

# Q1 2011 Earnings Presentation

BRSA Bank Only



## Macro Outlook

- > Thanks to strong growth momentum, 4Q GDP expanded 9.2% QoQ and 8.9% YoY overtaking the market consensus of 7.4% YoY and rendered the Turkish economy the fastest growing among the OECD countries.
- > 3.99% March CPI was at 41 year record low level. April figure of CPI realized as 4.26%.
- > While raising RRR both on TRY and FX, CBRT kept its policy rate stable, withdrawing ~ TRY 20.6 bn and USD 1.4 bn liquidity from the market with an aim to slow down economic growth.
- > Annual CAD reached USD 54.8 bn in February 2011 from USD 48.6 bn figure of 2010. The impact of the CBRT's measurements will be seen on CAD going forward.
- > Strong fiscal performance continued in 1Q, budget registered a deficit of TRY 4.1 bn (YE target: TRY 33.5 bn). Year-end budget outlook is likely to be better than expectations.
- > Improvement in CUR and real sector confidence index indicates continuous rising trend in economic activity.
- > Foreign Trade deficit realized as USD 24.6 bn YtD, the underlying reason was the high growth in import figure on the back of increasing oil and energy prices.
- > Unemployment rate in January down 2.6pp over a prior year to 11.9%. Seasonally adjusted figures pointed out the lowest number since June 2008.
- > In Q1 2011 benchmark bond rate raised up to 9.1% levels after RRR hikes by CBRT. Then, it has come down below 9% level.
- > Positive comments of a rating agency upon CBRT's recent moves suggest that the investment upgrade is in the pipeline.

## Banking Sector Outlook

- > Sector loan book grew 7.3%, slightly higher than authorities' expectations.
- > Banks are expected to be focusing more on high-yielding loan segments such as retail and SME loans.
- > In Q1 2011, growth in FC loans has been well above the TRY-denominated ones.
- > Due to the impact of RRR and the increase in costs, deposit growth remained steady.
- > Latest hikes in RRR amounting 420 bps on average on TRY is likely to create 35-40 bps increase in cost of deposits. However, fine-tuning loan rates is on the cards.
- > Banks are likely to continue to tap capital markets with more bond issuance in order to diversify their funding base.
- > Going forward system's asset quality indicators are expected to remain healthy.
- > L/D ratio mounted up to 86.6% on the back of alternative funding sources and tends to climb up more in the upcoming periods.
- > Gross NPLs decreased by 4.3% bringing the NPL ratio down to 3.2% from 3.7%.
- > Continuous positive trend of CoR thanks to the strong economic recovery.
- > CAR has been well beyond the threshold; 18.1% in February.

## Q1 2011 Highlights

### Profitability - the Top Priority

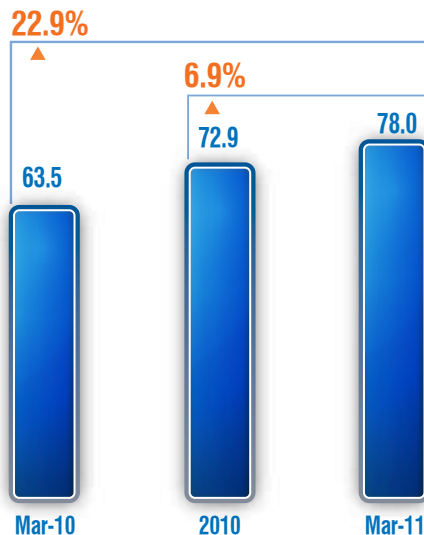
- > Implying **5.0%** QoQ increase, net income reached TRY **525** mn, quarterly the highest net income ever.
- > Profitability remains intact; RoE at **27.9%**.
- > Up by 6.9% QoQ, total assets keeps growing without compromising on asset quality (ROA: **2.8%**).
- > Loan volume totaling TRY **47.6** bn; up by **7.4%** YtD
- > Retail loans, one of the main driver of the loan growth, up by **10.3%** YtD
- > Strong deposit base amounting TRY **56.4** bn, up by 2.9% YtD
- > Remarkable expansion in demand deposits (**13.9%** of total deposit); up by **4.1%** YtD
- > Net interest margin at **4.5%**
- > Noteworthy growth in net fees and commissions income of TRY 158 mn, up **19%** QoQ
- > High trading income figure of TRY **98** mn, thanks to active treasury management
- > TRY **72** mn of reversal of loan loss provisions implies high capability of collections going forward.
- > Gross NPL decreased by **2.5%** YtD and asset quality improved by **30 bps** (NPL: **3.5%**).
- > Cost of risk hits all-time low level; **50 bps**.
- > OPEX decreased **3.4%** QoQ; Cost/income ratio registered as 37.3% whereas Opex/Asset ratio stood at **2.2%**.
- > CAR of **16.0%** within regulatory bounds

## Without compromising on asset quality, total assets increased by 22.9% YoY

### Asset Growth

**YoY 22.9%** **QoQ 6.9%**

#### Total Asset Growth (TRY billion)



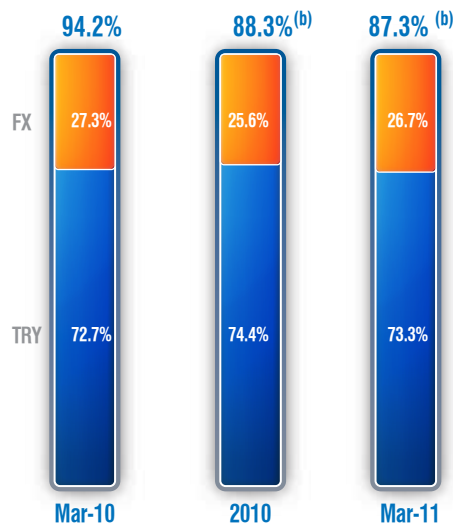
(a) Including interest accruals and excluding fund loans

(b) The impact of the abolition of interest payment in reserve requirements

### IEA

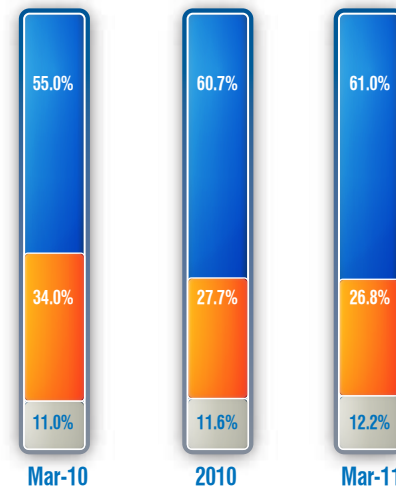
**87.3%**

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



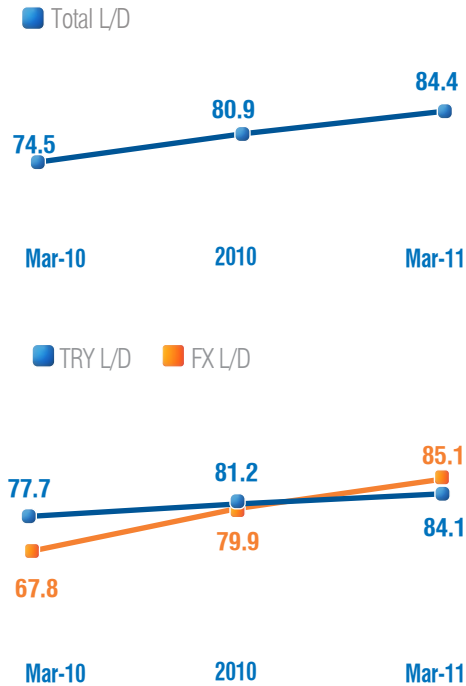
### Asset Mix (%)

- Loans
- Securities
- Other Assets

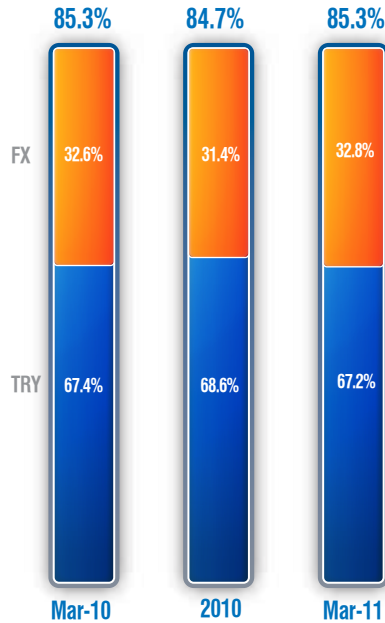


## Funding position at a comfortable level

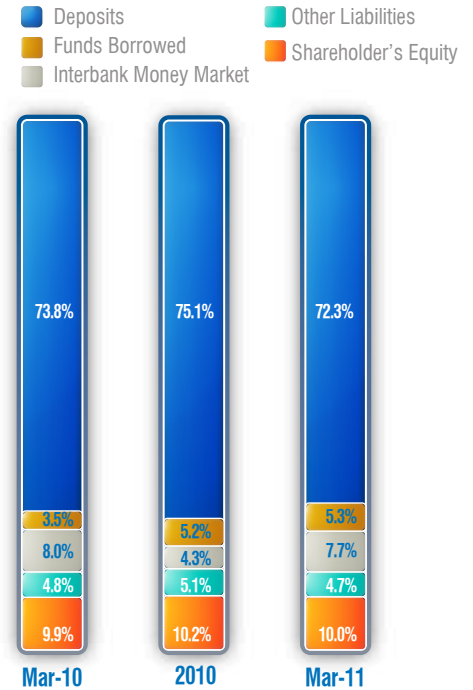
### Loan to Deposit (%)



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



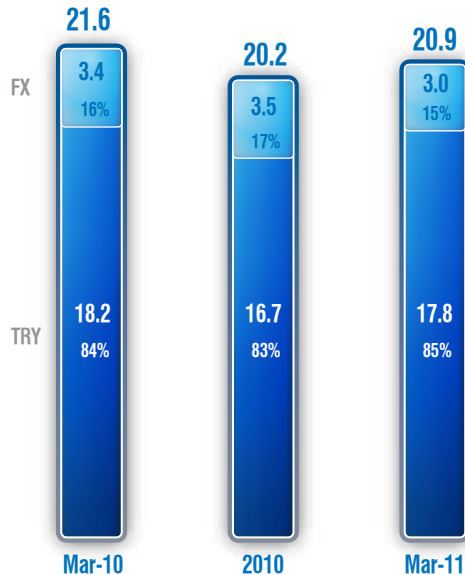
### Liabilities Mix (%)



(a) Including interest accruals and excluding funds, excluding demand deposit, the share of IBL is %75 in March 2011

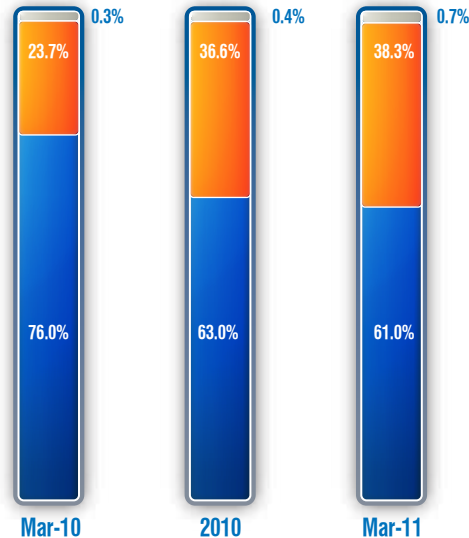
## Securities constitute 27% of total assets

### Total Securities Portfolio<sup>(a)</sup> (TRY billion)



### Total Securities Composition

■ HTM ■ AFS ■ Trading



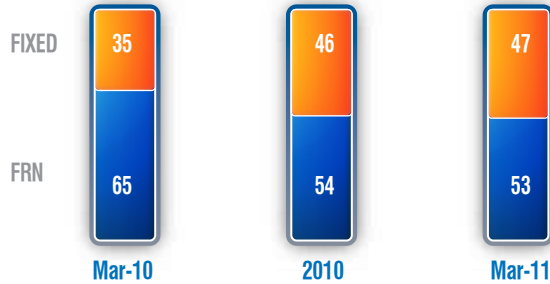
**For the rest of the year, TRY 1.9 bn redemptions expected;**

- TRY 0.7 bn principal amount
- TRY 1.2 bn coupon payment

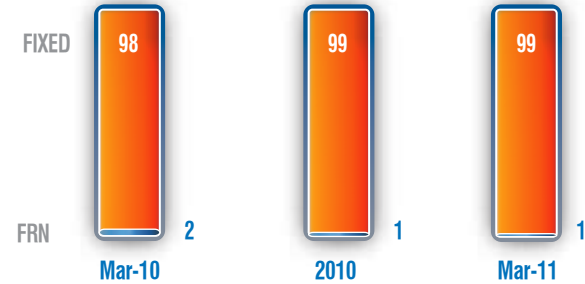
(a) FX indexed securities are booked as foreign currency

## Well diversified securities portfolio

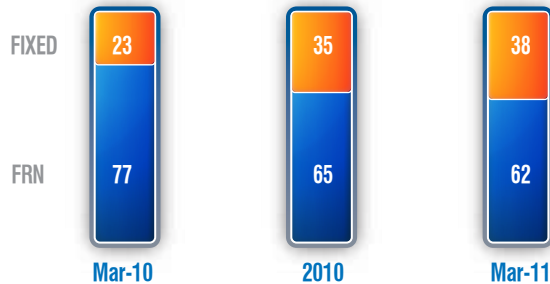
### Total Securities Portfolio<sup>(a)</sup> (%)



### FX Securities Portfolio<sup>(a)</sup> (%)



### TRY Securities Portfolio<sup>(a)</sup> (%)



**CPI-linkers  
constitute 13% of  
total securities.**

(a) Excluding interest accruals



## Commendable growth in loans; 7.5% QoQ (TRY billion)<sup>(a)</sup>

### Total Loans

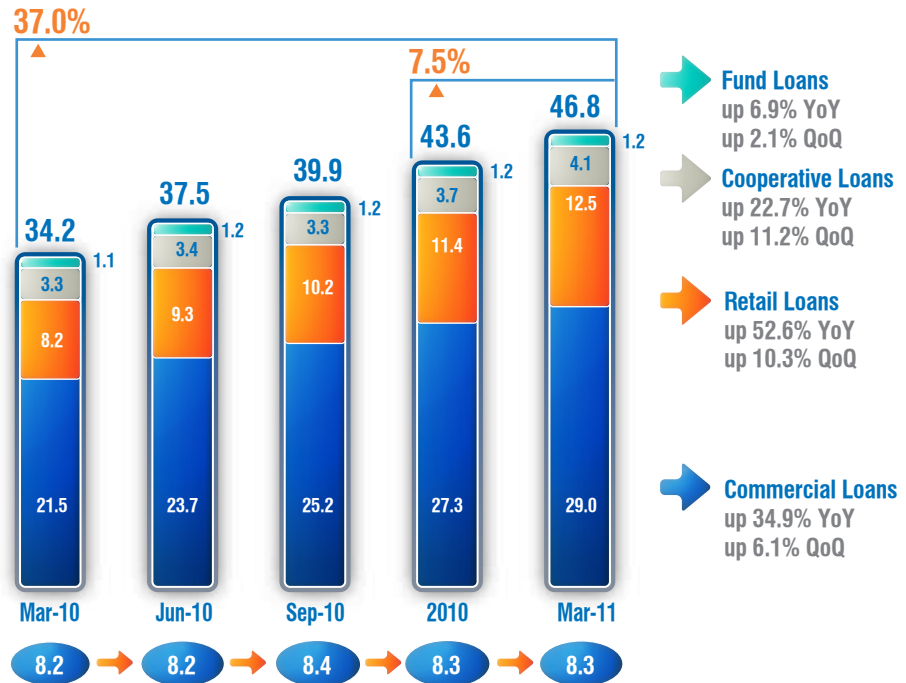
HALKBANK	B. Sector <sup>(b)</sup>
YoY	YoY
<b>37.0%</b>	<b>35.6%</b>
QoQ	QoQ
<b>7.5%</b>	<b>7.3%</b>

### TRY Loans

HALKBANK	B. Sector <sup>(b)</sup>
YoY	YoY
<b>35.4%</b>	<b>34.3%</b>
QoQ	QoQ
<b>3.5%</b>	<b>6.3%</b>

### FX Loans

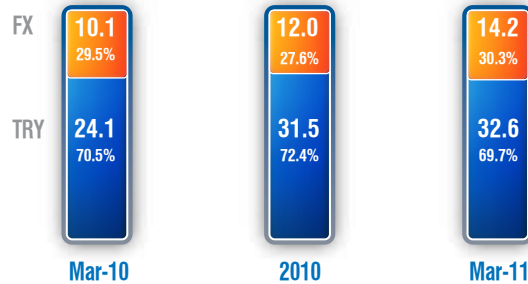
HALKBANK	B. Sector <sup>(b)</sup>
YoY	YoY
<b>41.0%</b>	<b>39.2%</b>
QoQ	QoQ
<b>18.1%</b>	<b>10.1%</b>
in USD terms	
YoY	YoY
<b>38.7%</b>	<b>36.9%</b>
QoQ	QoQ
<b>18.1%</b>	<b>10.1%</b>



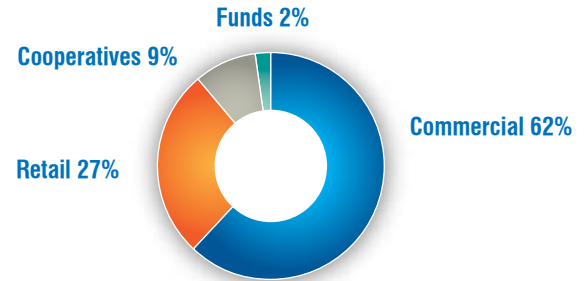
(a) Excluding interest accruals. (b) BRSA daily data

## FX lending market share regained; share of retail up to 27%

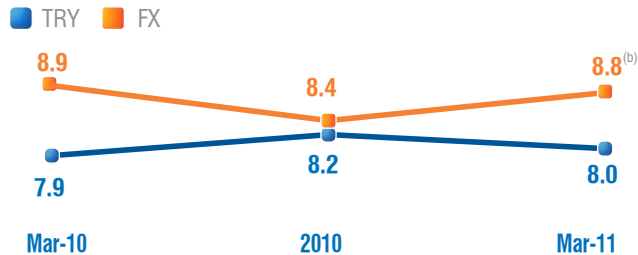
### Loans by Currency (TRY billion )<sup>(a)</sup>



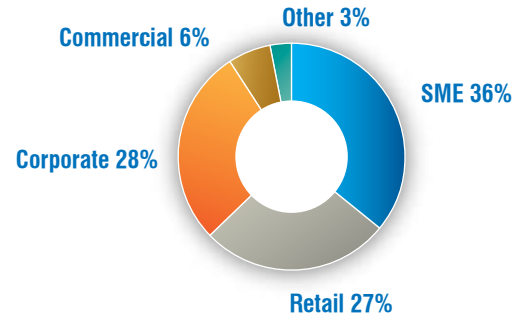
### Loans by Types



### Market Share in terms of Loans by Currency (%)



### Loans by Customer Segmentation



(a) Excluding interest accruals (b)BRSA daily data

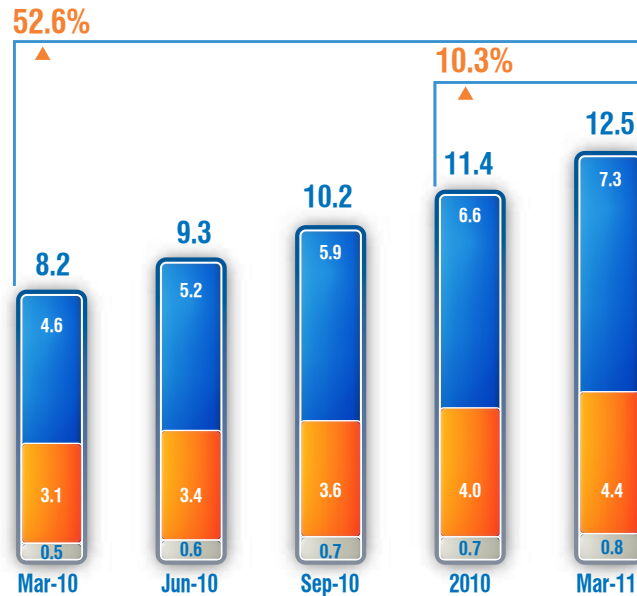
## Strong growth in retail lending (TRY billion)<sup>(a)</sup>

### HALKBANK

YoY  
**52.6%**  
QoQ  
**10.3%**

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

YoY  
**35.4%**  
QoQ  
**7.3%**



**Consumer Loans**  
up 59.7% YoY  
up 11.1% QoQ  
Share in total 58.2%

**Housing Loans**  
up 43.0% YoY  
up 9.2% QoQ  
Share in total 35.1%

**Credit Cards**  
up 48.5% YoY  
up 8.8% QoQ  
Share in total 6.4%

Retail Loans Market Share %



Consumer Loans Market Share %



Housing Loans Market Share %

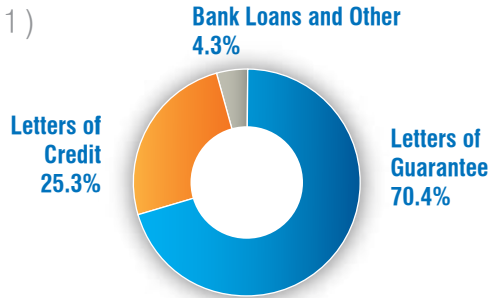


(a) Excluding interest accruals. (b) CBRT data as of 01.04.2011

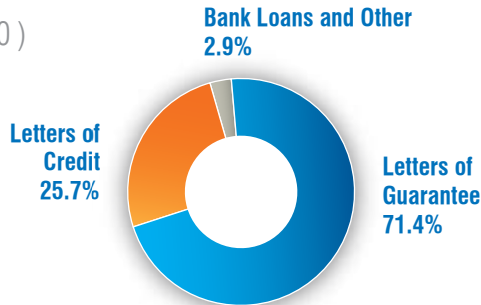
## Primarily backed by trade finance, non-cash loans up by 4.3% YtD

### Breakdown of Non-cash Loans (%)<sup>(a)</sup>

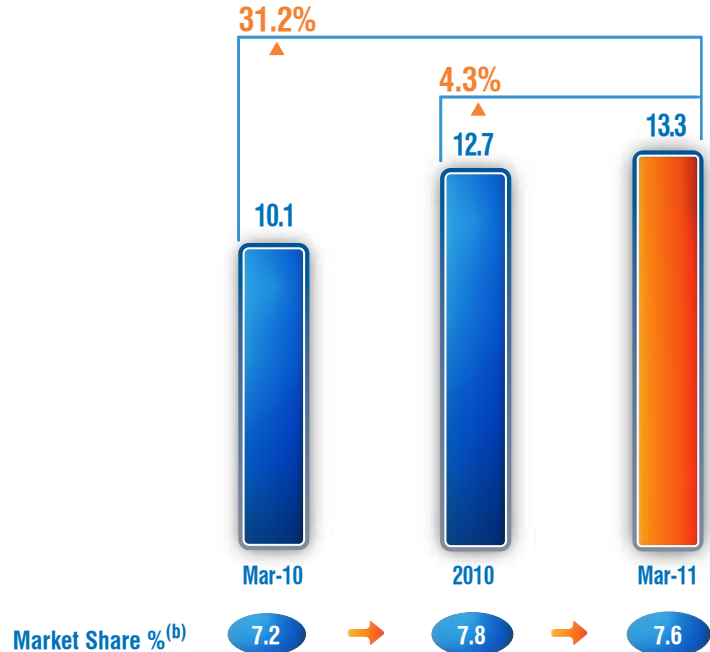
(Mar-11 )



(Mar-10 )



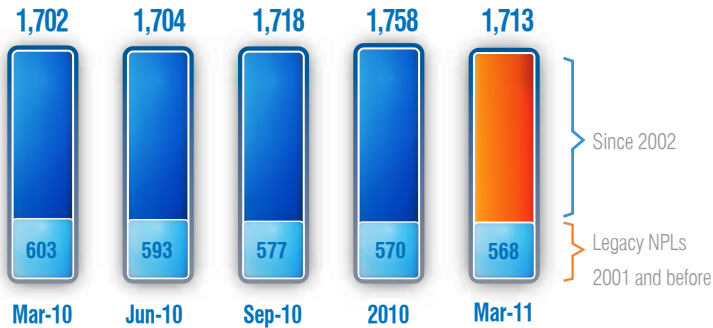
### Non-cash Loans (TRY billion)<sup>(a)</sup>



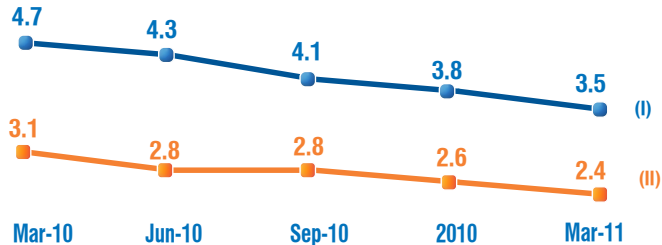
(a) Guarantees, Warranties (b) BRSA daily data.

## Downward trend in nominal NPLs, CoR at all time low level

**NPL Portfolio** (TRY million)

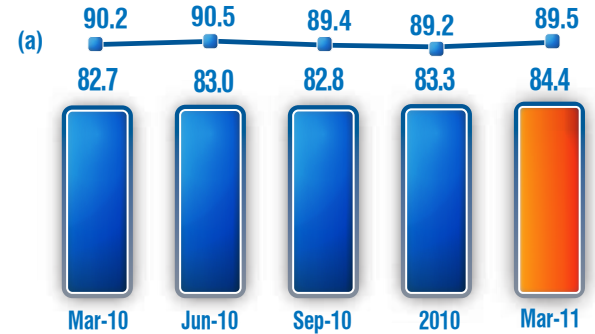


**NPL / Total Loans (%)**

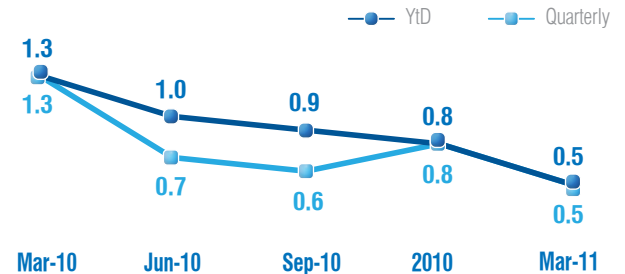


(I) Total NPL ratio (II) Excluding the legacy of year 2001 and before NPLs

**NPL Coverage (%)**



**Loan Loss Provisions/ Average Net Loans (%)**

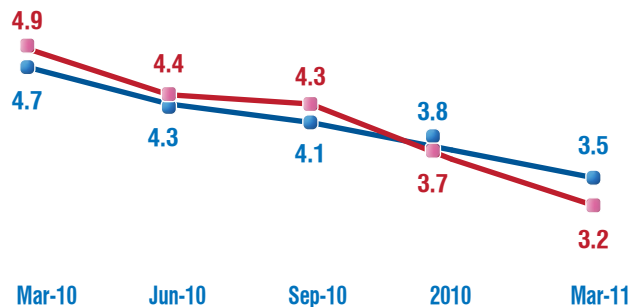


(a) Including discretionary provisions

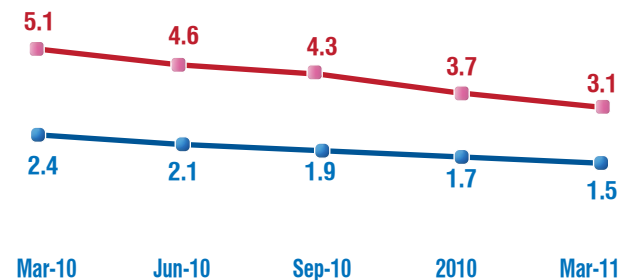
## Focusing on asset quality pays off; 30bps improvement

—●— Halkbank —■— Sector (a,b)

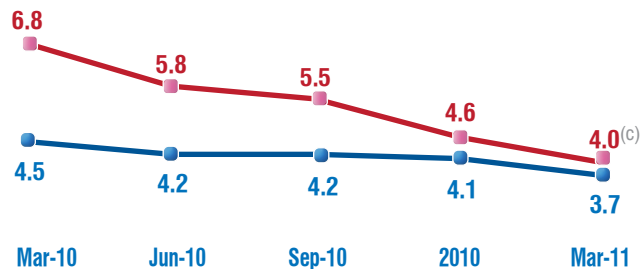
### NPL / Total Loans (%)<sup>(a)</sup>



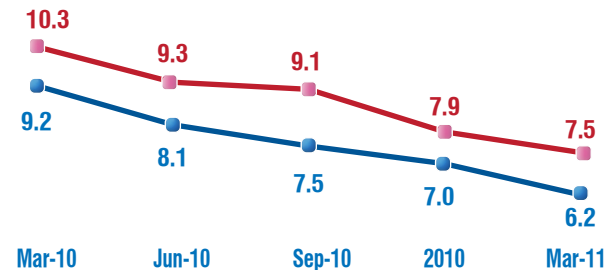
### Consumer Loans (%)<sup>(b)</sup>



### SME Loans (%)



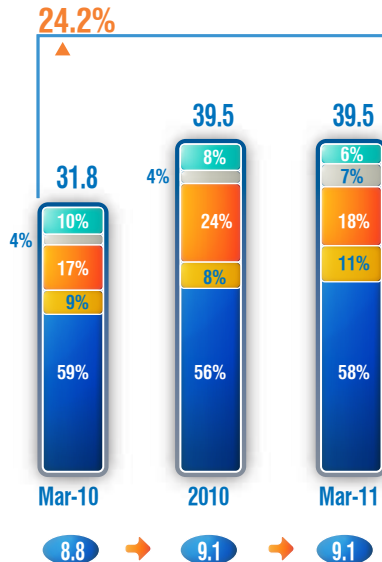
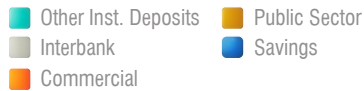
### Credit Cards (%)<sup>(b)</sup>



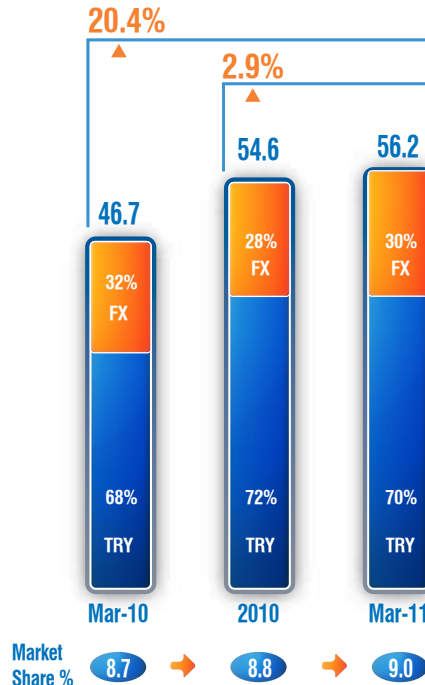
(a) BRSA daily data (b) CBRT data as of 01.04.2011 (c) BRS data as of February 2011

## Steady rise in demand deposit share

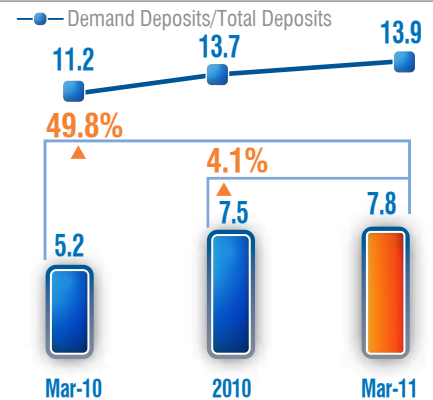
### TRY Deposits by Types (TRY billion)<sup>(a)</sup>



### Total Deposits by Currency (TRY billion)<sup>(a)</sup>



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

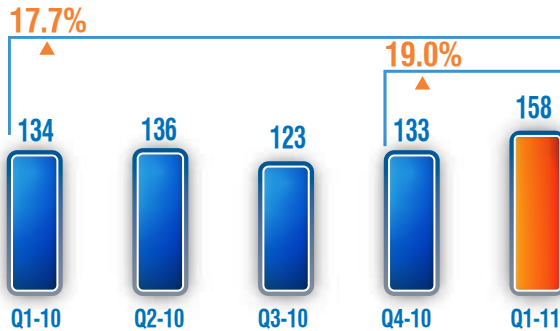


		HALKBANK	B. Sector <sup>(b)</sup>
Total Dep.	YoY	20.4%	18.8%
	QoQ	2.9%	2.3%
TRY Dep.	YoY	24.2%	22.5%
	QoQ	-	1.6%
FX Dep.	YoY	12.2%	11.3%
	QoQ	10.8%	4.0%
in USD terms	YoY	10.3%	9.4%
	QoQ	10.8%	4.0%

(a) Excluding Interest Accruals (b) BRSA daily data

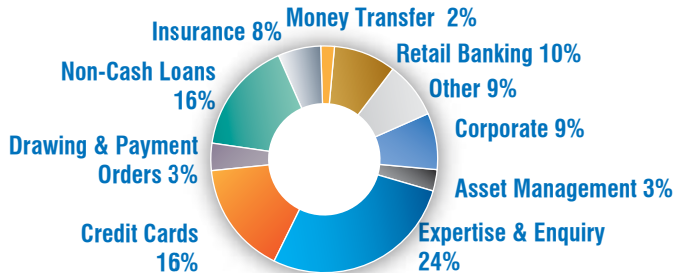
## Quarterly the highest fee income figure ever

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

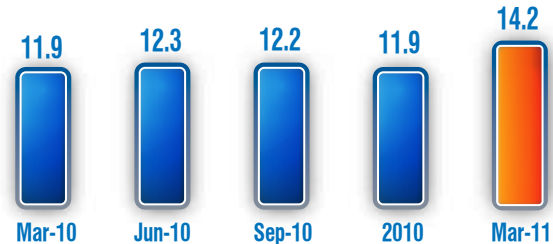


Expanding share of net fees and commissions income in operating revenues.

### Breakdown of Fees & Commissions Income



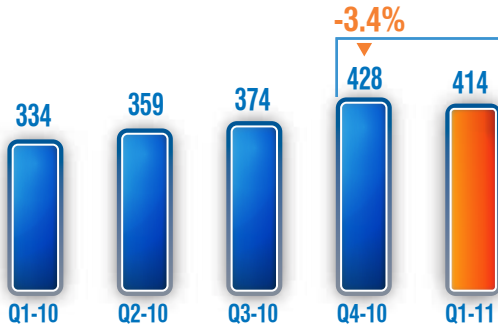
### Net Fees & Commissions Income/Total Operating Revenues (%)



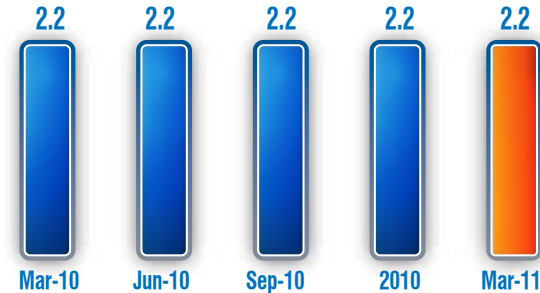


## In line with organic growth C/I increased as OPEX/Assets preserved successfully

### Operating Expenses (TRY million)



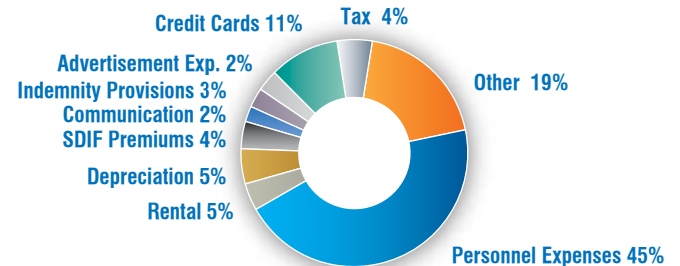
### Operating Expenses/Average Assets (%)



### Cost/Income (%)

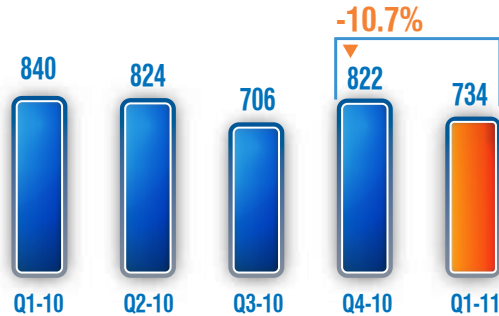


### Breakdown of Operating Expenses

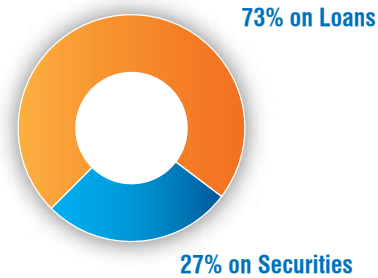


## Volatility on quarterly NII due to CPI linker impact

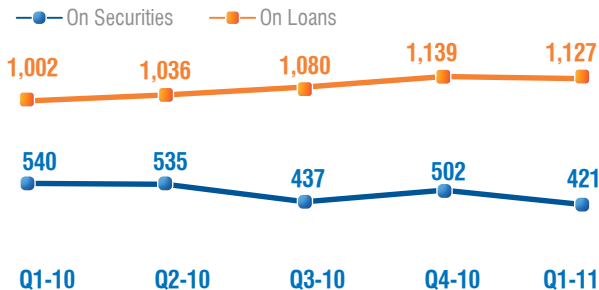
### Net Interest Income (TRY million)



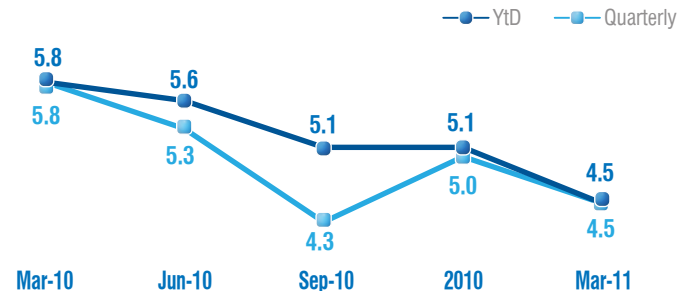
### Breakdown of Interest Income



### Interest Income (TRY million)

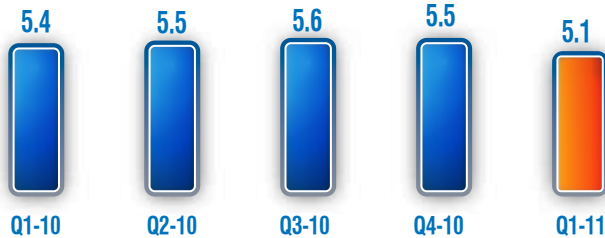


### NIM (%)

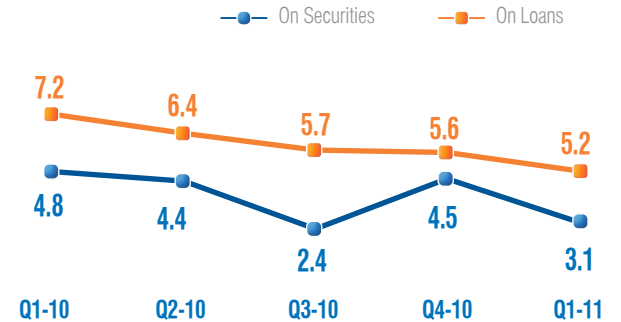


## Cost-Yield-Spread<sup>(a)</sup> - Quarterly

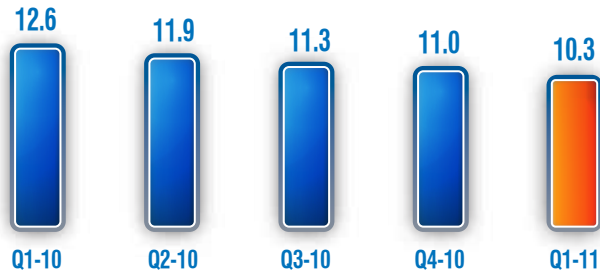
### Cost of Deposits (%)



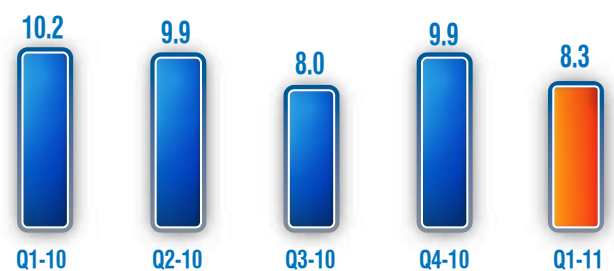
### Spreads (%)



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



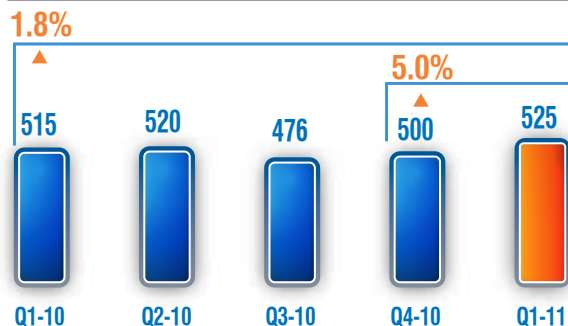
### Yield on Securities (%)



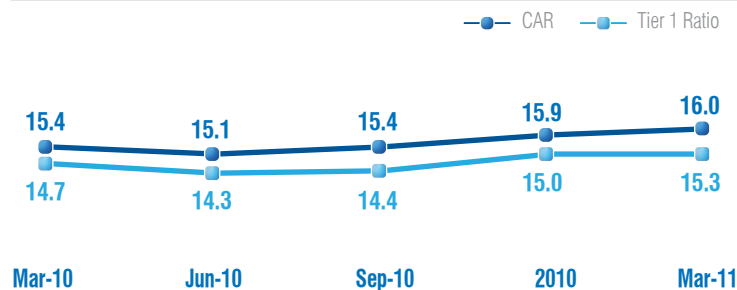
(a) TRY-FX blended (b) Excluding fund loans

## Net Income - Profitability Ratios

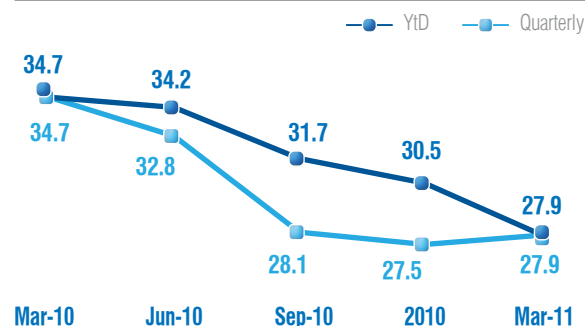
### Net Income (TRY million)



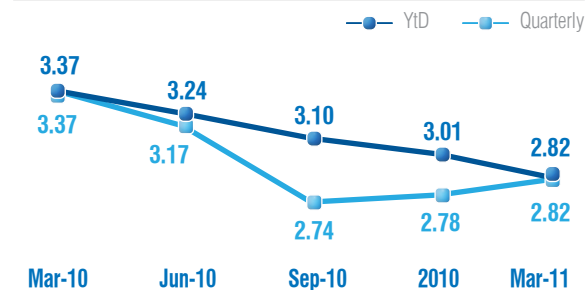
### Capital Ratios (%)



### ROE (%)



### ROA (%)

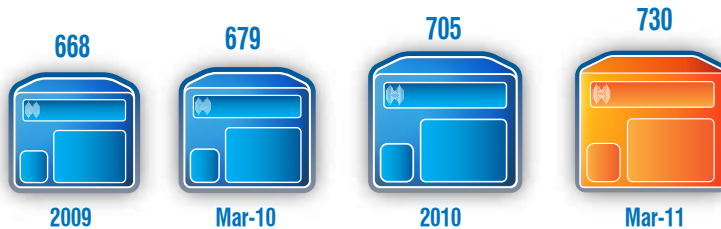


## Branch Network – Human Resources



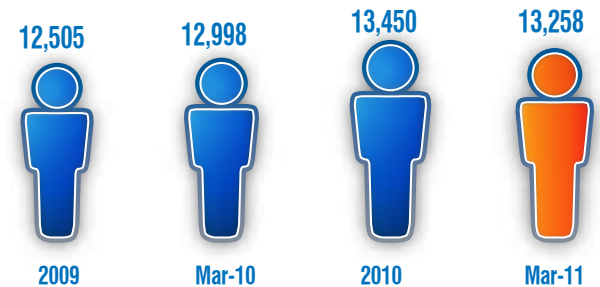
Branch network has been strengthened with 25 new branches opened in the 1Q 2011. The total figure climbs up to 730.

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



(a) Including domestic branches and special transaction centers.

### Human Resources



## Balance Sheet

In TRY million	Q1-10	2010	Q1-11	QoQ Change %	YoY Change %
Cash and Balances Held with the Central Bank (a)	3,049	4,650	5,953	28	95
Banks & Money Market (b)	1,586	1,109	888	(20)	(44)
Securities (b)	21,573	20,207	20,873	3	(3)
Net Loans (b)	34,912	44,296	47,567	7	36
Gross NPL	1,702	1,758	1,713	(3)	1
NPL Net	295	293	268	(9)	(9)
Property and Equipment	1,142	963	942	(2)	(17)
Other Assets	1,197	1,717	1,756	2	47
<b>Total Assets</b>	<b>63,459</b>	<b>72,942</b>	<b>77,978</b>	<b>7</b>	<b>23</b>
Deposits (b)	46,840	54,782	56,360	3	20
Funds Borrowed (b)	2,226	3,824	4,158	9	87
Interbank Money Market (b)	5,046	3,155	5,991	90	19
Funds	1,218	1,295	1,263	(2)	4
Other Liabilities	1,064	1,584	1,512	(5)	42
Provisions	774	857	890	4	15
Shareholders' Equity	6,290	7,445	7,805	5	24
<b>Total Liabilities</b>	<b>63,459</b>	<b>72,942</b>	<b>77,978</b>	<b>7</b>	<b>23</b>

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

(b) Including interest accruals.

## Income Statement

In TRY million	Q1-10	Q4-10	Q1-11	QoQ Change %	YoY Change %
Interest Income	1,565	1,647	1,550	(6)	(1)
On Loans	1,002	1,139	1,127	(1)	13
On Securities	540	502	421	(16)	(22)
Interest Expense	725	825	816	(1)	12
On Deposits	616	739	708	(4)	15
<b>Net Interest Income</b>	<b>840</b>	<b>822</b>	<b>734</b>	<b>(11)</b>	<b>(13)</b>
Net Fees and Commissions	134	133	158	19	18
Net Trading Income	61	(49)	98	-	62
Other Operating Income	93	285	120	(58)	28
Reversal of Loan Loss Provisions	64	42	72	69	11
Total Operating Revenues	1,128	1,190	1,110	(7)	(2)
Operating Expenses	334	428	414	(3)	24
<b>Net Operating Income</b>	<b>793</b>	<b>762</b>	<b>696</b>	<b>(9)</b>	<b>(12)</b>
Provision for Loan Losses and Other Receivables	149	131	86	(34)	(42)
Loan Loss Provisions for Cash Loans	111	83	51	(38)	(54)
Profit/(Losses) from Associates	5	0	43	-	-
<b>Income Before Taxes</b>	<b>649</b>	<b>631</b>	<b>653</b>	<b>4</b>	<b>1</b>
Provision for Tax	134	131	128	(2)	(4)
<b>Net Income</b>	<b>515</b>	<b>500</b>	<b>525</b>	<b>5</b>	<b>2</b>

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