

Halkbank focused on savings and increased its deposits by 6.5 percent in Q1 2012

Halkbank focused on increasing its savings in the first quarter of 2012 and increased total deposits, by 6.5 percent to TRY 70.6 billion. which amounted to TRY 66.2 billion as of the end of 2011. TRY Maintaining its credit quality, the bank continued its loan growth within the first quarter, in which margins were squeezed.. As of the end of March 2012, total loan volume of Halkbank increased to TRY 77 billion, corresponding to an increase of 3.9 percent year-to-date . However, the bank's non-performing loans ratio retreated to 2.8 percent. On the other hand, net income of the bank in the first quarter increased by 3.7 percent to TRY 544 million on a year-over-year basis. Halkbank aims to open up a minimum of 50 new branches and provide employment for roughly 1,000 individuals throughout the year.

Halkbank has performed in line with its goals in the first quarter of 2012, for which the bank had set its growth goals as 15 percent for its asset size, 18 percent for loan volume, 15 percent for deposits and 10 percent for net income. Halkbank focused on increasing deposits throughout the first quarter of the year, during which resource management became even more important and savings became a priority. The bank's total deposits, which amounted to TRY 66.2 billion as of the end of 2011, increased by 6.5 percent up to TRY 70.6 billion as of the end of March 2012.

Süleyman Aslan, the General Manager of Halkbank, underscored that an increase in deposits is of utmost importance for Turkey within the current economic conjuncture, commented as follows:

“The global economy and finance industry have been passing through a vulnerable process. Within this framework, it is a fairly positive standing for Turkey, which grew by 8.5 percent in 2011, ranking 3rd worldwide, to maintain its estimate of 4 percent growth in 2012 while the growth rate estimates of numerous countries are being revised downward. Benefiting from this positive outlook for our country, we intend to grow as we preserve our credit quality and maintain our position amongst the most reliable supporters of the real sector.”

The largest share in loan growth goes to the SMEs

Halkbank continued its growth in the first quarter without making any concessions in the preservation of its credit quality. The bank managed to increase its cash loan volume to TRY 57.7 billion within the first quarter of 2012, which corresponds to a 2.7 percent increase on a year-over-year basis. Moreover, the bank's total loan volume increased by 3.9 percent, up to TRY 77 billion.

The largest portion of Halkbank's loan growth consisted of commercial loans, which also included the loans extended to SMEs. The total commercial loan volume, which amounted to TRY 41.1 billion as of the end of the previous year, increased by 2.6 percent to TRY 42.2 billion during the first quarter. Thus, the portion of the loans extended to the SMEs by the bank, including those extended to small businesses and artisans, grew to 37 percent of the total cash loan portfolio.

Total assets of the bank, which amounted to TRY 91.1 billion as of the end of 2011, rose by 3.7 percent to TRY 94.5 billion.

On the other hand, non-performing loan ratio of the bank retreated to 2.8 percent as of the end of March. Excluding non-performing loans referred to legal follow-up before 2001, non-performing loan ratio was realized at 2.0 percent in the first quarter of the year, lower than the overall average in the industry, which was 2.7 percent.

Growing and contributing to the growth of the national economy

Süleyman Aslan, General Manager, stated that Halkbank considered the recent regulatory actions that allow for the maintenance, in foreign exchanges and gold, a major portion of reserves required to be held in Turkish lira, as favorable developments in terms of the provision of stable liquidity in Turkish Liras to the markets, and underscored the fact that efficient sourcing is a significant factor supporting growth. **Mr. Aslan**, who stated, “Halkbank aims not only at growing individually but also at contributing to Turkey’s growth as well,” further commented as follows:

“The Turkish banking industry needs to ensure the growth of its loan volume by rather more reasonable rates, such as 15-20 percent on a year-over-year basis, avoiding the deterioration in its credit quality. We must always attach top priority to the maintenance of a sound economic background and to growth based on sustainable profitability. Therefore, we as Halkbank not only focus on savings and enhancing our volume of deposits, but we also carry out intense activities for the diversification of sources and the procurement of funds from abroad.”

Halkbank to complete an agreement for a new syndication loan

Pointing out that Halkbank most recently obtained a USD 1 billion syndication loan under an agreement concluded in 2011, **Mr. Aslan** stated, **“We aim to renew this foreign funding under a new agreement, which will be completed within the second quarter. The new agreement will be a representation of both our reliability in the international markets and our close relations with the international banks.”**

Mr. Aslan stated that, in addition to the syndication loan, the Bank also intended to procure funds from international financial institutions through the issuance of bills and Eurobonds in domestic and foreign markets with affordable cost levels in order to extend funding maturities. Calling attention to the fact that Basel II standards would be brought into force as of July 2012, **Mr. Aslan** said it was fairly important for the industry to enhance its asset quality and increase its equity and asset profitability.

Maintaining high yet sustainable return on equity

Halkbank maintained its lasting position of having one of the highest return on equity ratio within the first quarter of 2012. The return on equity ratio of the bank, which was 25.4 percent as of the end of 2011, was realized at 23.6 percent in the first quarter of the year, fairly above the overall average of the industry, which is 14 percent. Generating some TRY 544 million net income within

the first quarter of 2012, Halkbank managed to increase its net income by 3.7 percent on a year-over-year basis.

Highlighting that the bank not only maintains its return on equity ratio but also continues its activities devoted to the expansion of the branch network and provision of employment, **Mr. Aslan** said, **“We commissioned 13 new branches within the first quarter of the year. We have recently conducted one of the recruitment tests, and more others are to be conducted within this quarter. We aim to open a minimum of 50 more branches and recruit a minimum of 1,000 new staff by the end of the year.”**

Setting store for alternative distribution channels

Stating that Halkbank has been carrying on its ambitious position for the consumer/ retail banking segment in 2012 and has focused on alternative distribution channels, including, primarily, internet banking, **Mr. Aslan** further commented as follows:

“All banking transactions are conducted free of charge in the internet branch of our bank. We emphasize that our customers may conduct their banking transactions free of charge anywhere and at any time both through our reward campaigns encouraging the use of the internet branch and our recent commercial advertisements. The volume of the transactions conducted via the internet branch increased by 13 percent within the first quarter of 2012. We mean to grow this volume further and be there for our customers on a 24/7 basis with our concept of quality service at any time and under any circumstances.”

Halkbank, which ranked first in the public banks category of the Customer Satisfaction Index of Turkey that was conducted by the Turkish Quality Association, has proven itself amongst the most reliable brands.

Halkbank sponsors Ankara Shopping Fest

Stating that Halkbank not only provides dedicated support to the event “Producing Businesses of Turkey,” but also takes pains to sponsor the events, activities and organizations devoted to a more vibrant business environment, **Mr. Aslan** commented as follows; **“In addition to the cultural events we have supported so far, we are sponsoring Ankara Shopping Fest, which will be held for the first time this year. We not only sponsor it but also support the organization, which we believe brings dynamism to Ankara’s economy, through the launching of a special SME loan product exclusively for the festival. Moreover, we continue to organize our special events titled “Producing SMEs,” where we update the SMEs on current economic developments and raise their awareness of the opportunities and risks posed by the current conjuncture.”**

HALKBANK Q1 (MARCH 2012) FIGURES

TRY Million

	March 2011	2011	March 2012	YtD Difference	YtD Difference %
Cash Loans	47,567	56,126	57,714	1,497	2.7
Commercial Loans	34,928	41,127	42,185	1,059	2.6
Consumer Loans	12,638	15,090	15,528	439	2.9
Non-Cash Loans	13,270	17,846	19,208	1,361	7.6
Total Loans	60,836	74,063	76,921	2,858	3.9
Market Share in Cash Loans	8.3 %	8.1 %	8.1 %	3 bps	
Securities	20,873	23,346	24,386	1,039	4.5
Deposits	56,360	66,247	70,558	4,311	6.5
Shareholders' Equity	7,805	8,640	9,876	1,236	14.3
Total Assets	77,978	91,124	94,505	3,382	3.7

	March 2011	2011	March 2012	YtD Difference	YtD Difference %
Net Income	525	2,045	544	19	3.7

	March 2011	2011	March 2012
Loans/ Deposits	84.4 %	84.9 %	81.8 %
Loans/ Assets	61.0 %	61.7 %	61.1 %
Non-Performing Loans / Total Loans	3.5 %	2.9 %	2.8 %

Including interest accruals.