

# H1 2015 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

- > Interest rate lift-off by FED is expected to happen towards the year-end unless the US economy will outperform and force the committee to revisit the timing. FED chair Yellen reiterates that the rate increase will be appropriate when the labor market further improved and mid-term inflation converged to the targeted level.
- > US Jun-15 unemployment dropped to 5.3% backed by declining labor force participations and interpreted in a way that the extent of slack in the labor market is still remaining.
- > UST 10Y moved in between 1.8% and 2.5% levels during Q115, hovering around 2.2% as of Jul-15.
- > Chinese economy shows signals of a further cooling-off with slowing GDP growth pace and stock market plunge.
- > Greek government and the creditors have agreed to deal on releasing financial assistance provided that the Greek government starts implementing further austerity measures.
- > Consumer price pressures in eurozone continued to be weak despite efforts to raise inflation towards targeted level, Jun-15 headline inflation further slowed down to 0.2% YoY.
- > EUR has proved to be resistant at 1.1 level against USD amid strong estimations of par level.
- > Brent oil has touched USD 70 in early May-15 then eased to USD 53 on the back of potential lift-off on Iran sanctions.
- > Turkish general elections were held in early Jun-15, suggesting a shift from single party government to a coalition where the debate on which parties may take part is still going on.
- > Turkish economy outperformed market expectations by growing 2.3% YoY in Q115. Household and public spending have paved the way, increasing 4.5% and 2.5% respectively.
- > Turkish benchmark bond yield moves in between 9.5%-10.5%.
- > CBRT has continued to keep O/N and 1W repo rate unchanged at 10.75% and 7.5% since the last rate cuts in Feb-15 meeting.
- > CBRT has started to pay interest on required reserves held in USD in addition to TRY reserves on which the banks are paid interest since Oct-14.
- > MoM CPI down by 0.51% in Jun-15, annual inflation decelerated to 7.2% as food prices has recorded the biggest monthly decline.
- > May-15 trade deficit down to USD 6.8 bn from USD 7.2 bn last year despite shrinkage of export volume by 19%.
- > 12-month rolling CAD somewhat up to USD 44.7 bn from USD 44.3 bn as of May-15, decrease in the services surplus has taken its toll on monthly deficit.
- > Unemployment rate realized at 9.6% as of Apr-15.

## Banking Sector Overview<sup>(a)</sup>

- > Total loan book grew 5.7% QoQ and 12.7% YtD, translated into a loan volume of TRY 1,398 bn. TRY loan book up 5.7% whereas FX loan book rose by 8.8% in TRY terms.
- > Retail loans somewhat up by 2.6% QoQ. Housing loans continued to be the main driver by increasing 5.3% QoQ whereas auto loans pushed down the growth by contracting 1.2% QoQ.
- > Total deposits rose 4.7% QoQ, reaching TRY 1,243 bn. 13.3% QoQ growth in FX deposits was more than enough to compensate shrinking TRY deposits.
- > May-15 TRY L/D ratio increased to 143.8% whereas FX L/D further down to 84.4%. Blended L/D remained almost flat at 118.5%.
- > TRY deposit competition translated into further cost increase and squeezing core spread.
- > Jun-15 NPL ratio showed an uptick to 2.9%, coverage ratio increased to 73.9%.
- > May-15 cumulative net income depicted a 8.1% increase, however sector RoAE hovers around low double digit levels, 11.2%
- > Sectoral NIM was supported from CPI linked securities, shrinkage on core spread put further pressure.
- > Increasing swap costs weighed on trading item, high level of interest rates limited selling opportunities from securities portfolio.
- > OpEx grew 15.5% YoY as of May-15, fee rebates took the biggest toll.
- > C/I ratio at 46.7% , OpEx/Total Assets, 2.3% as of May-15.
- > Limited decline on CAR and Tier-I, due to the RWAs growth and MtM losses on AFS portfolio, 15.3% and 13.0% respectively as of May-15.
- > CBRT repo funding volume at TRY 61.3 bn and effective funding rate at 8.4%.

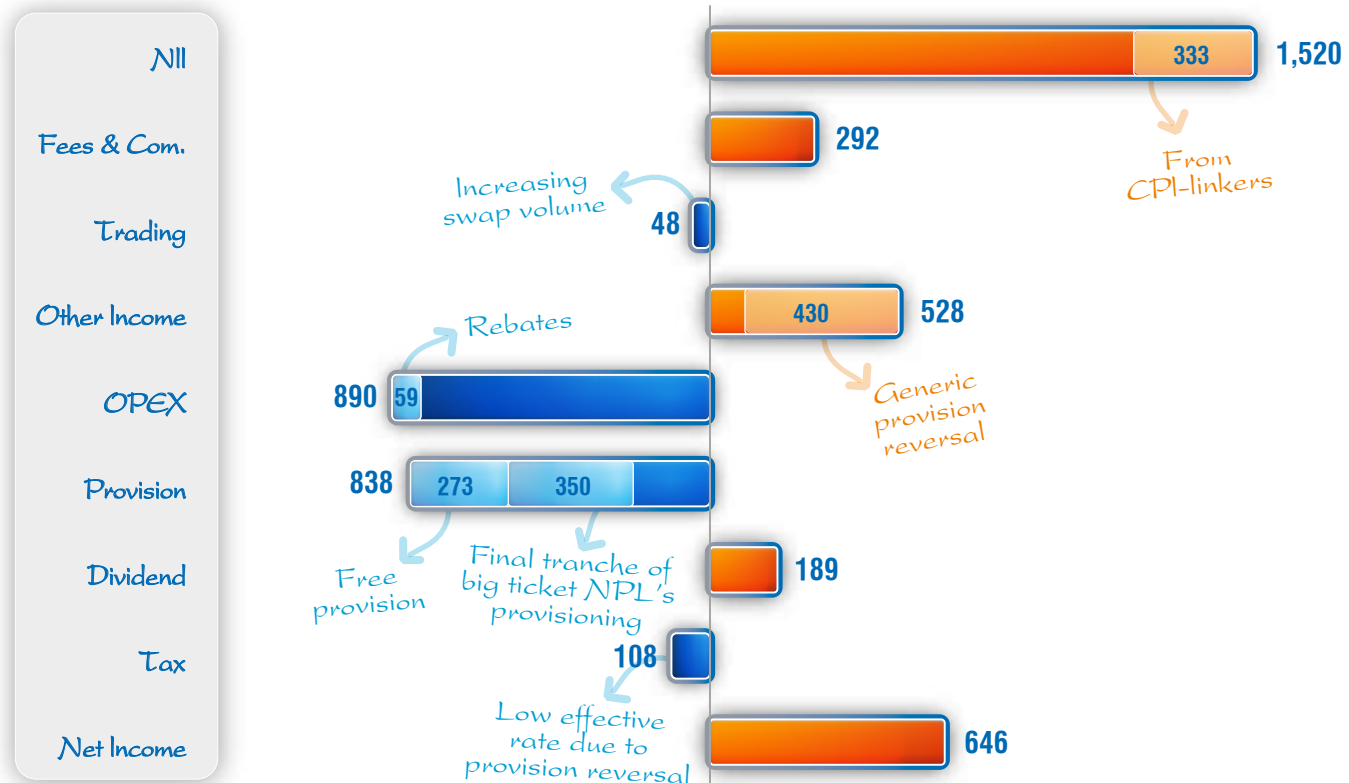
(a) Based on monthly and weekly BRSA data.

## H1 2015 Highlights

- > Total net income has reached TRY 1,229 mn as of H115. Q215 net income at TRY 646 mn, increasing 10.7% QoQ.
- > Profitability metrics RoE and RoA consistently above sector averages, 14.4% and 1.5% respectively.
- > Solid improvement on quarterly NIM, touching 4.4% with the support of CPI-linked securities.
- > SME and corporate driven loan growth, 8.4% QoQ.
- > NPL ratio further down to 3.1%, converging to the sector average.
- > Strong performance sustained on net fees & commissions, increasing 31.1% YoY.
- > 7.6% QoQ deposit growth almost caught up with loan growth, low level of L/D ratio preserved at 102.1%.
- > CBRT repo continued to be actively used, volume at TRY 9.2 bn.
- > OpEx grew 17.6% YoY, rebates adjusted, yearly growth would be at 12%.
- > C/I ratio at 41.2% relatively low due to quarterly one-offs, OpEx/Avg. Assets at 2.1%.
- > CAR and Tier-I maintained at efficient levels of 13.5% and 12.9%, showing resistance to any volatility.
- > Retail loan share in total dropped below 25% threshold, providing cost advantage for newly granted retail loans (excluding housing loans) as well as generic provisioning reversal on the stock.

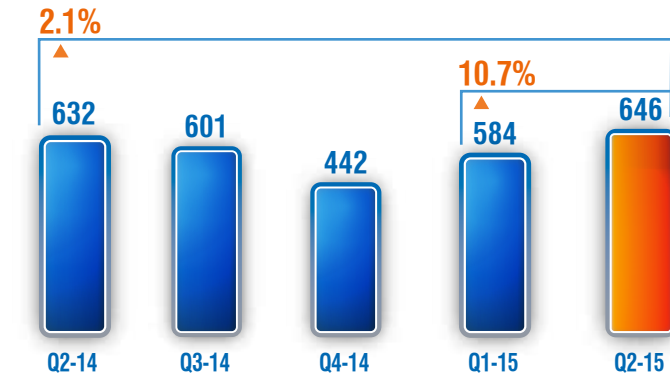
## Selected P&L Items, Q2-15

(TRY million)



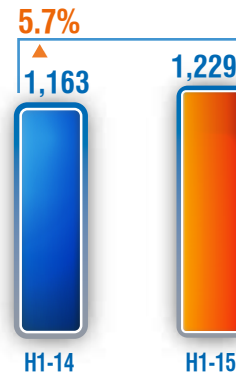
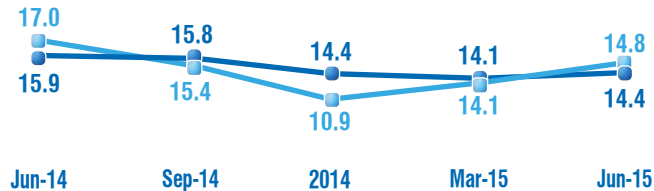
## Net income growth of 10.7% QoQ

Net Income (TRY million)



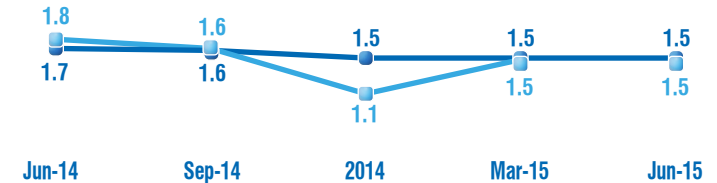
RoE (%)

—●— YtD —■— Quarterly



RoA (%)

—●— YtD —■— Quarterly



**YoY Change (%)**

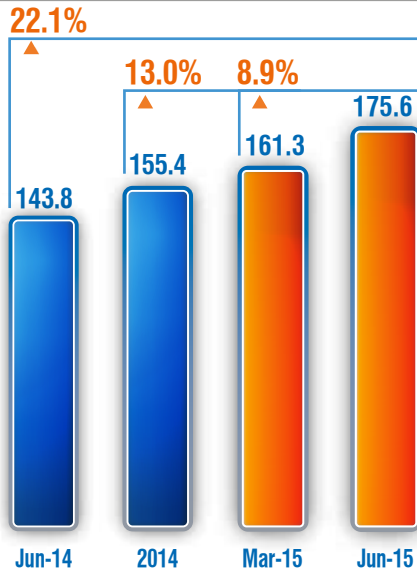
- > 17.4% Net Interest Income
- > 31.1% Net Fees & Commissions
- > 31.9% Total Operating Income
- > 5.7% Net Income

## Robust asset growth 13% YtD

### Asset Growth

YoY **22.1%** QoQ **8.9%**

#### Total Asset Growth (TRY billion)

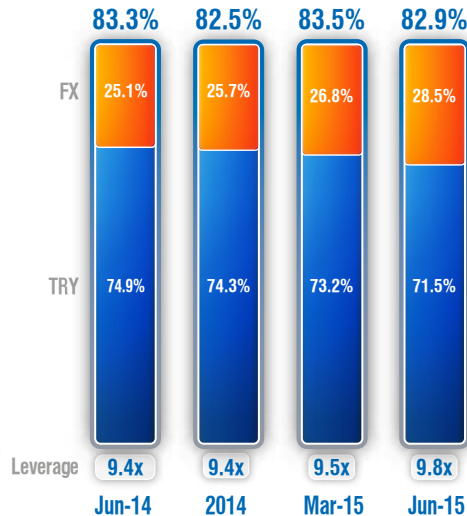


(a) Including interest accruals and excluding fund loans

### IEA

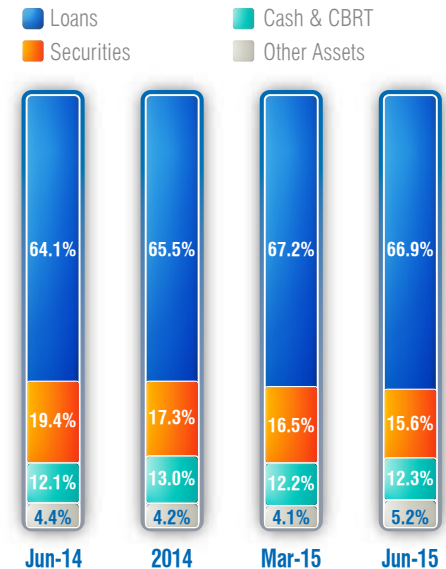
**82.9%**

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



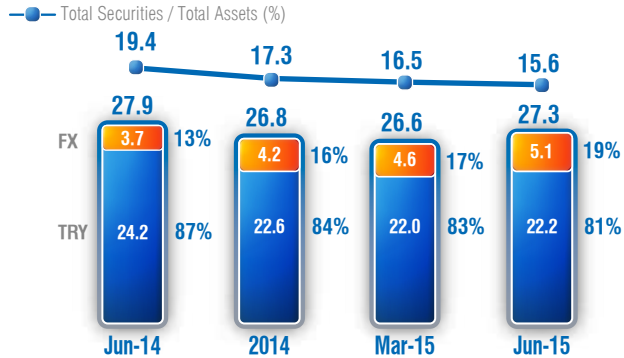
### Securities Portion **15.6%**

#### Asset Mix (%)

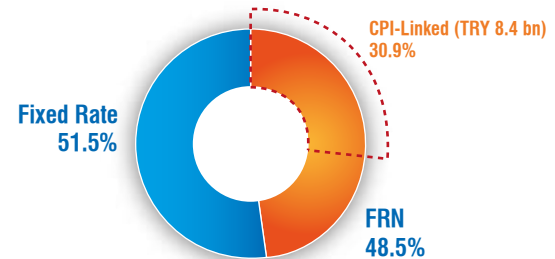


## Low AFS portion limiting MtM valuation impact

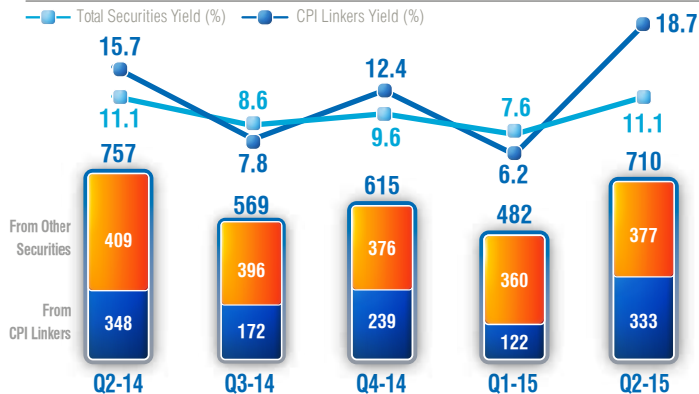
### Total Securities Portfolio (TRY billion)



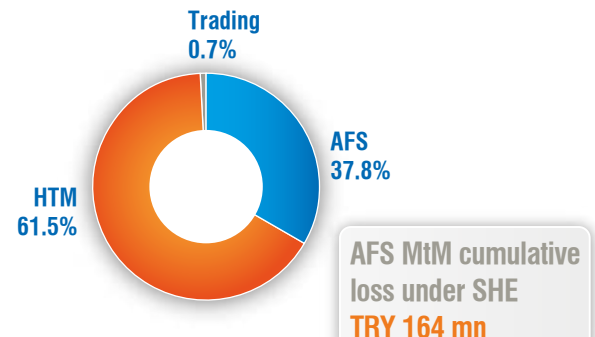
### Interest Structure (%)



### Interest Income on Securities (TRY million)



### Securities Composition (%)





# Solid loan growth, market share up to 8.2%

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

TRY 1 bn loans to self-employed for premium payment to Social Security Institution (SSI) reclassified and shifted from consumer loans to SME loans.

## Total Loans

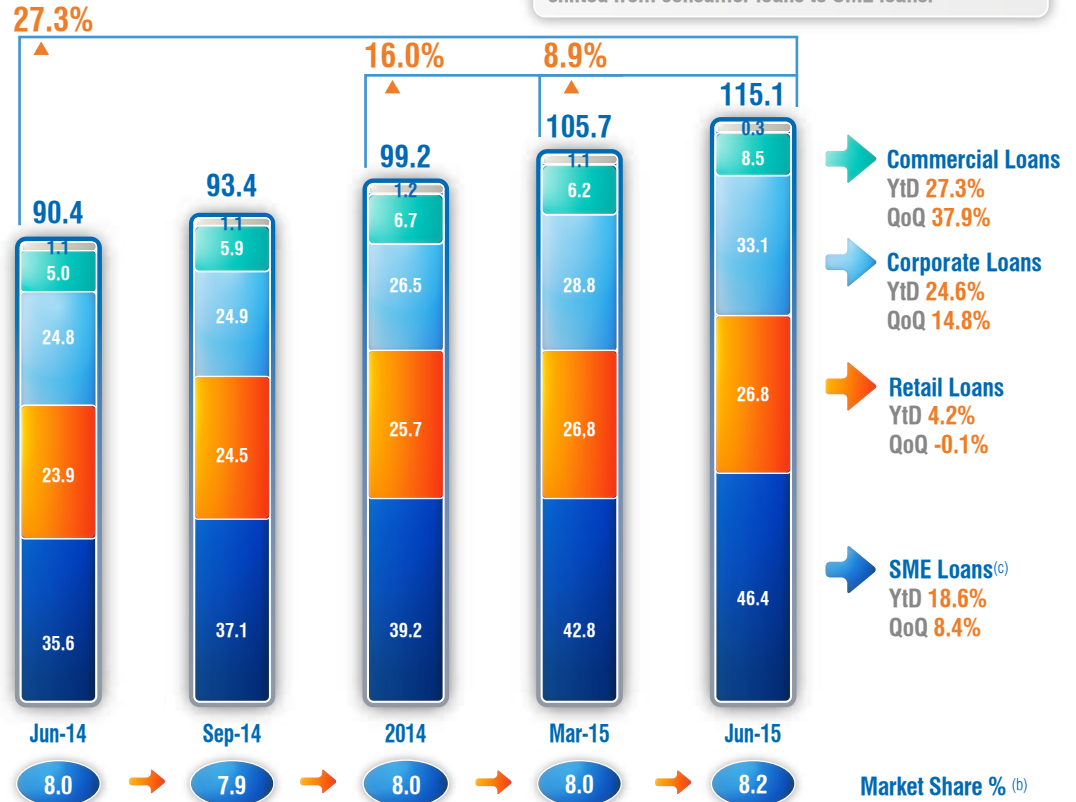
HALKBANK	B. Sector <sup>(b)</sup>
YtD	YtD
<b>16.0%</b>	<b>12.7%</b>
QoQ	QoQ
<b>8.9%</b>	<b>5.7%</b>

## TRY Loans

HALKBANK	B. Sector <sup>(b)</sup>
YtD	YtD
<b>13.3%</b>	<b>10.4%</b>
QoQ	QoQ
<b>7.7%</b>	<b>5.2%</b>

## FX Loans

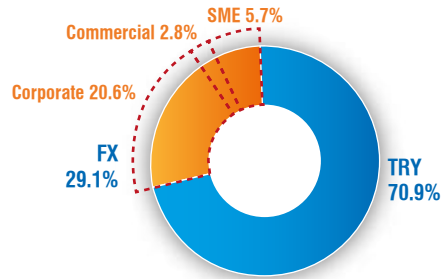
HALKBANK	B. Sector <sup>(b)</sup>
YtD	YtD
<b>23.3%</b>	<b>18.8%</b>
QoQ	QoQ
<b>11.9%</b>	<b>7.3%</b>
in USD terms	
YtD	YtD
<b>7.0%</b>	<b>4.5%</b>
QoQ	QoQ
<b>8.6%</b>	<b>5.1%</b>



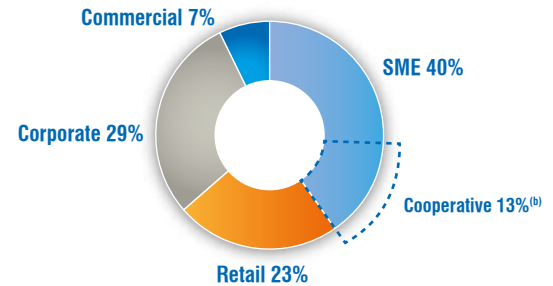
(a) Excluding interest accruals (b) BRSA daily data (c) According to the BRSA definition

## TRY dominated loan book despite retail loans' share down to 23%

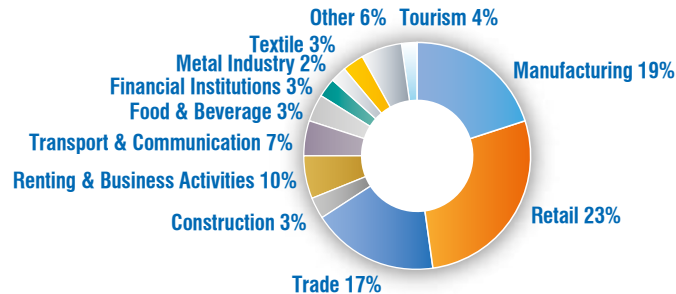
Loans by Currency (%)<sup>(a)</sup>



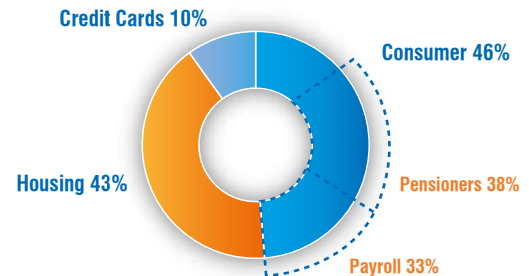
Loans by Customer Segmentation (%)<sup>(a)</sup>



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



Retail Loans by Types (%)<sup>(a)</sup>



(a) Excluding interest accruals (b) Micro SMEs

## Market share preserved despite controlled growth strategy

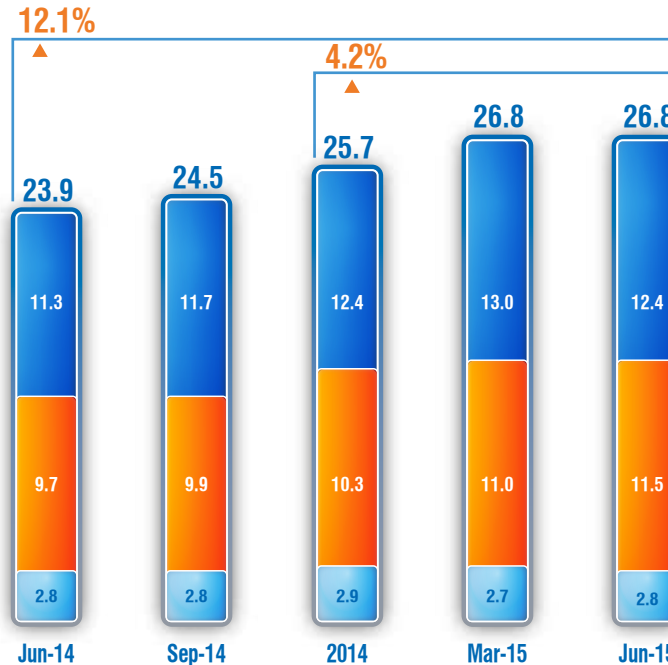
(TRY billion)<sup>(a)</sup>

### HALKBANK

YtD  
**4.2%**  
QoQ  
**-0.1%**

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

YtD  
**5.2%**  
QoQ  
**2.6%**



### Credit Cards (Thousand)

# of Credit Cards 3,583  
# of POS 268  
# of Merchants 238  
Issuer m/s 3.4%  
Acquirer m/s 4.6%

### Consumer Loans<sup>(c)</sup>

YtD **-0.1%**  
QoQ **-5.0%**  
Share in total 46.2%

### Housing Loans

YtD **11.6%**  
QoQ **4.4%**  
Share in total 43.0%

### Credit Cards

YtD **-3.0%**  
QoQ **4.8%**  
Share in total 10.4%

Retail Loans Market Share %

6.9 → 6.8 → 7.0 → 7.1 → 6.9

Consumer Loans Market Share %

8.2 → 8.1 → 8.3 → 8.5 → 8.0

Housing Loans Market Share %

8.4 → 8.3 → 8.2 → 8.4 → 8.3

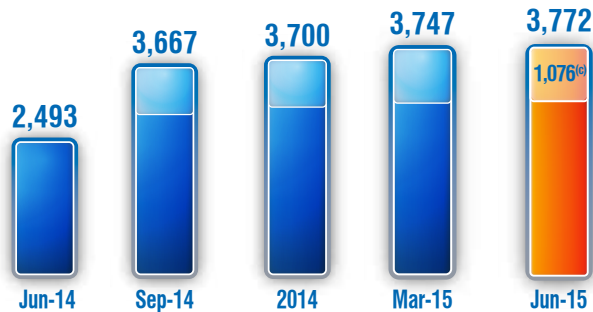
Credit Card Loans Market Share %

3.2 → 3.2 → 3.3 → 3.1 → 3.2

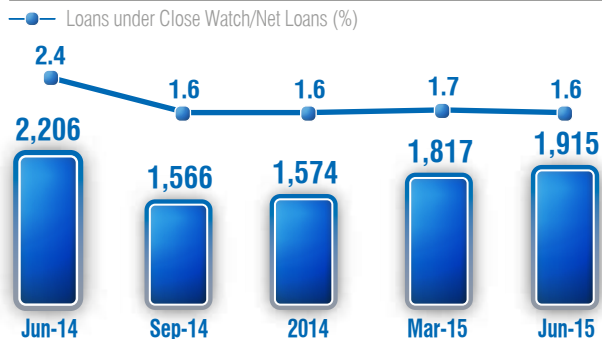
(a) Excluding interest accruals  
(b) BRSA weekly data as of 26.06.2015  
(c) TRY 1 bn loans to self-employed for premium payment to Social Security Institution (SSI) reclassified and shifted from consumer loans to SME loans.

## NPL ratio continuously improving towards sector average, Coverage ratio back to normal, 76%

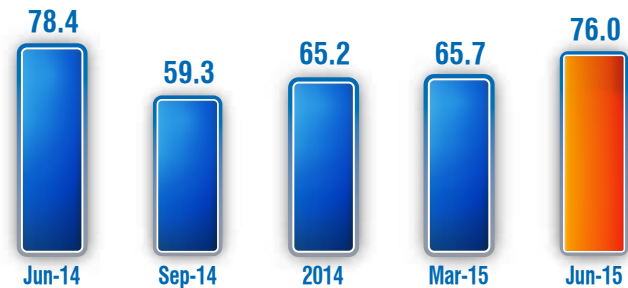
### NPL Portfolio (TRY million)



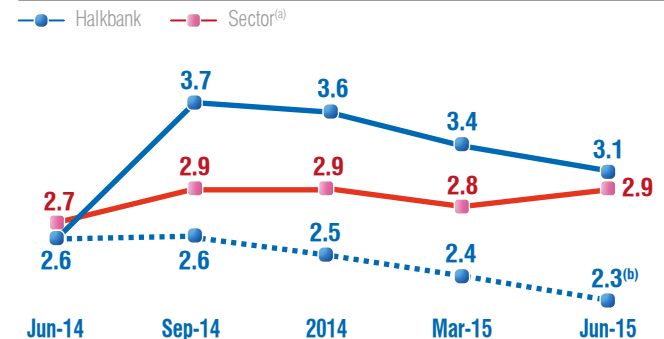
### Loans under Close Watch (TRY million)



### NPL Coverage (%)



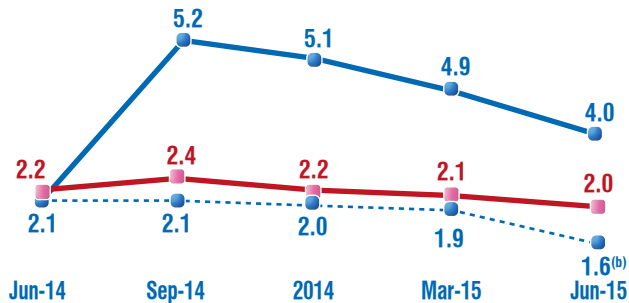
### NPL/Total Loans (%)



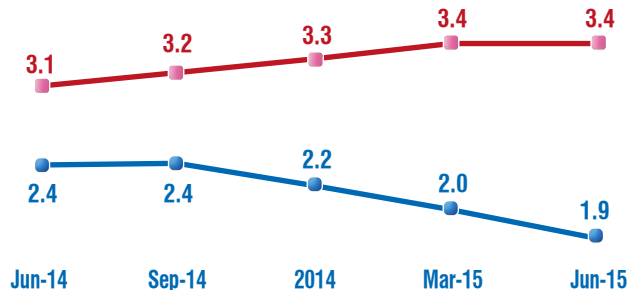
(a) BRSA daily data (b) Adjusted with one-off big ticket loan. (c) One big ticket loan.

## NPL ratio by segments

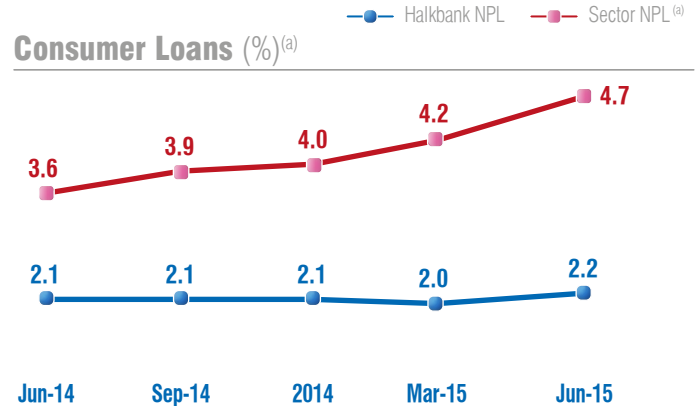
### Corporate - Commercial (%)<sup>(a)</sup>



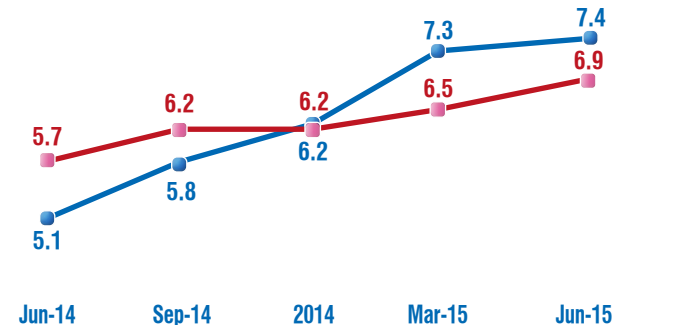
### SME Loans (%)<sup>(a)</sup>



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



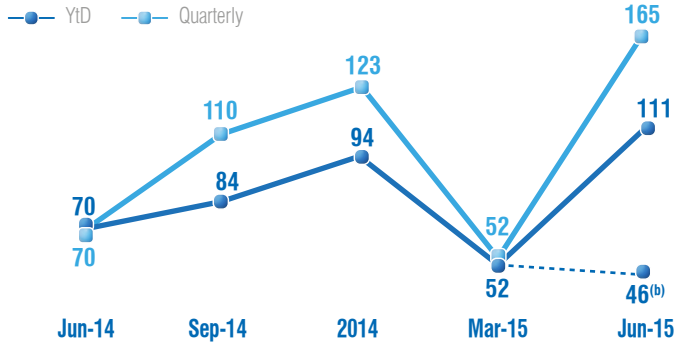
### Credit Cards (%)<sup>(a)</sup>



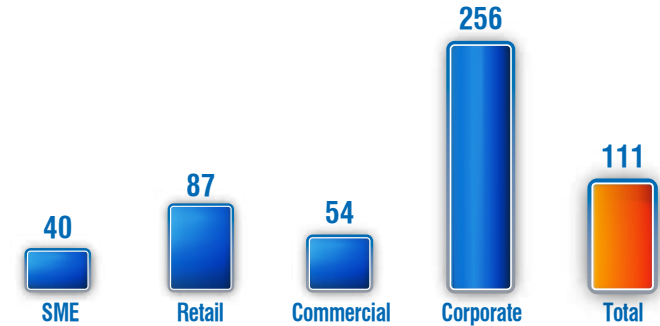
(a) BRSA monthly data as of May-2015, Halkbank data excluding legacy NPLs (b) Adjusted with one-off big ticket corporate loan.

## Provisioning requirement of one-off NPL completely fulfilled

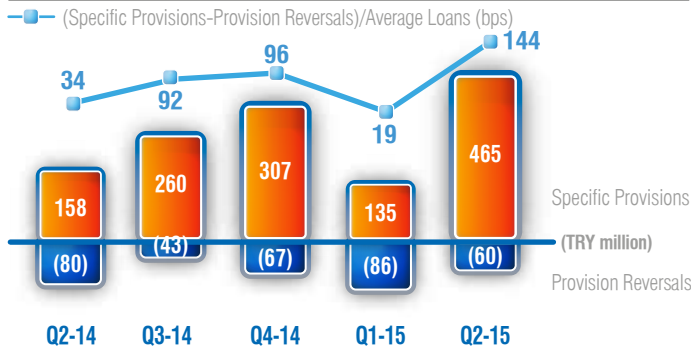
### Cost of Risk (bps)<sup>(a)</sup>



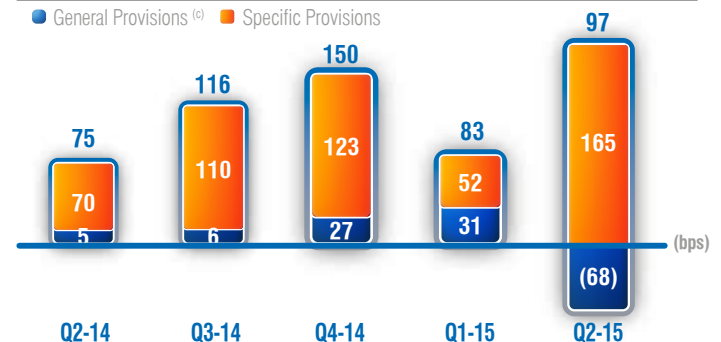
### Cost of Risk by Segments (bps)<sup>(a)</sup>



### Net Cost of Risk



### Gross Cost of Risk (bps)

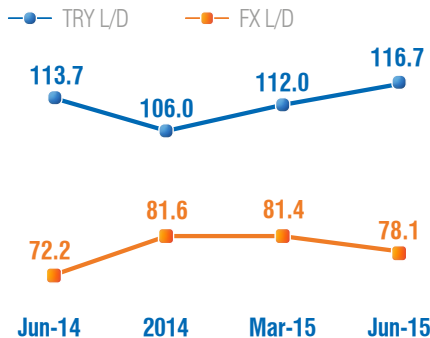
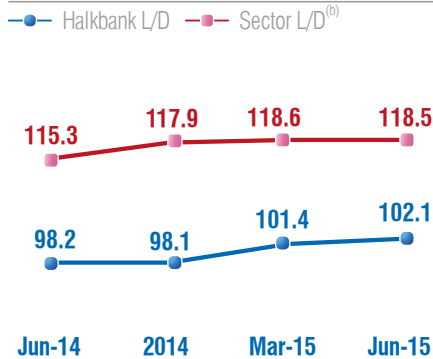


(a) Specific provisions/Average Net Loans (b) Adjusted with one-off big ticket loan. (c) General Provisions of Cash Loans/Average Cash Loans

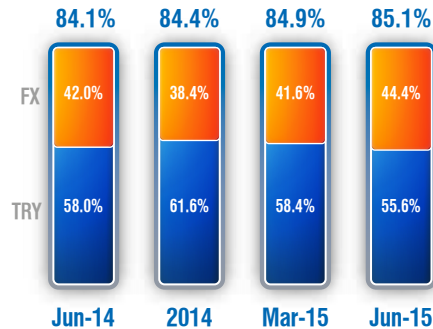
## Funding base strengthened

**IBL 85.1%**<sup>(a)</sup>

### Loan to Deposit (%)

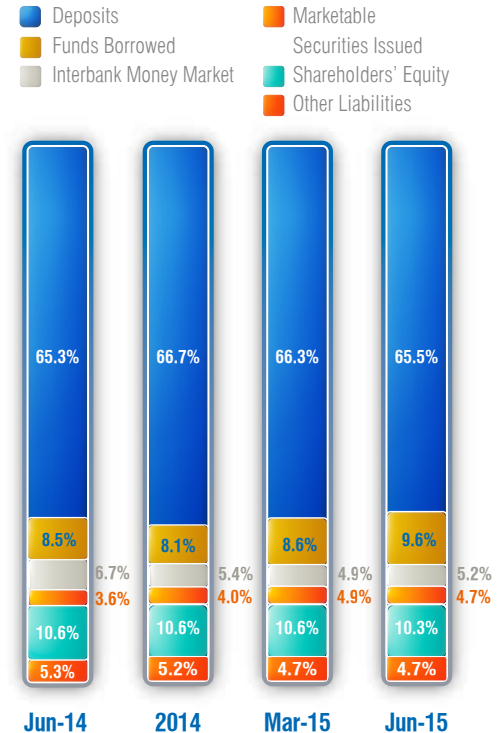


### Composition of IBLs<sup>(a)</sup>



> Share of non-deposit short term FX borrowings in Total Liabilities  
**6.0%**

### Liabilities Mix (%)



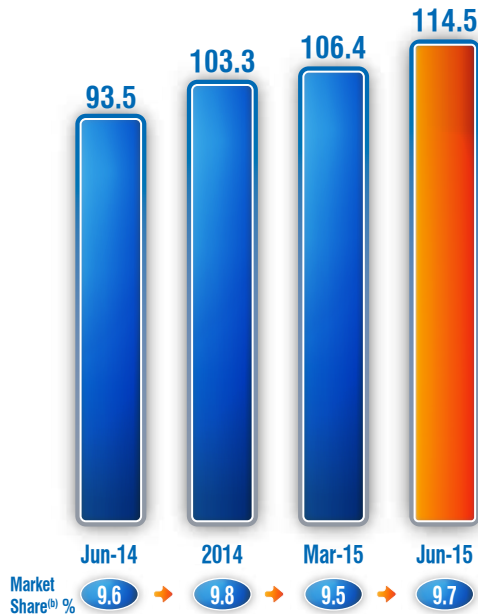
(a) Including interest accruals and excluding funds. Excluding demand deposit, the share of IBL is 75.8% in Jun-15.

(b) BRSA monthly data as of May-15.

## Strong TRY deposit growth

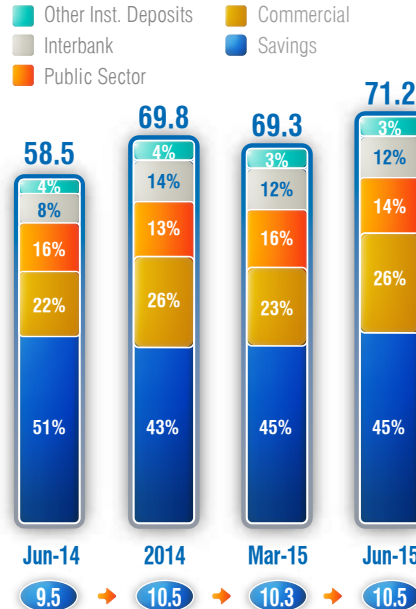
		<b>HALKBANK</b>	<b>B. Sector<sup>(b)</sup></b>
Total Dep.	YtD	<b>10.8%</b>	<b>11.0%</b>
	QoQ	<b>7.6%</b>	<b>4.7%</b>

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



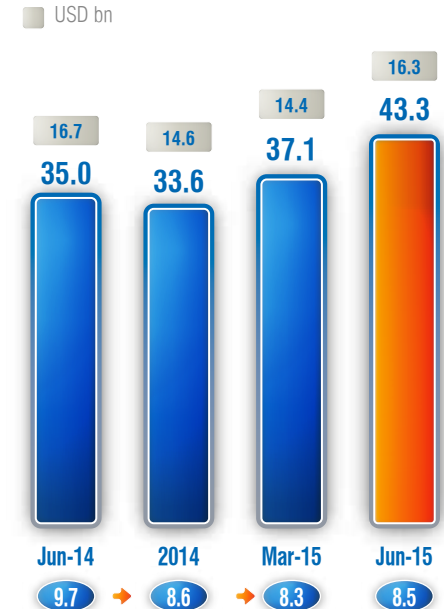
		<b>HALKBANK</b>	<b>B. Sector<sup>(b)</sup></b>
TRY Dep.	YtD	<b>2.1%</b>	<b>-0.7%</b>
	QoQ	<b>2.7%</b>	<b>-1.5%</b>

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



		<b>HALKBANK</b>	<b>B. Sector<sup>(b)</sup></b>
FX Dep.	YtD	<b>29.0%</b>	<b>29.4%</b>
	QoQ	<b>16.7%</b>	<b>13.3%</b>
in USD terms	YtD	<b>11.9%</b>	<b>13.8%</b>
	QoQ	<b>13.2%</b>	<b>11.0%</b>

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

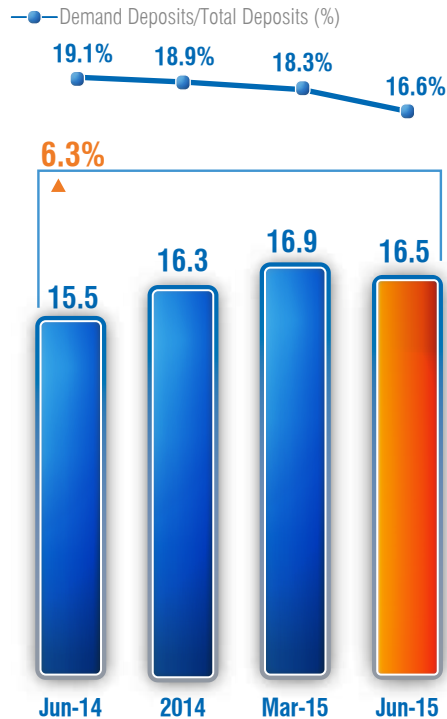


(a) Excluding interest accruals. (b) BRSA daily data

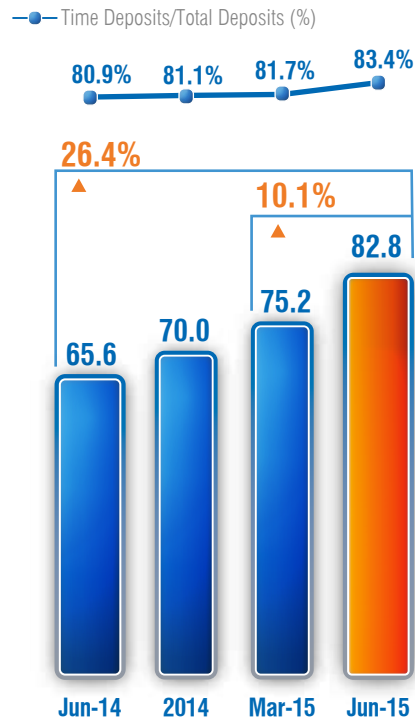


## TRY heavy funding structure

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



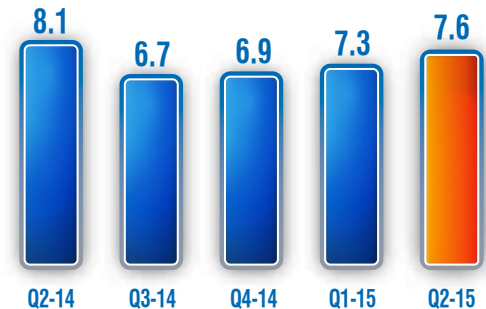
### Time Deposits (TRY billion)<sup>(a)</sup>



### Deposits by Currency (%)



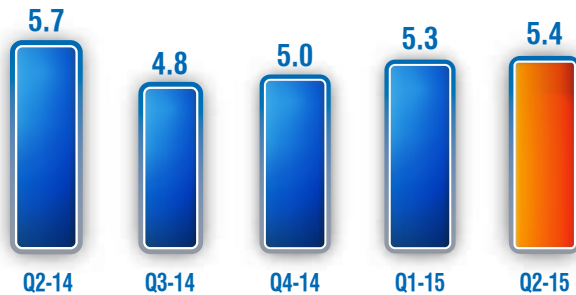
### Cost of TRY Deposits (%)<sup>(b)</sup>



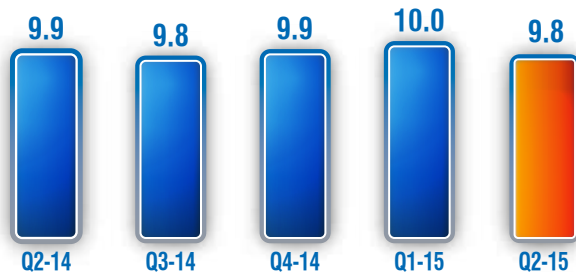
(a) Excluding interest accruals and interbank. (b) Time & Demand Blended.

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

### Cost of Deposits (%)

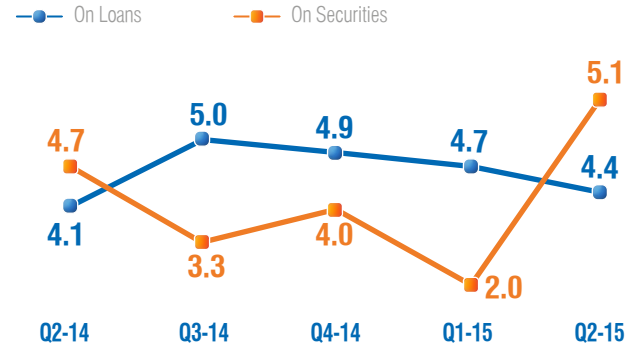


### Yield on Loans (%)<sup>(b)</sup>

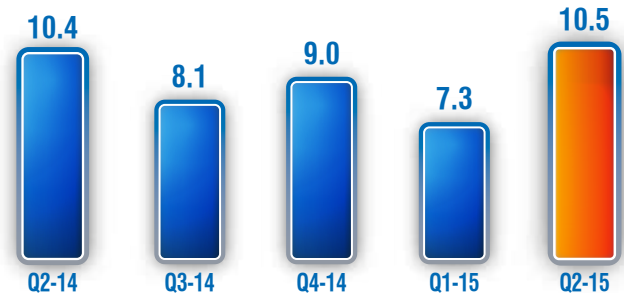


(a) TRY-FX blended (b) Excluding fund loans

### Spreads (%)

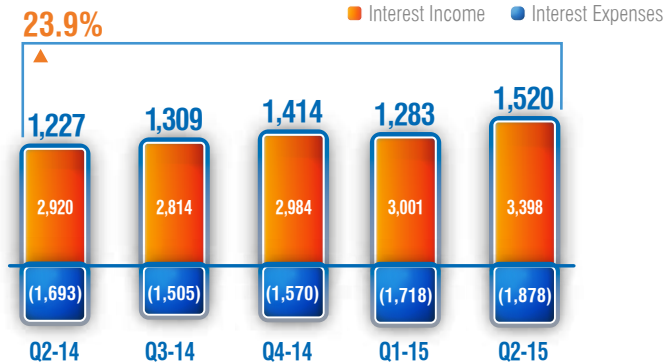


### Yield on Securities (%)

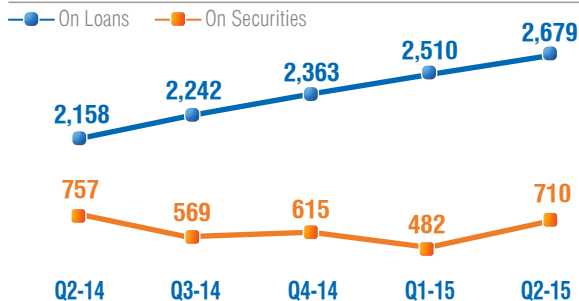


## NIM improved to 4.4% thanks to CPI-linked securities

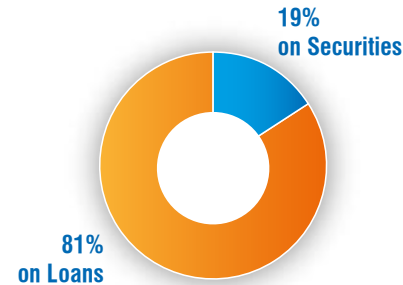
### Net Interest Income (TRY million)



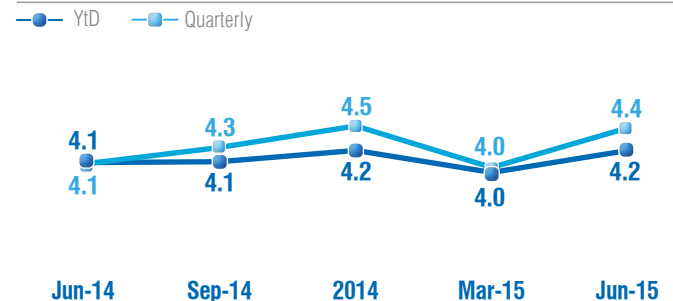
### Interest Income (TRY million)



### Breakdown of Interest Income (%)

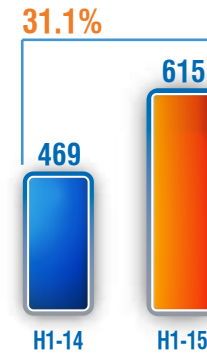
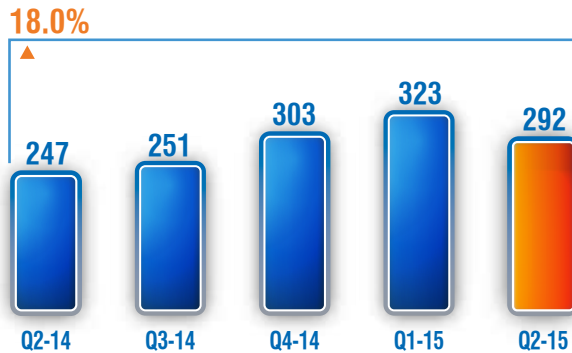


### NIM (%)

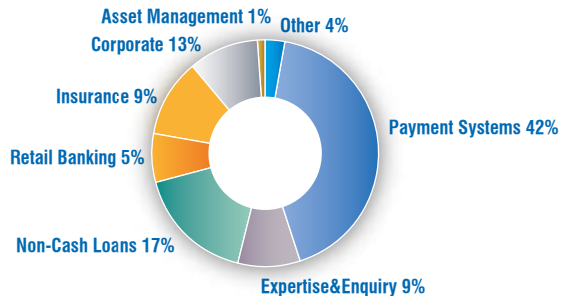


## Net fees & commissions income up 31% YoY

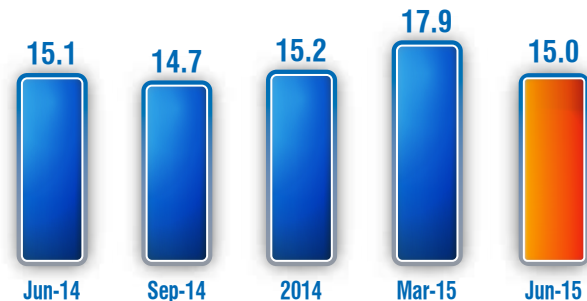
### Net Fees & Commissions Income (TRY million)



### Breakdown of Fees & Commissions (%)

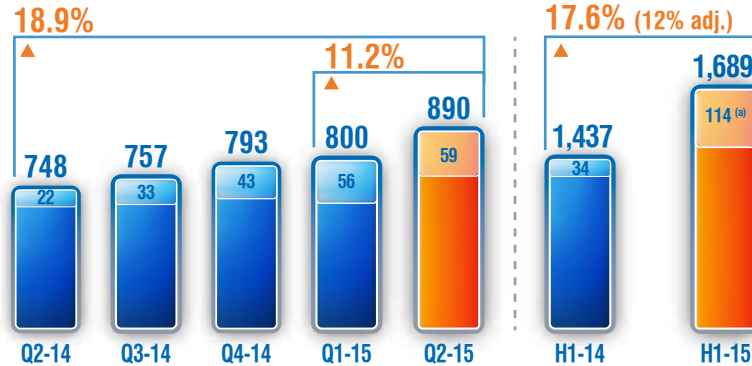


### Net Fees & Commissions / Operating Revenues (%)

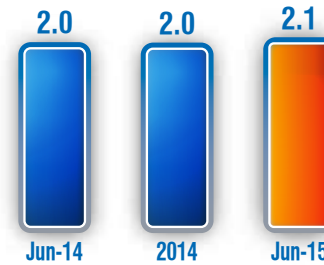


## Rebate-adjusted OpEx growth 12% YoY only

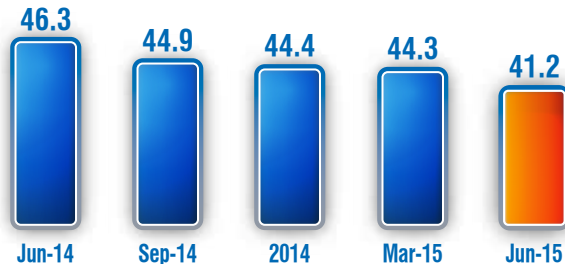
### Operating Expenses (TRY million)



### Operating Expenses / Average Assets (%)

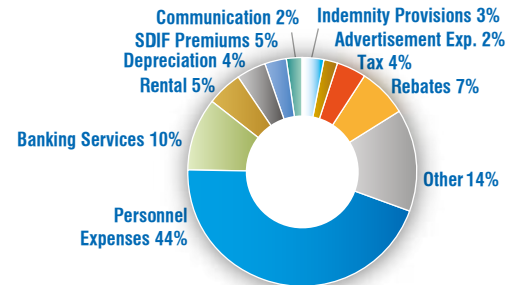


### Cost/Income (%)



(a) Rebates from commissions

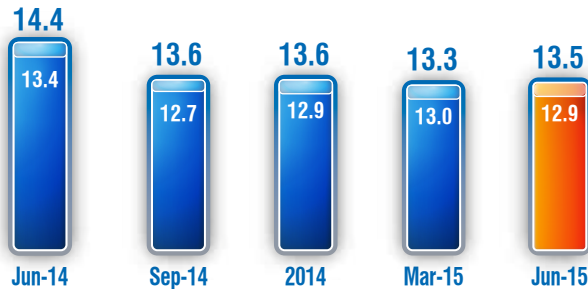
### Breakdown of Operating Expenses (%)



## Solvency Ratios

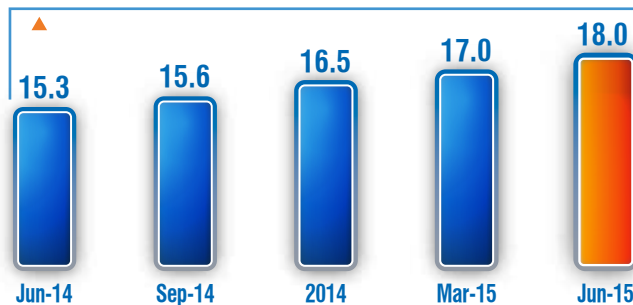
### CAR (%)

■ Tier-1 ■ CAR



### SHE (TRY billion)

17.9%



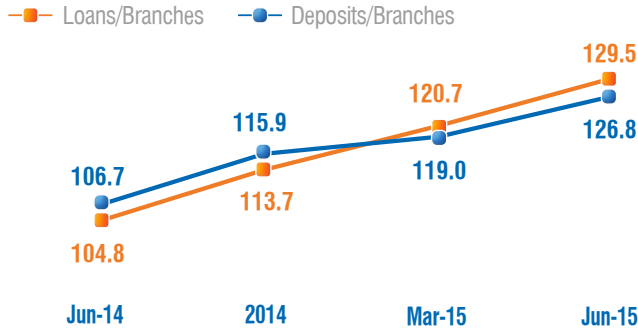
### Details on Capital Ratio

(TRY mn)	Basel III Jun-15
Credit Risk Base Amount (CRBA)	125,854
Market Risk Base Amount (MRBA)	4,323
Operational Risk Base Amount (ORBA)	10,978
Total Risk Weighted Assets (RWAs)	141,155
Shareholders' Equity	19,065
<b>CAR (%)</b>	<b>13.5</b>
<b>Tier-I (%)</b>	<b>12.9</b>
<b>Common Equity Tier-I (%)</b>	<b>12.9</b>

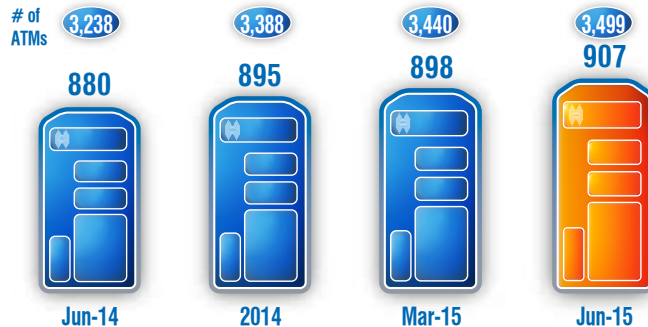
- > Revaluation of Tangible Assets **+49 bps**
- > Reclassification of TRY 1 bn loan portfolio  
(granted in order to finance premium deficit of self employed customers to Social Security Institution)  
from consumer to SME segment **+55 bps**

## Branch Network - Human Resources

### Loans and Deposits per Branches

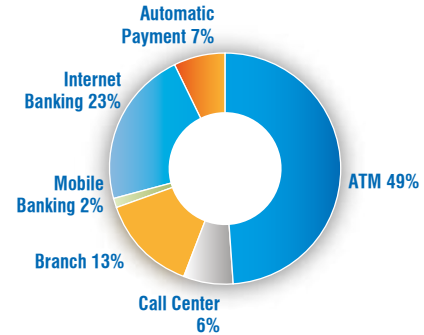


### Branches<sup>(a)</sup>

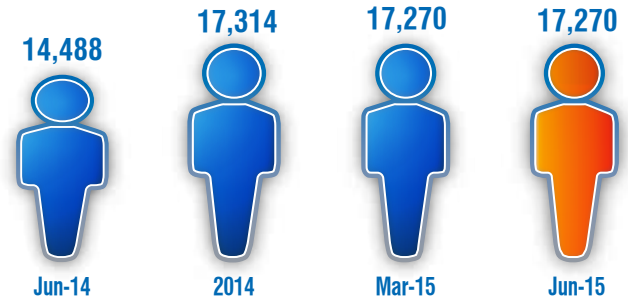


(a) Including domestic branches and special transaction centers.

### Utilization of Banking Distribution Channels (%)



### Headcount



## Balance Sheet

In TRY million	H1-14	2014	Q1-15	H1-15	QoQ Change%	YtD Change%	YoY Change%
Cash and Balances Held with the Central Bank <sup>(a)</sup>	17,413	20,276	19,708	21,515	9.2	6.1	23.6
Banks & Money Market <sup>(b)</sup>	1,077	1,284	1,309	2,468	88.6	92.3	129.2
Securities <sup>(b)</sup>	27,901	26,844	26,619	27,331	2.7	1.8	(2.0)
Net Loans <sup>(b)</sup>	92,187	101,767	108,380	117,460	8.4	15.4	27.4
Gross NPL	2,493	3,700	3,747	3,772	0.7	1.9	51.3
NPL Net	537	1,286	1,284	903	(29.6)	(29.7)	68.1
Property and Equipment	1,163	1,239	1,240	2,297	85.3	85.4	97.5
Other Assets	4,025	4,013	4,017	4,536	12.9	13.0	12.7
<b>Total Assets</b>	<b>143,767</b>	<b>155,423</b>	<b>161,273</b>	<b>175,608</b>	<b>8.9</b>	<b>13.0</b>	<b>22.1</b>
Deposits <sup>(b)</sup>	93,892	103,708	106,894	114,989	7.6	10.9	22.5
Funds Borrowed <sup>(b)</sup>	12,164	12,630	13,919	16,836	21.0	33.3	38.4
Interbank Money Market <sup>(b)</sup>	9,619	8,413	7,921	9,208	16.2	9.5	(4.3)
Marketable Securities Issued	5,166	6,172	7,951	8,238	3.6	33.5	59.5
Funds	1,516	1,769	1,730	1,790	3.5	1.2	18.1
Other Liabilities	4,170	4,078	3,589	4,442	23.8	8.9	6.5
Provisions	1,965	2,117	2,225	2,099	(5.7)	(0.9)	6.8
Shareholders' Equity	15,275	16,536	17,045	18,005	5.6	8.9	17.9
<b>Total Liabilities</b>	<b>143,767</b>	<b>155,423</b>	<b>161,273</b>	<b>175,608</b>	<b>8.9</b>	<b>13.0</b>	<b>22.1</b>

(a) Reserve deposits monitored in balance with Central Bank

(b) Including interest accruals



## Income Statement

In TRY million	H1-14	H1-15	YoY Change%	Q2-14	Q1-15	Q2-15	QoQ Change%	YoY Change%
Interest Income	5,654	6,399	13.2	2,920	3,001	3,398	13.3	16.4
On Loans	4,176	5,189	24.3	2,158	2,510	2,679	6.7	24.1
On Securities	1,469	1,192	(18.9)	757	482	710	47.3	(6.2)
Interest Expense	3,265	3,596	10.1	1,693	1,718	1,878	9.3	10.9
On Deposits	2,725	2,896	6.2	1,410	1,394	1,501	7.6	6.4
<b>Net Interest Income</b>	<b>2,389</b>	<b>2,803</b>	<b>17.4</b>	<b>1,227</b>	<b>1,283</b>	<b>1,520</b>	<b>18.5</b>	<b>23.9</b>
Net Fees and Commissions	469	615	31.1	247	323	292	(9.7)	18.0
Net Trading Income	15	(27)	-	95	20	(48)	-	-
Other Operating Income	234	707	201.9	110	178	528	196.2	-
Reversal of Loan Loss Provisions	163	146	(10.5)	80	86	60	(30.9)	(25.7)
Total Operating Revenues	3,107	4,097	31.9	1,680	1,805	2,292	27.0	36.5
Operating Expenses	1,437	1,689	17.6	748	800	890	11.2	18.9
<b>Net Operating Income</b>	<b>1,670</b>	<b>2,408</b>	<b>44.2</b>	<b>932</b>	<b>1,005</b>	<b>1,403</b>	<b>39.6</b>	<b>50.6</b>
Provision for Loan Losses and Other Receivables	384	1,093	184.7	190	255	838	228.8	341.2
Loan Loss Provisions for Cash Loans	309	600	94.4	158	135	465	244.2	194.2
Profit/(Losses) from Associates	146	189	29.2	47	0	189	-	-
<b>Income Before Taxes</b>	<b>1,432</b>	<b>1,504</b>	<b>5.0</b>	<b>788</b>	<b>750</b>	<b>753</b>	<b>0.4</b>	<b>(4.5)</b>
Provision for Tax	269	274	1.7	156	167	108	(35.4)	(31.2)
<b>Net Income</b>	<b>1,163</b>	<b>1,229</b>	<b>5.7</b>	<b>632</b>	<b>584</b>	<b>646</b>	<b>10.7</b>	<b>2.1</b>

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