



**ISBANK
EARNINGS
PRESENTATION
2015**

2015 Q4 Recent Developments in the Economy

Global Outlook

US

- Moderate growth trend in the US economy
- Fed's rate hike in December 2015
- Still accommodative monetary policy stance

EZ

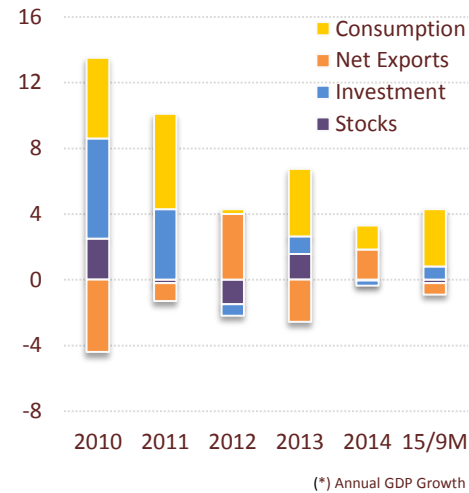
- The mild upturn in the Euro Zone economy
- Loosening credit conditions
- Continued concerns over inflation outlook

EM

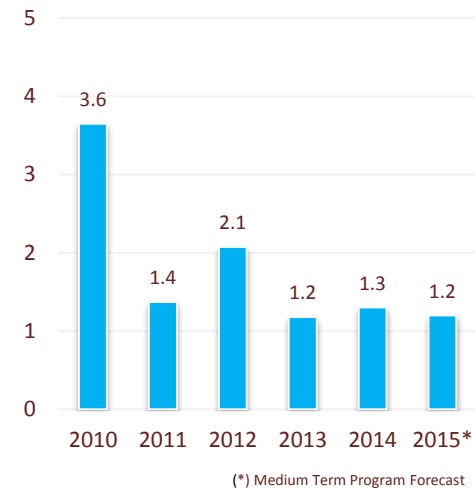
- A broad-based slowdown in emerging economies
- Weakening capital flows
- Lower commodity prices

Main Indicators of Turkey

Contributions to GDP* (pp)



Budget Deficit (% GDP)



Domestic Outlook

☐ Moderate economic activity

- Domestic demand driven growth
- Improving external balance thanks to lower energy prices

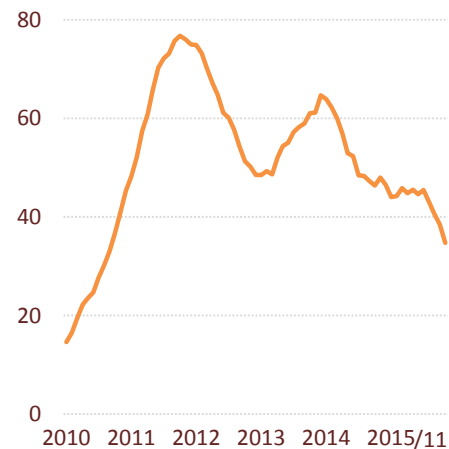
☐ Solid fiscal stance

☐ Inflation above target

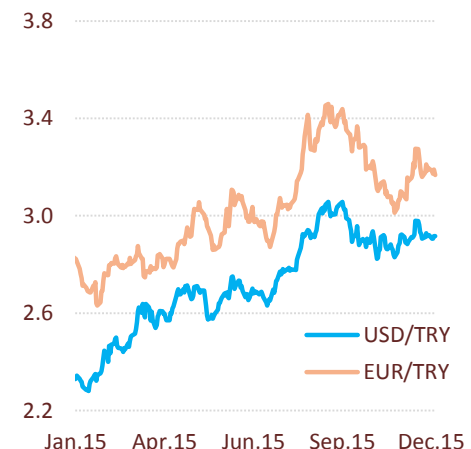
- Pass-through of exchange rate fluctuations
- Favorable impact of low commodity prices

☐ Geopolitical risks

CA Deficit (12-m, bn USD)



Exchange Rates



Period's Highlights

- Rise in NIM continued, due to higher TL spread QoQ.
- 8.9% core banking income⁽¹⁾ growth with strong contribution from fee income, which grew by 19.2% YoY
- TL loan volume maintained with increasing loan yields.
- Higher NPL flows in the quarter, but strong collection performance maintained.
- Quarterly gross CoR remained almost stable at 97 bps.
- Change in the currency mix of deposits in favor of TL
- Share of demand deposits in TL deposits was at 24%.
- Improvement in CAR over the quarter as a result of stronger TL and positive Mark-to-Market valuations.

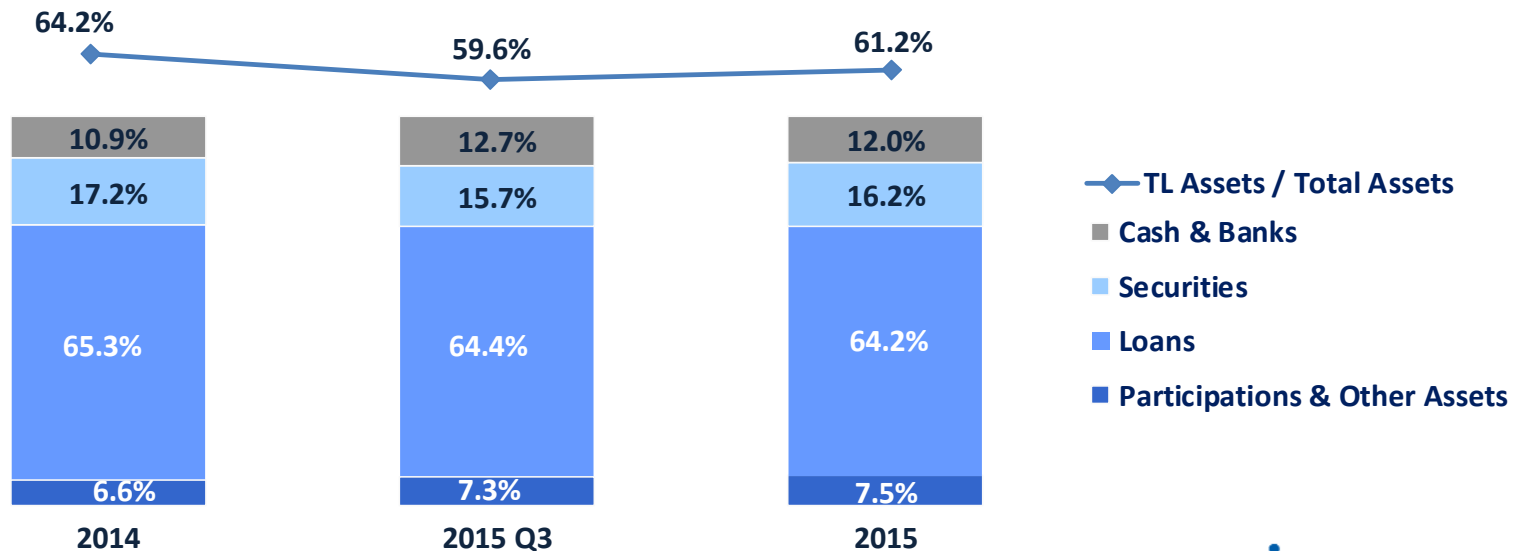
(1) Core Banking Income = Net Interest Income + Net Fees and Commissions + Trading Gains / Losses

Asset Structure

Assets

(TL mn.)	2014	2015 Q3	2015	Δ QoQ	Δ YoY
Cash & Banks	26,000	35,502	33,170	-6.6%	27.6%
Securities (Net)	40,856	43,960	44,781	1.9%	9.6%
Loans	155,315	180,156	177,037	-1.7%	14.0%
Participations (Net)	9,625	8,618	9,394	9.0%	-2.4%
Fixed Assets (Net) ^(*)	2,236	4,730	4,747	0.4%	112.3%
Other Assets	3,739	6,975	6,589	-5.5%	76.2%
Total Assets	237,772	279,942	275,718	-1.5%	16.0%
TL Assets	152,755	166,815	168,739	1.2%	10.5%
FX Assets	85,017	113,126	106,978	-5.4%	25.8%
FX Assets (USD mn.)	36,740	38,038	37,340	-1.8%	1.6%

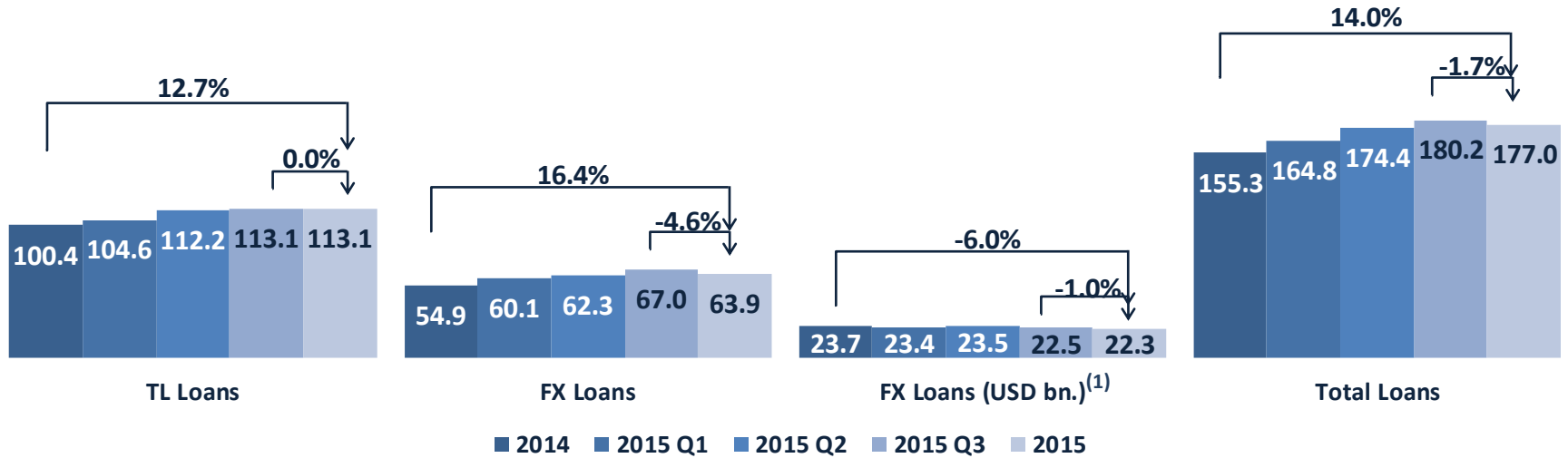
Asset Composition



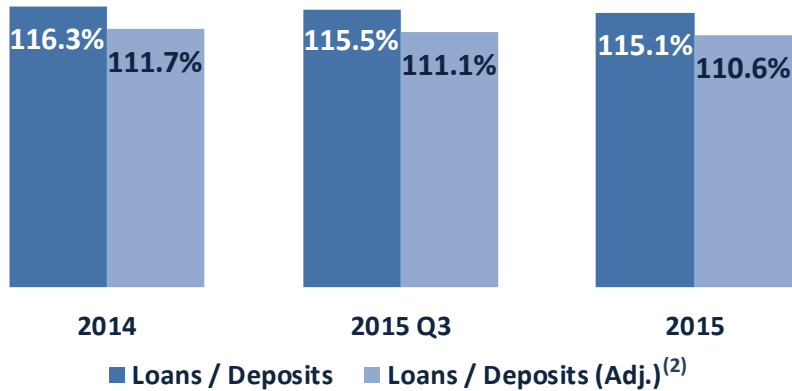
(*) Accounting policy for real estate portfolio changed to mark-to-market valuation in 2015 Q3.

Loan Portfolio

Loans (TL bn.)



Loans/Deposits



- Share of loans in total assets is 64.2%.
- Comfortable level of Loans/Deposits ratio
- Adjusted Loans/Deposits ratio ⁽²⁾ is 110.6%.

(1) FX loans expressed in USD equivalent.

(2) TL securities issued added to deposits.

Loan Portfolio

Loans

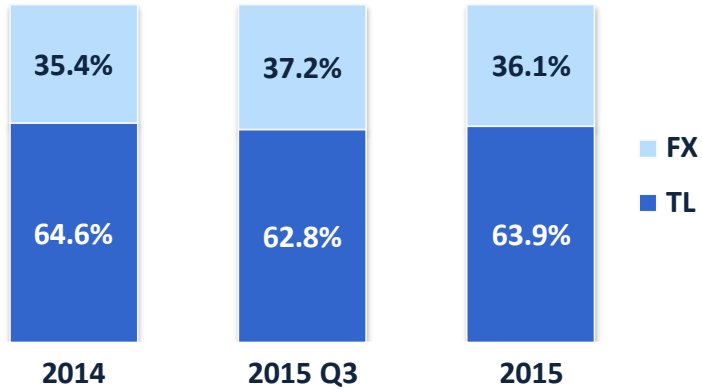
(TL mn.)	2014	2015 Q3	2015	Δ QoQ	Δ YoY
Total Loans	155,315	180,156	177,037	-1.7%	14.0%
TL Loans	100,404	113,141	113,137	0.0%	12.7%
Retail Loans	42,415	46,829	46,797	-0.1%	10.3%
Housing Loans	13,598	15,846	15,726	-0.8%	15.7%
Auto Loans	952	856	811	-5.3%	-14.8%
GPLs ⁽¹⁾	18,767	20,070	19,865	-1.0%	5.9%
Credit Card Loans	9,099	10,058	10,394	3.3%	14.2%
Non-Retail Loans	57,989	66,311	66,340	0.0%	14.4%
SME Loans ⁽²⁾	34,767	40,588	39,643	-2.3%	14.0%
Commercial and Corporate Loans	23,222	25,724	26,697	3.8%	15.0%
FX Loans	54,911	67,015	63,899	-4.6%	16.4%
SME Loans ⁽²⁾	2,133	2,618	2,560	-2.2%	20.0%
Commercial and Corporate Loans	52,779	64,397	61,339	-4.7%	16.2%
FX Loans (USD mn.)	23,730	22,534	22,303	-1.0%	-6.0%
SME Loans ⁽²⁾	922	880	894	1.5%	-3.0%
Commercial and Corporate Loans	22,808	21,653	21,410	-1.1%	-6.1%

(1) Including overdraft accounts

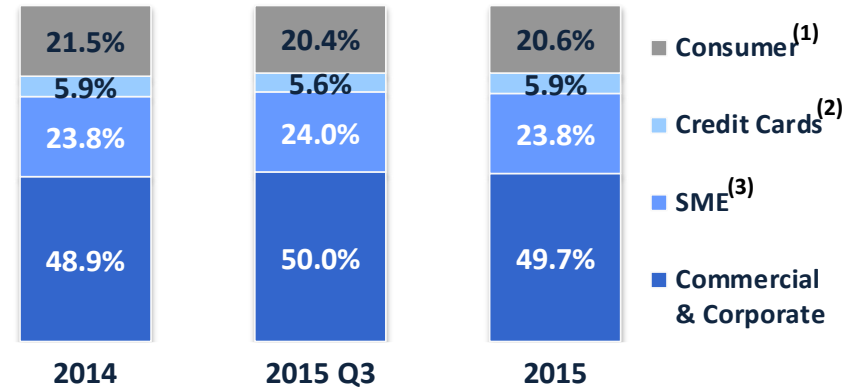
(2) SME definition includes companies with number of employees < 250 and turnover or total assets <= TL 40 mn.

Loan Composition

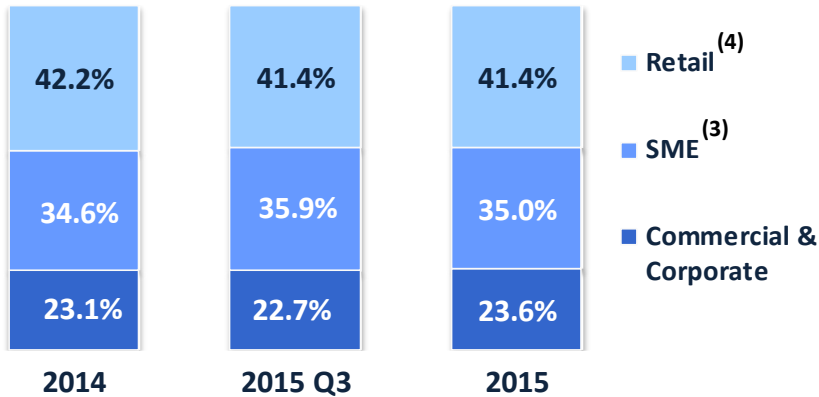
Currency Mix



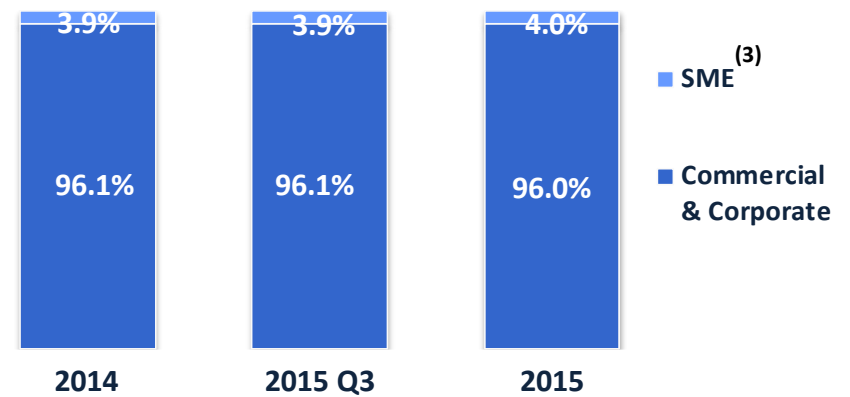
Loan Composition - Total Loans



Loan Composition - TL Loans



Loan Composition - FX Loans



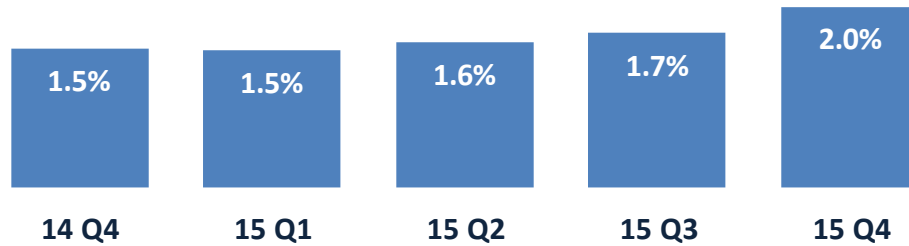
(1) Including retail overdraft accounts

(2) Shows retail credit card balances only

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

(4) Including retail credit cards and overdraft accounts

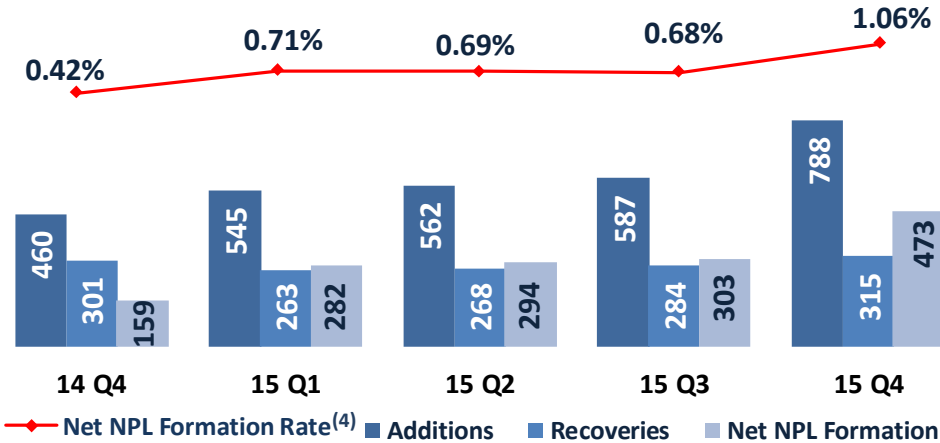
NPL Ratio



- Gross CoR⁽¹⁾ is 83 bps as of 2015YE.
- Coverage ratio is 75.1%.
- 23.0% collection rate⁽²⁾ as of 2015YE

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	-	-
15 Q4	-	-

(1) Specific Provisions / Average Loans

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

(3) Calculations are on quarterly basis.

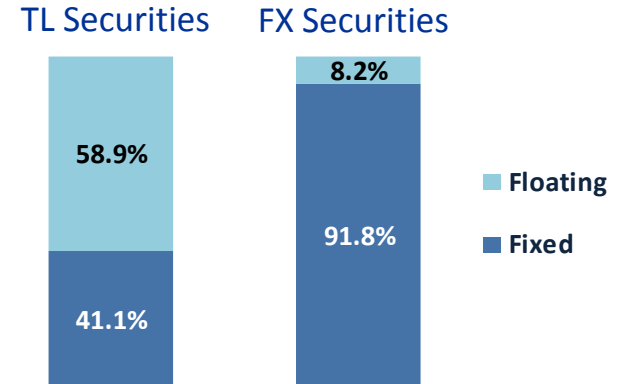
(4) Net NPL Formation / Average Loans

Securities Portfolio

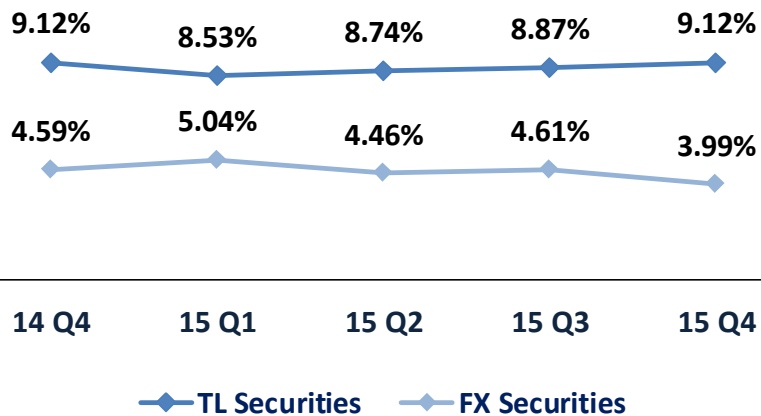
Securities

(TL mn.)	2014	2015 Q3	2015	Δ QoQ	Δ YoY
Total Securities	40,856	43,960	44,781	1.9%	9.6%
TL Securities	33,573	34,004	34,869	2.5%	3.9%
FX Securities	7,283	9,955	9,912	-0.4%	36.1%
FX Securities (USD mn)	3,147	3,347	3,460	3.4%	9.9%

Composition of Securities (2015)



Yield of Securities (Quarterly)



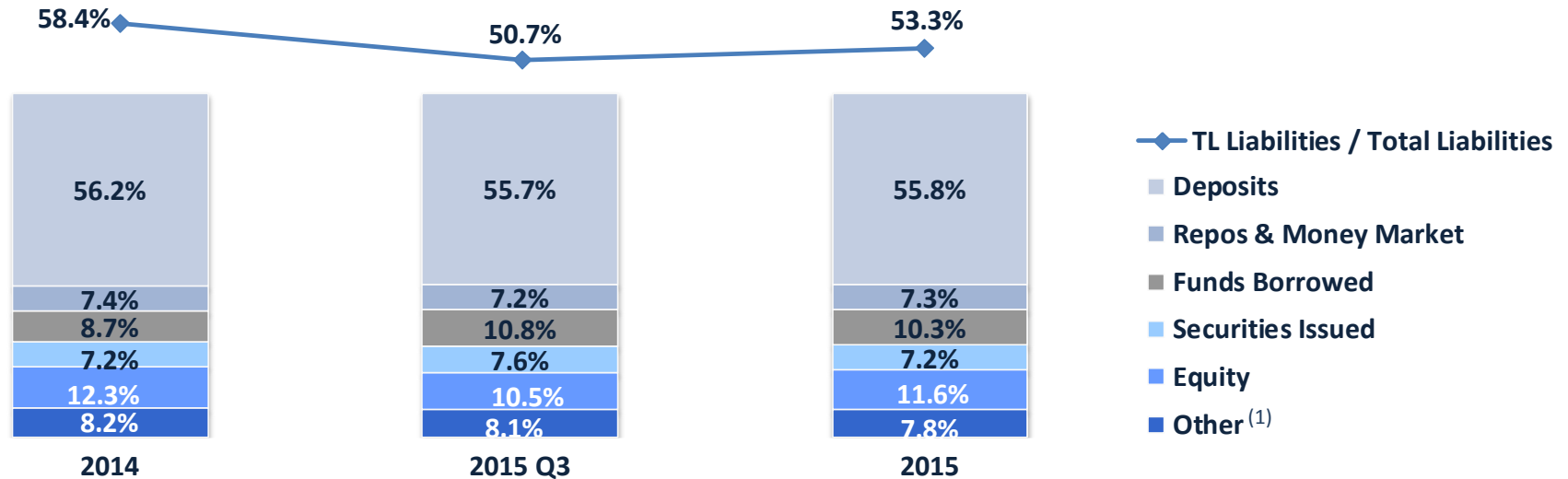
- 27.9% share of CPI linkers in total portfolio
- 279 mn. TL interest revenue and 8.95% quarterly yield on CPI linkers portfolio
- Average durations:
 - 1.77 years for TL Securities
 - 5.55 years for FX Securities

Liabilities Structure

Liabilities

(TL mn.)	2014	2015 Q3	2015	Δ QoQ	Δ YoY
Deposits	133,551	155,988	153,802	-1.4%	15.2%
REPOs & Money Market	17,696	20,247	20,089	-0.8%	13.5%
Funds Borrowed	20,669	30,253	28,408	-6.1%	37.4%
Securities Issued	17,154	21,301	19,761	-7.2%	15.2%
Other ⁽¹⁾	19,391	22,638	21,621	-4.5%	11.5%
Equity	29,311	29,515	32,035	8.5%	9.3%
Total Liabilities & Equity	237,772	279,942	275,718	-1.5%	16.0%
TL Liabilities	138,762	142,041	146,962	3.5%	5.9%
FX Liabilities	99,010	137,900	128,756	-6.6%	30.0%
FX Liabilities (USD bn.)	42,787	46,369	44,941	-3.1%	5.0%

Liabilities Composition



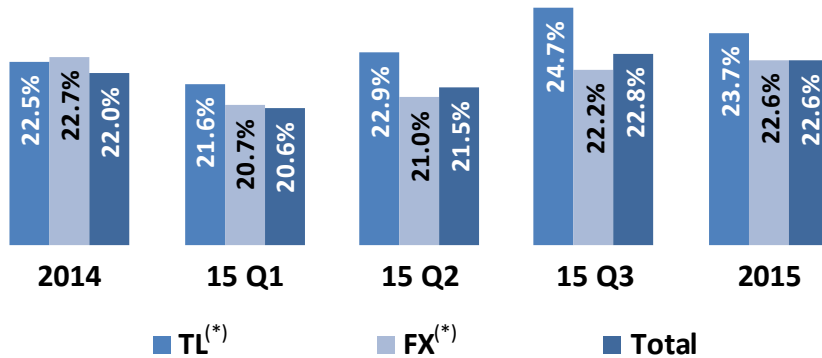
(1) Includes subordinated debt.

Deposits

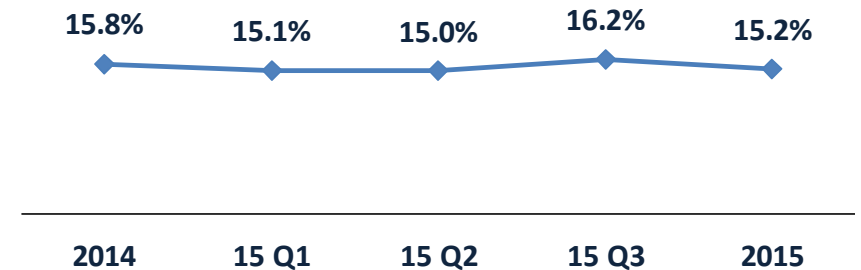
Deposits

(TL mn.)	2014	2015 Q3	2015	Δ QoQ	Δ YoY
Total Deposits	133,551	155,988	153,802	-1.4%	15.2%
TL Deposits	72,986	69,852	73,230	4.8%	0.3%
TL Saving Deposits	50,042	52,609	52,569	-0.1%	5.0%
TL Commercial Deposits	14,582	13,229	15,834	19.7%	8.6%
Other TL Deposits	8,362	4,014	4,827	20.2%	-42.3%
FX Deposits	60,566	86,136	80,572	-6.5%	33.0%
FX Deposits (USD mn.)	26,174	28,963	28,123	-2.9%	7.4%
Demand Deposits	29,431	35,629	34,683	-2.7%	17.8%

Demand Deposits / Total Deposits



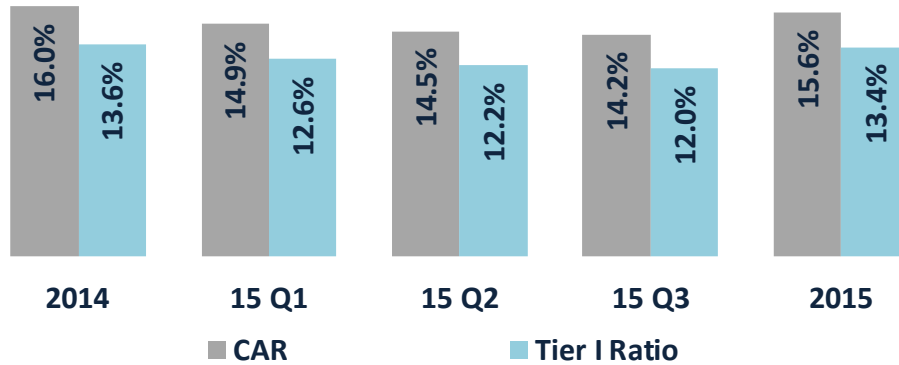
Demand Deposits Market Share



(*) Excluding interbank deposits

Sufficient Capitalization

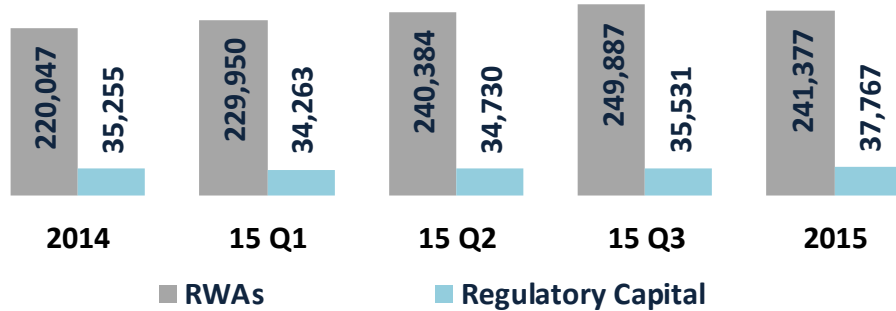
Capital Adequacy Ratio



- 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 Q3	2015 Q4	Δ QoQ	2014	2015	Δ YoY
Interest Income	5,044	5,120	1.5%	16,086	19,200	19.4%
Interest Expense	2,617	2,657	1.5%	8,632	10,215	18.3%
Net Interest Income	2,426	2,463	1.5%	7,454	8,986	20.5%
Net Fees & Commissions	582	663	13.8%	2,004	2,389	19.2%
Net Trading Gains/Losses	-573	-139	75.7%	185	-869	NM
Dividends Received	0	0	NM	595	555	-6.7%
Released Provisions ^(*)	106	275	161.0%	849	907	6.8%
Other Operating Income	63	62	-1.7%	163	202	23.9%
Total Operating Income	2,604	3,324	27.7%	11,250	12,169	8.2%
Personnel Expenses	619	665	7.5%	2,456	2,588	5.4%
Other Operational Expenses	450	536	19.1%	1,645	1,835	11.6%
Depreciation & Amortization	104	106	1.9%	341	394	15.4%
Other Expenses ^(*)	454	497	9.4%	1,254	1,511	20.5%
Total Operating Expenses	1,628	1,805	10.9%	5,695	6,327	11.1%
Operating Profit	976	1,519	55.6%	5,554	5,842	5.2%
Loan Loss Provisions	290	415	43.2%	915	1,415	54.8%
General and Other Provision Charges ^(*)	165	35	-79.1%	409	643	57.3%
Total Provision Charges (Excluding Tax Provisions)	455	449	-1.2%	1,323	2,058	55.5%
Tax Provisions	142	186	30.3%	849	701	-17.4%
Net Income	379	884	133.5%	3,382	3,083	-8.9%

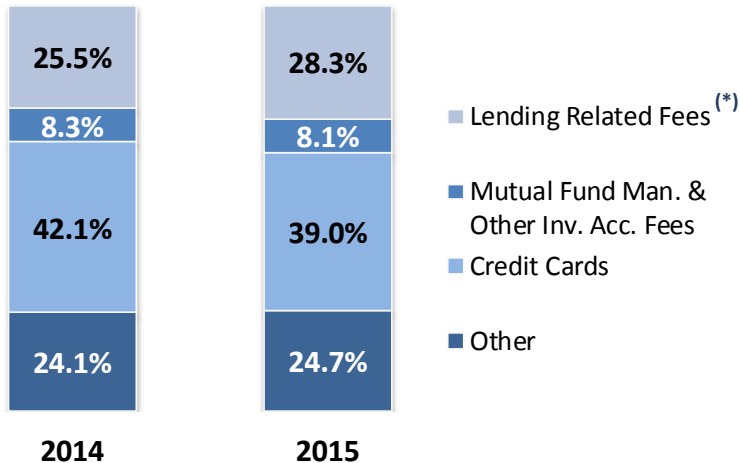
(*) See Appendix-2 for non-recurring and other items on page 19.

NM: Not meaningful

Commissions Income Performance

(TL thousand)	2015 Q3	2015 Q4	Δ QoQ	2014	2015	Δ YoY
Non-Cash Loans	96,651	108,677	12.4%	290,456	386,810	33.2%
Cash Loans (*)	73,906	71,550	-3.2%	221,370	288,030	30.1%
Mutual Fund Man. & Other Inv. Acc. Fees	45,074	49,906	10.7%	165,771	193,250	16.6%
Credit Cards (Net)	226,919	264,148	16.4%	843,380	931,503	10.4%
Fund Transfer (Net)	59,416	65,310	9.9%	198,202	245,561	23.9%
Insurance	32,269	34,603	7.2%	94,497	133,315	41.1%
Account Keeping Fees	40,550	52,877	30.4%	147,039	159,043	8.2%
Other	7,456	15,594	109.1%	43,063	51,290	19.1%
Total Fees & Commissions Income (Net)	582,240	662,665	13.8%	2,003,778	2,388,802	19.2%
Total Fees & Commissions Income (Gross)	702,099	768,693	9.5%	2,334,651	2,804,157	20.1%

Net Fee & Commission Composition

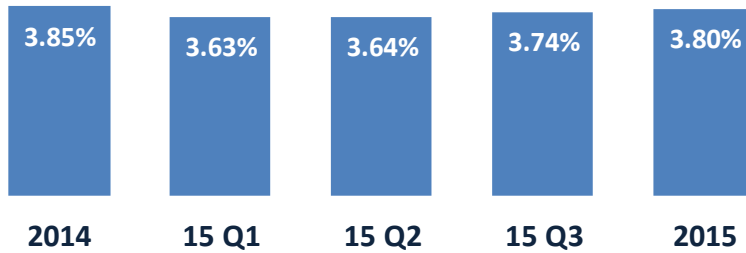


• Diversified fees & commissions base

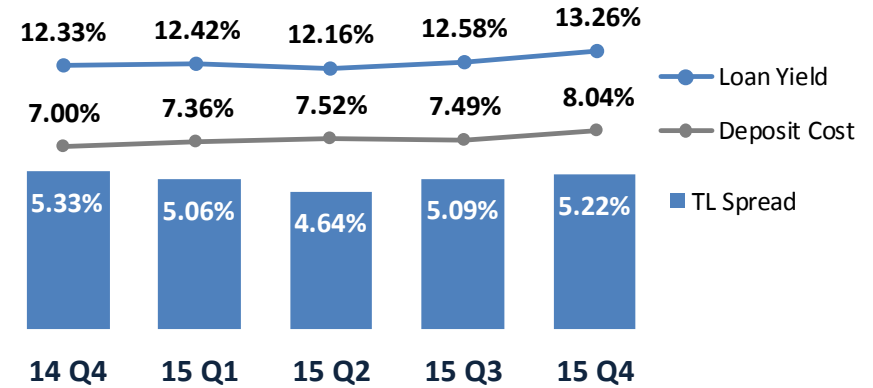
(*) Includes refinancing fees

Margin & Spreads (1)

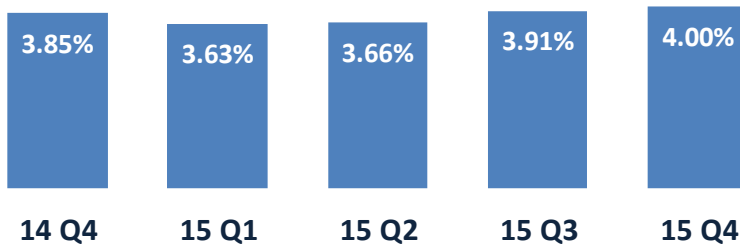
NIM⁽²⁾ (Cumulative)



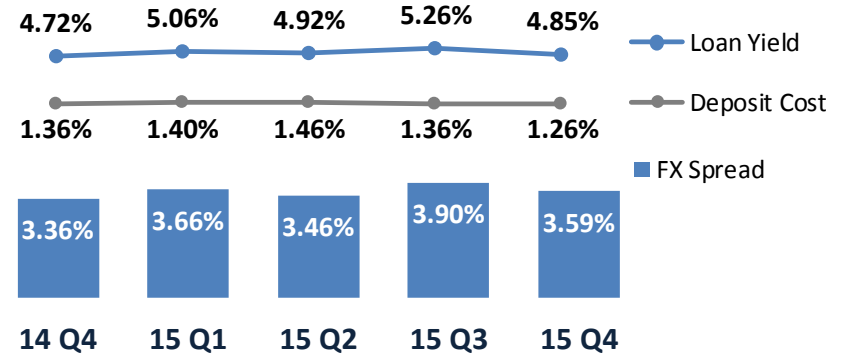
TL Loan-Deposit Spread (Quarterly)



NIM⁽²⁾ (Quarterly)



FX Loan-Deposit Spread (Quarterly)

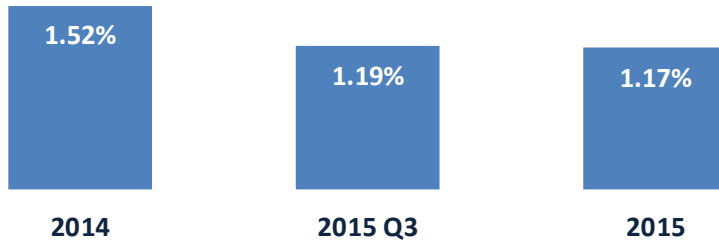


(1) Based on MIS data

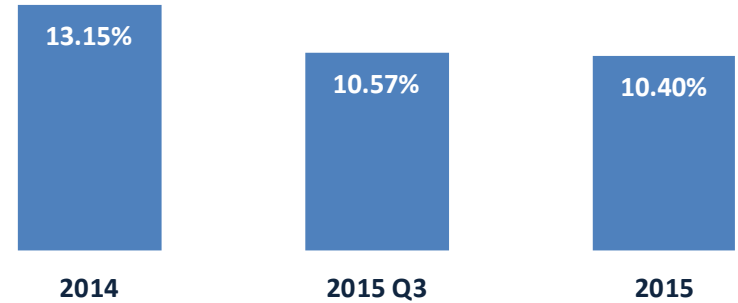
(2) Interest earning assets include Central Bank reserves.

Profitability and Efficiency Ratios ⁽¹⁾

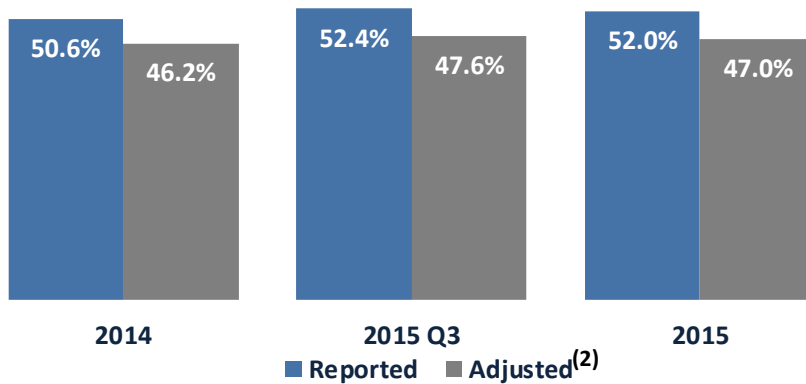
ROAA



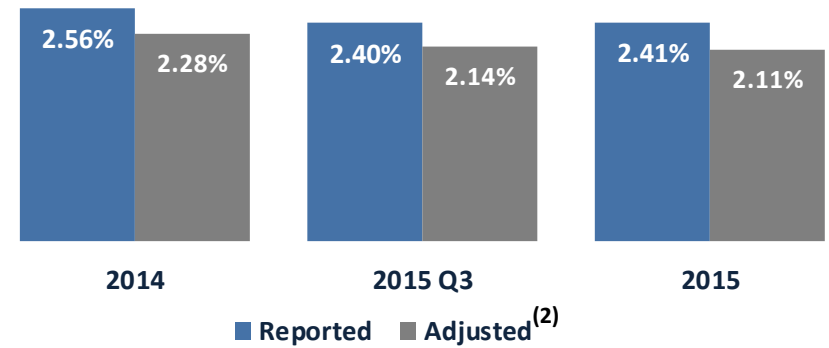
ROAE



Cost / Income



Cost / Average Assets



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

(2) Adjusted for non-recurring and other items given in Appendix-2 on page 19 and real estate revaluation.

Q&A

Appendix 1 – Quarterly Income Statement Highlights

(TL mn.)	2014 Q4	2015 Q1	2015 Q2	2015 Q3	2015 Q4	Δ QoQ
<i>Interest Income</i>	4,231	4,393	4,644	5,044	5,120	1.5%
<i>Interest Expense</i>	2,236	2,443	2,498	2,617	2,657	1.5%
Net Interest Income	1,995	1,950	2,146	2,426	2,463	1.5%
Net Fees & Commissions	501	551	593	582	663	13.8%
Net Trading Gains/Losses	133	22	-178	-573	-139	75.7%
Dividends Received	0	161	394	0	0	NM
Released Provisions (*)	100	385	141	106	275	161.0%
Other Operating Income	46	33	43	63	62	-1.7%
Total Operating Income	2,775	3,101	3,141	2,604	3,324	27.7%
Personnel Expenses	605	611	693	619	665	7.5%
Other Operational Expenses	522	384	464	450	536	19.1%
Depreciation & Amortization	88	91	93	104	106	1.9%
Other Expenses (*)	352	263	296	454	497	9.4%
Total Operating Expenses	1,567	1,349	1,546	1,628	1,805	10.9%
Operating Profit	1,208	1,752	1,594	976	1,519	55.6%
Loan Loss Provisions	214	396	314	290	415	43.2%
General and Other Provision Charges (*)	-23	236	207	165	35	-79.1%
Total Provision Charges (Excluding Tax Provisions)	191	632	522	455	449	-1.2%
Tax Provisions	198	208	165	142	186	30.3%
Net Income	819	912	908	379	884	133.5%

(*) 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 Q4	2015	2014
Released Provisions							
Provision reversals related to the asset sales							261
Reversal of provisions set aside for the tax disputes		207				207	
Released free provisions					200	200	
Other Expenses							
Loss on the asset sales				154		154	267
Provisions for tax disputes	19	7	10	10	12	39	114
Expenses related with fee returns	60	61	76	55	50	242	118
Provision for the administrative fine				83		83	
Additional provision for pension fund	123				277	277	123
General & Other Provision Charges							
Free provision charges							200
Reversal of free provision expenses	100						200

Appendix 3 – Market Shares

Largest Private Bank...

	Market Shares (%) ⁽¹⁾		Rank ⁽²⁾	
	2014	2015	2014	2015
Total Assets	12.6	12.3	1 st	1 st
Total Loans	13.2	12.4	1 st	1 st
TL Loans	12.2	11.9	1 st	1 st
FX Loans	15.3	13.5	1 st	1 st
Consumer Loans⁽³⁾	12.4	12.5	2 nd	2 nd
Non-Retail Loans	13.5	12.3	1 st	1 st
Total Deposits	12.7	12.4	1 st	1 st
TL Deposits	11.4	10.5	1 st	1 st
FX Deposits	14.9	14.7	1 st	1 st
Demand Deposits	15.8	15.2	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

Appendix 4 - 2016 Expectations

• Loan Growth	10%-12%	• Capital Adequacy Ratio	>14%
Retail Loans	13%-15%	• Net Interest Margin	3.7%-3.9%
Other Loans	9%-10%	Swap adjusted	3.3%-3.5%
• Deposit Growth	13%-14%	• Net Fees & Commissions Growth	>15%
TL Deposits	>14%	• OPEX Growth	CPI + 3-4%
• NPL Ratio	+ 60 bps	• Return on Average Assets	1.2%-1.3%
• Gross Cost of Risk⁽¹⁾	115 - 125 bps		

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

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