

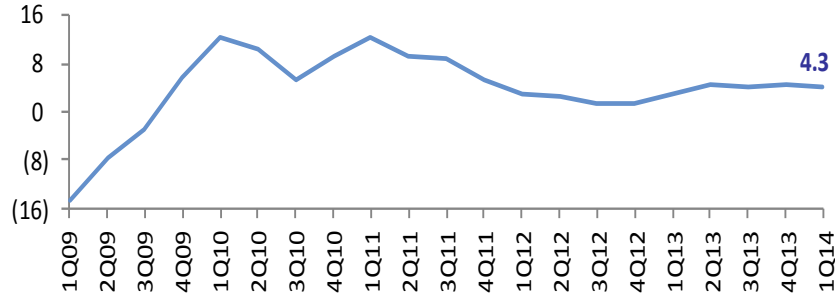


**ISBANK
EARNINGS
PRESENTATION
1H 2014**

Recent Macro Developments

The first quarter growth was in line with the expectations

GDP growth (quarterly, yoy)

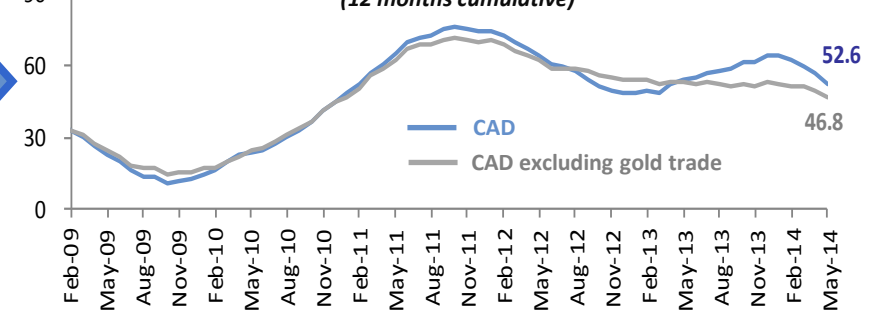


Source: Turkstat

Rebalancing process continues

\$ billion

Current account deficit (12 months cumulative)



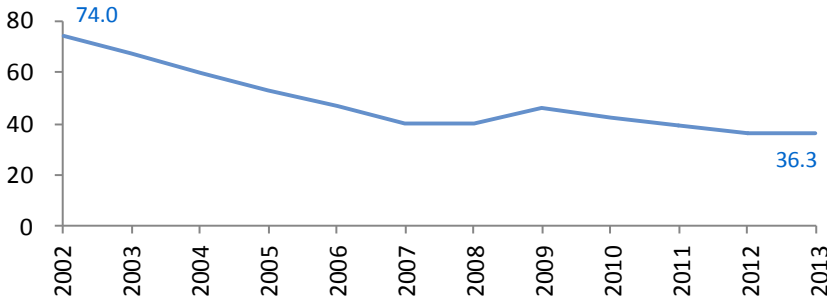
Source: Central Bank of Turkey, Turkstat

- CBRT's monetary policy and BRSA's measures to slow down the growth in consumer loans and credit cards restrained the domestic demand in the first half of 2014. On the other hand, the ongoing recovery in Turkey's main trading partners supported the growth via net exports.
- In recent period, the re-balancing between domestic and external demand had positive impacts on balance of payment figures.
- In the first half of 2014, budget realizations were in line with the year-end targets.
- According to latest inflation report of CBRT, annual inflation is expected to slow down in the upcoming period.

Sound fiscal performance maintained

Stock/GDP (%)

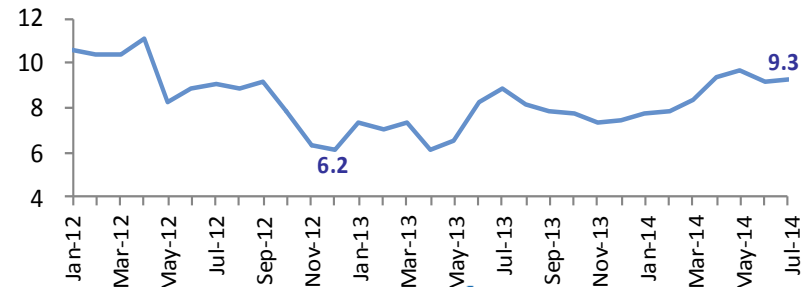
EU defined General Government Gross Debt



Source: Undersecretariat of Treasury

Inflation hovers well above the target

CPI inflation (% yoy)



Source: Turkstat

Period's Highlights

Loans & Asset Quality

- Faster growth in TL loans in Q2
- Highest market share in the sector in total loans
- Lower NPL formation and larger amount of recoveries resulted in further improvement in asset quality
- CoR and NPL ratio declined in the second quarter.

Funding and Capital Adequacy

- Flexible and active liability management continued.
- TL deposits grew by 8.6% indicating a shift from FX to TL deposits, in line with the sector.
- Share of demand deposits in total deposits reached 21%.
- Longer term funding from securities issued continued.
- Comfortable level of CAR at 15.8%

P&L

- Slight decrease in NIM, driven by tighter monetary conditions at beginning of the quarter
- 10.6% quarterly growth in net fees and commissions
- Dividends received continued to support the bottom line.
- A lower level of loan loss provision charges contributing to the P&L

Largest Private Bank...

	Market Shares (%) ⁽¹⁾		Rank ⁽²⁾	
	2013	2014 Q2	2013	2014 Q2
Total Assets	12.9	12.7	1 st	1 st
Total Loans	13.5	13.0	1 st	1 st
TL Loans	12.4	12.1	1 st	1 st
FX Loans	16.2	15.3	1 st	1 st
Consumer Loans ⁽³⁾	11.9	11.6	2 nd	3 rd
Non-Retail Loans	14.2	13.6	1 st	1 st
Total Deposits	12.7	12.8	1 st	1 st
TL Deposits	11.5	11.3	1 st	1 st
FX Deposits	14.7	15.3	1 st	1 st
Demand Deposits	14.9	14.4	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

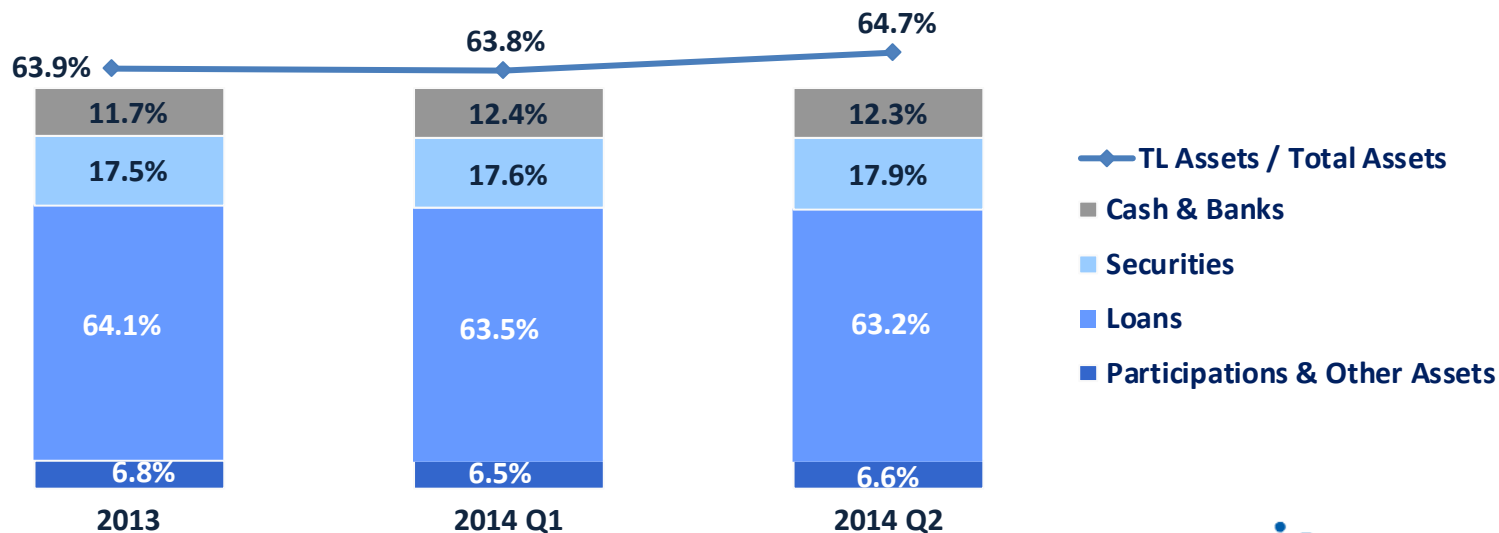
(3) Including retail overdraft accounts

Asset Structure

Assets

(TL mn.)	2013	2014 Q1	2014 Q2	Δ QoQ	Δ YtD
Cash & Banks	24,555	26,331	27,070	2.8%	10.2%
Securities (Net)	36,866	37,592	39,302	4.5%	6.6%
Loans	134,843	135,244	138,834	2.7%	3.0%
Participations (Net)	7,761	7,275	8,373	15.1%	7.9%
Fixed Assets (Net)	2,090	2,133	2,137	0.2%	2.2%
Other Assets	4,384	4,447	3,882	-12.7%	-11.5%
Total Assets	210,500	213,022	219,599	3.1%	4.3%
TL Assets	134,457	135,954	141,999	4.4%	5.6%
FX Assets	76,043	77,068	77,600	0.7%	2.0%
FX Assets (USD mn.)	35,997	36,525	37,041	1.4%	2.9%

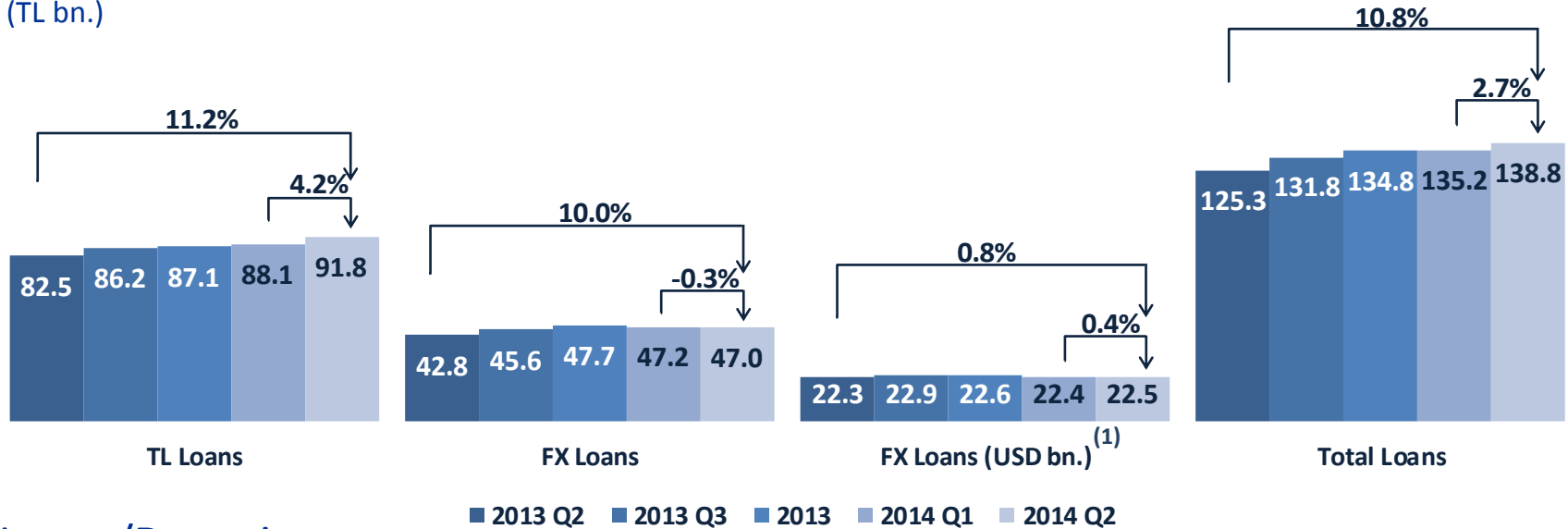
Asset Composition



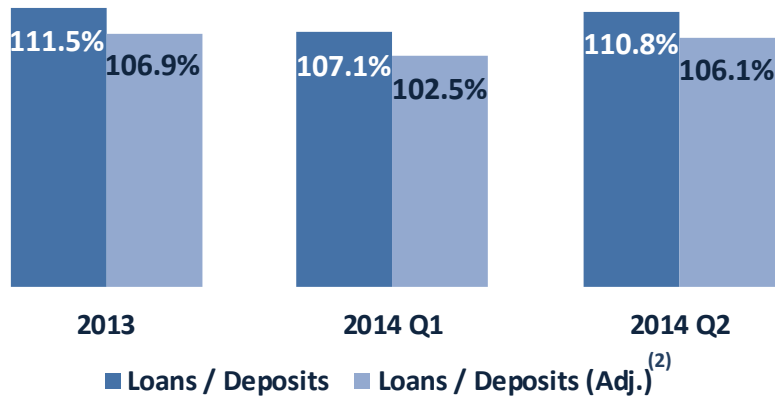
Loan Portfolio

Loans

(TL bn.)



Loans/Deposits



- Market leader in commercial & corporate, FX, as well as total loans
- Share of loans in total assets is 63.2%.
- Comfortable level of Loans/Deposits ratio
- Adjusted Loans/Deposits ratio⁽²⁾ is 106.1%.

(1) FX loans expressed in USD equivalent.

(2) TL securities issued added to deposits.

Loan Portfolio

Loans

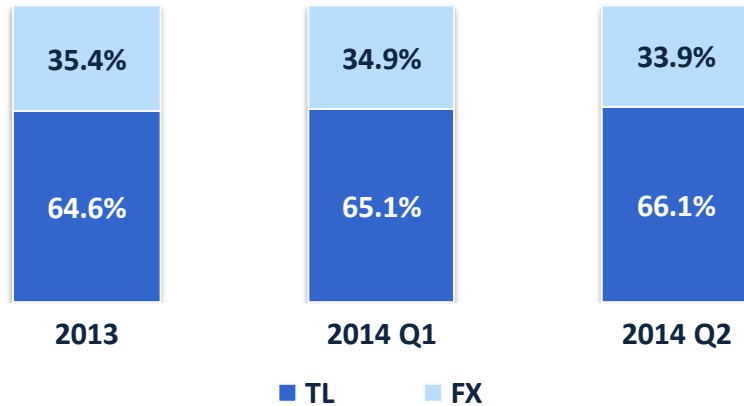
(TL mn.)	2013	2014 Q1	2014 Q2	Δ QoQ	Δ YtD
Total Loans	134,843	135,244	138,834	2.7%	3.0%
TL Loans	87,116	88,074	91,795	4.2%	5.4%
Retail Loans	38,487	37,928	38,312	1.0%	-0.5%
Housing Loans	11,780	11,755	11,864	0.9%	0.7%
Auto Loans	1,303	1,172	1,047	-10.7%	-19.6%
GPLs ⁽¹⁾	15,282	15,493	16,188	4.5%	5.9%
Credit Card Loans	10,123	9,509	9,213	-3.1%	-9.0%
Non-Retail Loans	48,628	50,145	53,484	6.7%	10.0%
SME Loans ⁽²⁾	31,943	32,242	33,760	4.7%	5.7%
Commercial and Corporate Loans	16,685	17,904	19,724	10.2%	18.2%
FX Loans	47,728	47,170	47,039	-0.3%	-1.4%
SME Loans ⁽²⁾	4,672	4,448	4,357	-2.0%	-6.8%
Commercial and Corporate Loans	43,055	42,723	42,682	-0.1%	-0.9%
FX Loans (USD mn.)	22,593	22,356	22,453	0.4%	-0.6%
SME Loans ⁽²⁾	2,212	2,108	2,080	-1.3%	-6.0%
Commercial and Corporate Loans	20,381	20,248	20,373	0.6%	0.0%

(1) Including overdraft accounts

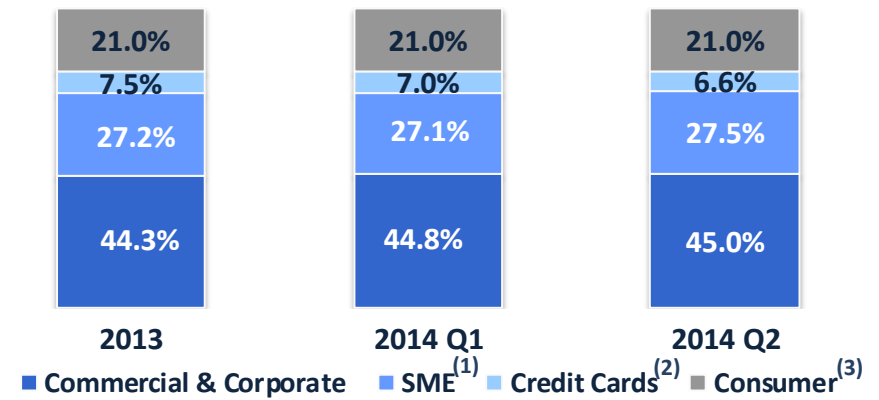
(2) SME definition includes companies with number of employees <= 250 and turnover or total assets <= TL 40 mn.

Loan Composition

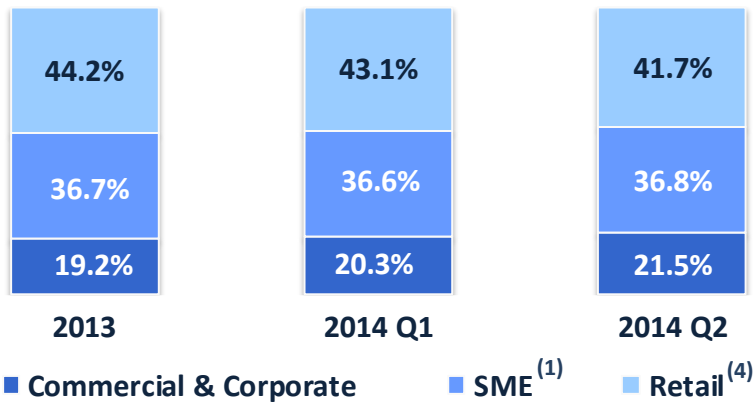
Currency Mix



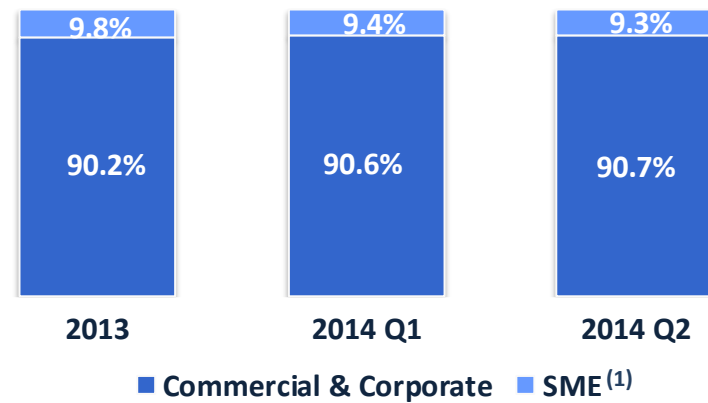
Loan Composition - Total Loans



Loan Composition - TL Loans



Loan Composition - FX Loans



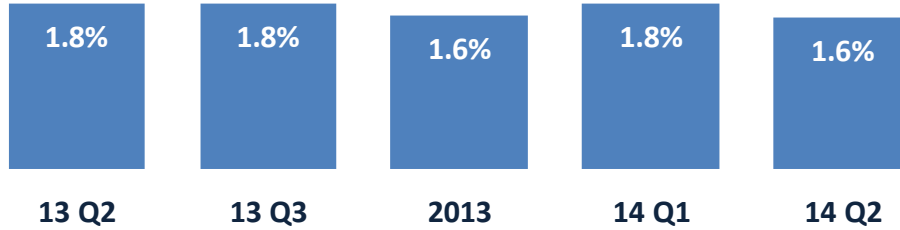
(1) SME definition includes companies with number of employees <= 250 and turnover or total assets <= TL 40 mn.

(2) Shows retail credit card balances only

(3) Including retail overdraft accounts

(4) Including retail credit cards and overdraft accounts

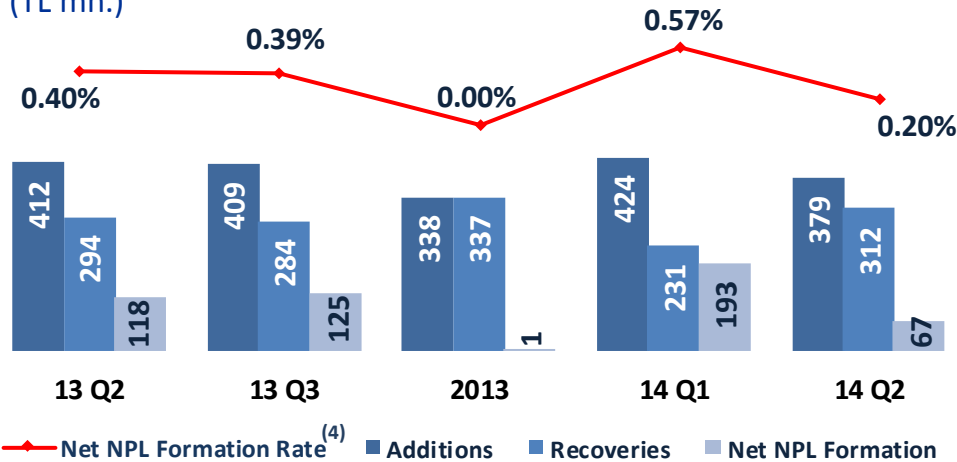
NPL Ratio



- Gross CoR⁽¹⁾ is 73 bps in 2014 H1.
- Coverage ratio is 78.6%.
- 28.2% collection rate⁽²⁾ in 2014 H1

NPL Trends⁽³⁾

(TL mn.)



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

(1) Specific Provisions / Average Loans

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

(3) Ratios are calculated on quarterly basis.

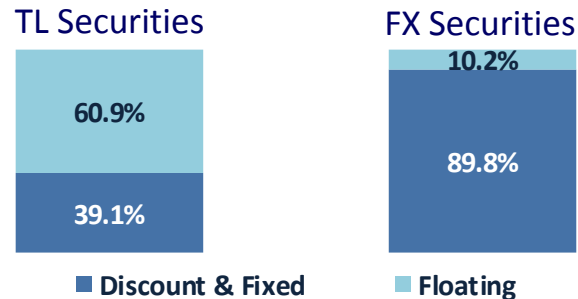
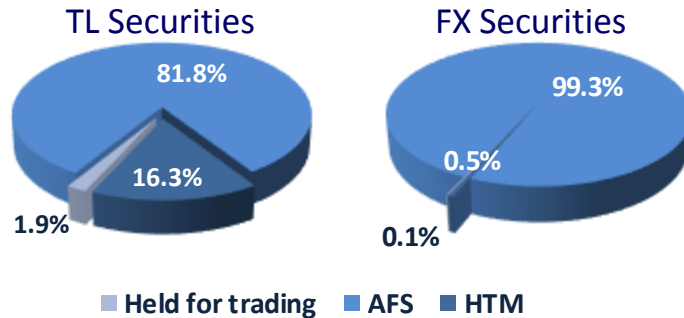
(4) Net NPL Formation / Average Loans

Securities Portfolio

Securities

(TL mn.)	2013	2014 Q1	2014 Q2	Δ QoQ	Δ YtD
Total Securities	36,866	37,592	39,302	4.5%	6.6%
TL Securities	30,444	31,593	33,276	5.3%	9.3%
FX Securities	6,422	5,999	6,026	0.5%	-6.2%
FX Securities (USD mn.)	3,040	2,843	2,876	1.2%	-5.4%

Composition of Securities Portfolio (2014 Q2)



- 29.6% share of CPI linkers in total portfolio
- MtM differences:
HTM TL 77 mn.*
AFS TL 446 mn.
- Average durations:
1.37 years for TL Securities
4.80 years for FX Securities

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

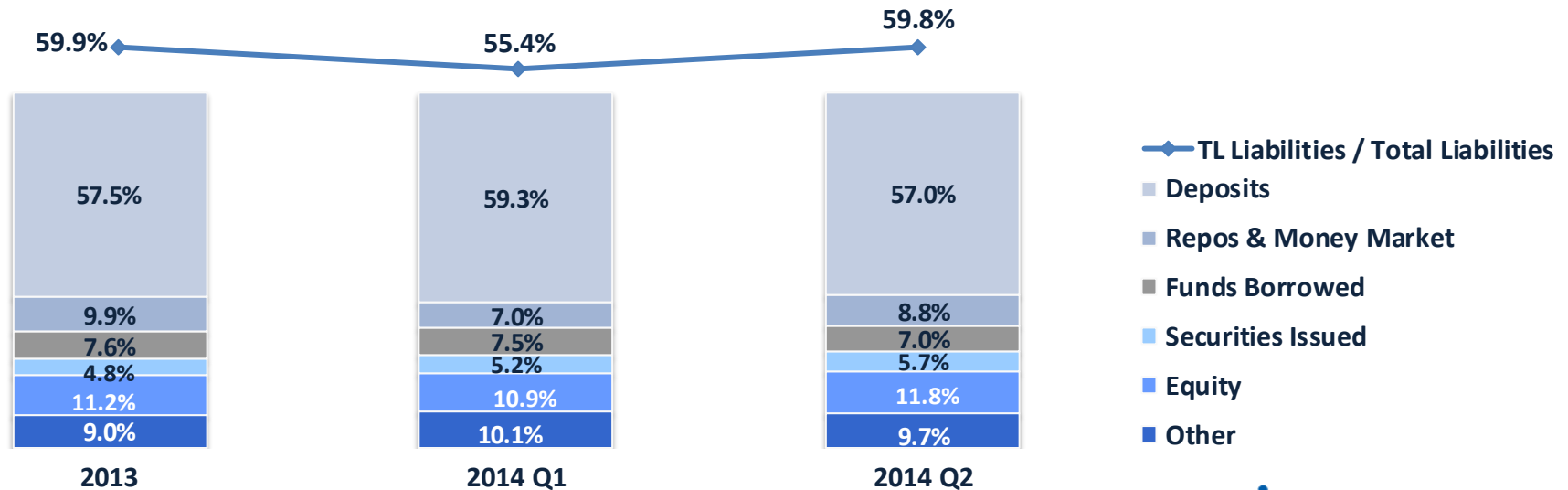
Liabilities Structure

Liabilities

(TL mn.)	2013	2014 Q1	2014 Q2	Δ QoQ	Δ Ytd
Deposits	120,975	126,294	125,257	-0.8%	3.5%
REPOs & Money Market	20,916	14,955	19,291	29.0%	-7.8%
Funds Borrowed	15,922	15,928	15,343	-3.7%	-3.6%
Securities Issued	10,095	10,995	12,583	14.4%	24.6%
Other ⁽¹⁾	19,013	21,539	21,224	-1.5%	11.6%
Equity	23,579	23,311	25,902	11.1%	9.9%
Total Liabilities & Equity	210,500	213,022	219,599	3.1%	4.3%
TL Liabilities	126,101	117,970	131,249	11.3%	4.1%
FX Liabilities	84,399	95,052	88,350	-7.1%	4.7%
FX Liabilities (USD bn.)	39,952	45,048	42,172	-6.4%	5.6%

(1) Includes subordinated debt of USD 1.4bn.

Liabilities Composition

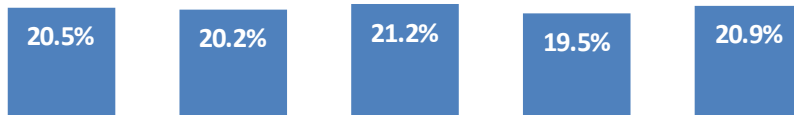


Deposits

Deposits

(TL mn.)	2013	2014 Q1	2014 Q2	Δ QoQ	Δ YtD
Total Deposits	120,975	126,294	125,257	-0.8%	3.5%
TL Deposits	66,440	61,504	66,798	8.6%	0.5%
TL Saving Deposits	45,374	43,909	47,563	8.3%	4.8%
TL Commercial Deposits	15,269	11,568	12,829	10.9%	-16.0%
Other TL Deposits	5,797	6,027	6,406	6.3%	10.5%
FX Deposits	54,535	64,791	58,458	-9.8%	7.2%
FX Deposits (USD mn.)	25,815	30,707	27,904	-9.1%	8.1%
Demand Deposits	25,623	24,592	26,173	6.4%	2.1%

Demand Deposits / Total Deposits



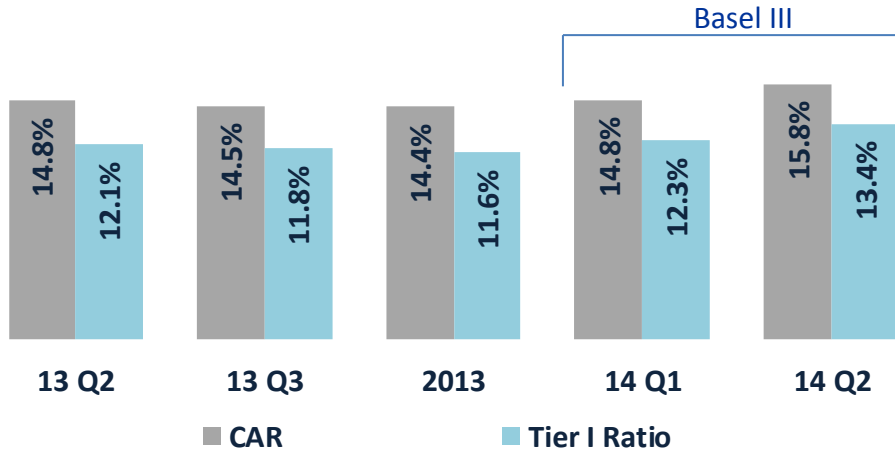
Demand Deposits Market Share



- Leadership in TL, FX, demand & total deposits among private sector banks
- Deposits make up 57.0% of total liabilities.
- Share of demand deposits in total deposits is 20.9%. (In TL deposits, the share is 21.7%.)

Sufficient Capitalization

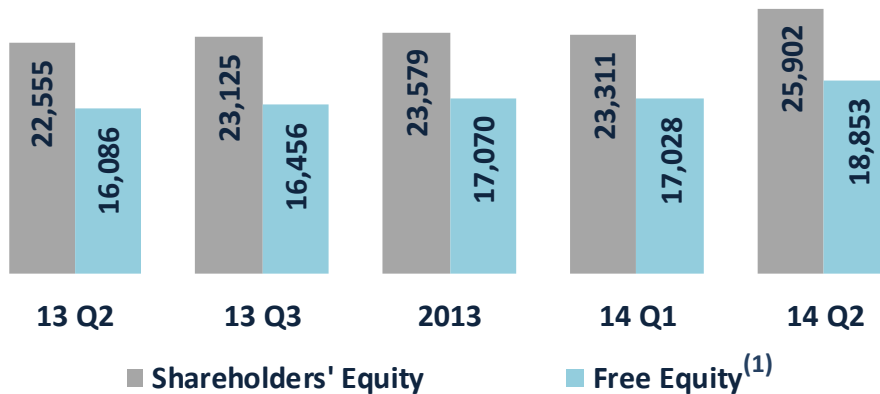
Capital Adequacy Ratio



- 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 Q1	2014 Q2	Δ QoQ	2013 H1	2014 H1	Δ YoY
Interest Income	3,826	3,922	2.5%	6,509	7,749	19.0%
Interest Expense	2,054	2,223	8.2%	3,060	4,277	39.8%
Net Interest Income	1,772	1,699	-4.1%	3,449	3,471	0.6%
Net Fees & Commissions	463	512	10.6%	979	975	-0.4%
Net Trading Gains/Losses	86	-199	NM	295	-112	NM
Dividends Received	203	392	93.3%	450	595	32.1%
Released Provisions	296 ⁽²⁾	327 ⁽⁵⁾	10.4%	478 ⁽⁷⁾	622 ⁽²⁾⁽⁵⁾	30.2%
Gains on Asset Sales	10	12	19.0%	68	22	-66.9%
Other Operating Income	35	28	-21.6%	42	63	49.3%
Total Operating Income	2,865	2,771	-3.3%	5,761	5,636	-2.2%
Personnel Expenses ⁽¹⁾	532	655	23.1%	1,208	1,188	-1.7%
Other Operational Expenses	347	386	11.1%	691	733	6.1%
Depreciation & Amortization	84	82	-2.3%	145	166	14.3%
Other Expenses	308 ⁽³⁾	358 ⁽⁶⁾	16.2%	402 ⁽⁸⁾	665 ⁽³⁾⁽⁶⁾	65.4%
Total Operating Expenses	1,272	1,481	16.5%	2,446	2,752	12.5%
Operating Profit	1,594	1,290	-19.0%	3,314	2,884	-13.0%
Loan Loss Provisions	261	237	-8.9%	466	498	6.9%
General and Other Provision Charges	292 ⁽⁴⁾	57	-80.4%	538 ⁽⁹⁾	349 ⁽⁴⁾	-35.1%
Total Provision Charges (Excluding Tax Provisions)	553	295	-46.7%	1,004	848	-15.6%
Tax Provisions	225	166	-26.3%	409	392	-4.3%
Net Income	815	829	1.7%	1,901	1,645	-13.5%

(1) Includes provisions for employee dividends and bonus payments.

(2) Includes TL 132 mn. provision reversals related to the asset sales.

(3) Includes TL 132 mn. loss on the asset sales.

(4) Includes TL 200 mn. free provisions.

(5) Includes TL 129 mn. provision reversals related to the asset sale

(6) Includes TL 135 mn. loss on the asset sale.

(7) Includes TL 112 mn. provision reversals related to the asset sales.

(8) Includes TL 97 mn. loss on the asset sale.

(9) Includes TL 100 mn. free provisions.

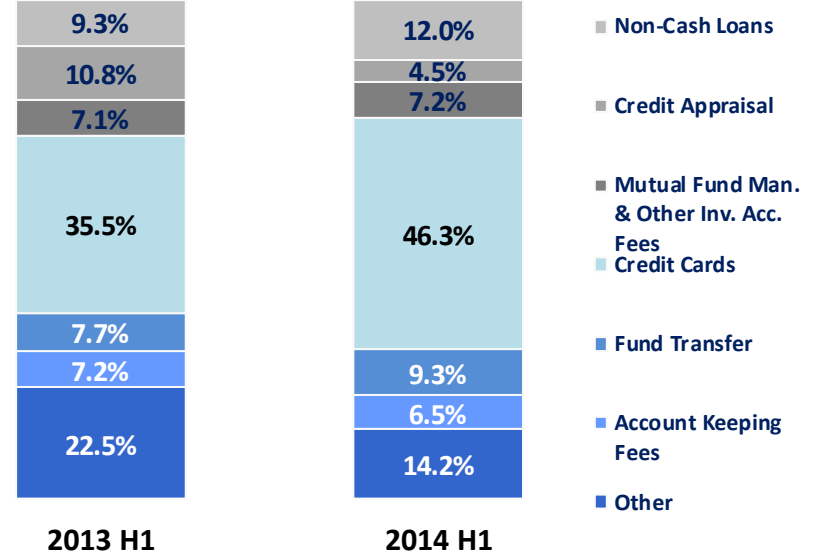
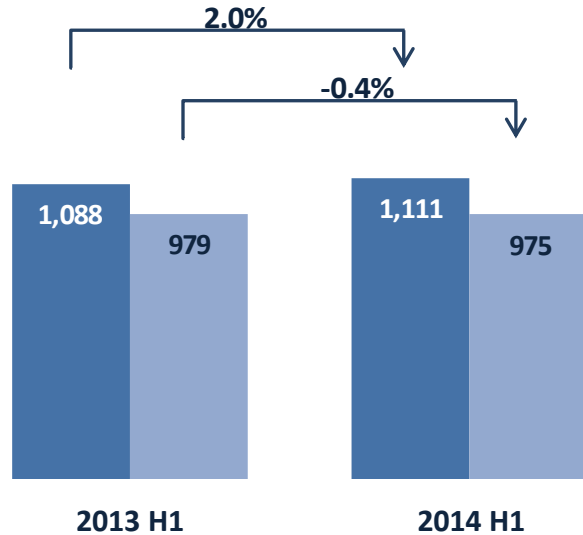
NM: Not meaningful

Commissions Income Performance

(TL thousand)	2014 Q1	2014 Q2	Δ QoQ	2013 H1	2014 H1	Δ YoY
Non-Cash Loans	66,932	65,941	-1.5%	100,878	132,873	31.7%
Credit Appraisal	28,483	21,834	-23.3%	118,082	50,317	-57.4%
Mutual Fund Man. & Other Inv. Acc. Fees	38,942	40,680	4.5%	77,173	79,622	3.2%
Credit Cards	249,707	264,750	6.0%	386,094	514,457	33.2%
Fund Transfer	48,486	54,878	13.2%	83,692	103,365	23.5%
Account Keeping Fees	23,887	48,564	103.3%	77,855	72,451	-6.9%
Other	78,290	79,196	1.2%	244,629	157,486	-35.6%
Total Fees & Commissions Income (Gross)	534,728	575,842	7.7%	1,088,403	1,110,570	2.0%
Total Fees & Commissions Income (Net)	462,685	511,841	10.6%	978,780	974,526	-0.4%

• Diversified fees & commissions base

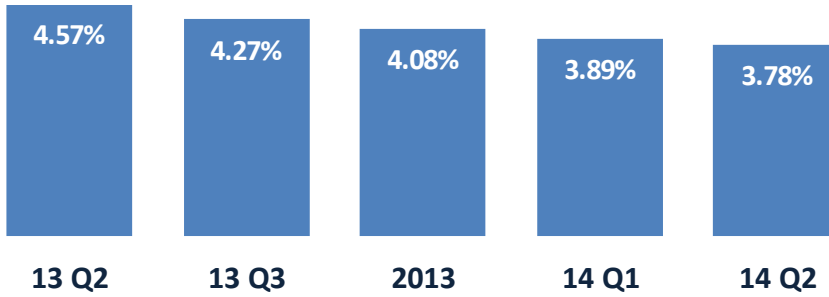
Fees & Commissions Income (TL mn.)



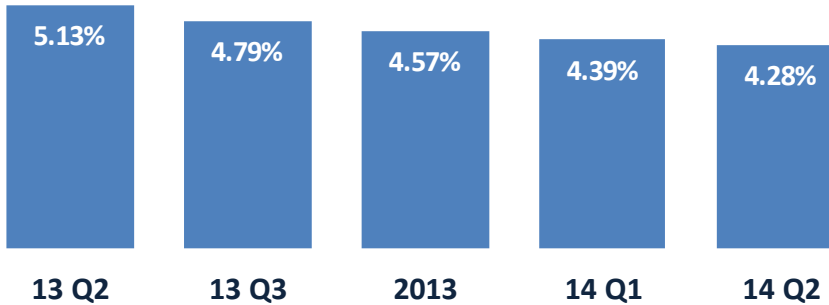
■ Total Fees & Commissions Income (Gross) ■ Total Fees & Commissions Income (Net)

Margins

NIM⁽¹⁾



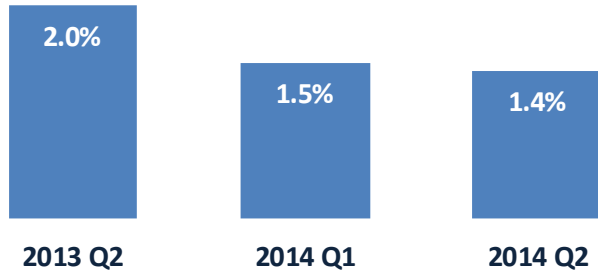
NIM (Exc. Reserves at Central Bank)⁽¹⁾



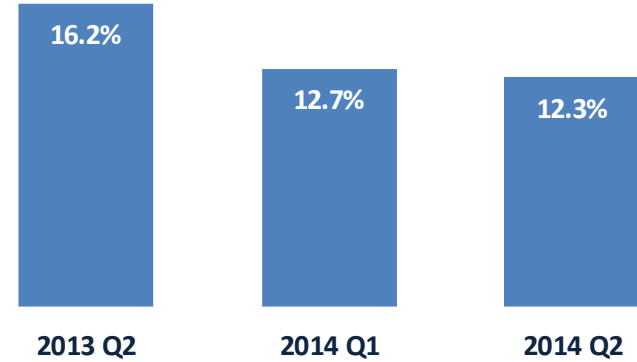
(1) Cumulative, based on MIS data

Profitability and Efficiency Ratios (*)

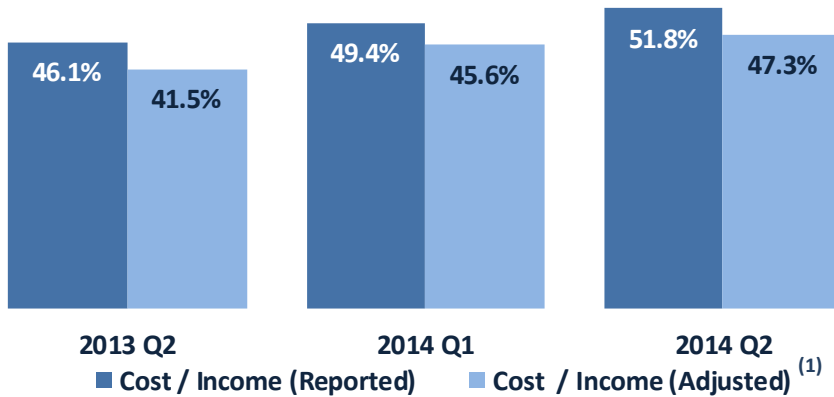
ROAA



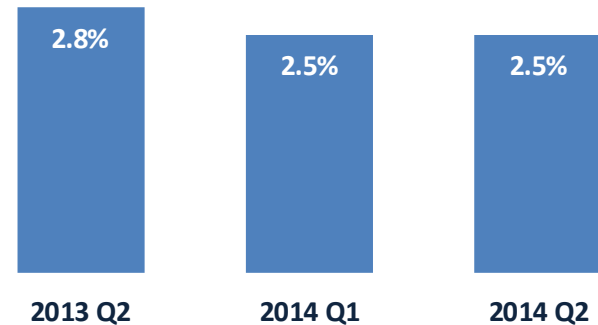
ROAE



Cost / Income



Cost / Average Assets



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

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

Q&A

Appendix – Quarterly Income Statement Highlights

(TL mn.)	2013 Q2	2013 Q3	2013 Q4	2014 Q1	2014 Q2	Δ QoQ
Interest Income	3,278	3,438	3,514	3,826	3,922	2.5%
Interest Expense	1,551	1,795	1,951	2,054	2,223	8.2%
Net Interest Income	1,727	1,643	1,563	1,772	1,699	-4.1%
Net Fees & Commissions	516	453	488	463	512	10.6%
Net Trading Gains/Losses	142	-1	-70	86	-199	NM
Dividends Received	290	0	0	203	392	93.3%
Released Provisions	187	134	166	296 ⁽³⁾	327 ⁽⁶⁾	10.4%
Gains on Asset Sales	17	38	55	10	12	19.0%
Other Operating Income	19	33	24	35	28	-21.6%
Total Operating Income	2,899	2,299	2,226	2,865	2,771	-3.3%
Personnel Expenses ⁽¹⁾	676	580	487	532	655	23.1%
Other Operational Expenses	360	335	413	347	386	11.1%
Depreciation & Amortization	78	78	80	84	82	-2.3%
Other Expenses	176	102	441 ⁽²⁾	308 ⁽⁴⁾	358 ⁽⁷⁾	16.2%
Total Operating Expenses	1,290	1,095	1,421	1,272	1,481	16.5%
Operating Profit	1,608	1,204	805	1,594	1,290	-19.0%
Loan Loss Provisions	241	214	153	261	237	-8.9%
General and Other Provision Charges	267	195	-100	292 ⁽⁵⁾	57	-80.4%
Total Provision Charges (Excluding Tax Provisions)	508	409	54	553	295	-46.7%
Tax Provisions	223	163	121	225	166	-26.3%
Net Income	877	632	630	815	829	1.7%

(1) Includes provisions for employee dividends and bonus payments.

(2) Includes TL 110 mn. provisions for the Competition Board fine and TL 209 mn. provisions for tax disputes.

(3) Includes TL 132 mn. provision reversals related to the asset sales.

(4) Includes TL 132 mn. loss on the asset sales.

(5) Includes TL 200 mn. free provisions.

(6) Includes TL 129 mn. provision reversals related to the asset sale.

(7) Includes TL 135 mn. loss on the asset sale.

NM: Not meaningful

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