

TÜRKİYE HALK BANKASI A.Ş.
2019 BOARD OF AUDITORS' REPORT

The Board of Auditors has determined the following points upon review of the activities of the Bank for 2019.

- As of the end of 2018, total assets of the banking sector increased by 16.1 percent year-on-year to 4,491,090 million Turkish lira from 3,867,426 million Turkish lira. Total portfolio of securities rose by 38.3 percent to 660,917 million Turkish lira, while total deposits grew by 24.7 percent year-on-year to 2,678,010 million Turkish lira from 2,148,410 million Turkish lira. Cash loans rose to 2,656,132 million Turkish lira from 2,394,425 million Turkish lira, up 10.9 percent year-on-year. The non-performing loans/total cash loans ratio amounted to 5.37 percent.

- With such sector developments in the backdrop, by the end of 2019, the Bank's total assets soared to 457,045 million Turkish lira, an increase of 20.8 percent year-on-year. Cash loans went up by 16.7 percent, reaching 287,703 million Turkish lira from 246,447 million Turkish lira. The Bank's SME loans, aimed at financing the driving force behind our country's growth, rose to 113,757 million Turkish lira from 97,153 million Turkish lira, up 17.1 percent year-on-year. The Bank also sustained the lead in the sector with 18.5 percent market share in SME loans in 2019. The IVME Financing loan was recorded at 8,473 million Turkish lira to 3,269 clients and Employment-Oriented Working Capital Loan (ISTOD) was provided to 1,597 clients, amounting to 2,476 million Turkish lira in total. As a result, an employment commitment for 21,032 people was created in ISTOD. Loan disbursement for artisan loans was recorded at 25,278 million Turkish lira, rose by 31.9 percent year-on-year to 41,043 million Turkish lira from 31,124 million Turkish lira, while the total portfolio of securities grew by 37.6 percent to 91,757 million Turkish lira from 66,687 million Turkish lira. Additionally, total deposits increased by 19.9 percent to 296,085 million Turkish lira from 246,893 million Turkish lira. The Bank's ratio of non-performing loans/total cash loans amounted to 4.62 percent.

- In 2019, the Bank issued bonds/bills with a total nominal value of 17.2 billion Turkish lira,

- As a historical mission, the Bank grants loans to small- and medium-sized enterprises, artisans and tradespeople, as well as corporate, commercial and retail customers. Accordingly, as of year-end 2019, the ratio of cash loans/total assets, an indicator of asset quality, amounted to 62.9 percent (sector average: 59.1 percent), while the ratio of loans/deposits reached 97.2 percent (sector average: 99.2 percent).

- The Bank's authorized capital is 7,500 million Turkish lira, while its paid-in capital is 1,250 million Turkish lira. Furthermore, the Bank's shareholder's equity rose by 10.9 percent year-on-year to 32,197 million Turkish lira from 29,021 million Turkish lira.

- The Bank's net profit for the period amounted to 1,720 million Turkish lira at the end of 2019.

- Total number of credit cards issued increased to 4.4 million, total number of POS devices installed to 344 thousand, and the number of member merchants who signed on to 254 thousand.

- The Bank's bookkeeping order in the January 1-December 31, 2019 fiscal year complied with the TCC, the BRSA and the provisions of the Bank's Articles of Association on accounting and financial reporting and other relevant legislation. All notebooks and records that the bank is obligated to keep were kept according to the legal requirements, with records and documents that serve as evidence kept suitably, and the financing and reporting systems managed efficiently and in due form.
- The Board of Directors' resolutions with respect to the management of the Bank are duly recorded in the board of directors' minute book and are duly maintained.
- The Bank's internal control, risk management, and internal auditing systems are managed duly and effectively based on the findings of audits performed both at the head office and on site.
- The Bank's growth continued thanks to the opening of 18 new branches in 2019, increasing the total number of branches to 1,006. It currently operates with 1,000 domestic branches and 6 foreign branches: 5 in the Turkish Republic of Northern Cyprus and 1 in Bahrain. Furthermore, the Bank has representative offices in Tehran, London and Singapore, one for each country.
- In 2019, 512 employees left the Bank due to retirement or for other reasons. The Bank hired 698 new employees to meet its personnel needs, increasing the total number of employees to 18,967. The share of personnel expenses in total revenues increased to 22 percent in 2019, up from 21.2 percent in 2018.
- In 2019, university/college graduates accounted for 85.8 percent of the total headcount, up 20 basis points year-on-year.
- The Bank continued to provide service training in line with the objective of developing bank employees, and reported a training rate of 17.1 employees per day, or 18,744 participants. This included instructor-led, on-the-job, and e-learning training programs in 2019.

In conclusion, we respectfully submit to the General Assembly the Board of Auditors' Report, prepared pursuant to Article 31 of the Articles of Association of the Bank.

Best regards

Prof. Dr. Yılmaz ÇOLAK
Member of the
Supervisory Board

Faruk ÖZÇELİK
Member of the
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* Figures excluding rediscount.