

TÜRKİYE HALK BANKASI A.Ş. BOARD OF DIRECTORS REPORT

With 79 years of history behind it, Halkbank, the Bank of Productive Turkey, continued to offer quality products and services to its customers in 2017. 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 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 capital market instruments it has issued and its widespread deposit base.

In 2017, Halkbank increased its assets to 305.4 billion Turkish lira, up from 231.4 billion Turkish lira with a 31.9 percent year-on-year increase and ranked fifth in the sector.

As of year-end 2017, the Bank directed a large part of its funding sources to loans, with loans capturing a 66.6 percent share in its balance sheet. Its commercial loans, including the SME loans, increased to 162.2 billion Turkish lira and retail loans to 41.2 billion Turkish lira. The Bank ranked fourth in cash loans in the sector. Cash and non-cash loan volumes increased from 206.1 billion Turkish lira to 262 billion Turkish lira, up 27.1 percent year-on-year. Furthermore, the Bank exceeded the 20 billion Turkish lira threshold and took the leadership position in the sector as of year-end 2017 with respect to Credit Guarantee Fund loans.

The size of its securities portfolio increased to 48.9 billion Turkish lira, up 47.2 percent year-on-year. The portfolio's share in the balance sheet was 16 percent.

In 2017, Halkbank issued a total nominal value of 8.3 billion Turkish lira of bonds and 10 year-term secondary-capital bonds for a value of 1 billion Turkish lira. Additionally, in 2017 the Bank set up Halk Varlık Kiralama A. Ş. and became the first issuer of lease certificates in the real estate investment market.

Halkbank's total deposit base grew by 28.6 percent to 193.2 billion Turkish lira, up from 150.3 billion Turkish lira year-on-year. In addition, demand deposit volume amounted to 28.4 billion Turkish lira in 2017.

In 2017, the Bank's capital adequacy ratio, average return on equity, and average return on assets were 14.18 percent, 15.96 percent, and 1.39 percent, respectively.

Halkbank increased its year-end profits to 3.7 billion Turkish lira, up 45.6 percent year-on-year, thereby maintaining a sustainable profit in 2017 as well.

With four new branches opening in 2017, Halkbank expanded its branch network to 963 domestic branches and ended the year with 17,851 employees.

Halkbank had a profitable and productive year, continuing on its path of sustained growth in 2017. We would like to thank our colleagues for their contribution 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 2017 along with the financial statements of Halkbank submitted for their assessment.

With our kindest regards,

Osman ARSLAN
Board Member
General Manager

R. Süleyman ÖZDİL
Chairman