

# Q3 2011 Earnings Presentation

BRSA Bank Only



## Macro Outlook

- > The Turkish economy grew by 8.8%, beating 6.9% Q2 market consensus and rendering an impressive H1 growth of 10.2%. 7.5% GDP growth is expected for 2011.
- > CPI up by 0.75% MoM in September; however annual CPI decelerated to 6.15% with the effects of FX pass through, rising food prices, and tax increases. CBRT revised its year-end expectation to 8.3%.
- > CBRT's hawkish stance aims to control financial stability and TRY against hard currencies. Five pillars of the action plan: price stability, financial stability, RRR, interest rate policy, and FX reserves policy.
- > Recently CBRT hiked O/N lending rate by 350 bps seeking to control price stability using the 5.75%-12.50% interest corridor.
- > CBRT has reduced TRY RRR by an average 210bps from avg 12.6% to avg 10.5%; banks are also allowed to hold up to 40% of their TRY reserves in FX.
- > In the light of CBRT action plan, benchmark bond, loan, and deposit rates all moved up.
- > Turkey's CAD registered at USD 4 bn in August in line with market consensus and amounted USD 54.3 bn Ytd. For upcoming periods, slower global growth and measures taken by authorities are expected to help slow CAD down.
- > CUR rose by 0.8% MoM to 77.0% in October.
- > Sound budget performance continued. Budget deficit/GDP ratio is expected to be lower than 2% for 2011, which is regarded as unique.
- > High growth rate and measures taken by authorities help reduce the seasonally adjusted unemployment rate to 10.1% in July, down from its peak of 14.8% in April 09.
- > S&P raised Turkey's local-currency rating to BBB-, thereby making it investment-grade. The next move is expected to be in the country's foreign currency sovereign rating.

## Banking Sector Outlook

- > Sector loan growth up by 25.6% YtD; excluding currency effects however, loan growth was ~19%YtD.
- > LC loans up by 21.7% whereas FX loans increased 12.6% in USD terms.
- > Consumer loans increased by 26.3% YtD, and by 4.3% QoQ. Slower pace compared with previous quarter attributed to BRSA measures.
- > Average loan interest rates up by ~300 bps compared to previous quarter.
- > Advised ceiling on loan growth (25%) is no longer taken into consideration.
- > Banks continued to tap repo market; aggregate funding more than doubled on a YtD basis.
- > L/D ratio has risen to 94.0%.
- > Solid asset quality is being preserved: gross NPLs decreased by 7.3% YtD and 1.5% QoQ. As a result, the industry's NPL ratio has fallen to 2.7%.
- > Lackluster performance expected in both top and bottom lines in Q3 across the banking industry.
- > CoR of the sector is still low; however it is likely to increase in line with the normalization trend.
- > CAR well above the threshold: 16.6% as of August 2011.

## Q3 2011 Highlights

### As profitable as usual

- > Net interest income increased by **7.0%** QoQ.
- > Superior **26.2%** RoE among peers.
- > Unlike the sector, NIM retained at **4.5%**.
- > Net income up by **2.0%** YoY and by **5.9%** compared to the previous year's Q3; stood at **TRY 1,541** mn as of September 2011.
- > Robust increase in net fees and commissions income: **36.1%** YoY and **7.6%** QoQ.
- > Driven primarily by loan expansion (ROA: **2.5%**), total assets grew by 24.4% YtD.
- > Total loans reached TRY 55 bn, up by **24.2%** YtD and in line with in line with overall industry growth. Currency-adjusted loan growth was **19.0%** YtD.
- > Retail loans increased by **28.4%** YtD and by **4.7%** QoQ.
- > Total deposits expanded by **13.7%** YtD and amounted to TRY 62.3 bn.
- > Ratio of demand deposits to total deposits increased further to **15.6%**.
- > Nominal NPL declined by **6.9%** YtD; NPL ratio was down to **2.9%** without any write-offs or sell-offs.
- > Cost of risk remained flat at **40 bps**.
- > Effective cost management, C/I at **36.3%**.
- > CAR at **14.5%**.
- > Syndicated loan rolled over with total amount reaching USD 1 bn.

## Assets continued to increase on the back of loan growth

### Asset Growth

YoY 30.4% YtD 24.4%

#### Total Asset Growth (TRY billion)



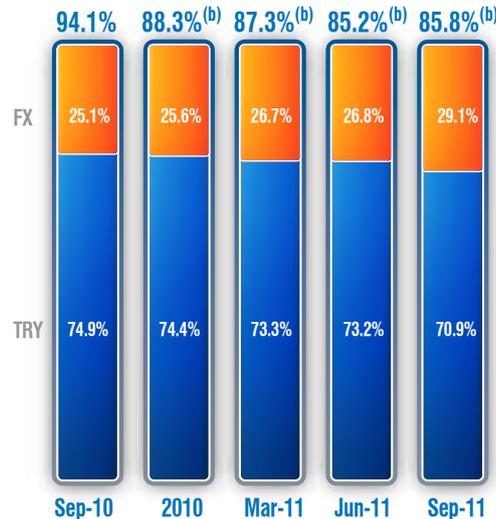
(a) Including interest accruals and excluding fund loans

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

### IEA

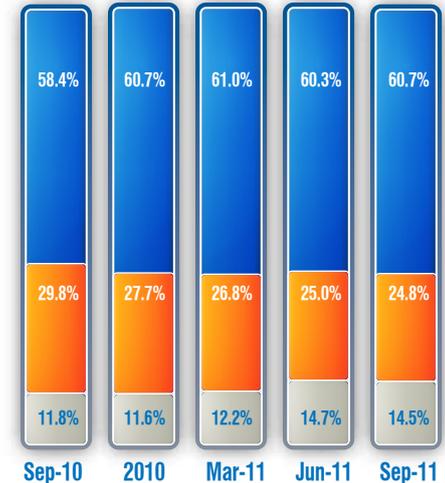
85.8%

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



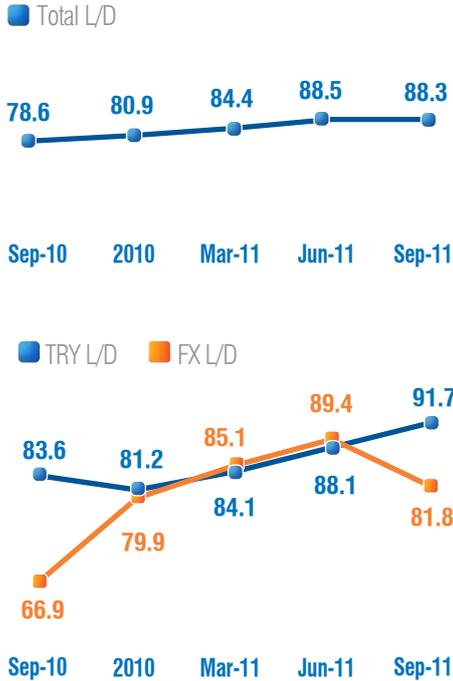
#### Asset Mix (%)

- Loans
- Securities
- Other Assets

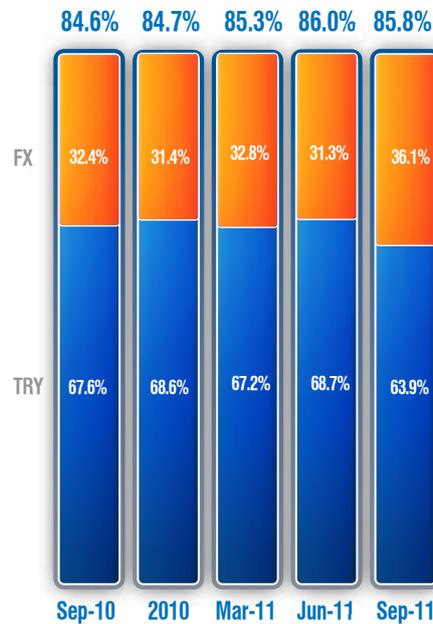


## Well managed and diversified funding base

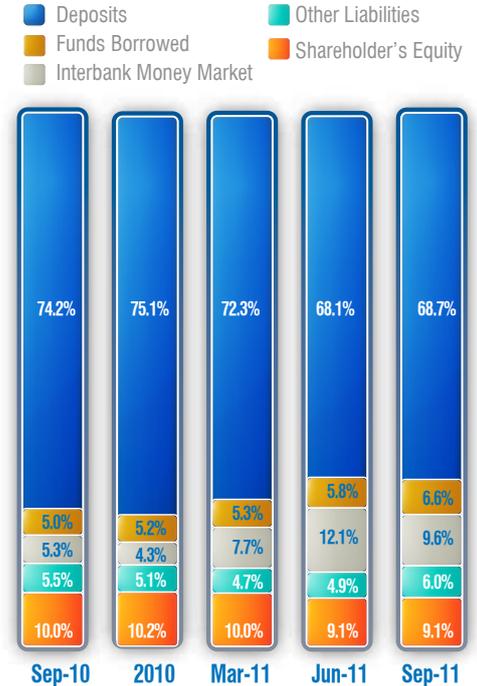
### Loan to Deposit (%)



### 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 Sep-11.

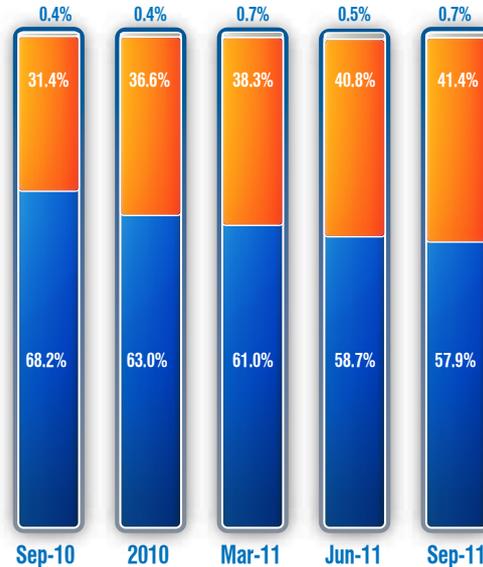
## Modest growth in securities portfolio

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



**Total Securities Composition**

HTM    AFS    Trading



(a) FX indexed securities are booked as foreign currency

## Evenly distributed interest profile of the securities

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



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



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



**CPI-linkers  
constitute 29% of  
FRNs, and 14% of  
total securities.**

(a) Excluding interest accruals

# Loan growth in line with the industry trend (TRY billion)<sup>(a)</sup>

## Total Loans

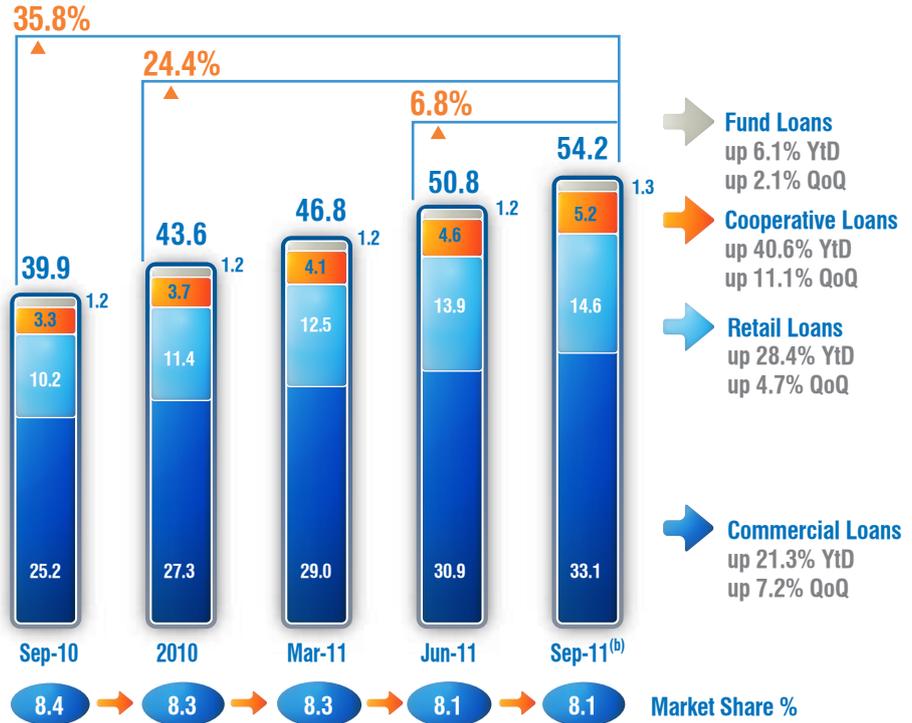
HALKBANK	B. Sector <sup>(b)</sup>
YtD <b>24.4%</b>	YtD <b>25.6%</b>
QoQ <b>6.8%</b>	QoQ <b>6.5%</b>

## TRY Loans

HALKBANK	B. Sector <sup>(b)</sup>
YtD <b>17.0%</b>	YtD <b>21.7%</b>
QoQ <b>3.9%</b>	QoQ <b>4.1%</b>

## FX Loans

HALKBANK	B. Sector <sup>(b)</sup>
YtD <b>43.9%</b>	YtD <b>35.7%</b>
QoQ <b>13.6%</b>	QoQ <b>12.9%</b>
<small>in USD terms</small>	
YtD <b>19.4%</b>	YtD <b>12.6%</b>
QoQ <b>-0.9%</b>	QoQ <b>-1.5%</b>



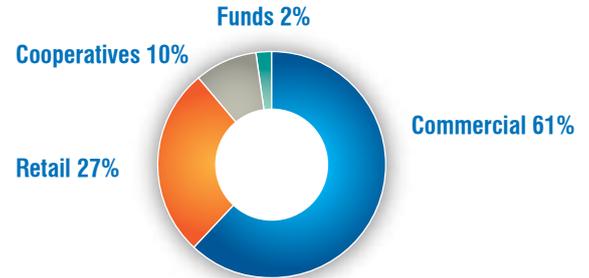
(a) Excluding interest accruals. (b) BRSA daily data

## Concentration on widespread business segments; SME and retail

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



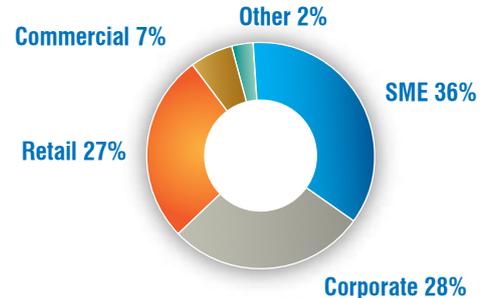
**Loans by Types**



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



**Loans by Customer Segmentation**

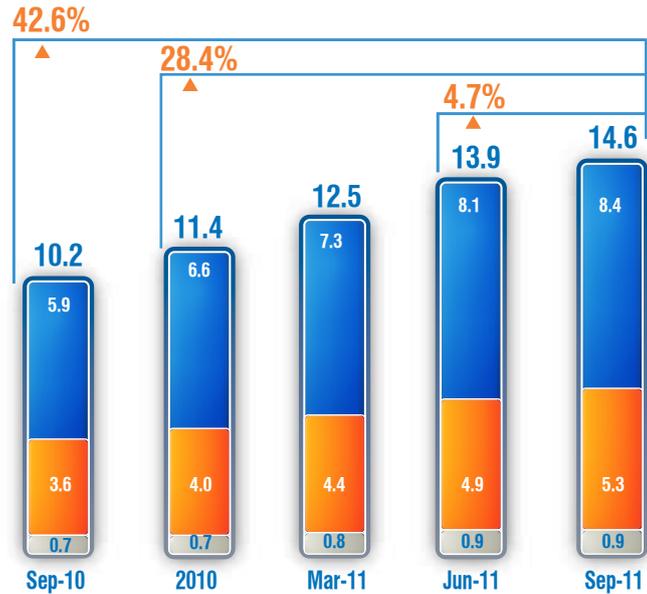


(a) Excluding interest accruals (b) BRSB daily data

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

**HALKBANK**  
YTD  
**28.4%**  
QoQ  
**4.7%**

**B. SECTOR<sup>(b)</sup>**  
YTD  
**24.2%**  
QoQ  
**4.5%**



**Consumer Loans**  
up 27.3% YTD  
up 3.2% QoQ  
Share in total 57.3%

**Housing Loans**  
up 30.1% YTD  
up 7.3% QoQ  
Share in total 36.0%

**Credit Cards**  
up 27.5% YTD  
up 4.5% QoQ  
Share in total 6.4%

Retail Loans Market Share %



Consumer Loans Market Share %



Housing Loans Market Share %

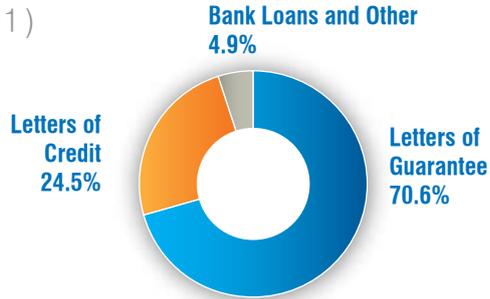


(a) Excluding interest accruals. (b) CBRT data as of 30.09.2011

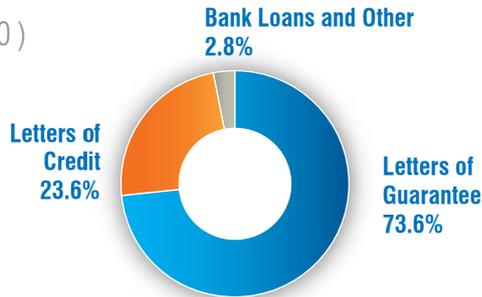
## Further market share gaining in non-cash lending

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

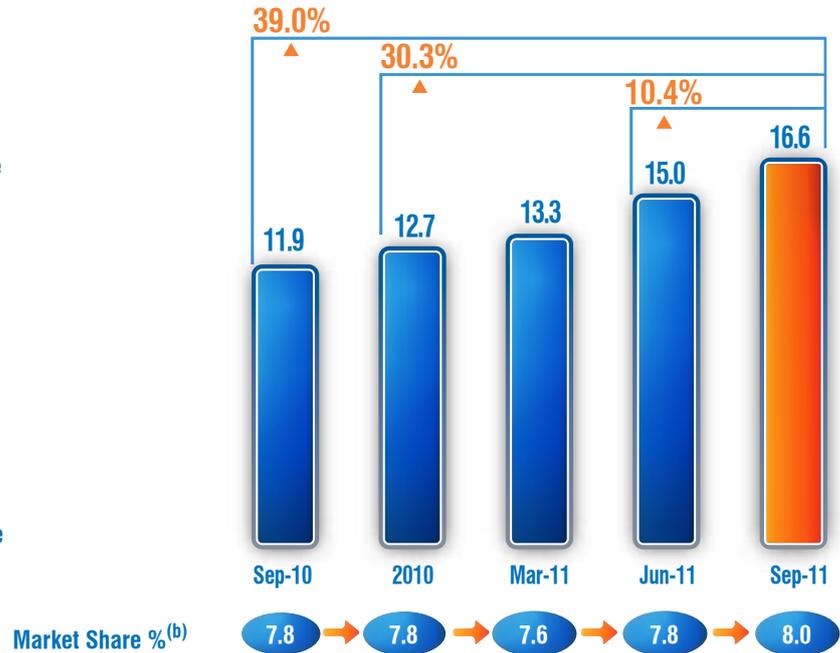
(Sep-11)



(Sep-10)



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



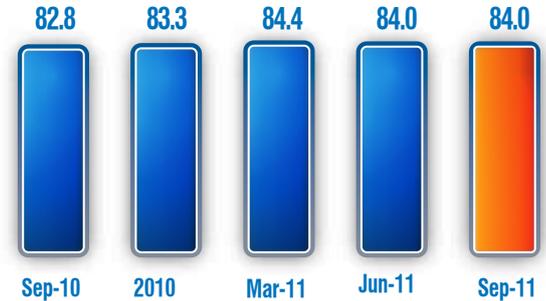
(a) Guarantees, Warranties (b) BRSA daily data.

## Declining trend continued in gross NPLs

**NPL Portfolio** (TRY million)



**NPL Coverage** (%)



**NPL / Total Loans** (%)



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



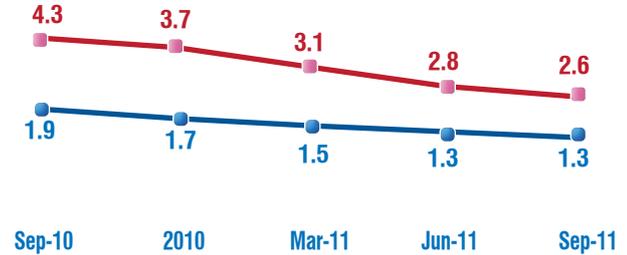
(I) Total NPL ratio (II) Excluding the legacy of year 2001 and before NPLs

## Improved asset quality

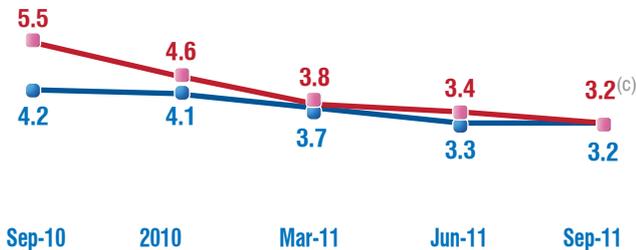
**NPL / Total Loans (%)<sup>(a)</sup>**



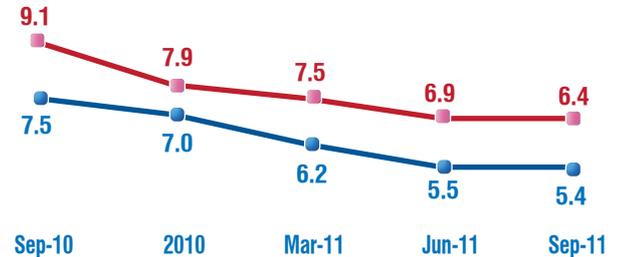
**Consumer Loans (%)<sup>(b)</sup>**



**SME Loans (%)**



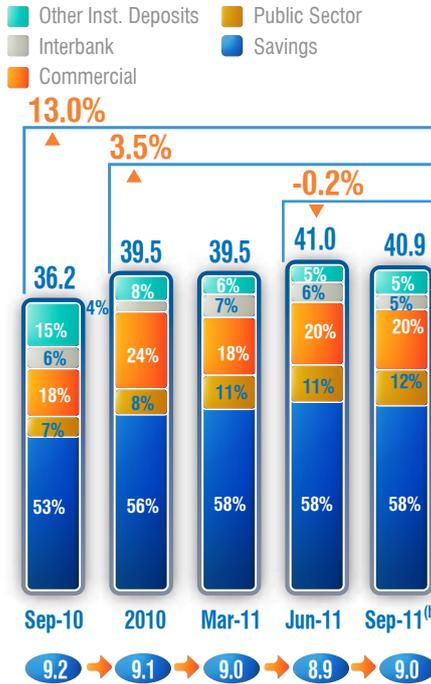
**Credit Cards (%)<sup>(b)</sup>**



(a) BRSA daily data (b) CBRT data as of 30.09.2011 (c) BRSA data as of August 2011.

# Raised the bar for demand deposit; 15.6% of total

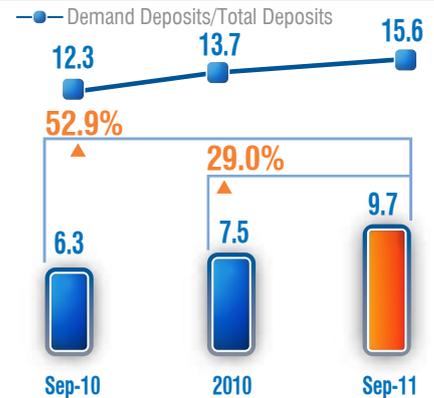
## TRY Deposits by Types (TRY billion)<sup>(a)</sup>



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



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

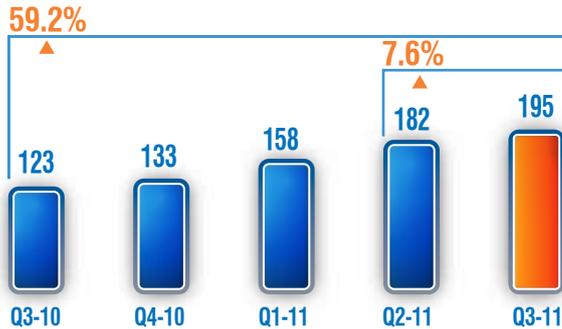


		HALKBANK B. Sector <sup>(b)</sup>	
Total Dep.	YtD	13.7%	10.8%
	QoQ	7.0%	3.7%
TRY Dep.	YtD	3.5%	5.1%
	QoQ	-0.2%	-0.5%
FX Dep.	YtD	40.4%	23.9%
	QoQ	24.1%	12.7%
in USD terms	YtD	16.5%	2.8%
	QoQ	8.3%	-1.6%

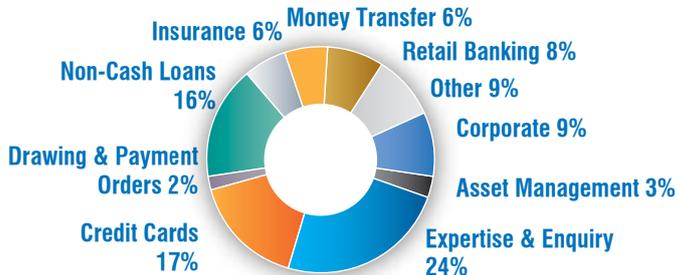
(a) Excluding Interest Accruals (b) BRSA daily data

## Superior performance in fee income generation

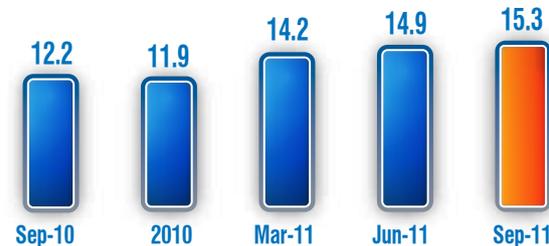
### Net Fees & Commissions Income (TRY million)



### Breakdown of Fees & Commissions Income



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

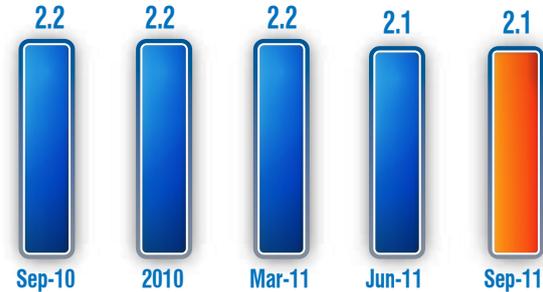


## Quarterly flattish OPEX; Cost/Income at 36.3%

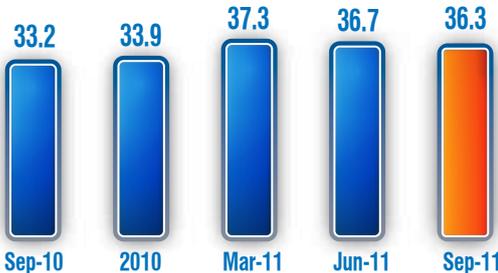
Operating Expenses (TRY million)



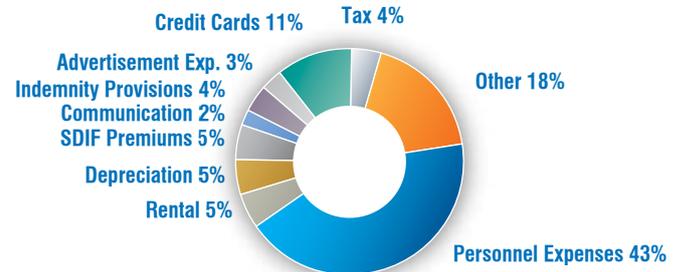
Operating Expenses/Average Assets (%)



Cost/Income (%)



Breakdown of Operating Expenses

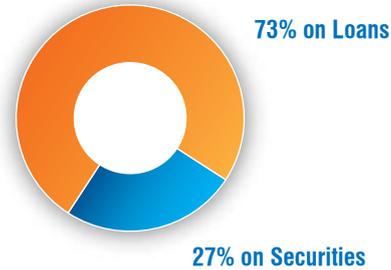


## NII surged by 7.0% QoQ

**Net Interest Income** (TRY million)



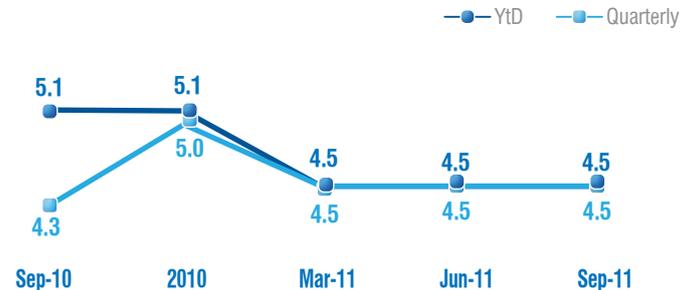
**Breakdown of Interest Income**



**Interest Income** (TRY million)

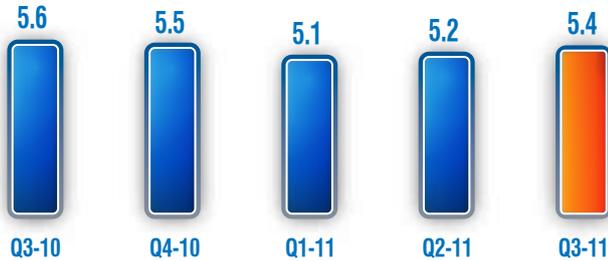


**NIM (%)**



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

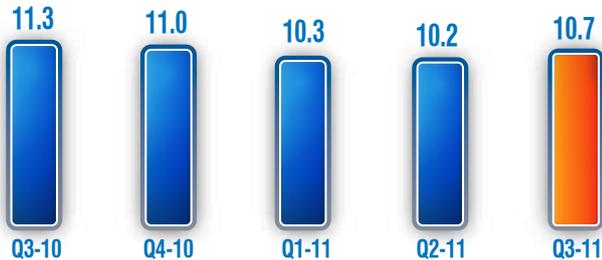
### Cost of Deposits (%)



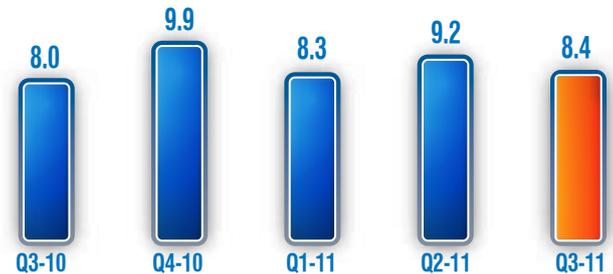
### Spreads (%)



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



### Yield on Securities (%)



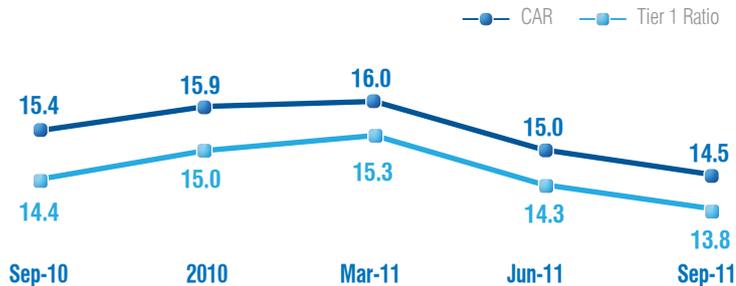
(a) TRY-FX blended (b) Excluding fund loans

# Net Income - Profitability Ratios

**Net Income** (TRY million)



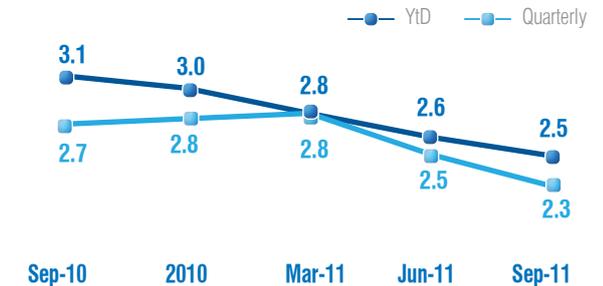
**Capital Ratios (%)**



**ROE (%)**



**ROA (%)**

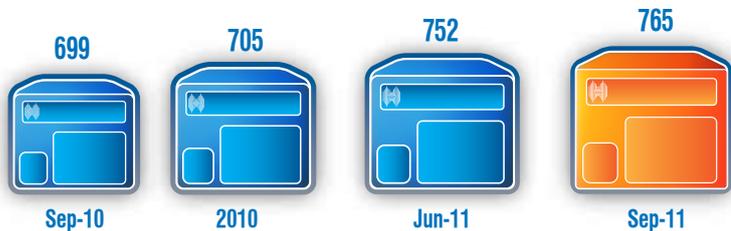


## Branch Network – Human Resources



> 13 new branches commenced their operations in Q3 11. Branch network has been strengthened with 60 branch openings since the beginning of the year. Total figure climbed up to 765.

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



(a) Including domestic branches and special transaction centers.

### Human Resources



## Balance Sheet

In TRY million	Sep-10	2010	Jun-11	Sep-11	QoQ Change %	YtD Change %	YoY Change %
Cash and Balances Held with the Central Bank (a)	4,026	4,650	8,511	8,494	(0)	83	111
Banks & Money Market (b)	1,515	1,109	1,215	1,618	33	46	7
Securities (b)	20,744	20,207	21,390	22,469	5	11	8
Net Loans (b)	40,618	44,296	51,562	55,035	7	24	35
Gross NPL	1,718	1,758	1,655	1,637	(1)	(7)	(5)
NPL Net	295	293	265	262	(1)	(11)	(11)
Property and Equipment	1,243	963	898	881	(2)	(9)	(29)
Other Assets	1,435	1,717	1,986	2,217	12	29	54
<b>Total Assets</b>	<b>69,581</b>	<b>72,942</b>	<b>85,562</b>	<b>90,714</b>	<b>6</b>	<b>24</b>	<b>30</b>
Deposits (b)	51,655	54,782	58,256	62,314	7	14	21
Funds Borrowed (b)	3,456	3,824	4,917	6,001	22	57	74
Interbank Money Market (b)	3,671	3,155	10,382	8,754	(16)	177	138
Funds	1,300	1,295	1,259	1,278	2	(1)	(2)
Marketable Securities Issued	-	-	-	471	-	-	-
Other Liabilities	1,684	1,584	2,000	2,576	29	63	53
Provisions	831	857	922	1,021	11	19	23
Shareholders' Equity	6,984	7,445	7,826	8,299	6	11	19
<b>Total Liabilities</b>	<b>69,581</b>	<b>72,942</b>	<b>85,562</b>	<b>90,714</b>	<b>6</b>	<b>24</b>	<b>30</b>

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

(b) Including interest accruals.

## Income Statement

In TRY million	Sep-10	Sep-11	YoY%	Q4-10	Q1-11	Q2-11	Q3-11	QoQ %
Interest Income	4,704	5,112	9	1,647	1,550	1,697	1,866	10
On Loans	3,117	3,732	20	1,139	1,127	1,210	1,394	15
On Securities	1,512	1,370	(9)	502	421	484	464	(4)
Interest Expense	2,335	2,741	17	825	816	906	1,020	13
On Deposits	2,033	2,274	12	739	708	744	822	11
<b>Net Interest Income</b>	<b>2,369</b>	<b>2,371</b>	<b>0</b>	<b>822</b>	<b>734</b>	<b>791</b>	<b>846</b>	<b>7</b>
Net Fees and Commissions	393	535	36	133	158	182	195	8
Net Trading Income	164	144	(12)	(49)	98	(2)	48	-
Other Operating Income	291	455	56	285	120	204	131	(36)
Reversal of Loan Loss Provisions	177	228	29	43	72	97	60	(38)
Total Operating Revenues	3,217	3,505	9	1,190	1,110	1,175	1,220	4
Operating Expenses	1,067	1,272	19	428	414	425	433	2
<b>Net Operating Income</b>	<b>2,150</b>	<b>2,233</b>	<b>4</b>	<b>762</b>	<b>696</b>	<b>749</b>	<b>787</b>	<b>5</b>
Provision for Loan Losses and Other Receivables	327	342	4	131	86	116	140	21
Loan Loss Provisions for Cash Loans	233	135	(42)	83	51	40	43	7
Profit/(Losses) from Associates	56	49	(13)	0	43	5	0	-
<b>Income Before Taxes</b>	<b>1,878</b>	<b>1,940</b>	<b>3</b>	<b>631</b>	<b>653</b>	<b>639</b>	<b>648</b>	<b>1</b>
Provision for Tax	367	399	9	131	128	127	144	14
<b>Net Income</b>	<b>1,511</b>	<b>1,541</b>	<b>2</b>	<b>500</b>	<b>525</b>	<b>512</b>	<b>504</b>	<b>(2)</b>

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