

Halkbank total assets grow to 305 billion Turkish lira, balance sheet up by 31.9 percent

In 2017, Halkbank increased its cash loans by 28.5 percent to 203.5 billion Turkish lira year-on-year. The bank's SME loans rose by 33.3 percent in the same period to 77.6 billion Turkish lira. Halkbank boosted total deposits by 28.6 percent to 193.2 billion Turkish lira compared to the end of 2016, and strengthened the balance sheet by 31.9 percent to 305.4 billion Turkish lira. Halkbank also expanded the SME loans market share to 14.8 percent with aspirations to become the biggest supporter of SMEs, Tradesmen and Artisans in its 80th year.

Banking industry continued to be a strong financial supporter of the real industry in the Turkish economy, which maintained its stability with record growth in the third quarter of 2017. Halkbank advanced cash loans by 28.5 percent, taking the number four spot among banks in terms of cash loans. The bank used its resources to support the real economy in this period with cash loans swelling by 21 percent year-on-year in the banking industry as a whole. In the same period, Halkbank asset size grew by 31.9 percent to 305.4 billion Turkish lira, making it the fifth largest bank in the industry by increasing its market share up to 9.4 percent. Halkbank maintained a strong resource structure with a 28.6-percent rise in deposits. Its total deposits reached 193.2 billion Turkish lira.

Osman Arslan, General Manager of Halkbank, said Halkbank's priority in the previous year was to keep making infrastructure investments with an eye to enhance the balance sheet and service quality at the same time.

"For us, 2017 was a tough year due to global economic developments. Strong performance brought on by balanced and controlled growth performance was evident in the balance sheet figures. We plan to take steps to pass on Halkbank's deep-rooted banking tradition into the future in 2018 when we mark our 80th year. In this process, SMEs, Turkish economy's driving power, will be our priority once again. In the past year, we made a breakthrough in SME Banking, particularly with our performance in Credit Guarantee Fund (CGF) guaranteed loan utilization, and raised our SME loans by 33.3 percent. In 2018, we will pursue our loan placement policy, prioritizing SMEs, and artisans and craftsmen. We aim to extend the share of SME loans within cash loans to 40 percent by the end of 2018. As the fifth largest bank in the industry, we plan to grow 17 percent in loans and 20 percent in deposits, while we aim to grow our balance sheet by 16 percent. Our goal is to advance social and cultural values as we did in the economic arena."

Arslan stated that this year they would present innovative solutions suited for the needs and expectations of the real economy with the SME and Tradesman Banking products they will develop. **"We intend to support SMEs and entrepreneurs who want to start or improve a business by offering them products such as Employment Support Loans and Business Development Loans for SMEs developed to support employment and entrepreneurship. Similarly, we will provide Defense Industry Support Loans, Import Substitution Support Loans and Techno-Product Manufacturing Support Loans in support of the industries with strategic significance. We offer favorable loans starting from zero interest to tradesmen and artisans as part of our efforts to turn Artisans into SMEs and SMEs into industrialists. Treasury-supported, CGF-backed SME loans and Credit and Guarantee Cooperatives for Tradesmen and Craftsmen Loans will also be among our main loan products this year."**

2018 set to be a year of revival

Arslan explained 2018 as a year of revival for Halkbank. **"We will further strengthen our organization in 2018. We will recruit new personnel and make branch improvement investments to provide superior service to our customers everywhere. For the first step, we will bring 1,300 young people to the Halkbank family this year, and the traditional design and operational roles of our branches will also change. With our innovative work in this period, where digital and mobile banking investments will be among our priorities, our branch personnel will have more time and opportunity to communicate more with their customers."**

Arslan put emphasis on the crucial steps Halkbank has taken to strengthen the technological infrastructure, and said the bank would be revamped with the planned investments.

"Within the ANKA project, where we will renew all of our existing software platforms in the upcoming period, we are moving all our systems to a new electronic environment. We will provide our customers a personalized new generation banking service with the ANKA project. We will make our renewed technological infrastructure more effective with our new business processes and our new credit rating system. With adaptation of the IFRS/9 Standard, we will provide a new and personalized credit process service."

Arslan said that with new services, they would support these steps that will directly affect Halkbank's competition level and, credit allocation and marketing power. **"We will continue to grow in digital banking with applications that facilitate loan allocation such as quick credit or voice signature. We will continue to innovate in credit cards. Paraf's client-focused approach and privileges will continue in 2018, enhancing our effectiveness in credit card services. By giving place to diversified campaign strategies, we will present innovative products such as Tradesman's Card for our Tradesmen and Joint Card for our other clients that combines debit card and credit card into one."**

Arslan indicated that as a transparent and legally-compliant bank in all banking transactions, Halkbank strives to further improve its compliance policy at international standards.

"In order to ensure that our bank's level of compliance meets international standards, we have strengthened the Compliance Department by changing it to a department from a division. We also started receiving consultancy from an international consulting company. We are determined to maintain our policy of transparency and compliance to international regulations in banking operations as it always has been."

Halkbank expands scope of financial activities

Arslan said the bank entered into financial collaborations in 2017.

"The 10-year term bond issuance as a Tier 2 Capital worth 1 billion Turkish lira with an early redemption option at the end of the fifth year was an important step. With this bond, we have improved our capital adequacy ratio by more than 50 basis points and provided resources to give new loans, as well as reduced the maturity mismatch."

Arslan pointed out that they wanted to develop alternative products for investors so as to direct their short-term deposit investment patterns to longer-term with better returns.

"The synergy that we have created with our subsidiaries is reflected as achievements in the activity results of our partnerships. Last year's innovations included foundation of Halk Varlık Kiralama A.Ş., and broadening the variety of products offered to our customers by issuing lease certificate worth 100 million Turkish lira based on real estate of our other subsidiary Halk GYO. We will create a strong leverage effect with new work that will contribute to our partnerships to expand their sales channels through our Bank."

Arslan said Halkbank would continue to grow not only domestically but also abroad with subsidiaries.

"Today, we have an asset size of nearly €1 billion in Serbia and Macedonia with 75 branches and almost 1,000 employees. There is opportunity for more growth in this region with the strength we draw from Turkey. We want to expand our sphere of influence when the opportunity appears." We will strengthen our presence in the Balkans and Central Europe in the coming period. We will remain as an international brand with extensive correspondent banking network, overseas branches, and representatives in global financial centers such as London and Singapore."

HALKBANK 2017 YEAR-END FINANCIAL RESULTS

Million TL

	2016	2017	YoY Change	YoY Change (%)
Cash Loans	158,354	203,464	45,110	28.5
Commercial Loans	126,495	162,239	35,744	28.3
Retail Loans	31,860	41,226	9,366	29.4
Non-Cash Loans	47,761	58,535	10,774	22.6
Total Loans	206,115	261,999	55,884	27.1
Cash Loans Market Share	8.9%	9.5%	55 bp	
Securities	33,216	48,903	15,686	47.2
Deposits	150,263	193,227	42,964	28.6
Shareholders' Equity	21,317	25,377	4,060	19.0
Total Assets	231,441	305,351	73,910	31.9

Accruals included. Accruals and net non-performing loans included.

	2016	2017	YoY Change	YoY Change (%)
Net Profit	2,558	3,725	1,167	45.6