

H1 2018 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

Strong Fundamentals

Volume Growth Loans ▲ **17.5% YtD** & Deposits ▲ **14.5% YtD** LDR maintained at comfortably low level of **107%** vs sector average of 124%

Asset Quality NPL Ratio **2.7%** ▼ & CoR ^(a) **53 bps** ▼ Smooth transition to IFRS 9, further improving asset quality with a total NPL coverage of **111%**

Profitability Net Income TRY **1,903 mio** ▼ **14.6% YoY** ▲ **40.8% QoQ** Bottom line expansion has increased ROE to **16.3%**.

Efficiency Opex / Avg Assets at **1.6%** & Adj. Opex ^(b) ▲ **17.6% YoY** TRY 57 mio SSI payments in H1-17 vs TRY 100 mio in H1-18.

Solvency Tier I Ratio at **11.9%** vs Required Level of **8.6%** CET1 (4.5%) + Add. Tier I (1.5%) + Cap. CB (1.875%) + SIFI Buffer (0.75%) + CCB (0.01%)

(a) Gross Stage III provisions (b) Adjusted for SSI payments

Operational Environment

Macroeconomic Indicators

	H1-17	H1-18
GDP Growth (%)	5.4	TBA
CPI (%)	10.9	15.4
CAD / GDP (%)	-3.8	-6.2 ^(a)
Unemployment (%)	10.2	9.6 ^(b)
Budget Deficit / GDP (%)	-1.8	-2.0 ^(a)
USD / TRY	3.52	4.59

Source: Turkstat, CBRT
(a) GDP estimation is based on MTP '18-'20, (b) as of Apr-18

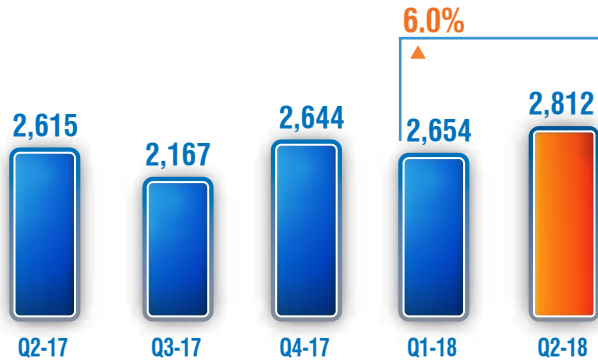
Banking Sector Metrics

	H1-17	H1-18
Loan Growth (YtD, %)	10.7	12.1
Deposit Growth (YtD, %)	8.6	11.0
LDR (%)	121.6	123.9
NPL (%)	3.1	3.0
RoE (%)	16.2	15.5
CAR (%)	16.9	16.3

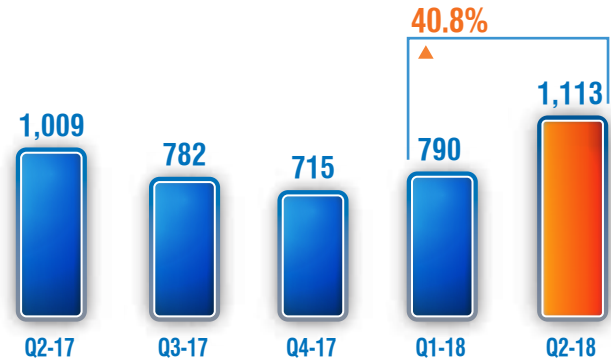
Source: BRSA monthly data

Strong performance mirrored in recovering profitability

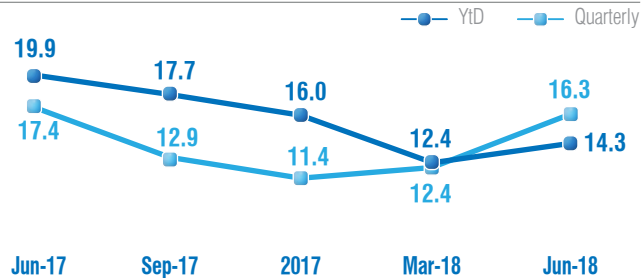
Total Operating Revenues (TRY million)



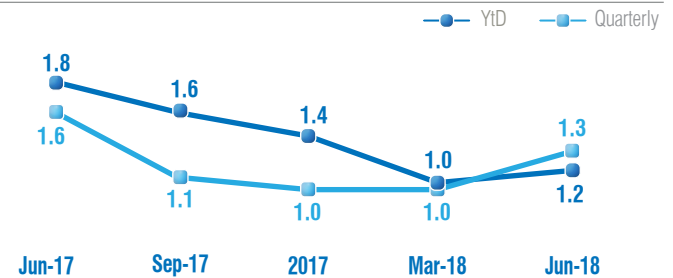
Net Income (TRY million)



RoE (%)



RoA (%)



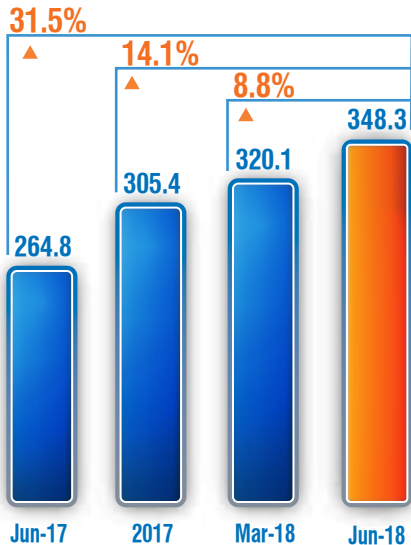
Solid asset growth, 31.5% YoY

The total amount of Securities Borrowed increased to TRY 15 bn. by the end of H1-18. Despite being booked under trading securities, this portfolio generates neither interest income nor gain/loss from MtM revaluation into the P&L.

Asset Growth

YoY **31.5%** QoQ **8.8%**

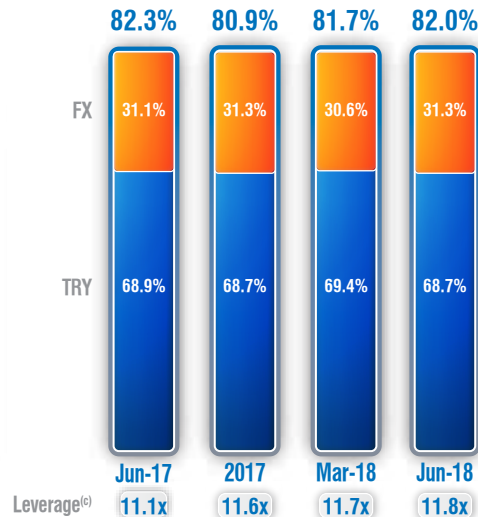
Total Asset Growth (TRY billion)



IEA

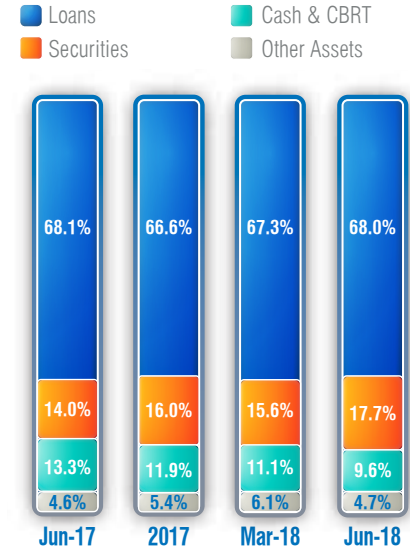
82.0%

Composition of IEAs^(a)



Securities Portion **17.7%**^(b)

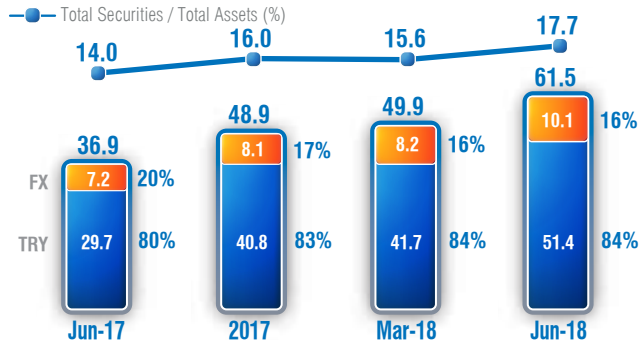
Asset Mix (%)



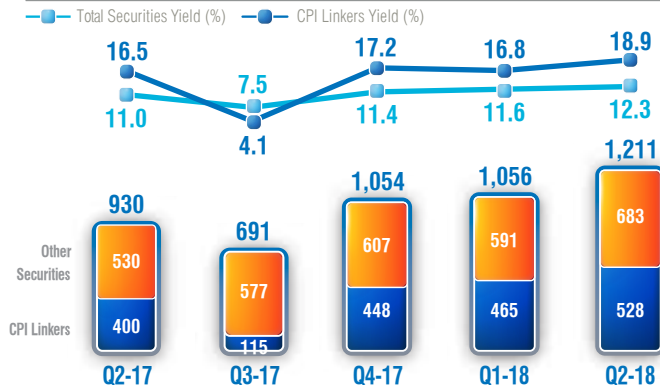
(a) Including interest accruals and excluding fund loans (b) Including TRY 15 bn. Securities Borrowed. (c) Adjusted, excluding Securities Borrowed.

Changing composition of securities prevented further MtM losses

Total Securities Portfolio (TRY billion)^(a)

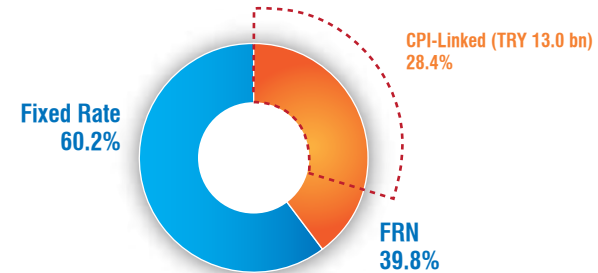


Interest Income on Securities (TRY million)

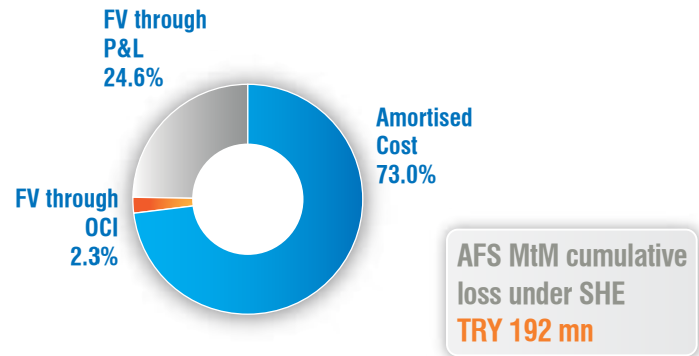


(a) Including TRY 15 bn. Securities Borrowed.

Interest Structure (%)



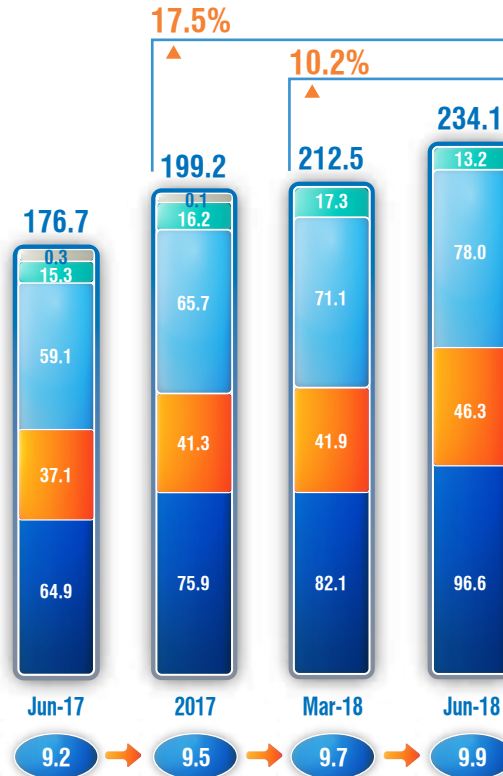
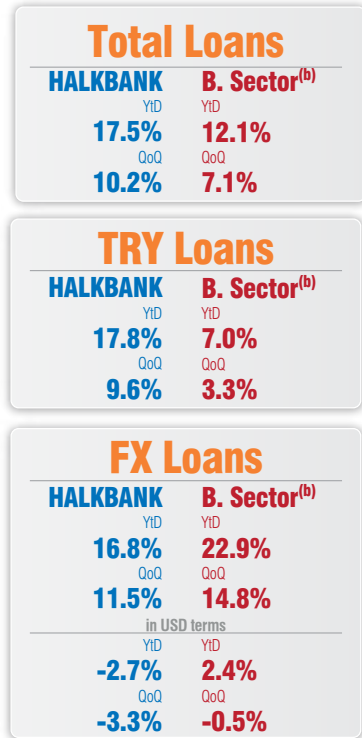
Securities Composition (%)^(a)



Boosted SME growth, also lifted by amended definition

(TRY billion)^(a)

CGF Utilization (TRY Bn)	Mar-18	Jun-18
Total Limit	23.6	28.1
Living Loan Amount	20.9	24.6

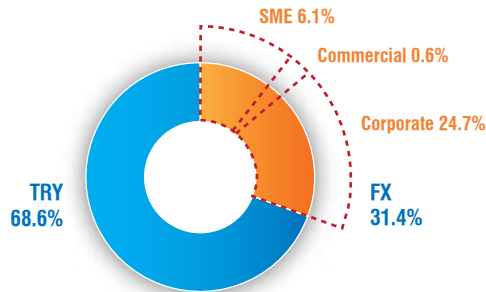


The definition of SMEs has been changed by cabinet decree dated Apr. 30, 2018, increasing the upper limit of annual net sales or balance sheet size to TRY 125 million annually from TRY 40 million.

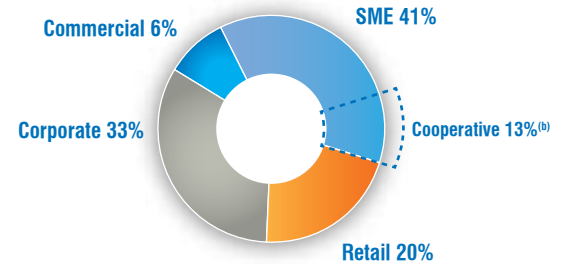
(a) Excluding interest accruals (b) BRSA monthly data as of Jun-18

Granular and well-diversified loan portfolio

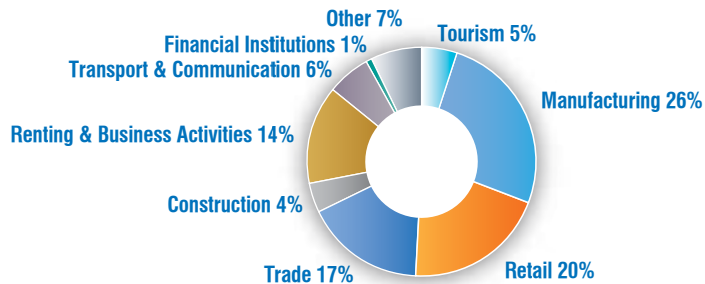
Loans by Currency (%)^(a)



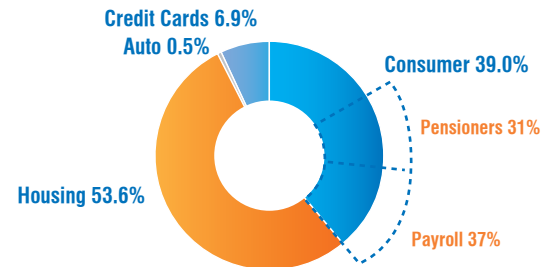
Loans by Customer Segmentation (%)^(a)



Sectoral Breakdown of Loans (%)^(a)



Retail Loans by Types (%)^(a)



^(a) Excluding interest accruals ^(b) Micro SMEs

Further market share gains in retail lending

(TRY billion)^(a)

HALKBANK

YtD
12.2%
QoQ
10.5%

B. Sector^(b)

YtD
5.3%
QoQ
3.2%



➔ **Consumer Loans**
YtD **5.9%**
QoQ **4.8%**
Share in total 39.0%

➔ **Housing Loans**
YtD **18.5%**
QoQ **16.1%**
Share in total 53.6%

➔ **Credit Cards**
YtD **6.2%**
QoQ **4.7%**
Share in total 6.9%

Retail Loans Market Share %

Consumer Loans Market Share %

Housing Loans Market Share %

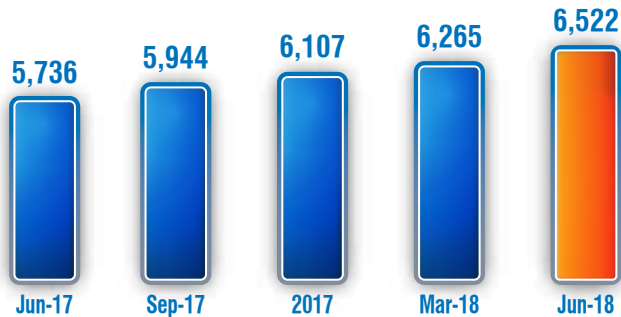
Credit Card Loans Market Share %

(a) Excluding interest accruals
(b) BRSA monthly data as of Jun-18

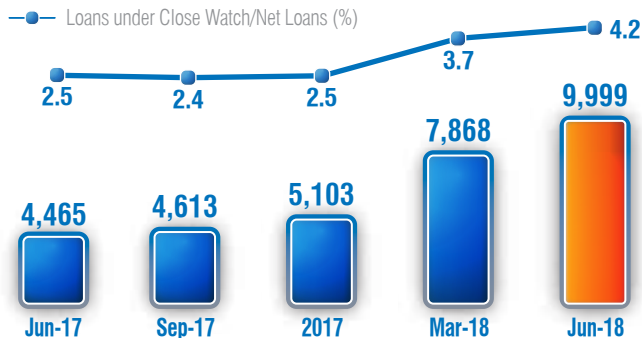
NPL ratio and coverage further improved

Total NPL Coverage is ~111%.^(a)

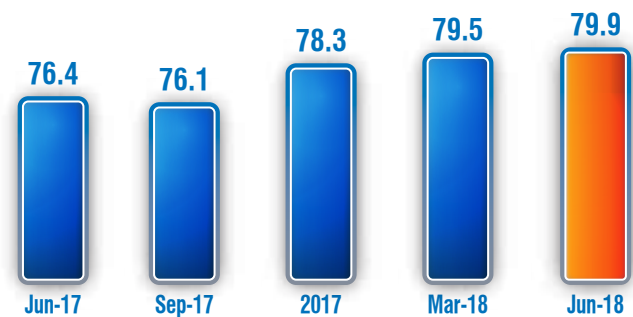
NPL Portfolio (TRY million)



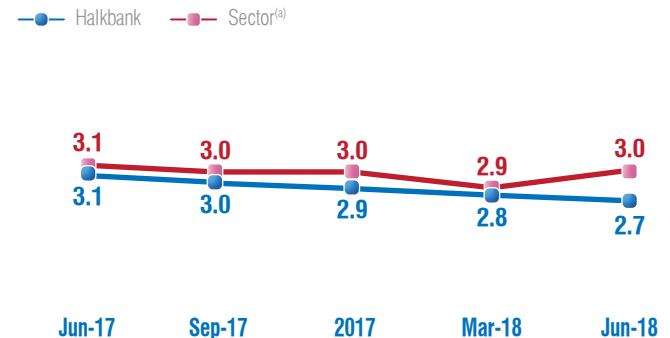
Loans under Close Watch (TRY million)



NPL Coverage (%)



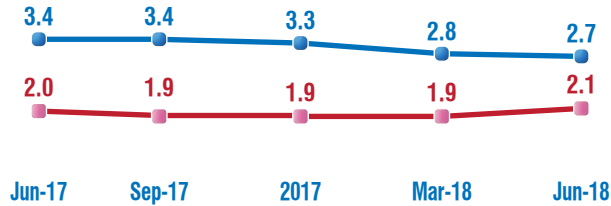
NPL/Total Loans (%)



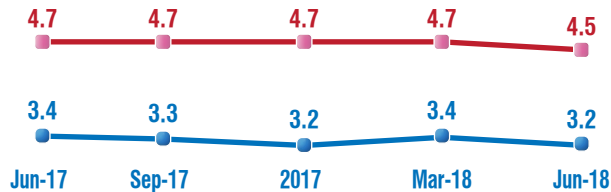
(a) Total NPL Coverage = Provisions for expected losses both on performing and non-performing loans (S1 + S2 + S3)/NPLs (b) BRSA monthly data as of Jun-18.

NPL ratio by segments

Corporate - Commercial (%)

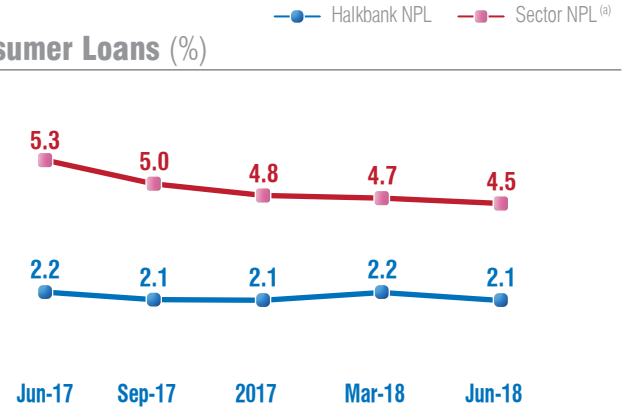


SME Loans (%)

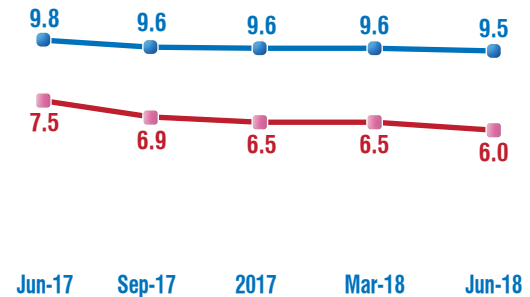


(a) BRSA monthly data as of Jun-18

Consumer Loans (%)

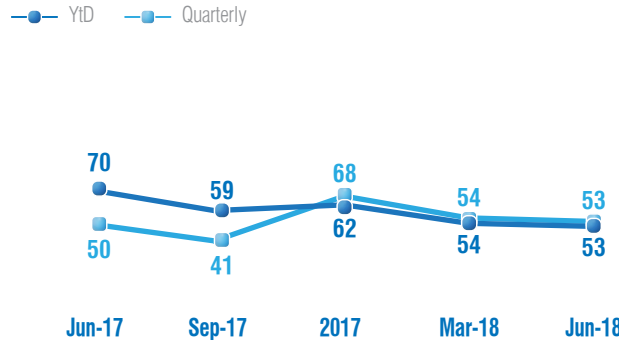


Credit Cards (%)

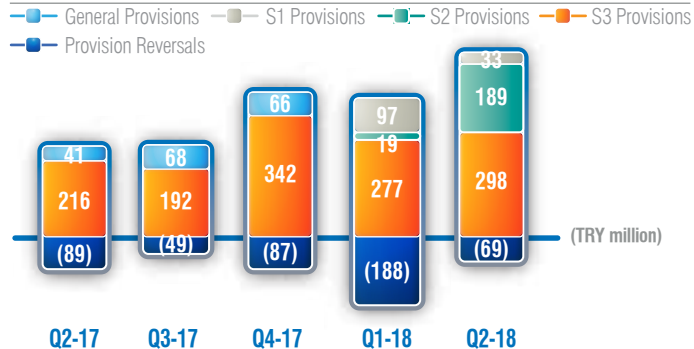


Sustained CoR performance, 53 bps

Cost of Risk (bps)^(a)

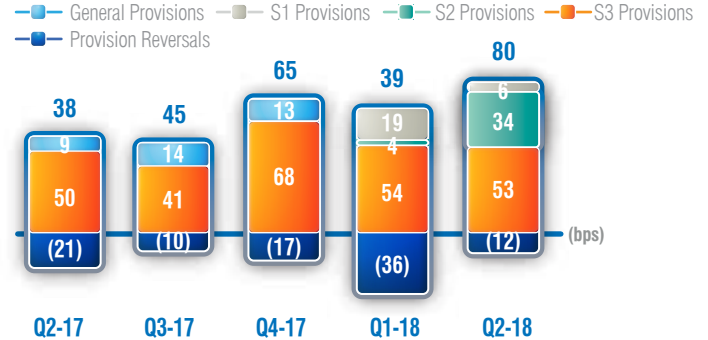


Provisions and Reversals (TRY million)

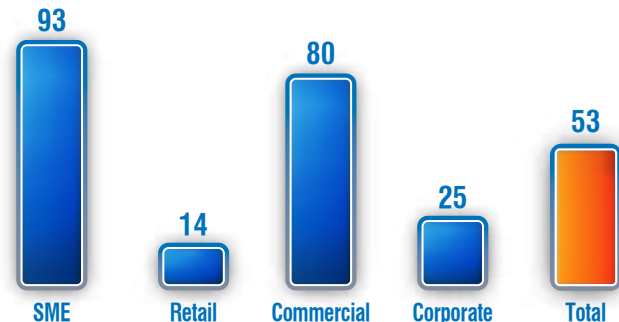


(a) S3 Provisions/Average Net Loans

Net Cost of Risk (bps)



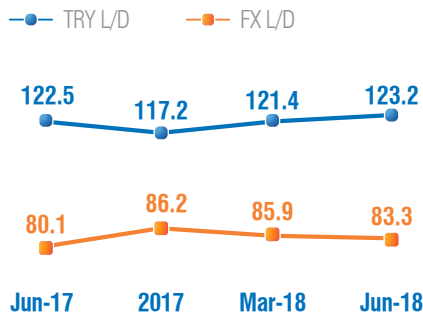
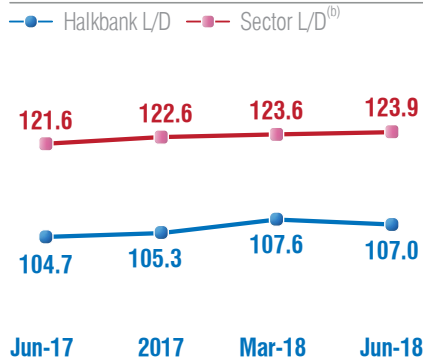
Cost of Risk by Segments (bps)^(a)



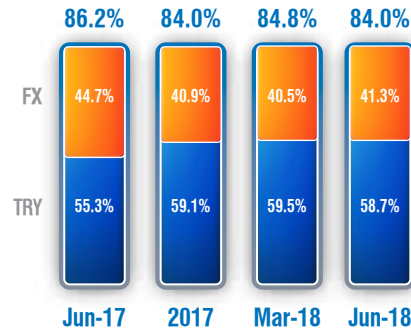
Comfortably low level of LDR & lesser reliance on FX wholesale funding

IBL 84.0%^(a)

Loan to Deposit (%)

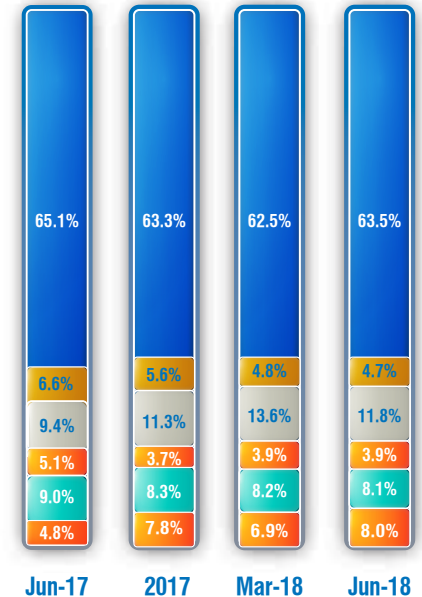


Composition of IBLs^(a)



> FX wholesale funding makes up 9.6% of total liabilities vs sector average^(b) of 24.2%

Liabilities Mix (%)



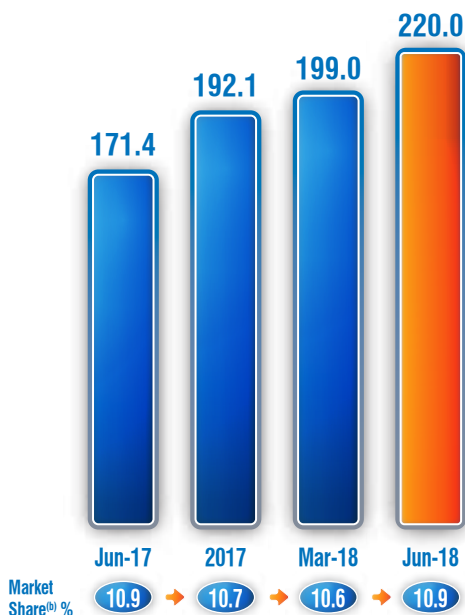
(a) Including interest accruals and excluding funds. Excluding demand deposit, the share of IBL is 75.3% in Jun-18.

(b) BRSA monthly data as of Jun-18.

Growing deposit base, also reflecting depreciation impact

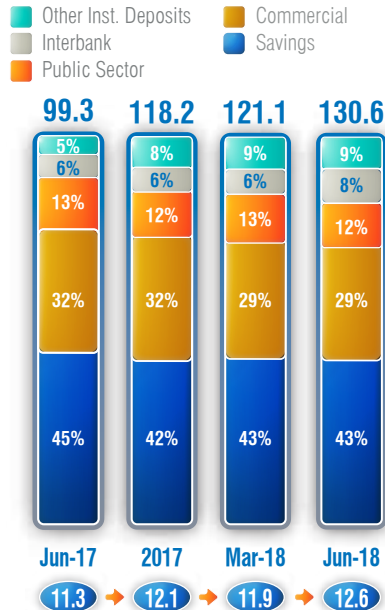
	HALKBANK	B. Sector^(b)
YtD	14.5%	11.9%
QoQ	10.6%	7.4%

Total Deposits (TRY billion)^(a)



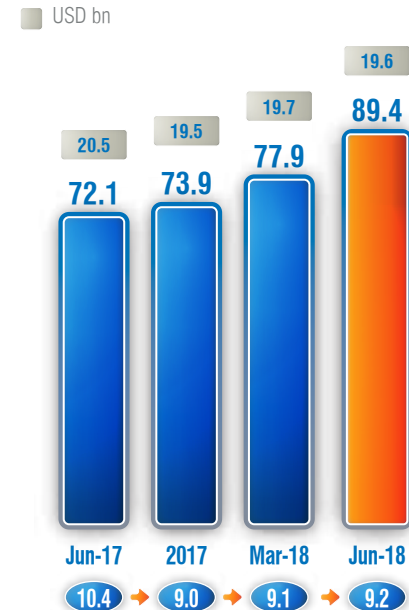
	HALKBANK	B. Sector^(b)
YtD	10.5%	6.3%
QoQ	7.9%	2.6%

TRY Deposits (TRY billion)^(a)



	HALKBANK	B. Sector^(b)
YtD	21.0%	18.6%
QoQ	14.7%	13.1%
in USD		
YtD	0.8%	-1.2%
terms QoQ	-0.5%	-1.9%

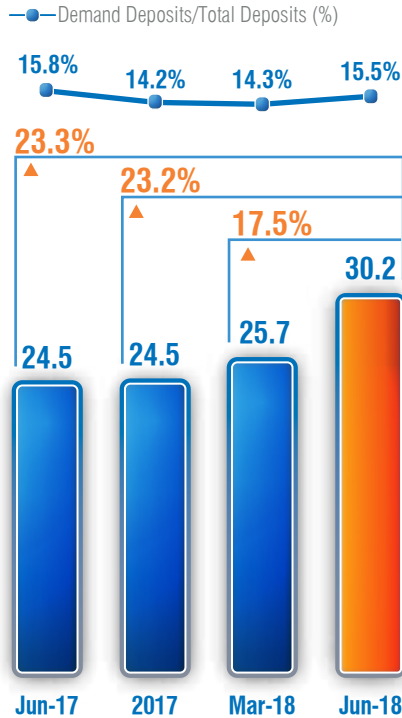
FX Deposits (TRY billion)^(a)



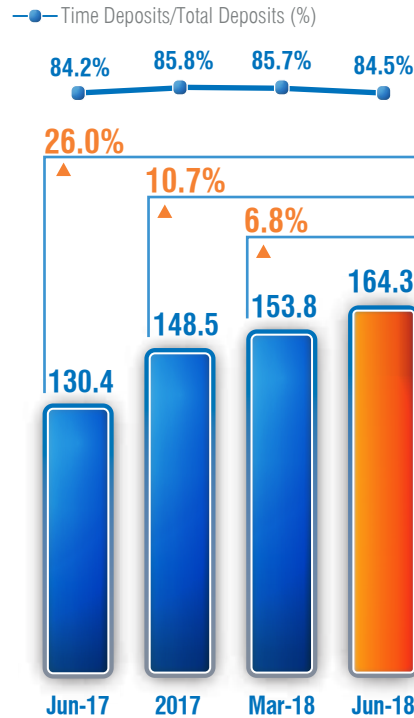
(a) Excluding interest accruals. (b) BRSA monthly data as of Jun-18, including interbank deposits

Increasing share of demand deposits, 15.5%

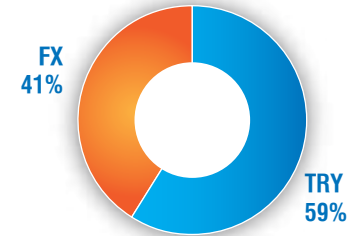
Demand Deposits (TRY billion)^(a)



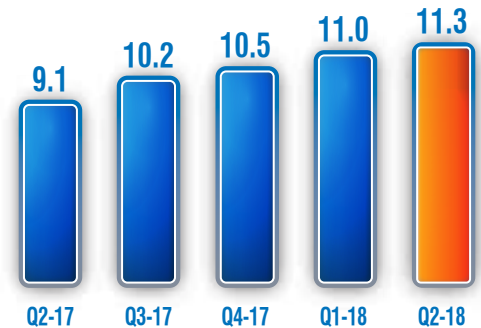
Time Deposits (TRY billion)^(a)



Deposits by Currency (%)



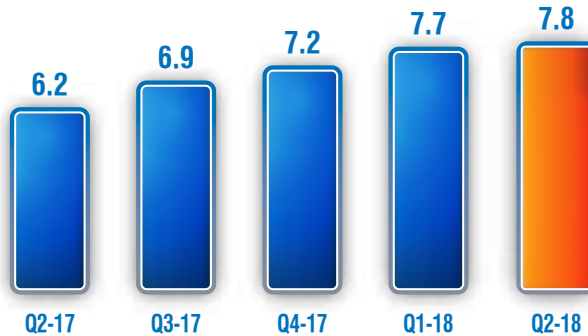
Cost of TRY Deposits (%)^(b)



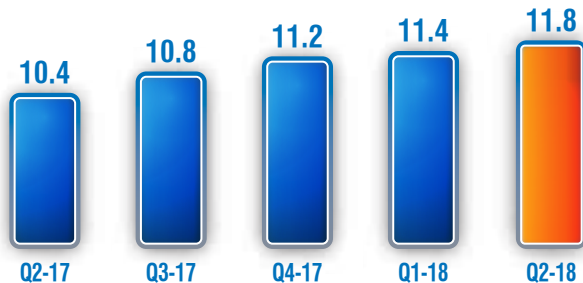
(a) Excluding interest accruals and interbank. (b) Time & Demand Blended.

Cost – Yield – Spread ^(a)

Cost of Deposits (%)

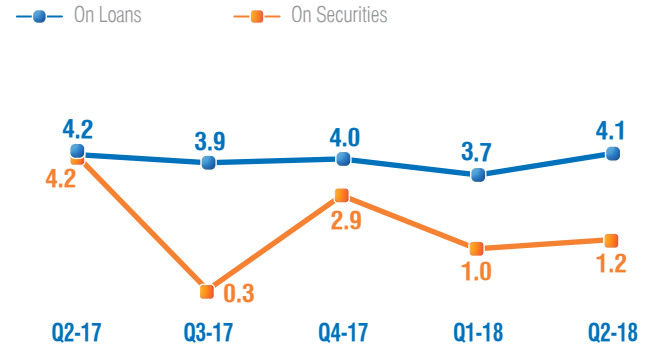


Yield on Loans ^(b)

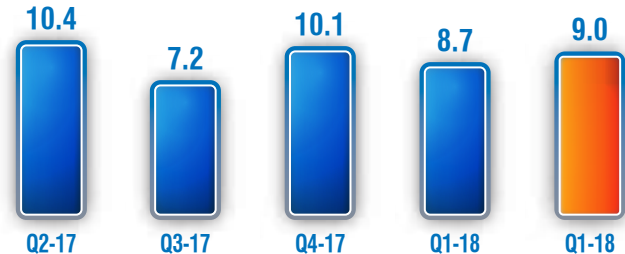


(a) TRY-FX blended (b) Excluding fund loans.

Spreads (%)



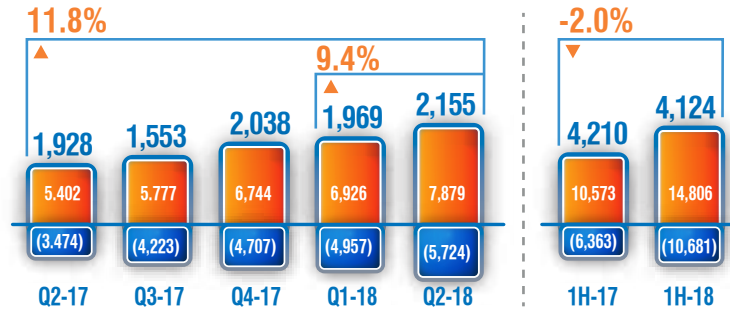
Yield on Securities (%)



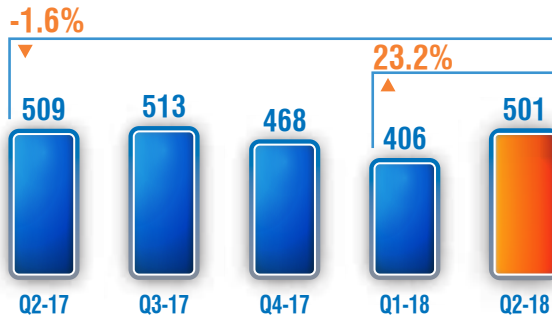
NII improvement accompanied by soaring F&C

Net Interest Income (TRY million)

Interest Income Interest Expenses

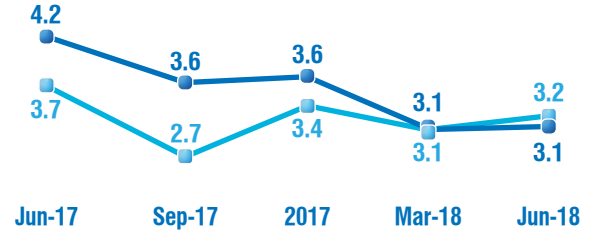


Net Fees & Commissions Income (TRY million)

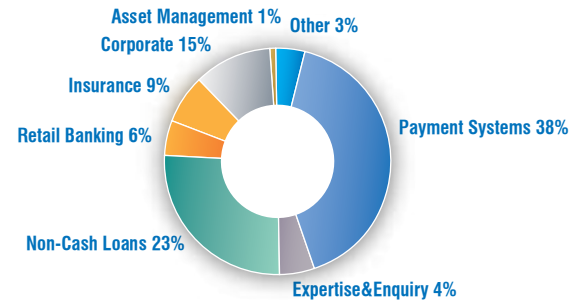


NIM (%)

YtD Quarterly

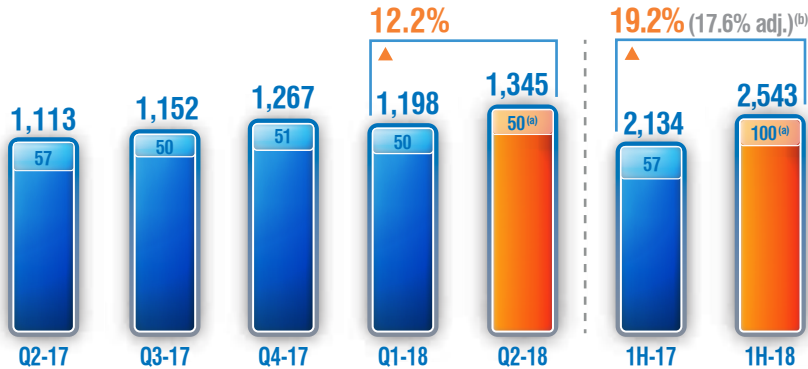


Breakdown of Fees & Commissions (%)

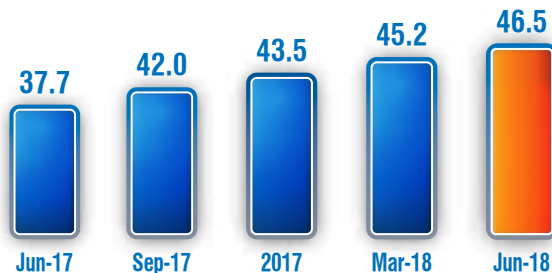


Opex / Average Assets stable at 1.6%

Operating Expenses (TRY million)

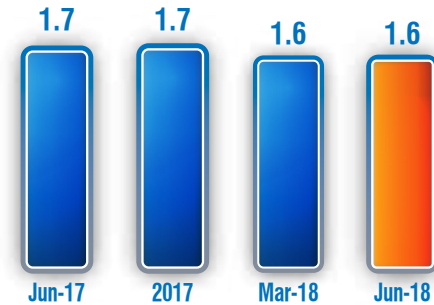


Cost/Income (%)

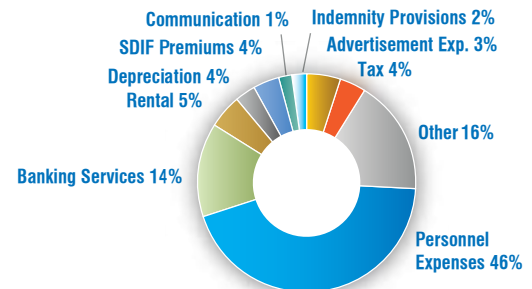


(a) Promotion payment to pensioners (b) Excluding SSI payments

Operating Expenses / Average Assets (%)



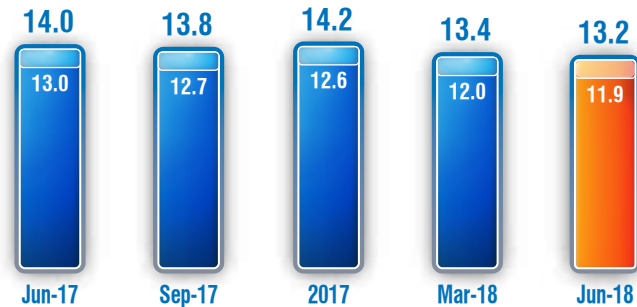
Breakdown of Operating Expenses (%)



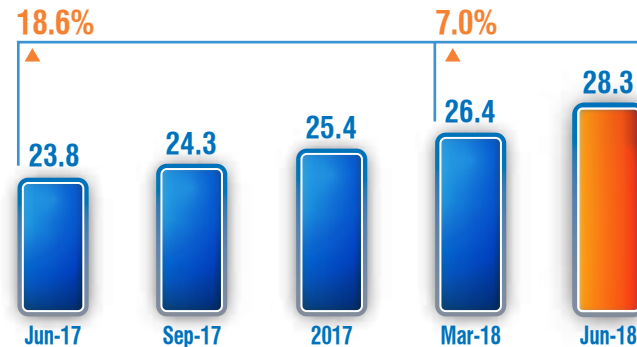
Solvency Ratios

CAR (%)

■ Tier-I ■ CAR



SHE (TRY billion)



Details on Capital Ratio

(TRY mn)

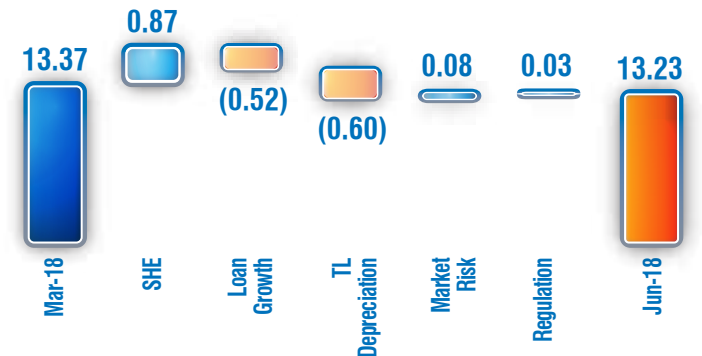
	Basel III H1-18
Credit Risk Base Amount (CRBA)	218,445
Market Risk Base Amount (MRBA)	1,982
Operational Risk Base Amount (ORBA)	16,168
Total Risk Weighted Assets (RWAs)	236,594
Shareholders' Equity	31,309

CAR (%) **13.2**

Tier-I (%) **11.9**

Common Equity Tier-I (%) **11.9**

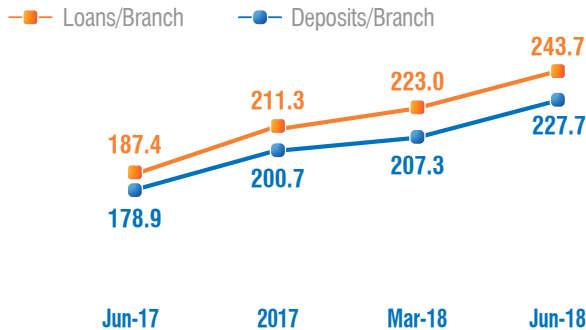
Evolution of CAR (%)



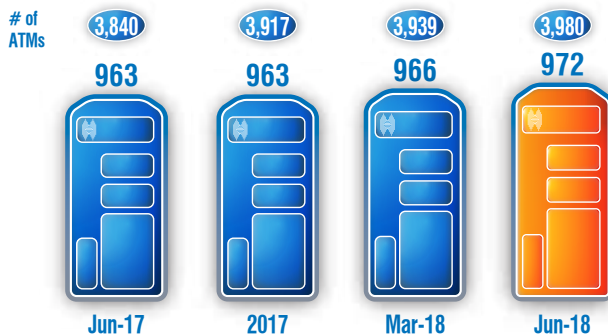
Branch Network – Human Resources

- > 9 new branches opened in the H1-18.
- > Total branch number reached **972**.

Loans and Deposits per Branch (TRY million)

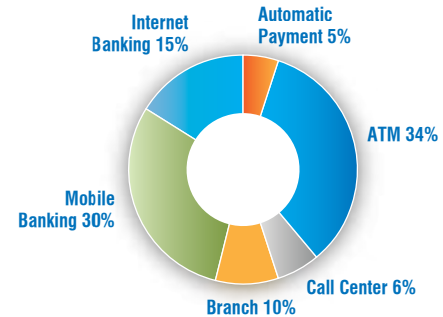


Branches^(a)

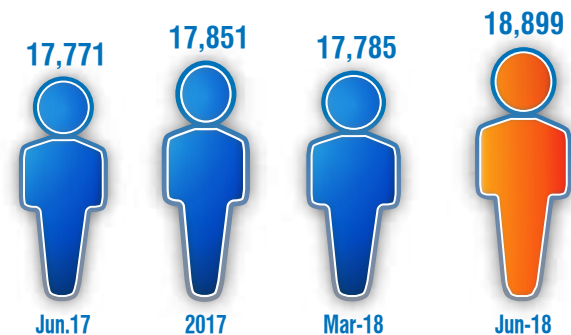


(a) Domestic branches

Breakdown of Banking Transactions (%)



Headcount



Balance Sheet

In TRY million	H1-17	2017	Q1-18	H1-18	QoQ Change %	YtD Change%	YoY Change%
Cash and Balances Held with the Central Bank ^(a)	35,258	36,373	35,384	33,599	(5.0)	(7.6)	(4.7)
Banks & Money Market ^(b)	2,811	7,353	9,133	4,951	(45.8)	(32.7)	76.2
Securities ^(b)	36,941	48,903	49,910	61,504	23.2	25.8	66.5
Net Loans ^(b)	180,456	203,464	215,384	236,903	10.0	16.4	31.3
Gross NPL	5,736	6,107	6,265	6,522	4.1	6.8	13.7
NPL Net	1,356	1,327	1,287	1,314	2.1	(1.0)	(3.1)
Property and Equipment	2,418	2,649	3,060	3,078	0.6	16.2	27.3
Other Assets	6,924	6,608	7,268	8,260	13.7	25.0	19.3
Total Assets	264,808	305,351	320,140	348,296	8.8	14.1	31.5
Deposits ^(b)	172,287	193,227	200,227	221,319	10.5	14.5	28.5
Funds Borrowed ^(b)	17,585	17,018	15,402	16,477	7.0	(3.2)	(6.3)
Interbank Money Market ^(b)	24,927	34,608	43,532	40,998	(5.8)	18.5	64.5
Marketable Securities Issued	13,408	11,355	12,348	13,432	8.8	18.3	0.2
Funds	2,365	2,725	2,673	2,769	3.6	1.6	17.1
Other Liabilities	7,279	17,592	18,149	23,513	29.6	33.7	223.0
Provisions	3,134	3,449	1,411	1,530	8.4	(55.7)	(51.2)
Shareholders' Equity	23,821	25,377	26,398	28,258	7.0	11.4	18.6
Total Liabilities	264,808	305,351	320,140	348,296	8.8	14.1	31.5

(a) Reserve deposits monitored in balance with Central Bank

(b) Including interest accruals

Income Statement

In TRY million	H1-17	H1-18	YoY%	Q2-17	Q1-18	Q2-18	QoQ Change%	YoY Change%
Interest Income	10,573	14,806	40.0	5,402	6,926	7,879	13.8	45.9
On Loans	8,439	12,236	45.0	4,375	5,730	6,507	13.6	48.7
On Securities	1,957	2,268	15.9	930	1,056	1,211	14.7	30.3
Interest Expense	6,363	10,681	67.9	3,474	4,957	5,724	15.5	64.8
On Deposits	4,701	7,960	69.3	2,564	3,790	4,170	10.0	62.6
Net Interest Income	4,210	4,124	(2.0)	1,928	1,969	2,155	9.4	11.8
Net Fees and Commissions	1,046	907	(13.3)	509	406	501	23.2	(1.6)
Net Trading Income	103	60	(41.8)	33	30	30	(0.9)	(9.9)
Other Operating Income	294	374	27.2	145	248	127	(48.9)	(12.7)
Reversal of Loan Loss Provisions	170	258	51.7	89	188	69	(63.3)	(22.6)
Total Operating Revenues	5,653	5,466	(3.3)	2,615	2,654	2,812	6.0	7.6
Operating Expenses	2,134	2,543	19.2	1,113	1,198	1,345	12.2	20.8
Net Operating Income	3,519	2,923	(16.9)	1,502	1,455	1,468	0.9	(2.3)
Provision for Loan Losses and Other Receivables	730	1,015	39.0	260	463	552	19.1	112.6
Loan Loss Provisions for Cash Loans	586	575	(2.0)	216	277	298	7.6	38.0
Profit/(Losses) from Associates	22	374	1,588.8	22	0	374	N/A	1,592.4
Income Before Taxes	2,811	2,282	(18.8)	1,265	992	1,290	30.1	2.0
Provision for Tax	583	379	(35.0)	256	202	177	(12.0)	(30.6)
Net Income	2,228	1,903	(14.6)	1,009	790	1,113	40.8	10.3

Notes



Notes



Notes



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



DISCLAIMER

The information contained in this presentation has been prepared by Türkiye Halk Bankası A.S. (the Bank) for informational purposes only. Although the information in this presentation has been obtained from sources which the Bank believes to be reliable, the Bank cannot guarantee that the information is without fault or entirely accurate. The information contained in this presentation has not been independently verified. No representation or warranty express or implied is made as to, and no reliance should be placed on, the fairness, accuracy, completeness or correctness of the information or opinions contained herein. The information and opinions in this presentation are provided as at the date of this presentation and are subject to change without notice. Türkiye Halk Bankası A.S. does not accept any liability whatsoever (in negligence or otherwise) for any loss howsoever arising from any use of this presentation or otherwise arising in connection with this presentation. This presentation cannot be interpreted as an advice to anyone and is also strictly confidential and may not be reproduced, distributed or published for any purpose.