

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	1H2017	2016*	2015*	2014*	2013*
Total Assets (USD mn)	76,926	67,246	65,437	67,701	66,326
Total Assets (TRY mn)	270,533	236,654	190,265	156,991	141,300
Total Deposit (TRY mn)	172,029	150,390	122,499	103,649	100,384
Total Net Loans (TRY mn)	183,846	161,434	129,067	103,696	86,727
Equity (TRY mn)	24,722	22,007	19,312	16,527	14,092
Net Profit (TRY mn)	2,461	3,018	1,787	2,265	2,855
Market Share (%) **	8.91	8.47	7.96	7.79	8.08
ROAA (%)	n.m.	1.75	1.30	1.87	2.77
ROAE (%)	n.m.	18.04	12.55	18.23	26.37
Equity/Assets (%)	9.14	9.30	10.15	10.53	9.97
Capital Adequacy Ratio (%)	13.34	12.50	13.04	12.73	13.31
Asset Growth Rate (%)	14.32	24.38	21.19	11.10	29.69

* 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 established 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. In 2007, 24.98% of Halkbank's shares were offered to the public for the first time. Following this successful offering, 23.92% of Bank shares were offered for the second time in 2012 and currently 48.93% of shares are publicly traded on the Borsa İstanbul (BIST). All shares (51.11%) belonging to the Republic of Turkey Prime Ministry Privatization Administration-including the shares owned by the Administration that are traded on BIST- were transferred to Türkiye Varlık Fonu Yönetimi A.Ş. (Turkey Wealth Fund) on 10 March 2017 pursuant to the Decree of the Higher Council for Privatization No: 2017/1 dated 3 February 2017.

As per solo financials, Halkbank is the 6th largest bank in Turkey in terms of assets, loans, deposits and equity size and 7th based on the net profit figure. As of 30 June 2017, the Bank carried out its operations through a total of 969 branches consisting of 963 domestic, 30 satellite branches and 6 foreign branches, 5 of which are in Turkish Republic of Northern Cyprus (TRNC) and 1 in Bahrain. Despite the 4th largest branch network among the 47 banking institutions, over 90% of transactions are materialized through ADCs thanks to the Bank's advanced technology based infrastructure. The Bank also operates in Macedonia, the Netherlands and Serbia through its subsidiaries and associates and has increased its perception in the Balkan region.

Improved and sound profitability metrics, in particular return on assets and equity, maintenance of above sector averages asset quality, broad & sticky deposit structure coupled with solid liquidity position, sound growth performance, above sector average core capital share among total shareholders' equity and 1H 2017 outcomes are the main factors supporting the affirmation of the issued ratings.

Strengths

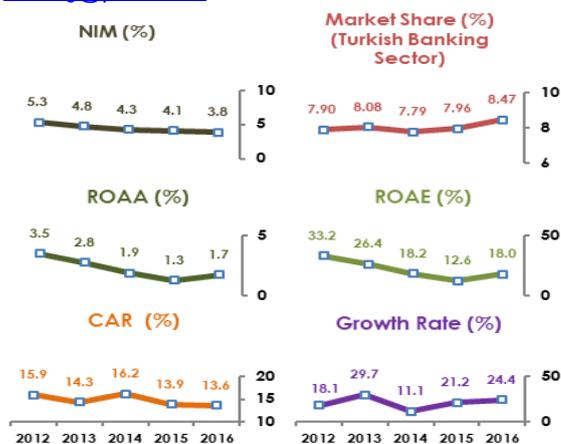
- Established earning power and notable progress in core profitability indicators
- Favorable assets quality evidenced by the remarkably below sector average NPLs
- Below sector average OPEX to assets ratio, specifying efficient management
- Below sector average LDR indicating a comfortable liquidity position while promising further growth and facilitation liquidity management
- Solid sponsor support in the event of systemic risk due to the public stake despite strong financial capabilities
- As a market maker in securities and a systemically important bank, high market inspiration through wide range of advanced, integrated and diversified financial services together with subsidiaries and affiliates
- Moderate risk profile and well-established risk management system and practices
- High level of compliance concerning corporate governance implementations
- Solid growth performance in core banking activities and increase in market shares

Constraints

- Maintenance of tapering interest margin exerting pressure on net profit and profitability metrics
- Sector-wide structural maturity mismatches and short maturity profile of deposits
- Persistence of high geopolitical risks in the nearby region and cross-border military operations which can lead to the deterioration of investment perception and operating environment though countercyclical stimulus packages and regulations
- Sensitiveness of its assets and liabilities composition to probable impacts of public authorities
- Sector wide difficulties in overseas borrowing facilities to a small extent in recent period along with increase in cost of funding

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

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Publication Date: October 31, 2017 Global Knowledge supported by Local Experience™

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