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RESI L IENT
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SUST A INABLE
NATIO N WIDE
MAR K ETMAKER

2016 Highlights

Solid Financial Results

Net Income Growth
10.5%

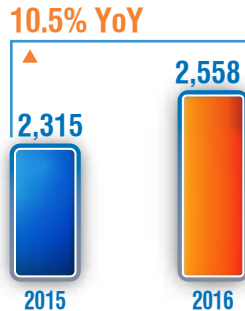
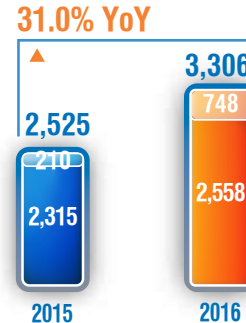
&

RoE
12.6%

&

YoY NIM
+20 bps

&

CoR^(a)
81 bps
Reported Net Income (TRY mn)

Adjusted Net Income (TRY mn)^(b)

Quarterly Adjustments in Detail (TRY mn)

	Q1-15	Q2-15	Q3-15	Q4-15	2015	Q1-16	Q2-16	Q3-16	Q4-16	2016
Provision Reversal	+48	+430	+110	+39	+627	+124	-	-	-	+124
Gains on Visa Sale	-	-	-	-	-	-	+100	-	-	+100
Additional Provision	-	(622)	-	-	(622)	-	-	(445)	(437)	(882)
Fee Rebates	(56)	(61)	(57)	(41)	(214)	(39)	(27)	(15)	(9)	(89)
Total Impact	(8)	(253)	+53	(2)	(210)	+85	+73	(460)	(446)	(748)

(a) Gross and Specific Loan Loss Provisions (b) Adjusted for Provision reversals, fee rebates, gains on Visa, additional provisions & Excluding tax effect

2016 Highlights

Main Drivers of Net Income Growth

1 Strong Topline

NII Growth **+23%**
YoY NIM **+20 bps**

vs Budget

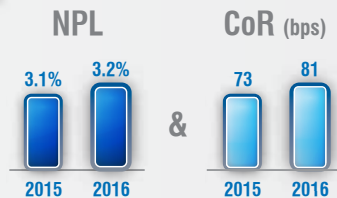
NII **+12% YoY**, NIM **Flat**

2 Fees & Commissions Generation Capacity

Despite Cancellation of Account Maintenance fees **+15% YoY**

vs Sector as of Dec-16 **+7% YoY**

3 Sustained Asset Quality, Low CoR



4 Controlled OPEX Growth

OPEX YoY **+11%** Rebates (TRY mn)



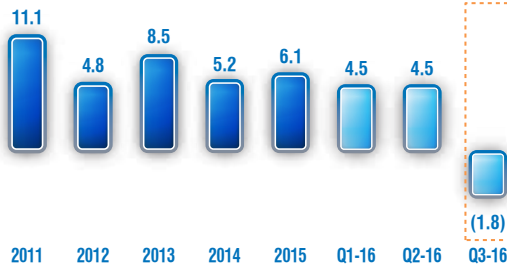
5 Contribution from Subsidiaries

+42% YoY

Macro & Banking Sector Snapshot

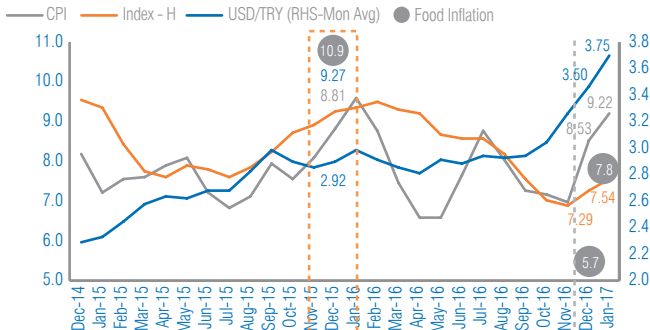
Domestic Macro Environment

Real GDP Growth (%)



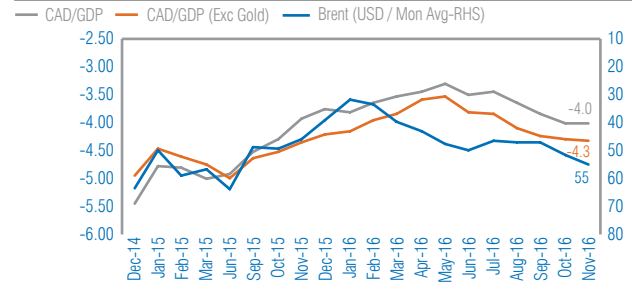
Turkish GDP posted -1.8% decline in Q3-16, longlasting volatilities in the economy and political environment have weighted on economic activities.

Inflation (%)



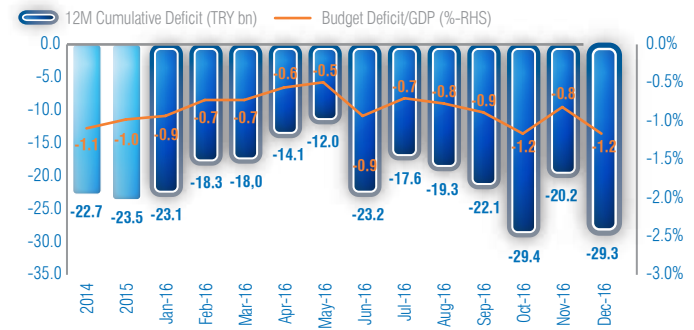
Headline CPI has showed sharp increases in Dec-16 and Jan-17 consecutively on the back of pass-through impact of weakening TL combined with tax increases on tobacco & alcoholic beverages.

CAD / GDP (%)



Current account deficit is closely correlated to external factors such as global energy prices. CAD/GDP is expected to end 2016 at -4.0%. Full year GDP of 2016 is calculated based on the 9-month cumulative GDP

Budget

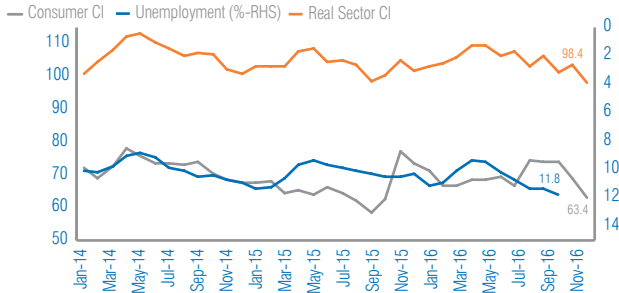


Budget deficit posted TRY 29 bn in 2016, bringing Deficit / GDP ratio up to 1.2%. Full year GDP of 2016 is calculated based on the 9-month cumulative GDP

Macro & Banking Sector Snapshot

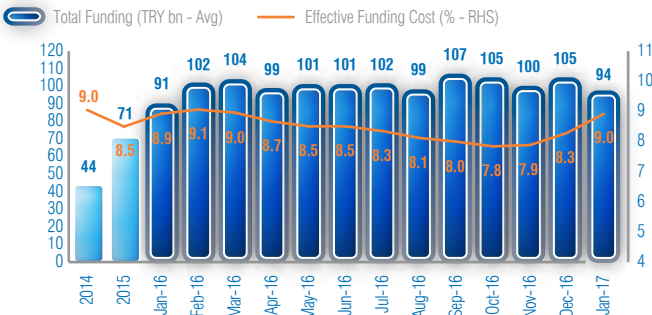
Domestic Macro Environment

Unemployment & Confidence Indexes



Unemployment rate increased to 11.8% as of Oct-16 trending in line with weakening consumer confidence.

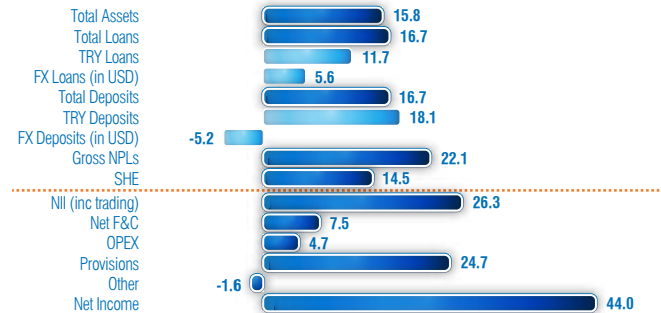
CBRT Funding (%)



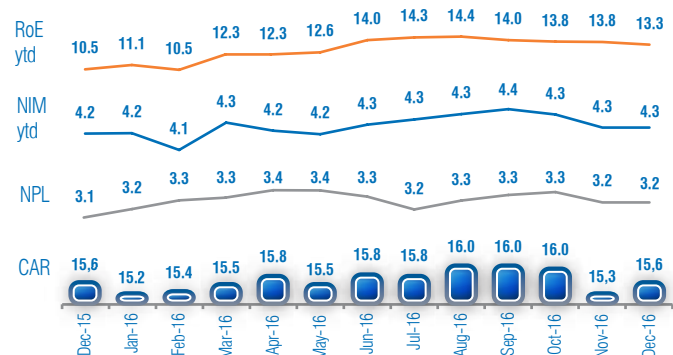
Effective funding cost has picked up on measures taken by the CBRT, touched 10.4 in the last few days with the changes in the funding composition and rate increases

Turkish Banking Sector

2016 vs 2015 in Terms of Selected Items (%)

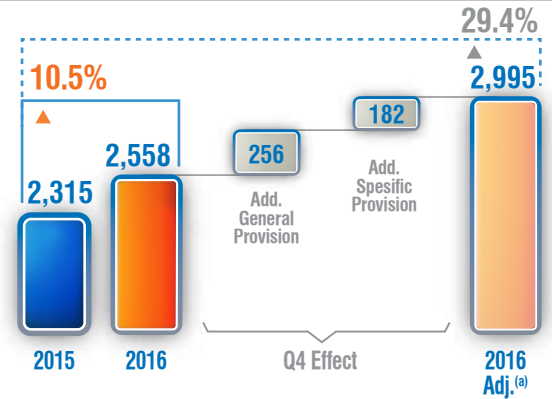
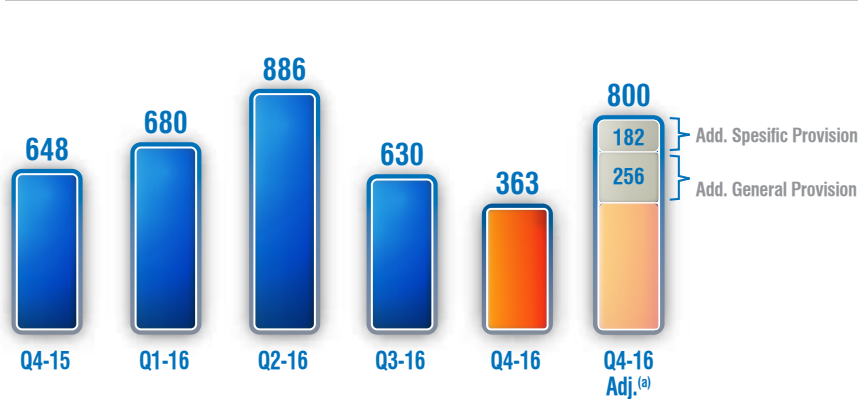


Selected Ratios (%)

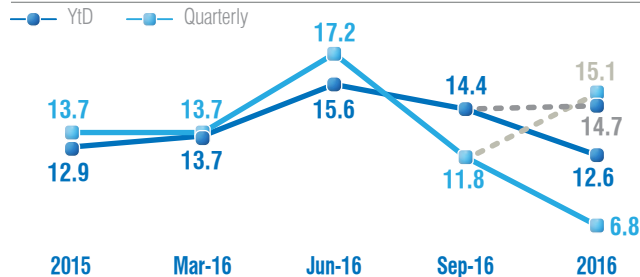


Double digit net income growth despite additional provisions

Net Income (TRY million)



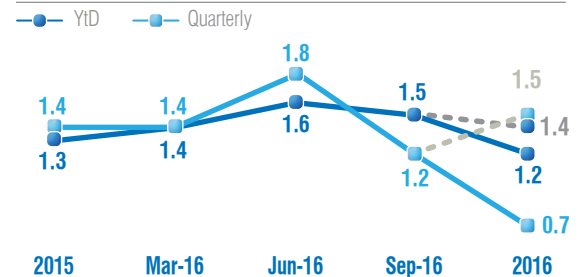
RoE (%)



Adj. RoE ^(a)	
2016	14.7
Q4-16	15.1

Adj. RoA ^(a)	
2016	1.4
Q4-16	1.5

RoA (%)



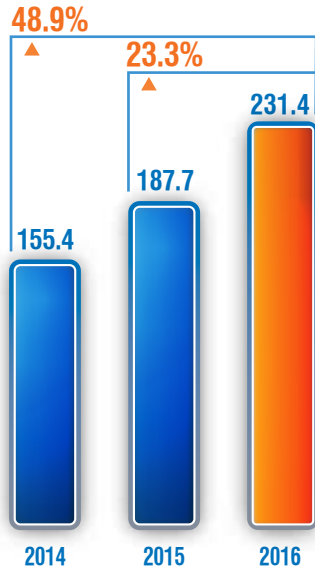
(a) Excluding additional general provision & additional specific provisions expenses

Strong asset growth, also reflecting depreciation impact

Asset Growth

YoY **23.3%** QoQ **9.5%**

Total Asset Growth (TRY billion)

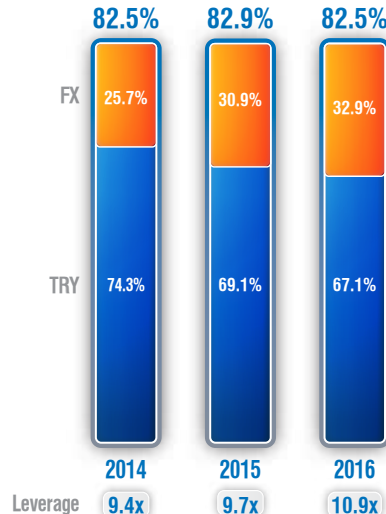


(a) Including interest accruals and excluding fund loans

IEA

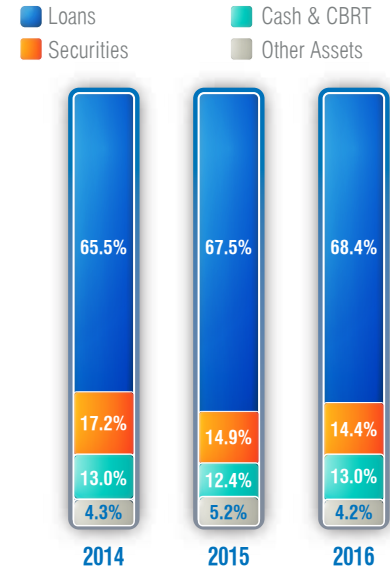
82.5%

Composition of IEAs^(a)



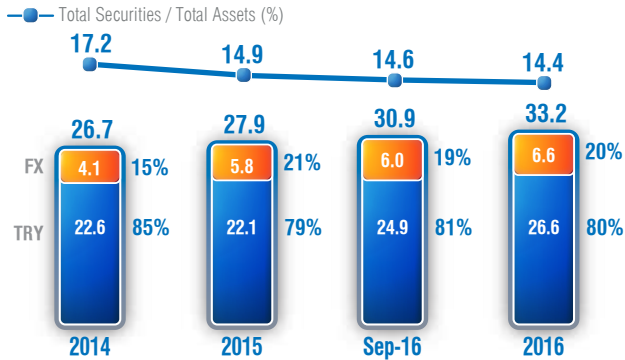
Securities Portion **14.4%**

Asset Mix (%)

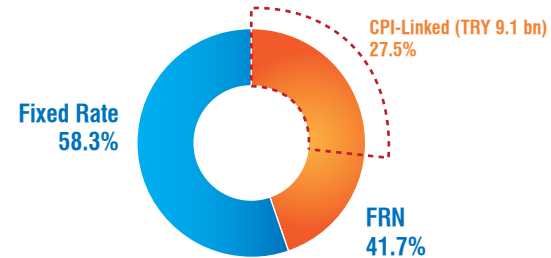


Growing securities book, supporting interest income

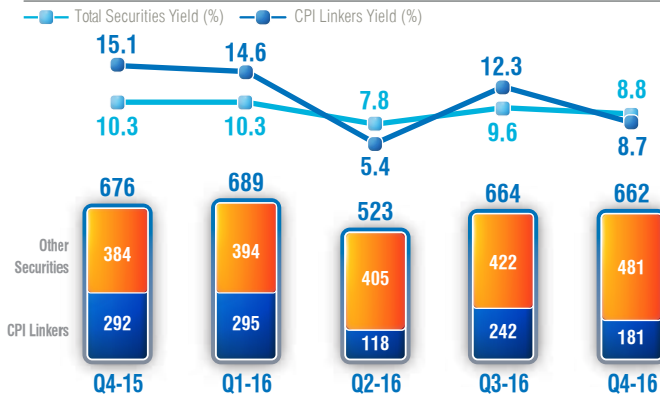
Total Securities Portfolio (TRY billion)



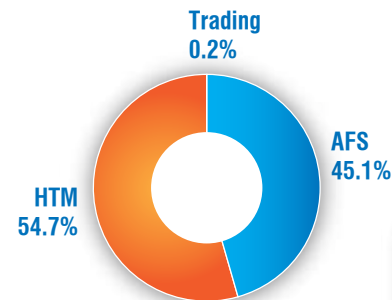
Interest Structure (%)



Interest Income on Securities (TRY million)



Securities Composition (%)



AFS MtM cumulative loss under SHE
TRY 792 mn

Solid loan growth with increasing market share: 24.9% YoY

(TRY billion)^(a)

Total Loans

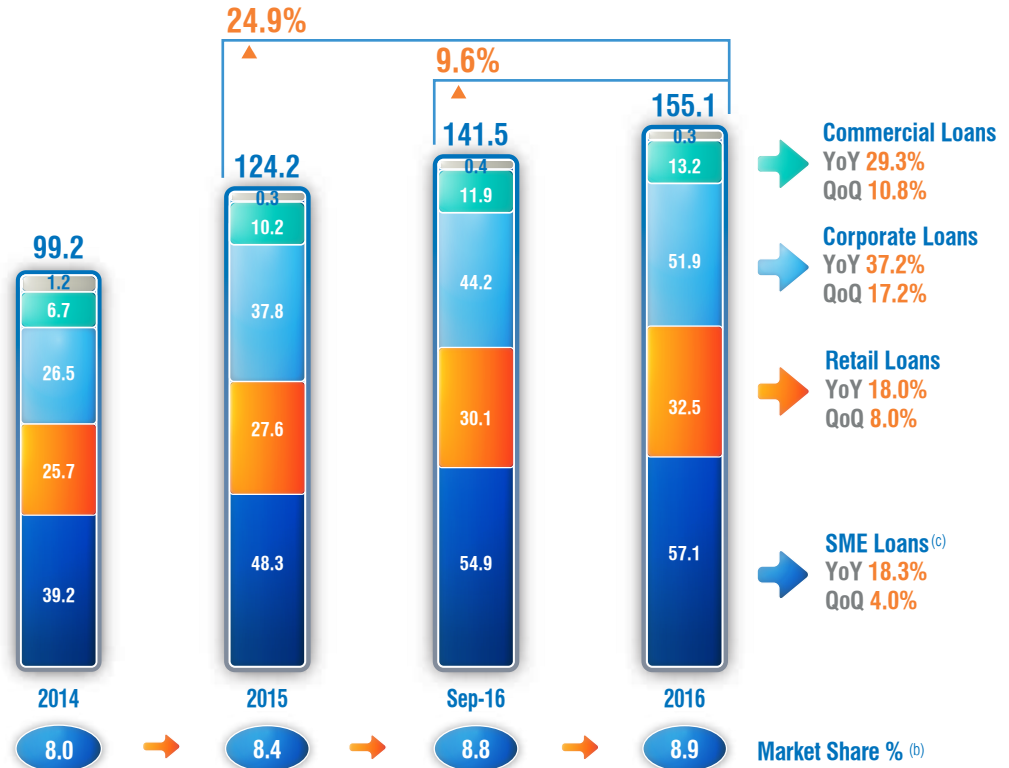
HALKBANK	B. Sector ^(b)
YoY	YoY
24.9%	16.8%
QoQ	QoQ
9.6%	7.7%

TRY Loans

HALKBANK	B. Sector ^(b)
YoY	YoY
18.6%	11.6%
QoQ	QoQ
6.0%	3.9%

FX Loans

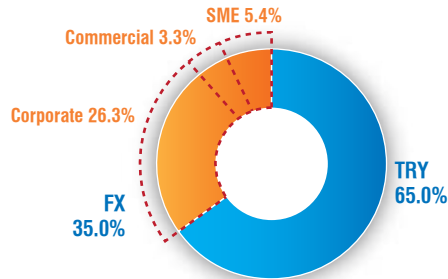
HALKBANK	B. Sector ^(b)
YoY	YoY
38.5%	27.9%
QoQ	QoQ
16.9%	15.7%
in USD terms	
YoY	YoY
14.4%	5.6%
QoQ	QoQ
-0.8%	-1.8%



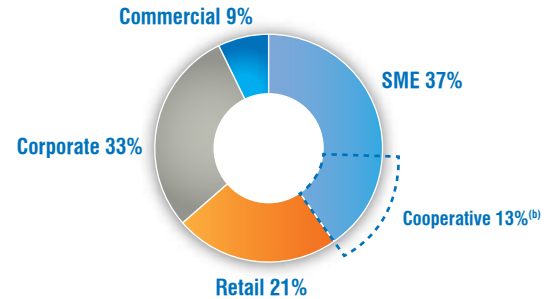
(a) Excluding interest accruals (b) BRSA monthly data as of 31.12.2016 (c) According to the BRSA definition

Risk limiting & return ensuring, balanced loan book

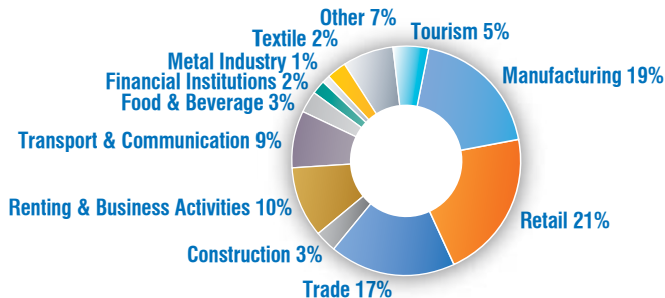
Loans by Currency (%)^(a)



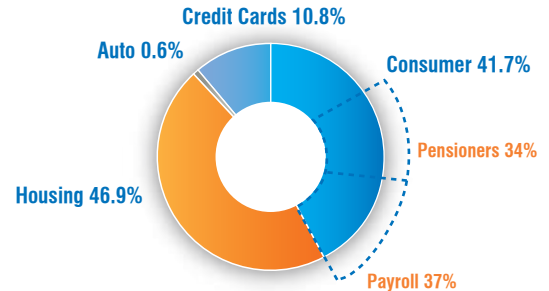
Loans by Customer Segmentation (%)^(a)



Sectoral Breakdown of Loans (%)^(a)



Retail Loans by Types (%)^(a)



^(a) Excluding interest accruals ^(b) Micro SMEs

Retail loans: Consistent loan growth, increasing market share

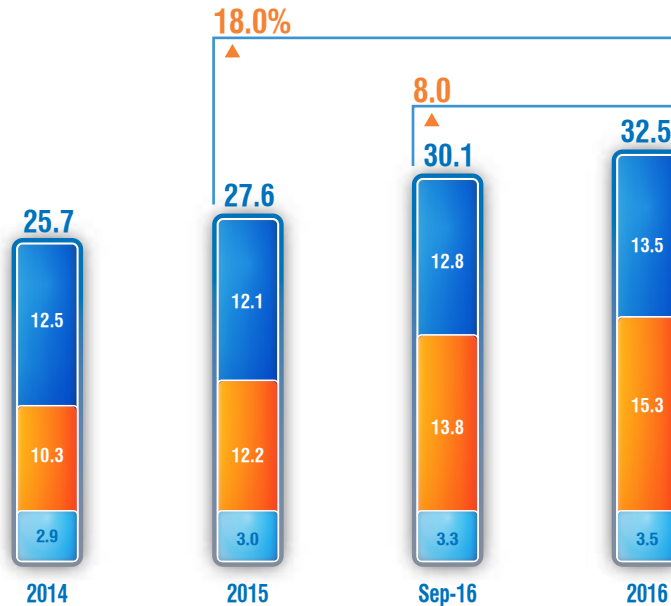
(TRY billion)^(a)

HALKBANK

YoY **18.0%**
QoQ **8.0%**

B. Sector^(b)

YoY **9.6%**
QoQ **4.4%**



➔ **Consumer Loans**
YoY **11.9%**
QoQ **5.9%**
Share in total 41.7%

➔ **Housing Loans**
YoY **24.7%**
QoQ **10.6%**
Share in total 46.9%

➔ **Credit Cards**
YoY **15.5%**
QoQ **5.8%**
Share in total 10.8%

Retail Loans Market Share %



Consumer Loans Market Share %



Housing Loans Market Share %



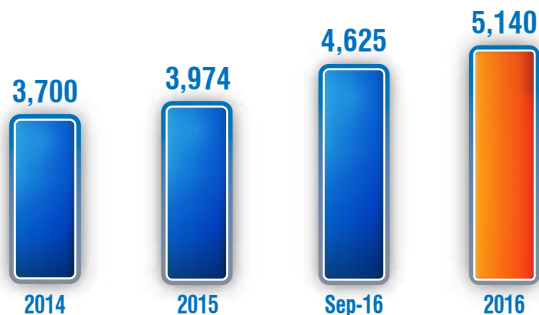
Credit Card Loans Market Share %



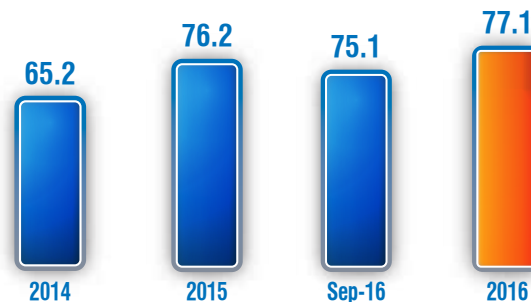
(a) Excluding interest accruals
(b) BRSB monthly data as of 31.12.2016

Group II loans down, NPL coverage up

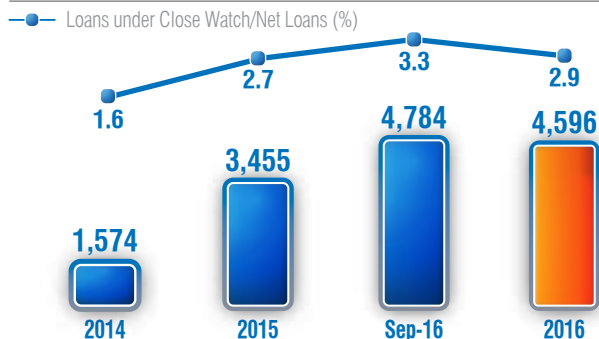
NPL Portfolio (TRY million)



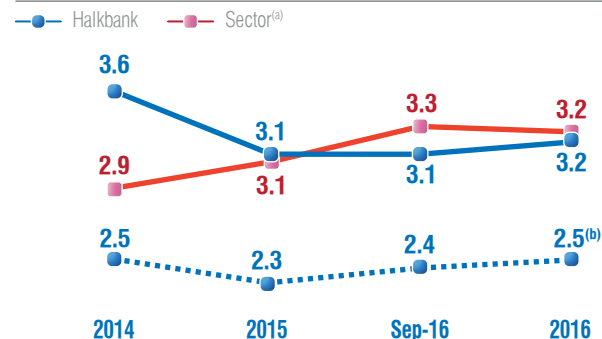
NPL Coverage (%)



Loans under Close Watch (TRY million)



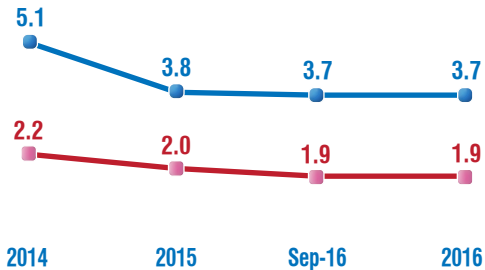
NPL/Total Loans (%)



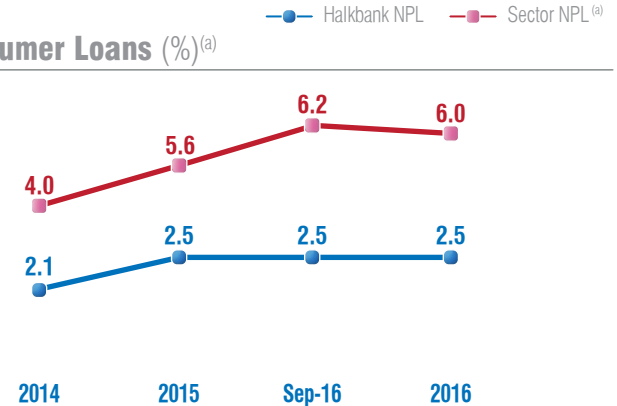
(a) BRSA monthly data as of 31.12.1016 (b) Adjusted with one-off big ticket loan.

NPL ratio by segments

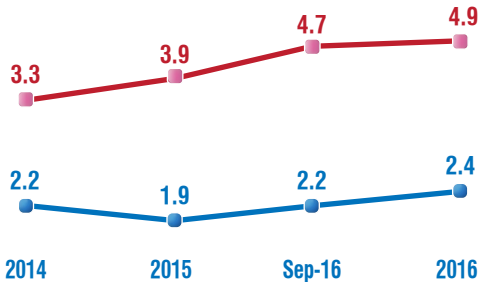
Corporate - Commercial (%)^(a)



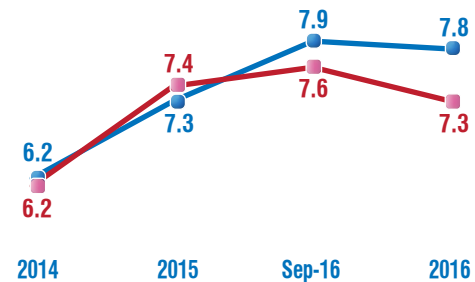
Consumer Loans (%)^(a)



SME Loans (%)^(a)



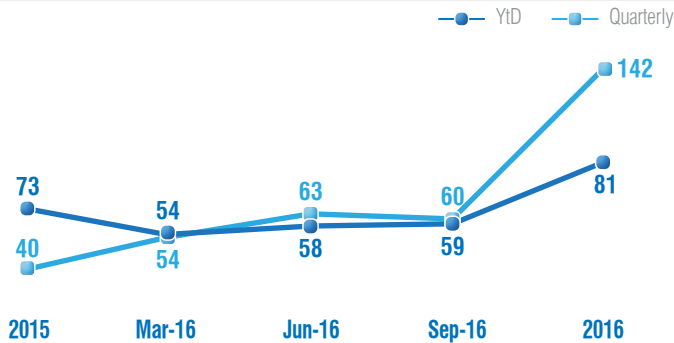
Credit Cards (%)^(a)



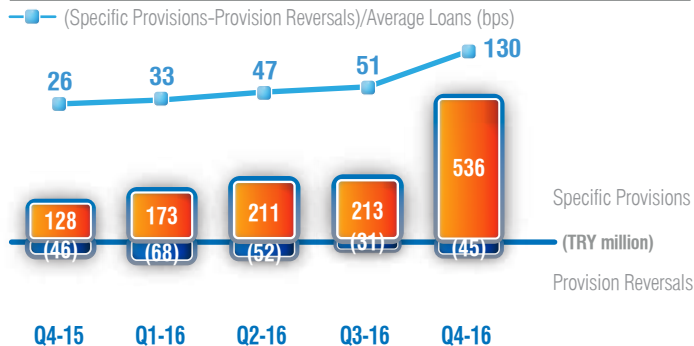
(a) BRSA monthly data as of Dec-16, Halkbank data excluding legacy NPLs

Additional provisioning increasing CoR

Cost of Risk (bps)^(a)

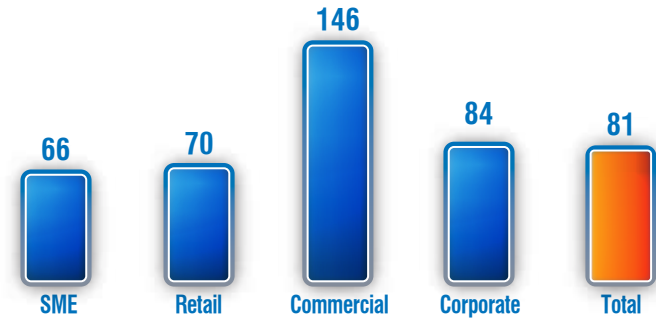


Net Cost of Risk

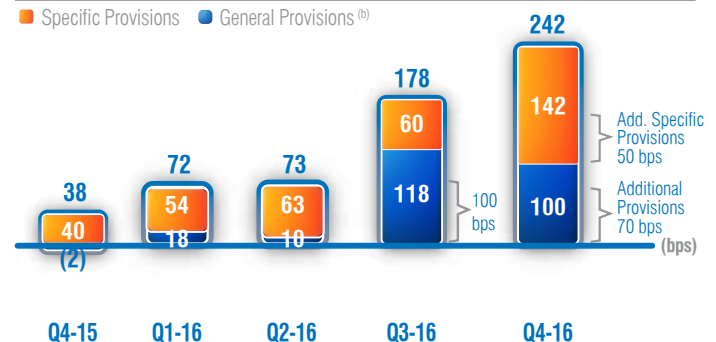


(a) Specific provisions/Average Net Loans (b) General Provisions of Cash Loans/Average Cash Loans

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



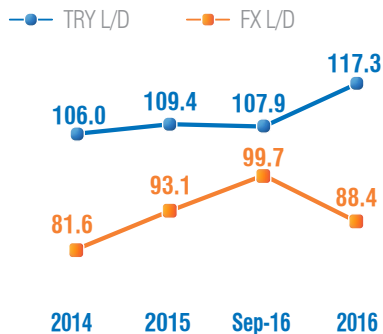
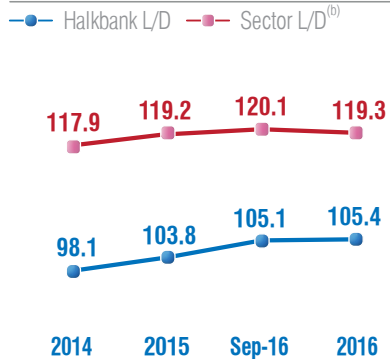
Gross Cost of Risk (bps)



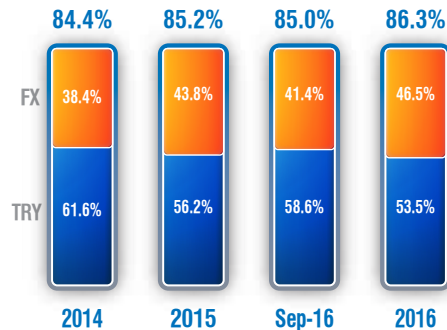
5.6% comfortably low share of non-deposit ST FX

IBL 86.3%^(a)

Loan to Deposit (%)

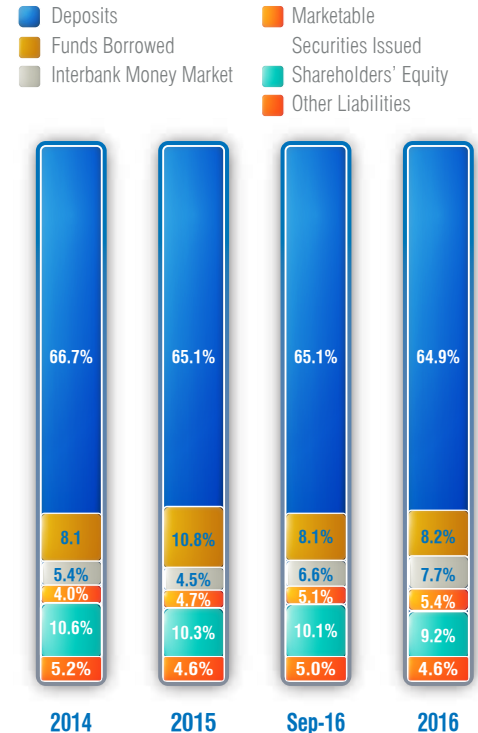


Composition of IBLs^(a)



> Share of non-deposit short term FX borrowings in Liabilities 5.6%

Liabilities Mix (%)



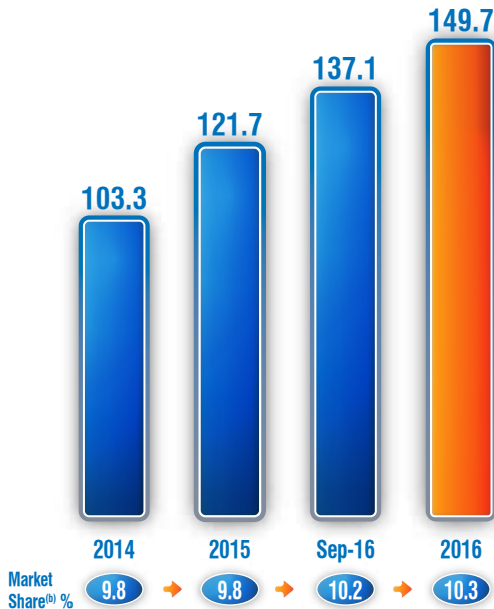
(a) Including interest accruals and excluding funds. Excluding demand deposit, the share of IBL is 77.1% in Dec-16.

(b) BRSA monthly data as of Dec-16

Details of deposit base

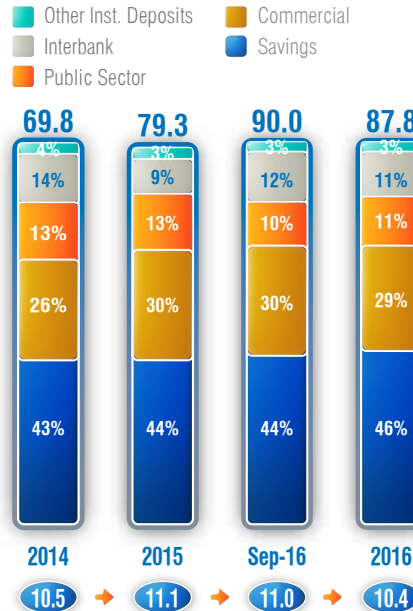
	HALKBANK	B. Sector ^(b)
YoY	23.0%	16.7%
QoQ	9.2%	8.4%

Total Deposits (TRY billion)^(a)



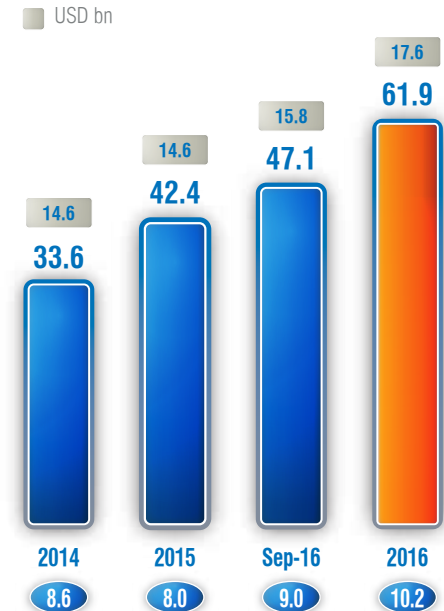
	HALKBANK	B. Sector ^(b)
YoY	10.6%	18.1%
QoQ	-2.5%	3.2%

TRY Deposits (TRY billion)^(a)



	HALKBANK	B. Sector ^(b)
YoY	46.2%	14.8%
QoQ	31.6%	16.6%
in USD		
YoY	20.8%	-5.1%
terms	QoQ	11.7%
		-1.0%

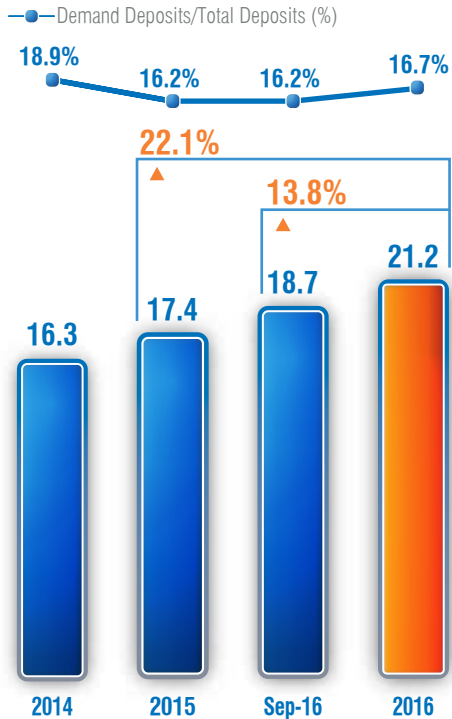
FX Deposits (TRY billion)^(a)



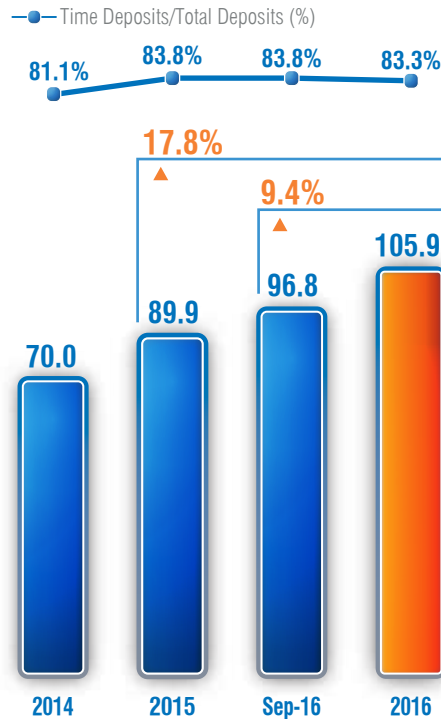
(a) Excluding interest accruals. (b) BRSA monthly data as of 31.12.2016

Cost of TRY deposits in the path of decline

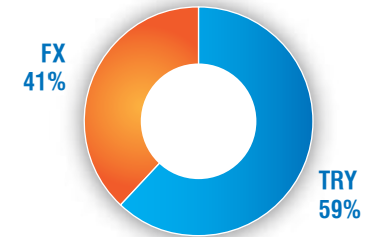
Demand Deposits (TRY billion)^(a)



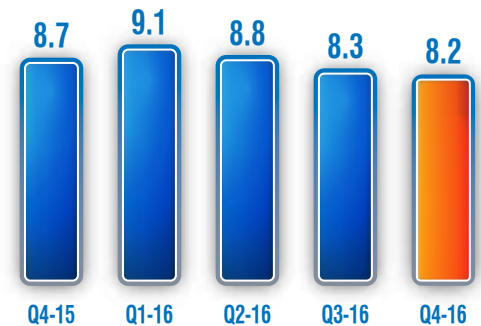
Time Deposits (TRY billion)^(a)



Deposits by Currency (%)



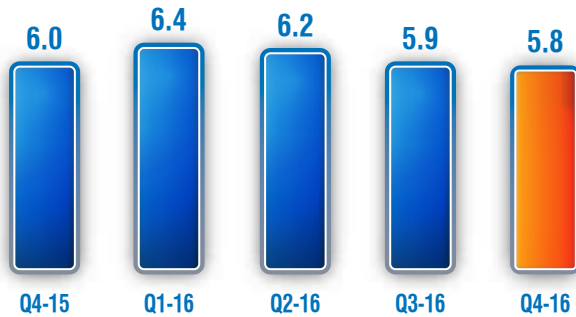
Cost of TRY Deposits (%)^(b)



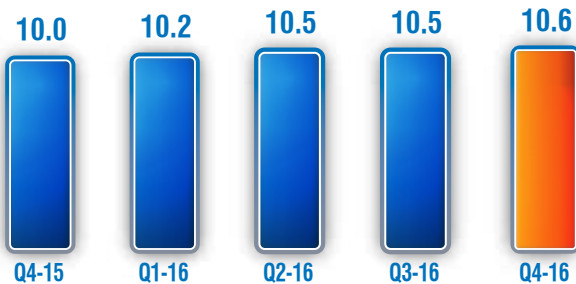
(a) Excluding interest accruals and interbank. (b) Time & Demand Blended.

Cost - Yield - Spread^(a)

Cost of Deposits (%)

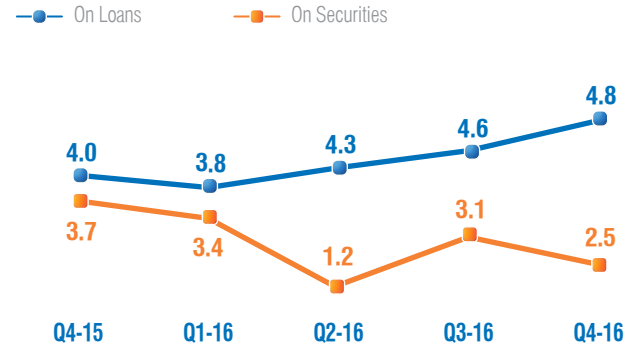


Yield on Loans (%)^(b)

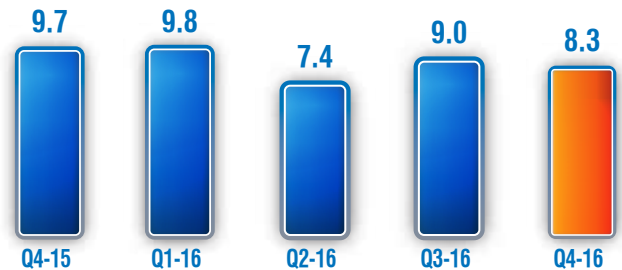


(a) TRY-FX blended (b) Excluding fund loans.

Spreads (%)



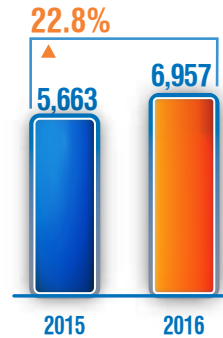
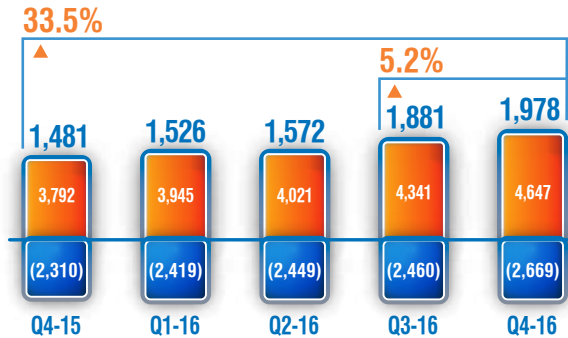
Yield on Securities (%)



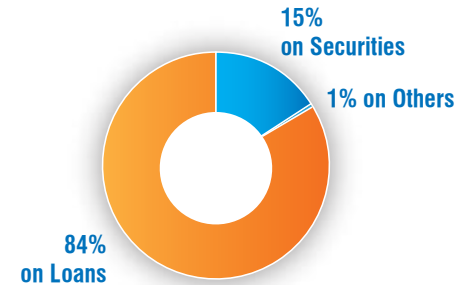
Quarterly NII up 5.2%, Yearly NII up 22.8%, NIM up ~20bps

Net Interest Income (TRY million)

Interest Income Interest Expenses

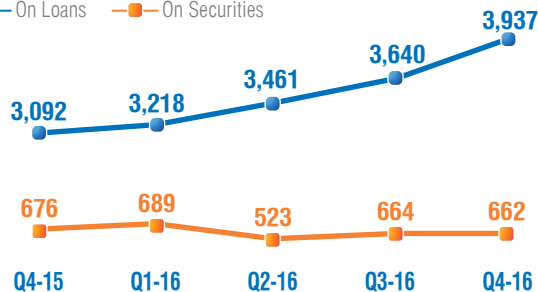


Breakdown of Interest Income (%)



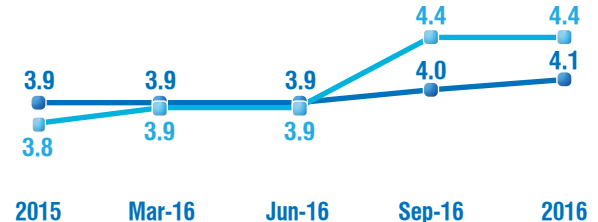
Interest Income (TRY million)

On Loans On Securities



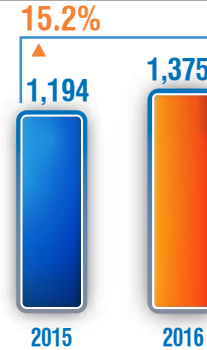
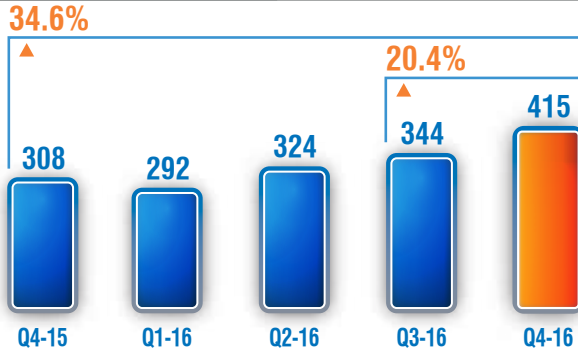
NIM (%)

YTD Quarterly

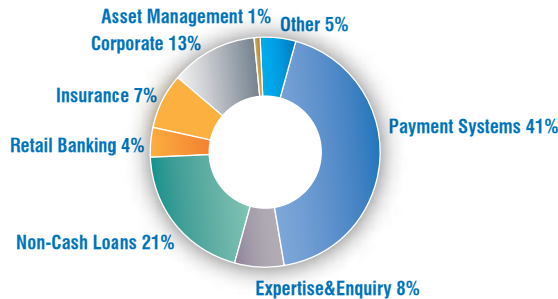


NFCI: Four-Quarter consecutive increase; 20.4% QoQ, 15.2% YoY

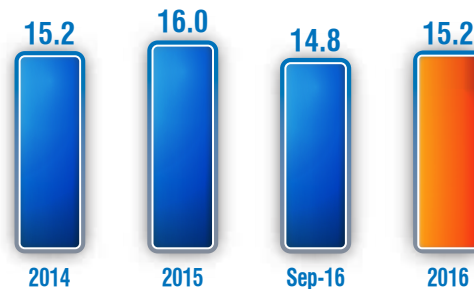
Net Fees & Commissions Income (TRY million)



Breakdown of Fees & Commissions (%)



Net Fees & Commissions / Operating Revenues (%)

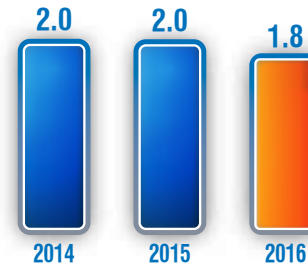


Efficient cost management, Opex to Avg Assets at 1.8%

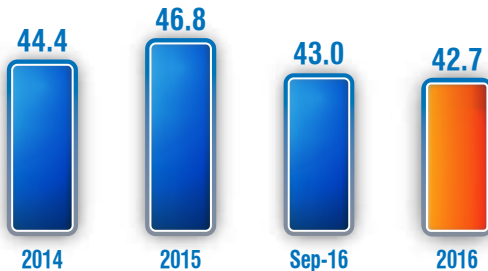
Operating Expenses (TRY million)



Operating Expenses / Average Assets (%)

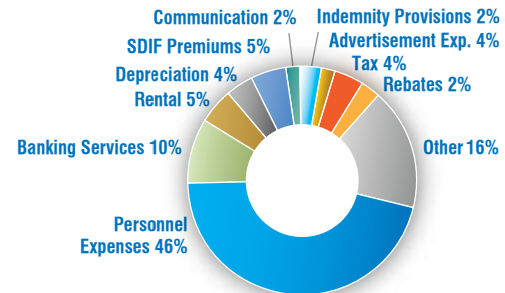


Cost/Income (%)



(a) Rebates in commissions

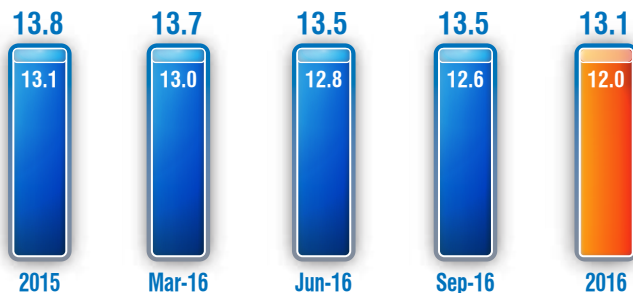
Breakdown of Operating Expenses (%)



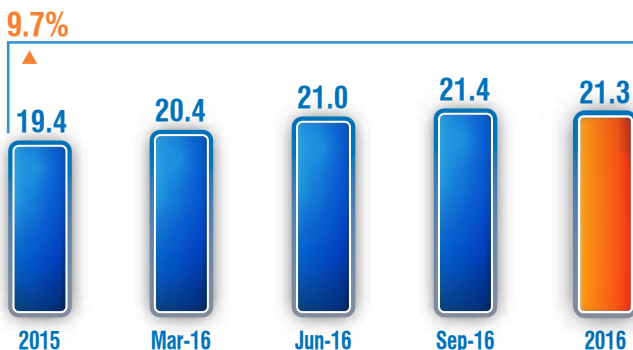
Solvency Ratios

CAR (%)

■ Tier-I ■ CAR



SHE (TRY billion)



Details on Capital Ratio

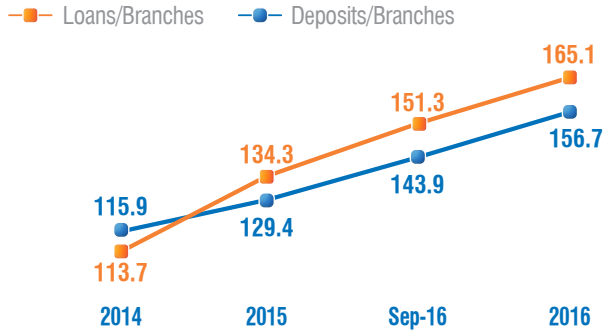
(TRY mn)	Basel III 2016
Credit Risk Base Amount (CRBA)	162,742
Market Risk Base Amount (MRBA)	1,948
Operational Risk Base Amount (ORBA)	11,297
Total Risk Weighted Assets (RWAs)	175,987
Shareholders' Equity	23,013
CAR (%)	13.1
Tier-I (%)	12.0
Common Equity Tier-I (%)	12.0

CCB is 0,625% and will increase to 1.25% in 2017.
SIFI buffer for HB classified G1 is 0.25% and will increase to 0.5% in 2017.

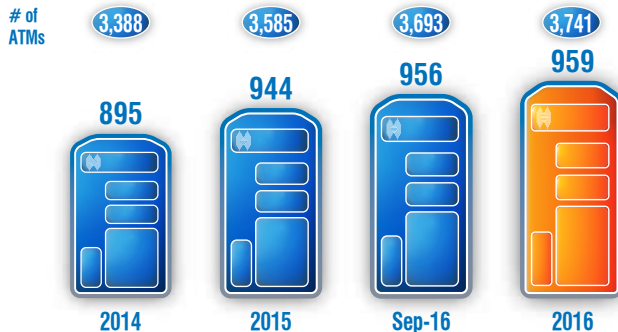
Branch Network – Human Resources

- > 15 new branches opened in 2016.
- > Total branch number reached 959.

Loans and Deposits per Branches (TRY million)

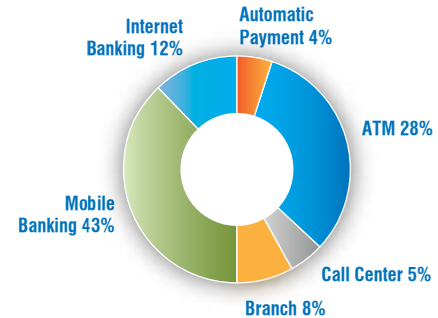


Branches^(a)

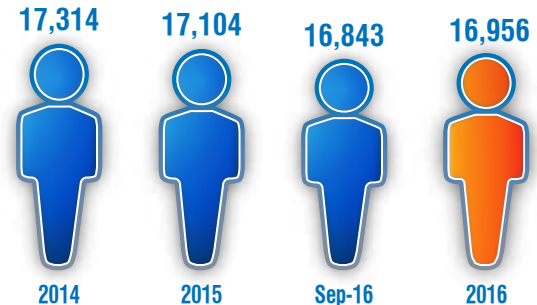


(a) Including domestic branches and special transaction centers.

Breakdown of Banking Transactions (%)



Headcount



Balance Sheet

In TRY million	2015	Sep-16	2016	QoQ Change%	YoY Change%
Cash and Balances Held with the Central Bank ^(a)	23,325	27,038	29,999	11.0	28.6
Banks & Money Market ^(b)	2,513	810	1,661	105.1	(33.9)
Securities ^(b)	27,908	30,870	33,216	7.6	19.0
Net Loans ^(b)	126,745	144,612	158,354	9.5	24.9
Gross NPL	3,974	4,625	5,140	11.1	29.4
NPL Net	946	1,151	1,176	2.2	24.3
Property and Equipment	2,176	2,196	2,403	9.4	10.4
Other Assets	5,062	5,793	5,807	0.3	14.7
Total Assets	187,729	211,319	231,441	9.5	23.3
Deposits ^(b)	122,146	137,594	150,263	9.2	23.0
Funds Borrowed ^(b)	20,262	17,062	18,968	11.2	(6.4)
Interbank Money Market ^(b)	8,410	13,842	17,847	28.9	112.2
Marketable Securities Issued	8,905	10,873	12,434	14.4	39.6
Funds	1,964	2,125	2,340	10.1	19.2
Other Liabilities	4,489	5,822	5,221	(10.3)	16.3
Provisions	2,129	2,628	3,052	16.1	43.3
Shareholders' Equity	19,424	21,372	21,317	(0.3)	9.7
Total Liabilities	187,729	211,319	231,441	9.5	23.3

(a) Reserve deposits monitored in balance with Central Bank

(b) Including interest accruals

Income Statement

In TRY million	2015	2016	YoY Change %	Q4-15	Q1-16	Q2-16	Q3-16	Q4-16	QoQ Change %	YoY Change %
Interest Income	13,657	16,954	24.1	3,792	3,945	4,021	4,341	4,647	7.1	22.6
On Loans	11,258	14,256	26.6	3,092	3,218	3,461	3,640	3,937	8.2	27.3
On Securities	2,341	2,539	8.4	676	689	523	664	662	(0.2)	(2.0)
Interest Expense	7,994	9,997	25.1	2,310	2,419	2,449	2,460	2,669	8.5	15.5
On Deposits	6,386	8,181	28.1	1,832	2,004	2,002	2,021	2,154	6.6	17.6
Net Interest Income	5,663	6,957	22.8	1,481	1,526	1,572	1,881	1,978	5.2	33.5
Net Fees and Commissions	1,194	1,375	15.2	308	292	324	344	415	20.4	34.6
Net Trading Income	(262)	150	N/A	(91)	21	16	61	51	(16.7)	N/A
Other Operating Income	862	573	(33.5)	93	232	171	67	103	53.3	10.8
Reversal of Loan Loss Provisions	231	196	(15.0)	46	68	52	31	45	42.6	(1.7)
Total Operating Revenues	7,457	9,055	21.4	1,791	2,071	2,083	2,354	2,547	8.2	42.2
Operating Expenses	3,489	3,864	10.8	904	962	931	909	1,063	17.0	17.6
Net Operating Income	3,969	5,191	30.8	887	1,109	1,152	1,446	1,484	2.6	67.2
Provision for Loan Losses and Other Receivables	1,302	2,106	61.8	88	271	269	631	936	48.4	961.7
Loan Loss Provisions for Cash Loans	844	1,133	34.2	128	173	211	213	536	151.6	319.4
Profit/(Losses) from Associates	189	267	41.7	0	0	196	71	0	N/A	N/A
Income Before Taxes	2,856	3,352	17.4	799	838	1,080	886	548	(38.2)	(31.4)
Provision for Tax	540	793	46.8	151	158	194	256	185	(27.8)	22.5
Net Income	2,315	2,558	10.5	648	680	886	630	363	(42.4)	(44.0)

Halkbank 2017 Expectations

Growth Expectations (%)

	2017
Assets	13
Loans	15
TRY	14
FX (USD)	8-9
<i>Corporate</i>	15
<i>SME</i>	17
<i>Retail</i>	10
Deposits	13
NII	17
Net Fees and Commissions	15
OpEx	~10

Key Ratios (%)

	2017
RoE	~16
RoA	~1.5
Securities / Total Assets	~13
Loan / Deposit	<102
NIM	Flat
OpEx / Average Assets	~2
Cost of Risk (bps)	~60
NPL	~3.2
Coverage Ratio	~74
CAR	~15

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