

TÜRKİYE HALK BANKASI A.Ş. BOARD OF DIRECTORS REPORT

The global economy went through a second financial turbulence in 2011. This affected Europe, the U.S., and developing countries in different degrees. The crisis in Europe made it necessary to reinforce the global financial system and to take measures to assure the sustainability of high public indebtedness. Developing countries continued to lead the global growth and had a smoother year compared with the developed economies thanks to measures taken against a potential second wave in 2011. While the world, especially Europe, in dire straits, Turkey was among the most rapidly growing economies in 2011.

The Turkish economy achieved a great success by ranking second after China among the most rapidly growing economies in the third quarter of 2011 while unemployment rate decreased by 9.8%. The achievement in growth was also observed in the employment level. In addition, the current deficit improved. The budget delivered the best performance in the last 28 years.

The Turkish banking industry maintained its sound structure through resolute policies in place in 2011. This favorable outlook was much owed to the positive results of the adjustments made by the national economy authorities, notably the Central Bank and the Banking Regulations and Supervision Agency to sustain the financial stability. Halkbank maintained its profitability and delivered a successful performance in line with the overall banking industry, continuing to support all customer groups from different segments through loans provided specially to merchants, craftsmen and SMEs.

As a preferred and trusted bank in the international markets, Halkbank provides loans through funds from international financial institutions, in addition to its own resources. Halkbank also procured funds from syndication loans market in 2011 and increased the financing facilities it offers for the foreign trade.

In 2011, Halkbank achieved year-on-year growth of 24.9% in its assets, which rose from 72.9 billion Turkish lira to 91.1 billion Turkish lira. %65.6 of this increase in assets results from loan growth.

Halkbank directed a significant part of its resources to loans as of year-end 2011 and increased the loan volume, the share of loans in the balance sheet rising from 60.7% to 61.7%. The Banks's cash and noncash loan volume also increased by 29.9% from 57.0 billion Turkish lira to 74.1 billion Turkish lira, thus continuing to support the real sector.

While the share of loans in the balance sheet increased, the share of securities portfolio fell to 25.6% in 2011. However, the securities portfolio increased by 15.5% compared with 2010 and reached 23.3 billion Turkish lira.

The Bank's total deposit volume achieved year-on-year growth of 20.9% and rose from 54.8 billion Turkish lira to 66.2 billion Turkish lira.

Furthermore, the Bank focused on the wage payments of companies and achieved an impressive increase of 47.9% in the average demand deposit amount from 8.4 billion Turkish lira in 2010 to 12.5 billion Turkish lira in 2011.

Despite some reductions in the profitability of the industry, Halkbank achieved year-on-year growth of 1.7% in year-end profit in 2011 and reached 2,045 million Turkish lira, managing to maintain its sustainable profitability.

With its experience and know-how of 73 years, Halkbank had a profitable and efficient fiscal year and maintained its strong growth in 2011. Thanking our employees who enabled the Bank to get these results, we would like to submit the Halkbank's Board of Directors and Auditor Reports, as well as the financial reports, for 2011, to the esteemed shareholders and representatives for review.

Süleyman ASLAN
Board Member
CEO

Hasan CEBECİ
Chairman