

Q1 2015 Earnings Presentation

DISTINGUIS H ED
PROFIT A BLE
RESI L IENT
RIS K CONSCIOUS
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SUST A INABLE
NATIO N WIDE
MAR K ETMAKER

Macro Outlook

- > US data flow does not seem to have a major impact on rate lift-off expectations by FED. Door still open for rate hikes to commence during mid-year but debate on timing still continues.
- > US Mar-15 job report demonstrates economy is struggling in creating new jobs. These challenges may continue within broader economy if export sector is dampened further by a stronger dollar.
- > US core CPI, excluding food and energy prices, rising 1.8% YoY in Mar-15.
- > UST 10Y moved in between 1.7% and 2.3% levels during Q115, hovering around 1.9% as of mid Apr-15.
- > ECB QE program commenced in Mar-15, helped EU bond yields to contract to record lows and EU stocks to trade at record highs.
- > Consumer prices in Eurozone fell 0.1% YoY in Mar-15, the fourth consecutive monthly decline and still far from ECB's target of 2.0%. Energy prices falling 5.8% YoY to be blamed for this decline.
- > EUR has tested its lowest level against USD, below 1.05, with divergence in monetary policy of both the ECB and FED as the main factor.
- > Brent remained below USD 60 in Q115 but increased in Apr-15 to USD 65.
- > Turkish economy grew 2.9% upon fixed prices in 2014 in line with the revised market expectations. Net export contribution stood at 1.9%.
- > Turkish benchmark bond yield touched 6.5% level and ended at 8.5% in Q115, increased to 10.0% in Apr-15.
- > CBRT cut one week repo rate by 75 bps to 7.50% in two tranches; 50 bps in Jan-15, 25 bps in Feb-15. Upper end of the interest rate corridor cut by 50 bps to 10.75%.
- > CBRT raised RRR for non-deposit foreign currency liabilities two times during Q115 in order to lower TRY volatility and discourage short term FC borrowings. ROC for the first 0-30% and 55-60% tranches were adjusted in tandem with RRR changes.
- > MoM CPI rising 1.19% in Mar-15, annual inflation accelerated to 7.6% as food prices could not be abated. Core indexes H and I continued to decrease, standing at 7.8% and 7.1% respectively.
- > Feb-15 trade deficit shrank to USD 4.7 bn from USD 5.2 bn last year, sales of precious metals made a remarkable contribution to limit the YoY drop in exports.
- > 12-month cumulative CAD narrowed to USD 42.8 bn and is expected to resume its improving trend going forward as a result of falling oil prices.
- > Unemployment rate realized at 11.3% as of Jan-15.

Banking Sector Overview

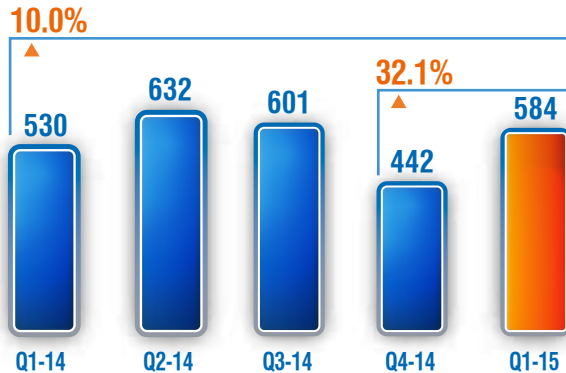
- > Total loan book grew 6.5% QoQ and reached TRY 1,337 bn. TRY loan book showed 4.4% growth whereas FX loan book rose by 11.5% in TRY terms, however shrank by 0.9% in USD terms.
- > Housing loans increased 4.8% and consumer loans 3.1%, enough to compensate contraction in credit card and auto loans.
- > QoQ deposit growth almost caught up with the loan growth due to TRY depreciation, increased 5.8% and reached TRY 1,194 bn. Increase in TRY deposits was almost nil and FX deposits 2.0% in USD terms.
- > No material change in L/D ratio, 117.5% as of Feb-15.
- > Deposit market did not calm down and pricing went up further during Q115, accordingly core spreads were under pressure.
- > NPL ratio remained flat at 2.8%, coverage ratio declined QoQ, 72.3%.
- > Feb-15 cumulative net income depicted a 8.6% increase, however sector RoAE continued to squeeze further to single digit levels, 9.2%.
- > NIM felt significant pressure from increasing deposit cost and declining securities yield, contracted to 3.9% as of Feb-15.
- > OpEx grew 16.0% YoY as of Feb-15, increasing fee rebates to retail customers and TRY depreciation are the two surprising factors.
- > C/I ratio increased to 47.8% as well as OpEx/Total Assets, 2.3% as of Feb-15.
- > Limited decline on CAR and Tier-I for the first two months of 2015, 15.7% and 13.4% respectively, however both are comfortably above regulatory required levels.
- > CBRT repo funding volume at TRY 57 bn and effective funding rate at 8.1%
- > BRSA has allowed the banks to apply 75%-100% risk weighting for the loans granted to the pension customers who receive their monthly state pension from the Social Security Institution (previously 150%-200%).

Q1 2015 Highlights

- > Q115 net income at **TRY 584 mn.** increasing **32.1% QoQ** and **10.0% YoY**.
- > Strong bottom line translates into above sector RoE and RoA, standing at **14.1%** and **1.5%**, respectively.
- > NIM at **4.0%**, mainly due to missing CPI linkers' support.
- > Solid across-the-board loan growth, **6.5% QoQ** and **21.9% YoY**.
- > Rapidly improving asset quality metrics, NPL ratio down to **3.4%** and Gross CoR at **52 bps**.
- > **45.7% YoY** growth at net fees & commissions, increasing share in operating revenues with **17.9%**.
- > **3.1% deposit growth QoQ** and L/D ratio at **101.4%**. Low L/D ratio provides the bank an exclusive comfort of not joining aggressive pricing competition.
- > 6-year **USD 500 mn** eurobond issuance was completed at a very favourable **4.75%** coupon rate.
- > CBRT repo continued to be actively used, volume at **TRY 7.9 bn**.
- > OpEx grew **0.8% QoQ** and **16.1% YoY**. Yearly growth would be lower at **9.9%** if adjusted for rebates from fees and commissions (charged in the past) reflected under OpEx.
- > C/I ratio at **44.3%** below industry average, OpEx/avg. assets remained flat at **2.0%**.
- > CAR and Tier-I solid at **13.3%** and at **13.0%**, showing resistance to any volatility.

Recovering net income, 10% YoY, 32.1% QoQ growth

Net Income (TRY million)

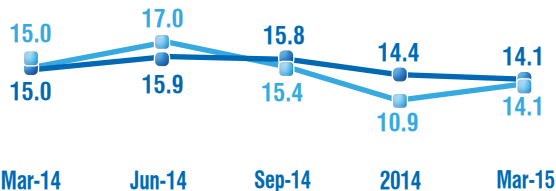


YoY Change (%)

- > 10.4% Net Interest Income
- > 45.7% Net Fees & Commissions
- > 26.4% Total Operating Income
- > 10.0% Net Income

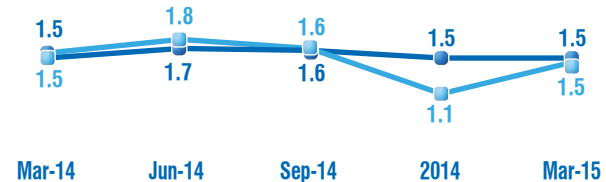
RoE (%)

—●— YtD —■— Quarterly



RoA (%)

—●— YtD —■— Quarterly

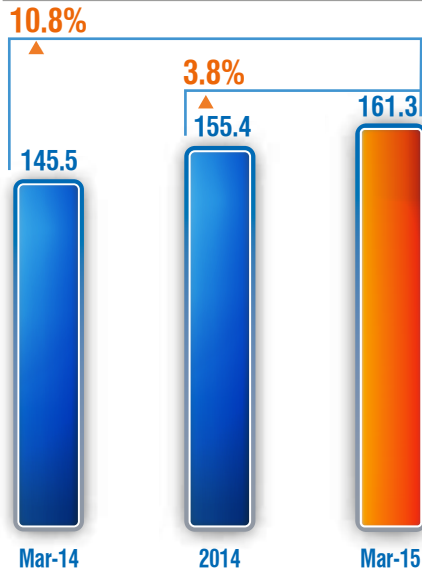


Securities portion declined to 16.5%

Asset Growth

YoY **10.8%** QoQ **3.8%**

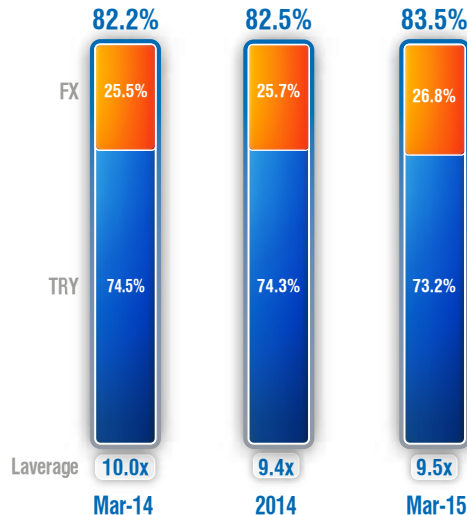
Total Asset Growth (TRY billion)



IEA

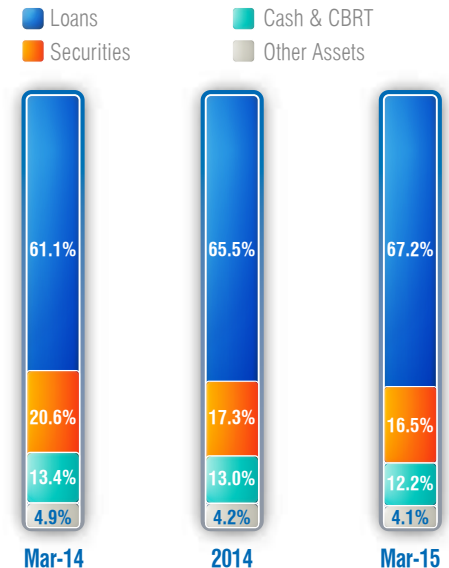
83.5%

Composition of IEAs^(a)



Securities Portion **16.5%**

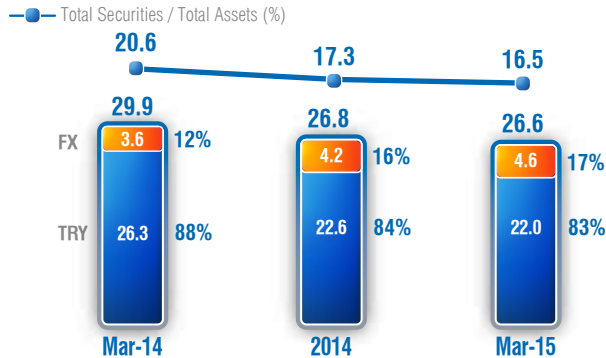
Asset Mix (%)



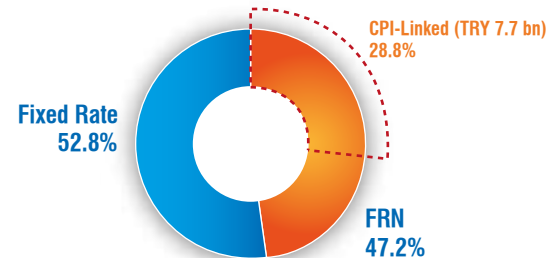
(a) Including interest accruals and excluding fund loans

Majority of the securities booked under held to maturity

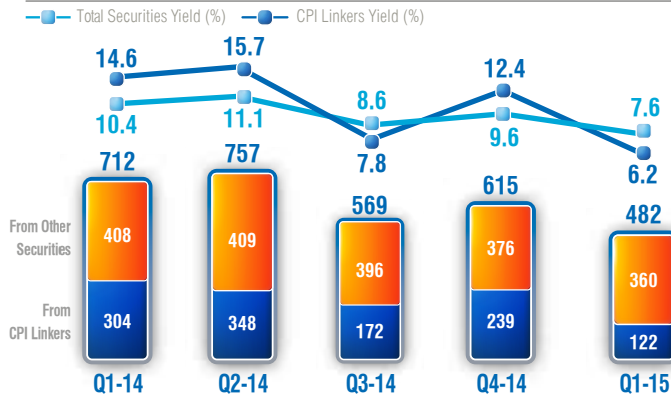
Total Securities Portfolio (TRY billion)



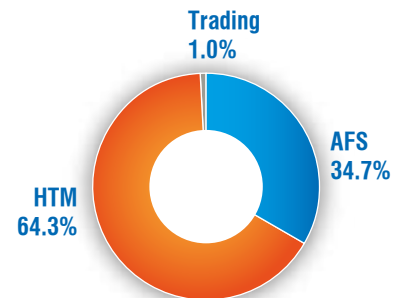
Interest Structure (%)



Interest Income on Securities (TRY million)



Securities Composition (%)



TRY heavy loan growth, 20.8% YoY, 5.2% QoQ

(TRY billion)^(a)

Total Loans

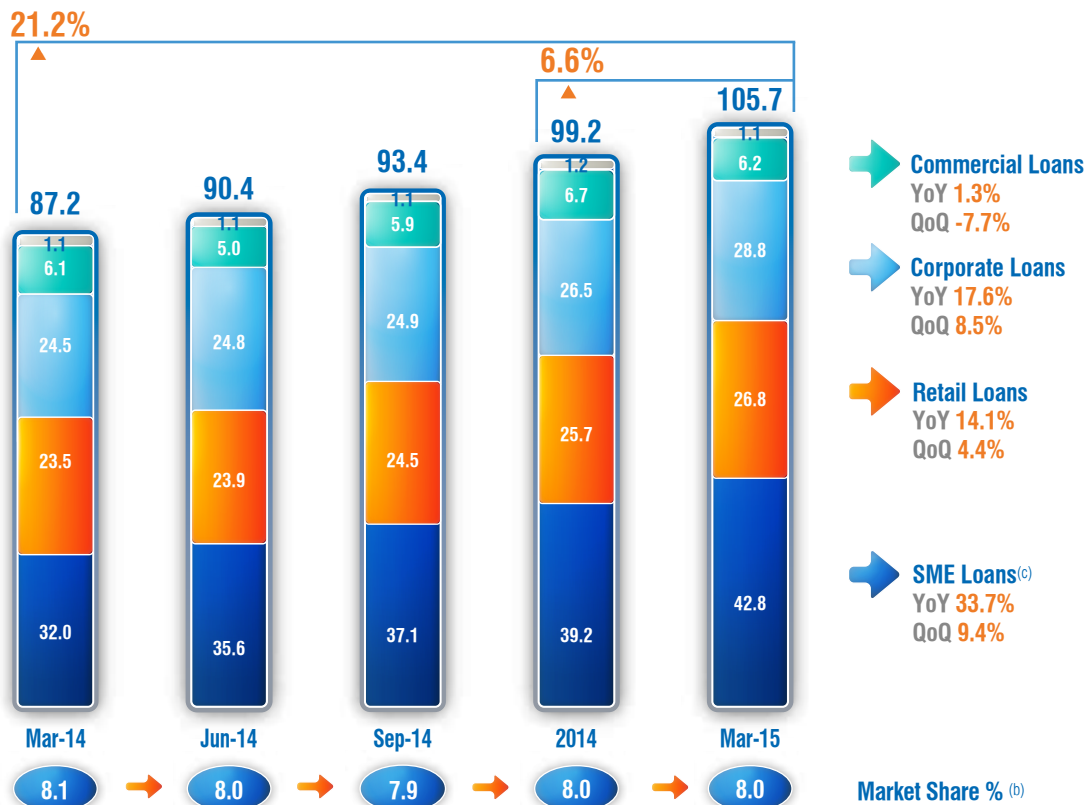
HALKBANK	B. Sector ^(b)
YoY	YoY
21.2%	21.5%
QoQ	QoQ
6.6%	6.5%

TRY Loans

HALKBANK	B. Sector ^(b)
YoY	YoY
20.8%	18.4%
QoQ	QoQ
5.2%	4.4%

FX Loans

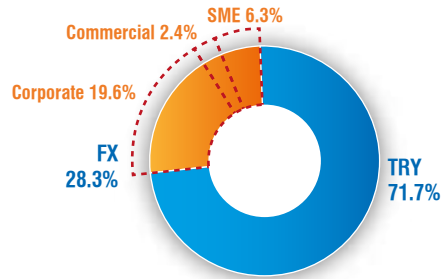
HALKBANK	B. Sector ^(b)
YoY	YoY
22.3%	29.0%
QoQ	QoQ
10.2%	11.5%
in USD terms	
YoY	YoY
1.9%	8.3%
QoQ	QoQ
-1.4%	-0.9%



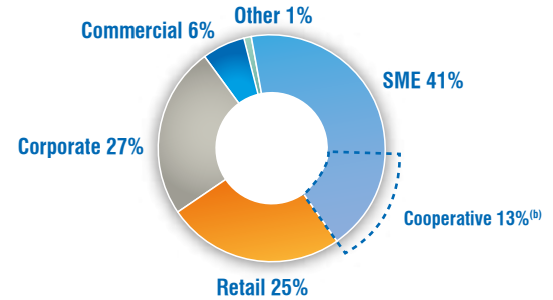
(a) Excluding interest accruals (b) BRSA weekly data as of 27.03.2015 (c) According to the BRSA definition

No material risk concentration

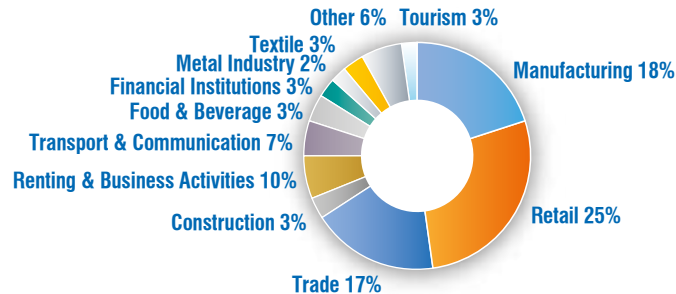
Loans by Currency (%)^(a)



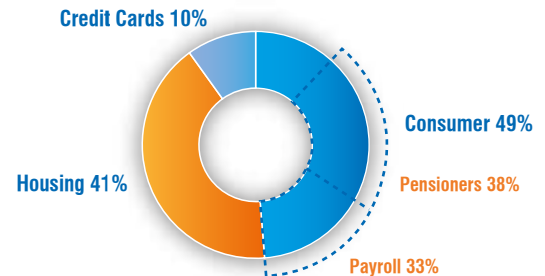
Loans by Customer Segmentation (%)^(a)



Sectoral Breakdown of Loans (%)^(a)



Retail Loans by Types (%)^(a)



(a) Excluding interest accruals (b) Micro SMEs

Gaining market share in retail loans

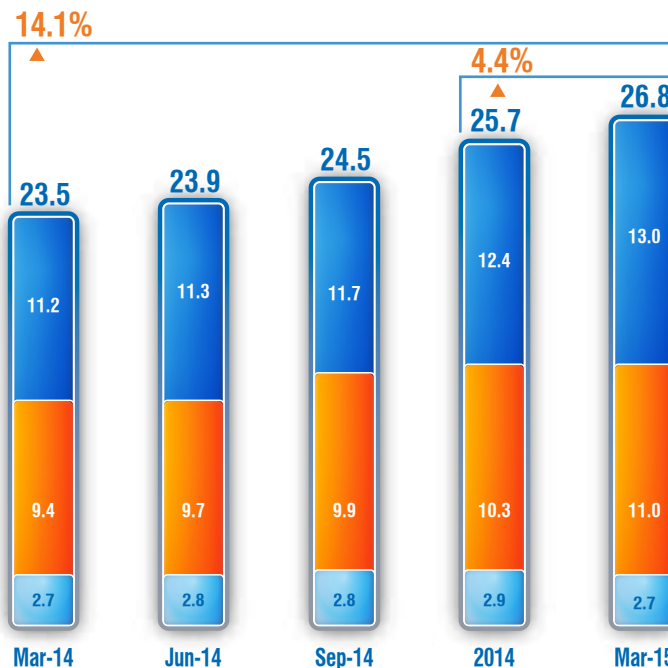
(TRY billion)^(a)

HALKBANK

YoY
14.1%
QoQ
4.4%

B. SECTOR^(b)

YoY
10.1%
QoQ
2.9%



Credit Cards (Thousand)

of Credit Cards 3,509
of POS 263
of Merchants 224
Issuer m/s 3.4%
Acquirer m/s 4.6%

➔ **Consumer Loans**
YoY 15.9%
QoQ 5.2%
Share in total 48.5%

➔ **Housing Loans**
YoY 17.1%
QoQ 6.8%
Share in total 41.1%

➔ **Credit Cards**
YoY -0.5%
QoQ -7.4%
Share in total 9.9%

Retail Loans Market Share %



Consumer Loans Market Share %



Housing Loans Market Share %



Credit Card Loans Market Share %

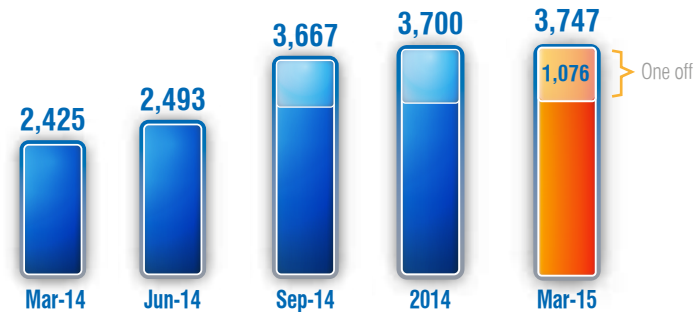


(a) Excluding interest accruals.

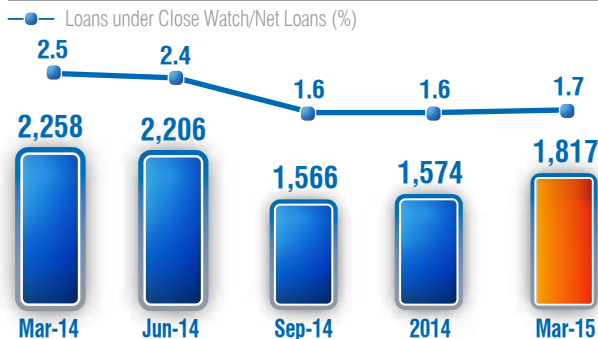
(b) BRSA weekly data as of 27.03.2015

Improving asset quality and NPL ratio

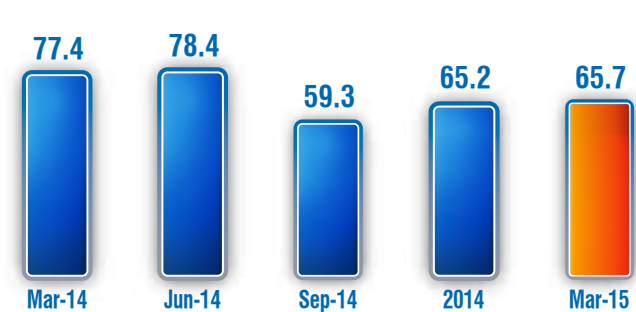
NPL Portfolio (TRY million)



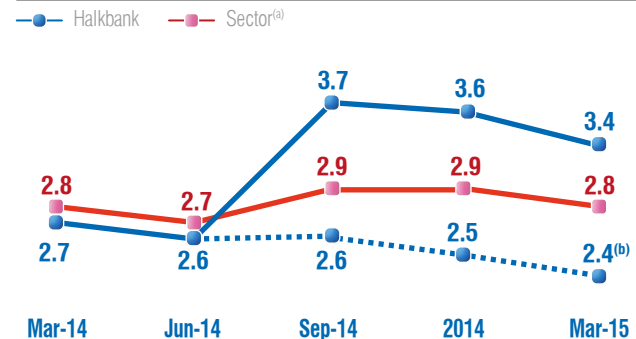
Loans under Close Watch (TRY million)



NPL Coverage (%)



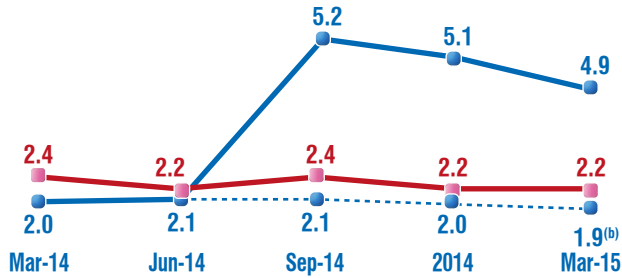
NPL/Total Loans (%)



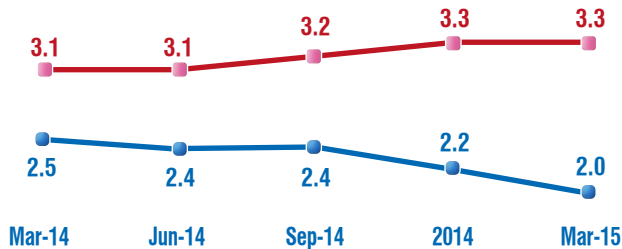
(a) BRSA weekly data as of 27.03.2015 (b) Adjusted with one-off big ticket loan.

NPL ratio by segments

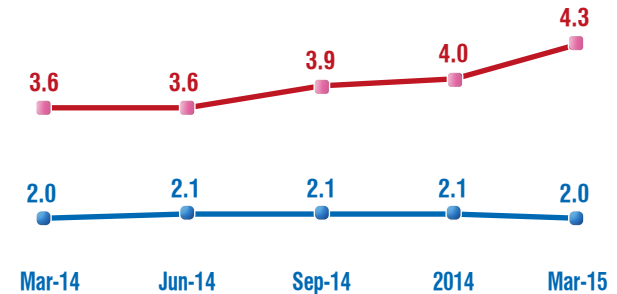
Corporate - Commercial (%)^(a)



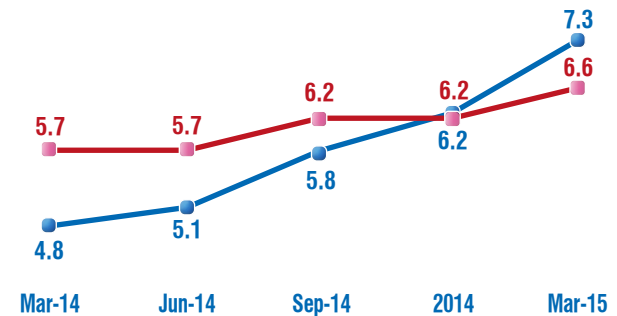
SME Loans (%)^(a)



Consumer Loans (%)^(a)



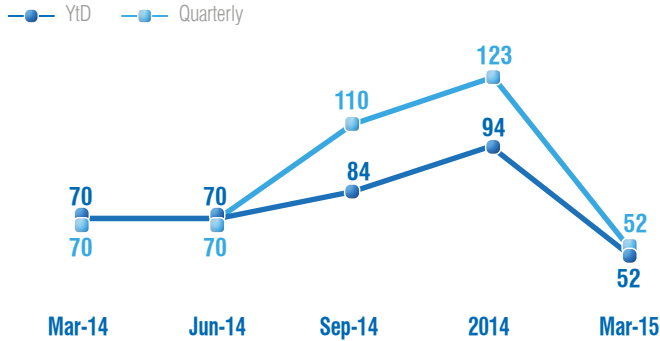
Credit Cards (%)^(a)



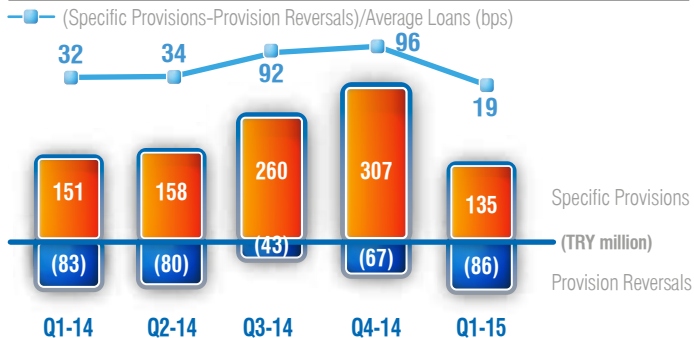
(a) BRSA monthly data as Feb-2015, Halkbank data excluding legacy NPLs (b) Adjusted with one-off big ticket corporate loan.

CoR at 52 bps

Cost of Risk (bps)^(a)

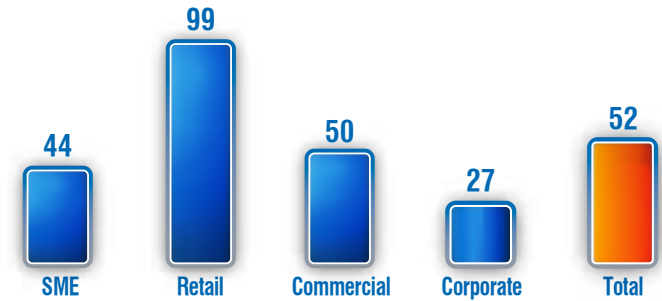


Net Cost of Risk

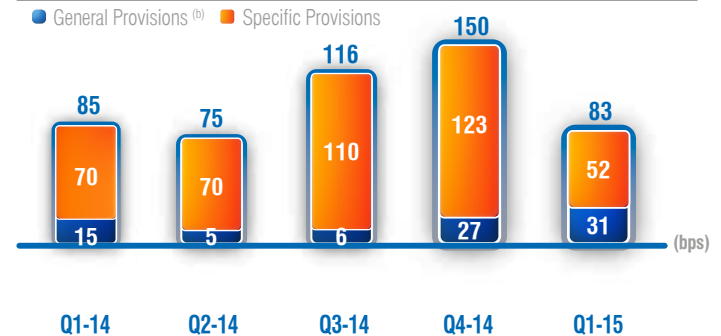


(a) Specific provisions/Average Net Loans

Cost of Risk by Segments (bps)^(a)



Gross Cost of Risk (bps)

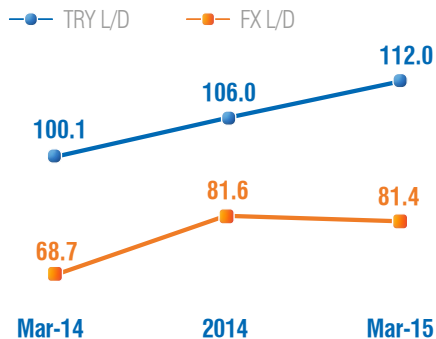
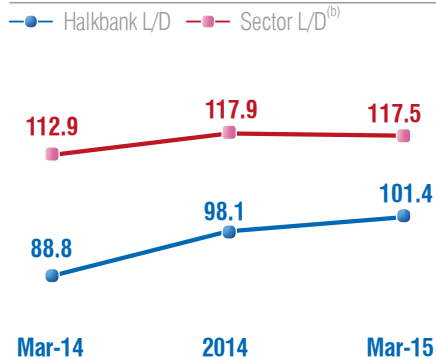


(b) General Provisions of Cash Loans/Average Cash Loans

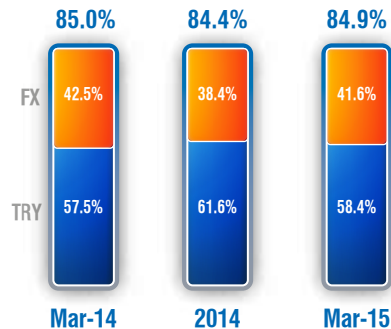
Loan/deposit ratio at comfortable levels

IBL 84.9%^(a)

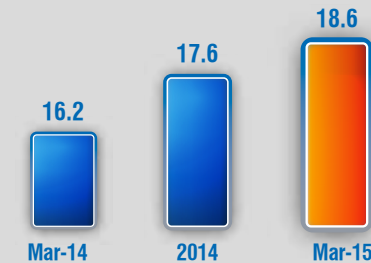
Loan to Deposit (%)



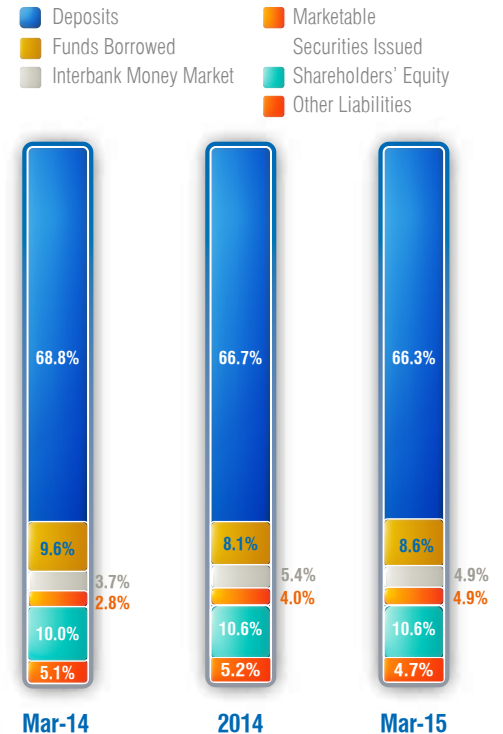
Composition of IBLs^(a)



Non-Deposit Funding/Liabilities (%)



Liabilities Mix (%)



(a) Including interest accruals and excluding funds. Excluding demand deposit, the share of IBL is 74.4% in Mar-15.

(b) BRSA monthly data as of Feb-15.

Solid saving deposit base unchanged

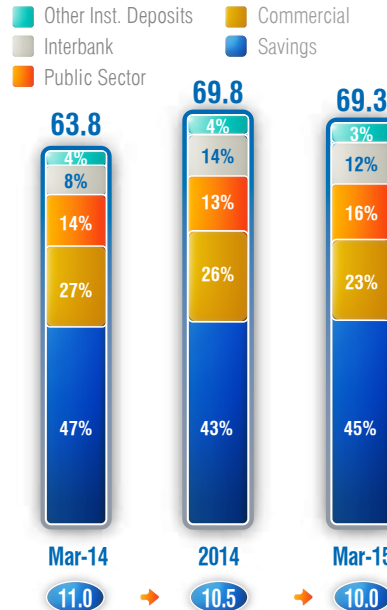
	HALKBANK	B. Sector^(b)
Total Dep.	YoY 6.7%	16.3%
	QoQ 3.0%	5.8%

Total Deposits (TRY billion)^(a)



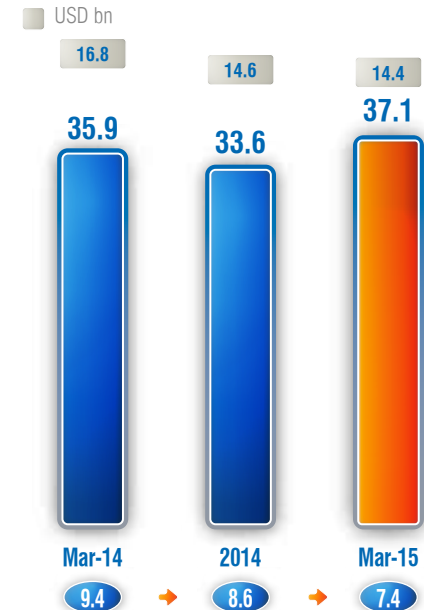
	HALKBANK	B. Sector^(b)
TRY Dep.	YoY 8.7%	17.3%
	QoQ -0.6%	0.2%

TRY Deposits (TRY billion)^(a)



	HALKBANK	B. Sector^(b)
FX Dep.	YoY 3.2%	14.9%
	QoQ 10.5%	14.7%
in USD terms	YoY -14.0%	-3.5%
	QoQ -1.1%	2.0%

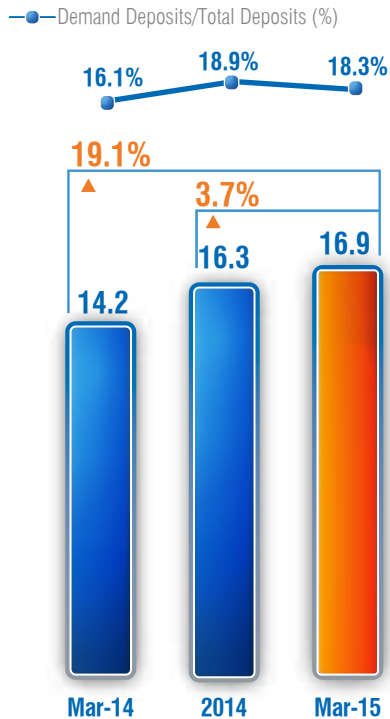
FX Deposits (TRY billion)^(a)



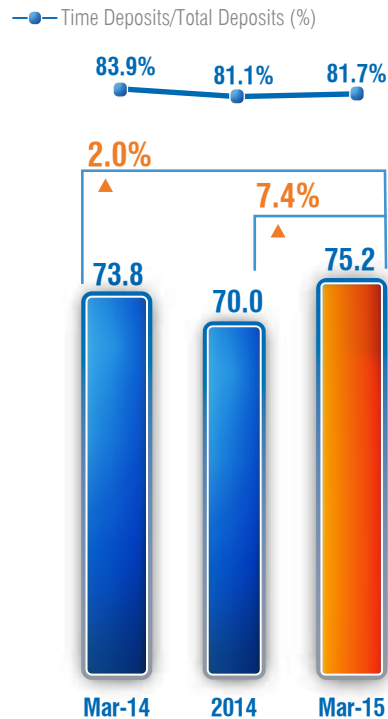
(a) Excluding interest accruals. (b) BRSA weekly data as of 27.03.2015

Details on deposit base

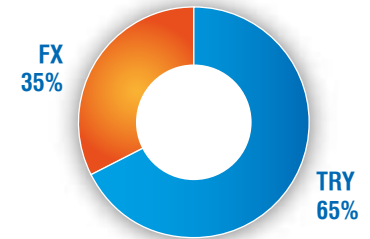
Demand Deposit (TRY billion)^(a)



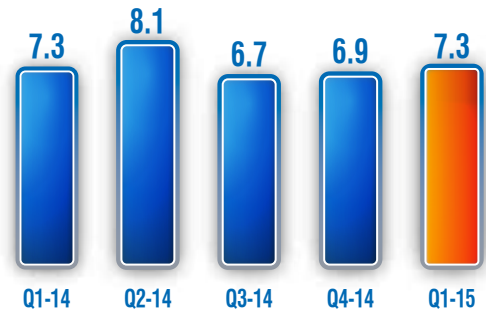
Time Deposits (TRY billion)^(a)



Deposits by Currency (%)



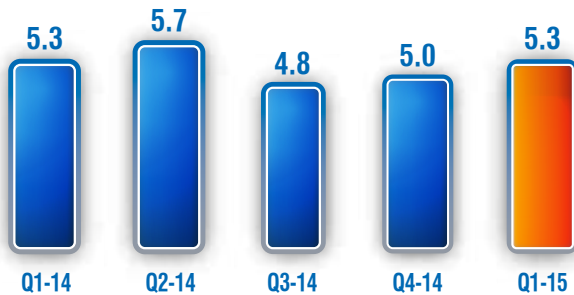
Cost of TRY Deposits (%)^(b)



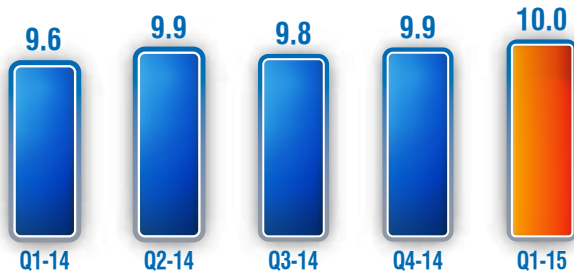
(a) Excluding interest accruals and interbank. (b) Time & Demand Blended.

Cost – Yield – Spread^(a)

Cost of Deposits (%)

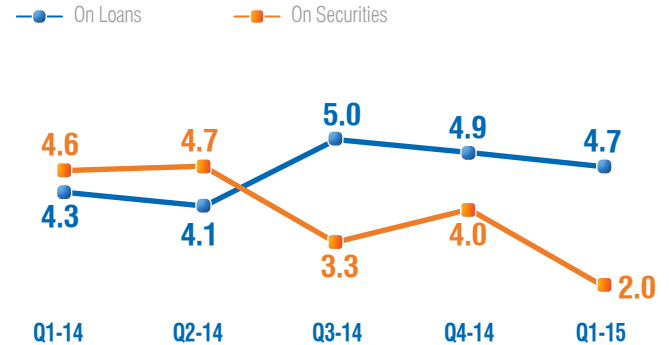


Yield on Loans (%)^(b)

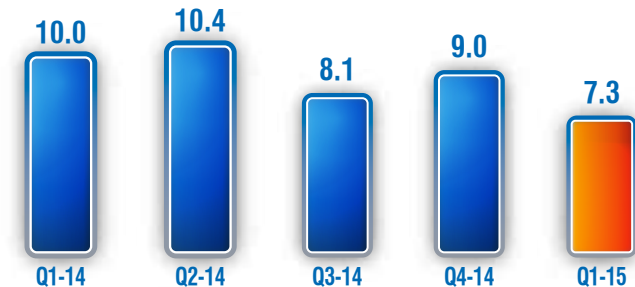


(a) TRY-FX blended (b) Excluding fund loans

Spreads (%)

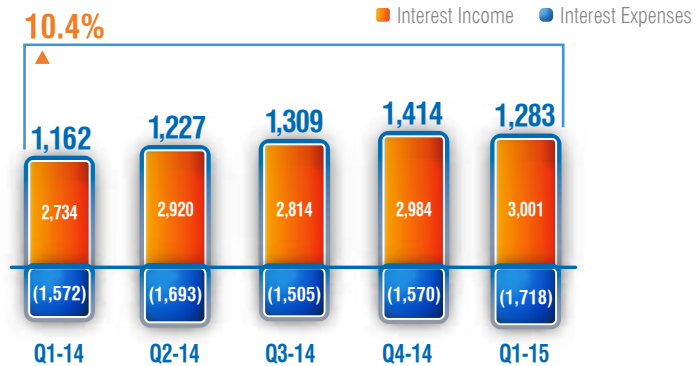


Yield on Securities (%)

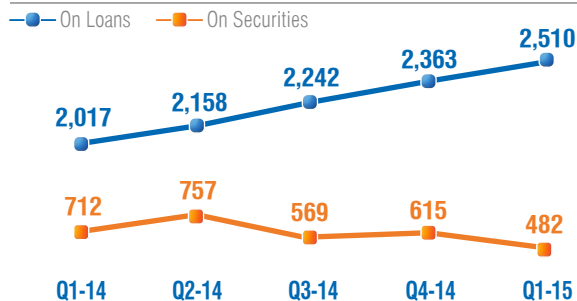


Net interest income up 10.4% YoY

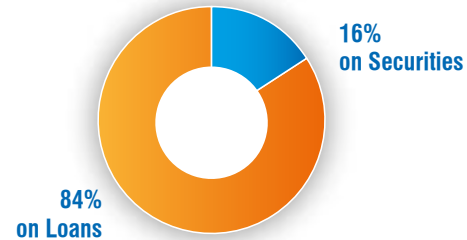
Net Interest Income (TRY million)



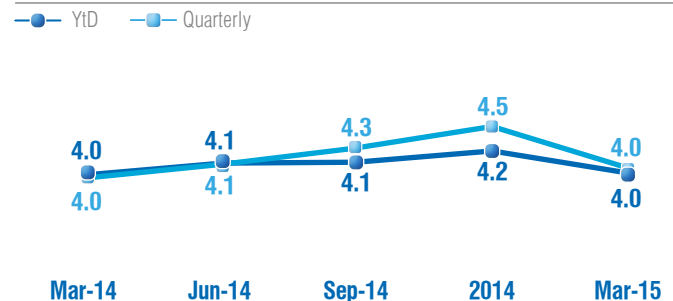
Interest Income (TRY million)



Breakdown of Interest Income (%)

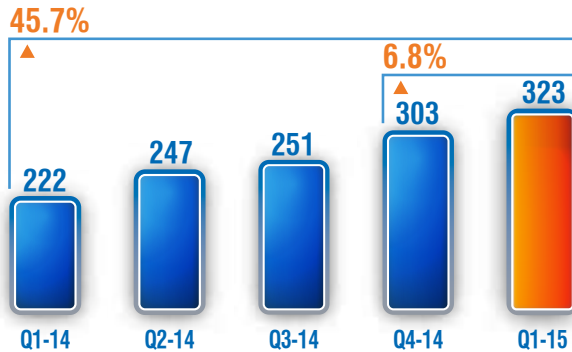


NIM (%)

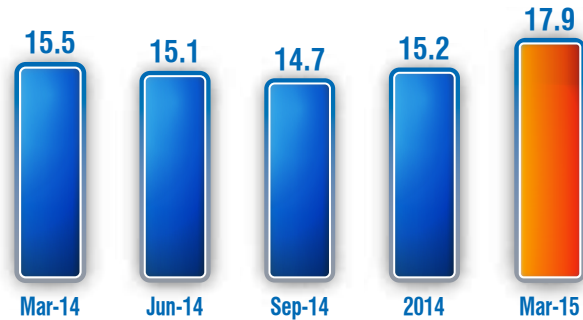


Stellar growth in net fees and commissions, 45.7% YoY growth

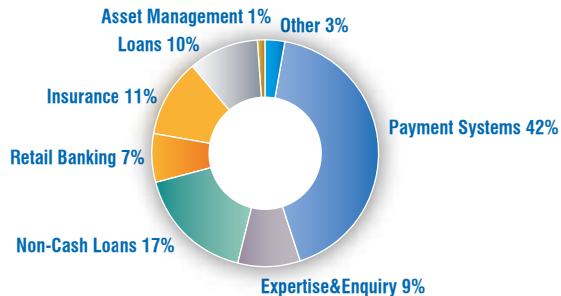
Net Fees & Commissions Income (TRY million)



Net Fees & Commissions / Operating Revenues (%)



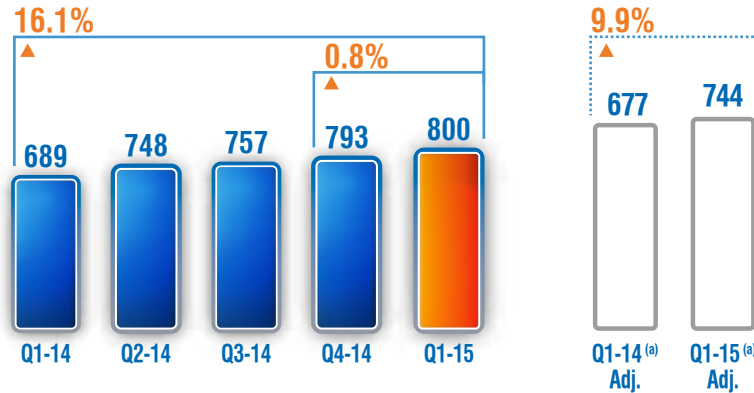
Breakdown of Fees & Commissions (%)



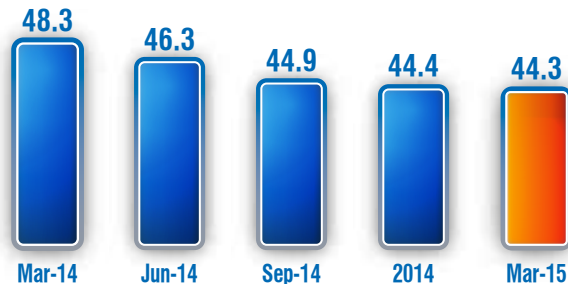
Share of net fees and commissions income in operating revenues has increased to **17.9%**

Excluding rebates, OpEx growth 9.9% YoY

Operating Expenses (TRY million)

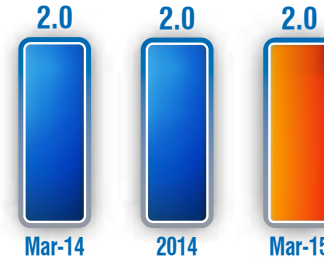


Cost/Income (%)

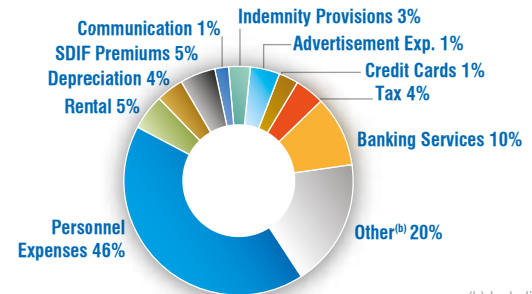


(a) Excluding TRY 12 mn in Q1-14 and TRY 55.9 mn rebates in commission in Q1-15.

Operating Expenses / Average Assets (%)



Breakdown of Operating Expenses (%)

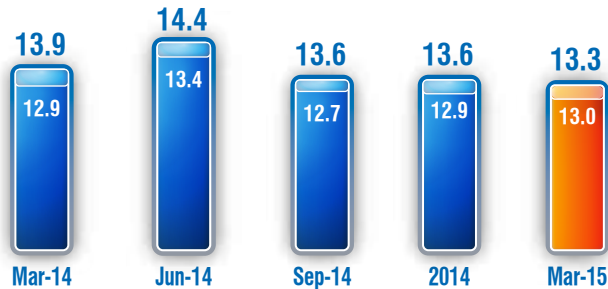


(b) Including rebates

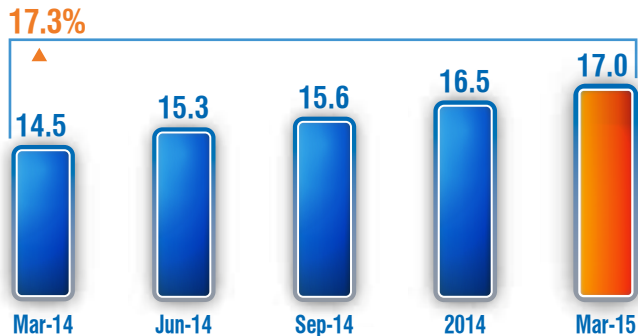
Solvency Ratios

CAR (%)

■ Tier-1 ■ CAR



SHE (TRY billion)



Details on Capital Ratio

(TRY mn)	Basel III Mar-15
Credit Risk Base Amount (CRBA)	114,283
Market Risk Base Amount (MRBA)	3,551
Operational Risk Base Amount (ORBA)	10,978
Total Risk Weighted Assets (RWAs)	128,812
Shareholders' Equity	17,092
CAR (%)	13.3
Tier-I (%)	13.0
Common Equity Tier-I (%)	13.0

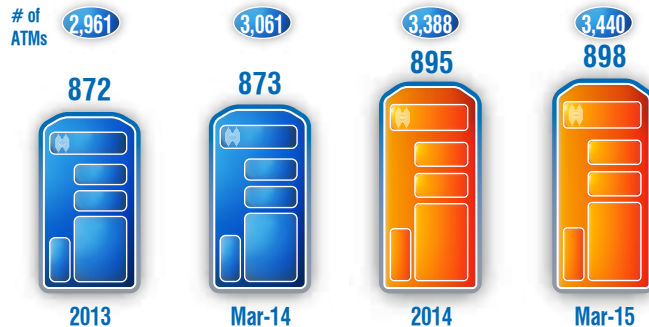
QoQ change in CAR is including

- > **+53 bps** due to risk weighting for consumer loans to Social Security Institution pension customers down to 75%
- > **-25 bps** due to depreciation of TRY

Branch Network - Human Resources

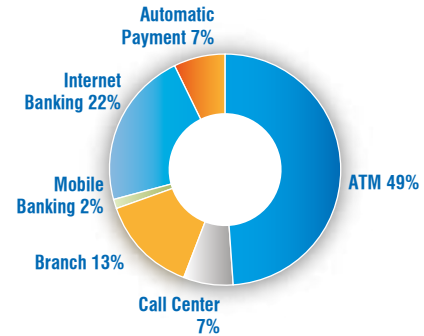
- > **3** new branches opened in Q1-15.
- > Total branch number reached **898**.
- > **52** new ATM opened in Q1-15.

Branches^(a)

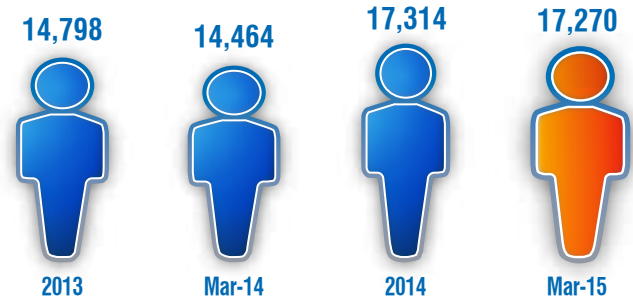


(a) Including domestic branches and special transaction centers.

Utilization of Banking Distribution Channels (%)



Headcount



Balance Sheet

In TRY million	Q1-14	2014	Q1-15	QoQ Change %	YoY Change %
Cash and Balances Held with the Central Bank ^(a)	19,534	20,276	19,708	(2.8)	0.9
Banks & Money Market ^(b)	2,227	1,284	1,309	1.9	(41.2)
Securities ^(b)	29,928	26,844	26,619	(0.8)	(11.1)
Net Loans ^(b)	88,921	101,767	108,380	6.5	21.9
Gross NPL	2,425	3,700	3,747	1.3	54.5
NPL Net	547	1,286	1,284	(0.1)	134.7
Property and Equipment	1,109	1,239	1,240	0.1	11.8
Other Assets	3,805	4,013	4,017	0.1	5.6
Total Assets	145,524	155,423	161,273	3.8	10.8
Deposits ^(b)	100,159	103,708	106,894	3.1	6.7
Funds Borrowed ^(b)	13,989	12,630	13,919	10.2	(0.5)
Interbank Money Market ^(b)	5,334	8,413	7,921	(5.8)	48.5
Marketable Securities Issued	4,097	6,172	7,951	28.8	94.1
Funds	1,470	1,769	1,730	(2.2)	17.6
Other Liabilities	3,960	4,078	3,589	(12.0)	(9.4)
Provisions	1,987	2,117	2,225	5.1	11.9
Shareholders' Equity	14,527	16,536	17,045	3.1	17.3
Total Liabilities	145,524	155,423	161,273	3.8	10.8

(a) Reserve deposits monitored in balance with Central Bank

(b) Including interest accruals

Income Statement

In TRY million	Q1-14	Q4-14	Q1-15	QoQ Change %	YoY Change %
Interest Income	2,734	2,984	3,001	0.6	9.8
On Loans	2,017	2,363	2,510	6.2	24.4
On Securities	712	615	482	(21.7)	(32.3)
Interest Expense	1,572	1,570	1,718	9.4	9.3
On Deposits	1,315	1,280	1,394	8.9	6.0
Net Interest Income	1,162	1,414	1,283	(9.3)	10.4
Net Fees and Commissions	222	303	323	6.8	45.7
Net Trading Income	(80)	15	20	35.2	-
Other Operating Income	124	99	178	79.9	44.0
Reversal of Loan Loss Provisions	83	67	86	29.4	4.2
Total Operating Revenues	1,427	1,831	1,805	(1.4)	26.4
Operating Expenses	689	793	800	0.8	16.1
Net Operating Income	738	1,038	1,005	(3.2)	36.1
Provision for Loan Losses and Other Receivables	194	476	255	(46.5)	31.4
Loan Loss Provisions for Cash Loans	151	307	135	(56.0)	(10.3)
Profit/(Losses) from Associates	99	8	0	-	-
Income Before Taxes	644	570	750	31.7	16.6
Provision for Tax	113	128	167	30.1	47.2
Net Income	530	442	584	32.1	10.0

Notes



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