

## **TÜRKİYE HALK BANKASI A.Ş. BOARD OF DIRECTORS REPORT**

With 78 years of history behind it, Halkbank, the Bank of Productive Turkey, continued to offer quality products and services to its customers in 2016. Halkbank sustained support for the real economy thanks to its priority on risk management and its swift adjustment to market conditions. In this context, the Bank not only increased its service range/diversity in retail banking through its credit card brand Paraf, but also helped contribute to the country's economy through sustained support for SMEs in particular with funds obtained from abroad, thanks to its international credibility and reliability.

In 2016, Halkbank signed the new syndication loan protocol for €476.5 million and \$175 million, joining 33 participating banks from 18 countries including the U.S., Europe and the Middle East. It successfully issued its fifth Eurobond amounting USD 500 million (nominal) in the international markets. In addition, its domestic bond issues amounted to 4.7 billion Turkish lira (nominal).

Halkbank opened a Representation Office in Singapore to help develop the Bank's relations with the correspondent banks and international institutional investors in the Asia/Pacific region.

In 2016, Halkbank increased its assets to 231.4 billion Turkish lira, up from 187.7 billion Turkish lira with a 23.3 percent rise year-on-year.

The Bank allocated a large part of its funding sources to loans, increasing the share of loans in the balance sheet to 68.4 percent. The volume of its commercial loans (including the SME loans) increased to 126.5 billion Turkish lira, and consumer loan volumes increased to 31.9 billion Turkish lira. Cash and non-cash loan volumes increased from 166.5 billion Turkish lira to 206.1 billion Turkish lira, up 23.8 percent year-on-year.

The size of its securities portfolio also increased to 33.2 billion Turkish lira, up 19 percent year-on-year. The portfolio's share in the balance sheet was 14.4 percent.

Halkbank's total deposit base grew by 23 percent to 150.3 billion Turkish lira, up from 122.1 billion Turkish lira year-on-year. In addition, demand deposit volume amounted to 28.9 billion Turkish lira in 2016.

In 2016, the Bank's capital adequacy ratio, average return on equity, and average return on assets were 13.1 percent, 12.6 percent, and 1.2 percent, respectively.

Halkbank increased its year-end profits to 2.6 billion Turkish lira, up 10.5 percent year-on-year, thereby maintaining a sustainable profit in 2016 as well.

With 15 new branches opening in 2016, Halkbank expanded its network to 959 domestic branches and ended the year with 16,956 employees.

Halkbank had a profitable and productive year, continuing on its path of sustained growth in 2016. We would like to thank our colleagues for their hard work and commitment in making this possible. We hereby present to our esteemed shareholders and their representatives the Reports of the Board of Directors and Auditors for the year 2016 along with the financial statements of Halkbank submitted for their assessment.

Best regards,

Ali Fuat TAŐKESENLIOĐLU  
Board of Directors Member  
General Manager

R. Sileyman ZDİL  
Board of Directors Chairman