

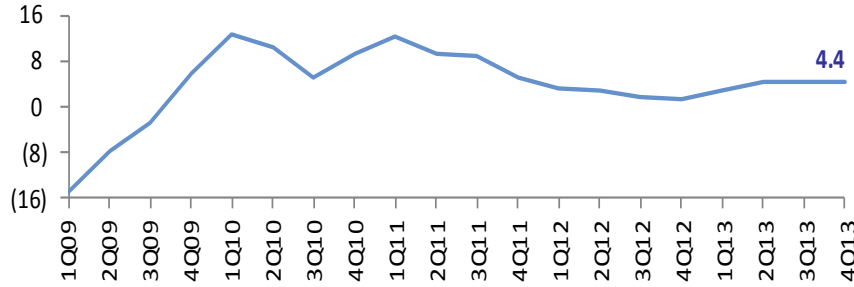


**ISBANK  
EARNINGS  
PRESENTATION  
2014 Q1**

# Recent Macro Developments

## Leading indicators point out a better than expected growth in Q1

GDP growth (quarterly, yoy)

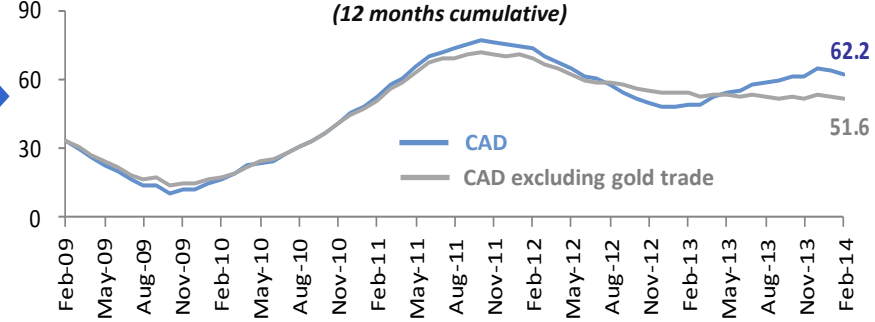


Source: Turkstat

## Rebalancing process continues

\$ billion

Current account deficit  
(12 months cumulative)



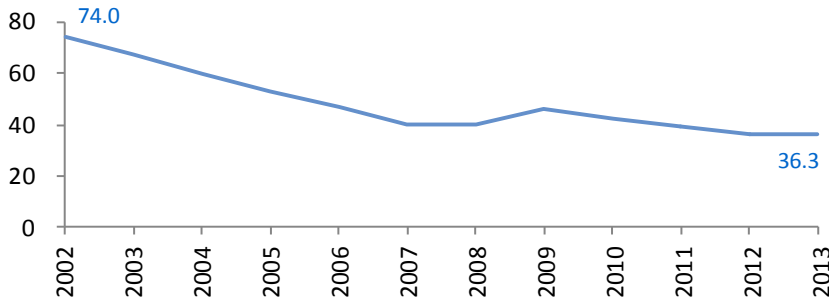
Source: Central Bank of Turkey, Turkstat

- CBRT's monetary tightening and BRSA's measures to slow down the growth in consumer loans and credit cards will have a limiting impact on the domestic demand in 2014. On the other hand, the anticipated recovery in Turkey's main trading partners is expected to support the growth via net exports.
- In recent months, the external re-balancing between domestic and foreign demand became more evident. This will have positive impacts on balance of payment figures.
- Fiscal discipline is expected to be maintained in 2014, as it was the case in the previous years.
- Annual inflation in April 2014 reached 9.4% far above the CBRT's target. CBRT forecasts the annual CPI to start decreasing after reaching its peak in May.

## Sound fiscal performance maintained

Stock/GDP (%)

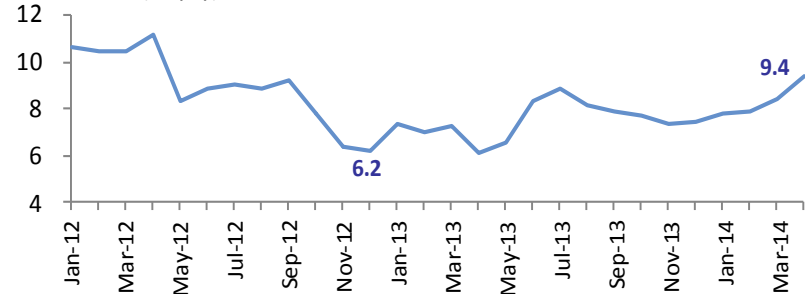
EU defined General Government Gross Debt



Source: Undersecretariat of Treasury

## Inflation remained at high levels

CPI inflation (% , yoy)



Source: Turkstat

# Period's Highlights

## *Loans & Asset Quality*

- Further slowdown in loan growth in Q1
- Market leadership in commercial & corporate, FX, as well as total loans maintained
- Slight increase in net NPL formation rate in line with the expectations
- Gross NPL formation rate remained stable compared with full year 2013

## *Funding and Capital Adequacy*

- Share of deposit in total funding increased
- Funding growth mainly driven by the increase in FX deposits
- Active liability management continued
- Increase in the share of securities in total funding

## *P&L*

- 13.4%QoQ growth in net interest income
- Trading gains and dividends received also contributed to the bottom line
- Core banking income up by 17.2% QoQ

## Largest Private Bank...

	Market Shares (%) <sup>(1)</sup>		Rank <sup>(2)</sup>	
	2013	2014 Q1	2013	2014 Q1
<b>Total Assets</b>	12.9	12.5	1 <sup>st</sup>	1 <sup>st</sup>
<b>Total Loans</b>	13.5	13.1	1 <sup>st</sup>	1 <sup>st</sup>
<b>TL Loans</b>	12.4	12.1	1 <sup>st</sup>	1 <sup>st</sup>
<b>FX Loans</b>	16.2	15.4	1 <sup>st</sup>	1 <sup>st</sup>
<b>Consumer Loans</b> <sup>(3)</sup>	11.9	11.7	2 <sup>nd</sup>	2 <sup>nd</sup>
<b>Non-Retail Loans</b>	14.2	13.6	1 <sup>st</sup>	1 <sup>st</sup>
<b>Total Deposits</b>	12.7	13.1	1 <sup>st</sup>	1 <sup>st</sup>
<b>TL Deposits</b>	11.5	11.1	1 <sup>st</sup>	1 <sup>st</sup>
<b>FX Deposits</b>	14.7	15.8	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

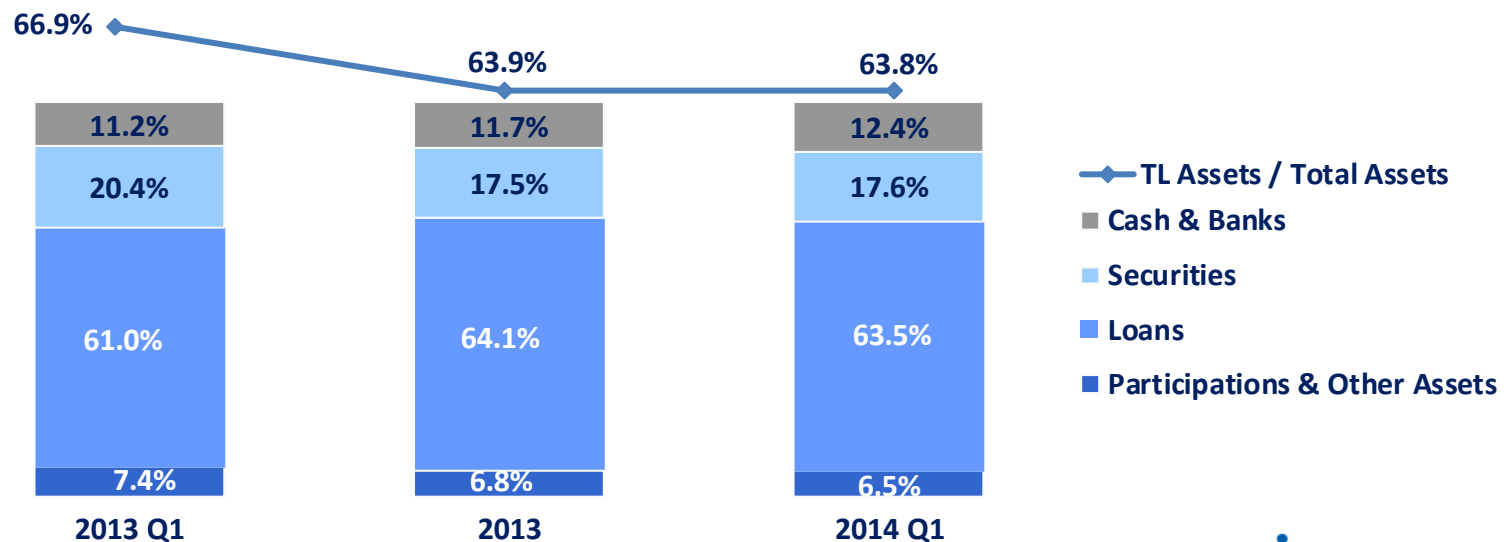
(3) Including retail overdraft accounts

# Asset Structure

## Assets

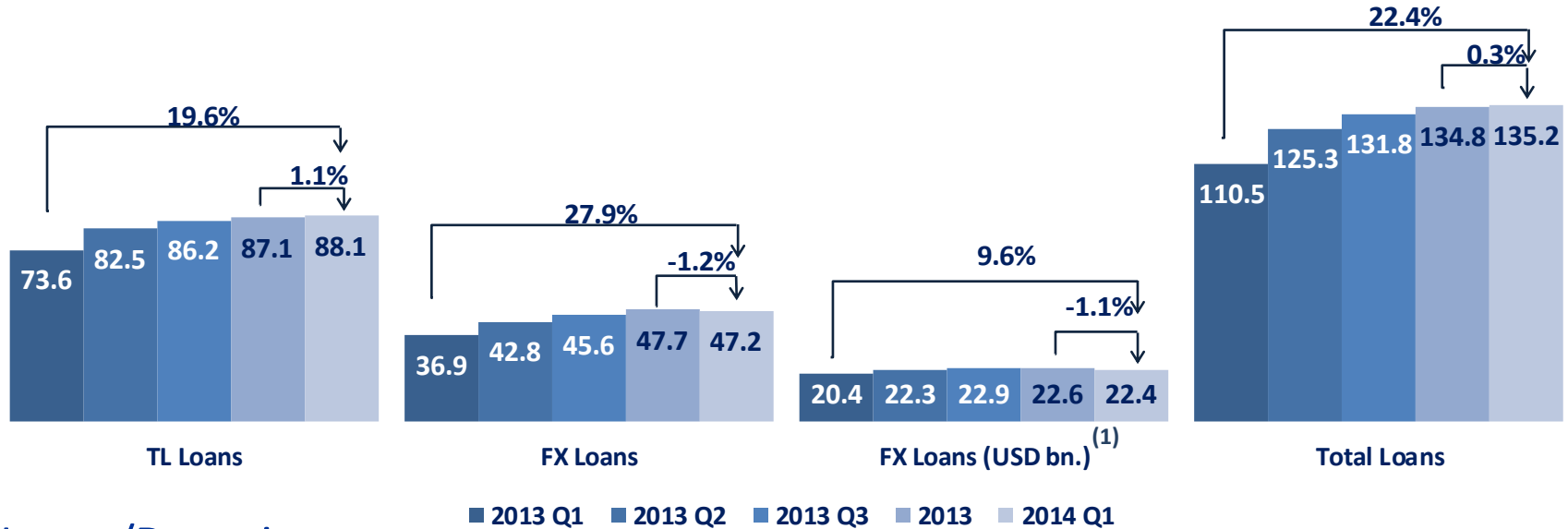
(TL mn.)	2013 Q1	2013	2014 Q1	Δ YtD	Δ YoY
Cash & Banks	20,261	24,555	26,331	7.2%	30.0%
Securities (Net)	36,986	36,866	37,592	2.0%	1.6%
Loans	110,494	134,843	135,244	0.3%	22.4%
Participations (Net)	8,218	7,761	7,275	-6.3%	-11.5%
Fixed Assets (Net)	2,054	2,090	2,133	2.1%	3.8%
Other Assets	3,051	4,384	4,447	1.4%	45.8%
<b>Total Assets</b>	<b>181,064</b>	<b>210,500</b>	<b>213,022</b>	<b>1.2%</b>	<b>17.7%</b>
<b>TL Assets</b>	121,197	134,457	135,954	1.1%	12.2%
<b>FX Assets</b>	59,867	76,043	77,068	1.3%	28.7%
<b>FX Assets (USD mn.)</b>	33,113	35,997	36,525	1.5%	10.3%

## Asset Composition

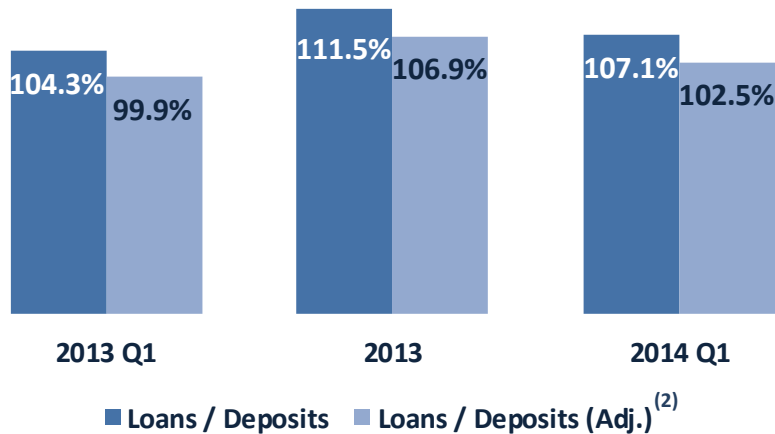


# Loan Portfolio

## Loans



## Loans/Deposits



(1) FX loans expressed in USD equivalent.

(2) TL securities issued added to deposits.

- Market leader in commercial & corporate, FX, as well as total loans
- Share of loans in total assets is 63.5%.
- Comfortable level of Loans/Deposits ratio
- Adjusted Loans/Deposits ratio<sup>(2)</sup> is 102.5%.

# Loan Portfolio

## Loans

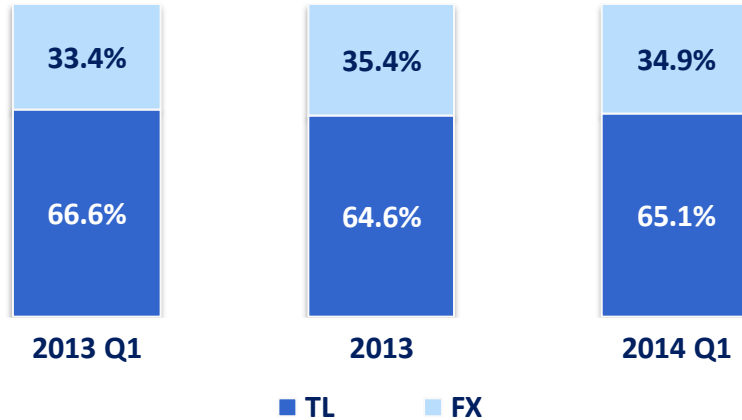
(TL mn.)	2013 Q1	2013	2014 Q1	Δ YtD	Δ YoY
<b>Total Loans</b>	110,494	134,843	135,244	0.3%	22.4%
<b>TL Loans</b>	73,614	87,116	88,074	1.1%	19.6%
<b>Retail Loans</b>	31,448	38,487	37,928	-1.5%	20.6%
Housing Loans	10,147	11,780	11,755	-0.2%	15.8%
Auto Loans	1,287	1,303	1,172	-10.0%	-8.9%
GPLs <sup>(1)</sup>	11,575	15,282	15,493	1.4%	33.8%
Credit Card Loans	8,438	10,123	9,509	-6.1%	12.7%
<b>Non-Retail Loans</b>	42,166	48,628	50,145	3.1%	18.9%
SME Loans <sup>(2)</sup>	26,852	31,943	32,242	0.9%	20.1%
Commercial and Corporate Loans	15,313	16,685	17,904	7.3%	16.9%
<b>FX Loans</b>	36,880	47,728	47,170	-1.2%	27.9%
SME Loans <sup>(2)</sup>	3,778	4,672	4,448	-4.8%	17.7%
Commercial and Corporate Loans	33,101	43,055	42,723	-0.8%	29.1%
<b>FX Loans (USD mn.)</b>	20,398	22,593	22,356	-1.1%	9.6%
SME Loans <sup>(2)</sup>	2,090	2,212	2,108	-4.7%	0.9%
Commercial and Corporate Loans	18,308	20,381	20,248	-0.7%	10.6%

(1) Including overdraft accounts

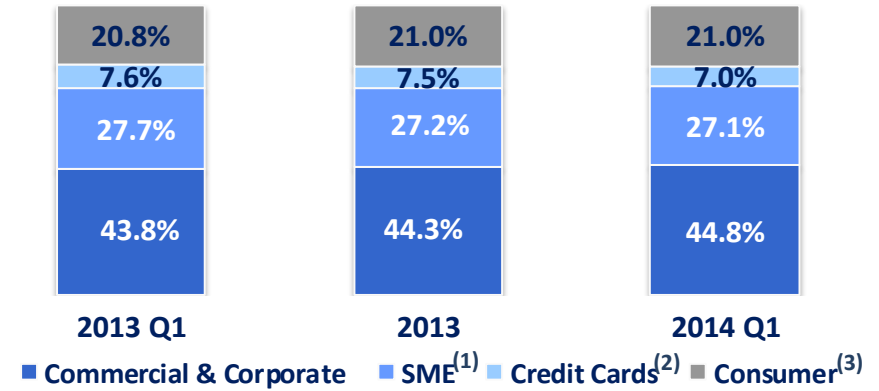
(2) SME definition includes companies with number of employees <= 250 and turnover or total assets <= TL 40 mn.

# Loan Composition

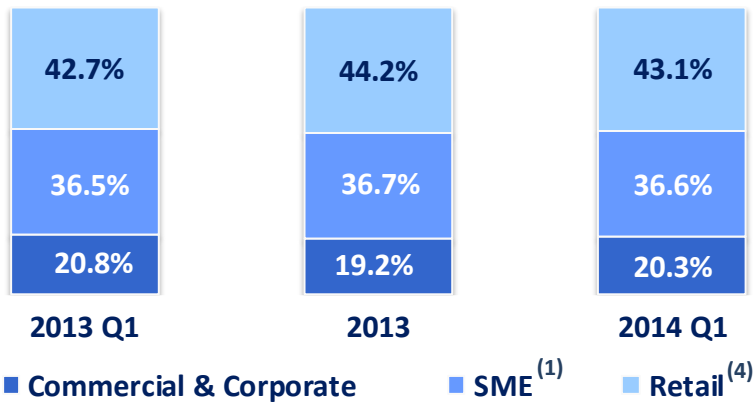
## Currency Mix



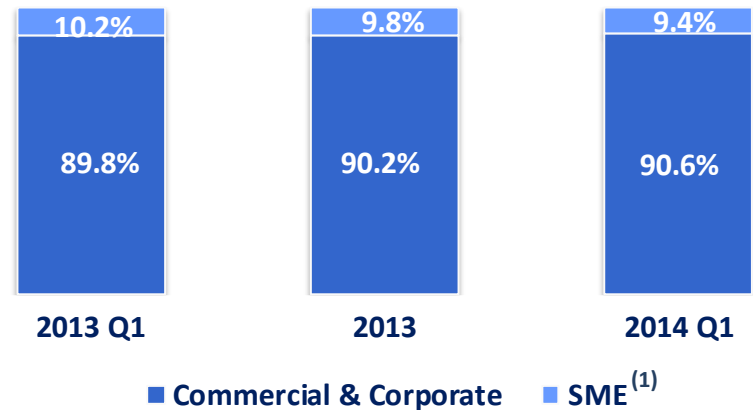
## Loan Composition - Total Loans



## 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

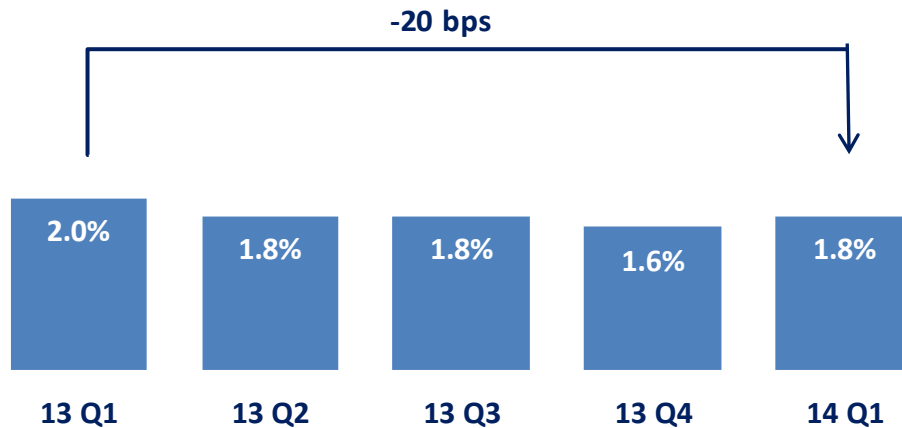
(3) Including retail overdraft accounts

(4) Including retail credit cards and overdraft accounts



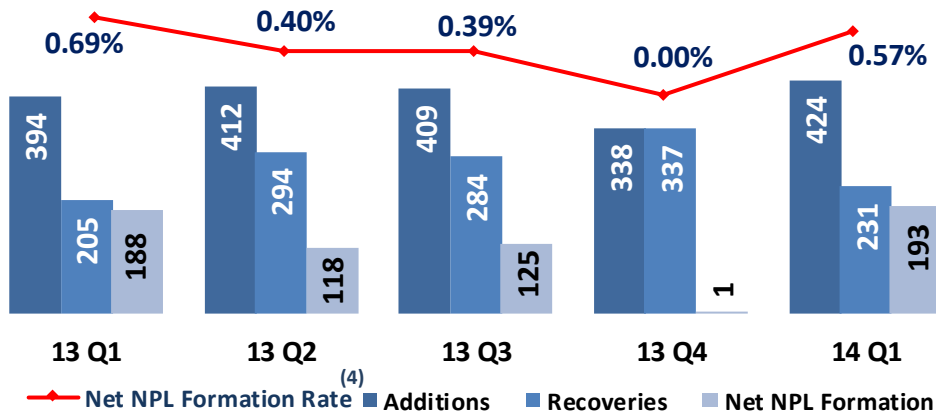
# Asset Quality

## NPL Ratio



- Gross CoR<sup>(1)</sup> is 77 bps.
- Coverage ratio is 79.8%.
- 23.5% collection rate<sup>(2)</sup> as of 2014 Q1

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



## 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	-	-

(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

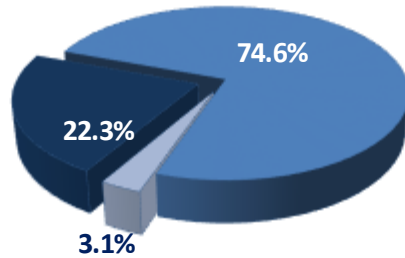
# Securities Portfolio

## Securities

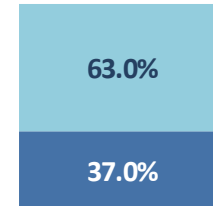
(TL mn.)	2013 Q1	2013	2014 Q1	Δ YtD	Δ YoY
Total Securities	36,986	36,866	37,592	2.0%	1.6%
TL Securities	31,188	30,444	31,593	3.8%	1.3%
FX Securities	5,799	6,422	5,999	-6.6%	3.5%
FX Securities (USD mn.)	3,207	3,040	2,843	-6.5%	-11.4%

## Composition of Securities Portfolio (2014 Q1)

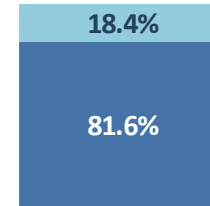
TL Securities



TL Securities



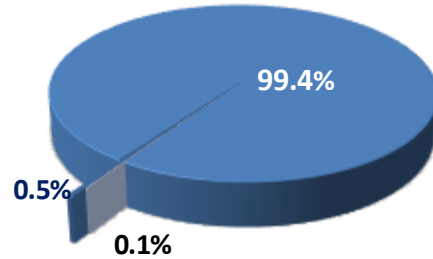
FX Securities



■ Discount & Fixed

■ Floating Rate Notes

FX Securities



■ Held to maturity

■ AFS

■ Held for trading

- 32.4% share of CPI linkers in total portfolio
- MtM differences:  
HTM TL 55mn.\*  
AFS TL -555 mn.
- Average durations:  
1.31 years for TL Securities  
4.26 years for FX Securities

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

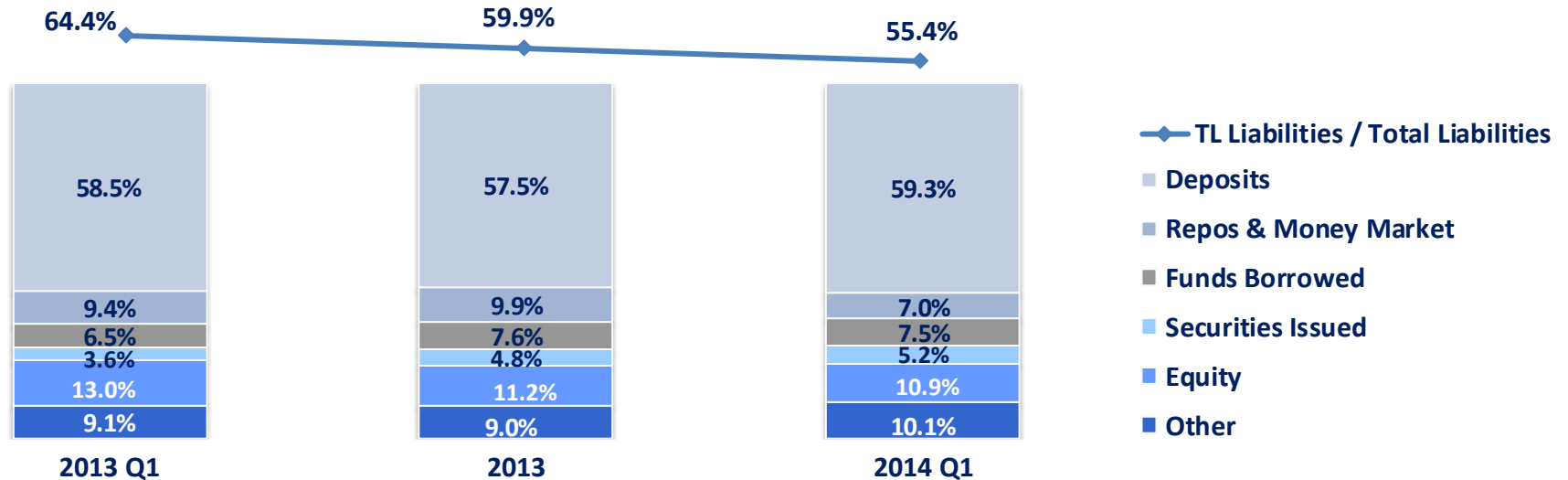
# Liabilities Structure

## Liabilities

(TL mn.)	2013 Q1	2013	2014 Q1	Δ YtD	Δ YoY
Deposits	105,889	120,975	126,294	4.4%	19.3%
REPOs & Money Market	16,973	20,916	14,955	-28.5%	-11.9%
Funds Borrowed	11,730	15,922	15,928	0.0%	35.8%
Securities Issued	6,510	10,095	10,995	8.9%	68.9%
Other <sup>(1)</sup>	16,471	19,013	21,539	13.3%	30.8%
Equity	23,490	23,579	23,311	-1.1%	-0.8%
<b>Total Liabilities &amp; Equity</b>	<b>181,064</b>	<b>210,500</b>	<b>213,022</b>	<b>1.2%</b>	<b>17.7%</b>
<b>TL Liabilites</b>	116,583	126,101	117,970	-6.4%	1.2%
<b>FX Liabilites</b>	64,482	84,399	95,052	12.6%	47.4%
<b>FX Liabilites (USD bn.)</b>	35,665	39,952	45,048	12.8%	26.3%

(1) Includes subordinated debt of USD 1 bn. as of 2013 Q1 and USD 1.4 bn. as of 2013 and 2014 Q1.

## Liabilities Composition

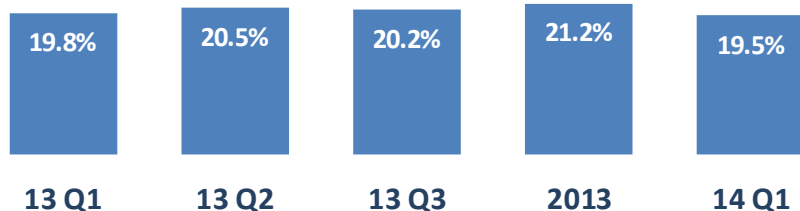


# Deposits

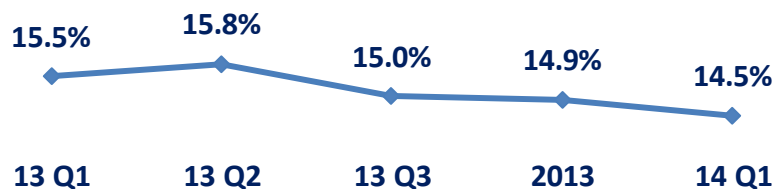
## Deposits

(TL mn.)	2013 Q1	2013	2014 Q1	Δ YtD	Δ YoY
<b>Total Deposits</b>	105,889	120,975	126,294	4.4%	19.3%
<b>TL Deposits</b>	62,342	66,440	61,504	-7.4%	-1.3%
TL Saving Deposits	41,443	45,374	43,909	-3.2%	5.9%
TL Commercial Deposits	12,445	15,269	11,568	-24.2%	-7.0%
Other TL Deposits	8,453	5,797	6,027	4.0%	-28.7%
<b>FX Deposits</b>	43,548	54,535	64,791	18.8%	48.8%
<b>FX Deposits (USD mn.)</b>	24,086	25,815	30,707	18.9%	27.5%
<b>Demand Deposits</b>	21,015	25,623	24,592	-4.0%	17.0%

## Demand Deposits / Total Deposits



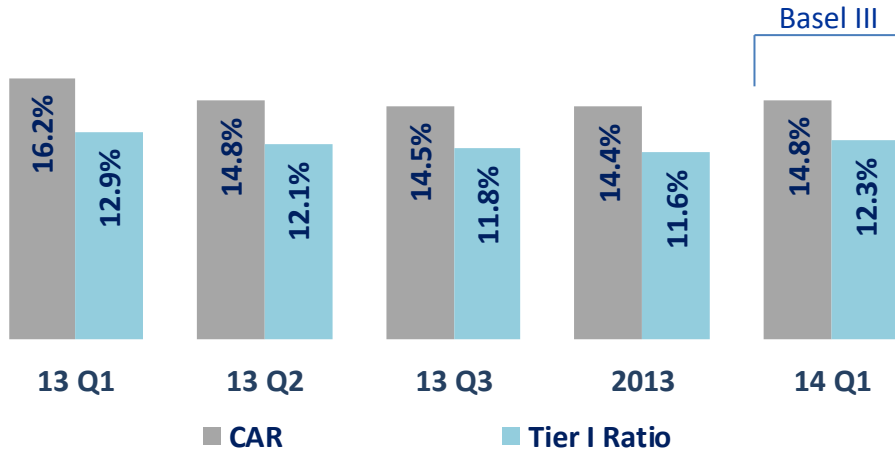
## Demand Deposits Market Share



- Leadership in TL, FX, demand & total deposits among private sector banks
- Deposits make up 59.3% of total liabilities.
- Share of demand deposits in total deposits is 19.5%.

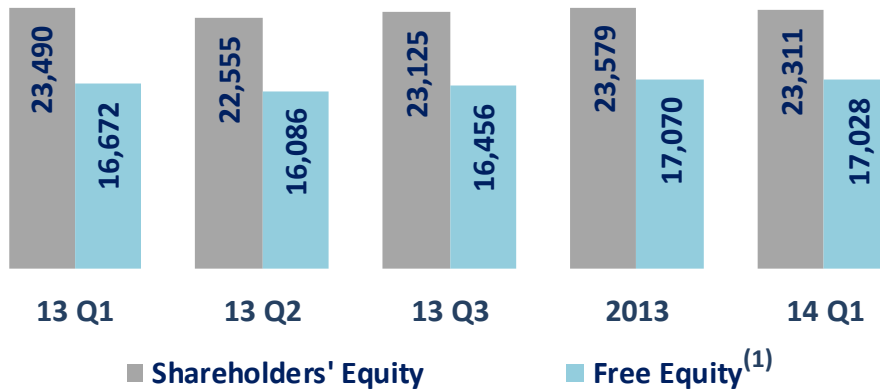
# Sufficient Capitalization

## 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.)	2013 Q1	2013 Q4	2014 Q1	Δ QoQ	Δ YoY
Interest Income	3,231	3,514	3,826	8.9%	18.4%
Interest Expense	1,509	1,951	2,054	5.3%	36.2%
Net Interest Income	1,722	1,563	1,772	13.4%	2.9%
Net Fees & Commissions	463	488	463	-5.1%	-0.1%
Net Trading Gains/Losses	153	-70	86	NM	-43.5%
Dividends Received	160	0	203	NM	26.9%
Released Provisions	291 <sup>(2)</sup>	166	296 <sup>(6)</sup>	78.0%	1.7%
Gains on Asset Sales	50	55	10	-81.5%	-79.6%
Other Operating Income	23	24	35	46.3%	52.8%
<b>Total Operating Income</b>	<b>2,862</b>	<b>2,226</b>	<b>2,865</b>	<b>28.7%</b>	<b>0.1%</b>
Personnel Expenses <sup>(1)</sup>	532	487	532	9.2%	0.1%
Other Operational Expenses	331	413	347	-15.9%	4.9%
Depreciation & Amortization	67	80	84	5.4%	25.3%
Other Expenses	226 <sup>(3)</sup>	441 <sup>(5)</sup>	308 <sup>(7)</sup>	-30.2%	36.1%
<b>Total Operating Expenses</b>	<b>1,156</b>	<b>1,421</b>	<b>1,272</b>	<b>-10.5%</b>	<b>10.0%</b>
<b>Operating Profit</b>	<b>1,706</b>	<b>805</b>	<b>1,594</b>	<b>98.0%</b>	<b>-6.6%</b>
Loan Loss Provisions	225	153	261	70.0%	15.9%
General and Other Provision Charges	271 <sup>(4)</sup>	-100	292 <sup>(8)</sup>	NM	7.8%
<b>Total Provision Charges (Excluding Tax Provisions)</b>	<b>496</b>	<b>54</b>	<b>553</b>	<b>931.6%</b>	<b>11.4%</b>
Tax Provisions	186	121	225	85.6%	20.9%
<b>Net Income</b>	<b>1,024</b>	<b>630</b>	<b>815</b>	<b>29.4%</b>	<b>-20.3%</b>

- Annual and quarterly growth in net interest income
- Core banking income\* up by 17.2% QoQ.

(\* ) Core banking income = NII + Net Fees & Commissions + Net Trading Gains/Losses

(1) Includes provisions for employee dividends.

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

(3) Includes TL 97 mn. loss on the asset sales.

(4) Includes TL 100 mn. free provisions.

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

(6) Includes TL 132 mn. provision reversals related to the asset sale.

(7) Includes TL 132 mn. loss on the asset sale.

(8) Includes TL 200 mn. free provisions.

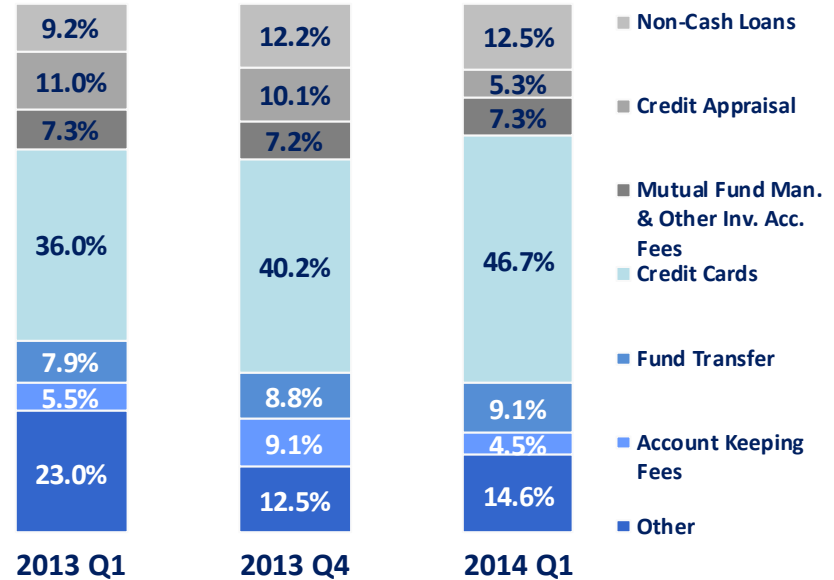
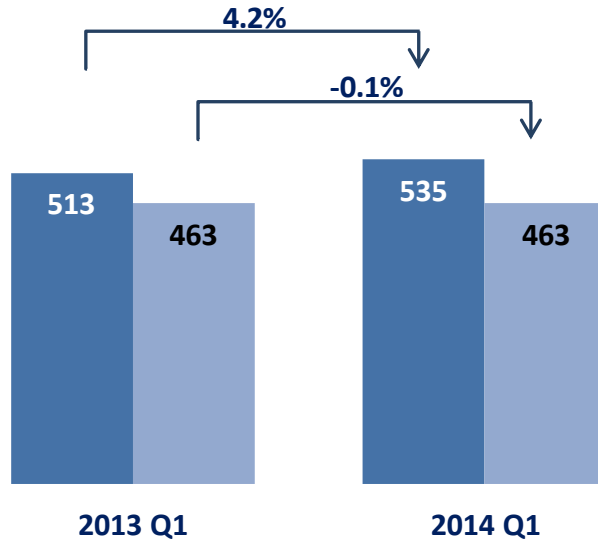
NM: Not meaningful

# Commissions Income Performance

(TL thousand)	2013 Q1	2013 Q4	2014 Q1	Δ QoQ	Δ YoY
Non-Cash Loans	47,445	67,120	66,932	-0.3%	41.1%
Credit Appraisal	56,190	55,292	28,483	-48.5%	-49.3%
Mutual Fund Man. & Other Inv. Acc. Fees	37,419	39,414	38,942	-1.2%	4.1%
Credit Cards	184,922	220,681	249,707	13.2%	35.0%
Fund Transfer	40,665	48,218	48,486	0.6%	19.2%
Account Keeping Fees	28,255	49,842	23,887	-52.1%	-15.5%
Other	118,064	68,707	78,290	13.9%	-33.7%
<b>Total Fees &amp; Commissions Income (Gross)</b>	<b>512,960</b>	<b>549,273</b>	<b>534,728</b>	<b>-2.6%</b>	<b>4.2%</b>
<b>Total Fees &amp; Commissions Income (Net)</b>	<b>462,932</b>	<b>487,716</b>	<b>462,685</b>	<b>-5.1%</b>	<b>-0.1%</b>

• Diversified fees & commissions base

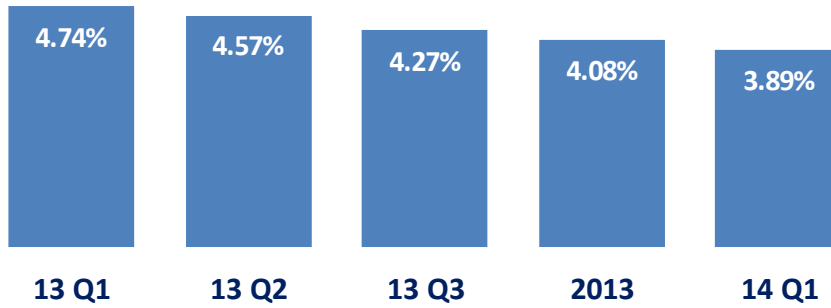
## Fees & Commissions Income (TL mn.)



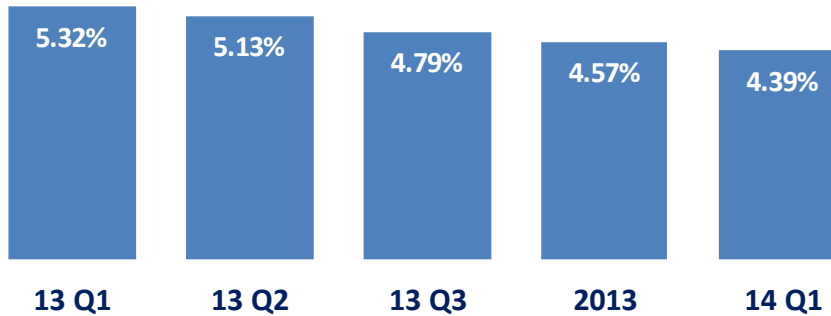
■ Total Fees & Commissions Income (Gross) ■ Total Fees & Commissions Income (Net)

# Margins

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



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

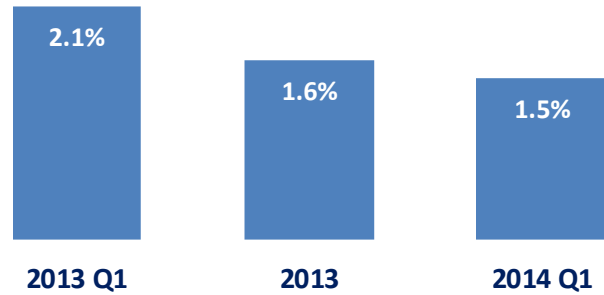


(1) Based on MIS data

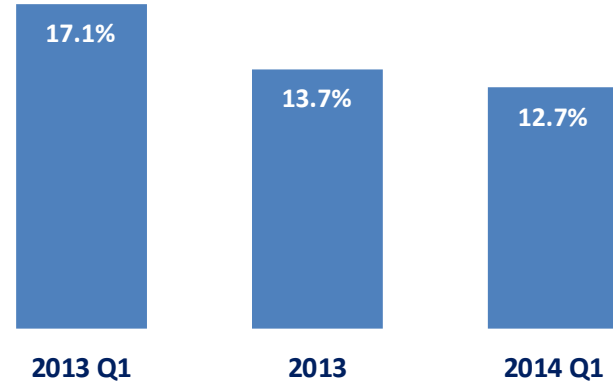


# Profitability and Efficiency Ratios (\*)

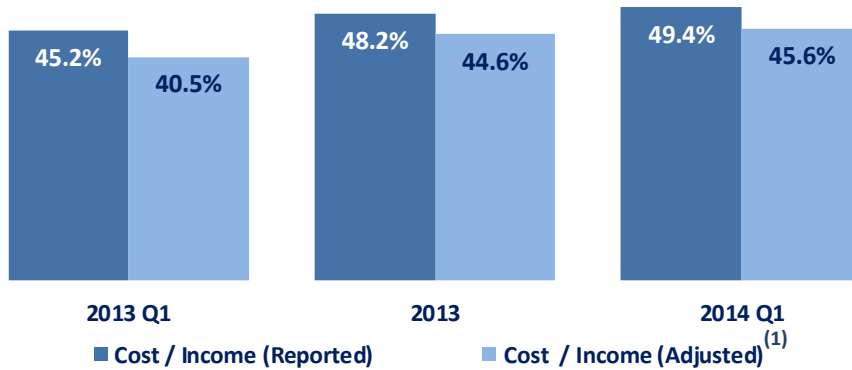
## ROAA



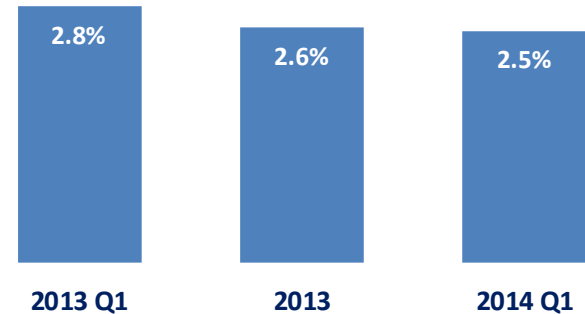
## ROAE



## 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 and 2014 Q1.

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

# Q&A

# Appendix – Quarterly Income Statement Highlights

(TL mn.)	2013 Q1	2013 Q2	2013 Q3	2013 Q4	2014 Q1	Δ QoQ
<i>Interest Income</i>	3,231	3,278	3,438	3,514	3,826	8.9%
<i>Interest Expense</i>	1,509	1,551	1,795	1,951	2,054	5.3%
Net Interest Income	1,722	1,727	1,643	1,563	1,772	13.4%
Net Fees & Commissions	463	516	453	488	463	-5.1%
Net Trading Gains/Losses	153	142	-1	-70	86	NM
Dividends Received	160	290	0	0	203	NM
Released Provisions	291 <sup>(2)</sup>	187	134	166	296 <sup>(6)</sup>	78.0%
Gains on Asset Sales	50	17	38	55	10	-81.5%
Other Operating Income	23	19	33	24	35	46.3%
<b>Total Operating Income</b>	<b>2,862</b>	<b>2,899</b>	<b>2,299</b>	<b>2,226</b>	<b>2,865</b>	<b>28.7%</b>
Personnel Expenses <sup>(1)</sup>	532	676	580	487	532	9.2%
Other Operational Expenses	331	360	335	413	347	-15.9%
Depreciation & Amortization	67	78	78	80	84	5.4%
Other Expenses	226 <sup>(3)</sup>	176	102	441 <sup>(5)</sup>	308 <sup>(7)</sup>	-30.2%
<b>Total Operating Expenses</b>	<b>1,156</b>	<b>1,290</b>	<b>1,095</b>	<b>1,421</b>	<b>1,272</b>	<b>-10.5%</b>
<b>Operating Profit</b>	<b>1,706</b>	<b>1,608</b>	<b>1,204</b>	<b>805</b>	<b>1,594</b>	<b>98.0%</b>
Loan Loss Provisions	225	241	214	153	261	70.0%
General and Other Provision Charges	271 <sup>(4)</sup>	267	195	-100	292 <sup>(8)</sup>	NM
<b>Total Provision Charges (Excluding Tax Provisions)</b>	<b>496</b>	<b>508</b>	<b>409</b>	<b>54</b>	<b>553</b>	<b>931.6%</b>
Tax Provisions	186	223	163	121	225	85.6%
<b>Net Income</b>	<b>1,024</b>	<b>877</b>	<b>632</b>	<b>630</b>	<b>815</b>	<b>29.4%</b>

(1) Includes provisions for employee dividends.

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

(3) Includes TL 97 mn. loss on the asset sales.

(4) Includes TL 100 mn. free provisions.

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

(6) Includes TL 132 mn. provision reversals related to the asset sale.

(7) Includes TL 132 mn. loss on the asset sale.

(8) Includes TL 200 mn. free provisions.

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