



Global Economy

- ◆ Radical left party Syriza, which is known for its stance against austerity measures and bailout packages, won the general elections in Greece. This development resulted in an increased uncertainty regarding the fate of the Euro Area and weighed on global markets recently.
- ◆ On the other hand, Eurogroup accepted the reforms suggested by Greek government in exchange for a 4-month extension of the current bailout programme. This development eased the concerns regarding Greece in international markets to some extent.
- ◆ Oil prices recovered slightly in February. In particular, this upturn mostly stemmed from the recent investment expenditure cuts announced by the major energy companies.
- ◆ The fourth quarter annual growth in US was revised down to 2.2% from 2.6%. The highest contribution to the growth came from the private consumption expenditures, constituting nearly two-thirds of the USD economy.
- ◆ According to the Fed FOMC minutes, most of the members agreed on the patient stance in raising interest rates considering the risks facing the US economy. The chair of the Fed, Janet Yellen, did not give a clear signal on the timing of rate hike in her recent speeches, although she stated that the rate hike decision would not be taken in the next couple of meetings given the recent course of the economy.
- ◆ In the last quarter of 2014, Euro Area economy performed slightly above the expectations and grew by 0.3% qoq and by 0.9% yoy. On the other hand, annual inflation came in at -0.3% in February, indicating the ongoing deflation in the region.
- ◆ A month after S&P downgraded Russian sovereign credit rating below investment grade, Moody's followed the suit.

Turkish Economy

- ◆ Calendar adjusted industrial production increased by 2.6% yoy in December, in line with the market expectations. Analysis of the labor force market revealed that the surge in unemployment rate mainly stemmed from the moderate course of the economic activity and the upward trend in labor participation rate.
- ◆ The fall in oil prices has lowered significantly energy bill of Turkey In January. While the quantity of oil imports rose by 27.8% yoy, the value of energy imports (classified as Chapter 27-mineral fuels and mineral oil) decreased by 24.5% in the same period.
- ◆ In December, current account deficit came in slightly above the market expectations and was realized as 6.8 billion USD while the deficit amounted to 45.8 billion USD in 2014. Thus, current account deficit declined by 18.8 billion USD throughout 2014 compared to 2013.
- ◆ According to data announced by Ministry of Finance, central government budget, which gave 1.9 billion TRY surplus in January 2014, recorded a surplus of 3.8 billion TRY in the first month of 2015. The increase in budget surplus stemmed mainly from the limited rise in budget expenditures.
- ◆ The annual CPI inflation, after decreasing 2 consecutive months, gained momentum in February due to the increasing food prices and was realized as 7.55%.
- ◆ At its monetary policy meeting held on February 24, CBRT cut the policy rate (1-week repo rate) by 25 basis point from 7.75% to 7.5%. CBRT also cut the upper and lower bands of the interest rate corridor. The upper band (overnight lending rate) was reduced from 11.25% to 10.75% and the lower band (overnight borrowing rate) was reduced from 7.5% to 7.25%.

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Türkiye İş Bankası A.Ş. - Economic Research Division

İzlem Erdem - Manager
izlem.erdem@isbank.com.tr

Alper Gürler - Unit Manager
alper.gurler@isbank.com.tr

Hatice Erkiletlioğlu - Asst. Manager
hatice.erkiletlioglu@isbank.com.tr

Bora Çevik - Economist
bora.cevik@isbank.com.tr

Eren Demir - Asst. Economist
eren.demir@isbank.com.tr

M. Kemal Gündoğdu - Asst. Economist
kemal.gundogdu@isbank.com.tr

Gamze Can - Asst. Economist
gamze.can@isbank.com.tr

Industrial production rose by 2.6% yoy in December.

Calendar adjusted industrial production increased by 2.6% yoy in December, in line with the market expectations. Seasonally and calendar adjusted industrial production rose by 1.2% mom. In the last quarter of 2014, the 1.9% yoy increase in calendar adjusted industrial production indicated that Turkish economy displayed its weakest performance for the last 2 years.

Manufacturing PMI decreased by 0.2 point and was realized as 49.6 in February. Thus, PMI remained below 50 threshold level for the second consecutive month and pointed out a weak production activity in the beginning of the 2015. Decline in the factory output was the main factor behind the lower PMI figure.

The unemployment rate came in at 10.7%.

According to the Household Labor Statistics, the unemployment rate rose by 1.4 points yoy and was realized as 10.7% in November. Seasonally adjusted unemployment rate also increased to 10.7%, keeping its highest level in four years.

Analysis of labor statistics revealed that the surge in the unemployment rate stemmed mainly from the moderate course of economic activity and the upward trend in labor force participation rate. Considering the seasonal factors, the unemployment rate is anticipated to remain high until April.

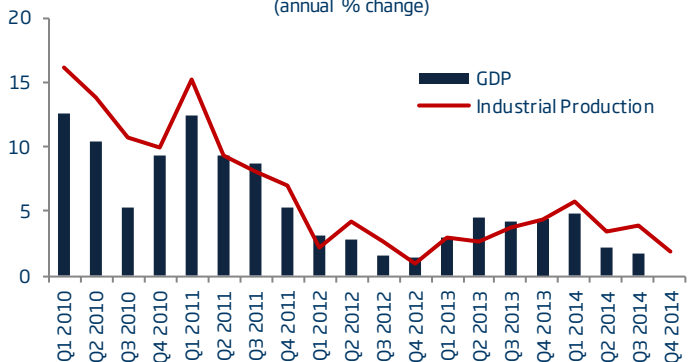
Confidence indices...

Having improved in the first month of the year, real sector confidence index also increased by 0.2 point mom and was realized as 103.4 in February. Consumer confidence index, which followed a downward trend in the last quarter of the previous year, rose by 0.4 point mom and was realized as 68.1. This development indicated a slight improvement in consumer confidence, after recording its lowest reading in January since the index was established in 2012. The relative improvement in the index stemmed mainly from the rise in the sub-item of probability of buying a home over the next 12 months which might be attributable to the recent cuts in policy rates.

In February, capacity utilization rate (CUR) was realized as 72.8%, falling by 0.5 point mom. In the last 12 months, CUR has been realized within the range of 72-75%.

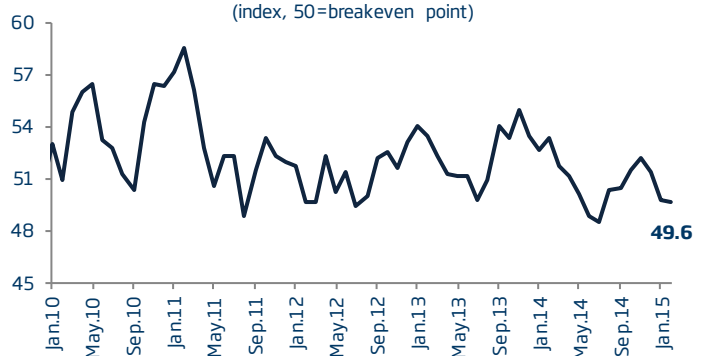
Industrial Production and GDP

(annual % change)

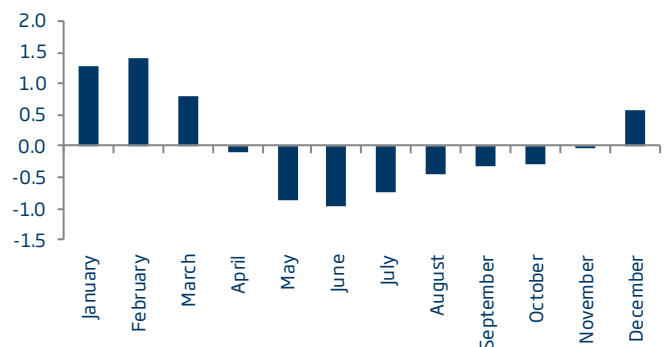


Manufacturing PMI

(index, 50=breakeven point)



Seasonal Effects on Unemployment Rate*

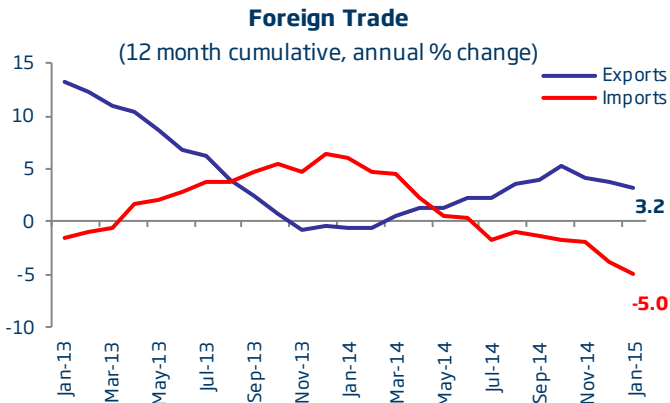


* The average percentage points are calculated for 2009-2014 period by subtracting seasonal adjusted unemployment rates from unadjusted unemployment rates for each month. Positive figures suggest that seasonal factors drive the unemployment rate up in the corresponding period.

Source: Turkstat, CBRT

Foreign trade deficit narrowed in January.

In the first month of 2015 export and import volume declined by 0.6% and 13.7% yoy, respectively. Thus, foreign trade deficit contracted by 37.5% yoy. Import coverage ratio rose to 74.1% from 64.3%.

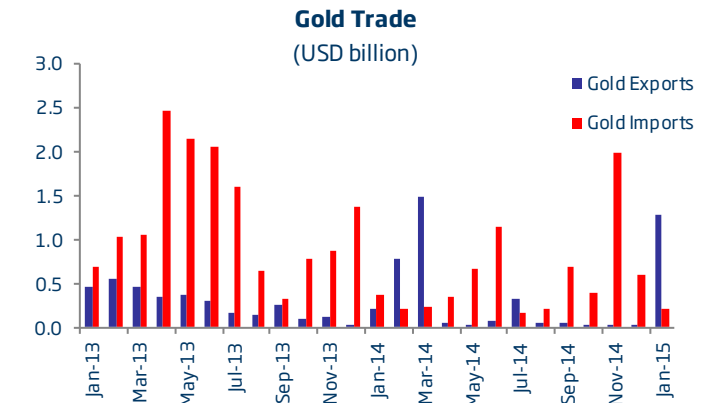


Decline in export volume

Fall in export volume in January was broad-based. In this period, exports of machineries and knitted goods declined more than 10% yoy while exports of iron and steel and electrical machinery decreased more than 20% yoy.

In line with our expectation, the weak pace of economic activity in Eurozone started to put downward pressure on total exports of Turkey. In fact, exports to the European Union countries dropped by 3.4% yoy in January. Besides,

the deceleration in exports to Russia and Iraq had continued in the first month of 2015. On the other hand, the economic recovery in the US and the UK were reflected positively on Turkey's exports. In January, exports to the US and the UK surged by 3.5% yoy and 22.3% yoy, respectively. Having amounted to 1.3 billion USD, gold exports also limited the fall in total export volume,.

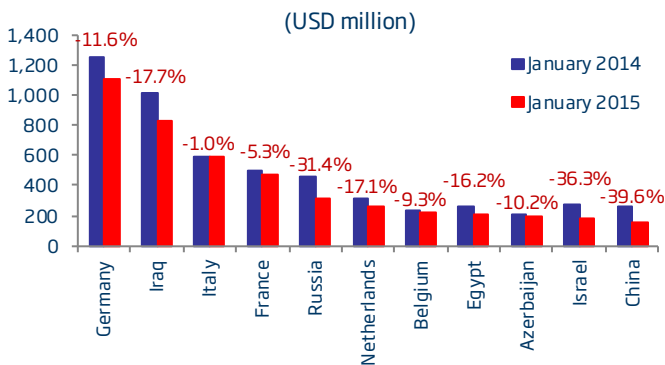


The favorable impact of lower oil prices on import volume has continued.

The fall in oil prices has lowered significantly energy bill of Turkey in January. While the quantity of oil imports rose by 27.8% yoy, the value of energy imports (classified as Chapter 27-mineral fuels and mineral oil) decreased by 24.5% in the same period. Furthermore, moderate course of domestic demand conditions allowed total import volume to decline further. Indeed, a substantial fall was registered in the main import items other than energy. Regarding the top 5 import items, imports of machineries declined by 13.2% yoy, imports of iron and steel and plastic products receded more than 20% yoy.

Analyzing by countries, imports from Russia, having been ranked second after China in total imports, decreased by 22.2% yoy in January and fell below 2 billion USD for the first time since October 2014.

Main Countries Where Exports Fall



Note: % changes indicate annual decline as of January 2015

	Foreign Trade Balance (USD billion)		
	January		Change
	2014	2015	(%)
Exports	12.4	12.3	-0.6
Imports	19.3	16.6	-13.7
Foreign Trade Balance	-6.9	-4.3	-37.5
Import Coverage Ratio (%)	64.3	74.1	-

Source: Turkstat

Expectations

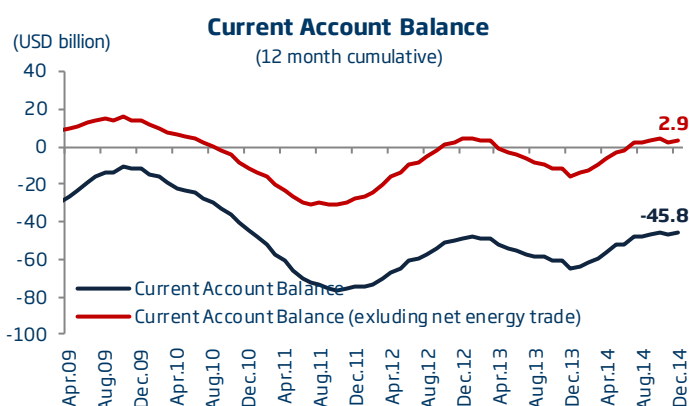
The weak course of economic activity in the European countries seems to start to adversely affect Turkey's export performance in January. However, foreign trade deficit continued to narrow thanks to the declining imports on the back of the moderate trend in domestic demand and lower oil prices. The measures taken by the European Central Bank is expected to support the economic recovery in the Eurozone. Nevertheless, assuming that the recovery will take some time, exports to the region is likely to remain

subdued in the first half of 2015. On the other hand, exports to the US and the UK are expected to have a positive impact on foreign trade performance in the short term. Also, the low level of oil prices is expected to continue to reduce Turkey's energy bill. As a result, the contraction in foreign trade deficit is anticipated to continue in the forthcoming period. Indeed, according to the provisional data announced by Ministry of Customs and Trade, the contraction in trade deficit continued also in February.

The current account deficit decreased to 45.8 billion USD in 2014.

In December, current account deficit came in slightly above the market expectations and was realized as 6.8 billion USD while the deficit was realized as 45.8 billion USD in 2014. Thus, current account deficit declined by 18.8 billion USD throughout 2014 compared to 64.7 billion USD in 2013. This development mainly stemmed from the 20.3% yoy contraction in foreign trade deficit, according to the balance of payments figures. Besides, having increased by 5.6% yoy, tourism revenues continued to have positive impact on current account.

Rise in residents' foreign direct investments abroad...



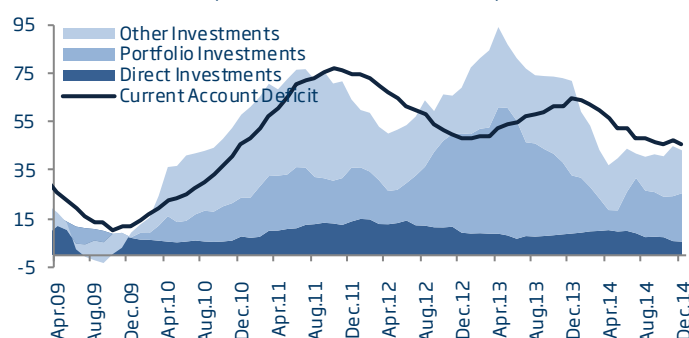
In 2014, foreign direct investment inflows were almost unchanged compared to the previous year and amounted to 12.1 billion USD. Foreign direct investment outflows, on the other hand, almost doubled and reached 6.7 billion USD. As a result, net foreign direct investment inflows were recorded as 5.4 billion USD, decreasing by 37.9% compared to the previous year.

Portfolio investments recorded 20 billion USD inflow in 2014.

Although portfolio investment inflows fell by 16.7% yoy in 2014, they continued to make a significant contribution to

Financing of Current Account Deficit

(12 month cumulative, USD billion)



the financing of current account deficit, registering a net inflow of 20 billion USD. In this period, bond issues of banking sector covered nearly half of the total portfolio investment inflows. Indeed, banking sector's bond issues rose from 8.1 billion USD in 2013 to 10.2 billion USD in 2014.

In the last month of the year, long-term borrowing of banking sector from abroad rose.

Long-term loans raised by banking sector from abroad were realized as 3.9 billion USD in December, the highest level recorded in 2014 on monthly basis. Regarding the whole year, on the other hand, long-term loans raised from abroad by banking sector remained flat with 8.3 billion USD. On the other hand, banking sector's short-term borrowing from abroad decreased to 3.8 billion USD in 2014 from 12.9 billion USD in 2013.

In 2014, net loans received from abroad by non-bank sectors were recorded as 5.8 billion USD, increasing by 4.7 billion USD yoy. Banks' and nonbank sectors' long-term debt roll-over ratios were realized as 191% and 125%, respectively.

Net errors and omissions account registered an inflow of 2.2 billion USD in 2014.

In December, net errors and omissions account recorded an outflow of 1 billion USD while this item registered capital

Breakdown of Net Capital Inflows

(12-month cumulative, USD million)

	December 2013		December 2014	
	December 2013	December 2014	December 2013	December 2014
Current Account Balance	-64,658	-45,836	-	-
Total Net Foreign Capital Inflows	74,569	45,368	100.0	100.0
-Direct Investments	8,830	5,483	11.8	12.1
-Portfolio Investments	23,986	19,987	32.2	44.1
-Other Investments	39,053	17,720	52.4	39.1
-Net Errors and Omissions	2,796	2,244	3.7	4.9
-Other	-96	-66	-0.1	-0.1
Reserves⁽¹⁾	-9,911	468	-	-

Note: The numbers may not add up to total due to rounding.

(1) (-) sign indicates an increase in reserves while (+) sign indicates a decrease.

Source: CBRT

inflows amounting to 2.2 billion USD in 2014. Thus, this account continued to contribute to the financing of current account deficit in 2014. In December, CBRT's reserve assets also contributed to the financing of the current account deficit with 5.6 billion USD. Reserve assets, on the other hand, remained almost unchanged for the whole year.

Expectations

The favorable outlook in foreign trade in 2014 has enabled current account deficit to contract significantly. It was seen that the positive impact of lower oil prices on foreign trade figures became evident at the end of 2014. Should the oil prices kept their current low levels; the improvement in the current account balance is anticipated to continue in the forthcoming period. However, the expected recovery in

domestic demand conditions in 2015 is likely to put pressure on the current account deficit. In addition, the weak economic outlook in Turkey's main export destination, namely European countries and the ongoing geopolitical tensions in the neighborhood region are among the factors that can limit the improvement in current account deficit.

	(USD million)			
	December	Jan.-Dec.		%
	2014	2013	2014	Change
Current Account Balance	-6,816	-64,658	-45,836	-29.1
Foreign Trade Balance	-6,888	-80,213	-63,960	-20.3
Services Balance	790	23,150	25,728	11.1
Tourism Revenues (net)	912	23,180	24,480	5.6
Income Balance	-846	-8,986	-8,723	-2.9
Current Transfers	128	1,391	1,119	-19.6
Capital and Financial Accounts	7,836	61,862	43,592	-29.5
Direct Investments (net)	912	8,830	5,483	-37.9
Portfolio Investments (net)	1,218	23,986	19,987	-16.7
Assets	929	2,601	-706	-
Liabilities	289	21,385	20,693	-3.2
Equity Securities	-4	842	2,559	203.9
Debt Securities	293	20,543	18,134	-11.7
Other Investments (net)	71	39,053	17,720	-54.6
Assets	-368	2,370	-1,116	-
Currency and Deposits	-609	4,548	267	-94.1
Liabilities	439	36,683	18,836	-48.7
Trade Credits	-190	5,605	341	-93.9
Loans	1,245	21,865	17,063	37.8
Banking Sector	1,065	21,636	12,160	-43.8
Non-bank Sectors	371	1,099	5,795	427.3
Deposits	-624	8,633	968	-88.8
Foreign Banks	-571	7,226	169	-97.7
Foreign Exchange	-1,150	6,374	-2,854	-
Turkish Lira	579	852	3,023	254.8
Non-residents	33	3,407	3,132	-8.1
Reserve Assets (net)	5,636	-9,911	468	-
Net Errors and Omissions	-1,020	2,796	2,244	-19.7

Source: CBRT

Central government budget gave a surplus in January.

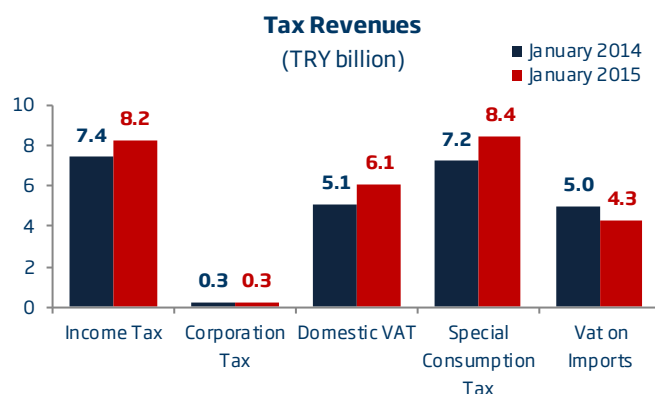
According to data announced by Ministry of Finance, central government budget, which gave 1.9 billion TRY surplus in January 2014, recorded a surplus of 3.8 billion TRY in the first month of 2015. The increase in budget surplus stemmed mainly from the limited rise (0.9% yoy) in budget expenditures. In this period, primary surplus was realized as 8.8 billion TRY, increasing by 26.9% yoy.

A slight increase in tax revenues...

In January, tax revenues rose by 6.6% yoy and have maintained their moderate course seen throughout 2014. On the other hand, during this period, revenues collected from Special Consumption Tax (SCT), Domestic Value Added Tax (VAT) and Income Tax registered a remarkable rise. Hence, total revenues collected from the said groups, constituting two-thirds of total tax revenues, surged by 15.2% yoy. Tax regulations regarding tobaccos and beverages effective from the start of new-year played a significant role in expanding SCT. However, indicating a weak performance in imports, VAT on imports had a diminishing effect on budget revenues with declining by 13.8% yoy.

Flat course in budget expenditures...

In the first month of the year, having decreased by 4.1% yoy, current transfers were influential on the limited rise in budget expenditures. Social Security Deficit Finance item which amounted to 1.9 billion TRY in January 2014, declined to zero in January and thus had a significant effect on contracting current transfers. In addition, interest expenditures remained unchanged compared to the same month of the previous year. On the other hand, it was noteworthy that expenditures in compensation of employees and social security contributions items increased by 9.8% and 8.4%, respectively.



Expectations

The central government budget displayed a strong performance in the first month of 2015. We expect that the anticipated recovery in domestic demand might have an upward effect on the tax revenues in the coming period thus the budget balance will remain compatible with the year-end targets.

	January		% 2015 Budget		Real/
	2014	2015	Change	Target	Target (%)
Expenditures	36.0	36.3	0.9	472.9	7.7
Interest Expenditures	5.0	5.0	0.0	54.0	9.3
Non-Interest Expenditures	31.0	31.3	1.1	418.9	7.5
Revenues	37.9	40.1	5.8	452.0	8.9
Tax Revenues	32.7	34.9	6.6	389.5	9.0
Other Revenues	5.2	5.2	0.6	62.5	8.4
Budget Balance	1.9	3.8	97.6	-21.0	-
Primary Balance	6.9	8.8	26.9	33.0	26.6

Numbers may not add up to total value due to rounding.

Source: Ministry of Finance, Datastream

In February, CPI came in line with the expectations.

In February, CPI and Domestic PPI (D-PPI) increased by 0.71% and 1.20% mom, respectively. According to the Reuters' survey CPI was expected to rise by 0.76% in February. According to the CBRT's survey, on the other hand, markets' monthly CPI expectation was 0.49%.

February	CPI		Domestic PPI	
	2014	2015	2014	2015
Change (%)				
Monthly	0.43	0.71	1.38	1.20
Year To Date	2.41	1.82	4.75	1.53
Annual	7.89	7.55	12.40	3.10
Annual Average	7.60	8.77	6.11	8.79

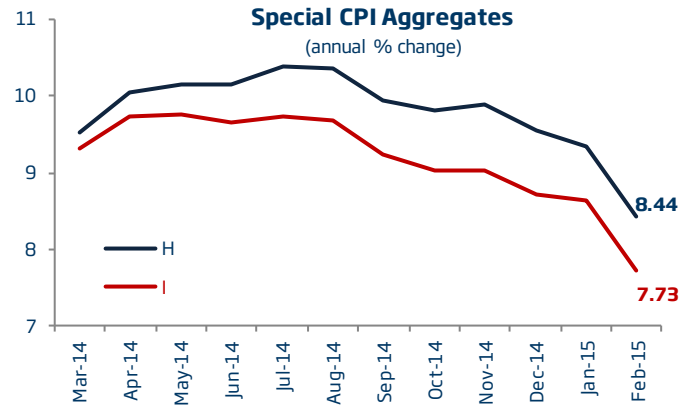
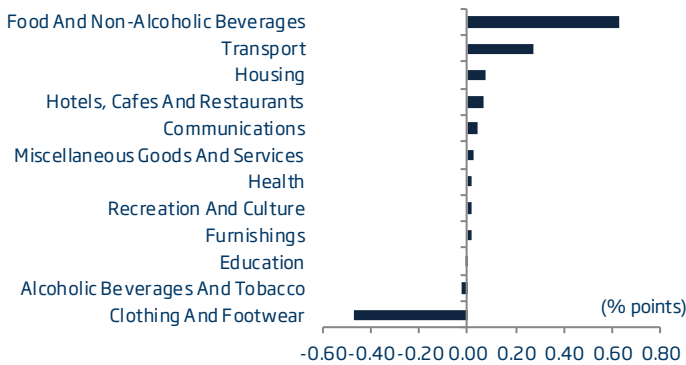
The annual CPI inflation was realized as 7.55%.

The annual CPI inflation, after decreasing 2 consecutive months, gained momentum in February due to the increasing food prices and was realized as 7.55%. The increase in D-PPI, on the other hand, declined to 3.10% on annual basis. Thus, the D-PPI inflation fell to its lowest level since May 2013.

Food prices rose by 2.59% mom.

The 2.59% mom price increase in food and non-alcoholic beverages due the adverse weather conditions, was influential on the course of the CPI in February. Indeed the price developments in the mentioned group, which has the highest share in consumption basket, contributed to the monthly inflation by 67 basis points. Another factor, pushing the inflation was the price developments in the transportation group. In this period, the reflections of the recent increases in the oil prices affected also the domestic markets and the prices in this group recorded a monthly increase of 1.77%. The clothing and footwear prices, on the other hand, continued to follow its decreasing trend in February thanks to the seasonal factors and limited the rise in inflation. The prices in this group fell by 6.58% mom and made a 52 basis points decreasing impact on CPI.

Contributions to the Monthly CPI by Subgroups



H: CPI excluding unprocessed food products, energy, alcoholic beverages, tobacco products and gold.
I: Excluding energy, food and non-alcoholic beverages, alcoholic beverages, tobacco

Decline in core inflation aggregates...

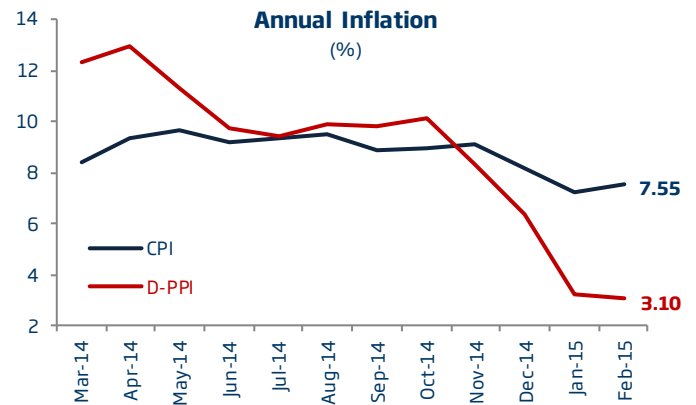
Analysis of the core inflation indicators in February revealed that the rise in CPI stemmed mainly from the increase in the unprocessed food prices. In fact, the monthly CPI inflation excluding the said group was realized as 0.18% yoy. In this period, annual increases in CBRT's favorite core indices denominated by H and I were realized as 8.44% and 7.73%, respectively, lowest for the last 13 months.

D-PPI increased by 1.20% mom.

In February, 16.42% price surge in the manufacture of the coke and refined petroleum products led the D-PPI to increase by 1.20%, highest for the last 1 year. The price developments in this group contributed to the monthly inflation by 47 basis points.

Expectations...

In March, we anticipate that the annual CPI inflation will decrease thanks to the base effect, although the cost-driven factors like the recent increase in oil prices and the depreciation in TL might limit this impact.



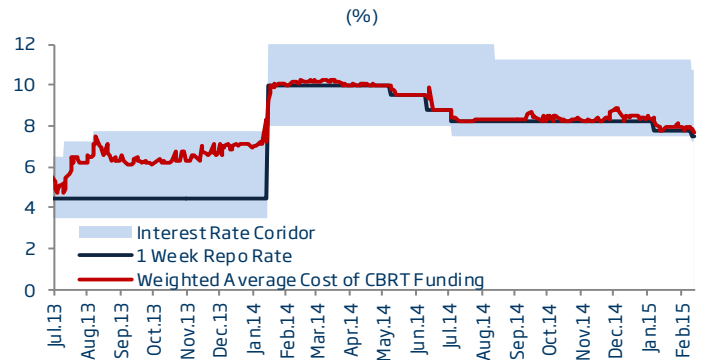
Source: Turkstat

CBRT cut the policy rate in February.

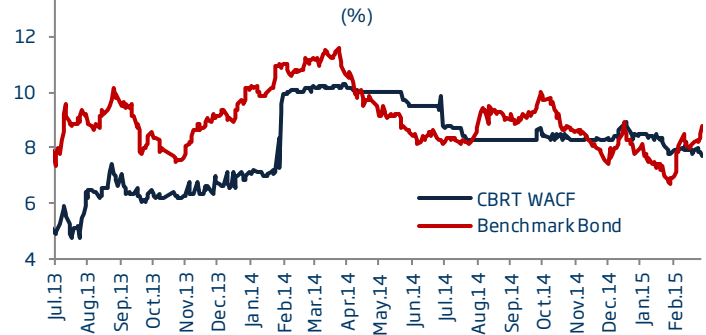
At its monetary policy meeting held on February 24, CBRT cut the policy rate (1-week repo rate) by 25 basis point from 7.75% to 7.5%. CBRT also cut the upper and lower bands of the interest rate corridor. The upper band (overnight lending rate) was reduced from 11.25% to 10.75% and the lower band (overnight borrowing rate) was reduced from 7.5% to 7.25%. In addition, interest rate on borrowing facilities provided for primary dealers via repo transactions was reduced from 10.75% to 10.25%. In the policy statement, CBRT restated that the loan growth rate declined to reasonable levels thanks to the tight monetary policy stance and macroprudential measures, while domestic demand made a moderate contribution to growth and foreign demand exhibited a weak performance. Having described the rate cut as "measured", CBRT pointed to the recovery in core inflation indicators and inflation expectations. It was also suggested that this trend in core inflation will continue in the coming period. In addition, it was noteworthy that in the latest statement the sentence of "the tight monetary policy stance will be maintained" was replaced with "the cautious monetary policy stance will be maintained".

CBRT announced that the amount of foreign exchange selling auctions will be set on a daily basis depending on the conditions in the foreign exchange market starting from 27 February 2015. On days when deemed necessary due to excessive volatility, the foreign exchange selling auction amount will be increased up to 50 percent above the pre-announced minimum amount.

CBRT Interest Rates



Weighted Average Cost of CBRT Funding and Compound Yield of Benchmark Bond



Volatility in domestic financial market...

In early February, risk perception towards emerging markets including Turkey was deteriorated mainly by the higher than expected U.S. non-farm payrolls data, exacerbated concerns about the probable exit of Greece from Euro Area and tensions escalated between Russia and Ukraine. In mid-February, on the other hand, risk perception in global markets was recovered slightly thanks to optimism about the negotiations between Greece and Euro Area authorities and the truce deal between Russia and Ukraine. Besides, Fed's chair Janet Yellen's dovish tone in her congressional testimony supported the global market in the last week of February.

In addition to these developments, CBRT's rate cut decision and criticism towards monetary policy decisions were influential on the course of domestic markets in February.

BIST-100 declined to below 83,000.

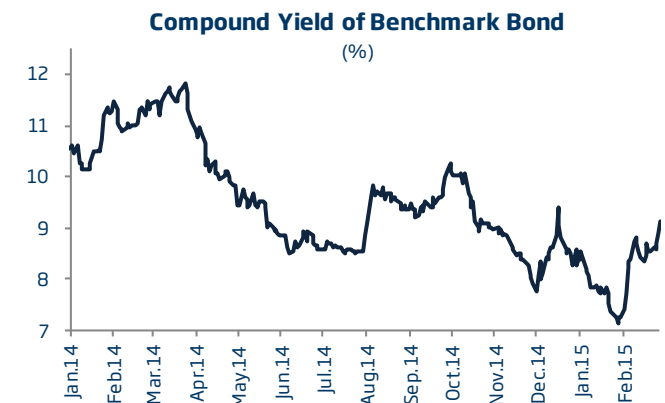
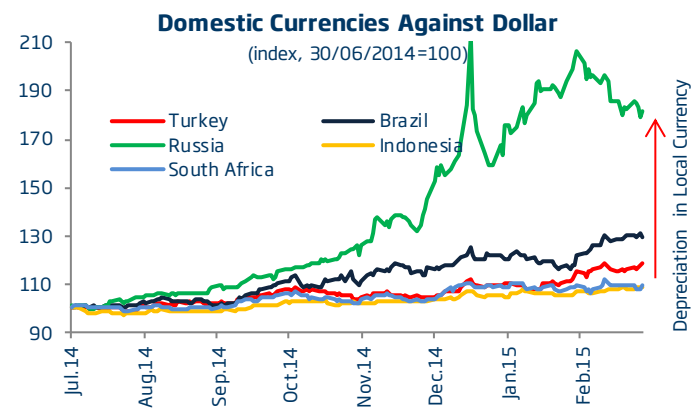
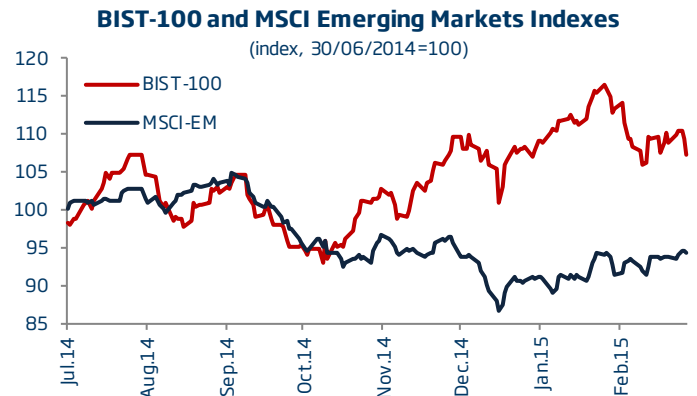
BIST-100 index, which closed January at 89,000, mostly followed a downward trend in February due to the uncertainties about CBRT's monetary policy. After declining to below 83,000 level on February, 10, the index followed a volatile path parallel with the global markets. BIST-100 index closed February with a monthly loss of 5.4% at 84,148.

USD/TL reached historical high level.

USD/TRY, exhibiting an upward trend since the beginning of the month, exceeded the level of 2.51 on February, 11. In the following period, on the other hand, USD/TRY declined to 2.43 level in line with the depreciation of USD in the global markets. In the second half of the month, criticism towards the CBRT's monetary policy caused TRY to display a weak performance and USD/TRY increased up to 2.5270 on February, 27 which was the historical high level. However, USD/TRL receded to 2.5080 at the end of the month thanks to the CBRT's new regulation for the daily foreign exchange selling auctions.

The interest rate of 2-year benchmark bond increased.

The interest rate of 2-year benchmark bond which was about 7% in the beginning of the month, exhibited an upward trend during the month. The interest rate of the benchmark bond was realized as 8.81% on February, 27, highest level for the last 2.5 months.



Source: JP Morgan, Reuters, BIST

FX deposits in USD terms declined by 2.7% yoy.

According to BRSA's Weekly Bulletin, as of February 20, deposit volume grew by 12.7% yoy and was realized as 1,142 billion TRY. After following a weak course in the first weeks of 2015, the deposit volume gained momentum recently. In this development, the enlivening in TRY deposits was crucial, while the FX deposits in USD terms recorded an annual decline of 2.7% and displayed its weakest performance for the last 5.5 years.

Credit volume expanded by 19% yoy.

As of January 23, the annual increase in credit volume was realized as 14.4%, citing the lowest rate of increase for the last 2.5 years. In the following weeks, on the other hand, the upward trend in credit volume gained strength and rose by 19% yoy to 1,289 billion TRY, as of February 20. In this period TRY credits and FX credits in USD terms increased by 17.5% and 9.3%, recently.

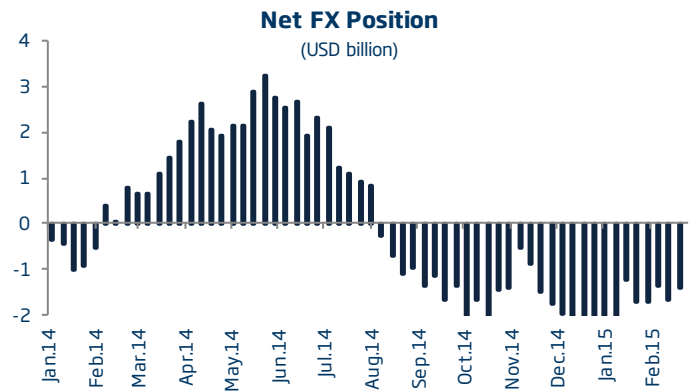
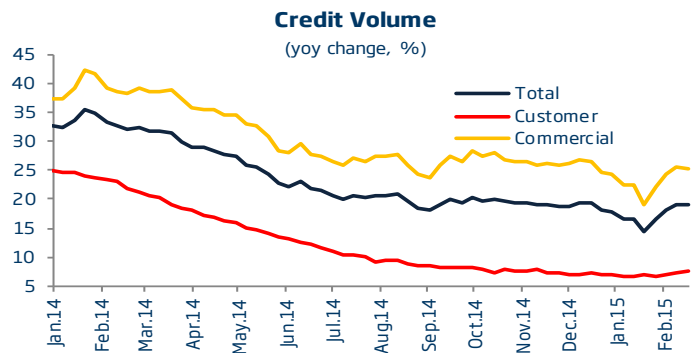
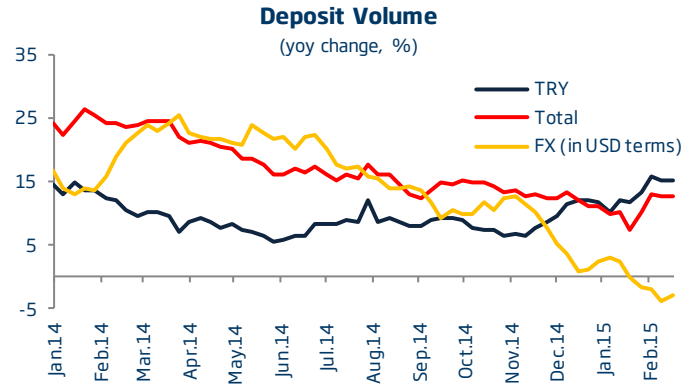
Analyzing by credit types, as of February 20, the annual increase in commercial loans, which is more sensitive to the depreciation in FX rates, was realized as 25.2% , while the that of consumer loans was 7.7%.

Securities portfolio...

Securities portfolio, gaining strength in the recent weeks, increased by 5%, yoy and was realized as 308 billion TRY. Securities subject to repo transactions, which have the highest share in securities portfolio, recorded an annual increase of 8.2% in this period.

Net FX position...

As of February 20, banks' on-balance sheet FX position was (-) 33,273 million USD while off-balance sheet FX position was (+) 31,863 million USD. Hence, banks' net FX position was realized as (-) 1,410 million USD.



Source: BRSA Weekly Bulletin

The US economy continued to recover mildly, while the economic activity in Euro Area was still weak and the recent concerns towards Greece shadowed the outlook. On the other hand, the truce deal between Russia and Ukraine limited the geopolitical risks to some extent. FOMC minutes and statements of Fed chair Yellen indicated that the first interest rate hike decision will not be taken before the second half of 2015 which in turn also made a positive impact on global markets. Although the downward trend in oil prices slowed down recently, oil prices has not yet stabilized and continued to be a major source of uncertainty for the global economy. These developments caused the expectations to change rapidly and increased volatility in global markets.

Regarding Turkey, industrial production data for the last month of 2014 indicated that economic activity lost some momentum in the last quarter. Although the decline in oil prices throughout the second half of 2014 improved the outlook of the Turkish economy, the increase in the prices to 60 USD/barrel in February, has kindled concerns.

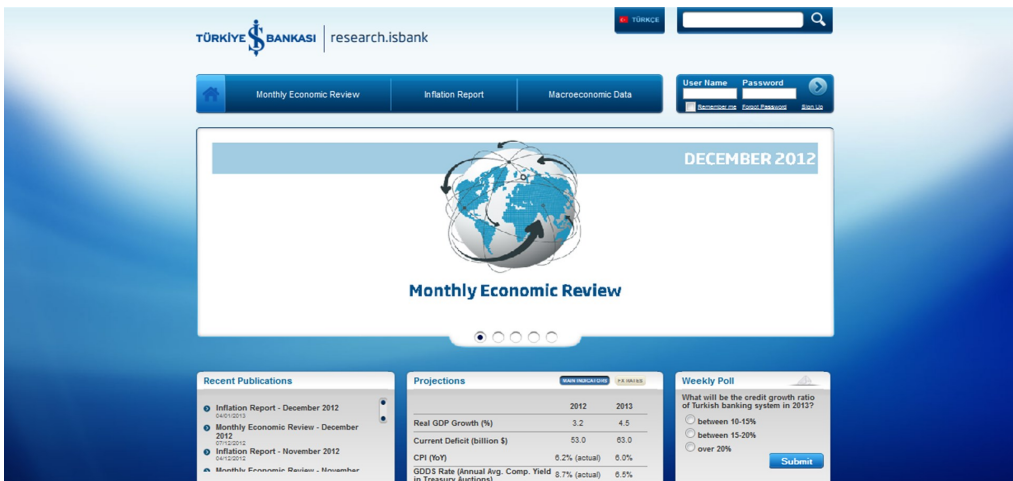
Forecasts (%)	2014	2015
Growth	3.0	3.5
CA Deficit/GDP	5.5	5.1
Inflation	8.2 (R)	6.5-7.0
GDDI Interest*	9.8 (R)	7.5-8.0

(*): Annual compound average interest rate in treasury auctions

(R) Realization

Interest and inflation are year-end forecasts

Our reports are available on our website <http://research.isbank.com.tr>

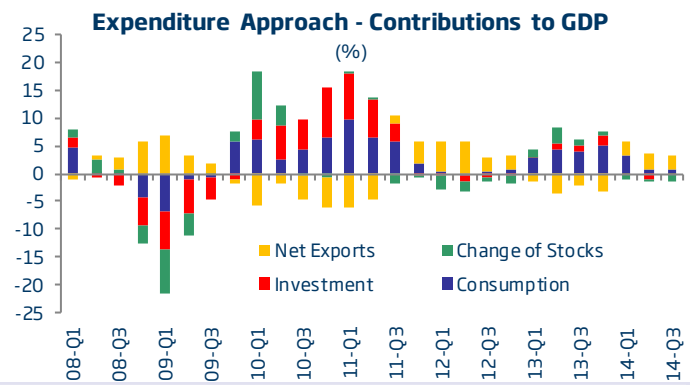
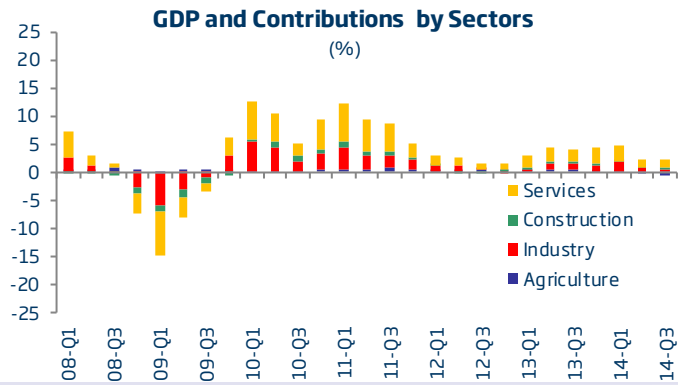


The screenshot shows the website interface for research.isbank.com.tr. At the top, there is a search bar and a login section with fields for 'User Name' and 'Password'. Below the navigation tabs, the main content area displays 'DECEMBER 2012' and 'Monthly Economic Review' with a globe graphic. The 'Projections' section contains the following data:

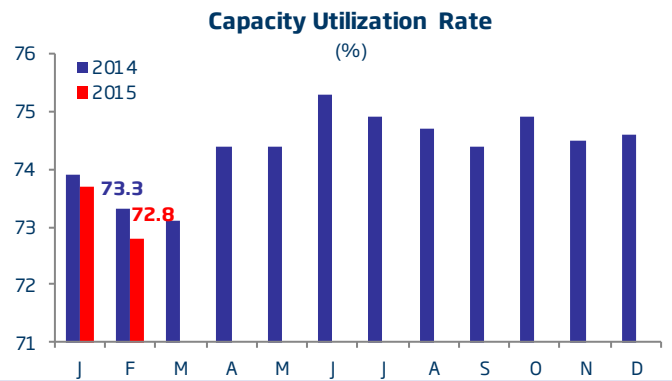
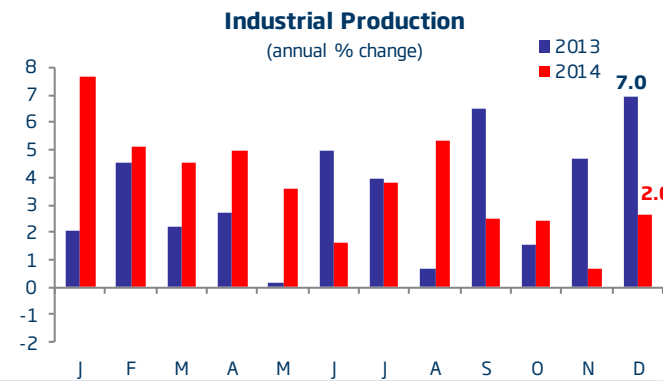
	2012	2013
Real GDP Growth (%)	3.2	4.5
Current Deficit (billion \$)	53.0	63.0
CPI (YoY)	0.2% (actual)	0.0%
GDS Rate (Annual Avg. Comp. Yield in Treasury Auctions)	8.7% (actual)	6.5%

The 'Weekly Poll' section asks: 'What will be the credit growth ratio of Turkish banking system in 2013?' with options: 'between 10-15%', 'between 15-20%', and 'over 20%'. A 'Submit' button is located below the poll options.

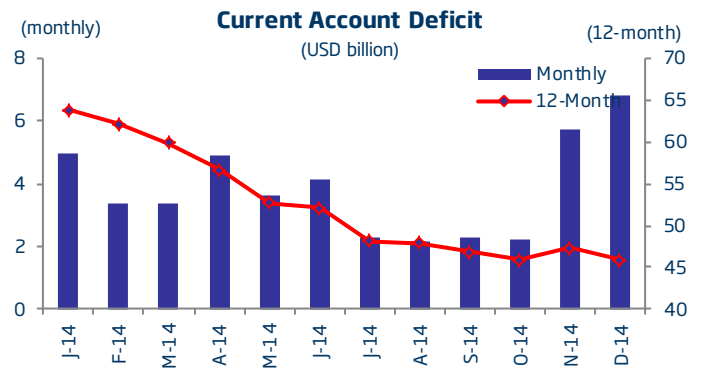
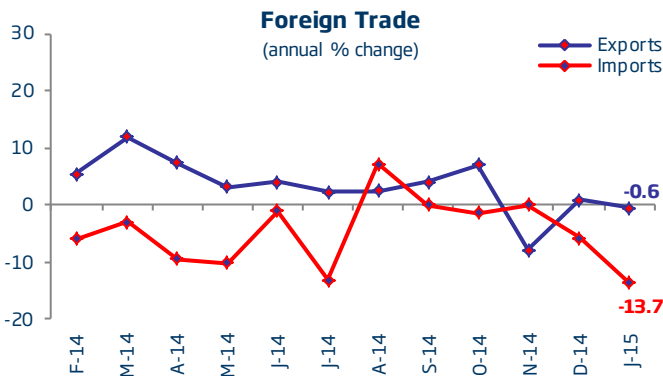
Growth



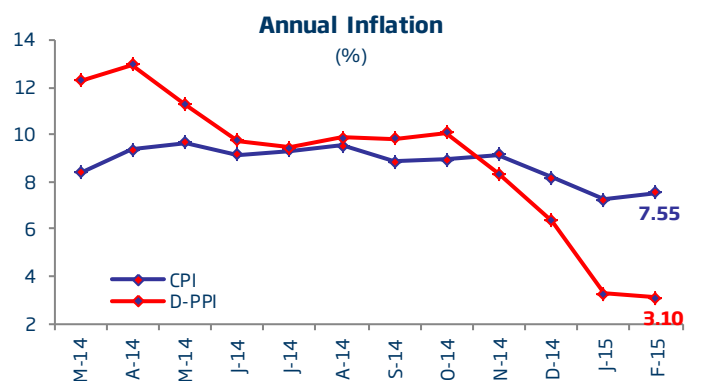
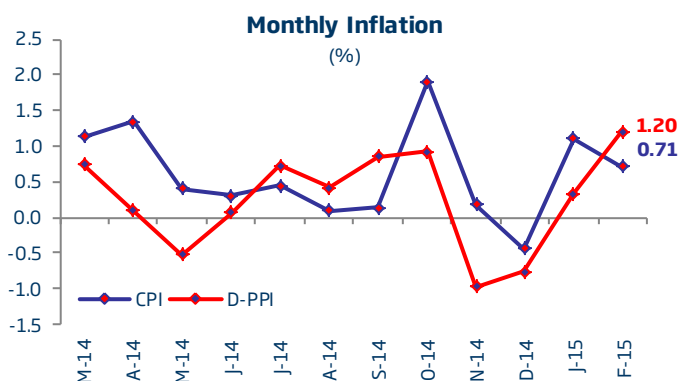
Industrial Production



Foreign Trade and Current Account Balance



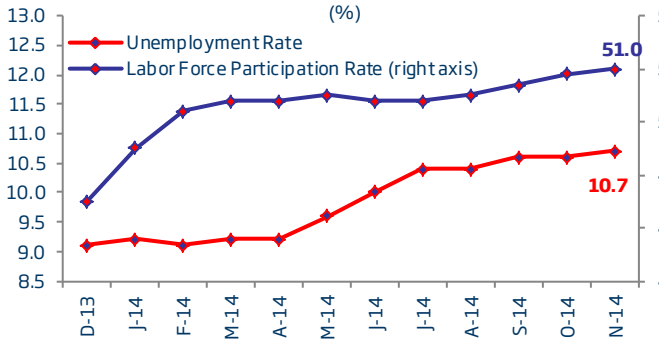
Inflation



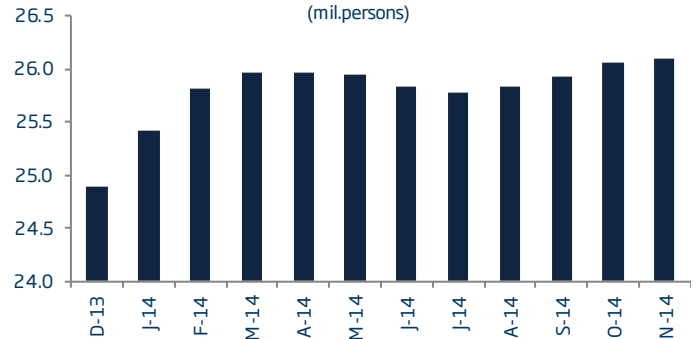
Source: Turkstat, CBRT

Labor Market

Seasonally Adjusted Unemployment Rates (%)

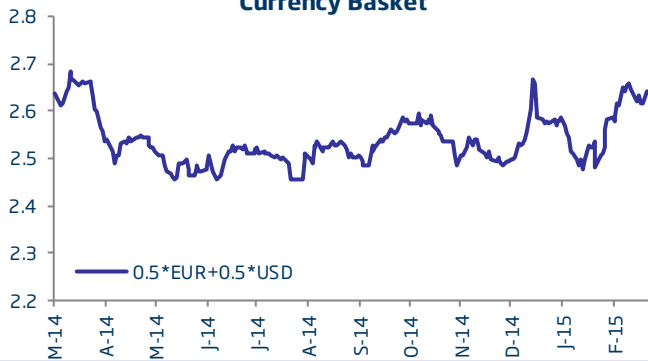


Seasonally Adjusted Employment (mil.persons)

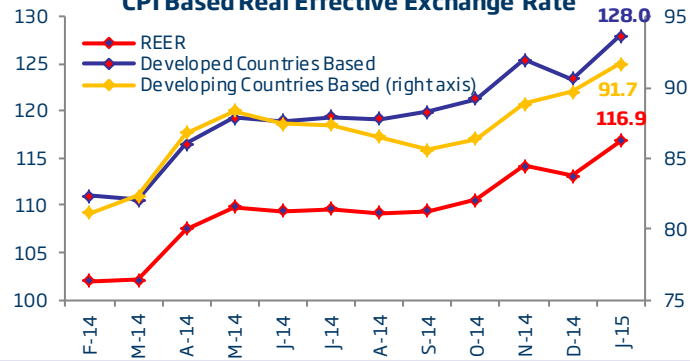


FX Market

Currency Basket

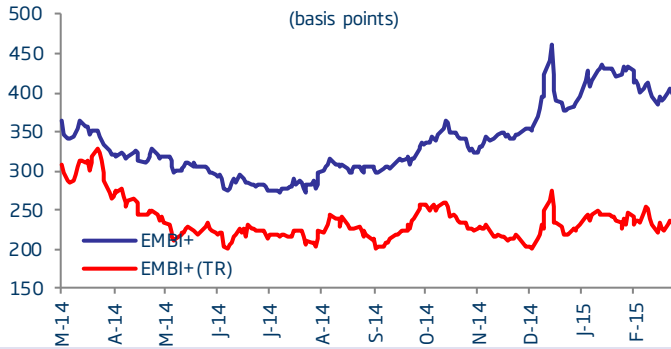


CPI Based Real Effective Exchange Rate

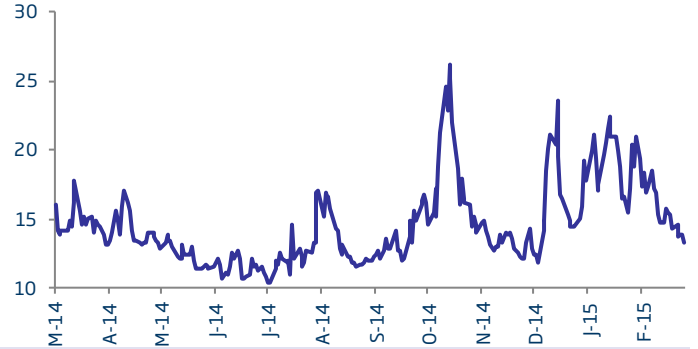


Risk Indicators

Risk Premiums (basis points)

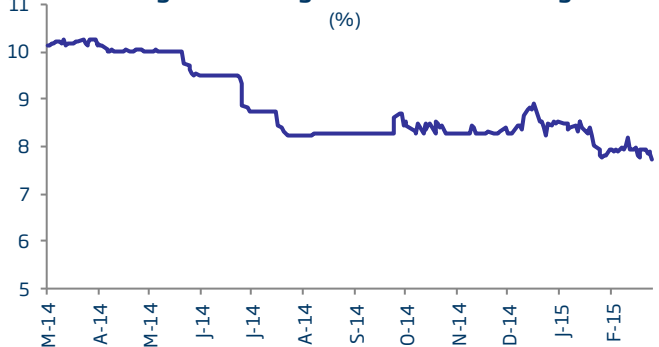


VIX



Interest Rates

Weighted Average Cost of CBRT Funding (%)

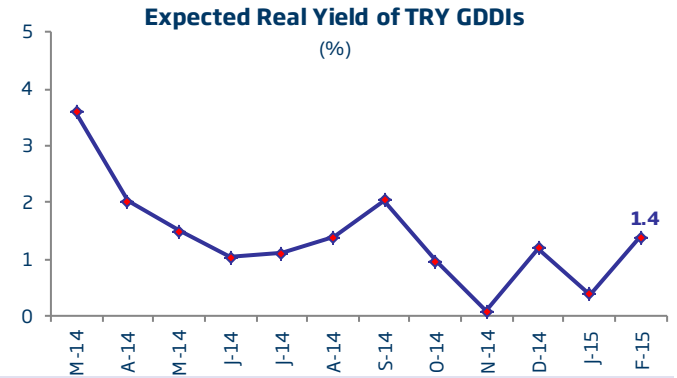
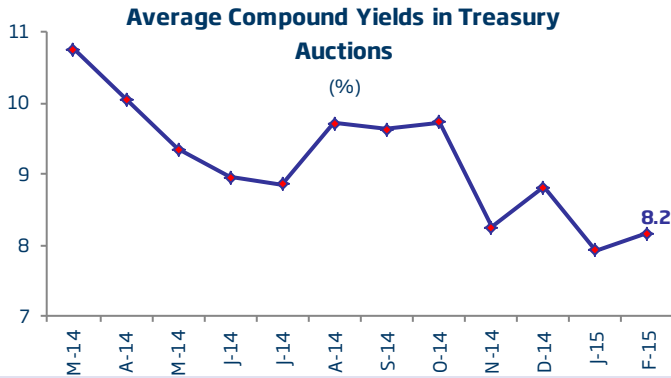


Compound Yield of Benchmark Bond (%)

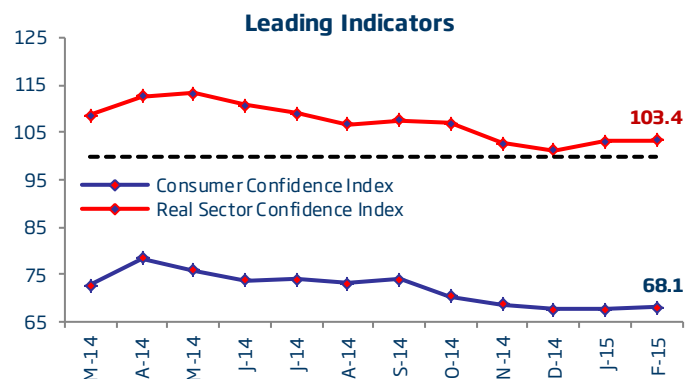
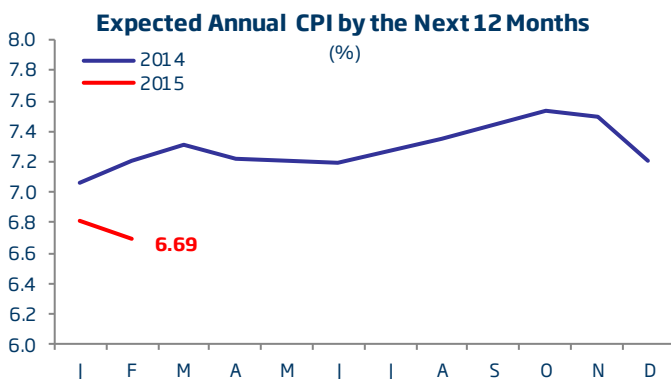
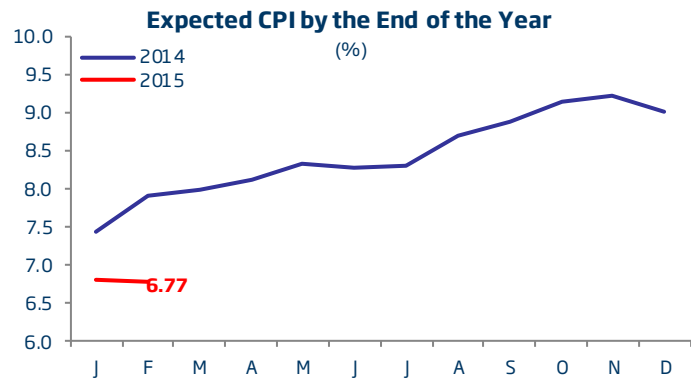
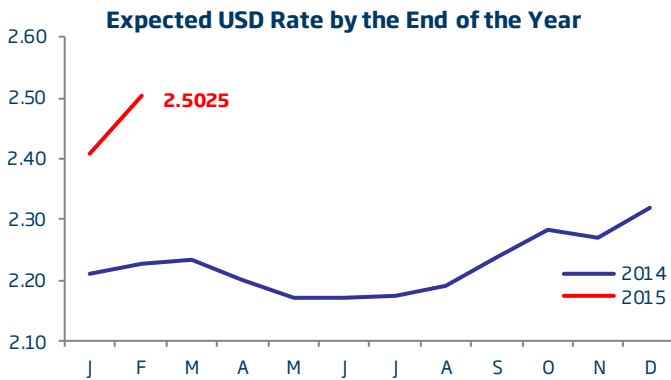
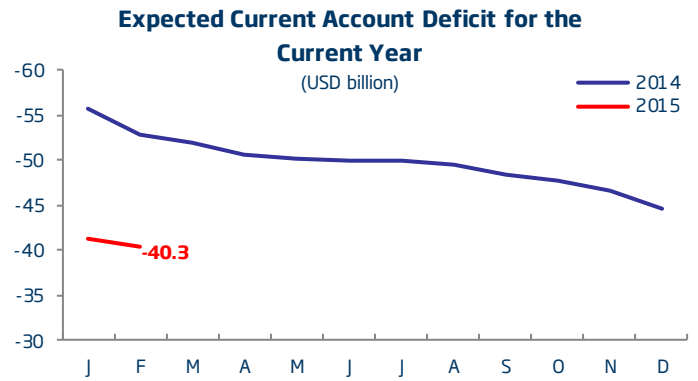
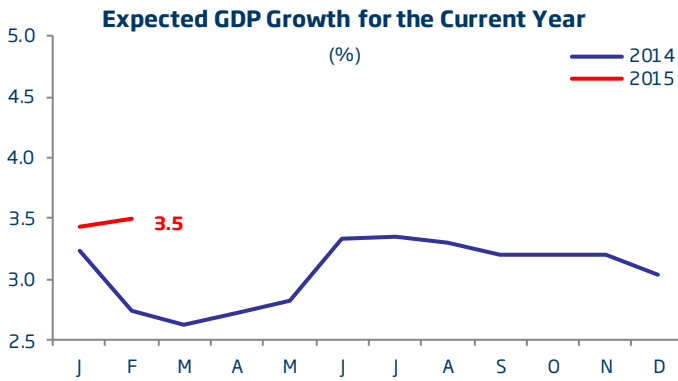


Source: Turkstat, CBRT, JP Morgan, Reuters, BIST

Bond-Bill Market



Survey of Expectations and Other Leading Indicators



Source: Treasury, BIST, CBRT, Economic Research Division

Turkish Economy at a Glance

Growth	2009	2010	2011	2012	2013	14-Q1	14-Q2	14-Q3
GDP (USD Billion)	616.7	731.6	774.0	786.3	821.9	807.9*	798.8*	799.8*
GDP Growth Rate (%)	-4.8	9.2	8.8	2.1	4.1	4.8	2.2	1.7
Inflation (%)						Dec-14	Jan-15	Feb-15
CPI (annual)	6.53	6.40	10.45	6.16	7.40	8.17	7.24	7.55
PPI (annual)	5.93	8.87	13.33	2.45	6.97	6.36	3.28	3.10
Seasonally Adjusted Labor Market Figures						Sep-14	Oct-14	Nov-14
Unemployment Rate (%)	11.9	10.0	8.5	8.8	9.1	10.6	10.6	10.7
Employment (thousand persons)	21,413	22,631	23,493	24,477	24,882	25,926	26,064	26,094
FX Rates						Dec-14	Jan-15	Feb-15
CPI Based Real Effective Exchange Rate	116.6	125.5	109.4	117.9	106.7	113.1	116.9	-
USD/TRY	1.5057	1.5460	1.9065	1.7826	2.1343	2.3189	2.4013	2.4786
EUR/TRY	2.1603	2.0491	2.4592	2.3517	2.9365	2.8207	2.7136	2.8137
Currency Basket (0.5*EUR+0.5*USD)	1.8330	1.7976	2.1829	2.0672	2.5354	2.5698	2.5575	2.6462
Foreign Trade Balance⁽¹⁾ (USD billion)						Nov-14	Dec-14	Jan-15
Exports	102.1	113.9	134.9	152.5	151.8	157.5	157.6	157.6
Imports	140.9	185.5	240.8	236.5	251.7	242.2	242.2	239.5
Foreign Trade Balance	-38.8	-71.7	-105.9	-84.1	-99.9	-84.6	-84.5	-82.0
Import Coverage Ratio (%)	72.5	61.4	56.0	64.5	60.3	65.0	65.1	65.8
Current Account Balance⁽¹⁾ (USD billion)						Oct-14	Nov-14	Dec-14
Current Account Balance	-12.0	-45.3	-75.1	-48.5	-65.0	-45.8	-47.4	-45.8
Capital and Financial Accounts	9.0	44.5	65.9	47.4	62.0	37.9	43.4	43.6
Direct Investments (net)	7.1	7.6	13.8	9.2	9.2	7.3	5.7	5.5
Portfolio Investments (net)	0.2	16.1	22.0	40.8	23.7	16.7	18.5	20.0
Other Investments (net)	1.9	33.6	28.4	18.3	39.1	16.7	20.7	17.7
Reserve Assets (net)	-0.1	-12.8	1.8	-20.8	-9.9	-2.7	-1.4	0.5
Net Errors and Omissions	3.0	0.8	9.1	1.1	3.1	7.9	4.0	2.2
Current Account Deficit/GDP	-1.9	-6.2	-9.7	-6.2	-7.9	-	-	-
Budget⁽²⁾⁽³⁾ (TRY billion)						Nov-14	Dec-14	Jan-15
Expenditures	268.2	294.4	314.6	361.9	408.2	398.2	448.4	36.3
Interest Expenditures	53.2	48.3	42.2	48.4	50.0	48.5	49.9	5.0
Non-interest Expenditures	215.0	246.1	272.4	313.5	358.2	349.8	398.5	31.3
Revenues	215.5	254.3	296.8	332.5	389.7	386.9	425.8	40.1
Tax Revenues	172.4	210.6	253.8	278.8	326.2	321.7	352.4	34.9
Budget Balance	-52.8	-40.1	-17.8	-29.4	-18.5	-11.3	-22.7	3.8
Primary Balance	0.4	8.2	24.4	19.0	31.4	37.1	27.2	8.8
Budget Balance/GDP	-5.5	-3.6	-1.4	-2.1	-1.2	-	-	-
Central Government Debt Stock (TRY billion)						Nov-14	Dec-14	Jan-15
Domestic Debt Stock	330.0	352.8	368.8	386.5	403.0	413.6	414.6	416.9
External Debt Stock	111.5	120.7	149.6	145.7	182.8	188.6	197.3	204.3
Total	441.5	473.6	518.4	532.2	585.8	602.2	612.0	621.2

(1) 12 month cumulative

(2) Year-to-date cumulative

(3) According to Central Government Budget

(*) Annualized

Source: Turkstat, CBRT, Treasury, Ministry of Finance, Reuters

BANKING SECTOR ACCORDING TO BRSA's MONTHLY BULLETIN FIGURES

(TRY billion)	2009	2010	2011	2012	2013	Nov-14	Dec-14	Change ⁽¹⁾
TOTAL ASSETS	834.0	1006.7	1217.7	1370.7	1732.4	1935.5	1994.2	15.1
Loans	392.6	525.9	682.9	794.8	1047.4	1200.1	1240.7	18.5
TRY Loans	288.2	383.8	484.8	588.4	752.7	860.4	881.0	17.0
Share (%)	73.4	73.0	71.0	74.0	71.9	71.7	71.0	-
FX Loans	104.4	142.1	198.1	206.4	294.7	339.8	359.7	22.1
Share (%)	26.6	27.0	29.0	26.0	28.1	28.3	29.0	-
Non-performing Loans	21.9	20.0	19.0	23.4	29.6	37.3	36.4	22.9
Non-performing Loan Rate (%)	5.3	3.7	2.7	2.9	2.8	3.0	2.9	-
Securities	262.9	287.9	285.0	270.0	286.7	297.0	302.3	5.4
TOTAL LIABILITIES	834.0	1006.7	1217.7	1370.7	1732.4	1935.5	1994.2	15.1
Deposits	514.6	617.0	695.5	772.2	945.8	1019.9	1052.7	11.3
TRY Deposits	341.4	433.5	460.0	520.4	594.1	618.9	661.3	11.3
Share (%)	66.3	70.3	66.1	67.4	62.8	60.7	62.8	-
FX Deposits	173.2	183.5	235.5	251.8	351.7	401.0	391.4	11.3
Share (%)	33.7	29.7	33.9	32.6	37.2	39.3	37.2	-
Securities Issued	0.1	3.1	18.4	37.9	60.6	86.4	89.3	47.4
Payables to Banks	86.1	122.4	167.4	173.4	254.2	284.2	293.2	15.3
Funds from Repo Transactions	60.7	57.5	97.0	79.9	119.1	132.5	137.4	15.3
TOTAL SHAREHOLDERS' EQUITY	110.9	134.5	144.6	181.9	193.7	229.9	232.1	19.8
Profit (Loss) of the Period	20.2	22.1	19.8	23.5	24.7	22.7	24.7	-
RATIOS (%)								
Loans/Assets	47.1	52.2	56.1	58.0	60.5	62.0	62.2	-
Securities/Assets	31.5	28.6	23.4	19.7	16.6	15.3	15.2	-
Deposits/Liabilities	61.7	61.3	57.1	56.3	54.6	52.7	52.8	-
Deposits/Loans	131.1	117.3	101.8	97.2	90.3	85.0	84.8	-
Capital Adequacy (%)	20.6	19.0	16.6	17.9	15.3	16.6	16.3	-

(1) Year-to-date % change



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