

Halkbank loans up 18 percent in first six months, and the bank upgraded its annual loan growth target

Cash loans of Halkbank was up 18 percent to 38.3 billion Turkish lira in the first half of 2010. Having previously set its annual target for loan growth at 20 percent, Halkbank revised this target to at least 25 percent, in line with its first-half results.

Halkbank remained on a path of growth with the extension of loans in the first half of 2010. A target of 20% growth in loans had been set for 2010 and was largely achieved in the first six months of the year. Indeed, Halkbank's total loan book (including non-cash loans) rose 18 percent compared to year-end 2009 and 36.9 percent compared to H1 2009 to reach 49.3 billion Turkish lira. Non-cash loans were up 46.6 percent in the first six months of 2010 compared to the first half of 2009.

In a statement discussing the bank's financial results for the first half of 2010, Halkbank General Manager **Hüseyin Aydın** noted that 2010 for Turkey is a year of recovery, resurgence, and focus on new investments. He elaborated:

“Halkbank never doubted that Turkey would pull through the global finance crisis and has steadily supported the real sector by providing loans, regardless of the economic conditions. We are proud that Turkey was second only to China in achieving high growth of 11.7 percent in the first quarter of the year – indicating that our forecasts had been accurate and our strategies appropriate. Halkbank supported Turkey's productive population during the most difficult days of the crisis and is determined to carry this growth into the future, hand in hand with the real sector. To this end, we have consistently offered loans and never reduced the amount of credit available. And now, we have revised our target for the annual increase in loans to at least 25 percent.”

Halkbank's lending performance also influenced the bank's assets and deposit structure. The bank's total assets rose 12.3 percent compared to year-end 2009 to 68 billion Turkish lira in the first half of 2010, while the loans to total assets ratio climbed from 53.5 percent to 56.2 percent in the same period. Halkbank also increased its deposits by 16.6 percent to 51.2 billion Turkish lira and improved the deposit to loan ratio from 73.9 percent to 74.7 percent.

Halkbank performed well in cash loans in the first half of the year, thanks to strong growth in commercial and retail loans. Commercial loans (including SME and craftsman loans) were up 15.4 percent in the first six months of the year, while retail loans rose 26 percent. As a result, Halkbank's market share in the cash loans climbed to 8.1 percent as of end-June.

As a result of these developments, Halkbank's net profit for the first half of 2010 rose to 1 billion and 35 million Turkish lira. The bank's total loan book and net profit were up, and it lowered NPL ratio from 5.1 percent in the first half of 2009 and 4.9 percent at year-end 2009 to 4.3 percent as of end-June 2010. Halkbank's Shareholders' equity increased 11.7 percent in the first half of year compared to year-end 2009.

EIB loan supported by the European Commission on the way

Cooperation with international financial institutions to diversify loans for SMEs and to offer low interest and long-term options is of great importance to Halkbank. **Mr. Aydın** pointed out that **“With the €150 million agreement we concluded in May, we increased the number of loan protocols we have signed with the European Investment Bank (EIB) since 2001 to six and total funds obtained to €540 million. To date, we have extended loans to a total of 1,000 SMEs from these funds. We will achieve a first by launching a new project with the EIB which is supported by the European Commission in the coming days.”**

Noting that Halkbank reentered the syndication market after a long time and that this is an extremely important agreement for the bank, **Mr. Aydın** continued:

“By signing the syndication loan protocol amounting \$570 million with consortium of 27 banks from 12 countries, we will provide multifaceted support to the real sector and become very active in foreign trade. As Turkey becomes one of the most rapidly growing economies in the world, Halkbank is strengthening its reputation in the international arena with its success story in the banking industry. The securing of this loan from foreign markets after a long period is an important testament to Halkbank's strong correspondent bank relationships and international credibility.”

“SMEs are our business, not our hobby”

Mr. Aydın stated that the bank would continue to increase its support to SMEs and remain loyal to their legacy of being a truly SME Bank. He proclaimed **“SMEs are our business, not our hobby.”**

Noting that Halkbank still cooperates with business and professional associations and public bodies, as well as international financial institutions, **Mr. Aydın** explained:

“We make use of every platform we can access to the productive people in Turkey. We continue to cooperate with the Chamber of Commerce and Industry, and in particular this year with the Turkish Union of Chambers and Commodity Exchanges (TOBB). In April, we launched the Halkbank – TOBB Support Loan, with very favourable terms, for Chamber members. As the first bank to cooperate with regional development agencies, we carried out negotiations with seven agencies in the first half of the year and provided co-financing to SMEs entitled to grant funds.”

“1,700 people joined the Halkbank family in the first half of the year”

In the first half of the year the bank made progress in enlarging its branch network and recruiting new staff. Mr. Aydın said “We are proud to have added the twin successes of branch expansion and employment creation to positive figures in our balance sheet. In the first half of the year, we opened 20 new branches and added 1,700 people to the Halkbank family. Our goal is to open a total of 60 new branches by the end of this year.”

HALKBANK SECOND QUARTER (JUNE 2010) FIGURES

TRY Million

	June 2009	2009	June 2010	Change compared to year-end 2009	Percentage Change compared to year-end 2009 %
Cash Loans	28.480	32.458	38.258	5.800	17,9
Commercial Loans	22.434	24.999	28.859	3.859	15,4
Retail Loans	6.046	7.459	9.399	1.941	26,0
Non-Cash Loans	7.517	9.315	11.019	1.704	18,3
Total Loans	35.997	41.773	49.277	7.504	18,0
Market Share of Non-Cash Loans	7,4%	8,0%	8,1%	100 bp	
Securities	20.321	21.373	21.770	397	1,9
Deposits	40.940	43.950	51.241	7.292	16,6
Shareholders' Equity	4.882	5.760	6.432	672	11,7
Total Assets	55.670	60.650	68.080	7.430	12,3

	June 2009	2009	June 2010	Change compared to year-end 2009	Percentage Change compared to year-end 2009 %
Profit	787	1.631	1.035	248	31,5

	June 2009	2009	June 2010
Loan/Deposit	69,6%	73,9%	74,7%
Loan/Assets	51,2%	53,5%	56,2%
Non-performing Loans/ Total Loans	5,1%	4,9%	4,3%

Including interest accruals