

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 2019, continued to offer high-quality products and services to the customers by drawing upon its 81 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 2019, Halkbank increased its assets to 457 billion Turkish lira from 378.4 billion Turkish lira with a 20.8 percent year-on-year increase. It also ranked third in assets within the sector.

By the end of 2019, the Bank directed a large part of its funding resources to loans, with loans comprising a 67.7 percent share on its balance sheet. Its commercial loans, including the SME loans, rose to 257.6 billion Turkish lira and its retail loans to 51.6 billion Turkish lira. The Bank ranked second in cash loans within the sector. In 2019, cash and non-cash loan volumes increased to 399.1 billion Turkish lira from 342.1 billion Turkish lira, up 16.7 percent year-on-year.

The IVME Financing loan was recorded at 8,473 million Turkish lira to 3,269 clients and Employment-Oriented Working Capital Loan (ISTOD) was provided to 1,597 clients, amounting to 2,476 million Turkish lira in total. As a result, an employment commitment for 21,032 people was created in ISTOD. Loan disbursement for artisan loans were recorded at 25,278 million Turkish lira, rose by 31.9 percent year-on-year to 41,043 million Turkish lira.

The size of its securities portfolio also increased to 102.7 billion Turkish lira, up 37.8 percent year-on-year. The portfolio's share in the balance sheet amounted to 22.5 percent.

In 2019, Halkbank issued bonds/bills to qualified investors without making any public offering and by making public offering with a par value of 17.2 billion Turkish lira.

Halkbank's total deposit base grew by 19.6 percent to 297.7 billion Turkish lira, up from 248.9 billion Turkish lira year-on-year. In addition, demand deposit volume amounted to 52.4 billion Turkish lira in 2019. In the second half of the year, interest rate cuts of CBRT led resource costs to decrease significantly.

The Bank posted a 1.7 billion Turkish lira year-end profit and maintained its sustainable profitability in 2019. In 2019, the Bank's capital adequacy ratio was 14.3 percent.

With 18 new branches opening in 2019, Halkbank expanded its branch network to 1,000 domestic branches and ended the year with 18,967 employees.

We would like to thank our employees. Their efforts and contributions have enabled Halkbank to maintain its sustained growth in 2019 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 2019, to our esteemed shareholders and their representatives for their consideration.

Yours faithfully,

Osman ARSLAN
Board Member
General Manager

R. Süleyman ÖZDİL
Chairman