

TÜRKİYE HALK BANKASI A.Ş. 2023 BOARD OF SUPERVISORY' REPORT

The 2023 Board of Supervisory's Report for Türkiye Halk Bankası A.Ş. is finalized, with key findings outlined below.

The Bank is open to public audit and is audited by the Banking Regulation and Supervision Agency, Turkish Court of Auditors, and an Independent Auditing Institution under Article 30 of the Bank's Articles of Association.

By the end of 2023, the Turkish banking sector's total assets soared by 63.9 percent year-over-year to 23,519,337 million Turkish lira. The total portfolio of securities rose by 67.4 percent to 3,969,830 million Turkish lira. Deposits saw a 67% increase, totaling 15,457,133 million Turkish lira. Non-cash loans surged by 71.8 percent to 4,332,346 million Turkish lira, and cash loans rose to 11,677,135 million Turkish lira, up by 54 percent. The ratio of non-performing loans/total cash loans amounted to 1.62 percent.

Meanwhile, at the end of 2023, Türkiye Halk Bankası A.Ş.'s assets increased by 57.6 percent year-over-year to 2,195,287 million Turkish lira. The Bank's non-cash loans grew by 90.6 percent to 600,716 million Turkish lira (2022: 315,186 million Turkish lira) while its cash loans reached 1,224,877 million Turkish lira (2022: 811,639 million), representing an increase of 50.9 percent.

The volume of commercial loans provided to SMEs, who are the backbones of our country's economic growth, jumped to 594,984 million Turkish lira, up by 60.3 percent (2022: 371,281 million Turkish lira). The Bank led the sector with an 18.6 percent market share in SME loans. The tradespeople loan balance reached 226,424 million Turkish lira in 2023, marking a 83.7 percent increase (2022: 123,240 million Turkish lira). Total securities increased by 48.5 percent to 420,860 million Turkish lira (2022: 283,364 million Turkish lira). The Bank's total deposits climbed by 74.3 percent to 1,836,858 million Turkish lira (2022: 1,053,841 million Turkish lira), and the ratio of non-performing loans/total cash loans came at 1.36 percent (the sector average: 1.62 percent).

In 2023, the Bank issued commercial bonds with a total nominal value of 39.6 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 2023, the ratio of cash loans/total assets, an indicator of asset quality, amounted to 55.8 percent (sector average: 49.6 percent), while the loan-to-deposit ratio reached 66.7 percent (sector average: 75.5 percent).

The Bank's registered capital ceiling was 30,000 million Turkish lira and its paid-in capital was 7,185 million Turkish lira. Equity rose by 41.6 percent from 90,652 million Turkish lira at the end of 2022 to 128,406 million Turkish lira at the end of 2023.

The net profit for the period amounted to 10,112 million Turkish lira at the end of 2023.

In 2023, the Bank increased its credit cards from 6.3 million to 7.1 million, its POS devices from 493,000 to 545,000, and the member businesses from 333,000 to 368,000.

Following the earthquake on February 6, 2023, with its epicenter in Kahramanmaraş, the Bank promptly responded, providing essentials like clothing, food, medicine, and containers to the affected regions. It allocated 9.1 billion Turkish lira in aid, including 7 billion in cash donations to AFAD. In addition, the Bank led the charge in the recovery efforts by deferring loan payments totaling 56.7 billion Turkish lira for 394,000 citizens and providing loans worth 28.2 billion Turkish lira to 72,000

tradespeople. We mourn the loss of ten active and seven retired Halkbank employees in the catastrophe, and we extend our prayers for all the lives lost.

By the end of 2023, the Bank had provided 54.4 billion Turkish lira in financial support to 214,000 women entrepreneurs through the Women Entrepreneurs Loan Package, which was introduced in 2021. The Bank supports innovative ideas and projects across all sectors with the aim of strengthening the culture of entrepreneurship in our country. In this context, 24.2 billion Turkish lira was provided to 137,000 entrepreneurs who sought to establish their own businesses in 2023.

In the period from January 1 to December 31, 2023, the Bank's financial reports and information on its annual operations are provided in accordance with Banking Law No. 5411, Turkish Commercial Code No. 6102, Capital Markets Law No. 6362, Banking Regulation and Supervision Agency's regulations, Regulation on Internal Systems and Internal Capital Adequacy Assessment Process of Banks, provisions on Accounting and Financial Reporting in the Bank's Articles of Association, generally accepted accounting principles, and procedures and principles in other applicable regulations. The Bank's bookkeeping, and the notebooks and records that the Bank is obligated to keep, are kept according to the legal requirements, with records and documents that serve as evidence kept suitably. Furthermore, the decisions regarding the Bank's administration are recorded in the Board's decision notebook, and its accounting and reporting systems are carried out duly and efficiently.

The Bank's internal control, risk management, and internal auditing systems are managed duly and effectively as indicated by the findings of audits performed both at the head office and on site.

The Bank maintained its growth operations by opening 41 new branches in 2023. The number of domestic branches reached 1,073, and with five branches in Cyprus and one branch in Bahrain, the Bank has 1,079 offices in total. Additionally, the Bank maintains its operations in Tehran and London through one representative office in each location.

In 2023, 1,209 employees left the Bank to retire or for other reasons. The Bank recruited 2,647 new employees to meet its personnel needs, increasing the total number of employees to 22,219. The share of personnel expenses in total revenues increased to 33 percent in 2023, up from 11 percent in 2022.

In 2023, university graduates accounted for 88.9 percent of the total headcount, up 110 basis-points year-on-year.

The Bank continued to provide service training to foster employee development and reported the average training hour per employee as 60.12 in 2023. This included instructor-led, on-the-job, and e-learning training programs.

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.

Mehmet AYDIN
Member of the Supervisory Board

Faruk ÖZÇELİK
Member of the Supervisory Board

*Figures excluding rediscount.