

# **Halkbank: Turkey's Most Profitable and Efficient Bank**

Founded in 1938 and having marked its 75th year in the banking industry, Halkbank continues to offer uninterrupted support to the country's economy. The board of directors of the bank issued a statement noting that the misleading news reports about Halkbank's activities and operations perpetuated by some media outlets recently had not resonated with the public and that the bank had continued to stand tall due to its high performance. The board also noted that the bank's activities and operations had gained steam and that they felt very happy with recent expansions in the customer portfolio and added that the decision by important international institutional investors to hold and buy more shares of Halkbank during that period was a clear testament to confidence they had in the bank.

One of Turkey's most successful financial institutions in terms of growth and profitability and Europe's fastest-growing bank since 2008, Halkbank reported a 2.01 billion Turkish lira profit over the first three quarters of 2013.

The bank has achieved a hard-to-emulate success by posting on average a 25.2 percent RoE (return on equity) over the past nine years, outperforming the industry average of 16.8 percent. Halkbank's RoE stood at 21 percent in September 2013.

Halkbank's success in attaining results well above the industry average and its high performance in maintaining a sustainable RoE are also closely watched by international financial institutions. The Banker, a monthly international financial affairs publication, ranked Halkbank as the top Turkish bank in terms of RoE and RoA (return on assets) and third in terms of RoA among banks from western Europe in its "Top 1000 World Banks" ranking in July 2013. Halkbank also climbed 91 steps to reach the 157th spot in the "Emerging Markets 500" released by the Financial Times.

After posting 10.7 billion Turkish lira in operating loss in 2010, Halkbank completed its restructuring of its balance sheet and has since transferred 15.2 billion Turkish lira in taxes to the Treasury and in dividends. Some crucial data regarding the progress made by the bank is shown in the table below:

<b>HALKBANK (Million TL)</b>	<b>2002</b>	<b>2010</b>	<b>Sept. 2013</b>	<b>Sept. 2002 - 2013 Fold Increase</b>	<b>2010 - Sept. 2013 Percentage Increase</b>
<b>Total Assets</b>	<b>17,409</b>	<b>72,942</b>	<b>128,480</b>	<b>6.4</b>	<b>76.1</b>
<b>Cash Loans*</b>	<b>1,198</b>	<b>43,559</b>	<b>78,864</b>	<b>64.8</b>	<b>81.1</b>
Corporate	963	28,523	47,252	48.1	65.7
Artisans and Craftsmen	153	3,669	8,997	57.8	145.2
Retail	82	11,367	22,615	274.8	98.9
<b>Non-Performing Loans (Gross)</b>	<b>1,141</b>	<b>1,758</b>	<b>2,134</b>	<b>0.9</b>	<b>21.4</b>
<b>Non-Performing Loans / Total Loans (%)</b>	<b>48.79</b>	<b>3.88</b>	<b>2.64</b>		
<b>Subsidiaries and Affiliates</b>	<b>113</b>	<b>740</b>	<b>1,965</b>	<b>16.4</b>	<b>165.6</b>
<b>Deposits**</b>	<b>11,467</b>	<b>54,587</b>	<b>90,118</b>	<b>6.9</b>	<b>65.1</b>
<b>Shareholders' Equity</b>	<b>1,827</b>	<b>7,445</b>	<b>13,162</b>	<b>6.2</b>	<b>76.8</b>
<b>Profits</b>	<b>594</b>	<b>2,010</b>	<b>2,010</b>	<b>2.4</b>	

\* Re-discounts and net non-performing loans excluded

\*\* Re-discounts excluded

## Safe Harbor During Financial Crises

Among many other banks being reluctant in their loan extension targets, Halkbank has been one of the rare banks that has not compromised on the scope of their financial services offered during the periods that financial system was remaining timid about credit expansion within global crisis. Halkbank had a significant contribution to our country for remaining unscathed from the last financial crisis, which was felt considerably in 2008 and 2009, when numerous financial institutions went bankrupt and their side effects of which still continuing. While the cash loans extended by banks in 2009 increased by 6.9 percent, Halkbank realized a 26.4 percent increase, which accounted for 26.3 percent of the total increase in the industry. On the other hand, between September 2008 and September 2009 a total of 14.6 billion Turkish Lira was extended as cash loans by the industry and Halkbank accounted for 41 per cent of this increase. The average rate increase in the industry was limited to four percent during the said period, Halkbank increased its loans by 25 percent.

As the biggest supporter of artisans and craftsmen, who are not as well positioned as large scale enterprises to access loans, Halkbank increased the number of loans extended to them from 101,000 in 2002 to 286,000 in 2013. The interest rate imposed on these loans was reduced from as much as 47 percent down to 5% in 2013. Artisans and craftsmen are relatively more vulnerable to crises and thus Halkbank took on an important role far them to continue their business operations.

As the trade with European countries began to falter with the deepening global economic contraction, Turkish exporters began to discover new opportunities elsewhere. During this period, Halkbank helped Turkish exporters access alternative and relatively unpenetrated markets such as Iraq, Iran and North African countries. Leveraging its international reputation, Halkbank has used every available means to help Turkey exploit global foreign trade opportunities to the full. Halkbank's share in foreign trade transactions has risen from 1% level in 2005 up to 12% level in 2012 and Halkbank has handled \$142.2 billion worth of foreign trade transactions during the past five years.

# **Halkbank Among Top Banks That Maintain High Credit Quality**

Halkbank has increased the amount of its cash loans over sixtyfold to 79 billion Turkish lira during the last decade throughout which non-performing loans were kept to a minimum and the ratio of the non-performing loans to total loans dropped to 2.6 percent from 48.8 percent. While many banks removed their non-performing loans from their balance sheets by selling them off, Halkbank has not sold off or transferred any of its non-performing loans and maintained its asset quality by achieving a non-performing loan ratio below the industry average. In addition to these developments, when the receivables classified as non-performing loans prior to 2001 were excluded, the ratio of total receivables classified as non-performing loans to total loans stands around two percent. This successful performance from the bank has been attested to numerous times by both local and international banking analysts and independent credit rating agencies and in industry reports. In appreciation of the performance Halkbank has achieved as a state-owned bank that offers active support to SMEs, international investors informed the bank's management that this was quite an achievement. The bank's management stated that all financial figures and non-performing loans are shared with the public every three months and every one can access this information without any restrictions and make their own comparisons. It re-emphasized that the deliberate, biased and misleading news reports made by media outlets must not be respected.

## **Largest Public Flotations at Borsa Istanbul (BIST)**

Publicly floated two times in 2007 and 2012, Halkbank made history both times by becoming the largest and most successful IPO and secondary offering ever to be held in Turkish capital markets. The IPO held in 2007, Halkbank shares achieved book building value of 17.4 billion Turkish lira and raised 2.5 billion Turkish lira, which made this IPO the most successful IPO of the year. Halkbank floated 23.9 percent of its shares through a secondary offering in November 2012 and matched its own record by raising an additional 4.5 Turkish Lira for the Treasury. The success of this IPO and secondary offering were helped by the confidence Halkbank enjoyed from international markets and the interest shown by international investors in the bank. The share of foreign funds have increased as forecasters maintained a positive outlook about Turkey and Halkbank. The share of foreign funds in Halkbank's publicly-owned shares has exceeded 90 percent.

While the market capitalization of Halkbank reached 27.3 billion in 2013, this figure has dropped to 14.3 billion Turkish lira as a result of recent developments.

Analyses by global investment banks mainly making recommendations to invest in Halkbank's shares as well as and the number of financial institutions giving “a buy” recommendation despite the biased and misleading news reports are the testament for the confidence in Halkbank.

When the progress of the share prices of and dividend payments made by the bank since the IPO held in May 10, 2007 is taken into account, Halkbank stands out amongr banks listed at the BIST by providing the highest return for its investors.

# **On The Way to Become a Financial Supermarket**

Having improved its service network and quality, Halkbank aims to offer its customers a comprehensive product and service portfolio by leveraging its brand, 'Halk' via its subsidiaries. With recently founded subsidiaries such as Halk Faktoring, Halk Real Estate Investment Trust A.Ş., Halk Portfolio Management A.Ş., Halk Life and Pension Insurance A.Ş. and Halkbank A.D. Skopje, a Macedonian bank that joined the Halkbank family in 2011, Halkbank has not only ensured that its customers have access to different financial tools but also achieved positive financial results. The total assets of subsidiaries rose to 5.35 billion Turkish lira in September 2013 from 378 million Turkish lira in 2005; a significant improvement.

Halkbank continues its investment in the Balkans in line with its strategy to develop across the region. Growing across the Balkans with Halkbank A.D. as its base in Macedonia, the Bank has increased the number of its branches in this country to 30 and launched its representation office in Belgrade, Serbia in December 2012 and is exploring opportunities to acquire a bank in this country. Halkbank also launched a representation office in London in the beginning of this year.

Thanks to a transformation process marked by high performance during the last decade, Halkbank has turned into a closely-watched financial institution that attracts the attention of the world.