

**HALKBANK** 



#### **Macro Outlook**

- > Turkey grew 1.6% in Q3-12, economic activity is expected to pick up in the last quarter
- Industrial production declined 3.8% YoY; CBRT may cut the upper band of the i/r corridor on the back of latest IP reading
- > Year-end inflation fell below estimates at 6.16% lowest level in 15 months. Jan-13 CPI figure is 7.31%
- > CBRT decreased policy rate 25 bps in Dec-12 to 5.50% from 5.75% and also decreased lower and upper band of the i/r corridor 25 bps to 4.75% and 8.75% respectively in Jan-13 on the contrary, increased the RRR to sustain financial stability
- Reel Effective Exchange Rate is started being monitored more closely, 120 is the upper limit and over 120 may require precautionary measures
- December foreign trade deficit was USD 7.2 bn lower than consensus estimate of USD 9 bn. In 2012, deficit decreased 20.7% YoY to USD 84 bn

- CAD registered USD 48.9 bn below market concensus of USD 50.5 bn at YE 2012. CAD/GDP is expected at around 6.1% compared to that of YE 2011 at 10%
- > Unemployment rate remained flat in Oct-12 at 9.1%
- 2012 Budget deficit realized TRY 28.8 bn, TRY 4.7 bn below MTP target. Budget deficit GDP is expected to be approximately 2% levels
- > Domestic debt roll over ratio is expected at 87.5% levels
- > Benchmark bond yield came down to historical low levels at 5.7%
- > Discussions regarding sovereign rating upgrade by further rating agency in 2013 continuing



#### **Banking Sector Outlook**

- > CBRT introduced leverage based reserve requirements implementation starting from Q4-13
- CBRT increased TRY and FX RRR and raised ROC 0.1 points for all tranches of gold reserves held for Turkish Lira required reserves
- > Withholding tax adjustment in deposits to lengthen the maturity of deposits was introduced
- Loans up 16.3% reached TRY 802.3 bn, total deposits raised 11.0% amounted TRY 767.2 bn
- > Retail loans, credit cards, consumer lending increased 17.9%, 27.5%, 15.7% respectively
- > Loan/Deposit ratio of the sector is at 104.6%
- > NPL ratio of the sector 2.9%, CoR at 100 bps levels, coverage ratio is at 75.2%

- > Banks kept tapping the local and international bond markets
- > Bonds that banks issued increased 104.7% YoY from TRY 18.2 bn to TRY 37.2 bn. USD 8.6 bn issuance was from international markets in Nov-12
- > Non cash loans up 10.3%
- > Sector profitability increased thanks to NII and trading gains
- > Net income up 19.3% YoY and NII up 34.1%
- > RoE of the industry 14.8%, RoA at 1.9% levels
- > C/I ratio is at 42.3%
- Strong capital adequacy ratio at 17.4% thanks to profit generation and also sub debts



#### **2012 Highlights**

#### Strong profitability, high efficiency, solid asset quality, sound capital adequacy

- Highest net income ever, TRY 2,595 mn in 2012 and TRY 742 mn in Q4-12, thanks to strong, well balanced business model
- > 24.8% RoE, thanks to strong profitability, generating internal capital, 42.6% increase in equity
- Quarterly NIM at 5.8%, widening L/D spreads and strong contribution from CPI-linkers, yearly NIM at 5.3%
- > 17.9% YoY increase in net fees and commissions
- Strong treasury management results in high trading gains, TRY 555 mn in 2012
- > 24.9% YoY increase in total operating income
- > 18.8% YoY asset growth driven by loan growth (RoA:2.6%)
- > 17.2% YoY loan growth supported by TRY loans, in line with guidance

- > Conservative approach on coverage ratio with 82.5%
- > Sound asset quality, 2.9% NPL ratio maintained, with no write-off or sell-off
- > Superior deposit growth, 20.7% YoY increase
- L/D ratio at 82.4%, lowest in the industry, ultra comfortable for further growth
- > 63 bps CoR, better than sector
- > C/I ratio at 33.6%, one of the lowest in the industry
- > Strong capital ratios, 16.17% CAR well beyond threshold
- > 23.9% of shares sold through a Secondary Public Offering, the most successful and largest SPO ever
- > New credit card named "Paraf" is launched



#### The most successful public offering

#### Halkbank repeated its success; the most successful and the biggest public offering in the ISE



- Second Second
- > Free float increased to 48.90% from 24.98%
- > Halkbank has one of the highest foreign ownership in ISE
- > Weight of the stock in ISE index increased
- > Strong business model and fundamentals appreciated by investors

Overall Demand in the Book

- > The biggest and the most successful public offering
- > 299 Million shares were sold

Allocation Results

- > Supported Halkbank's diversified shareholder base
- Established a balance register of investors encompassing different investor constituencies including long-only funds, SWFs and others
- > High conversion ratio at 86%
- > 30,722 new investors through SPO

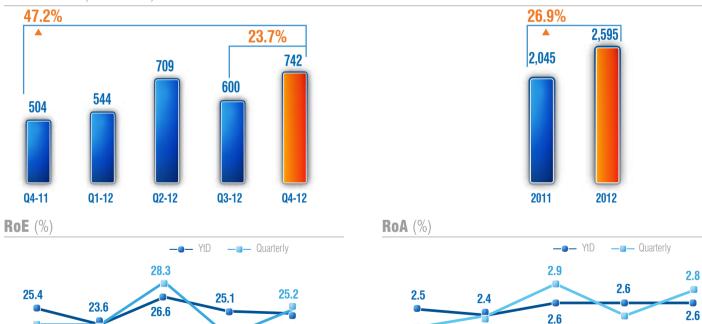
Tranching

- > 10% to domestic retail investors
- > 10% to domestic institutions
- > 80% to international institutions



#### Solid performance, record high net income; TRY 2.6 bn yearly-TRY 742 mn quarterly

#### **Net Income** (TRY million)



23.6

Mar-12

Jun-12

23.6

2011

2.4

Mar-12

Jun-12

2.2

2011

24.8

2012

22.3

Sep-12

2012

2.4

**Sep-12** 



#### **Successfully transformed and well-balanced assets**



YoY 18.8% QoQ 6.1%

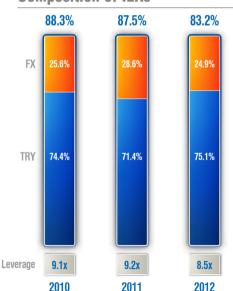
IEA 83.2%

Securities down to 21.2%

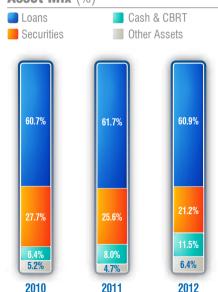
#### Total Asset Growth (TRY billion)



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



#### **Asset Mix** (%)



(a) Including interest accruals and excluding fund loans



#### FRNs gaining ground in total with 59% to mitigate interest rate risks

#### **Total Securities Portfolio** (TRY billion)



#### **TRY Securities Yield** (%)

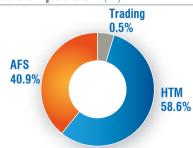


#### **Interest Structure** (%)





#### **Securities Composition** (%)



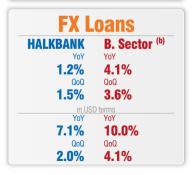


#### Lucrative growth in loans with high risk adjusted returns

(TRY billion)(a)



## TRY Loans HALKBANK YOY 24.7% 21.4% GOG 5.8% 5.8%





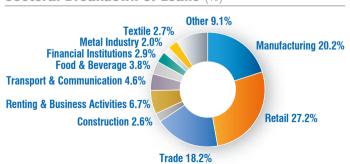


#### **Distinct position in SME segment - no material sectoral concentration**

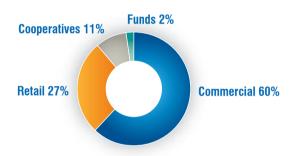
#### Loans by Currency (TRY billion)(a)



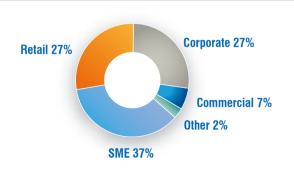
#### **Sectoral Breakdown of Loans** (%)



#### **Loans by Types** (%)



#### **Loans by Customer Segmentation** (%)





#### Retail loan growth backed by payroll accounts

7.0

(TRY billion)(a)

#### **HALKBANK**

YoY **17.9%** QoQ **4.4%** 

#### B. SECTOR(b)

17.9% QoQ 4.8%

**Retail Loans Market Share %** 

**Consumer Loans Market Share %** 

**Housing Loans Market Share %** 



Consumer Loans
up 12.5% YoY

up 2.9% QoQ Share in total 54.6%

**Housing Loans** 

up 22.4% YoY up 6.0% QoQ

Share in total 37.4%

-

8.3

**Credit Cards** 

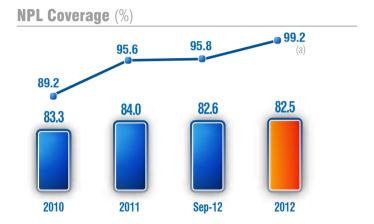
up 37.6% YoY up 7.5% QoQ Share in total 7.4%

(a) Excluding interest accruals. (b) CBRT data as of 28.12.12



#### Asset quality maintained better than sector, flat NPL ratio with no write-off/sell-off

# 1,758 1,669 1,869 1,960 570 514 507 503 Legacy NPLs 2001 and before 2010 2011 Sep-12 2012



#### **NPL / Total Loans** (%)

Halkbank



- Sector (b)



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



#### Low NPL ratios across all segments vs sector



#### **Corporate - Commercial** (%)<sup>(a)</sup>



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



#### **SME Loans** (%)<sup>(a)</sup>



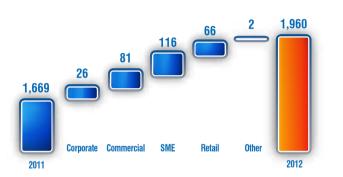
#### **Credit Cards** (%)(b)



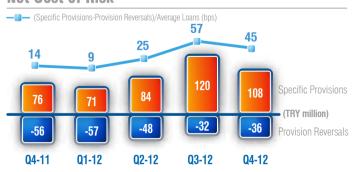


#### **Limited NPL formation and low CoR**

#### **New NPLs by segments** (TRY million)



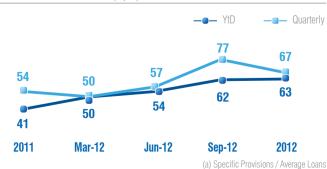
#### **Net Cost of Risk**



#### **Gross Cost of Risk by segments** (bps)<sup>(a)</sup>



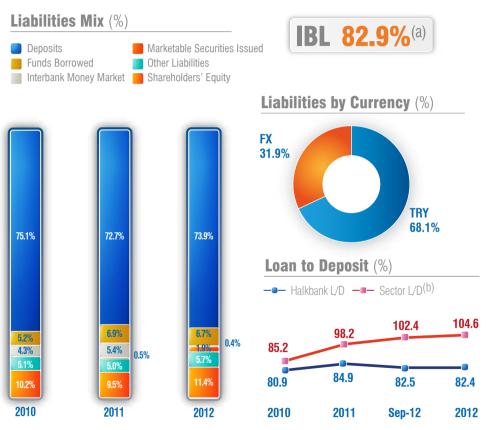
#### Gross Cost of Risk (bps)(a)



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#### Ultra comfortable level of L/D ratio, less reliance on wholesale funding



#### Eurobond

#### 5 Years, USD 750 mn in Jul-12

- > 5% Yield, lowest ever yielding fixed rate issue from a Turkish financial institution to date
- > 4.875% Coupon rate
  - 7 Years, USD 750 mn in Jan-13
    4 057% Yield lowest yield and spre
- > 4.057% Yield, lowest yield and spread for a 7-year issuance from Turkey
- > 3.875% Coupon rate, lowest coupon for a 7-year bank issuance from Turkey

#### **TRY Bonds**

#### TRY 750 mn bond issuance with 6 months maturity

- Yield eased 230 bps to 9% TRY 750 mn bond issuance rolled over in Jan-13
- > Yield down to 6.73%

#### **IFIs**

> App. USD 2 bn loan facility granted from IFIs

#### Repo

> Tapping opportunities in repo market

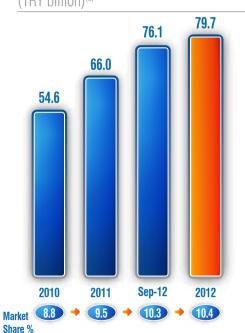
(a) Including interest accruals and excluding funds, excluding demand deposit, the share of IBL is 71.5% in 2012,



#### Strong fundamentals rewarded by depositors; up 20.7% YoY

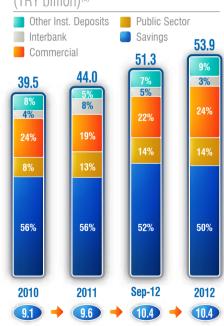
HALKBANK B. Sector (b) Total Dep. YoY 20.7% 11.0% 4.7% 4.3% QoQ

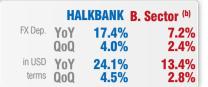
#### **Total Deposits** (TRY billion)(a)



HALKBANK B. Sector (b) YoY 22.4% 13.0% TRY Dep. 0005.0% 5.3%

#### **TRY Deposits** TRY billion)(a)





#### **FX Deposits** (TRY billion)(a)

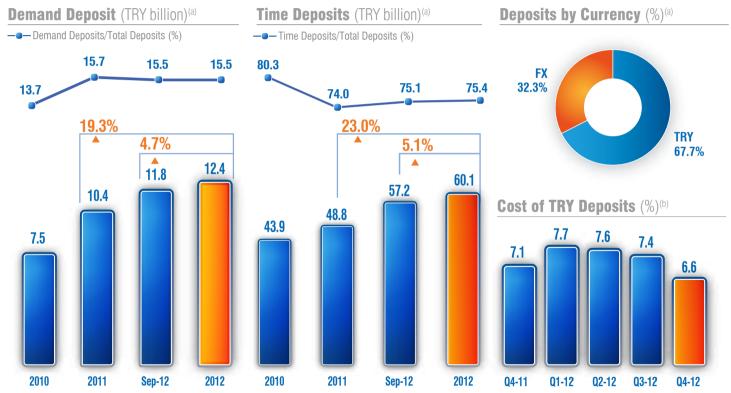
USD bn



(a) Excluding Interest Accruals (b) BRSA daily data, 31.12.12



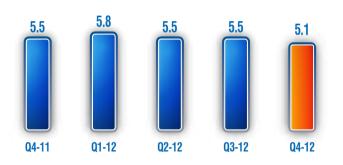
#### Well-managed deposit costs also supported by growth in demand deposits



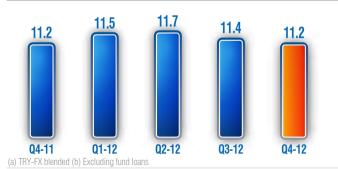


#### **Cost-Yield-Spread**(a) - Quarterly

#### **Cost of Deposits** (%)



#### **Yield on Loans** (%)(b)



#### **Spreads** (%)

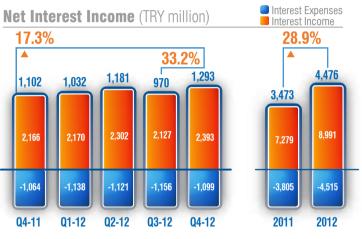


#### **Yield on Securities** (%)

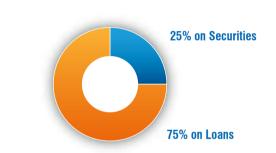




#### Strong topline performance; NII up 28.9% YoY, 33.2% QoQ



#### **Breakdown of Interest Income**(%)



#### **Interest Income** (TRY million)









#### Simply the best fee income performance and more room for further up

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



#### **Breakdown of Fees & Commissions** (%)





**Net Fees & Commissions / Operating Revenues** (%)





#### One of the lowest C/I in the banking industry; 33.6%

#### **Operating Expenses** (TRY million)





#### **OPEX / Average Assets** (%)

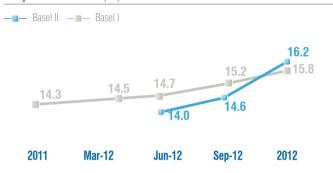






#### **Solvency Ratios**

#### **Capital Ratios** (%)



#### **SHE** (TRY billion)



#### **Details on Capital Ratio**

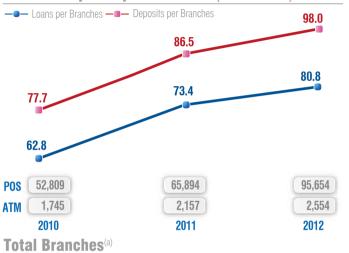
(TRY mn)	Basel-II Sep-12	Basel-II 2012		
Credit Risk Base Amount (CRBA)	70,084	70,006		
Market Risk Base Amount (MRBA)	2,161	1,674		
Operational Risk Base Amount (ORBA)	7,514	7,514		
Total Risk Weighted Assets (RWAs)	79,759	79,194		
Shareholders' Equity	11,658	12,809		
CAR (%)	14.62%	16.17%		

Halkbank is able to generate equity capital through its strong profitability and its efforts to optimize assets. Total equity base up 42.6% YoY.



#### **Network - Human Resources**

#### **Loans & Deposits per Branches** (TRY Million)

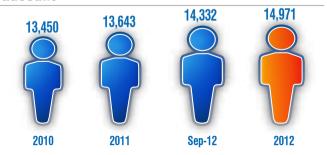


705 766 802 816 2010 2011 Sep-12 2012

- > 50 new branches opened in 2012, the branch network figure is 816.
- Cost conscious organic growth and dynamic staff structure
- To provide cost efficiency, business units in Istanbul moved to a new headquarter



#### Headcount



(a) Including domestic branches and special transaction centers.



#### **Balance Sheet**

La TDV avillian	0044	0 40	0040	QoQ	YoY
In TRY million	2011	Sep-12	2012	Change %	Change %
Cash and Balances Held with the Central Bank (a)	7,272	10,402	12,488	20.1	71.7
Banks & Money Market (b)	1,475	1,969	2,632	33.7	78.4
Securities (b)	23,346	22,952	22,954	-	(1.7)
Net Loans (b)	56,216	63,023	65,894	4.6	17.2
Gross NPL	1,669	1,869	1,960	4.9	17.4
NPL Net	267	325	343	5.6	28.5
Property and Equipment	1,039	1,137	1,160	2.1	11.7
Other Assets	1,775	2,576	3,154	22.4	77.7
Total Assets	91,124	102,059	108,282	6.1	18.8
Deposits (b)	66,247	76,429	79,974	4.6	20.7
Funds Borrowed (b)	6,291	5,840	7,303	25.1	16.1
Interbank Money Market (b)	4,905	1,432	381	(73.4)	(92.2)
Marketable Securities Issued	496	2,022	2,038	0.8	311.3
Funds	1,345	1,372	1,408	2.6	4.7
Other Liabilities	1,948	2,291	3,027	32.1	55.4
Provisions	1,252	1,581	1,827	15.5	45.9
Shareholders' Equity	8,640	11,091	12,323	11.1	42.6
Total Liabilities	91,124	102,059	108,282	6.1	18.8

<sup>(</sup>a) Reserve deposits monitored in balance with Central Bank. (b) Including interest accruals.



#### **Income Statement**

			YoY						QoQ	YoY
In TRY million	2011	2012	%	Q4-11	Q1-12	Q2-12	Q3-12	Q4-12	%	%
Interest Income	7,279	8,991	23.5	2,166	2,170	2,302	2,127	2,393	12.5	10.4
On Loans	5,246	6,731	28.3	1,514	1,564	1,676	1,719	1,771	3.0	17.0
On Securities	2,019	2,239	10.9	649	603	618	404	613	51.7	(5.5)
Interest Expense	3,805	4,515	18.6	1,064	1,138	1,121	1,156	1,099	(4.9)	3.3
On Deposits	3,172	4,084	28.8	898	986	1,035	1,054	1,009	(4.3)	12.4
Net Interest Income	3,473	4,476	28.9	1,102	1,032	1,181	970	1,293	33.2	17.3
Net Fees and Commissions	728	858	17.9	193	161	269	211	218	3.4	12.8
Net Trading Income	208	555	167.2	64	14	7	224	310	38.2	N/A
Other Operating Income	594	360	(39.4)	140	99	90	78	94	20.9	(32.8)
Reversal of Loan Loss Provisions	284	173	(39.2)	56	57	48	32	36	11.8	(36.3)
Total Operating Revenues	5,003	6,249	24.9	1,499	1,305	1,547	1,483	1,915	29.1	27.8
Operating Expenses	1,725	2,098	21.6	453	465	500	522	610	16.7	34.5
Net Operating Income	3,278	4,152	26.6	1,045	840	1,047	960	1,305	35.9	24.9
Provision for Loan Losses and Other Receivables	690	887	28.5	348	145	223	192	328	70.7	(6.0)
Loan Loss Provisions for Cash Loans	211	383	81.4	76	71	84	120	108	(9.7)	42.1
Profit/(Losses) from Associates	49	64	31.9	-	0	64	0	0	-	-
Income Before Taxes	2,637	3,329	26.3	697	695	888	769	977	27.2	40.2
Provision for Tax	592	734	24.1	193	151	179	169	235	39.4	22.1
Net Income	2,045	2,595	26.9	504	544	709	600	742	23.7	47.2



#### **Net Income Evolution**

**2011 - 2012** (TRY million)



Sustainable profitability, strong performance in every metrics

- > 24.8% RoE
- > 2.6% RoA
- > 5.3% NIM
- > 63 bps CoR
- > 33.6% C/I

**Q3-12 vs Q4-12** (TRY million)



Record high net income quarterly

- > 25.2% RoE
- > 2.8% RoA
- > 5.8% NIM
- > 67 bps CoR
- > 31.8% C/I



#### **Diversified Services and Products Provided Through Subsidiaries**

**Latest Developments in Subsidiaries** 





#### Halk RFIT

> Establishment of Halk REIT



#### 2011

#### Halk Banka A.D., Skopje

> Acquisition of Halk Banka A.D., Skopje

#### **Halk Leasing**

> Acquisition of %46.4 share

#### **Halk Asset Management**

> Established with a capital of TRY 5 mn



#### 2012

#### Halk Banka A.D., Skopje

> Acquisition of Ziraat Banka A.D., Skopje completed

#### **Halk Life and Pension**

> Granted the operating license for private pension business and began raising funds

#### **Halk Factoring**

> Established with a capital of TRY 20 mn

#### **Halk Insurance**

- > Began to be traded in Free Trade Platform
- > Capital increase from TRY 40 mn to TRY 70 mn



#### **Targets going forward**

#### Halk Investment (99.94%)

- Increasing the market share in different markets (equity, futures, derivatives etc.)
- Taking roles in activities such as debt capital markets, public offerings, consultancy, merger and acquisitions, valuations

#### Halk REIT (99.84%)

- > IPO to be finalised as of 2013, increasing the free float to 28%
- > Maximising the added value of the current portfolio with new projects

#### Halk Life and Pension (94.4%)

- > Ranking within the first 3 in life field
- $\,>\,$  Increasing fund size to TRY 1 bn as of 2012

#### Halk Insurance (89.18%)

- > Being more effective in health insurance field (fire, accidents etc.)
- > Increasing the contribution of the bank to 54% from 36%

#### Halk Banka AD, Skopje (98.78%)

- > Ranking within the first 3 banks in Macedonia
- > Growing in neighbouring countries through opening representative offices

#### Halk Asset Management (55.99%)

- > Increasing mutual funds market share from 3.2% to 4.7%
- > Increasing market share in pension funds from 0.08% to 0.35%

#### Halk Leasing (99.9%)

> SMEs being in the first place, providing solutions to all customers going forward

#### Halk Factoring (95.0%)

> Ranking within the first 5 while diversifying the product range



#### **New Credit Card Loyalty Program Launched**

- New brand name is "PARAF" and loyalty program is launched as of 5 December 2012
- Main goal is to support growth of fees and commissions income
- Primarily targeting the existing customer base and increasing the market share to 6% gradually in 5 years
- > Personalized and tailored features for the customers' needs
- > Aiming to increase merchant network and POS number



### For further information please contact halkbank.IR@halkbank.com.tr





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