

# Audit Committee's Assessment

## of the Operations of Internal Control, Internal Audit and Risk Management Systems

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The Audit Committee convened seven times in 2021.

Internal Audit Department, Internal Control Unit, Compliance Department and Risk Management attended all meetings. Financial Reporting and Accounting Department, Taxation Department, Finance Operational Risk and Control, External Audit Team, and other related departments of the Bank also attended the meetings, when necessary.

The Committee oversaw the effectiveness and adequacy of the Bank's internal systems, internal audit and risk management. The Committee also oversaw the operation of accounting and reporting systems in line with the applicable regulations, and the integrity of the resulting information.

The Audit Committee carried out the necessary preliminary assessments for the selection of external audit companies, rating companies, appraisal companies and support services providers by the Board of Directors; regularly monitored the activities of these companies and periodically informed the Board of Directors.

The Committee reviewed the results of continuous risk assessment, and internal audit plans of the Internal Audit Department. The Committee verified that the scopes of audits covered the Bank's current and planned operations and resulting risks. The Committee has ensured that the audits are prioritized quarterly, and reviewed and approved the changes that are needed to be made to the audit plans.

The Internal Audit Department reported the major findings identified to the Audit Committee throughout the year. The Committee monitored the measures adopted by the heads of related departments based on the of audit reports, followed up closely the developments in relation to actions that are failed to be taken by the target deadline, and ensured that the material issues were reported to the Bank's senior management. The Committee evaluated the professional education levels and adequacy of the Internal Audit Department members through quarterly activity reports. The Committee informed the Board of Directors regarding all internal audit activities.

The Audit Committee reviewed the results of the Internal Control Unit's activities and assessed whether these activities adequately covered the Bank's processes with pursuant to the applicable legislation and internal policies. The Committee also examined routine controls, the activities carried out by the Unit in accordance with its process control procedure and the results of the Committees for which the Unit acts as the secretary. The Internal Control Unit reported the material issues identified with controls to the Audit Committee throughout the year. The Unit also informed the Audit Committee about the quarterly activity reports presented to the Board of Directors. The Audit Committee monitored the measures taken by the relevant department heads in relation to the activities of the Internal Control Unit and whether these measures are adequate.

The Compliance Department reported major Compliance and Ethics issues to the Audit Committee throughout the year. The Committee oversaw the results of the compliance activities carried out across the Bank and its subsidiaries through the Compliance Department's reports and presentations, and ensured that material issues were submitted to the Bank's senior management and/or Board of Directors. The Audit Committee was informed about the amendments made to the legal, regulatory or supervisory frameworks related to Compliance and Ethics, as well as their implications for the Bank and its subsidiaries. The Audit Committee also assessed the training and awareness raising programs on topics falling under the responsibility areas of the Compliance Department and the current progress of the training sessions within the scope of these programs. The Audit

Committee also monitored the results of the tests conducted to verify the execution level of risk mitigation measures and controls in terms of the management of compliance risk, and the current status of actions taken in relation to findings identified with and made regarding these tests.

The Risk Management Department reviewed the risk appetite metrics for capital adequacy, profitability and asset quality, and metrics and limit thresholds by types of risks for monitoring and managing market, counterparty credit, structural interest rate, structural exchange rate, liquidity and operational risks and submitted them to the approval of the Risk Management Committee, Risk Committee and the Board of Directors. Realizations in relation to approved risk appetite core metrics and limits were reported to the Audit Committee on a quarterly basis. Stress tests and scenario analyses were performed along with internal calculations on the basis of risk types within the frame of ICAAP (Internal Systems and Internal Capital Adequacy Assessment Process of Banks) and stress test report pursuant to the regulations published by the BRSA. Validations performed for models and parameters that are taken into account in ICAAP calculations were presented to the Audit Committee. The compliance of the risk models used by the Bank with the internal ratings -based (IRB) approach was monitored and their use by the Bank were assessed. The credit risk models monitoring report drawn up accordingly was submitted to the Audit Committee. The Audit Committee was informed about the activities of the Risk Management Department and evaluated the professional training and competencies of the employees through quarterly activity reports. Review reports on market, counterparty credit, structural exchange rate and interest rate, liquidity and non-financial risks were presented to the Audit Committee. Important regulatory changes and regulatory framework governing risk management were monitored and the Audit Committee was informed about them on a regular and continuous basis.

The Audit Committee reported its activities carried out during each six-month period and their results to the Board of Directors twice during 2021.