

# H1 2013 Earnings Presentation



## Macro Outlook

- > 3% GDP growth in Q1-13 thanks to consumer spending and investment. May IP expanded 1% calendar adjusted, compared to same month last year.
- > Until mid-Q2-13, CBRT focused on economic growth, decreasing interest rates while making use of ROM to limit adverse impact of volatile capital flows.
- > FED's first tapering signal in May, repeated in June, provoked tension and increased volatility in markets.
- > FED's signal triggered increase in UST10Y yield hitting 2.7% level as well as in exchange rates and EM bond yields.
- > CBRT intervention in June to limit FX volatility by tightening TRY liquidity and selling FX (USD 6.6 bn so far).
- > CBRT kept policy rate and O/N borrowing rate on hold at 4.5% and 3.5%, respectively and increased O/N lending rate by 75 bps to 7.25%.
- > Volatility in global markets affected TRY benchmark bond rate as well as exceeding the ~9.0% levels.
- > May foreign trade deficit registered as USD 9.9 bn. 12 month trailing deficit is USD 90.2 bn. In May, export and import increased 1.4% and 6.7% YoY, respectively.
- > Due to profit transfers, USD 7.5 bn CAD in May is exceeding market expectations. 5-month CAD figure is USD 31.9 bn.
- > Unemployment rate is again single digit as labor force continues to grow on annual terms. Seasonally-adjusted figure is 9.4%.
- > Strong budget performance preserved in June thanks to strong tax revenues; budget deficit is held at TRY 1.2 bn; 6-month budget surplus at TRY 3.1 bn.
- > In June, annual CPI reached 8.3% due to food, transportation, and low base effects. Core inflation remained subdued at 5.57%.
- > Long lasting indebtedness to IMF ended in May-13 after final installment payment.

## Banking Sector Overview

- > Loans grew by 15.8% YtD, deposits by 8.6%; L/D ratio reached 103.9%.
- > Retail loans increased 13.8% YtD; housing, GPCLs and credit cards up 16.4%, 14.6% and 10.8% respectively.
- > Deposit rates reached historical low in mid-Q2 and started to increase sharply thereafter triggered by FED tapering signals.
- > Hitherto falling loan rates started to increase due mainly to increasing deposit rates.
- > Net interest income, net fees and commissions income, and net FX & trading gains supporting the bottom-line with provision expenses being the main drag.
- > Net income increased 18.7% YoY as of May-13, bringing in 14.9% RoE and 1.9% RoA.
- > As of May-13, non-performing loans in nominal terms up 13.9% YtD, reaching TRY 26.7 bn. Even so, NPL ratio is on an even keel at 2.9%; coverage flat at 75.4% and cost of risk at 124 bps.
- > Basel II CAR retained sound and solvent at 16.8% in May-13.
- > CBRT put a cap on overdraft interest rates, now at the same level as credit cards.
- > Basel III implementation planned to start in Jan-14.
- > BRSA issued draft amendment on liquidity requirements defining the “liquidity coverage ratio”, LCR is expected to be effective from 2015.

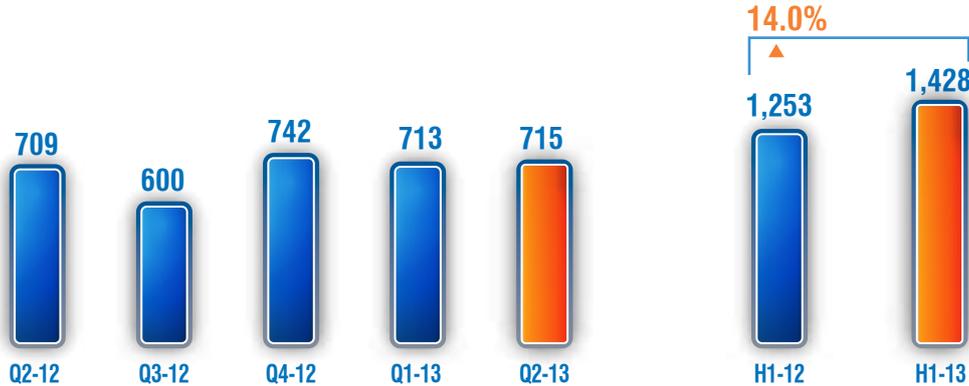
## H1 2013 Highlights

### Strong position across all metrics

- > Net Income at TRY 1,428 mn; up 14% YoY; quarterly net income at TRY 715 mn
- > Brilliant profitability ratios; RoE at 23.1% and RoA at 2.6%
- > Total operating revenues up 19.8% YoY
- > NIM still strong at 5.3%
- > Fees and commissions up 3.9% YoY, reaching TRY 447 mn
- > Trading gains at TRY 315 mn
- > TRY 82 mn dividend from associates; up 27.5% YoY
- > 7.5% YtD asset growth driven mainly by lending
- > Loan growth at 11.9% YtD, propelled by retail and SME-cooperative lending
- > High asset quality, NPL ratio at 2.7% (no write-offs/sell-offs), cost of risk almost flat at 61 bps
- > Price-sensitive deposit growth, up 2.8% YtD; deposit costs decreased further
- > L/D still comfortable at 89.7%, offering room for further growth
- > C/I ratio at 38.6%, lower than sector average
- > CAR at efficient 14.7% level

# Profitability remained intact

## Net Income (TRY million)

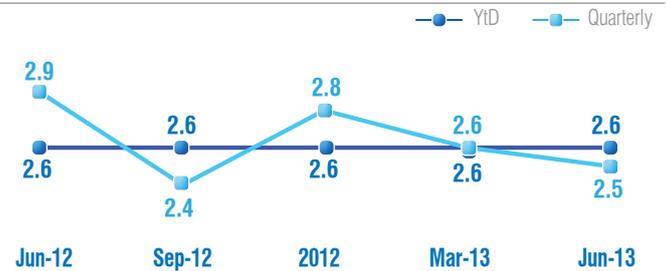


- YoY Change (%)**
- > 10.6% NII
  - > 19.8% Total Operating Revenues
  - > 11.1% Net Operating Income
  - > 14.0% Net Profit

## RoE (%)



## RoA (%)



## Continued growth of loans in total assets

### Asset Growth

YoY 15.3% QoQ 4.5%

#### Total Assets (TRY billion)



(a) Including interest accruals and excluding fund loans

### IEA

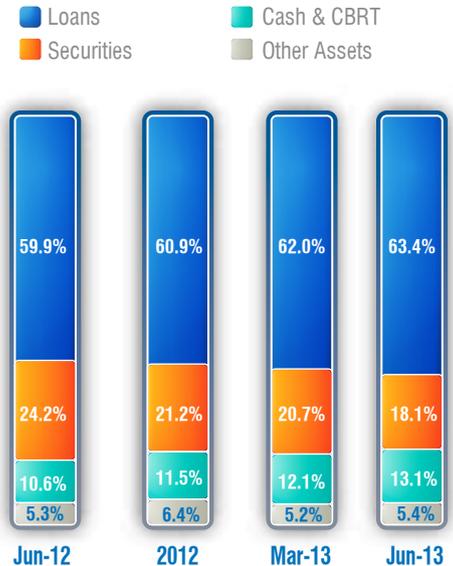
82.1%

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



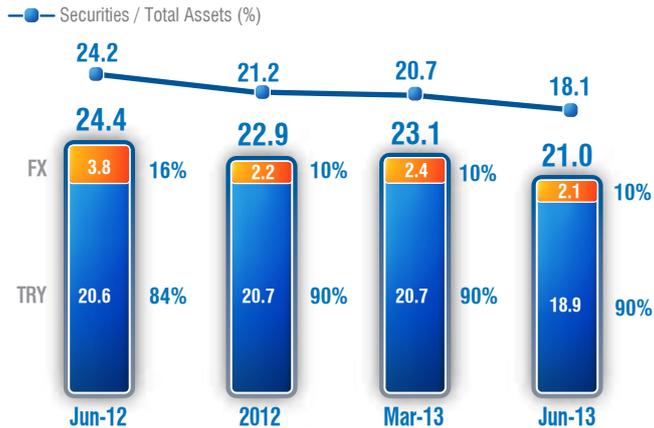
### Securities down to 18.1%

#### Asset Mix (%)

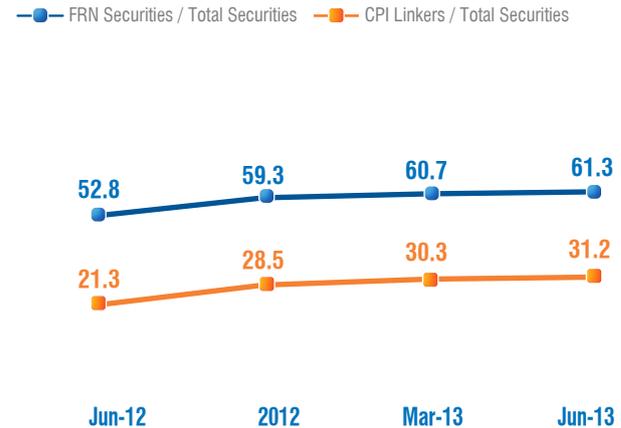


## Well-balanced composition of securities

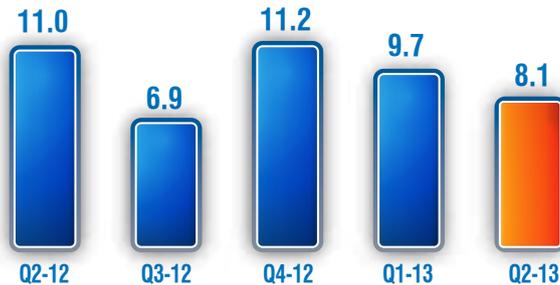
### Total Securities Portfolio (TRY billion)



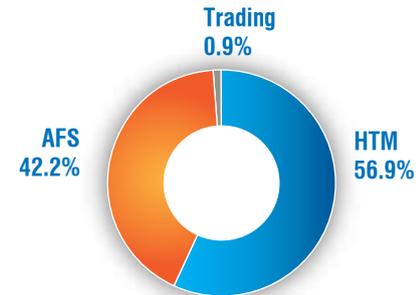
### Interest Structure (%)



### TRY Securities Yield (%)



### Securities Composition (%)



# Continuing loan growth in high-yielding segments (TRY billion)<sup>(a)</sup>

Total Loans	
HALKBANK	B. Sector <sup>(b)</sup>
YtD	YtD
<b>12.1%</b>	<b>15.8%</b>
QoQ	QoQ
<b>7.0%</b>	<b>10.6%</b>

TRY Loans	
HALKBANK	B. Sector <sup>(b)</sup>
YtD	YtD
<b>10.7%</b>	<b>14.6%</b>
QoQ	QoQ
<b>3.3%</b>	<b>9.0%</b>

FX Loans	
HALKBANK	B. Sector <sup>(b)</sup>
YtD	YtD
<b>15.7%</b>	<b>18.9%</b>
QoQ	QoQ
<b>17.8%</b>	<b>14.7%</b>
in USD terms	
YtD	YtD
<b>7.0%</b>	<b>9.9%</b>
QoQ	QoQ
<b>10.4%</b>	<b>7.5%</b>



- ➔ Fund Loans  
up 2.6% YtD  
up 0.9% QoQ
- ➔ Cooperative Loans  
up 20.5% YtD  
up 13.1% QoQ
- ➔ Retail Loans  
up 19.8% YtD  
up 9.0% QoQ
- ➔ Commercial Loans  
up 7.4% YtD  
up 5.1% QoQ

Market Share %

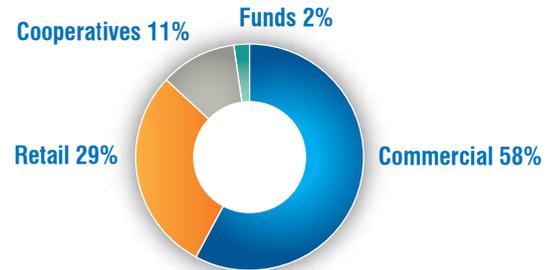
(a) Excluding interest accruals (b) BRSA daily data 28.06.13

## FX loan growth supported by project finance

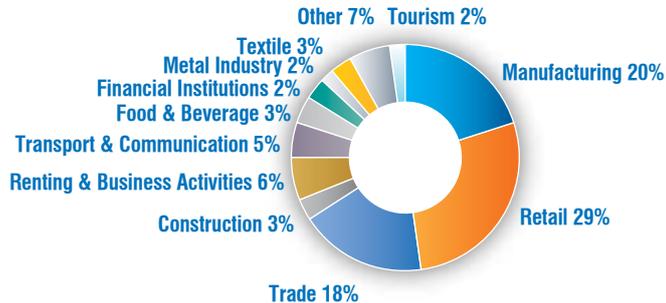
**Loans by Currency (TRY billion)<sup>(a)</sup>**



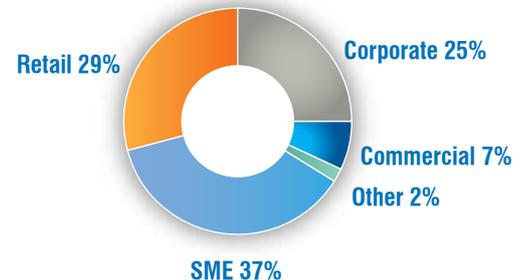
**Loans by Types (%)**



**Sectoral Breakdown of Loans (%)**



**Loans by Customer Segmentation (%)**

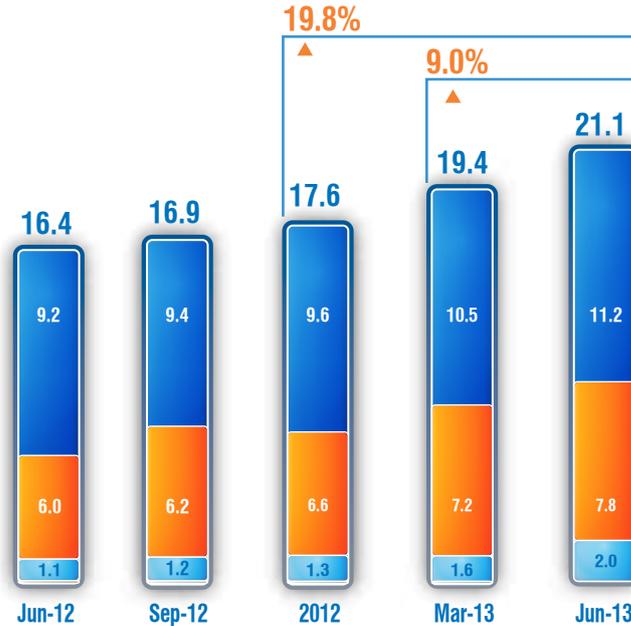


(a) Excluding interest accruals

# Increasing publicity supporting retail loan growth (TRY billion)<sup>(a)</sup>

**HALKBANK**  
YTD  
**19.8%**  
QoQ  
**9.0%**

**B. SECTOR<sup>(b)</sup>**  
YTD  
**13.8%**  
QoQ  
**8.0%**



**Consumer Loans**  
up 16.1% YtD  
up 6.2% QoQ  
Share in total 53.0%

**Housing Loans**  
up 19.1% YtD  
Up 9.3% QoQ  
Share in total 37.2%

**Credit Cards**  
Up 51.3% YtD  
up 26.4% QoQ  
Share in total 9.4%

Retail Loans Market Share %



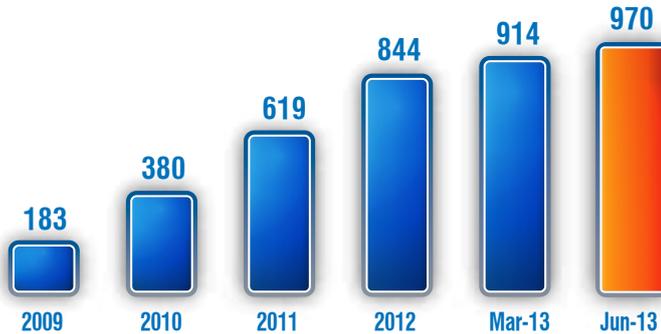
Consumer Loans Market Share %

Housing Loans Market Share %

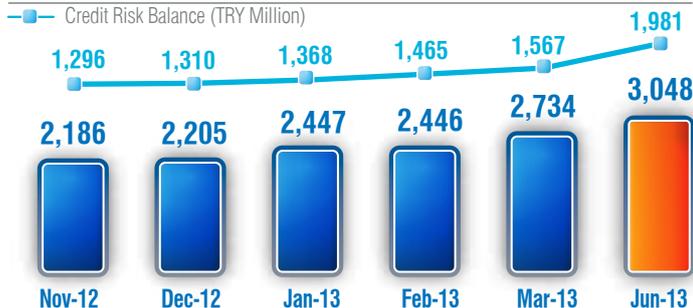
(a) Excluding interest accruals. (b) CBRT data as of 28.06.13

## Solid increase in credit card market share

### Internet Banking Users (Thousand)



### # of Credit Cards (Thousand)



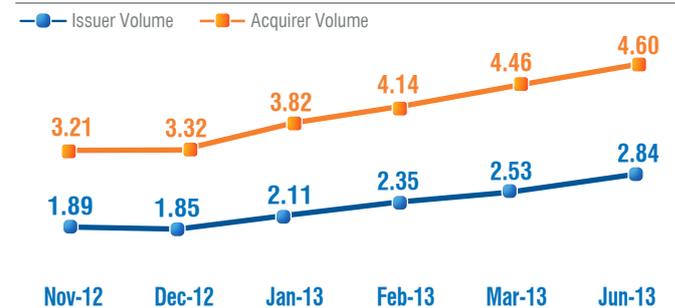
(a) Source: Interbank Card Center Data

### # of POS (Thousand)



Since the launch of Paraf in Dec-12;  
 > 39% increase in # of credit cards,  
 > 59% growth in # of POS  
 > 70% rise in issuer volume  
 > 60% increase in acquirer volume

### Credit Card Market Shares (%)<sup>(a)</sup>



## NPL ratio down 10 bps to 2.7% with no write-off/sell-off

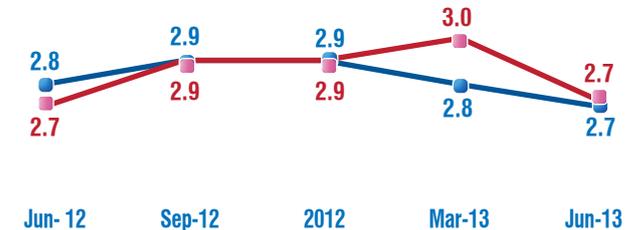
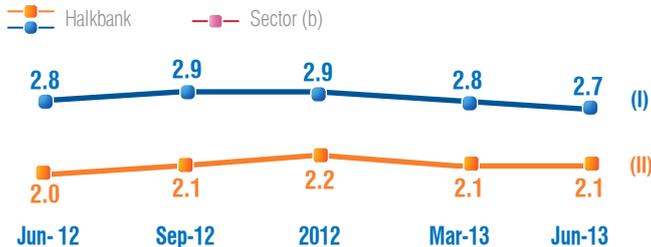
### NPL Portfolio (TRY million)



### NPL Coverage (%)



### NPL / Total Loans (%)



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

(a) Including discretionary provisions (b) BRSA daily data as 28.06.13

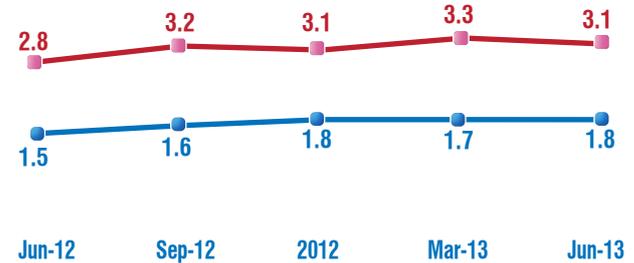
## Brilliant asset quality reflected in each segment

—●— Halkbank NPL —■— Sector NPL (a,b)

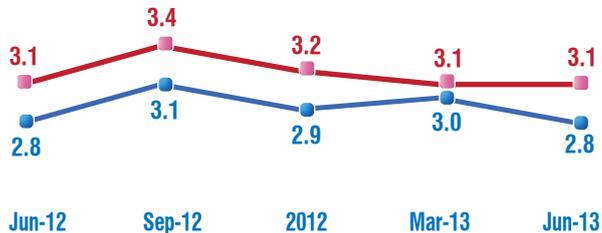
### Corporate - Commercial (%)<sup>(a)</sup>



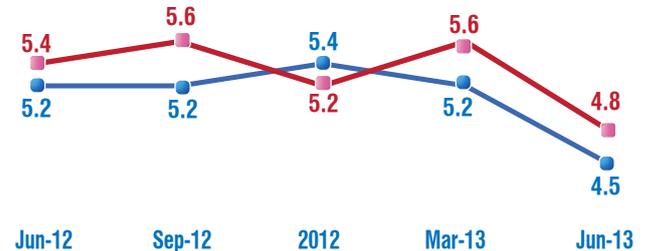
### Consumer Loans (%)<sup>(b)</sup>



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



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

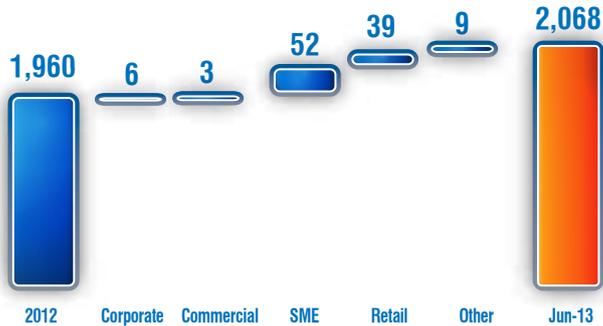


(a) BRSA data as of May-13, Halkbank data excluding legacy NPLs

(b) CBRT data as of 28.06.13

## Low CoR indicating high asset quality

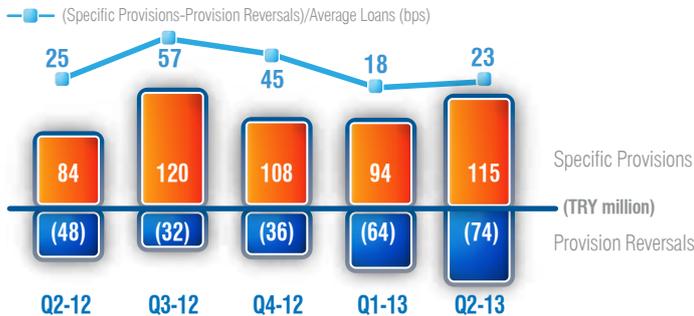
**NPLs by Segments - Net Increase** (TRY million)



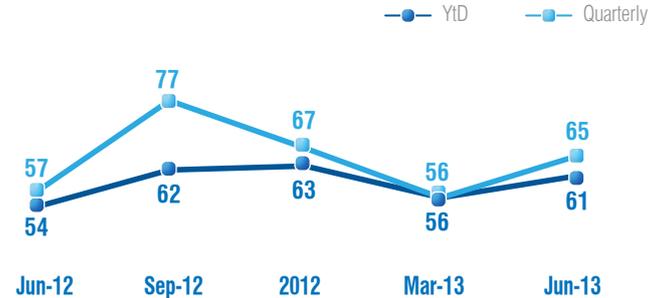
**Gross Cost of Risk by Segments** (bps)<sup>(a)</sup>



## Net Cost of Risk



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



(a) Specific Provisions / Average Net Loans

## Healthy funding structure

### Loan to Deposit (%)

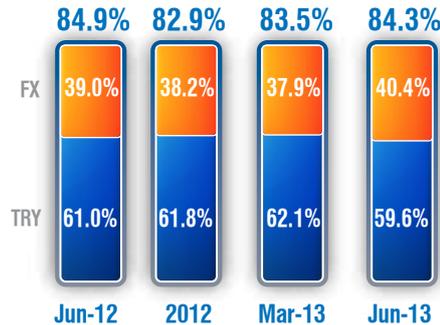
—● Halkbank L/D —■ Sector L/D<sup>(b)</sup>



—● TRY L/D —■ FX L/D



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

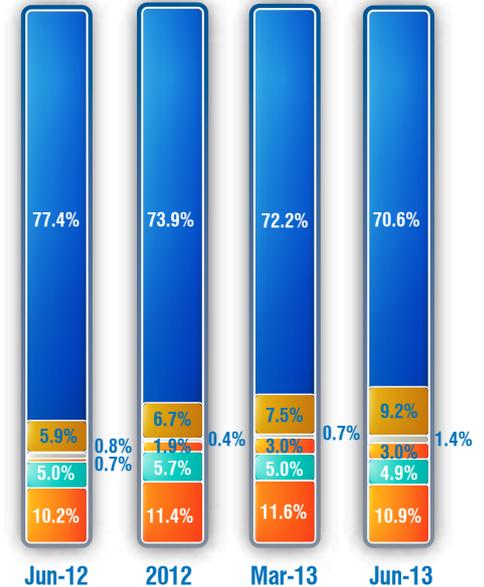


**Syndicated loan** rolled over in Jun-13 and EUR 562 mn & USD 259 mn secured with a consortium of 41 banks from 19 countries. Cost of the facility is Libor/Euribor +1%.

**IBL 84.3%**<sup>(a)</sup>

### Liabilities Mix (%)

■ Deposits  
■ Funds Borrowed  
■ Interbank Money Market  
■ Marketable Securities Issued  
■ Other Liabilities  
■ Shareholders' Equity



(a) Including interest accruals and excluding funds, excluding demand deposit, the share of IBL is 72.8% in H1 2013

(b) BRSA daily data as of 28.06.13

## Moderate but price sensitive deposit growth

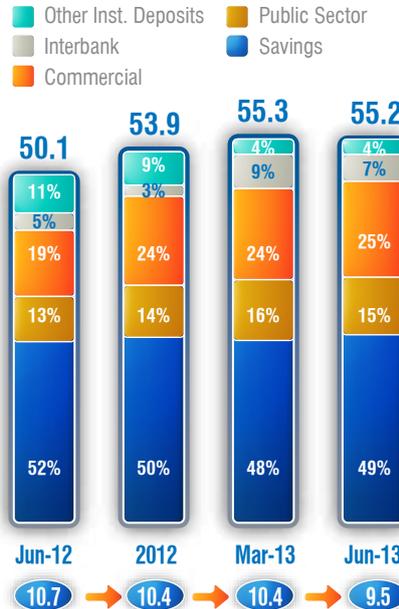
HALKBANK B. Sector <sup>(b)</sup>			
Total Dep.	YtD	2.7%	15.5%
	QoQ	2.2%	12.5%

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



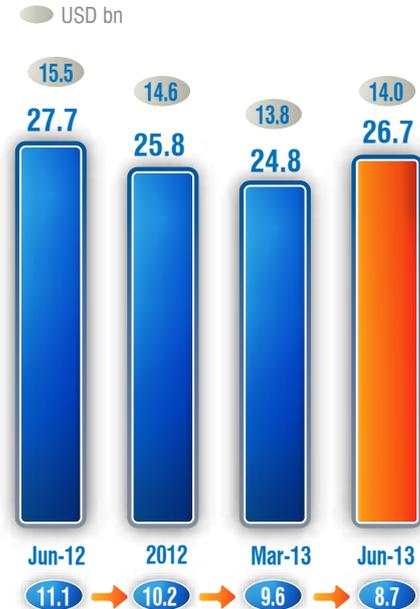
HALKBANK B. Sector <sup>(b)</sup>			
TRY Dep.	YtD	2.4%	14.4%
	QoQ	-0.2%	11.5%

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



HALKBANK B. Sector <sup>(b)</sup>			
FX Dep.	YtD	3.5%	17.7%
	QoQ	7.7%	14.5%
in USD terms	YtD	-4.3%	8.8%
	QoQ	0.9%	7.3%

### FX Deposits (TRY billion)<sup>(a)</sup>



(a) Excluding interest accruals (b) BRSA daily data, 28.06.13

## Blended cost of TRY deposits further down

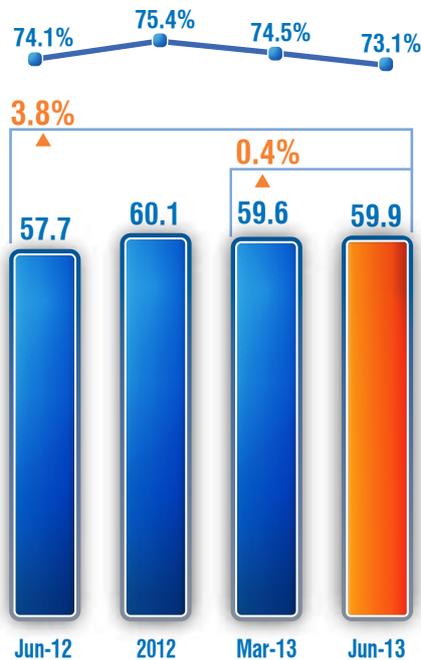
**Demand Deposit** (TRY billion)<sup>(a)</sup>

—●— Demand Deposits/Total Deposits (%)

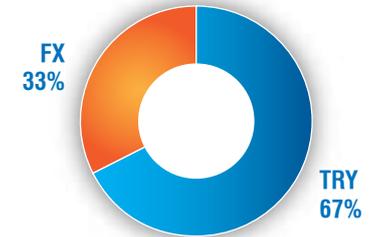


**Time Deposits** (TRY billion)<sup>(a)</sup>

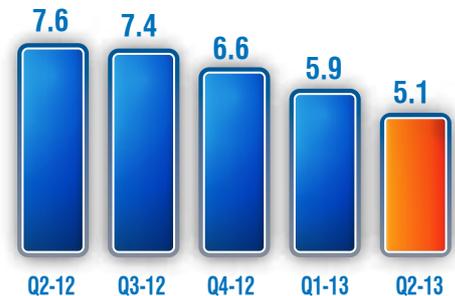
—●— Time Deposits/Total Deposits (%)



**Deposits by Currency** (%)



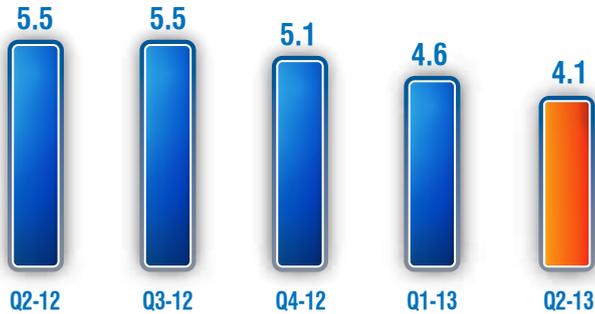
**Cost of TRY Deposits** (%)<sup>(b)</sup>



(a) Excluding interest accruals (b) Time & Demand Blended

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

### Cost of Deposits (%)

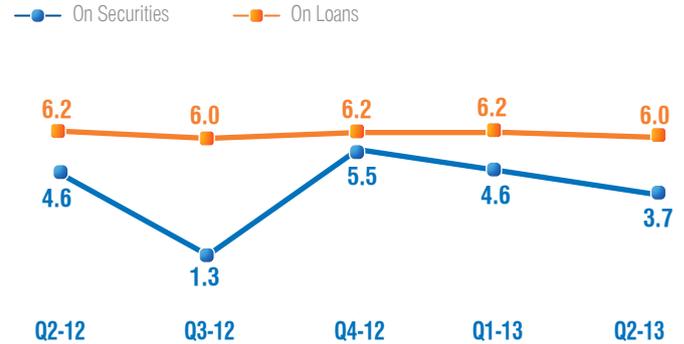


### Yield on Loans (%)<sup>(b)</sup>

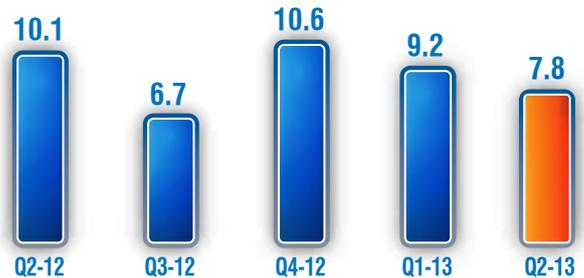


(a) TRY-FX blended (b) Excluding fund loans

### Spreads (%)



### Yield on Securities (%)



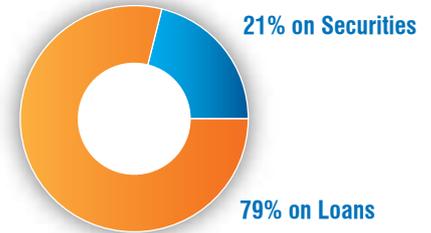
## NIM still strong at 5.3%

**Net Interest Income** (TRY million)

■ Interest Expenses  
■ Interest Income

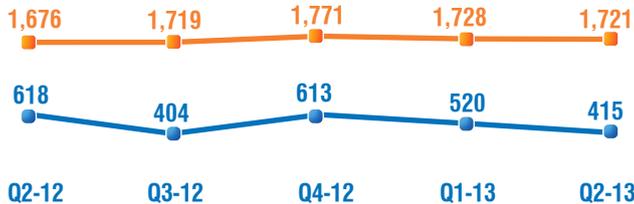


**Breakdown of Interest Income (%)**



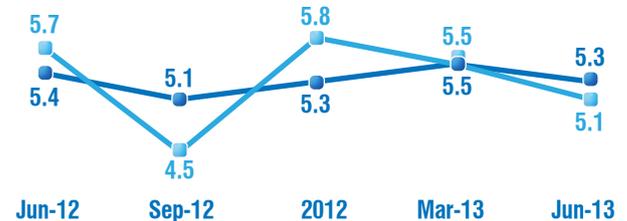
**Interest Income** (TRY million)

● On Securities ● On Loans



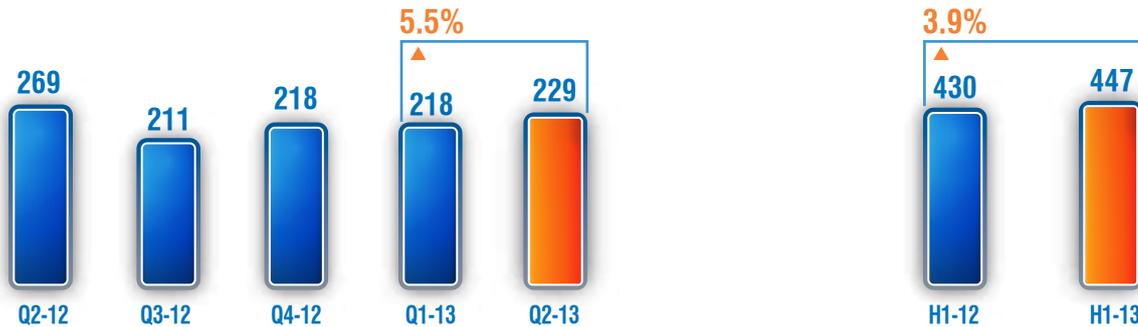
**NIM (%)**

● YtD ● Quarterly

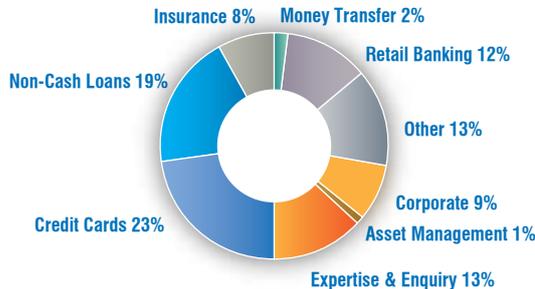


## Net fees and commissions income in operating revenues starts to increase

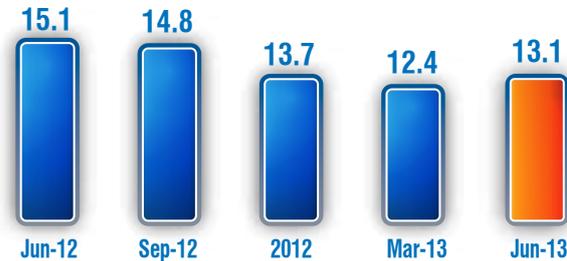
### Net Fees & Commissions Income (TRY million)



### Breakdown of Fees & Commissions (%)

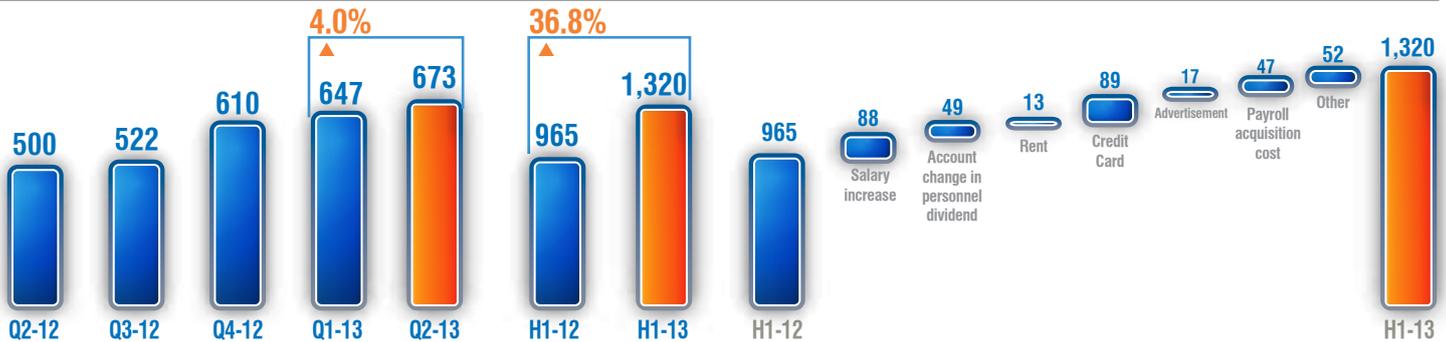


### Net Fees & Commissions / Operating Revenues (%)



## Front-loaded strategy in OPEX

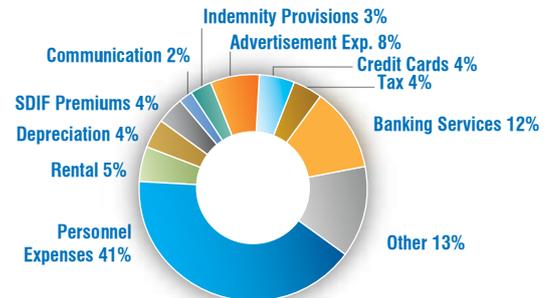
### Operating Expenses (TRY million)



### Cost/Income (%)

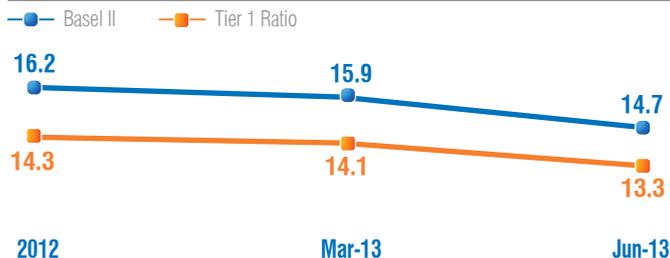


### Breakdown of Operating Expenses (%)



## Solvency Ratios

### Capital Ratios (%)



### SHE (TRY billion)



### Details on Capital Ratio

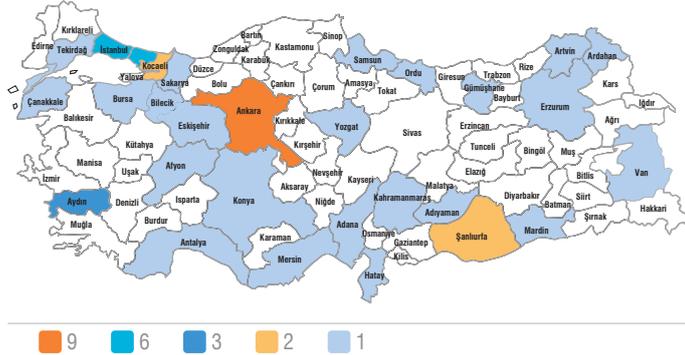
(TRY mn)	Basel II Jun-13
Credit Risk Base Amount (CRBA)	80,353
Market Risk Base Amount (MRBA)	2,585
Operational Risk Base Amount (ORBA)	8,912
Total Risk Weighted Assets (RWAs)	91,850
Shareholders' Equity	13,522
<b>CAR</b>	<b>14.72</b>

- > Basel III rules are planned to be phased in starting from Jan-14
- > On 10 April 2013, TRY 551.5 mn dividend paid and payout ratio realised at 21.05%

## Branch Network – Human Resources

> 45 branches were opened since the beginning of the year. The branch network increased to 861.

### Opened # of Branches by Province in H1-13



### ATMs



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



### Headcount



(a) Including domestic branches and special transaction centers.

## Balance Sheet

In TRY million	H1-12	2012	Q1-13	H1-13	QoQ Change%	YtD Change%	YoY Change%
Cash and Balances Held with the Central Bank(a)	10,711	12,488	13,421	15,226	13	22	42
Banks & Money Market (b)	1,707	2,632	1,593	2,114	33	(20)	24
Securities (b)	24,440	22,954	23,090	21,035	(9)	(8)	(14)
Net Loans (b)	60,471	65,894	68,983	73,763	7	12	22
Gross NPL	1,732	1,960	2,004	2,068	3	6	19
NPL Net	279	343	352	375	7	9	34
Property and Equipment	1,137	1,160	1,141	1,111	(3)	(4)	(2)
Other Assets	2,499	3,154	3,121	3,123	(0)	(1)	25
<b>Total Assets</b>	<b>100,965</b>	<b>108,282</b>	<b>111,347</b>	<b>116,372</b>	<b>5</b>	<b>7</b>	<b>15</b>
Deposits (b)	78,196	79,974	80,415	82,193	2	3	5
Funds Borrowed (b)	5,971	7,303	8,335	10,688	28	46	79
Interbank Money Market (b)	785	381	833	1,654	99	334	111
Marketable Securities Issued	736	2,038	3,296	3,523	7	73	379
Funds	1,384	1,408	1,395	1,440	3	2	4
Other Liabilities	2,091	3,027	2,163	2,136	(1)	(29)	2
Provisions	1,495	1,827	1,943	2,089	8	14	40
Shareholders' Equity	10,307	12,323	12,968	12,650	(2)	3	23
<b>Total Liabilities</b>	<b>100,965</b>	<b>108,282</b>	<b>111,347</b>	<b>116,372</b>	<b>5</b>	<b>7</b>	<b>15</b>

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

(b) Including interest accruals,

## Income Statement

In TRY million	H1-12	H1-13	YoY Change%	Q4-12	Q1-13	Q2-13	QoQ Change%
Interest Income	4,472	4,392	(2)	2,393	2,254	2,138	(5)
On Loans	3,240	3,448	6	1,771	1,728	1,721	(0)
On Securities	1,221	934	(24)	613	520	415	(20)
Interest Expense	2,259	1,944	(14)	1,099	1,009	935	(7)
On Deposits	2,021	1,727	(15)	1,009	909	818	(10)
<b>Net Interest Income</b>	<b>2,212</b>	<b>2,448</b>	<b>11</b>	<b>1,293</b>	<b>1,245</b>	<b>1,203</b>	<b>(3)</b>
Net Fees and Commissions	430	447	4	218	218	229	5
Net Trading Income	21	315	-	310	181	133	(26)
Other Operating Income	189	207	10	94	110	98	(11)
Reversal of Loan Loss Provisions	105	138	31	36	64	74	15
Total Operating Revenues	2,852	3,417	20	1,915	1,753	1,664	(5)
Operating Expenses	965	1,320	37	610	647	673	4
<b>Net Operating Income</b>	<b>1,886</b>	<b>2,097</b>	<b>11</b>	<b>1,305</b>	<b>1,106</b>	<b>991</b>	<b>(10)</b>
Provision for Loan Losses and Other Receivables	367	413	13	328	190	224	18
Loan Loss Provisions for Cash Loans	155	209	35	108	94	115	23
Profit/(Losses) from Associates	64	82	27	0	0	82	-
<b>Income Before Taxes</b>	<b>1,583</b>	<b>1,765</b>	<b>11</b>	<b>977</b>	<b>916</b>	<b>848</b>	<b>(7)</b>
Provision for Tax	330	336	2	235	203	133	(34)
<b>Net Income</b>	<b>1,253</b>	<b>1,428</b>	<b>14</b>	<b>742</b>	<b>713</b>	<b>715</b>	<b>0</b>

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