

36 percent of Halkbank loans are extended to SMEs

Halkbank profits reach 2,010 million Turkish lira, loans increase by 36.5 percent in 2010

As part of its strategy to support the real sector while maintaining profitability and efficiency, Halkbank increased its total loans to 57 billion Turkish lira in 2010, an increase of 36.5 percent compared to the previous year. In 2010, the bank's net profit reached 2,010 million Turkish Lira, with an increase of 23.3 percent.

In line with its profit and efficiency-oriented growth strategy and its mission of supporting economic development, Halkbank continued to focus on providing loans in 2010. Opening the year with a lending target of 20 percent, the bank revised this target up to at least 25 percent by mid-year in response to growth, and reached a total cash loan growth of 36.5 percent by the end of the year. Halkbank raised its total loans to 57 billion Turkish lira, achieving an increase surpassing that of the banking industry, which grew 30.6 percent in terms of total loans. The total assets of the bank climbed to 72.9 billion Turkish lira by the end of 2010, from 60.7 billion Turkish lira at the end of 2009.

In 2010, Halkbank continued its long-running strategy of lowering the share of securities in its total assets, while raising that of loans. At the end of 2009, the share of cash loans in total assets rose to 60.7 percent from 53.5 percent. Although loan to deposit ratio decreased across the industry in 2010, Halkbank raised its loan to deposit ratio to 80.9 percent by the end of 2010, from 73.9 percent in the previous year.

Halkbank increases efficiency in 2011

In his evaluation of the 2010 financial results, Halkbank General Manager **Hüseyin Aydın** described the bank's objectives for 2011:

“2010 was a productive and profitable year for the banking industry in general and for us in particular. At the beginning of 2010, we described our expectations in rather optimistic, hopeful statements. Similar to those statements, we don't have a negative outlook also for this year with respect to the banking industry and economy in general. We expect 2011 to be a period with interest income as well as operational efficiency, and with alternative financing channels gaining prominence. Liability costs will be managed more rationally and operational expenses kept at optimum levels. Asset quality, fixed assets and receivables will have to be managed better in this period. Banks that are successful at this will be able to boost their profitability. Beginning in 2010, with our operational restructuring project to increase efficiency, our company, Halk Gayrimenkul Yatırım Ortaklığı, aiming to strive for effective management of fixed assets, and implementing our active marketing strategy, we, as Halkbank, want to see ourselves in the top rankings of profitable institutions in 2011.”

Halkbank maintains its leadership in SME banking

Halkbank's commercial loans, including SME loans, rose 31.3 percent by the end of 2010. With this increase, the bank's share of SME loans in total cash loans climbed to 36 percent; this figure remained at 24 percent for the industry in general. The funding, Halkbank secured from international financial institutions, to be granted to SMEs, reached \$1.7 billion by the end of 2010. Regarding the high performance in SME loans, Mr. Aydın said:

“SMEs make up 99 percent of businesses and make 56.5 percent of the total investments. They employ 77 percent of the labor force in Turkey and conduct 17 percent of direct export. Our objective is to increase our share of their bank loan business. We have worked for seventy-three years towards this goal. In this sense, we have begun 2011 on a strong note. Through our forward contract with the Turkish Exporters Assembly, we ensured that Assembly-member exporters are protected from downward fluctuations in foreign exchange rates, under suitable conditions. The protocol we signed with the Machine and Spare Parts Exporters Union was an important step in both encouraging the production and consumption of domestic machines, and of raising the share of machines produced in Turkey for export.”

Beginning with the objective of becoming more active in foreign trade to extend multilateral support to the real sector in 2010, Halkbank raised its foreign commerce share to 8.2 percent by the end of 2010, up from 5.4 percent at the end of 2009. The Bank's excellent performance was supported by the syndication loan agreement valued at \$570 million that Halkbank signed in 2010, as part of a consortium of 27 banks from 12 countries formed to reinforce foreign trade.

A record hike in retail loans

Halkbank also attained a strong growth in retail loans, with an increase of 54 percent. Again, the bank's performance was higher than that of the banking industry average of 33 percent. The share of retail loans in Halkbank's cash loan portfolio rose to 26 percent. Consumer and housing loans were in the forefront of this rise in retail loans; with increases of 59 percent and 52 percent respectively.

Saying that the bank continuously improves its competitive identity in retail loans, **Aydın** said, **“As the first bank in the industry to make an interest cut, lowering the housing loan interest rate below one percent in 2010, we continue to sustain this rate in 2011. Although some other banks have recently raised their interest rates, we still grant housing loans with monthly interest rates from 0.74 percent as part of our new Winter Tariff campaign.”**

The bank raised its market share with the increase in retail loans. Its market share in retail loans rose to 6.8 percent, from 5.8 percent at the end of 2009.

Duty losses recovered, ratio of non-performing loans lowered

In line with its growing loan volume, Halkbank also maintained its asset quality and lowered the ratio of non-performing loans in total loans, bringing the ratio of non-performing loans to 3.8 percent at the end of 2010 from 4.9 percent at the end of 2009.

Emphasizing that Halkbank made good use of 2010, also releasing yesterday's burdens, Aydın continued by saying, **“We transformed a bank with 75.7 percent of its balance sheet composed of instruments against duty losses in 2001, to today's Halkbank with 60.7 percent of its balance sheet made up of loans. Thus, we have become a more flexible, more efficient and therefore more profitable bank.”**

Aydın continued: **“We do not speak of a success related only to our balance sheet profitability. As a bank accommodating global economic conditions with high competitive strength and a healthy asset quality, we embrace operating as a bank that brings advantages not only to our nation and customers, but also to its own industry. We believe that the banking industry will play a significant role in the future stability and balanced growth of our country. For this reason, we need to address methods of lowering risks for the banking industry. We find that the efforts of institutions like the Central Bank and BRSA are generally appropriate in this sense. However, we must interpret the decisions correctly. We believe that these decisions were aimed at raising quality in assets and the liability balance of banks to establish a firmer foundation for financial stability. As one of the important players of the industry, we believe that we will do our part in the best way, accordingly.”**

Young employees of the deep-rooted bank

Halkbank increased the number of its branches to 705 in total, opening 40 new branches in Turkey, primarily Istanbul, raising its net profit to 2,010 million Turkish lira by the year's end. With 29.3 percent increase in equity compared to the end of 2009, the bank achieved an return on equity of 30.5 percent and held its own among the industry's most profitable banks in 2010.

Halkbank provided employment for 1,830 people in 2010. The average age of bank personnel was 34.5. Declaring that the bank emphasizes effective personnel management and human resource planning, Aydın said, **“We will continue to develop our organization and personnel structure in line with the requirements of the industry and our customers.”** The bank intends to open 50 new branches throughout Turkey, mainly in Istanbul, by the end of 2011.

Halkbank 2010 Figures

Million TL

	2009	2010	Difference	Difference %
Cash Loans	32,458	44,296	11,838	36.5
Commercial Loans	24,999	32,818	7,819	31.3
Retail Loans	7,459	11,479	4,020	53.9
Non-Cash Loans	9,315	12,726	3,411	36.6
Total Loans	41,773	57,023	15,250	36.5
Cash Loans Market Share	8.1%	8.3%	200 bp	
Securities	21,373	20,207	(1,166)	(5.5)
Deposits	43,950	54,782	10,832	24.6
Shareholder's Equity	5,760	7,445	1,685	29.3
Total Assets	60,650	72,942	12,292	20.3

	2009	2010	Difference	Difference %
Profit	1,631	2,010	379	23.3

	2009	2010
Loan / Deposit	73.9%	80.9%
Loan / Asset	53.5%	60.7%
Non Performing Loans / Total Loans	4.9%	3.8%

* Including interest accruals. .