

TÜRKİYE HALK BANKASI A.Ş.
BOARD OF DIRECTORS' REPORT

As a long-established bank in the sector, Halkbank has provided full support to the real economy and, in 2018, continued to offer high-quality products and services to the customers by drawing upon its 80 years of experience, risk management activities and quick response 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 contributed to the national economy by actively supporting SMEs and tradespeople, in particular, with funds obtained from the capital market instruments it has issued and its widespread deposit base.

In 2018, Halkbank increased its assets to 378.4 billion Turkish lira from 305.4 billion Turkish lira with a 23.9 percent year-on-year increase. It also ranked third in the sector.

By the end of 2018, the Bank directed a large part of its funding resources to loans, with loans comprising a 66.2 percent share on its balance sheet. Its commercial loans, including the SME loans, rose to 205.8 billion Turkish lira and its retail loans to 44.7 billion Turkish lira. The Bank ranked third in cash loans within the sector. In 2018, cash and non-cash loan volumes increased to 333.6 billion Turkish lira from 260.7 billion Turkish lira, up 28 percent year-on-year.

In 2018, the size of its securities portfolio also rose by 52.5 percent year-on-year to 74.6 billion Turkish lira. The portfolio's share in the balance sheet amounted to 19.7 percent.

In 2018, the Bank issued subordinated bonds of 4.9 billion Turkish lira, and mortgage-backed securities of 1 billion Turkish lira. Furthermore, Halkbank issued bonds with a par value of 11.2 billion Turkish lira to qualified investors without making any public offering.

Halkbank's total deposit base grew by 28.8 percent year-on-year to 248.9 billion Turkish lira from 193.2 billion Turkish lira. In addition, demand deposit volume rose by 85.2 percent year-on-year to 52.5 billion Turkish lira.

In 2018, the Bank's capital adequacy ratio, average return on equity, and average return on assets were 13.8 percent, 9.3 percent, and 0.7 percent, respectively.

Halkbank posted a 2.5 billion Turkish lira year-end profit and maintained its sustainable profitability in 2018.

With 28 new branches opening in 2018, Halkbank expanded its branch network to 988 domestic branches and ended the year with 18,781 employees.

We would like to thank our employees. Their efforts and contributions have enabled Halkbank to maintain its sustained growth in 2018 and contributed to our profitable and productive year. We hereby submit the Reports of the Board of Directors' and Auditors', as well as financial statements for the year 2018, to our esteemed shareholders and their representatives for their consideration.

Yours faithfully,

Osman ARSLAN
Board Member
General Manager

R. Süleyman ÖZDİL
Chairman