

Q3 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

- > The Fed held off raising interest rates, putting more emphasise on global economic risks and those related to premature tightening policy.
- > US unemployment came down to 5.1% in Sep-15, lowest since 2008 but it was clouded by the weak job gains in the last 3 months.
- > UST 10Y yield has been stuck between 1.8-2.5% this year on weak inflation print.
- > Chinese economy grew 6.9% in Q315 on policy easing and seemed on course to meet growth target of 7% for the full year.
- > ECB may open the door to enlarge bond buying program given fragile economic recovery and modest growth expectations across the region.
- > As energy prices have continued to drag, Eurozone inflation slipped back into negative territory in Sep-15, raising expectations for further economic stimulus.
- > Brent oil has remained below USD 50 per barrel due to worries about a slowing Chinese economy and potential lift-off on Iran sanctions.
- > Turkish economy grew 3.8% in Q215, beating estimations on the back of high domestic spendings.
- > Turkish benchmark bond yield eased to 10.5% after touching 11.9% in late Sep-15.
- > CBRT has kept its set of interest rates unchanged and launched a road map during the normalization of global monetary policies.
- > MoM CPI up 0.9% in Sep-15, annual inflation rose to 7.95%. Food and other goods prices took the biggest toll.
- > Cumulative trade deficit down by 20.2% to USD 49 bn as of Sep-15. However, the cumulative export in EUR has shown improvement.
- > 12-month rolling CAD down to USD 43 bn from as of Aug-15, due to plunging energy prices and improving trade deficit.
- > Jul-15 unemployment rate was seen ticking up to 9.8% from 9.6% of the previous month.
- > New medium term program announced:

MTP 2016 - 2018	2015	2016	2017	2018
GDP Growth	3.0%	4.0%	4.5%	5.0%
CPI	7.6%	6.5%	5.5%	5.0%
CAD / GDP	5.2%	4.9%	4.7%	4.4%
Unemployment	10.5%	10.3%	10.2%	9.9%
Total Saving / GDP	14.6%	16.1%	16.6%	17.2%

Banking Sector Overview

- > Total loan book grew 6.0% QoQ and 19.4% YtD, reaching TRY 1,482 bn. TRY loan book was up 2.5% whereas FX loan book rose by 14.2% in TRY terms.
- > Retail loans somewhat up by 1.7% QoQ, driven by 3.6% increase in credit card loans and 2.1% in housing loans.
- > Total deposits rose 8.6% QoQ, translating into a volume of TRY 1,350 bn. Both TRY and FX deposits showed increases of 6.2% and 11.5% respectively.
- > Aug-15 TRY L/D ratio stands at 145.2% whereas FX L/D somewhat up to 85.4%. Blended L/D, at 118.5%.
- > TRY deposit competition started to translate into higher loan yields across the banking system.
- > NPL ratio resistant at 2.9%, coverage ratio almost flat at 73.3%.
- > Sectoral RoAE has mirrored the weak operating performance, coming down to 10.1% as of Aug-15.
- > Sectoral NIM has been hit by the missing interest income from CPI linked securities and higher cost of TRY funding.
- > Trading item has continued to suffer from increasing swap costs and high level of interest rates.
- > OpEx grew 16.7% YoY as of Aug-15, revealing a prolonged negative impact from fee rebates and depreciating TRY.
- > C/I ratio at 47.6%, OpEx/Avg. Assets, 2.3% as of Aug-15.
- > Growth in equity base could not keep up with RWAs growth and MtM losses on AFS portfolio, consequently both CAR and Tier-I have dropped, 14.8% and 12.4% respectively.
- > CBRT repo funding volume at TRY 88 bn and effective funding rate at 8.9%.

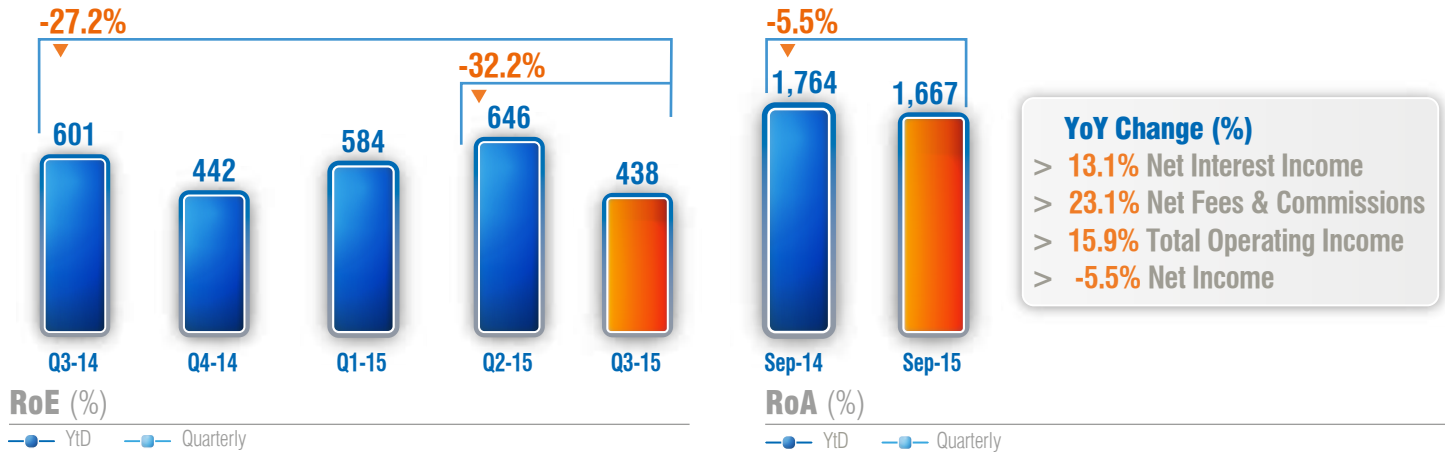
(a) Based on monthly and weekly BRSA data.

September 2015 Highlights

- > Total net income has reached TRY 1,667 mn as of Sep-15. Q315 net income at TRY 438 mn.
- > Profitability metrics RoE and RoA, standing at 12.8% and 1.3% respectively.
- > Cumulative NIM slightly decreased to 4.0% on CPI linkers' shrinking yields.
- > SME and corporate driven loan growth, 7.7% QoQ.
- > Preserved asset quality, NPL ratio down to 3.0%, no write-offs/sell-offs.
- > Above sector average NPL coverage at 76.1%, gross specific YtD CoR at 84 bps, improving by 27 bps.
- > Net fees & commissions up 23.1% YoY, reaching TRY 886 mn.
- > Solid deposit base; up 6.9% QoQ.
- > Sustained and comfortable liquidity position, L/D ratio preserved at 102.9%
- > CBRT repo providing cost advantage reached TRY 9.7 bn.
- > OpEx grew 17.8% YoY, excluding rebates, yearly growth would be at 13.3%.
- > OpEx/Avg. Assets at 2.0%.
- > CAR at 13.0%.

Net income quarterly TRY 438 mn, reaching TRY 1,667 mn YtD

Net Income (TRY million)

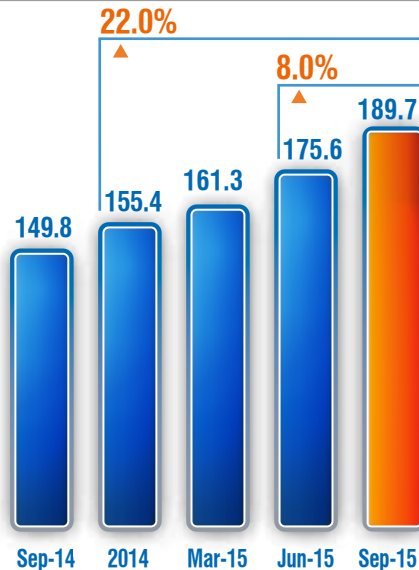


Loan driven asset growth 8.0% QoQ

Asset Growth

YtD **22.0%** QoQ **8.0%**

Total Asset Growth (TRY billion)

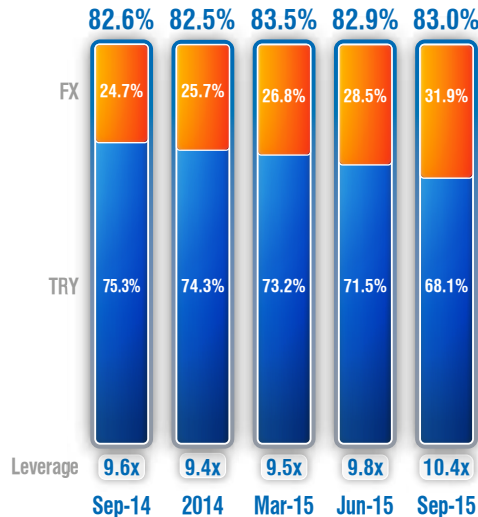


(a) Including interest accruals and excluding fund loans

IEA

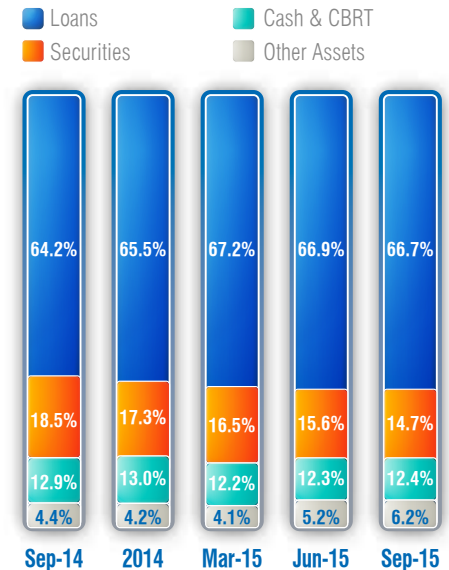
83.0%

Composition of IEAs^(a)



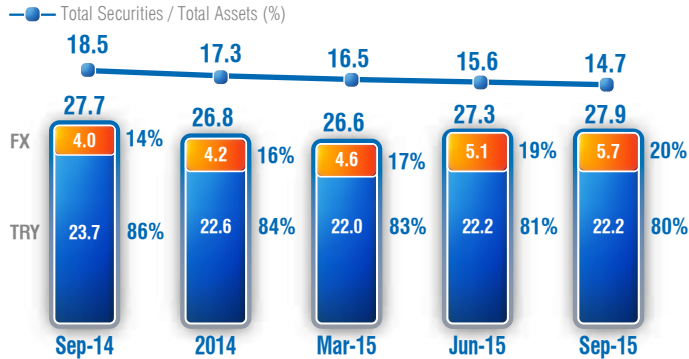
Securities Portion **14.7%**

Asset Mix (%)

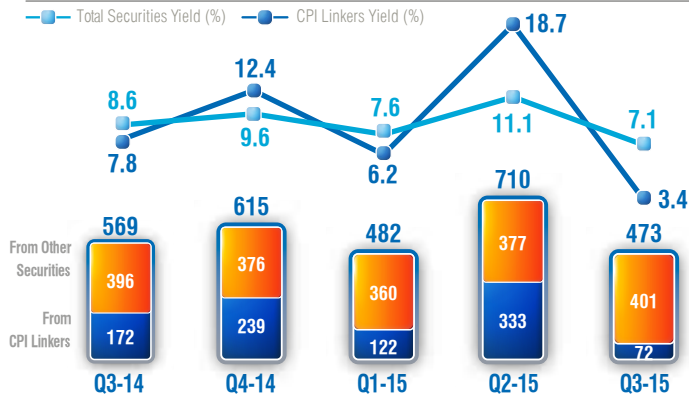


Balanced and stable securities portfolio

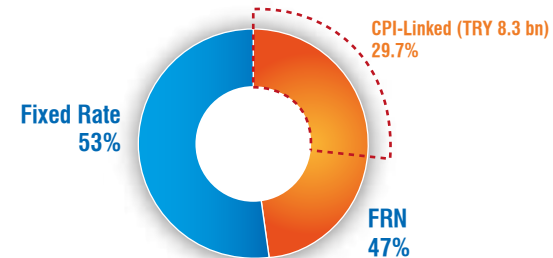
Total Securities Portfolio (TRY billion)



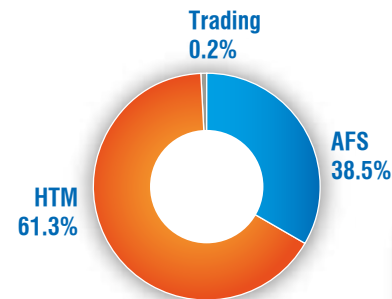
Interest Income on Securities (TRY million)



Interest Structure (%)



Securities Composition (%)



AFS MtM cumulative loss under SHE
TRY 611 mn

Commercial and corporate driven loan growth, market share up to 8.4%

(TRY billion)^(a)

Total Loans

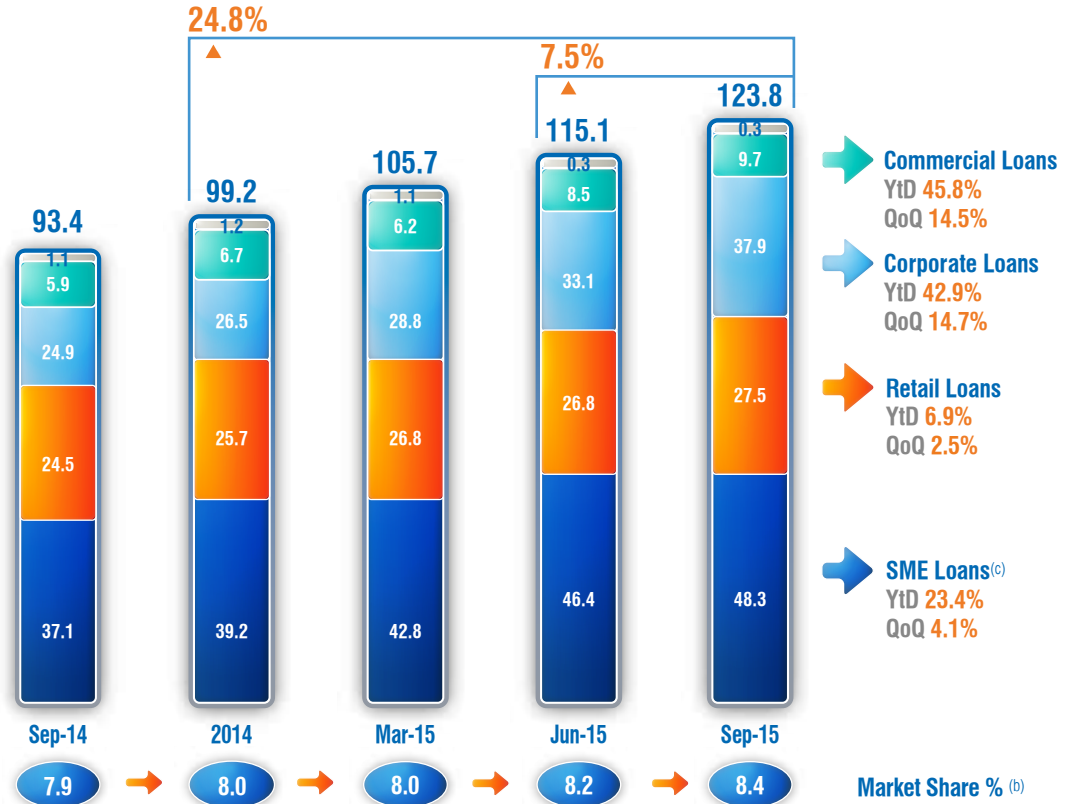
HALKBANK	B. Sector ^(b)
YtD	YtD
24.8%	19.4%
QoQ	QoQ
7.5%	6.0%

TRY Loans

HALKBANK	B. Sector ^(b)
YtD	YtD
17.4%	13.1%
QoQ	QoQ
3.6%	2.5%

FX Loans

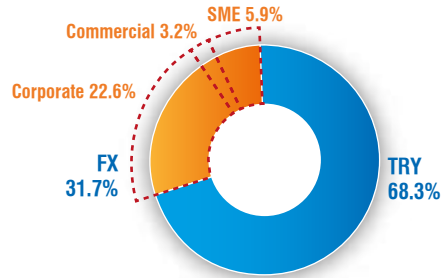
HALKBANK	B. Sector ^(b)
YtD	YtD
44.3%	35.7%
QoQ	QoQ
17.0%	14.2%
in USD terms	
YtD	YtD
10.6%	4.0%
QoQ	QoQ
3.3%	0.9%



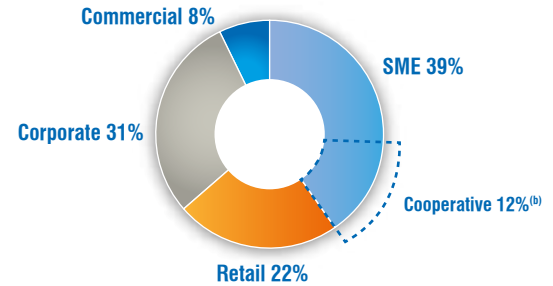
(a) Excluding interest accruals (b) BRSA daily data as of 30.09.2015 (c) According to the BRSA definition

Sectoral diversification across the loan book

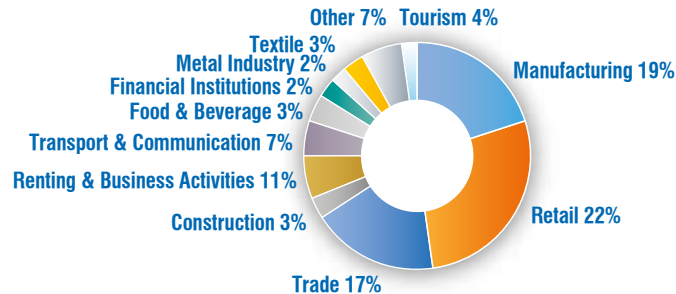
Loans by Currency (%)^(a)



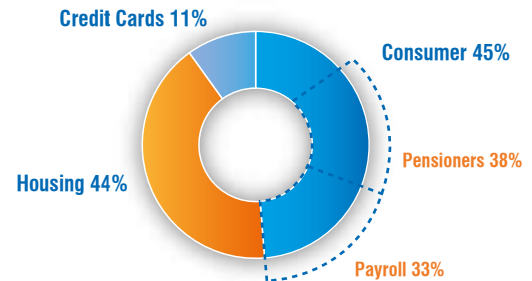
Loans by Customer Segmentation (%)^(a)



Sectoral Breakdown of Loans (%)^(a)



Retail Loans by Types (%)^(a)



(a) Excluding interest accruals (b) Micro SMEs

Retail loan market share preserved at 6.9%

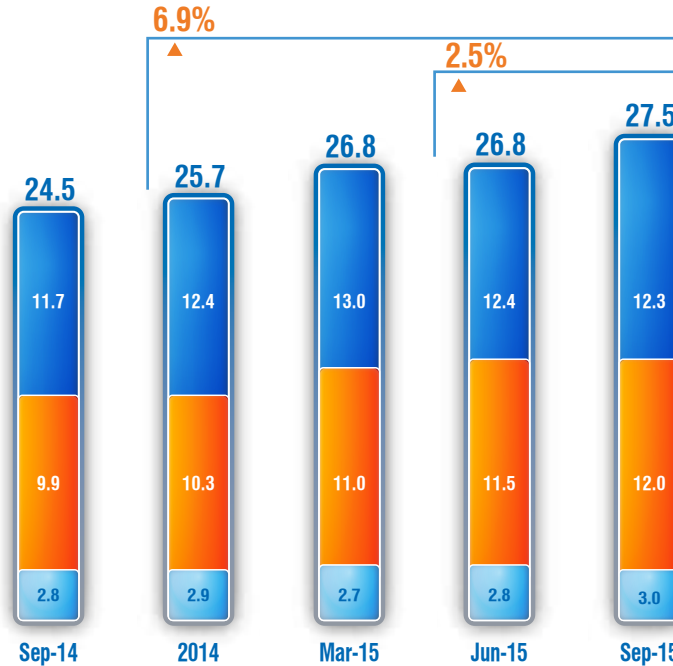
(TRY billion)^(a)

HALKBANK

YtD
6.9%
QoQ
2.5%

B. SECTOR^(b)

YtD
7.5%
QoQ
1.7%



➔ **Consumer Loans**
YtD **-0.5%**
QoQ **-0.4%**
Share in total 44.8%

➔ **Housing Loans**
YtD **15.8%**
QoQ **3.8%**
Share in total 43.6%

➔ **Credit Cards**
YtD **5.5%**
QoQ **8.8%**
Share in total 11.1%

Retail Loans Market Share %

6.8 → 7.0 → 7.1 → 6.9 → 6.9

Consumer Loans Market Share %

8.1 → 8.3 → 8.5 → 8.0 → 7.9

Housing Loans Market Share %

8.3 → 8.2 → 8.4 → 8.3 → 8.5

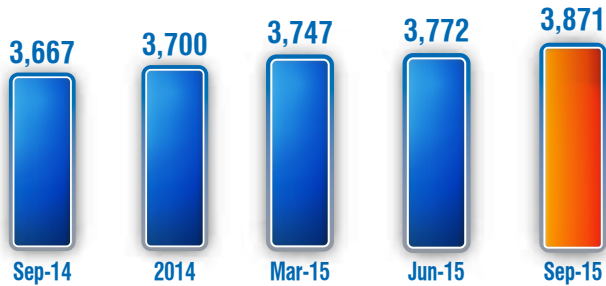
Credit Card Loans Market Share %

3.2 → 3.3 → 3.1 → 3.1 → 3.3

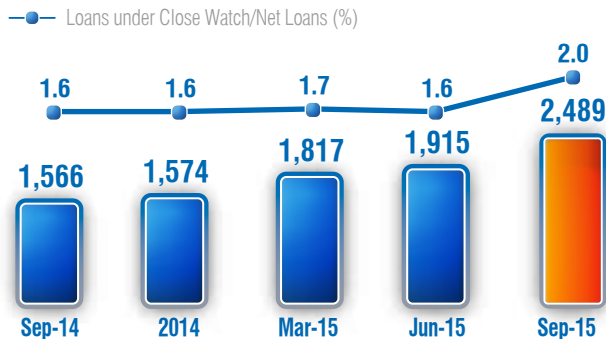
(a) Excluding interest accruals
(b) BRSA weekly data as of 23.09.2015

NPL ratio further improving, now at 3.0%

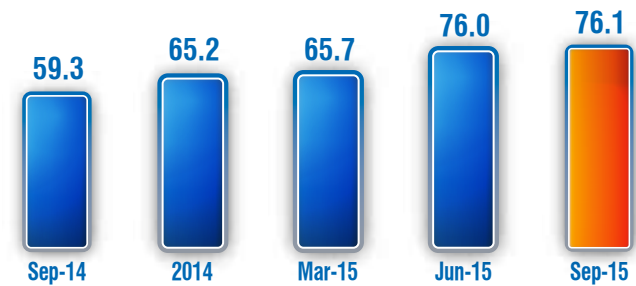
NPL Portfolio (TRY million)



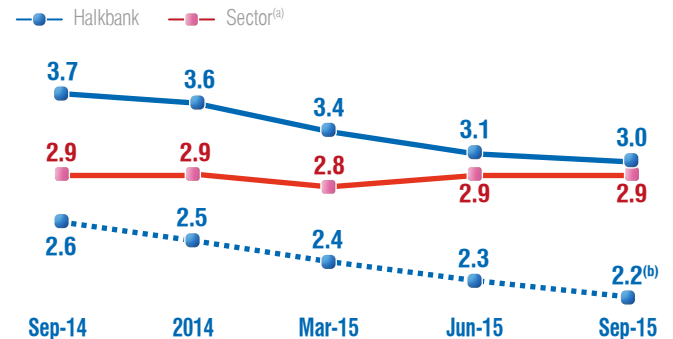
Loans under Close Watch (TRY million)



NPL Coverage (%)



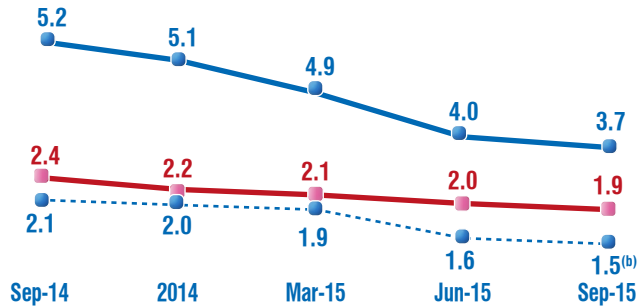
NPL/Total Loans (%)



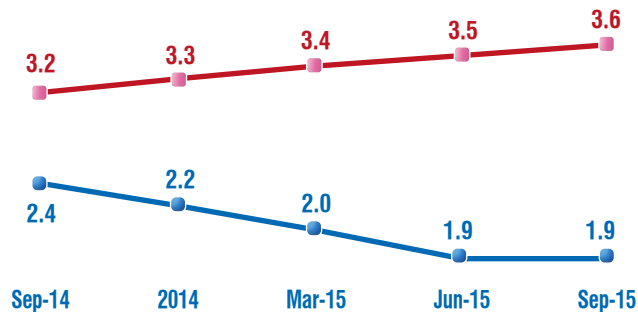
(a) BRSA daily data as of 30.09.2015 (b) Adjusted with one-off big ticket loan.

NPL ratio by segments

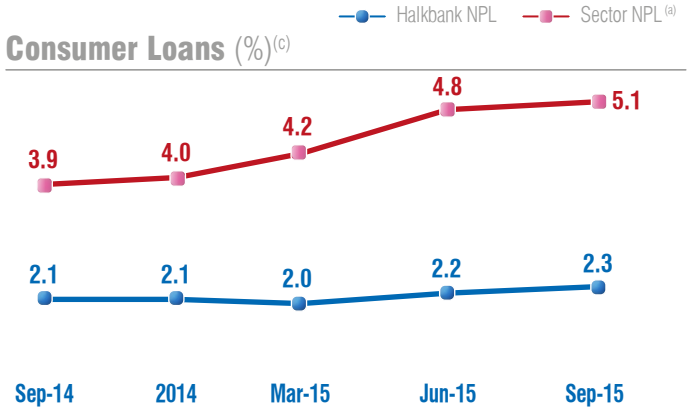
Corporate - Commercial (%)^(a)



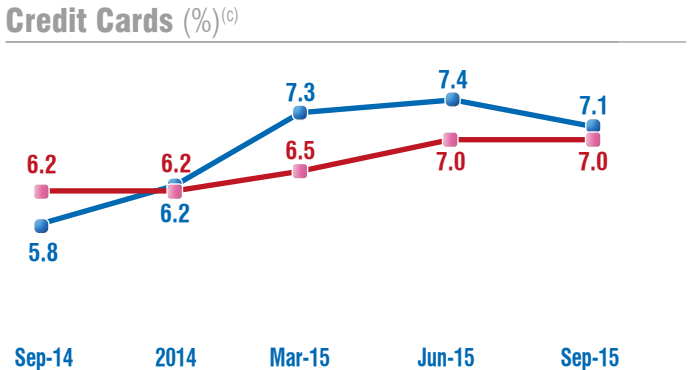
SME Loans (%)^(a)



Consumer Loans (%)^(c)



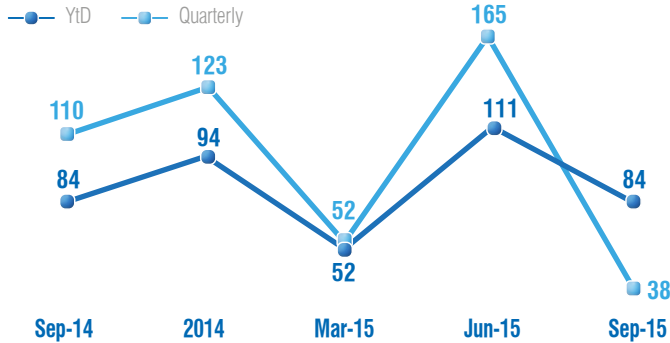
Credit Cards (%)^(c)



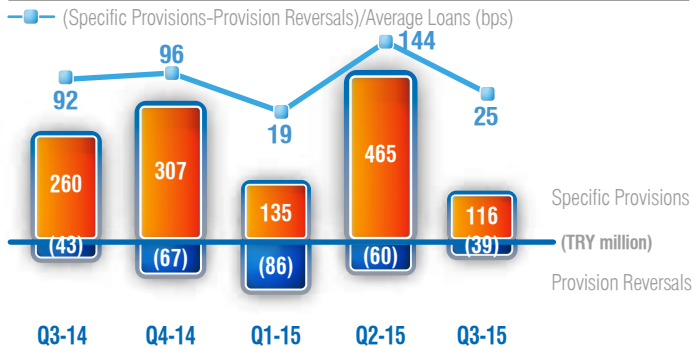
(a) BRSA monthly data as of August 15 ., Halkbank data excluding legacy NPLs (b) Adjusted with one-off big ticket corporate loan. (c) BRSA weekly data as of 23.09.2015

CoR reflecting high asset quality at 84 bps

Cost of Risk (bps)^(a)

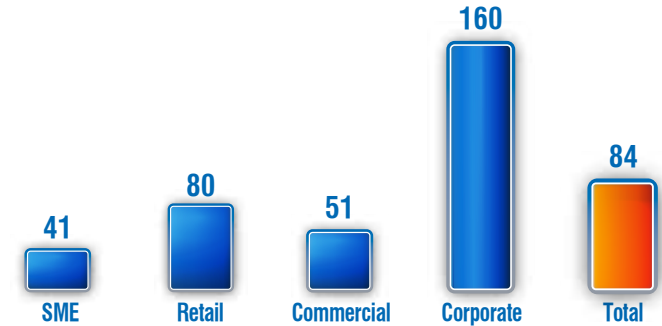


Net Cost of Risk

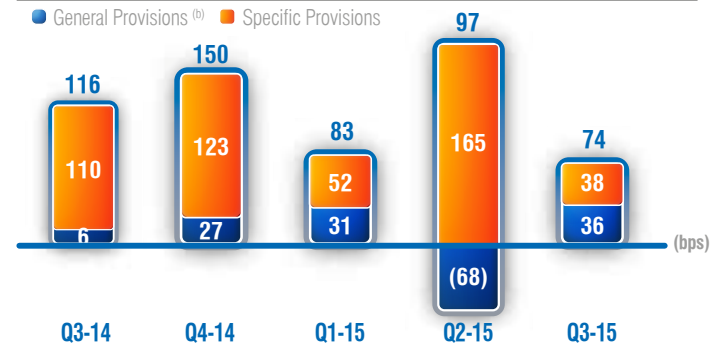


(a) Specific provisions/Average Net Loans (b) General Provisions of Cash Loans/Average Cash Loans

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



Gross Cost of Risk (bps)

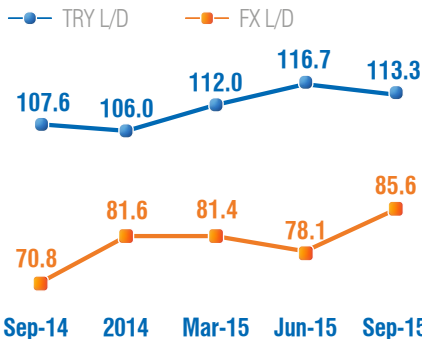
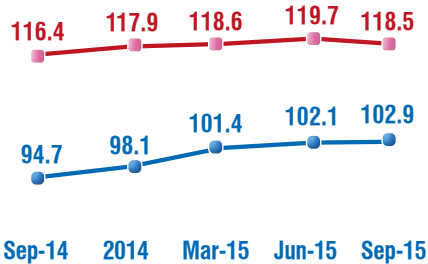


LDR stable and comfortably below sector average at 102.9%

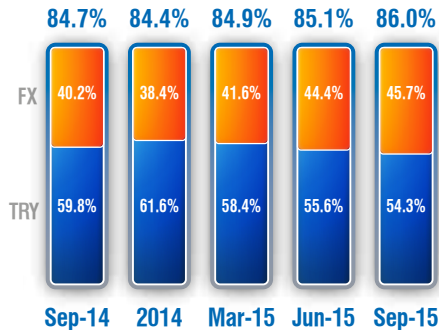
IBL 86.0%^(a)

Loan to Deposit (%)

—●— Halkbank L/D —■— Sector L/D^(b)



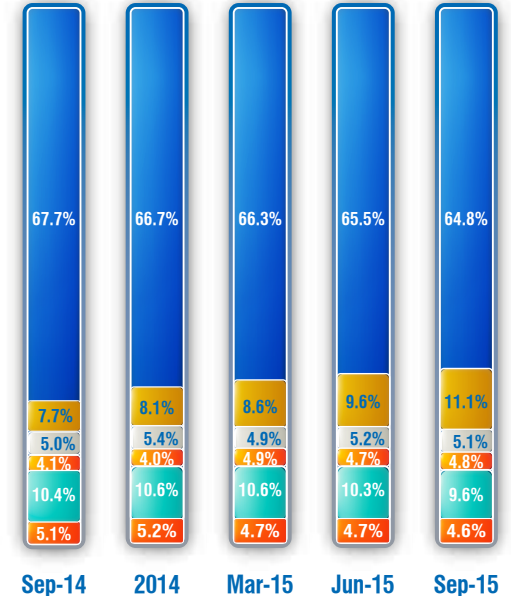
Composition of IBLs^(a)



- > Share of non-deposit short term FX borrowings in Total Liabilities **6.0%**
- > LDR at **102.9%**, by far below sector average.

Liabilities Mix (%)

■ Deposits
■ Funds Borrowed
■ Interbank Money Market
■ Marketable Securities Issued
■ Shareholders' Equity
■ Other Liabilities



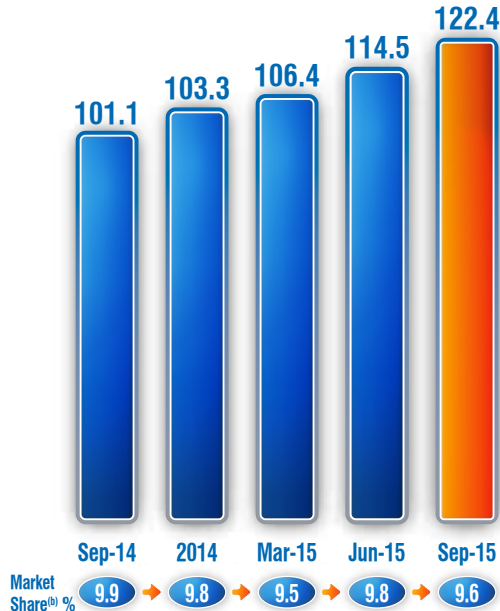
(a) Including interest accruals and excluding funds. Excluding demand deposit, the share of IBL is 76.9% in Sep-15.

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

TRY driven deposit growth continuing 7.0% QoQ

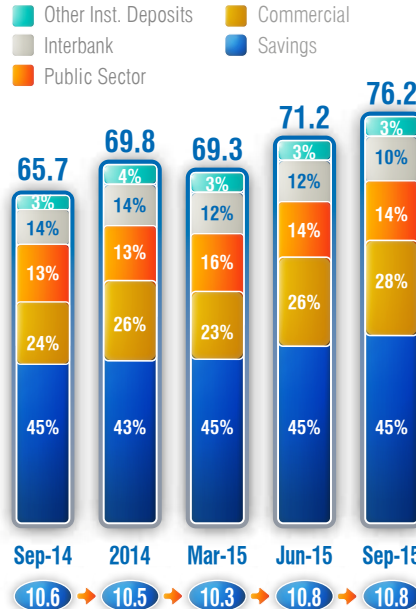
		HALKBANK	B. Sector^(b)
Total Dep.	YtD	18.5%	20.5%
	QoQ	6.9%	8.6%

Total Deposits (TRY billion)^(a)



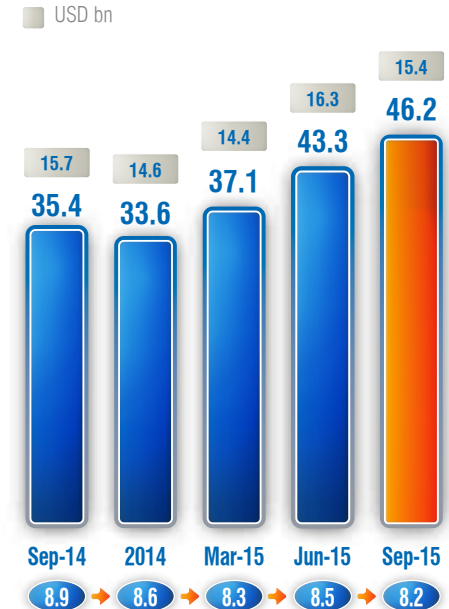
		HALKBANK	B. Sector^(b)
TRY Dep.	YtD	9.2%	5.5%
	QoQ	7.0%	6.2%

TRY Deposits (TRY billion)^(a)



		HALKBANK	B. Sector^(b)
FX Dep.	YtD	37.7%	44.3%
	QoQ	6.8%	11.5%
in USD terms	YtD	5.6%	10.6%
	QoQ	-5.7%	-1.5%

FX Deposits (TRY billion)^(a)

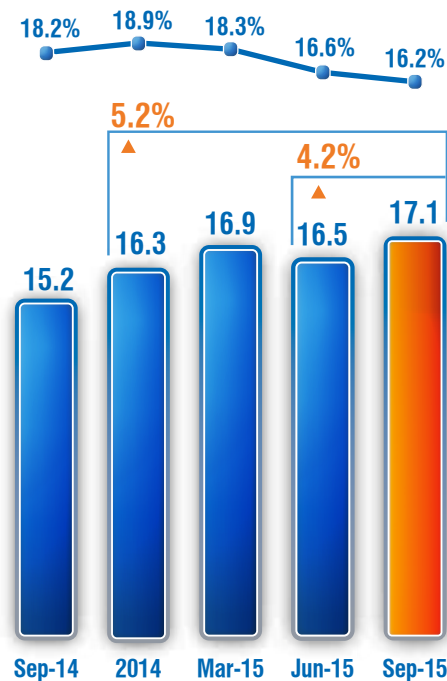


(a) Excluding interest accruals. (b) BRSA daily data as of 30.09.2015

Strengthening TRY funding base

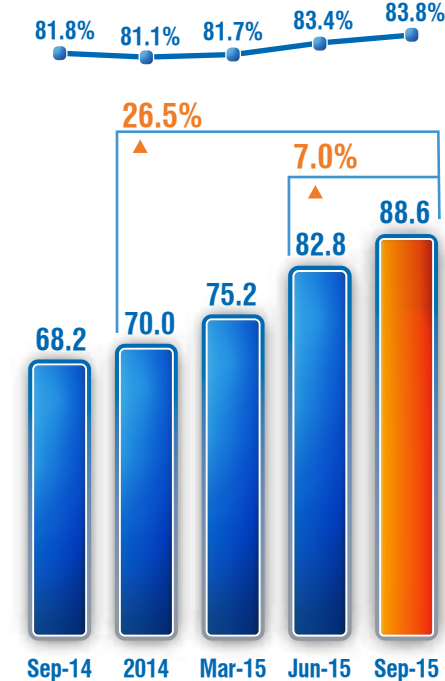
Demand Deposit (TRY billion)^(a)

—●— Demand Deposits/Total Deposits (%)

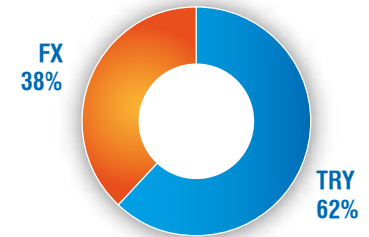


Time Deposits (TRY billion)^(a)

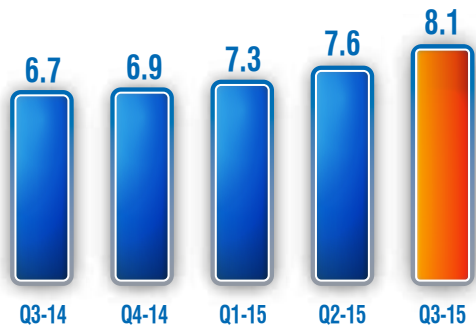
—●— Time Deposits/Total Deposits (%)



Deposits by Currency (%)



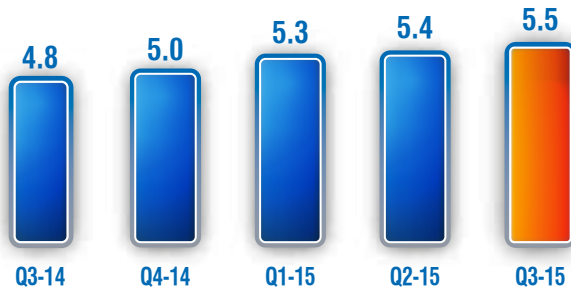
Cost of TRY Deposits (%)^(b)



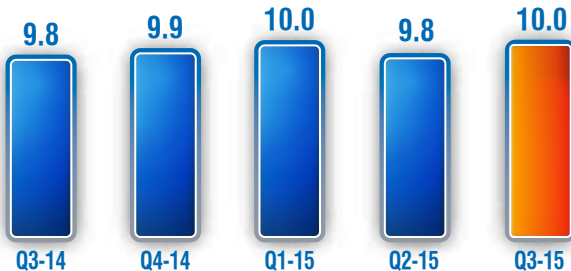
(a) Excluding interest accruals and interbank. (b) Time & Demand Blended.

Cost - Yield - Spread^(a)

Cost of Deposits (%)

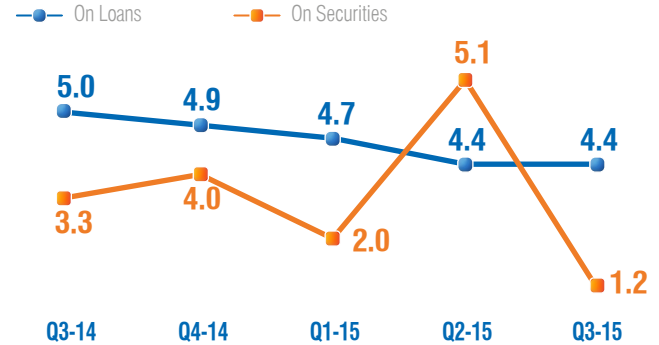


Yield on Loans (%)^(b)

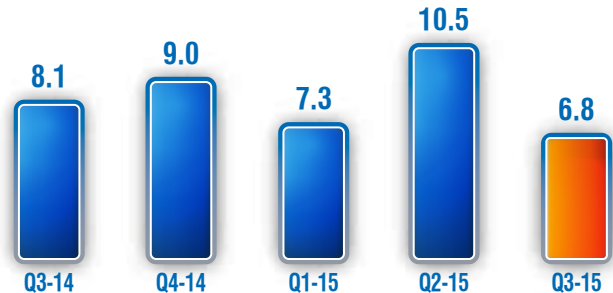


(a) TRY-FX blended (b) Excluding fund loans.

Spreads (%)



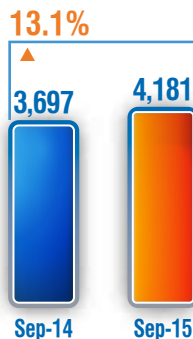
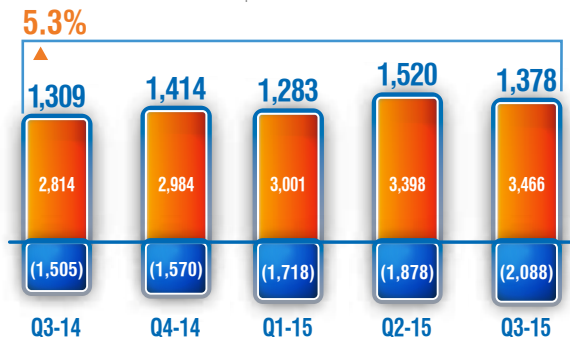
Yield on Securities (%)



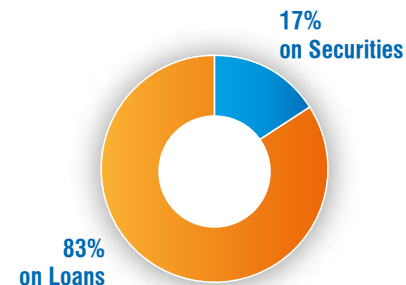
NII up 13.1% YoY

Net Interest Income (TRY million)

Interest Income Interest Expenses

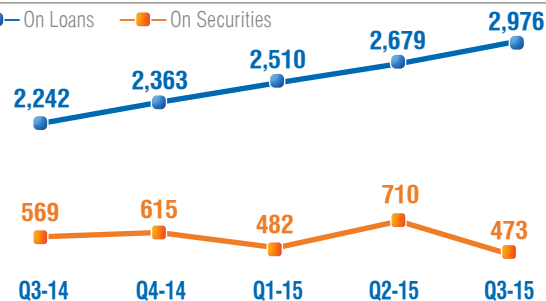


Breakdown of Interest Income (%)



Interest Income (TRY million)

On Loans On Securities



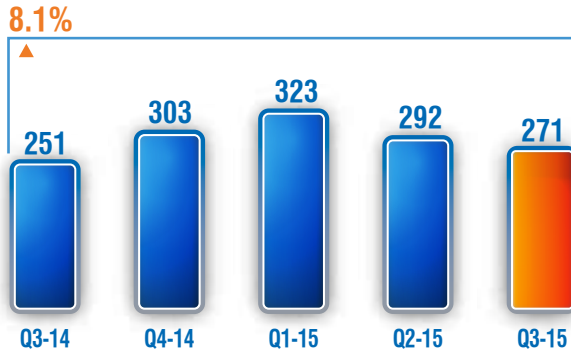
NIM (%)

YtD Quarterly

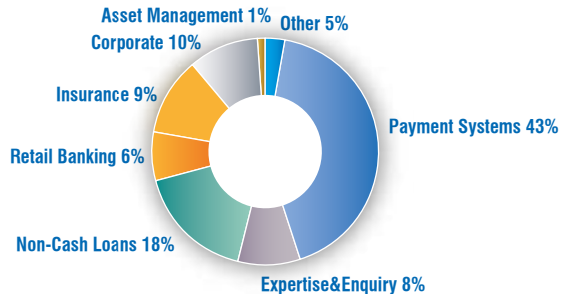


Strong growth in net fees&commissions income growth 23.1% YoY

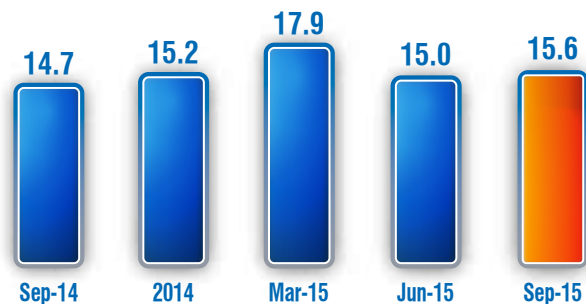
Net Fees & Commissions Income (TRY million)



Breakdown of Fees & Commissions (%)

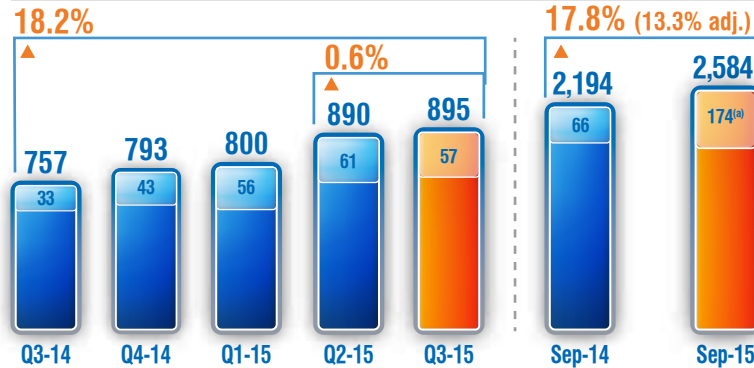


Net Fees & Commissions / Operating Revenues (%)

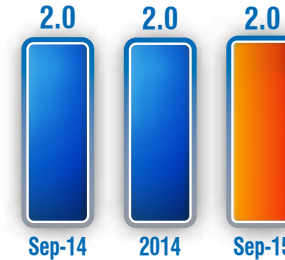


OpEx/average assets stable at 2% despite burden of rebates

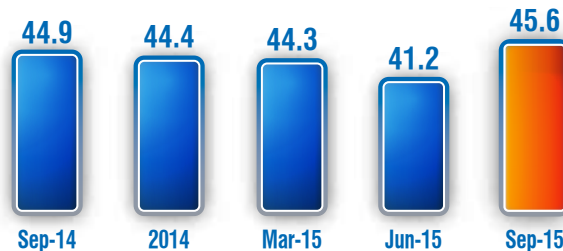
Operating Expenses (TRY million)



Operating Expenses / Average Assets (%)

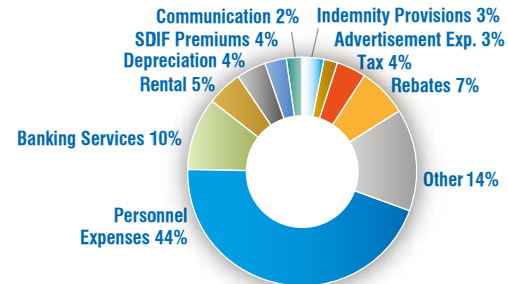


Cost/Income (%)



(a) Excluding rebates in commissions

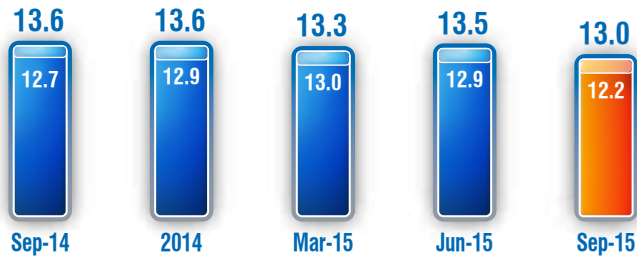
Breakdown of Operating Expenses (%)



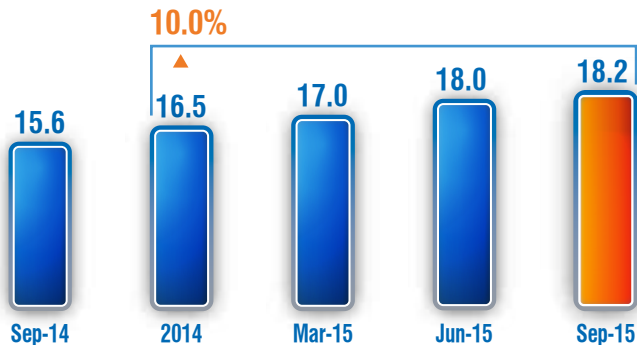
Solvency Ratios

CAR (%)

■ Tier-1 ■ CAR



SHE (TRY billion)



Details on Capital Ratio

(TRY mn)	Basel III Sep-15
Credit Risk Base Amount (CRBA)	132,421
Market Risk Base Amount (MRBA)	4,804
Operational Risk Base Amount (ORBA)	10,978
Total Risk Weighted Assets (RWAs)	148,203
Shareholders' Equity	19,245
CAR (%)	13.0
Tier-I (%)	12.2
Common Equity Tier-I (%)	12.2

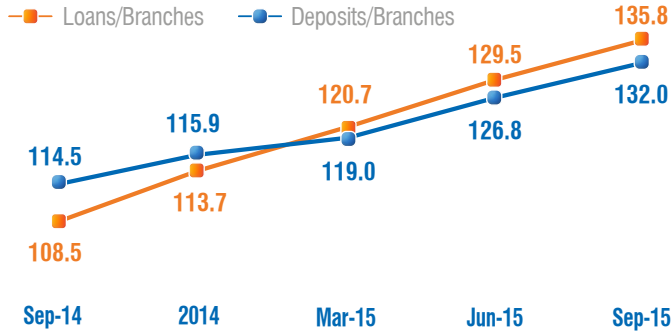
BRSA has launched a new set of regulatory changes on:

- measuring capital adequacy ratios
- shareholders' equity of the banks
- internal systems and assessment process of internal capital adequacy

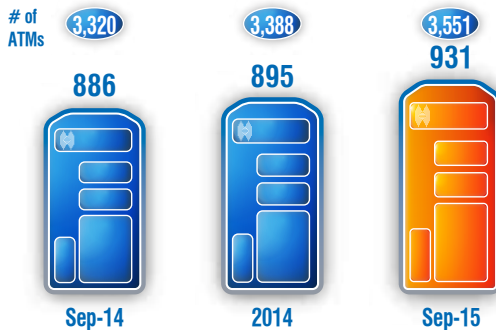
The draft regulation on systemically important banks was already made public.

Branch Network - Human Resources

Loans and Deposits per Branches

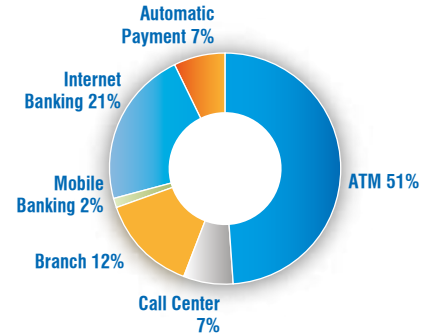


Branches^(a)

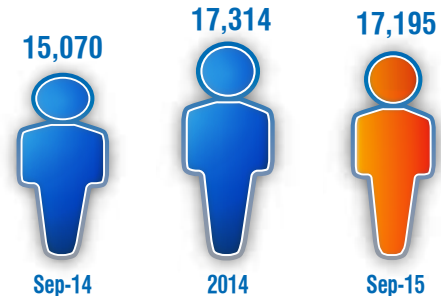


(a) Including domestic branches and special transaction centers.

Utilization of Banking Distribution Channels (%)



Headcount



Balance Sheet

In TRY million	Sep-14	2014	Jun-15	Sep-15	QoQ Change%	YtD Change%	YoY Change%
Cash and Balances Held with the Central Bank ^(a)	19,253	20,276	21,515	23,506	9.3	15.9	22.1
Banks & Money Market ^(b)	1,457	1,284	2,468	4,591	86.0	257.6	215.1
Securities ^(b)	27,728	26,844	27,331	27,900	2.1	3.9	0.6
Net Loans ^(b)	96,111	101,767	117,460	126,450	7.7	24.3	31.6
Gross NPL	3,667	3,700	3,772	3,871	2.6	4.6	5.6
NPL Net	1,493	1,286	903	926	2.5	(28.0)	(38.0)
Property and Equipment	1,177	1,239	2,297	2,333	1.6	88.3	98.2
Other Assets	4,082	4,013	4,536	4,907	8.2	22.3	20.2
Total Assets	149,809	155,423	175,608	189,686	8.0	22.0	26.6
Deposits ^(b)	101,462	103,708	114,989	122,903	6.9	18.5	21.1
Funds Borrowed ^(b)	11,495	12,630	16,836	21,076	25.2	66.9	83.4
Interbank Money Market ^(b)	7,550	8,413	9,208	9,768	6.1	16.1	29.4
Marketable Securities Issued	6,087	6,172	8,238	9,107	10.5	47.6	49.6
Funds	1,579	1,769	1,790	1,880	5.0	6.3	19.1
Other Liabilities	4,067	4,078	4,442	4,608	3.7	13.0	13.3
Provisions	1,920	2,117	2,099	2,152	2.5	1.7	12.1
Shareholders' Equity	15,648	16,536	18,005	18,192	1.0	10.0	16.3
Total Liabilities	149,809	155,423	175,608	189,686	8.0	22.0	26.6

(a) Reserve deposits monitored in balance with Central Bank

(b) Including interest accruals

Income Statement

In TRY million	Sep-14	Sep-15	YoY Change%	Q3-14	Q1-15	Q2-15	Q3-15	QoQ Change%	YoY Change%
Interest Income	8,467	9,865	16.5	2,814	3,001	3,398	3,466	2.0	23.2
On Loans	6,418	8,166	27.2	2,242	2,510	2,679	2,976	11.1	32.7
On Securities	2,037	1,665	(18.3)	569	482	710	473	(33.3)	(16.8)
Interest Expense	4,770	5,684	19.2	1,505	1,718	1,878	2,088	11.2	38.7
On Deposits	3,916	4,555	16.3	1,191	1,394	1,501	1,659	10.5	39.3
Net Interest Income	3,697	4,181	13.1	1,309	1,283	1,520	1,378	(9.3)	5.3
Net Fees and Commissions	720	886	23.1	251	323	292	271	(7.1)	8.1
Net Trading Income	41	(171)	-	26	20	(48)	(143)	-	-
Other Operating Income	432	769	77.9	198	178	528	63	(88.1)	(68.4)
Reversal of Loan Loss Provisions	206	185	(10.2)	43	86	60	39	(34.6)	(8.9)
Total Operating Revenues	4,890	5,666	15.9	1,783	1,805	2,292	1,569	(31.6)	(12.0)
Operating Expenses	2,194	2,584	17.8	757	800	890	895	0.6	18.2
Net Operating Income	2,696	3,082	14.3	1,026	1,005	1,403	674	(52.0)	(34.2)
Provision for Loan Losses and Other Receivables	684	1,214	77.3	300	255	838	121	(85.6)	(59.9)
Loan Loss Provisions for Cash Loans	569	717	25.9	260	135	465	116	(75.0)	(55.3)
Profit/(Losses) from Associates	146	189	29.2	-	-	189	-	-	-
Income Before Taxes	2,158	2,057	(4.7)	726	750	753	553	(26.6)	(23.8)
Provision for Tax	393	389	(1.1)	124	167	108	115	7.1	(7.2)
Net Income	1,764	1,667	(5.5)	601	584	646	438	(32.2)	(27.2)

Halkbank 2015 Expectations

Growth Expectations (%)

	2015	2015 Revised
Assets	13-15	22-23
Loans	16-18	26-28
TRY	16-18	18-20
FX	14-16	14-15
Corporate	~14	33-35
SME	16-18	38-40
Retail	18-20	8-10
Deposits	13-15	18-20
NII	13-15	~13
Net Fee and Com. Inc.	~10	16-18
OpEx	11-13	16-18(*)
Branch Openings (#)	40-50	40-50

Key Ratios (%)

	2015	2015 Revised
RoE	20-22	13-15
RoA	2.4-2.6	~1.5
Securities / Total Assets	~16	~14
Loan / Deposit	<100	~100
NIM	4.2-4.4	4.0-4.2
OpEx / Av. Assets	<2	~2
Cost / Income	35-37	~45
Cost of Risk (bps)	70-80	70-80
NPL	3.2-3.4	~3.0
Coverage Ratio	70-80	70-80
CAR	~16	~14

Macro Expectations (%)

	2015	2015 Revised
GDP Growth	~4	~3
Headline CPI	~6	~8
CAD / GDP	<5	~5.2
Budget Deficit / GDP	<2	~1.3
Public Debt / GDP	~33	~34

(*) Including rebates from commissions

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