

Q3 2017 Earnings Presentation

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

September 2017 Highlights

Solid Financial Results



Net Income Growth
37%

&

RoE
18%

&

CoR^(a)
59 bps

&

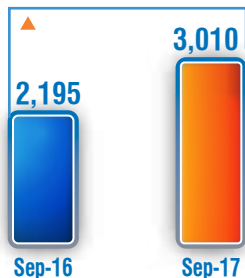
LDR^(b)
104%

&

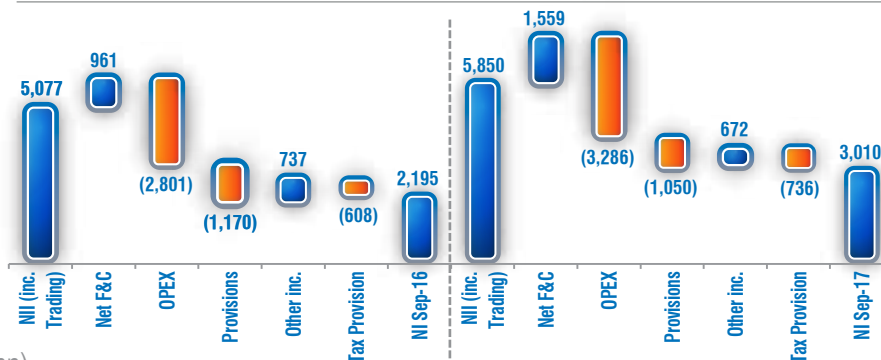
C/I^(c)
42%

Reported Net Income (TRY mn)

37% YoY



Earnings Walk Sep-16 / Sep-17 (TRY mn)



Non-Recurring P&L Items in Detail (TRY mn)

	Q1-15	Q2-15	Q3-15	Q4-15	2015	Q1-16	Q2-16	Q3-16	Q4-16	2016	Q1-17	Q2-17	Q3-17
Provision Reversal	48	430	110	39	627	124	-	-	-	124	-	-	-
Gains on Visa Sale	-	-	-	-	-	-	100	-	-	100	-	-	-
Additional Provision	-	(622)	-	-	(622)	-	-	(445)	(437)	(882)	-	-	(30)
Fee Rebates	(56)	(61)	(57)	(41)	(214)	(39)	(27)	(15)	(9)	(89)	(6)	(6)	(4)
Total Impact	(8)	(253)	53	(2)	(210)	85	73	(460)	(446)	(748)	(6)	(6)	(34)

(a) Gross and Specific Loan Loss Provisions (b) Loan to Deposit Ratio, blended (c) Cost / Income ratio

September 2017 Highlights

Main Pillars of Net Income Growth

1 Strong Topline

YoY NII Growth **+16%**

Interest income on Loans **+30%**

Interest income on Securities **+41%**

Total Interest Income **+33%**

2 Fees & Commissions Generation Capacity

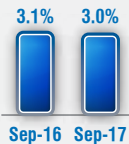
As of Sep-17
+62% YoY



Sector*
+21% YoY

3 Sustained Asset Quality, Low CoR

NPL



CoR **59 bps**



Sector* **105 bps**

4 Brilliant Efficiency

OPEX / Avg Assets
1.7%



Sector*
+2.0%

5 Collection Performance

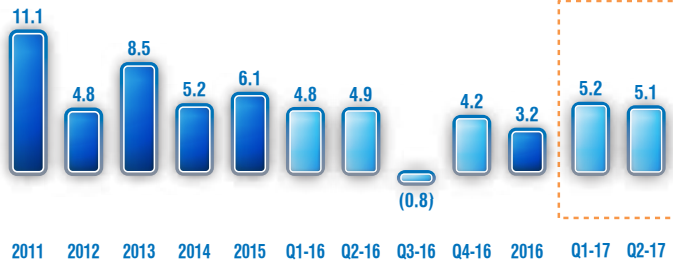
Reversal from LLP
TRY 219 million

*as of Sep-17

Macro & Banking Sector Snapshot

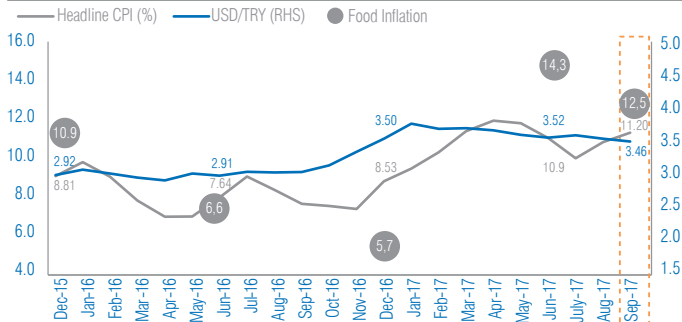
Domestic Macro Environment

Real GDP Growth (%)



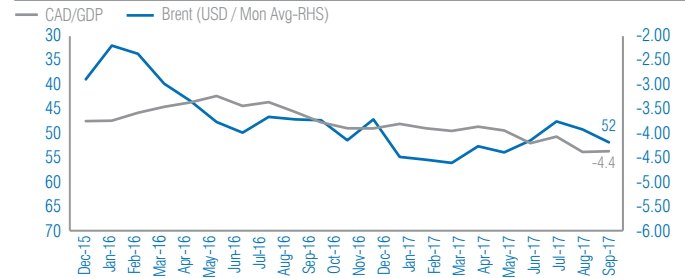
Unemployment rate somewhat up to 10.7% as of Jul-17.

Inflation (%)



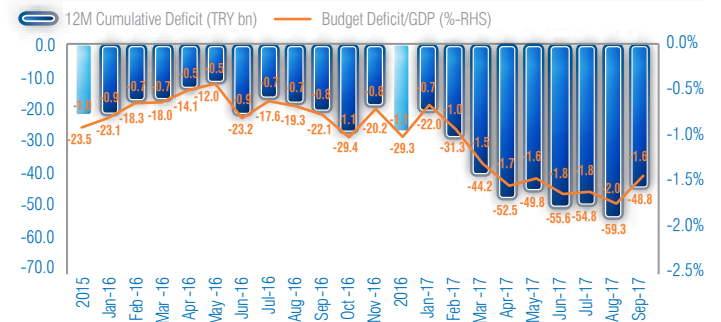
Headline CPI rose by 0.65% in Sep-17, bringing annual CPI to 11.2% as food and transportation inflation stood out as major drivers.

CAD / GDP (%)



Current account deficit is closely correlated to external factors such as global energy prices. CAD / GDP is expected to end 2017 at ~-4.6% level. Full year GDP of 2017 is aligned with the projection in MTP 2018-2020.

Budget

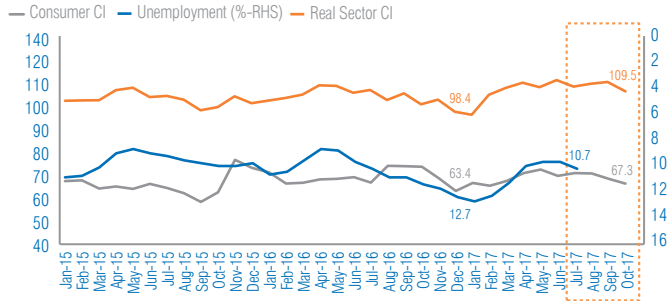


12m budget deficit posted TRY 59 bn in Aug-17, Deficit / GDP ratio at 2.0%. Full year GDP of 2017 is aligned with the projection in MTP 2018-2020.

Macro & Banking Sector Snapshot

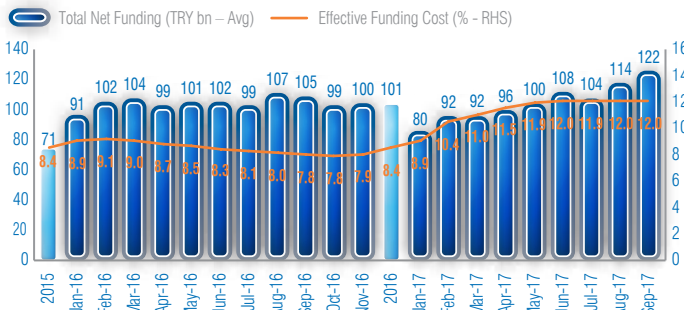
Domestic Macro Environment

Unemployment & Confidence Indexes



Unemployment rate somewhat up to 10.7% as of Jul-17.

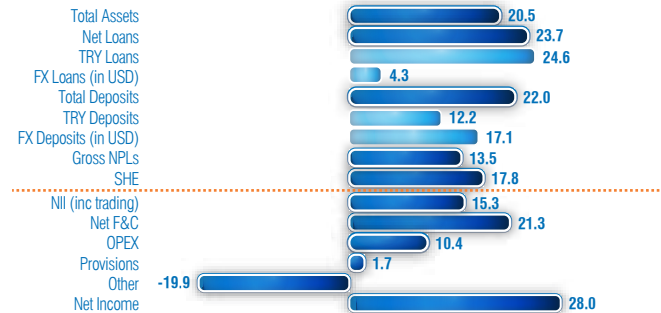
CBRT Funding (%)



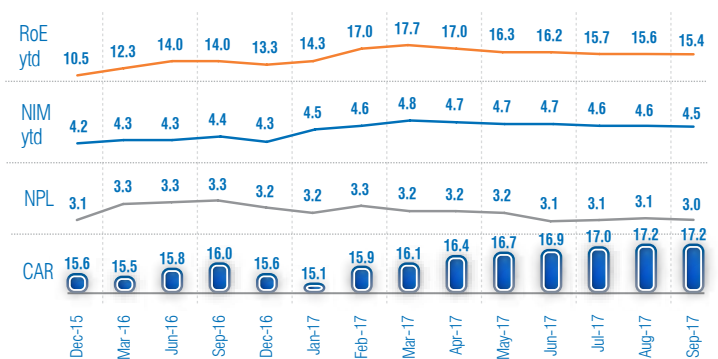
Effective funding cost of CBRT has reached 12.0% following changes in the funding composition and rate hikes

Turkish Banking Sector

Sep-17 vs Sep-16 Terms of Selected Items (%)

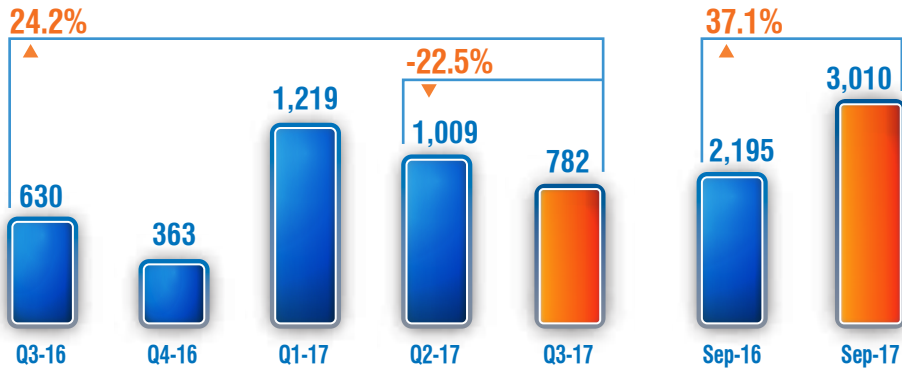


Selected Ratios (%)



Cumulative net income soared by 37% YoY, yielding into 18% RoE

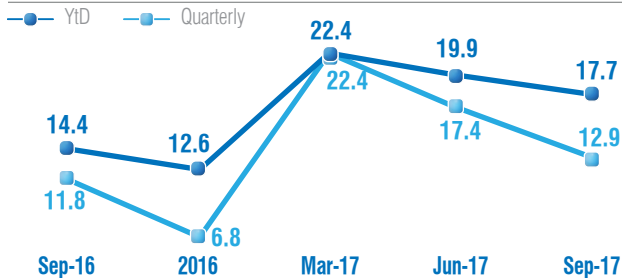
Net Income (TRY million)



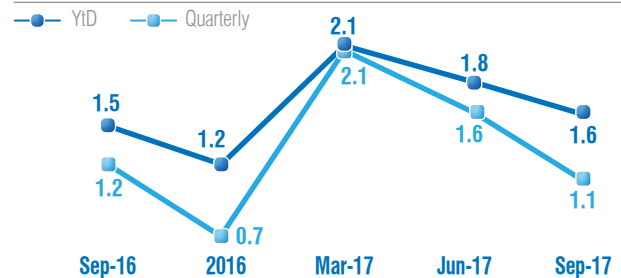
YoY Change (%)

- 15.8% Net Interest Income
- 62.3% Net Fees & Commissions
- 20.2% Total Operating Income
- 37.1% Net Income

RoE (%)



RoA (%)

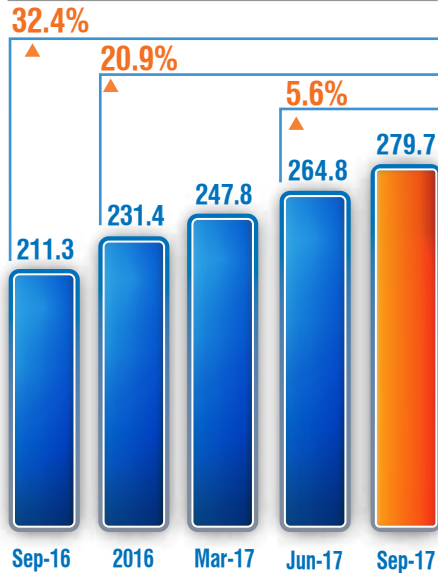


Strong growth in total assets, 20.9% YtD

Asset Growth

YtD **20.9%** QoQ **5.6%**

Total Asset Growth (TRY billion)

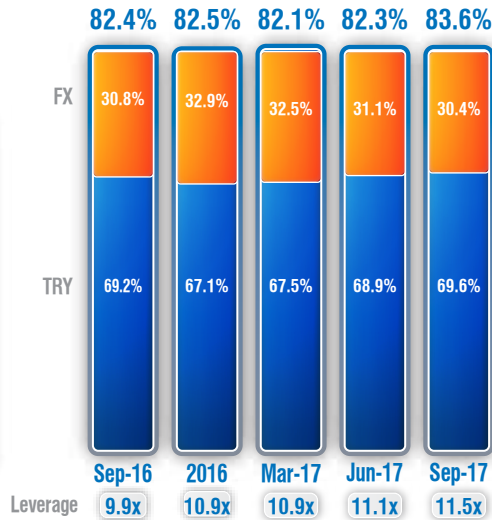


(a) Including interest accruals and excluding fund loans

IEA

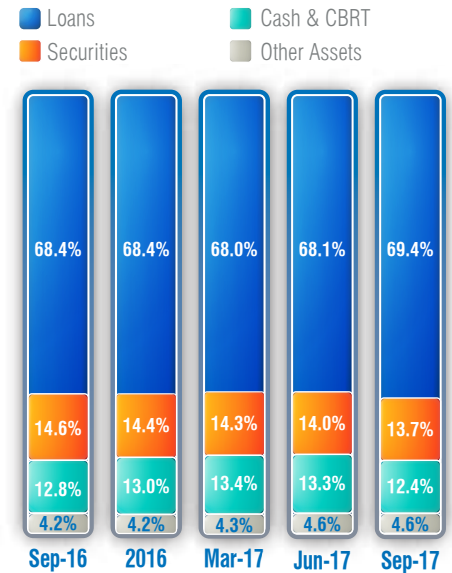
83.6%

Composition of IEAs^(a)



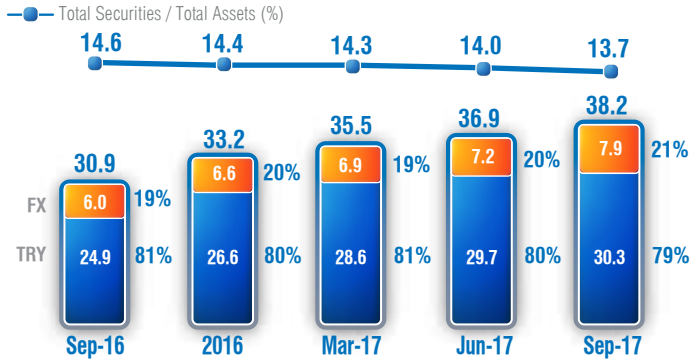
Securities Portion **13.7%**

Asset Mix (%)

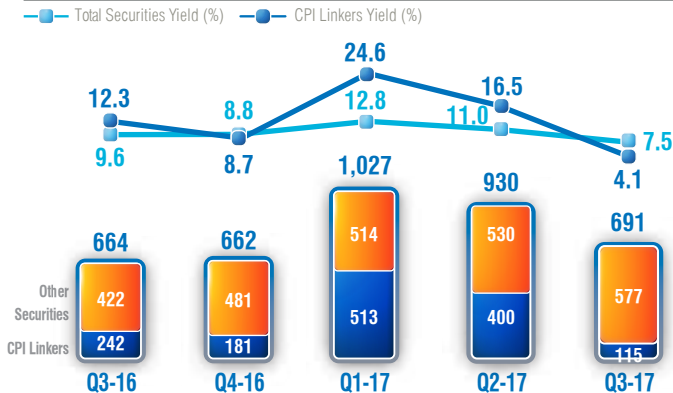


Well balanced securities portfolio

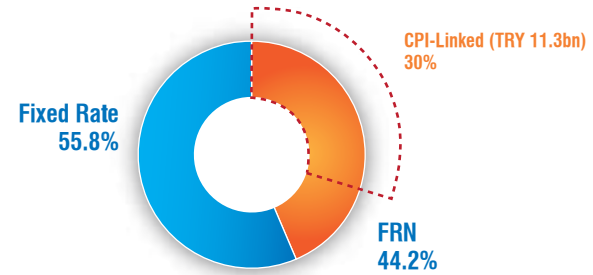
Total Securities Portfolio (TRY billion)



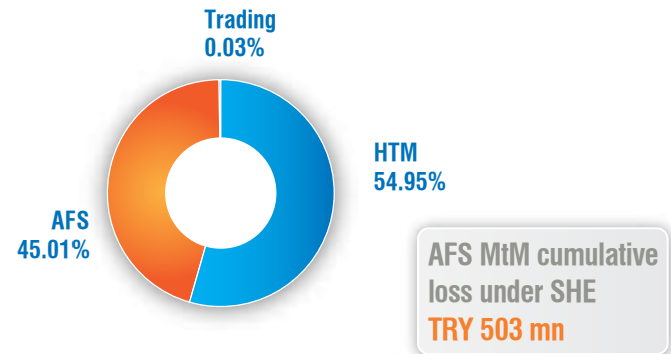
Interest Income on Securities (TRY million)



Interest Structure (%)



Securities Composition (%)



CGF backed loan growth resulting in 9.5% market share

(TRY billion)^(a)

CGF Utilization (TRY Bn)	Jun-17	Sep-17
Total Limit	16.6	22.3
Loan Origination	12.5	20.9

Total Loans

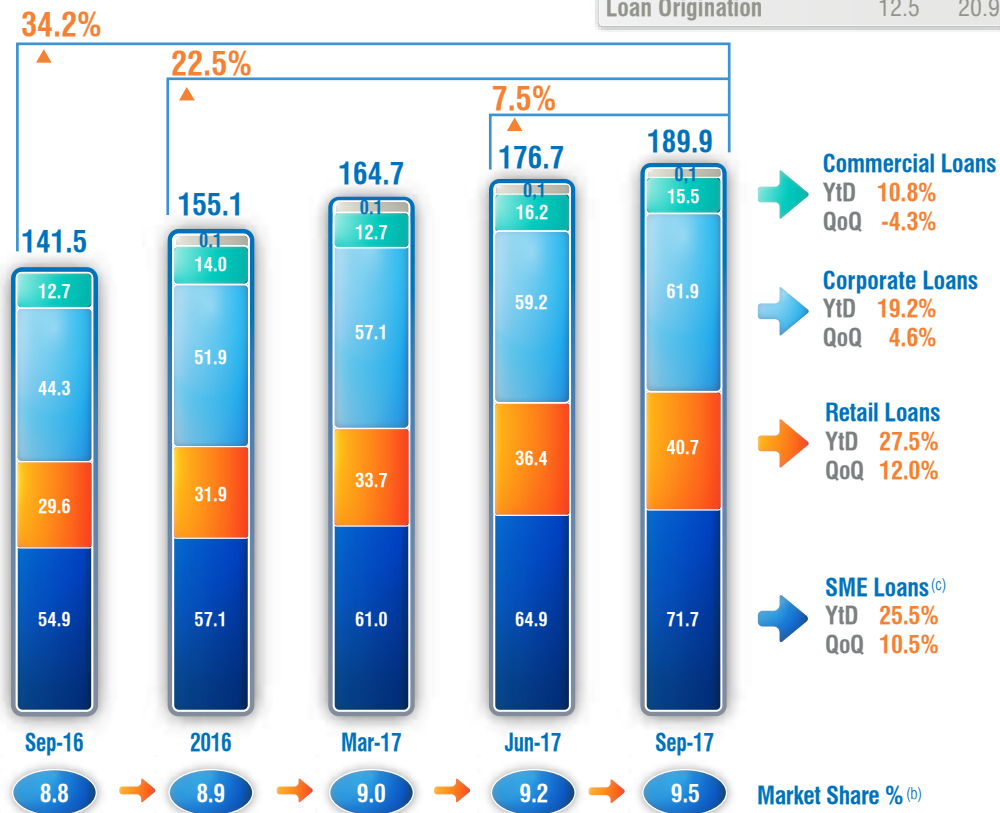
HALKBANK	B. Sector ^(b)
YtD	YtD
22.5%	15.0%
QoQ	QoQ
7.5%	3.9%

TRY Loans

HALKBANK	B. Sector ^(b)
YtD	YtD
30.4%	19.9%
QoQ	QoQ
9.9%	4.0%

FX Loans

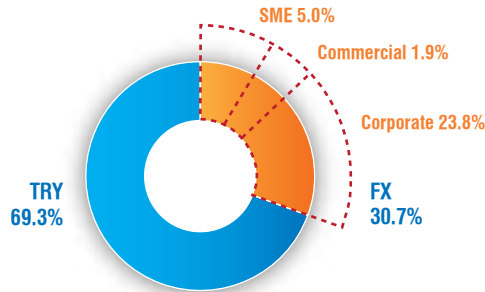
HALKBANK	B. Sector ^(b)
YtD	YtD
7.7%	5.8%
QoQ	QoQ
2.3%	3.7%
in USD terms	
YtD	YtD
7.4%	5.5%
QoQ	QoQ
2.3%	3.7%



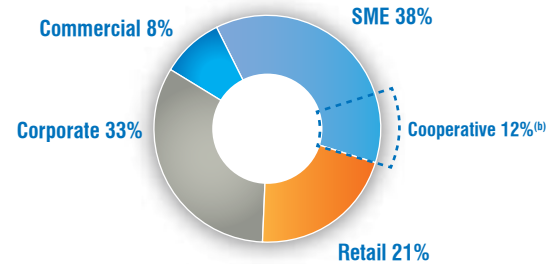
(a) Excluding interest accruals (b) BRSA monthly data as of 30.09.2017 (c) According to the BRSA definition

Well diversified loan portfolio, ensuring return and limiting risks

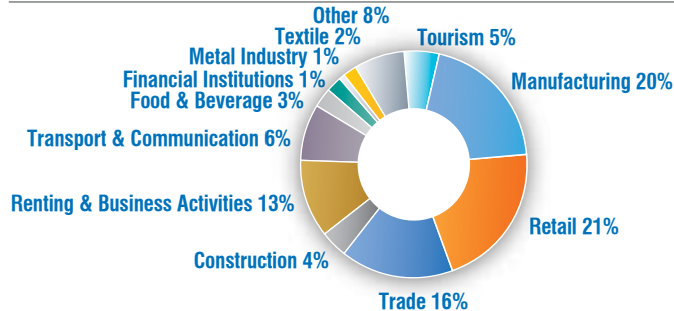
Loans by Currency (%)^(a)



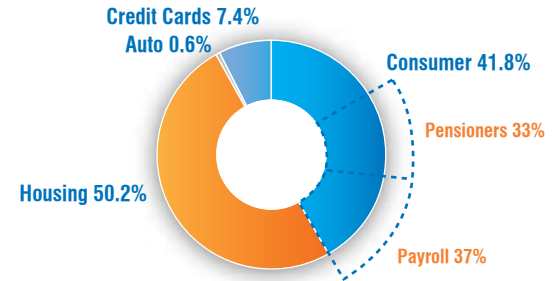
Loans by Customer Segmentation (%)^(a)



Sectoral Breakdown of Loans (%)^(a)



Retail Loans by Types (%)^(a)



(a) Excluding interest accruals (b) Micro SMEs

Retail loans gaining market share, 8.6%

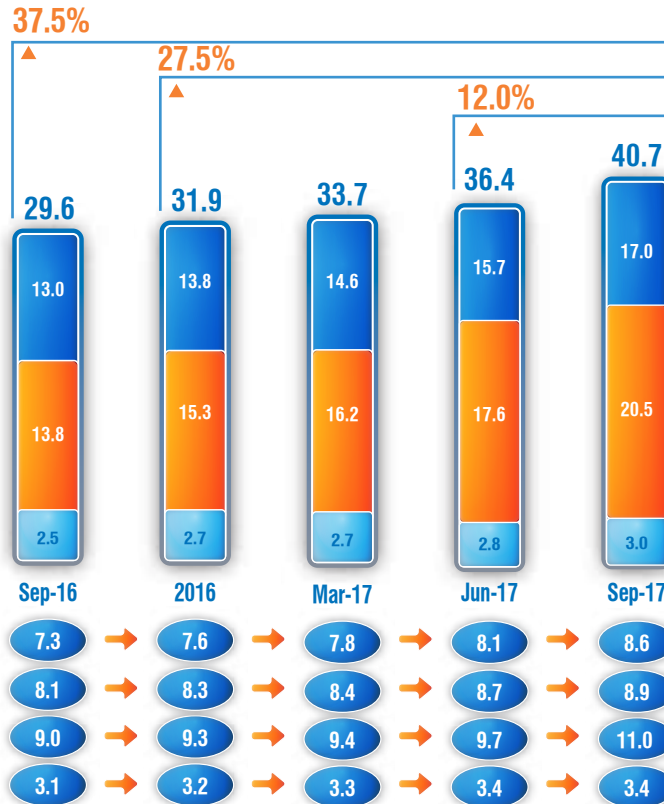
(TRY billion)^(a)

HALKBANK

YtD **27.5%**
QoQ **12.0%**

B. Sector^(b)

YtD **12.9%**
QoQ **5.0%**



➔ **Consumer Loans**
YtD **23.4%**
QoQ **8.1%**
Share in total 41.8%

➔ **Housing Loans**
YtD **33.6%**
QoQ **16.4%**
Share in total 50.2%

➔ **Credit Cards^(c)**
YtD **12.8%**
QoQ **6.2%**
Share in total 7.4%

Retail Loans Market Share %



Consumer Loans Market Share %



Housing Loans Market Share %



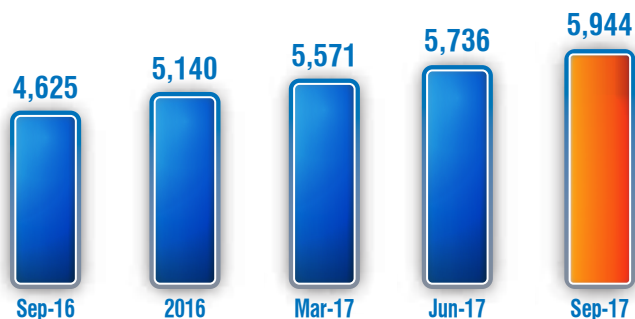
Credit Card Loans Market Share %



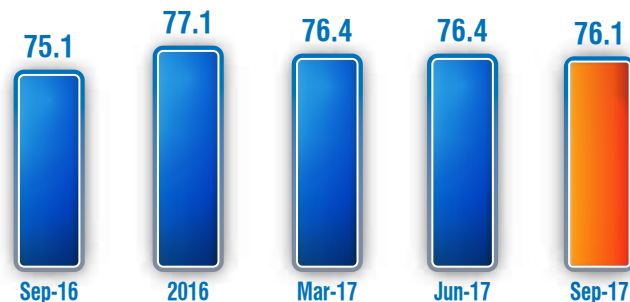
(a) Excluding interest accruals
(b) BRSA monthly data as of 30.09.2017
(c) Corporate credit cards are included relevant segments

Sound asset quality underpinned by low level of impairment

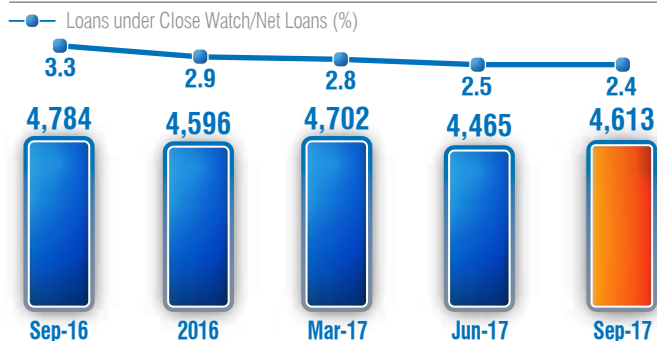
NPL Portfolio (TRY million)



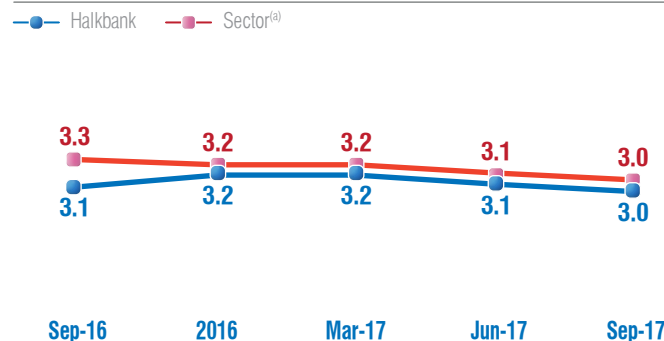
NPL Coverage (%)



Loans under Close Watch (TRY million)



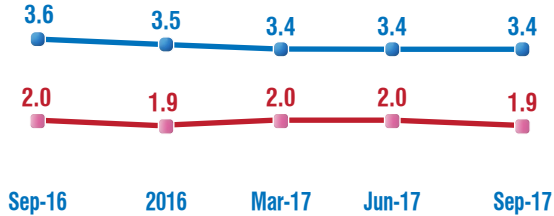
NPL/Total Loans (%)



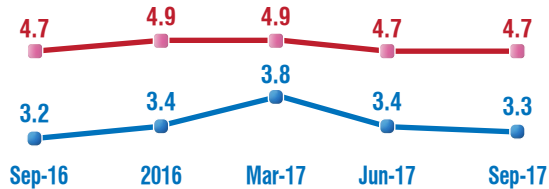
(a) BRSA monthly data as of 30.09.2017

NPL ratio by segments

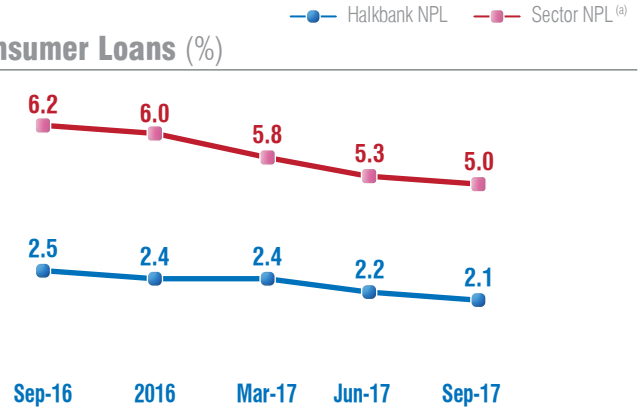
Corporate - Commercial (%)



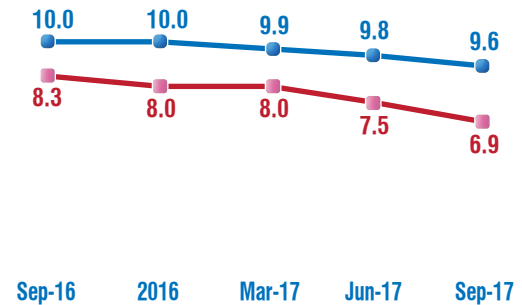
SME Loans (%)



Consumer Loans (%)



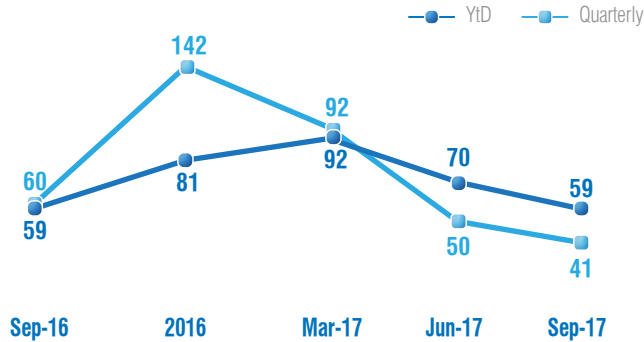
Credit Cards (%)



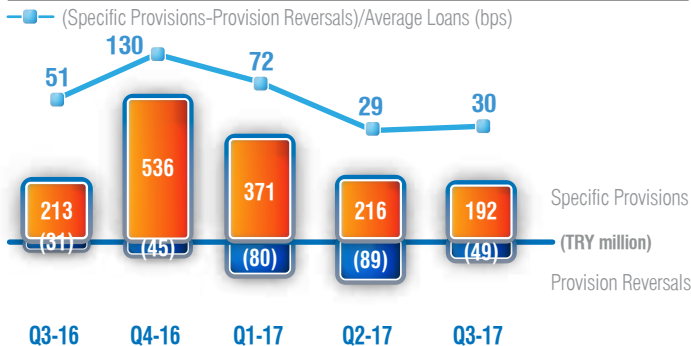
(a) BRSA monthly data as of 30.09.2017

CoR on track

Cost of Risk (bps)^(a)

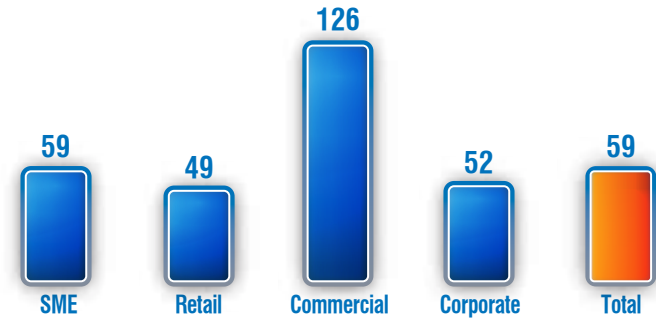


Net Cost of Risk

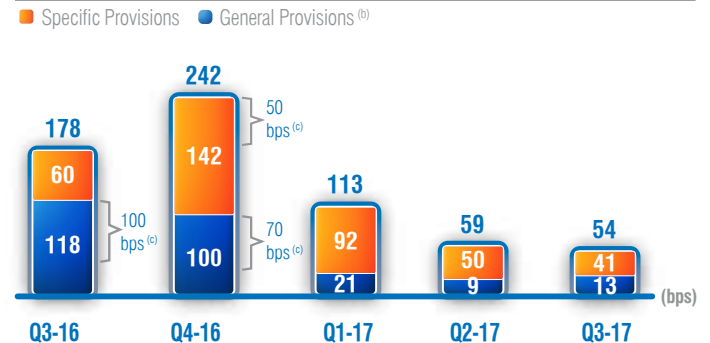


(a) Specific provisions/Average Net Loans (b) General Provisions of Cash Loans/Average Cash Loans (c) Additional Provisions

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



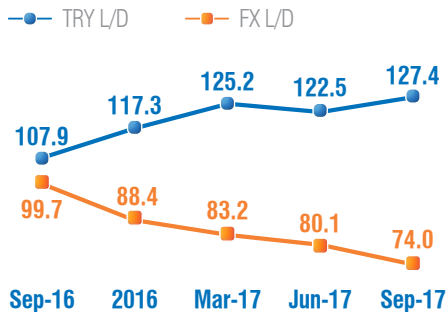
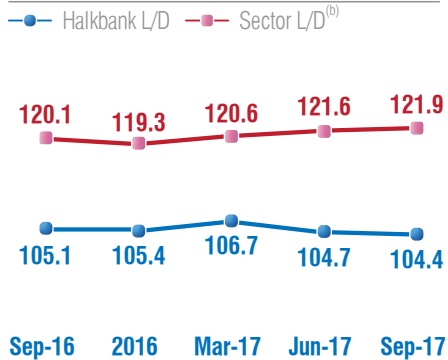
Gross Cost of Risk (bps)



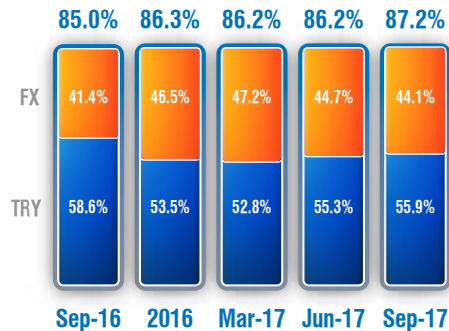
Steady LDR diverging from sector average

IBL 87.2%^(a)

Loan to Deposit (%)

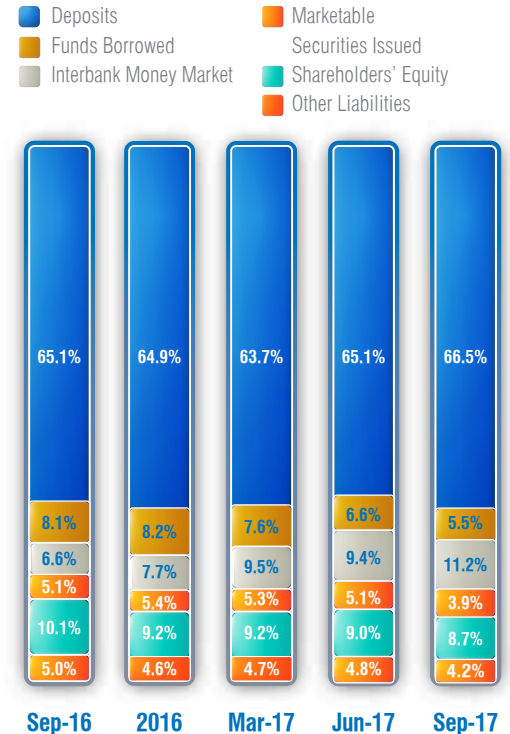


Composition of IBLs^(a)



> FX wholesale funding makes up 10.7% of total liabilities vs. sector average^(b) of 24.7%

Liabilities Mix (%)



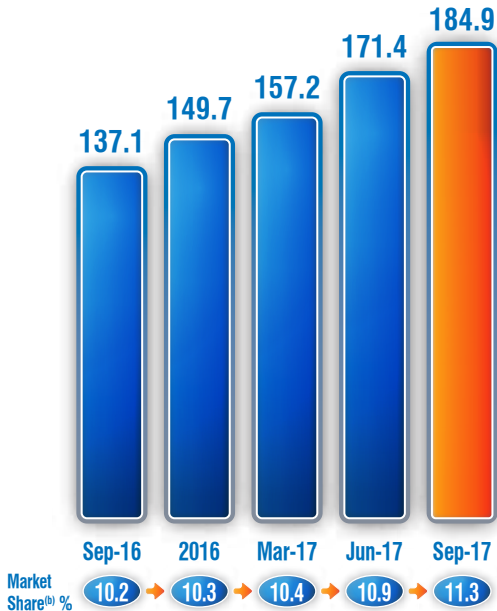
(a) Including interest accruals and excluding funds. Excluding demand deposit, the share of IBL is 78.1% in Sep-17.

(b) BRSA monthly data as of Sep-17

Deposit penetration strategy gaining market share

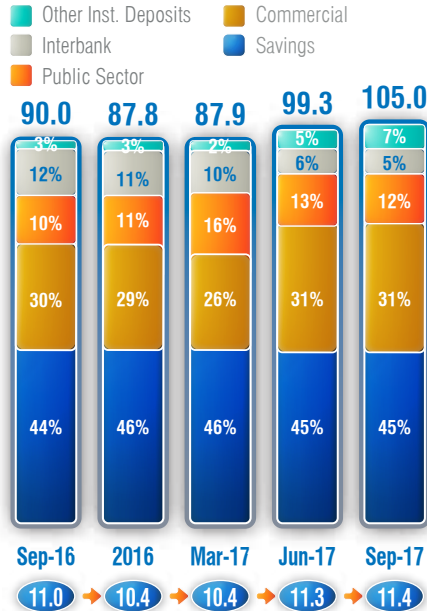
	HALKBANK	B. Sector^(b)
YtD	23.5%	12.5%
QoQ	7.9%	3.6%

Total Deposits (TRY billion)^(a)



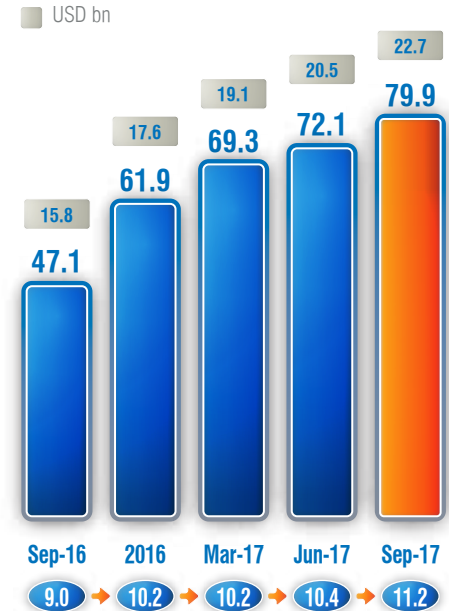
	HALKBANK	B. Sector^(b)
YtD	19.6%	8.7%
QoQ	5.7%	4.1%

TRY Deposits (TRY billion)^(a)



	HALKBANK	B. Sector^(b)
YtD	29.1%	17.8%
QoQ	10.9%	3.1%
in USD terms	YtD 28.7%	17.5%
	QoQ 10.9%	3.1%

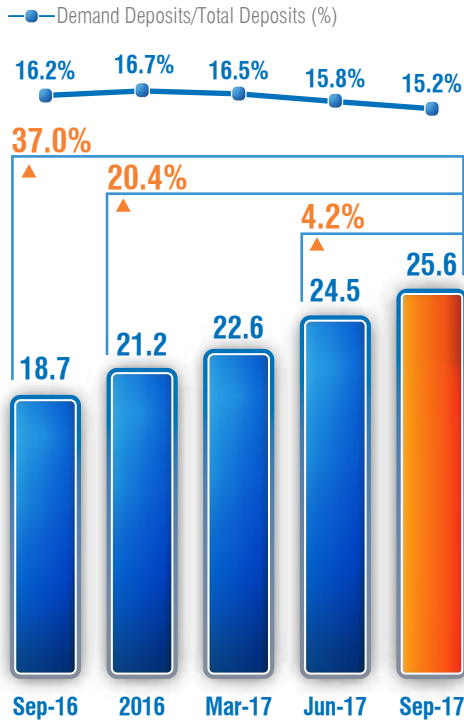
FX Deposits (TRY billion)^(a)



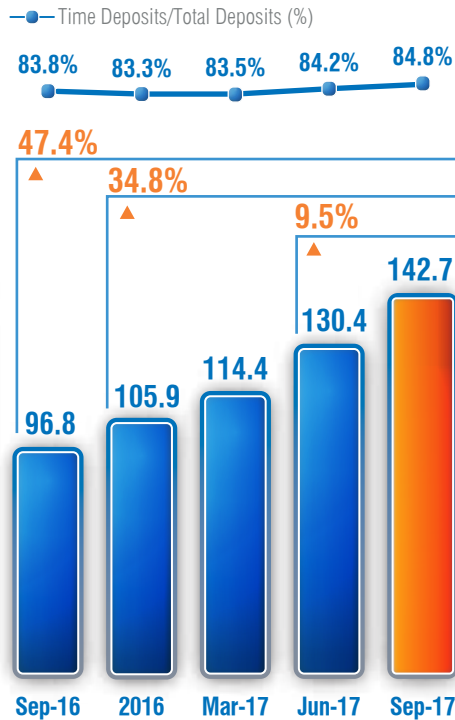
(a) Excluding interest accruals. (b) BRSA monthly data as of 30.09.2017

Demand deposits increasing, 37% YoY

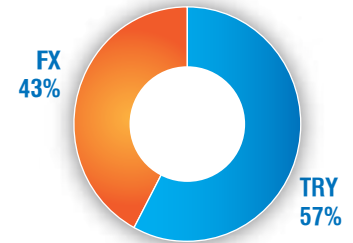
Demand Deposits (TRY billion)^(a)



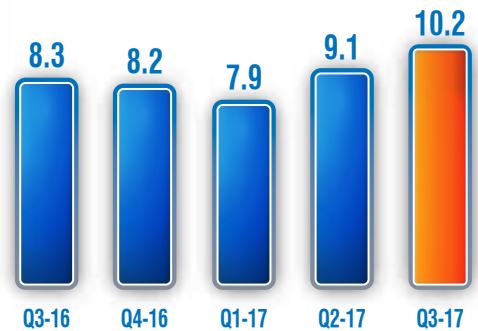
Time Deposits (TRY billion)^(a)



Deposits by Currency (%)



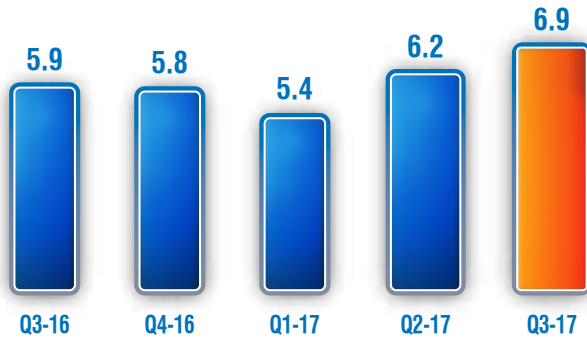
Cost of TRY Deposits (%)^(b)



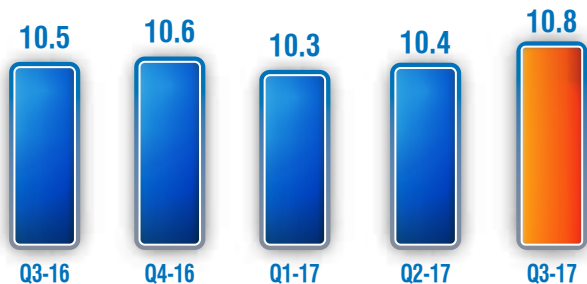
(a) Excluding interest accruals and interbank. (b) Time & Demand Blended.

Cost – Yield – Spread (a)

Cost of Deposits (%)

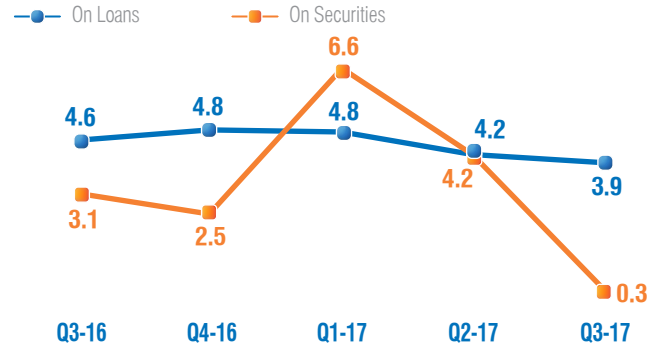


Yield on Loans (%)^(b)

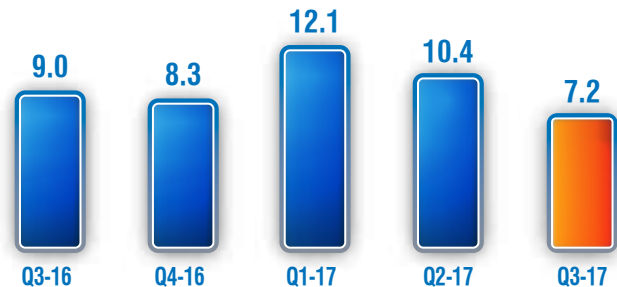


(a) TRY-FX blended (b) Excluding fund loans.

Spreads (%)



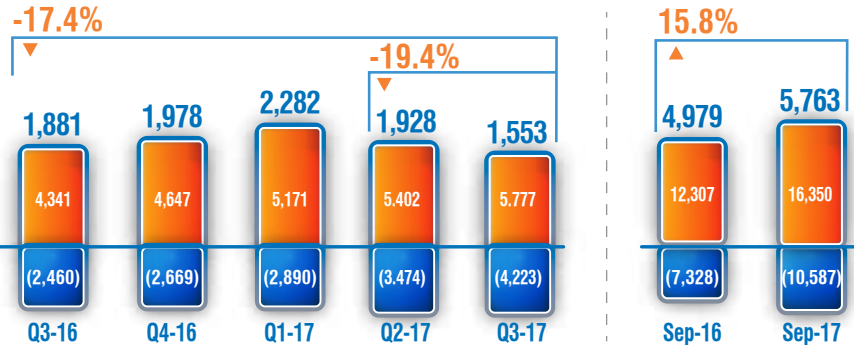
Yield on Securities (%)



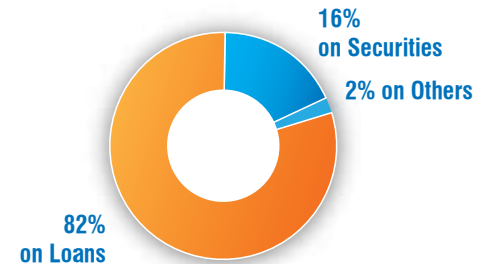
NII increased 15.8% YoY

Net Interest Income (TRY million)

Interest Income Interest Expenses

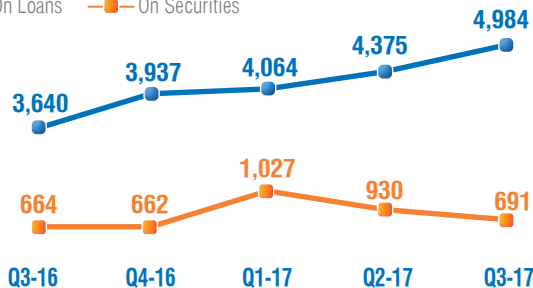


Breakdown of Interest Income (%)



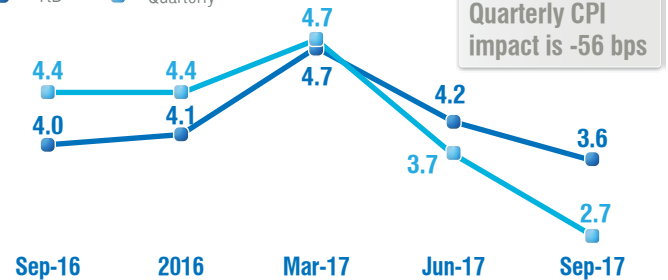
Interest Income (TRY million)

On Loans On Securities



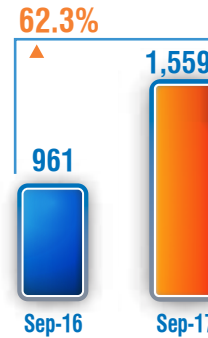
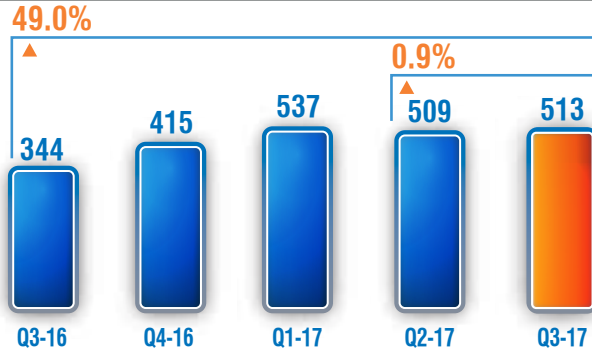
NIM (%)

YtD Quarterly

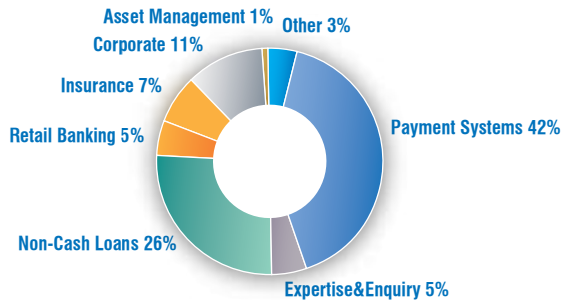


Powerful momentum in F&C income

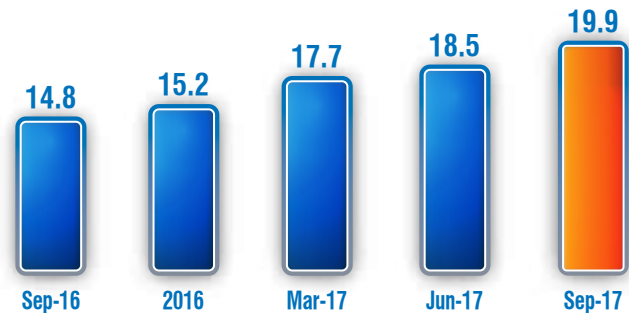
Net Fees & Commissions Income (TRY million)



Breakdown of Fees & Commissions (%)

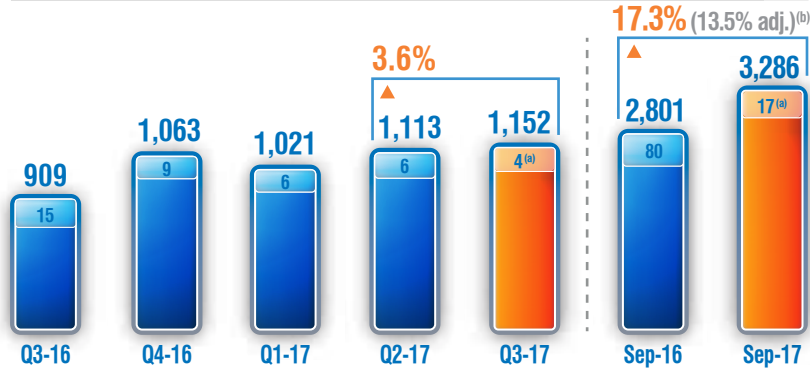


Net Fees & Commissions / Operating Revenues (%)

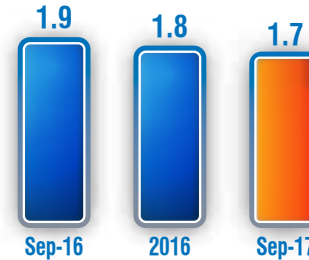


Opex/Average Assets improved to 1.7%

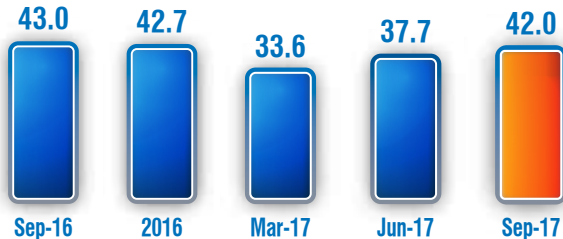
Operating Expenses (TRY million)



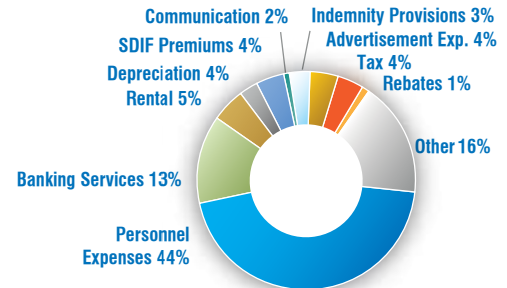
Operating Expenses / Average Assets (%)



Cost/Income (%)



Breakdown of Operating Expenses (%)

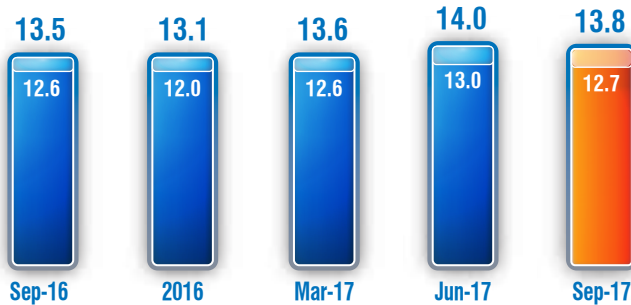


(a) Rebates in commissions (b) Excluding TRY 106 mn promotion payment to pensioner

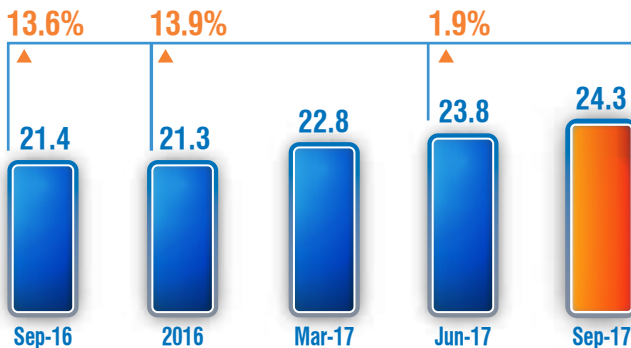
Solvency Ratios

CAR (%)

■ Tier-I ■ CAR



SHE (TRY billion)

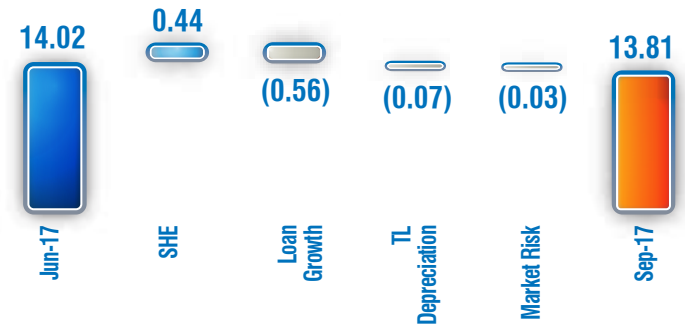


> TRY 1 bn. Local Currency Subordinated Tier II issuance was completed in Oct-17, positive impact on Car is ~50 bps.

Details on Capital Ratio

	Basel III Sep-17
(TRY mn)	
Credit Risk Base Amount (CRBA)	174.396
Market Risk Base Amount (MRBA)	3,221
Operational Risk Base Amount (ORBA)	12,798
Total Risk Weighted Assets (RWAs)	190,414
Shareholders' Equity	26,295
CAR (%)	13.8
Tier-I (%)	12.7
Common Equity Tier-I (%)	12.7

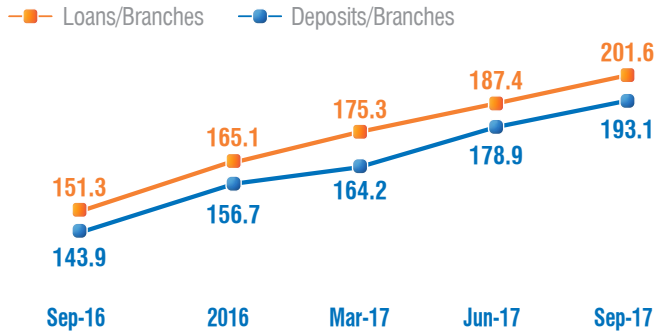
Evolution of CAR (%)



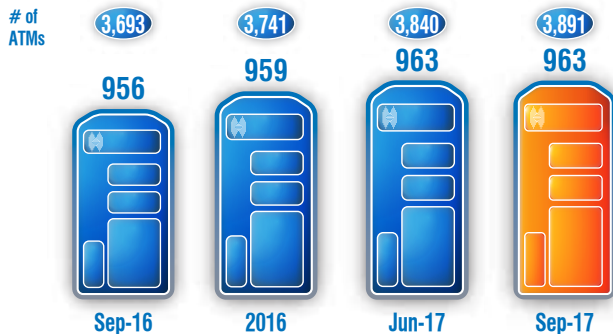
Branch Network – Human Resources

- > 4 new branches opened YtD.
- > Total branch number reached **963**

Loans and Deposits per Branches (TRY million)

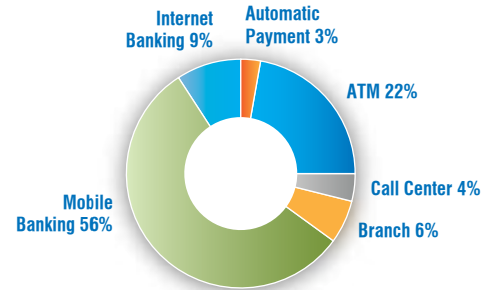


Branches^(a)



(a) Including domestic branches and special transaction centers.

Breakdown of Banking Transactions (%)



Headcount



Balance Sheet

In TRY million	Sep-16	2016	Jun-17	Sep-17	QoQ Change %	YtD Change%	YoY Change%
Cash and Balances Held with the Central Bank ^(a)	27,038	29,999	35,258	34,559	(2.0)	15.2	27.8
Banks & Money Market ^(b)	810	1,661	2,811	3,985	41.8	139.9	392.1
Securities ^(b)	30,870	33,216	36,941	38,195	3.4	15.0	23.7
Net Loans ^(b)	144,612	158,354	180,456	194,173	7.6	22.6	34.3
Gross NPL	4,625	5,140	5,736	5,944	3.6	15.6	28.5
NPL Net	1,151	1,176	1,356	1,419	4.7	20.7	23.3
Property and Equipment	2,196	2,403	2,418	2,431	0.6	1.2	10.7
Other Assets	5,793	5,807	6,924	6,385	(7.8)	9.9	10.2
Total Assets	211,319	231,441	264,808	279,726	5.6	20.9	32.4
Deposits ^(b)	137,594	150,263	172,287	185,954	7.9	23.8	35.1
Funds Borrowed ^(b)	17,062	18,968	17,585	15,374	(12.6)	(18.9)	(9.9)
Interbank Money Market ^(b)	13,842	17,847	24,927	31,397	26.0	75.9	126.8
Marketable Securities Issued	10,873	12,434	13,408	10,977	(18.1)	(11.7)	1.0
Funds	2,125	2,340	2,365	2,464	4.2	5.3	16.0
Other Liabilities	5,822	5,221	7,279	5,971	(18.0)	14.4	2.6
Provisions	2,628	3,052	3,134	3,306	5.5	8.3	25.8
Shareholders' Equity	21,372	21,317	23,821	24,283	1.9	13.9	13.6
Total Liabilities	211,319	231,441	264,808	279,726	5.6	20.9	32.4

(a) Reserve deposits monitored in balance with Central Bank

(b) Including interest accruals

Income Statement

In TRY million	Sep-16	Sep-17	YoY %	Q3-16	Q2-17	Q3-17	QoQ Change%	YoY Change%
Interest Income	12,307	16,350	32.8	4,341	5,402	5,777	6.9	33.1
On Loans	10,319	13,423	30.1	3,640	4,375	4,984	13.9	36.9
On Securities	1,876	2,649	41.2	664	930	691	(25.7)	4.1
Interest Expense	7,328	10,587	44.5	2,460	3,474	4,223	21.6	71.7
On Deposits	6,027	7,841	30.1	2,021	2,564	3,139	22.4	55.3
Net Interest Income	4,979	5,763	15.8	1,881	1,928	1,553	(19.4)	(17.4)
Net Fees and Commissions	961	1,559	62.3	344	509	513	0.9	49.0
Net Trading Income	99	87	(11.4)	61	33	(15)	N/A	N/A
Other Operating Income	470	410	(12.7)	67	145	116	(19.9)	72.7
Reversal of Loan Loss Provisions	151	219	44.4	31	89	49	(45.4)	55.4
Total Operating Revenues	6,508	7,820	20.2	2,354	2,615	2,167	(17.1)	(7.9)
Operating Expenses	2,801	3,286	17.3	909	1,113	1,152	3.6	26.8
Net Operating Income	3,707	4,534	22.3	1,446	1,502	1,015	(32.4)	(29.8)
Provision for Loan Losses and Other Receivables	1,170	1,050	(10.3)	631	260	320	23.2	(49.3)
Loan Loss Provisions for Cash Loans	598	779	30.3	213	216	192	(10.9)	(9.7)
Profit/(Losses) from Associates	267	262	(2.0)	71	22	240	984.1	237.7
Income Before Taxes	2,804	3,746	33.6	886	1,265	935	(26.1)	5.5
Provision for Tax	608	736	21.0	256	256	153	(40.3)	(40.4)
Net Income	2,195	3,010	37.1	630	1,009	782	(22.5)	24.2

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