

Q3 2013 Earnings Presentation



Macro Outlook

- > FED defied market expectations in September FOMC meeting, postponing the start of pulling back on its monthly bond purchases until more evidence for solid economic growth appears.
- > UST10Y yield at 2.6% following FED decision.
- > Still no sign for the open market operations (OMO) scale down from ECB.
- > Benchmark bond rate exceeded 10% in late Aug-13 for the first time since Jan-12, sharply decreased to 7.8% following the FED announcement in Sep-13, now hovering around 7.6%.
- > Q2 GDP growth at 4.4%, almost a percentage point stronger than anticipated. H1 GDP growth reached 3.7% riding on the shoulders of solid consumer spending and state investments.
- > Aug-13 IP dropped a calendar and seasonally adjusted 4.0%, first decline since Dec-12 last year.
- > CBRT broadened interest rate corridor by increasing O/N lending rate to 7.75% from 7.25% and kept its policy rate and O/N borrowing rate unchanged at 4.5% and 3.5% respectively.
- > CBRT interventions aiming to prevent FX volatility still in place, continuing extraordinary days regime depending on the real effective exchange rate level and sold FX amount has reached USD 11.5 bn since June 11th.
- > Aug-13 foreign trade deficit was USD 7.0 bn beating market estimate of USD 8.3 bn. Export and import came down by 12.9% and 3.4% respectively. Shipment to the EU increased by 6.8% YoY.
- > High level of gold imports led to widening in the CAD in Aug-13 to 12-month rolling figure of USD 56.7 bn.
- > September CPI eased to 7.9% on the back of base effect after following an increased trend in recent months. Pass-through impact of depreciated TRY became apparent on monthly inflation.
- > Budget showed a deficit of TRY 4.7 bn in Sep-13, YtD budget deficit at TRY 4.5 bn
- > Unadjusted unemployment rate stood at 9.3% in Jul-13.
- > New mid-term economic program was announced:
 - GDP growth expectation for 2013 revised down to 3.6% from 4.0% as well as 2014 expectation from 5.0% to 4.0%
 - CAD/GDP expectation for 2013 was left unchanged at 7.1% whereas 2014 expectation decreased to 6.4% from 6.9%
 - CPI expectation for 2013 increased to 6.8% from 5.3% and 2014 CPI expectation increased 30bps to 5.3%

Banking Sector Overview

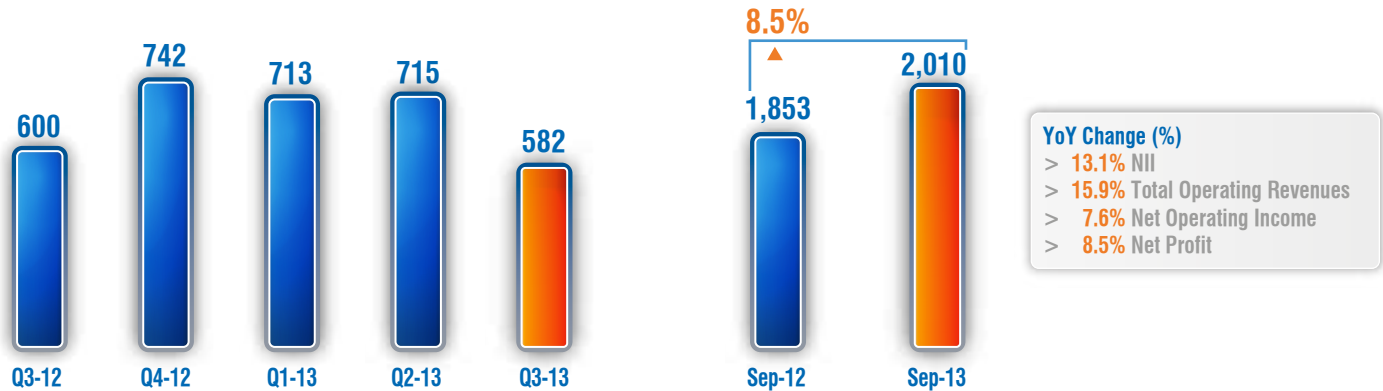
- > Loan book grew 24.7% YtD, reaching TRY 990.8 mn as of Sep-13.
- > Retail loans up 20.1% YtD, highest increase in housing loans with 22.6%, GPCL and credit cards up 21.9% and 16.3% respectively.
- > TRY denominated loans up 22.6% YtD, whereas FX loans increased 15.0% in USD terms.
- > On funding front, YtD total deposit growth stood at 17.1% mainly driven by 21.7% growth in FX deposits in USD terms.
- > L/D ratio for the industry registered at 109.6% as of Aug-13, TRY L/D ratio continued its upward trend to 124.2%.
- > Upward repricing in deposits and loans has persisted during the quarter.
- > Nominal NPL figure increased 19.4% YtD in Sep-13, NPL ratio remained intact at 2.7%, NPL coverage at 74.9%.
- > Slight improvement in CoR, falling to 118 bps as of Aug-13.
- > Monthly net income declined 25% YoY as of Aug-13, mainly due to surged interest rates and duration mismatch.
- > RoE at 14.8% and RoA at 1.8%.
- > CAR 15.5% as of Aug-13.
- > CBRT reduced the monthly maximum contractual and overdue interest rates on credit cards to 2.02% and 2.52%, respectively.
- > Changing BRSA regulations introduced in Aug-13 and approved in Oct-13.
 - increasing general provisions for credit card loans, overdraft loans and auto loans
 - decreasing general provisions for export loans and SME loans
 - increasing risk weighting of credit card loans subject to installments
 - increasing minimum payment ratio on monthly credit card payments.
 - further regulating customers' credit card limits

September 2013 Highlights

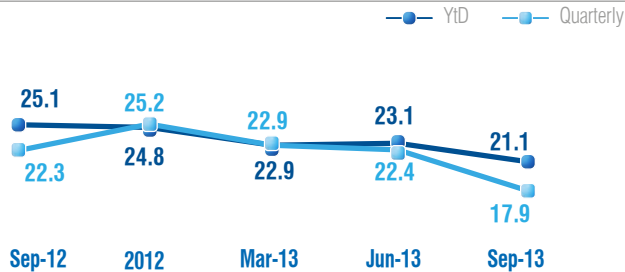
- > Net income up by **8.5% YoY**, reaching **TRY 2,010 mn.**
- > RoE and RoA remained solid at **21.1%** and **2.3%** respectively, reflecting the business model and strategies working quite well.
- > Total operating revenues up by **15.9% YoY**.
- > L/D ratio down to **88.5%**, far below sector average, providing flexibility for future growth.
- > NIM at **5.0%** thanks to well positioning in volatile environment.
- > YtD **21.6%** loan growth on the back of (high yielding) retail, (core business) SME, (unique) cooperative lending as well as corporate-commercial loans.
- > Total assets up **18.7% YtD** as lending remained the primary driver.
- > Solid demand deposit base further expanded, up **8.2% QoQ**, contributing to the total deposit growth of **10.1%**.
- > Steady improvement in asset quality; NPL ratio down to **2.6%** (no write-offs/sell-offs), CoR at **56 bps** level.
- > NPL coverage still remarkably high at **81.5%**.
- > Fees and commissions up **7% YoY** reaching **TRY 685 mn.**
- > C/I ratio still low at **39.0%**, implying well-managed cost base and high return on investments.
- > CAR at **14.02%**, comfortable level thanks to effective asset management.

Net Income growth 8.5% YoY

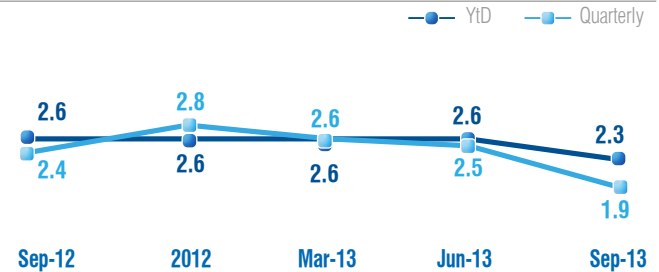
Net Income (TRY million)



RoE (%)



RoA (%)

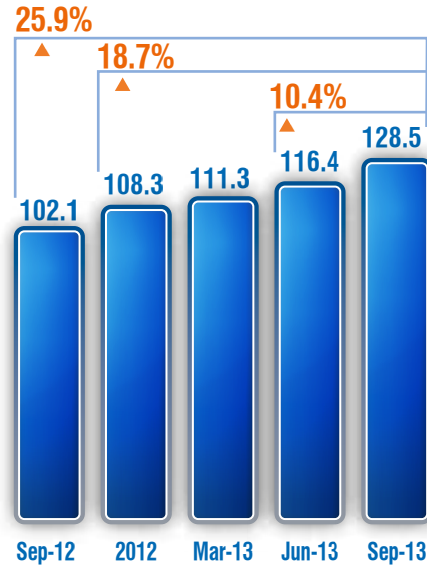


Strong asset growth

Asset Growth

YoY 25.9% QoQ 10.4%

Total Assets (TRY billion)

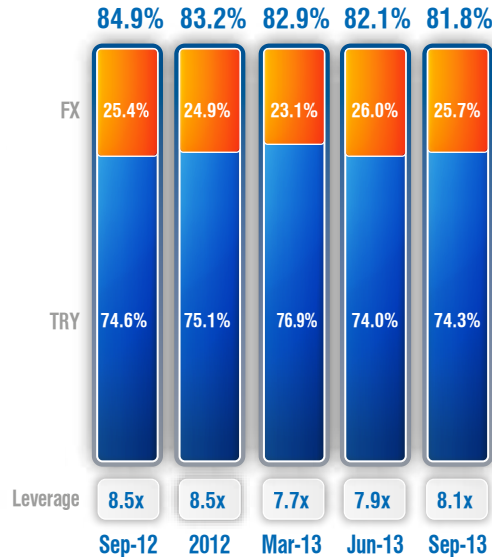


(a) Including interest accruals and excluding fund loans

IEA

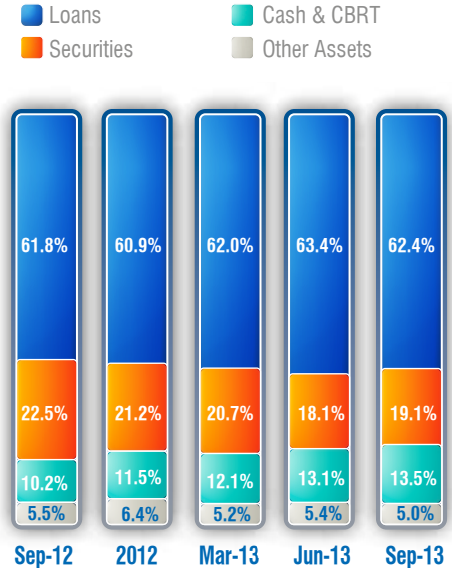
81.8%

Composition of IEAs^(a)



Securities portion 19.1%

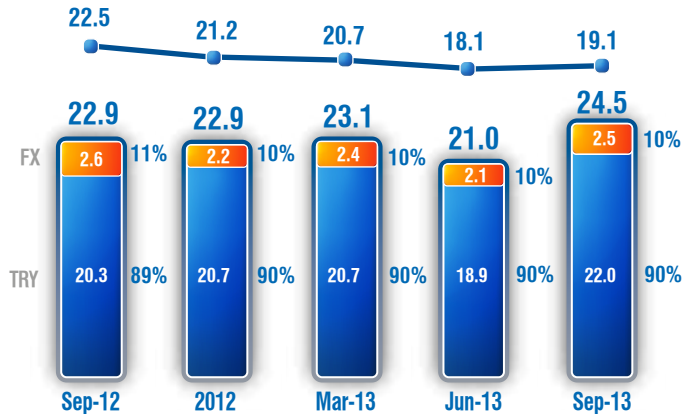
Asset Mix (%)



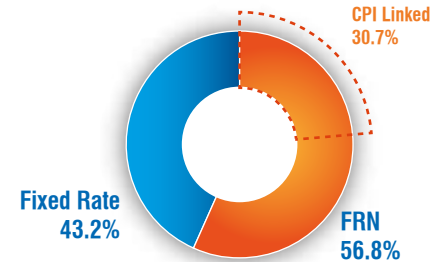
Effective timing in securities investments

Total Securities Portfolio (TRY billion)

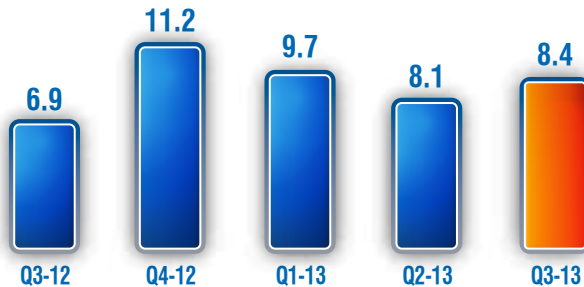
—●— Securities / Total Assets (%)



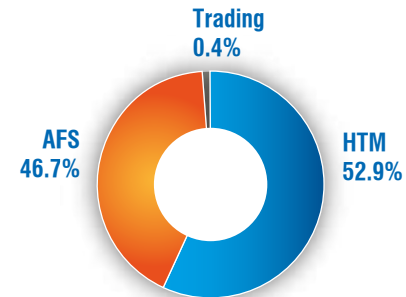
Interest Structure (%)



TRY Securities Yield (%)



Securities Composition (%)



Accelerated lending activity at higher interest rates (TRY billion)^(a)

Total Loans

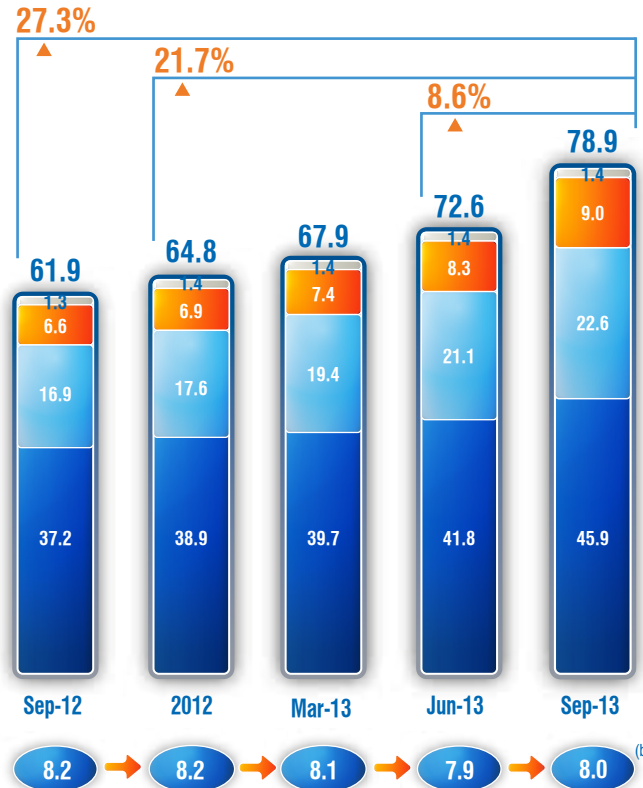
HALKBANK	B. Sector ^(b)
YtD	YtD
21.7%	24.7%
QoQ	QoQ
8.6%	6.7%

TRY Loans

HALKBANK	B. Sector ^(b)
YtD	YtD
19.6%	22.6%
QoQ	QoQ
8.0%	7.0%

FX Loans

HALKBANK	B. Sector ^(b)
YtD	YtD
27.5%	30.3%
QoQ	QoQ
10.2%	9.6%
in USD terms	
YtD	YtD
12.5%	15.0%
QoQ	QoQ
5.2%	4.6%

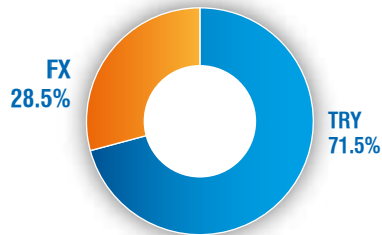


- ➔ **Fund Loans**
up 2.5% YtD
Flat QoQ
- ➔ **Cooperative Loans**
up 29.9% YtD
up 7.8% QoQ
- ➔ **Retail Loans**
up 28.3% YtD
up 7.1% QoQ
- ➔ **Commercial Loans**
up 18.0% YtD
up 9.8% QoQ

(a) Excluding interest accruals (b) BRSA daily data 30.09.13

No sectoral concentration, TRY heavy loan book

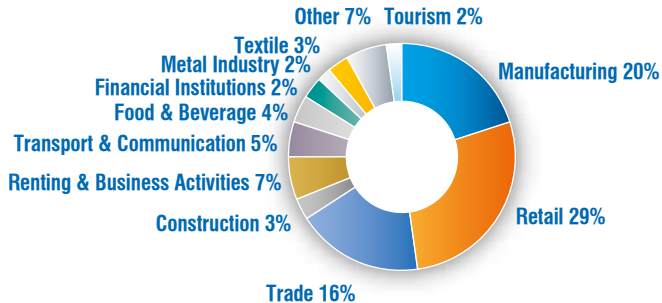
Loans by Currency (%)^(a)



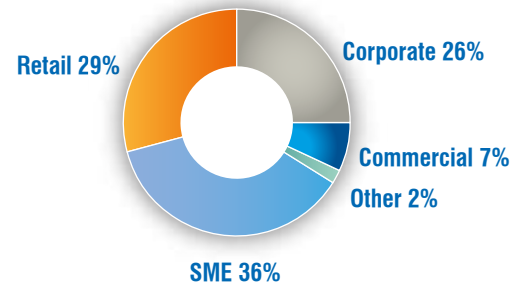
Interest Structure (%)



Sectoral Breakdown of Loans (%)



Loans by Customer Segmentation (%)



(a) Excluding interest accruals

Retail loan growth backed by housing loans and credit card business

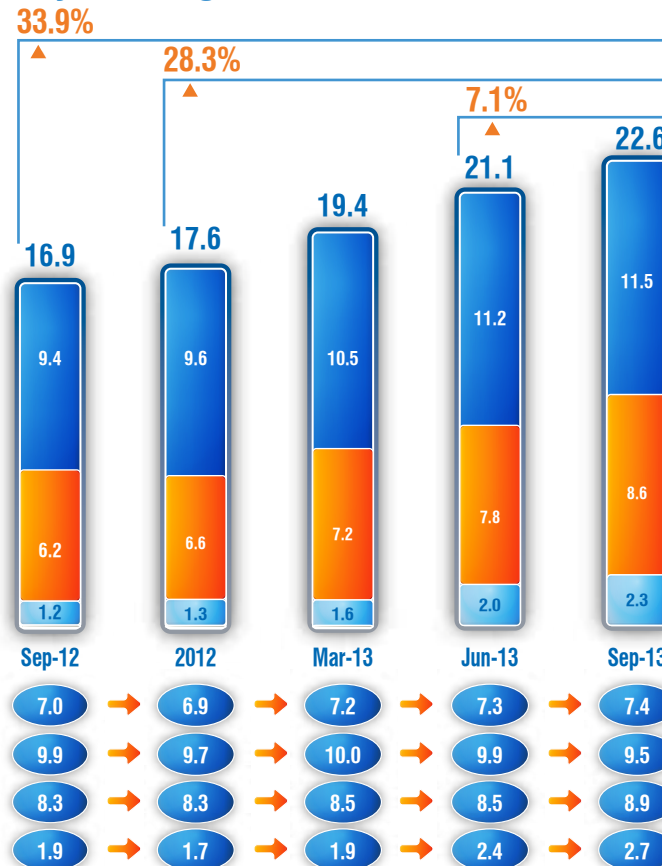
(TRY billion)^(a)

HALKBANK

YtD
28.3%
QoQ
7.1%

B. SECTOR^(b)

YtD
20.1%
QoQ
5.5%



➔ **Consumer Loans**
up 19.6% YtD
up 3.1% QoQ
Share in total 51.0%

➔ **Housing Loans**
up 31.1% YtD
up 10.0% QoQ
Share in total 38.2%

➔ **Credit Cards**
up 77.7% YtD
up 17.5% QoQ
Share in total 10.3%

Retail Loans Market Share %

Consumer Loans Market Share %

Housing Loans Market Share %

Credit Card Loans Market Share %

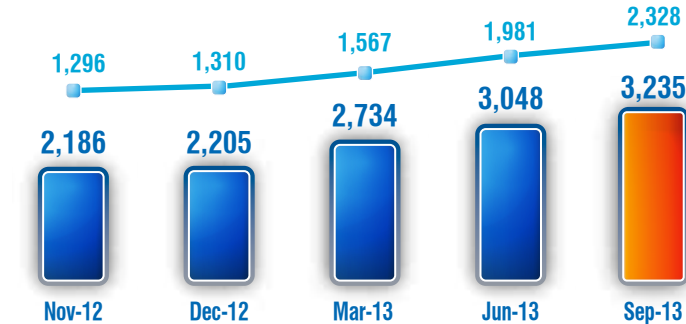


(a) Excluding interest accruals.
(b) CBRT data as of 27.09.13

Credit card business on track

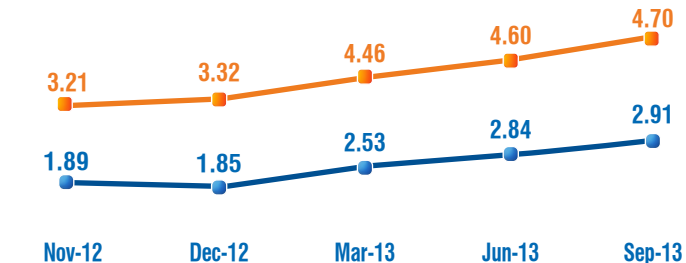
of Credit Cards (Thousand)

— Credit Risk Balance (TRY Million)



Credit Card Market Shares (%)^(a)

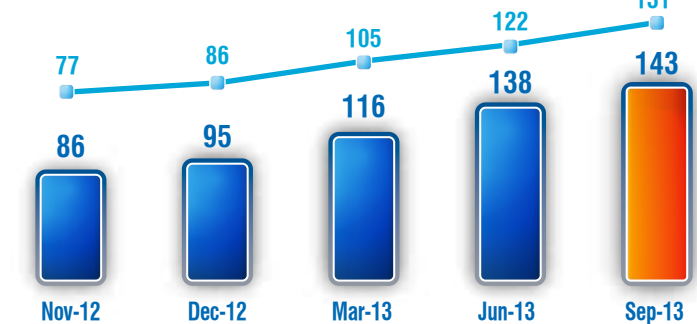
— Issuer Volume — Acquirer Volume



(a) Source: Interbank Card Center Data

of POS (Thousand)

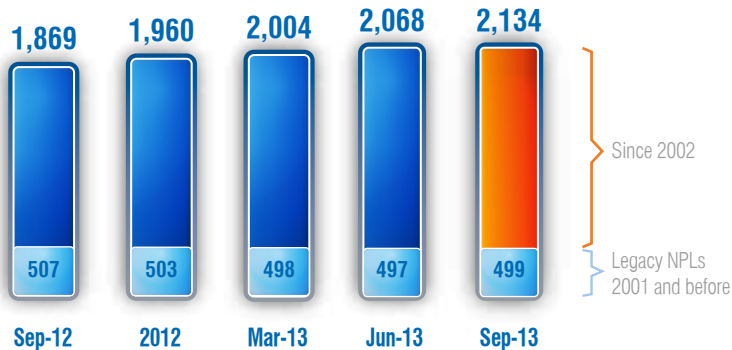
— # of Merchants (Thousand)



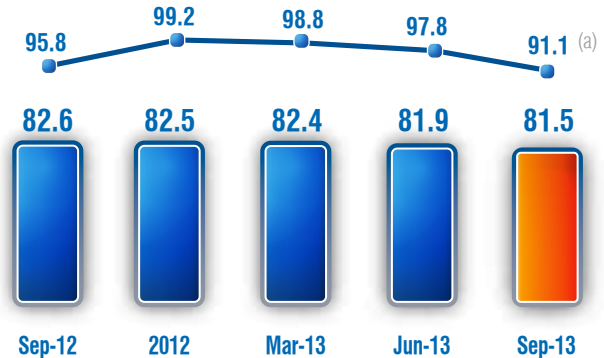
Since the launch of **Paraf** in Dec-12;
 > **48%** increase in # of credit cards,
 > **66%** growth in # of POS
 > **82%** rise in issuer volume
 > **76%** increase in acquirer volume

Sustained asset quality reflected in improving ratios

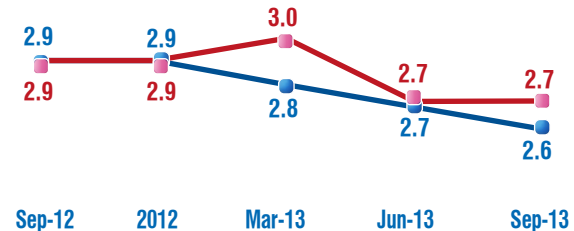
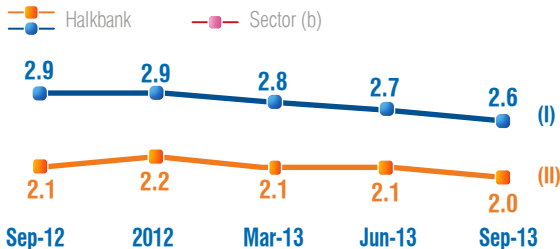
NPL Portfolio (TRY million)



NPL Coverage (%)



NPL / Total Loans (%)

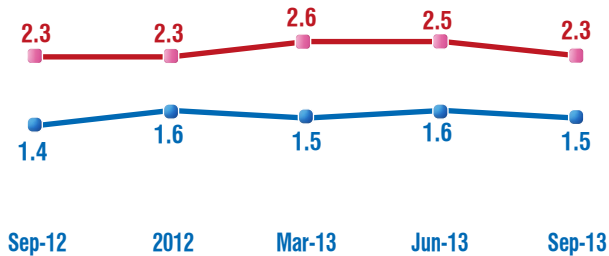


(I) Total NPL ratio (II) Excluding the legacy of year 2001 and before NPL's

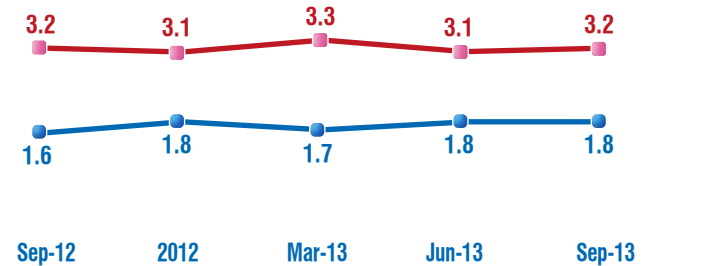
(a) Including discretionary provisions (b) BRSA daily data as 30.09.13

NPL ratios, Halkbank vs. Sector

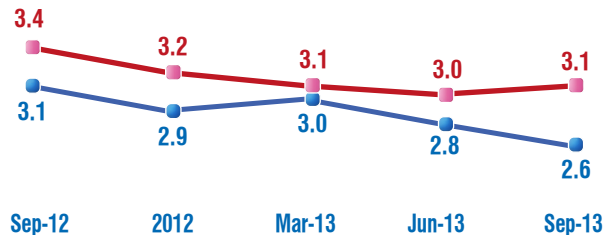
Corporate - Commercial (%)^(a)



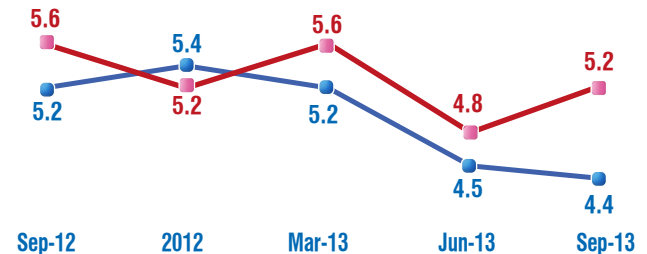
Consumer Loans (%)^(b)



SME Loans (%)^(a)



Credit Cards (%)^(b)

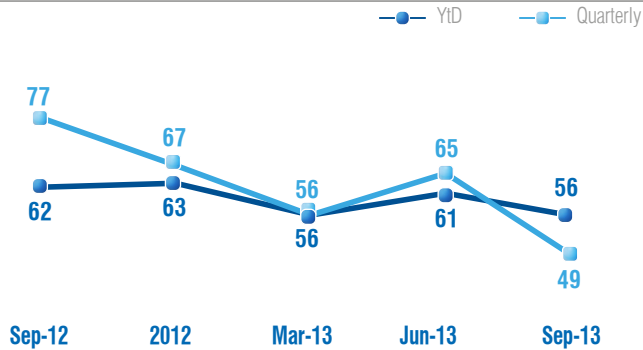


(a) BRSA data as of Aug-13, Halkbank data excluding legacy NPLs

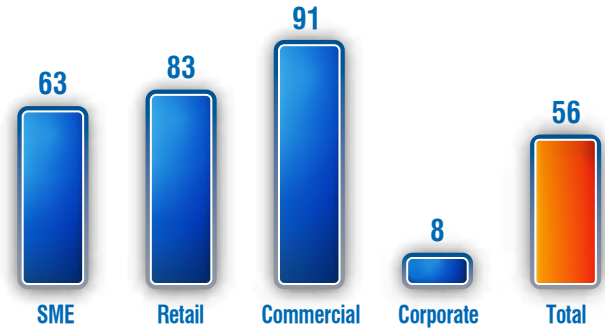
(b) CBRT data as of 27.09.13

Further improving CoR

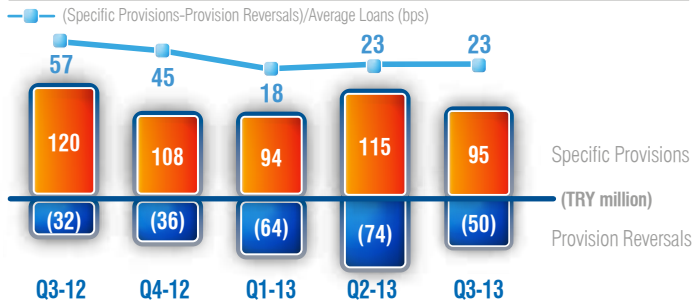
Cost of Risk (bps)^(a)



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

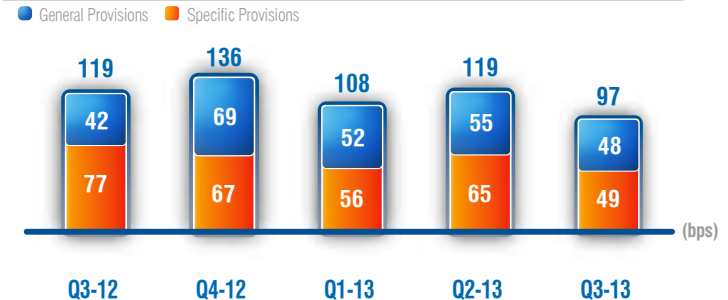


Net Cost of Risk



(a) Specific Provisions / Average Net Loans

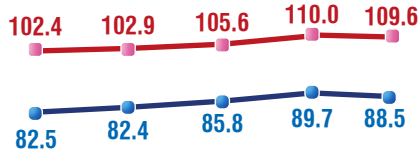
Gross Cost of Risk (bps)



Comfortable L/D ratio at 88.5%, far below sector average

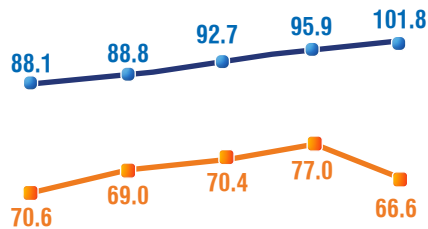
IBL 84.4%^(a)

Loan to Deposit (%)

—●— Halkbank L/D —■— Sector L/D^(b)


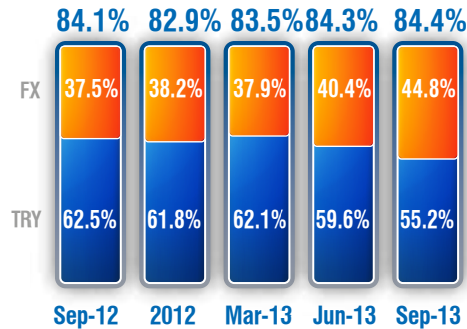
Sep-12 2012 Mar-13 Jun-13 Sep-13

—●— TRY L/D —■— FX L/D

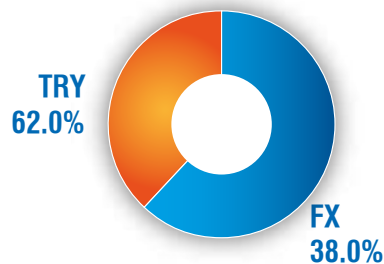


Sep-12 2012 Mar-13 Jun-13 Sep-13

Composition of IBLs^(a)

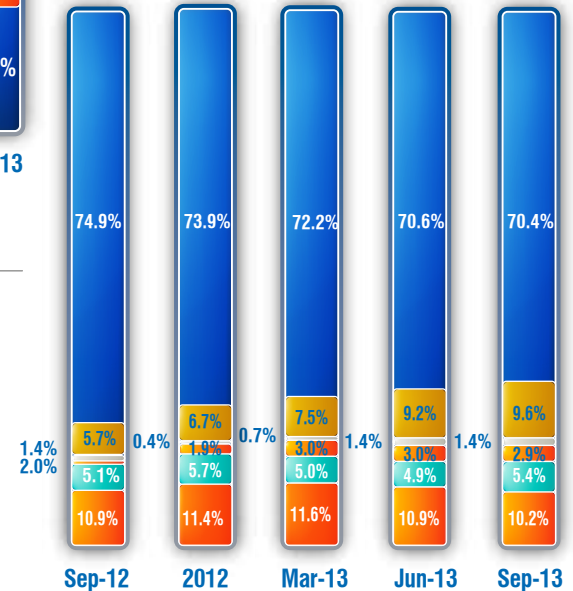


Liabilities by Currency (%)



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 73.1% in Sep-13

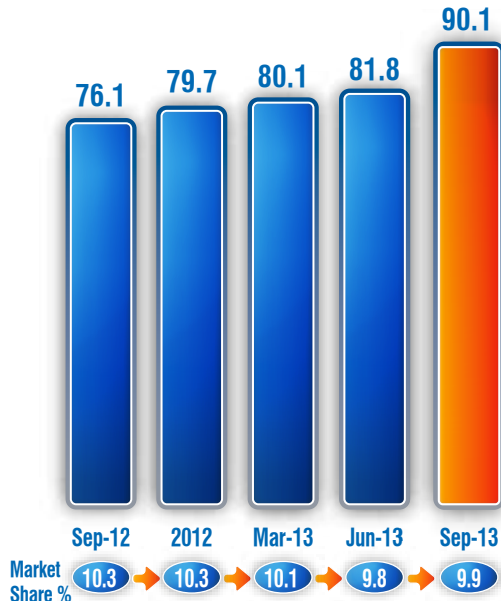
(b) BRSA monthly data as of 31.08.13

Strong deposit growth backed by FX

HALKBANK B. Sector ^(b)

Total Dep.	YtD	13.1%	17.1%
	QoQ	10.1%	7.8%

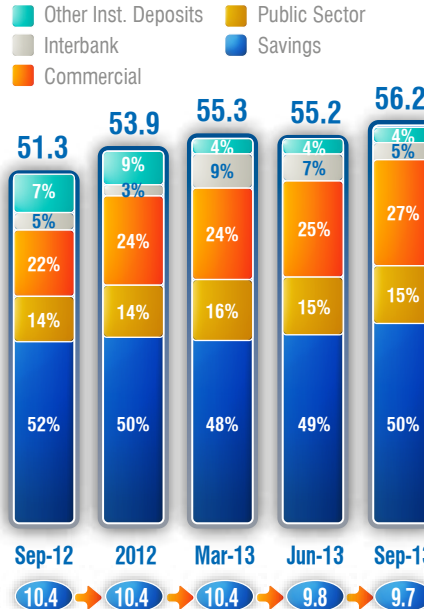
Total Deposits

(TRY billion)^(a)


HALKBANK B. Sector ^(b)

TRY Dep.	YtD	4.2%	17.7%
	QoQ	1.8%	2.9%

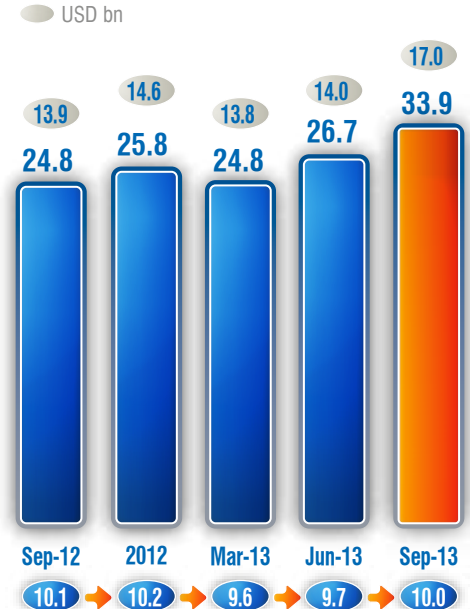
TRY Deposits

(TRY billion)^(a)


HALKBANK B. Sector ^(b)

FX Dep.	YtD	31.8%	37.9%
	QoQ	27.3%	17.1%
in USD terms	YtD	16.3%	21.7%
	QoQ	21.6%	11.8%

FX Deposits

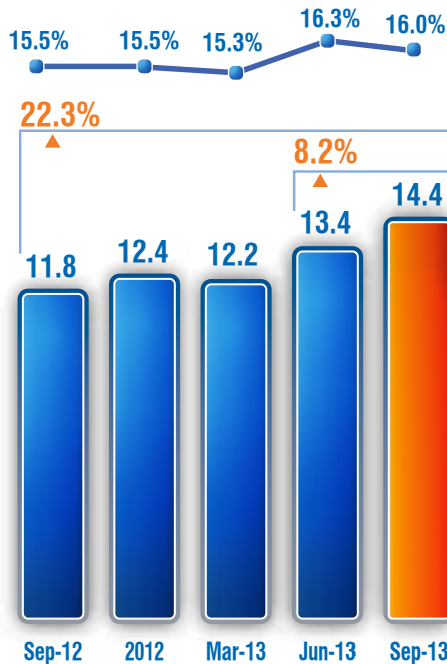
(TRY billion)^(a)


(a) Excluding interest accruals (b) BRSA daily data, 30.09.13

Effectively managed deposit growth

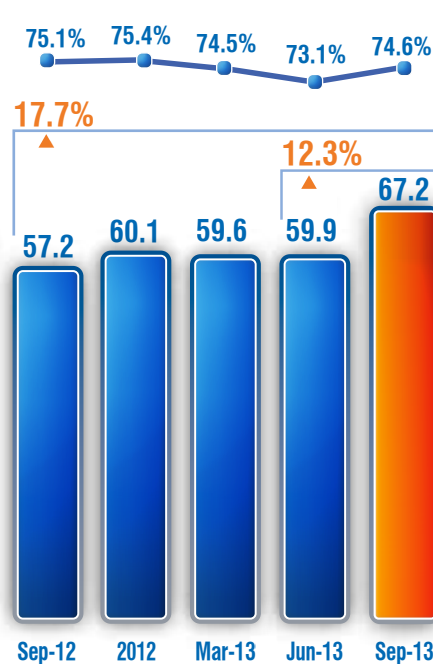
Demand Deposit (TRY billion)^(a)

—●— Demand Deposits/Total Deposits (%)

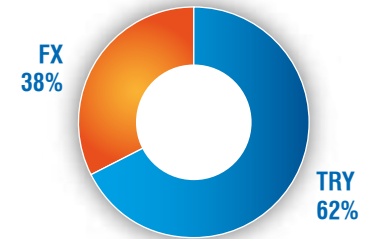


Time Deposits (TRY billion)^(a)

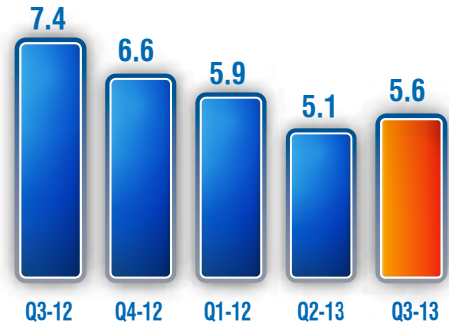
—●— Time Deposits/Total Deposits (%)



Deposits by Currency (%)



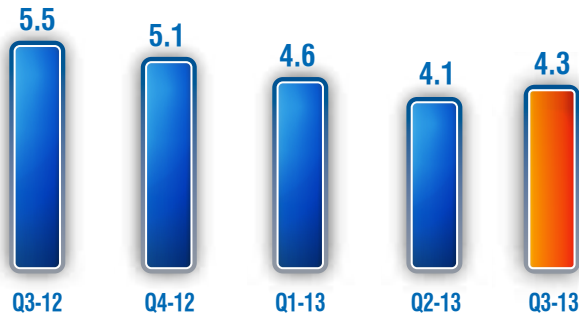
Cost of TRY Deposits (%)^(b)



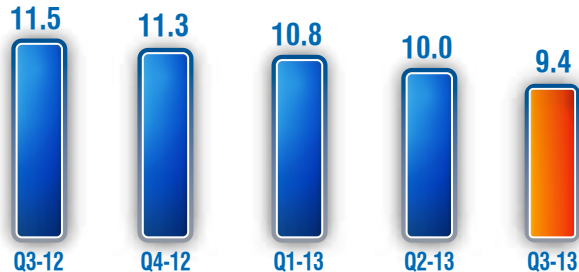
(a) Excluding interest accruals (b) Time & Demand Blended

Cost-Yield-Spread^(a)

Cost of Deposits (%)

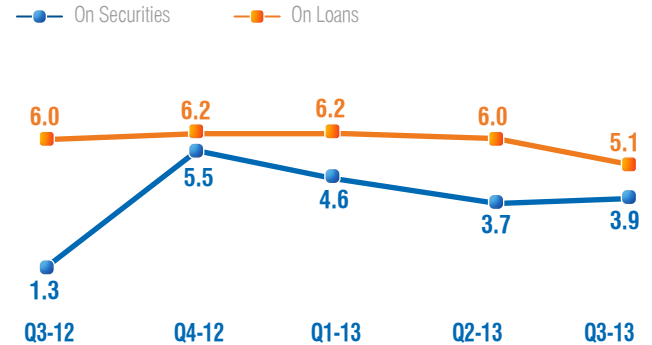


Yield on Loans (%)^(b)

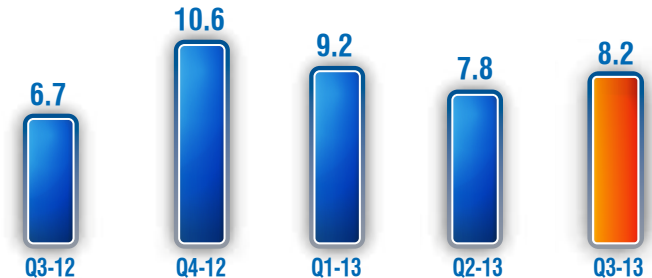


(a) TRY-FX blended (b) Excluding fund loans

Spreads (%)



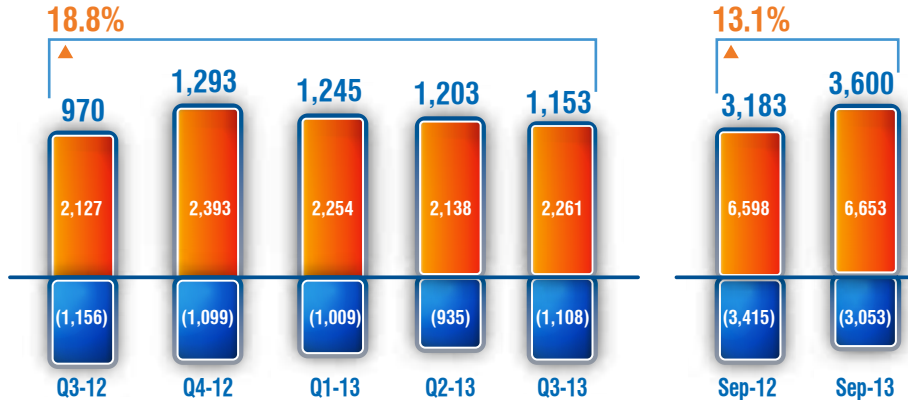
Yield on Securities (%)



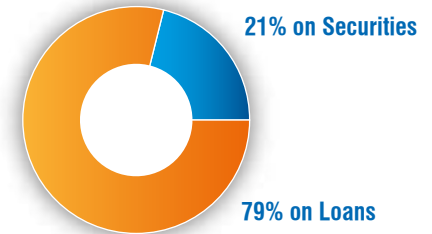
NII growth 13.1% YoY

Net Interest Income (TRY million)

Interest Income
Interest Expenses

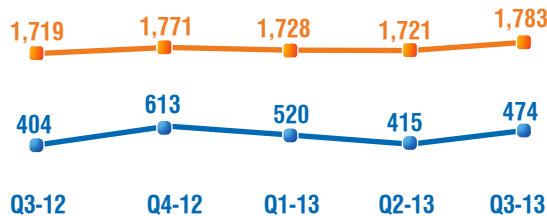


Breakdown of Interest Income (%)



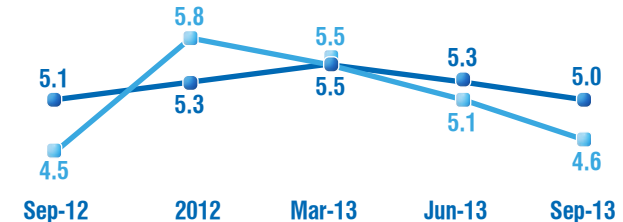
Interest Income (TRY million)

On Loans On Securities



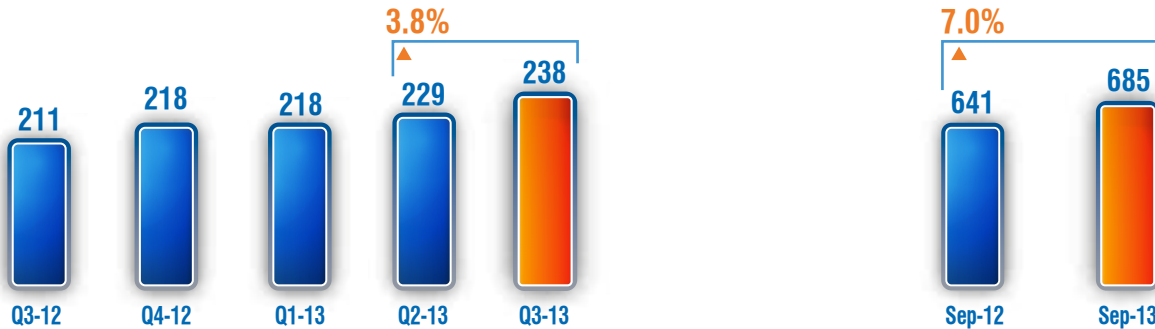
NIM (%)

YtD Quarterly

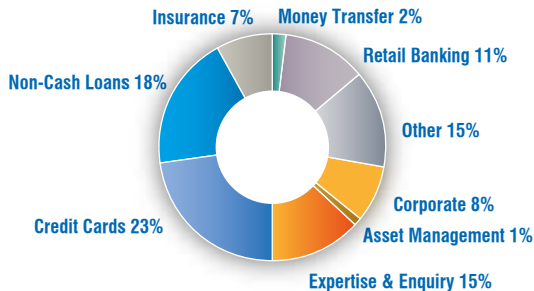


Increasing share of commissions in operating revenues

Net Fees & Commissions Income (TRY million)



Breakdown of Fees & Commissions (%)

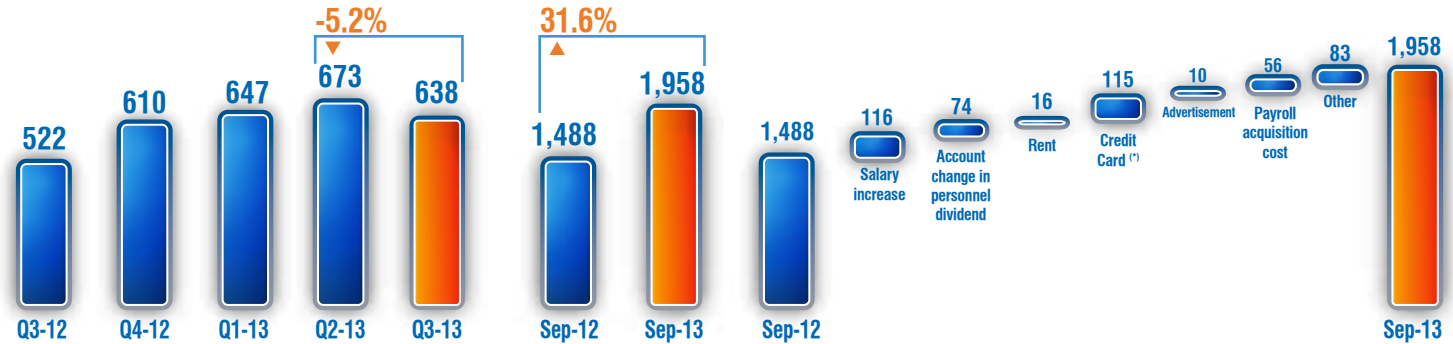


Net Fees & Commissions / Operating Revenues (%)

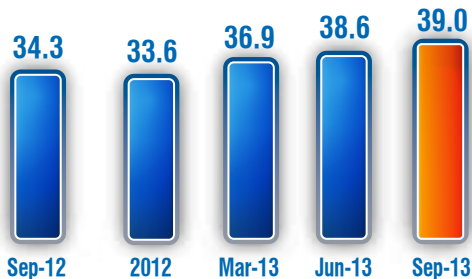


Opex down 5.2% QoQ

Operating Expenses (TRY million)

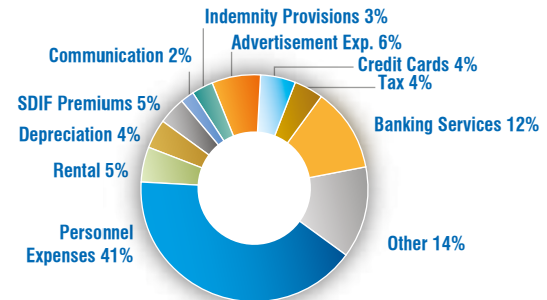


Cost/Income (%)



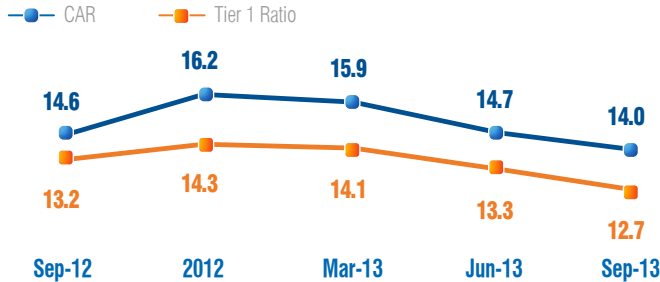
(*) Including expenses of advertisement campaign.

Breakdown of Operating Expenses (%)

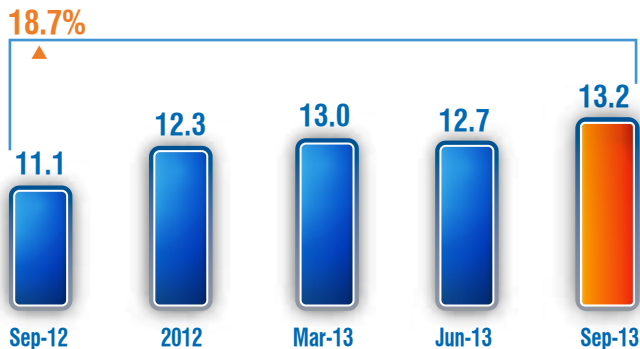


Solvency Ratios

Capital Ratios (%)



SHE (TRY billion)



Details on Capital Ratio

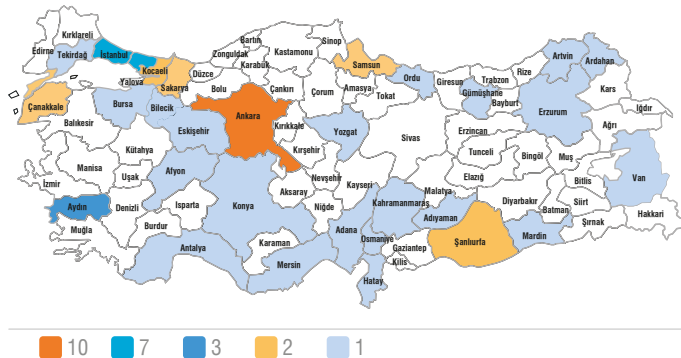
(TRY mn)	Basel II Sep-13
Credit Risk Base Amount (CRBA)	87.206
Market Risk Base Amount (MRBA)	3.777
Operational Risk Base Amount (ORBA)	8.912
Total Risk Weighted Assets (RWAs)	99.895
Shareholders' Equity	14.002
CAR (%)	14.0

- > Basel III rules will be effective in Jan-14
- > No material impact expected

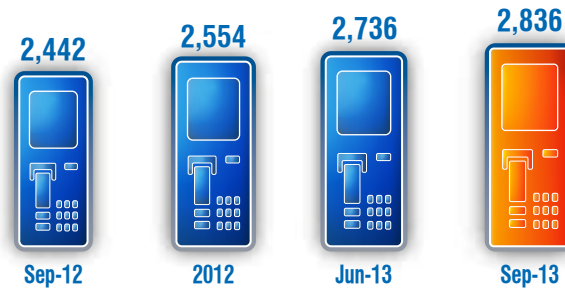
Branch Network - Human Resources

> 51 branches opened year-to-date
> 867 branches in total

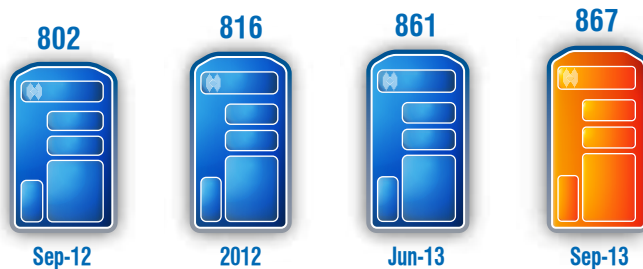
Opened Number of Branches by Province in 9 months



ATMs



Branches^(a)



(a) Including domestic branches and special transaction centers.

Headcount



Balance Sheet

In TRY million	Sep-12	2012	Jun-13	Sep-13	QoQ Change%	YtD Change%	YoY Change%
Cash and Balances Held with the Central Bank(a)	10,402	12,488	15,226	17,333	14	39	67
Banks & Money Market (b)	1,969	2,632	2,114	1,893	(10)	(28)	(4)
Securities (b)	22,952	22,954	21,035	24,498	16	7	7
Net Loans (b)	63,023	65,894	73,763	80,116	9	22	27
Gross NPL	1,869	1,960	2,068	2,134	3	9	14
NPL Net	325	343	375	396	6	15	22
Property and Equipment	1,137	1,160	1,111	1,102	(1)	(5)	(3)
Other Assets	2,576	3,154	3,123	3,538	15	12	37
Total Assets	102,059	108,282	116,372	128,480	10	19	26
Deposits (b)	76,429	79,974	82,193	90,486	10	13	18
Funds Borrowed (b)	5,840	7,303	10,688	12,286	15	68	110
Interbank Money Market (b)	1,432	381	1,654	1,857	12	387	30
Marketable Securities Issued	2,022	2,038	3,523	3,690	5	81	82
Funds	1,372	1,408	1,440	1,432	(1)	2	4
Other Liabilities	2,291	3,027	2,136	3,470	63	15	51
Provisions	1,581	1,827	2,089	2,097	0	15	33
Shareholders' Equity	11,091	12,323	12,650	13,162	4	7	19
Total Liabilities	102,059	108,282	116,372	128,480	10	19	26

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

(b) Including interest accruals,

Income Statement

In TRY million	Sep-12	Sep-13	YoY Change%	Q3-12	Q1-13	Q2-13	Q3-13	QoQ Change%	YoY Change%
Interest Income	6,598	6,653	1	2,127	2,254	2,138	2,261	6	6
On Loans	4,959	5,232	5	1,719	1,728	1,721	1,783	4	4
On Securities	1,626	1,409	(13)	404	520	415	474	14	17
Interest Expense	3,415	3,053	(11)	1,156	1,009	935	1,108	18	(4)
On Deposits	3,075	2,663	(13)	1,054	909	818	937	14	(11)
Net Interest Income	3,183	3,600	13	970	1,245	1,203	1,153	(4)	19
Net Fees and Commissions	641	685	7	211	218	229	238	4	13
Net Trading Income	245	325	33	224	181	133	10	(92)	(96)
Other Operating Income	266	412	55	78	110	98	205	109	164
Reversal of Loan Loss Provisions	137	188	37	32	64	74	50	(32)	56
Total Operating Revenues	4,335	5,022	16	1,483	1,753	1,664	1,606	(3)	8
Operating Expenses	1,488	1,958	32	522	647	673	638	(5)	22
Net Operating Income	2,847	3,064	8	960	1,106	991	968	(2)	1
Provision for Loan Losses and Other Receivables	559	665	19	192	190	224	252	13	31
Loan Loss Provisions for Cash Loans	275	304	11	120	94	115	95	(18)	(21)
Profit/(Losses) from Associates	64	88	38	0	0	82	7	-	-
Income Before Taxes	2,352	2,487	6	769	916	848	722	(15)	(6)
Provision for Tax	499	477	(4)	169	203	133	140	5	(17)
Net Income	1,853	2,010	8	600	713	715	582	(19)	(3)

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



DISCLAIMER

The information contained in this presentation has been prepared by Türkiye Halk Bankası A.S. (the Bank) for informational purposes only. Although the information in this presentation has been obtained from sources which the Bank believes to be reliable, the Bank cannot guarantee that the information is without fault or entirely accurate. The information contained in this presentation has not been independently verified. No representation or warranty express or implied is made as to, and no reliance should be placed on, the fairness, accuracy, completeness or correctness of the information or opinions contained herein. The information and opinions in this presentation are provided as at the date of this presentation and are subject to change without notice. Türkiye Halk Bankası A.S. does not accept any liability whatsoever (in negligence or otherwise) for any loss howsoever arising from any use of this presentation or otherwise arising in connection with this presentation. This presentation cannot be interpreted as an advice to anyone and is also strictly confidential and may not be reproduced, distributed or published for any purpose.