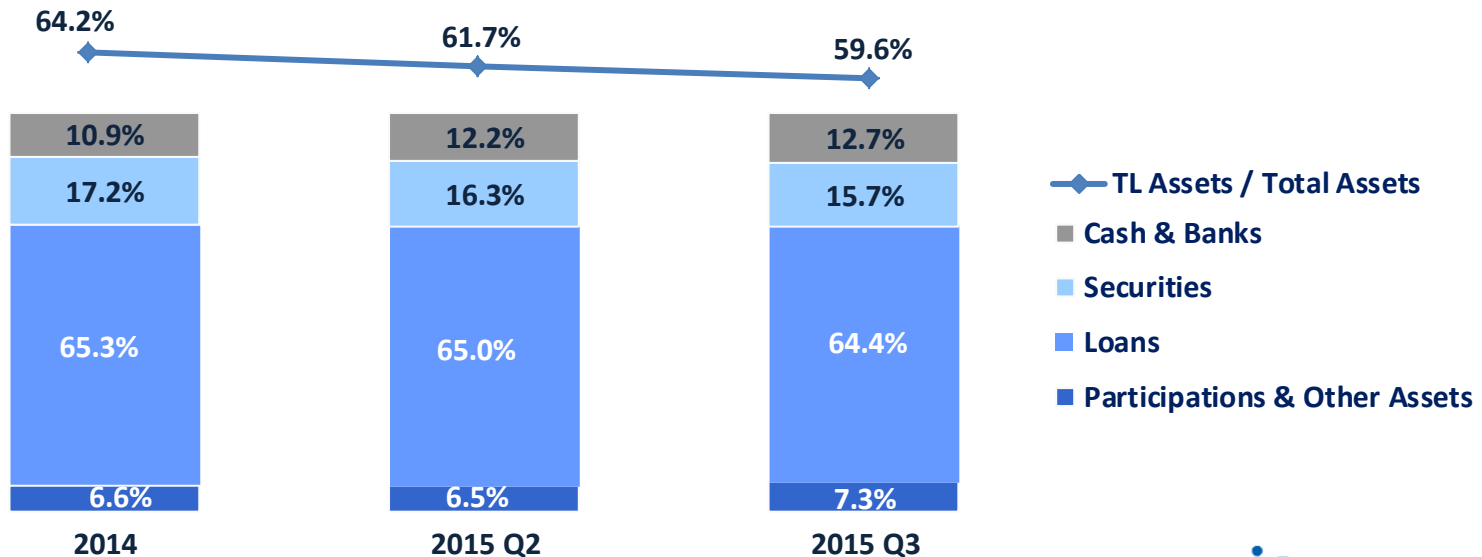
(*) Excluding exceptional revenue items.

Asset Structure

Assets

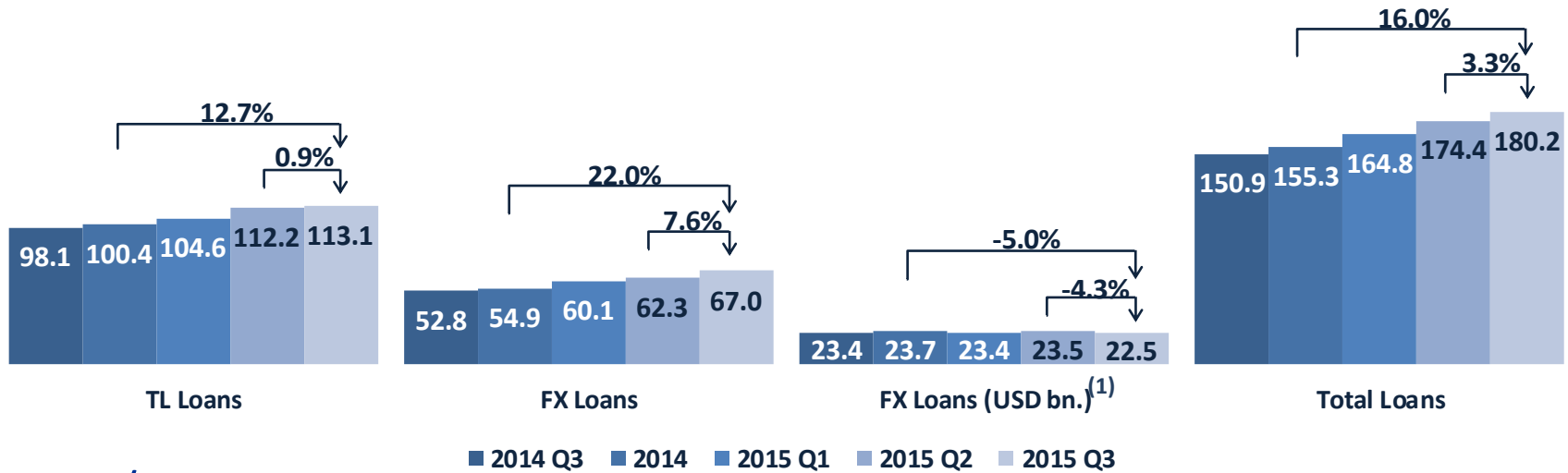
(TL mn.)	2014	2015 Q2	2015 Q3	Δ QoQ	Δ YtD
Cash & Banks	26,000	32,761	35,502	8.4%	36.5%
Securities (Net)	40,856	43,770	43,960	0.4%	7.6%
Loans	155,315	174,428	180,156	3.3%	16.0%
Participations (Net)	9,625	9,988	8,618	-13.7%	-10.5%
Fixed Assets (Net)	2,236	2,296	4,730	106.0%	111.5%
Other Assets	3,739	5,027	6,975	38.7%	86.5%
Total Assets	237,772	268,271	279,942	4.4%	17.7%
TL Assets	152,755	165,410	166,815	0.8%	9.2%
FX Assets	85,017	102,862	113,126	10.0%	33.1%
FX Assets (USD mn.)	36,740	38,889	38,038	-2.2%	3.5%

Asset Composition

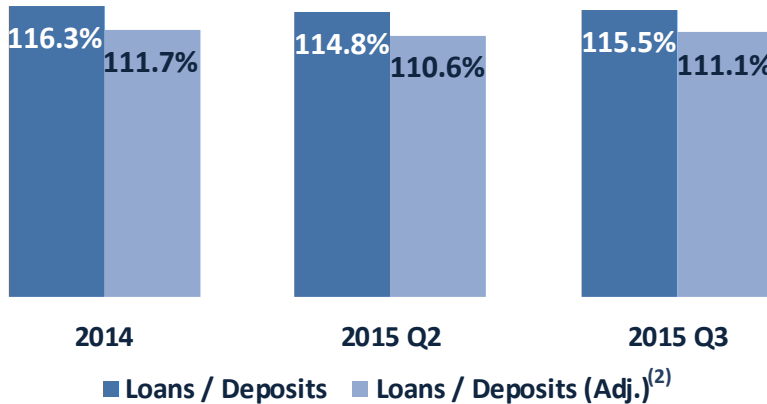


Loan Portfolio

Loans (TL bn.)



Loans/Deposits



- Share of loans in total assets is 64.4%.
- Comfortable level of Loans/Deposits ratio
- Adjusted Loans/Deposits ratio⁽²⁾ is 111.1%.

(1) FX loans expressed in USD equivalent.

(2) TL securities issued added to deposits.

Loan Portfolio

Loans

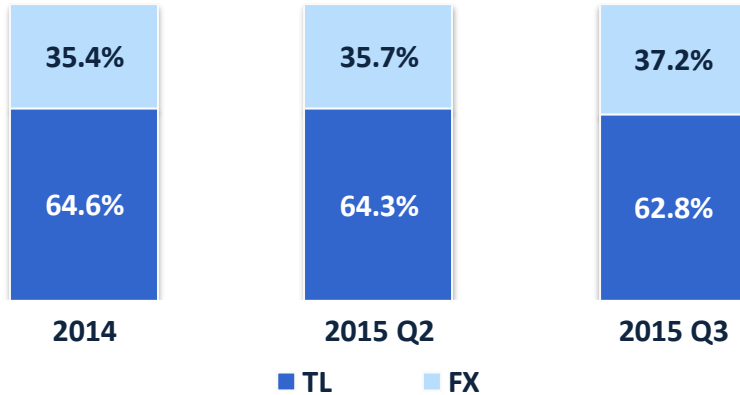
(TL mn.)	2014	2015 Q2	2015 Q3	Δ QoQ	Δ YtD
Total Loans	155,315	174,428	180,156	3.3%	16.0%
TL Loans	100,404	112,153	113,141	0.9%	12.7%
Retail Loans	42,415	46,331	46,829	1.1%	10.4%
Housing Loans	13,598	15,535	15,846	2.0%	16.5%
Auto Loans	952	876	856	-2.3%	-10.1%
GPLs ⁽¹⁾	18,767	20,391	20,070	-1.6%	6.9%
Credit Card Loans	9,099	9,528	10,058	5.6%	10.5%
Non-Retail Loans	57,989	65,822	66,311	0.7%	14.4%
SME Loans ⁽²⁾	34,767	40,889	40,588	-0.7%	16.7%
Commercial and Corporate Loans	23,222	24,933	25,724	3.2%	10.8%
FX Loans	54,911	62,275	67,015	7.6%	22.0%
SME Loans ⁽²⁾	2,133	2,469	2,618	6.0%	22.7%
Commercial and Corporate Loans	52,779	59,807	64,397	7.7%	22.0%
FX Loans (USD mn.)	23,730	23,545	22,534	-4.3%	-5.0%
SME Loans ⁽²⁾	922	933	880	-5.7%	-4.5%
Commercial and Corporate Loans	22,808	22,611	21,653	-4.2%	-5.1%

(1) Including overdraft accounts

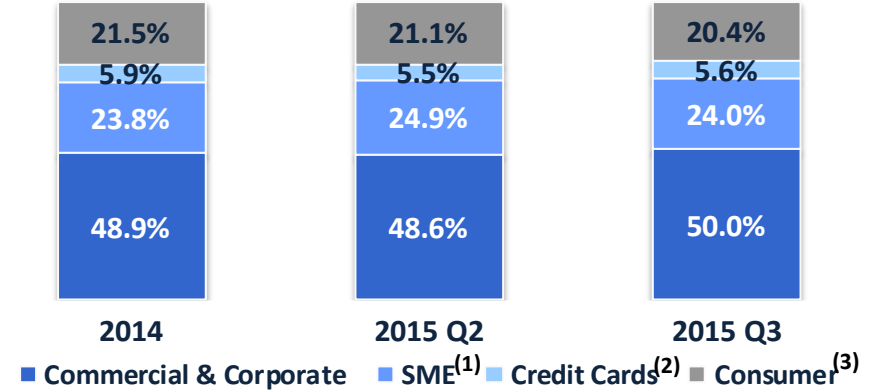
(2) SME definition includes companies with number of employees < 250 and turnover or total assets <= TL 40 mn.

Loan Composition

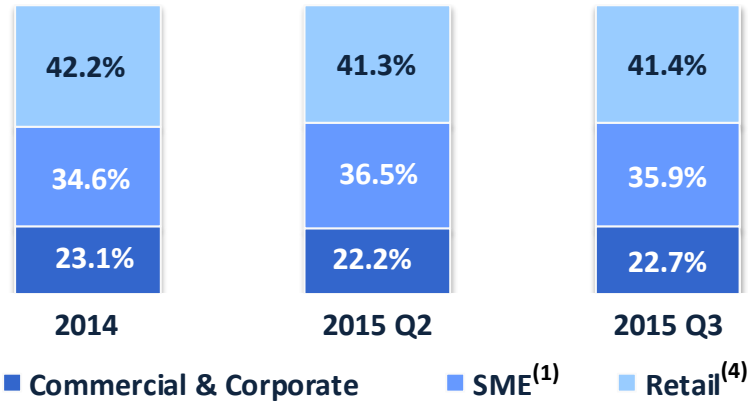
Currency Mix



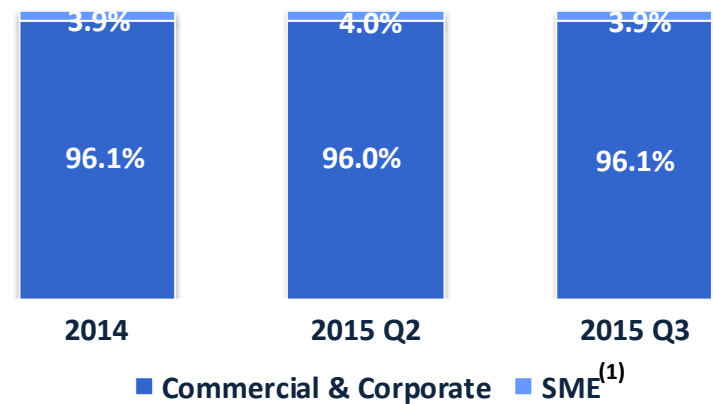
Loan Composition - Total Loans



Loan Composition - TL Loans



Loan Composition - FX Loans



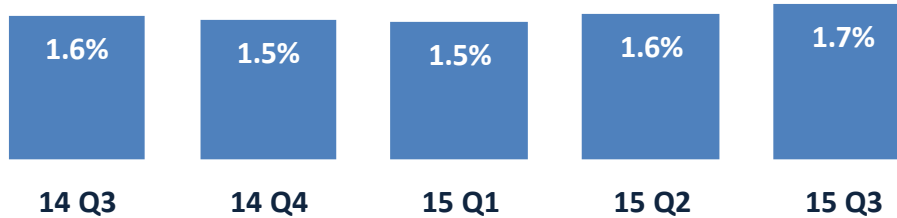
(1) SME definition includes companies with number of employees < 250 and turnover or total assets <= TL 40 mn.

(2) Shows retail credit card balances only

(3) Including retail overdraft accounts

(4) Including retail credit cards and overdraft accounts

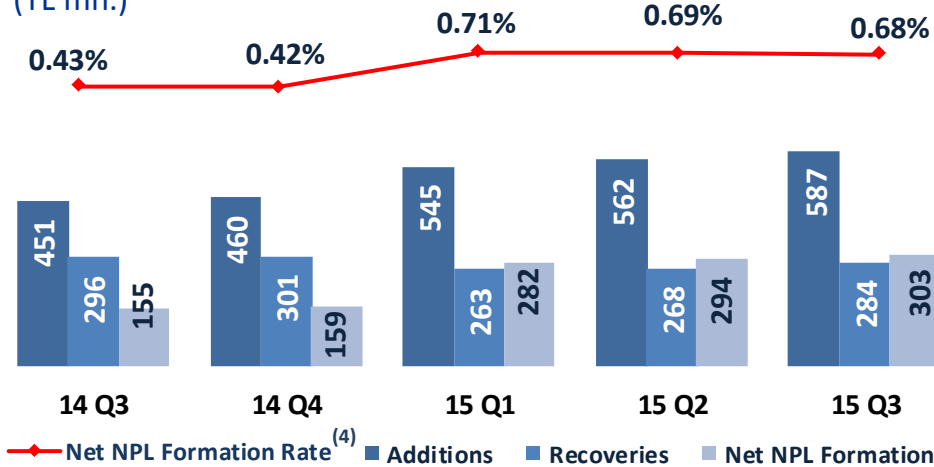
NPL Ratio



- Gross CoR⁽¹⁾ is 79 bps as of 2015 9M.
- Coverage ratio is 75.5%.
- 23.2% collection rate⁽²⁾ as of 2015 9M

NPL Trends⁽³⁾

(TL mn.)



NPL Sales (TL thousand)

Period	Amount	Revenue
14 Q1	-	-
14 Q2	272,517	44,017
14 Q3	-	-
14 Q4	217,861	22,272
15 Q1	189,224	29,091
15 Q2	-	-
15 Q3	-	-

(1) Specific Provisions / Average Loans

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

(3) Calculations are on quarterly basis.

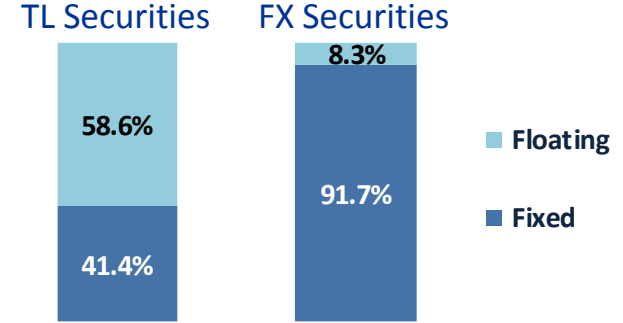
(4) Net NPL Formation / Average Loans

Securities Portfolio

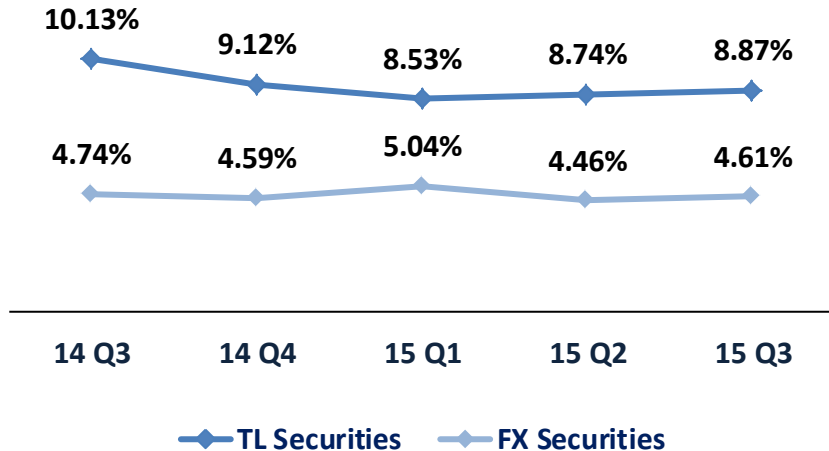
Securities

(TL mn.)	2014	2015 Q2	2015 Q3	Δ QoQ	Δ YTD
Total Securities	40,856	43,770	43,960	0.4%	7.6%
TL Securities	33,573	34,799	34,004	-2.3%	1.3%
FX Securities	7,283	8,971	9,955	11.0%	36.7%
FX Securities (USD mn)	3,147	3,392	3,347	-1.3%	6.4%

Composition of Securities



Yield of Securities (Quarterly)



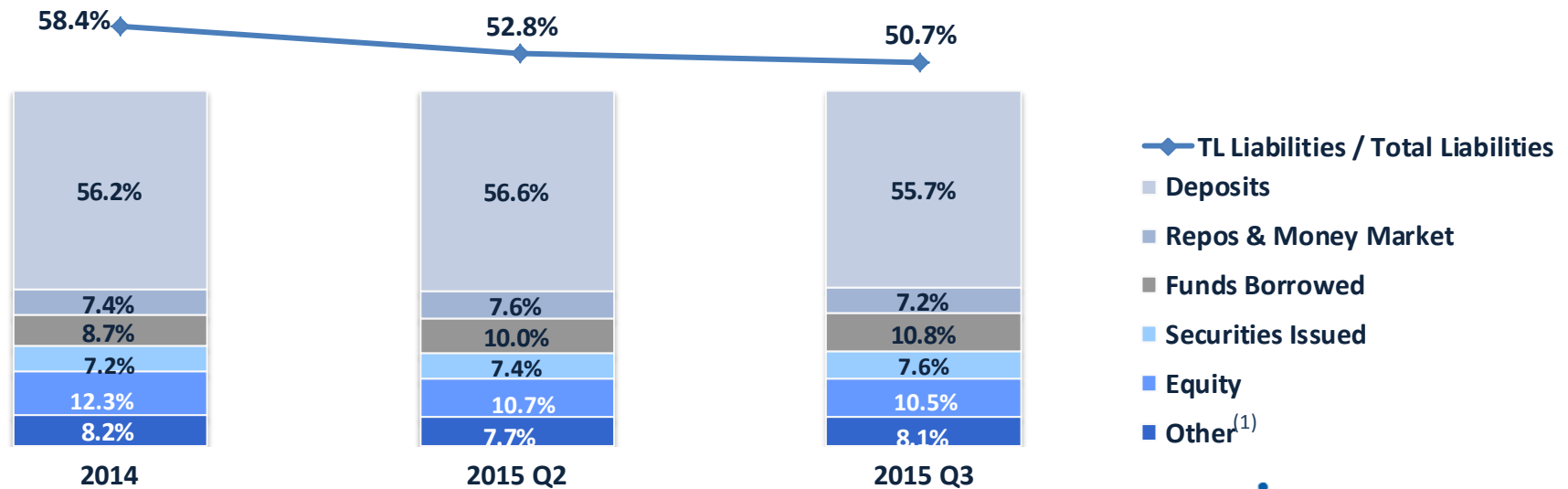
- 27.0% share of CPI linkers in total portfolio
- 275 mn. TL interest revenue and 9.01% quarterly yield on CPI linkers portfolio
- Average durations:
 - 1.79 years for TL Securities
 - 5.69 years for FX Securities

Liabilities Structure

Liabilities

(TL mn.)	2014	2015 Q2	2015 Q3	Δ QoQ	Δ YtD
Deposits	133,551	151,885	155,988	2.7%	16.8%
REPOs & Money Market	17,696	20,265	20,247	-0.1%	14.4%
Funds Borrowed	20,669	26,953	30,253	12.2%	46.4%
Securities Issued	17,154	19,727	21,301	8.0%	24.2%
Other ⁽¹⁾	19,391	20,613	22,638	9.8%	16.7%
Equity	29,311	28,828	29,515	2.4%	0.7%
Total Liabilities & Equity	237,772	268,271	279,942	4.4%	17.7%
TL Liabilities	138,762	141,539	142,041	0.4%	2.4%
FX Liabilities	99,010	126,733	137,900	8.8%	39.3%
FX Liabilities (USD bn.)	42,787	47,914	46,369	-3.2%	8.4%

Liabilities Composition



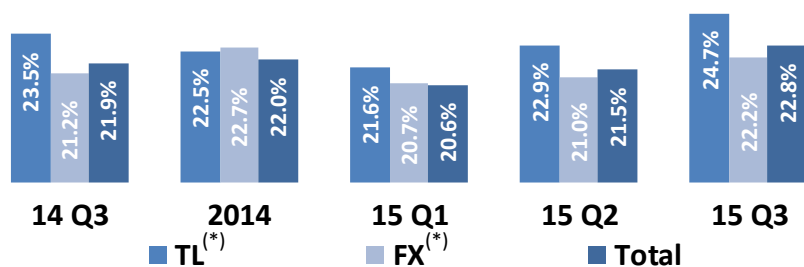
(1) Includes subordinated debt of USD 1.4 bn.

Deposits

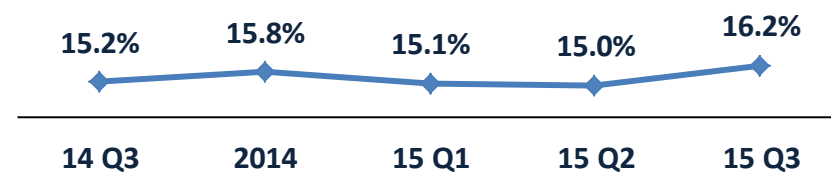
Deposits

(TL mn.)	2014	2015 Q2	2015 Q3	Δ QoQ	Δ YtD
Total Deposits	133,551	151,885	155,988	2.7%	16.8%
TL Deposits	72,986	71,560	69,852	-2.4%	-4.3%
TL Saving Deposits	50,042	51,499	52,609	2.2%	5.1%
TL Commercial Deposits	14,582	14,160	13,229	-6.6%	-9.3%
Other TL Deposits	8,362	5,902	4,014	-32.0%	-52.0%
FX Deposits	60,566	80,325	86,136	7.2%	42.2%
FX Deposits (USD mn.)	26,174	30,369	28,963	-4.6%	10.7%
Demand Deposits	29,431	32,608	35,629	9.3%	21.1%

Demand Deposits / Total Deposits



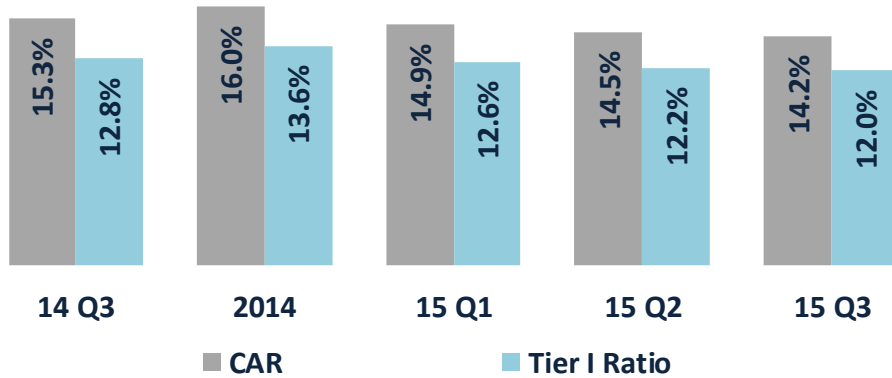
Demand Deposits Market Share



(*) Excluding interbank deposits

Sufficient Capitalization

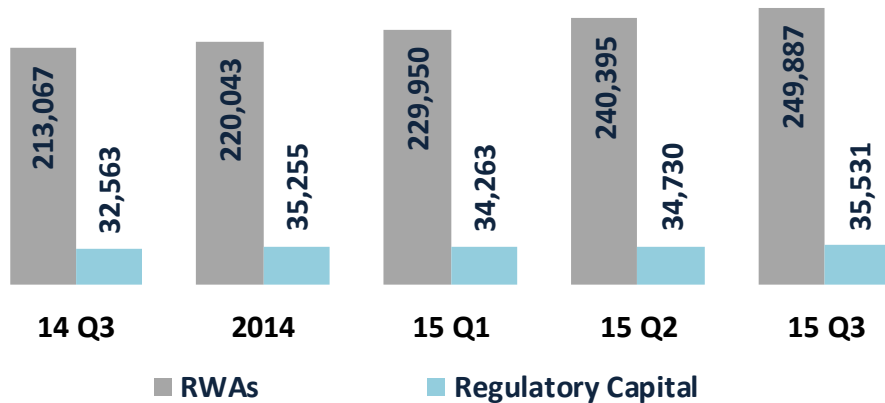
Capital Adequacy Ratio



- 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 Q2	2015 Q3	Δ QoQ	2014 9M	2015 9M	Δ YoY
<i>Interest Income</i>	4,644	5,044	8.6%	11,855	14,080	18.8%
<i>Interest Expense</i>	2,498	2,617	4.8%	6,396	7,558	18.2%
Net Interest Income	2,146	2,426	13.1%	5,459	6,522	19.5%
Net Fees & Commissions	593	582	-1.9%	1,503	1,726	14.9%
Net Trading Gains/Losses	-178	-573	NM	52	-729	NM
Dividends Received ^(*)	394	0	NM	595	555	-6.7%
Released Provisions	141	106	-25.4%	749	631	-15.7%
Other Operating Income	43	63	45.0%	117	140	19.9%
Total Operating Income	3,141	2,604	-17.1%	8,474	8,846	4.4%
Personnel Expenses	693	619	-10.7%	1,851	1,923	3.9%
Other Operational Expenses	464	450	-3.0%	1,123	1,299	15.7%
Depreciation & Amortization	93	104	11.9%	253	288	13.8%
Other Expenses ^(*)	296	454	53.6%	902	1,014	12.4%
Total Operating Expenses	1,546	1,628	5.3%	4,128	4,523	9.6%
Operating Profit	1,594	976	-38.8%	4,346	4,323	-0.5%
Loan Loss Provisions	314	290	-7.9%	700	1,001	42.9%
General and Other Provision Charges ^(*)	207	165	-20.2%	432	608	40.9%
Total Provision Charges (Excluding Tax Provisions)	522	455	-12.8%	1,132	1,609	42.1%
Tax Provisions	165	142	-13.6%	651	515	-20.8%
Net Income	908	379	-58.3%	2,563	2,199	-14.2%

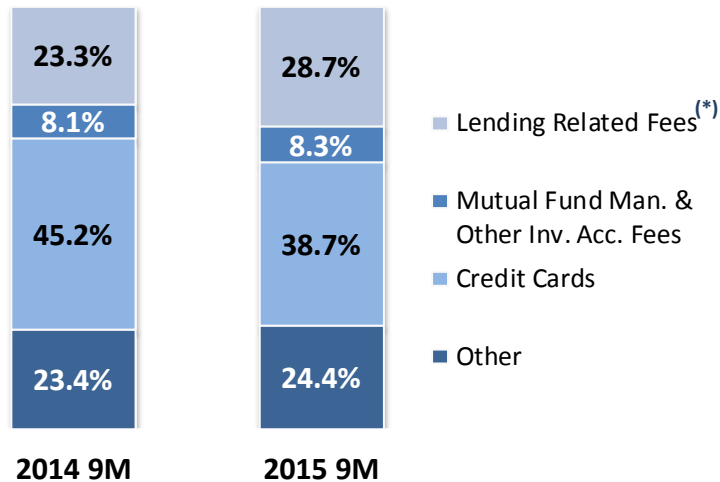
(*) See Appendix-2 for non-recurring and other items on page 19.

NM: Not meaningful

Commissions Income Performance

(TL thousand)	2015 Q2	2015 Q3	Δ QoQ	2014 9M	2015 9M	Δ YoY
Non-Cash Loans	100,062	96,651	-3.4%	201,834	278,133	37.8%
Cash Loans ^(*)	68,257	73,906	8.3%	148,023	216,480	46.2%
Mutual Fund Man. & Other Inv. Acc. Fees	49,637	45,074	-9.2%	121,463	143,344	18.0%
Credit Cards (Net)	236,372	226,919	-4.0%	679,530	667,354	-1.8%
Fund Transfer (Net)	61,930	59,416	-4.1%	146,342	180,251	23.2%
Insurance	32,249	32,269	0.1%	68,655	98,712	43.8%
Account Keeping Fees	37,116	40,550	9.3%	97,260	106,166	9.2%
Other	7,722	7,456	-3.4%	39,516	35,697	-9.7%
Total Fees & Commissions Income (Net)	593,346	582,240	-1.9%	1,502,624	1,726,137	14.9%
Total Fees & Commissions Income (Gross)	697,712	702,099	0.6%	1,698,176	2,035,464	19.9%

Net Fee & Commission Composition

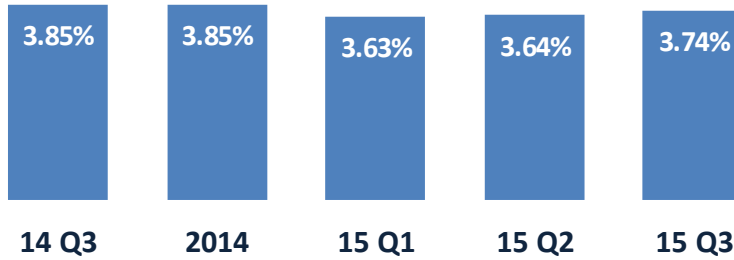


• Diversified fees & commissions base

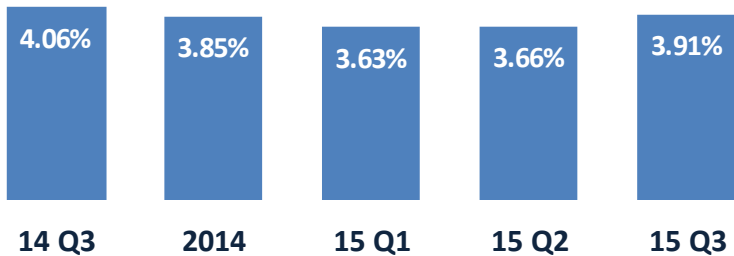
(*) Includes refinancing fees

Margin & Spreads (1)

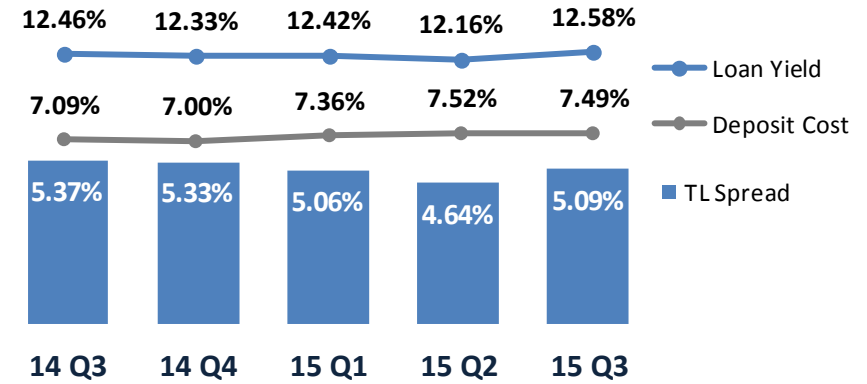
NIM⁽²⁾ (Cumulative)



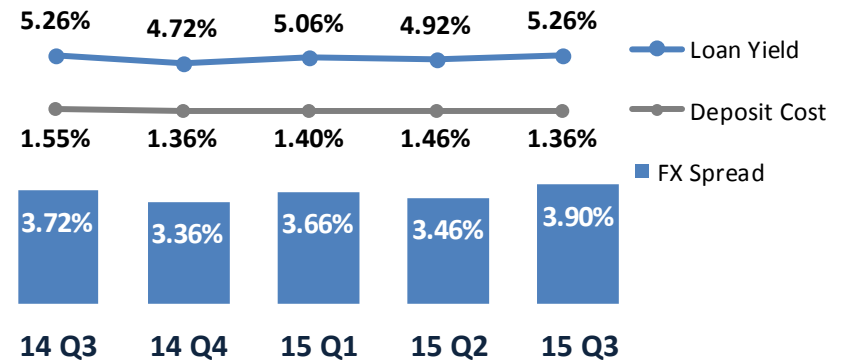
NIM⁽²⁾ (Quarterly)



TL Loan-Deposit Spread (Quarterly)



FX Loan-Deposit Spread (Quarterly)

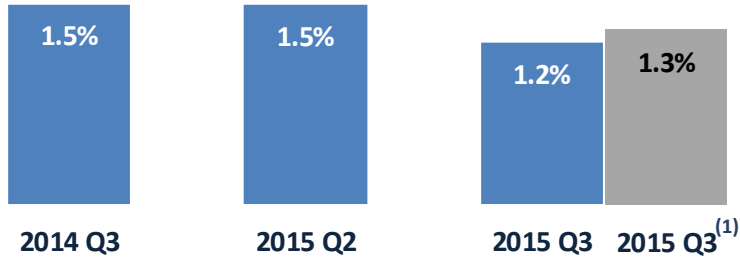


(1) Based on MIS data

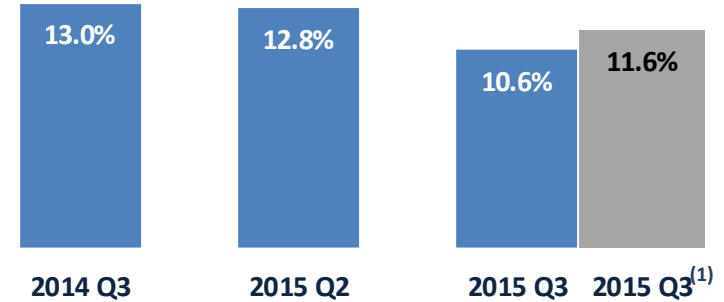
(2) Interest earning assets include Central Bank reserves.

Profitability and Efficiency Ratios (*)

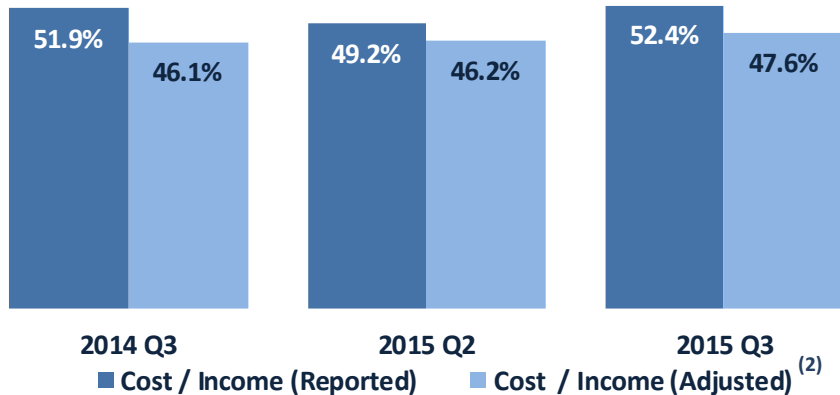
ROAA



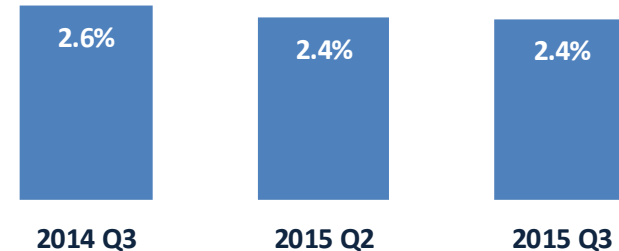
ROAE



Cost / Income



Cost / Average Assets



(1) Adjusted for 2015 Q3 one-off items and fixed asset revaluation.

(2) 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 Q3	2014 Q4	2015 Q1	2015 Q2	2015 Q3	Δ QoQ
<i>Interest Income</i>	4,106	4,231	4,393	4,644	5,044	8.6%
<i>Interest Expense</i>	2,118	2,236	2,443	2,498	2,617	4.8%
Net Interest Income	1,988	1,995	1,950	2,146	2,426	13.1%
Net Fees & Commissions	528	501	551	593	582	-1.9%
Net Trading Gains/Losses	164	133	22	-178	-573	NM
Dividends Received	0	0	161	394	0	NM
Released Provisions ^(*)	127	100	385	141	106	-25.4%
Other Operating Income	31	46	33	43	63	45.0%
Total Operating Income	2,838	2,775	3,101	3,141	2,604	-17.1%
Personnel Expenses	663	605	611	693	619	-10.7%
Other Operational Expenses	389	522	384	464	450	-3.0%
Depreciation & Amortization	87	88	91	93	104	11.9%
Other Expenses ^(*)	237	352	263	296	454	53.6%
Total Operating Expenses	1,376	1,567	1,349	1,546	1,628	5.3%
Operating Profit	1,462	1,208	1,752	1,594	976	-38.8%
Loan Loss Provisions	202	214	396	314	290	-7.9%
General and Other Provision Charges ^(*)	82	-23	236	207	165	-20.2%
Total Provision Charges (Excluding Tax Provisions)	284	191	632	522	455	-12.8%
Tax Provisions	260	198	208	165	142	-13.6%
Net Income	918	819	912	908	379	-58.3%

(*) 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 Q4	2015 Q1	2015 Q2	2015 Q3	2015 9M	2014 9M
Released Provisions						
Provision reversals related to the asset sales						261
Reversal of provisions set aside for the tax disputes		207			207	
Other Expenses						
Loss on the asset sales				154	154	267
Provisions for tax disputes	19	7	10	10	27	96
Expenses related with fee returns	60	61	76	55	192	58
Provision for the administrative fine				83	83	
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 Q3	2014	2015 Q3
Total Assets	12.6	12.7 ⁽⁴⁾	1 st	1 st
Total Loans	13.2	12.8	1 st	1 st
TL Loans	12.2	12.2	1 st	1 st
FX Loans	15.3	13.9	1 st	1 st
Consumer Loans ⁽³⁾	12.4	12.7	2 nd	2 nd
Non-Retail Loans	13.5	12.7	1 st	1 st
Total Deposits	12.7	12.4	1 st	1 st
TL Deposits	11.4	10.4	1 st	1 st
FX Deposits	14.9	14.7	1 st	1 st
Demand Deposits	15.8	16.2	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

(4) As of June 2015

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