



**ISBANK
EARNINGS
PRESENTATION
2015 Q1**

Q1-2015 Recent Developments in the Economy

Global Outlook

US

- Weak 1Q economic activity in the US
- Fed's rate hikes are likely to come by end-2015
- Diverging monetary policies & strengthening US dollar

EZ

- Growing risks to economic outlook in Euro Zone
- ECB's QE programme
- Prevailing uncertainty over Greece

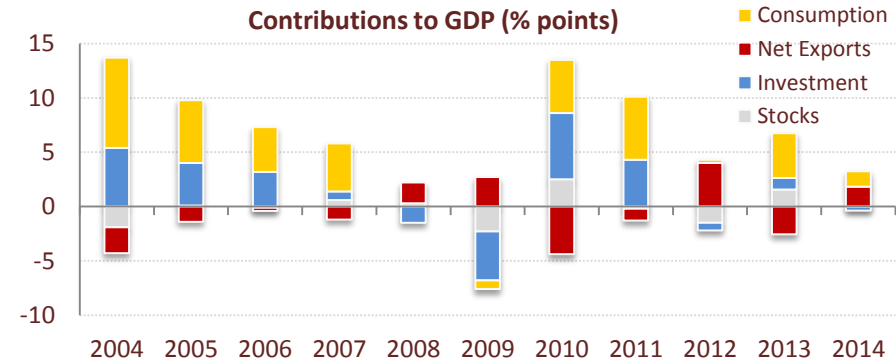
EM

- Slowing Chinese economy and other EMs
- Ongoing uncertainties about oil prices
- Volatile market conditions

Domestic Outlook

- ✓ **Moderate economic growth**
- ❑ Gradual recovery in domestic demand in 4Q 2014 but weakening outlook for 1Q 2015 according to leading indicators
- ❑ Deceleration in exports parallel to the ongoing weaknesses in Turkey's main export markets as well as decline in €//\$ parity
- ❑ Structural transformation program and incentives to support the economic activity
- ✓ **Sustained fiscal discipline**
- ✓ **Inflation hovering around 7.5%**
- ❑ Volatile food prices and depreciation in TRY put upward pressure on inflation
- ❑ Low oil prices have positive impacts on inflation
- ✓ **Concerns over monetary policy**
- ❑ Heightened tension ahead of the upcoming election
- ❑ Measured rate cuts from CBRT but tighter monetary policy by utilizing liquidity tools effectively

Main Economic Indicators of Turkey



| | Dec-14 | Jan-15 | Feb-15 | Mar-15 |
|---------------------------------------------|--------|--------|--------|--------|
| Annual CPI Inflation (%) | 8.17 | 7.24 | 7.55 | 7.61 |
| Labor Market (%) (SA) | | | | |
| Unemployment rate | 10.4 | 10.3 | NA | NA |
| Labor force participation rate | 51.0 | 51.1 | NA | NA |
| Foreign Trade (12-month cum.) | | | | |
| Exports (yoy, %) | 3.8 | 3.2 | 2.2 | -0.2 |
| Imports (yoy, %) | -3.8 | -5.0 | -5.1 | -5.3 |
| CA Deficit (12-month cum., bn USD) | 45.9 | 43.0 | 42.8 | - |
| Leading Indicators | | | | |
| PMI (index) | 51.4 | 49.8 | 49.6 | 48.0 |
| Industrial Production (CA., yoy, %) | 2.5 | -2.1 | 1.0 | NA |
| Capacity Utilization Ratio (SA, %) | 74.5 | 74.6 | 74.1 | 73.8 |
| Economic sentiment (index) | 91.9 | 91.8 | 89.8 | 76.9 |
| Financial Indicators (end of period) | | | | |
| Currency Basket (0.5\$+0.5€) | 2.5698 | 2.5575 | 2.6462 | 2.7206 |
| BIST-100 | 85,721 | 88,946 | 84,148 | 80,846 |
| 5-year benchmark yield (%) | 7.97 | 6.94 | 8.27 | 8.30 |
| CDS (bps) | 179 | 190 | 201 | 214 |

Period's Highlights

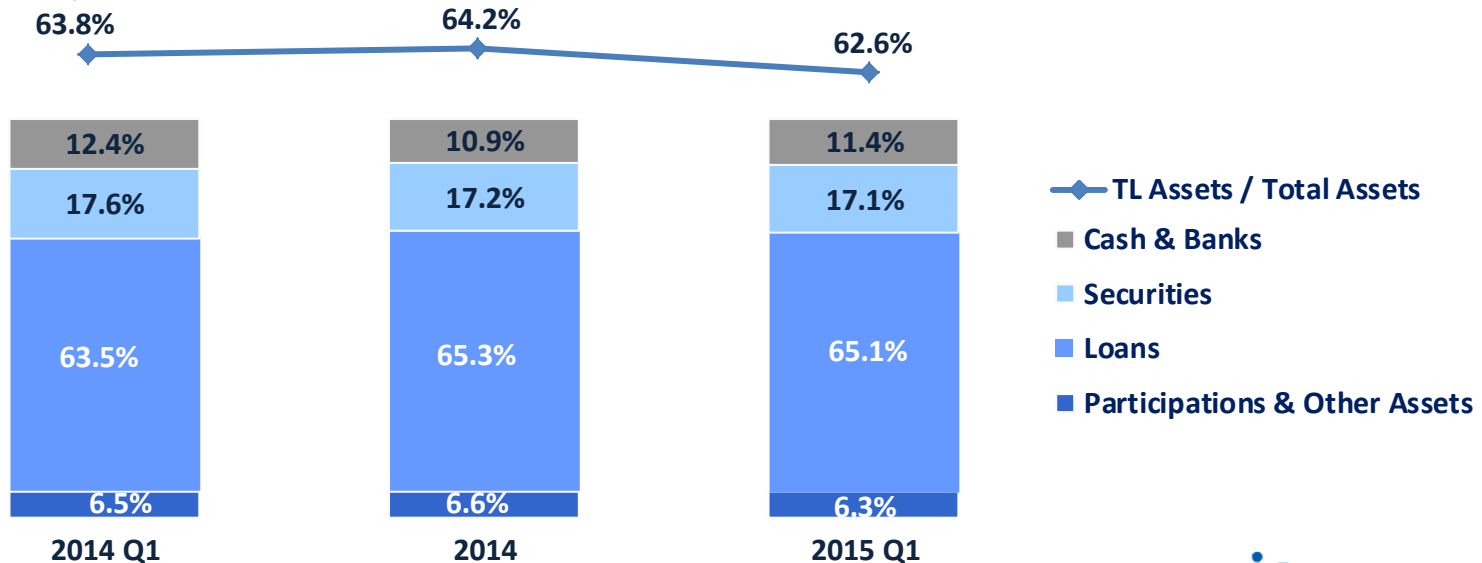
- ROAE has been maintained at 13% as of end of Q1.
- QoQ flat NII on a comparable basis, 19% YoY NII growth
- Net fees and commissions were up by 19% on an annual basis.
- A slight quarterly decline in NIM, mainly as a result of higher TL deposit costs.
- Dividends received also supported the bottom-line in Q1.
- 11.9% annual and 11.3% QoQ bottom-line growth.
- Faster QoQ TL loan growth in 2015 Q1, which is 4.2% versus 2.4% in 2014 Q4
- QoQ increase in NPL flows, mainly driven by commercial loans.
- Increased CoR, maintained coverage ratio

Asset Structure

Assets

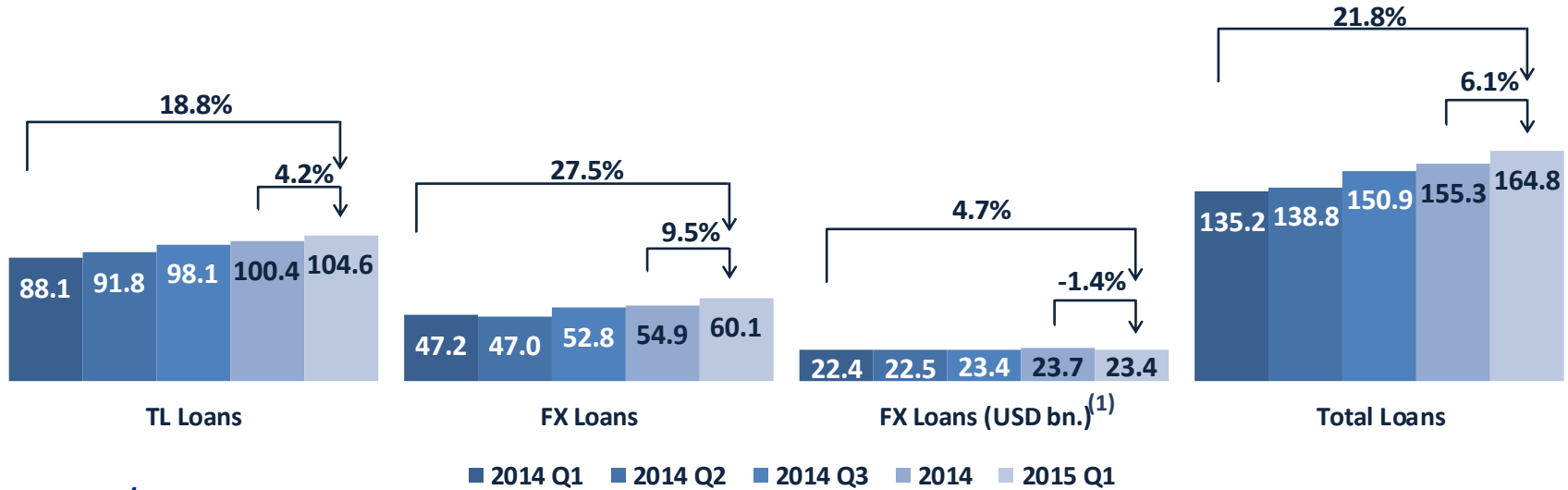
| (TL mn.) | 2014 Q1 | 2014 | 2015 Q1 | Δ YtD | Δ YoY |
|----------------------------|----------------|----------------|----------------|-------------|--------------|
| Cash & Banks | 26,331 | 26,000 | 28,849 | 11.0% | 9.6% |
| Securities (Net) | 37,592 | 40,856 | 43,341 | 6.1% | 15.3% |
| Loans | 135,244 | 155,315 | 164,759 | 6.1% | 21.8% |
| Participations (Net) | 7,275 | 9,625 | 9,287 | -3.5% | 27.7% |
| Fixed Assets (Net) | 2,133 | 2,236 | 2,284 | 2.1% | 7.1% |
| Other Assets | 4,447 | 3,739 | 4,410 | 17.9% | -0.8% |
| Total Assets | 213,022 | 237,772 | 252,931 | 6.4% | 18.7% |
| TL Assets | 135,954 | 152,755 | 158,269 | 3.6% | 16.4% |
| FX Assets | 77,068 | 85,017 | 94,662 | 11.3% | 22.8% |
| FX Assets (USD mn.) | 36,525 | 36,740 | 36,833 | 0.3% | 0.8% |

Asset Composition

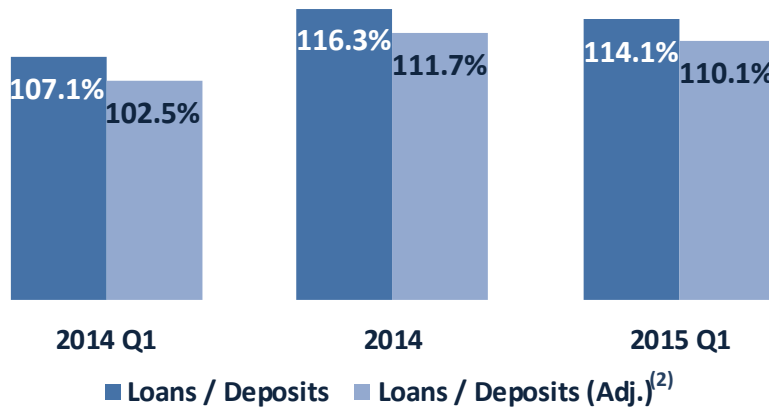


Loan Portfolio

Loans (TL bn.)



Loans/Deposits



- Share of loans in total assets is 65.1%
- Comfortable level of Loans/Deposits ratio
- Adjusted Loans/Deposits ratio⁽²⁾ is 110.1%

(1) FX loans expressed in USD equivalent.

(2) TL securities issued added to deposits.

Loan Portfolio

Loans

| (TL mn.) | 2014 Q1 | 2014 | 2015 Q1 | Δ YtD | Δ YoY |
|--------------------------------|---------|---------|---------|-------|--------|
| Total Loans | 135,244 | 155,315 | 164,759 | 6.1% | 21.8% |
| TL Loans | 88,074 | 100,404 | 104,618 | 4.2% | 18.8% |
| Retail Loans | 37,928 | 42,415 | 44,440 | 4.8% | 17.2% |
| Housing Loans | 11,755 | 13,598 | 14,322 | 5.3% | 21.8% |
| Auto Loans | 1,172 | 952 | 898 | -5.7% | -23.4% |
| GPLs ⁽¹⁾ | 15,493 | 18,767 | 20,037 | 6.8% | 29.3% |
| Credit Card Loans | 9,509 | 9,099 | 9,184 | 0.9% | -3.4% |
| Non-Retail Loans | 50,145 | 57,989 | 60,177 | 3.8% | 20.0% |
| SME Loans ⁽²⁾ | 32,242 | 34,767 | 37,216 | 7.0% | NM |
| Commercial and Corporate Loans | 17,904 | 23,222 | 22,961 | -1.1% | NM |
| FX Loans | 47,170 | 54,911 | 60,141 | 9.5% | 27.5% |
| SME Loans ⁽²⁾ | 4,448 | 2,133 | 2,383 | 11.7% | NM |
| Commercial and Corporate Loans | 42,723 | 52,779 | 57,759 | 9.4% | NM |
| FX Loans (USD mn.) | 22,356 | 23,730 | 23,401 | -1.4% | 4.7% |
| SME Loans ⁽²⁾ | 2,108 | 922 | 927 | 0.6% | NM |
| Commercial and Corporate Loans | 20,248 | 22,808 | 22,474 | -1.5% | NM |

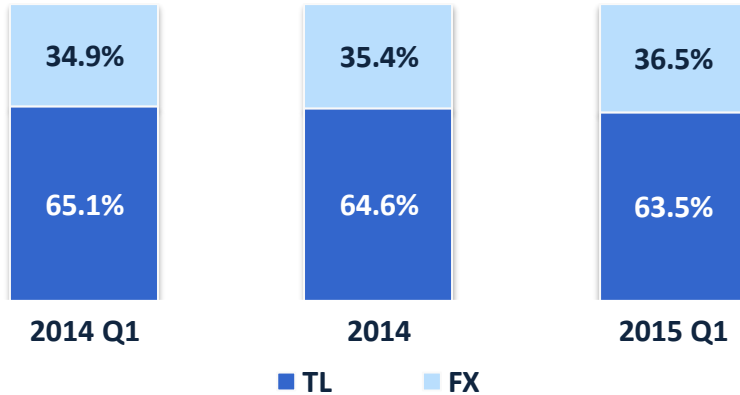
(1) Including overdraft accounts

(2) SME definition includes companies with number of employees < 250 and turnover or total assets <= TL 40 mn. SME segment was updated according to size and turnover criteria as of the end of 2015 Q1. 2014 YE figures are re-stated accordingly.

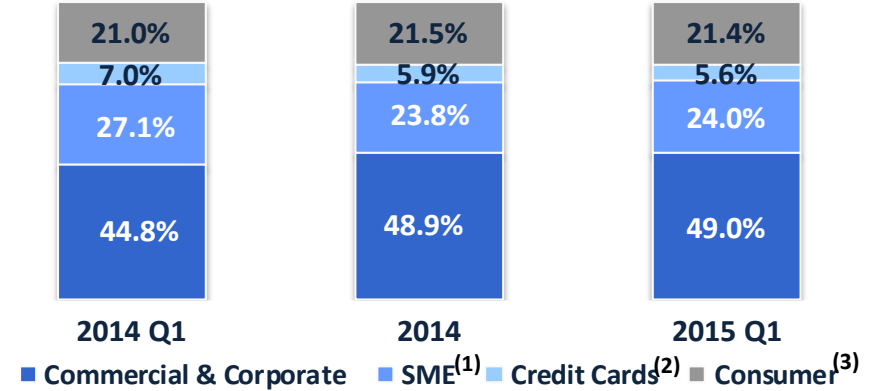
NM: Not meaningful

Loan Composition

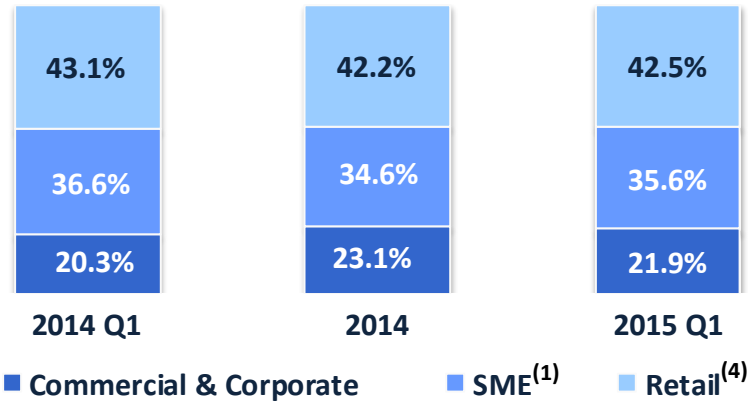
Currency Mix



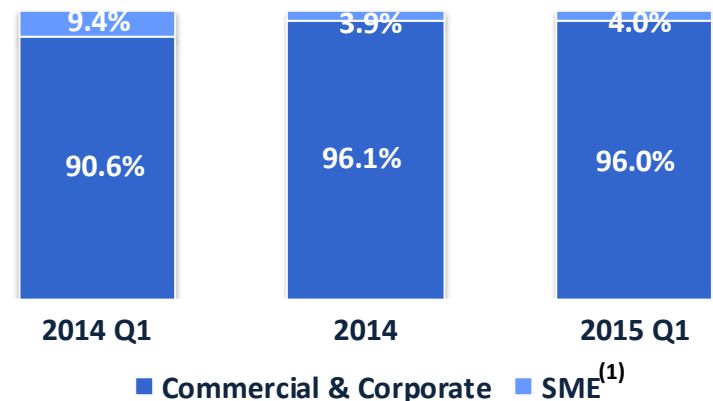
Loan Composition - Total Loans



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. SME segment was updated according to size and turnover criteria as of the end of 2015 Q1. 2014 YE figures are re-stated accordingly.

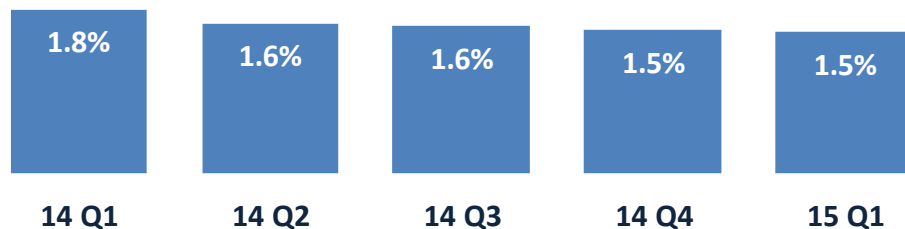
(2) Shows retail credit card balances only

(3) Including retail overdraft accounts

(4) Including retail credit cards and overdraft accounts

Asset Quality

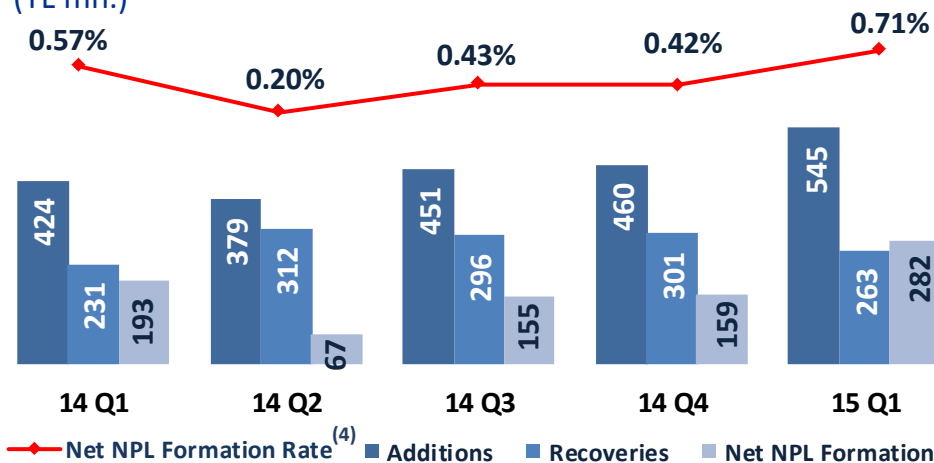
NPL Ratio



- Gross CoR⁽¹⁾ is 99 bps as of 2015 Q1.
- Coverage ratio is 76.5%
- 22.8% collection rate⁽²⁾ as of 2015 Q1

NPL Trends⁽³⁾

(TL mn.)



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 |
| 15 Q1 | 189,224 | 29,091 |

(1) Specific Provisions / Average Loans

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

(3) Calculations are on quarterly basis.

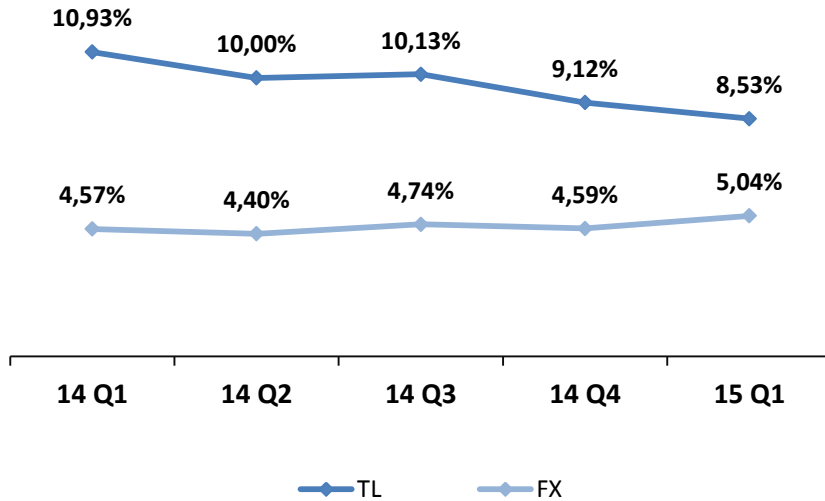
(4) Net NPL Formation / Average Loans

Securities Portfolio

Securities

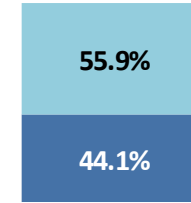
| (TL mn.) | 2014 Q1 | 2014 Q2 | 2015 Q1 | Δ YtD | Δ YoY |
|-------------------------------|---------|---------|---------|-------|-------|
| Total Securities | 37,592 | 40,856 | 43,341 | 6.1% | 15.3% |
| TL Securities | 31,593 | 33,573 | 35,500 | 5.7% | 12.4% |
| FX Securities | 5,999 | 7,283 | 7,841 | 7.7% | 30.7% |
| FX Securities (USD mn) | 2,843 | 3,147 | 3,051 | -3.1% | 7.3% |

Yields of Securities



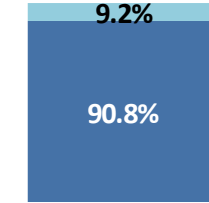
Composition of Securities

TL Securities



■ Fixed

FX Securities



■ Floating

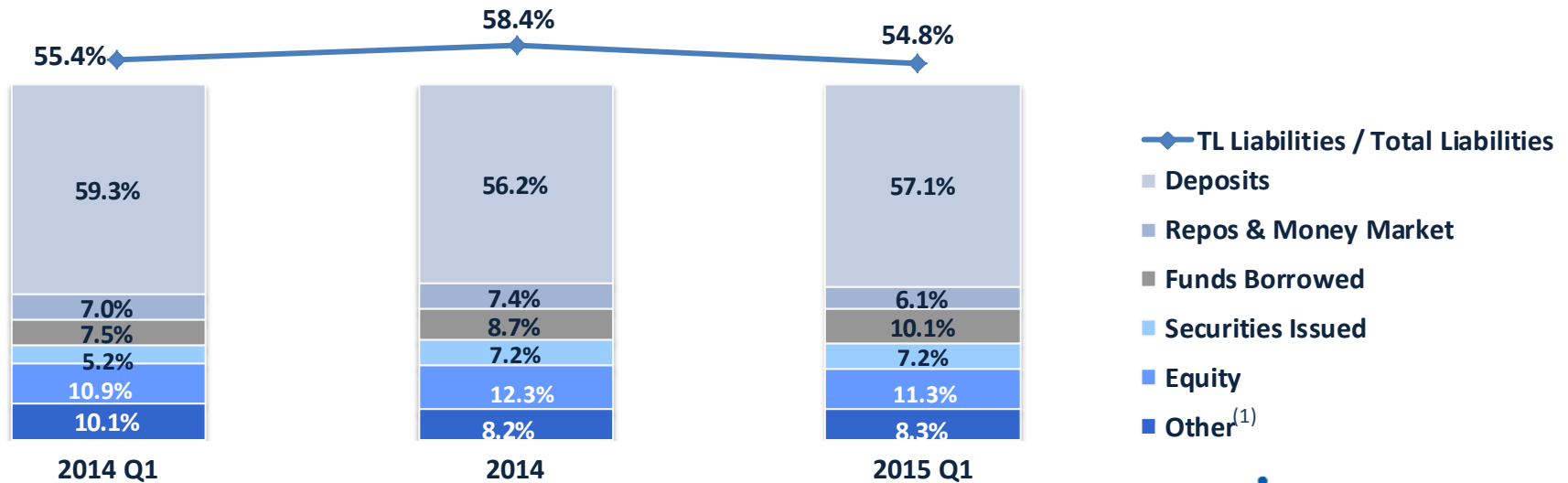
- 27.3% share of CPI linkers in total portfolio
- MtM differences for available for sale portfolio is TL 370 mn.
- Average durations:
1.84 years for TL Securities
5.58 years for FX Securities

Liabilities Structure

Liabilities

| (TL mn.) | 2014 Q1 | 2014 | 2015 Q1 | Δ YtD | Δ YoY |
|---------------------------------------|----------------|----------------|----------------|-------------|--------------|
| Deposits | 126,294 | 133,551 | 144,363 | 8.1% | 14.3% |
| REPOs & Money Market | 14,955 | 17,696 | 15,414 | -12.9% | 3.1% |
| Funds Borrowed | 15,928 | 20,669 | 25,437 | 23.1% | 59.7% |
| Securities Issued | 10,995 | 17,154 | 18,114 | 5.6% | 64.7% |
| Other ⁽¹⁾ | 21,539 | 19,391 | 21,092 | 8.8% | -2.1% |
| Equity | 23,311 | 29,311 | 28,511 | -2.7% | 22.3% |
| Total Liabilities & Equity | 213,022 | 237,772 | 252,931 | 6.4% | 18.7% |
| TL Liabilites | 117,970 | 138,762 | 138,588 | -0.1% | 17.5% |
| FX Liabilities | 95,052 | 99,010 | 114,343 | 15.5% | 20.3% |
| FX Liabilites (USD bn.) | 45,048 | 42,787 | 44,491 | 4.0% | -1.2% |

Liabilities Composition



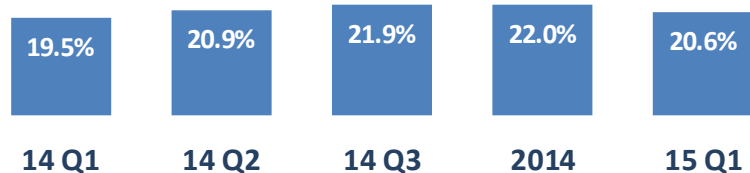
(1) Includes subordinated debt of USD 1.4 bn.

Deposits

Deposits

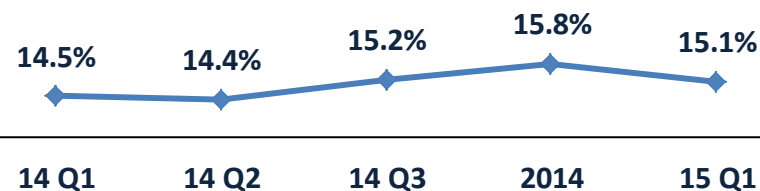
| (TL mn.) | 2014 Q1 | 2014 | 2015 Q1 | Δ YtD | Δ YoY |
|------------------------------|---------|---------|---------|--------|--------|
| Total Deposits | 126,294 | 133,551 | 144,363 | 8.1% | 14.3% |
| TL Deposits | 61,504 | 72,986 | 74,750 | 2.4% | 21.5% |
| TL Saving Deposits | 43,909 | 50,042 | 51,654 | 3.2% | 17.6% |
| TL Commercial Deposits | 11,568 | 14,582 | 15,578 | 6.8% | 34.7% |
| Other TL Deposits | 6,027 | 8,362 | 7,519 | -10.1% | 24.8% |
| FX Deposits | 64,791 | 60,566 | 69,613 | 14.9% | 7.4% |
| FX Deposits (USD mn.) | 30,707 | 26,174 | 27,087 | 3.5% | -11.8% |
| Demand Deposits | 24,592 | 29,431 | 29,768 | 1.1% | 21.1% |

Demand Deposits / Total Deposits



- Deposits make up 57.1% of total liabilities.
- Share of demand deposits in total deposits is 20.6%. (In TL deposits, the share is 21.6%^(x).)

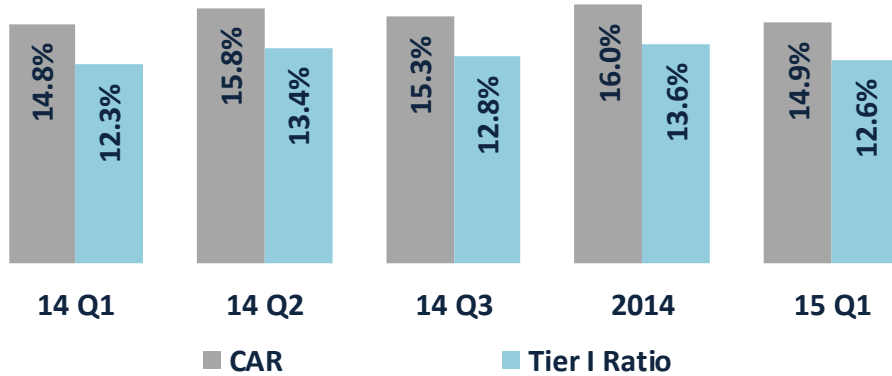
Demand Deposits Market Share



(x) Excluding interbank deposits

Sufficient Capitalization

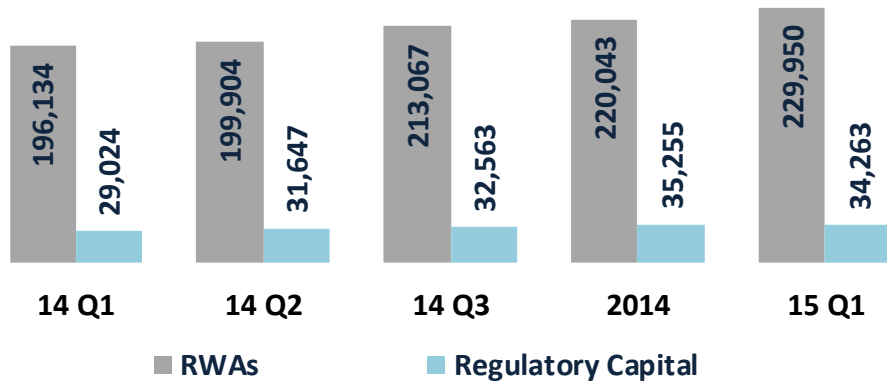
Capital Adequacy Ratio



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

RWAs vs. Regulatory Capital

(TL mn.)



Income Statement Highlights

| (TL mn.) | 2014 Q1 | 2014 Q4 | 2015 Q1 | Δ QoQ | Δ YoY |
|-----------------------------------------------------------|--------------|--------------|--------------|---------------|--------------|
| <i>Interest Income</i> | 3,826 | 4,231 | 4,393 | 3.8% | 14.8% |
| <i>Interest Expense</i> | 2,054 | 2,236 | 2,443 | 9.3% | 18.9% |
| Net Interest Income | 1,772 | 1,995 | 1,950 | -2.2% | 10.1% |
| Net Fees & Commissions | 463 | 501 | 551 | 9.9% | 19.0% |
| Net Trading Gains/Losses | 86 | 133 | 22 | -83.6% | -74.8% |
| Dividends Received | 203 | 0 | 161 | NM | -20.7% |
| Released Provisions ^(*) | 296 | 100 | 385 | 284.8% | 30.0% |
| Gains on Asset Sales | 10 | 19 | 8 | -58.6% | -23.7% |
| Other Operating Income | 35 | 27 | 26 | -6.5% | -27.7% |
| Total Operating Income | 2,865 | 2,775 | 3,101 | 11.8% | 8.2% |
| Personnel Expenses | 532 | 605 | 611 | 0.9% | 14.7% |
| Other Operational Expenses | 347 | 522 | 384 | -26.3% | 10.6% |
| Depreciation & Amortization | 84 | 88 | 91 | 2.7% | 8.2% |
| Other Expenses ^(*) | 308 | 352 | 263 | -25.2% | -14.5% |
| Total Operating Expenses | 1,272 | 1,567 | 1,349 | -13.9% | 6.1% |
| Operating Profit | 1,594 | 1,208 | 1,752 | 45.0% | 10.0% |
| Loan Loss Provisions | 261 | 214 | 396 | 85.1% | 52.1% |
| General and Other Provision Charges ^(*) | 292 | -23 | 236 | NM | -19.4% |
| Total Provision Charges (Excluding Tax Provisions) | 553 | 191 | 632 | 230.5% | 14.3% |
| Tax Provisions | 225 | 198 | 208 | 5.4% | -7.6% |
| Net Income | 815 | 819 | 912 | 11.3% | 11.9% |

- Annual growth in NII and net fees & commissions income
- **11.3%** quarterly bottom-line growth

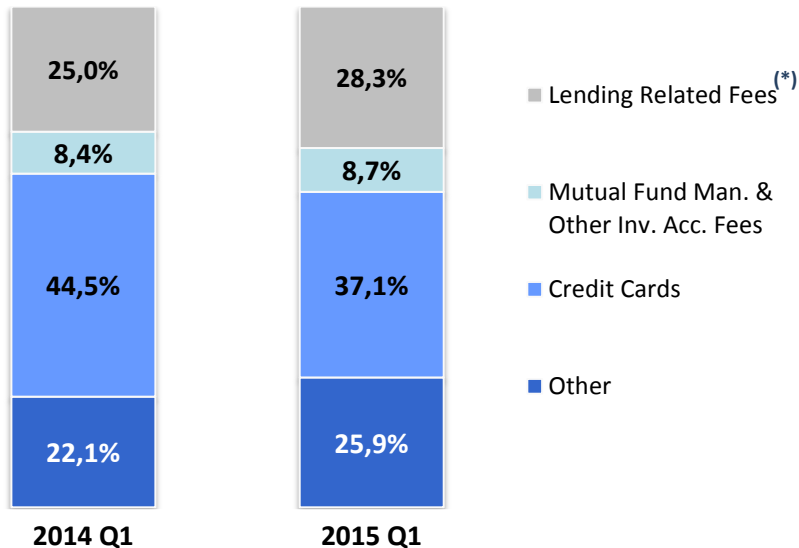
(*) See Appendix-2 for non-recurring and other items on page 19.

NM: Not meaningful

Commissions Income Performance

| (TL thousand) | 2014 Q1 | 2015 Q1 | Δ YoY |
|----------------------------------------------------|----------------|----------------|--------------|
| Non-Cash Loans | 66,932 | 81,420 | 21.6% |
| Cash Loans ^(*) | 48,685 | 74,317 | 52.6% |
| Mutual Fund Man. & Other Inv. Acc. Fees | 38,942 | 47,985 | 23.2% |
| Credit Cards (Net) | 205,834 | 204,064 | -0.9% |
| Fund Transfer (Net) | 44,678 | 58,905 | 31.8% |
| Insurance | 16,795 | 34,194 | 103.6% |
| Account Keeping Fees | 23,887 | 28,500 | 19.3% |
| Other | 16,931 | 21,166 | 25.0% |
| Total Fees & Commissions (Net) | 462,685 | 550,551 | 19.0% |
| Total Fees & Commissions Income (Gross) | 534,728 | 635,653 | 18.9% |

Net Fee & Commission Composition

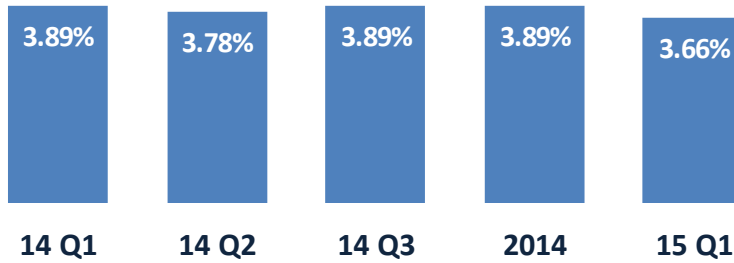


- Diversified fees & commissions base

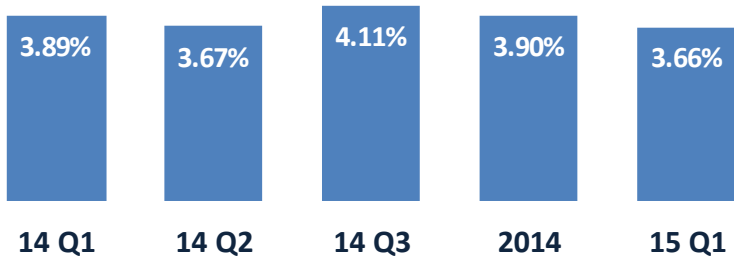
(*) Includes refinancing fees

Margin & Spreads (*)

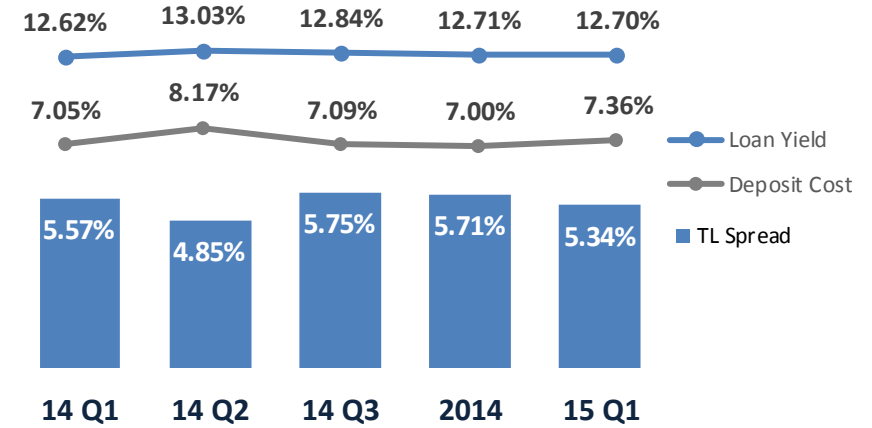
NIM (Cumulative)



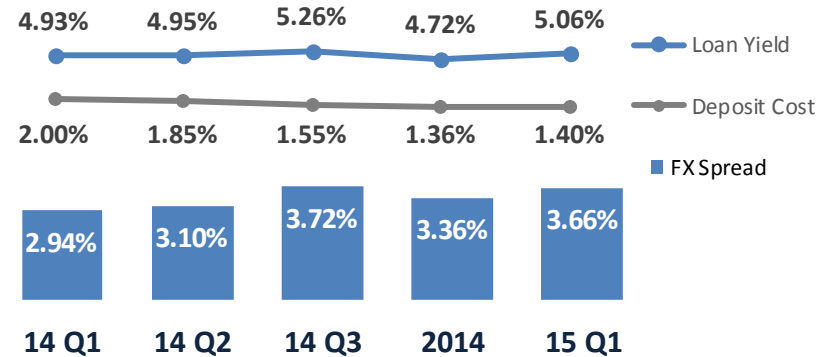
NIM (Quarterly)



TL Loan-Deposit Spread (Quarterly)



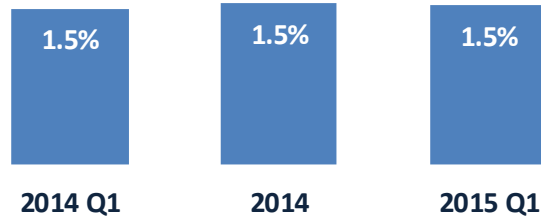
FX Loan-Deposit Spread (Quarterly)



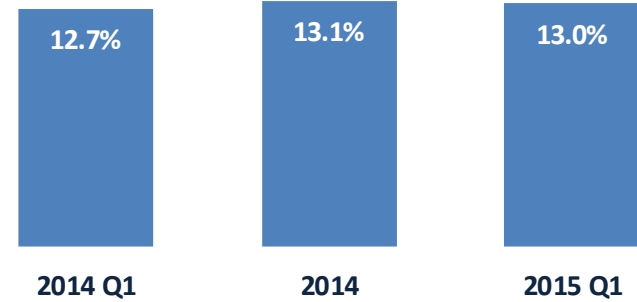
(*) Based on MIS data

Profitability and Efficiency Ratios (*)

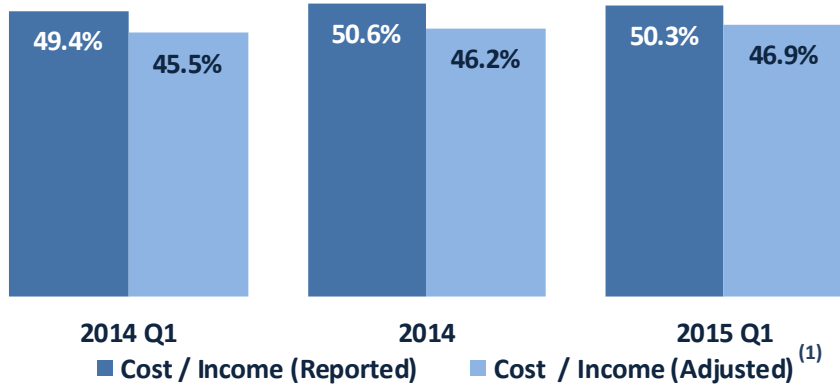
ROAA



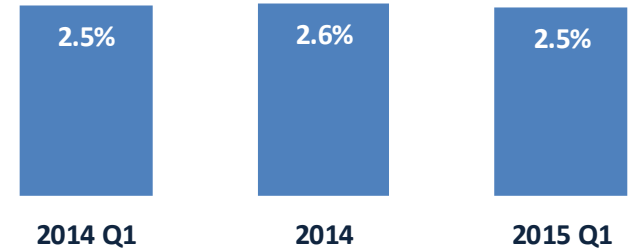
ROAE



Cost / Income



Cost / Average Assets



(1) Adjusted for non-recurring and other expense items given in Appendix-2 on page 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 Q1 | 2014 Q2 | 2014 Q3 | 2014 Q4 | 2015 Q1 | Δ QoQ |
|-----------------------------------------------------------|--------------|--------------|--------------|--------------|--------------|---------------|
| <i>Interest Income</i> | 3,826 | 3,922 | 4,106 | 4,231 | 4,393 | 3.8% |
| <i>Interest Expense</i> | 2,054 | 2,223 | 2,118 | 2,236 | 2,443 | 9.3% |
| Net Interest Income | 1,772 | 1,699 | 1,988 | 1,995 | 1,950 | -2.2% |
| Net Fees & Commissions | 463 | 512 | 528 | 501 | 551 | 9.9% |
| Net Trading Gains/Losses | 86 | -199 | 164 | 133 | 22 | -83.6% |
| Dividends Received | 203 | 392 | 0 | 0 | 161 | NM |
| Released Provisions ^(*) | 296 | 327 | 127 | 100 | 385 | 284.8% |
| Gains on Asset Sales | 10 | 12 | 10 | 19 | 8 | -58.6% |
| Other Operating Income | 35 | 28 | 21 | 27 | 26 | -6.5% |
| Total Operating Income | 2,865 | 2,771 | 2,838 | 2,775 | 3,101 | 11.8% |
| Personnel Expenses | 532 | 655 | 663 | 605 | 611 | 0.9% |
| Other Operational Expenses | 347 | 386 | 389 | 522 | 384 | -26.3% |
| Depreciation & Amortization | 84 | 82 | 87 | 88 | 91 | 2.7% |
| Other Expenses ^(*) | 308 | 358 | 237 | 352 | 263 | -25.2% |
| Total Operating Expenses | 1,272 | 1,481 | 1,376 | 1,567 | 1,349 | -13.9% |
| Operating Profit | 1,594 | 1,290 | 1,462 | 1,208 | 1,752 | 45.0% |
| Loan Loss Provisions | 261 | 237 | 202 | 214 | 396 | 85.1% |
| General and Other Provision Charges ^(*) | 292 | 57 | 82 | -23 | 236 | NM |
| Total Provision Charges (Excluding Tax Provisions) | 553 | 295 | 284 | 191 | 632 | 230.5% |
| Tax Provisions | 225 | 166 | 260 | 198 | 208 | 5.4% |
| Net Income | 815 | 829 | 918 | 819 | 912 | 11.3% |

(*) 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 Q1 | 2014 Q2 | 2014 Q3 | 2014 Q4 | 2015 Q1 |
|-------------------------------------------------------|---------|---------|---------|---------|---------|
| Released Provisions | | | | | |
| Provision reversals related to the asset sales | 132 | 129 | | | |
| Reversal of provisions set aside for the tax disputes | | | | | 207 |
| Other Expenses | | | | | |
| Loss on the asset sales | 132 | 135 | | | |
| Provisions for tax disputes | 5 | 21 | 69 | 19 | 7 |
| Expenses related with fee returns | 3 | 21 | 33 | 60 | 61 |
| 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 Q1 | 2014 | 2015 Q1 |
| Total Assets | 12.6 | 12.5 | 1 st | 1 st |
| Total Loans | 13.2 | 13.1 | 1 st | 1 st |
| TL Loans | 12.2 | 12.1 | 1 st | 1 st |
| FX Loans | 15.3 | 15.1 | 1 st | 1 st |
| Consumer Loans ⁽³⁾ | 12.4 | 12.6 | 2 nd | 1 st |
| Non-Retail Loans | 13.5 | 13.2 | 1 st | 1 st |
| Total Deposits | 12.7 | 12.8 | 1 st | 1 st |
| TL Deposits | 11.4 | 11.4 | 1 st | 1 st |
| FX Deposits | 14.9 | 14.7 | 1 st | 1 st |
| Demand Deposits | 15.8 | 15.1 | 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. 2015 rankings are among the private-sector banks, which disclosed 2015 Q1 financial statements.

(3) Including retail overdraft accounts

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