



# HALKBANK

Outstanding results in line with well-defined strategies...

Bank only H1 2007 results

## Halkbank Overview

- > Established in 1938
- > One of the leading SME franchises in Turkey
- > 7.2% market share in total assets, 7th largest bank in Turkey
- > 10.1% market share in TRY deposits, 4th largest bank
- > 554 domestic branches, 5th largest branch network in Turkey with a nationwide presence
- > 6.2 million customers
- > High profitability and low cost base
  - 1 H 2007 net income of TRY 535m, up 82 % y-o-y
  - 1 H 2007 cost/income ratio of 35.3%
- > High capitalisation and low risk profile
  - Capital adequacy ratio of 20.3%
  - Low level of NPLs, fully provisioned
  - Rated BB-/Positive by Fitch at sovereign ceiling



**At least one branch in every province in Turkey**

Wide spread presence all around country-especially in Anatolia

## History

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- Established in 1933 and became operational in 1938 with a mission to support SME's.
- Started branch expansion plans in 1960s and had enjoyed, since then, one of the largest branch networks in the country.
- 25% of shares listed in Istanbul Stock Exchange with an IPO in May 2007.
- Have international presence through branches in Germany, Northern Cyprus and Bahrain. International network also includes shares in banks abroad (Demir-Halk Bank N.V., Volksbank Hungary, Garagum Bank of Turkmenistan) and a representative office in Iran.
- Have an affiliates portfolio including two insurance companies, a brokerage company and a leasing company. Aims to be a financial group extending various financial products to its customer base.

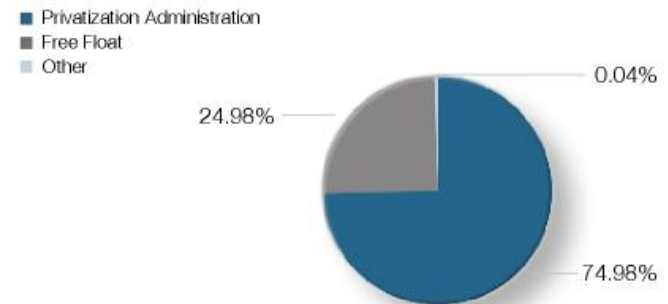
## IPO

As of 10 May 2007, 24.98 % of the shares of the Bank have been sold through a very successful Public Offering and the shares have been listed in Istanbul Stock Exchange

Some of the key highlights are as follows:

- > the largest ever public offering in Istanbul Stock Exchange
- > the most extensive local investor base in an IPO in Turkey
- > 188 foreign investors from 20 countries (69.5 % of offered shares), 205 local institutional investors and 51.655 local private investors ( 30.5 % of offered shares) constituting the largest investor base in Turkish market
- > foreign investors' demand 9 times and local investors' demand 3 times over the offered shares

### Shareholders Structure



## Clear Strategic Objectives

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### **Further Strengthen the SME Franchise**

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### **Increase Market Share in Retail Banking**

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### **Experience Growth While Preserving Profitability and Efficiency**

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### **Key Initiatives**

- > Increasing product diversity and service quality
- > Benefiting from potential cross selling opportunities
- > Increasing market share in retail loans and especially in credit cards
- > Increasing the loan portfolio
- > Increasing non-interest income
- > Increasing the deposit base and reducing the cost of deposits
- > Reducing the ratio of securities to assets

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# First Half 2007 Performance



## Highlights

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### TRY 36.9 bn

**Total assets** increased by 7.3% y-t-d and reached TRY 36.9 bn

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### TRY 814 mn

**Net interest income** increased by 68.9% y-o-y and reached TRY 814 mn, net interest margin maintained its current level of 5.0%

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### TRY 535 mn

**Net profit** grew by 82.0% y-o-y and reached TRY 535 mn

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### 27.2%

With a rise of 27.2% y-t-d, Halkbank's loan portfolio continued to **grow over the sector** average and reached TRY 14.5 bn

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### 40.1%

**Retail loans** grew by 40.1% y-t-d above the sector average and reached TRY 3.0 bn, driven by consumer loans and mortgage loans which increased by 53.2% and 35.3% respectively

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### 51.0%

**Loans/deposits ratio** increased to 51.0% as of H1 07

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### 35.3%

**Cost/Income ratio**, 35.3%, is still well below the sector average and positively effects the profitability

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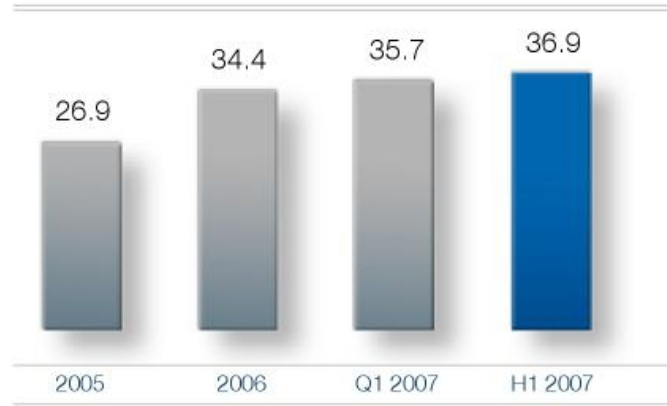
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### 20.3%

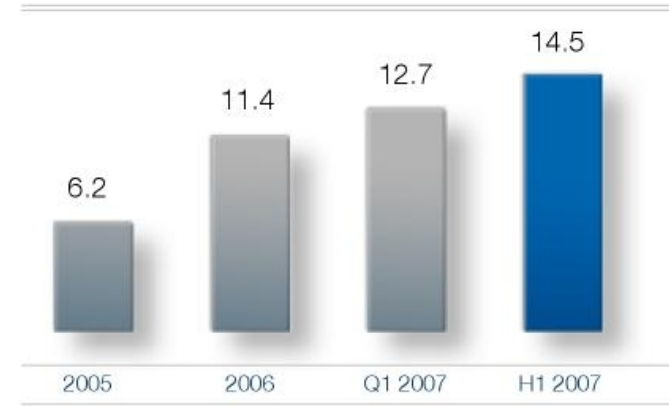
**CAR**, 20.3%, is well above the sector average and supports the strong loan growth

## Highlights

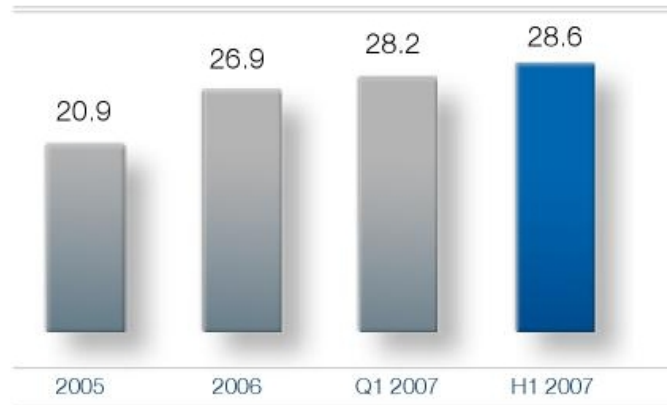
**Total Assets** (TRY billion)



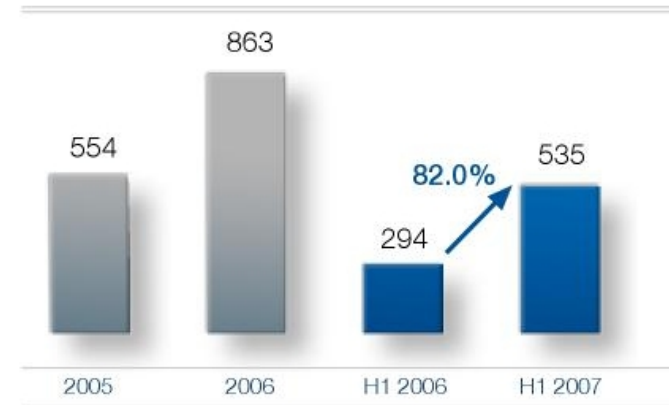
**Total Loans** (TRY billion)



**Total Deposits** (TRY billion)



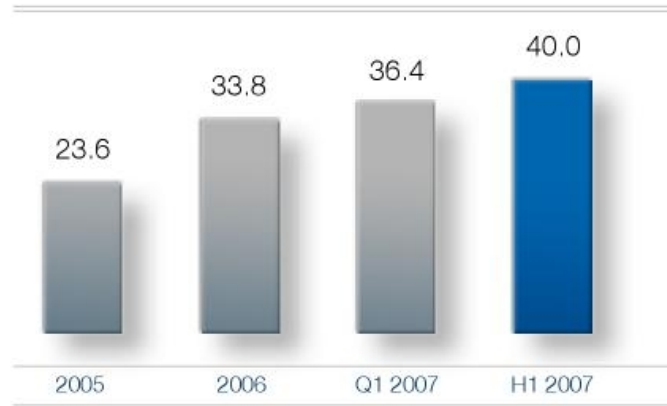
**Net Profit** (TRY million)



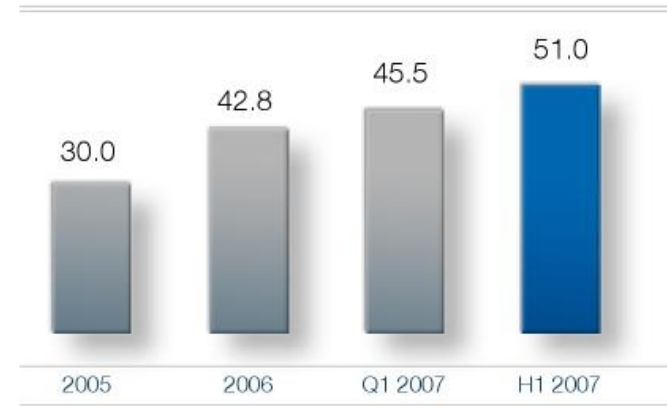


## Balance Sheet Performance

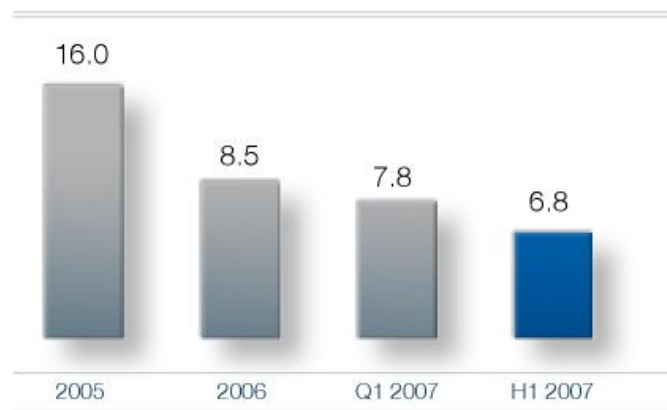
Net Loans/Total Assets (%)



Net Loans/Total Deposits (%)



NPL/Total Loans (%)

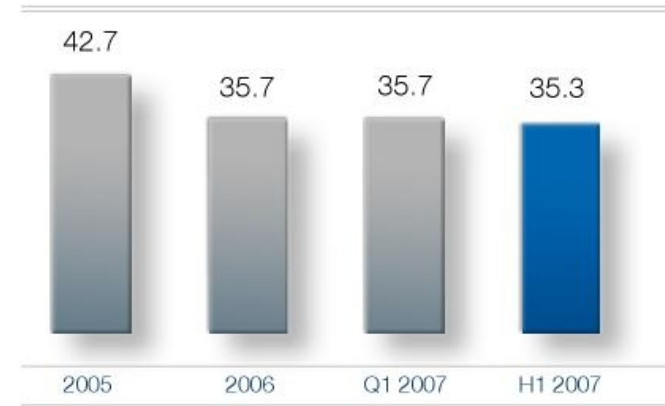


Asset composition  
changing in favor of  
loans...

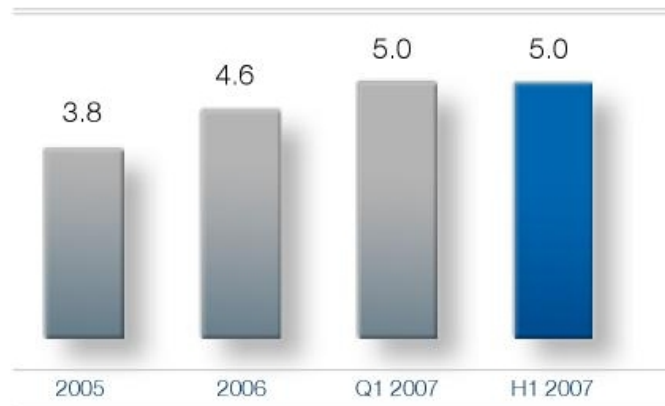
## Key Ratios (BRSA Bank Only)

- Effective cost management
- Expanding margins
- Strong capital base

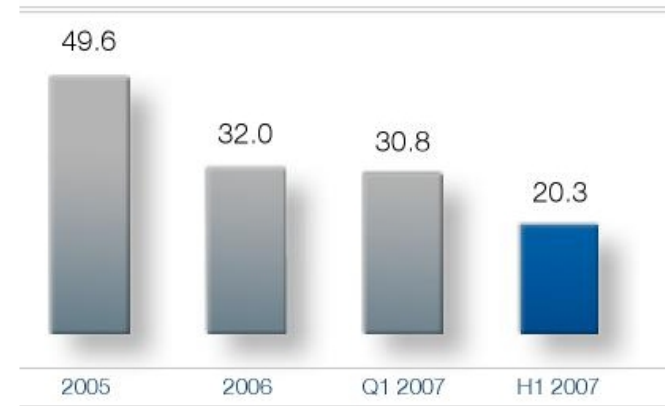
Cost/Income (%)



Net Interest Margin (%)

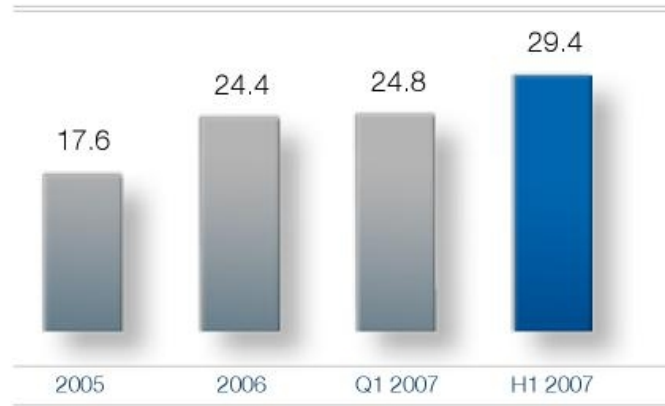


CAR (%)



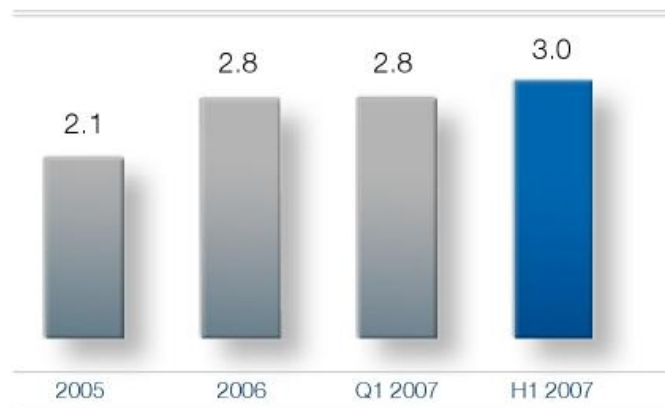
## Key Ratios (BRSA Bank Only)

ROE (%)



**ROE** increased 460 bps and reached **29.4%**.

ROA (%)

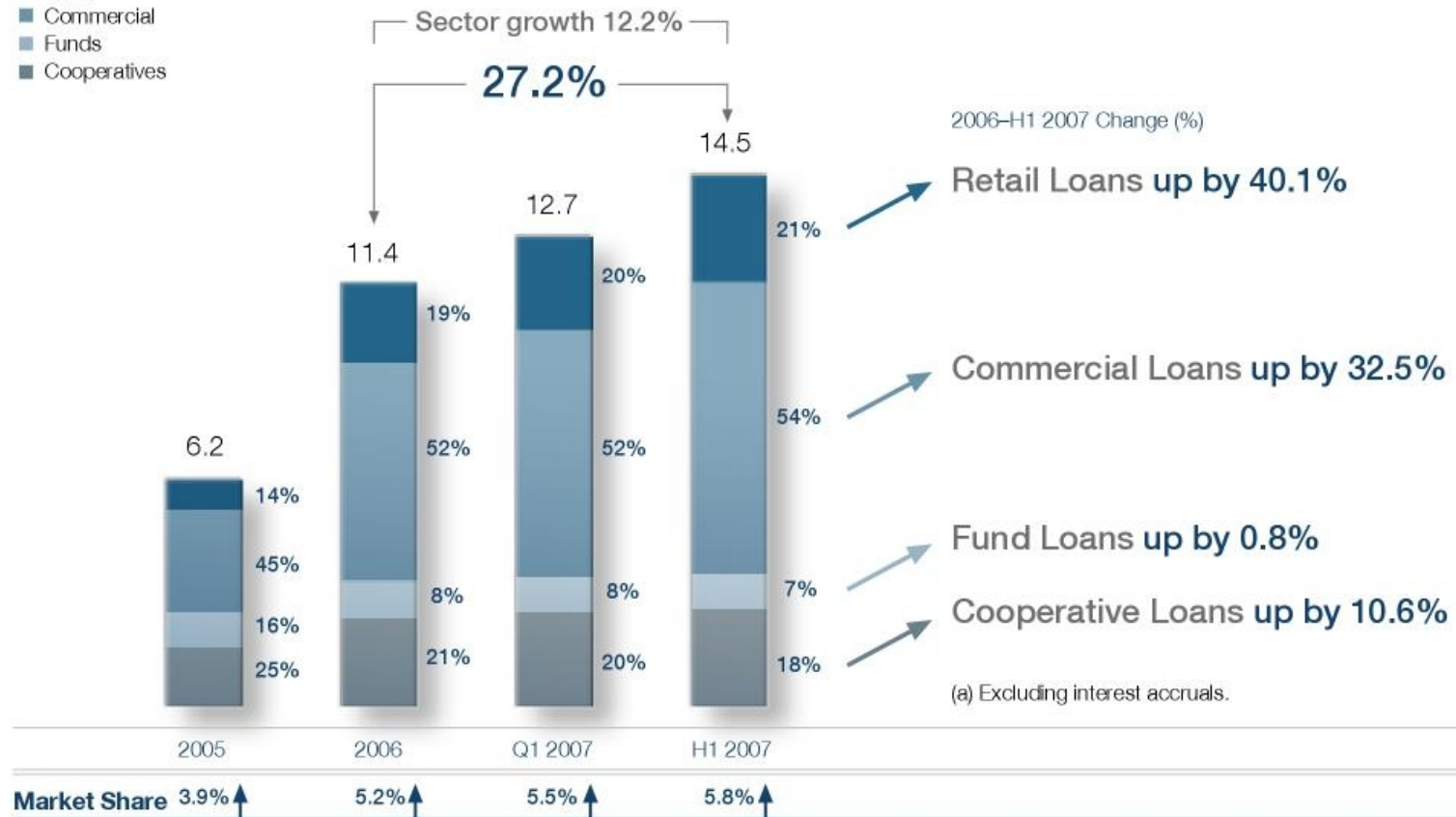


**ROA**, reaching **3%**, reflects the Bank's efficiency.

## Strong Loan Portfolio Growth

Loans Types (TRY million) <sup>(a)</sup>

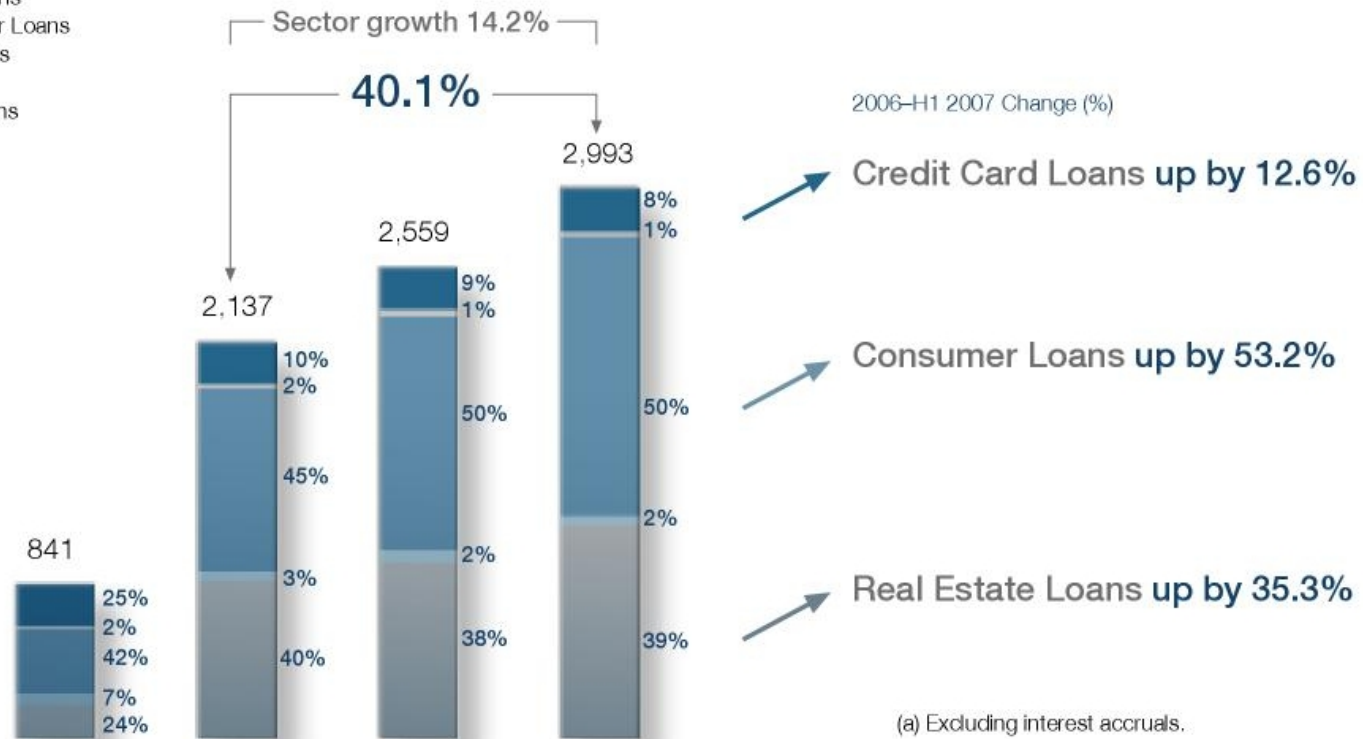
- Retail
- Commercial
- Funds
- Cooperatives



## Strong Retail Loans Growth

Retail Loans by Product (TRY million) <sup>(a)</sup>

- Credit Card Loans
- Other Consumer Loans
- Consumer Loans
- Vehicle Loans
- Real Estate Loans



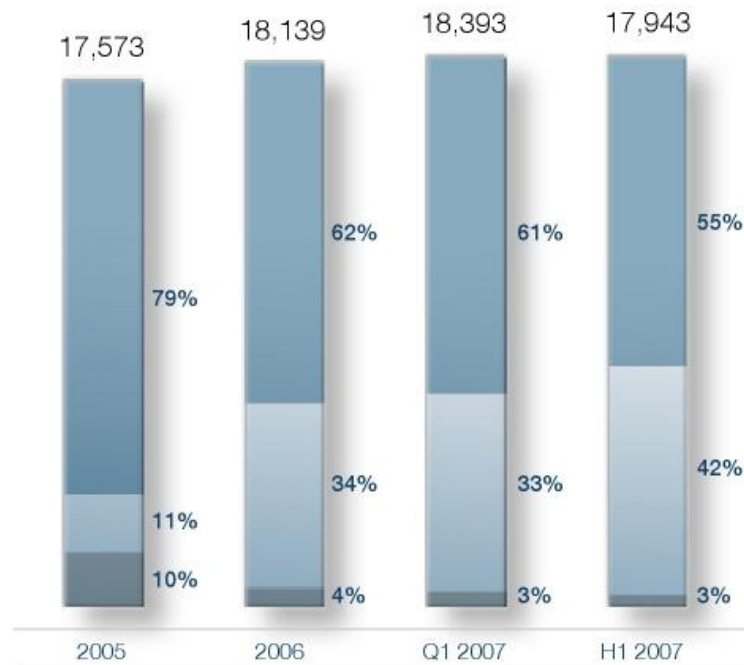
	2005	2006	Q1 2007	H1 2007
Market Share	1.9% ↑	3.2% ↑	3.7% ↑	3.9% ↑
Excl. Credit Cards	2.2% ↑	4.2% ↑	4.8% ↑	5.1% ↑



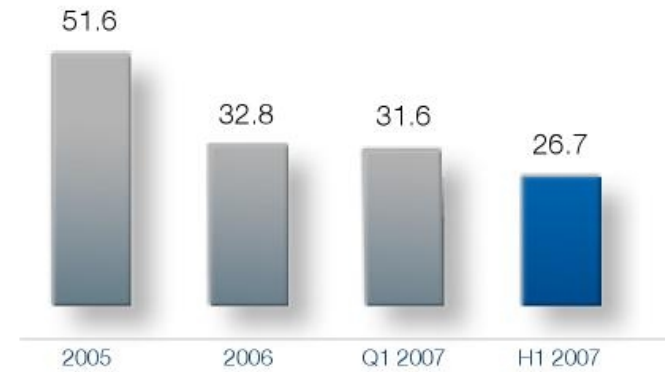
## Securities Portfolio <sup>(a)</sup>

(TRY million)

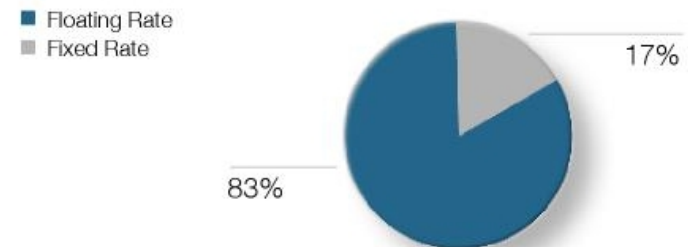
- Trading Portfolio
- Available For Sale
- Held to Maturity



## Held To Maturity Portfolio/Total Assets (%)



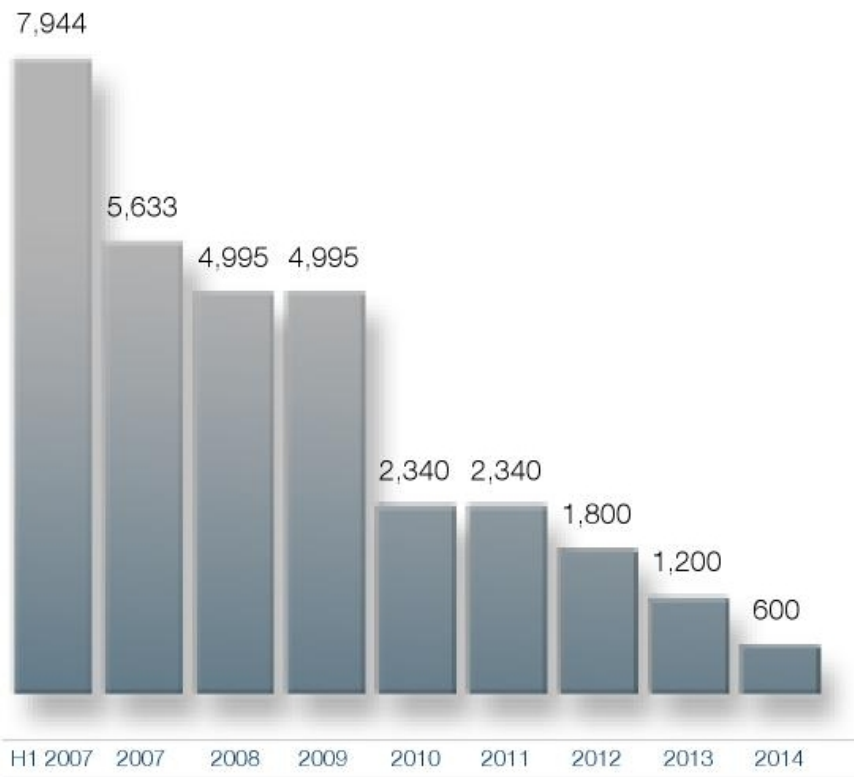
## Interest Rate Structure



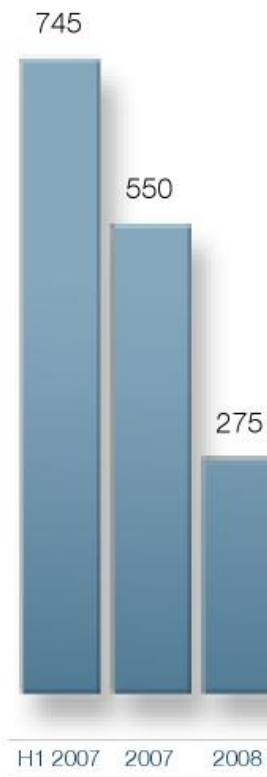
(a) Including interest accruals.

## HTM Redemptions-Important Source of Funding

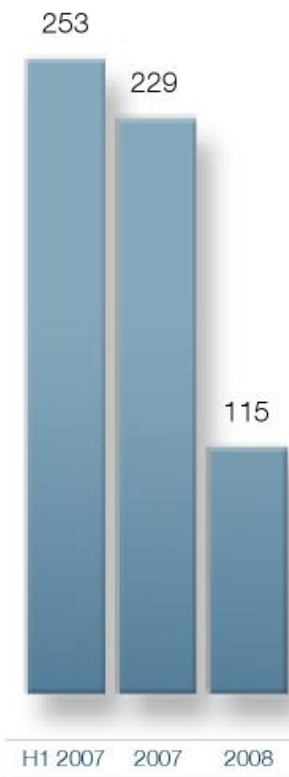
Securities Portfolio  
(TRY million)



FX Securities Portfolio  
(EUR million)



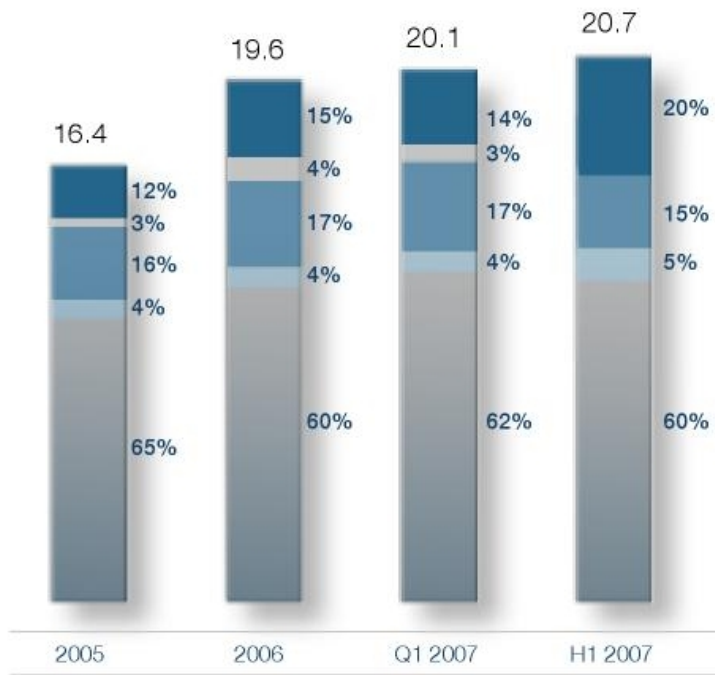
FX Securities Portfolio  
(USD million)



## Large Deposit Base

TRY Deposits by Types (TRY billion) <sup>(a)</sup>

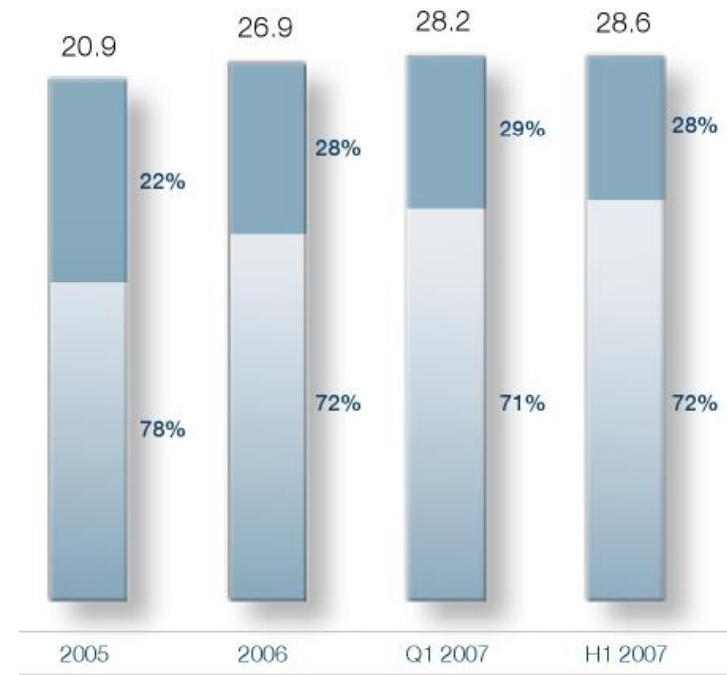
- Other Institution Deposits
- Interbank
- Commercial
- Public Sector
- Savings



(a) Excluding interest accruals.

Deposits by Currency (TRY billion) <sup>(a)</sup>

- FX Deposits
- TRY Deposits



## Improvement in Efficiency and Increasing Profitability

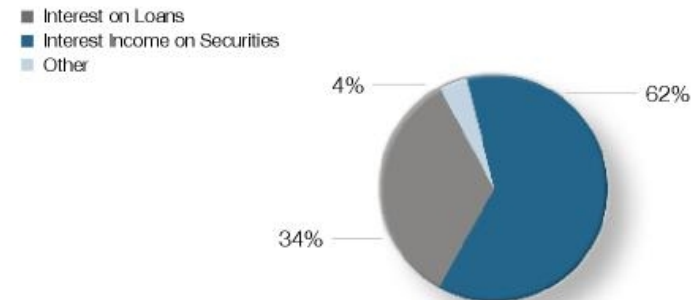
Net Interest Income (TRY million)

(As a % of Total Income)

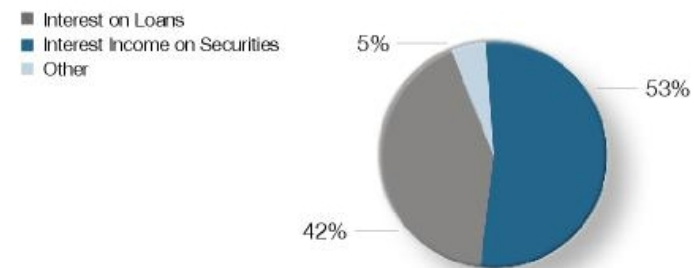


Decreasing securities portfolio coupled with the increasing share of loan book -NII surged by 69% y-o-y base.

Breakdown of Interest Income (H1 2006)



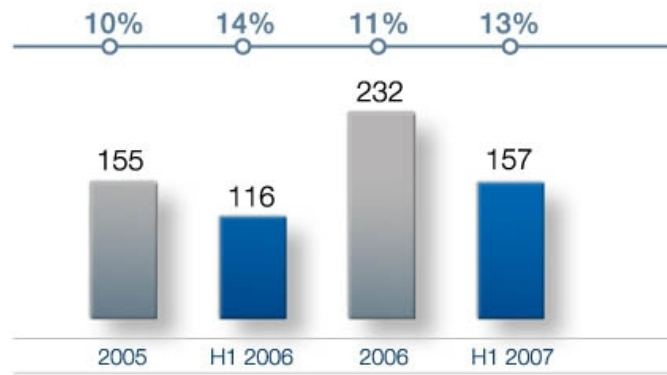
Breakdown of Interest Income (H1 2007)



## Increasing Fee Income-Effective Cost Management

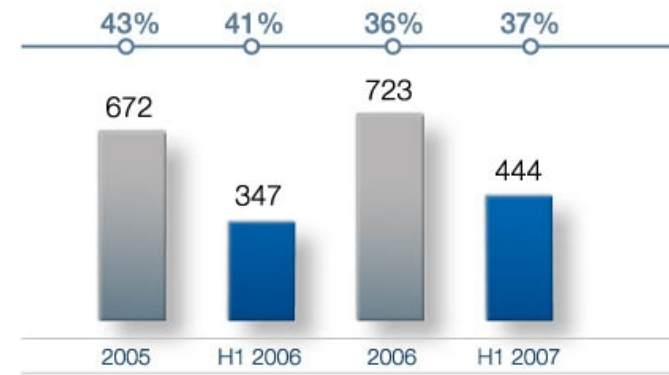
### Net Fee & Commission Income (TRY million)

(As a % of Total Income)

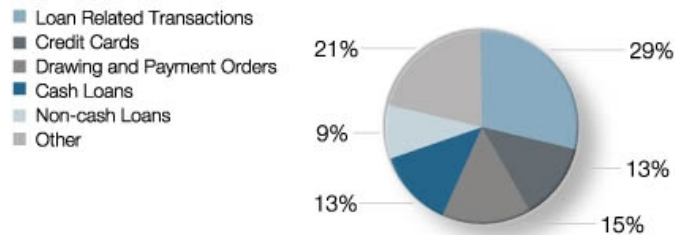


### Operating Expenses (TRY million)

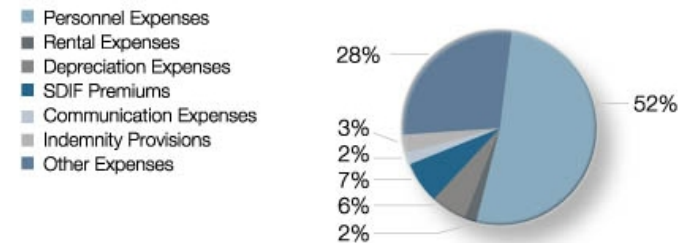
(As a % of Total Income)



### Breakdown of Fee & Commission



### Breakdown of Operating Expenses

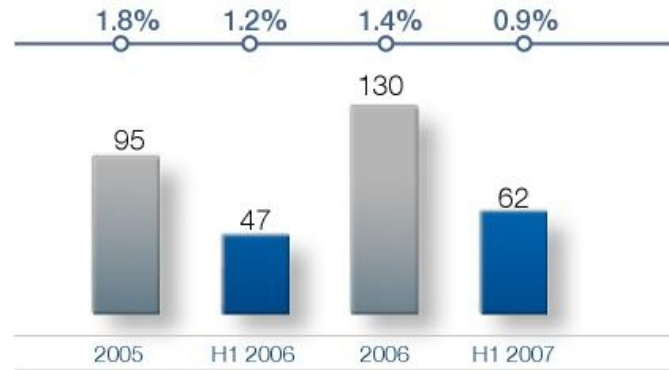




## Effective Loan Approval Process

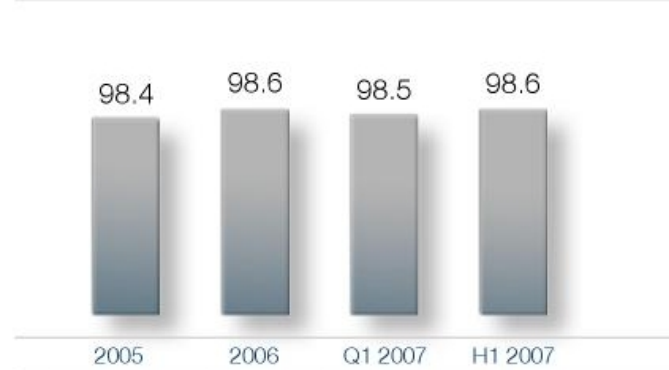
### Loan Loss Provisions (TRY million)

(As a % of Average Net Loans)



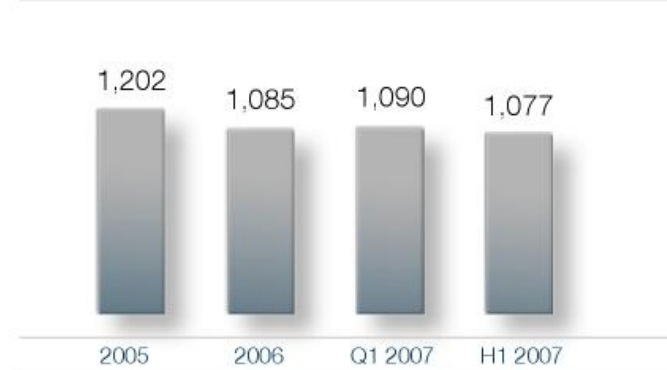
NPL/Total loans is decreasing and converging with the sector averages in line with loan portfolio increase and continuing NPL collections.

### NPL Coverage\* (%)



\* Remaining 1.4% risk does not belong to the Bank.

### NPL Portfolio (TRY million)



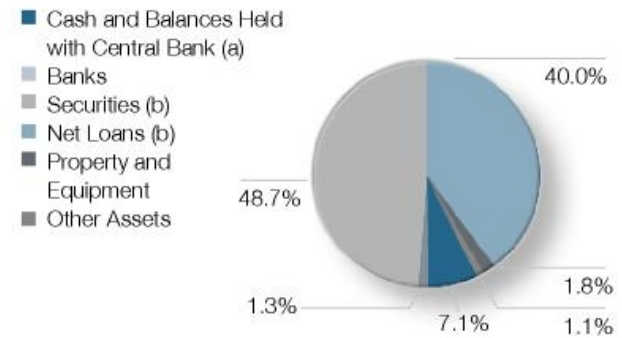
## Balance Sheet

In TRY million	2005	H1 06	2006	H1 07	(y-t-d) (%) Change
Cash and Balances Held with Central Bank (a)	1,286	2,909	2,551	2,640	3
Banks	752	583	1,079	474	(56)
Securities (b)	17,573	18,849	18,139	17,943	(1)
Net Loans (b)	6,330	9,150	11,646	14,745	27
Property and Equipment	713	708	675	654	(3)
Other Assets	200	246	335	420	25
<b>Total Assets</b>	<b>26,854</b>	<b>32,445</b>	<b>34,425</b>	<b>36,876</b>	<b>7</b>
Deposits (b)	21,113	26,489	27,188	28,934	6
Funds Borrowed (b)	468	713	873	904	4
Interbank Money Market	40	511	672	1,482	121
Funds	1,024	922	1,003	1,002	0
Other Liabilities	597	425	531	589	11
Provisions	313	329	378	406	8
Shareholders' Equity	3,299	3,056	3,780	3,559	(6)
<b>Total Liabilities</b>	<b>26,854</b>	<b>32,445</b>	<b>34,425</b>	<b>36,876</b>	<b>7</b>

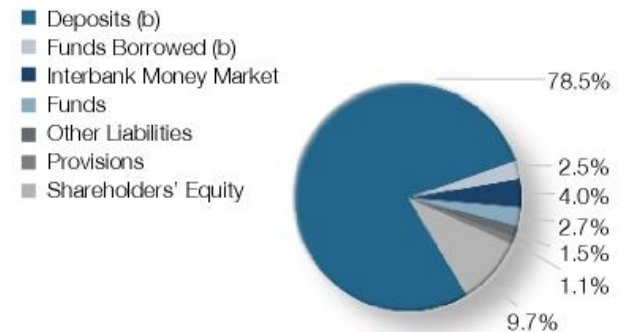
(a) Reserve deposits monitored in balance with Central Bank

(b) Interest Accruals add to related accounts

### Composition of Total Assets



### Composition of Total Liabilities



## Income Statement

In TRY million	H1 06	H1 07	(y-o-y) Change (%)
Interest Income	1,846	2,759	49
Interest Expense	1,364	1,945	43
Net Interest Income	482	814	69
Net Fees and Commissions	116	157	35
Net Trading Income	(311)	(35)	(89)
Other Operating Income	569	264	(54)
Net Operating Revenues	855	1,200	40
Operating Expenses	347	444	28
Net Operating Income	508	756	49
Provision for Loan Losses and Other Receivables	107	114	7
Profit/(Losses) from Associates	13	19	41
Income Before Taxes	415	662	60
Provision for Taxes	120	127	5
Net Income	294	535	82

Net profit of Halkbank for the first half of 2007 has reached TRY 535 million with a y-o-y increase of 82%, compared to the net profit of TRY 294 million in the same period of 2006.

For further information please contact  
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**HALKBANK**