

## 2014 Earnings Presentation

DISTINGUIS H ED  
PROFIT A BLE  
RESI L IENT  
RIS K CONSCIOUS  
RELIA B LE  
SUST A INABLE  
NATIO N WIDE  
MAR K ETMAKER



## Macro Outlook

- > Not much change in the expectations regarding the timing of FED rate hike, mid-15 seems to be the strongest consensus.
- > Globally disinflationary environment is triggered by falling crude oil and commodity prices. PCE Price Index, preferred CPI measure of FED, stands at 0.8%, well below the target.
- > UST 10Y touched below 1.7% in early Feb-15, lowest level in the past two years then jumped to 2.0% on robust US labor market data.
- > QE unveiled by the ECB; starting from Mar-15, ECB will begin buying government bonds in EUR 60 mn tranche per month (totaling EUR 1.1 tn at the end).
- > For the first time since 2009, EU inflation dipped into negative territory at -0.2% in Dec-14.
- > Swiss National Bank left its EUR currency peg and decreased its policy rate further to -0.75%.
- > EUR has continued to depreciate against major currencies.
- > Brent crude oil fell almost 50% YoY, ending 2014 at USD 55, then touched to USD 45 in mid Jan-15, the deepest level since March 2009, now hovering around USD 58.
- > Turkish economy grew 1.7% as of Q3-14, bringing 9-month growth to 2.8%.
- > Improved sentiment following sharp decline in oil prices and consequently better CAD and CPI outlook for 2015 seems to ensure supportive environment for the Turkish economy.
- > Benchmark bond yield recorded almost 200 bps decrease QoQ from 10.0% to 8.0% in Dec-14, now hovering around these levels.
- > CBRT cut one-week repo rate by 50 bps to 7.75%, while keeping the upper end of the corridor at 11.25%.
- > CPI ended the year 2014 at 8.2%, slightly better than the revised estimates in mid-year. H and I core indices closed the year above the headline inflation (9.6% and 8.7%, respectively). In Jan-15, annual inflation displayed a decline, realized at 7.2%. CBRT Inflation expectation for 2015 is at 6.8%.
- > Trade deficit on a cumulative basis declined 15.4% YoY, coverage ratio increased to 65.1%.
- > CAD narrowed by USD 18.8 bn in 2014, declined to USD 45.8 bn from 64.7 bn, expected to further improve in 2015.
- > Unemployment rate at 10.7% as of Nov-14.
- > Budget deficit at TRY 22.7 bn in 2014, total primary balance gave TRY 27.2 bn surplus. Budget deficit/GDP is expected to be around 1.3%.
- > General elections will be held in early Jun-15, then election-free period will take place until 2019 according to the supreme committee of elections' agenda.

## Banking Sector Overview

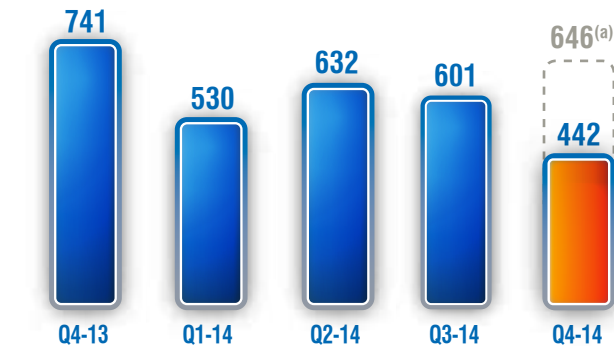
- > Total loan growth at 18.5% YoY, reaching TRY 1,241 bn. TRY loans increased 17.0% whereas FX loans grew 12.5% in USD terms.
- > 8.6% decrease in credit cards was offset with 15.5% and 13.8% increase in consumer and housing loans, respectively. Retail loans grew only 7.4% YoY, which proves macro prudential measures taken by the regulators to be effective.
- > Annually deposit growth lagged behind that of loans, up 11.3%, reaching TRY 1,053 bn. TRY deposits up 11.3% and FX deposits up 2.6% in USD terms.
- > L/D ratio as of 2014 at 117.9%, same as previous year-end.
- > Deposit pricing depicted a slight uptick towards the end of the year, which is a characteristic move at year-ends.
- > NPL ratio somewhat increased annually to 2.9%, coverage ratio declined to 73.8%.
- > Net income of the sector as of yearend remained almost the same in nominal terms at TRY 24.7 bn and RoaE came down to the lowest level at 11.6%.
- > Dec-14 cumulative NIM stood at 4.2%.
- > C/I ratio at 46.3%, OpEx/Av. Assets at 2.3% as of Dec-14.
- > CAR and Tier-1 remained solid at 16.3% and 13.9%, respectively.
- > CBRT repo funding volume at TRY 47.7 bn and effective funding rate at 7.95%.

## 2014 Highlights

- > Aggregate net income of **TRY 2,206 mn** as of YE 2014, quarterly net income at **TRY 442 mn**.
- > RoE and RoA sustained above sector average at **14.4%** and **1.5%**, respectively.
- > Solid quarterly NIM at **4.5%**, bringing cumulative NIM to **4.2%**.
- > Loan growth **19.9%** YoY, gained some momentum in Q4, loan volume exceeded **TRY 100 bn**.
- > NPL ratio slightly improved to **3.6%**, gross CoR at **94 bps**.
- > Double digit growth in fees and commissions, volume exceeding **TRY 1 bn** on a cumulative basis.
- > Moderate growth in deposits at **2.9%** YoY, being price sensitive led to a shift towards alternative sources of funding.
- > L/D ratio at **98.1%**, providing comfort on the costs front where severe competition prevails.
- > Effective usage of CBRT repo funding continued, volume reached **TRY 8.4 bn**.
- > OpEx growth limited at **12.5%** YoY, even though the rebates of fees and commissions, charged in the past, are reflected under OpEx.
- > C/I ratio at **44.4%** below industry average, OpEx/Av. Assets remained flat at **2.0%**.
- > Solid CAR at **13.6%**, purely supported with Tier-1 capital.

# 19.8% decrease in net income due to one-off NPL formation

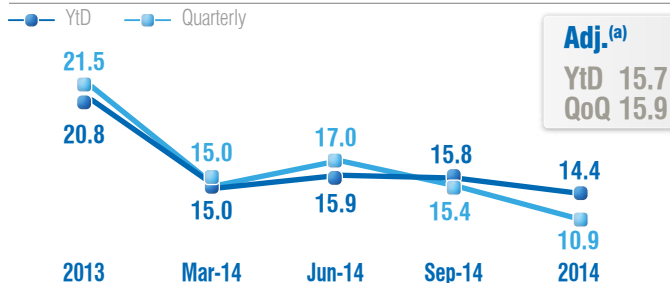
## Net Income (TRY million)



### YoY Change (%)

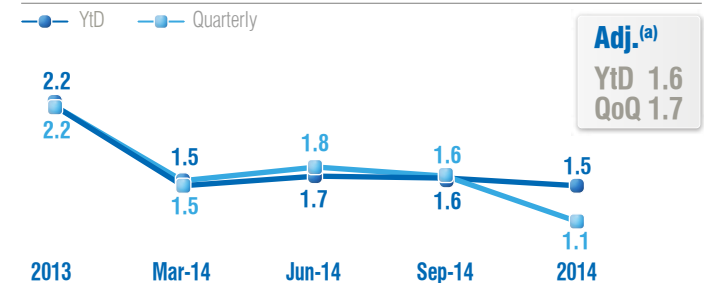
- > **5.9%** Net Interest Income
- > **10.0%** Net Fees & Commissions
- > **-0.7%** Total Operating Income
- > **-19.8%** Net Income

## RoE (%)



(a) Adjusted with extra provision expenses due to one off NPL

## RoA (%)

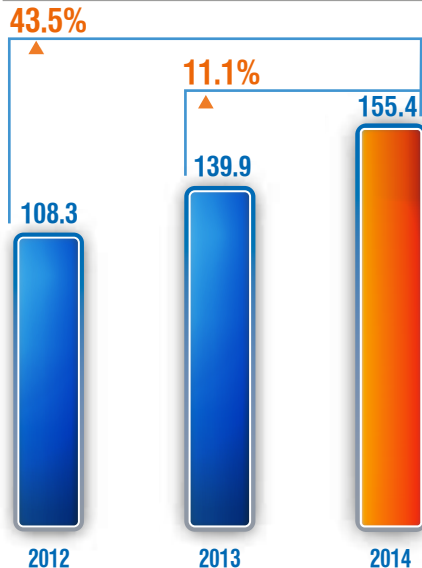


## Share of loans increased to 65.5%, further down in securities

### Asset Growth

YoY **11.1%** QoQ **3.7%**

#### Total Asset Growth (TRY billion)

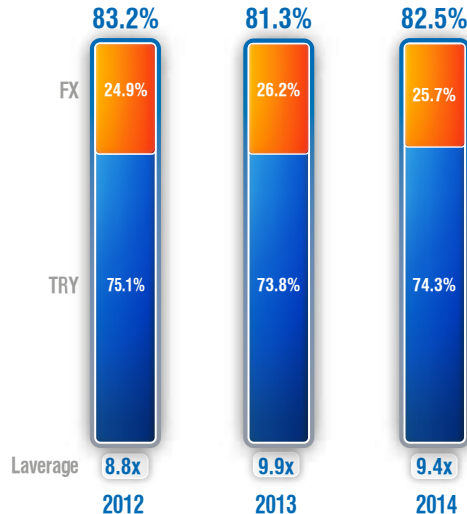


(a) Including interest accruals and excluding fund loans

### IEA

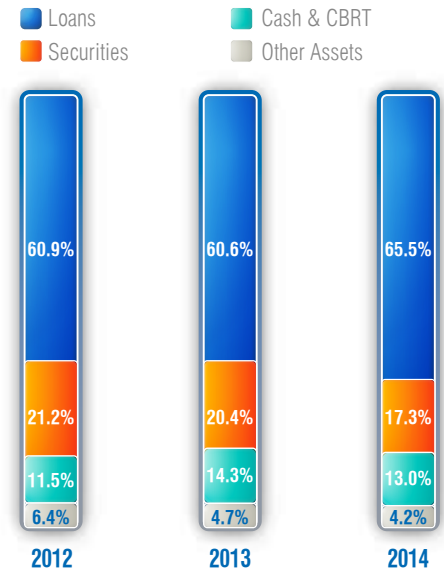
**82.5%**

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



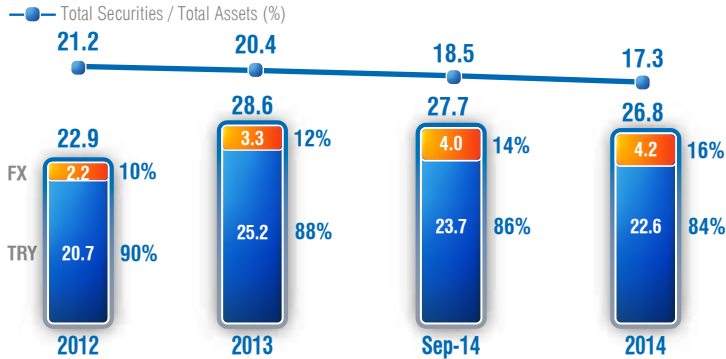
### Securities Portion **17.3%**

#### Asset Mix (%)

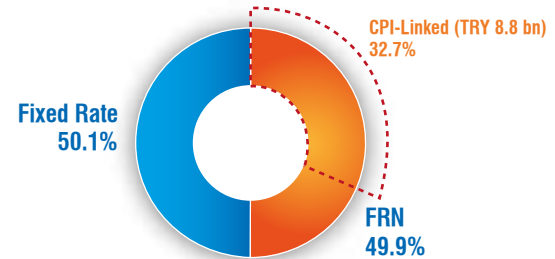


## Securities share in total decreased to 17.3%

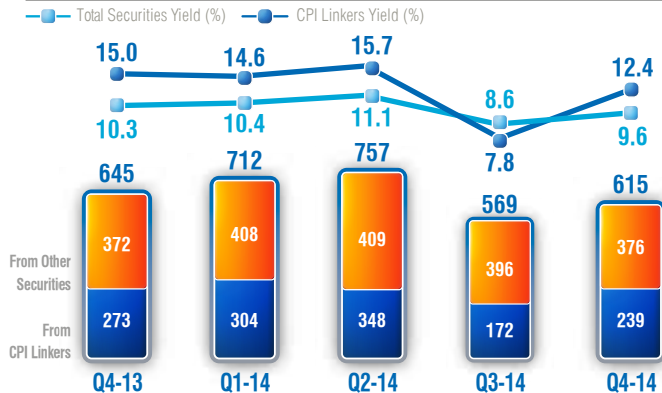
### Total Securities Portfolio (TRY billion)



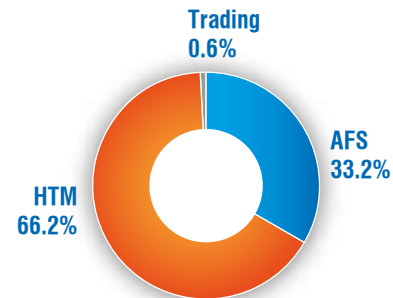
### Interest Structure (%)



### Interest Income on Securities (TRY million)



### Securities Composition (%)





## SME and corporate driven loan growth

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

### Total Loans

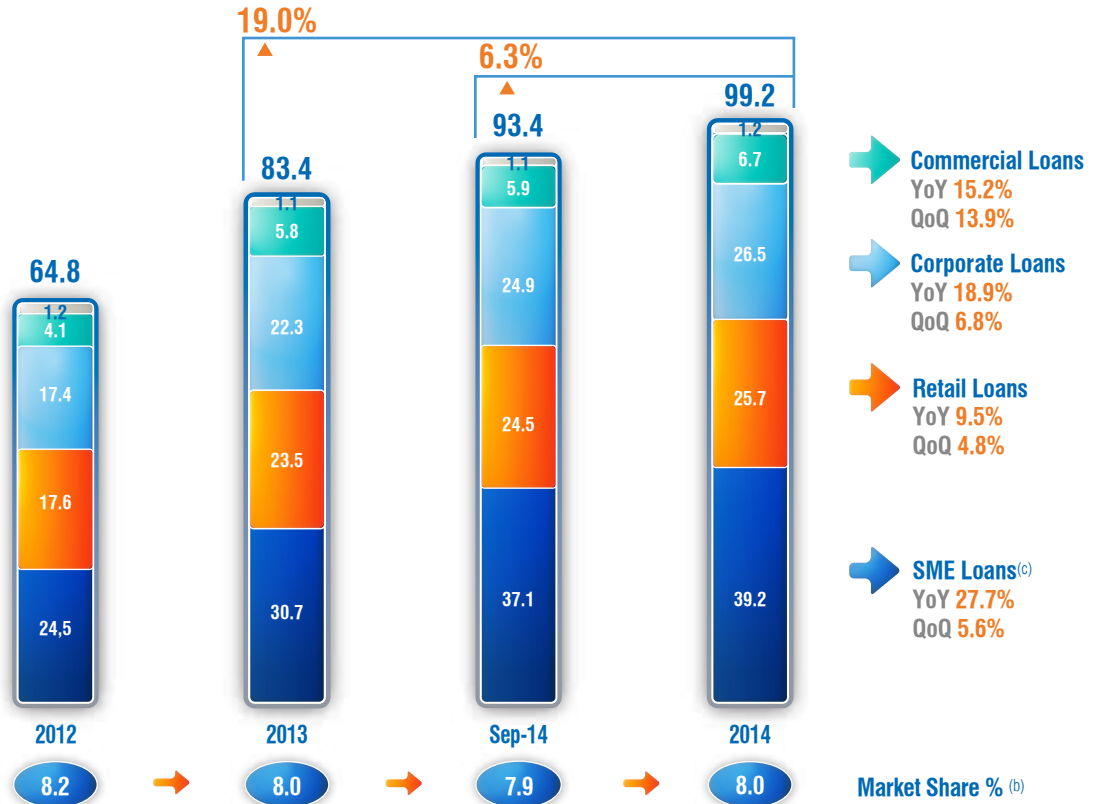
HALKBANK	B. Sector <sup>(b)</sup>
YoY	YoY
<b>19.0%</b>	<b>18.5%</b>
QoQ	QoQ
<b>6.3%</b>	<b>4.5%</b>

### TRY Loans

HALKBANK	B. Sector <sup>(b)</sup>
YoY	YoY
<b>22.3%</b>	<b>17.0%</b>
QoQ	QoQ
<b>5.1%</b>	<b>3.9%</b>

### FX Loans

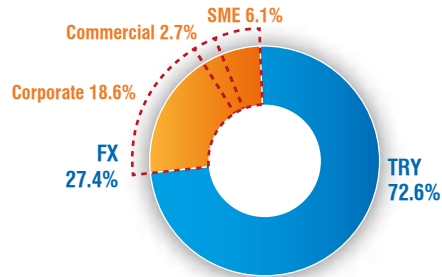
HALKBANK	B. Sector <sup>(b)</sup>
YoY	YoY
<b>11.0%</b>	<b>22.1%</b>
QoQ	QoQ
<b>9.4%</b>	<b>6.0%</b>
in USD terms	
YoY	YoY
<b>2.3%</b>	<b>12.5%</b>
QoQ	QoQ
<b>7.0%</b>	<b>3.7%</b>



(a) Excluding interest accruals (b) BRSA monthly data as of Dec-14 (c) According to the BRSA definition

## Low exposure of SME in FX lending

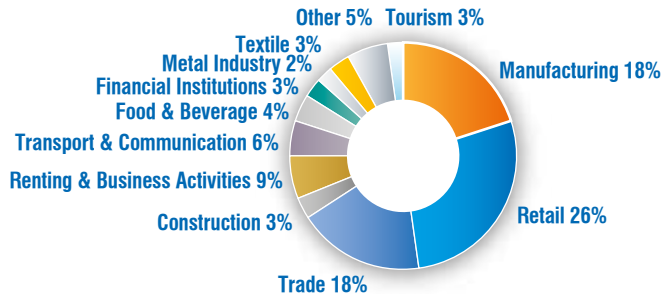
Loans by Currency (%)<sup>(a)</sup>



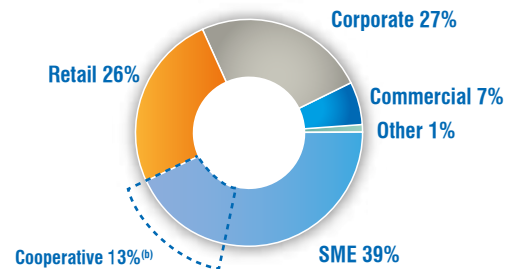
Interest Structure (%)<sup>(a)</sup>



Sectoral Breakdown of Loans (%)<sup>(a)</sup>



Loans by Customer Segmentation (%)<sup>(a)</sup>



(a) Excluding interest accruals (b) Micro SMEs

## Continued momentum in retail loans

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

### HALKBANK

YoY

**9.5%**

QoQ

**4.8%**

### B. SECTOR<sup>(b)</sup>

YoY

**7.4%**

QoQ

**2.8%**

### Credit Cards (Thousand)

# of Credit Cards **3,419**

# of POS **261**

# of Merchants **223**


### Consumer Loans

YoY **6.9%**

QoQ **6.1%**

Share in total 48.2%



### Housing Loans

YoY **13.5%**

QoQ **4.2%**

Share in total 40.2%



### Credit Cards

YoY **9.3%**

QoQ **2.4%**

Share in total 11.2%



Retail Loans Market Share %

Consumer Loans Market Share %

Housing Loans Market Share %

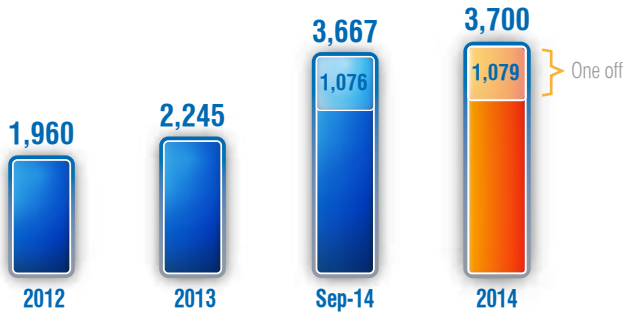
Credit Card Loans Market Share %

(a) Excluding interest accruals.

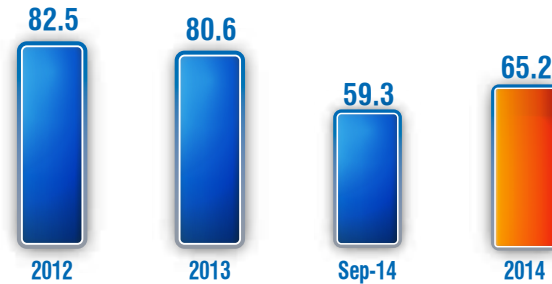
(b) BRSA monthly data as of Dec-14

## NPL ratio and coverage ratio start improving again

### NPL Portfolio (TRY million)

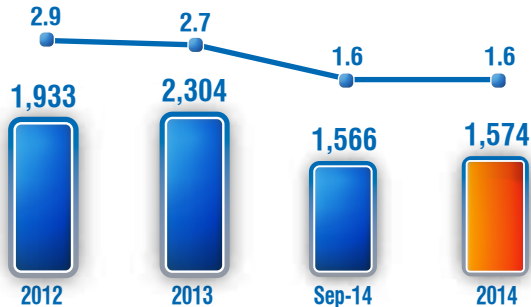


### NPL Coverage (%)



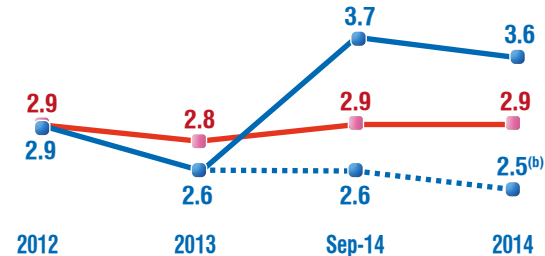
### Loans under Close Watch (TRY million)

—●— Loans under Close Watch/Net Loans (%)



### NPL/Total Loans (%)

—●— Halkbank —■— Sector<sup>(a)</sup>

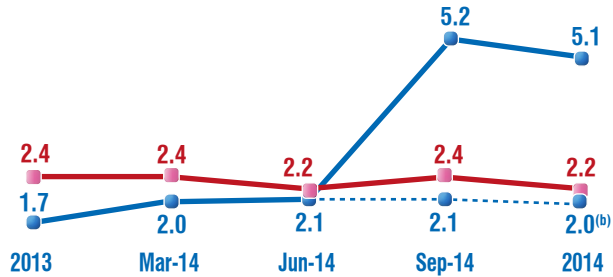


(a) BRSA monthly data as of Dec-14

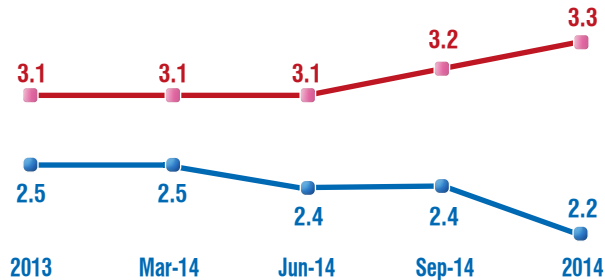
(b) Adjusted with one-off big ticket loan.

## NPL ratio by segments

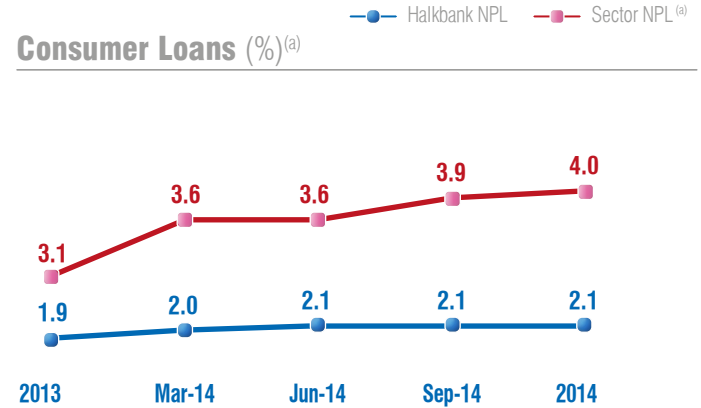
### Corporate - Commercial (%)<sup>(a)</sup>



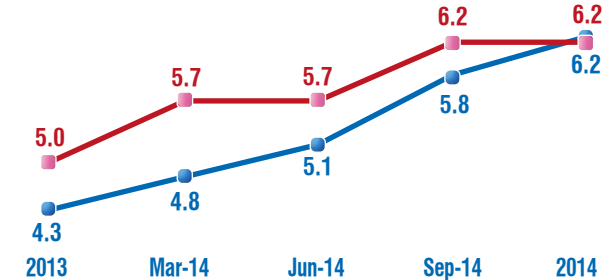
### SME Loans (%)<sup>(a)</sup>



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



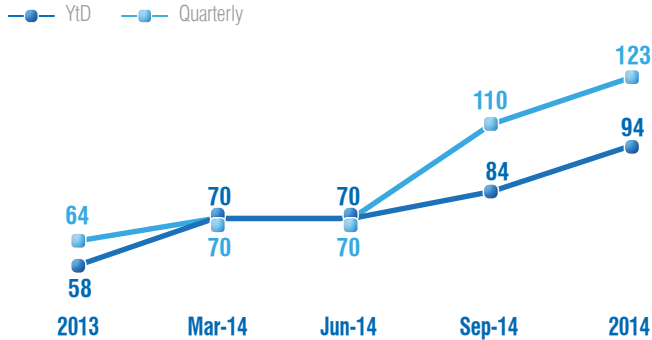
### Credit Cards (%)<sup>(a)</sup>



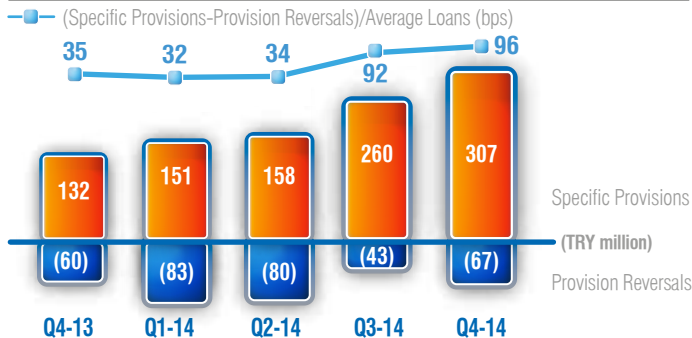
(a) BRSA monthly data as of Dec-14, Halkbank data excluding legacy NPLs (b) Adjusted with one-of big ticket corporate loan

## Despite a challenging year, CoR stood at 94 bps

### Cost of Risk (bps)<sup>(a)</sup>

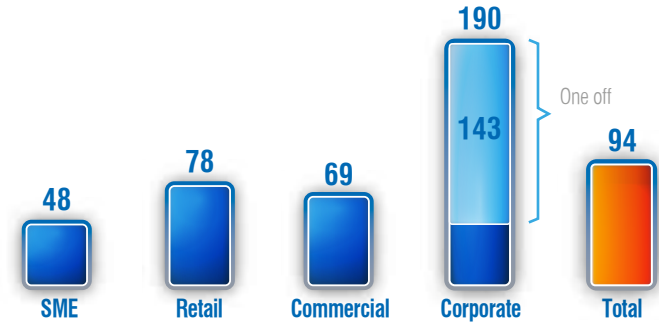


### Net Cost of Risk

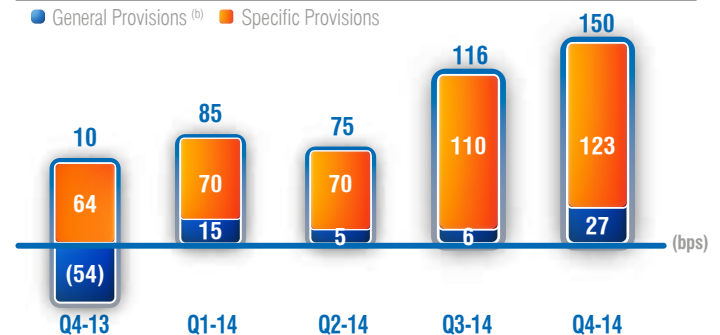


(a) Specific Provisions / Average Net Loans (b) General Provisions of Cash Loans/Average Cash Loans

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



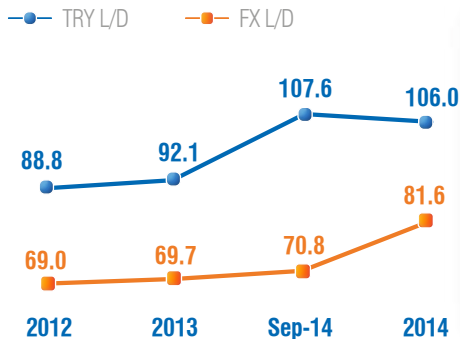
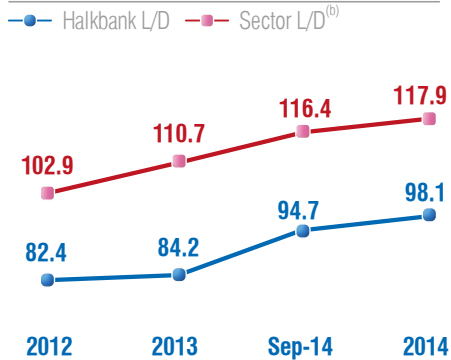
### Gross Cost of Risk (bps)



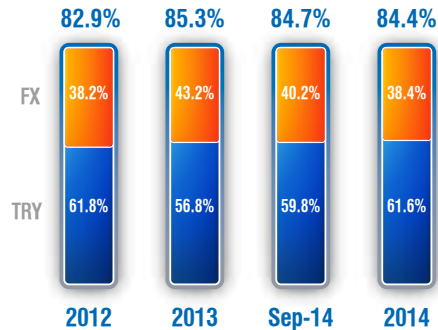
## Diversifying funding and favorable LDR at 98.1%

**IBL 84.4%**<sup>(a)</sup>

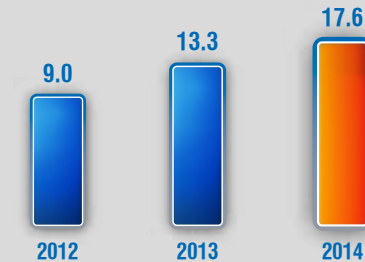
### Loan to Deposit (%)



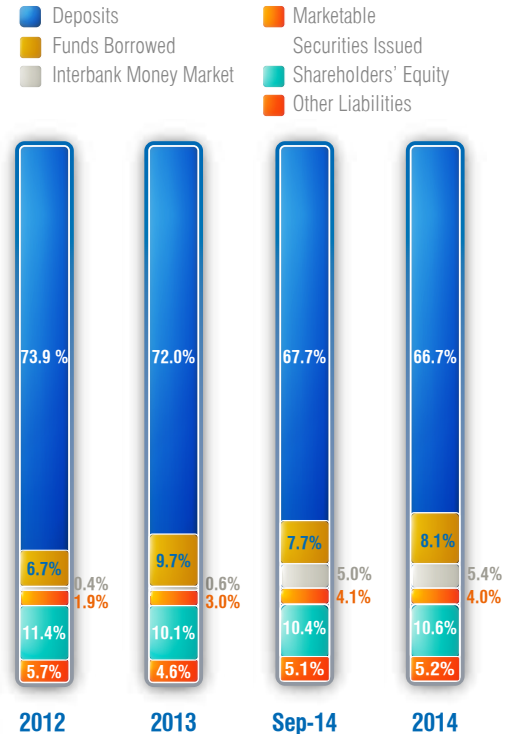
### Composition of IBLs<sup>(a)</sup>



### Non-Deposit Funding/Liabilities (%)



### Liabilities Mix (%)



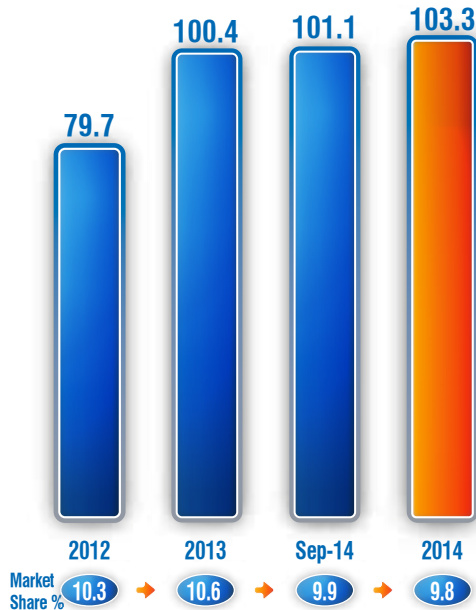
(a) Including interest accruals and excluding funds. Excluding demand deposit, the share of IBL is 73.9% in 2014.

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

## Strong TRY funding capacity

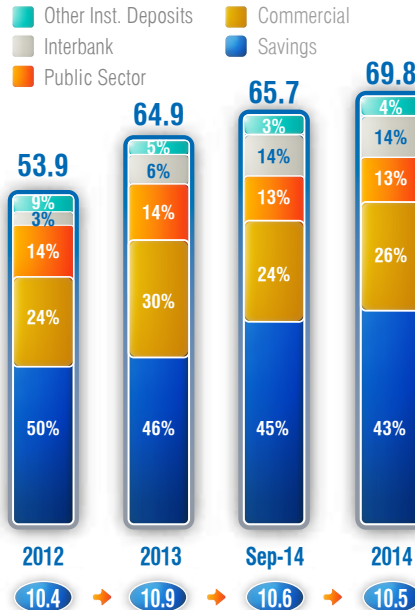
	HALKBANK	B. Sector <sup>(b)</sup>
Total Dep.	YoY 2.9%	11.3%
	QoQ 2.2%	3.2%

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



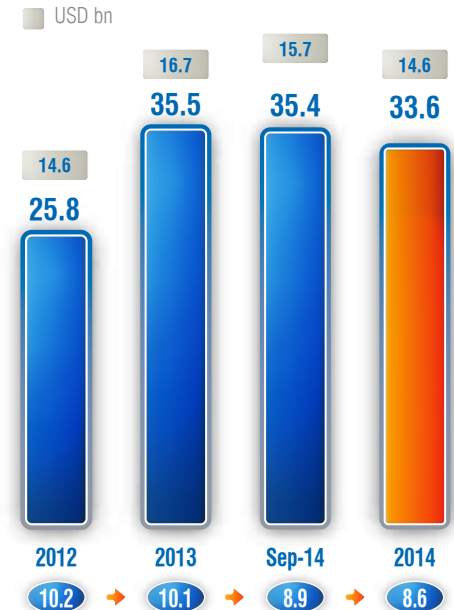
	HALKBANK	B. Sector <sup>(b)</sup>
TRY Dep.	YoY 7.5%	11.3%
	QoQ 6.2%	6.3%

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



	HALKBANK	B. Sector <sup>(b)</sup>
FX Dep.	YoY -5.3%	11.3%
	QoQ -5.2%	-1.6%
in USD terms	YoY -12.7%	2.6%
	QoQ -7.2%	-3.8%

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



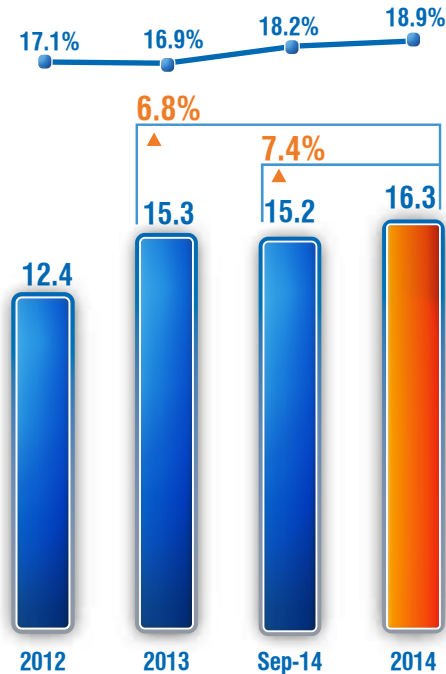
(a) Excluding interest accruals. (b) BRSA monthly data as of Dec-14



## Demand deposits' share in total increasing

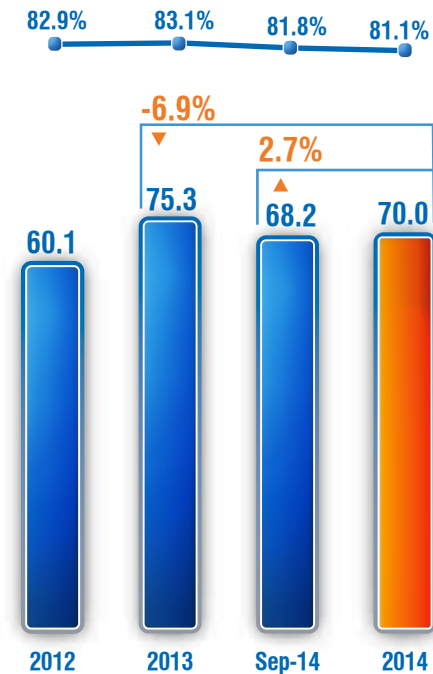
### Demand Deposit (TRY billion)<sup>(a)</sup>

—●— Demand Deposits/Total Deposits (%)

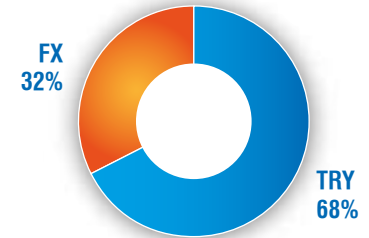


### Time Deposits (TRY billion)<sup>(a)</sup>

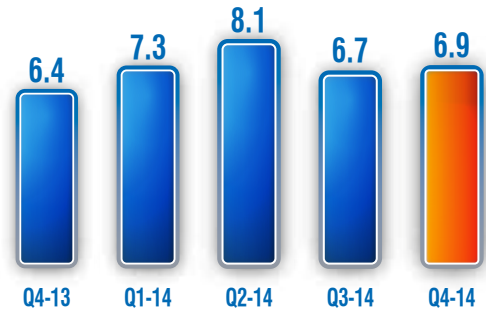
—●— Time Deposits/Total Deposits (%)



### Deposits by Currency (%)



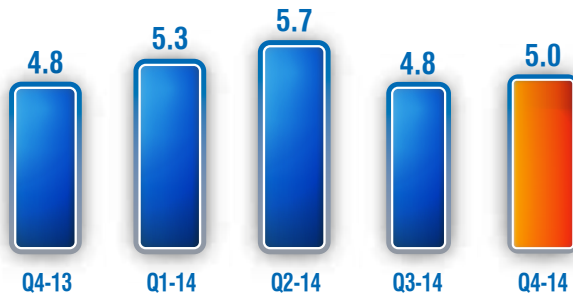
### Cost of TRY Deposits (%)<sup>(b)</sup>



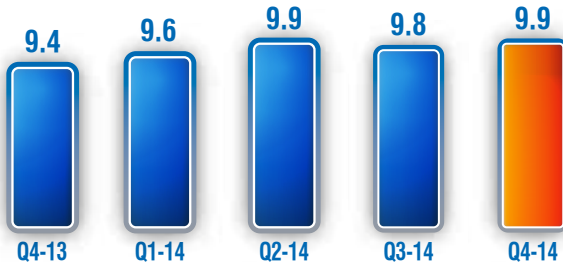
(a) Excluding interest accruals and interbank. (b) Time & Demand Blended.

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

### Cost of Deposits (%)

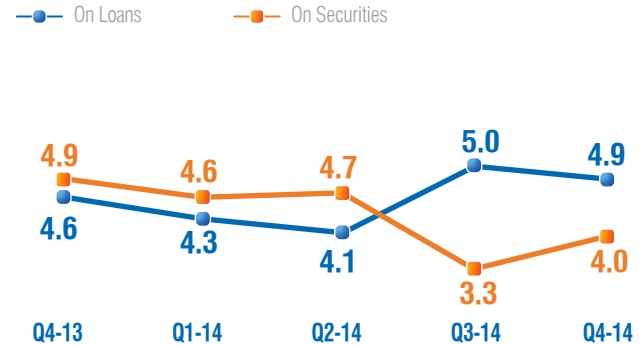


### Yield on Loans (%)<sup>(b)</sup>

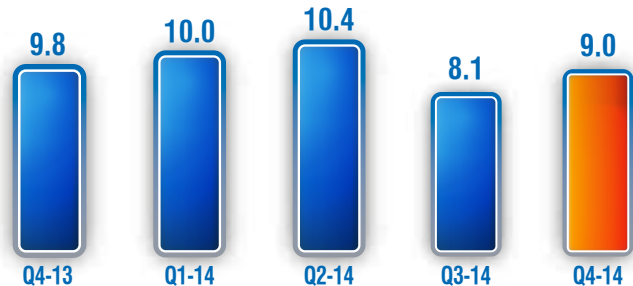


(a) TRY-FX blended (b) Excluding fund loans

### Spreads (%)



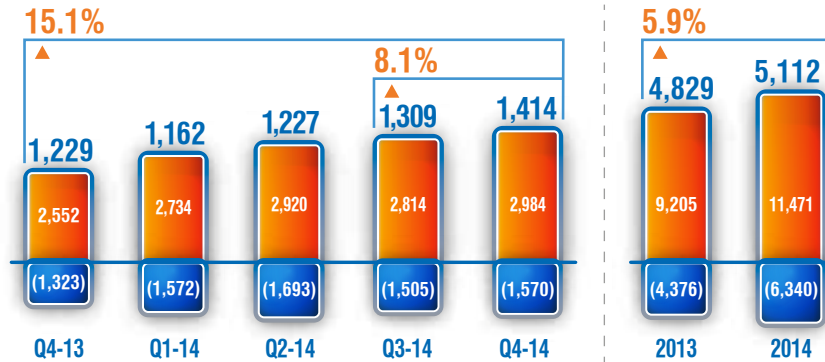
### Yield on Securities (%)



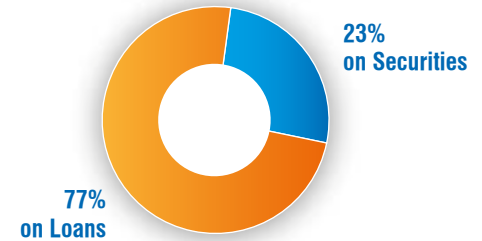
## Net interest income up 8.1% QoQ and 5.9% YoY

**Net Interest Income** (TRY million)

Interest Income Interest Expenses

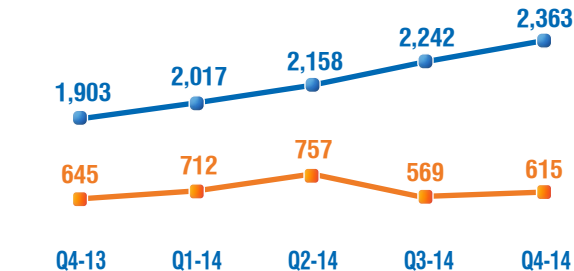


**Breakdown of Interest Income (%)**



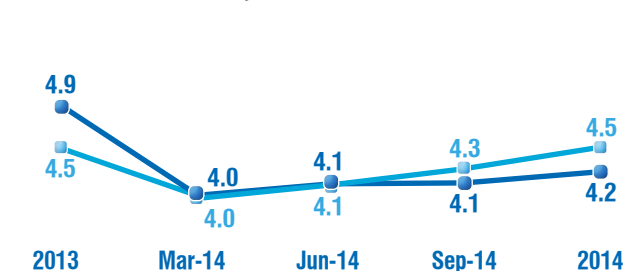
**Interest Income** (TRY million)

On Loans On Securities



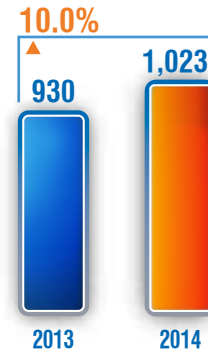
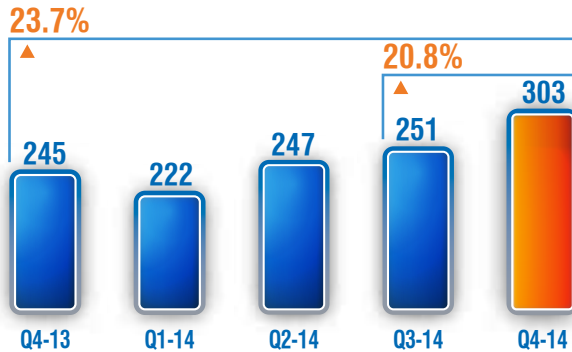
**NIM (%)**

YtD Quarterly

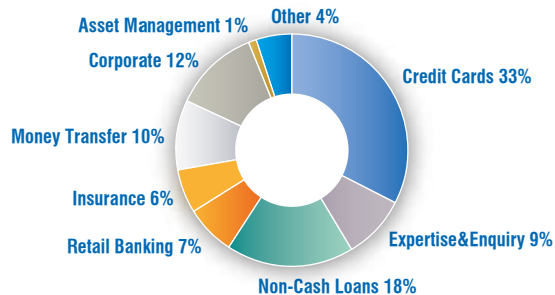


## Double-digit increase in net fees and commissions; 10% YoY, 20.8% QoQ

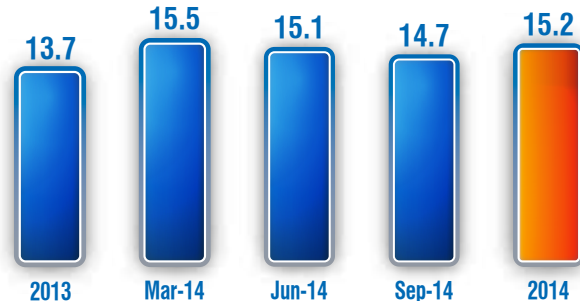
### Net Fees & Commissions Income (TRY million)



### Breakdown of Fees & Commissions (%)

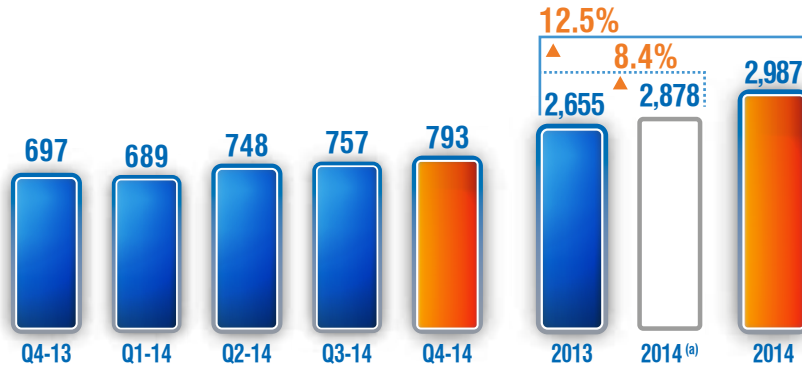


### Net Fees & Commissions / Operating Revenues (%)

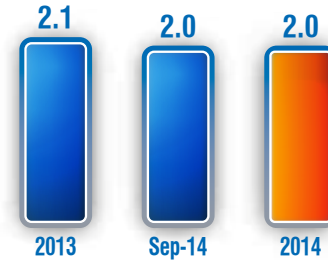


## OpEx under control despite rebates of fees and commissions

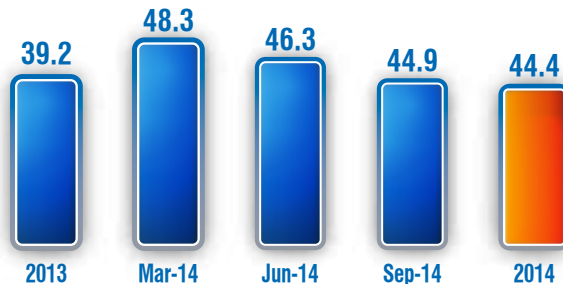
### Operating Expenses (TRY million)



### Operating Expenses / Average Assets (%)

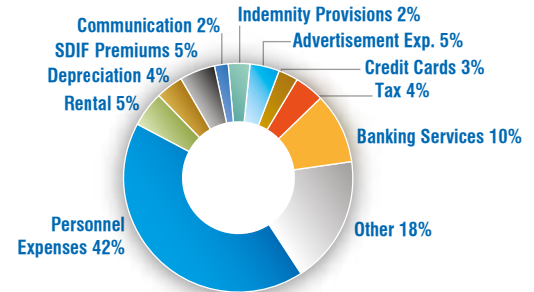


### Cost/Income (%)



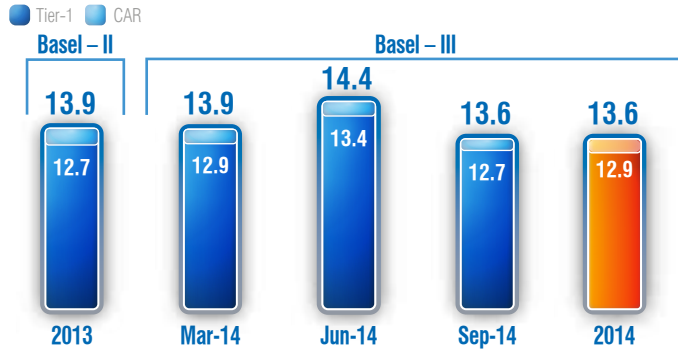
(a) Excluding rebate of TRY 109.3 mn commission to the customers

### Breakdown of Operating Expenses (%)

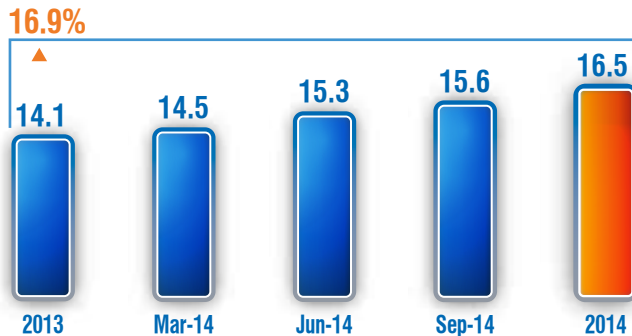


## Solvency Ratios

### CAR (%)



### SHE (TRY billion)



### Details on Capital Ratio

(TRY mn)	Basel III 2014
Credit Risk Base Amount (CRBA)	113,677
Market Risk Base Amount (MRBA)	3,218
Operational Risk Base Amount (ORBA)	10,129
Total Risk Weighted Assets (RWAs)	127,024
Shareholders' Equity	17,302
<b>CAR (%)</b>	<b>13.6</b>
<b>Tier-I (%)</b>	<b>12.9</b>
<b>Common Equity Tier-I (%)</b>	<b>13.0</b>

#### Basel III introduced two new capital measures:

A capital conservation buffer of 62.5 bps in 2016, subject to gradual phasing-in until 2019 and will be applied as 250 bps after fully implemented.

A countercyclical buffer will be implemented depending on banks individual credit profile and regulator is expected to make further clarification going forward.

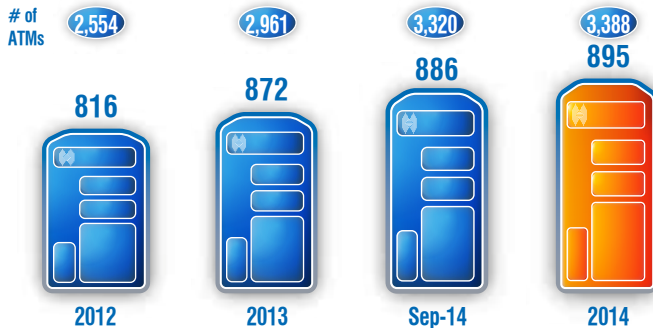
## Branch Network - Human Resources

### Employee per Branches

**Sector**  
**18**

**Halkbank**  
**19**

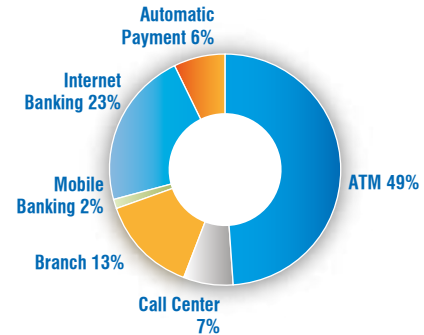
### Branches<sup>(a)</sup>



(a) Including domestic branches and special transaction centers.

- > **23** new branches opened in 2014.
- > Total branch number reached **895**.

### Utilization of Banking Distribution Channels (%)



### Headcount



## Balance Sheet

In TRY million	2013	Sep-14	2014	QoQ Change%	YoY Change%
Cash and Balances Held with the Central Bank(a)	19,976	19,253	20,276	5.3	1.5
Banks & Money Market (b)	1,849	1,457	1,284	(11.9)	(30.6)
Securities (b)	28,559	27,728	26,844	(3.2)	(6.0)
Net Loans (b)	84,848	96,111	101,767	5.9	19.9
Gross NPL	2,245	3,667	3,700	0.9	64.8
NPL Net	435	1,493	1,286	(13.9)	195.7
Property and Equipment	1,113	1,177	1,239	5.3	11.3
Other Assets	3,599	4,082	4,013	(1.7)	11.5
<b>Total Assets</b>	<b>139,944</b>	<b>149,809</b>	<b>155,423</b>	<b>3.7</b>	<b>11.1</b>
Deposits (b)	100,756	101,462	103,708	2.2	2.9
Funds Borrowed (b)	13,615	11,495	12,630	9.9	(7.2)
Interbank Money Market (b)	771	7,550	8,413	11.4	-
Marketable Securities Issued	4,165	6,087	6,172	1.4	48.2
Funds	1,489	1,579	1,769	12.1	18.9
Other Liabilities	3,102	4,067	4,078	0.3	31.5
Provisions	1,900	1,920	2,117	10.2	11.4
Shareholders' Equity	14,146	15,648	16,536	5.7	16.9
<b>Total Liabilities</b>	<b>139,944</b>	<b>149,809</b>	<b>155,423</b>	<b>3.7</b>	<b>11.1</b>

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

(b) Including interest accruals,



## Income Statement

In TRY million	2013	2014	YoY Change %	Q4-13	Q1-14	Q2-14	Q3-14	Q4-14	QoQ Change %	YoY Change %
Interest Income	9,205	11,451	24.4	2,552	2,734	2,920	2,814	2,984	6.1	16.9
On Loans	7,134	8,781	23.1	1,903	2,017	2,158	2,242	2,363	5.4	24.2
On Securities	2,053	2,652	29.2	645	712	757	569	615	8.2	(4.6)
Interest Expense	4,376	6,340	44.9	1,323	1,572	1,693	1,505	1,570	4.3	18.6
On Deposits	3,839	5,197	35.4	1,176	1,315	1,410	1,191	1,280	7.5	8.9
<b>Net Interest Income</b>	<b>4,829</b>	<b>5,112</b>	<b>5.9</b>	<b>1,229</b>	<b>1,162</b>	<b>1,227</b>	<b>1,309</b>	<b>1,414</b>	<b>8.1</b>	<b>15.1</b>
Net Fees and Commissions	930	1,023	10.0	245	222	247	251	303	20.8	23.7
Net Trading Income	244	56	(77.1)	(80)	(80)	95	26	15	(40.9)	-
Other Operating Income	768	531	(30.8)	355	124	110	198	99	(50.0)	(72.1)
Reversal of Loan Loss Provisions	248	273	9.8	60	83	80	43	67	55.8	10.4
Total Operating Revenues	6,771	6,722	(0.7)	1,749	1,427	1,680	1,783	1,831	2.7	4.7
Operating Expenses	2,655	2,987	12.5	697	689	748	757	793	4.8	13.8
<b>Net Operating Income</b>	<b>4,116</b>	<b>3,734</b>	<b>(9.3)</b>	<b>1,052</b>	<b>738</b>	<b>932</b>	<b>1,026</b>	<b>1,038</b>	<b>1.2</b>	<b>(1.3)</b>
Provision for Loan Losses and Other Receivables	849	1,161	36.8	183	194	190	300	476	58.5	159.6
Loan Loss Provisions for Cash Loans	436	876	101.0	132	151	158	260	307	18.0	132.3
Profit/(Losses) from Associates	97	154	57.8	9	99	47	-	8	-	(14.8)
<b>Income Before Taxes</b>	<b>3,365</b>	<b>2,727</b>	<b>(18.9)</b>	<b>878</b>	<b>644</b>	<b>788</b>	<b>726</b>	<b>570</b>	<b>(21.5)</b>	<b>(35.1)</b>
Provision for Tax	614	521	(15.1)	137	113	156	124	128	3.2	(6.7)
<b>Net Income</b>	<b>2,751</b>	<b>2,206</b>	<b>(19.8)</b>	<b>741</b>	<b>530</b>	<b>632</b>	<b>601</b>	<b>442</b>	<b>(26.6)</b>	<b>(40.4)</b>

## Notes





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