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	-
	Outlook LC	Stable	-

* Assigned by Japan Credit Rating Agency, JCR on October 7, 2016

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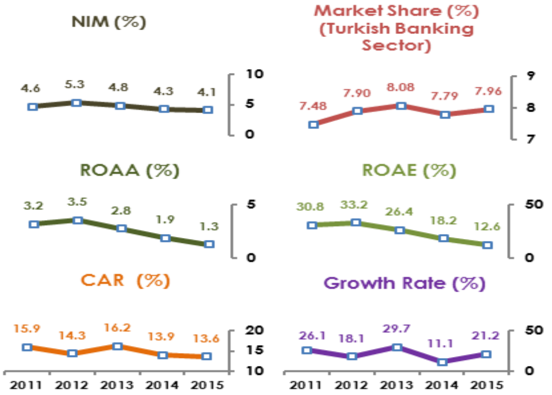

Türkiye Halk Bankası A.Ş.

Financial Data	2015*	2014*	2013*	2012*	2011*
Total Assets (USD mn)	65,437	67,701	66,326	61,291	48,819
Total Assets (TRY mn)	190,265	156,991	141,300	108,951	92,215
Total Deposit (TRY mn)	122,499	103,649	100,384	79,800	66,229
Total Net Loans (TRY mn)	129,067	103,696	86,727	66,827	57,181
Equity (TRY mn)	19,312	16,527	14,092	12,237	9,122
Net Profit (TRY mn)	1,787	2,265	2,855	2,819	2,059
Market Share (%) **	7.96	7.79	8.08	7.90	7.48
ROAA (%)	1.30	1.87	2.77	3.52	3.17
ROAE (%)	12.55	18.23	26.37	33.19	30.77
Equity/Assets (%)	10.15	10.53	9.97	11.23	9.89
Capital Adequacy Ratio (%)	13.04	12.73	13.31	15.32	13.85
Annual Asset Growth Rate (%)	21.19	11.10	29.69	18.15	26.06

* 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. Halkbank is the 6th largest bank in Turkey in terms of assets, loans, deposits and equity size and 5th based on the net profit figure. In line with its establishment mission, the Bank contributes to the economic development and growth of the country through lending, facilitation of international trade and integrated financial services. As of June 30, 2016, 48.93% of the Bank's shares were publicly traded and the Turkish 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.

The Bank had a labor force of 17,180 and a service network of 956 branches (FYE2015: 944), including 35 satellite branches and 5 foreign branches, four of which are located in the TRNC and one in Bahrein, along with 3 representative offices in England, Iran and Singapore as of June 30, 2016. The Bank also operates in Macedonia, the Netherlands and Serbia through its subsidiaries and associates. Additionally, the Bank has a correspondent banks network of approximately 2,000. Thanks to the Bank's advanced technology based infrastructure, nearly 90% of the transactions are materialized through ADCs.

Above sector profitability indicators, particularly those of return on assets and equity, maintenance of asset quality level above the sector, along with a broad & sticky deposit structure, solid liquidity position, sound growth performance and well above sector average core capital share among total shareholders' equity are the main factors underlying Halkbank's solid financial strength and supporting the affirmation of issued ratings.

Strengths

- Core profitability indicators outperforming the sector average despite a continuous decline after FY2012
- Improved and favorable assets quality demonstrated by the below sector average NPLs and above the sector average LLP coverage level
- Loan to Deposit ratio below the sector average, indicating a comfortable liquidity position while promising further growth and facilitation liquidity management
- Solid sponsor support in the event of systemic risk due to the public stake through the shares of Turkey Prime Ministry Privatization Administration
- Moderate risk profile and well-established risk management system and practices
- High level of compliance concerning corporate governance implementations contributing to sustainability
- As the 6th largest bank, market maker position in securities and systemically important bank having high market influence through wide range of integrated and diversified financial services together with subsidiaries and affiliates

Constraints

- Tapering interest margin following FY2012, exerting pressure on net profit and profitability levels
- Maintenance of the deterioration in principal profitability ratios throughout the sector
- OPEX remaining under pressure through commission and expenses rebates
- Sector-wide structural maturity mismatches and short maturity profile of deposits
- Persistence of high geopolitical risks in the nearby region and increasing terrorist activities harboring a potential that could evolve towards a regional war, which can lead to the deterioration of investment perception and operating environment
- Upside risks via a weakening TRY and downside risks to growth depressing profit margins and impacts on debt-servicing capabilities of the real sector

Publication Date: October 19, 2016 ***Global Knowledge supported by Local Experience"***