



# HALKBANK

2007 year-end results

## Highlights

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### TRY 40.2 billion

**Total assets** increased by 17% y-o-y and reached TRY 40.2 bn.

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### TRY 1,752 million

**Net interest income** increased by 25% y-o-y and reached TRY 1,752 mn, net interest margin went up to 5.0%.

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### TRY 1,131 million

**Net profit** grew by 31% y-o-y and reached TRY 1,131 mn.

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### 55.9%

With a rise of 55.9% y-o-y Halkbank's loan portfolio continued to **grow above the sector** average and reached TRY 17.8 bn.

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### 92.7%

**Retail loans** grew by 92.7% in 2007 well above the sector average and reached TRY 4.1 bn. Consumer loans and mortgage loans grew by 107.9% and 96.7% respectively.

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### 58.8%

**Loans/Deposits ratio** increased to 58.8% as of year-end.

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### 33.7%

**Cost/Income ratio**, 33.7%, is well below the sector average and positively affects profitability.

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### 20.0%

**CAR**, 20.0%, is above the sector average and supports strong loan growth.

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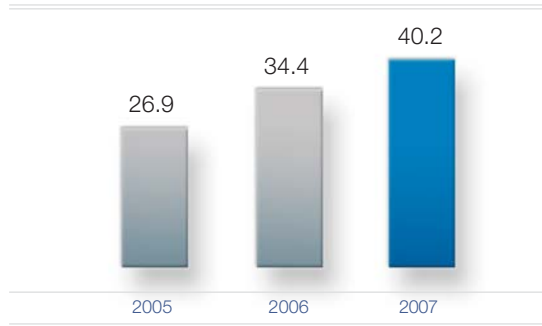
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### 27.7%

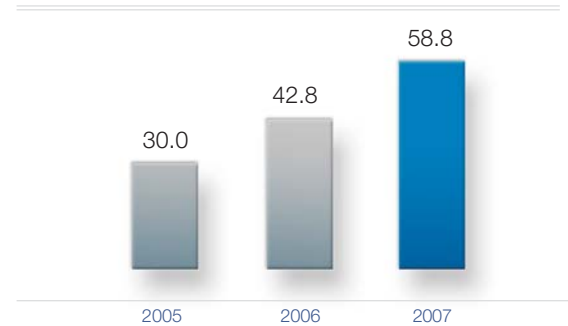
**ROE** increased by 330 bps y-o-y and reached 27.7%.

## Changing Asset Composition

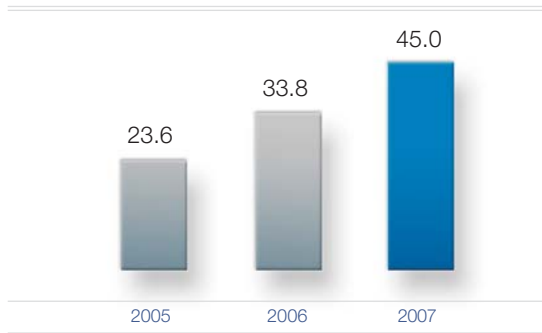
Total Assets (TRY billion)



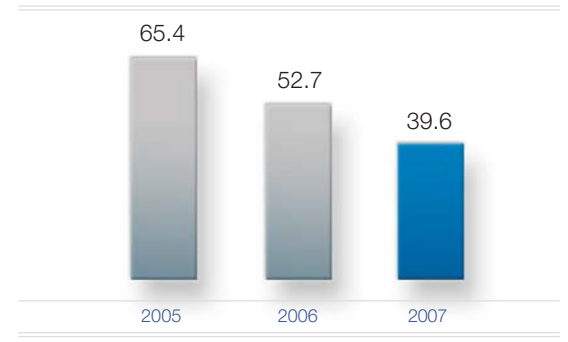
Net Loans/Total Deposits (%)



Net Loans/Total Assets (%)



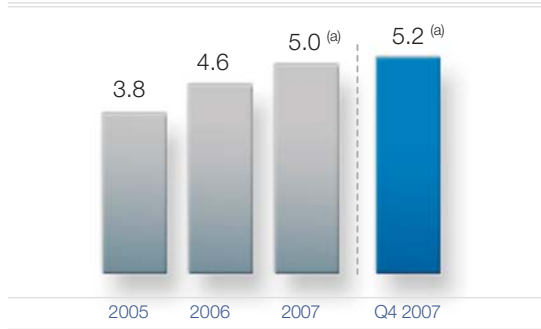
Total Securities/Total Assets (%)



## Key Ratios

- Effective cost management
- Expanding margins
- Strong capital base

### Net Interest Margin (%)

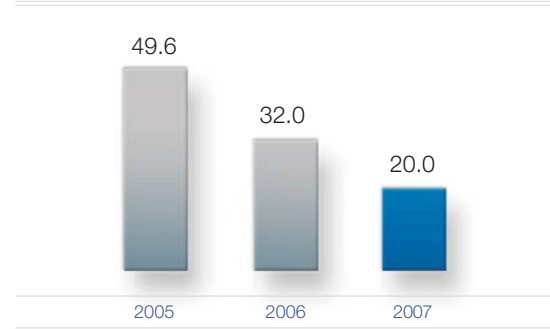


(a) According to the new BRSA regulation, net fees and commissions received from cash loans has been classified under the interest income from loans.

### Cost/Income (%)



### CAR (%)



## Key Ratios

ROE (%)



**ROE** increased by 330 bps y-o-y and realized as **27.7%**.

ROA (%)

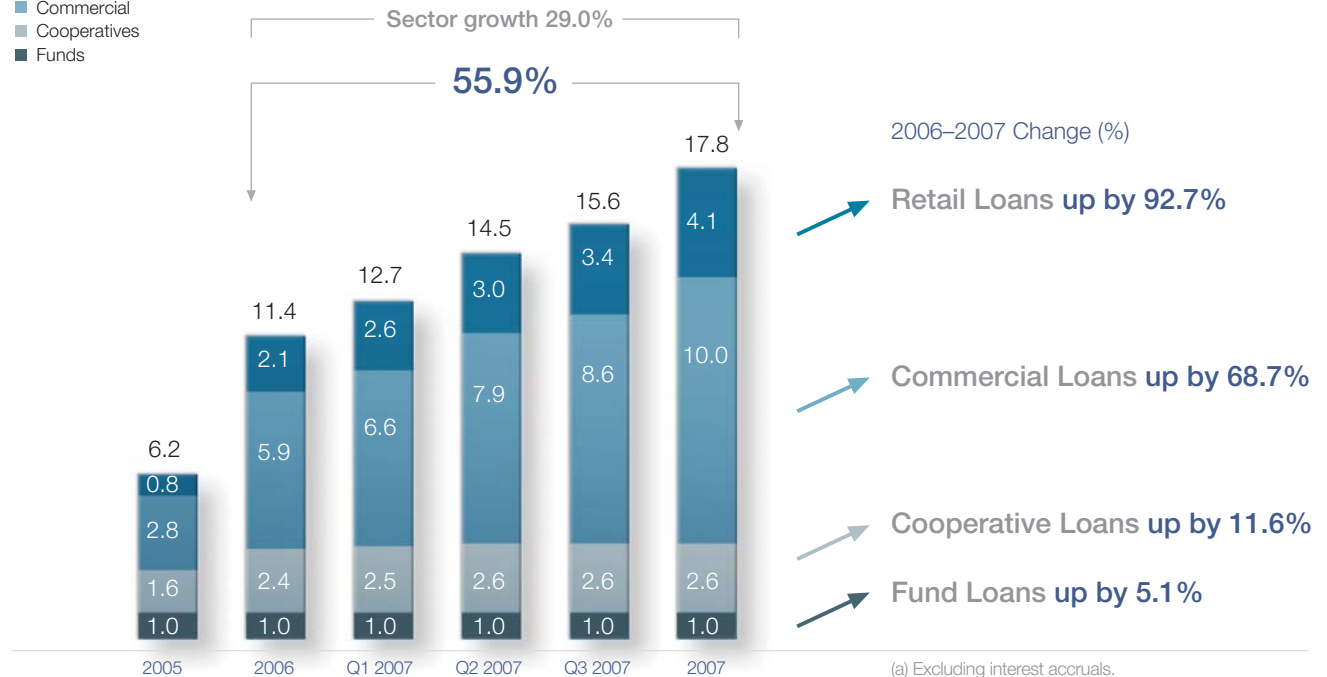


**ROA**, reaching **3%**, reflects the Bank's efficiency.

## Strong Loan Portfolio Growth

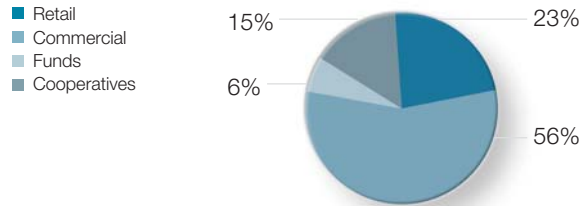
Loans Types (TRY billion) <sup>(a)</sup>

- Retail
- Commercial
- Cooperatives
- Funds



## Strong Loan Portfolio Growth

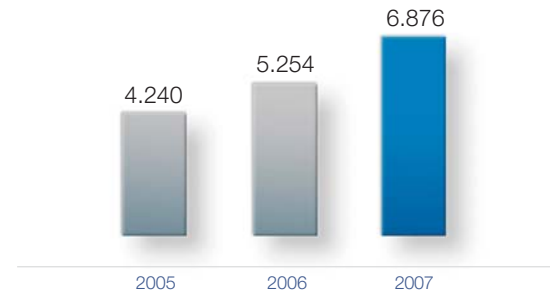
### Loan Types



### Market Share in Cash Loans (%)



### Non-cash Loans (TRY million) <sup>(a)</sup>

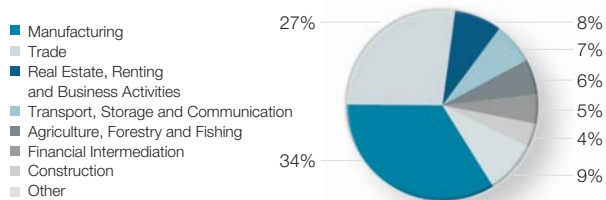


(a) Guarantees, Warranties and Commitments.

Constantly increasing market share in lending thanks to robust growth in retail and SME loans.

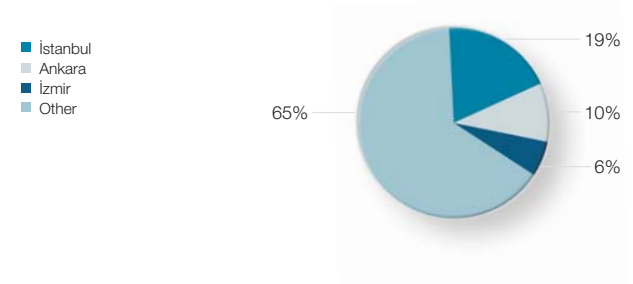
## Breakdown of Loan Portfolio

### Sectoral Breakdown <sup>(a)</sup>



(a) Retail Loans are excluded.

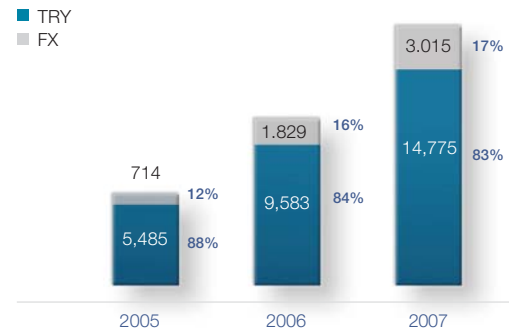
### Regional Breakdown



### Interest Structure



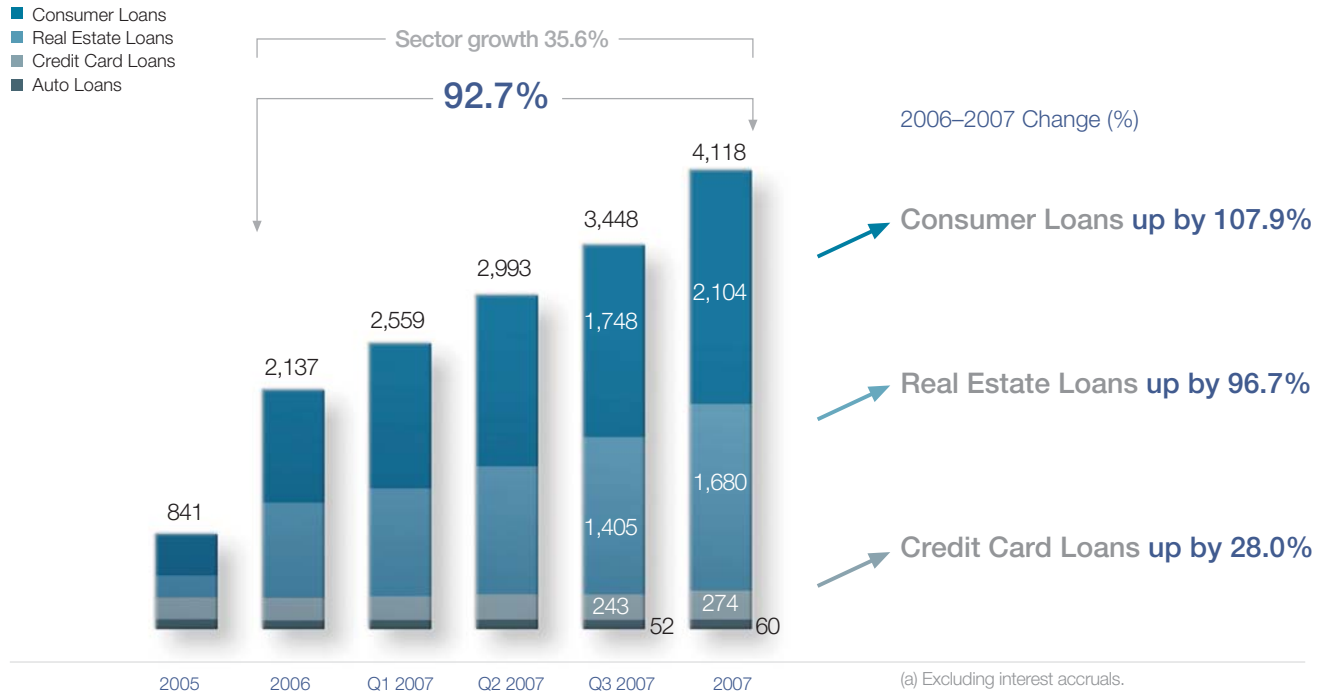
### Loans by Currency (TRY million)





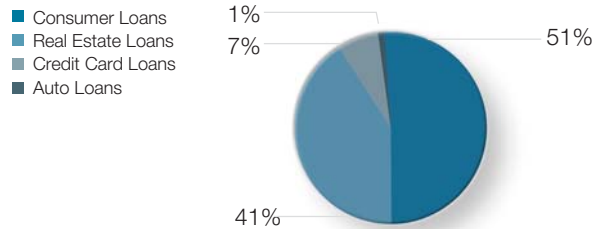
## Strong Retail Loans Growth

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



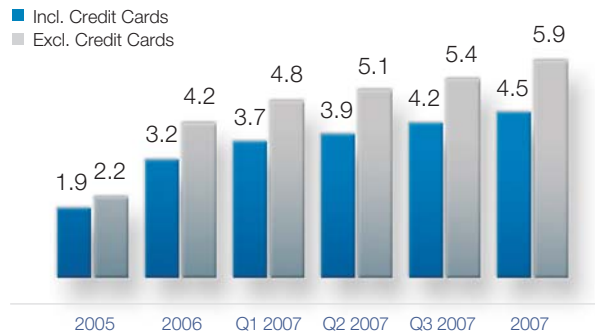
## Strong Retail Loans Growth

Breakdown of Retail Loans



Growth in retail banking mainly driven by consumer and real-estate loans.

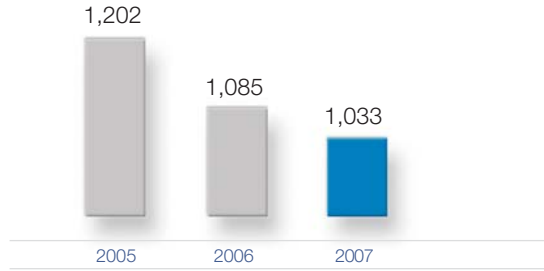
Market Share (%)



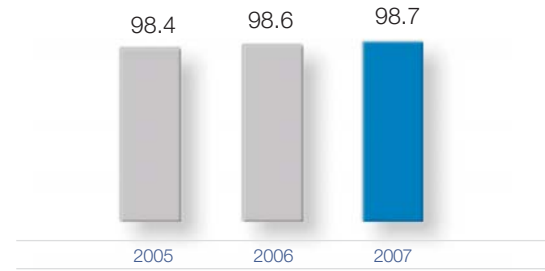
Market share gains are expected to be supported by new partnership in credit cards business.

## Effective Loan Approval Process

### NPL Portfolio (TRY million)

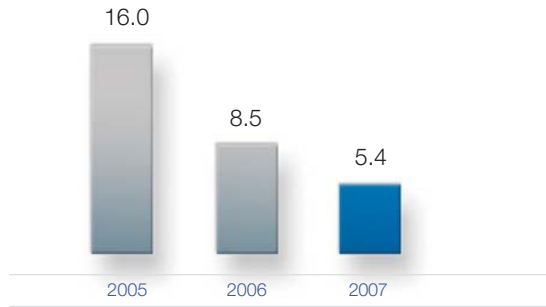


### NPL Coverage\* (%)

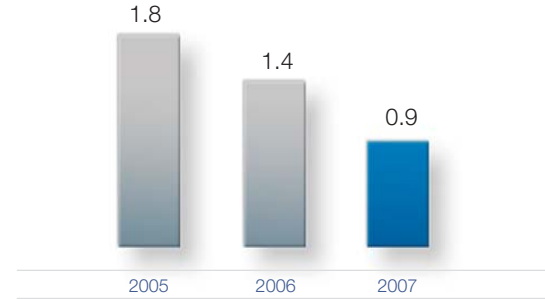


\* Remaining 1.3% risk does not belong to the Bank.

### NPL/Total Loans (%)



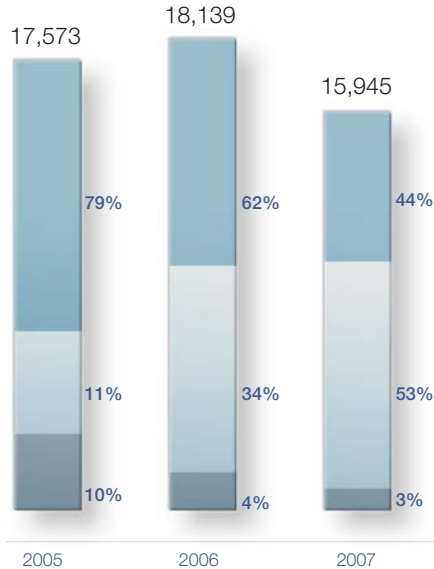
### Loan Loss Provisions/Average Net Loans (%)



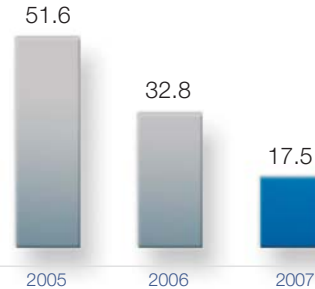
## Securities Portfolio

(TRY million)

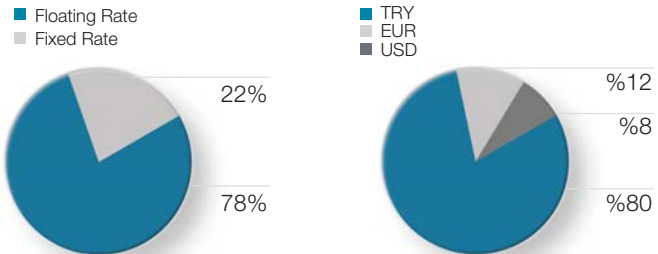
- Held to Maturity
- Available For Sale
- Trading Portfolio



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

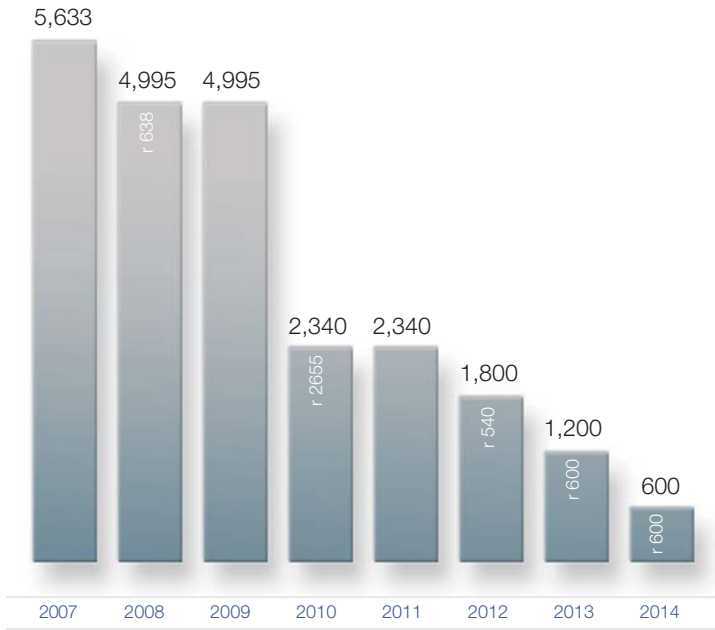


## Portfolio Structure



## HTM Redemptions

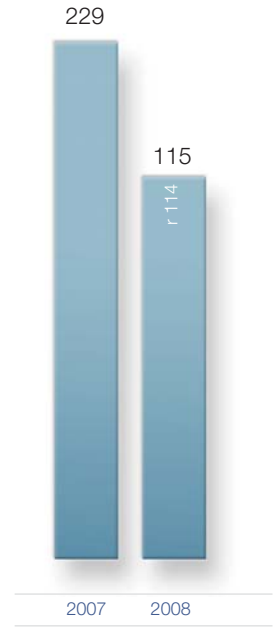
Securities Portfolio <sup>(a)</sup>  
(TRY million)



FX Securities Portfolio  
(EUR million)



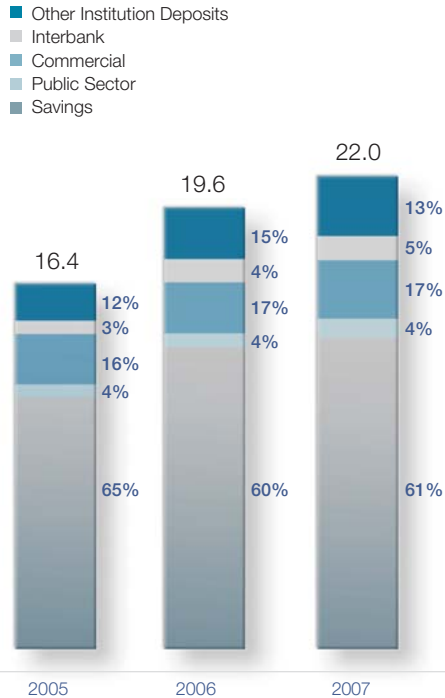
FX Securities Portfolio  
(USD million)



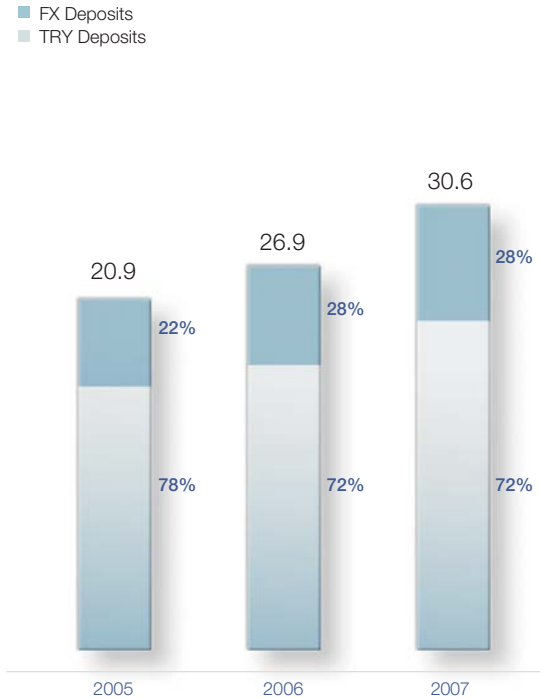
(a) Excluding interest accruals.  
(r) Redemptions for that period.

## Large Deposit Base

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



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

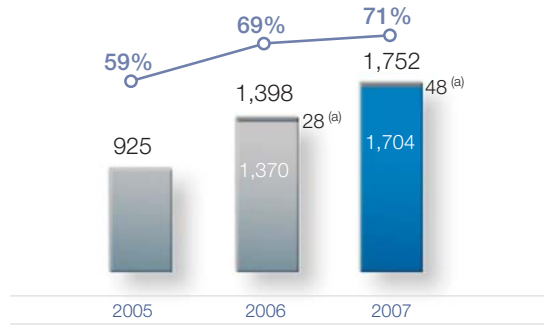


(a) Excluding interest accruals.

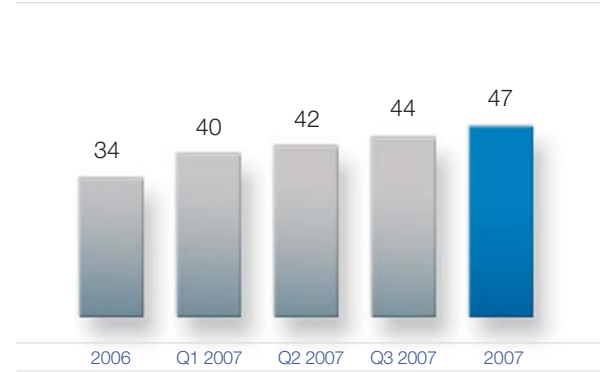
## Improvement in Efficiency

Net Interest Income (TRY million) <sup>(a)</sup>

(As a % of Total Income)



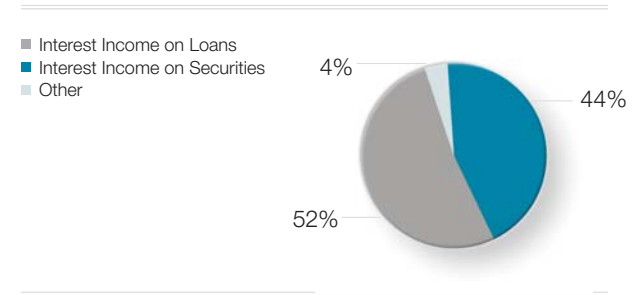
Interest Income on Loans/Total Interest Income (%)



Decreasing securities portfolio coupled with the increasing share of loan book caused NII to surge by 25% y-o-y.

(a) According to the new BRSB regulation, net fees and commissions received from cash loans has been classified under the interest income from loans.

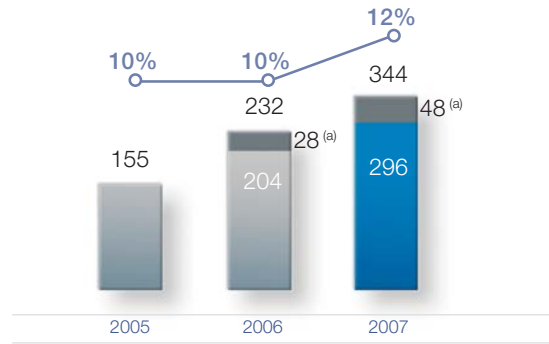
Breakdown of Interest Income (Q4 2007)



## Increasing Fee Income-Effective Cost Management

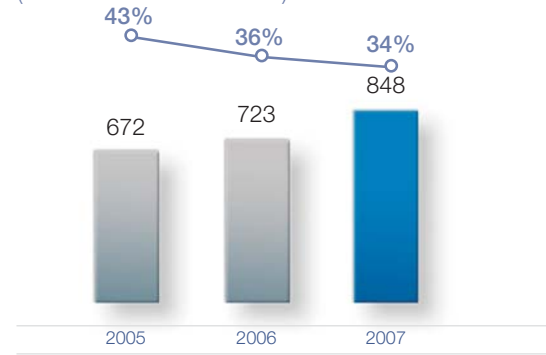
### Net Fee & Commission Income (TRY million) <sup>(a)</sup>

(As a % of Total Income)

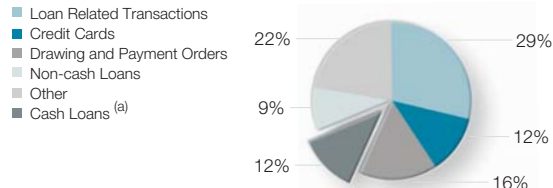


### Operating Expenses (TRY million)

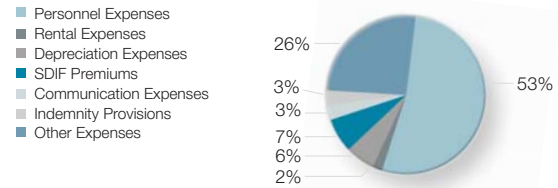
(As a % of Total Income)



### Breakdown of Fee & Commission



### Breakdown of Operating Expenses



(a) According to the new BRSA regulation, net fees and commissions received from cash loans has been classified under the interest income from loans.



## Strategies for 2008

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- > Increasing the share of loans in total assets
- > Gaining market share in deposits and loans by achieving growth over the sector average
- > Further strengthening the Bank's efficiency and franchise in SME lending
- > Increasing the share of retail loans in total loans
- > Increasing market share in retail loans
- > Preserving profitability, asset quality and maintaining efficiency together with high level of return on equity
- > Maintaining effective cost management policy
- > Opening new branches in areas in which the Bank sees potential to grow

## Balance Sheet

In TRY million	2005	2006	Q3 2007	2007	2006-2007 (%) Change	Q3/Q4 (%) Change
Cash and Balances Held with Central Bank (a)	1,286	2,551	2,663	3,471	36	30
Banks	752	1,079	689	1,212	12	76
Securities (b)	17,573	18,139	17,535	15,945	(12)	(9)
Net Loans (b)	6,330	11,646	15,980	18,121	56	13
Property and Equipment	713	675	645	658	(3)	2
Other Assets	200	335	492	827	147	68
<b>Total Assets</b>	<b>26,854</b>	<b>34,425</b>	<b>38,004</b>	<b>40,234</b>	<b>17</b>	<b>6</b>
Deposits (b)	21,113	27,188	29,707	30,841	13	4
Funds Borrowed (b)	468	873	911	937	7	3
Interbank Money Market	40	672	1,483	1,703	153	15
Funds	1,024	1,003	994	1,042	4	5
Other Liabilities	597	531	665	889	67	34
Provisions	313	378	412	439	16	7
Shareholders' Equity	3,299	3,780	3,832	4,383	16	14
<b>Total Liabilities</b>	<b>26,854</b>	<b>34,425</b>	<b>38,004</b>	<b>40,234</b>	<b>17</b>	<b>6</b>

(a) Reserve deposits monitored in balance with Central Bank

(b) Interest Accruals add to related accounts

## Income Statement

In TRY million	2005	2006	2007	(y-o-y) (%) Change	Q3 2007	Q4 2007	Q3/Q4 (%) Change
Interest Income	3,717	4,592	5,708	24	1,465	1,460	-
Interest Expense	2,793	3,195	3,956	24	1,029	982	(5)
Net Interest Income	925	1,398	1,752	25	436	478	10
Net Fees and Commissions	155	204	296	45	74	89	20
Net Trading Income	224	(21)	(42)	100	(3)	(4)	-
Other Operating Income	270	448	452	1	84	103	23
Reversal of Loan Loss Provisions	155	266	186	(30)	57	48	(16)
Net Operating Revenues	1,573	2,028	2,458	21	592	666	13
Operating Expenses	672	723	848	17	200	204	2
Net Operating Income	901	1,305	1,610	23	392	462	18
Provision for Loan Losses and Other Receivables <sup>(a)</sup>	112	202	223	10	41	69	68
Loan Loss Provisions for Cash Loans	95	130	131	1	37	32	(14)
Profit/(Losses) from Associates	12	14	19	36	-	-	-
Income before Taxes	801	1,117	1,406	26	351	393	12
Provision for Taxes	247	254	276	8	73	76	4
Net Income	554	863	1,131	31	278	317	14

(a) General provisions increased by 27 million TRY in line with the total loan growth.

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