



Q1 2014 Earnings Presentation



Macro Outlook

- > FED continues to taper QE3 with another USD 10 bn in Mar-14, monthly bond purchasing dropped to USD 55 bn. No rate hike expected till mid-2015 due to persistent underemployment.
- > US economy grew 2.4% in 4Q-13. Backed by improving macroeconomic environment, EU economies expected to pull out of recession concerns.
- > UST 10Y moving in the range of 2.6-2.8% since Feb-14 and currently hovering around the lower end.
- > Turkish economy finished 2013 with 4.0% GDP growth, exceeding CBRT's expectation of 3.6%. Biggest contribution came from the domestic consumption front as expected.
- > S&P and Moody's arguing political tension impact on investor confidence, downgrading Turkey's outlook to negative.
- > Following local elections, benchmark bond declined more than 100 bps and resumed downward trend to below 10.0% level.
- > No change in monetary policy interest rates since Jan-14 MPC meeting; CBRT fine-tuning repo funding composition depending on the daily TRY liquidity needs.
- > Volatility in currency has lost pace following CBRT's interest rate hikes. CBRT limited daily FX selling amount with USD 50 mn starting from the early Feb-14.
- > Mainly due to the depreciation of TRY and regulatory measurements to curb domestic demand, YtD trade deficit compared to last year, declined by 16.6% in Feb-14.
- > Narrowing in foreign trade deficit improved 12-months cumulative CAD to USD 62.2 bn in Feb-14. The net impact of gold export has turned out to be positive for the first two months.
- > CPI increased 1.13% in Mar-14 and ended first quarter at 8.4% on the back of depreciation in TRY and hike in unprocessed food prices. Core indexes, H and I realized as 9.5% and 9.3%, respectively.
- > Unemployment rate actualized 10.1% in Jan-14.
- > Budget deficit improved to TRY 1.5 bn in 1Q-14 in line with budget expectations. Total primary balance finished first quarter with TRY 12.5 bn surplus. Budget deficit / GDP expected to be 1.9%.

Banking Sector Overview

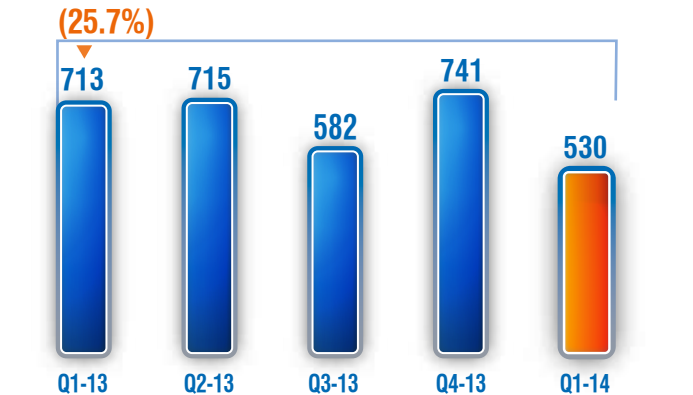
- > Loan growth 3.3% QoQ whereas deposit growth was lower at 1.5%, L/D ratio continues to surge, reaching 112.0%.
- > Retail loans up by a moderate 0.2% QoQ, auto loans and credit cards decreased 6.6% and 4.5% respectively, consumer loans grew by 2.4%.
- > On funding side, total deposits raised 1.5% QoQ. TRY deposits showed decrease 3.0%, FX deposits increased 8.5% in real terms.
- > Quarterly reduction in TRY deposit volume mainly compensated by repo funding which seemed more favorable in terms of pricing and posted 25.4% increase consequently.
- > TRY L/D ratio jumped to 133.1%, FX L/D further down to 80.2%.
- > Upward repricing in loans and deposits has persisted during the quarter.
- > Sectoral NPL ratio slightly rose by 10 bps to 2.8%, coverage ratio at 75.2%.
- > Net income decreased by 26.3% YoY as of Feb-14 mainly due to trading losses and increased interest expenses.
- > ROE and ROA at 10.1% and 1.1% as of Feb-14 respectively.
- > C/I ratio rose to 48.1% as of Feb-14 stemming from lackluster performance in revenues.
- > CAR increased by 25 bps to 15.5% as of Feb-14, the set of new implementations under Basel III was the main driver.
- > Dividend payments of top-tier banks completed right after the end of first quarter.
- > BRSA took a second step by extending limitations on existing credit card installment period: No installments for gift vouchers or such type of financing tools that can be used in restricted sectors.
- > BRSA released draft amendment that introduces restrictions on fees charged on consumers.

Q1 2014 Highlights

- > Quarterly net income at **TRY 530 mn.**
- > RoE **15.0%** and RoA **1.5%**.
- > NIM at **4.0%**, impact of repricing mismatch visible.
- > Total assets up **4.0% QoQ**, reaching **TRY 145.5 bn.**
- > Securities book up **4.8% QoQ**.
- > Total loans up **4.8% QoQ**, backed by strong growth in TRY loans and focus on corporate and commercial segments.
- > Sustained asset quality; no write-offs no sell-offs, NPL ratio at **2.7%**.
- > NPL coverage above sector average and at **77.4%**.
- > Deposit volume remained almost unchanged, **TRY 100.2 bn.**
- > Relatively low cost CBRT repo funding facility utilized, **TRY 5.3 bn.**
- > L/D ratio at **88.8%**, remarkably below the sector average, enabling further cost-effective growth.
- > Impact of lower loan growth and regulatory enforcements reflected in quarterly fees & commissions, **TRY 222 mn.**
- > Net trading booked loss of **TRY 80 mn.**
- > Dividend from 4 affiliates booked in 1Q, **TRY 99 mn.**
- > CoR in line with expectations, **70 bps** as of 1Q-14.
- > C/I ratio at 48.3%, opex/av. assets down to **2.0%**.
- > CAR at **13.9%** above the threshold.

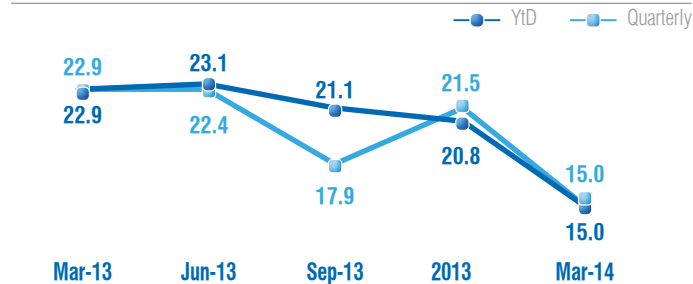
Net income down 25.7% YoY

Net Income (TRY million)

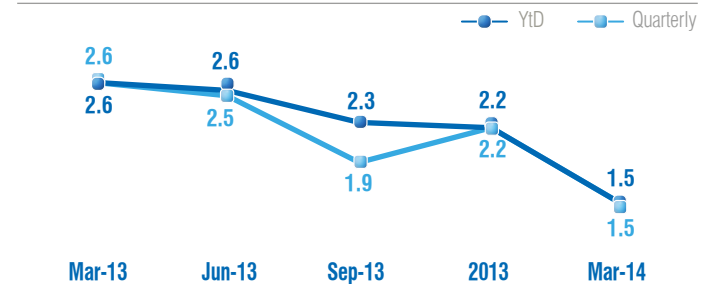


- > Impact of increased cost of deposits became visible in 1Q Nil.
- > Lack of net trading gains.

RoE (%)



RoA (%)

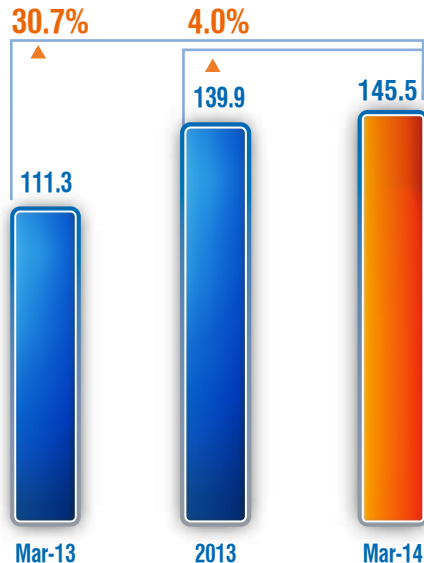


Loan driven asset growth, 4.0% QoQ

Asset Growth

YoY 30.7% QoQ 4.0%

Total Asset Growth (TRY billion)

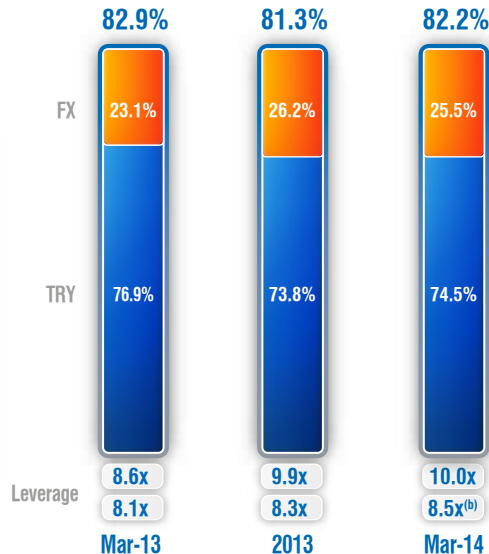


(a) Including interest accruals and excluding fund loans

IEA

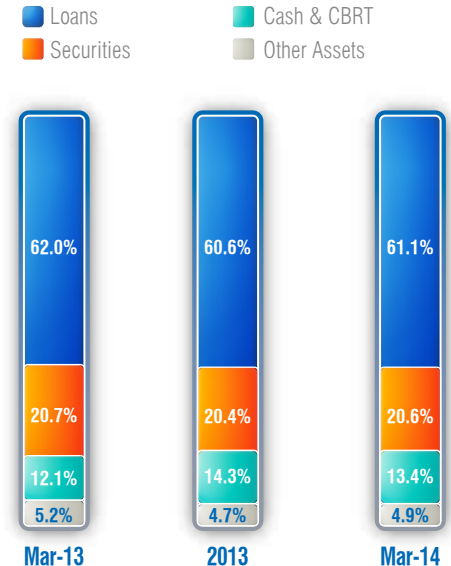
82.2%

Composition of IEAs^(a)



Securities portion 20.6%

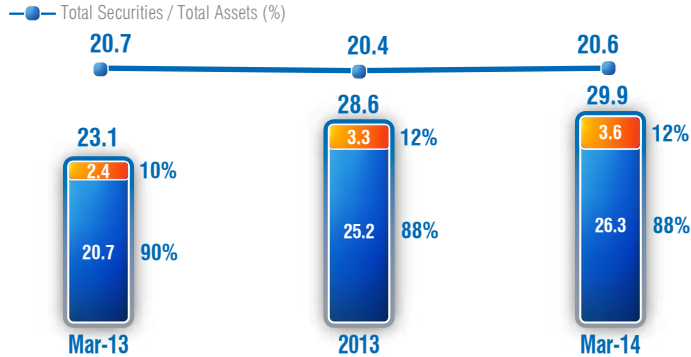
Asset Mix (%)



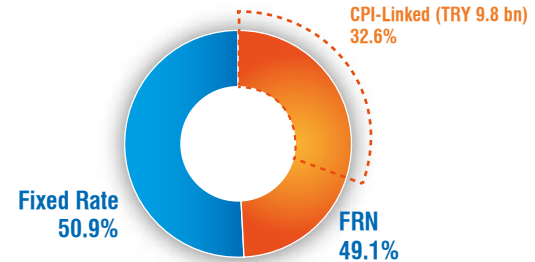
(b) Based on average of five quarters

Increasing TRY securities yield backed by CPIs, 10.6% in Q1-14

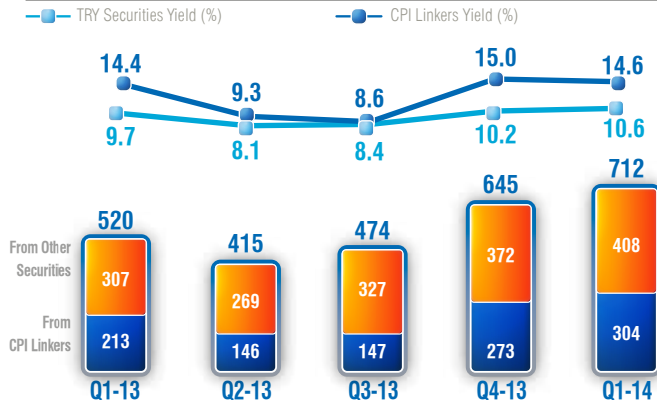
Total Securities Portfolio (TRY billion)



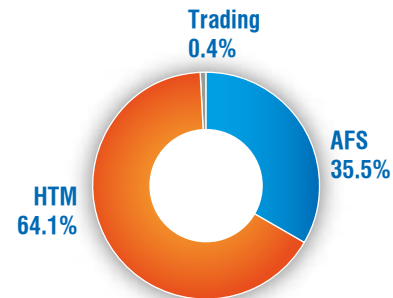
Interest Structure (%)



Interest Income on Securities (TRY million)



Securities Composition (%)



Strong growth in TRY loans; 6.5% QoQ

(TRY billion)^(a)

Total Loans

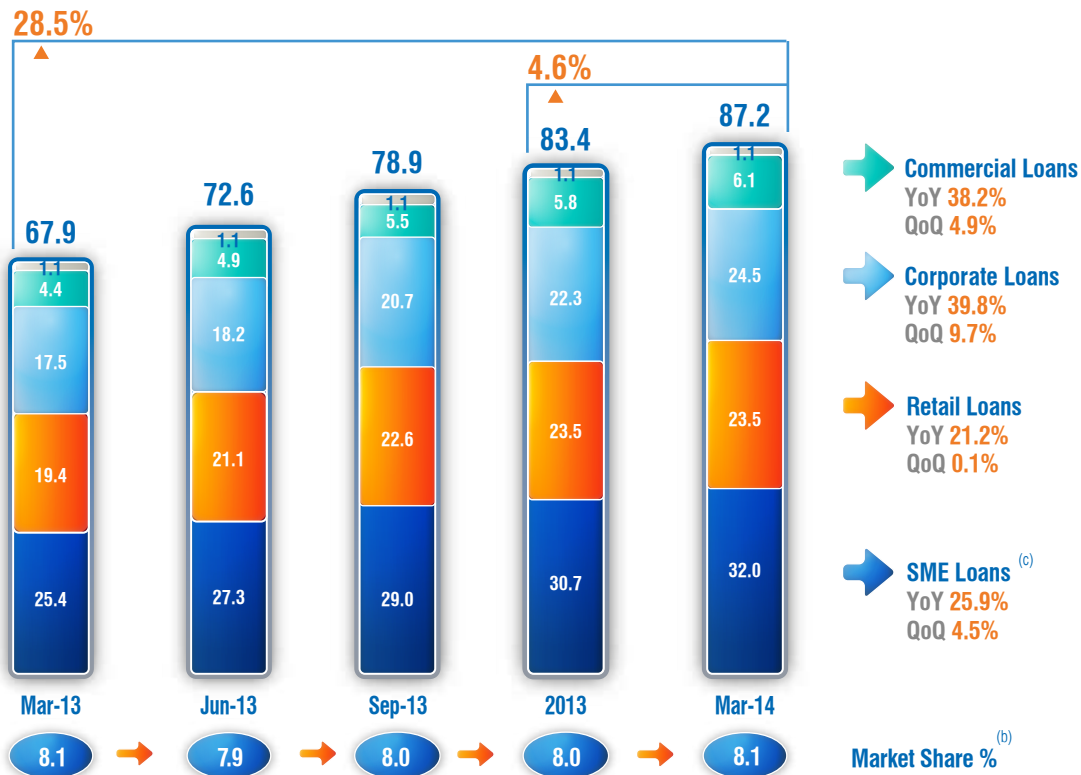
HALKBANK	B. Sector ^(b)
YoY	YoY
28.5%	30.2%
QoQ	QoQ
4.6%	3.3%

TRY Loans

HALKBANK	B. Sector ^(b)
YoY	YoY
24.1%	26.2%
QoQ	QoQ
6.5%	3.6%

FX Loans

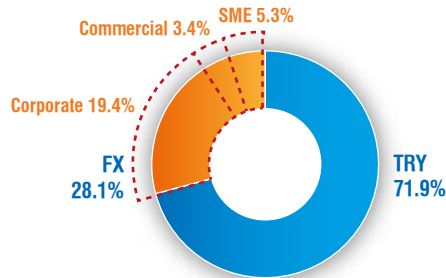
HALKBANK	B. Sector ^(b)
YoY	YoY
41.4%	41.4%
QoQ	QoQ
0.0%	2.8%
in USD terms	
YoY	YoY
18.3%	18.3%
QoQ	QoQ
-1.0%	1.9%



(a) Excluding interest accruals (b) BRSA daily data as of 31.03.2014 (c) According to the BRSA definition

TRY and SME heavy loan portfolio remaining unchanged

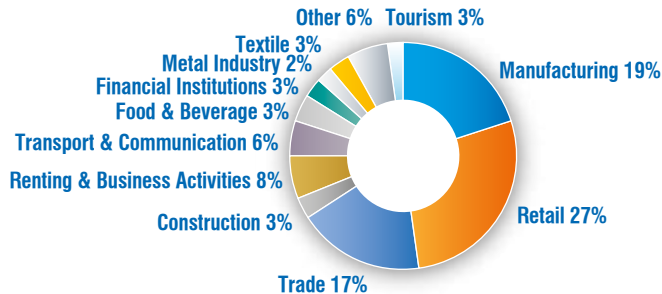
Loans by Currency (%)^(a)



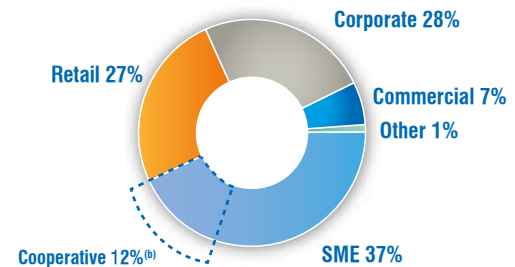
Interest Structure (%)^(a)



Sectoral Breakdown of Loans (%)^(a)



Loans by Customer Segmentation (%)^(a)



(a) Excluding interest accruals (b) Micro SMEs

Credit cards and housing loans continued to increase

(TRY billion)^(a)

HALKBANK

YoY

21.2%

QoQ

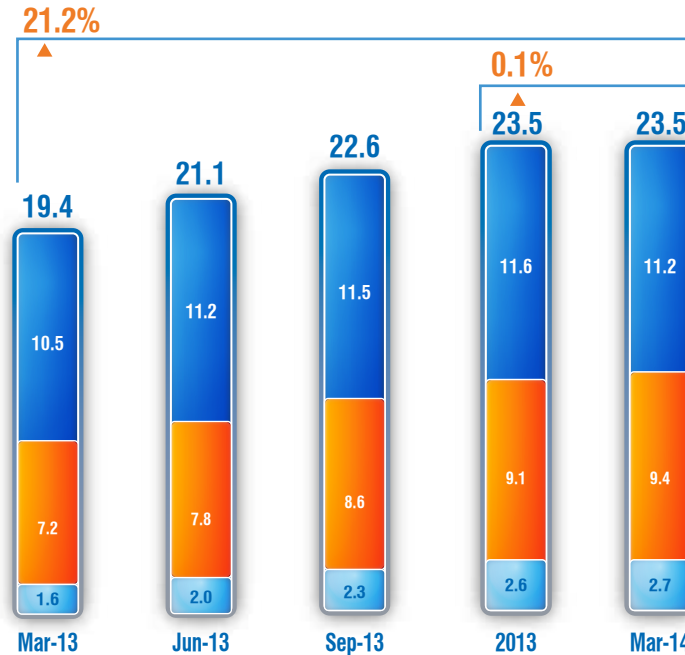
0.1%

B. SECTOR^(b)

YoY

18.2%

QoQ

0.2%


Consumer Loans

YoY 6.6%

QoQ -2.9%

Share in total 47.8%



Housing Loans

YoY 31.1%

QoQ 3.5%

Share in total 40.1%



Credit Cards

YoY 71.0%

QoQ 1.8%

Share in total 11.4%

Retail Loans Market Share %



Consumer Loans Market Share %



Housing Loans Market Share %



Credit Card Loans Market Share %

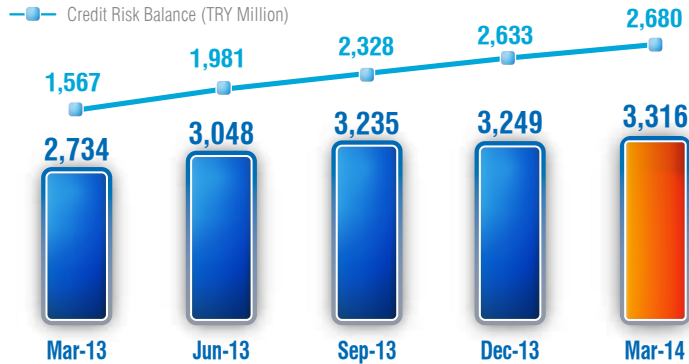


(a) Excluding interest accruals.

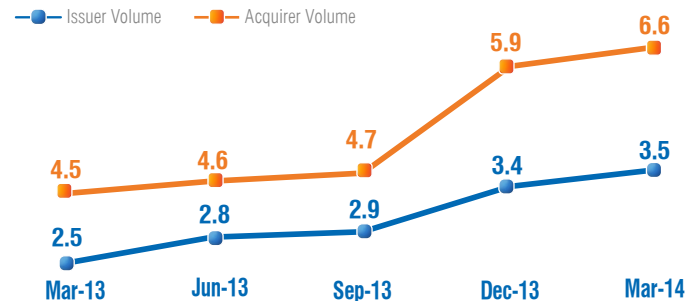
(b) CBRT data as of 28.03.2014

Credit card business gaining ground

of Credit Cards (Thousand)

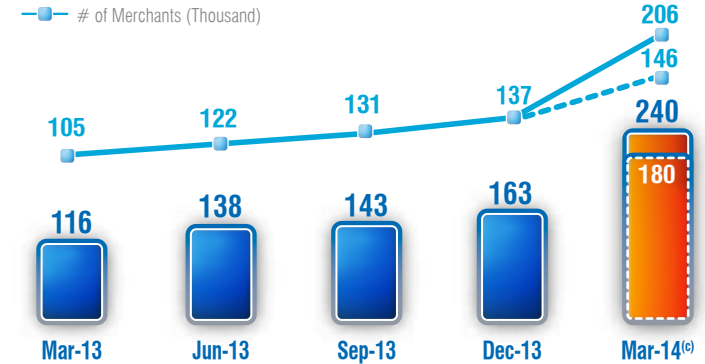


Credit Card Market Shares (%)^(a)



(a) Source: Interbank Card Center Data, monthly volume

of POS (Thousand)



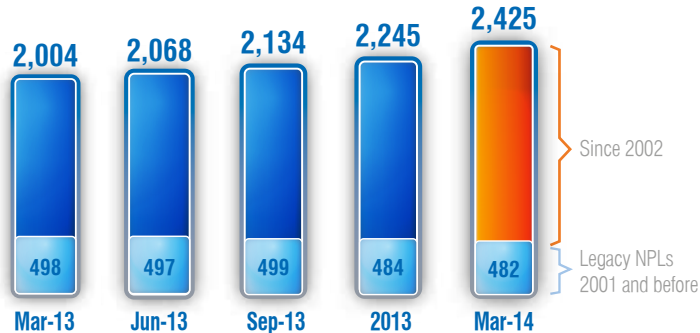
Selected Figures (TRY mn)

	Q1-13	Q1-14	YoY Growth (%)
Issuer Volume	2,259	3,752	66.1
Acquirer Volume	4,022	6,822	69.6
Credit Card Risk Balance ^(b)	1,567	2,680	71.0

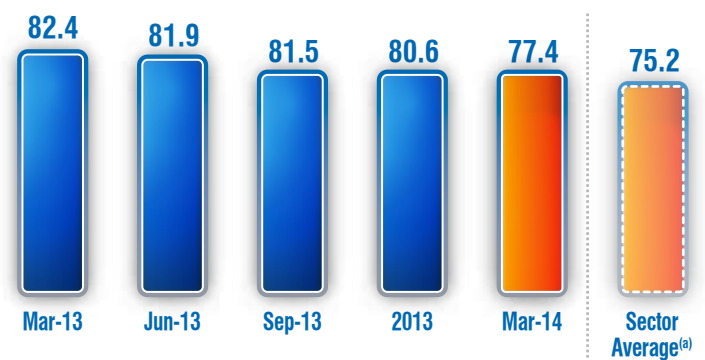
(b) As of 31.03.2014 (c) 60,200 POS&Merchants added due to change in BRSA reporting format

NPL ratio slightly up to 2.7%

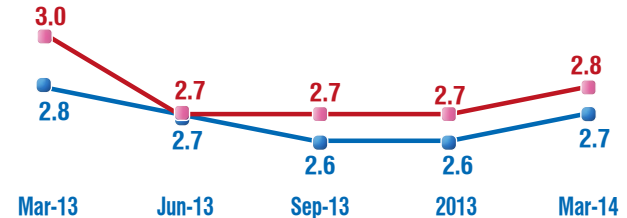
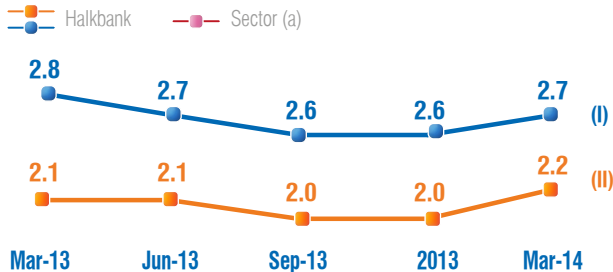
NPL Portfolio (TRY million)



NPL Coverage (%)



NPL / Total Loans (%)

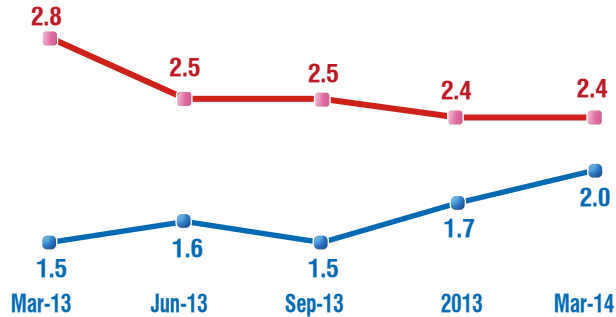


(I) Total NPL ratio (II) Excluding the legacy of year 2001 and before NPLs

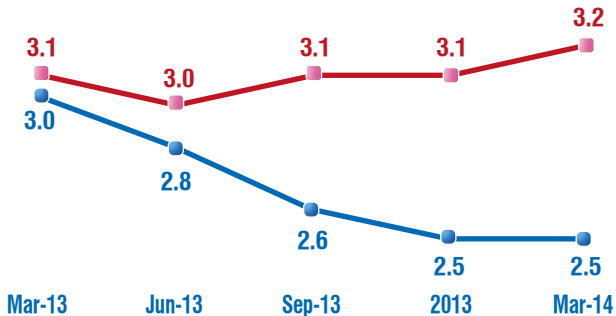
(a) BRSA daily data as of 31.03.2014

NPL ratio by segments

Corporate - Commercial (%)^(a)

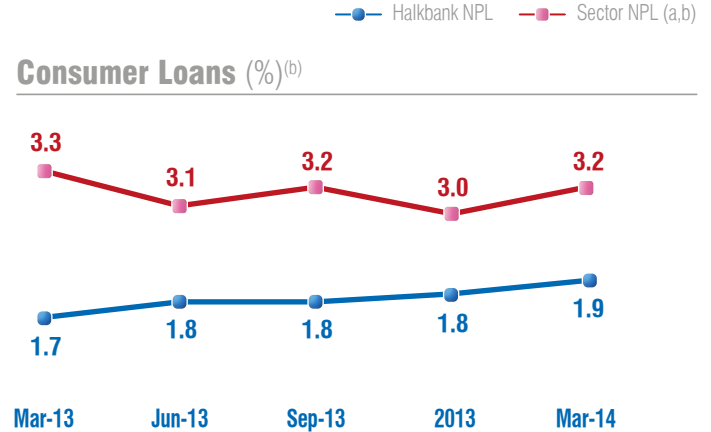


SME Loans (%)^(a)

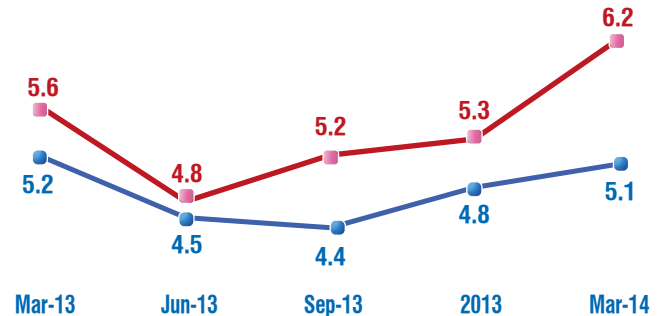


(a) BRSA data monthly as of Feb-14, Halkbank data excluding legacy NPLs

Consumer Loans (%)^(b)



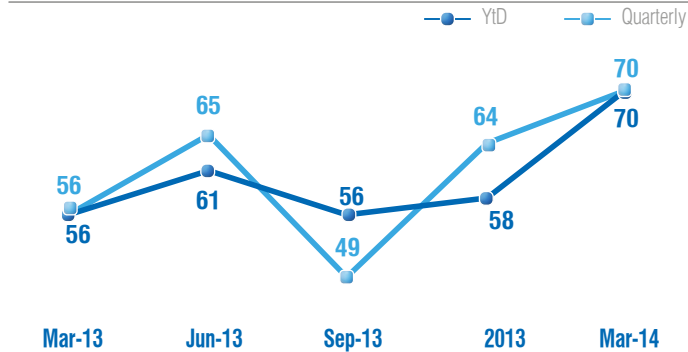
Credit Cards (%)^(b)



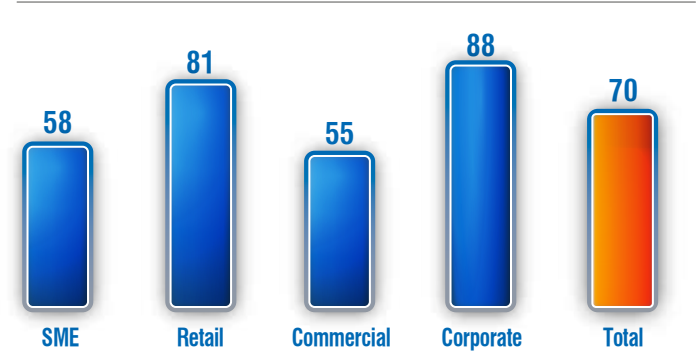
(b) CBRT data as of 28.03.14

No material deterioration in Gross CoR, Net CoR remaining stable

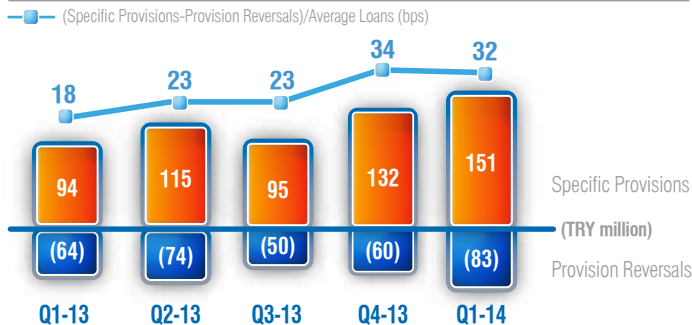
Cost of Risk (bps)^(a)



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

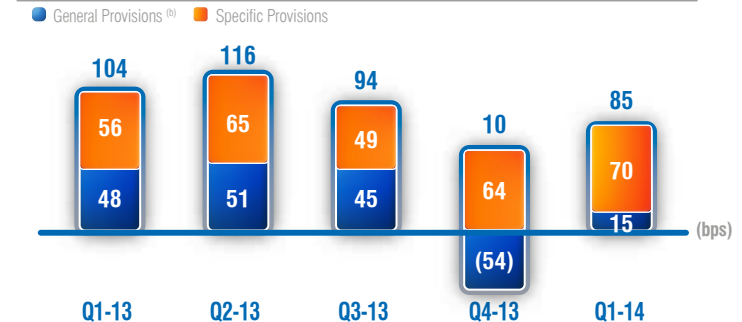


Net Cost of Risk



(a) Specific Provisions / Average Net Loans

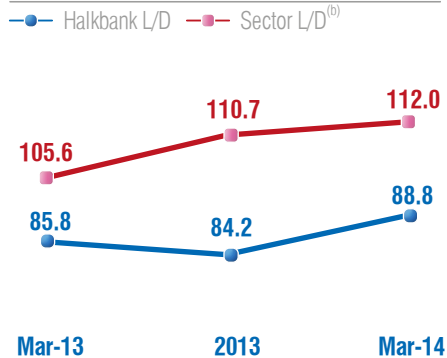
Gross Cost of Risk (bps)



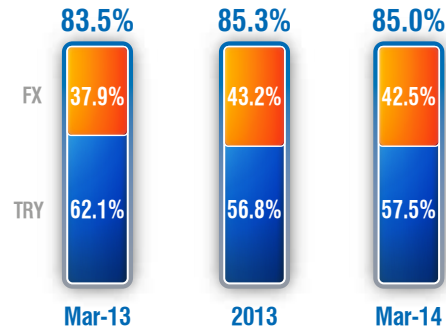
L/D kept at comfortably low level, 88.8%

IBL 85.0%^(a)

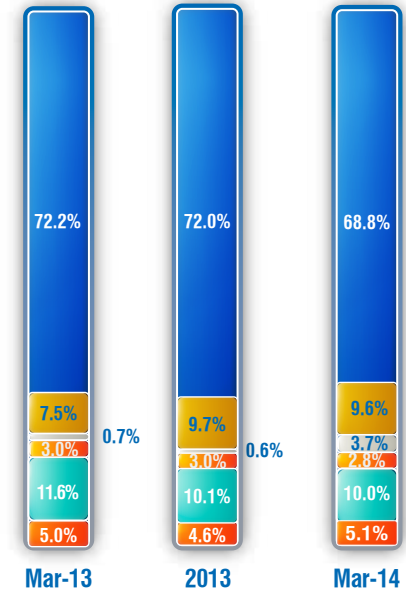
Loan to Deposit (%)



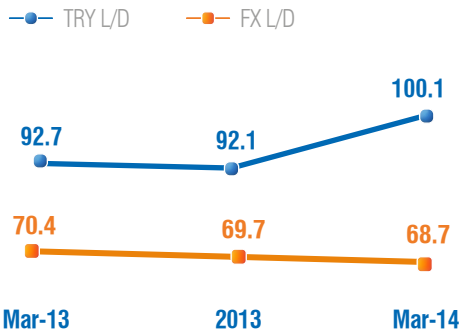
Composition of IBLs^(a)



Liabilities Mix (%)



Liabilities by Currency (%)



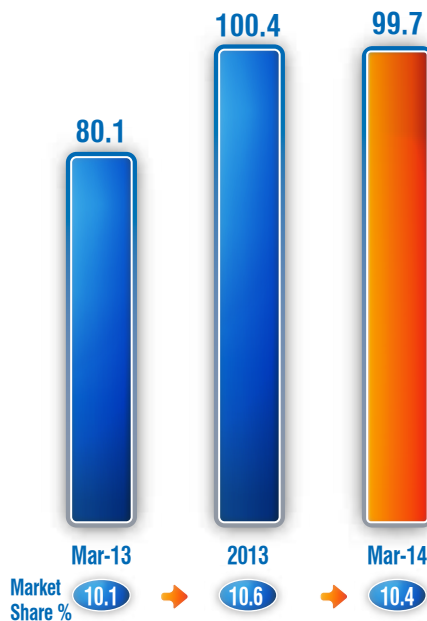
(a) Including interest accruals and excluding funds. Excluding demand deposit, the share of IBL is 75.3% in Mar-14.

(b) BRSA monthly data as of Feb-14

Strong and sticky deposit base

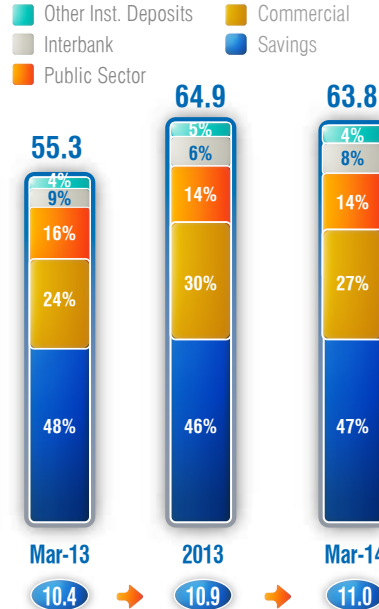
		HALKBANK	B. Sector ^(b)
Total Dep.	YoY	24.5%	29.2%
	QoQ	-0.7%	1.5%

Total Deposits (TRY billion)^(a)



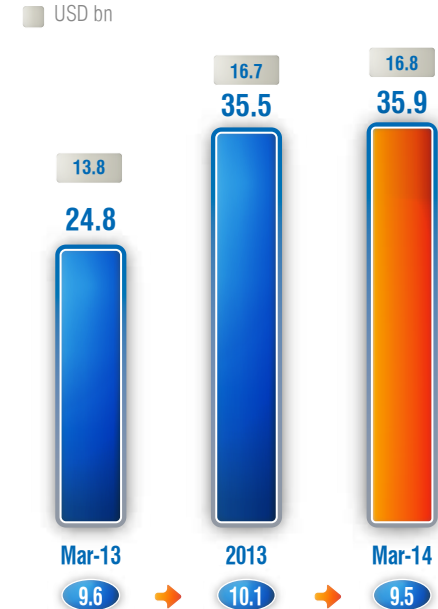
		HALKBANK	B. Sector ^(b)
TRY Dep.	YoY	15.3%	14.0%
	QoQ	-1.8%	-3.0%

TRY Deposits (TRY billion)^(a)



		HALKBANK	B. Sector ^(b)
FX Dep.	YoY	45.1%	58.9%
	QoQ	1.4%	8.5%
in USD terms	YoY	21.4%	32.9%
	QoQ	0.4%	7.5%

FX Deposits (TRY billion)^(a)

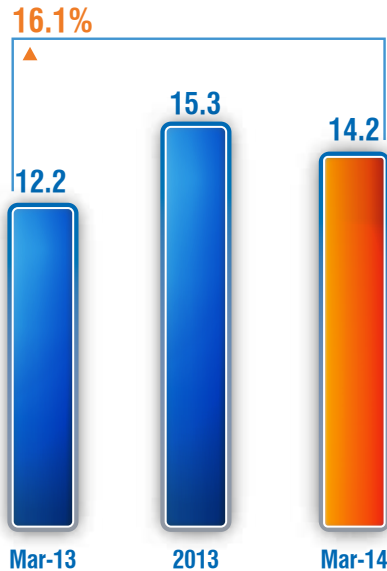


(a) Excluding interest accruals. (b) BRSA daily data as of 31.03.2014

Deposit volume remaining TRY dominated

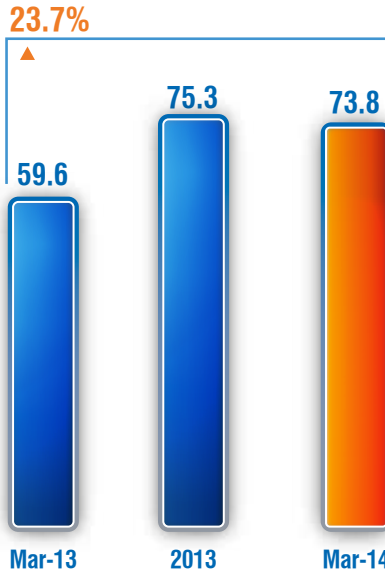
Demand Deposit (TRY billion)^(a)

—●— Demand Deposits/Total Deposits (%)

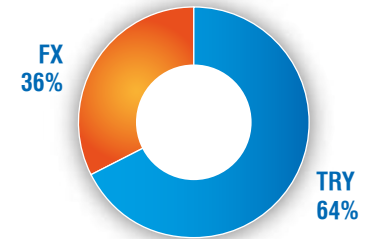


Time Deposits (TRY billion)^(a)

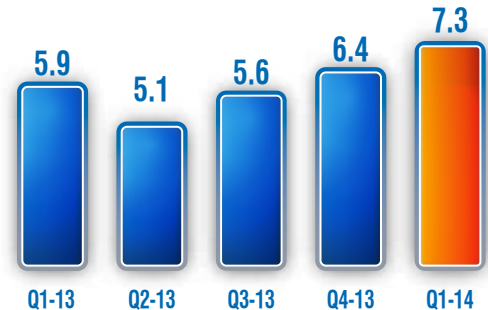
—●— Time Deposits/Total Deposits (%)



Deposits by Currency (%)



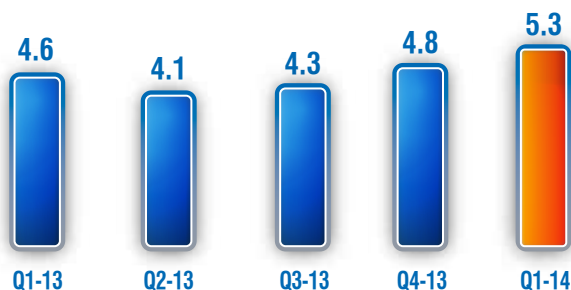
Cost of TRY Deposits (%)^(b)



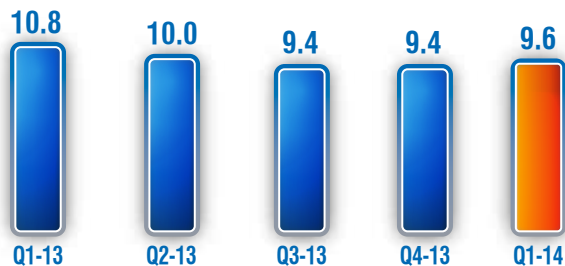
(a) Excluding interest accruals and interbank (b) Time & Demand Blended.

Cost-Yield-Spread^(a)

Cost of Deposits (%)

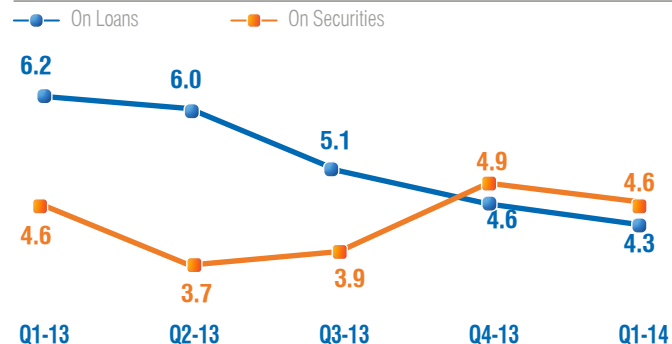


Yield on Loans (%)^(b)

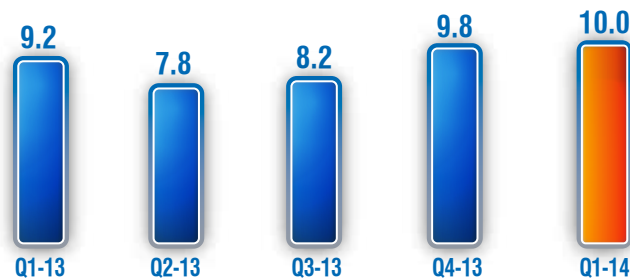


(a) TRY-FX blended (b) Excluding fund loans

Spreads (%)



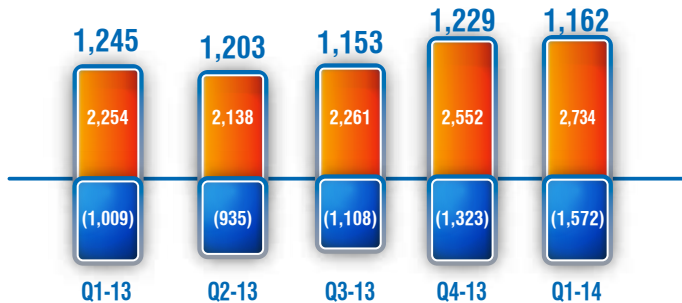
Yield on Securities (%)



Impact of repricing mismatch reflected in the first quarter NIM

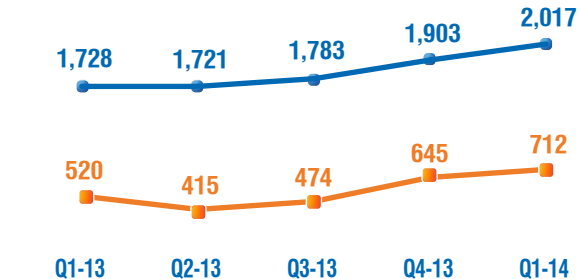
Net Interest Income (TRY million)

Interest Income Interest Expenses

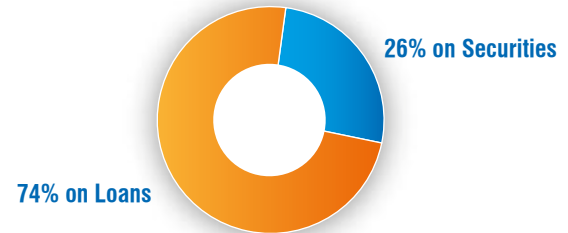


Interest Income (TRY million)

On Loans On Securities

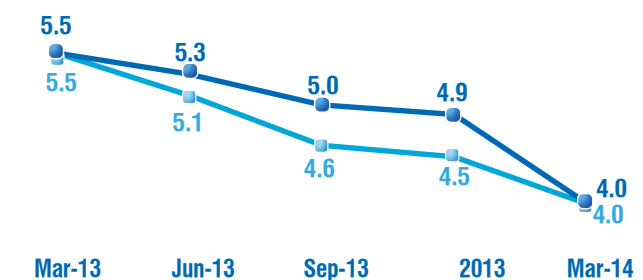


Breakdown of Interest Income (%)



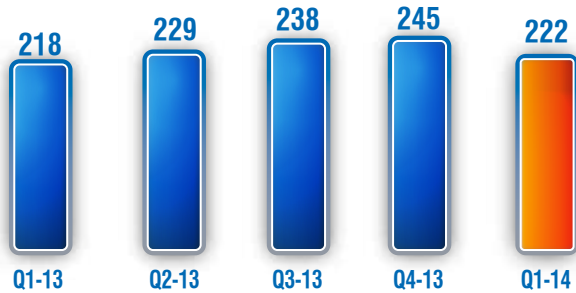
NIM (%)

YtD Quarterly

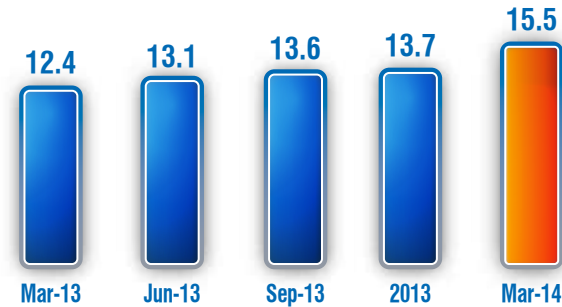


Share of NFC in operating revenues increased up to 15.5%

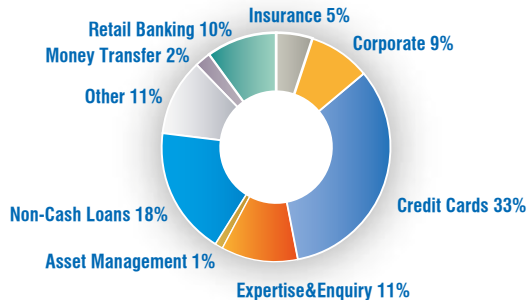
Net Fees & Commissions Income (TRY million)



Net Fees & Commissions / Operating Revenues (%)



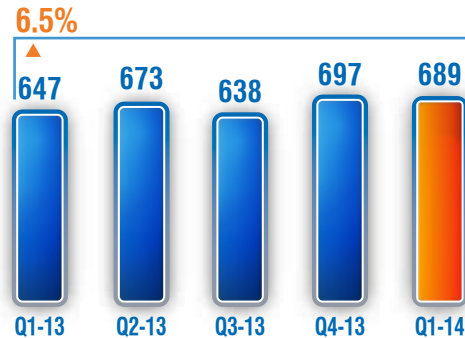
Breakdown of Fees & Commissions (%)



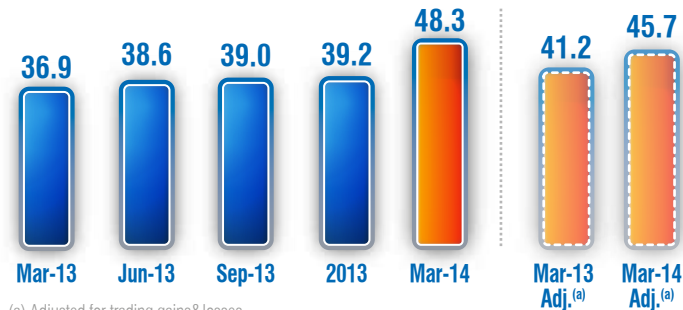
- > Draft regulation on fees and commissions published by the BRSA
- > Preliminary assessments made and expected impact is quite limited.

OPEX growth back to normalization, 6.5% YoY

Operating Expenses (TRY million)



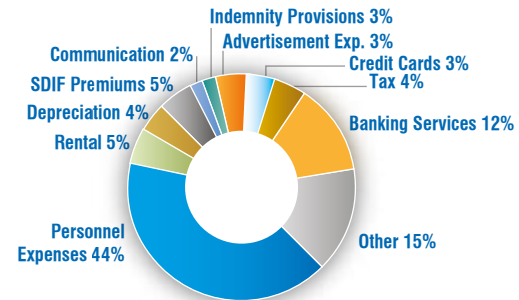
Cost/Income (%)



Operating Expenses / Average Assets (%)

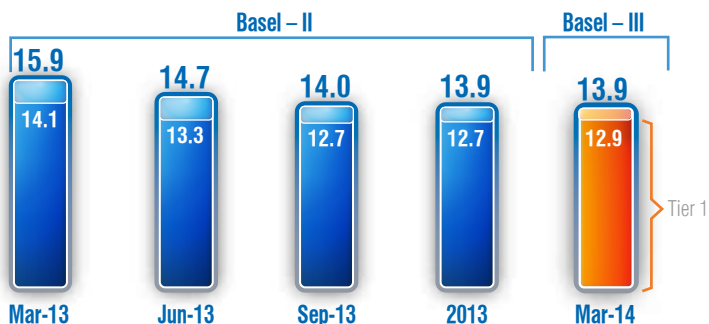


Breakdown of Operating Expenses (%)

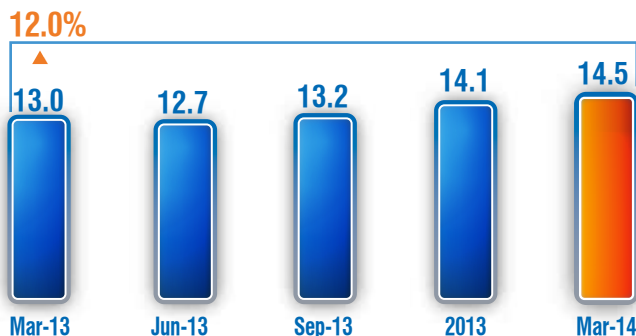


Solvency Ratios

Capital Ratios (%)



SHE (TRY billion)



Details on Capital Ratio

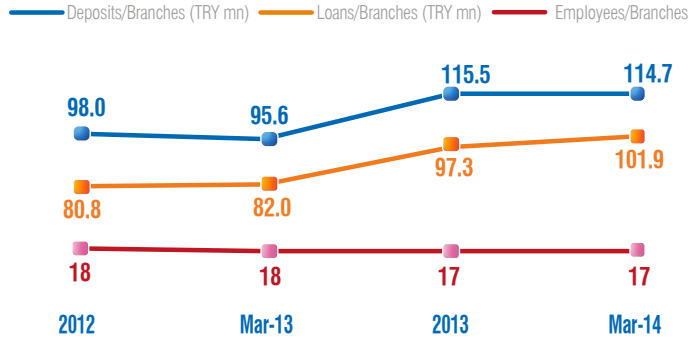
(TRY mn)	Basel III Mar-14
Credit Risk Base Amount (CRBA)	96,858
Market Risk Base Amount (MRBA)	3,755
Operational Risk Base Amount (ORBA)	10,129
Total Risk Weighted Assets (RWAs)	110,742
Shareholders' Equity	15,362
CAR (%)	13.9

Main Impact of Basel III

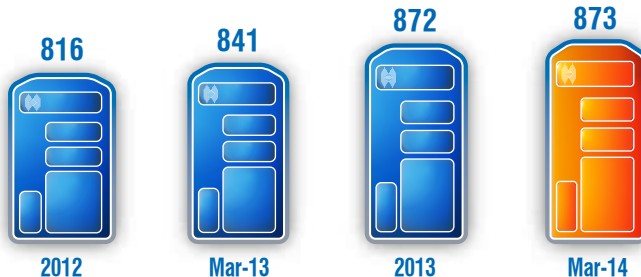
- > Positive revaluation of reserves for AfS Securities and for affiliates under equity now weighted 100% (before 45%)
- > Aforementioned revaluation reserves now respected in core capital (before in supplementary capital)

Branch Network - Human Resources

Loans-Deposits-Employee per Branches



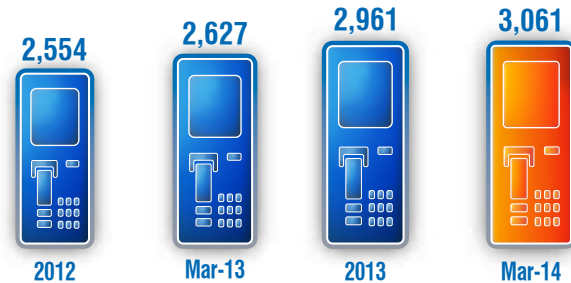
Branches^(a)



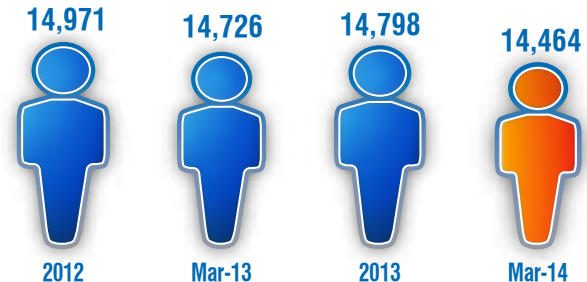
(a) Including domestic branches and special transaction centers.

- > Total branch number reached **873**.
- > London Rep. office opened.

ATMs



Headcount



Balance Sheet

In TRY million	Q1-13	2013	Q1-14	QoQ Change%	YoY Change%
Cash and Balances Held with the Central Bank ^(a)	13,421	19,976	19,534	(2.2)	45.6
Banks & Money Market ^(b)	1,592	1,849	2,227	20.4	39.8
Securities ^(b)	23,090	28,559	29,928	4.8	29.6
Net Loans ^(b)	68,983	84,848	88,921	4.8	28.9
Gross NPL	2,004	2,245	2,425	8.0	21.0
NPL Net	352	435	547	25.8	55.5
Property and Equipment	1,141	1,113	1,109	(0.3)	(2.8)
Other Assets	3,121	3,599	3,805	5.7	21.9
Total Assets	111,347	139,944	145,524	4.0	30.7
Deposits ^(b)	80,415	100,756	100,159	(0.6)	24.6
Funds Borrowed ^(b)	8,335	13,615	13,989	2.7	67.8
Interbank Money Market ^(b)	833	771	5,334	591.4	540.6
Marketable Securities Issued	3,296	4,165	4,097	(1.6)	24.3
Funds	1,395	1,489	1,470	(1.2)	5.4
Other Liabilities	2,163	3,102	3,960	27.7	83.1
Provisions	1,943	1,900	1,987	4.6	2.3
Shareholders' Equity	12,968	14,146	14,527	2.7	12.0
Total Liabilities	111,347	139,944	145,524	4.0	30.7

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

(b) Including interest accruals,

Income Statement

In TRY million	Q1-13	Q4-13	Q1-14	QoQ Change %	YoY Change %
Interest Income	2,254	2,552	2,734	7.1	21.3
On Loans	1,728	1,903	2,017	6.0	16.8
On Securities	520	645	712	10.5	37.0
Interest Expense	1,009	1,323	1,572	18.8	55.8
On Deposits	909	1,176	1,315	11.9	44.7
Net Interest Income	1,245	1,229	1,162	(5.4)	(6.7)
Net Fees and Commissions	218	245	222	(9.4)	2.0
Net Trading Income	181	(80)	(80)	-	-
Other Operating Income	110	355	124	(65.2)	13.1
Reversal of Loan Loss Provisions	64	60	83	37.2	29.3
Total Operating Revenues	1,753	1,749	1,427	(18.4)	(18.6)
Operating Expenses	647	697	689	(1.1)	6.5
Net Operating Income	1,106	1,052	738	(29.8)	(33.2)
Provision for Loan Losses and Other Receivables	190	183	194	5.7	2.4
Loan Loss Provisions for Cash Loans	94	132	151	14.0	60.7
Profit/(Losses) from Associates	-	9	99	-	-
Income Before Taxes	916	878	644	(26.7)	(29.8)
Provision for Tax	203	137	113	(17.5)	(44.3)
Net Income	713	741	530	(28.4)	(25.7)

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