

BRSA Bank Only



## H1 2014 Earnings Presentation



## Macro Outlook

- > FED continued to taper its QE program as expected to USD 35 bn in June. According to the committee, economic activity is expected to expand at a moderate pace and risks regarding economic activity and price stability seem nearly balanced.
- > Timing of the rate hike by FED is heavily tied to the unemployment and inflation developments. Still no rate hike expected until mid-2015 despite mixed signals from committee members.
- > US economy shrank at an annual rate of 2.9% in 1Q-14 primarily due to the weakening export performance.
- > UST 10Y yield headed down to 2.4% in May, then moved up to the 2.6% level by the end of 2Q.
- > ECB lowered its deposit rates into negative territory, announced its Targeted LTRO program and stopped sterilizing liquidity provided under the SMP. Accommodative tone taken by the ECB is meant to stimulate economic activity in Eurozone and accelerate inflation.
- > 1Q GDP growth of Turkish economy at 4.3%, stronger than broadly expected. Export contribution was more than enough to compensate for missing support from domestic consumption; rebalancing in the economy seems already underway.
- > The decreasing tendency in benchmark bond yield resumed during 2Q backed by improved domestic and global risk sentiment and supportive CBRT actions. Nowadays it seems more stabilized slightly above 8%.
- > CBRT cut one-week repo rate to 8.25% from 10% in three tranches while reducing lower end of interest rate corridor to 7.5% and preserving upper end at 12%.
- > USD/TRY currency pulled back to low 2.1 level starting from early April, even fell below 2.07 in mid-May, now hovering at 2.10.
- > Improvement in trade deficit persists in May-14 with monthly deficit down by 28.7% to USD 7.1 bn, quite in line with rebalancing scenario.
- > 12-month rolling CAD eased to USD 52.6 bn in May-14 and expected to further improve to below USD 50 bn due mainly to the gold export contribution. Any major increase in crude oil prices may hamper the improving tendency.
- > Brent crude oil price declined to USD 104 in May and jumped USD 115 in June as the tension in Iraq increased, then dropped again below USD 108 levels.
- > CPI increased 0.3% in Jun-14 and yearly inflation declined for the first time this year to 9.2%. Core indexes H and I did not change dramatically, expected to follow a similar path with headline CPI starting from Jun-14.
- > Unemployment rate decreased to 9.0% in April 14.
- > Budget deficit realized as TRY 0.6 bn in Jun-14 and TRY 3.4 bn at the first half of 2014. Budget deficit / GDP ratio improved to 1.4%.

## Banking Sector Overview

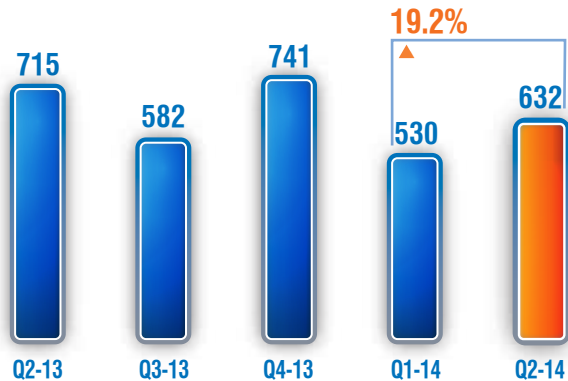
- > Loan growth 3.8% QoQ whereas deposit growth was below loan growth at 1.8%.
- > Retail loans up 1.8% QoQ, auto loans and credit cards decreased 7.2% and 3.2% respectively, while consumer loans grew by 4.9% and housing loans by 2.3%.
- > Total deposits up 1.8% QoQ. TRY deposits increased 6.6% QoQ, FX deposits decreased 4.8% QoQ.
- > L/D ratio continues its upward trend, reaching 114.6% in May-14. TRY L/D ratio reached 136.8%, FX L/D at 80.2%.
- > Downward deposit pricing persisted during 2Q.
- > NPL ratio of the industry at 2.8% decreased slightly in May-14, coverage ratio stable at 76.1%.
- > Cumulative net income decreased by 11.5% YoY as of May-14.
- > May-14 cumulative NIM remained flat at 4.0%.
- > RoE and RoA reached 12.1% and 1.4% as of May-14 respectively.
- > Limited recovery in C/I ratio, 47.2% as of May-14.
- > Positive asset quality trends stood out, CoR at 116 bps as of May-14.
- > CAR improved to 16.3% as of May-14.
- > Treasury roll-over ratio decreased to 67.9% as of Jun-14.
- > CBT funding reached TRY 40.9 bn in H1-14.
- > USD 9.8 bn of syndication loans were secured YtD and total amount of USD 4.6 bn eurobond issuance realized so far this year.

## Q2 2014 Highlights

- > Net income at TRY 1,163 mn. Quarterly net income at TRY 632 mn, up 19.2% QoQ.
- > Quarterly RoE at 17.0% and RoA at 1.8%.
- > Quarterly NIM recovered by 10 bps, touching 4.1% level.
- > Fees and commissions up 11.5% QoQ and 4.9% YoY, reaching TRY 469 mn.
- > Securities portfolio contracted by 6.8% QoQ.
- > Loan growth at 8.6% YtD and 3.7% QoQ, mainly driven by SME and credit card loans.
- > Asset quality preserved, NPL ratio slightly decreased to 2.6% (no write-offs/sell-offs).
- > NPL coverage at 78.4%, still above the sector average.
- > Deposit volume decreased 6.3% QoQ as a result of effective funding management, TRY 93.9 bn.
- > Repo funding facility continued to be utilized, TRY 9.6 bn.
- > USD 500 mn Eurobond issuance was completed successfully.
- > L/D ratio increased to 98.2%, still at a quite comfortable level.
- > C/I ratio came down to 46.3%, opex/av. assets remained flat at 2.0%.
- > CoR at 70 bps.
- > Net trading income booked TRY 95 mn gain quarterly.
- > Quarterly dividend income at TRY 47 mn.
- > CAR improved further to 14.39%.
- > Expected changes regarding organizational structure realized early July, followed by new names joining upper management.

## Bottomline reflecting improving conditions

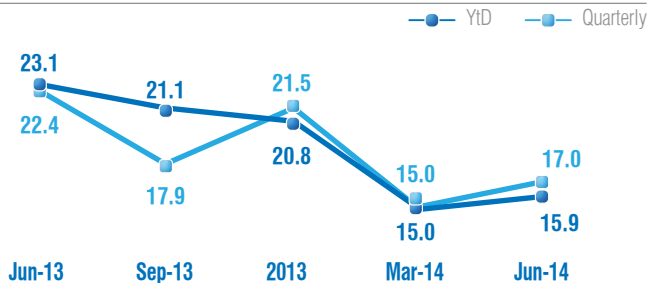
### Net Income (TRY million)



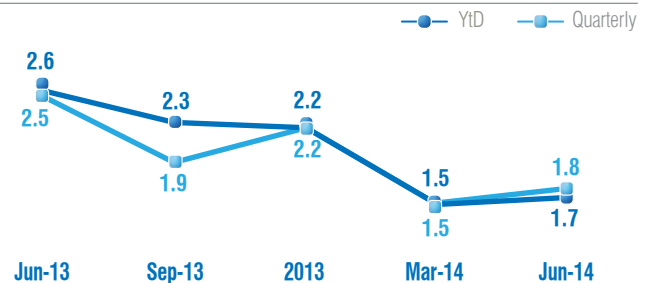
#### QoQ Change (%)

- > 5.6% Net Interest Income
- > 11.5% Net Fees & Commissions
- > 17.7% Total Operating Income
- > 19.2% Net Income

### RoE (%)



### RoA (%)

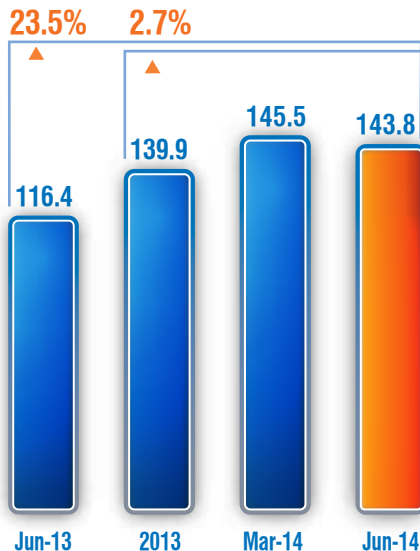


## Interest earning assets remained stable

### Asset Growth

YoY **23.5%** YtD **2.7%**

#### Total Asset Growth (TRY billion)

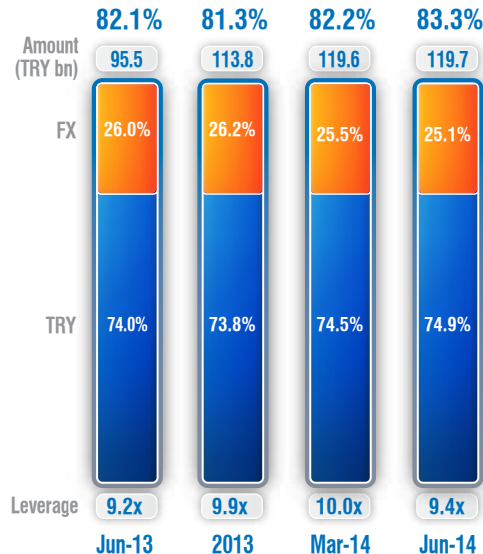


(a) Including interest accruals and excluding fund loans

### IEA

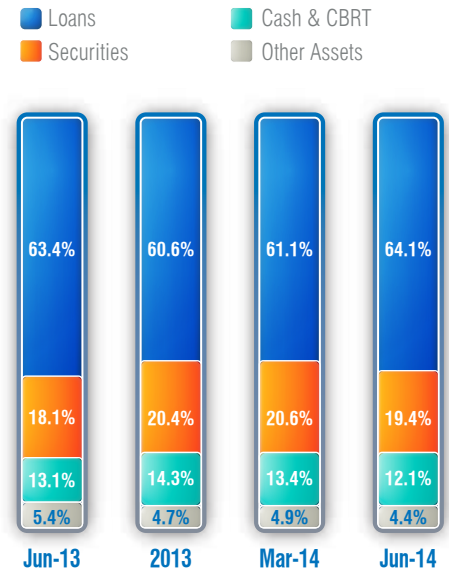
**83.3%**

#### Composition of IEAs<sup>(a)</sup>



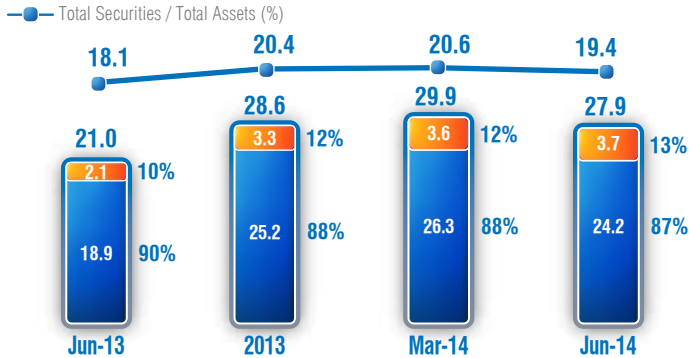
### Securities portion **19.4%**

#### Asset Mix (%)

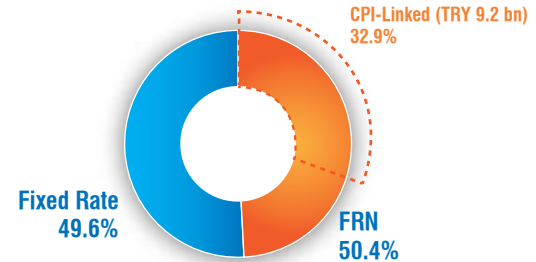


## Increasing TRY securities yield backed by CPIs, 11.1% in H114

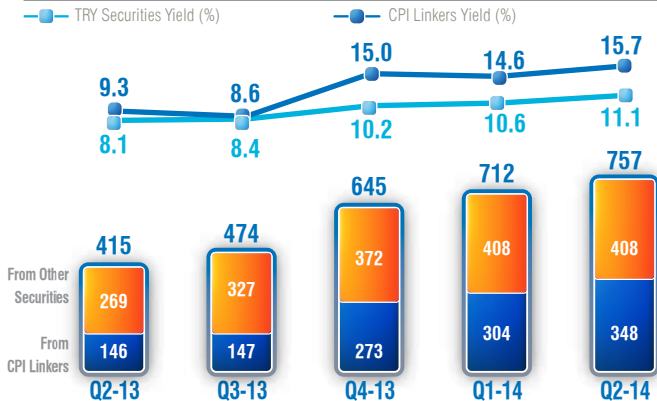
### Total Securities Portfolio (TRY billion)



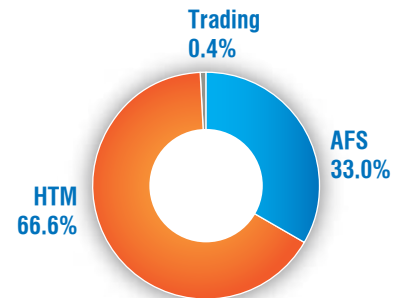
### Interest Structure (%)



### Interest Income on Securities (TRY million)



### Securities Composition (%)



# SME loans gathered pace : QoQ 11.1% growth (TRY billion)<sup>(a)</sup>

## Total Loans

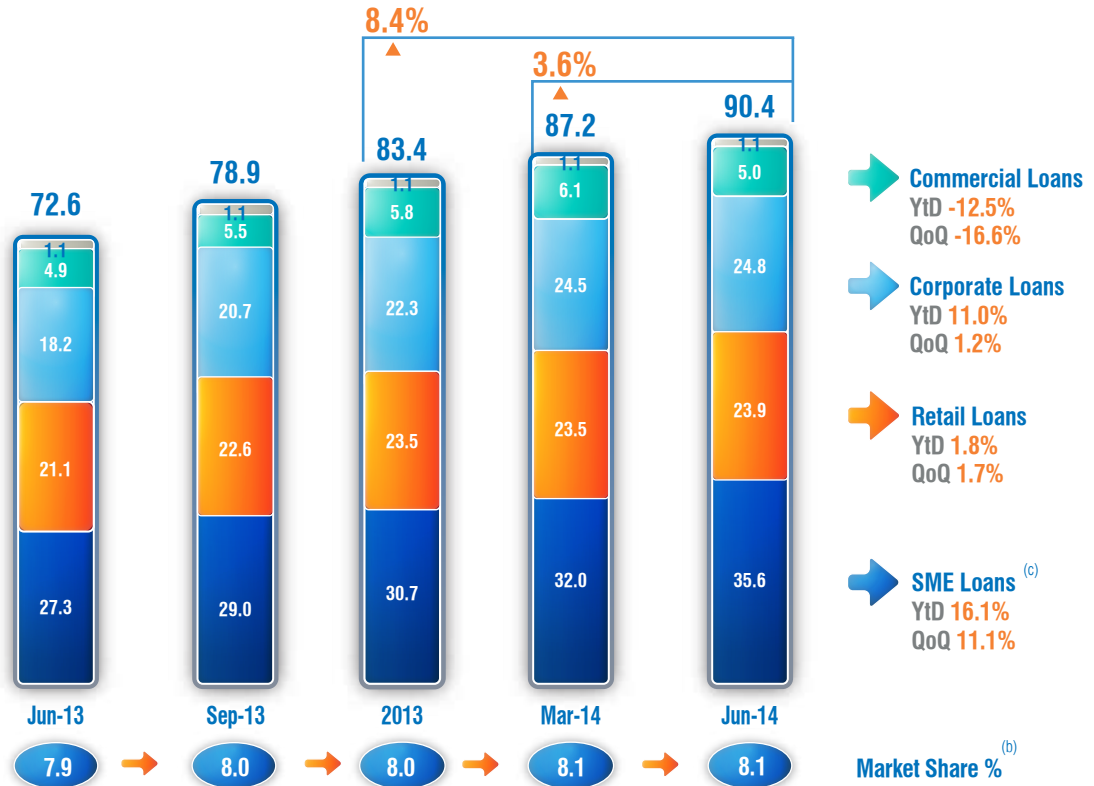
HALKBANK	B. Sector <sup>(b)</sup>
YTD	YTD
<b>8.4%</b>	<b>7.2%</b>
QoQ	QoQ
<b>3.6%</b>	<b>3.8%</b>

## TRY Loans

HALKBANK	B. Sector <sup>(b)</sup>
YTD	YTD
<b>11.1%</b>	<b>8.2%</b>
QoQ	QoQ
<b>4.3%</b>	<b>4.4%</b>

## FX Loans

HALKBANK	B. Sector <sup>(b)</sup>
YTD	YTD
<b>2.1%</b>	<b>4.6%</b>
QoQ	QoQ
<b>2.1%</b>	<b>1.7%</b>
in USD terms	
YTD	YTD
<b>3.0%</b>	<b>5.6%</b>
QoQ	QoQ
<b>4.1%</b>	<b>3.7%</b>

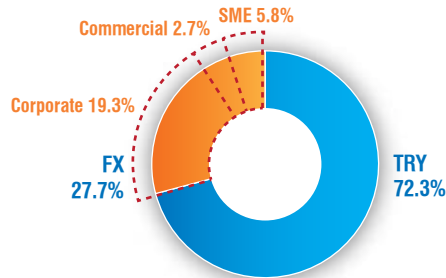


(a) Excluding interest accruals (b) BRSA daily data as of 30.06.2014 (c) According to the BRSA definition



## Focus on high yielding customer segments

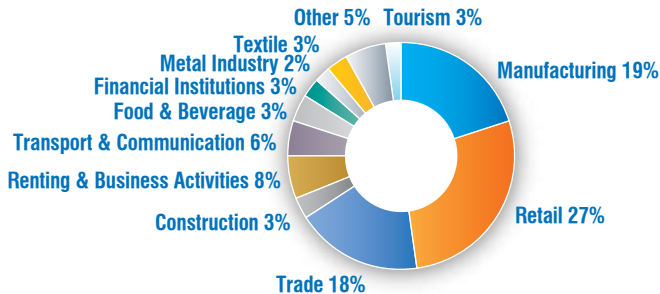
Loans by Currency (%)<sup>(a)</sup>



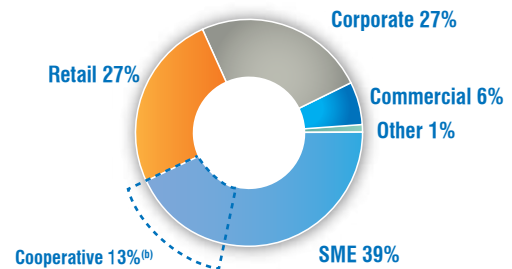
Interest Structure (%)<sup>(a)</sup>



Sectoral Breakdown of Loans (%)<sup>(a)</sup>



Loans by Customer Segmentation (%)<sup>(a)</sup>



(a) Excluding interest accruals (b) Micro SMEs

## Improving sentiment starts supporting retail loan growth

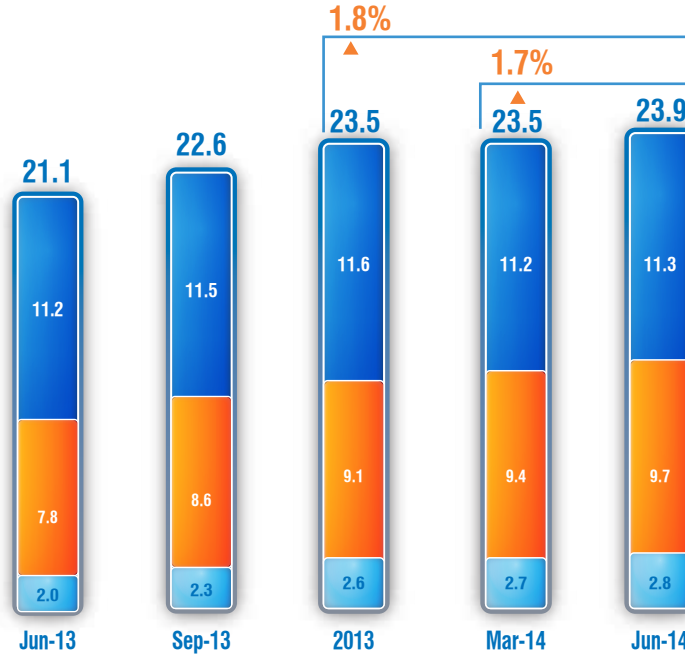
(TRY billion)<sup>(a)</sup>

### HALKBANK

YtD  
**1.8%**  
QoQ  
**1.7%**

### B. SECTOR<sup>(b)</sup>

YtD  
**2.0%**  
QoQ  
**1.8%**



➔ **Consumer Loans**  
YtD -2.3%  
QoQ 0.6%  
Share in total 47.3%

➔ **Housing Loans**  
YtD 6.2%  
QoQ 2.6%  
Share in total 40.5%

➔ **Credit Cards**  
YtD 5.4%  
QoQ 3.6%  
Share in total 11.6%

Retail Loans Market Share %



Consumer Loans Market Share %



Housing Loans Market Share %



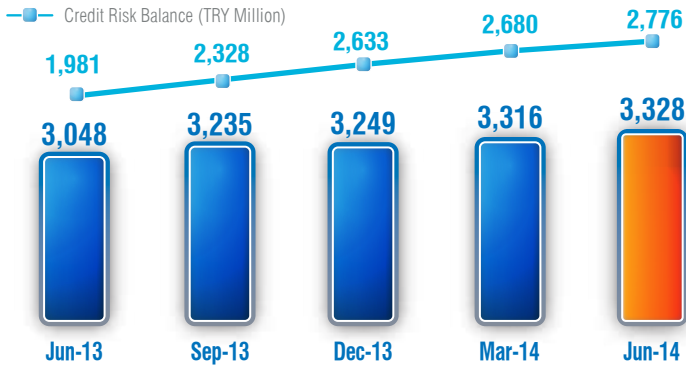
Credit Card Loans Market Share %



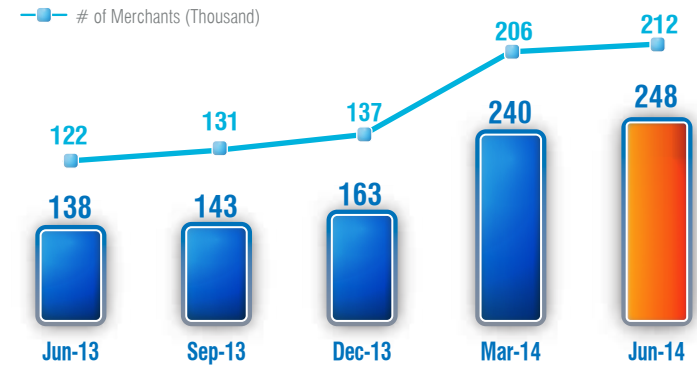
(a) Excluding interest accruals.  
(b) CBRT data as of 27.06.2014

## Credit card business on track despite regulatory challenge

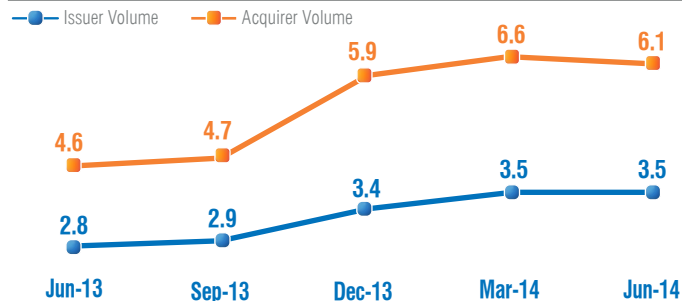
### # of Credit Cards (Thousand)



### # of POS (Thousand)<sup>(b)</sup>



### Credit Card Market Shares (%)<sup>(a)</sup>



(a) Source: Interbank Card Center Data, monthly volume

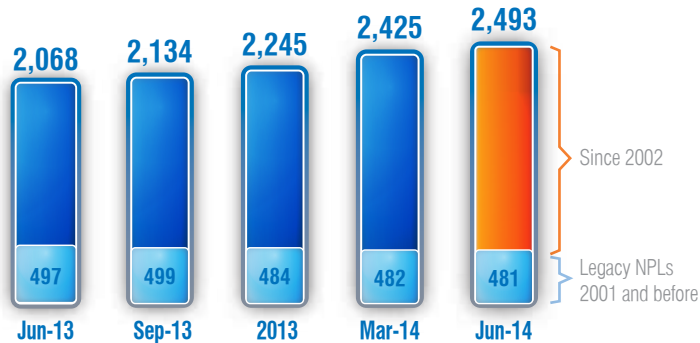
### Selected Figures (TRY mn)

	Jun-13	Jun-14	YoY Growth (%)
Issuer Volume	2,904	3,977	37.0
Acquirer Volume	4,923	7,270	47.7
Credit Card Risk Balance	1,981	2,776	40.1

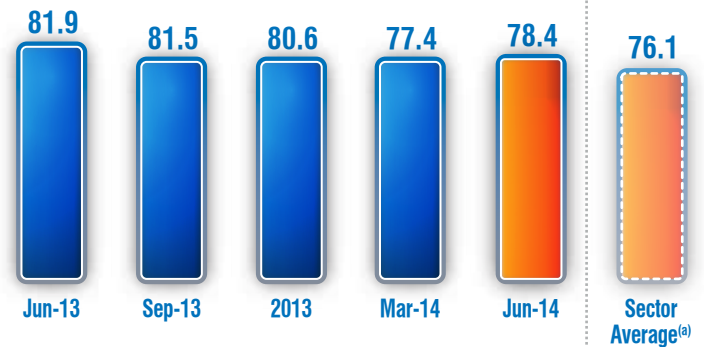
(b) 60,200 POS & Merchants added due to change in BRSA reporting format in Mar-14

## Low NPL generation and increasing coverage

### NPL Portfolio (TRY million)

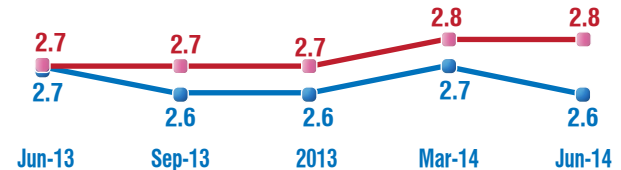
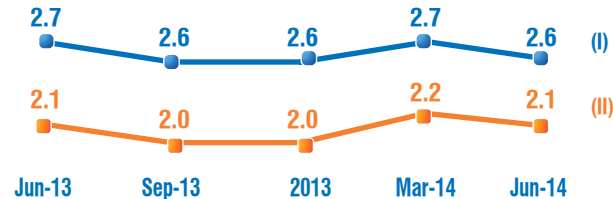


### NPL Coverage (%)



### NPL / Total Loans (%)

■ Halkbank    ■ Sector (a)



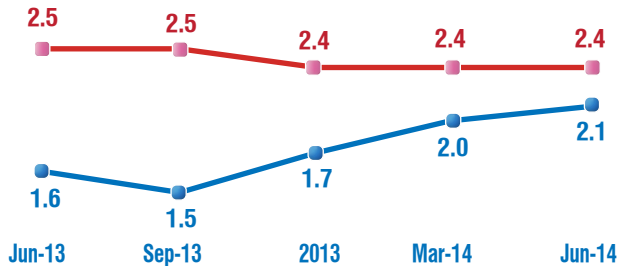
(I) Total NPL ratio (II) Excluding the legacy of year 2001 and before NPLs

(a) BRSA monthly data as of May-14

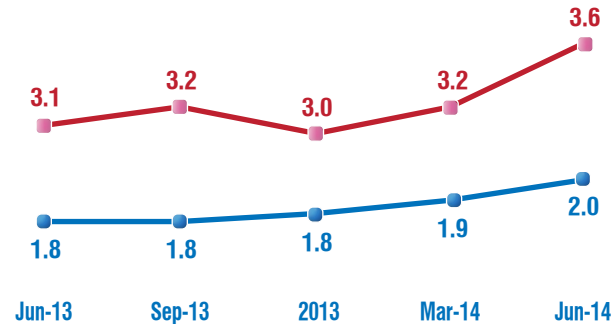
## Sustained asset quality improving in SME loans

—●— Halkbank NPL —■— Sector NPL (a,b)

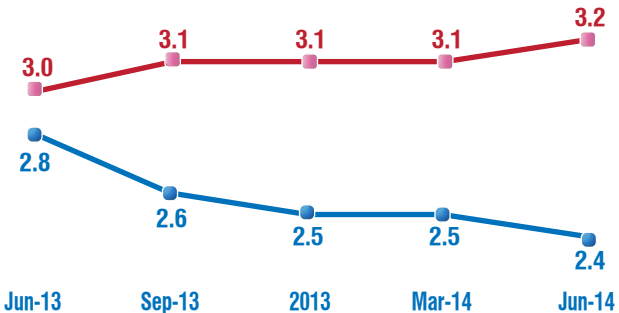
### Corporate - Commercial (%)<sup>(a)</sup>



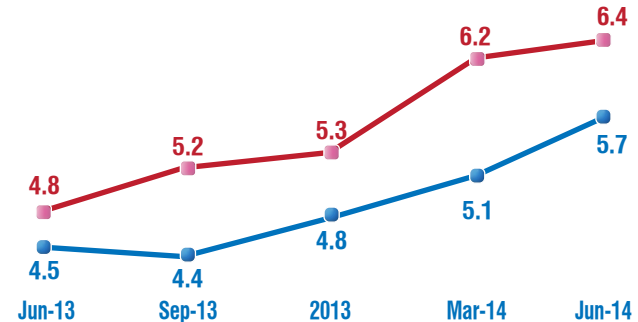
### Consumer Loans (%)<sup>(b)</sup>



### SME Loans (%)<sup>(a)</sup>



### Credit Cards (%)<sup>(b)</sup>

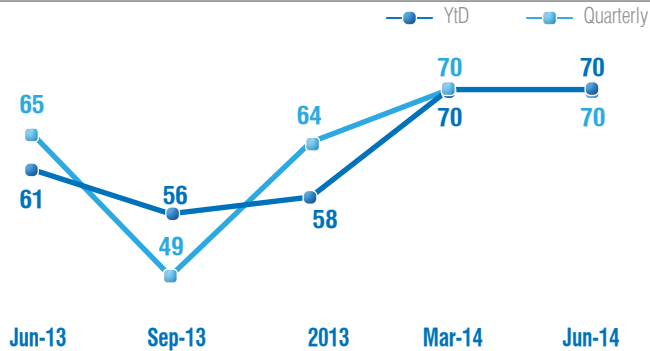


(a) BRSA data monthly as of May-14, Halkbank data excluding legacy NPLs

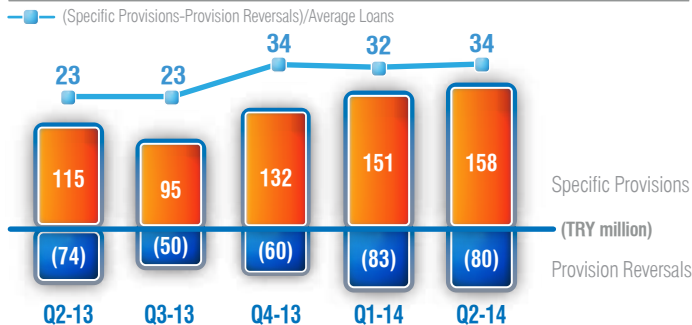
(b) CBRT data as of 27.06.14

## CoR stable at 70 bps

### Cost of Risk (bps)<sup>(a)</sup>

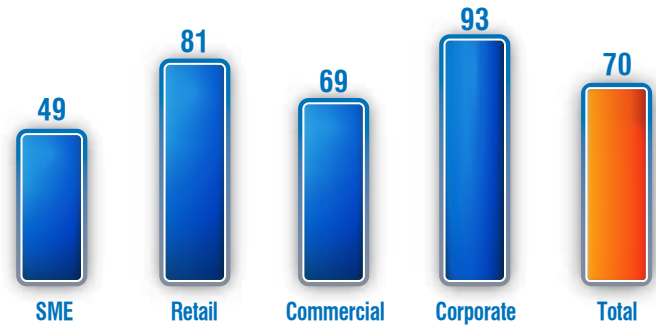


### Net Cost of Risk

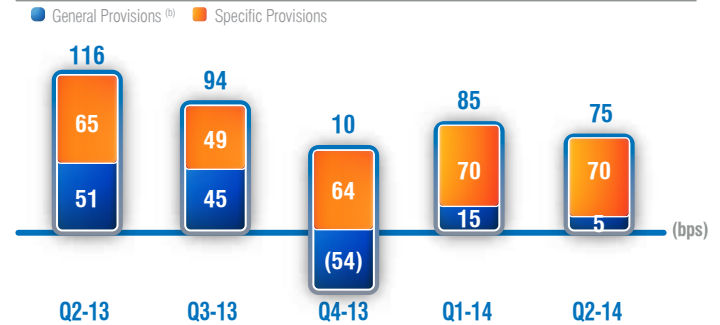


(a) Specific Provisions / Average Net Loans

### Cost of Risk by Segments (bps)<sup>(a)</sup>



### Gross Cost of Risk (bps)

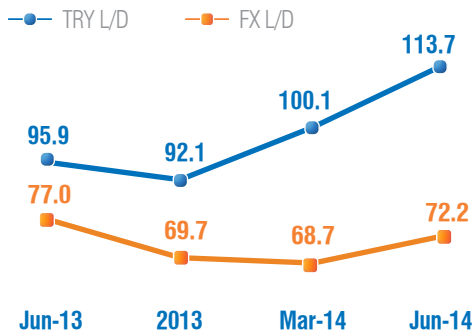
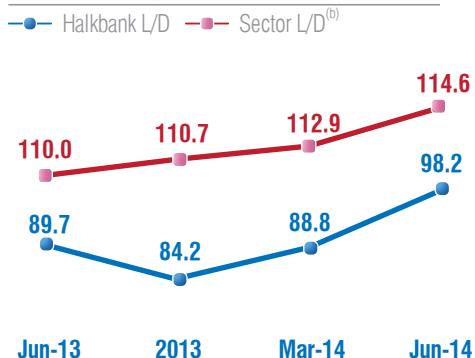


(b) General Provisions of Cash Loans / Average Cash Loans

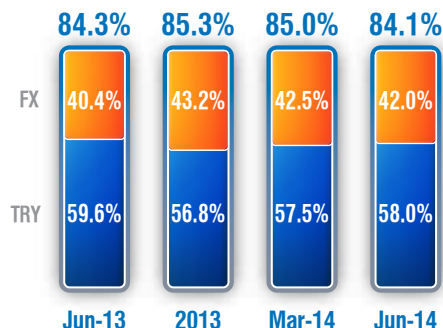
## Alternative funding sources utilized more effectively

**IBL 84.1%**<sup>(a)</sup>

### Loan to Deposit (%)

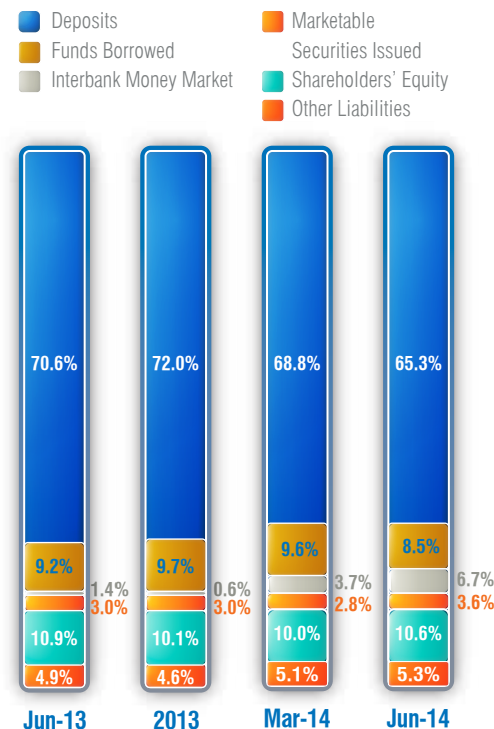


### Composition of IBLs<sup>(a)</sup>



- > USD 500 mn of 5 year Eurobond priced at a yield of 4.765%, 8.5x oversubscribed
- > Strong usage of repo funding, almost doubled to TRY 9.6 bn

### Liabilities Mix (%)



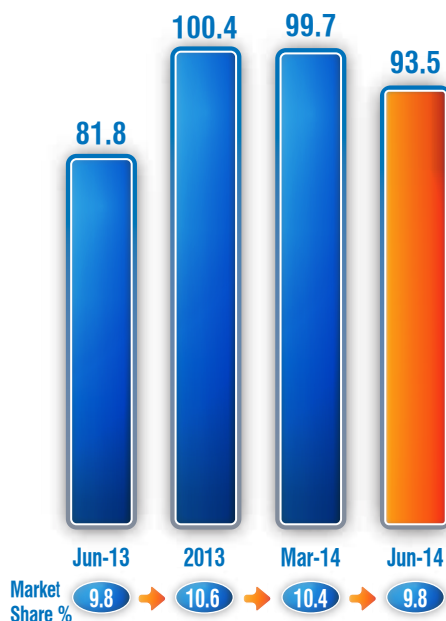
(a) Including interest accruals and excluding funds. Excluding demand deposit, the share of IBL is 73.3% in Jun-14.

(b) BRSA monthly data as of May-14.

## Solid core saving deposit

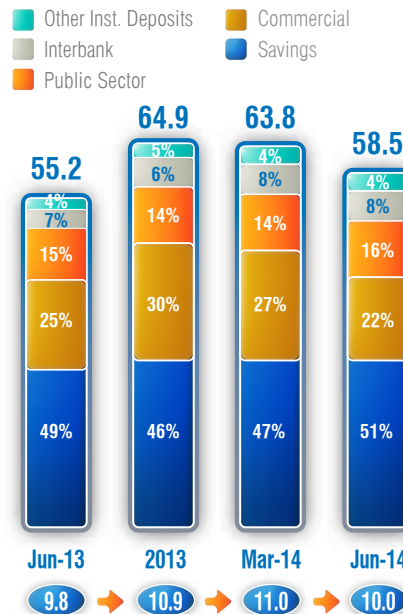
HALKBANK B. Sector <sup>(b)</sup>			
Total Dep.	YtD	-6.9%	3.3%
	QoQ	-6.3%	1.8%

### Total Deposits

 (TRY billion)<sup>(a)</sup>


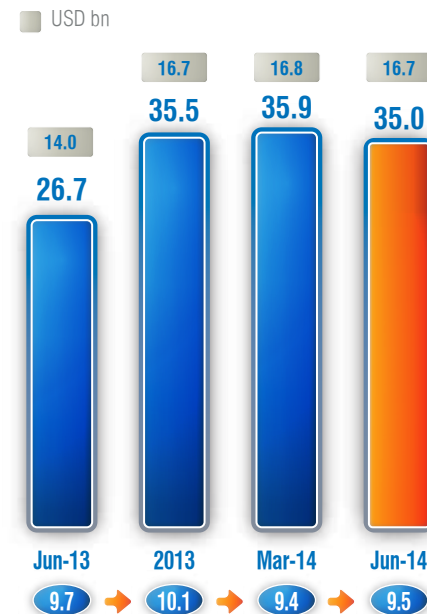
HALKBANK B. Sector <sup>(b)</sup>			
TRY Dep.	YtD	-9.9%	3.3%
	QoQ	-8.3%	6.6%

### TRY Deposits

 (TRY billion)<sup>(a)</sup>


HALKBANK B. Sector <sup>(b)</sup>			
FX Dep.	YtD	-1.3%	3.3%
	QoQ	-2.7%	-4.8%
in USD	YtD	-0.4%	4.3%
terms	QoQ	-0.8%	3.0%

### FX Deposits

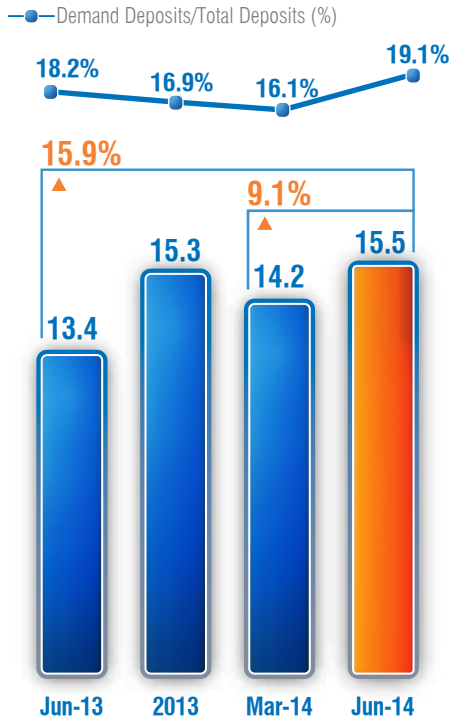
 (TRY billion)<sup>(a)</sup>


(a) Excluding interest accruals. (b) BRSA daily data as of 30.06.2014

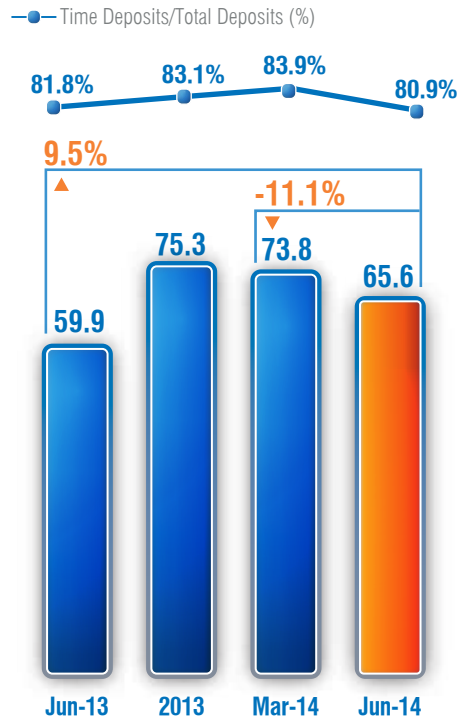


## Strengthening demand deposit base, volume and share increased

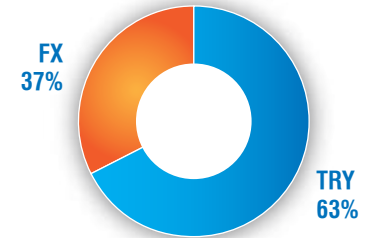
**Demand Deposit (TRY billion)<sup>(a)</sup>**



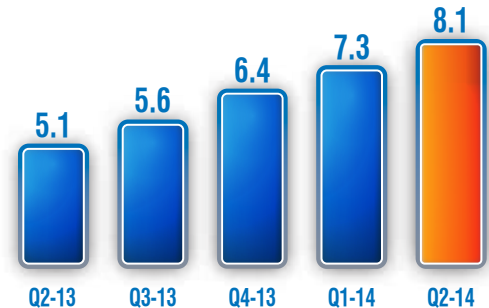
**Time Deposits (TRY billion)<sup>(a)</sup>**



**Deposits by Currency (%)**



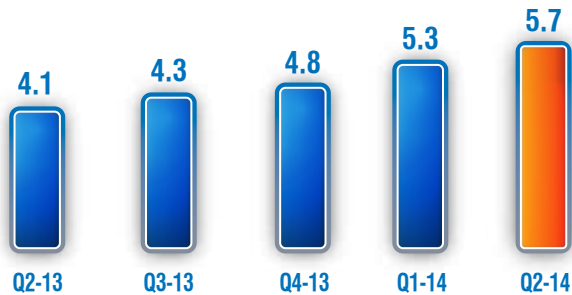
**Cost of TRY Deposits (%)<sup>(b)</sup>**



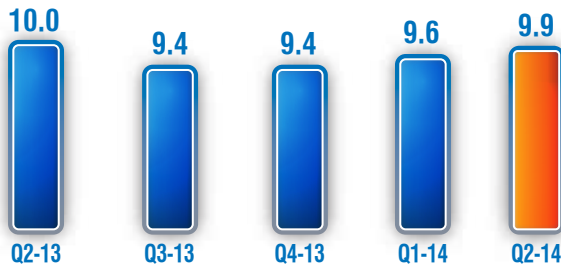
(a) Excluding interest accruals and interbank. (b) Time & Demand Blended.

# Cost – Yield – Spread<sup>(a)</sup>

## Cost of Deposits (%)

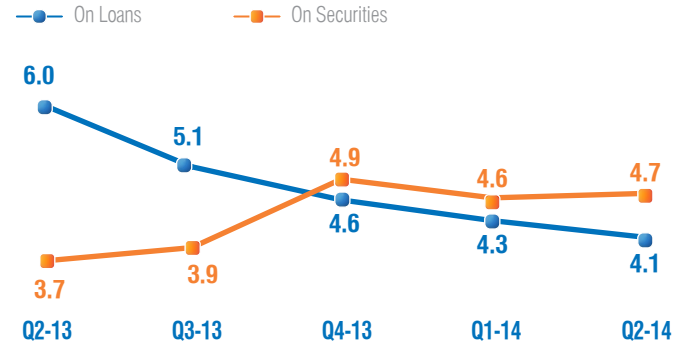


## Yield on Loans (%)<sup>(b)</sup>

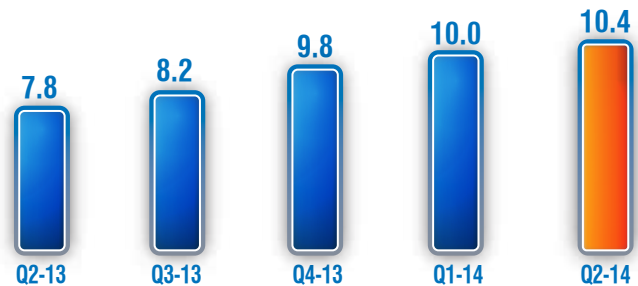


(a) TRY-FX blended (b) Excluding fund loans

## Spreads (%)

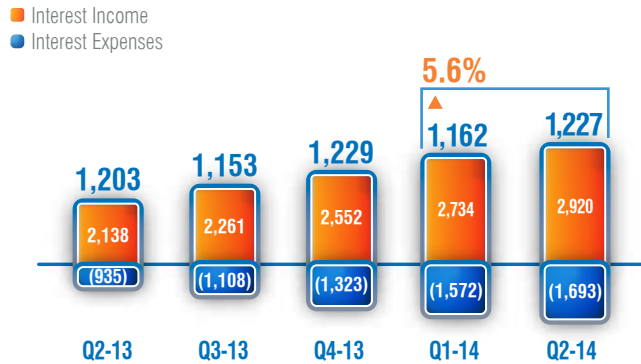


## Yield on Securities (%)

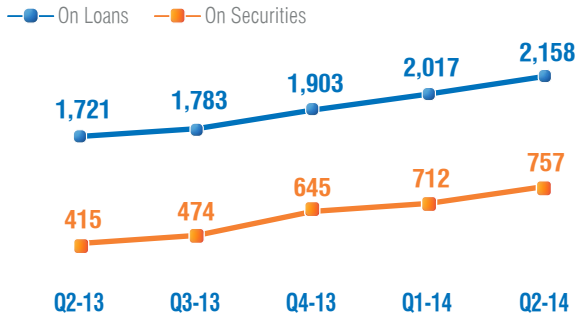


## NIM starts to pick up

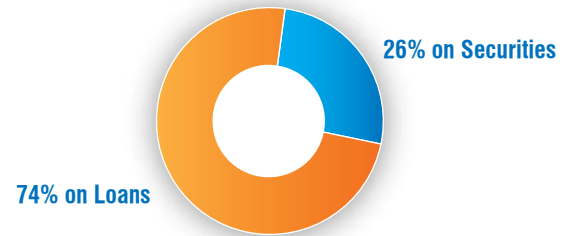
### Net Interest Income (TRY million)



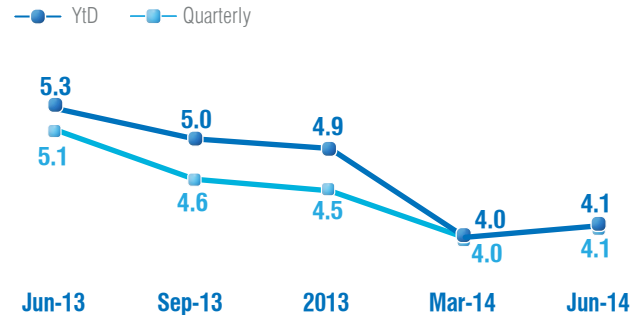
### Interest Income (TRY million)



### Breakdown of Interest Income (%)

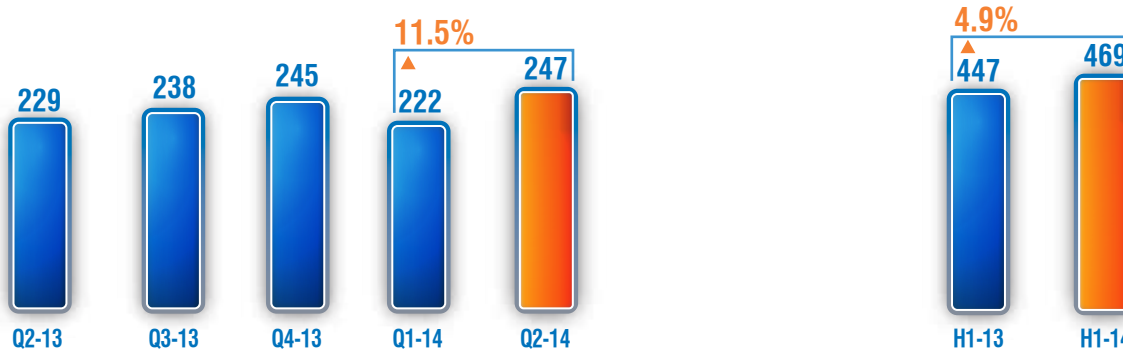


### NIM (%)

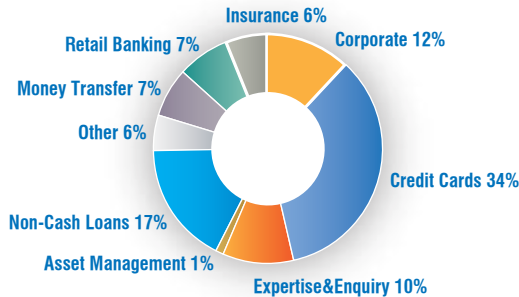


## QoQ 11.5% growth in NFC

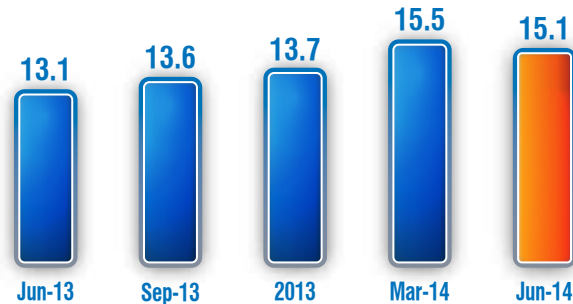
### Net Fees & Commissions Income (TRY million)



### Breakdown of Fees & Commissions (%)

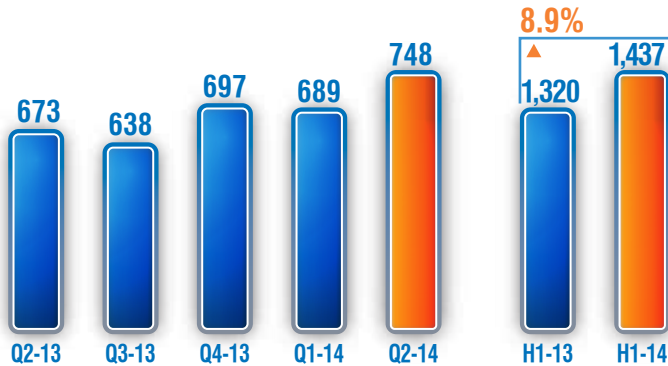


### Net Fees & Commissions / Operating Revenues (%)

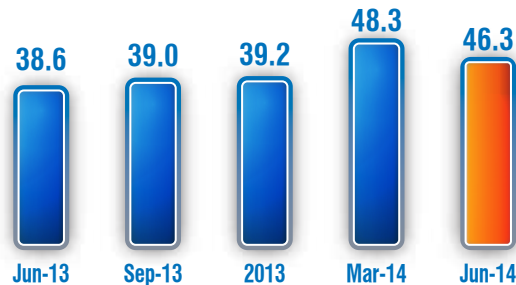


## C/I ratio now improving

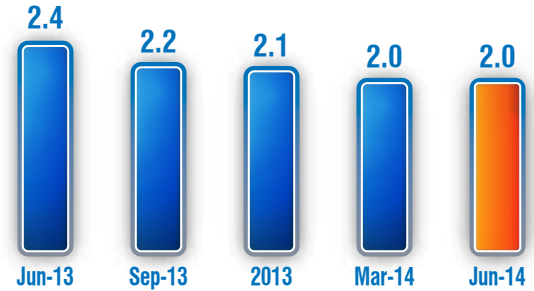
**Operating Expenses** (TRY million)



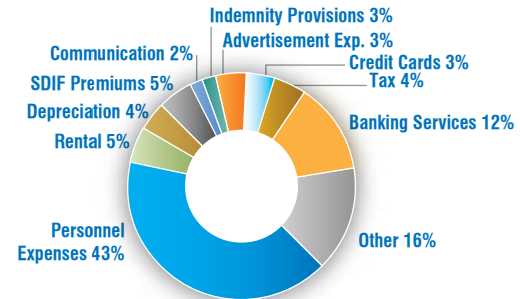
**Cost/Income** (%)



**Operating Expenses / Average Assets** (%)

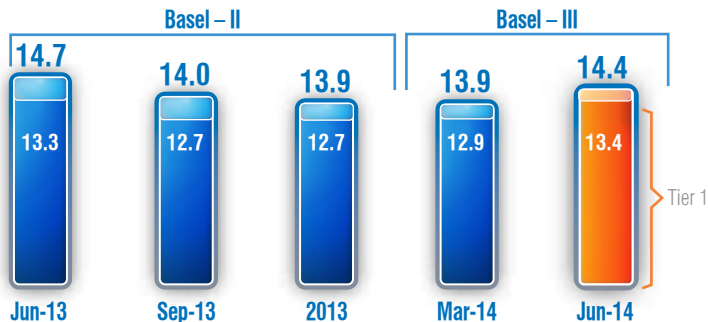


**Breakdown of Operating Expenses** (%)



## Solvency Ratios

### Capital Ratios (%)



### SHE (TRY billion)



### Details on Capital Ratio

(TRY mn)	Basel III Jun-14
Credit Risk Base Amount (CRBA)	100,543
Market Risk Base Amount (MRBA)	3,208
Operational Risk Base Amount (ORBA)	10,129
Total Risk Weighted Assets (RWAs)	113,880
Shareholders' Equity	16,384
<b>CAR (%)</b>	<b>14.4</b>
<b>Tier-I (%)</b>	<b>13.4</b>
<b>Common Equity Tier-I (%)</b>	<b>13.5</b>

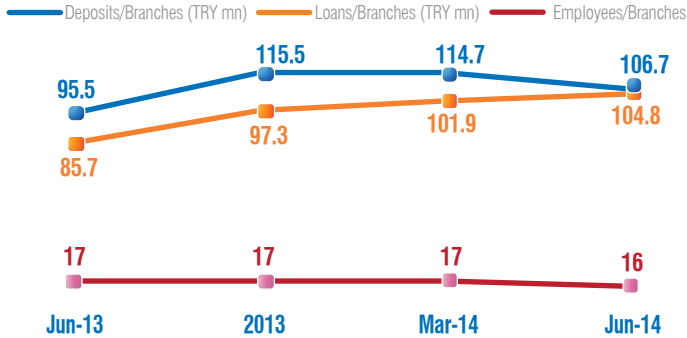
#### Main Impact of Basel III

- > Positive revaluation of reserves for AfS Securities and for affiliates under equity now weighted 100% (before 45%)
- > Aforementioned revaluation reserves now respected in core capital (before in supplementary capital)

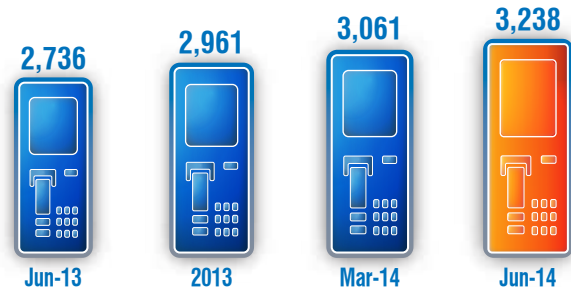
## Branch Network - Human Resources

- > 8 new branches opened YtD.
- > Total branch number reached **880**.

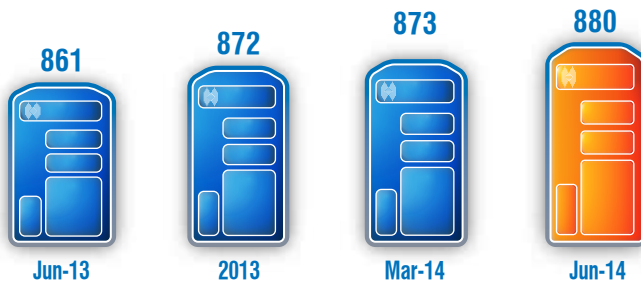
### Loans-Deposits-Employee per Branches



### ATMs

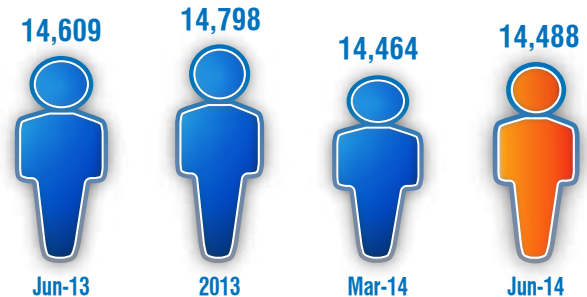


### Branches<sup>(a)</sup>



(a) Including domestic branches and special transaction centers.

### Headcount



## Balance Sheet

In TRY million	H1-13	2013	Q1-14	H1-14	QoQ Change%	YtD Change%	YoY Change%
Cash and Balances Held with the Central Bank <sup>(a)</sup>	15,226	19,976	19,534	17,413	(10.9)	(12.8)	14.4
Banks & Money Market <sup>(b)</sup>	2,114	1,849	2,227	1,077	(51.6)	(41.7)	(49.0)
Securities <sup>(b)</sup>	21,035	28,559	29,928	27,901	(6.8)	(2.3)	32.6
Net Loans <sup>(b)</sup>	73,763	84,848	88,921	92,187	3.7	8.6	25.0
Gross NPL	2,068	2,245	2,425	2,493	2.8	11.1	20.5
NPL Net	375	435	547	537	(1.8)	23.6	43.4
Property and Equipment	1,111	1,113	1,109	1,163	4.8	4.5	4.6
Other Assets	3,123	3,599	3,805	4,025	5.8	11.9	28.9
<b>Total Assets</b>	<b>116,372</b>	<b>139,944</b>	<b>145,524</b>	<b>143,767</b>	<b>(1.2)</b>	<b>2.7</b>	<b>23.5</b>
Deposits <sup>(b)</sup>	82,193	100,756	100,159	93,892	(6.3)	(6.8)	14.2
Funds Borrowed <sup>(b)</sup>	10,688	13,615	13,989	12,164	(13.0)	(10.7)	13.8
Interbank Money Market <sup>(b)</sup>	1,654	771	5,334	9,619	80.3	-	-
Marketable Securities Issued	3,523	4,165	4,097	5,166	26.1	24.0	46.7
Funds	1,440	1,489	1,470	1,516	3.1	1.8	5.3
Other Liabilities	2,136	3,102	3,960	4,170	5.3	34.4	95.3
Provisions	2,089	1,900	1,987	1,965	(1.1)	3.4	(5.9)
Shareholders' Equity	12,650	14,146	14,527	15,275	5.1	8.0	20.7
<b>Total Liabilities</b>	<b>116,372</b>	<b>139,944</b>	<b>145,524</b>	<b>143,767</b>	<b>(1.2)</b>	<b>2.7</b>	<b>23.5</b>

(a) Reserve deposits monitored in balance with Central Bank,

(b) Including interest accruals,



## Income Statement

In TRY million

	H1-13	H1-14	YoY Change%	Q4-13	Q1-14	Q2-14	QoQ Change%
Interest Income	4,392	5,654	28.7	2,552	2,734	2,920	6.8
On Loans	3,448	4,176	21.1	1,903	2,017	2,158	7.0
On Securities	934	1,469	57.2	645	712	757	6.3
Interest Expense	1,944	3,265	67.9	1,323	1,572	1,693	7.7
On Deposits	1,727	2,725	57.8	1,176	1,315	1,410	7.2
<b>Net Interest Income</b>	<b>2,448</b>	<b>2,389</b>	<b>(2.4)</b>	<b>1,229</b>	<b>1,162</b>	<b>1,227</b>	<b>5.6</b>
Net Fees and Commissions	447	469	4.9	245	222	247	11.5
Net Trading Income	315	15	(95.1)	(80)	(80)	95	-
Other Operating Income	207	234	12.8	355	124	110	(11.1)
Reversal of Loan Loss Provisions	138	163	18.2	60	83	80	(3.2)
Total Operating Revenues	3,417	3,107	(9.1)	1,749	1,427	1,680	17.7
Operating Expenses	1,320	1,437	8.9	697	689	748	8.5
<b>Net Operating Income</b>	<b>2,097</b>	<b>1,670</b>	<b>(20.3)</b>	<b>1,052</b>	<b>738</b>	<b>932</b>	<b>26.2</b>
Provision for Loan Losses and Other Receivables	413	384	(7.1)	183	194	190	(2.0)
Loan Loss Provisions for Cash Loans	209	309	47.7	132	151	158	4.9
Profit/(Losses) from Associates	82	146	78.9	9	99	47	(53.0)
<b>Income Before Taxes</b>	<b>1,765</b>	<b>1,432</b>	<b>(18.9)</b>	<b>878</b>	<b>644</b>	<b>788</b>	<b>22.5</b>
Provision for Tax	336	269	(19.9)	137	113	156	38.0
<b>Net Income</b>	<b>1,428</b>	<b>1,163</b>	<b>(18.6)</b>	<b>741</b>	<b>530</b>	<b>632</b>	<b>19.2</b>

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