

**By the Banking Regulation and Supervision Agency :**

**REGULATION ON THE PROCEDURES AND PRINCIPLES  
FOR ACCOUNTING PRACTICES AND RETENTION OF  
DOCUMENTS BY BANKS**

*(Published in the Official Gazette Nr. 2633 dated November 01, 2006)*

**SECTION ONE**

**Objective and Scope, Basis and Definitions**

**Objective and Scope**

**ARTICLE 1 – (1)** The objective of this Regulation is to regulate the procedures and principles for achievement of transparency and uniformity over accounting and reporting systems of banks, prevention of exclusion of their transactions from records, sound and reliable recognition of their operations in accordance with their actual costs and preparation, reporting and publication of financial statements containing information on their consolidated and non consolidated financial positions and financial performances and managerial efficiency on a correct and timely basis and retention of documents.

**Basis**

**ARTICLE 2 – (1)** This Regulation has been prepared on the basis of Articles 37, 39, 42, 93 and 95 of the Banking Law Nr. 5411 dated 19/10/2005.

**Definitions**

**ARTICLE 3 – (1)** The following terms used in this Regulation shall have the meanings expressly designated to them below:

- a) Bank(s): Bank(s) which are defined in Article 3 of the Law
- b) Law: Banking Law Nr. 5411
- c) Board: Banking Regulation and Supervision Board
- ç) Agency: Banking Regulation and Supervision Agency
- d) Institution associations: The Banks Association of Turkey and the Participation Banks Association of Turkey

e) Turkish Accounting Standard: Turkish Accounting Standards and Turkish Financial Reporting Standards put into force by the Turkish Council of Accounting Standards as well as annexes to and interpretations concerning them.

## **SECTION TWO**

### **Recognition of operations, financial statements and financial reports**

#### **Recognition of operations**

**ARTICLE 4 – (1)** Banks recognize their operations in their accounting systems as per this Regulation and communiqués to be enacted by the Board. It is essential that operations are recognized under accounting records in line with the Turkish Accounting Standard subject to the provisions of the Communiqué on the Conceptual Framework for Principles for Preparation and Presentation of Financial Statements under Position Nr. 1 by the Turkish Council of Accounting Standards, which was issued in the Official Gazette Nr. 25702 dated 16/1/2005. However, procedures and principles governing recognition of operations by subsidiaries, jointly controlled partnerships and participations and arrangement of consolidated financial statements, financial statements for public disclosure and explanations and footnotes concerning them are established by communiqués to be enacted by the Council.

#### **Financial statements**

**ARTICLE 5 – (1)** Financial statements are composed of memorandum accounts and balance sheets (financial position statement), income statement (profit and loss statement), statement relating to income-expense items accounted in equities, equity change statement and cash flow statement and profit distribution statement. Footnotes and explanations on financial statements and any explanatory reports and statements concerning information contained by financial statements are an integral part of financial statements. Balance sheets and income statements constitute the basic financial statements together with footnotes, explanations and annexes thereto.

## **Balance sheet**

**ARTICLE 6 –** (1) Balance sheets are statements reflecting the bank's economic and financial positions as of a certain date and indicating its assets, liabilities and equity in the form of accounts of assets and liabilities in a true and correct manner. The assets part of the balance sheets is arranged according to the quickness for conversion into cash funds as the liabilities part is arranged according to payment quickness.

(2) Balance sheets are prepared according to the basis of net value. Therefore, accounts having the nature of regulating the bank's structures of assets and liabilities are indicated as individual deduction items under the relevant items. Accounts reflecting the liabilities and assets structure of the balance sheets cannot be mutually offset. It is ensured that accounts yielding a debt balance are included in the assets part of the balance sheet while accounts yielding a receivable balance are included in the liabilities part.

(3) Assets are indicated in the balance sheets in case the right of utilizing their future economic benefits belongs to the bank and that there are values or costs that can be measured reliably. No accrual operation is conducted for any receivables the sums of which cannot be determined definitively. Such receivables are indicated by explanation and footnotes concerning the items of assets.

(4) Liabilities are indicated in the balance sheet in case a deed is possessed leading resources containing economic benefits to leave the bank and the necessary sum to meet this deed is measured reliably.

(5) All the foreign resources of the bank, which are known and the sums of which can be estimated appropriately, including those the sums of which cannot be determined definitively or which are subjects of conflicts must be determined and recorded and shown in the balance sheets accordingly.

(6) Off- balance sheet accounts refer to the off-balance sheet accounts, which do not concern the bank's assets and liabilities at a first degree and are used for the purpose of monitoring non-cash credits provided to customers and rights and obligations which will lead to debts or receivables in the future and values under derivative possession and information intended to be followed under the accounting discipline.

(7) Because the balances of the off-balance sheet accounts do not bear a nature of real values of assets and liabilities, the accounts in this group are not compared to the accounts of balance sheets and income statements.

**Statements relating to income-expense items accounted in income statement and equities**

**ARTICLE 7** – (1) Income statements are statements indicating all the proceeds and income generated by the bank in a given accounting period as well as all the costs and expenses incurred in a classified manner and summarizing the results of the period's operations as profit or loss.

(2) All the income and expenses are taken under record on the basis of dates of accrual and indicated in the income statement for the accounting period during which they are accrued.

(3) All the income and expenses are classified on the basis of resources; each group of expenses is compared to the group of expenses it relates to and indicated on the basis of their gross sums. Any income items may not be excluded from the income statement by netting them entirely or partially.

(4) Income is recognized in the income statement when there is a reliably measurable increase in economic benefits that can be derived depending on an increase in assets or a decrease in liabilities. Taking income under record is realized simultaneously with the increase in assets or decreases in liabilities.

(5) Expenses are recognized in the income statement when there is a reliably measurable decrease in economic benefits that can be derived depending on a decrease in assets or an increase in liabilities. Taking income under record is realized simultaneously with the decrease in assets or increase in liabilities.

(6) Any non-realized income and profits may not be indicated as having realized or those realized income may not be indicated to be in excess of or less than actual sums. Correct settlement of accounts and mutual agreement thereto must be carried out at the starts and ends of the relevant period or periods so that a certain period or periods can reflect true results of operations.

(7) In the event that there is a need to make a correction record in connection with income, expenses, profit and loss records but that such records are not of a magnitude calling for corrections in the financial statements of the previous periods, any such corrections made are indicated by the period's income statement.

(8) The statement relating to income-expense items accounted in equities the statement which is not associated with profit or loss pursuant to Turkish Accounting Standards and which indicates income or expense items that are classified under equities including re-classification corrections.

### **Cash flow statements**

**ARTICLE 8 – (1)** Cash flow statements are statements indicating cash flows (cash collections and payments) representing the changes taking place in the banks' cash and assets similar to cash in a certain accounting period by classification on the basis of banking operations, investment operations and financing operations in respect of their resources and utilization places. Cash flow statements contain financial data used in evaluation of the bank's capability of generating cash and cash equivalent assets, their sums, timing and definitiveness and the basis of cash is adopted over arrangement of these statements.

### **Equity change statements**

**ARTICLE 9 – (1)** Equity changes statements are drawn up such that they can indicate period start balances of each of the items of principal and contributive capital, any increases or decreases taking place in such items during the period and period-end balances separately. For the purpose of ensuring comparability, previous period movements apart from current period movements are indicated in a separate part.

### **Financial reports**

**ARTICLE 10 – (1)** Year-end financial statements prepared in line with the format and contents laid down by this Regulation and relevant communiqués, independent audit report and additional information which will take place in the annex of them and deemed appropriate to be declared by the Board constitute year-end financial reports; financial statements concerning the related interim period excluding profit distribution statement, independent audit report, interim period activity report including the evaluations relating to interim activities of the bank's chairman of board of directors and

general manager which will take place in the annex thereof as well as , additional information which are deemed appropriate to be declared by the Board constitute interim period financial reports.

### **SECTION THREE**

#### **Consolidation of Financial Statements of Overseas Branches and Responsibility of the Board of Directors**

##### **Consolidation of financial statements of overseas branches**

**ARTICLE 11 – (1)** It is essential that the financial statements of the overseas branches of the banks based in Turkey be consolidated with the financial statements of the bank's local operations.

(2) In the event that the financial statements of overseas branches have not been drawn up in line with the principles covered by this Regulation, necessary corrections are made during preparation of consolidated financial statements and compliance is thus achieved with the procedures and principles determined by this Regulation.

(3) In the event that the financial statements of overseas branches have been drawn up through adoption of different accounting policies, such differences caused by accounting policies are eliminated during preparation of consolidated financial statements by applying common accounting policies subject to the principles laid down by this Regulation. If it is impossible accurately to calculate the differences caused by the accounting policies, the operation of correction is conducted on the basis of certain assumptions and estimates and such assumptions and estimates are explained by footnotes.

(4) The financial statements of overseas branches are consolidated by taking as a basis the date of preparation of the financial statements of the bank's head office.

(5) Assets and liabilities accounts of overseas branches are taken into the consolidated balance sheets by applying the method of "full consolidation". It is ensured that assets, resources, income and expenses and off-balance sheet accounts of overseas branches are combined with the assets, resources, income, expenses and off-balance sheet accounts of the head office at one hundred per cent. Assets and liabilities accounts of the bank's overseas branches and local units are added up. Receivables

and debts of the bank's head office and overseas branches from and to one another are mutually deducted.

(6) Income and expenses of overseas branches are entirely taken under the income statements. Any income and expenses arising out of transactions between local and overseas units taken under consolidation are mutually written off.

(7) Major practices between the head office and overseas units are indicated by footnotes on the consolidated financial statements and major impact of such practices on assets, resources, financial positions and profit / loss are clarified. Countries and cities where overseas branches are located, their sizes of assets and deposits and valuation methods used in different items of consolidated financial statements and methods used in value corrections must be explained by footnotes of the balance sheets as well as profit and loss statements.

### **Responsibility of the board of directors**

**ARTICLE 12** – (1) The board of directors is obligated to determine the financial reporting system, duties, powers and responsibilities, ensure the information systems be in an adequate level and observe implementation, including recognition of operations, preparation, approval and inspection of financial statements and submission of them to competent authorities and publication thereof as per the procedures and principles laid down by this Regulation. Depending on this obligation, the board of directors is responsible for taking necessary measures in connection with identification of basic policies, development of business definitions, powers and responsibilities in line with business flow diagrams in a clear manner, rendering the internal and external information flow systems adequate, establishment of powers and responsibilities in a clear manner and surveillance of related implementation in connection with the accounting and reporting systems.

## **SECTION FOUR**

### **Signature, submission and publication of financial reports by authorized persons**

#### **Signature of financial reports by authorized persons**

**ARTICLE 13** – (1) Year-end and interim period financial reports and financial statements, excluding independent auditing reports, annexed to these reports as well as related explanations and footnotes including financial statements drawn up at the end of each month, the contents and format of which will be determined by the Board are signed by the chairman of board of directors, supervisory committee members, general managers, deputy general managers in charge of financial reports and relevant unit managers or persons having titles equivalent to them in the banks established in Turkey by stating names and titles with a statement that they are in compliance with the provisions of this Regulation and accounting records.

(2) Signature obligation is met by the members of the board of directors in the case of banks operating in Turkey by opening branches.

**Submission and publication of financial reports**

**ARTICLE 14** – (1) Banks have to submit their year end consolidated and non-consolidated financial reports and reports prepared by auditors appointed as per Article 347 of Turkish Commercial Code Nr. 6762 of 29/6/1956 to the Agency and institution associations on electronic media and in printed format by the end of April that follows the related year.

(2) Banks operating in Turkey by opening branches have to submit their year-end balance sheets and income statements on their operations in Turkey as well as their explanations and footnotes and balance sheets and income statements of their head offices, which are drawn up by their management centers in Turkey and signed by the board of managers, to the Agency and institution associations on electronic media and in printed format.

(3) Banks have to submit non-consolidated and consolidated interim financial reports to be drawn up as of the end of March, June and September to the Agency and institution associations within forty five days and seventy five days, respectively.

(4) Banks have to submit copies of balance sheets and income statements to be drawn up at the end of each month as well as any other additional information and explanations requested by the Agency to the Agency within thirty days following the respective period.

(5) Banks announce their year-end consolidated and non-consolidated reports and reports prepared by auditors appointed as per Article 347 of the Turkish Commercial Code in the Turkish Journal of Trade Registrations until the end of April that follows the related year. Following announcement made in the Turkish Journal of Trade Registrations, year end financial statements without any footnotes, independent auditors' reports and reports prepared by auditors appointed as per Article 347 of the Turkish Commercial Code are sent to the Official Gazette for publication within seven days. The relevant Official Gazette coverage contains an easily readable phrase that indicates the date and number of the Turkish Journal of Trade Registrations where such an announcement is made and states that published information is easily accessible on the Internet pages of the relevant bank and institution associations by indicating the Internet page of published information. Banks notify the Agency of their declaration that the number and date of the Official Gazette where such an announcement is made and published information are same as the information sent to the Agency within seven days from the announcement in the Official Gazette.

(6) The institution associations are obligated to publish each bank's year-end financial reports and interim financial reports submitted to them on their Internet pages within seven days at the latest from the date of publication in the Official Gazette as per the fifth paragraph of this article and date of submission to them, respectively.

(7) Banks have to publish their year-end financial reports and interim financial reports on their Internet pages as of the date of publication in the Official Gazette as per the fifth paragraph and after public disclosure by the institution associations, respectively, making them available for access by users for a period of minimum five years thereafter.

(8) The Agency is entitled to grant additional time limits for submission of the financial reports to be disclosed to the public to the authorities identified by the first paragraph and their subsequent announcement in case of coincidental events.

(9) Banks have to submit surveillance reports containing financial statements, reports and statements, for which procedures and principles will be set forth by the Agency, to the Agency subject to the principles and time limits to be laid down by the Board.

(10) In the interim activity reports which will include the evaluations of interim activities of the bank's chairman of board of directors and general manager, financial position and performance of the bank and the partnerships it consolidated concerning the rated interim period, important events and operations which affect them and the evaluations concerning the related post-interim period are presented and the information other than the explanations including the numeric information in financial statements included in the annual activity report prepared pursuant to the Regulation on the Principles and Procedures on the Preparation and Publication of the Annual Activity Report by Banks published in the Official Gazette dated November 01, 2006 and Nr. 26333 as well as related amendments and if there is any, the effects thereof on the financial position of the bank and the partnerships it consolidated concerning the related interim period are explained. In the case that there do not exist any significant changes in the explanations in the said scope in the annual activity report, this situation is stated.

## **SECTION FIVE**

### **Miscellaneous and Final Provisions**

#### **Uniform chart of accounts and explanations thereof**

**ARTICLE 15** – (1) The uniform chart of accounts and explanations thereof, which shall be implemented by banks, are regulated by the Board.

#### **Competent authority**

**ARTICLE 16** – (1) The Agency and the Board are entitled to make explanations regarding implementation of this Regulation and introduce additional arrangements thereof, respectively.

#### **Retention of documents**

**ARTICLE 17** – (1) Banks are obligated to retain for presentation whenever requested within their own premises the originals of any documents concerning their operations or their copies in a manner leaving no room for their accuracy if keeping originals is not possible as well as mechanically reproduced copies of any letters sent to their customers or private or public entities, which shall be arranged by assigning them

dates and numbers sequentially, including any letters, telegrams, electronic mails, notices and notifications any other letters received from their customers or public or private entities and organizations.

(2) It is obligatory that registration of documents referred to by the first paragraph is maintained under a correspondence registration system by assigning them dates, numbers and subjects. Provided that the limitations imposed by other laws are reserved, banks may retain documents other than statutory books on microfilms, microfiches or electronic, magnetic or other similar media in a manner allowing their presentation in case of a request.

#### **Regulation abolished**

**ARTICLE 18** – (1) The Accounting Implementation Regulation issued in the repetitive issue of Official Gazette Nr. 24793 dated 22/6/2002 is hereby abolished.

#### **Adaptation period**

**PROVISIONAL ARTICLE 1** – (1) Implementation of the communiqués abolished by this Regulation continues until after the communiqués to be enacted pursuant to this Regulation take force.

#### **Entry Into Force**

**ARTICLE 19** – (1) This Regulation enters into force on the date of promulgation.

#### **Enforcement**

**ARTICLE 20** – (1) The provisions of this Regulation are enforced by the Chairman of the Banking Regulation and Supervision Agency.