

**TÜRKİYE HALK BANKASI A.Ş.**  
**2020 BOARD OF SUPERVISORY' REPORT**

The Board of Supervisory has determined the following points upon review of the Bank's activities for 2020.

- As of the end of 2020, the total assets of the banking sector increased by 36 percent year-on-year to 6,107,832 million Turkish lira. The total portfolio of securities rose by 54.7 percent to 1,022,643 million Turkish lira, while total deposits grew by 35 percent year-on-year to 3,616,358 million Turkish lira. Non-cash loans rose to 1,003,399 million Turkish lira, an increase of 23.2 percent year-on-year and cash loans rose to 3,576,732 million Turkish lira, an increase of 34.7 percent year-on-year. The non-performing loans/total cash loans ratio amounted to 4.08 percent.

- With such sector developments in the backdrop, by the end of 2020, the Bank's total assets soared to 680,026 million Turkish lira, an increase of 48.8 percent year-on-year. Non-cash loans rose by 27.4 percent, growing from 89,918 million Turkish lira to 114,555 million Turkish lira, cash loans rose by 48 percent, growing from 287,703 million Turkish lira to 425,818 million Turkish lira. The Bank's SME loans, aimed at financing the driving force behind our country's growth, rose from 113,757 million Turkish lira to 183,529 million Turkish lira, up 61.3 percent year-on-year. The Bank also sustained the lead in the sector with a 21.6-percent market share in SME loans in 2020. Loan disbursement for artisan loans was recorded at 42,685 million Turkish lira as the artisan loan balance increased by 65 percent year-on-year from 41,042 million Turkish lira to 67,518 million Turkish lira. The total portfolio of securities grew by 54.6 percent from 91,757 million Turkish lira to 141,824 million Turkish lira. Additionally, total deposits increased by 53.9 percent from 296,085 million Turkish lira to 455,652 million Turkish lira. The Bank's ratio of non-performing loans/total cash loans amounted to 3.34 percent.

- During the pandemic and normalization periods, a total of 3.1 million customers were provided with support worth 140 billion Turkish lira. A loan of 79 billion Turkish lira was granted to 2.1 million customers during the pandemic, and a loan of 20.9 billion Turkish lira was granted to more than 100 thousand customers during the normalization period to support economic recovery. Additionally, the loan repayments of 850 thousand customers worth 40.1 billion Turkish lira were either postponed or restructured. Finally, for the first time ever, the Bank granted a working capital loan of 18.7 billion Turkish lira to 755 thousand artisans and tradespeople. With 10.5 billion Turkish lira of the Paraf Esnaf Card limit granted to 556 thousand artisans and tradespeople, 29.2 billion Turkish lira was added to each of the aforementioned support channels.

- In 2020, the Bank issued bills/bonds with a total nominal value of 15.2 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 2020, the ratio of cash loans/total assets, an indicator of asset quality, amounted to 62.6 percent (sector average: 58.6 percent), while the loan-to-deposit ratio reached 93.5 percent (sector average: 98.9 percent).
- The Bank's registered share capital ceiling increased from 7,500 million Turkish lira to 10,000 million Turkish lira, while its paid-in capital increased from 1,250 million Turkish lira to 2,474 million Turkish lira with a capital increase of 1,224 million Turkish lira. Furthermore, the Bank's shareholder's equity rose by 33.3 percent year-on-year from 32,197 million Turkish lira to 42,931 million Turkish lira.
- The Bank's net profit for the period amounted to 2,600 million Turkish lira at the end of 2020.
- The total number of credit cards issued increased to 5.3 million, the total number of POS devices installed increased to 413 thousand, and the number of member merchants who signed on grew to 297 thousand .
- The Bank's bookkeeping order in the January 1–December 31, 2020 fiscal year complied with the Turkish Commercial Code, the Banking Regulation and Supervision Agency, the provisions of the Bank's Articles of Association on accounting and financial reporting, and other relevant legislation. All books and records that the Bank is obligated to retain 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 in accordance with the findings of audits performed both at the head office and on site.
- The Bank's growth continued thanks to the opening of 8 new branches in 2020, increasing the total number of branches to 1,013. It currently operates with 1,007 domestic branches and 6 foreign branches: 5 in the Turkish Republic of Northern Cyprus and one in Bahrain. Furthermore, the Bank has representative offices in Tehran, London, and Singapore.
- In 2020, 392 employees left the Bank to retire or for other reasons. The Bank recruited 1,596 new employees to meet its personnel needs, increasing the total number of employees to 20,171. The share of personnel expenses in total revenues decreased to 19.8 percent in 2020, down from 22 percent in 2019.

- In 2020, university/college graduates accounted for 86.8 percent of the total headcount, up 100 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 13.4 employees per day, or 20,333 participants. This included instructor-led, on-the-job, and e-learning training programs in 2020.

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.

Respectfully,

Yılmaz Çolak, Ph.D.  
Member of the Supervisory  
Board

Faruk Özçelik  
Member of the Supervisory  
Board

\* Figures excluding rediscount.