

TÜRKİYE HALK BANKASI A.Ş.
2021 BOARD OF SUPERVISORY' REPORT

The Bank's activities during 2021 have been reviewed and below statements were concluded.

- By the end of 2021, compared to the previous year, the banking sector's total assets increased by 50.9 percent and soared to 9,213,196 million Turkish lira. The total portfolio of securities rose by 44.4 percent to 1,476,598 million Turkish lira. Total deposits increased by 52.9 percent and rose to 5,528,031 million Turkish lira. While non-cash loans increased by 67 percent to 1,673,301 million Turkish lira, cash loans rose to 4,900,955 million Turkish lira, an increase of 37 percent. The ratio of non-performing loans/total cash loans amounted to 3.16 percent.
- With such sector developments in the backdrop, by the end of 2021, the Bank's total assets soared to 901,217 million Turkish lira, an increase of 32.5 percent year-on-year. Non-cash loans rose by 66.7 percent, growing from 114,555 million Turkish lira to 190,941 million Turkish lira. Cash loans rose by 20.9 percent, growing from 425,818 million Turkish lira to 514,624 million Turkish lira. The Bank's SME loans, aimed at financing the driving force behind our country's growth, rose from 183,529 million Turkish lira to 209,286 million Turkish lira, up 14 percent year-on-year. The Bank also sustained the lead in the sector with a 19.5-percent market share in SME loans in 2021. Artisan loan balance increased by 14.8 percent year-on-year from 67,518 million Turkish lira to 77,524 million Turkish lira. The total portfolio of securities grew by 31.3 percent from 141,824 million Turkish lira to 186,145 million Turkish lira. Additionally, total deposits increased by 36.8 percent from 455,652 million Turkish lira to 623,531 million Turkish lira. The Bank's ratio of non-performing loans/total cash loans amounted to 2.71 percent.
- In 2021, the Bank issued commercial papers/bonds with a total nominal value of 16.7 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 2021, the ratio of cash loans/total assets, an indicator of asset quality, amounted to 57.1 percent (sector average: 53.2 percent), while the loan-to-deposit ratio reached 82.5 percent (sector average: 88.7 percent).
- The Bank's authorized capital is 10,000 million Turkish lira, while its paid-in capital is 2,474 million Turkish lira. Furthermore, the Bank's shareholder's equity rose by 1.3 percent year-on-year to 43,500 million Turkish lira from 42,931 million Turkish lira.
- The Bank's net profit for the period amounted to 1,508 million Turkish lira at the end of 2021.
- The total number of credit cards issued increased to 6 million, the total number of POS devices installed increased to 439,000, and the number of member merchants who signed on grew to 307,000.
- The Bank's bookkeeping order in the January 1–December 31, 2021 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 13 new branches in 2021, increasing the total number of branches to 1,023. It currently operates with 1,018 domestic branches and five foreign branches: four in the Turkish Republic of Northern Cyprus and one in Bahrain. Furthermore, the Bank has representative offices in Tehran, London, and Singapore (The Singapore Branch ceased operations as of December 31, 2021).
- In 2021, 568 employees left the Bank to retire or for other reasons. The Bank recruited 736 new employees to meet its personnel needs, increasing the total number of employees to 20,339. The share of personnel expenses in total revenues decreased to 18.7 percent in 2021, down from 19.8 percent in 2020.
- In 2021, university/college graduates accounted for 87.5 percent of the total headcount, up 70 basis-points year-on-year.
 - The Bank continued to provide service training in line with the objective of developing bank employees, and reported the average training hour per employee as 208.22 in 2021. This included instructor-led, on-the-job, and e-learning training programs

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.

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

Faruk Özçelik
Member of the Supervisory Board

* Figures excluding rediscount.