

## **BOARD OF DIRECTORS REPORT**

After the financial fluctuations in the global economy, 2012 began with global recovery hopes. In this period, the USA and the EU aimed to stimulate the economy by announcing new quantitative easing programs. However, downward driven risks increased and uncertainties prevailed.

Despite the global economic uncertainties, the Turkish economy was safe from the negative effects of the crisis thanks to the sustainable growth achieved with fiscal discipline during this period. It continued to perform well with the decisions and regulations taken by the Central Bank of Turkey, the Banking Regulation and Supervision Agency and economic authorities. Turkey was given an 'investment-grade' rating thanks to its economic sustainability.

The Turkish banking sector also contributed to controlled growth in 2012 by allocating resources to the non-financial sector. Halkbank has been increasingly supporting 'Productive Turkey' since its foundation and has realized sizable and significant projects successfully in 2012.

Halkbank increased its free float rate to 48.9 % with the secondary public offering of 23.92 % of its shares in November 2012 and achieved a total sales of 4.5 billion TL. Our bank's secondary public offering was once again the biggest capital markets public offering in Turkey.

Halkbank introduced its own credit card brand 'Paraf' card in 2012. We strongly believe that the 'Paraf' card and its special features will gain an important place in the industry.

In 2012, Halkbank renewed its syndicated loan of €558 million and \$207.5 million with the participation of 46 banks from 23 countries. In July 2012, the bank issued Eurobonds worth 750 million USD, additionally rolled over its total TL bank bonds in January and July 2012 with a total amount of 1.5 billion TL.

Along with these, we also continued to grow our non-banking financial services thanks to our cooperation with subsidiaries.

In 2012, Halkbank increased its assets by 18.8 % compared to the same period of the previous year, from 91.1 billion TL to 108.3 billion TL. The increase in assets mainly driven 56.4% by the growth in loans.

Since Halkbank diverted its greater share of resources to loans by the end of 2012, loans constitutes 60.9% of its balance sheet. Cash and non-cash credit volume reached from 74.1 billion TL to 85.6 billion TL, with an increase of 15.6%.

In 2012, the share of the securities portfolio dropped by 1.7 % year on year and stood at 23 billion TL and the share of the securities portfolio in the balance sheet decreased to 21.2%.

The bank's total deposit volume rose 20.7% compared to the previous year, to 80.0 billion TL from 66.2 billion TL.

Additionally, demand deposits rose by 20.9 % in 2012 and reached 16.0 billion TL, up from 13.2 billion TL in 2011. We placed special emphasis on wide-spread deposit structure to increase deposit volumes.

By the end of 2012, Halkbank raised its net income by 26.9% year on year and reached 2.595 billion TL, continuing its sustainable profitability.

With 74 years of experience, Halkbank had a profitable and efficient period and continued its strong growth in 2012. We would like to extend our sincere thanks to our employees, the architects of this success, for their devoted efforts, and also to submit the 2012 Halkbank Board of Directors and Auditor Reports and financial reports for the evaluation of our partners and their representatives.

Ankara,

Yours Sincerely,

Süleyman ASLAN  
General Manager  
Member of the Board of  
Directors

Hasan CEBECİ  
Chairman