

Corporate Credit Rating
(Update)

Banking

Halkbank 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	-

Türkiye Halk Bankası A.Ş.					
Financial Data	2014*	2013*	2012*	2011*	2010*
Total Assets (000,000 USD)	67,701	66,326	61,291	48,819	47,574
Total Assets (000,000 TRY)	156,991	141,300	108,951	92,215	73,150
Total Deposit (000,000 TRY)	103,649	100,384	79,800	66,229	54,554
Total Net Loans (000,000 TRY)	103,696	86,727	66,827	57,181	44,480
Equity (000,000 TRY)	16,527	14,092	12,237	9,122	7,902
Net Profit (000,000 TRY)	2,265	2,855	2,819	2,059	1,945
Market Share (%) **	7.79	8.08	7.90	7.48	7.24
ROAA (%)	1.87	2.77	3.52	3.17	3.66
ROAE (%)	18.23	26.37	33.19	30.77	34.74
Equity/Assets (%)	10.53	9.97	11.23	9.89	10.80
Capital Adequacy Ratio (%)	12.73	13.31	15.32	13.85	15.48
Annual Asset Growth Rate (%)	11.10	29.69	18.15	26.06	20.15

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

Overview

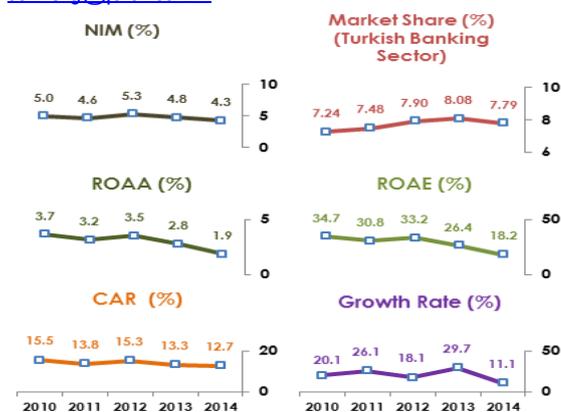
Türkiye Halk Bankası A.Ş. (hereinafter referred to as "Halkbank" or the "Bank") was incorporated in Turkey in 1933 in accordance with Law Number: 2284 and began operations in 1938 with the intention of transferring resources under favorable conditions to tradesmen, artisans and small business owners and activating capital growth. The Bank received state-owned bank status in 1963. As the seventh largest bank in Turkey in terms of asset size, the Bank contributes to the economic development and growth of the country through lending, facilitation of international trade and integrated financial services. Currently, 48.90% of the Bank's shares are publicly traded and the Turkey Prime Ministry Privatization Administration is the qualified shareholder with a 51.06% stake, excluding the shares owned by the Administration that are traded on BIST.

Throughout the reviewed period, the Bank's profitability indicators, particularly return on asset and equity, above the sector averages with recurrent revenue components fortified by superior net interest margin, broad & stable deposit structure, well above sector average core capital share among total shareholders' equity and attained asset quality through below sector NPLs ratios were the crucial factors supporting the Bank's solid financial strength.

Halkbank continued organic expansion in FY2014 and increased the number of branches by 23 to 895. In addition to the nationwide operations, the Bank operates with five branches abroad, 4 in North Cyprus and 1 in Bahrain. Additionally, the Bank has 2 representative offices located in Iran and England. The Bank also operates in Macedonia, the Netherlands and Belgium through its subsidiaries and associates. In line with its growth strategy in Balkan region, Halkbank acquired Cacanska Banka AD in Serbia on 27 May 2015 to strengthen its presence in the Balkan region.

* Assigned by Japan Credit Rating Agency, JCR on August 28, 2015

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Strengths

- Established earnings power with above sector average profitability indicators
- Higher than average net interest margin despite a decline in the last two consecutive years in both the Bank and the sector
- Favorable assets quality compared to the sector regarding adjusted NPLs level
- Loan to Deposit ratio standing fairly below the sector average, easing liquidity management and cost efficiency
- Solid sponsor support in the event of systemic risk due to the public stake through the shares of Turkey Prime Ministry Privatization Administration
- Contributions to sustainability of the high level of compliance concerning corporate governance implementations coupled with well-established risk management system and practices
- Expertise and established market position in SME loan segment based on its founding objective and mission
- Market power via its solid position in a wide range of integrated and diversified financial services through its nationwide branch network and affiliates

Constraints

- Despite an adequate capital above the legal and requirement boundaries, decreasing and below sector average CAR ratio leading to possible suppression of future growth
- Upside risks via weakened and fluctuating TRY along with downside risks to growth in economic activities stress on profit margins due to deteriorating asset quality through weakened debt-servicing capabilities of the real sector
- Sector-wide structural maturity mismatches and short maturity profile of deposits
- Sectorial impacts of regulatory changes and commission rebates pressurizing profitability margins
- Further challenges caused by uncertainties resulting from the general election in June 2015 and increasing social tension along with endurance of high geopolitics risks in the near region deteriorate the investment and operational environments
- Fixed rate instruments comprising nearly 50% of the Securities portfolio, pressurizing income derived from the securities during periods of rising trend in interest rates

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