

3.6 Audit at the CBRT and Audit Reports

3.6.1 Audit at the CBRT

The activities of the CBRT are audited by both internal and external auditors in compliance with the legislation laid out in the CBRT Law No. 1211.

Audits Conducted by the Bank

In accordance with Article 15 of the CBRT Law, the General Assembly examines and resolves whether to approve the Annual Report submitted by the Board of the Bank, the report of the Auditing Committee, the CBRT's balance sheet and the income statements. Through this procedure, the General Assembly completes the monitoring of the activities of the Bank every year by discharging the Board of the Bank and the Auditing Committee.

On the other hand, in accordance with Article 24 of the CBRT Law, the Auditing Committee audits all the operations and accounts of the CBRT and submits to the General Assembly a report to be drawn up on operations and accounts of the Bank at the end of the year. With the authorization entrusted by the CBRT Law, the Auditing Committee submits its written opinions to the Board and also presents a copy thereof to the Turkish Presidency.

Article 64 of the Main Regulation on the Organization and Duties of the CBRT gives the authority and responsibility for auditing the Bank's activities to the Audit Department.

Within the scope of the authorities and duties granted by the CBRT Law No. 1211 and the related legislation, the Audit Department has the duty and authority to conduct audits, examinations and research, and also to carry out investigations and consulting services when needed in the departments, branches and representative offices of the CBRT and also at institutions and organizations other than the Bank.

According to Article No. 6 of the "Audit Regulation of the CBRT", audits carried out can be classified into four activities: internal audit, investigation, examination and consultancy, and external audit activities.

Pursuant to Article 37 of the Audit Regulation of the CBRT, one or several of the operational, financial, compliance and information systems audits can be conducted simultaneously in all departments, branches and representative offices of the CBRT. In 2021, a total of 23 internal audits, 10 of which were in information systems, were conducted at the CBRT Head Office. Additionally, 17 compliance audits were conducted across 12 branches of the Bank.

Within the scope of the external audit function, banks and financing institutions operating in Türkiye are audited on whether they comply with the relevant legislation in: (i) calculating the liabilities subject to RR, (ii) reporting the maximum and weighted average interest rates/profit-loss participation rates, (iii) ensuring that the variable interest rate housing loan contracts are lawful, (iv) ensuring that fees, expenses, and commissions charged to clients conform to regulations, (v) managing variable-interest deposit products, (vi) controlling if there is any breach of credit card regulations and whether credit card reporting is done duly, (vii) closing of export rediscount credit accounts, (viii) managing credit cards and overdraft accounts, (ix) announced interest rates, (x) reporting actual maximum interest rates applied, (xi) ensuring that deposits are in conformity with the regulations related to maturities and types of instruments, (xii) ensuring that reporting of credit and deposit amounts and interest rates are in conformity with trial balance, and (xiii) fulfilling IBAN requirements. In this scope, audit activities were carried out in 18 banks and two financing institutions in 2021.

With the amendment made to Law No. 6493 on Payment and Securities Settlement Systems, Payment Services and Electronic Money Institutions in 2019, the CBRT was entrusted with the authority to audit payment institutions and electronic money institutions. The CBRT started to audit these institutions in 2020, and examined 17 of them in 2021. Audits are intended to determine whether these institutions comply with the provisions of Law No. 6493 and the relevant legislation. The CBRT audited a total of 17 institutions in terms of their compliance with the Obligations Regarding Prevention of Laundering Proceeds of Crime and Financing of Terrorism, upon the request of the Financial Crimes Investigation Board (MASAK) and the approval of the Minister of Treasury and Finance.

The Audit Department has a total of 66 audit staff composed of 16 head inspectors, five chief auditors, 29 inspectors, two information technologies auditors, two authorized assistant auditors, four authorized assistant information technologies auditors, five assistant auditors, and three assistant information technologies auditors.

The External Quality Assessment of internal audit activities, which must be conducted every five years pursuant to the Audit Regulation of the CBRT, was conducted by an external audit firm in 2021. Accordingly, the organization structure and internal audit activities of the CBRT's Audit Department were found to be "generally compliant", which refers to the highest-level compliance with International Internal Auditing Standards.

Audits Conducted by External Audit Firms

In accordance with Article 42 of the CBRT Law, the Governor submits to the President a report on the operations of the Bank and the current and future monetary policy, in April and October each year. The CBRT furnishes information regarding its operations to the Committee on Plan and Budget of the Grand National Assembly of Türkiye twice a year.

Pursuant to Article 42 of the CBRT Law, the CBRT may have its balance sheet and income statements audited by independent audit firms. Believing that independent external audit activities are one of the most effective instruments with respect to the transparency and accountability principles adopted by central banks, the CBRT first started to receive external audit services in 2000. The reports prepared at the end of the audit engagements each year are made public via the CBRT's website.

In addition to the audits mentioned above, the Ministry of Treasury and Finance, the State Supervisory Council, the Turkish Court of Accounts, certain ministries and other authorized government agencies may conduct audits at the CBRT via their auditors on the issues related to their duties, if deemed necessary by the relevant authorities.

3.6.2 The Report of the CBRT's Auditing Committee

CENTRAL BANK OF THE REPUBLIC OF TÜRKİYE JOINT STOCK COMPANY 2021 AUDITING COMMITTEE REPORT FOR THE NINETIETH ACCOUNTING YEAR

The Auditing Committee has audited the activities and resulting statements of the 2021 Accounting Year of the Central Bank of the Republic of Türkiye within the framework of the provisions of the related legislation, and concluded that:

1. Gold holdings, and cash, foreign exchange banknotes, coins and securities in the service and reserve vaults of the Head Office and Branches, which were subject to stock-taking at the end of the year, are in conformity with the accounting records as well as the inventory records, and these values are kept and administered in accordance with the regulations and instructions,
2. The conformity of books related to the Bank's accounts with accounting records was examined and it was ascertained that the records were kept in a timely and orderly manner, properly and per legislation, and that the Bank's operations were in conformity with the Central Bank Law,
3. The balance sheet dated 31.12.2021 and the Income Statement for the period between 01.01.2021 and 31.12.2021 are in compliance with the Turkish Commercial Code and the Central Bank Law,
4. The financial statements compiled to present the financial position of the Central Bank of the Republic of Türkiye on 31.12.2021 and the results of activities relating to the same accounting year that ended on the same date are presented in an accurate, correct and clear manner pursuant to the legislation in force in Türkiye and the Central Bank Law,
5. The decisions, dissents and abstaining votes of the Board have been deliberated and no action was deemed necessary,
6. The trial for the legal liability lawsuit filed by the Bank continues.

In conclusion, we hereby submit the "Balance Sheet" and the "Income Statement" dated 31.12.2021 for approval of the General Assembly.

Ankara, 07/03/2022

Mehmet BABACAN
Auditing Committee Member

Mehmet KAYA
Auditing Committee Member

Hayrettin KURT
Auditing Committee Member

Suat SARIGÜL
Auditing Committee Member

3.6.3 Independent Audit Report Drawn up in Compliance with the Central Bank Law and Related Legislation*

Independent Auditor's Report

To the Board of the Central Bank of the Republic of Türkiye
Ankara

A) Audit of the Financial Statements

Opinion

We have audited the financial statements of the Central Bank of the Republic of Türkiye ("the Bank", and "CBRT"), which comprise the balance sheet as at 31 December 2021, the statements of profit or loss, changes in equity and cash flows for the year then ended, and notes, to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2021, and its financial performance and cash flows for the year then ended in accordance with the Law of the Central Bank of the Republic of Türkiye and related legislation (Note I. A. (2)).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We declare that we are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Türkiye. We have fulfilled our other ethical responsibilities in accordance with IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

In accordance with the decision taken by the Bank, the accounting policy of "Swap Transactions" has been changed and the effects of the change are explained in note I. A. (3) of the financial statements.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

The Bank management is responsible for the preparation and fair presentation of the financial statements in accordance with the Law of the Central Bank of the Republic of Türkiye and related legislation (Note I. A. (2)), and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless General Assembly either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank's financial reporting process.

Auditors' Responsibilities for the Audit of Financial Statements

The responsibilities of independent auditors in an independent audit are as follows:

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance; but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. (The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.)
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Additional paragraph for convenience translation to English:

The accounting principles summarized in (Note I. A. (2)), differ from the accounting principles generally accepted in countries in which the accompanying financial statements are to be distributed and International Financial Reporting Standards ("IFRS"). Accordingly, the accompanying financial statements are not intended to present the financial position and results of operations in accordance with accounting principles generally accepted in such countries of users of the financial statements and IFRS.

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi
A member firm of Ernst & Young Global Limited

Damla Harman, SMMM
Partner

February 23, 2022
İstanbul, Türkiye

^(*) The full text of the Report is accessible at the Bank's website (www.tcmb.gov.tr), under About the Bank / Organization / Independent Audit Reports.

3.6.4 Independent Audit Report Drawn up in Compliance with IFRS*

Independent Auditor's Report

To the Board of the Central Bank of the Republic of Türkiye

Audit of the Financial Statements

Opinion

We have audited the financial statements of the Central Bank of the Republic of Türkiye ("the Bank"), which comprise the statement of financial position as at 31 December 2021, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2021, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We declare that we are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"). We have fulfilled our other ethical responsibilities in accordance with IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

As mentioned in Note 3.a, US Dollar amounts presented in the accompanying financial statements are translated from TL at the official US Dollar bid rates announced by the Bank at 31 December 2021 and 2020 for the statement of financial position; and the average of daily official US Dollar bid rates announced by the Bank for the years ended 31 December 2021 and 2020 for the statement of profit or loss, and they do not form part of these financial statements.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

The Bank management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless General Assembly either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank's financial reporting process.

Auditors' Responsibilities for the Audit of Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. (The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.)
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi
A member firm of Ernst & Young Global Limited

Damla Harman, SMMM
Partner

March 2, 2022
Istanbul, Türkiye

^(*) The full text of the Report is accessible at the Bank's website (www.tcmb.gov.tr), under About the Bank / Organization / Independent Audit Reports.