

BOARD OF AUDITORS REPORT OF TÜRKİYE HALK BANKASI A.Ş.  
REGARDING THE OPERATING AND ACCOUNTING PERIOD OF 2015

Our Board of Auditors has examined the activities of the Bank in 2015 and made the following statements.

It has been understood that:

- The upper limit of the registered capital of the Bank is TRY 7,500 million and the paid-in capital is TRY 1,250 million, while the shareholders' equity was TRY 16,536 million by the 2014 year-end, by the 2015 year-end it has realized as TRY 19,424 million by increasing in the ratio of 17.5%,
- Size of assets of the banking sector which was TRY 1,994,329 million by the 2014 year-end has increased in the ratio of 18.2% and reached to TRY 2,357,522 million by the 2015 year-end, the loan volume which was TRY 1,240,708 million by the 2014 year-end has increased in the ratio of 19.7% and reached to TRY 1,484,883 million, total securities have realized at TRY 329,748 million by increasing in the ratio of 9.1 %, total deposits which were TRY 1,052,693 million by the 2014 year-end have increased in the ratio of 18.3% and reached to TRY 1,245,428 million, the ratio of non-performing loans to total cash loans has increased to 3.1%,
- In response to these developments in the banking sector; size of assets of the Bank by the 2015 year-end has increased in the ratio of 20.8% compared to the previous year and reached to TRY 187,729 million, cash loans increased in the ratio of 25.2% and reached to TRY 124,190 million, total securities has realized at TRY 25,772 million by increasing in the ratio of 5.5%, total deposits has reached to TRY 121,676 million by increasing in the ratio of 17.8% and the ratio of non-performing loans to total cash loans has realized at 3.1%,
- The Bank has renewed in 2015 the syndication loan amounting to 640 million Euros and 179 million US Dollars with the participation of 37 banks from 18 countries,
- The Bank has in 2015 issued bonds domestically at the nominal value of TRY 3.5 billion and made abroad the 6 year term fixed rate fourth bond (Eurobond) issuance at the nominal value of 500 million American Dollars,
- Among the factors determining the quality of assets the ratio of total cash loans to total assets for the Bank has realized as 66.2% despite the sector average of 63.0% as of 2015 year-end, and the conversion rate of deposit to loan for the Bank has realized as 102.1% despite the sector average of 112.4% as of 2015 year-end, the Bank has increased the loan volume towards the financing of SMEs which is the driving force of our Country's growth by 23.3% as against 2014,
- Capital adequacy ratio of the Bank is above the legal thresholds set by the BRSA (Banking Regulation and Supervision Agency), and Capital adequacy ratio of the Bank has realized as 13.8% as opposed to the sector average of 15.6% as of 2015 year-end, and the return on equity for the Bank has realized as 12.9% as opposed to

the sector average of 10.5% as of 2015 year-end, net profit of the year has increased to TRY 2,315 million at the rate of 5% with respect to the previous year,

- All the books and records that the Bank has to keep pursuant to all the relevant provisions of law have been kept in accordance with the requirements of law, records and certifying documents have been retained neatly, accounting and reporting systems have been duly and productively operated,
- Resolutions regarding the Bank's management have been entered into the duly kept resolution book of the Board of Directors,
- Internal control, risk management and internal audit systems of the Bank are operated duly and effectively with audits conducted centrally and on site,
- Growth activities of the Bank has continued by opening 49 new branches in 2015, total number of domestic branches has increased to 944,
- A total of 942 people has left the Bank due to retirement and other reasons, the Bank has recruited 732 new personnel to satisfy the human resource needs and the total number of employees has been 17,104, the ratio of personnel expenses to total income has realized as 19.9% in 2015 as opposed to 18.1% in 2014,
- The rate of high education graduates has reached to 82.7% at the Bank by increasing 50 basis points as opposed to the sector average of 84.3%,
- The total person/day ratio concerning the trainings which the Bank personnel has attended via in-class and distance learning methods has increased to 12.84 in 2015 and 16,782 people have attended the trainings,
- The Bank has established the Sustainability Committee, the Committee has begun its activity, works are carried out in order to be included in the BIST (Borsa İstanbul) Sustainability Index and within this scope current Ethical Principles and Anti Bribery and Anti Corruption Policy of the Bank have been brought in compliance with the sustainability index criteria.

In conclusion; we submit the Board of Auditors Report prepared pursuant to the Article 31 of the Articles of Association of the Bank for the information of the General Assembly.

İstanbul,  
01/03/2016

With regards,

Ali ARSLAN  
Board of Auditors Member

Faruk ÖZÇELİK  
Board of Auditors Member

\*The numbers are stated excluding the rediscount