



HALKBANK SUSTAINABILITY REPORT 2016



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ABOUT THE REPORT

The third sustainability report of Türkiye Halkbank A.Ş (Halkbank) presents the sustainability performance of the Bank for the period between the 1st January 2016 and 31st December 2016 to its stakeholders.

The Halkbank 2016 Sustainability Report aims to provide current information to all stakeholders including but not limited to investors, shareholders, customers, employees, business partners and non-governmental organizations on the sustainability efforts of Halkbank. The Report has been prepared in accordance with the “Core” Global Reporting Initiative (GRI) Standards. It is prospectively planned that the sustainability performance and activities of Halkbank will be reported annually.

CHAIRMAN'S MESSAGE

The structuring of the “Sustainability Committee”, ensures that issues such as climate change and human rights are among the objectives and strategies of our Bank.

Esteemed Stakeholders,

We have the pleasure of sharing with you our third Sustainability Report. We left 2016 behind as a year with global financial fluctuations and increased security and migration problems. Halkbank came out successfully from this challenging period with its strong capital base and efficient risk management system.

Established as the bank of Turkish tradesmen and SMEs, Halkbank has continued its operations in its 79th year with the aim of creating public good. Since its foundation, Halkbank's objective is to offer sustainable financial solutions for tradesmen and SMEs and to support them in their contribution to the national economy. From this point of view, Halkbank's fundamental mission accompanies sustainable development of our country.

To move its sustainability performance forward, Halkbank promoted this focus among its corporate priorities and is represented at the highest level within the bank. The structure of the “Sustainability Committee”, which is operating

under the Board of Directors, ensures that issues such as climate change and human rights are among the objectives and strategies of our Bank. Our Sustainability Policy defines the roles and responsibilities of employees from all ranks in regard to this field.

In 2016, Halkbank continued its support programs that will improve economic and environmental performances of SMEs and transferred significant funds to the local economy via agreements signed with international financial institutions. Our modern banking approach has been adopted with digitalization efforts. We continue to provide training to employees and develop applications improving employee satisfaction. We continue to support Turkey not only economically but also in terms of corporate social responsibility. While carrying on our long-term traditional projects, we also support new projects which we build according to the needs of our country.

I would like to thank all our stakeholders for their continuous contribution and support in Halkbank's sustainability efforts.

Sincerely,
R. Süleyman ÖZDİL
Halkbank Chairman



GENERAL MANAGER'S MESSAGE

Halkbank is the first enterprise within the Turkish banking industry to establish ISO 50001.

Esteemed Stakeholders of Halkbank,

The finance industry all around the world has left behind a difficult year. With its strong organizational structure, Halkbank completed 2016 with a net profit of TRY 2,558 million and 12.6% return on equity. Our total assets reached TRY 231,4 billion, up 23.3% compared to 2015 and our total deposit is TRY 150,3 billion. Having increased its cash loans to TRY 158,4 billion, up %24.9, our Bank succeeded to retain its successful balance sheet figures.

We believe Halkbank's emphasis on sustainability underlies its corporate success. Since its foundation, our Bank supports long-term economic development instead of short-term financial profitability in line with its mission. Therefore, sustainability management is a corporate priority that is considered at the highest level in our Bank. Halkbank's corporate approach in the field of sustainability continued in 2016 as well. In 2016, we conducted a stakeholder research with broad participation and set forth the expectations of our stakeholders from our Bank on the field of sustainability. The results of the research were evaluated and future goals were reviewed within the scope of these priorities.

In 2016, our Bank, in line with its foundation mission, continued its support to SMEs with new products and services to help keep the Turkish economy running and for the manufacturing industry to continue in developing local technology. We believe supporting

investments including high and medium-high technology which provides fast transformation in the industry is the initial condition for Turkey to become strong in the international competition. During 2016 we continued our leadership within the SME banking sector and we are pleased to see our efforts in this field are also reflected in our finance results. Our Bank's commercial loan volume including the SME loans reached TRY 126,5 billion, up 26.8% by the end of 2016.

Increasing access to financial services for all segments of society is a priority issue for our country to develop and for Halkbank to reach its corporate objectives. For this purpose, Halkbank continues its investments in alternative distribution channels. By the end of the reporting period, 92% of all transactions and 81% of monetary transactions within Halkbank operations were carried out through alternative distribution channels. In 2017, Halkbank plans to enhance and increase the utilization of alternative distribution channels which contribute significantly to our customers and our Bank in terms of time and cost. Halkbank also continues its accessible banking efforts for increasing access to services.

Being among the sustainability priorities of Halkbank, efforts for fighting climate change are conducted in three stages. Firstly, our Bank reduces the environmental impact arising from its own operations. Secondly, it works to increase the ratio of clean energy loans within all loans. Thirdly, it increases

the efficiency and expands the scope of its systems which monitor environmental and social impact of credits issued. Our Bank is the first enterprise within the Turkish banking industry to achieve ISO 50001 certification.

Halkbank also continued its support for efforts to increase employee satisfaction and contribute to the know-how of employees in 2016. Our goal is to create an organization that employees are proud to work at and work in confidence. For this purpose, we continue to enrich our 79 year old deep-rooted corporate history with innovative practices and to support social responsibility projects designed considering various social needs.

With the aim of creating sustainable value for all of our stakeholders, we review all of our business processes consistently and take our sustainability priorities into account while determining our goals. I would like to express my gratitude to all of our stakeholders who support Halkbank on this journey of sustainability.

Sincerely,
Osman Arslan
Halkbank General Manager



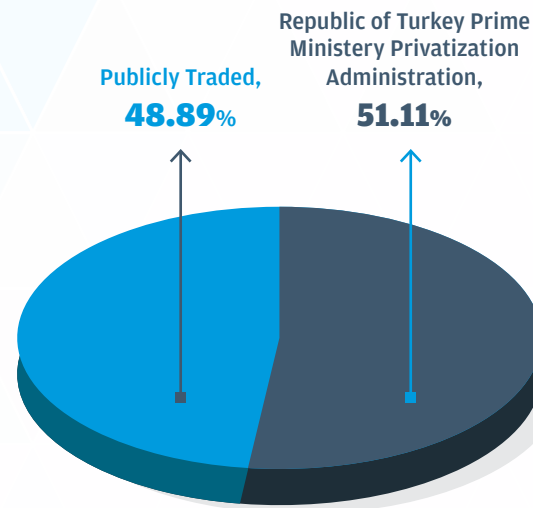
Halkbank completed 2016 with a net profit of TRY 2,558 million and 12.6% return on equity thanks to its strong corporateness. Our total assets reached TRY 231.4 billion, up 23.3% compared to 2015 and our total deposit is TRY 150.3 billion. We have increased our cash loans to TRY 158.4 billion, up %24.

ABOUT HALKBANK

Founded in 1938 to support tradesmen and artisans, and accelerate persistent economic development, Halkbank has not changed its main business strategy for 79 years. Halkbank considers every tradesmen, farmer, small, medium and large enterprise owner as a business partner and assumes its raison d'être is to support them in good days and bad days with all of its financing capabilities. Halkbank continues to be the major supporter of SMEs by providing 36.8% of its loans to them.

Halkbank, including 15 branches opened in 2016 together with the Singapore Representative Office, serves with a global vision with its 959 domestic branches (by the end of the year), 5 overseas branches, 3 overseas representative offices, 3,741 ATMs, phone and online banking, mobile banking applications, innovative products and services providing a unique banking experience to its customers. 48.9% of Halkbank's shares are publicly traded and Halkbank retains its position as one of the most productive banks in the industry in terms of return on equity.

Halkbank's shareholder structure



Note: Shares owned by the Republic of Turkey Prime Ministry Privatization Administration were transferred to Turkey Wealth Fund as of the 10th March 2017.

Mission of Halkbank

To continuously create added value for customers, shareholders and employees by effectively carrying out all its banking services with an awareness and understanding of its social responsibilities and duties; to contribute to the development of the banking industry and capital markets; to secure itself a respected position within the banking industry in our region and in the world.

Vision of Halkbank

To be the region's leading SME bank fulfilling all the requirements of modern banking while also asserting a strong presence in retail services.

Halkbank's Corporate Values

- Customer focus
- Reliability
- Integrity
- Creativity
- Dynamism
- Rationalism
- Team spirit
- Productivity
- Transparency
- Sensitivity
- Self-confidence
- Openness to change
- Commitment to social responsibilities
- Knowledge and experience sharing

Halkbank's Goals

Be the leading SME bank in the region

Be the first preferred business partner of SMEs and retail customers

Be the bank employing qualified personnel in the banking industry and to be the bank that such qualified personnel wish to be employed by

Be a bank achieving stable growth and sustainable profit.

Ensure customer satisfaction by achieving the industry's highest quality levels in service through all of its business processes

HALKBANK in FIGURES
in 2016*



Number of Employees
16,956



Total Assets:
231.4 billion TRY



Net Profit:
2,558 million TRY



Number of
Branches: 959



Number of ATMs:
3,741



Number of Credit Cards:
3.9 million



Number of SME Clients:**
1,355,819



The ratio of SME loans
within total loans:
36.8%



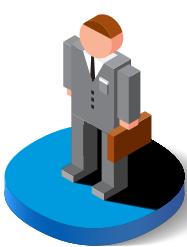
Number of Digital
Banking Customers:
1.2 million



Number of Active
Internet Banking
Customers:
784 k

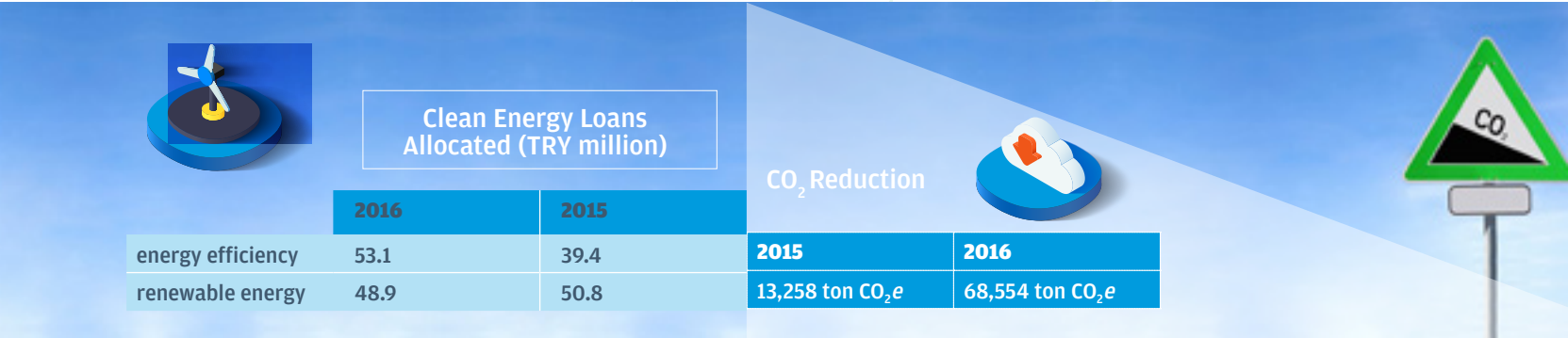
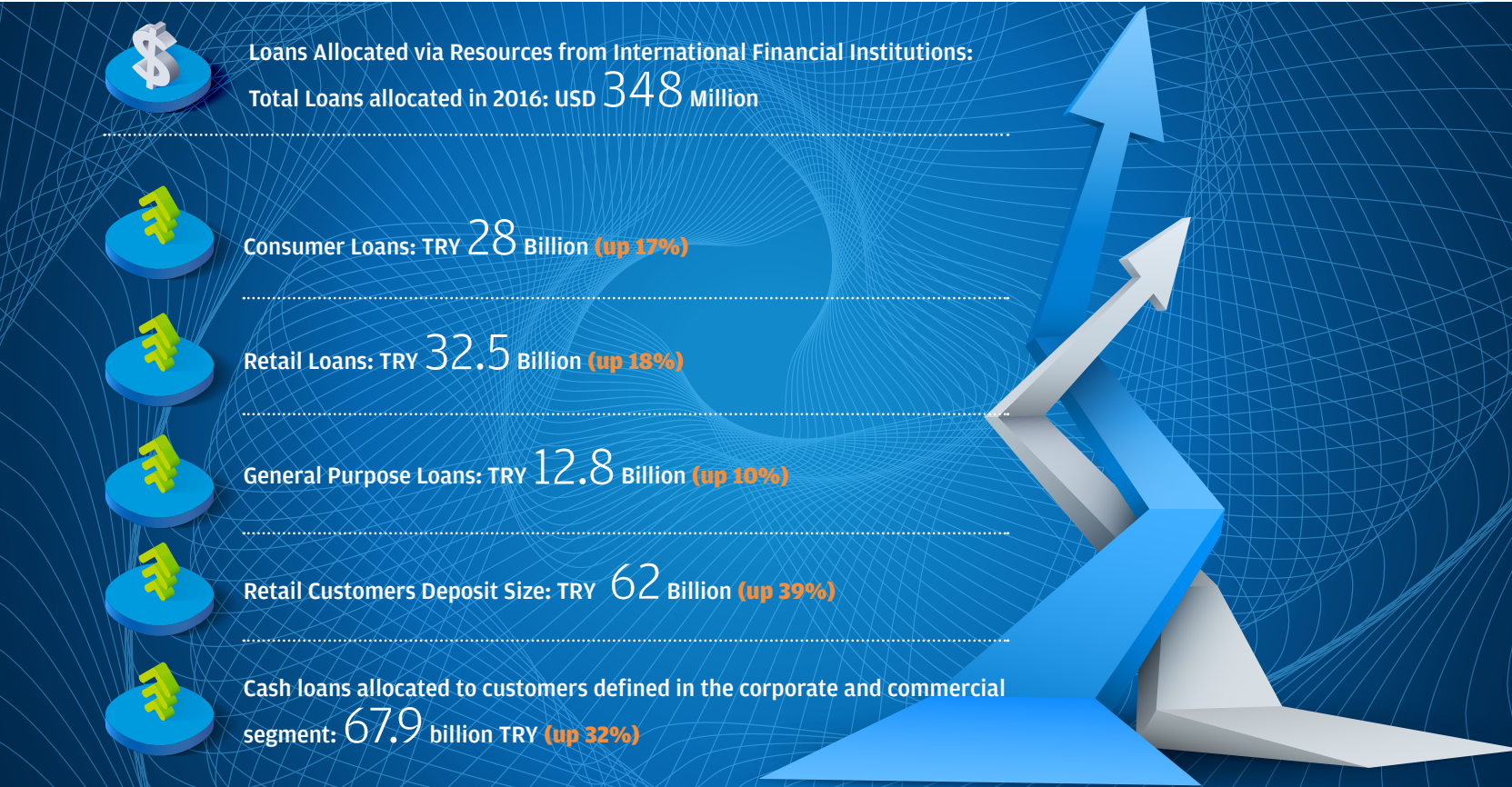


Number of retired
employees whose salaries
are paid through Halkbank:
1,762 k



Number of employees
whose salaries are paid
by Halkbank:
1,185 k

* Numbers by 2016 year-end. ** The number of SMEs according to our Bank's segmentations.





Halkbank has sustainable success objectives both within the Bank and among its subsidiaries and affiliates. In line with its corporate governance principles, Halkbank works to develop a governance structure that oversees economic, social and environmental priorities. Halkbank reflects its sustainable banking policy to all of its activities.

Corporate Governance

Halkbank Board of Directors consists of 11 members of which 3 are independent. It operates with the support of various expertise committees that are reporting to the Board. Detailed information on Board's role, member selection process and meetings is available in the [Halkbank Annual Report](#).



Committees Reporting to the Board of Directors:

Credit Committee

Compensation Committee

Corporate Governance Committee

Audit Committee

Assets and Liabilities Committee (ALCO)

Sustainability Committee

Operational Risks Working Committee

Halkbank supports its efficient corporate management structure with various policies. The Bank's major policies include:

Policy on Donations and Aids

Disclosure Policy

Code of Ethics

Policy on Confidentiality and Website Data Security

Halkbank's Main Policy on Information Security

Human Rights and Human Resources Policy

Dividend Distribution Policy

Stakeholders Policy

Anti-Corruption Policy

Social Responsibility and Public Relations Policy

Policy on Preventing the Laundering of Proceeds of Crime and the Financing of Terrorism

Policy on Indemnities

Policy on Remuneration

Sustainability Policy

Environmental Policy

Energy Policy

Halkbank's policies are available at: <https://www.halkbank.com.tr/channels/1.asp?id=2814>.



Risk Management

Halkbank manages the risks arising from its operations meticulously. The Bank's risk analysis approach covers not only economic risks but also environmental and social risks that could impact the Bank's reputation. The Risk Management Department establishes risk management systems addressing the risks to which the Bank is exposed to, monitors the sufficiency and efficiency of these systems and perform risk definition, classification, measurement, monitoring, controlling and reporting. The Department investigates the causes of losses resulting from the above mentioned risks, works on the risk level of the balance sheet, provides anticipatory assumptions by preparing scenario analyses and stress tests to evaluate the impacts of unexpected market conditions on the main branches of activity, calculates the capital to be reserved under such conditions and shares the results with the upper management in order for these results to be reflected on the policies and limits.

The Board of Directors is responsible for ensuring a system to evaluate the risks the Bank is exposed to and a management that is established to monitor the compliance with internal policies.

The Compliance Unit

The Compliance Unit, which is reporting to the Audit Committee, fulfills the obligations within the scope of "Preventing the laundering of proceeds of crime and the financing of terrorism" (SGA/TF). All Head Office Departments and Branches as well as the Compliance Unit are responsible from executing operations in accordance with the compliance policy and procedures. The main functions of the Compliance Unit include risk management (developing methods for risk definition, rating, classification and evaluation), monitoring and control activities, coordination of training events on the Laundering of Proceeds of Crime and the

Financing of Terrorism(SGA/TF). The purpose of the training on preventing the SGA/TF is to ensure compliance with the obligations set forth by Law and other regulations implemented pursuant to Law, to establish a corporate culture by increasing the sense of responsibility of the staff on the subjects of risk based approach. In 2016, 7,609 employees attended 3 different e-training on the subject of Preventing the Laundering of Proceeds of Crime and the Financing of Terrorism. Thus, all employees of the Bank completed their training. E-training programs are valid for 3 years and will be repeated at the end of their validity.



The Board of Directors is responsible for ensuring a system to evaluate the risks the Bank is exposed to and a management that is established to monitor the compliance with internal policies.

Anti-Bribery and Anti-Corruption

The goal of Halkbank's Anti-Corruption Policy, revised in 2016, is to establish policies and rules for detecting and preventing possible bribery and corruption cases, make internal regulations, inform and guide employees and ensure maximum compliance with national and international regulations. The revised policy defines all actions within the scope of corruption, including bribery and it is more comprehensive compared to the previous policy. Deputy General Management of Human Resources and Organization is responsible for

the Anti-Corruption Policy on behalf of the Board of Directors.

In case of policy violations, the employees can report the issue to their manager, to the Ethical Practices Team (etik@halkbank.com.tr) or to the Corporate Governance Committee without being under any pressure. Employees who report violations of Bank's Anti-Corruption Policy (whistle blowers) and their reports are confidential and these employees will not be followed nor exposed to discrimination or

any unfair exercise. Employees whose actions are found to be contrary to policies will be evaluated and dealt with in accordance with the Internal Audit Systems.

In 2016, 7,064 employees attended the training named "Criminals Talk" that explains the Bank's anti-bribery and anti-corruption policies and practices. An e-training covering the Bank's Anti-Corruption Policy was generated in 2016 and it will be assigned to all employees during early 2017.

Internal Control

Halkbank monitors the implementations of its corporate policies through various internal control mechanisms. The Internal Control Department serves under the Audit Committee to carry out monitoring and valuation activities in addition to simultaneous, impartial and ob-

jective reporting to the management through financial, operational and other control points within the framework of generally accepted professional standards in order to protect Halkbank's assets, to perform operations efficiently and effectively in accordance with

the Law and other relevant legislation as well as Bank's policies, rules and banking practices, to ensure the reliability and integrity of the accounting and financial reporting system besides the timely availability of information in the system.

Controls performed at Head Office departments, Regional Coordination Offices, all domestic and international branches as well as domestic and international subsidiaries and cash operations centers are complemented by the reports produced on the central database in addition to cross-controls, thus establishing an efficient internal control infrastructure. Efforts are made to keep control instructions and control points continuously updated in line with the legislation and the goals of the Bank. To this end, laws, regulations, BRSA regulations and the current legislation of the Bank are closely monitored, with the amendments thereto being reflected in control instructions and control points.

In addition to on-site controls, central audit work is also expanded within the scope and

continues to do so. Data from the central system database is analyzed and transactions that may pose a risk in view of the established criteria are reported, with their outcomes being analyzed either centrally or on-site.

Within the scope of legal compliance controls, the compliance of the actual or planned operations of the Bank as well as its new transactions and products with the Law, other relevant legislation, the Bank's policies, rules and banking practices are checked. Legislations on the banking/finance sector as well as general foreign legislations are monitored to inform employees on legislative amendments as soon as possible.

The IT control group sustains its work in line with the objective of ensuring that the information obtained by the Bank is reliable,

complete, traceable, consistent, caters to needs and can be accessed on time by the relevant departments and employees. In addition to the information system controls, controls for the financial reporting systems are also included within the scope of continuous control. Inspections are performed on various matters upon demand from the Bank's Senior Management, the Internal Audit Department, Departments of the Head Office and Regional Coordination Offices as well as on outstanding points identified by Internal Controllers during control work. During inspections, information and documents on the matter under inspection are assessed in detail. Matters requiring inspection by auditors are referred to the Internal Audit Department whereas matters that could be sorted out through administrative measures are referred to the relevant departments at the Head Office.

Board of Inspectors

The Board of Inspectors serves via the Audit Committee and reports to the Board of Directors. The Board of Inspectors consists of 186 members that are reporting to the Board of Directors; 1 Chairman, 4 Vice Chairmen, 1 Information Technology Audit Team Leader, 30 Senior Inspectors, 91 Inspectors, 40 Authorized Assistant Inspectors and 19 Assistant Inspectors. The department employs three separate methods complementing each other, namely on-site audit, central audit and information technologies audit. The department carries out its operations

within the framework of ISO 9001:2008 Quality Management System Standards.

Central Audits and Information Technologies Audits have the aim of identifying possible cases of corruption, mistakes and auditing the confidentiality and accuracy of information produced as well as the efficiency of internal controls within processes. Using the Finding Tracking System, the updated risk status of the findings from the audits and the work carried out by relevant departments to eliminate the mentioned findings are regularly monitored.

The Board of Inspectors carries out its operations within the framework of ISO 9001:2015 Quality Management System Standards. In April 2016, it received a certificate from the accreditation body, American Systems Registrar. Its ISO 9001:2008 certificate, approved by the Turkish Accreditation Agency, was revised. The mentioned certificates represent Halkbank's compliance with the standards set forth by ISO (International Standards Organization) for the management of product and service quality in line with the policies of customer focus and continuous improvement.

In line with the 2016 Audit Plan,

- 593 Branches
- 7 Regional Coordination Offices
- 23 Departments
- 11 Subsidiaries
- 3 Processes
- 2 Overseas Branches
- 70 Information Technology audits took place.

Public Audit

As a public financial institution, Halkbank is subject to not only all audits which apply to private institutions but also continuous audit by the Auditors of the Court of Accounts performing audits on behalf of the Grand National Assembly of Turkey (TBMM). These audits are conducted within the framework of public accountability and financial transparency principles to ensure Halkbank operates efficiently and in compliance with Law. Within the mentioned audits, all relevant departments, officials and, when necessary, employees at any level are interviewed, information, documentation and business processes are examined. As a result of the audit, the Court of Accounts issues a report every year and submits it to the State Economic Enterprises Commission of the TBMM for deliberations.

Code of Ethics

Halkbank Code of Ethics was revised in 2016 and published upon the approval of the Board of Directors. Code of Ethics, binding for all employees, are executed by the Deputy General Directorate of Human Resources and Organization on behalf of the Board of Directors. Each employee of the Bank accepts and acknowledges to act in accordance with these Ethical Principles within the scope of the contract of employment. Code of Ethics regulates various codes of conduct such as Principle of Equality, Confidentiality of Customer Data, Responsibilities of Managers, Conflict of Interests, Acceptance of Gifts and Personal Benefits, Anti-Corruption Policy under the main topics as Customer Relations, Competition, Data Protection and Privacy, Employee Responsibilities, Promotion and Gifts, Bank's Responsibilities for its Employees.

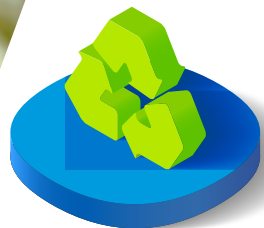
The Code of Ethics and Discipline Unit under the Human Resources Department serve as the unit where concerns about unethical and illegal acts and issues related to corporate integrity can be reported. Employees who are found to be acting contrary to ethical rules are evaluated and dealt within the scope of Internal Audit Systems. Employees who are not reporting any actions that are contrary to these rules and standards to the relevant departments will also

be assumed to be violating rules and they may be subject to disciplinary actions in case of such violation. Stakeholders within and out of the Bank can report any cases that are contrary to ethical principles to etik@halkbank.com.tr. All employees can report to and receive guidance and approval from the Ethical Practices Team. Halkbank Code of Ethics is also accepted by all subsidiaries of Halkbank. Halkbank Code of Ethics is published on the corporate web site. A training program is organized to increase awareness on Code of Ethics. The training sessions will start in 2017 and 95% of the employees will have completed this training by the end of the year.



Halkbank and Sustainability

Issues such as climate change, increasing consumption of natural resources and human rights violations are among the most important global problems of today, which require comprehensive business models. Businesses that make long-term growth plans can succeed only through adopting an environmentally and socially sensitive work culture.

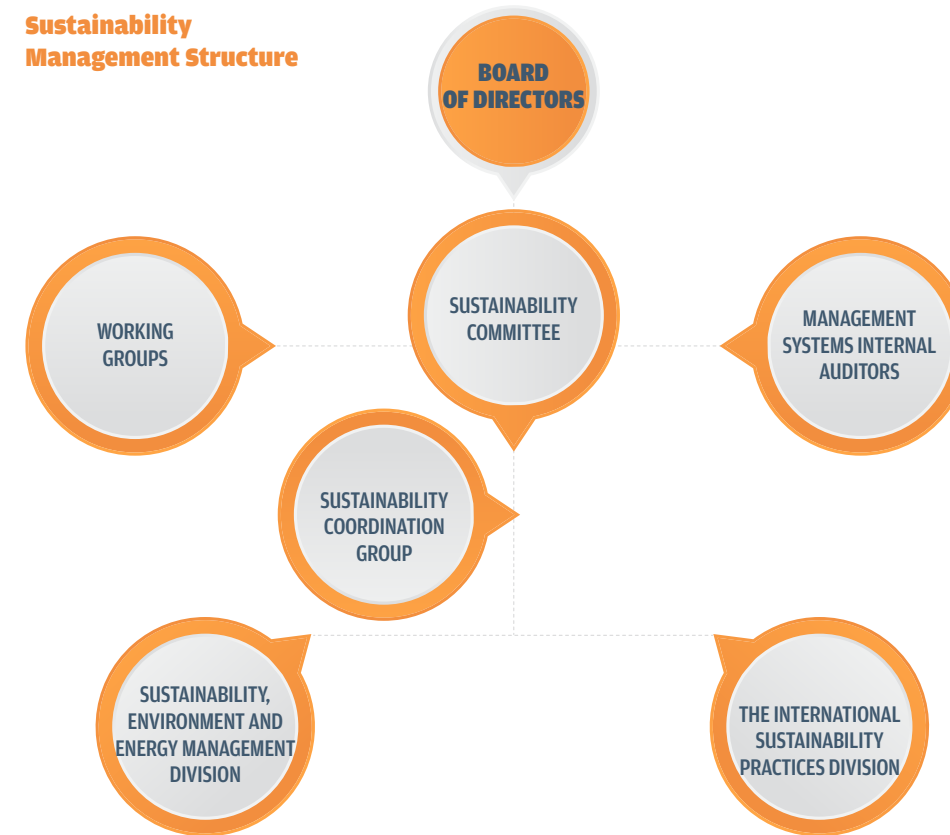


As a rooted institution of the Turkish banking sector, Halkbank is one of the institutions that adopted the sustainability approach into its business processes. Since the day it was founded, Halkbank supports economical and social development of Turkey through its comprehensive branch network, financing capabilities and social responsibility projects, as the leading SME bank of Turkey.

Sustainability Management Structure

In 2015, Halkbank established the “Sustainability Committee” and released its Sustainability Policy to institutionalize the sustainability approach. The Sustainability Committee met 6 times in 2016.

Sustainability Management Structure



The **Sustainability Coordination Group**, consisting of a chairman and four members, is formed to execute the decisions made by the Sustainability Committee, finalise the ongoing work by controlling and monitoring processes and report the new developments on the field of sustainability to the Committee. The chairman and members of the Sustainability Coordination Group are elected annually by the Sustainability Committee. The chairman of the 2016 Sustainability Coordination Group is the Head of International Banking and Structured Finance and the members are the Heads of Branch Operations and Corporate Communications Departments. Managers of the Departments of Sustainability, Environment and Energy Management and International Sustainability Practices are full members.

In 2016, two full-time Departments were formed to carry out sustainability efforts and provide new suggestions to the Sustainability Committee. One is the **Sustainability, Environment and Energy Management Division** which reports to the Sustainability Committee and operates under the Deputy General Management of Support Services and the other one is the **International Sustainability Practices** Division who also reports to the Sustainability Committee and operates under the Deputy General Management of International Banking.

The Sustainability, Environment and Energy Management Division gathers and evaluates the information about the Bank's energy and resource consumption, takes measures driving efficiency, monitors the implementations and communicates to internal and external stakeholders. It coordinates and conducts all activities of ISO 14001 Environment Management System and ISO 50001 Energy Management System.

Information regarding the Members of the Sustainability Committee is available at: <https://www.halkbank.com.tr/channels/1.asp?id=2809>.



The International Sustainability Practices Division follows national and international developments on the field of sustainability. By transferring best practices to the Bank, it develops products and services with a sustainability theme, coordinates communication with internal and external stakeholders, helps the Bank develop new projects with creditors and investors, which are highly sensitive to environmental issues. Along with the Sustainability, Environment and Energy Management Division, it is also involved in the efforts for the Sustainability Report of the Bank, which is prepared annually.

With the participation of the relevant Bank departments, **Working Groups** are created to execute the decisions made by the Sustainability Committee within the Bank and carry out the projects and activities on the subject of sustainability.

Working groups founded in 2016:

- **Sustainability Report Working Group:** Working group consisting of officials from all units for writing the Sustainability Report of the Bank.
- **Principle and Policy Revision Working Group:** Working group founded to work on Code of Ethics and Anti-Corruption Policy which was revised in 2016.
- **Travel Expenses Working Group:** Working group founded for the software work on the expense entry system for the purpose of monitoring, reporting and calculating the carbon footprint of the Bank in a systemic way.
- **Energy Monitoring Working Group:** Working group founded to prepare infrastructure and technical specifications for the tender to be initiated within the scope of the Energy Monitoring System to be established in the Bank.

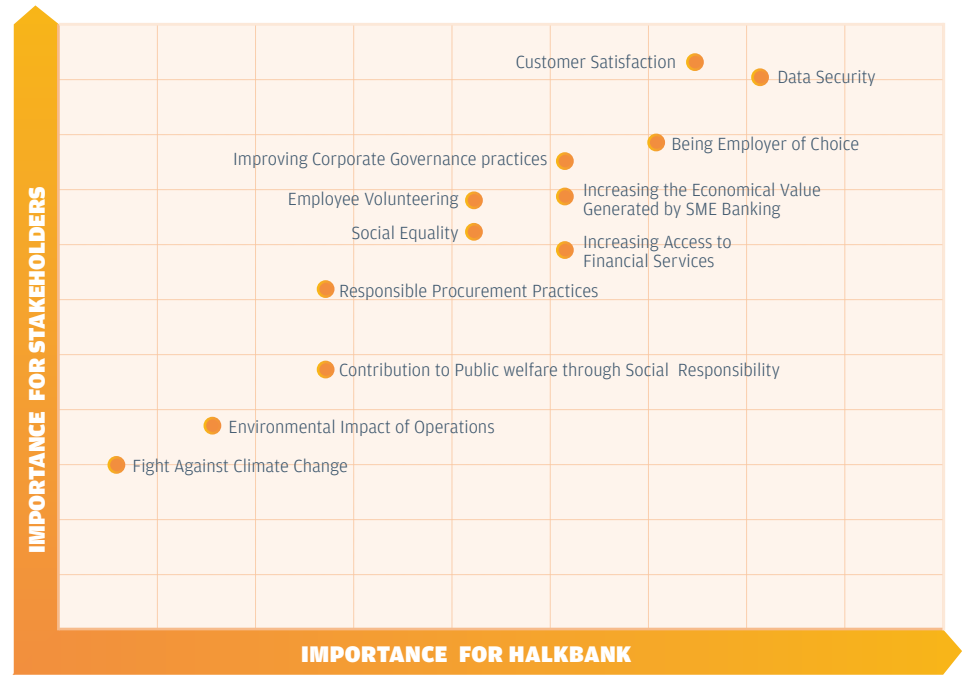
Management Systems Internal Auditors is a team, integrated to the Bank's operational processes, that performs internal audit and controls for the ISO 14001 Environment Management and ISO 50001 Energy Management Systems, of which certification was completed in 2016. Internal Auditors report to the Sustainability Committee. In 2016, 19 volunteer employees took part in this team.

Halkbank is listed in the BIST Sustainability Index

Based on the evaluation of its sustainability practices and performance in 2015, Halkbank was selected among the Borsa Istanbul (BIST) companies to be included in the BIST Sustainability Index for the period between November 2016 and October 2017.

Sustainability Priorities

In 2016, Halkbank conducted a survey among its customers, employees, the press, public institutions, international finance institutions, suppliers and main stakeholder groups in order to update its sustainability priorities and set its goals. The survey sought the opinions of the participants about the most important sustainability priorities of Halkbank. The survey results were evaluated by the Sustainability Committee and the sustainability priorities of Halkbank are formed in the form of matrix. Thanks to this survey, Halkbank also took the opportunity to learn what all stakeholder groups expect from the Bank in the field of sustainability. A total of 1,806 participants took part in the survey.



Communication with the Stakeholders

Halkbank considers regular and healthy communication with its stakeholders as the basis of its sustainability approach. Halkbank uses the comments and recommendations obtained from communication channels as an important resource to improve its products and services. Data obtained from communication channels with the stakeholders is used to establish long-term strategies.

Halkbank supports non-governmental organizations and professional associations that work in relation to the Bank's field of activity.

Major associations and institutions that Halkbank is a member of:

- International Chamber of Commerce (ICC) Turkey
- Institute of International Finance (IIF)
- Association of National Development Finance Institutions in Member Countries of the Islamic Development Bank (ADFIMI)
- The Banks Association of Turkey
- The Banks Association of Turkey Training Working Group
- The Banks Association of Turkey Working Group on The Role of Finance Industry on Sustained Growth
- Quality Association of Turkey (Kalder)
- Association of Foreign Banks, UK (AFB)
- Association Banks in Singapore (ABS)

Main stakeholder groups and communication methods

Stakeholder Group	Frequency of Contact	Communication Channels
Employees	Continuous	Employee Satisfaction Survey, Performance Appraisal system, various meetings, e-bulletins, announcements and internal regulations published via e-mail, Information Technologies Announcements, Information Security Announcements, Electronic Announcements, Bank's internal communication platforms
Customers	24/7	Halkbank branches, ATMs, call centers, Internet branch, mobile banking, various meetings, presentations, e-announcements, social media
Suppliers	Continuous	Procurement of goods and services/maintenance processes
International Finance Institutions	Continuous	Various meetings, visits and correspondence
Press	In case of need	Press bulletins, meetings, interviews
Public Institutions	In case of need	Meetings, visits, interviews, reports, briefings
Non-Governmental Organizations	In case of need	Meetings, visits, interviews, briefings
Shareholders and investors	Continuous	Events targeting relevant institutions and investors, direct communication with investors via meetings, teleconferences and e-mails, relevant pages of the Bank's web site, roadshows, analyst days



Halkbank for Its Customers

With 25 regional coordination offices, 959 branches, 16,956 employees and widespread alternative distribution channels in Turkey, Halkbank offers quality and innovative products and services to its customers.



Aiming at customer focused activities and sustained profitability, the Bank develops and offers products and services that will respond the expectations of the customers from all markets and segments where the Bank is operating in this direction.

Acknowledging and creating added value for all elements within its stakeholders network as the basis for its sustainability approach, Halkbank develops innovative solutions that will facilitate the access to financial services for different customer groups. Acting with the objective of happy customers, Halkbank listens to the suggestions, complaints and requests of its customers through its effective communication mechanisms and increases customer satisfaction levels consistently. Attaching particular importance to digitization in line with its corporate strategies and sustainability objectives, Halkbank develops applications that are leading in the banking sector.

Access to Financial Services

Facilitating access to financial services for its customers is one of the major sustainability priorities of Halkbank. With its innovative solutions designed in this direction, it aims to enable its customers to receive 24/7 continuous service from any location. In this context, the Bank utilizes various distribution channels; mainly mobile, ATM and internet. Thus, it increases the share of these channels within all banking operations consistently and raises the added value it generates for its customers. With the applications developed according to its responsible operations approach and named Banking Without Disabilities, Halkbank realises a series of implementations that will facilitate the access of disabled customers to Halkbank's products and services.

For Halkbank, an important aspect of accessing financial services is increasing the financial literacy rate in the society. In order to increase the financial literacy rate of the non-finance employees, Halkbank created e-learning modules of Secret to a Wealthy Future, Finance for Non-finance Employees and Basic Financial Concepts All Should Know. In 2016, 844 employees completed these e-learning modules. Financial literacy

Banking without Disabilities

With the Banking without Disabilities Project which has been launched in May 2011, Halkbank ATMs are designed to serve visually and physically handicapped customers. These ATMs which are called Accessible Bank24 serve customers of all other banks as well as Halkbank customers and enable physically handicapped customers to make all transactions available on ATMs. Visually handicapped customers can use earphones while using ATMs, dim the screen to the extent they prefer and check their balance and withdraw cash using a special program transforming the text on the active screen into audio. As of the reporting period, the number of Accessible Bank24 machines reached 345,128 of those serve only visually handicapped customers, 157 of those serve only physically handicapped customers and 60 of those serve both visually and physically handicapped customers on a 24/7 basis. Again during the reporting period, some arrangements were made to enable visually handicapped customers to use the Halkbank Internet Branch and Mobile Branch. Development efforts for Fast Application project which was launched in 2015 continue. After the completion of the project, customers will be able to get a loan without going to a branch. Also, Halkbank has started preliminary work within the scope of the regulations on accessibility of the handicapped people.

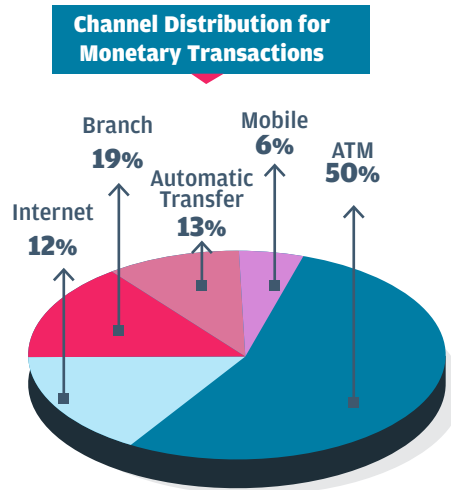
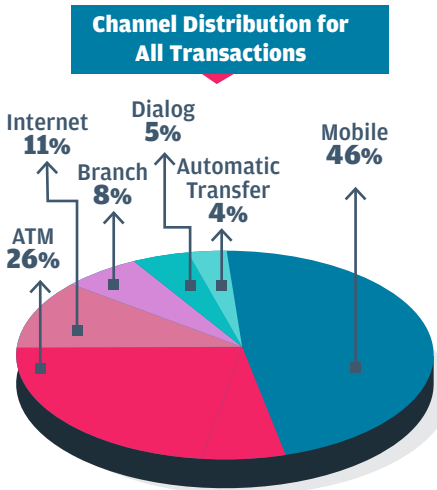


training programs addressing SMEs will be launched in 2017.

Alternative Distribution Channels (ADC), enable to serve customers continuously on a 24/7 basis in every respect, decrease operational workload while helping deepen customer relations and increase customer satisfaction. In this regard, by using ADC, being one of the most important business instruments of the Bank, Halkbank improves service quality and consistently increases the share of these channels within all banking channels where banking operations take place. At the end of the reporting period, 92% of all transactions and 81% of monetary transactions within Halkbank operations were made over ADC. In 2017, Halkbank plans to improve ADC and increase ADC utilization, which contributes significantly both to the customers and the Bank in terms of time and cost.

In 2016, Halkbank continued its efforts to expand the ATM network as a major distribution channel. Halkbank's ATM network increased by 4.4% with 156 ATMs installed in 2016, total number reaching 3,741 ATMs. Annual total number of transactions made through ATMs in 2016 is 305 million, up 1.7% compared to the previous period and annual total transaction turnover reached TRY 78 billion, up 16.4%. While expanding the ATM network, taxi stop project was carried out with local municipalities and ATMs were installed at 43 taxi stops during the reporting period, aiming to contribute positively to urban esthetic. In the same period, ATMs were installed in 7 breast-feeding rooms that are used by women having babies.

Digital Banking is a very important pillar of Alternative Distribution Channels. Electronic



Halkbank on Web

Halkbank promotes its products and services over a total of 10 web portals, mainly corporate web site www.halkbank.com.tr, and ensures that Bank units announce up-to-date information and services to the customers within the scope of a unified strategy.

www.halkbank.com.tr | www.parafcard.com.tr | www.parafly.com.tr | www.halkbankkobi.com.tr | www.halkbankevim.com.tr | www.kultursanat.halkbank.com.tr | www.halkbankspor.org.tr | www.halkbank.com.tr/en | www.paraflytravel.com | | <https://halkakademi.halkbank.com.tr/ablms/PDefault.aspx?lang=0>

Annual total number of transactions made through ATMs in 2016 is 305 million, up 1.7% compared to the previous period and annual total transaction turnover reached TRY 78 billion, up 16.4%.

channels like Mobile Banking, Internet Banking and SMS Banking allow Halkbank customers to access products and services without time and location constraints. Through channels, Halkbank customers can access easy and understandable descriptions of the products and services and information about Halkbank activities in general as well as carrying out banking transactions. By the end of the reporting period, the number of Digital Banking customers of Halkbank reached 1.2 million, up 26% compared to previous period.

Internet Banking services, accessible through the Halkbank corporate web site and other web portals of the Bank, enable customers to carry out banking transactions using over 400 transaction sets. The Internet branch is being improved constantly based on the feedback customers submit via "Contact Us" and "Have Your Say" sections, the suggestions submitted over the Bank's Quality Suggestion System and the studies on the competitor applications in the industry. Internet branch renewal project that was started in 2015 in order to address the needs and expectations of customers was completed in the reporting period. With the project, Internet branch was renewed with a user-friendly interface and made compatible with mobile devices. By the end of 2016, the number of Halkbank customers actively using the Internet branch reached 784,000.

Mobile Banking services, developed for iOS and Android platforms, are used with the applications installed on mobile devices. By 2016 year end, this channel was renewed in the light of technological improvements and enhanced to be used with tablets as well as mobile phones. Thus,

the number of customers actively using the channel reached 630,000 with a significant rise. Renewed Mobile Banking application is granted Bronze Award on the category for the most innovative mobile banking application by Stevie Awards which recognizes the best of the business world on an international scale.

SMS Banking, another Digital Banking application of the Bank, enables customers to carry out banking transactions through all mobile

phones. Using the application, customers are informed on cash inflows and outflows via e-mails or SMS in line with their preferences. They can also access information whenever they want via SMS queries on banking transactions. Customers may also place instructions via corporate web site and opt for receiving e-mails or SMS bearing information on foreign exchange rates and stocks depending on price or time.

Halkank's number of digital clients have reached to 1.2 million with a 26% increase from 2015.

Mobile Teller

In order to enable customers to benefit from its products and services under any circumstances, Halkbank launched the Mobile Teller project in 2012. Mobile teller vehicles comprised of a bus and 2 panel vans reach customers all around Turkey. The Project primarily aims at providing rapid and reliable service in cases of emergency such as disasters, fires and terrorist attacks. The mobile teams also carry banking products and services to residential areas where Halkbank does not have a branch, mainly tourism zones. During the reporting period, Mobile Tellers provided service in 17 different locations, mainly institutions and universities in various cities. In the same period, Mobile Tellers provided service for 8 days during the flood happened in Trabzon Beşikdüzü.

Income Estimation Model

In the reporting period, Halkbank completed the Income Estimation Model project which aims to make the personal loan allocation process more efficient, reliable and faster. With the Income Estimation Model, income estimation is performed in real time with statistical methods using customer information at Halkbank and Credit Bureau (Kredi Kayıt Bürosu) as well as demographical customer information, loan and loan limit decisions are made faster. Stated yet undocumented customer income can be verified. Loan applications submitted via ADC can be completed without being directed to the branches for income confirmation and operational work load is decreased for applications submitted via branches so that the branches can be more focused on marketing.

In 2016, Halkbank received over 700,000 requests from customers, 18% via mail, 53% via Dialog, 17% via branches, 2% via Head Office, 3% via fax and 7% online.

Customer Satisfaction

Improving customer satisfaction consistently is among Halkbank's business and sustainability priorities. Efficient communication channels established to this end are improved constantly based on the feedback of the customers and employees, thus suggestions, complaints and requests from the customers are taken into consideration. With practices carried out via Happy Customer Center and Halkbank Call Center, industry leading processes are implemented in line with the happy customer objective.

Happy Customer Center operates with multiple communication channels for customers to submit all feedback about Halkbank products, services and operations. Accessible 24/7 via phone, fax, mail, email and social media, Happy Customer Center handles and settles customer issues, requests, comments, suggestions and complaints through Customer Complaint Management Module. Target time for settling an issue is 24 hours and customers are informed about the settled issues through the channel of their preference.

Customer Complaint Management Module enables to collect, handle and settle all issues, requests, comments, suggestions and complaints at a single point. Thus, issues are settled rapidly, efficiently and on time, ensuring customer satisfaction. Customer issues can be monitored at any level by all bank units, enabling to inform customers via all channels. Using the application, complaints and issues received by the Center are analyzed and corrective/preventive actions are designed to solve the issues before complaints occur by adopting a proactive approach.

In the reporting period, a monthly average of 60,405 issues, complaints and suggestions were received and settled within the scope of Customer Satisfaction Management processes. In 2016, Halk-

bank received over 700,000 requests from customers, 18% via mail, 53% via Dialog, 17% via branches, 2% via Head Office, 3% via fax and 7% online.

To measure the quality of the service provided by the Center, the survey conducted within the scope of customer satisfaction efforts is used. Customer satisfaction level which was 70% in 2015 increased significantly in the reporting period and rose to 80%. In the same period, Halkbank ranked 2nd among Public Banks and 5th among Public and Private Banks in the "complaint-index", an index serving as an important customer satisfaction indicator in the banking industry.

With its renewed infrastructure, Halkbank Call Center is able to meet growth requirements and integrate with new technologies and modern communication channels. Halkbank improves the Center continuously in order for the customers to receive service in the easiest, fastest and most efficient manner, thus it ensures that customer satisfaction is maximized constantly. Providing uninterrupted service on a 24/7 basis, the Center is improving its main performance indicators of service level and fulfilment rate consistently while the number of customers using the Center is increasing continuously through Center's innovative solutions and approach aiming at minimizing customer effort.

In 2015 and 2016, Halkbank Call Center completed more than 170 efforts for improving customer satisfaction and increasing efficiency, security and marketing capability. In the reporting period, a system is implemented to predict the call reasons of the customers contacting the Center and offer personal options within specific scenarios, ensuring that the customers reach the information needed in the easiest way. In the same period, Halkbank completed the efforts to improve the interface of the Call Center and integration of the social media structure. Efforts for campaign building and outgo-

ing call development processes were transferred to Call Center. Thus, the process is shortened and simplified, allowing more efficient utilization of Bank resources.

During the reporting period, the number of incoming calls to Halkbank Call Center increased by 23% while the number of transactions performed increased by 16% compared to the previous year. 41 million calls were made via "Automated Outgoing Calls Platform" that was built to provide a proactive service as well as human customer service agents. Nearly 15 million outgoing calls were made to the customers using resources within and outside the Bank about information, collection, sales and marketing operations on the Bank's products and services. During the same period, 118K sharing recorded by the Social Media Team, of which 6K were

considered customer issues and responded in an average of 11 minutes.

Efficient management of Call Center is enabled through correct human resources processes in this area. By adopting a continuous training approach, all call center employees are provided periodical training and support for specialization. Training programs on basic banking services, diction, efficient communication and sales techniques as well as training programs in favor of certification are organized. Customer representatives switch to other departments of the Bank pursuant to the fields of specialization supported in line with their skills and interests. Performance management is based on numerical values of the employees, ensuring employee improvement and protection of quality goals and standards. Call

Center Management (CCM) Suggestion System is used to ensure Call Center employees are included in the decision making processes; thus business processes and employee motivation are improved.

Halkbank enables its customers to compare personal loan products, declares annual cost ratios in all its advertising and promotional activities, announces the fees and interest policy separately for all items for its products and services via its own web site and branch locations and informs customers via SMS related to daily interest rates for the products with daily interest accrue.

In the future periods, Halkbank plans to deploy different services that will improve Halkbank's quality level and help gain new customers while increasing the loyalty of existing customers.

There is no verified complaint about violation of customer confidentiality or loss of customer data in the reporting period.

Digitization and Information Security

Robust, efficient and secure infrastructure is of great importance for the sustainability of Halkbank. Transferring significant resources every year for improving technological infrastructure and digitization efforts, Halkbank gains competitive advantage and offers high quality products and services to its customers with its industry leading applications. Considering information security as a main goal during all digitisation efforts, Halkbank also achieves significant operational efficiency through these efforts.

Digitization efforts enable to improve innovative products and services managed under Digital Banking while ensuring efficiency of the corporate processes. Thanks to the improved technological infrastructure, its central database and automated capabilities, operations that must be performed by branches for reconciliation reduced significantly. The structure

includes systems as "Data Warehouse", "Data Mining" and "Customer Relations Management" which are used to build the Bank's business strategy and decisions and understand customer profiles and needs so that proper products and services are offered.

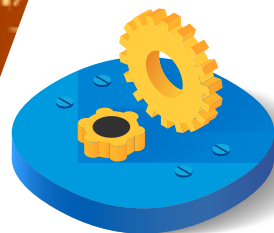
Halkbank structures digitized banking services to enable customers to securely perform banking transactions on all platforms. The Information Security Steering Committee was established to secure customer information and manage relevant processes efficiently, in line with the Bank's sustainability priorities. The Committee oversees the implementation of information security system in all processes and technologies of the Bank as well as by employees and make final decisions on information security. It ensures that information security is in accordance with the business needs and

strategies, managers of business departments efficiently participate in the process and the process is adopted throughout the Bank.

During the reporting period, central processor and storage hardware were upgraded to latest technology in the Halkbank İzmir Emergency Center (EC). Data about main banking services running on Main Systems platform and about various banking services running on Middle Tier platforms is copied and kept at EC, thus it is very important for business continuity as well as data security. Thanks to the recent work during the reporting period, data warehouse running on main systems platform are enabled to serve in cases of emergency. During the same period, the entire Bank migrated to a new emailing system that ensures uninterrupted service and full integration with existing journal system.

Halkbank for the National Economy

Halkbank supports Tradesman and SMEs, one of the most important elements of Turkey's economy, with leading implementations realized in the field of Tradesman and SME Banking and dedicates its industry and field experience of 78 years to the sustained development of national economy.



Thanks to its long running relations with international institutions, Halkbank creates cost effective and long-term resources for the national economy and a positive economical sphere of influence through the financial support provided to private enterprises.

Halkbank adopted a rapid and healthy economic growth by improving its strategy of being a financial supermarket through its partnerships in capital markets as well as financial markets. Halkbank owns a large subsidiary partnership portfolio consisting of 24 companies that offer products and services in different fields as well as advanced banking services.

Information about subsidiaries and affiliates of Halkbank is accessible at: <https://www.halkbank.com.tr/channels/1.asp?id=471>.



Tradesmen and SME Banking

Today, Halkbank is an industry leader in the Tradesmen and SME banking field, which is the purpose of its establishment. The Bank spearheaded the establishment of hundreds of thousands of SMEs and the opening of thousands of industrial facilities through the practices applied continuously since its establishment and are maintained today under the slogan "SMEs are our business, not our hobby". With the support it provides to the most important elements of national economy, Halkbank leads the sustained development of the society it belongs to. Halkbank continues to meet financing needs of tradesmen and SMEs under the most favorable conditions with its branch network and marketing staff located in especially dense regions of Turkey in terms of industry, commerce and tradesmen.

Halkbank achieved great success in the reporting period despite the highly competitive environment in SME banking, 12.42% market share for SME loans in 2015 rose to 13.59% by the end of the year. The loans extended to SMEs in the reporting period constituted 36.8% of total cash loans. Total amount of interest-subsidized loans

by the Treasury extended to tradesmen and artisans stood at TRY 16,159 million in 2015 and rose to TRY 20,359 million with an increase of 26% in the reporting period. By 2016 year-end, the number of tradesmen with active loans reached 432,826.

With the strong bond established with tradesmen and SMEs in many years, Halkbank identifies financial or non-financial needs of enterprises on-site and continues to offer innovative solutions for SMEs with its expertise, deep-rooted experience and expansive branch network. The products and services tailored to tradesmen and SMEs based on their needs and requests are delivered through branches and alternative distribution channels which are also designed specifically for the customers in this scope, ensuring sustainability of the banking activities in this field. Today, the number of customer representative employees addressing SMEs is above 2,000 whilst the www.halkbankkobi.com.tr and KOBİ Dialog communication channels are leaders within the banking industry when it comes to providing services to SMEs on a 24/7 basis.

»» Communication Channels for SMEs

Considering efficient and transparent communication as the main factor to ensure sustained success of SME banking, Halkbank adopted practices leading the industry in this respect. The www.halkbankkobi.com.tr platform, leading among the channels designated for SMEs, contains transparent and easy to understand information about products and services, as well as a series of applications that support SMEs development and assist their operations. This platform is free of charge for SMEs and fosters Halkbank's bond with SMEs with its industry leading applications.

"Consult the Expert" corner within the platform is an application where the SMEs can ask questions to expert consultants on their subjects of interest and receive fast responses. The bookkeeping program in the platform enables SMEs to easily follow information about

✓
¹Calculated based on the definition of SME in the Regulation on Definition, Attributes and Classification of Small and Medium Enterprises by Republic of Turkey Ministry of Science, Industry and Technology.

their sales, collection, payment and stock, thus facilitating their lives. The platform also aims at improving financial literacy of SMEs by raising awareness in the field of finance and guides SMEs and entrepreneurs on many important subjects through monthly articles prepared by Halkbank SME Specialists for the platform members. As of reporting period, nearly 35K members used the platform, making it number one among similar platforms based on the traffic data obtained from web sites.

Another communication channel that Halkbank customer SMEs benefit significantly is 0850 222 0 401 KOBİ Dialog line. Thanks to this channel that provides support to SMEs 24/7, Halkbank customers can receive information about products and services, set appointments and take advantage of all other support services without going to a branch.

»» **Products and Services for Tradesmen and SMEs**

It is among the main objectives of Halkbank to create added value for its stakeholders by developing innovative products and services in line with the demands and expectations of SMEs and needs of the national economy. The Bank pays particular attention to support SMEs that make innovation and R&D investments so that they can be strong in the global competition, to support exporter SMEs so that they can go to new markets and enhance their exporting capabilities and to support startups so that they can create jobs and contribute to the economy. Halkbank's products and services addressing SMEs include:

In the reporting period, Halkbank continued to provide Zero-Interest Tradesmen Loans for tradesmen and SMEs. **Zero-Interest Tradesmen Loans** are provided to tradesmen and artisans performing professions that

While continuing its operations in the field of Tradesmen and SME banking, Halkbank also delivers social responsibility efforts in order to raise awareness on this field and supports its stakeholders.

Contact Meetings for Tradesmen and Artisans

Halkbank sponsored “Contact Meetings for Tradesmen and Artisans” project launched by the Republic of Turkey Ministry of Customs and Trade. The project aims to meet with tradesmen and artisans from different cities of Turkey in order to listen to their issues and requests and build new solution suggestions.

Common Sense Meetings/Target Market Meetings

Halkbank signed a protocol with Turkish Exporters Assembly to provide favorable financing services that will enable SMEs to start export activities, expand their target foreign Marketplace and increase competitiveness in this market. Within the scope of this cooperation, Halkbank sponsored Common Sense Meetings to be held in 10 different industries and Target Market Meetings to be held in 10 different cities as a solution partner.

Tradesmen Council

Halkbank sponsored “Tradesmen Council” that is organized by the Republic of Turkey Ministry of Customs and Trade.

are about to go extinct, to those starting new businesses with a certificate of mastership, to those requesting loans with TRY 30,000 limit for machinery, equipment, and fixed assets purchases, workplace modernization or requirements of raw material and circulating capital, and to those Young and Entrepreneurs. As of end of the period, balance of Zero-Interest Tradesmen Loans reached TRY 1,002 million.

Halkbank encourages entrepreneurship, which it approaches as an important socio-economic subject, through its products that

are designated to support entrepreneurs to start new business and young people to be a part of economic life. In line with this mission maintained for long years, Halkbank extends **Young, Brave, Craftsman and Inventor Entrepreneur Loans** to customers wishing to start new business based on the criteria such as education, age, work experience, etc. In the same respect, **Franchising Loans** are made available for entrepreneurs wishing to invest in the franchising area. During the reporting period, Halkbank extended TRY 20 million loan for 550 entrepreneurs.

Information Seminars for Tradesmen and SMEs

Again during the reporting period, **Collaboration with the Entrepreneurs** protocol implemented in cooperation with Gebze Technical University continued as part of the efforts started to encourage entrepreneurship. Aimed to encourage entrepreneurs and create new job opportunities in the economy, this protocol allows to extend loans for entrepreneurs who are doing business

for less than a year or for those who wish to start their own business but do not have any business operation or workplace yet.

Halkbank launched the **Export Support Package** in order for the exporting SMEs to adapt to the global competitive environment and cement their position in foreign markets. This package also includes support loans for equipment and fairs as well as forward

and option products to protect SMEs from exchange rate fluctuation.

In 2016, zero interest Interest-subsidized loans by **TESKOMB ESKKK Loan** are made available to tradesmen and artisans living in Sur, Diyarbakır whose business is impacted by the terrorist incidents in order to meet financing needs of those customers in low-cost and convenient maturity conditions.

International Funds

Establishing long-term and strong relations with international financial institutions, Halkbank uses funding obtained through this institutions for the sustainable growth of the society. International funds enable to support primarily tradesmen and SMEs constituting an important part of national economy as well as the enterprises from private sector, thus a significant and positive economic sphere of influence is created directly and indirectly. Halkbank funds enterprises from private sector on favorable conditions and supports sustainable development of the country through the generated economic value and increased employment. During the reporting period, Halkbank maintained its relations with international financial institutions such as European Investment Bank, World Bank and French Development Agency (AFD) which provided funding on a long-term basis and on favorable conditions and continued its contribution to the national economy.

During the reporting period, Halkbank signed “AFD Organized Industrial Zones (OIZ) and Environment Loan” agreement with a total value

of Euro 100 million with the French Development Agency to fund the environment friendly investments of OIZ and the companies operating in these regions. Under the related protocol, half of the EUR 100 million loan will be extended to fund the environmental investments of each company from SME, Commerce and Corporate segments to be made in any region of Turkey. Environmental Investments loans will enable to fund enterprises on many subjects such as waste water treatment facility, solid waste disposal, pre-treatment facility, sludge drying investments, air cleaning investments, energy efficiency and use of renewable energy sources, etc. EUR 50 million of the Loan is allocated to be extended to OIZ Management, all companies operating in OIZ or to the investments of companies operating in support of OIZ (Build-Operate-Transfer Government projects, etc). In the same period, Halkbank made a 100-million Euro agreement with the “European Investment Bank Loan IV for Funding of SMEs and Large Enterprises” provided by the European Investment Bank (EIB) within the scope of a new loan program with a

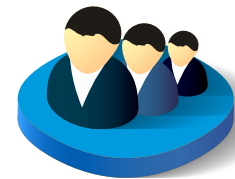
total value of EUR 300 million for funding SMEs and large enterprises. Funding from this 26th agreement signed with international investment and development banks reached EUR 2.9 billion. Halkbank has loan agreements with a total value of EUR 450 million and USD 267 million that have been signed before 2016 but still extended during the reporting period. Within this scope, it is calculated that a total funding of USD 348 million during the reporting period created/retained employment for nearly 5000 employees.

Halkbank signed new syndication loan protocol with a total of EUR 476.5 million and USD 175 million with the participation of 33 banks from 18 countries during the reporting period. In the same period, the fifth bond (Eurobond) issue on USD took place in line with the objective of product diversification for long-term foreign fund provisioning. As a result of the high demand for these bonds, Halkbank issued five-year term fixed-rate bonds with a nominal value of USD 500 million and the bond issue amount on the international market reached USD 3 billion.



Halkbank for its Employees

Halkbank's sustainable business success is based on competent and qualified employees. In order to perpetuate this success, Halkbank attaches great importance to employee satisfaction and provides dynamic career opportunities and modern working conditions to its employees.



Employee satisfaction, a peaceful working environment as well as occupational health and safety are an indispensable criteria for Halkbank in attaining its sustainability goals.

Common ground of work life at Halkbank is devoted work, tolerance, respect for humans, trust and sharing. Halkbank provides its employees with many different opportunities during all stages of their work life starting from the hiring process, modern training opportunities to support their competencies and professional development and a productive work environment where they will be happy to work.

Human Rights and Human Resources Policy guides work life and related processes at Halkbank. Revised and effective as of 2016, the Policy is executed by the Deputy General Management of Human Resources and Organization and is reviewed annually and also revised if deemed necessary. In this regard, internal and external stakeholders can provide related feedback to the Ethical Practices Team (etik@halkbank.com.tr).

Halkbank acts in compliance with the United Nations Universal Declaration of Human Rights, to which Turkey is a party, in respect of main principle of human rights and accountability as well as national law regulating work life. In accordance with International Labor Organization's (ILO) main principles approved by Turkey, Halkbank respects employee rights and carries out its activities paying attention to subjects such as ban on discrimination and forced labor, and elimination of child labor. It also respects collective bargaining and unionization rights which are constitutional rights and covered by ILO's main domains as well.

Based on the principle of diversity, Halkbank acknowledges the principle that every human is unique. It allows equal opportunity based on relevant professional qualification and competency of the job candidates regardless of differences such as language, religion, race, origin, gender, sexual preference, and physical disability. In addition to this, it is Halkbank's responsibility to take every measure in order to prevent actions that may cause discrimination or be deemed as maltreatment. Halkbank Human Rights policy is made available as an e-training at the end of the reporting period. The training is planned to be provided to all Halkbank employees in 2017.

Halkbank actively evaluates suggestions of the employees to improve its processes and enhance its services. This participatory approach is realized within "Employee Suggestion System". During the reporting period, Halkbank employees submitted a total of 2,867 suggestions to the Quality Suggestion System. All of these suggestions were assessed and 25 of them are implemented.

You can find information about Halkbank Human Rights and Human Resources Policy at <https://www.halkbank.com.tr/channels/1.asp?id=2814>.



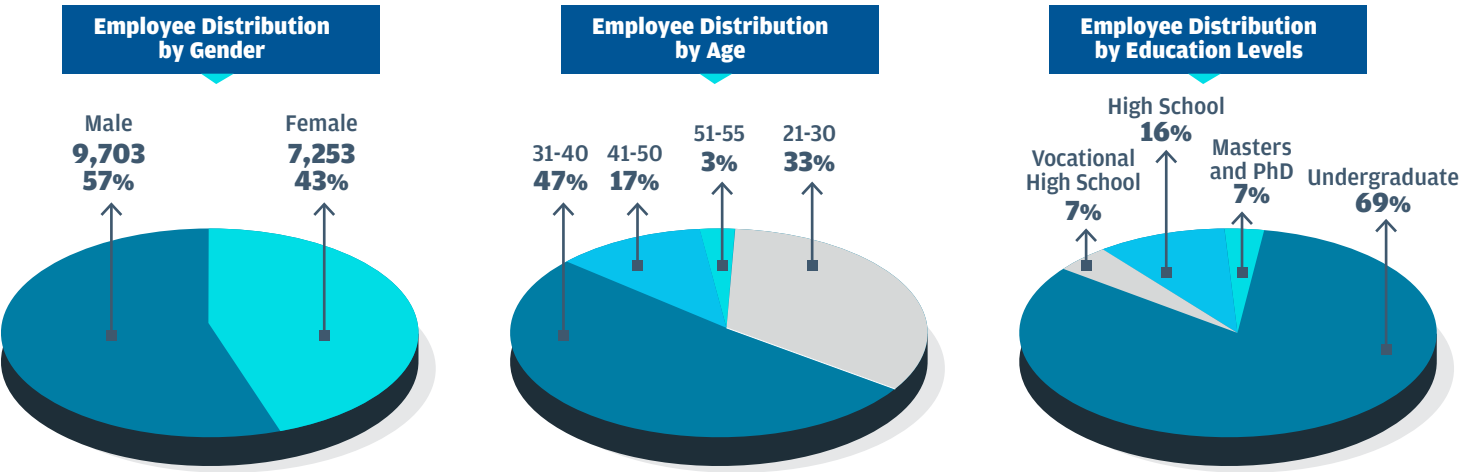
Halkbank Human Resources Main Principles are available at <https://www.halkbank.com.tr/channels/1.asp?id=2117>.



90.6% of Halkbank employees are under collective bargaining agreement



Halkbank employees submitted a total of **2,867** suggestions to the Quality Suggestion System. All of these suggestions were assessed and **25** of them are implemented.



Career Management

Main factors determining career path of Halkbank employees are performance and competency. All new hired employees are informed about which processes they will pass through according to their roles and about their responsibilities within these processes. Remuneration is set in consideration of conditions in the sector, performance measurements are conducted periodically and competency and skills are improved with provided training programs.

»» Remuneration and Benefits

Remuneration of Halkbank employees is set by the Board of Directors in consideration of the overall economic situation of the country, remuneration levels in the banking sector and the Bank's situation. The Bank's branches apply an efficient performance

Blue Star

Halkbank rewards distinctively successful branches with a Blue Star certificate. Launched in 2007 and registered under a trademark, the Blue Star practice aims at ensuring conformity of operational processes to the principles of functional separation of duties and the specified work flows, improving customer satisfaction and making sure branch employees engage in team work to attain the objective on quality.

In reporting period, 1,812 female, 1,519 male, a total of 3,331 white collar employees were subjected to performance evaluations.

appraisal process based on a quantitative and competence-based assessment. All performance measurements are conducted over the banking system; thus, employees have the opportunity to monitor their individual performance development on a daily basis. Gender is not a determinant factor for employee remuneration in any way.

Halkbank creates a work environment where the employees can be more efficient and productive with the provided benefits. For detailed information on employee benefits and opportunities you can visit our web site.

»» Performance Management

Performance appraisal process of Halkbank employees is based on a quantitative and competence-based assessment process. The system, designated with transparency approach, allows employees to monitor their individual performance development on a daily basis. As

a result of this assessment, employees that are eligible for a performance bonus are rewarded once every three months. During the reporting period, a total of 3,331 white-collar employees (1,812 women and 1,519 men) were subject to performance appraisal.

»» Training Opportunities

Halkbank considers its employees as its most valuable capital and places great importance on their continuous development. As a result of this approach, training programs are developed on professional, technical and personal development subjects as required by the banking profession in order to keep knowledge and skill levels of employees at the highest level and support their career development.

Training events are organised by the Education Department Head operating under Deputy General Management of Human Resources and Organization and delivered by Bank's Staff

Personal Development Programs for Managers

In 2016, 6 group training events were delivered to branch managers to support their leadership and management competencies. A total of 114 branch managers attended these training events covering topics of "Strategical Management Workshop", "Efficient Branch Management", "Leader Manager of the New Era" and "Leadership from Coaching Point of View" and 1,596 person*hour training was provided. In addition to this, a total of 106 branch managers attended the training module "Make a Difference Leave a Mark: A Leadership Journey" and a total of 1,484 person*hour training was provided.

(internal instructors) who work in various Bank departments as well as the persons and institutions outside the Bank that are subject matter expert and known in the sector. While the training events are delivered at Halkakademi Education Centers, Halkbank employees can also attend non-Halkbank training programs that are offered in the country and abroad.

Halkbank uses a comprehensive Learning Management System (LMS) for distance learning that supports and complements classroom training. Employee success and satisfaction are measured through e-exam and e-survey modules that are used for other measurements of the training system and available through web.

For detailed information about employee fringe benefits <https://www.halkbank.com.tr/channels/1.asp?id=35>.



Training hours per employee		
	Female	Male
2014	24.21	29.49
2015	31.87	45.17
2016	27.54	33.66



Work and Private Life Balance

Halkbank carries out activities in order to ensure work and private life balance of its employees through various training programs having different content. Consisting of 1,400 e-training materials including e-learning collections and video series, distance learning catalog has most of its content focused on private lives of employees. Training programs offered to support family and personel lives are available for use by all employees. Also, Halkakademi social platform includes social areas and forums such as Child-Health, Café for Women, Culture-Art-Theatre, Travel, Cinema, Book Club. Established to reinforce social learning, this platform allows its participants to share content about personal development and non-business life.

With the aim of positively influencing work and private life quality of Head Office employees, Halkbank has been organizing training events with optional participation since May 2016 on the topics of "Success Orientation", "Integral Diet", "Dynamic Reminding Techniques", "Science of Workplace Happiness", "Dealing with Anxiety", "Being the Favorite Player of the Winning Team", "Professional Image Management", "Stress Management and Self-awareness", "Creativity and Developing Innovation" and "Mind Renewal". 680 employees attended these training events and a total of 4,760 person*hour training was provided.

Occupational Health and Safety

Occupational health and safety is an important topic for Halkbank. It is one of the main responsibilities of Halkbank to ensure full compliance with relevant provisions of all legislation, rules, regulations and guidelines.

In order to ensure smooth functioning of occupational health and safety practices and workplace safety, Halkbank formed Occupational Health and Safety (OHS) Upper Board and OHS Commission and made efforts to form OHS Board for service units consisting of 50 and more employees. OHS Upper Board and OHS Commission have a total of 19 members.

Elections were held to select representatives for employees working at the Head Office service buildings and training was provided to these employee representatives on their roles. During the reporting period, 676 person*hour Occupational Health and Safety training was provided. 1,115 person*hour e-learning form training was provided under 5 headings including Basic First-aid as well as classroom training. In 2016, the rate of injury was 0.007, lost days rate was 1.134.

It is essential that employees oversee the safety of themselves and their colleagues as well as the customers, visitors, etc in the Bank and notify the OHS Commission (isg@halkbank.com.tr) about any case deemed unsafe or carrying a health risk.

In 2016, injury rate was 0.007, lost day rate was 1.134.

You can find detailed information about OHS Supreme Board at: <https://www.halkbank.com.tr/channels/1.asp?id=2829>.





Halkbank for the Environment

Halkbank aims to carry out its activities in an environmentally friendly manner, minimize its environmental impact and improve its performance in this field continuously.



In this regard, Halkbank works in line with Sustainability, Environment and Energy policies to consistently improve its CO₂ performance, decrease its energy consumption, increase energy efficiency and minimize waste resulting from its operations.

Within the scope of the operations performed in relation to climate change and awareness on its impact as well as management system efforts, Halkbank carries out various projects to reduce its environmental impact. As part of the risk management system, Halkbank considers risks and opportunities bound to climate change as a part of the business processes. For fighting climate change, Halkbank monitors the environmental impact caused by its products during loan periods, reports this data to relevant creditors and makes efforts to increase the funding of environment friendly investments within its loan portfolio.

With a sustainable management approach, new projects and training programs are carried out to increase awareness on sustainability topics, to internalize them and strengthen employees' knowledge and capacity on these subjects in line with new developments. Measurement of emissions arising from Bank's operations and calculation of Bank's carbon footprint are systemized to improve operational efficiency. By this way, Halkbank aims to integrate its environmental and social awareness into its corporate culture.

Within this scope, Halkbank established an Integrated Management System, consisting of ISO 14001:2015 Environment Management System and ISO 50001:2011 Energy Management System in the Head Office and 2 auxiliary service buildings in 2016 and integrated this System to the Bank's structure and operational processes. During the reporting period, environment and energy procedures were established for objectives and practices, internal audits were performed and certification was completed following the independent audit process. Halkbank is the first Turkish Bank to establish ISO 50001 Energy Management System.

A team consisting of staff from Sustainability, Environment and Energy Management Department and International Sustainability Practices Department coordinates and runs all operations of ISO 14001 Environment Management System and ISO 50001 Energy Management System. The Team is responsible from collecting and evaluating information about energy and resource consumption, taking measures for increasing productivity and providing different reports to related internal and external stakeholders.

Internal audits and controls of Integrated Management System are performed by Management Systems Internal Auditors. Internal auditors team consisting of 19 volunteer employees submits its reports to Sustainability Committee on a regular basis. During the reporting period, Integrated Management System, established in 3 service buildings, is planned to be expanded to a total of 124 service buildings, including 2 Regional Coordination Offices on Istanbul Anatolian side, Kocaeli Regional Coordination Office and connected branches in 2017 and then throughout Turkey.

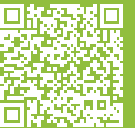
During the reporting period, Halkbank employees were provided with a total of 5,554 person*hour training on Awareness, Information and Consciousness-raising on Environment and Energy Management. Also, employees of sub-contractors were provided 472 person*hour training on Managing Operations of Environment and Energy Management System in order to reduce environmental impact on the value chain and create awareness on this subject.

In 2016, environmental investment of Halkbank was nearly TRY 150,000.

Halkbank Environment Policy is accessible at: http://www.halkbank.com.tr/images/Bankamiz/surdurulebilirlik/cevre_politikasi_300615.pdf.



Halkbank Energy Policy is accessible at: https://www.halkbank.com.tr/images/Bankamiz/surdurulebilirlik/2016/enerji_pol.pdf.



Fight Against Climate Change

Climate change is a global issue that businesses of all sizes from all industries must fight against together. In order to fight against climate change, Halkbank reduces the environmental impact of its operations and expands its products and services with this consciousness. Products offered within the scope of fighting against climate change are mainly funding of projects for renewable energy and energy efficiency and funding of investments for reducing carbon emissions. Halkbank monitors the environmental impact arising from these products during loan periods and reports this data to relevant creditors. With the policy to support environmentally conscious investments and to be a leader in this regard, Halkbank works to increase its funding of environment friendly investments within its loan portfolio and contributes to the sustainable future of Turkey. In this respect, Halkbank supports renewable power plants with minimum negative environmental and

social impact and positive influence on current deficit of Turkey. The Bank considers funding of renewable energy projects as an important opportunity for reducing greenhouse gas emissions in Turkey.

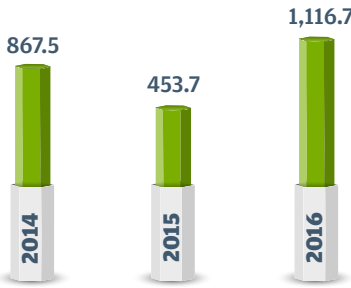
Due to the ever increasing impact of climate change, transition to a low carbon economy has become a critical and emergent necessity. Recent changes in regulations which allow implementing renewable energy projects up to 1 MW without a license makes solar energy based power generation a favorable option for the investors. In parallel to this, Halkbank increased its efforts to offer sufficient funding support and proper loan products to its customers to enable them to make necessary investments, renewals and similar activities. Halkbank formed an expert team of engineers and analysts to fund all renewable energy plants, mainly solar energy projects, and support the processes within the Bank.

ASSESSED RENEWABLE ENERGY PROJECTS (*)						
	Solar	Wind	Hydro	Geothermal	Biaomass	TOTAL
2014	23	4	10	1	2	40
2015	64	4	7	2	2	79
2016	149	5	9	1	2	166
						285 (**)

(*) Excluding projects assessed within the scope of loans from international finance institutions.
(**) Current risk balance of 285 projects assessed as of 31.12.2016 year end is TRY 862 million.

By the end of 2016, total greenhouse gas emissions reduction of renewable energy plants assessed by Halkbank was equivalent to 1.61 million tCO₂ yearly.

Total Installed Power of Renewable Energy Projects Assessed (Mw)*



(*) Excluding projects assessed within the scope of loans from international finance institutions.

Halkbank provides free consulting services and delivers training events for its staff and customers to increase awareness on more environmentalist products and on fight against climate change. Within the scope of World Bank Energy Efficiency Loan signed before 2016 but still extended, Halkbank provided 18 free consulting services on energy efficiency, in support of SMEs energy efficiency projects. During the reporting period, Halkbank extended TRY 48.9 million to 16 renewable energy projects and TRY 53.1 million to 19 energy efficiency projects

within the scope of funds from international finance institutions.

Within the scope of French Development Agency Organized Industry Zone and Environment Loan program signed in 2016, Halkbank started to receive consultancy service and firstly, it provided “Sustainability, Environmental and Social Impact Assessment Training” to the financial analysts and engineers. The mentioned consultancy service will continue in 2017 and 2018 in the form of training seminars on environment

friendly investments for both OIZ management and enterprises operating in OIZ.

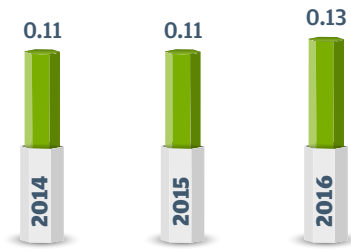
Through renewable energy and energy efficiency loans from international finance institutions signed in 2016 as well as those signed before 2016 but still extended, Halkbank continues to support enterprises from private sector as well as SMEs. Within this scope, EUR 400 million and USD 67 million funding was provided in collaboration with the French Development Agency and European Investment Bank.

During the reporting period, Halkbank extended TRY 48.9 million to 16 renewable energy projects and TRY 53.1 million to 19 energy efficiency projects within the scope of funds from international finance institutions.

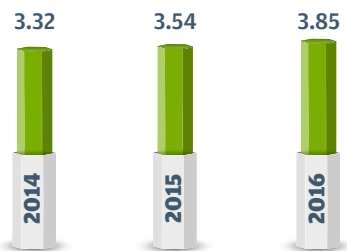
Environmental Impacts Arising from Operations

Being aware of its operational impact, Halkbank delivers efforts to minimise this impact. It meticulously follows necessity and legislation on the subject of environment and pays particular attention to full compliance with these matters. Halkbank gathers feedback from its stakeholders on reduction of environmental impact through different platforms and considers these comments for its future planning. Halkbank periodically shares information on its carbon footprint publicly within the scope of Carbon Disclosure Project (CDP) reporting. During the reporting period, Halkbank did not violate any rules and was not fined due to its negative environmental impact.

Emissions Release per m² by Years (tCO₂e)



Emissions Release per Employee by Years (tCO₂e)



Halkbank's main environmental impacts arising from its operations are comprised of emissions and waste. These impacts are mainly from electricity, natural gas, paper and water.

In 2016, within the scope of Halkbank operations, electricity consumption per square meter decreased by 19% compared to the previous year. Similarly, natural gas consumption decreased 39%, total fuel oil consumption decreased 58%, total coal consumption decreased 12% and total motor consumption decreased 40%.

During the reporting period, total emissions increased by 8% compared to the previous reporting period. Despite reducing Scope 1 emissions by 19% and maintaining nearly the same levels at Scope 2 emissions, the root cause of the increase in Scope 3 emissions is the change in the method of calculation of emissions. 33% increase in Scope 3 emissions is caused by the calculations that excluded the travel data of Board of Inspectors and Internal Audit Department employees in previous years.

In line with the objective of reducing carbon footprint, Halkbank rendered Executives Meetings carbon neutral in accordance with the requirements of PAS 2060 standard in the reporting period as it had been the case since 2014. Same as previous years, PC's at the Bank were shut down in the evenings during 2016 for energy saving.

Assessing the Environmental and Social Impact of Projects

Halkbank oversees that the funded projects meet social and environmental standards required by law and Bank's policies and have efficient internal audit systems and the project owners perform social and environmental risk assessment

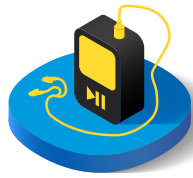
The 2016 Secureprint project, completed in 2016, enables printers in common use to deliver secure and controllable printouts. This project provides saving that is equivalent to the energy required for a bulb to work 9,920 hours as well as paper saving and 158.4 kg carbon emissions are prevented. The Project will be extended to Head Office departments in the coming period.

Another important environmental impact arising from our operations is waste. In 2016, Scanning practice provided paper saving across the Bank on the basis of the number of files recorded to Documentum infrastructure and users were enabled to access scanned documents at any time within the Bank. Paper consumption in 2016 decreased by 8% compared to the previous year.

During 2016, more than 400 electronic equipments were donated to 37 different schools, nearly 700 electronic equipments were delivered to 5 different firms having Electronic Waste certificate for disposal within the scope of utilization and disposal of electronic waste.

In the reporting period on water consumption, one of the main environmental impact areas of our operations, a 42% reduction in total water use compared to the previous year was achieved.

and take necessary measures. By monitoring investments before the loan and during the loan term and making on-site visits, Halkbank ensures project specific risks are managed in a healthy manner and funded projects are implemented in



In 2016 more than 400 electronic equipments were donated to 37 different schools, nearly 700 electronic equipments were delivered to 5 different firms having Electronic Waste certificate for disposal within the scope of utilization and disposal of electronic waste.

Tomurcuk (Rosebud) Data Center

“Tomurcuk”, the first data center to have LEED GOLD certificate in Turkey, was completed successfully without any interruption during tests and checks such as mechanical, electrical, UPS. Following its completion, it has received Uptime Tier III Constructed Facility Certificate. In 2016, energy consumption reduced by 28.7% following the optimization work addressing Tomurcuk Data Center energy consumption.

a way to add value in social and environmental terms.

Halkbank demands that the environmental impact assessment procedure required for the

investment projects to be funded is completed. During investment loan analysis, environmental impact of the investment is evaluated by the Halkbank technical team. Authorized by Energy Management Certificate by Republic of Turkey Ministry of Energy and Natural Resources General Directorate of Renewable Energy, 20 Halkbank technical employees work on loan and project assessment processes. Project impact is evaluated in social and environmental terms; if needed impact assessment work is performed by contacting local people.

Loan and investment projects financed by Halkbank are evaluated using a scoring module. Environmental factors are divided into 3 groups: namely, low-risk, medium-risk and high risk.

In 2016, Halkbank revised the Loan Evaluation Report and Project Evaluation Report scoring methodology and started to score companies

and projects applying for loans within the scope of “Sustainability Evaluation” in compliance with the article “Paying great attention to overseeing environmental and social factors as well as economic factors within the scope of Bank’s loan policies while evaluating loan requests” cited in Sustainability and Environmental Policies. With this revision performed in 2016, Halkbank will not only evaluate the investments, but also evaluate the activities of the companies applying for loan according to subjects covered by sustainability.

Previous investing companies used to be scored based on corporate social responsibility criteria before the 2016 revision provided that they have an existing activity, their latest finalized period net sales are over USD 10 million and they employ minimum 50 workers. With the 2016 revision, the evaluation scope has ex-

panded and more companies applying for loans will be subject to evaluation based on sustainability criteria as compared to pre-revision period.

Sustainability Evaluation covers the following headings:

- »» Environmental Impact Assessment Report
- »» Green Building Certificate
- »» ISO Environment Management Certificate
- »» Carbon Emissions Assessment
- »» Occupational Health and Safety Assessment
- »» Consumer Rights Consciousness Assessment

Projects that are not financed

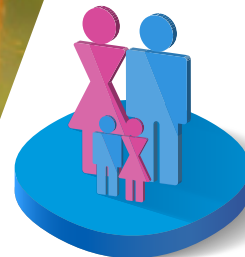
Halkbank assigns negative ratings during credit decision processes to following projects in banned fields which international literature considers to be relevant to a very high-risk group:

- »» Commercial transactions involving wildlife and wildlife products prohibited under CITES convention
- »» Release of genetically modified organisms into wildlife,
- »» Manufacturing, distribution and sales of prohibited insecticides and pesticides,
- »» Trawling,
- »» Radioactive products,
- »» Storing, processing and disposal of hazardous waste,
- »» Manufacturing of equipment and materials involving CFC, halon and other substances as regulated under the Montreal Protocol,
- »» Manufacturing of electrical equipment involving PCB (polychlorinated biphenyls) with a weight of more than 0.005%,
- »» Manufacturing of products involving asbestos,
- »» Nuclear reactors and parts,
- »» Processed or unprocessed tobacco,
- »» Tobacco processing machinery



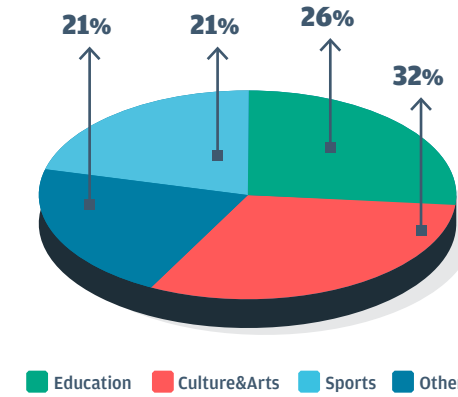
Halkbank for the Society

With the social responsibility and service consciousness assumed, Halkbank carries out operations that respect the society it is a part of and considers it among its primary objectives to add value to the social and cultural structure of the country while serving the Turkish economy.



In this direction, the Bank has launched Corporate Social Responsibility (CSR) practices in various areas including mainly culture & arts, education and sports and provides donations and sponsorship. During the reporting period, Halkbank reserved over TRY 42 million for social development investments such as donations, sponsorship and CSR projects.

Distribution of social responsibility projects by field



Education

»» Global Education Summit

During the reporting period, Halkbank sponsored Global Education Summit, organized for the first time by Geleceğin Eğitim Derneği (Education of the Future Association), which aims at identification, solution and future planning of the issues in the field of education.

»» Kırşehir Book Fair

Halkbank sponsored the Kırşehir Book Fair organized by Kırşehir Municipality.

»» Support for Education Campaign

Education support was provided to 5 thousand children in 25 cities within the scope of Support for Education Campaign project launched with the cooperation of Halkbank and Ministry of National Education.

»» Gazi University Business Idea Contest

Halkbank sponsored Business Idea Contests organized by Gazi University and Gazi Technopark in order to contribute to business and education life.

»» Turkish Day

Halkbank sponsored Turkish Day event organized by the Yunus Emre Institute.

Culture & Arts

»» Barış Manço Museum Events

Various events were organized at Barış Manço House, which was transformed into a Museum with support from Halkbank, on the occasion of Love and Peace Week for children from Social Service and Children Protection Institution.

»» 27th Ankara International Film Festival

Halkbank was the main sponsor of the 27th Ankara International Film Festival for the 7th

time. The Festival, organized by Dünya Kitle İletişim Vakfı (World Mass Communication Association), was held between the dates of 28th April - 8th May 2016 and was very popular among film lovers.

»» 2nd Anatolia Press Awards

Halkbank sponsored the “2nd Anatolia Press Awards” ceremony organized this year as well by Anatolia Publishers Association.

»» Kırşehir 29th Ahi Week Celebrations

Halkbank sponsored the 29th Ahi Week Celebrations organized by the General Directorate of Artisans and Craftsmen of the Ministry of Customs and Trade.

»» Hilye-i Shareef and Rosary Museum

Halkbank sponsored “Hilye-i Shareef and Rosary Museum” built by Istanbul Art and Civilization Association.

»» 6th International Balkan Conference

Halkbank sponsored “International Balkan Conference”, which is organized by the Istanbul University Research and Aid Association in a different city of the Balkans every year and this year it was held in Belgrade, the capital of Serbia.

»» Painting Contest

A painting contest was organized for the children of employees from Halkbank and its subsidiaries. A Two-day workshop was organized in the Baksı Museum for 21 children ranking the highest and 5 finalist children were awarded laptop computers. All the painting works submitted to the contest are used in 2017 desktop calendar images of Halkbank.

»» Photography Contest

Halkbank organized a photography contest to encourage its employees for culture and art activities and support their work in this direction. Within the scope of the contest, organized for the 7th time in 2016, nearly 140 employees have been awarded a prize to date.

»» Photography Workshop

Beginner and advanced level Photography Workshops were organized for Halkbank employees interested in photography.

»» Turkish Folk Music Chorus

Turkish Folk Music Chorus, consisting of Halkbank employees, gave a concert in 2016 and continue their efforts in 2017.

»» Turkish Classical Music Chorus

Turkish Classical Music Chorus, consisting of Halkbank employees, gave two concerts in 2016 and continue their efforts in 2017.

»» Halkbank’ta Beraber Magazine

“Halkbank’ta Beraber” (Together at Halkbank) Magazine, an internal communication magazine released bimonthly to establish corporate culture and foster motivation, delivered to the readers in 2016 as well. In 2016 a “Sustainability” section was added to provide information about sustainability efforts and progress in this field.

Sports

»» Halkbank Sports Club

In order to contribute to volleyball and its improvement, Halkbank sponsored volleyball teams (men and women) of the Sports Club in 2015-2016 season.

»» TEDAŞ Sports Club

Halkbank sponsored 2016 activities of TEDAŞ Sports Club.

»» “Martyrs Tribute Game” Solidarity Campaign

Halkbank sponsored the organization called “Martyrs Tribute Game” which was held in Vodafone Arena Stadium in cooperation with Halkbank, Turkey Football Federation and Clubs Union and led the efforts for transferring the income from the organization to the families of Martyrs.

»» Erzurum Bicycle Youth and Sports Club

Halkbank sponsored autistic twins Aliye Zeynep Bingül and Muhsin Murat Bingül who are licensed skiers under Erzurum Bicycle Youth and Sports Club.

Other Projects

»» 15th July Martyrs Solidarity Campaign

Halkbank provided donations within the scope of the 15th July Martyrs Solidarity Campaign organized by the Turkish Ministry of Family and Social Policies.

»» You Are Not Alone – Largest Family Project of Turkey

Within the scope of “You Are Not Alone – Largest Family Project of Turkey” project launched with the support of Halkbank, laptop computers were presented to martyrs’ children at school age to enable them to take benefit from developing technologies and support their education. Halkbank helped to deliver a total of 750 laptop computers, 290 in Ankara to the families of martyrs in 52 cities.

»» Fidelity Loan

Acting with a corporate social responsibility approach, Halkbank designated Fidelity Loan products to support families of martyrs and disabled/war veterans to whom it owes deep respect and gratitude.

»» Urban Transformation and Smart Cities

Halkbank sponsored “Urban Transformation and Smart Cities” project organized by Turkuvaz Reklam Pazarlama Danışmanlık A.Ş.

PERFORMANCE INDICATORS TABLE

Economical Performance Indicators			
	2014	2015	2016
Net Profit (TRY billion)	2.2	2.3	2.6
Total Assets (TRY billion)	155	188	231
Liquid Assets (TRY billion)	22	26	32
Cash Loans (TRY billion)	102	127	158
Securities (TRY billion)	27	28	33
Total Deposits (TRY billion)	104	122	150
Owner’s Equity (TRY billion)	17	19	21

Social Performance Indicators						
Upper Management – Gender Distribution		2014	2015	2016		
Female		3	2	3		
Male		41	41	36		
Bank Employees		2014	2015	2016		
Female		7,411	7,421	7,253		
Male		9,903	9,683	9,703		
Total		17,314	17,104	16,956		
Board of Directors – Gender Distribution		2014	2015	2016		
Female		0	0	0		
Male		11	11	10		
Education of Bank Employees		2014		2015		2016
		Female	Male	Female	Male	Female Male
PhD		5	8	5	8	4 5
Graduate		498	514	516	558	545 608
Undergraduate		5,309	6,547	5,286	6,411	5,298 6,427
Vocational School		775	561	821	545	725 524
High School		822	2,196	792	2,094	680 2,078
Primary School		2	77	1	67	1 61
Age Range of Employees		2014		2015		2016
18-20		4		11		0
21-30		7,853		6,722		5,628
31-40		5,993		6,901		7,947
41-50		2,740		2,836		2,937
51-55		564		531		410
>55		160		103		34

Social Performance Indicators						
Number of Employees on Maternity Leave	2014		2015		2016	
Started Working	521		525		449	
Has Not Started Working	45		148		123	
Total	566		673		572	
New Hires	2014		2015		2016	
	Female	Male	Female	Male	Female	Male
< 20	1	2	6	4	0	0
Age 21-30	1,218	1,606	315	242	159	292
Age 31-40	71	377	55	100	45	197
Age 41-50	2	49	0	11	5	19
>50	0	2	0	1	0	0
Employee Turnover Rates (%)	2014		2015		2016	
New Hires Turnover Rate	1.9		2.1		2.64	
Total Turnover Rate	5.03		5.52		5.1	
Education Information	2014		2015		2016	
Total Classroom Training (hours)	31.38		28.74		22.9	
Total E-learning (hours)	22.32		48.3		38.31	
Average Training Duration (Female Employees)	24.21		31.87		27.54	
Average Training Duration (Male Employees)	29.49		45.17		33.66	
Total Average Training Duration	53.7		77.04		61.2	
Training Duration (avarage duration / man– hour)	2014		2015		2016	
Technical Training	41.78		40.72		53.06	
Personal Development Training	11.92		36.32		8.14	

Environmental Performance Indicators			
Indicator	2014	2015	2016
Number of employees. annual average (bank+company employees included)	20.367	20.290	20.060
Head Office + Branches total m²	610,208.00	645,363.00	585,987.20
Electricity Consumption	2014	2015	2016
Total Electricity Consumption (kWh)	61,511,243.77	64,189,784.00	65,515,072.13
Electricity Consumption / m²	138.64	137.80	111.80
Electricity Consumption / Employees	3,020.14	3,163.62	3,265.96
Natural Gas Consumption	2014	2015	2016
TOTAL (m³)	2,553,002.00	3,632,819.00	2,223,832.50
Natural Gas Consumption / m²	6.45	9.38	6.51
Natural Gas Consumption / Employees	236.81	288.64	184.61
Fuel–Oil Consumption	2014	2015	2016
TOTAL (ton)	150.00	122.00	51.75
Fuel-Oil Consumption / m²	0.01	0.01	0.005
Fuel-Oil Consumption / Employees	0.73	0.56	0.19
Coal Consumption (ton)	2014	2015	2016
TOTAL (All consumption took place at the Branches)	454	220	193

Environmental Performance Indicators			
Coal Consumption / m²	0.05	0.03	0.02
Coal Consumption / Employees	1.64	0.76	0.66
Diesel Oil Consumption – Heating (liters)	2014	2015	2016
TOTAL (All consumption took place at the Branches)	340,902.00	363,931.00	409,923.66
Diesel Oil Consumption / m²gas	3.99	4.21	4.26
Diesel Oil Consumption / Employees	157.46	147.04	156.94
Diesel Oil Consumption – Generator (liters)	2014	2015	2016
TOTAL (As Generator Fuel)	96,707.00	125,501.00	74,816.57
Diesel Oil Consumption / m²	0.16	0.19	0.13
Diesel Oil Consumption / Employees	4.75	6.19	3.73
Transportation Fuel Consumption	2014	2015	2016
Company Vehicles Diesel (lt)	2,472,569.10	2,633,815.00	2,702,718.73
Company Vehicles Petrol (lt)	164,271.00	90,682.00	72,479.38
Number of Vehicles Operating with Diesel (no)	1,505	1,557	1,578
Number of Vehicles Operating with Petrol (no)	23	17	38
Diesel Consumption for the Employee Shuttles (lt)	1,030,575.00	1,225,199.00	1,294,570.63
Average Number of Employee Shuttles (no,)	441	641	715
tCO₂e Emissions	2014	2015	2016
TOTAL tCO₂e Emissions	67,640	71,737	77,278
Scope 1	15,451	17,247	14,047
Scope 2	29,033	29,812	30,427
Scope 3	23,155	24,678	32,804
Total Emissions / m²	0.11	0.11	0.13
Total Emissions / Employees	3.32	3.54	3.85
Paper Consumption	2014	2015	2016
Paper Consumption (Ton)	1,860.00	1,900.00	1,748.98
Total Paper Consumption / m²	0.0030	0.0029	0.0030
Total Paper Consumption / Employees	0.09	0.09	0.09
Waste (tonnes)	2014	2015	2016
Domestic Waste (tonnes)	970,248.00	721,446.00	932,119.50
Recycle Waste (tonnes) (Glass, plastic, paper)	179,742.00	131,781.00	127,015.00
Waste Paper Sent to Pulping (tonnes)	56,270.00	34,272.00	48,179.00
Water Consumption	2014	2015	2016
TOTAL (m³)	381,394.00	448,269.00	260,145.65
Water Consumption / m²	0.63	0.69	0.44
Water Consumption / Employees	18.73	22.09	12.97



GRI Standard	Disclosure
GRI 101: Foundation 2016	
General Disclosures	
Organizational profile	
102-1	About the Report p.3
102-2	About Halkbank pp.8-9
102-3	Contact p.51
102-4	About Halkbank pp.8-9
102-5	About Halkbank pp.8-9
102-6	About Halkbank pp.8-9
102-7	About Halkbank pp.8-9
102-8	Social Performance Indicators pp.47-48
102-9	Human Rights and Human Resources Policy: http://www.halkbank.com.tr/images/channels/English/investor_relations/Corporate_Governance/General_Assembly/2017/Human_Rights_and_Human_Resources_Policy.pdf
102-10	GRI Content Index: There are no significant changes
102-11	Risk Management p.14
102-12	Communication with the Stakeholders p.21
102-13	Communication with the Stakeholders p.21
Strategy	
102-14	Chairman's Message pp.4-5; General Manager's Message pp.6-7
Ethics and integrity	
102-16	Vision of Halkbank p.9, Mission of Halkbank p.9, Halkbank's Corporate Values p.9
Yönetişim	
102-18	Corporate Governance p.13
Stakeholder engagement	
102-40	Communication with the Stakeholders p.21
102-41	Halkbank for Employees pp.33-37
102-42	Communication with the Stakeholders p.21
102-43	Communication with the Stakeholders p.21
102-44	Sustainability priorities p.20
Reporting practice	
102-45	About the Report p.3
102-46	About the Report p.3
102-47	Sustainability Priorities p.20
102-48	GRI Content Index: There is no such information
102-49	GRI Content Index: There is no such information
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102-51	GRI Content Index: June, 2016
102-52	About the Report p.3
102-53	Contact p.51
102-54	About the Report p.3
102-55	GRI Content Index
102-56	GRI Content Index: The data of this report has not been subject to external audit
Material Topics	
GRI 200 Economic Standard Series	
Economic Performance (Not Material)	
103-1	Halkbank and Sustainability pp.19-21
103-2	Sustainability Management Structure p.19
103-3	Sustainability Management Structure p.19
201-1	Halkbank in Figures in 2016 pp.10-11, Halkbank for the National Economy pp.29-31
201-3	Remuneration and Benefits p.34
Market Presence (Not material)	
103-1	Halkbank for Employees pp.33-37

GRI Standard	Disclosure
103-2	Halkbank for Employees pp.33-37
103-3	Halkbank for Employees pp.33-37
202-2	GRI Content Index: All Halkbank executives are citizens of the Republic of Turkey
Contribution to Public welfare through Social Responsibility	
103-1	Halkbank for the Society p.45-46
103-2	Sustainability Management Structure p.19
103-3	Sustainability Management Structure p.19
203-1	Halkbank for the Society pp.45-46; Tradesmen and SME Banking p.29; International Funds p.31
203-2	Halkbank for the Society pp.45-46; Tradesmen and SME Banking p.29; International Funds p.31
413-1	Halkbank for the Society pp.45-46; Tradesmen and SME Banking p.29; International Funds p.31
413-2	Assessing the Environmental and Social Impact of Projects p.43; Halkbank for the Society pp.45-46
Responsible Procurement Practices	
103-1	Human Rights and Human Resources Policy: http://www.halkbank.com.tr/images/channels/English/investor_relations/Corporate_Governance/General_Assembly/2017/Human_Rights_and_Human_Resources_Policy.pdf
103-2	Sustainability Management Structure p.19
103-3	Sustainability Management Structure p.19
204-1	GRI Content Index: All purchases were made from local suppliers during the reporting period
308-1	GRI Content Index:There are no suppliers subject to environmental inspection.
408-1	GRI Content Index:Halkbank does not have an operation that carries the risk of child labor.
409-1	GRI Content Index: Halkbank does not have an operation that carries the risk of forced / forced labor.
Anti-Bribery and Anti-Corruption Policy (Not material)	
103-1	Anti-Bribery and Anti-Corruption Policy p.15
103-2	Anti-Bribery and Anti-Corruption Policy p.15
103-3	Sustainability Management Structure p.19
205-1	Anti-Bribery and Anti-Corruption Policy p.15; Internal Control p.16; Inspection Committee p.16
205-2	Anti-Bribery and Anti-Corruption Policy p.15
205-3	Anti-Bribery and Anti-Corruption Policy p.15
206-1	GRI Content Index: There were 232 such cases againsts Halbank in the reporting period. None of those cases has been concluded.
GRI 300 Environmental Standards Series	
Fight Against Climate Change	
103-1	Halkbank for the Environment pp.39-43
103-2	Sustainability Management Structure p.19
103-3	Sustainability Management Structure p.19
201-2	Assessing the Environmental and Social Impact of Projects pp.45-46 ; Fight Against Climate Change p.40; Environmental Impact Arising from Operations p.41
302-1	Environmental Impact Arising from Operations p.41;Environmental Performance Indicators pp.48-49
302-2	Environmental Impact Arising from Operations p.41;Environmental Performance Indicators pp.48-49
302-3	Environmental Impact Arising from Operations p.41;Environmental Performance Indicators pp.48-49
302-4	Environmental Impact Arising from Operations p.41
302-5	Assessing the Environmental and Social Impact of Projects pp.45-46; Fight Against Climate Change p.40
Environmental Impact Arising from Operations	
103-1	Halkbank for the Environment pp.39-43
103-2	Sustainability Management Structure p.19
103-3	Sustainability Management Structure p.19
303-1	Environmental Performance Indicators pp.48-49
303-2	GRI Content Index;Due to Halkbank operations, there are no significant resources affected.
305-1	Environmental Impact Arising from Operations p.41;Environmental Performance Indicators pp.48-49
305-2	Environmental Impact Arising from Operations p.41;Environmental Performance Indicators pp.48-49

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305-4	Environmental Impact Arising from Operations p.41;Environmental Performance Indicators pp.48-49
305-5	Environmental Impact Arising from Operations p.41
306-1	Environmental Performance Indicators pp.48-49
306-2	Environmental Performance Indicators pp.48-49
306-5	GRI Content Index:As a result of Halkbank operations, there are no significant water sources affected
Environmental Compliance (Not material)	
103-1	Halkbank for the Environment pp.39-43
103-2	Sustainability Management Structure p.19
103-3	Sustainability Management Structure p.19
307-1	GRI Content Index: There are no significant monetary penalties or non-monetary sanctions imposed in this context during the reporting period.
GRI 400 Social Standards Series	
Being Employer of Choice	
103-1	Halkbank for Its Employees pp.33-37
103-2	Sustainability Management Structure p.19
103-3	Sustainability Management Structure p.19
401-1	Social Performance Indicators pp.47-48
401-2	Halkbank Wage Policy http://www.halkbank.com.tr/images/channels/English/investor_relations/Corporate_Governance/General_Assembly/2013/Policies/Policy_on_Renumeration.pdf
202-1	GRI Content Index: Employees are not discriminated on the basis of gender or occupation. http://www.halkbank.com.tr/images/channels/English/investor_relations/Corporate_Governance/General_Assembly/2017/Human_Rights_and_Human_Resources_Policy.pdf
402-1	GRI Content Index: Legal notice periods are applied in major operational changes.
403-1	Occupational Health and Safety p.37
403-2	Occupational Health and Safety p.37
403-3	GRI Content Index: There are no employees with a high rate of work accident or occupational disease.
403-4	GRI Content Index: Halkbank complies with all constitutional requirements related to health and safety in its collective bargaining agreements.
404-1	Training Opportunities p.35
404-2	Training Opportunities p.35
404-3	Training Opportunities p.35
407-1	GRI Content Index: Halkbank's does not have such an activity.
Social Equality	
103-1	Halkbank for Its Employees pp.33-37
103-2	Sustainability Management Structure p.19
103-3	Sustainability Management Structure p.19
401-3	Social Performance Indicators pp.47-48
406-1	GRI Content Index: There has been not cases of discrimination during the reporting period.
405-1	Social Performance Indicators pp.47-48
405-2	GRI Content Index; There is not gender wage discrimination. This is rate 1%.
Human Rights and Human Resources Policy (Not Material)	
103-1	Environmental and Social Risk Management in Credits p.14
103-2	Sustainability Management Structure p.19
103-3	Sustainability Management Structure p.19
412-3	GRI Content Index: Halkbank undertaked its activities to create new employment, reduce regional developmental gaps, increase access to financial services, consider environmental and social risks, improve social welfare and contribute to economical development of the country in line with universal human rights. For activities financed by international finance institutions, customers are asked to guarantee that projects are in compliance with all laws and regulations abided by Turkey, the ILO Standards and Turkish Laws on Environment and H&S. Social and Environmental Risk Assesments of Projects
Public policy (Not material)	
103-1	Anti-Bribery and Anti-Corruption Policy p.15
103-2	Sustainability Management Structure p.19
103-3	Sustainability Management Structure p.19
415-1	GRI Content Index: Halkbank does not support any political party.

GRI Standard	Disclosure
Product Responsibility (Not material)	
103-1	Halkbank for Its Customers pp.23-27
103-2	Sustainability Management Structure p.19
103-3	Sustainability Management Structure p.19
417-1	Customer Satisfaction p.26
417-2	GRI Content Index: During the reporting period, there are no disputes with regulations and voluntary rules regarding product and service information and labeling
417-3	GRI Content Index:During the reporting period, including advertising, promotion and sponsorship, There are no regulations on marketing communication and no inconsistency with voluntary rules.
Data Security	
103-1	Digitization and Information Security p.27
103-2	Sustainability Management Structure p.19
103-3	Sustainability Management Structure p.19
418-1	Digitization and Information Security p.27
Customer Satisfaction	
103-1	Customer Satisfaction p.26
103-2	Sustainability Management Structure p.19
103-3	Sustainability Management Structure p.19
Increasing Access to Financial Services	
103-1	Access to Financial Services p.23
103-2	Sustainability Management Structure p.19
103-3	Sustainability Management Structure p.19
Improving Corporate Governance Practices	
103-1	Corporate Governance p.13
103-2	Sustainability Management Structure p.19
103-3	Sustainability Management Structure p.19
Increasing the Economical Value Generated by SME Banking	
103-1	Tradesmen and SME Banking p.29
103-2	Sustainability Management Structure p.19
103-3	Sustainability Management Structure p.19

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