

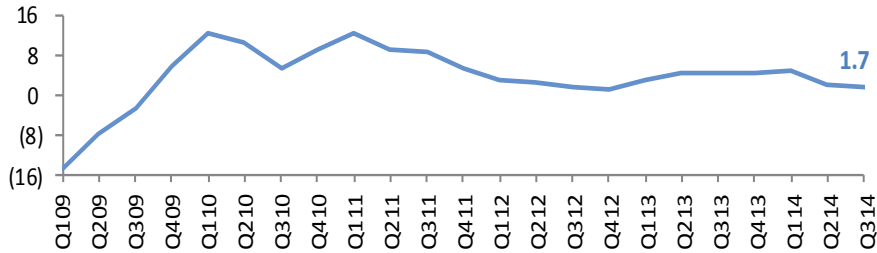


**ISBANK
EARNINGS
PRESENTATION
2014**

Recent Macro Developments

Moderate course in economic growth

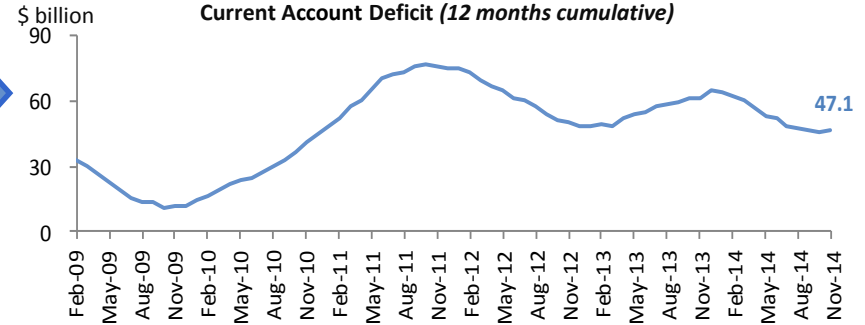
GDP growth (quarterly, yoy,%)



Source: Turkstat

Narrowing current account deficit

Current Account Deficit (12 months cumulative)

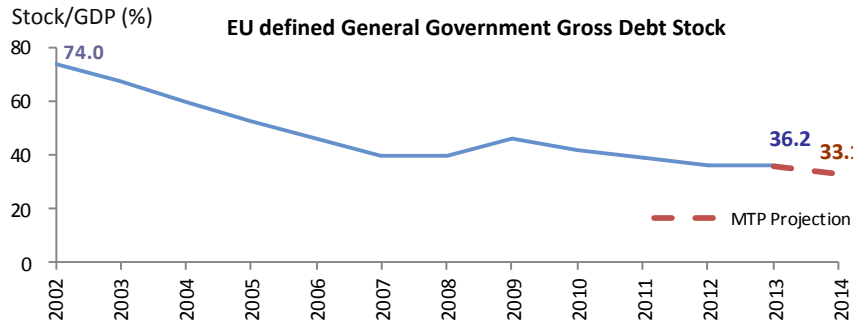


Source: Central Bank of Turkey

- In the first nine months of 2014, Turkish economy registered an annual growth rate of 2.8%. Net exports made the highest contribution to the growth.
- 12-month cumulative C/A deficit exhibited a downward course in 2014. Lower energy bill as a result of the sharp drop in oil prices is expected to support the current account balance further.
- Budget discipline was maintained in 2014 despite the local elections and Presidential election. EU defined General Government Gross Debt Stock to GDP Ratio is expected to have declined to 33.1% at the end of 2014.
- The year-end annual inflation in 2014 was realized as 8.2%, the lowest level of the last 10 months.

Sound fiscal performance maintained

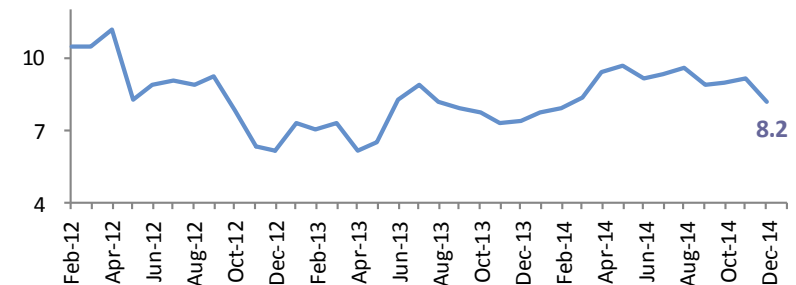
EU defined General Government Gross Debt Stock



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

- 15.2% annual loan growth, in line with our expectations
- Loans make up about 65% of total assets by the end of 2014.
- Net NPL formation and CoR remained stable in the quarter.
- Year over year decline in both gross NPL formation and CoR

Funding & Capital Adequacy

- Flexible fund management over the year, leading to a diversified funding base
- Higher share of longer term, non-deposit funds in total liabilities
- Share of demand deposits in total deposits reached 22%.
- Share of savings deposits in total deposits is 66%.
- CAR increased to 16% as a result of net profit and MtM gains in the period.

P & L

- ROAA and ROAE maintained in Q4 despite the contraction in NIM.
- 12% annual increase in NII supported by volume growth over the year.

Largest Private Bank...

	Market Shares (%) ⁽¹⁾		Rank ⁽²⁾	
	2013	2014	2013	2014
Total Assets	12.9	12.6	1 st	1 st
Total Loans	13.5	13.2	1 st	1 st
TL Loans	12.4	12.2	1 st	1 st
FX Loans	16.2	15.3	1 st	1 st
Consumer Loans ⁽³⁾	11.9	12.4	2 nd	2 nd
Non-Retail Loans	14.2	13.5	1 st	1 st
Total Deposits	12.7	12.7	1 st	1 st
TL Deposits	11.5	11.4	1 st	1 st
FX Deposits	14.7	14.9	1 st	1 st
Demand Deposits	14.9	15.8	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

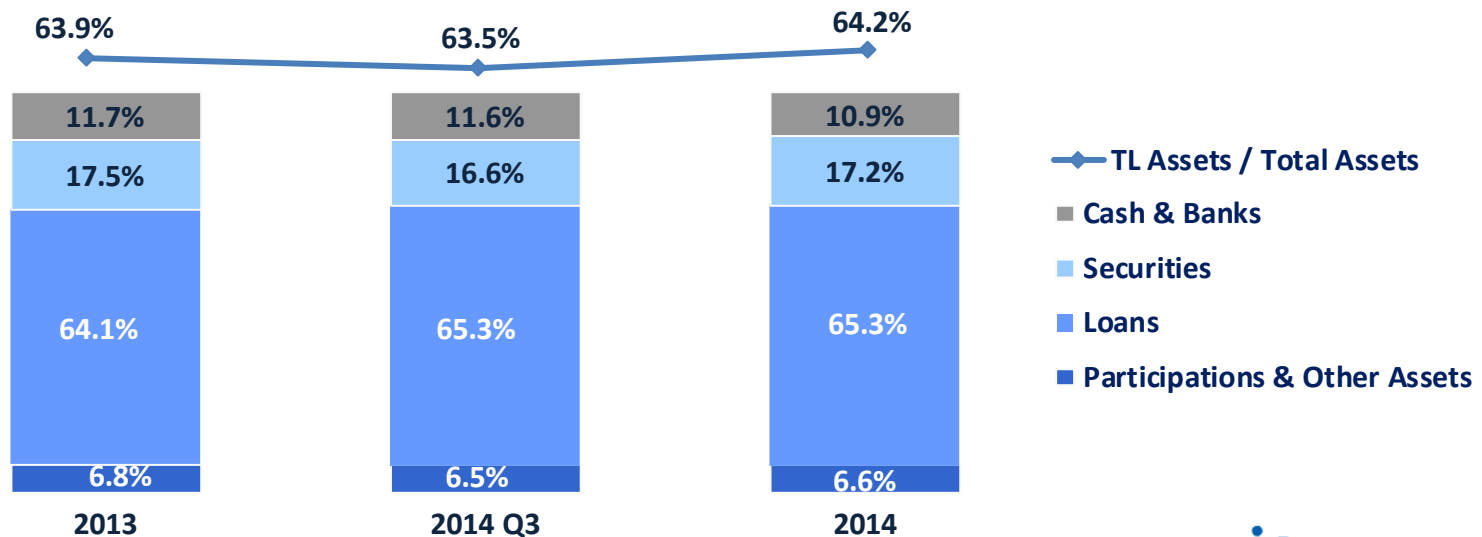
(3) Including retail overdraft accounts

Asset Structure

Assets

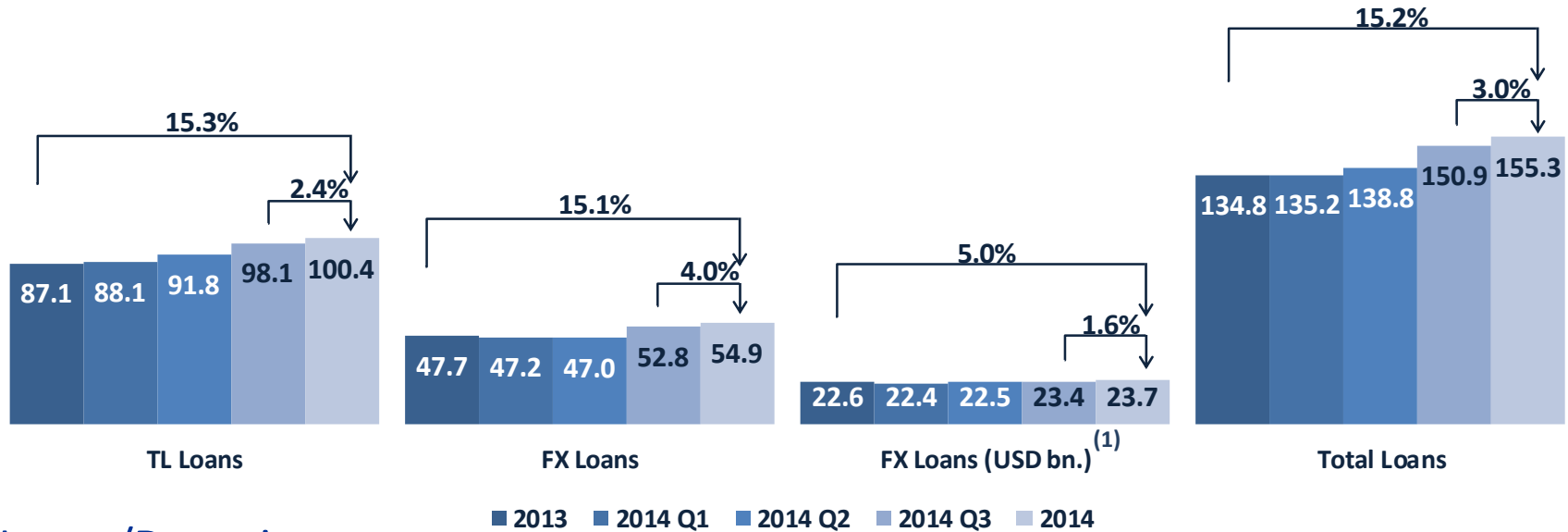
(TL mn.)	2013	2014 Q3	2014	Δ QoQ	Δ YoY
Cash & Banks	24,555	26,687	26,000	-2.6%	5.9%
Securities (Net)	36,866	38,422	40,856	6.3%	10.8%
Loans	134,843	150,855	155,315	3.0%	15.2%
Participations (Net)	7,761	8,501	9,625	13.2%	24.0%
Fixed Assets (Net)	2,090	2,152	2,236	3.9%	7.0%
Other Assets	4,384	4,370	3,739	-14.4%	-14.7%
Total Assets	210,500	230,989	237,772	2.9%	13.0%
TL Assets	134,457	146,633	152,755	4.2%	13.6%
FX Assets	76,043	84,356	85,017	0.8%	11.8%
FX Assets (USD mn.)	35,997	37,342	36,740	-1.6%	2.1%

Asset Composition

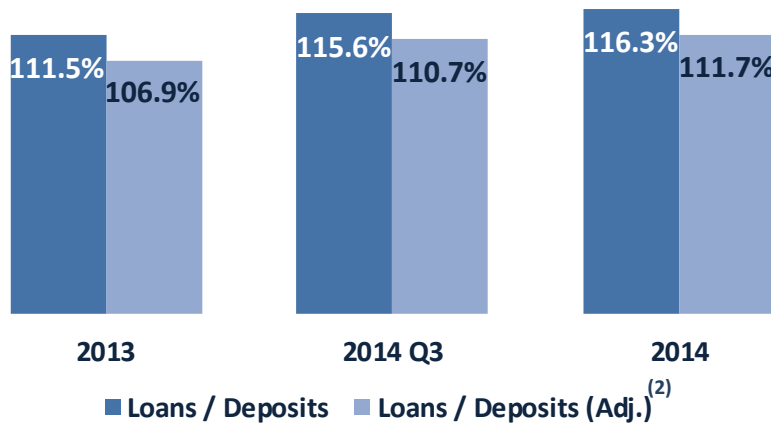


Loan Portfolio

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⁽²⁾ is 111.7%.

(1) FX loans expressed in USD equivalent.

(2) TL securities issued added to deposits.

Loan Portfolio

Loans

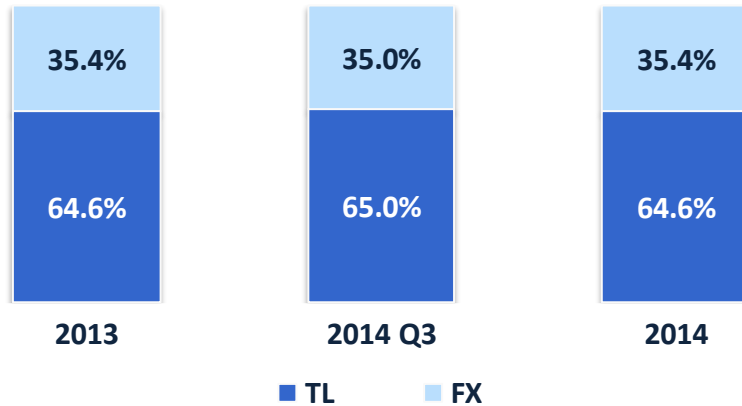
(TL mn.)	2013	2014 Q3	2014	Δ QoQ	Δ YoY
Total Loans	134,843	150,855	155,315	3.0%	15.2%
TL Loans	87,116	98,080	100,404	2.4%	15.3%
Retail Loans	38,487	40,194	42,415	5.5%	10.2%
Housing Loans	11,780	12,799	13,598	6.2%	15.4%
Auto Loans	1,303	966	952	-1.5%	-27.0%
GPLs ⁽¹⁾	15,282	17,360	18,767	8.1%	22.8%
Credit Card Loans	10,123	9,069	9,099	0.3%	-10.1%
Non-Retail Loans	48,628	57,886	57,989	0.2%	19.3%
SME Loans ⁽²⁾	31,943	36,737	38,907	5.9%	21.8%
Commercial and Corporate Loans	16,685	21,149	19,083	-9.8%	14.4%
FX Loans	47,728	52,775	54,911	4.0%	15.1%
SME Loans ⁽²⁾	4,672	5,242	5,524	5.4%	18.2%
Commercial and Corporate Loans	43,055	47,533	49,388	3.9%	14.7%
FX Loans (USD mn.)	22,593	23,362	23,730	1.6%	5.0%
SME Loans ⁽²⁾	2,212	2,321	2,387	2.9%	7.9%
Commercial and Corporate Loans	20,381	21,041	21,343	1.4%	4.7%

(1) Including overdraft accounts

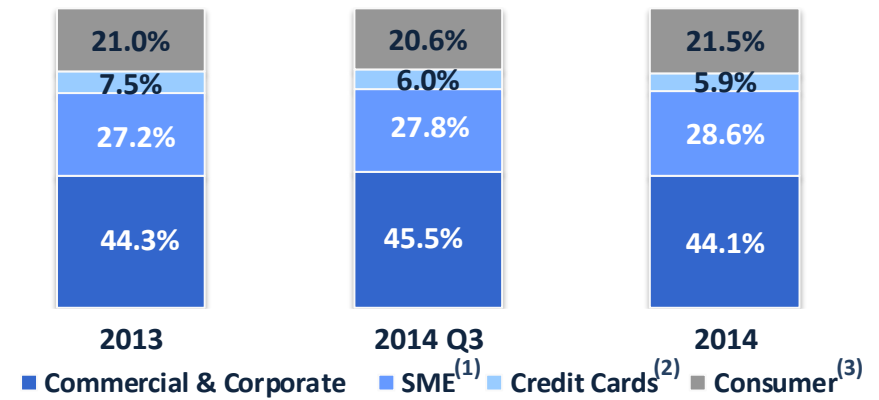
(2) SME definition includes companies with number of employees <= 250 and turnover or total assets <= TL 40 mn.

Loan Composition

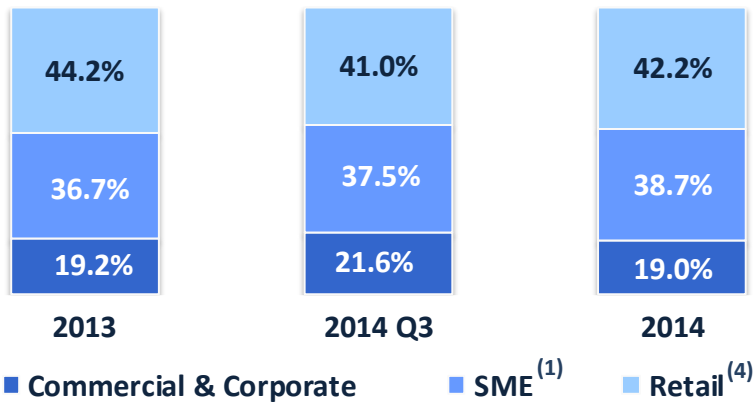
Currency Mix



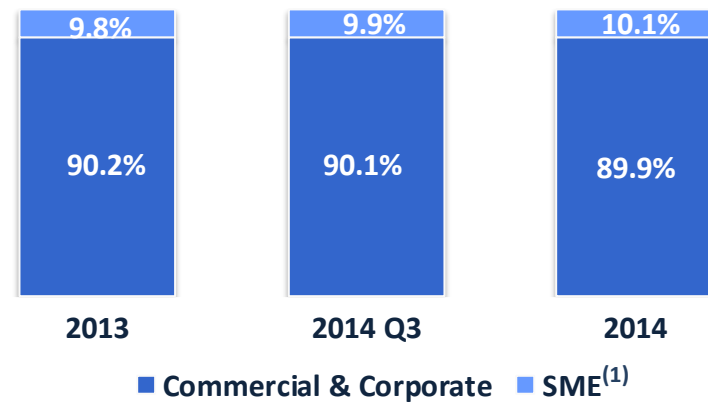
Loan Composition - Total Loans



Loan Composition - TL Loans



Loan Composition - FX Loans



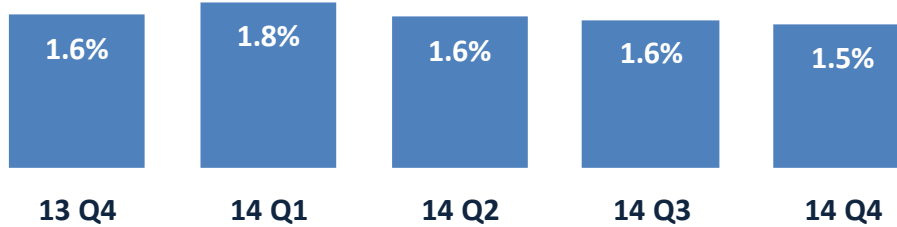
(1) SME definition includes companies with number of employees <= 250 and turnover or total assets <= TL 40 mn.

(2) Shows retail credit card balances only

(3) Including retail overdraft accounts

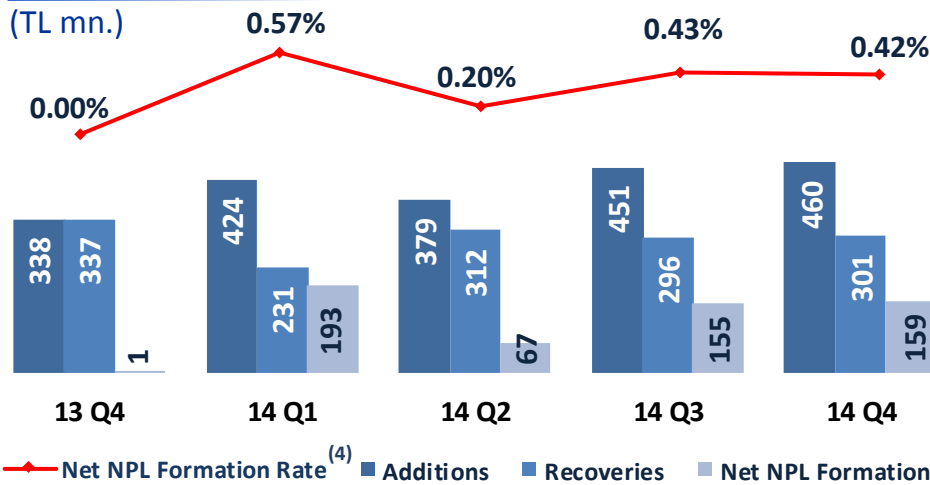
(4) Including retail credit cards and overdraft accounts

NPL Ratio



- Gross CoR⁽¹⁾ is 64 bps as of 2014 Q4.
- Coverage ratio is 76.9%.
- 28.8% collection rate⁽²⁾ as of 2014 Q4

NPL Trends⁽³⁾



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

(1) Specific Provisions / Average Loans

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

(3) Calculations are on quarterly basis.

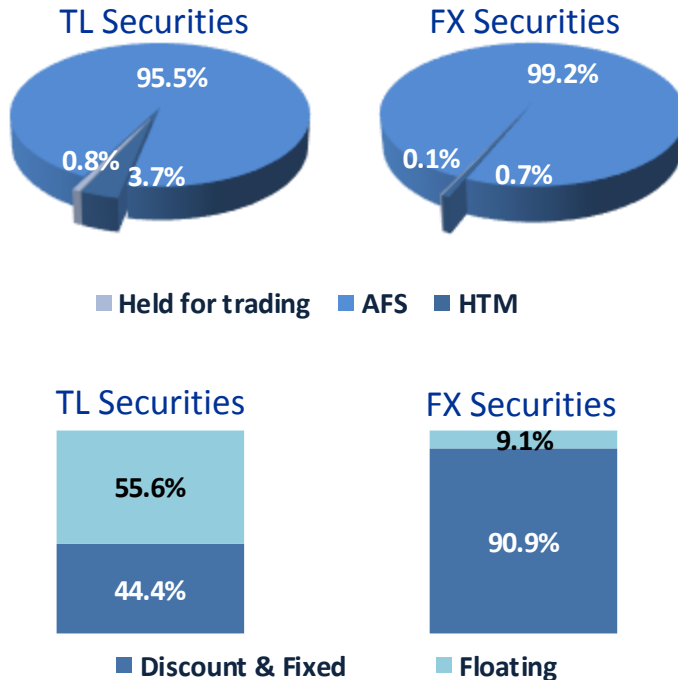
(4) Net NPL Formation / Average Loans

Securities Portfolio

Securities

(TL mn.)	2013	2014 Q3	2014	Δ QoQ	Δ YoY
Total Securities	36,866	38,422	40,856	6.3%	10.8%
TL Securities	30,444	31,920	33,573	5.2%	10.3%
FX Securities	6,422	6,502	7,283	12.0%	13.4%
FX Securities (USD mn.)	3,040	2,878	3,147	9.3%	3.5%

Composition of Securities Portfolio (2014)



- 27.4% share of CPI linkers in total portfolio
- MtM differences:
HTM TL 3 mn.*
AFS TL 898 mn.
- Average durations:
1.83 years for TL Securities
5.03 years for FX Securities

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

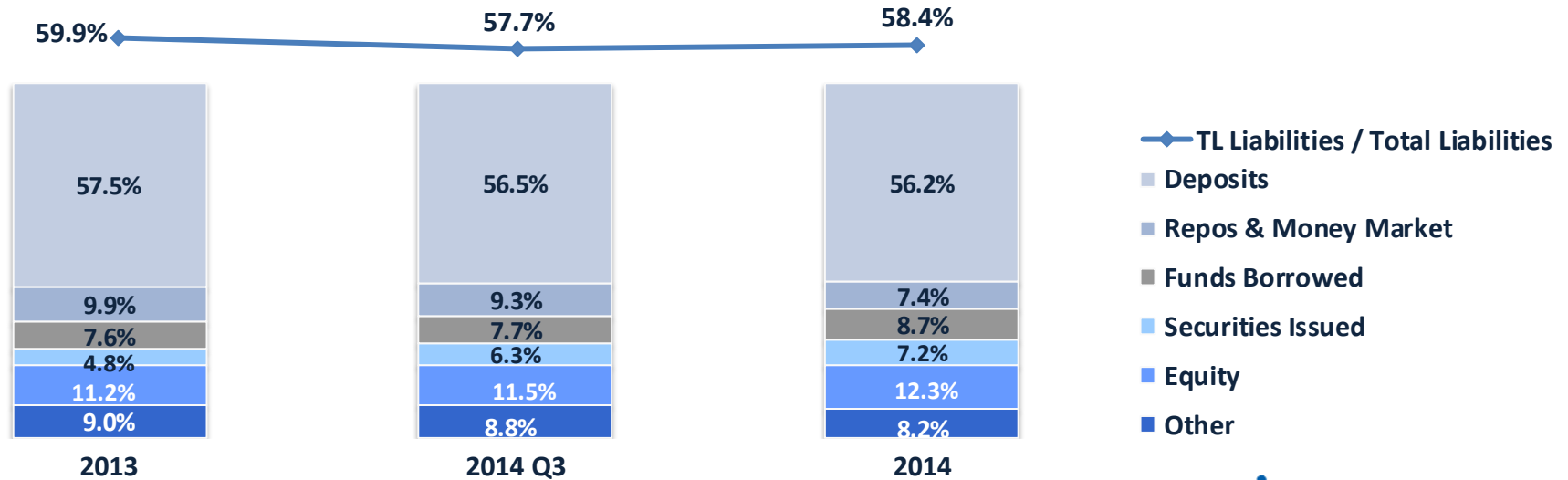
Liabilities Structure

Liabilities

(TL mn.)	2013	2014 Q3	2014	Δ QoQ	Δ YoY
Deposits	120,975	130,461	133,551	2.4%	10.4%
REPOs & Money Market	20,916	21,486	17,696	-17.6%	-15.4%
Funds Borrowed	15,922	17,681	20,669	16.9%	29.8%
Securities Issued	10,095	14,452	17,154	18.7%	69.9%
Other ⁽¹⁾	19,013	20,372	19,391	-4.8%	2.0%
Equity	23,579	26,536	29,311	10.5%	24.3%
Total Liabilities & Equity	210,500	230,989	237,772	2.9%	13.0%
TL Liabilities	126,101	133,389	138,762	4.0%	10.0%
FX Liabilities	84,399	97,600	99,010	1.4%	17.3%
FX Liabilities (USD bn.)	39,952	43,205	42,787	-1.0%	7.1%

(1) Includes subordinated debt of USD 1.4 bn.

Liabilities Composition

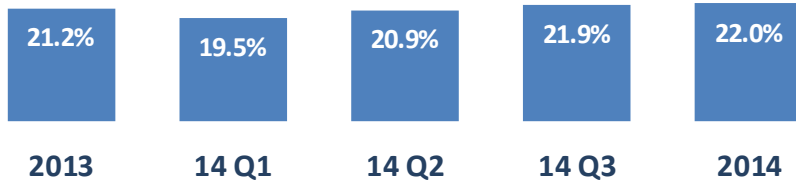


Deposits

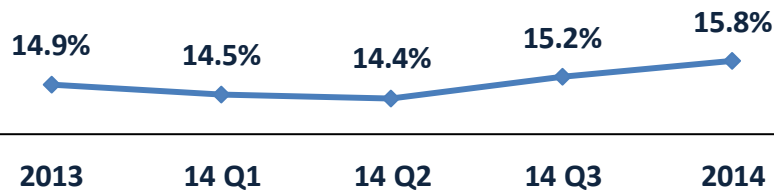
Deposits

(TL mn.)	2013	2014 Q3	2014	Δ QoQ	Δ YoY
Total Deposits	120,975	130,461	133,551	2.4%	10.4%
TL Deposits	66,440	67,157	72,986	8.7%	9.9%
TL Saving Deposits	45,374	48,316	50,042	3.6%	10.3%
TL Commercial Deposits	15,269	13,252	14,582	10.0%	-4.5%
Other TL Deposits	5,797	5,589	8,362	49.6%	44.2%
FX Deposits	54,535	63,304	60,566	-4.3%	11.1%
FX Deposits (USD mn.)	25,815	28,023	26,174	-6.6%	1.4%
Demand Deposits	25,623	28,514	29,431	3.2%	14.9%

Demand Deposits / Total Deposits



Demand Deposits Market Share

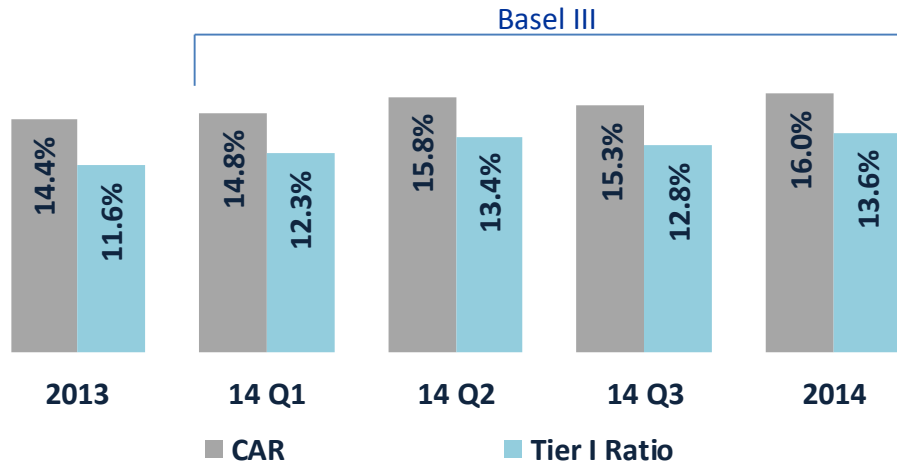


- Leadership in TL, FX, demand & total deposits among private sector banks
- Deposits make up 56.2% of total liabilities.
- Share of demand deposits in total deposits is 22.0%. (In TL deposits, the share is 22.5%).⁽¹⁾

(1) Excluding interbank deposits

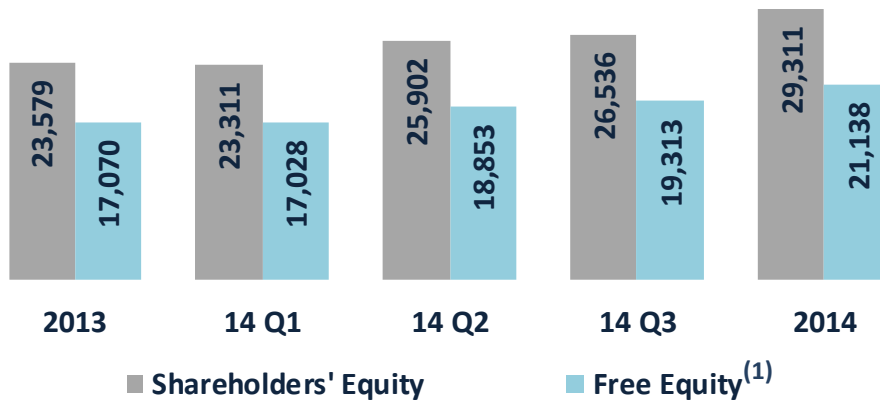
Sufficient Capitalization

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 Q3	2014 Q4	Δ QoQ	2013	2014	Δ YoY
<i>Interest Income</i>	4,106	4,231	3.0%	13,461	16,086	19.5%
<i>Interest Expense</i>	2,118	2,236	5.5%	6,805	8,632	26.8%
Net Interest Income	1,988	1,995	0.4%	6,655	7,454	12.0%
Net Fees & Commissions	528	501	-5.1%	1,919	2,004	4.4%
Net Trading Gains/Losses	164	133	-19.0%	223	185	-17.2%
Dividends Received	0	0	NM	450	595	32.1%
Released Provisions (*)	127	100	-21.2%	778	849	9.1%
Gains on Asset Sales	10	19	81.8%	160	51	-67.9%
Other Operating Income	21	27	32.6%	99	111	12.0%
Total Operating Income	2,838	2,775	-2.2%	10,286	11,250	9.4%
Personnel Expenses	663	605	-8.8%	2,276	2,456	7.9%
Other Operational Expenses	389	522	34.0%	1,439	1,645	14.3%
Depreciation & Amortization	87	88	2.1%	303	341	12.7%
Other Expenses (*)	237	352	48.6%	945	1,254	32.6%
Total Operating Expenses	1,376	1,567	13.9%	4,963	5,695	14.8%
Operating Profit	1,462	1,208	-17.4%	5,324	5,554	4.3%
Loan Loss Provisions	202	214	5.9%	834	915	9.7%
General and Other Provision Charges (*)	82	-23	NM	633	409	-35.5%
Total Provision Charges (Excluding Tax Provisions)	284	191	-32.7%	1,467	1,323	-9.8%
Tax Provisions	260	198	-23.9%	693	849	22.4%
Net Income	918	819	-10.7%	3,163	3,382	6.9%

- Annual growth in NII and net fees & commissions income
- 6.9% yearly bottom-line growth

(*) See Appendix-2 for non-recurring and other items on page 21.

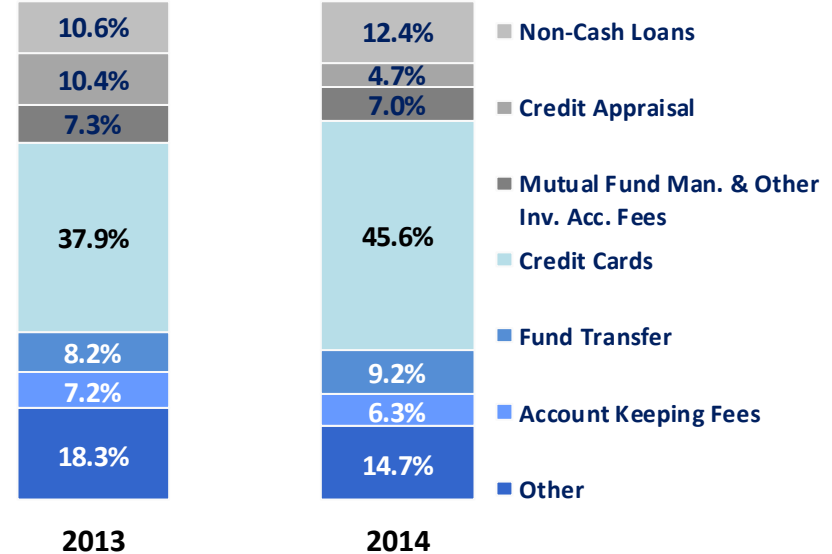
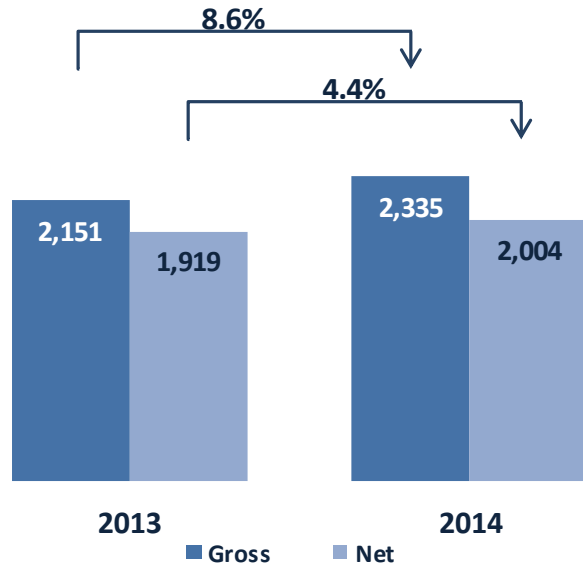
NM: Not meaningful

Commissions Income Performance

(TL thousand)	2014 Q3	2014 Q4	Δ QoQ	2013	2014	Δ YoY
Non-Cash Loans	68,961	88,622	28.5%	227,450	290,456	27.7%
Credit Appraisal	28,752	31,629	10.0%	223,361	110,697	-50.4%
Mutual Fund Man. & Other Inv. Acc. Fees	39,891	43,655	9.4%	157,882	163,168	3.3%
Credit Cards	284,596	266,229	-6.5%	816,175	1,065,282	30.5%
Fund Transfer	54,646	56,068	2.6%	176,403	214,079	21.4%
Account Keeping Fees	24,809	49,778	100.6%	155,078	147,039	-5.2%
Other	85,950	100,494	16.9%	394,348	343,931	-12.8%
Total Fees & Commissions Income (Gross)	587,606	636,475	8.3%	2,150,697	2,334,651	8.6%
Total Fees & Commissions Income (Net)	528,098	501,154	-5.1%	1,919,086	2,003,778	4.4%

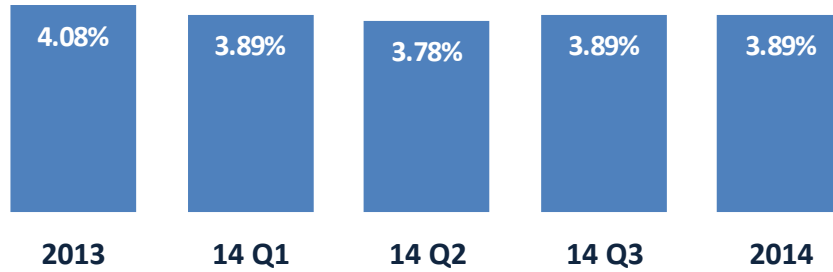
• Diversified fees & commissions base

Fees & Commissions Income (TL mn.)

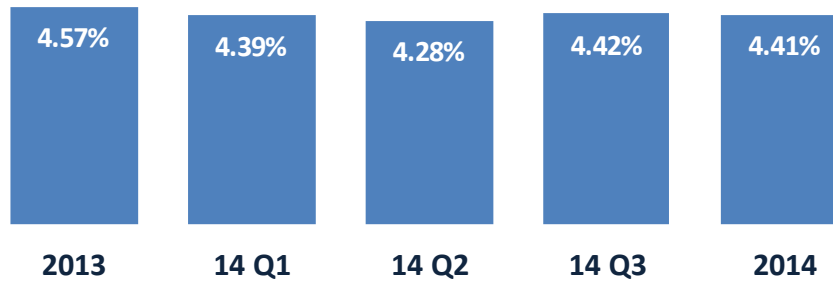


Margins

NIM⁽¹⁾



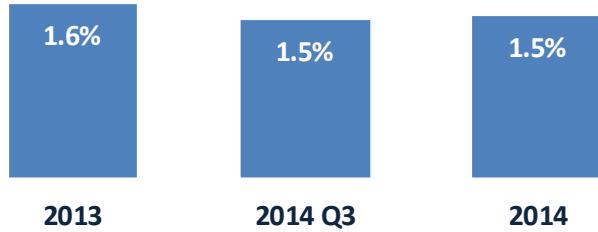
NIM (Exc. Reserves at Central Bank)⁽¹⁾



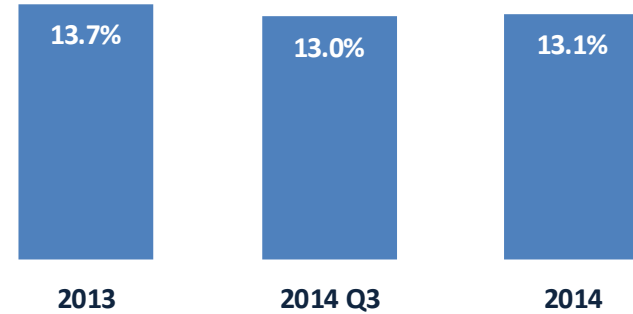
(1) Cumulative, based on MIS data

Profitability and Efficiency Ratios (*)

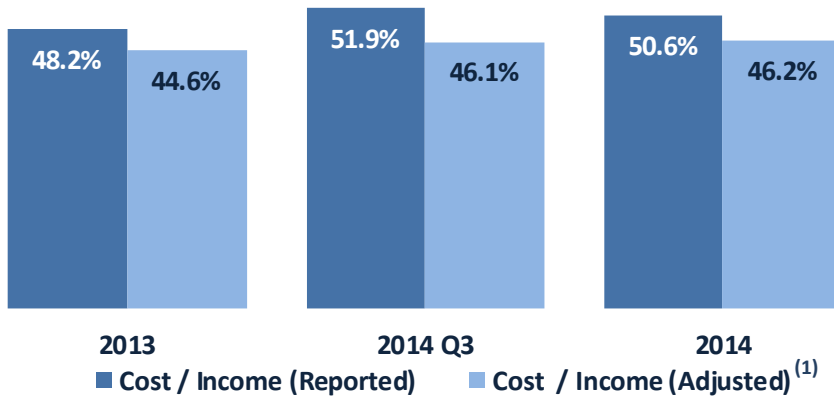
ROAA



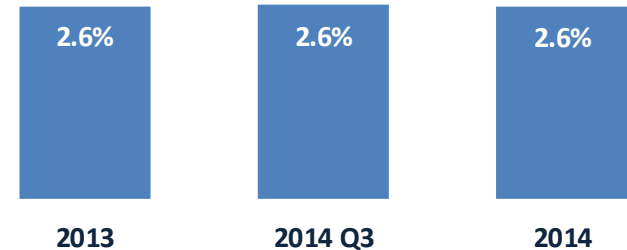
ROAE



Cost / Income



Cost / Average Assets



(1) Adjusted for non-recurring and other expense items given in Appendix-2 on page 21 plus the additional provision for pension fund in 2014 Q4.

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

2015 Expectations

	2014	2015 Expectations
Macroeconomic Indicators		
GDP Growth	2.8% ⁽¹⁾	~3.5%
CPI Inflation (annual)	8.2%	6.5%-7%
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Loan Growth	15.2%	16%-17%
Retail Loans	10.2%	17%-18%
Other Loans	17.2%	16%-17%
Deposit Growth	10.4%	16%-17%
Share of Securities in Total Assets	17.2%	~17%
NPL Ratio	1.5%	+ 20-30 bps
Gross Cost of Risk ⁽²⁾	89 bps	85-95 bps
Capital Adequacy Ratio	16.0%	>15%
Net Interest Margin	3.9%	3.7%-3.9%
Net Fees & Commissions Growth	4.4%	7%-8%
OPEX Growth	14.8%	4%-5%
Return on Average Assets	1.5%	1.4%-1.6%
Net Branch Additions	49	40-45

(1) For the first 9 months compared to the same period of the previous year

(2) (Specific Loans Loss Provisions + General Loans Loss Provisions) / Average Performing Loans

Q&A

Appendix 1 – Quarterly Income Statement Highlights

(TL mn.)	2013 Q4	2014 Q1	2014 Q2	2014 Q3	2014 Q4	Δ QoQ
<i>Interest Income</i>	3,514	3,826	3,922	4,106	4,231	3.0%
<i>Interest Expense</i>	1,951	2,054	2,223	2,118	2,236	5.5%
Net Interest Income	1,563	1,772	1,699	1,988	1,995	0.4%
Net Fees & Commissions	488	463	512	528	501	-5.1%
Net Trading Gains/Losses	-70	86	-199	164	133	-19.0%
Dividends Received	0	203	392	0	0	NM
Released Provisions ^(*)	166	296	327	127	100	-21.2%
Gains on Asset Sales	55	10	12	10	19	81.8%
Other Operating Income	24	35	28	21	27	32.6%
Total Operating Income	2,226	2,865	2,771	2,838	2,775	-2.2%
Personnel Expenses	487	532	655	663	605	-8.8%
Other Operational Expenses	413	347	386	389	522	34.0%
Depreciation & Amortization	80	84	82	87	88	2.1%
Other Expenses ^(*)	441	308	358	237	352	48.6%
Total Operating Expenses	1,421	1,272	1,481	1,376	1,567	13.9%
Operating Profit	805	1,594	1,290	1,462	1,208	-17.4%
Loan Loss Provisions	153	261	237	202	214	5.9%
General and Other Provision Charges ^(*)	-100	292	57	82	-23	-128.0%
Total Provision Charges (Excluding Tax Provisions)	54	553	295	284	191	-32.7%
Tax Provisions	121	225	166	260	198	-23.9%
Net Income	630	815	829	918	819	-10.7%

(*) See Appendix-2 for non-recurring and other items on page 21.

NM: Not meaningful

Appendix 2 – Non-recurring and Other Items

(TL mn.)	2014 Q1	2014 Q2	2014 Q3	2014 Q4	2014	2013
Released Provisions						
Provision reversals related to the asset sales	132	129			261	112
Other Expenses						
Loss on the asset sales	132	135			267	97
Provisions for tax disputes	5	21	69	19	114	209
Provisions for the Competition Board fine						110
Expenses related with fee returns	3	21	33	60	117	-
General & Other Provision Charges						
Free provision charges	200				200	100
Reversal of free provisions			100	100	200	100

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