

**Corporate Credit Rating**  
(Update)

**Banking**

<b>Halkbank</b> Üreten Türkiye'nin Bankası		Long-Term	Short-Term	
International	Foreign Currency	BBB-	A-3	
	Local Currency	BBB-	A-3	
	Outlook	Stable	Stable	
National	Local Rating	AAA (Trk)	A-1+ (Trk)	
	Outlook	Stable	Stable	
Sponsor Support		1	-	
Stand Alone		A	-	
Sovereign*	Foreign Currency	BBB-	-	
	Local Currency	BBB-	-	
	Outlook	FC	Stable	-
		LC	Stable	-

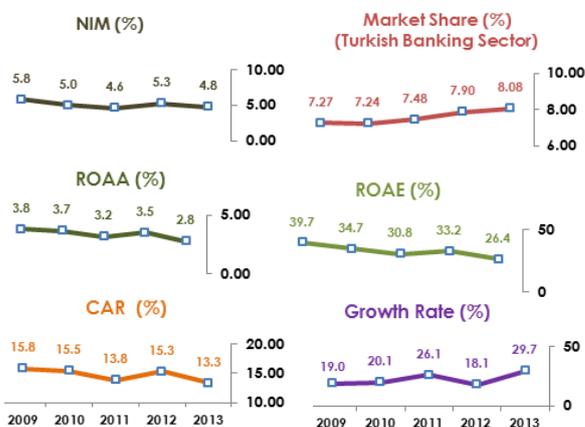
\* Assigned by Japan Credit Rating Agency, JCR on July 11, 2014

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**Strengths**

- Higher than Sector average return on assets and equity ratios over the reviewed period, indicating efficiency
- Net interest margin consistently greater than sector averages, displaying potential for strong profit growth
- Expertise in SME loan segment based on its founding objective and mission
- Nationwide branch network including specialized branches for corporate and commercial segment customers
- Public stake through the shares of Turkey Prime Ministry Privatization Administration in the Bank ensures solid sponsor support in case of systemic risk
- Improvement in NPL ratio which materialized at levels below the Sector average, exhibiting asset quality,
- High compliance levels with Corporate Governance Principles and implementation of international best practices

**Constraints**

- Relatively low share of net fee and commission revenues, indicating strong reliance on interest revenues which may exert pressure on profitability if interest margins tighten
- Maturity mismatch of assets and liabilities exercise pressure on liquidity management, prevalent in the sector
- Ongoing instability in the neighboring countries, coupled with decreasing risk appetite of investors and risk of limited growth, might narrow profit margins and restrain debt repayment capabilities of the debtors
- Sector-wide short maturity profile of deposits, despite the Bank's relatively longer structure

Türkiye Halk Bankası A.Ş.					
Financial Data	2013*	2012*	2011*	2010*	2009*
Total Assets (000,000 USD)	66,326	61,291	48,819	47,574	40,936
Total Assets (000,000 TRY)	141,300	108,951	92,215	73,150	60,884
Total Deposit (000,000 TRY)	100,384	79,800	66,229	54,554	43,879
Total Net Loans (000,000 TRY)	86,727	66,827	57,181	44,480	32,622
Equity (000,000 TRY)	14,092	12,237	9,122	7,902	6,218
Net Profit (000,000 TRY)	2,855	2,819	2,059	1,945	1,754
Market Share (%) **	8.08	7.90	7.48	7.24	7.27
ROAA (%)	2.77	3.52	3.17	3.66	3.83
ROAE (%)	26.37	33.19	30.77	34.74	39.74
Equity/Assets (%)	9.97	11.23	9.89	10.80	10.21
CAR - Capital Adequacy Ratio (%)	13.31	15.32	13.85	15.48	15.83
Asset Growth Rate (Annual) (%)	29.69	18.15	26.06	20.15	18.96

\* End of year \*\* On solo basis among the Turkish Banking Sector

**Overview**

Founded in 1933 by the "Halkbank and Public Funds Law" to finance the development of small businesses, craftsmen and traders, the Bank contributes to the economic development and growth of Turkey through lending, facilitation of international trade and integrated financial services. In 2007, 24.98% of the state owned Halkbank's shares were offered to the public for the first time. Following this successful offering, the Bank's shares were offered for the second time in 2012 and 23.92% of shares were sold for TRY4.5 billion, making the offering the largest in the history of Borsa İstanbul (BİST). Currently, 48.90% of the Bank's shares are publicly traded and the Turkey Prime Ministry Privatization Administration is the primary shareholder with 51.06% percent of the shares, excluding the shares owned by the Administration that are traded on BİST.

The Bank consistently outperformed the sector in terms of the key profitability indicators of return to assets and equity over the reviewed period. In 2013, the Bank increased its market share in assets, equity and deposits while exhibiting a solid growth in loans. Thanks to the consistently growing asset size supported by loans, the Bank maintained its sixth position in the Sector despite severe competition. The Bank supported its financial growth via organic expansion in 2013, adding 56 new branches and reaching a nationwide branch count of 872. Halkbank provides services to customers in corporate, commercial, SME and retail segments through its extensive retail and several specialized branches. Additionally, through its subsidiaries and affiliates, the Bank provides leasing, brokerage, insurance, asset management, factoring and real estate investment services. Launched in 2012, the Bank's credit card brand "Paraf" is strengthened with a range of privileges and accompanied with "Parafly". The Bank realized its 2013 target by the mid-year and aims to capture a 6% market share.

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