

TÜRKİYE HALK BANKASI A.Ş.

BOARD OF DIRECTORS REPORT

As the effects of the economic crisis recede, 2010 is considered a year of recovery, with applied monetary and financial policies despite the varying risks in the global economy. Although developing economies exhibited a quicker and stronger recovery trend, this trend took a slower course in developed economies. Developing economies constituted the driving force of the recovery; while the monetary policies implemented in developed economies remedied problems stemming from the crisis, to a certain extent.

The Turkish economy demonstrated a good performance in 2010 with investments aimed at increasing production and employment and continued fiscal discipline and structural performance. It maintained its growth strategy, with the help of decisions and measures by regulatory and auditing economic institutions. International credit rating institutions also reacted positively to the successful performance of the Turkish economy.

The Turkish Banking Industry also maintained its solid structure in 2010, with the effect of defined policies. Following industrial and economic developments closely with its target of profitability and efficiency; and maintaining its strong position in the industry, Halkbank has been one of the banks with the highest increase in profitability. The increase in loan amounts granted to the real sector played a significant role in this success. As part of its mission as “The Bank of Productive Turkey”, Halkbank expanded its loan base, increased its loan volume and continued to support all customer groups in various segments, mainly craftsmen, artisans and SMEs.

As a bank preferred and trusted in international markets, Halkbank granted funds obtained from international finance institutions as well as the bank’s own resources. In 2010, Halkbank also obtained foreign funds from the syndication loan market and increased its support in foreign trade financing.

In 2010, Halkbank increased its assets 20.3 percent compared to the same period of the previous year, from 60.7 billion Turkish lira to 72.9 billion Turkish lira. The increase in loans accounted for 96.8 percent of the growth in assets.

Directing a considerable portion of its resources to loans and increasing its loan volume by the end of 2010, Halkbank raised the share of loans in the balance to 59.7 percent from 52.2 percent. The bank also raised its cash and non-cash loan volume by 37.3 percent, to 56.2 billion Turkish lira from 41 billion Turkish lira, thus continuing to support the real sector.

As the share of loans in the balance climbed in 2010, the share of the securities portfolio in the balance dropped to 26.4 percent. Securities portfolio decreased 5.9 percent compared to the same period of the previous year and were realized as 19.3 billion Turkish lira.

The Bank’s total deposit volume rose 24.7 percent compared to the previous year, to 54.6 billion Turkish lira from 43.8 billion Turkish lira.

The Bank also focused on remuneration payments of institutions and increased its average demand deposit ratio to 8.4 million Turkish lira, from 5.8 billion Turkish lira on average in 2009, with an increase as high as 44.7 percent.

As one of the most profitable banks in the industry, Halkbank raised its profit 23.3 percent compared to the previous year as year-end 2010, ending the year with a profit of 2.01 billion Turkish lira and maintaining its sustainable profitability.

With its 72-year experience, Halkbank had a profitable and efficient period and continued its strong growth in 2010. We would like to extend our sincere thanks to our employees, the architects of this success, for their selfless efforts, and to submit the 2010 Board of Directors and Auditor Reports and financial reports of Halkbank to the evaluation of our partners and their representatives.

Hüseyin Aydın
Board Member and General Manager

Hasan Cebeci
Chairman