



Q3 2014 Earnings Presentation



Macro Outlook

- > The FED ended its unprecedented quantitative easing program in Oct-14 as expected, ceasing the final tranche of USD 15 bn. “Considerable period of time” language that refers to the timing of interest rates to start increasing has been kept by FOMC.
- > Timing of the FED to start increasing interest rates is still unclear. The remarks echoed by some of the FED officials have clearly highlighted worries over the risks regarding global economic growth which should be taken into consideration when it comes to take further steps in determining monetary policy.
- > UST 10Y has continued to head down and tested below 2% in the beginning of Oct-14 and now hovering around 2.25%.
- > USD has appreciated against almost all of the major currencies backed by the economic divergence between US and the other major economies and debates on FED’s timing on when to start removing accommodative monetary policy.
- > ECB has elaborated more on the operational details of ABS and CB purchase programmes which are both expected to commence in the last quarter of 2014.
- > Brent crude oil continued to decline during 3Q14 from the yearly peak level of USD 115 in Jun-14. Having completed 3Q at USD 95, the price per barrel has come down to USD 85 on the back of concerns on global economic growth and relief on supply side.
- > 1Q14 GDP growth revised up to 4.7%. The delayed impacts of macro prudential measures, monetary tightening and geopolitical issues became more visible at 2Q14 GDP figure, growth slowed down to 2.1%.
- > Benchmark bond yield has recorded almost 180 bps QoQ increase and peaked at 10.0% as of end of Sep-14, then pulled back to 9.0% level in Oct-14.
- > CBRT cut upper end of interest rate corridor by 75 bps to 11.25% while preserving one week repo rate at 8.25%.
- > Yearly CPI increase eased to 8.9% in September whereas core indexes H and I both stood at above 9.0%. Increase in food prices still dominates CPI.
- > Aug-14 trade gap posted USD 8.0 billion, highest monthly figure since Dec-13.
- > Monthly CAD figure was USD 2.8 bn in Aug-14, well below expectations. 12-month rolling figure somewhat up to USD 48.9 bn from the previous month level of USD 48.5 bn.
- > Unemployment rate increased to 9.8% as of Jul-14.
- > New medium term program was announced:
 - GDP growth expectation for 2014 revised down to 3.3% from 4.0% as well as 2015 expectation from 5% to 4%.
 - CPI expectation for 2014 has been subject to the most significant revision, increased to 9.4% from 5.3% and it is expected to fall to 6.3% in 2015, previous expectation was 5.0%.
 - CAD/GDP expectation for 2014 decreased to 5.7% from 6.4% as well as 2015 expectation from 5.9% to 5.4%.
 - Total savings ratio is expected to increase from previously 13.8% up to 14.9% of GDP by the end of 2014.

Banking Sector Overview

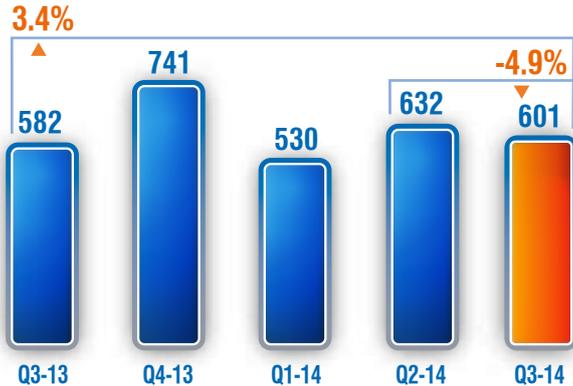
- > Total loans grew by 5.6% QoQ whereas deposit growth was slightly below loan growth at 5.1%.
- > Retail loans up by a moderate 2.5% QoQ, auto loans and credit cards continued to decrease 7.2% and 2.0% QoQ while consumer loans and housing loans grew by 4.2% and 4.0%, respectively.
- > Deposit volume up by 5.1% QoQ, mainly driven by FX deposit growth of 9.7%.
- > L/D ratio has reached 115.6% in Aug-14, TRY L/D ratio at 135.9% and FX L/D comfortable at 83.7%.
- > TRY time deposit cost decreased significantly during 3Q, offsetting shrinking CPI linked securities yields.
- > Sectoral NPL ratio increased to 2.9% from 2.8% as of Aug-14, coverage ratio declined to 74.2%.
- > Cumulative net income decreased by 7.1% YoY as of Aug-14.
- > Aug-14 cumulative NIM remained flat at 4.1%.
- > Cumulative RoE and RoA at 12.1% and 1.4%, respectively.
- > QtD net trading income item has been on the negative territory in Aug-14.
- > C/I ratio at 46.6% as of Aug-14.
- > CAR remained flat at 16.3% as of Aug-14.
- > CBRT has continued to actively use one-week repo auctions and funding volume at TRY 55.2 bn in 3Q14 and effective funding rate hovers around 8.25% - 8.50%.

September 2014 Highlights

- > Cumulative net income reached **TRY 1,764 mn.** Quarterly net income at **TRY 601 mn,** up **3.4% YoY.**
- > YtD RoE at **15.8%** and RoA at **1.6%.**
- > Quarterly NIM continued to recover, touching **4.3%** level.
- > Blended L/D spread improved almost **90 bps** QoQ.
- > Fees and commissions up **5.0% YoY,** reaching **TRY 720 mn.**
- > Loan growth at **13.3% YtD** and **4.3% QoQ,** mainly driven by SME and commercial loans.
- > NPL ratio increased to **3.7%** due to the one corporate loan shifting to the NPL. Adjusted for this big ticket, NPL ratio remaining flat at **2.6%.**
- > NPL coverage at **59.3%,** adjusted coverage ratio at **78.4%.**
- > Deposit volume grew **8.1% QoQ** and reached **TRY 101.5 bn** in 3Q14 when TRY deposit pricing came down to the yearly lowest levels.
- > Effective usage of CBRT repo funding continued, volume at **TRY 7.6 bn.**
- > L/D ratio decreased to **94.7%** in contrast with the sector.
- > C/I ratio came down to **44.9%,** opex/av. assets remained flat at **2.0%.**
- > YtD CoR at **84 bps.** Excluding the big ticket item, CoR improving to **63 bps.**
- > Net trading income quarterly booked **TRY 26 mn** gain.
- > CAR at **13.6%** preserving solid and efficient level.

Net income up 3.4% YoY, above sector average RoE

Net Income (TRY million)



YoY Change (%)

- > 13.5% Net Interest Income
- > 5.2% Net Fees & Commissions
- > 11.1% Total Operating Income
- > 3.4% Net Income

RoE (%)



RoA (%)

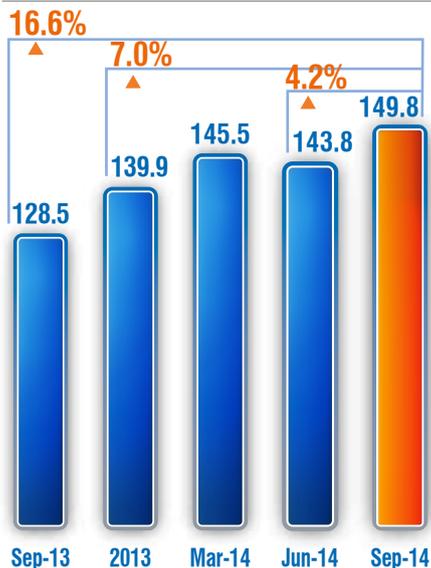


TRY driven asset growth

Asset Growth

YoY **16.6%** YtD **7.0%**

Total Asset Growth (TRY billion)

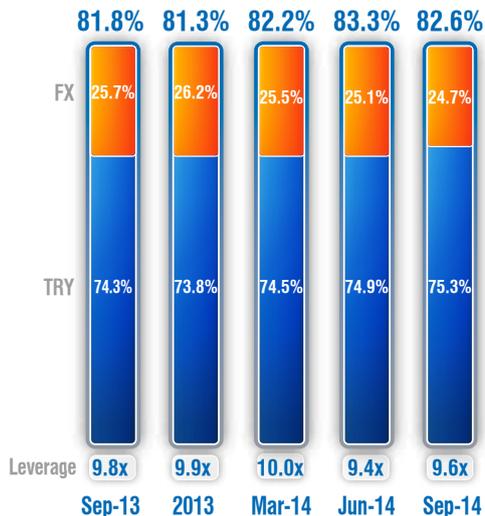


(a) Including interest accruals and excluding fund loans

IEA

82.6%

Composition of IEAs^(a)



Securities Portion **18.5%**

Asset Mix (%)

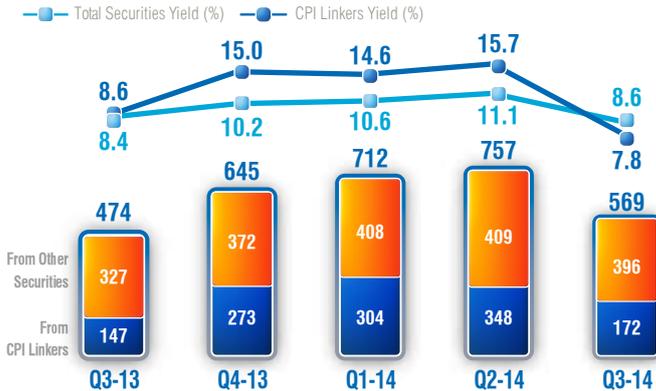


Stable composition of securities portfolio

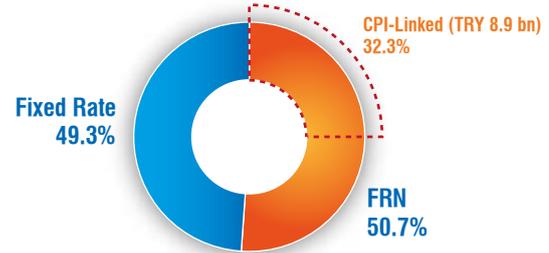
Total Securities Portfolio (TRY billion)



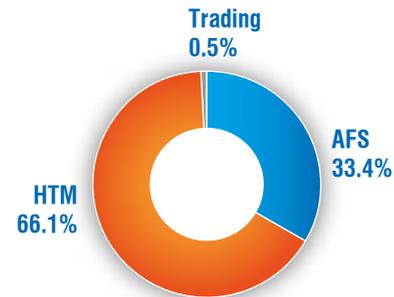
Interest Income on Securities (TRY million)



Interest Structure (%)



Securities Composition (%)



Growth in TRY loans 4.7% QoQ

(TRY billion)^(a)

Total Loans

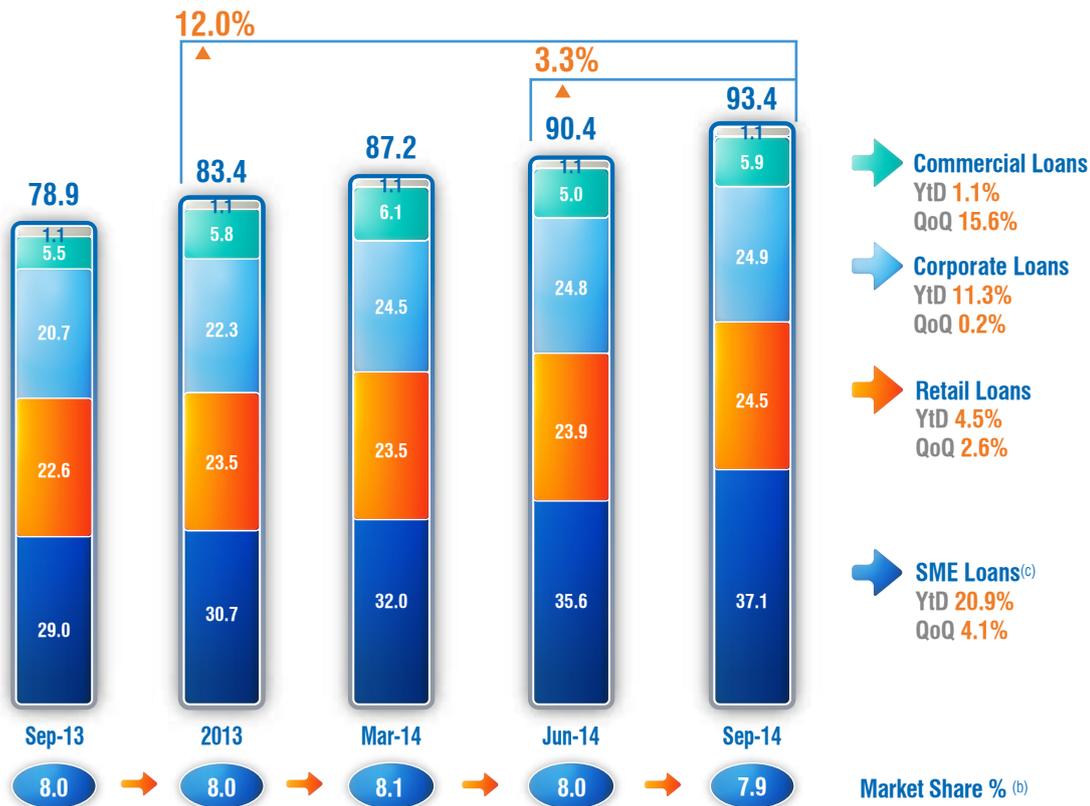
HALKBANK	B. Sector ^(b)
YTD	YTD
12.0%	13.2%
QoQ	QoQ
3.3%	5.6%

TRY Loans

HALKBANK	B. Sector ^(b)
YTD	YTD
16.3%	12.4%
QoQ	QoQ
4.7%	3.9%

FX Loans

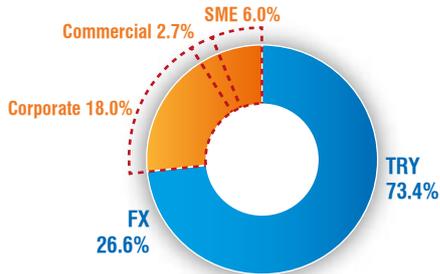
HALKBANK	B. Sector ^(b)
YTD	YTD
1.5%	15.0%
QoQ	QoQ
-0.6%	10.0%
in USD terms	
YTD	YTD
-4.4%	8.4%
QoQ	QoQ
-7.2%	2.6%



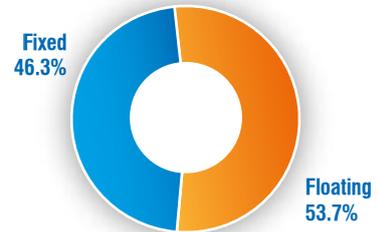
(a) Excluding interest accruals (b) BRSA daily data as of 30.09.2014 (c) According to the BRSA definition

TRY heavy loan book

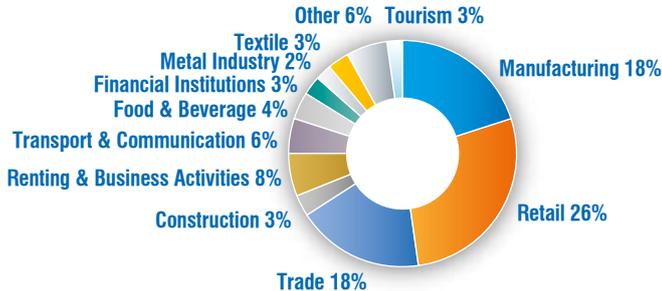
Loans by Currency (%)^(a)



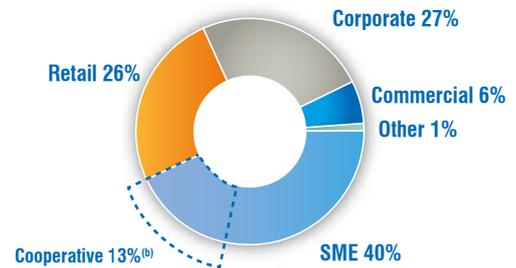
Interest Structure (%)^(a)



Sectoral Breakdown of Loans (%)^(a)



Loans by Customer Segmentation (%)^(a)



(a) Excluding interest accruals (b) Micro SMEs

Retail loan growth in line with sector average

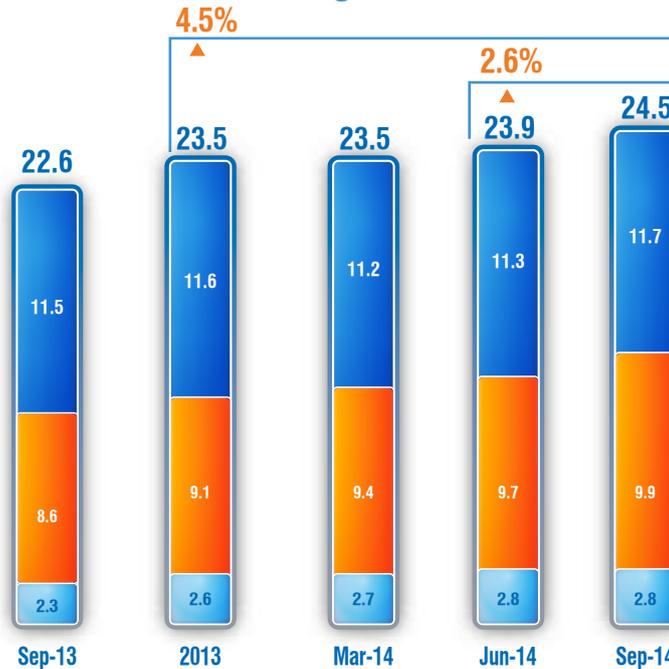
(TRY billion)^(a)

HALKBANK

YtD
4.5%
QoQ
2.6%

B. SECTOR^(b)

YtD
4.6%
QoQ
2.5%



➔ **Consumer Loans**
YtD 0.7%
QoQ 3.1%
Share in total 47.6%

➔ **Housing Loans**
YtD 8.9%
QoQ 2.5%
Share in total 40.4%

➔ **Credit Cards**
YtD 6.7%
QoQ 1.3%
Share in total 11.5%

Retail Loans Market Share %



Consumer Loans Market Share %



Housing Loans Market Share %



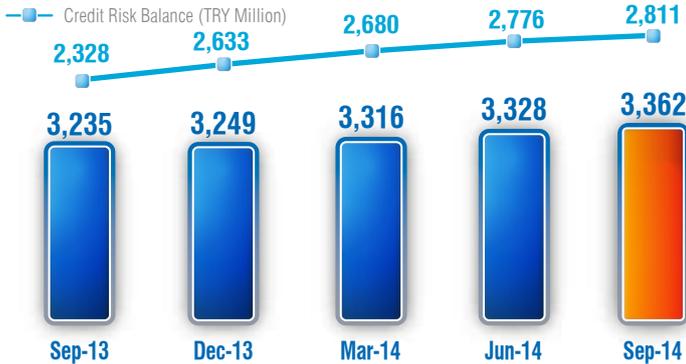
Credit Card Loans Market Share %



(a) Excluding interest accruals.
(b) CBRT data as of 26.09.2014

Increasing visibility in credit cards

of Credit Cards (Thousand)



of POS (Thousand)



Credit Card Market Shares (%)^(a)



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

Selected Figures (TRY mn)

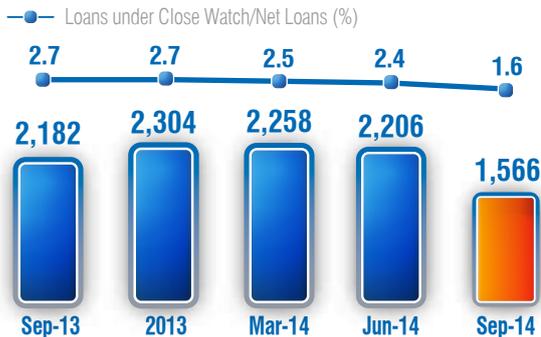
	Sep-13	Sep-14	YoY Growth (%)
Issuer Volume	3,187	4,299	34.9
Acquirer Volume	5,139	7,167	39.5
Credit Card Risk Balance	2,328	2,811	20.8

One-off big ticket loan in NPL

NPL Portfolio (TRY million)

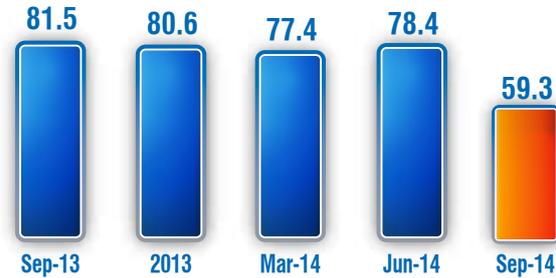


Loans under Close Watch (TRY million)



(a) Excluding one-off big ticket corporate loan.

NPL Coverage (%)



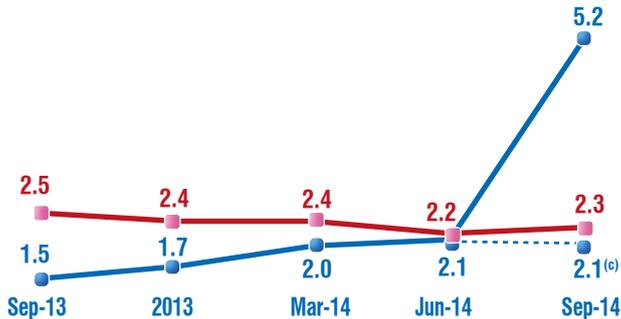
NPL/Total Loans (%)



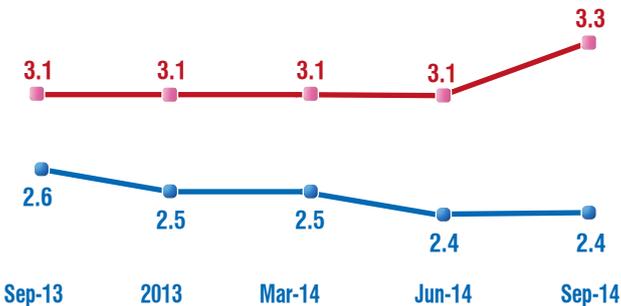
(b) BRSA daily data 30.09.14

NPL ratio by segments

Corporate - Commercial (%)^(a)

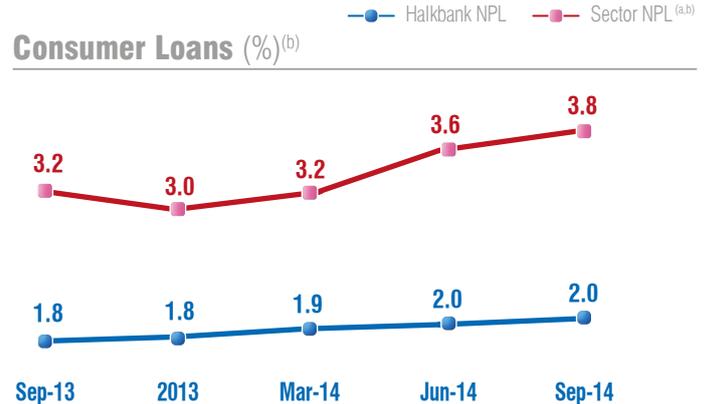


SME Loans (%)^(a)



(a) BRSAs monthly data as of Aug-14, Halkbank data excluding legacy NPLs
 (c) Adjusted by one-off big ticket corporate loan.

Consumer Loans (%)^(b)



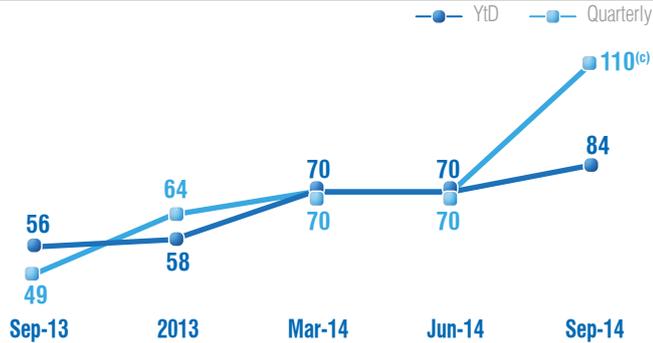
Credit Cards (%)^(b)



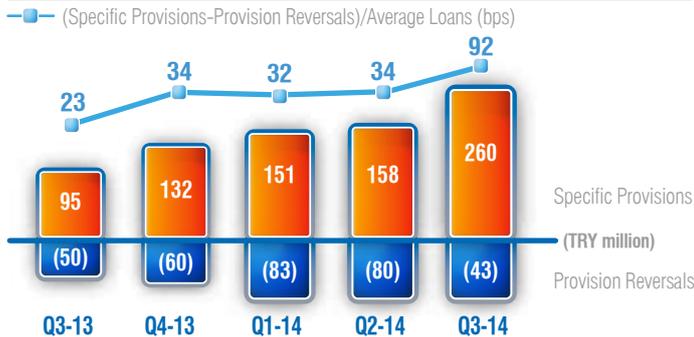
(b) CBRT data as of 26.09.14

CoR at 84 bps

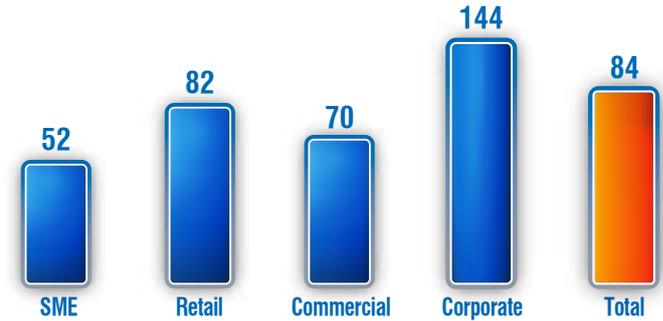
Cost of Risk (bps)^(a)



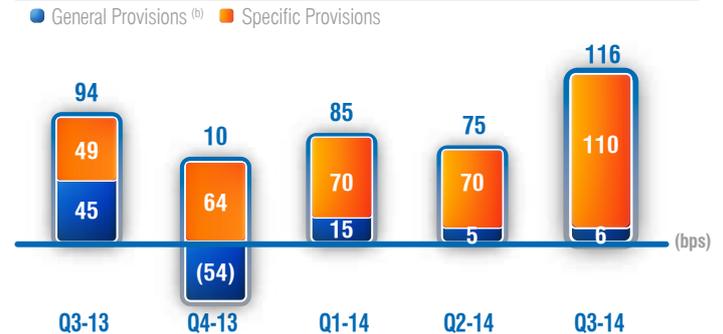
Net Cost of Risk



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



Gross Cost of Risk (bps)

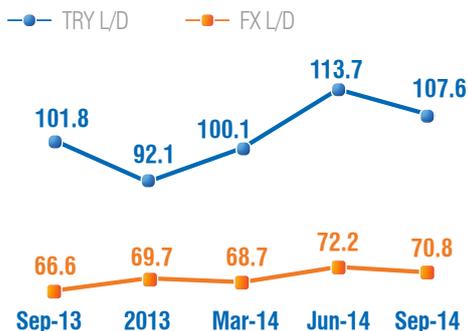
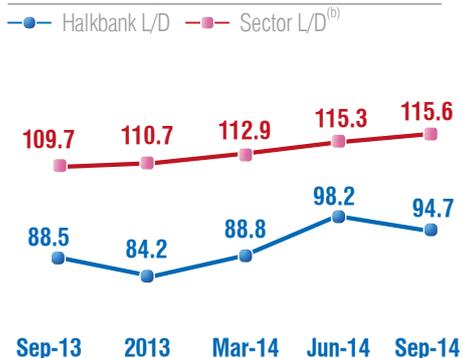


(a) Specific Provisions / Average Net Loans (b) General Provisions of Cash Loans/Average Cash Loans (c) Excluding the big ticket loan, YTD CoR 63 bps and QoQ CoR 49 bps

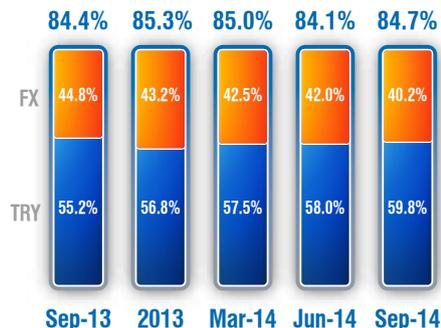
Sustainable comfort in LDR, improved to 94.7%

IBL 84.7%^(a)

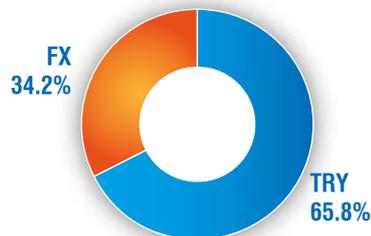
Loan to Deposit (%)



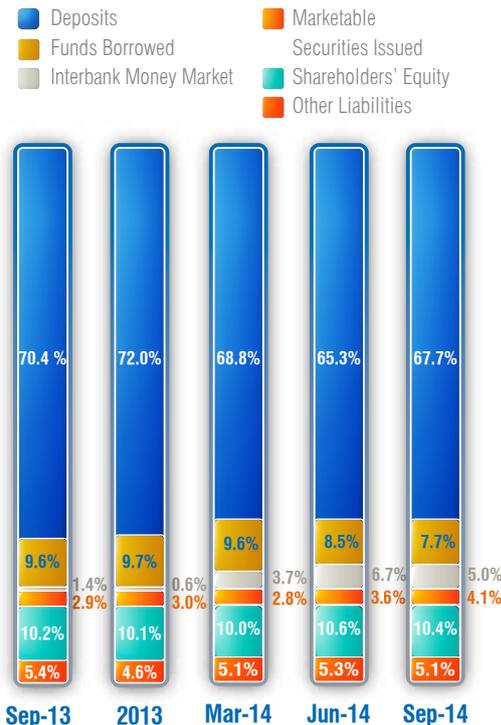
Composition of IBLs^(a)



Liabilities by Currency (%)



Liabilities Mix (%)



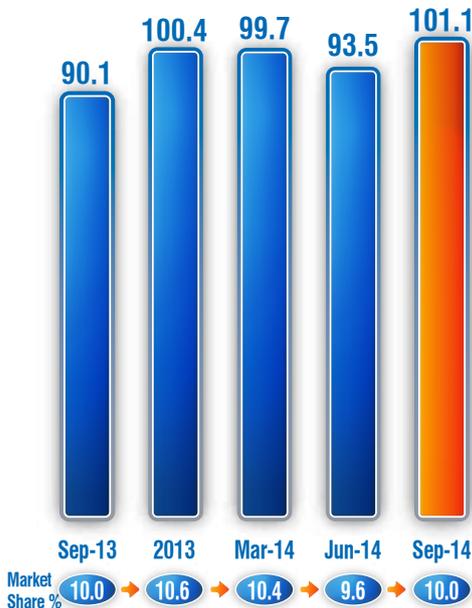
(a) Including interest accruals and excluding funds. Excluding demand deposit, the share of IBL is 74.6% in Sep-14.

(b) BRSA monthly data as of Aug-14.

Solid deposits, volume at historical high

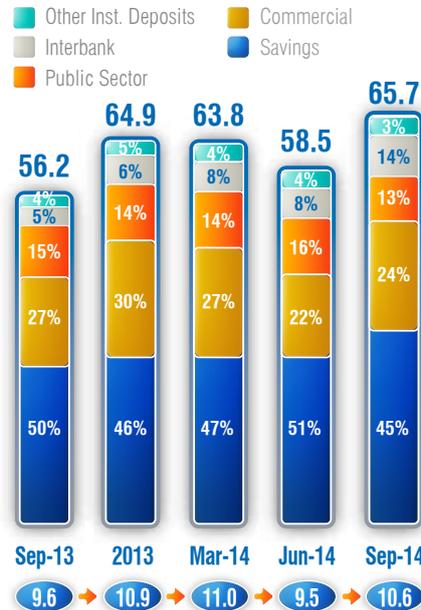
		HALKBANK	B. Sector ^(b)
Total Dep.	YtD	0.7%	8.6%
	QoQ	8.1%	5.1%

Total Deposits (TRY billion)^(a)



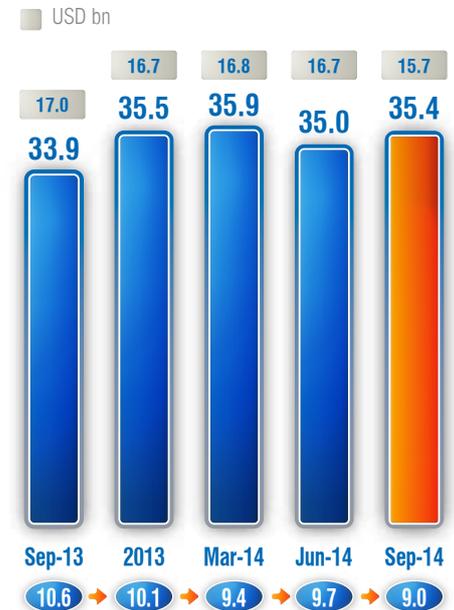
		HALKBANK	B. Sector ^(b)
TRY Dep.	YtD	1.2%	5.6%
	QoQ	12.3%	2.2%

TRY Deposits (TRY billion)^(a)



		HALKBANK	B. Sector ^(b)
FX Dep.	YtD	-0.2%	13.3%
	QoQ	1.2%	9.7%
in USD terms	YtD	-5.9%	6.8%
	QoQ	-5.6%	2.4%

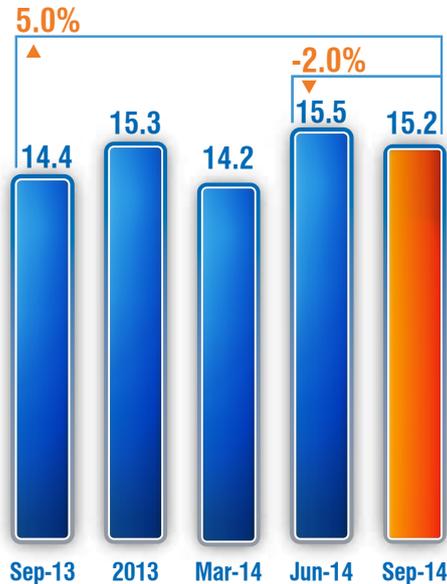
FX Deposits (TRY billion)^(a)



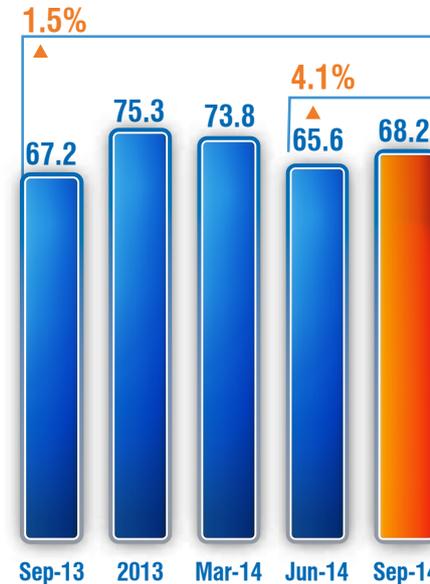
(a) Excluding interest accruals. (b) BRSA daily data as of 30.09.2014

Cost effective deposit growth, TRY deposit cost improved by 140 bps

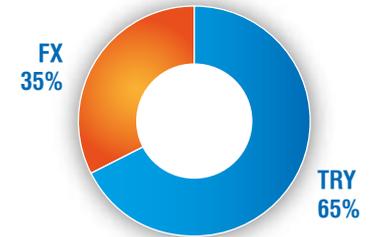
Demand Deposit (TRY billion)^(a)



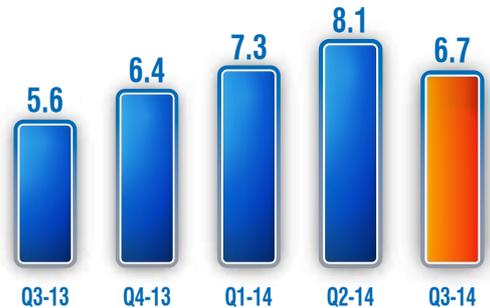
Time Deposits (TRY billion)^(a)



Deposits by Currency (%)



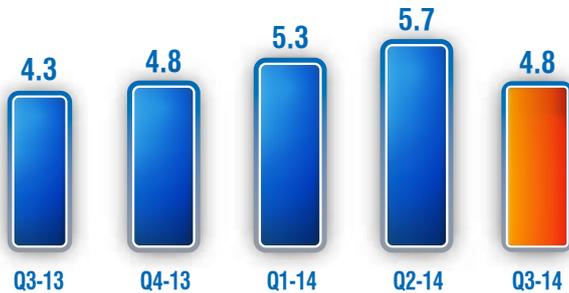
Cost of TRY Deposits (%)^(b)



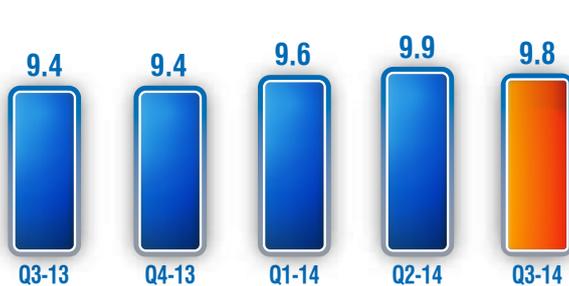
(a) Excluding interest accruals and interbank. (b) Time & Demand Blended.

Cost – Yield – Spread^(a)

Cost of Deposits (%)



Yield on Loans (%)^(b)

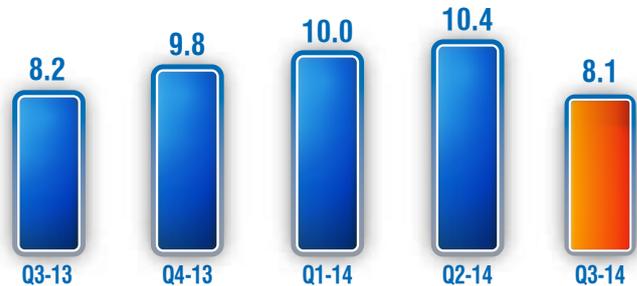


(a) TRY-FX blended (b) Excluding fund loans

Spreads (%)



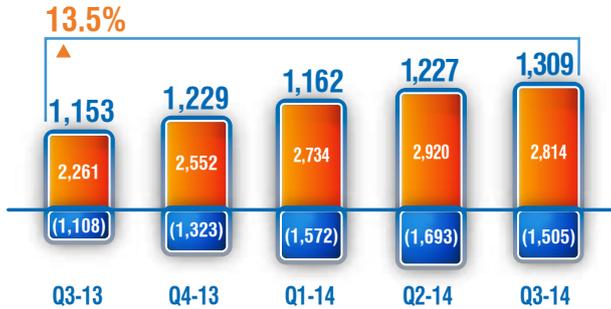
Yield on Securities (%)



Well-defended NIM improving quarterly 20 bps

Net Interest Income (TRY million)

- Interest Income
- Interest Expenses



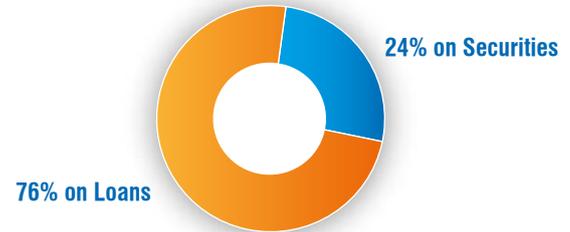
Interest Income (TRY million)

- On Loans
- On Securities



(a) Excluding interest accruals cancellation regarding the big ticket loan

Breakdown of Interest Income (%)



NIM (%)

- YtD
- Quarterly

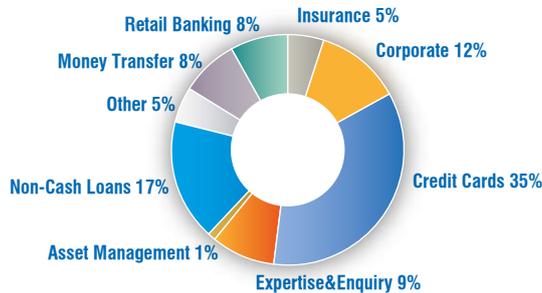


Quarterly increase in net fees and commissions continues

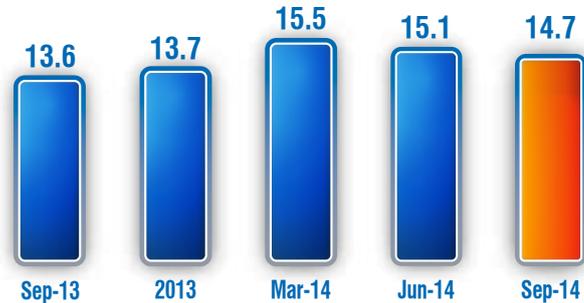
Net Fees & Commissions Income (TRY million)



Breakdown of Fees & Commissions (%)

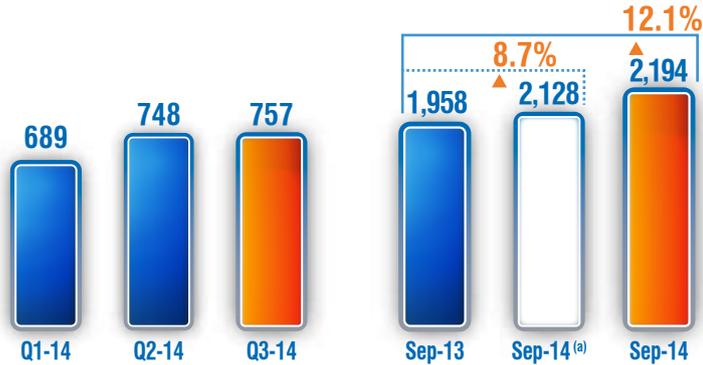


Net Fees & Commissions / Operating Revenues (%)



C/I ratio improving further after peaking

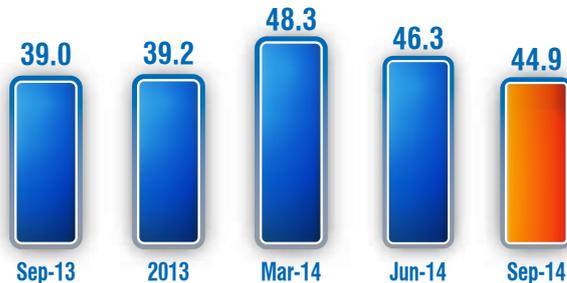
Operating Expenses (TRY million)



Operating Expenses / Average Assets (%)

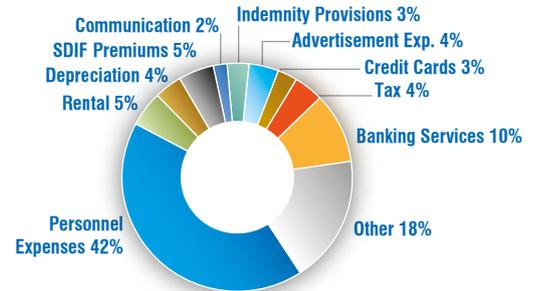


Cost/Income (%)



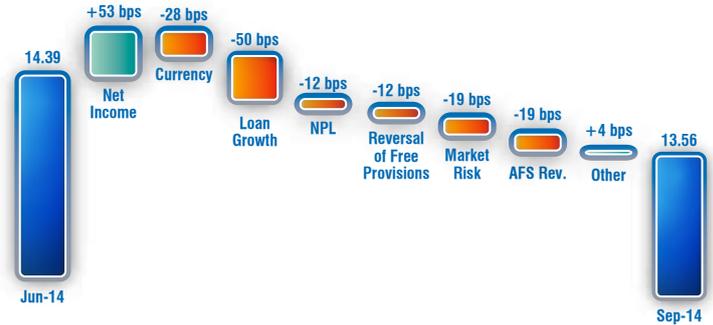
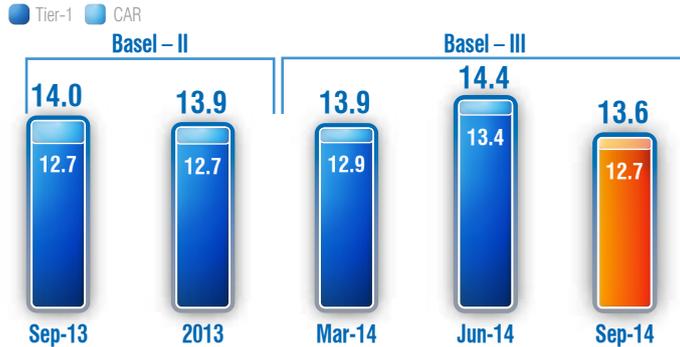
(a) Excluding repayment of TRY 66.5 mn commissions to the customers

Breakdown of Operating Expenses (%)



Solvency Ratios

CAR (%)



SHE (TRY billion)



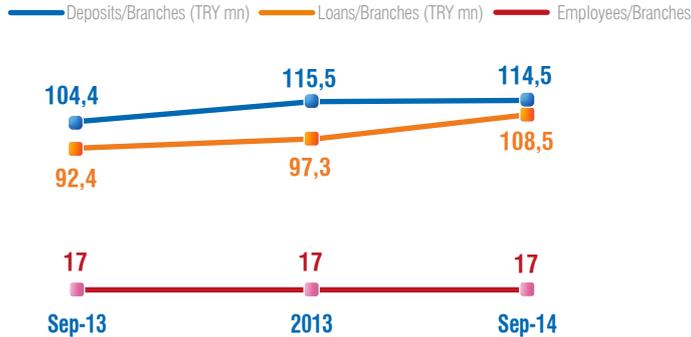
Details on Capital Ratio

(TRY mn)	Basel III Sep-14
Credit Risk Base Amount (CRBA)	107,798
Market Risk Base Amount (MRBA)	4,721
Operational Risk Base Amount (ORBA)	10,129
Total Risk Weighted Assets (RWAs)	122,648
Shareholders' Equity	16,632
CAR (%)	13.6
Tier-I (%)	12.7
Common Equity Tier-I (%)	12.7

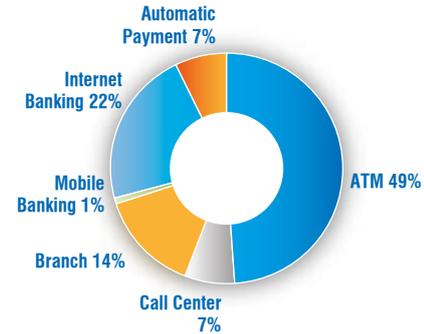
Branch Network - Human Resources

- > 14 new branches opened YtD.
- > Total branch number reached 886.

Loans-Deposits-Employee per Branches



Utilization of Banking Distribution Channels (%)

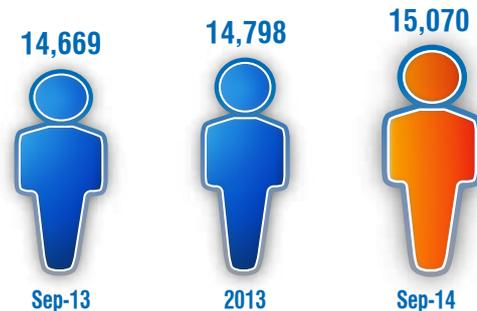


Branches^(a)



(a) Including domestic branches and special transaction centers.

Headcount



Balance Sheet

In TRY million	Sep-13	2013	Jun-14	Sep-14	QoQ Change%	YtD Change%	YoY Change%
Cash and Balances Held with the Central Bank(a)	17,333	19,976	17,413	19,253	10.6	(3.6)	11.1
Banks & Money Market (b)	1,893	1,849	1,077	1,457	35.3	(21.2)	(23.0)
Securities (b)	24,498	28,559	27,901	27,728	(0.6)	(2.9)	13.2
Net Loans (b)	80,116	84,848	92,187	96,111	4.3	13.3	20.0
Gross NPL	2,134	2,245	2,493	3,667	47.1	63.3	71.8
NPL Net	396	435	537	1,493	177.9	243.4	277.2
Property and Equipment	1,102	1,113	1,163	1,177	1.2	5.8	6.9
Other Assets	3,538	3,599	4,025	4,082	1.4	13.4	15.4
Total Assets	128,480	139,944	143,767	149,809	4.2	7.0	16.6
Deposits (b)	90,486	100,756	93,892	101,462	8.1	0.7	12.1
Funds Borrowed (b)	12,286	13,615	12,164	11,495	(5.5)	(15.6)	(6.4)
Interbank Money Market (b)	1,857	771	9,619	7,550	(21.5)	-	-
Marketable Securities Issued	3,690	4,165	5,166	6,087	17.8	46.2	65.0
Funds	1,432	1,489	1,516	1,579	4.2	6.1	10.2
Other Liabilities	3,470	3,102	4,170	4,067	(2.5)	31.1	17.2
Provisions	2,097	1,900	1,965	1,920	(2.3)	1.1	(8.4)
Shareholders' Equity	13,162	14,146	15,275	15,648	2.4	10.6	18.9
Total Liabilities	128,480	139,944	143,767	149,809	4.2	7.0	16.6

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

(b) Including interest accruals,

Income Statement

In TRY million	Sep-13	Sep-14	YoY Change %	Q3-13	Q1-14	Q2-14	Q3-14	QoQ Change %	YoY Change %
Interest Income	6,653	8,467	27.3	2,261	2,734	2,920	2,814	(3.6)	24.4
On Loans	5,232	6,418	22.7	1,783	2,017	2,158	2,242	3.9	25.7
On Securities	1,409	2,037	44.6	474	712	757	569	(24.9)	19.9
Interest Expense	3,053	4,770	56.3	1,108	1,572	1,693	1,505	(11.1)	35.8
On Deposits	2,663	3,916	47.0	937	1,315	1,410	1,191	(15.6)	27.2
Net Interest Income	3,600	3,697	2.7	1,153	1,162	1,227	1,309	6.7	13.5
Net Fees and Commissions	685	720	5.0	238	222	247	251	1.4	5.2
Net Trading Income	325	41	(87.4)	10	(80)	95	26	(73.2)	154.3
Other Operating Income	412	432	4.9	205	124	110	198	80.1	(3.1)
Reversal of Loan Loss Provisions	188	206	9.6	50	83	80	43	(46.6)	(14,2)
Total Operating Revenues	5,022	4,890	(2.6)	1,606	1,427	1,680	1,783	6.2	11.1
Operating Expenses	1,958	2,194	12.1	638	689	748	757	1.2	18.7
Net Operating Income	3,064	2,696	(12.0)	968	738	932	1,026	10.1	6.0
Provision for Loan Losses and Other Receivables	665	684	2.9	252	194	190	300	58.1	19.3
Loan Loss Provisions for Cash Loans	304	569	87.4	95	151	158	260	64.7	175.0
Profit/(Losses) from Associates	88	146	65.4	7	99	47	-	-	-
Income Before Taxes	2,487	2,158	(13.3)	722	644	788	726	(8.0)	0.4
Provision for Tax	477	393	(17.5)	140	113	156	124	(20.6)	(11.7)
Net Income	2,010	1,764	(12.2)	582	530	632	601	(4.9)	3.4

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.