

H1 2017 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

H1 2017 Highlights

Solid Financial Results



Net Income Growth
42%

&

RoE
20%

&

YoY NIM
+29 bps

&

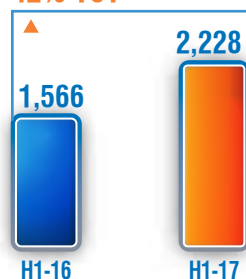
CoR^(a)
70 bps

&

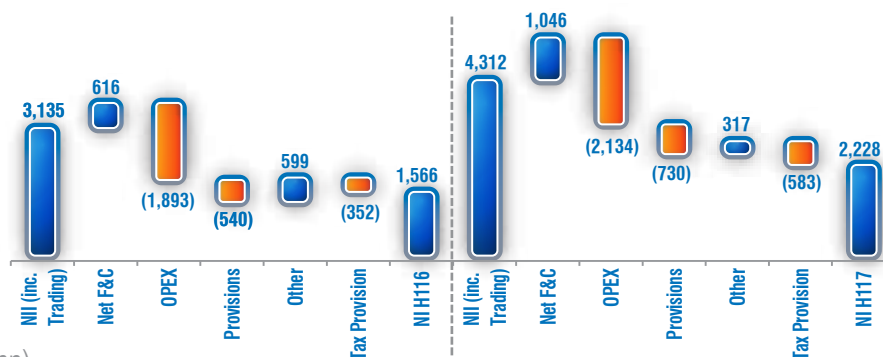
C/I
38%

Reported Net Income (TRY mn)

42% YoY



Earnings Walk H1-16 / H1-17 (TRY mn)



Non-Recurring P&L Items in Detail (TRY mn)

	Q1-15	Q2-15	Q3-15	Q4-15	2015	Q1-16	Q2-16	Q3-16	Q4-16	2016	Q1-17	Q2-17
Provision Reversal	48	430	110	39	627	124	-	-	-	124	-	-
Gains on Visa Sale	-	-	-	-	-	-	100	-	-	100	-	-
Additional Provision	-	(622)	-	-	(622)	-	-	(445)	(437)	(882)	-	-
Fee Rebates	(56)	(61)	(57)	(41)	(214)	(39)	(27)	(15)	(9)	(89)	(6)	(6)
Total Impact	(8)	(253)	53	(2)	(210)	85	73	(460)	(446)	(748)	(6)	(6)

(a) Gross and Specific Loan Loss Provisions

H1 2017 Highlights

Main Pillars of Net Income Growth

1 Strong Topline

YoY NII Growth **+36%**

YoY NIM **+29 bps**



Budget-17

NII **+17% YoY**
NIM **Flat**

2 Fees & Commissions Generation Capacity

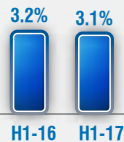
As of H1-17
+70% YoY



Sector*
+20% YoY

3 Sustained Asset Quality, Low CoR

NPL



CoR **70 bps**



Sector* **112 bps**

4 Controlled OPEX Growth

OPEX / Avg Assets
1.7%



Budget **2.0%**

Cost / Income
37.7%
in line with the sector

5 Collection Performance

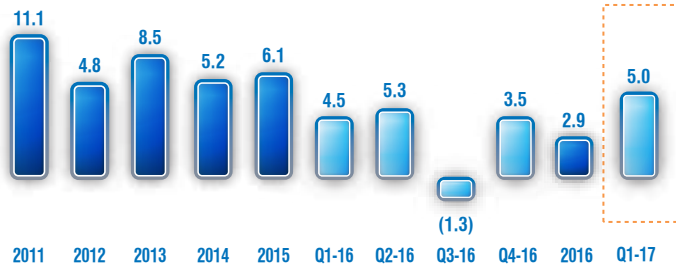
Reversal from LLP
TRY 170 million

*as of Jun-17

Macro & Banking Sector Snapshot

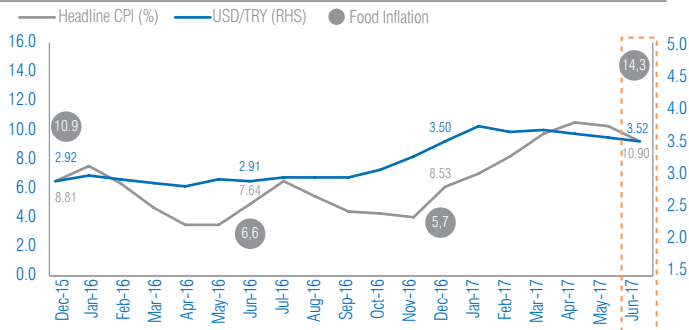
Domestic Macro Environment

Real GDP Growth (%)



Turkish GDP came in at 5.0% in Q1-17, beating expectations as domestic demand and net export have driven the economic growth.

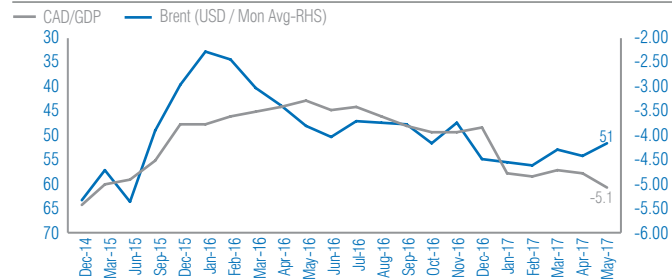
Inflation (%)



Having peaked in Apr-17, Headline CPI retreated to 10.9 in Jun-17

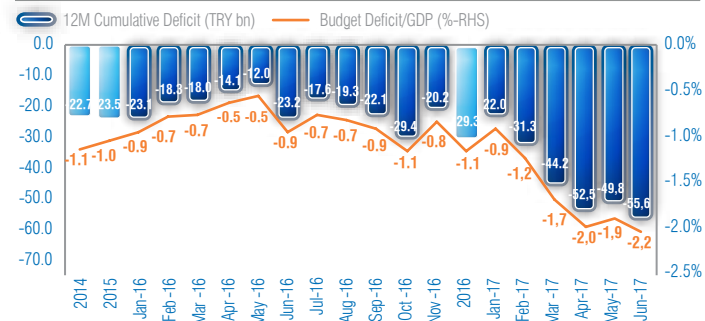
Source: Turkish statistical institute, CBRT, Gen. directorate of budget & fiscal control

CAD / GDP (%)



Current account deficit is closely correlated to external factors such as global energy prices. CAD / GDP is expected to end 2017 at ~4.2% level. Full year GDP of 2017 is calculated based on Q1-17 GDP data.

Budget

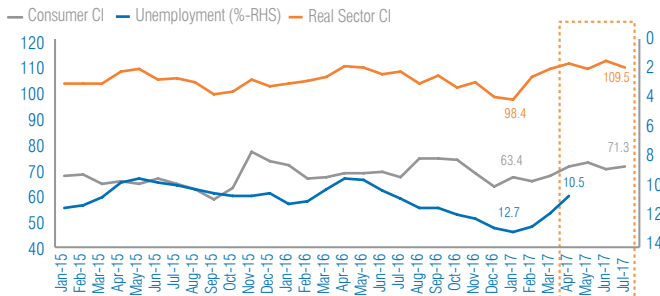


12m budget deficit posted TRY 56 bn in Jun-17, Deficit / GDP ratio at 1.9%. Full year GDP of 2017 is calculated based on Q1-17 GDP data

Macro & Banking Sector Snapshot

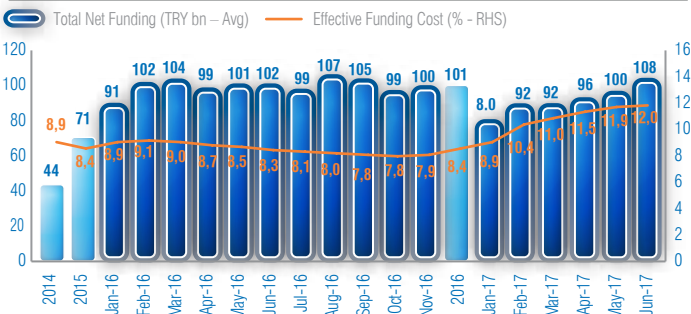
Domestic Macro Environment

Unemployment & Confidence Indexes



Unemployment rate down to 10.5% as of Apr-17, as implicated by the confidence indexes.

CBRT Funding (%)

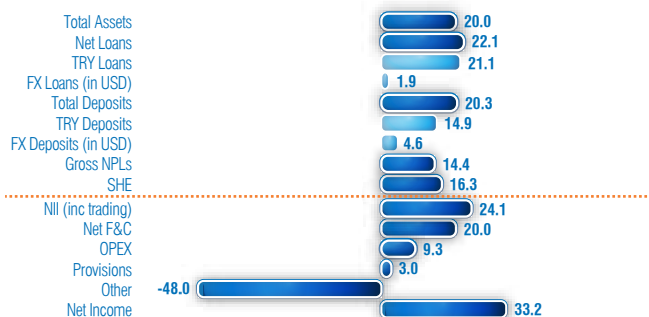


Effective funding cost of CBRT has increased significantly following changes in the funding composition as well as rate hikes

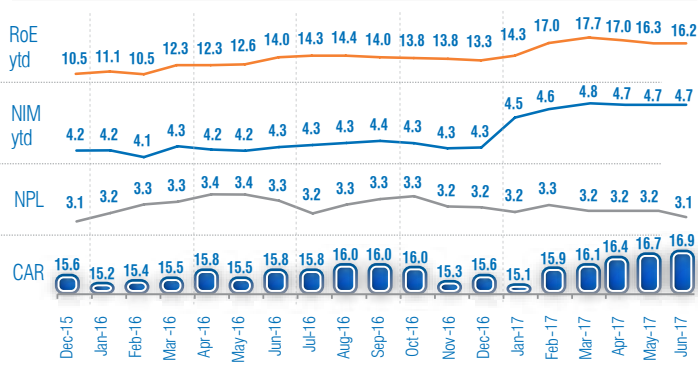
Source: Turkish statistical institute, CBRT, BRSa

Turkish Banking Sector

H1-17 vs H1-16 Terms of Selected Items (%)

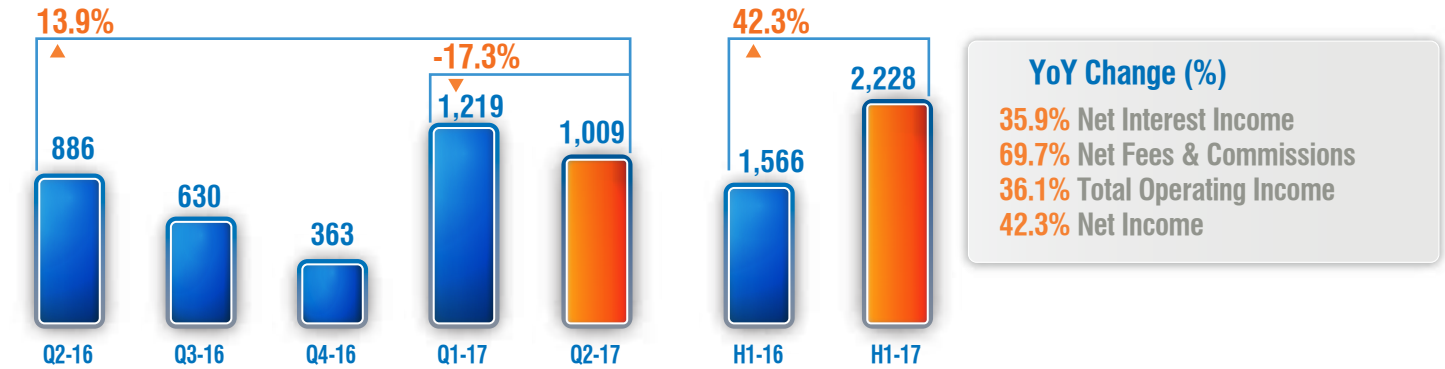


Selected Ratios (%)

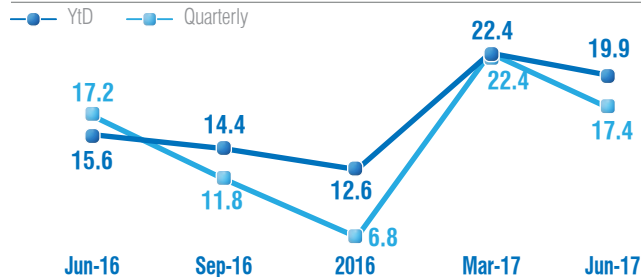


Strong trend in profitability persisted

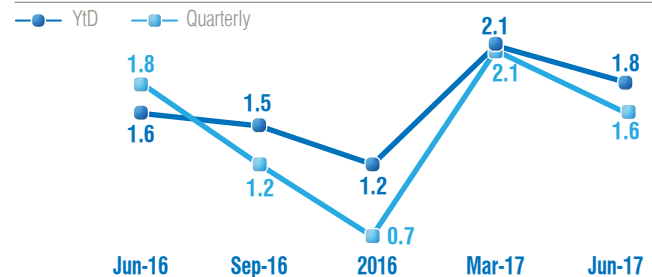
Net Income (TRY million)



RoE (%)



RoA (%)

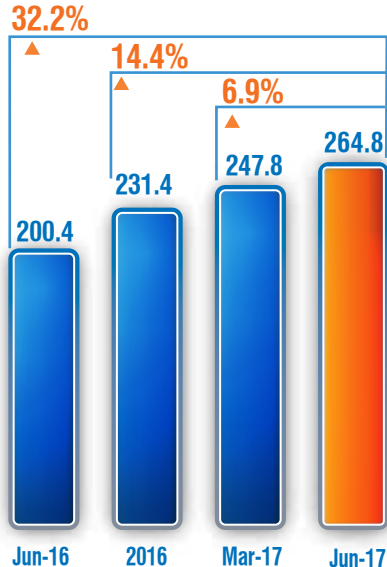


Vigorous volume growth

Asset Growth

YoY **32.2%** QoQ **6.9%**

Total Asset Growth (TRY billion)

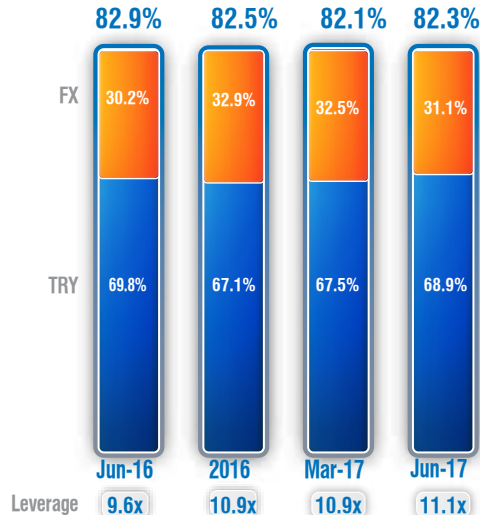


(a) Including Interest accruals and excluding fund loans

IEA

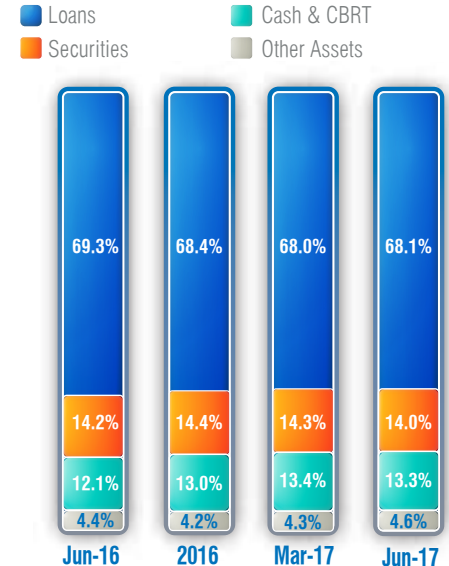
82.3%

Composition of IEAs^(a)



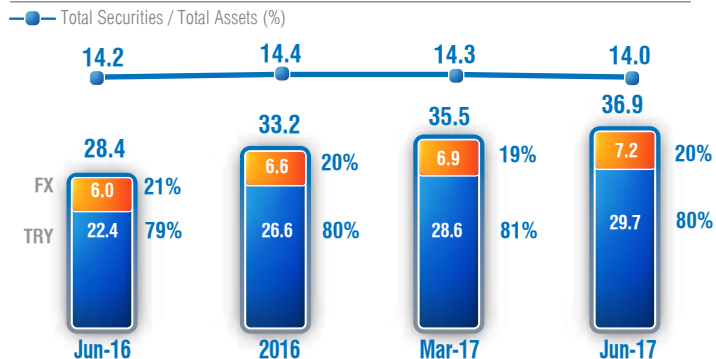
Securities Portion **14.0%**

Asset Mix (%)

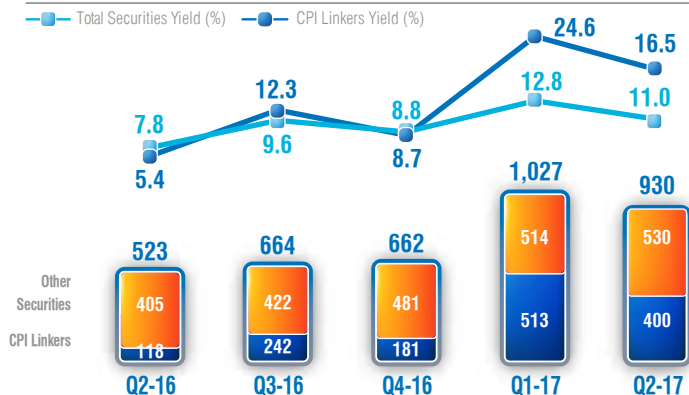


Solid contribution from CPI Linkers

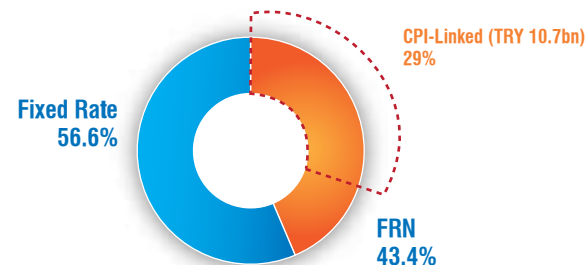
Total Securities Portfolio (TRY billion)



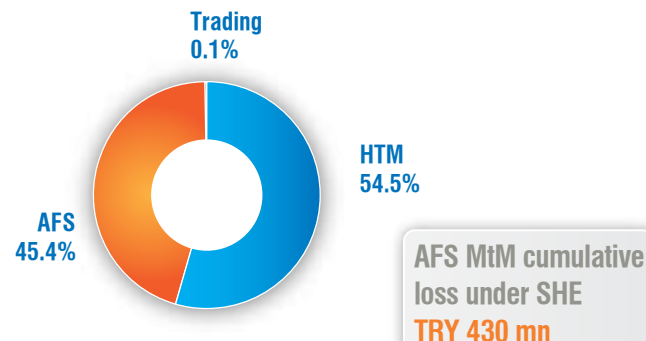
Interest Income on Securities (TRY million)



Interest Structure (%)



Securities Composition (%)



Robust loan growth, enjoying guarantee facility

(TRY billion)^(a)

Total Loans

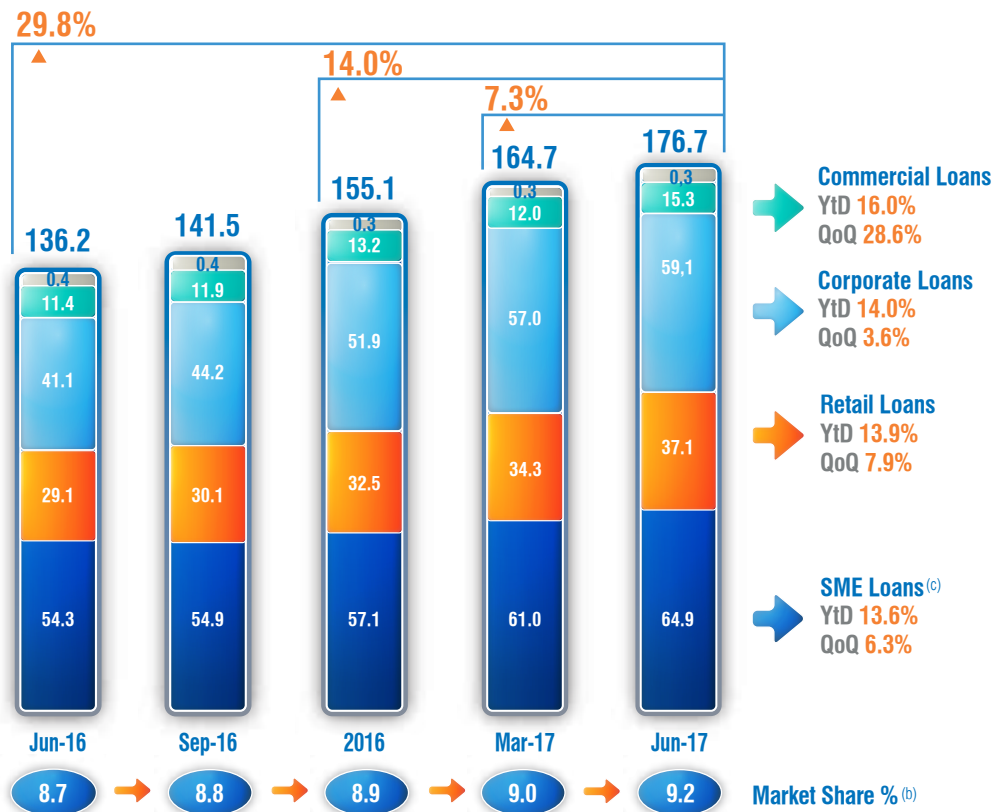
HALKBANK	B. Sector ^(b)
YtD	YtD
14.0%	10.7%
QoQ	QoQ
7.3%	4.9%

TRY Loans

HALKBANK	B. Sector ^(b)
YtD	YtD
18.6%	15.3%
QoQ	QoQ
10.9%	7.4%

FX Loans

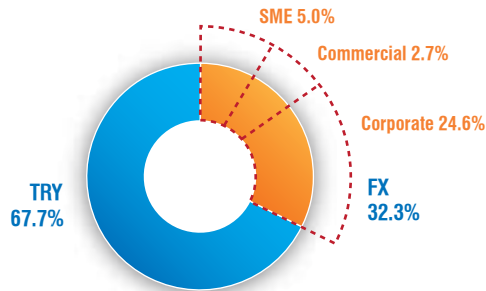
HALKBANK	B. Sector ^(b)
YtD	YtD
5.3%	2.0%
QoQ	QoQ
0.4%	-0.2%
in USD terms	
YtD	YtD
5.0%	1.7%
QoQ	QoQ
3.6%	2.9%



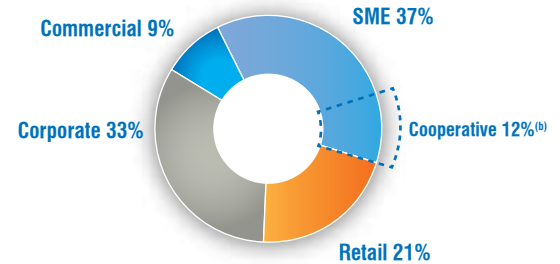
(a) Excluding interest accruals (b) BRSA monthly data as of 30.06.2017 (c) According to the BRSA definition

SME focused, TRY heavy loan book

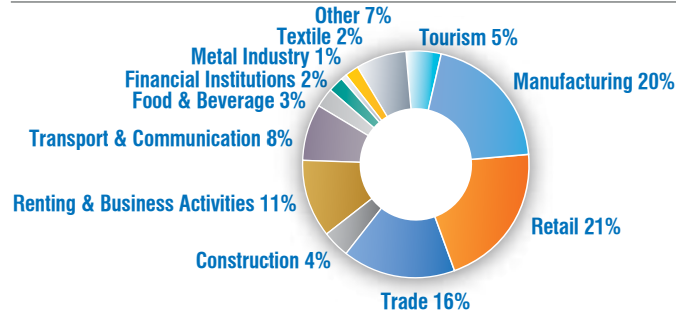
Loans by Currency (%)^(a)



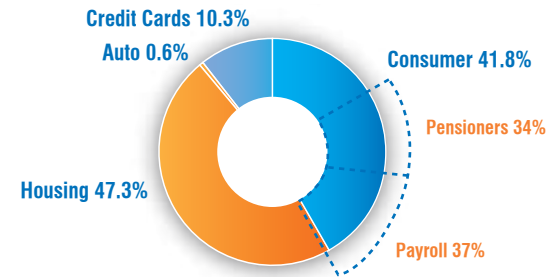
Loans by Customer Segmentation (%)^(a)



Sectoral Breakdown of Loans (%)^(a)



Retail Loans by Types (%)^(a)



(a) Excluding interest accruals (b) Micro SMEs

Retail strategy yielded into further market share

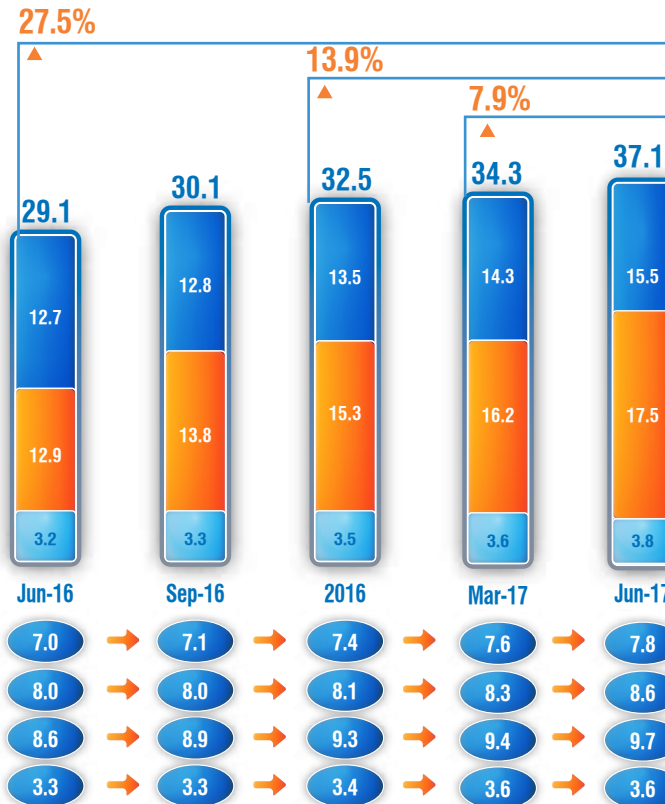
(TRY billion)^(a)

HALKBANK

YtD
13.9%
QoQ
7.9%

B. Sector^(b)

YtD
7.4%
QoQ
3.9%



Consumer Loans

YtD **14.4%**

QoQ **8.3%**

Share in total 41.8%



Housing Loans

YtD **14.8%**

QoQ **8.3%**

Share in total 47.3%



Credit Cards

YtD **8.0%**

QoQ **4.5%**

Share in total 10.3%

Retail Loans Market Share %

Consumer Loans Market Share %

Housing Loans Market Share %

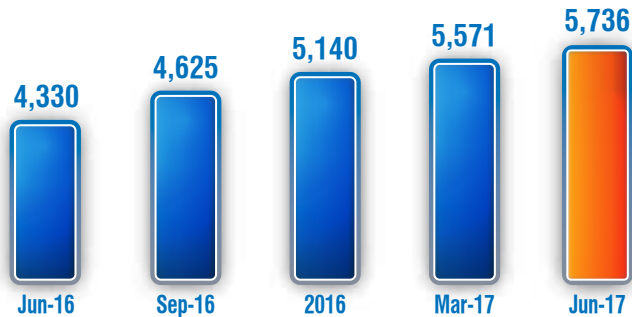
Credit Card Loans Market Share %

(a) Excluding interest accruals

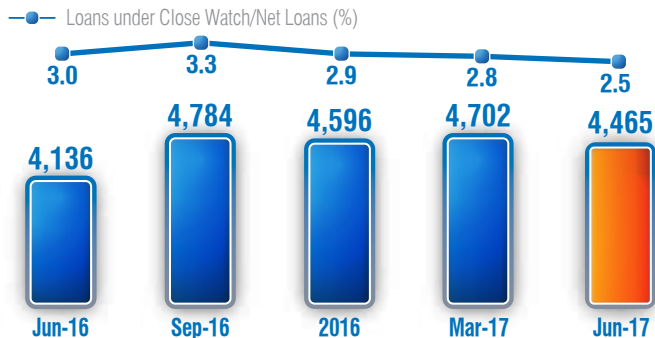
(b) BRSB monthly data as of 30.06.2017

Both NPL and Group II loans ratios improving

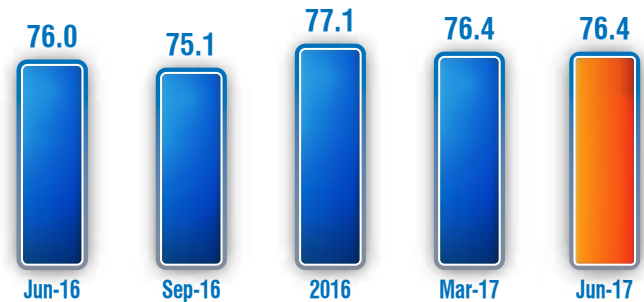
NPL Portfolio (TRY million)



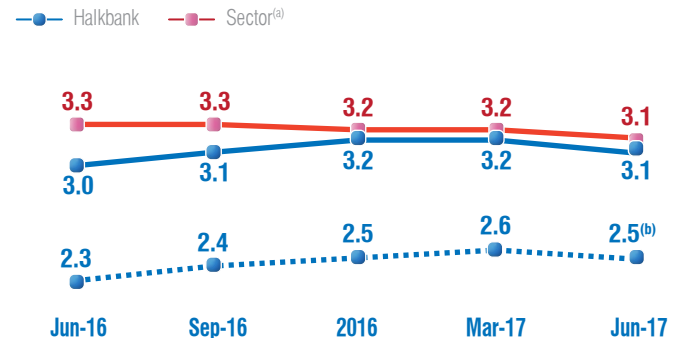
Loans under Close Watch (TRY million)



NPL Coverage (%)



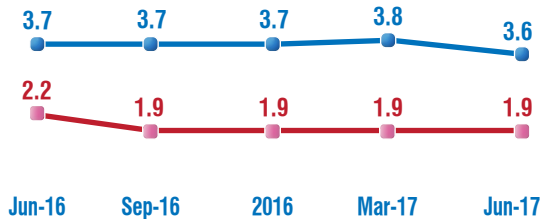
NPL/Total Loans (%)



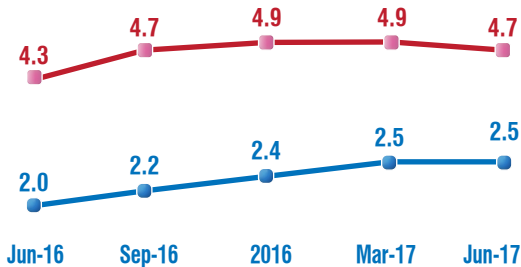
(a) BRSA monthly data as of 30.06.2017 (b) Adjusted with one-off big ticket loan.

NPL ratio by segments

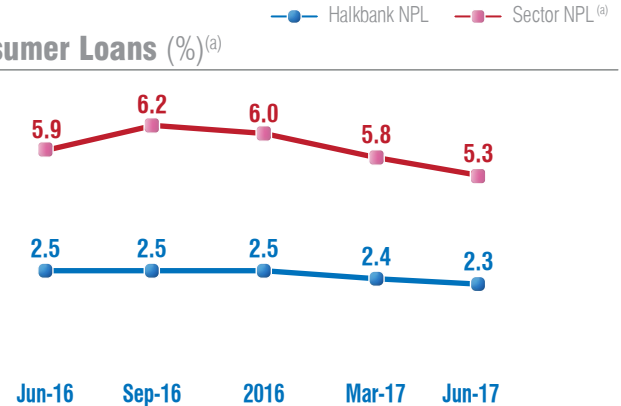
Corporate - Commercial (%)^(a)



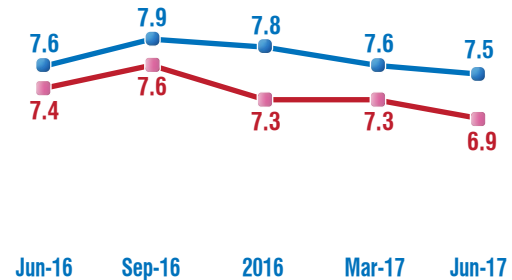
SME Loans (%)^(a)



Consumer Loans (%)^(a)



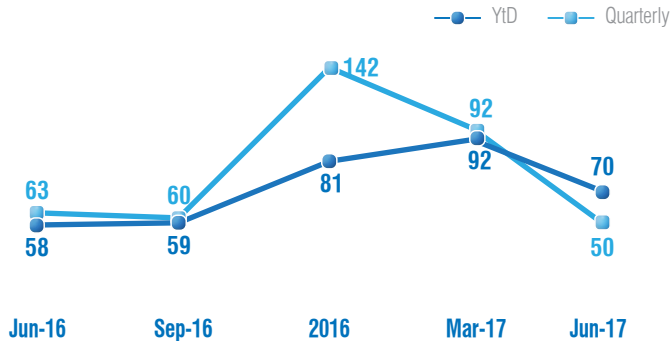
Credit Cards (%)^(a)



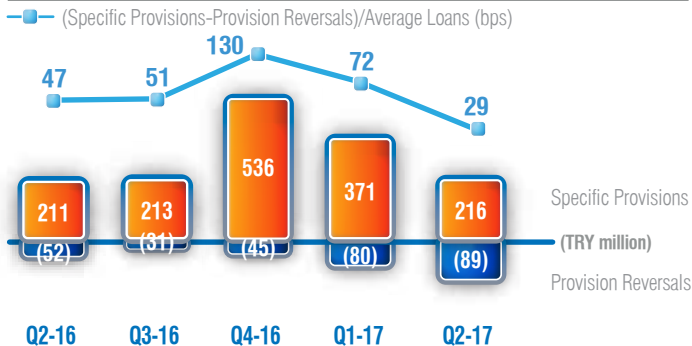
(a) BRSA monthly data as of 30.06.2017 as of Halkbank data excluding legacy NPLs

Superior CoR

Cost of Risk (bps)^(a)

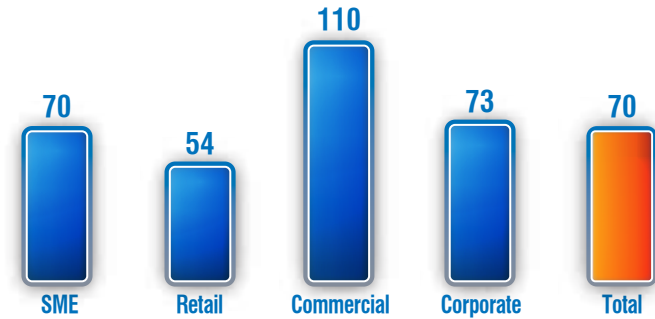


Net Cost of Risk

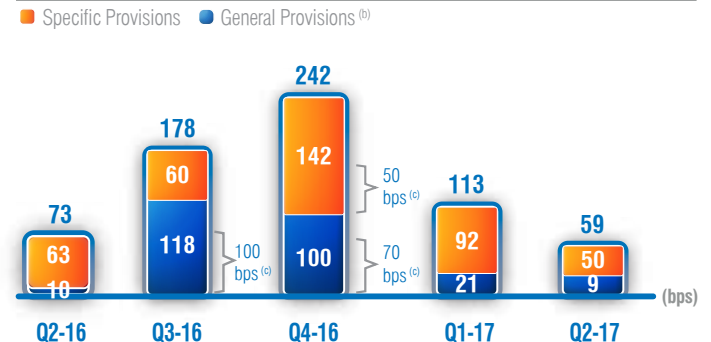


(a) Specific provisions/Average Net Loans (b) General Provisions of Cash Loans/Average Cash Loans (c) Additional Provisions

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



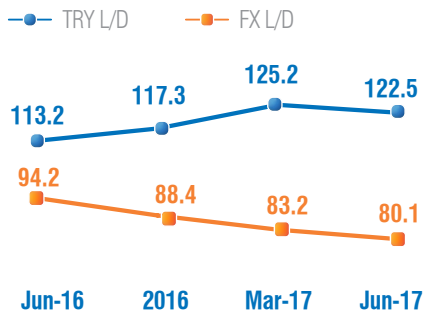
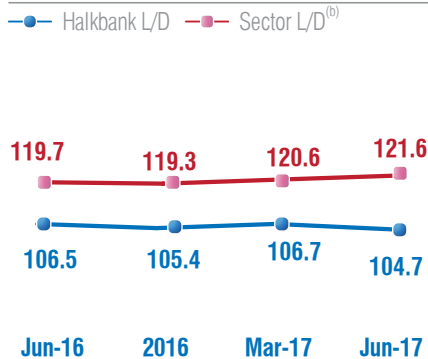
Gross Cost of Risk (bps)



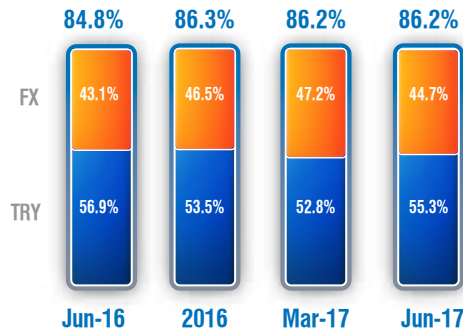
Enhanced LDR reflecting liquidity

IBL 86.2%^(a)

Loan to Deposit (%)

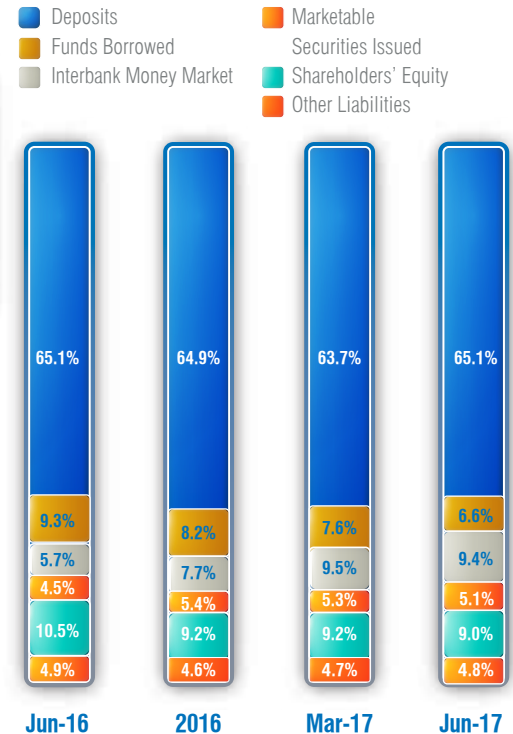


Composition of IBLs^(a)



> Share of non-deposit short term FX borrowings in Total Liabilities ~4%

Liabilities Mix (%)



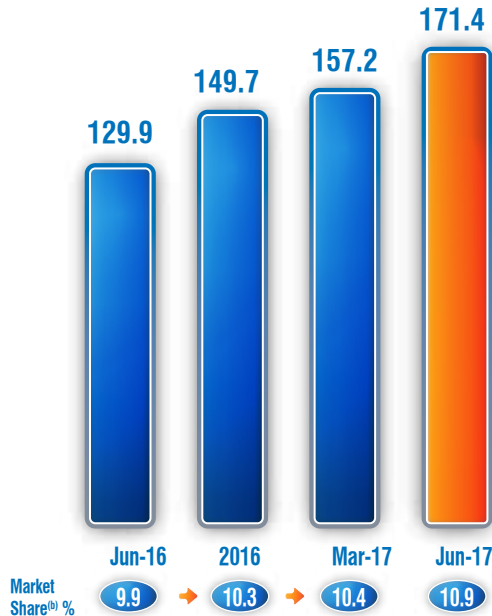
(a) Including interest accruals and excluding funds. Excluding demand deposit, the share of IBL is 77.0% in Jun-17.

(b) BRSA monthly data as Jun-17.

Deposit volume growing

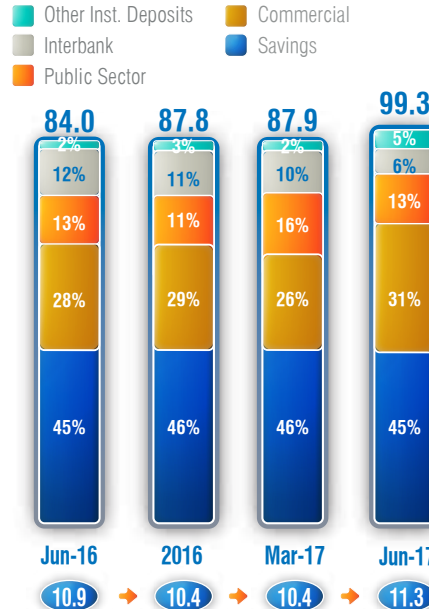
	HALKBANK	B. Sector^(b)
YtD	14.5%	8.6%
QoQ	9.0%	4.0%

Total Deposits (TRY billion)^(a)



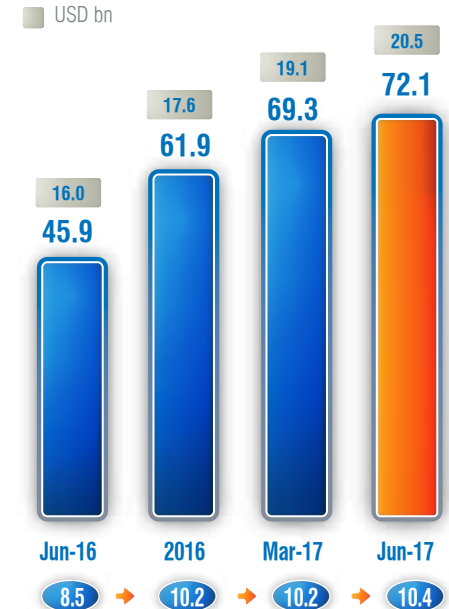
	HALKBANK	B. Sector^(b)
YtD	13.2%	4.4%
QoQ	13.0%	4.8%

TRY Deposits (TRY billion)^(a)



	HALKBANK	B. Sector^(b)
YtD	16.4%	14.3%
QoQ	4.0%	2.9%
in USD terms	YtD 16.0%	14.0%
	QoQ 7.3%	6.1%

FX Deposits (TRY billion)^(a)

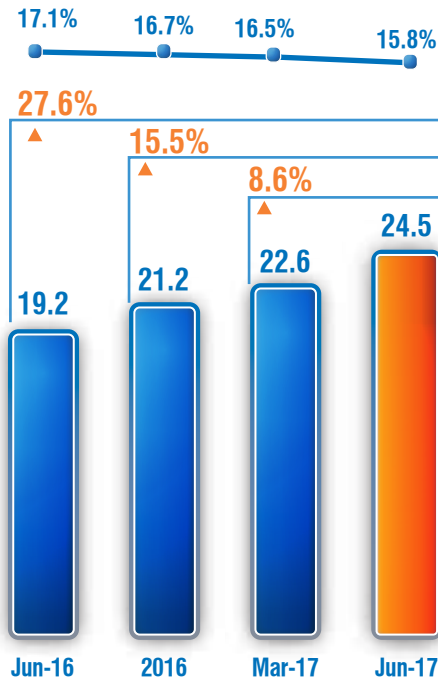


(a) Excluding interest accruals. (b) BRSA monthly data as of 30.06.17

Details of deposit base

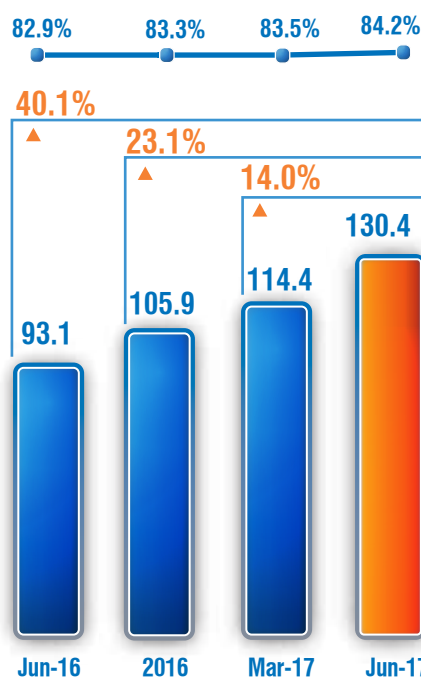
Demand Deposits (TRY billion)^(a)

—●— Demand Deposits/Total Deposits (%)

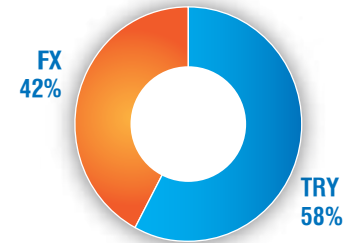


Time Deposits (TRY billion)^(a)

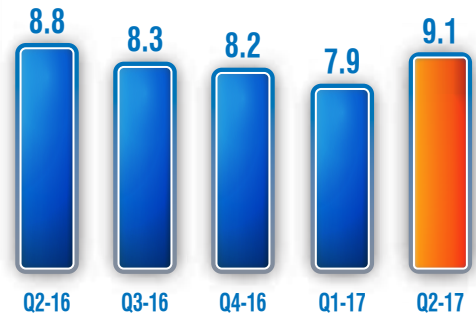
—●— Time Deposits/Total Deposits (%)



Deposits by Currency (%)



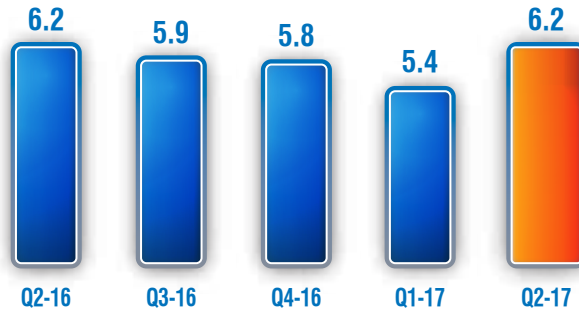
Cost of TRY Deposits (%)^(b)



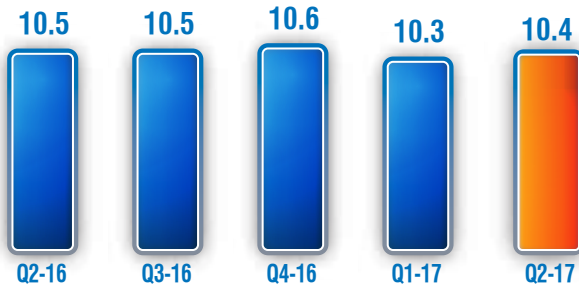
(a) Excluding interest accruals and interbank. (b) Time & Demand Blended.

Cost – Yield – Spread

Cost of Deposits (%)

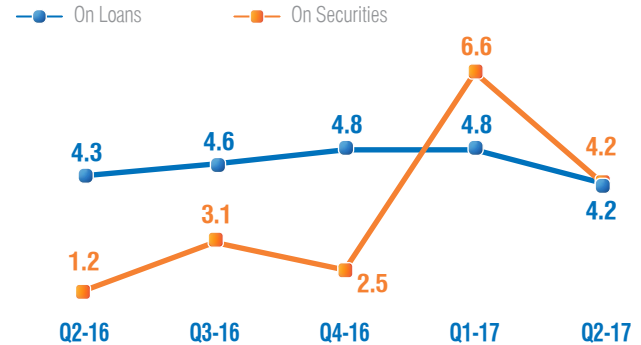


Yield on Loans (%)^(b)

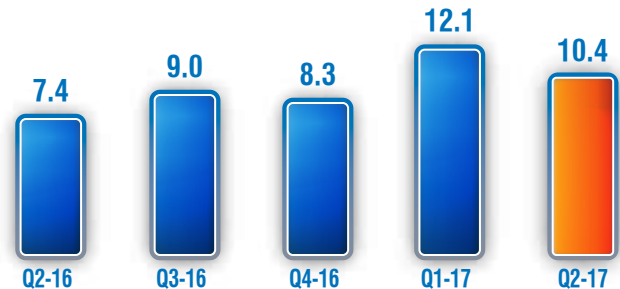


(a) TRY-FX blended (b) Excluding fund loans.

Spreads (%)



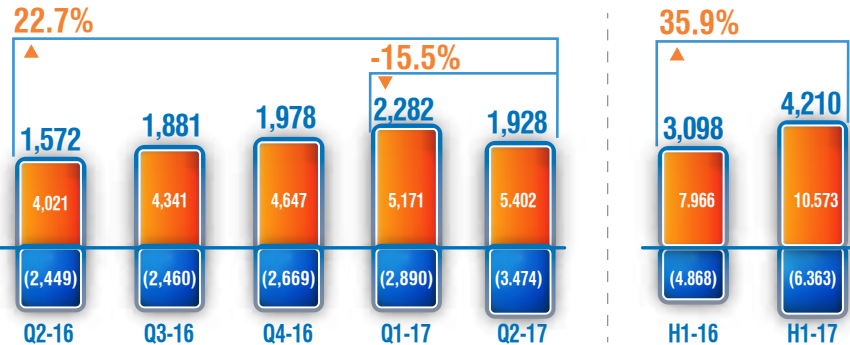
Yield on Securities (%)



NII up 36% YoY despite missing CPI Linkers' revenues and increasing funding cost

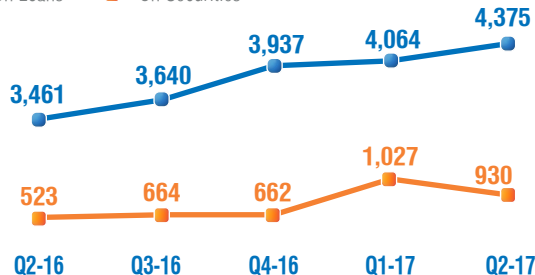
Net Interest Income (TRY million)

Interest Income Interest Expenses

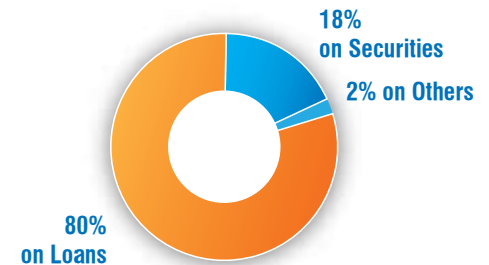


Interest Income (TRY million)

On Loans On Securities

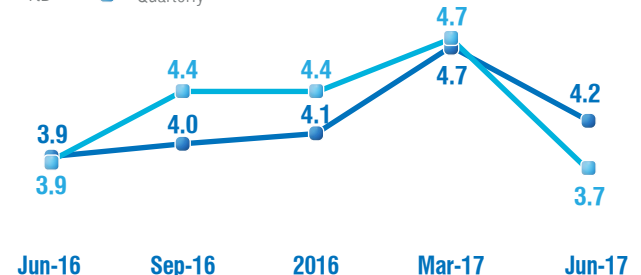


Breakdown of Interest Income (%)



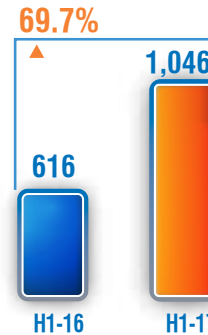
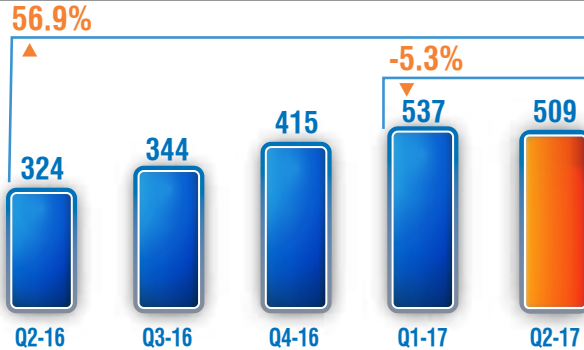
NIM (%)

YtD Quarterly

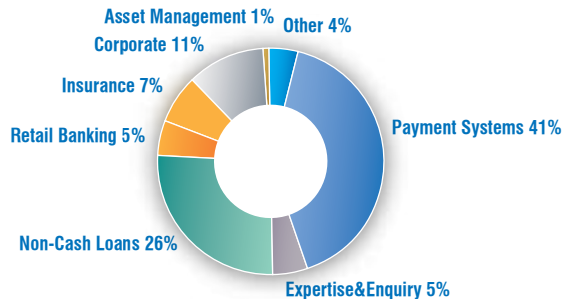


NFCI speaks for itself: 70% increase YoY

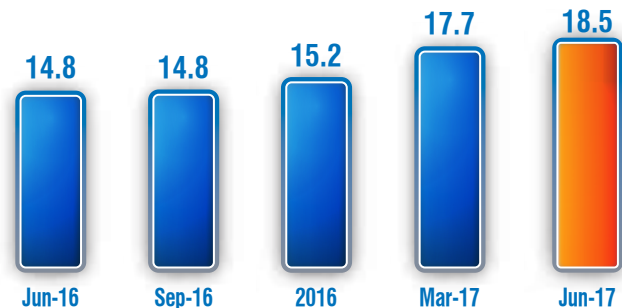
Net Fees & Commissions Income (TRY million)



Breakdown of Fees & Commissions (%)

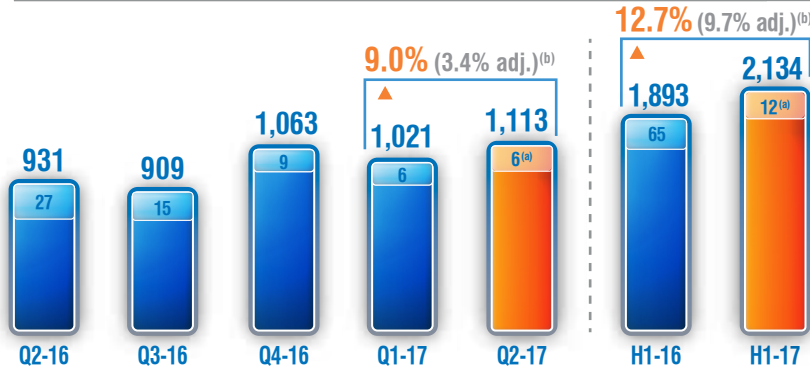


Net Fees & Commissions / Operating Revenues (%)

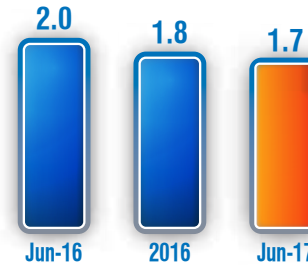


Brilliant development in Opex / Avg Assets, 1.7%

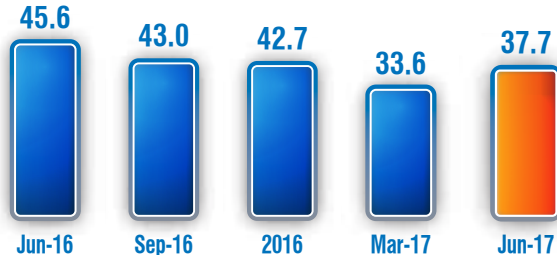
Operating Expenses (TRY million)



Operating Expenses / Average Assets (%)

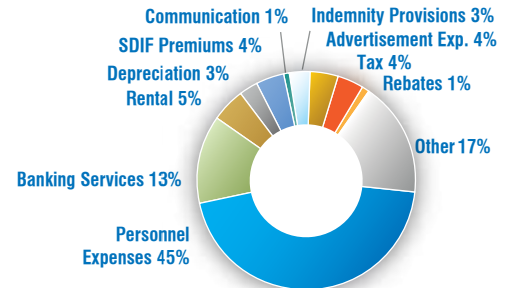


Cost/Income (%)



(a) Rebates in commissions (b) Excluding TRY 57 mn promotion payment to pensioner

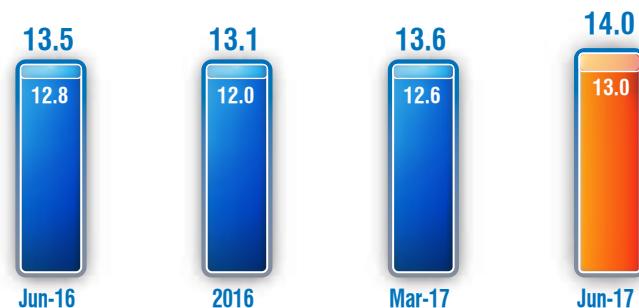
Breakdown of Operating Expenses (%)



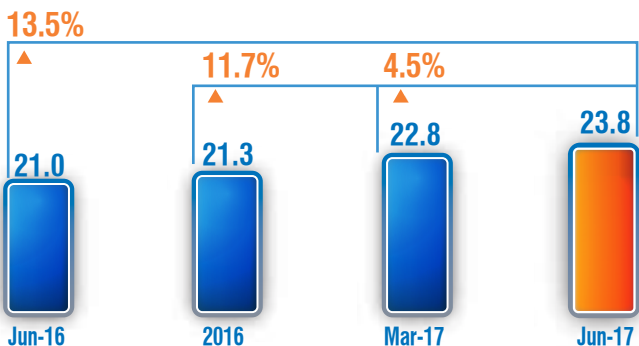
Solvency Ratios

CAR (%)

■ Tier-I ■ CAR



SHE (TRY billion)



Details on Capital Ratio

(TRY mn)

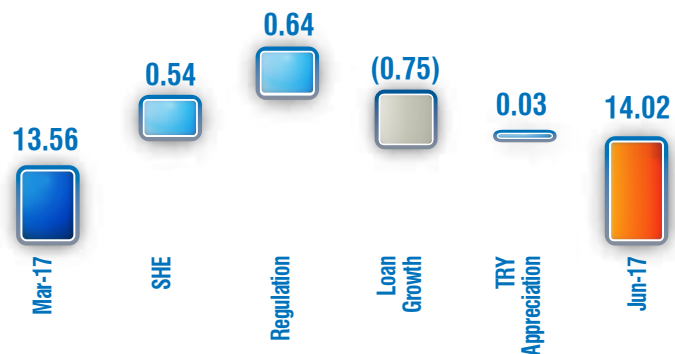
	Basel III H1-17
Credit Risk Base Amount (CRBA)	165,920
Market Risk Base Amount (MRBA)	2,863
Operational Risk Base Amount (ORBA)	12,798
Total Risk Weighted Assets (RWAs)	181,581
Shareholders' Equity	25,455

CAR (%) **14.0**

Tier-I (%) **13.0**

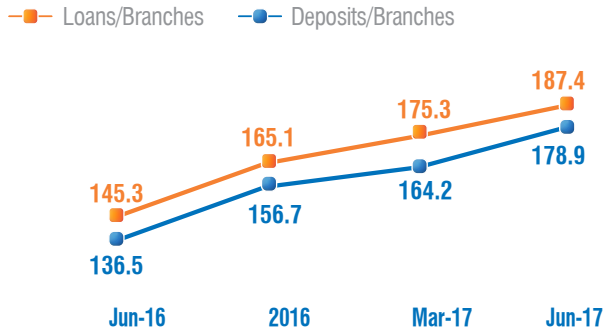
Common Equity Tier-I (%) **13.0**

Evolution of CAR (%)

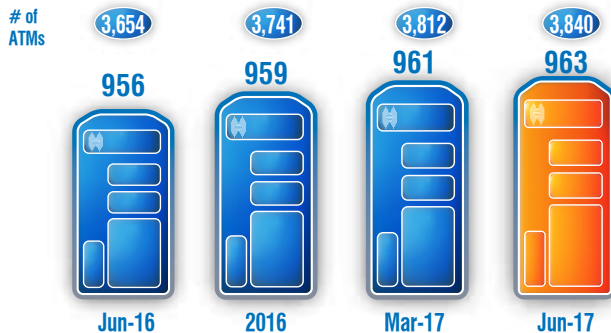


Branch Network – Human Resources

Loans and Deposits per Branches (TRY million)



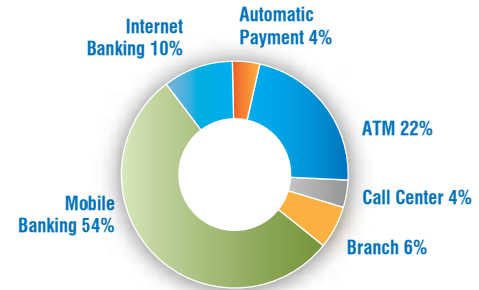
Branches^(a)



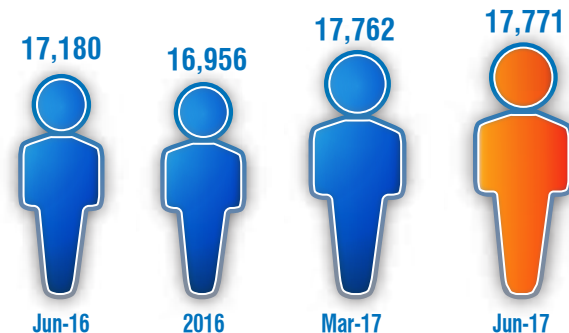
(a) Including domestic branches and special transaction centers.

- > 4 new branches opened in H1-17.
- > Total branch number reached **963**

Breakdown of Banking Transactions (%)



Headcount



Balance Sheet

In TRY million	H1-16	2016	Q1-17	H1-17	QoQ Change %	YtD Change%	YoY Change%
Cash and Balances Held with the Central Bank ^(a)	24,236	29,999	33,163	35,258	6.3	17.5	45.5
Banks & Money Market ^(b)	852	1,661	1,816	2,811	54.8	69.3	229.9
Securities ^(b)	28,433	33,216	35,476	36,941	4.1	11.2	29.9
Net Loans ^(b)	138,917	158,354	168,447	180,456	7.1	14.0	29.9
Gross NPL	4,330	5,140	5,571	5,736	3.0	11.6	32.5
NPL Net	1,038	1,176	1,317	1,356	3.0	15.3	30.7
Property and Equipment	2,213	2,403	2,404	2,418	0.6	0.6	9.3
Other Assets	5,726	5,807	6,525	6,924	6.1	19.2	20.9
Total Assets	200,377	231,441	247,830	264,808	6.9	14.4	32.2
Deposits ^(b)	130,470	150,263	157,825	172,287	9.2	14.7	32.1
Funds Borrowed ^(b)	18,711	18,968	18,783	17,585	(6.4)	(7.3)	(6.0)
Interbank Money Market ^(b)	11,381	17,847	23,650	24,927	5.4	39.7	119.0
Marketable Securities Issued	8,922	12,434	13,099	13,408	2.4	7.8	50.3
Funds	2,050	2,340	2,288	2,365	3.4	1.1	15.4
Other Liabilities	5,702	5,221	6,200	7,279	17.4	39.4	27.7
Provisions	2,159	3,052	3,185	3,134	(1.6)	2.7	45.1
Shareholders' Equity	20,981	21,317	22,800	23,821	4.5	11.7	13.5
Total Liabilities	200,377	231,441	247,830	264,808	6.9	14.4	32.2

(a) Reserve deposits monitored in balance with Central Bank

(b) Including interest accruals

Income Statement

In TRY million	H1-16	H1-17	YoY %	Q2-16	Q1-17	Q2-17	QoQ Change%	YoY Change%
Interest Income	7,966	10,573	32.7	4,021	5,171	5,402	4.5	34.3
On Loans	6,679	8,439	26.3	3,461	4,064	4,375	7.7	26.4
On Securities	1,212	1,957	61.5	523	1,027	930	(9.5)	77.7
Interest Expense	4,868	6,363	30.7	2,449	2,890	3,474	20.2	41.8
On Deposits	4,005	4,701	17.4	2,002	2,137	2,564	20.0	28.1
Net Interest Income	3,098	4,210	35.9	1,572	2,282	1,928	(15.5)	22.7
Net Fees and Commissions	616	1,046	69.7	324	537	509	(5.3)	56.9
Net Trading Income	37	103	177.0	16	70	33	(52.6)	102.2
Other Operating Income	403	294	(27.0)	171	149	145	(3.0)	(15.2)
Reversal of Loan Loss Provisions	120	170	41.6	52	80	89	11.1	71.2
Total Operating Revenues	4,154	5,653	36.1	2,083	3,038	2,615	(13.9)	25.5
Operating Expenses	1,893	2,134	12.7	931	1,021	1,113	9.0	19.5
Net Operating Income	2,261	3,519	55.6	1,152	2,017	1,502	(25.5)	30.4
Provision for Loan Losses and Other Receivables	540	730	35.3	269	471	260	(44.8)	(3.4)
Loan Loss Provisions for Cash Loans	385	586	52.5	211	371	216	(41.8)	2.2
Profit/(Losses) from Associates	196	22	N/A	196	0	22	N/A	N/A
Income Before Taxes	1,918	2,811	46.6	1,080	1,546	1,265	(18.2)	17.1
Provision for Tax	352	583	65.6	194	327	256	(21.9)	31.8
Net Income	1,566	2,228	42.3	886	1,219	1,009	(17.3)	13.9

For further information please contact
halkbank.IR@halkbank.com.tr



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