

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

**REGULATION ON AUTHORIZATION AND ACTIVITIES OF  
INSTITUTIONS TO PERFORM EXTERNAL AUDIT IN BANKS**

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**PART ONE**

**Objective and Scope, Basis and Definitions**

**Purpose**

**ARTICLE-1** (1) The purpose of this Regulation is to lay down the principles and procedures governing the authorization, activities and revoking powers of the external audit institutions that will conduct external audit in banks.

**Scope**

**ARTICLE 2-** (1) This Regulation covers:

- a) The external audit activities to be conducted in banks by the institutions authorized to conduct external audit,
- b) The external audits of banks under their financial reporting.

(2) The account and recording system of the partnerships covered by consolidation of the banks of the nature of parent partnership, which are obliged to prepare consolidated financial statements shall be audited under the provisions of this Regulation, provided that it is limited to the purpose of auditing and forming an opinion on the consolidated financial statements prepared by the bank of the nature of parent partnership.

**Basis**

**ARTICLE 3-** (1) This Regulation has been prepared on the basis of Articles 15, 33, 36 and the Article 39 (2) and Article 93 of the Banking Law dated October 19, 2005, Nr. 5411.

**Definitions**

**ARTICLE 4-** (1) The following terms used in this Regulation shall have the meanings expressly designated to them below:

a) External auditor means the responsible partner senior auditor, senior auditor, senior auditor, external auditor, assistant external auditor who execute the duty of external auditing on behalf of the authorized audit institution and who hold Certified Public Accountants licence and Sworn-in Certified Financial Consultants license pursuant to the Law Nr. 3568, and the trainee assistant external auditor undergoing training with a sworn-in certified financial consultant or independent accountant and financial advisor according to the said Law,

b) Bank means the banks defined in article 3 of the Law,

c) External audit team means the responsible partner senior auditor executing the duty of external audit in the same bank on behalf of the authorized audit institution, and the external auditors serving under his responsibility,

ç) External audit report means the text expressing in writing the external auditors report prepared as a result of financial statements being subjected to annual or interim audit,

d) Auditor means the auditor constituted pursuant to Article 347 of the Turkish Commercial Code dated June 29, 1956, Nr. 6762,

e) Other external auditor means the external auditor other than the external auditors auditing the bank, who are assigned to audit independently the subsidiaries, affiliates and/or jointly controlled partnerships of the bank,

f) Financial statement means the financial statements indicated in the Regulation on Procedures and Principles for Accounting Practices and Retention of Documents by Banks,

g) Accounting period means a calendar year,

ğ) Internal systems means the internal audit, internal control and risk management systems defined in the Regulation on Internal Systems of Banks,

h) Law means the Banking Law Nr. 5411,

ı) Board means the Banking Regulation and Supervision Board,

i) Agency means the Banking Regulation and Supervision Agency,

j) Qualified share means the qualified share defined in Article 3 of the Law,

k) Significance means a high level of effect that an information not included or misstated in financial statements has on the economic decisions that users take by making use of the information in the financial statements, which is taken into consideration when determining the coverage, type, timing of external audit and when evaluating the effect on financial statements of the mistakes related with each account balance, ledger entries and footnotes,

l) TÜRMOB means the Union of Chambers of Certified Public Accountants and Sworn-in Certified Financial Consultants of Turkey,

m) Expert means a person or institution having qualified with the knowledge, skill, experience and competence in an area other than accounting and independent audit,

n) Misstatement means the information given in financial statements incorrect to a significant extent due to a mistake or abuse,

o) Authorized audit institution means the external audit institution authorized by the Board to conduct external audit in banks,

ö) Management means the chairman and members of the board of directors, members of the audit committee, general manager and deputy general manager in charge of financial reporting and relevant unit managers or persons with equivalent titles of a bank,

p) Law Nr. 3568 means the Law dated June 13, 1989 on Certified Public Accountancy, Certified Public Accountancy-Financial Consultancy and Sworn-in Certified Financial Consultancy.

## **PART TWO**

### **General Principles Concerning External Audit**

#### **External audit and its purpose**

**Article-5** (1) External audit is the process consisting of the stages of examining the correctness, reliability, and degree of compliance with the banking regulations, system of accounts and records and financial statements of banks, and collecting evidences to notify the results thereof to the parties concerned, and forming an opinion on and reporting the result of evaluation of such evidences. The consolidated and unconsolidated financial statements issued by banks are subject to an external audit.

(2) External audit is executed on the books, records and documents of the banks and their partnerships covered by consolidation and, when necessary by ensuring reconciliation of accounts with third persons with whom transactions have been effected. The effectiveness of the accounting and internal systems of the units related with the system of accounts and records of banks is also evaluated within this scope.

(3) Independent audit practice is carried out in the following manner under the provisions of this Regulation:

a) Annual audit is the external audit conducted as of the ends of the accounting period in a fully comprehensive manner and by using all audit techniques required.

b) Interim audit is the external audit conducted as of interim periods, in line with the annual audit plan, by an authorized audit institution realizing annual audit in accordance the principles and rules of limited audit.

c) Special-purpose audit is the external audit conducted under the principles and procedures stated in this Regulation exclusively for the matters, with the exclusion of tax legislation, foreseen in the regulations put into force pursuant to the Law or which are of such special nature as will be determined by the Agency.

(4) External audit activities are practiced having considered the Law and regulations on the Law, other related regulations and international audit standards.<sup>1</sup>

#### **Execution of external audit activity**

**ARTICLE 6-** (1) External audit activities are executed by the external auditors authorized to conduct audit according to the Law Nr. 3568, employed by an authorized audit institution with which the bank concerned has signed an external audit contract, headed by the responsible partner senior auditor concerned of the same authorized audit institution.

#### **Powers of external auditors**

**ARTICLE 7-** (1) External auditors are authorized:

a) To examine all books, records and documents, even if confidential, related with the audit subjects of the bank under audit,

b) To request all information concerning the audit procedure from the bank management, inspectors and other persons concerned,

c) To attend the meetings of the board of directors and of the general assembly and make explanations in matters concerning the audit activity and its results, when requested by the audited bank.

#### **Reasonable assurance**

**ARTICLE 8-** (1) Reasonable assurance is collecting sufficient audit evidences in order to reach the conclusion that financial statements as a whole do not include a significant

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<sup>1</sup> As in the amendment made pursuant to the Regulation published in the Official Gazette dated July 24, 2007 and Nr. 26592.

misstatement qualitatively and quantitatively. This principle is taken into consideration at each and every stage of the external audit.

### **Audit risk**

**ARTICLE 9-** (1) Audit risk is the probability of an external auditor not issuing a correct opinion depending on the following risks:

a) Structural risk means the risk of the declared matters being significantly wrong in case the internal control system of the bank does not exist or does not function.

b) Control risk means the risk of policies and applications formed by a bank in connection with its accounting and internal control system being significantly incapable of preventing, uncovering and correcting the wrong statements on time.

c) Fact-finding risk means the risk of an external auditor being unable to uncover a significant misstatement in the financial statements of a bank.

### **Fault and abuse**

**ARTICLE 10-** (1) Fault is incorrect application, due to a mistake or difference of interpretation, of the rules determined for valuation, accounting, classification, footnote and disclosure or presentation, including a wrong amount or a wrong disclosure that appears in financial statements, and making indeliberate mistakes in accounting data and records, or carrying out similar applications.

(2) Abuse is bank management, personnel or third persons deliberately issuing documents and records in a way that is not in accordance with their true nature, changing or falsifying their contents, misclassifying their assets, liabilities or shareholders equity, failing to reflect in accounts the results of the transactions included in records and documents and misapplying deliberately their accounting policies for a certain end or engaging in similar applications collectively or individually, in order to draw benefit for themselves or for others.

### **Professional Principles**

**ARTICLE 11-** (1) The authorized audit institutions, their partners and external auditors are obliged to comply with the Law Nr. 3568 and the rules determined by TÜRMOB and the professional principles adopted in the internal audit standards. The said obligation covers, as a minimum, professional diligence and care to be shown by the authorized audit institutions and

external auditors while executing their activities, as well as all responsibilities for not harming their independence, integrity and impartiality, confidentiality, professional skepticism and professional reputation and for acquiring and maintaining professional qualification.<sup>2</sup>

(2) The authorized audit institutions, their partners, chairman and members of their board of directors, auditors, managers and external auditors employed by them may not advertise directly or indirectly, nor may they engage in activities that can be considered advertisement, and may not offer jobs in order to obtain business. Preparation of brochures containing introductory information on the authorized audit institutions, issuing advertisements to search for employees, making publications of scientific nature in professional subjects, organizing meetings such as conferences do not violate the said prohibition.

(3) An authorized audit institution may not be compared with other authorized audit institution(s) in the applications covered by the second paragraph and in the negotiations to be held by banks.

#### **Principle of independence and cases eliminating independence**

**ARTICLE 12-** (1) Independence is the total of the behaviors and understandings that will ensure that the partners, chairman and members of the board of directors, auditors and managers of the authorized audit institutions and the external auditors employed by them execute their professional activities within the framework of the principles of integrity, impartiality and professional skepticism.

(2) External auditors are obliged to keep away from any relationship of interest that may arise during their activities, not to allow any intervention that may affect their integrity and impartiality, to disclose their opinions which they have reached as a result of external audit in their reports without giving consideration to direct and indirect interests of themselves or of others.

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<sup>2</sup> As in the amendment made pursuant to the Regulation published in the Official Gazette dated July 24, 2007 and Nr. 26592.

(3) The authorized audit institutions, their partners, chairman and members of their board of directors, auditors, managers and external auditors and their blood including their relatives by blood including third degree and their relatives by marriage including second degree, the external audit institutions established at home and abroad, with which such institutions have a legal connection may not enter into a partnership relationship in a privileged manner relative to market conditions or any benefit relationship that will prevent external audit from being conducted effectively with the bank under audit, partners controlling the bank or partnerships under the control of the bank and direct or indirect partnership. Hence, in case there is any benefit relationship or an offer or commitment that will cause a benefit relationship, it is obligatory that this situation to be notified in written to the board of directors of the competent audit institution and the Agency by the responsible partnersenior auditors that will be chosen pursuant to the Article 13(2) to the board of directors of the competent audit institution and the Agency.<sup>3</sup>

(4) An external auditor may not participate in the decision-making process related with management of the partnerships controlled directly or indirectly by the bank, nor may he serve in an external audit activity if he is in a financial, commercial or any relationship that will harm the principle of independence with them.

<sup>4</sup>(5) The authorized audit institution and partners, chairman and members of the board of directors, auditors, managers and external auditors and their blood including their relatives by blood including third degree and their relatives by marriage including second degree and other institutions established in Turkey which have a legal connection with the said institutions may not render the following services to the bank they audit or to the partnerships controlled directly or indirectly by the bank, excluding external audit activities and examination of financial statements and tax declarations under the Law Nr.3568 with regards to their conformity to the provisions of the tax legislation, confirmation of conformity thereof or issuing written opinion thereon:

- a) Designing and implementing financial information system,
- b) Preparation of expert's report,

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<sup>3</sup> As in the amendment made pursuant to the Regulation published in the Official Gazette dated July 24, 2007 and Nr. 26592.

<sup>4</sup> As in the amendment made pursuant to the Regulation published in the Official Gazette dated July 24, 2007 and Nr. 26592.

- c) Rendering actuarial services,
- ç) Rendering services related with management or human resources management,
- d) Rendering investment advisory services.

(6) It is not possible to engage in external audit activity if the audit fee related with past periods has not been paid by the bank without a valid reason, or if an action of debt has not been brought or if the audit fee has been made subject to the conditions related with the audit results or determined after completion of the audit procedure.

(7) The partners and chairman and members of the board of directors, auditors, managers of the authorized audit institution or its partnerships in which it has participated may not make interventions that will harm the independence and impartiality of the audit activities to be carried out by the external auditors conducting audit on behalf of the authorized audit institution.

(8) External auditors are obliged to report in their working papers the matters that will jeopardize their independence or compliance with legal arrangements and the measures that will prevent them, and to inform the responsible partner senior auditor concerned and the responsible partnersenior auditors with the quality assurance system pursuant to the Article 13 (2).

(9) The responsible partnersenior auditor of the authorized audit institution negotiates with the audit committee of the bank the matters that will harm independence, the measures to be taken against thereof and the additional services provided, and informs the bank audit committee in writing at least once a year of results, for the submission to the board of directors of the bank.

(10) The partners, chairman and members of the board of directors, auditors, managers of the authorized audit institutions and the independent auditors employed by them may not engage in the works covered by the fifth paragraph, nor may they serve in the management of the bank they audit or of the partnership controlled directly or indirectly by the bank, before expiration of minimum two years from the date when they have left their post.

(11) The external auditors conducting external audit activities on behalf of an authorized audit institution may serve for maximum five sequenced accounting periods in the external audit activities of the bank. The bank may conclude an external audit contract for minimum three, maximum eight sequenced accounting periods with an authorized audit institution. An external audit contract signed with another authorized audit institution legally connected with the same external audit company located at home or abroad is deemed to have been concluded with the same authorized audit institution, even if it has a different partnership and external auditor staff at the end of the maximum time period.

(12) The partners, chairman and members of the board of directors, auditors, managers of the authorized audit institutions and the independent auditors employed by them may not engage in audit activities hereunder at the banks in which their relatives by blood including third degree and their relatives by marriage including second degree serve as shareholder, chairman, member of the board of directors, auditor, general manager, assistant general manager, or hold office of executive nature equivalent to or higher than assistant general manager in terms of their power and duties, even if they are employed with general manager and other titles.

(13) The partners, chairman and members of the board of directors, auditors, managers of the authorized audit institutions and the independent auditors employed by them may not be a chairman, member of the board of directors, auditor, general manager, assistant general manager or a bank employee having signing authority in a bank.

(14) Partners, chairman and members of their board of directors, auditors, managers of the authorized audit institution and independent auditors employed by them may not be chairman or member of board of directors, auditor, manager or partner in another external audit institution, institutions giving valuation or rating services nor work as a personnel engaged in external audit, valuation and rating activity.<sup>5</sup>

### **Quality assurance system**

**ARTICLE 13-** (1) An authorized audit institution is obliged to establish a quality assurance system confirming that its external auditors comply with the professional

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<sup>5</sup> As in the amendment made pursuant to the Regulation published in the Official Gazette dated July 24, 2007 and Nr. 26592.

principles, relevant regulations, the quality assurance principles and applications determined by itself, and that the external audit reports prepared reflect the actual condition.

(2) Two responsible partnersenior auditors to be designated by the board of directors of an authorized audit institution are assigned to ensure that the quality assurance system functions in a healthy manner and that effectiveness of the system is monitored on a continuous basis. Said partners are responsible for rendering the quality assurance standards into written form, ensuring that independent auditors have access to the said standards, monitoring national and international developments concerning quality assurance, updating the standards in the direction of possible changes and informing independent auditors of the same, taking measures for the ordinary and extraordinary situations that may harm compliance with professional principles or legal arrangements during the audit.

(3) The responsible partnersenior auditors assigned to be responsible, inter alia, for formation and functioning of the quality assurance system form a committee consisting of three persons having the title of external auditor and minimum three-year external audit experience at banks, in order to ensure that the quality assurance system is reviewed. The responsible partner senior auditors and the committee members in this scope may not participate in the quality assurance assessment related with the banks in whose audit process they are involved.<sup>6</sup>

(4) The following applications are taken into consideration when determining the policies related with quality assurance:

a) All personnel tasked with external auditing must be independent, honest and impartial, act in accordance with the principles of confidentiality and professional conduct, have professional qualification, reliability and show diligence and care.

b) The working papers prepared for any external audit report and the documents containing information affecting the result of the audit must be retained by the authorized audit institution concerned for minimum five years.

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<sup>6</sup> As in the amendment made pursuant to the Regulation published in the Official Gazette dated July 24, 2007 and Nr. 26592.

c) The external auditors to be employed must have adequate professional knowledge, education and qualifications that will enable them to fulfil their professional responsibilities and must undergo in-service training on a regular and continuous basis, including continuous professional training according to the Law Nr. 3568.

ç) The external auditors in the external audit team must, when the audit has ended, be evaluated by the responsible partner senior auditors by issuing an assignment report.

d) In case of existence of a situation that may jeopardize compliance with professional principles or legal arrangements, required notices must be posted pursuant to the Article 12(8).

(5) The coverage of the review of the quality assurance system includes selecting and testing of some audit files and a comparison of the audit fee paid with the quality and quantity of the resources allocated and compliance with the appropriate audit standards and principles of independence. In this scope, information on policies and applications is given in the internet page of the authorized audit institution.

### **PART THREE**

#### **Principles Concerning Authorization, Partners and External Auditors of External Audit Institutions**

##### **Conditions sought in the institutions to be authorized**

**ARTICLE 14-** (1) The institutions to be authorized:

a) Must be established as a joint stock company and all of their share certificates must be registered in the name of the holder,

b) Must have the inscriptions: Sworn-in Certified Financial Consultant or Certified Public Accountant in their tradenames,

c) Their articles of incorporation must not contain provisions running counter to relevant legislation and the Law Nr. 3568 and the legislation issued on the basis of the said Law,

c) Must have obtained the chamber certificate of activity documenting that they are registered to the related professional chamber established according to the Law Nr. 3568, and an audit company registration certificate from TÜRMOB,

d) Must have a management structure capable of realizing external audit hereunder and sufficient number of external auditors with sufficient qualifications, the required technical equipment, document and record system, and forming the structure and written policies related with quality assurance system,

e) Undertake to take out professional liability insurance in order to meet the losses that may arise from the services they render,

f) Their power to conduct external audit must not have been revoked at home or abroad,

g) Minimum fifty one percent of their principle capital must belong to responsible partnersenior auditors,

h) Undertake to resign from external audit service given to the bank in case of confusion of indepenence of partners, chairman and members of the board of directors, managers and auditors disappeared during external audit activity.<sup>7</sup>

**Conditions to be sought in the partners external auditors of the institution to be authorized<sup>8</sup>**

**ARTICLE 15-** (1) The partners and external auditors of the institution to be authorized must:

a) Have obtained the power to audit pursuant to the provisions of the Law Nr. 3568, must have the title of sworn-in certified public accountant or certified public consultant registered to relevant professional chamber, or must hold a certificate granting the power to

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<sup>7</sup> Added pursuant to the Regulation published in the Official Gazette dated July 24, 2007 and Nr. 26592.

<sup>8</sup> As in the amendment made pursuant to the Regulation published in the Official Gazette dated July 24, 2007 and Nr. 26592.

conduct external audit in foreign countries in line with the principles of reciprocity stated in article 8 of the Law Nr. 3568 or other provisions,

b) Not have a partner and must not be chairman or member of board of directors, auditor, manager in another external audit, rating or valuation institution, or must not be employed as a personnel engaged in external audit, rating or valuation activity,

c) Have the qualifications stated in Article 8 (d) of of the Law,

ç) Not have been found responsible for the activities causing revocation of power in institutions of which authority to conduct external audit, rating or valuation at home or abroad,

d) Must have no commercial activities other than their professional activities,

e) Not have been subjected to a penalty of such nature as to prevent them from engaging in external audit as a result of a disciplinary investigation carried out about themselves by other authorized institutions,

(2) The partnership structure of legal entity partners of the institution to be authorized must be transparent and open.

(3) It is obligatory that external auditors of the institution to be authorized have the qualifications satted in the Article 17 and must undertake to resign from external audit in case of situations that cause confusion of independence.

### **Information and documents required during the application for authority**

**ARTICLE 16-** (1) The external audit institutions wishing to be authorized hereunder apply to the Agency with a letter accompanied with the following information and documents:<sup>9</sup>

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<sup>9</sup> As in the amendment made pursuant to the Regulation published in the Official Gazette dated July 24, 2007 and Nr. 26592.

a) Prime contract of external audit institution and, if any, copies of the trade register gazettes containing the amendments made to the articles of incorporation being published

b) A copy of the certificate of activity to be obtained from the related professional chamber and a copy of the audit company registration certificate obtained from TÜRMOB,

c) Addresses of the head office and branch office and/or branch offices, if any, of the external audit institution,

ç) Balance sheet of the external audit institution as of the date of the application,

d) In case of existence of a legal connection with an external audit company established abroad, a copy of the agreements made with the abroad company concerned, certified by authorized persons of the company established abroad,

e) Written undertaking to be issued according to the model stated in the Article 14 (1ğ) and is included in annex-2,

f) The following documents are requested from external auditors excluding partners, assistant external auditor and traineeexternal auditor:

1) Detailed CVs to be issued in accordance with the model given in annex-1, containing their professional experiences and the education they have received in connection with audit,

2) Certificates indicating that the person concerned has acquired the title of sworn-in certified financial consultant or certified public accountant pursuant to the Law Nr. 3568 and that he is registered to the related professional chamber,

3) Criminal record certificates, including the archive records, issued in the last six months,

4) Written declarations to be issued in accordance with the model given in annex-6, indicating that they are not and will not be a partner in another external audit institution or in an institution providing valuation or rating service, that they do not or will not serve as the

chairman or member of the board of directors, manager, auditor or employee engaged in external audit, valuation or rating activity in such institutions and that they have not been found to have been responsible for the activities giving rise to revocation of power in an institution of which authority to conduct independent audit or rating or valuation has been revoked at home and abroad,

5) Written declarations to be issued in accordance with the model given in annex-7, indicating that they are not engaged in any commercial activity other than professional activities,

6) Written declarations to be issued in accordance with the model given in annex-8, to submitted to the Agency, indicating that the managers and the external auditors are serving, or will serve, full time in the external audit institution,

7) Written declarations to be issued in accordance with the model given in annex-10, indicating whether any disciplinary investigation has been carried out about themselves by other authorized agencies, that, when such an investigation is initiated, the Agency will be informed thereof within at most seven days, that, if, as a result of the investigation, a penalty is imposed, which will constitute an obstruction to conducting the external audit, they will resign from their current post within at most fifteen days, provided that a certificate to be requested from the agency concerns authenticates the fact that they have not been subjected to a penalty constituting an obstruction to conducting external audit as a result of a disciplinary investigation which has been, or will be, carried out,

g) Documents indicating the partnership structures of partners in case they are legal entity,

ğ) Documents confirming that quality insurance system have been or will be established and information on name, surname and professional experiences of authorized senior auditors to be assigned accordingly,

h) Written undertakings to be issued in accordance with the model given in annex-9, indicating that they will withdraw from external audit in case of emergence of the situations eliminating the independence stated in article 12,

1) Declaration concerning to take out professional liability insurance in order to meet the losses that may arise from the services the external audit institution renders

(2) The documents mentioned in item (f) of the first paragraph must be documented to the Agency by the new partners that will acquire a share in the authorized audit institution that are currently active or by external auditor excluding assistant external auditor and trainee external auditor, who will serve in the authorized external audit institution.<sup>10</sup>

(3) The Agency may request additional information and documents during the evaluation of the applications. The information and documents which are found to be missing or which are requested additionally by the Agency are notified in writing to the external audit institution which has applied for authorization.

(4) In case the documents requested from foreign-national natural persons and legal entities cannot be obtained owing to absence of an authority or system keeping records in the country where such persons reside, such situation must be documented to the Agency with a document to be obtained from the relevant authorities of the country concerned.

(5) The documents to be obtained from abroad in connection with the applications included in this Regulation must be certified by the competent authorities of the country concerned and by the Turkish Consulate in that country or in accordance with the provisions of the Convention Abolishing the Necessity of Certification of Foreign Official Documents prepared within the framework of the Hague International Private Law Conference, and the application must be accompanied with the notarized translations of the documents as well.

(6) Publication of scientific journal on professional subjects by external auditors and giving education on organizing meetings such as seminars and conferences are not inconsistent with full-time employment in external audit institution.<sup>11</sup>

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<sup>10</sup> As in the amendment made pursuant to the Regulation published in the Official Gazette dated July 24, 2007 and Nr. 26592.

<sup>11</sup> Added pursuant to the Regulation published in the Official Gazette dated July 24, 2007 and Nr. 26592.

### **Titles of professional employers**

**ARTICLE 17-** (1) The titles that can be received by the external auditors having the title of sworn-in certified financial consultant or certified public accountant who work in an authorized audit institution and who are authorized to conduct audit according to the Law Nr. 3568 are the following in the order of seniority: responsible partnersenior auditor, senior auditor, senior external auditor, external auditor, assistant external auditor and trainee external auditor,

(2) A partner senior auditor is the person who holds at least five percent share in an authorized audit institution, who has the title of senior auditor, who executes the auditing work under his own personal responsibility on behalf of the authorized audit institution, and who is authorized to sign the external audit reports on behalf of the authorized audit institution.<sup>12</sup>

(3) Duration of actual professional experience is minimum ten years to earn the title of senior auditor, minimum six years to earn the title of senior external auditor, minimum three years to earn the title of external auditor. The time period served as assistant external auditor is taken consideration in the said calculations. The time period served in the services mentioned in the Article 6 (a), (b) and (c) the Law Nr. 3568 or the two year period served as the trainee assistant external auditor are taken into consideration as the time period served as assistant external auditor. Those who hold a professional license according to the Law Nr. 3568, but whose knowledge, experience and abilities are not of such nature as required for the next higher seniority are not promoted by the authorized audit institution to the next higher title, even if they have completed the time period required therefor.

(4) External auditors are obliged to indicate as a symbol, besides the titles stated in this article, the titles which they have received according to the Law. Nr. 3568 and which they hold in connection with representation of the authorized audit institution concerned.

(5) The time periods served as the chairman and member of the Board and as banking specialist and assistant banking specialist of the Agency and as sworn bank auditor and

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<sup>12</sup> As in the amendment made pursuant to the Regulation published in the Official Gazette dated July 24, 2007 and Nr. 26592.

assistant sworn bank auditor are taken into consideration in the calculation of the time periods indicated in the third paragraph.

### **Granting authorization to conduct external audit**

**ARTICLE 18-** (1) The external audit institutions which meet the conditions included in the Articles 14 and 15 which apply in writing with the documents mentioned in the Article 16 are granted the authority to conduct external audit in banks if the Board is convinced that they are qualified to execute their fields of activity.<sup>13</sup>

(2) The Agency is authorized to carry out on-site investigation as well to determine the professional qualifications and adequacy of technical equipment at the external audit institution that has applied to acquire the power to conduct audit, in addition to the evaluations to be made having considered the provisions hereof.

(3) The external audit institutions authorized by the Board are announced to the public in the web-site page of the Agency.

### **Revocation of the power to conduct external audit<sup>14</sup>**

**ARTICLE 19-** (1) In the following cases, the permission granted to an authorized audit institution to conduct external audit in banks is revoked by the Board permanently:

a) Losing the authorization conditions stated in the Article 14, excluding the Article 14 (1f),

b) Conducting external audit activity without acting in accordance with the Article 26 (3),

c) Failing more than once to take out the professional liability insurance that must be taken out compulsorily pursuant to the Article 36 of the Law and within the framework of the procedures and principles stated in the Article 26 (11) and (12),

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<sup>13</sup> As in the amendment made pursuant to the Regulation published in the Official Gazette dated July 24, 2007 and Nr. 26592.

<sup>14</sup> As in the amendment made pursuant to the Regulation published in the Official Gazette dated July 24, 2007 and Nr. 26592.

ç) In case of emergence of matters that will significantly effect the reliability of the financial statements for which favorable, qualified or unfavorable opinion has been issued, the authorized audit institution concerned being unable to prove that it is not at fault in this matter,

d) Revocation of the authority several times on temporary basis under the third paragraph,

e) Failing to conduct no external audit activity in the institutions subject to the supervision and surveillance of the Agency for five accounting periods in a row,

f) An authorized audit institution requesting that its authority to be revoked, on condition that there is no ongoing external audit contract hereunder or that the external audit contract has been terminated under the procedures and principles stated in the Article 24.

g) Inconsistency to the Article 26 (7).

(2) Permanent revocation of the authority is evaluated by the Board, in the event of a matter inconsistent with the Article 14(1f).

(3) In case of failiure of one or several of the following conditions, the Board is authorized to revoke temporarily the power authorized audit institution to conduct external audit in banks for maximum six months:

a) Failure to make the replacements required because of the partners, chairman and members of the board of directors, auditors, managers or external auditors of an authorized audit institution losing the conditions stated in the Article 15 with the exlucison of the Article 15 (1b),

b) The titles used by external auditors not being in accordance with the provisions stated in the Article 17,

c) Assignment of a responsible partnersenior auditor other than those notified to the Agency,

ç) Repetition of situations on which have been given notice by the Agency due to failure of complying with other procedures and principles stated in this Regulation or failure to fulfill more than once in one account period.

(4) Prior to temporary revocation or permanent termination of the authority, the Agency gives written notice to take the statement of the authorized audit institution. In case no statement is pleaded in minimum one month following the notice date of the letter concerning the demand for statement, it is deemed that the right of defense is renounced.

(5) The Board prohibits the partners or external auditors of the authorized audit institution which are ascertained to be responsible for the situations stated in the subparagraph (ç) of the first paragraph or which fail to follow the obligations stated in the Article 27 to work in another audit institution.

(6) Temporary revocation or permanent termination of the authority and state of disqualification within the scope of paragraph five, along with justifications, are notified to the related professional chamber by the Agency so as to be analyzed in respects of professional ethics and discipline. Resolution on temporary revocation or permanent termination of the authority is announced in the web-site of the Agency. Following the announcement date, financial liabilities of the bank to the authorized audit institution and liabilities within the scope of this Regulation are over.

(7) In case the matters that cause termination of authority to conduct external audit at home and abroad are removed and authority has been restored, authorization of external audit institution within the scope of this Regulation is examined by the Board.

**PART FOUR**  
**External Audit Contract**

**Examination prior to conclusion of contract**

**ARTICLE 20-** (1) An authorized audit institution must, prior to concluding an external audit contract with a bank, carry out the preliminary study required to determine the scope and planning of the external audit.

(2) An authorized audit institution must obtain information on the activities of the bank concerned. The process of obtaining information on the activities of the bank includes as a minimum the bank's corporate management structure, current economic and regulatory implementations and an understanding of the market conditions in the sectors where the bank's activities are centered.

(3) If an authorized audit institution finds, during preliminary study, the existence of matters that may affect the audit process positively or negatively, it may request information from the authorized audit institutions engaged in external audit activity in the previous periods, on condition that it is limited to the said matters and that the bank's permission is obtained therefore. The former authorized audit institution is obliged to give the information requested from itself in this scope.

**Elements of external audit contract**

**ARTICLE 21-** (1) External audit is conducted under a written contract to be made between an authorized audit institution and a bank. An external audit contract indicates that a full agreement has been reached between the parties on the coverage and contents of the audit to be conducted.

(2) An external audit contract is prepared having considered to:

a) The banking regulations, official announcements made by the Agency, the regulations and announcements of the Turkish Accounting Standards Board and the international accounting standard regulators and the principles used commonly in the financial markets,

b) The format and contents of the external audit report and of the special-purpose audit report if required, and the reasons for preparation of the said reports.

(3) The external audit contract must, as a minimum, include provisions concerning:

a) The purpose, coverage, period and special seasons (if any) of the external audit,

b) Obligations of the parties,

c) Titles, names and surnames of the responsible partner senior auditor and external auditors having the title of senior auditor as a minimum, who will be included in the external audit team,

ç) The audit standards and regulations which the external auditor is obliged to comply with,

d) The services to be rendered by the authorized audit institution under the contract,

e) Measures that may be foreseen, such as changing the sampling group in case of emergence of audit risk depending on structural risk and the independent risk being based on tests performed with sampling method, increasing the number of external auditors included in the audit team,

f) That unlimited access will be provided to all kinds of records, documents and other information requested for external audit,

g) The working periods foreseen for the external auditors included in the external audit team and detailed inventory of the amount of the fee deemed appropriate for each one of them and the total audit fee,

<sup>15</sup> .....

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<sup>15</sup> Removed subsequent to the Regulation published in the Official Gazette dated July 24, 2007 and Nr. 26592.

h) Beginning and ending dates of external audit,

1) The date when the external audit report will be delivered,

i) An undertaking to the effect that the authorized audit institution will take out professional liability insurance within at most seven days from signing of the external audit contract under the Article 22 (2),

j) That a special-purpose audit will be conducted as well in connection with annual report pursuant to the Regulation on Procedures and Principles for Preparation and Publication of the Annual Report by Banks.

(4) In cases where external audit fee is likely to increase and such likelihood is not notified to the bank concerned, the authorized audit institution concerned may not determine a fee for the services to be rendered in the current or future periods, nor may it conclude an external audit contract based on an estimated fee. The audit fees indicated in the external audit contract should be at a level that will ensure sufficient audit quality, should not be associated with or depend on the services provided outside the coverage of external audit contract, and should not be based on any uncertainty.

#### **Effectiveness of external audit contract**

**ARTICLE 22-** (1) Selection of the authorized audit institution or institutions that will be submitted for evaluation of the board of directors of the bank concerned, preparation of external audit contracts and launching the external audit process and surveillance of the works of the authorized audit institution at every stage shall be realized by the audit committee of the bank.

(2) The board of directors of the bank identifies the authorized audit institution that will carry out external audit activity within a period that will not exceed the maximum period indicated in the Article 12 (11) in continuous audits, and submits it to the general assembly for approval. The external audit contract is signed within fifteen days following the general assembly meeting with the authorized audit institution found suitable for contract-making for the time period accepted by the general assembly of the bank.

(3) If external audit activity is interrupted in the cases mentioned in the Article 19 (3) and (4) and the Article 23 (2) and the Article 24, the board of directors of the bank shall, within fifteen days from the date of becoming aware of such a case, submits to the general assembly for approval the proposal that an external audit contract be concluded with another authorized audit institution it will identify under the first paragraph.<sup>16</sup>

(4) The banks with which authorized audit institutions have signed an external audit contract are announced in the web-site of the agency.

(5) It is obligatory that at least two accounting periods elapse in order to sign an audit contract again with the same authorized audit institution within or at the end of the time period stated in the Article 12 (11).

(6) In case the authorized audit institution that will realize external auditing of the bank cannot be identified for any reason, this situation is notified to the Agency with justifications thereof. In case the Agency approves the justifications, the board of directors of the bank is asked to submit to the general assembly for approval the proposal that a contract be made with the authorized audit institution that realized external audit of the bank in the preceding accounting period in cases where the maximum time period indicated in the eleventh paragraph of the Article 12 (11) is not exceeded, that, otherwise, with one of the authorized audit institution to be identified by drawing lots.

(7) The powers of the general assemblies of banks, which are stated in the second and the third paragraphs are exercised by the boards of directors if they are accepted by the general assemblies of banks. However in such cases, the board of directors of the bank concerned must inform the general assembly thereof at the first ordinary general assembly meeting.

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<sup>16</sup> As in the amendment made pursuant to the Regulation published in the Official Gazette dated July 24, 2007 and Nr. 26592.

### **Amendments made to external audit contract**

**ARTICLE 23-** (1) In case any amendment is required to be made to the conditions of the external audit contract, the authorized audit institution and the bank must agree on the new conditions.

(2) The authorized audit institution does not accept a contractual amendment in cases where there is no valid justification for making an amendment to the external audit contract. In case the bank management decides not to continue with the external audit according to the provisions of the current external audit contract, the authorized audit institution may decide to withdraw from external audit, and the Agency and the bank audit committee are informed thereof so that the board of directors of the bank is notified of this situation together with justification thereof within seven days.<sup>17</sup>

### **Termination of external audit contract**

**ARTICLE 24-** (1) The authorized audit institution withdrawing from external audit or the bank terminating the external audit contract are considered to be termination of the external audit contract.

(2) If the external audit activities are limited in violation of the provisions of the contract, if the information and documents carrying importance for financial statements of the bank cannot be provided, if there exists a significant misstatement originating from abuse or suspicion of abuse or if similar situations materialize, the authorized audit institution may withdraw from the audit by submitting the justification and evidences thereof as well, if the Agency accepts the application. The authorized audit institution that has withdrawn from the audit is obliged to allow the authorized audit institution that will take its place to examine the working papers and the information attached thereto and to give their photocopies if so requested.

(3) The authorized audit institution may also withdraw from the assignment under the procedures and principles stated in the second article if the audited bank fails to remedy the noncompliance with the provisions of the legislation taken as basis for the external audit, even if it does not have a significant effect on the financial statements

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<sup>17</sup> As in the amendment made pursuant to the Regulation published in the Official Gazette dated July 24, 2007 and Nr. 26592.

(4) The authorized audit institution's failure to take out professional liability insurance in accordance with the procedures and principles stated in the Article 26 (11) and (12) pursuant to the Article 21 (3g) is considered as termination of the independent audit contract.<sup>18</sup>

(5) Differences of opinion concerning accounting implementation or external audit method do not constitute a ground for termination of the contract.

## **PART FIVE**

### **Obligations of the parties**

#### **Obligations of the bank**

**ARTICLE 25-** (1) The bank concerned is obliged to render its internal systems, its accounting and financial reporting unit, its financial statements and reports and all kinds of record, document and data processing system, particularly the information and documents related with the loans accredited to the risk group, ready and applicable for external audit. The bank shall, if so requested, furnish a copy of its internal audit reports to the authorized audit institution and take measures to ensure cooperation between the external auditor and the bank's inspectors under the Article 42 and ensure that the inspectors answer and clarify on time the questions asked by external auditors of the authorized audit institution.

(2) The bank management is obliged to take the measures required to ensure that powers and responsibilities are determined clearly and the application related therewith is supervised, the activities are in accordance with the legislation, required measures are taken in connection with the errors and abuses that may arise in the external audit process and that they are uncovered.

(3) The bank shall, if so requested by the authorized audit institution, furnish the authorized audit institution with its letter of declaration to be prepared under the procedures and principles stated in the Article 37.

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<sup>18</sup> As in the amendment made pursuant to the Regulation published in the Official Gazette dated July 24, 2007 and Nr. 26592.

(4) The bank's audit committee is responsible for informing the bank management of the findings of the external auditors and for ensuring coordination between the external auditors and members of the board of directors of the bank and the personnel.

(5) If the bank wishes to replace the authorized audit institution within the duration of the contract or if the authorized audit institution violates the external audit contract and/or if the external audit is not conducted according to the principles stated in this Regulation, it is obligatory to inform the Agency of the situation together with justifications thereof, and to obtain favorable opinion of the Agency in order to terminate the external audit contract.

(6) It is obligatory that a letter including completely the purpose, coverage, period and if any special reasons of the external audit, beginning and ending dates of external audit, date which external audit report shall be delivered, titles, names and surnames of the responsible partner senior auditor and external auditors having the title of senior auditor minimum, the working periods foreseen for the external auditors included in the external audit team and amount of the fee deemed appropriate for each one of them and the total audit fee are sent to the Agency by the bank with which external audit contract has been signed within thirty days following the external audit contract has been signed.<sup>19</sup>

### **Obligations of the authorized audit institution**

**ARTICLE 26-** (1) The authorized audit institutions are obliged to notify the Agency of any changes related with the conditions stated in the Articles 14 and 15 within seven days from the date of the change.

(2) In case of any change in the partnership structure or in the chairman and members of the board of directors and external auditors of the authorized audit institution, or in case of employment of a new external auditor excluding assistant external auditor and trainee external auditor, it is compulsory that the documents proving that they bear the qualifications required in the Regulation mentioned and the decision models relating to their assignment or election to be notified to the Agency within twenty days at the latest.<sup>20</sup>

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<sup>19</sup> Added subsequent to the Regulation published in the Official Gazette dated July 24, 2007 and Nr. 26592.

<sup>20</sup> As in the amendment made pursuant to the Regulation published in the Official Gazette dated July 24, 2007 and Nr. 26592.

(3) The authorized audit institutions may not issue an external audit contract with the bank concerned in cases where independence of their partners, chairman and members of the board of directors, auditors and managers ceased under the Article 12 (14), and shall withdraw from the external audit if the contract has already been issued. In cases where the assigned external auditors cease to be independent, the authorized audit institution is obliged to ensure that the external auditor in question is replaced.<sup>21</sup>

(4) Authorized audit institutions ensure that the external auditors they employ attend training programs on a continuous basis.

(5) Authorized audit institutions prepare a report which contains the following matters as a minimum about their annual activities and which is signed by the chairman and members of their board of directors, and send it to the Agency within three months following every accounting period:

a) An explanation about the management and partnership structure of the authorized audit institution,

b) If the authorized audit institution has a legal relationship with an external audit institution abroad, a statement related to such institution on its legal status and factors determining its relationship with external audit companies which it has relationship with,

c) A statement about the quality assurance system of the authorized audit institution and the efficiency of the system;

ç) A list of the banks which were subjected to an external audit by the authorized audit institution within the past one year;

d) A statement that the authorized audit institution has complied with the principle of independence during external audits conducted under this Regulation and whether or not such practices were subjected to an internal review within the authorized audit institution;

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<sup>21</sup> As in the amendment made pursuant to the Regulation published in the Official Gazette dated July 24, 2007 and Nr. 26592.

e) A statement about policies being pursued with a view to providing continuous training for external auditors employed by the authorized audit institution;

f) Details about income obtained by the authorized audit institution in consideration of services it has rendered and its overall financial condition;

(6) The authorized audit institutions are obliged to establish a quality assurance system in accordance with the Article 13. A quality assurance system shall be reviewed once in maximum three years. Authorized audit institutions shall furnish the Agency with a quality assurance report which they will draw up at least once a year based on external audits they have conducted in banks until the end of April following such report is approved by their board of directors and they announce it in their web-sites.<sup>22</sup>

(7) Authorized audit institutions shall take all kinds of measures aimed at protecting information required to be treated as confidential under the Article 73 of the Law which they may obtain during preliminary investigations to be conducted by their partners and the chairman and members of their board of directors, auditors, officers, and external auditors pursuant to the Article 20 (1) or as a result of external audits conducted under this Regulation.

(8) Where a bank has failed to furnish the authorized audit institution with information and documents pertaining to an external audit, the authorized audit institution shall promptly inform the Agency thereof.

(9) Authorized audit institutions shall inform the Agency of any application submitted to the bank's board of directors for an increase in audit fees together with reasons for such proposed increase within seven days from the date of the application.

(10) Authorized audit institutions shall furnish the Agency with any information and document related to audit and working papers to be drawn up by external auditors they

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<sup>22</sup> As in the amendment made pursuant to the Regulation published in the Official Gazette dated July 24, 2007 and Nr. 26592.

employ under this Regulation or allow the personnel of the Agency authorized to conduct audits to access such information and documents upon their request.

(11) In order to ensure that any loss or damage which may result from external audit services to be provided under this Regulation is indemnified, authorized audit institutions, under the Article 36 of the Law, shall obtain a professional liability insurance policy of which general terms are determined by the Turkish Treasury in seven days following that date of the signing of external audit contract provided that insurance guarantee shall not be less than twice the amount specified in the external audit contract signed with the bank. The insurance company which will issue such professional liability insurance may not be the bank with which the contract for an external audit has been signed nor be a subsidiary or affiliate of the bank which it controls directly or indirectly.

(12) The total amount taken as a basis for the professional liability insurance under paragraph 11 shall, if accepted by the Board, be minimum twice the amount of the endorsement specified in the budget for the current year which has been approved by the board of directors provided that it is not less than the amount of the endorsement of the external audit institution for the preceding year.

(13) The authorized audit institution shall furnish the Agency with a copy of the professional liability insurance policy within fifteen days from the date of the issuance of the professional liability insurance and also inform the audit committee of the bank concerned of its delivery.<sup>23</sup>

(14) If external auditors in an external audit team conclude that experts with whom contracts have been signed in order to carry out works supplementary to external audits or to provide an opinion will not comply with professional principles established by their own professional associations, then the authorized audit institution shall terminate the contract.

(15) Authorized audit institutions may not draw up external audit report except for external audit reports containing an external audit opinion which has been sent to the Agency

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<sup>23</sup> As in the amendment made pursuant to the Regulation published in the Official Gazette dated July 24, 2007 and Nr. 26592.

and issued and external audit reports containing an opinion about financial statements to be drawn up in accordance with a standard other than the accounting standards used for preparing such reports.

(16) An annual operating report which has been drawn up by the board of directors of the bank in accordance with the Article 40 of the Law and submitted to the general assembly shall be audited by an authorized audit institution which conducts external audit in respect of the related account period and in accordance with Regulation on Procedures and Principles for Preparation and Publication of the Annual Report by Banks and the authorized audit institution shall also provide an opinion in accordance with annex-11A and annex-11B.

(17) If the Agency has been informed in accordance with the Article 27 (5) due to a reason specified in the Article 27 (4g) and the Board decides within seven days from the date of receiving such information that an external audit shall be performed in the bank concerned in accordance with the Regulation on Information Systems Audit to be performed in Banks by External Audit Institutions published in the Official Gazette dated May 16, 2006 and Nr. 26170, then the authorized audit institution shall suspend its external audit in such bank until the conclusion of the said audit.

(18) Authorized audit institutions is obliged to furnish the Agency with the changes generates in their prime contracts and addresses.<sup>24</sup>

(19) Authorized audit institutions is obliged to furnish the Agency with the information on partnership structures and audit staff within the week following the end of every March, June, September and December and in accordance with the specimen in annex-3.<sup>25</sup>

### **Obligations of the external auditor**

**ARTICLE 27-** (1) Although external auditors employed by an authorized audit institution shall provide reasonable assurance that financial statements do not include material errors made inadvertently or deliberately, they cannot provide an absolute assurance in respect of the absence of such errors and may not agree to provide external audit service unless they receive adequate consultancy or support services.

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<sup>24</sup> Added subsequent to the Regulation published in the Official Gazette dated July 24, 2007 and Nr. 26592.

<sup>25</sup> Added subsequent to the Regulation published in the Official Gazette dated July 24, 2007 and Nr. 26592.

(2) An external auditor, in order to provide reasonable assurance, shall carry out external audit based on professional skepticism; apply the audit plan without regarding statements made by the management of the bank as a sufficient evidence of audit based on the assumption that financial statements may include materially misleading statements; and provide an opinion with regard to the financial statement of the bank within the scope of the procedures and principles set in this Regulation.

(3) In cases that will jeopardize their independence under the Article 12, external auditors are obliged to inform responsible senior auditor to whom they report that they can no longer be in external audit team of the bank concerned and responsible partner senior auditors to be appointed to be monitor the quality insurance system according to the Article 13 (2).<sup>26</sup>

(4) If any of the following events occur during an external audit, the external auditor shall inform the responsible partner senior auditor in order to ensure that the audit committee of the bank is informed of such event so that it can inform the board of directors of the bank within seven days from the date of occurrence of such event:

a) Possible restrictions and additional work requirements;

b) Any change in the accounting policies which have or may have a material effect on the financial statements;

c) Possible effect on the financial statements of any material risk or effect such as ongoing lawsuits which shall be specified in the financial statements;

ç) Any revision which have or may have a material effect on the financial statements whether or not such revision has been recorded by the bank;

d) Significant uncertainties about events which may give rise to explicit doubts about the continuity of the bank;

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<sup>26</sup> As in the amendment made pursuant to the Regulation published in the Official Gazette dated July 24, 2007 and Nr. 26592.

e) Difference of opinion in respect of issues which may have a significant effect on the financial tables or external audit opinion;

f) Weaknesses which may affect internal systems and other issues decided in external audit contract which makes it necessary to inform the board of directors;

g) Significant weaknesses and risks in the information system.

(5) In case of emergence of transactions failing to comply with the provisions of the legislation which are taken as a basis during external audit activity or an event which may lead to a negative opinion or refusal to give an opinion due to any reason set forth in paragraph 4, the external auditor shall notify the responsible partner senior auditor in order to ensure that this matter is reported to the Agency in writing within 15 days from the date when it was discovered or occurred. It shall be ensured that any act which constitutes an offense under the Law and other laws is promptly notified to competent authorities and the Agency, in addition, shall be informed in writing.

(6) Where such information has been received verbally, the external auditor shall outline such information on working papers so that the facts notified can be proven.

(7) An external auditor shall preserve books and documents he is entrusted in connection with external audit in good faith during the period required for completion of the external audit and return such books and documents upon completion of thereof.

(8) An external auditor shall obtain evidence substantiating that responsibility for ensuring that the financial statements are drawn up and submitted in accordance with the applicable regulations; all assets, liabilities, income and expenses are true and all transactions related to those items are recorded correctly has actually been accepted and that the financial statements have been approved. The external auditor shall certify that the board of directors has actually approved the responsibility thereof upon the minutes of the records of the related meeting of the board of directors or receive a written statement signed by the directors of the bank or acquiring the copies of the financial statements.

(9) Although an external auditor shall not be responsible for preventing a bank from abiding applicable regulations, he shall take into consideration that this may have a significant effect on the financial statements at each phase of the audit.

(10) An external auditor shall examine the reasons for any inconsistency discovered and other necessary details in order to assess the effect of such inconsistency on the financial statements; evaluate its possible consequences; and share his findings with the bank management. Where an audit does not yield sufficient evidence in respect of such inconsistency or the inconsistency does not stem from the bank, the external auditor shall consider the effect of the absence of audit evidence in the audit report and state its consequences in the report.

(11) External auditors in the same audit team shall hold regular meetings and take the minutes of such meetings in order to have a better understanding of errors that may affect to financial statement of the bank or mispresentation risk which derived from abuse; to determine the type, timing and scope of supplementary audit techniques which may be implemented as a result of the results of the applied audit techniques.

(12) An external auditor shall verify whether or not the information system of a bank has been audited within the periods specified in the Article 13 (3) of the Regulation on Information Systems Audit to be performed in Banks by External Audit Institutions.

(13) Independent auditors may not disclose any confidential information as defined in the Article 26 (7) to any natural persons or legal entities except for authorities entitled to receive such information by virtue of the Law.

## **PART SIX**

### **Planning an External Audit**

#### **Audit strategy**

**ARTICLE 28-** (1) The board of directors of the authorized audit institution shall settle a general management strategy outlining the allocation of human resources, including the appointment of external auditors with adequate experience in issues involving a high risk or

using the assistance of experts in respect of related issues and the administration and management of resources required for special audit areas and how the process will be monitored in respect of the scope and timing of an external audit and important issues that should be considered during the audit process by taking account of the sufficiency of internal systems of the bank. Revisions made to the audit strategy and their rationale shall be recorded so that they can be analyzed comparatively.

### **Audit plan**

**ARTICLE 29-** (1) An audit plan which is more detailed than the overall audit strategy contains information about the scope and timing of usual audit techniques to be used by external auditors and auditing techniques to be used for assessing risks arising from materially misleading statements as well as additional audit techniques to be used if considered necessary in order to obtain adequate audit evidence that could reduce audit risks to a reasonable level. A documented audit plan shall also present records that could be reviewed and validated in order to verify the conformity of audit techniques planned and executed so far before starting to use additional audit techniques,

(2) The responsible partner senior auditor shall draw up an audit plan comprising documented information about the following:

a) The investigation results about the organization, internal systems, operations, and other issues of the bank;

b) The type, scope, and timing of external auditing activities to be determined through negotiations to be held with the bank management and other personnel concerned;

c) How the reliability of the bank's internal systems, audit risk, and the level of criticality should be assessed;

ç) How financial statements, working papers related to the preceding period, audit reports, and related documents should be reviewed;

d) How the accounting policies being implemented and the consequences of changes in accounting and external audit procedures or arrangements which may have a significant effect on financial statements should be assessed;

e) How coordination with personnel who will furnish external auditors with information and prepare data during an external audit process will be achieved;

f) How roles will be distributed among the members of a team and how coordination will be ensured by giving due consideration to issues related to the responsibilities, professional competencies and experiences of external auditors in the audit team;

g) If the external audit pertaining to the preceding period has been conducted by a different authorized audit institution, how the requirement to review the working papers related to the audit performed by such other authorized audit institution and to have meetings with the previous external auditors will be determined unless such practices have been prohibited by a law;

ğ) How types of transactions, account balances, and footnotes which may materially bear a risk of misleading statements will be determined and what additional audit techniques will be applied in connection with such risks thereto;

h) How cooperation among audit teams will be ensured depending on the geographical distribution of the operations of the bank;

ı) How transactions involving the risk group in which the bank is included must be examined;

i) How the team must assess whether or not errors made in the financial statements prevent them from reflecting the actual financial condition of the bank;

j) Effects of support services procured on the accounting and internal control system of the bank;

k) Analytic examination techniques to be used for risk assessment;

- l) A preliminary assessment related to the financial performance of the bank;
  
- m) Risks related to accounting policies and practices which may lead to misleading statements in financial statements;
  
- n) Assessments related to developments in the banking industry, regulations to be complied with, and other factors.

The plan shall be reviewed by responsible partner senior auditors selected in accordance with the Article 13 (2) in terms of its compliance with the overall audit strategy and put into action if approved. The same procedure shall be applied in respect of any revision to be made to the audit plan.

(3) Information and documents within the scope of by paragraph 2 shall be maintained in the file of the bank concerned as a working paper.

## **PART SEVEN**

### **External Audit Process and Techniques**

#### **External audit process**

**ARTICLE 30-** (1) An independent audit process shall consist of the following phases:

a) The Auditor make observations relating to the events, actions, and practices which may have a material effect on the bank, its operations and financial statements; gathers information about the personnel concerned, and review all related documents.

b) An analytic method is used for examining the activity results and financial condition of the bank in order to apply risk assessment techniques and to determine the critical level in order to assess the audit risk.

c) Work flows, internal control systems and accounting systems of the bank are reviewed in order to obtain information about its accounting and recording systems and to assess its internal systems.

ç) An external auditor shall determine the extent to which reliable control mechanisms have been established for investigating the accuracy of amounts shown in financial statements and movements that have taken place in the financial statements by using physical test techniques as well as important shortcomings in terms of control and perform a pre-assessment of the internal control system.

d) Physical verification tests consisting of a special detailed tests and analytic analysis such as obtaining confirmations from external sources, recalculation, and remonitoring the recording system in order to determine the accuracy and validity of data related to records generated in the accounting system and account balances and whether or not there is any shortcoming.

e) To provide sufficient and appropriate audit evidence which will constitute a basis for an external audit opinion, contingent liabilities and events that have taken place after the date when the balance sheet was drawn up shall be reviewed and an opinion shall be given about the accuracy of the financial statements and whether or not they reflect the actual situation correctly after completing the review process.

(2) At each of those phases the external auditor shall develop the following external audit practices with regard to risks making up the audit risk:

a) Assessing the structural risk based on the financial statements as a whole and establishing a link with the level of criticality;

b) Assessing the control risk by establishing a link with the existence, functioning, and efficiency of the accounting system;

c) Identifying the determination risk based on the level of the structural risk and the control risk and keeping it at a reasonable level.

### **Gathering and assessing audit evidence**

**ARTICLE 31-** (1) External audit evidence represent all information used by the external auditor in order to reach the conclusions underlying his opinion, including financial statements and information in accounting records which constitute a basis for other information. The external auditor shall form his opinion by gathering and assessing adequate and reliable audit evidence after applying one or more audit techniques described in this Regulation.

(2) External audit evidence shall be gathered in order to verify that;

a) All assets, resources, incomes and expenses in the financial statements are true and all transactions related to them have been recorded accurately based on their actual amounts;

b) Rights and liabilities are true,

c) Valuations have been made in accordance with accounting and valuation procedures set forth in the applicable regulations;

ç) The financial statements contain descriptions, classifications, and explanations as of the main items.

(3) An external auditor shall obtain audit evidence by applying the audit techniques defined in the Article 33 during the risk assessment process and performance of the control test and physical verification tests. The external auditor shall assess the conformity of the audit techniques with accounting records and ensure reconciliation with the financial statements.

(4) An external auditor shall decide whether the audit evidence is sufficient and relevant by giving consideration to:

a) The criticality level determined by the audit strategy,

b) The functioning and adequacy of the internal systems of the bank in terms of the coherence and reliability of financial statements,

c) Experience gained during audits conducted in the past,

ç) The outcome of audit techniques applied and cases of misconduct or errors discovered by using those audit techniques;

d) The reliability of existing information.

(5) The source of the audit evidence shall be reliable and documentable. In assessments to be made in respect of the source of the evidence, it is assumed that:

a) Audit evidence provided by external sources is more reliable than those provided by the bank;

b) Evidence obtained from institutions with effective accounting and internal systems are more reliable than those obtained from those who do not have such effective systems;

c) Evidence obtained by using audit techniques applied by an external auditor is more reliable than those obtained indirectly;

ç) Documented audit evidence is more reliable than verbal statements;

d) The originals of documents are more reliable than their copies.

(6) An external auditor shall make a risk assessment by taking account of the possibility that the financial statements and statements made by the bank management may not be correct. Where the risk assessment techniques as defined in the Article 34 cannot provide sufficient and appropriate audit evidence required for forming an audit opinion, a control test or physical test techniques shall be applied.

(7) Difficulty in applying an audit technique or obtaining audit evidence by using such technique shall not affect the compulsory requirement that such audit technique shall be applied if there is no alternative technique ensuring that necessary audit evidence is obtained.

(8) An external auditor shall use his professional opinion in order to assess the audit risk while obtaining external audit evidence and may use additional audit techniques in order to reduce the risk to a reasonable level. If it is concluded that wrong statements discovered during audits conducted in previous account periods have neared the criticality level, additional audit methods and techniques shall be applied.

(9) In order to control the information related to the risk group containing the bank and obtain reliable audit evidence with regard to important transactions in the financial statements and explanations provided about such transactions, an external auditor shall examine and review:

a) Working papers drawn up in the preceding period with regard to the risk group the bank is included in;

b) Methods employed for determining the risk group the bank is included in and dominant shareholders and shareholders with a qualified interest;

c) The minutes of the meetings of the board of directors and general assembly as well as other statutory records;

ç) Additional information which the previous external auditors or other external auditors may have concerning the risk group the bank is included in;

d) Tax returns and other statements submitted to competent authorities of the bank and external audit reports of the establishments included in the risk group the bank is included in respect of the past two years;

e) Accounting records related to transactions involving a high amount or which have increased or decreased substantially;

f) Reconciliations of receivables and debts and confirmations received from other banks;

g) Investment transactions.

(10) If the external auditor cannot obtain adequate and appropriate evidence for forming an opinion, then he shall give a qualified opinion or states that he is unable to form an opinion by citing related reasons.

#### **Issues which an external auditor shall take into consideration**

**ARTICLE 32-** (1) An external auditor shall also verify that accounting policies implemented in the preceding period were compatible with those implemented in the account period subjected to an external audit or determine whether or not required correction records are being kept and/or footnotes include necessary explanations and whether or not accounts related to the preceding period were in compliance with the amounts and footnotes pertaining to the preceding period.

(2) While conducting an external audit, an external auditor shall determine whether or not accounting estimates, measurement of current values, accounting records related to derivative transactions, and transactions carried out with the risk group the bank is included in have been fully recorded and gather audit evidence substantiating that it has been done in accordance with regulations related to accounting which have been put into force pursuant to the Articles 37 and 38 of the Law.

#### **Audit techniques**

**ARTICLE 33-** (1) An external auditor shall gather adequate audit evidence in the required number by using all or some of the following techniques while implementing an external audit plan:

a) A physical examination means the verification of the existence of documents and physical assets shown in records and that those assets which are ascertained to exist are actually owned by the bank based on official documents and records.

b) Observation means that an external auditor is present during the performance of certain activities. Reliable evidence in respect of processes requiring certain determinations at implementation phase due to their nature shall be obtained through observation.

c) Verification means seeking information from a source other than the bank based on a written request made by the bank within a framework determined by the external auditor and the communication of such information directly to the external auditor. If the bank has not asked the external auditor to make verification in respect of certain items, it shall be first investigated whether or not there is a valid reason for such request. Where it is concluded that the request was based on a valid reason, alternative controls related to the verification of such items may be developed. If the request was void of a justifiable reason, a qualified opinion shall be provided or it shall be stated that no opinion can be formed by citing the underlying reasons.

ç) Gathering information means a process where an external auditor receives written or verbal information from the persons concerned, especially the inspectors of the banks. In that context an external auditor may review any report drawn up with authorized and competent and related authorities and any report competent and related authorities prepared.

d) Remonitoring of the recording system means selecting source documents through sampling and verifying the accuracy of accounting records based on such documents.

e) Recalculation is performed by an external by verifying existing records. It particularly involves subjecting credit and deposit interest rediscounts, amortizations, and provisions to a recalculation process by using a sampling method.

f) Review of documents means a detailed review of the content of all kinds of documents related to operations and financial statements as well as their conformity with the corresponding records. Each accounting record shall be based on a document. Considering that automatic generation of records by information processing systems causes an external auditor to see accounting records created in an electronic medium, the external auditor shall investigate how the information process system has created such records and whether or not records are subjected to controls within the information processing system and during the work process.

g) An analytic examination is performed by comparing information and explanations given in financial statements and investigating relationships between them in order to assess whether or not such financial statements and information obtained about the bank are in compliance with each other. The purpose of this audit technique is to gather evidence for an audit opinion; verify that there are meaningful relationships between data, and to discover and reveal abnormal deviations in such data. An analytic examination is used as a risk valuation method in order to understand operating conditions of the bank and its relationships with other institutions and as an audit technique intended to reduce the risk of a misleading statement to an acceptable level. If an independent auditor finds that there are significant fluctuations or inconsistencies with other related data or deviations from the estimated amounts, he shall conduct necessary investigations in order to obtain positive evidence. Relationships between financial and non-financial information as well as information about the current period and those pertaining to preceding periods are analyzed comparatively during an analytic examination. Analytic examination techniques may also be used during the other phases of an audit.

ğ) Sampling involves the application of audit techniques to a part of a group of transactions or account balances in order to obtain information about all items in such groups or balances. This process enables an external auditor to obtain and evaluate audit evidence related to samples selected in order to ensure an opinion is formed about the total data set from which the samples have been taken.

h) Evidence is performed independently by an external auditor manually or by using computer-assisted methods in order to do over the methods and controls performed by the bank as part of its internal controls.

ı) Obtaining confirmation is the process of obtaining information from third parties by establishing direct communication. Confirmations are not limited to account balances and components. When this technique is implemented, persons to whom confirmation letters will be sent are identified, a confirmation letter is prepared and sent, and responses are received. A response must be received to each confirmation request. The confirmation letter shall specify

an address to which responses will be sent. Such address may be the Internal Control Center or the Inspection Board at the head office of the bank which has been entrusted with the task of responding such requests for confirmation rather than the branch or unit where balances are being kept. The external auditor may use either of the two techniques aimed at obtaining a positive or negative confirmation or both in order to obtain information about the bank from an independent source. A positive confirmation letter seeks responses from the individuals concerned notwithstanding whether or not information required to be verified is accurate or wrong. If the external auditor has not received a response to his confirmation letter, he shall use other appropriate audit techniques which shall be capable of verifying audit evidence to be obtained through a confirmation letter. A negative confirmation letter shall include specific information about the bank and request a response if such information is wrong. Where a seeking negative confirmation letter which is less reliable in terms of providing audit evidence is used, the external auditor is obliged to use other appropriate audit techniques. A negative confirmation letter is used in order to reduce the risk of a misleading statement to a reasonable level in the following circumstances:

- 1) If there are considerable number of small balances;
- 2) Significant errors are not anticipated;
- 3) The external auditor holds the view that there is no reason that his confirmation request will not be taken into consideration by the parties concerned;

(2) Balances related to receivables from other banks shall be confirmed by the banks concerned. Such verification shall be sought for in-balance sheet transactions and guarantees being monitored outside of balance sheets, futures contracts for buying and selling exchange, and options. Confirmations to be received from banks constitute more reliable audit evidence than audit evidence provided by the bank because they are obtained from a third party.

(3) An external auditor may also use the information generated by the bank while applying the audit techniques set forth in this article provided that he conducts an investigation sufficient to demonstrate that such information is complete and accurate.

### **Risk assessment techniques**

**ARTICLE 34-** (1) In order to assess the risk of a materially misleading statement, an external auditor shall gather information about the following factors:

a) Fields where the primary operations of the bank are concentrated in, legal arrangements, and other external factors;

b) Primary activities of the bank, including its accounting policies, shareholding structure, management, legal status, investments that it has made or plans to make, and methods to be employed for funding such investments;

c) Risks arising from operations which may lead to a materially misleading statement in the financial statements and strategy of the bank;

ç) A measurement of financial performance of the bank and whether or not it is complete and accurate;

d) Accounting and internal systems of the bank;

e) The nature of the risks related to banking operations and how the bank is managing such risks;

f) Whether or not the bank has an efficient corporate management structure and how the bank management fulfills its obligations related to audit, control, and bank management;

(2) An external auditor shall determine whether an efficient risk management system is in place in the bank by taking account of whether or not:

a) Personnel responsible for internal control and corporate management are involved in the control process;

b) Compliance with the procedures and principles set forth in the Regulation on the Internal Systems of Banks is ensured;

c) The bank is following appropriate control procedures in order to manage its own risks;

ç) Risk management models, methodologies, and assumptions used for measuring and managing the risks of the bank are regularly assessed and updated;

d) The bank has a reliable information system providing adequate financial, operational, and appropriate information in a timely and coherent manner and whether or not the bank management, including those responsible for corporate management have acquired to risk management information allowing them to assess the changing composition of the risk profile of the bank;

e) The bank updates its accounting system and related internal controls in respect of a new financial product used or a new service developed by the bank.

(3) An external auditor may consult with the bank management or unit responsible for financial reporting and internal controls, legal unit, or other authorities of the bank or apply analytic examination techniques or make analyses and observations with a view to performing a risk assessment by obtaining information about the operations of the bank and its relationships with the finance sector, including internal control in respect of issues disclosed in its financial statements or stated by the bank management. The type, timing, and scope of such techniques may vary depending on the size of the bank, the complexity of its operations, and the external auditor's audit experience in that bank.

(4) While determining a risk of a materially misleading statement, an external auditor may use such audit techniques such as investigating support services received by the bank; reviewing reports drawn up by other institutions in respect of the bank, and examining information highlighted by legal authorities concerned in their press organs or publications and in the electronic and printed media

(5) If an external auditor uses information obtained about the relationships of the bank with other banks or the finance sector during the previous periods, then he shall take account of the effects of such information on the audit conducted in the current period.

### **Assessment of the internal control and risk management system**

**ARTICLE 35-** (1) While considering factors which may constitute a risk of possible misleading statement and determining the type, timing, and scope of external audit techniques, an external auditor shall make use of the internal control system. Thus, he shall understand the design and operation of the internal control system and determine whether it is capable of preventing, revealing, and correcting the risk of a materially misleading statement.

(2) Making an assessment of the functioning of the internal control system is related to whether the bank has an internal control system and whether such system is being used sufficiently. An internal control system designed improperly shows the internal control system of the bank is insufficient and it shall be reported by the external auditor to the board of directors of the bank.

(3) Obtaining audit evidence during a risk assessment process through controls in the internal control system requires holding interviews with personnel of the bank, supervision of certain control procedures, reviewing reports and documents, and monitoring information system processes related to financial reporting.

(4) While making an assessment of the internal control system, an external auditor shall use information provided in an audit report about the information system drawn up in accordance with provisions of the Regulation on Information Systems Audit to be performed in Banks by External Audit Institutions in order to determine whether or not effective controls are performed with a view to revealing risks which may arise from information technologies or manual systems in the internal control system and taking necessary actions.

(5) While making an assessment of an internal control system, an external auditor shall take the following factors into consideration in respect of the measurement and management of risks:

a) Whether or not there is an external risk management function in order to measure, monitor, and control risks and whether or not findings related to risk management are directly reported to the bank management, including the personnel responsible for corporate management;

b) Which method is employed for measuring risks arising from purchase and sale accounts;

c) Whether or not risk control and management systems are designed so that the size and complexity of risks arising from treasury transactions can be assessed;

ç) Whether or not the risk measurement system covers the entire portfolio, products, and risks;

d) Whether or not there is an appropriate documentation system for all components of the risk system;

e) Whether or not securities purchased or sold are subject to a revaluation and whether or not the risk to which the bank is exposed is calculated on a continuous basis;

f) Whether or not models, methods, and assumptions used for restricting the number of violation of limits and measuring risks are regularly assessed, documented and updated having considered changing parameters;

g) Whether or not stress tests are conducted and "worst case" scenarios are managed and tested;

ğ) Whether or not the bank management receives reports reflecting the situation accurately in a timely manner.

### **Informing the management and documentation**

**ARTICLE 36-** (1) If an external auditor concludes that the bank does not perform controls or its controls are insufficient and the risk of a materially misleading statement has, therefore, emerged or there is a weakness in the risk assessment system of the bank, he shall inform the responsible partner senior auditor concerned in order to ensure that the audit committee of the bank and the Agency are promptly informed so that the board of directors of the bank is also notified. Such report shall be in writing and include, inter alia, the following:

a) The conclusion reached by the external audit team about the sensitivity of the financial statements of the bank to the risk of a materially misleading statement arising from an error made inadvertently or deliberately;

b) The control environment; whether or not the bank has sufficient and regular risk measurement, control, and management techniques; the information processing system; internal control functions and related observations; the fundamental elements and sources of information obtained about the bank; and risk assessment techniques;

c) An assessment of the factors constituting a risk of a materially misleading statement which have been determined in spite of the letter of statement and explanations given in the financial statements;

ç) Risks and control processes determined.

#### **Management's statement**

**ARTICLE 37-** (1) If requested by the authorized audit institution prior to the preparation of the external audit report, the board of directors of the bank shall issue a letter of statement containing the following by taking account of the scope of the external audit studies:

a) An efficient and sufficient internal control system related to financial reporting has been established.

b) Financial statements are drawn up comparatively and within the knowledge of the board of directors of the bank and according to the regulations related to accounting which have been put into force pursuant to the Articles 37 and 38 of the Law.<sup>27</sup>

c) All information and documents containing accounting records have been delivered to the external auditor.

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<sup>27</sup> As in the amendment made pursuant to the Regulation published in the Official Gazette dated July 24, 2007 and Nr. 26592.

ç) There have been no abuses or fraud involving the bank management or employees which may have an adverse effect on the financial statements within the knowledge and control of the board of directors of the bank.<sup>28</sup>

d) All minutes related to the meetings of the board of directors have been delivered to the external auditor in full.

e) The bank management is responsible for ensuring that the operations of the bank comply with the banking legislation and applicable legislations.<sup>29</sup>

f) The bank management has undertaken to make the corrections to accounting records in accordance with the recommendations of external auditor and that it has been duly informed thereof.

g) If there are correction records not included in the financial statements in spite of a commitment made in accordance with paragraph (f), the bank has been duly informed thereof and they have no material impact on the financial statements.

h) All assets which are subject to a mortgage have been fully disclosed.

(2) Where the board of directors of the bank fails to issue a letter of statement, the responsible partner senior auditor may give a qualified opinion, decline to give any opinion or submit a proposal to the management of the authorized audit institution for withdrawing from the audit in accordance with the procedures and principles set forth in the Article 24. If the authorized audit institution decides to withdraw from the audit, then the Agency shall be informed of such decision within seven days.

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<sup>28</sup> As in the amendment made pursuant to the Regulation published in the Official Gazette dated July 24, 2007 and Nr. 26592.

<sup>29</sup> As in the amendment made pursuant to the Regulation published in the Official Gazette dated July 24, 2007 and Nr. 26592.

**PART EIGHT**  
**Documentation**

**Recording system**

**ARTICLE 38-** (1) Authorized audit institutions and their external auditors shall prove that an external audit has been conducted in accordance with the provisions of this Regulation and document the audit evidence supporting the audit opinion. Such documentation shall be based on working papers drawn up by the external auditor in respect of the external audit process or prepared by another person on behalf of the external auditor.

(2) Authorized audit institutions shall establish a well-arranged and adequate recording system in respect of external audits carried out under this Regulation and external auditors shall draw up detailed working papers and file them in accordance with such recording system.

**Working papers**

**ARTICLE 39-** (1) Working papers are documents containing data printed on paper or films or stored in electronic media or other kinds of media which show the audit methods and techniques used by an external auditor in accordance with external audit plan; audit tests he has performed; information and evidence he has gathered; and conclusions he has reached based on the examinations he has made. Preparation of such working papers is compulsory.

(2) The external auditor shall record planning of the external audit, structure and type, scope, timing and results of the audit techniques being used; and conclusions based on the audit evidence obtained in working papers in order to document that the external audit has been conducted in accordance with this Regulation and to support the opinion he has given. Working papers shall constitute conclusive evidence in respect of any dispute which may arise in connection with the assessment and opinion of the external auditor.

(3) Power of disposition on working papers belongs to the authorized audit institution employing the external auditor. Working papers may not be given nor disclosed to any third party other than the Agency without obtaining the written consent of the bank. The authorized

audit institution shall be responsible for ensuring that working papers remained confidential and protected.

(4) The authorized audit institution may furnish the bank concerned with a part of the working papers or a summary thereof subject to the positive opinion of the external auditor. Working papers may not be used in place of the accounting records of the bank.

(5) The originals of working papers and their appendices or, if they are not available, their copies certified as true beyond any doubt shall be kept for a period of five years from the account period after they were issued while those which are the subject matter of a legal dispute shall be kept until such dispute is finally settled.

#### **The content of working papers**

**ARTICLE 40-** (1) A working paper shall include;

a) The bank's corporate name; the period during which the audit was carried out; the subject matter of the working paper and the date when it was drawn up; names and titles of the external auditors in the audit team; the initial of the external audit who has drawn up the working paper and his employment number with the audit institution; and the initial of the senior auditor who has performed the required check;

b) Copies of the important legal documents, contracts, or minutes or any part thereof considered necessary;

c) A summary of the internal control directive of the bank and documents related to meetings held with the management in respect of shortcomings in the internal control system;

ç) Explanations related to all phases of the external audit process;

d) confirmations received in a manner providing assurances about the extent to which accounts and records subjected to an external audit and financial statements and standard ratios comply with the applicable regulations and related explanations and projections about the future;

e) Issues determined in respect of incorrect statements and explanations in respect of their effects;

f) The scope, type, timing, and results of the audit techniques implemented in spite of the fact that the possibility that the letter of statement may not be correct;

g) Explanations about the external audit techniques used and the meanings of score signs and symbols;

ğ) Evidence related to the review and examination of the external audit process,

h) If works undertaken by another audit institution has been used, audit techniques used by such authorized audit institution;

ı) Documents related to other external auditors, experts, and third parties;

i) Evaluations related to problems identified in items subjected to external audit;

j) Assessments related to internat audit procedures,

k) The letter of statement, if received.

(2) Working papers shall be coded by using an appropriate method and procedures related to their use shall be established in order to ensure uniformity.

## **PART NINE**

### **Cooperation**

#### **Cooperation with other external auditors**

**ARTICLE 41-** (1) Professional adequacy of the external auditor and whether or not there is a final disciplinary punishment about the said external auditor from related professional chamber that constitutes an impediment to perform external audit are evaluated

by the responsible senior auditor prior to making use of the works undertaken by the other external auditor. If he reaches a positive conclusion or there is no disciplinary punishment about the said external auditor that constitutes an impediment to perform external audit as a result of the assessment made, then the audit techniques used by the other external auditor shall be negotiated and his working papers shall be reviewed.<sup>30</sup>

(2) Where the external auditor cannot make use of works carried out by such other external auditor and cannot apply additional audit techniques, the external auditor shall give a qualified opinion about the subject matter of the audit or decline to give any information.

(3) If the other external auditor revises his report, the external auditor may revise the external audit report he has drawn up depending on the nature and significance of such revision.

#### **Cooperation between independent auditors and the bank's inspectors**

**ARTICLE 42-** (1) Duplication shall be avoided in internal audit activities and external audits of the bank. However, the external auditor shall obtain sufficient information about the internal audit of the bank and review internal audit reports in order to develop and plan an efficient external audit approach.

(2) Inspectors of a bank shall furnish the external auditors with any information, including their own reports which the external auditors may require.

(3) An external auditor shall share significant facts about the internal audit activities which he may detect during an external audit with the manager of the internal audit unit.

(4) Internal audit studies of the bank may be used depending on the outcome of the assessment to be made by an external auditor who shall be a senior senior auditor as a minimum. Whether or not the conclusion reached and the findings of the internal audit report match and whether or not there is any unresolved issue shall be taken into consideration in such assessment.

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<sup>30</sup> As in the amendment made pursuant to the Regulation published in the Official Gazette dated July 24, 2007 and Nr. 26592.

### **Cooperation between the Agency and authorized audit institutions**

**ARTICLE 43-** (1) Meetings shall be held with the authorized audit institution in order to exchange information about the bank subject to an external audit if deemed necessary by the Agency.

(2) Aside from the events defined in the Article 27 (4), an external auditor shall inform the responsible partner senior auditor concerned in order to ensure that the Agency is informed within seven days from the date when:

- a) The external auditor receives information or doubts that there is a material abuse;
- b) The external auditor has received information showing that the bank has failed to fulfill one of the criteria required for obtaining a license for conducting banking operations;
- c) Emergence of a development which has or may have effect on the management and accounting organization and internal control system of the bank such as a serious dispute with decision-making organs of the bank, a member in bank management leaving the job unexpectedly,
- ç) The external auditor has received information that the Law and the related legislation and prime contract or regulations of the bank has been violated by the transactions relating to account and record system of the bank which are against the legislation.

(3) The Agency may require from the authorized audit institution to assign additional tasks to external auditors so as to verify the conformity of the method used for calculating standard ratios established by the bank in accordance with the Law and applicable legislations and determine the accuracy of information given in reports submitted to the Agency.

### **Cooperation with experts**

**ARTICLE 44-** (1) If the responsible partner senior auditor agrees with the external auditor's request that outside opinion be obtained in respect of issues in which the external auditor is not specialized, the board of directors of the authorized audit institution shall examine the acceptability of such request by taking account of the level of criticality of the financial reporting item in question, the risk of a misleading statement, and the quality and quantity of other audit evidence. If it deemed appropriate, an expert whose opinion will be obtained or hired in order to carry out works about the related issue considering his specialty, experience, and conformity with the principle of independence defined in the Article 12.

(2) The authorized audit institution shall require the expert to undertake to act in conformity with the principles and guidelines established by his own professional association and agree to appeal to another person or institution or his own professional association in case of disagreement.

(3) If the external auditors have doubts about the qualifications or impartiality of the expert who has been hired for carrying out works or giving an opinion during and external audit process, they shall promptly inform the responsible partner senior auditor in respect of such doubts. The responsible partner senior auditor and the responsible partner senior auditors who have been entrusted with the task of overseeing the quality assurance system in accordance with the Article 13 (2) shall decide whether the report drawn up or opinion obtained can be regarded as sufficient audit evidence.

(4) If the results of works undertaken by the expert do not provide appropriate audit evidence or is not in compliance with other audit evidence, the responsible partner senior auditor shall meet with the expert and the members of the audit committee of the bank in order to resolve the matter. He may apply additional audit techniques, including a request that another expert be hired depending on the outcome of the meeting.

(5) The expert's consent shall be obtained in order to disclose the name and surname of the specialized institution or the expert, the extent of his involvement in the audit process and the resulting report provided that no reference may be made to works undertaken by the expert in the external audit report unless there has been a change in conditions stated by the bank as a result of the expert's work.

## **PART TEN**

### **Actions after the Account Period**

#### **Actions after the closure of the account period and prior to the issuance of the financial statements**

**ARTICLE 45-** (1) An external auditor shall verify that events which have taken place after the beginning of the account period being subjected to an external audit and until the date when the external audit report was issued and produced a material effect on the financial statements have been included in the accounts and explained in compliance with regulations related to accounting.

(2) In order to reveal findings which will require a correction to or explanation in the financial statements during such period, the external auditor shall review the minutes of regular and special meeting of shareholders; obtain information from the bank management about resolutions not documented yet; review the bank's budget, cash flow projections, financial statements for the last interim period following the audited period and other reports submitted to the board of directors and updates information with a similar content which he has obtained before after having consultations with the bank management. According to the information acquired, it shall be determined whether or not a new obligation which may affect the financial statements have been assumed or a transaction which may create a new obligation has been carried out, assets have been sold or any loss has been incurred or there has been any significant adjustment in the records after the closure of the account period.

(3) The external auditor shall not be responsible for any event which may affect the financial statements between the date when the external audit report was drawn up and the date when the financial statements were issued. The bank shall be responsible for informing the external auditor of such events. If the external auditor has learned about an important event which may affect the financial statements before they are issued, then he shall require the bank to revise the financial statements. If the financial statements are revised, the date of the external audit report may not be a date before the date when such revision was made and actions taken until the date of revision shall be updated by the date of the new report. If the

financial statements are not revised, a qualified or negative opinion may be given depending on the level of criticality.

**Events which have occurred after the financial statements have been issued**

**ARTICLE 46-** (1) The external auditor shall not be responsible for conducting any audit in respect of the financial statements after they have been issued.

(2) If the external auditor encounters any event which occurred before the date of the external audit report and after the financial statements were issued would have made it necessary to make significant changes to the financial statements if it were known during the preparation of the report, then he shall take the possibility of revisions to the financial statements into consideration and hold discussions with the bank management about the performance of such revisions.

(3) Where the financial statements are revised, the authorized audit institution and external auditors it employs shall check the revisions made by the board of directors of the bank by using required audit techniques.

(4) The authorized audit institution shall draw up a new report containing detailed explanations about the reasons for the revisions to the original report issued, based on the revisions made. The date of the new report may not be a date before the date of such revisions. In that case, transactions and actions performed until the date of the report shall be updated by the date of the new report.

(5) Where it is considered that revisions to the external audit report is absolutely necessary, but the financial statements are not revised by the bank, the responsible partner senior auditor concerned shall, in seven days, inform the Agency and audit committee of the bank.

## **PART ELEVEN**

### **External Audit Report and Opinion of the External Auditor**

#### **External audit report**

**ARTICLE 47-** (1) An independent audit report shall include the following:

- a) Title,
- b) The authority which the report shall be submitted,
- c) The name of the bank whose financial statements have been subjected to an external audit, summarized information about its key accounting policies and other explanatory notes; and an explanation about the period covered by the financial statements subjected to the external audit;
- ç) A statement which confirms that an internal control system has been established in order to ensure that the financial statements are drawn up and submitted in accordance with the Regulation on Procedures and Principles for Accounting Practices and Retention of Documents by Banks; the Turkish Accounting Standards; and Turkish Financial Reporting Standards and other regulation, communiqué and circulars published by the board on accounting and financial reporting principles and announcements made by the Agency and in a way that do not include any materially misleading information due to error and abuse; expressions noting that appropriate accounting policies have been selected and implemented; and a statement specifying the scope of bank management with regard to the financial statements subjected to audited;<sup>31</sup>
- d) The following phrases and a statement specifying the scope of the responsibilities of the authorized audit institution and external auditors conducting an external audit on behalf of the institution:

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<sup>31</sup> As in the amendment made pursuant to the Regulation published in the Official Gazette dated July 24, 2007 and Nr. 26592.

1) They are responsible for expressing an opinion about the financial statements being subjected to an external audit;

2) The external audit has been planned and conducted in a manner providing reasonable assurance that the financial statements do not include an important error;

3) Audit techniques aimed at gathering audit evidence in respect of the amounts shown in the financial statements and explanations and footnotes therein were implemented; the external auditor was allowed to select the audit techniques; the efficiency of internal controls during the process of preparation and submission of the financial statements and the relevance of accounting policies implemented were taken into consideration in designing audit techniques suited to the condition of the bank;

4) Adequate and appropriate audit evidence was provided in order to form an external audit opinion;

e) An opinion paragraph,

f) Other reporting responsibilities other than giving an opinion, if any;

g) The date of the external audit report,

ğ) The name and address of the authorized audit institution;

h) The signature, name and title of the responsible partner senior auditor.

(2) The Agency may require the same or different authorized audit institution to conduct an additional audit and draw up an additional report if considered necessary in terms of the findings of the report whose content is defined in this article. In that case, costs are met by the bank concerned.

### **Positive Opinion**

**MADDE 48-** (1) After consulting with the external audit team reporting to him, the responsible partner senior auditor shall give an positive opinion by using the form given in Annex-12A if:

a) The external audit has been performed in accordance with the general audit principles,

b) Financial statements of the bank comply with the regulations related to accounting put into force in accordance with the Articles 37 and 38 of the Law;

c) There is coherence in accounting policies implemented;

ç) Information given in the financial statements are clear enough;

d) Tis no uncertainty which may affect the financial statements;

e) No restriction was encountered during the audit process.

(2) An positive opinion of the external auditor in respect of important transactions carried out with persons included in the same risk group as the bank; economic developments that may directly affect the bank and especially the sectors which have a specific weight in its credit portfolio; and amendments made to regulations which do not affect the positive opinion, but required to be brought to the attention of the parties concerned shall be included by using the form given in Annex-12B.

### **Qualified or negative opinion**

**ARTICLE 49-** (1) After consulting with the external audit team reporting to him, the responsible partner senior auditor shall give a qualified opinion if he cannot give an positive opinion, but the effect of the factors leading to that decision are not so important as giving a negative opinion or refusal to give any opinion. A report containing a qualified opinion shall

include the opinions of the responsible partner senior auditor in respect of the differences constituting the basis of the opinion by using the forms given in Annex-13A and Annex-13B.

(2) External auditor opinions on the reasons that cause negative opinion and their effects of financial statements are given according to the forms in Annex-14. Difference of opinion with the bank management over the financial statements subjected to external audit due to inconsistencies to the regulations put into force pursuant to the Articles 37 and 38 on accounting, failure to abide by full disclosure principle and making unacceptable amendments to accounting policies or it is concluded that the qualified opinion does not appropriately explain the insufficiency and error, then the responsible partner senior auditor shall give negative opinion after consulting with the external audit team reporting to him.

(3) The responsible partner senior auditor shall give a qualified or negative opinion by taking into account of the opinions of the external audit team reporting to him and the procedures and principles set forth in the first and second paragraphs as well as the effect level of the issue on the reliability of the financial statements if:<sup>32</sup>

a) Information and documents related to the financial statements could not be obtained due to the existence of any issue restricting the external audit although it is not so important as to avoid giving an opinion;

b) It is evident that the financial statements being audited could be subject to significant changes in the future by taking into account of events giving rise to doubts or the nature of transactions included in accounting records;

c) The financial statements have not been drawn up in accordance with the regulations related to accounting which have been put into force in accordance with the Articles 37 and 38 of the Law and accounting policies determined by the bank;

ç) There is a disagreement with the bank with regard to errors and abuses in the items of the financial statements and how their effects should be eliminated.

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<sup>32</sup> As in the amendment made pursuant to the Regulation published in the Official Gazette dated July 24, 2007 and Nr. 26592.

(4) Where the responsible partner senior auditor has drawn up an audit report containing a qualified or negative opinion, the report shall state the underlying reasons and their possible effects on the financial statements. Such statement shall precede the paragraph outlining the opinion and it shall also be included in the explanations and footnotes related to the financial statements in more detail.

#### **Avoidance to give an opinion**

**ARTICLE 50-** (1) If uncertainties and restrictions encountered during an external audit are significant and prevent the external auditor from giving a positive, qualified, or negative opinion, sufficient evidence about a major item in the financial statements cannot be gathered, and there is not an efficient accounting and internal control system, the responsible partner senior auditor may avoid to give an opinion about the financial statements after consulting with the external audit team reporting to him. A report to be drawn up after deciding not to give an opinion shall include the opinion of the external auditor related to the reasons for avoiding to give an opinion by using the forms given in Annex-15.

#### **Explanations obligatory to be made in addition to an opinion**

**ARTICLE 51-** (1) If there are uncertainties and other similar issues which do not affect the opinion of the external auditor but are required to be explained in his view or the consequences of which cannot be reasonably foreseen on the date when the balance sheet or the external audit report is drawn up although they have been included in the footnotes of the financial statements, such uncertainties and issues shall be specified in a separate paragraph to be added after the section of the report including the opinion in order to draw users' attention to such uncertainties and issues.

#### **Financial statements subjected to an external audit by another authorized audit institution in the preceding period**

**ARTICLE 52-** (1) Where the financial statements concerning the period which will be compared have been audited by another authorized audit institution, the report related to

the preceding period shall be taken as a basis. In that case, it shall be stated that the period to be compared in the external audit report has been audited by another authorized audit institution and explanations about the date, type, and content of the report drawn up by the previous authorized audit institution and external auditors shall be given.

(2) If it is noticed during the external audit of the financial statements related to the account period being subjected to an external audit that an error which had a material effect on the financial statements related to the preceding account period was not corrected in the external audit report related to the preceding period, then the responsible partner senior auditor shall inform the Agency and the audit committee in order to ensure that the board of directors of the bank is also informed and authorization is obtained in order to take actions to make necessary revisions. After obtaining authorization from the board of directors of the bank, he shall contact the external auditors who have carried out the external audit related to the preceding period. If such finding is confirmed, he may recommend that the financial statements related to the preceding period be corrected or a new external audit report be drawn up.

(3) If the recommendation that a correction be made or a new external audit report be prepared for the period to be compared is not accepted by the previous authorized audit institution and its external auditors, then an explanation shall be provided in the introduction paragraph of the external audit report in accordance with the procedures and principles of the first paragraph above.

**Financial statements which have not been subjected to an external audit by another authorized audit institution**

**ARTICLE 53-** (1) If the financial statements related to the period to be compared have not been subjected to an external audit, it shall be stated in the external audit report that such financial statements have not been subjected to an external audit. In addition, an explanation shall be given in the footnotes of the financial statements with regard to accounts which have not been subjected to an external audit. Such explanation shall not relieve the external auditor of his responsibility for using appropriate methods and techniques in respect of opening balances related to the account period under audit.

(2) If the external auditor finds out that there is a significant error in the opening balances related to the account period under external audit, the bank management shall be advised to revise such amounts. If the bank management turns down such proposal, it shall be stated in the report.

## **PART TWELVE**

### **Limited Audit**

#### **Limited audit**

**ARTICLE 54-** (1) Consolidated and non-consolidated financial statements drawn up by the bank in respect of interim periods for which financial statements are required to be issued are not subject to an audit with a full scope. An audit opinion shall not be given in respect of financial statements related to interim periods audited in accordance with limited audit principles provided that financial statements issued shall include an explanation that they have been subjected to a limited audit by the authorized audit institution.

(2) A limited audit involves an external audit to be carried out by the authorized audit institution by taking into account the criticality level taken as a basis as of the end of the preceding account period and by primarily using information gathering and analytic examination techniques among the audit techniques defined in the Article 33.

#### **Conditions required for a limited audit**

**ARTICLE 55-** (1) It is obligatory that the authorized audit institution and the banks have signed an audit contract so as to conduct limited audit. In addition to the minimum contractual clauses defined in the Article 21, the external audit contract shall include provisions stating that:

a) The Bank will permit access to all records, documents, and other information required for carrying out the limited audit without any restriction;

b) No assurance that the external audit to be conducted by the authorized audit institution will reveal possible errors and transactions, actions or abuses conflicting with the Law or applicable regulations or an audit opinion will be given.

### **Planning a limited audit**

**ARTICLE 56-** (1) A limited audit shall be planned in accordance with the procedures and principles set forth in part six of this Regulation following the process of updating information comprising the institutional structure, internal control and accounting systems, assets, liabilities, income and expense items of the bank.

### **Documentation in a limited audit**

**ARTICLE 57-** (1) Authorized audit institutions and external auditors are obliged to document a limited audit in accordance to the procedures and principles laid down in part eight of this Regulation.

### **Limited audit report**

**ARTICLE 58-** (1) The external auditor shall also examine any event which has occurred after the date when the external audit report was drawn up related to the end of the preceding account period and which may produce an effect on the financial statements or require a correction or explanation and state them in the first report about the limited audit. However, in case there is no contrary provision in the audit contract of the external auditor, it is not obligatory to conduct any audit aimed at determining events that have occurred after the date when the limited audit report was drawn up.

(2) If it is concluded that the financial statements subjected to a limited audit include significant errors, the source of the misleading statement shall be determined by using additional audit methods in order to provide a reasonable assurance on such information or to confirm that it is necessary to revise the report and the report on the limited audit shall be drawn up by taking into account of such facts.

(3) The report on the limited audit shall state that the authorized audit institution has carried out a limited audit by using the forms given in Annex-16A, Annex-16B, Annex-16C, and Annex-16D and it shall conclude that:

a) The financial statements subjected to the limited audit have been drawn up correctly and comply with the regulations on financial reporting and there is no evidence that they do not provide a correct opinion; or

b) If there is convincing evidence that the financial statements subjected to a limited audit were not in compliance with the regulations on financial reporting and do not provide a correct opinion, it shall be stated that the financial statements subjected to a limited audit were not in compliance with the regulations on financial reporting and do not provide a correct opinion by specifying the factors which prevent the financial statements from being reflected correctly and possible quantitative effects of such factors on the financial statements except for factors which cannot be determined; or

c) If there is a significant restriction and the possible effect of such restriction is so significant and comprehensive that the external auditor cannot provide any assurance by taking into account of corrections required to be made to the financial statements due to such restriction or in case it had not existed, then the report shall state that the financial statements are not in compliance with the regulations on financial reporting and do not provide a correct opinion.

(4) The report on a limited audit shall include the following:

a) Title,

b) The institution to which the report will be submitted,

c) An introduction paragraph,

1) An explanation about the financial statements subjected to a limited audit and the period to which those financial statements belong,

2) An explanation about the obligations of the bank and the authorized audit institution and the external auditors,

ç) A paragraph laying down the scope of the limited audit.

1) A statement that the limited audit is being carried out in accordance with this Regulation and the applicable regulations,

2) A statement that the limited audit is being carried out by primarily using information gathering and analytic audit techniques,

3) A statement that the audit will provide less assurance than a full audit and that it will not provide a full audit opinion,

d) A phrase that a limited assurance will be provided as a result of the audit,

e) The date of the limited audit report,

f) The name and address of the authorized audit institution,

g) The signature, name, and title of the responsible partner senior auditor.

## **PART THIRTEEN**

### **Other provisions**

#### **Special-purpose external audit**

**ARTICLE 59-** (1) Prior to the commencement of a special-purpose external audit with a the bank and the authorized audit institution shall enter into an agreement in respect of the type of the external audit and the report to be drawn up except for an audit to be conducted in accordance with the Regulation on Procedures and Principles for Preparation and Publication of the Annual Report by Banks. The agreement for an external audit to be concluded with an authorized audit institution which will be hired for conducting an external audit with a special purpose based on a decision made by the board of directors of the bank shall be drawn up in accordance with the Articles 20 and 21.

(2) The Agency may require that a special-purpose audit be carried out by another authorized audit institution other than the authorized audit institution which has carried out the annual and intermediate audits of the bank.

(3) The audit strategy and techniques to be applied depending on the subject matter of the a special-purpose external audit shall be determined in accordance with the procedures and principles set forth in part seven of this Regulation.

(4) After consulting with the external audit team reporting to him, the responsible partner senior auditor shall assess the findings consisting of audit evidence obtained during the a special-purpose audit and draw up a report containing his opinion.

#### **Submission of external audits reports**

**ARTICLE 60-** (1) The financial statements of a bank shall be approved by the authorized audit institution which has drawn up an external audit report. A copy of the report on an external audit shall be submitted to the audit committee of the bank for being conveyed to the board of directors of the bank together with a cover letter signed by the authorized signatories of the authorized audit institution.

(2) External audit reports drawn up as of the end of an account period shall be made available for the shareholders at least 15 days prior to the general assembly where the financial statements covering the related account period will be discussed and read out during the meeting.

(3) The audit committee of the bank shall furnish the Agency and the Central Bank of the Republic of Turkish with the following audit reports submitted to the board of directors of the bank in accordance with the first paragraph above subject to the following conditions:

a) Reports on an external audit related to the end of an account period shall be submitted together with the consolidated reports on external audits by the end of April.

b) Non-consolidated reports on external audits drawn up in respect of interim periods shall be submitted within 45 days from the end of the related period while consolidated reports shall be submitted within 75 days from the same date.

(4) The Board, under incidental conditions, is authorized to give additional time for the submission of external audit reports to the Agency.<sup>33</sup>

#### **Compensation of professional liability insurance**

**ARTICLE 61-** (1) In the event that matters which shall significantly affect the reliability of financial statements due to the defects of the authorized audit institution or external auditors it employs, the Agency or depositors and holders of participation account or the users of the financial statements shall be entitled to demand compensation of the professional liability insurance from the responsible audit institution and the insurance company concerned under the procedures and principles set forth in the Article 26 (11) and (12) and in accordance with the Article 36 of the Law.<sup>34</sup>

### **PART FOURTEEN**

#### **Final and miscellaneous provisions**

##### **Provisions to be applied in case of ambiguity**

**ARTICLE 62-** The principles and standards established by the professional institution concerned in accordance with Law Nr. 3568 dated June 13, 1989 and principles adopted in international audit standards and the regulations of the European Union, respectively, shall apply in cases which are unclear in this Regulation.

##### **Abolished regulations**

**ARTICLE 63-** (1) Regulation on the External Audit Principles and Regulation on Authorization and Termination of Authorization Temporarily or Permanently of Institutions to Perform External Audit which were published in the supplementary edition of the Official Gazette dated January 31, 2002 and Nr. 24657 were abolished.

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<sup>33</sup> As in the amendment made pursuant to the Regulation published in the Official Gazette dated July 24, 2007 and Nr. 26592.

<sup>34</sup> As in the amendment made pursuant to the Regulation published in the Official Gazette dated July 24, 2007 and Nr. 26592.

### **Adaptation period**

**PROVISIONAL ARTICLE 1-** (1) External audit institutions which has been authorized prior to the publication of this Regulation are subject to the provisions of this Regulation and it is obligatory that external auditors excluding their partners and assistant auditor and trainee auditor furnish the Agency with the letter of undertaking included in the annex 2 of the Regulation by filling out the statements in Annexes 6, 7, 8, 9 and 10 of the Regulation until December 31, 2007.<sup>35</sup>

### **Maximum period**

**PROVISIONAL ARTICLE 2-** (1) Authorized audit institutions which have a legal relationship with the same external audit company established in Turkey or abroad although they have different partners or external auditors with which banks have concluded an agreement for an external audit in accordance with the Article 9 of the Regulation on the External Audit Principles and Regulation on Authorization and Termination of Authorization Temporarily or Permanently of Institutions to Perform External Audit which was abolished in the supplementary edition of the Official Gazette dated January 31, 2002 and Nr. 24657 shall also be included in the maximum period defined in the Article 12 (11).

(2) The period during which an external auditor has carried out an audit in accordance with an agreement for an external audit concluded with an authorized audit institution prior to the date this Regulation entered into force shall be taken into consideration in the calculation of the five-year period defined in the Article 12 (11).

(3) The period during which audit institutions authorized prior to the date this Regulation entered into force shall be taken into consideration in the calculation of the eight-year period defined in the Article 12 (11).

(4) The period as defined in the Article 19 (1e) of this Regulation shall apply from the date of abolishment of this Regulation in respect of institutions authorized prior to the publication of this Regulation hereof.

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<sup>35</sup> As in the amendment made pursuant to the Regulation published in the Official Gazette dated July 24, 2007 and Nr. 26592.



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**CURRICULUM VITAE OF SHAREHOLDERS/EXTERNAL AUDITORS**


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<b>NAME-SURNAME :</b>			
<b>RESIDENCE ADDRESS :</b>			
<b>EDUCATIONAL BACKGROUND :</b> (Detailed)			
<b>NAME AND ADDRESS OF CURRENT EMPLOYER:</b>			
<b>PROFESSION AND TITLE:</b>			
<b>IDENTITY NUMBER/PASSPORT NUMBER:</b>			
<b>PARTNERSHIP INTEREST:</b>			
<b>PREVIOUS EMPLOYERS</b>			
	<b>NAME OF INSTITUTION</b>	<b>DATES OF STARTING AND LEAVING</b>	<b>TITLE</b>
1-			
2-			
3-			
4-			
<b>DETAILS ABOUT INSTITUTIONS AUDITED</b>			
	<b>NAME OF B INSTITUTION</b>	<b>DURATION OF AUDIT</b>	<b>TITLE</b>
<b>AUDIT-RELATED TRAINING AND CERTIFICATES RECEIVED</b>			
<b>YEAR</b>	<b>DURATION OF TRAINING</b>	<b>TITLE OF TRAINING</b>	<b>CERTIFICATE</b>

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<sup>36</sup> As in the amendment made pursuant to the Regulation published in the Official Gazette dated July 24, 2007 and Nr. 26592.


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**UNDERTAKING**

**TO THE BANKING REGULATION AND SUPERVISION AGENCY**

I hereby declare and warrant that ..... Sworn-in Certified Financial Consultancy/Certified Public Accounting A.Ş. shall withdraw from the external audit service offered to the bank concerned upon the occurrence of any event that would eliminate independence of partners, chairman and member of the board of directors, managers or auditors defined in the Article 12 of the same Regulation during external audit activity ..... Sworn-in Certified Financial Consultancy/Certified Public Accounting and Financial Consultancy A.Ş. conducts within the scope of The Regulation on Authorization and Activities of Institutions to Perform External Audit in Banks.

...../...../.....

SIGNATURE

NAME-SURNAME

TITLE

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<sup>37</sup> As in the amendment made pursuant to the Regulation published in the Official Gazette dated July 24, 2007 and Nr. 26592.

**NOTIFICATION FORM OF PARTNER AND EXTERNAL AUDITORS OF  
THE INSTITUTIONS AUTHORIZED TO PERFORM EXTERNAL AUDIT IN  
BANKS**

**Title of the Authorized Audit Institution:**

**Period:**

**Partners**

	<b>Name- Surname</b>	<b>Professional Title<sup>39</sup></b>	<b>Licence No</b>	<b>Title in the Company<sup>40</sup></b>	<b>Partnership Interest</b>	<b>Amount of the Interest (TRY)</b>
<b>1</b>						
<b>2</b>						
<b>3</b>						
<b>4</b>						
<b>5</b>						
<b>6</b>						
<b>7</b>						

<sup>38</sup> Added subsequent to the Regulation published in the Official Gazette dated July 24, 2007 and Nr. 26592.

<sup>39</sup> Professional title of the partner/external auditor pursuant to the Article 17 (1) of the Regulation Certified Public Accountancy, Certified Public Accountancy-Financial Consultancy and Sworn-in Certified Financial Consultancy Nr. 3568 shall be stated.

<sup>40</sup> Title of the partner/external auditor pursuant to the Article 17 (1) of the Regulation Certified Public Accountancy, Certified Public Accountancy-Financial Consultancy and Sworn-in Certified Financial Consultancy Nr. 3568 shall be stated. "Partner" expression shall be used for those, among company partners, who are not included in the audit staff and hence who do not bear the said titles.

<b>8</b>						
<b>9</b>						
<b>10</b>						
					<b>100%</b>	<b>Paid-Up Capital Amount  ...TRY</b>

### External Auditors<sup>41</sup>

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	<b>Name-Surname</b>	<b>Professional Title1</b>	<b>License No</b>	<b>Title in the Company2</b>
<b>1</b>				
<b>2</b>				
<b>3</b>				
<b>4</b>				
<b>5</b>				
<b>6</b>				
<b>7</b>				

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<sup>41</sup> All audit staff excluding assistant external auditor and trainee external auditor shall be mentioned.

**UNDERTAKING**

**TO THE BANKING REGULATION AND SUPERVISION AGENCY**

I hereby declare and warrant that I do not and will not have a partnership in any other external audit institution or rating or valuation agency other than ..... Sworn-in Certified Financial Consultancy/Certified Public Accounting A.Ş. and that I have not worked or will not work for such external audit institution or rating or valuation agency as the chairman or member of board of directors, manager, auditor or an employee engaged in audit, rating or valuation activity; and that I have not found responsible in activities which have led to the termination of license in an institution of which license to conduct external audit, rating and valuation in home and abroad.

...../...../.....

SIGNATURE

NAME-SURNAME

TITLE

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<sup>42</sup> As in the amendment made pursuant to the Regulation published in the Official Gazette dated July 24, 2007 and Nr. 26592.

**UNDERTAKING**

**TO THE BANKING REGULATION AND SUPERVISION**

**AGENCY**

I hereby declare and warrant that I do not carry out any commercial activity other than professional activities.

...../...../.....

SIGNATURE

NAME-SURNAME

TITLE

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<sup>43</sup> As in the amendment made pursuant to the Regulation published in the Official Gazette dated July 24, 2007 and Nr. 26592.

**UNDERTAKING**

**TO THE BANKING REGULATION AND SUPERVISION**

**AGENCY**

I hereby declare and warrant that I do and will work for ..... Sworn-in Certified Financial Consultancy/Certified Public Accounting A.Ş.' as a full-time employee.

...../...../.....

SIGNATURE

NAME-SURNAME

TITLE



**UNDERTAKING****TO THE BANKING REGULATION AND SUPERVISION****AGENCY**

I hereby undertake that ..... Sworn-in Certified Financial Consultancy/Certified Public Accounting A.Ş. of which I am a employee will withdraw from external audit services being provided to a bank upon the occurrence of any event that would eliminate independence of myself stated in the Article 12 of the Regulation during the acitivities of .....Sworn-in Certified Financial Consultancy/Certified Public Accounting A.Ş.within the scope of the The Regulation on Authorization and Activities of Institutions to Perform External Audit in Banks which was published in the Official Gazete dated November 1, 2006 and Nr. 26333.

...../...../.....

SIGNATURE

NAME-SURNAME

TITLE

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<sup>44</sup> As in the amendment made pursuant to the Regulation published in the Official Gazette dated July 24, 2007 and Nr. 26592.

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**UNDERTAKING****TO THE BANKING REGULATION AND SUPERVISION  
AGENCY**

I hereby declare and warrant that no disciplinary action has been taken by other authorized institutions against me; I will inform the Agency within seven days if such disciplinary action is taken; I will submit my resignation within fifteen days if I am given a punishment which may prevent me from conducting external audits as a result of such disciplinary action and I also undertake to substantiate by a document which I will obtain from the institution concerned that I have not been given a disciplinary punishment which would prevent me from conducting external audits as a result of a previous or pending disciplinary action.

...../...../.....

SIGNATURE

NAME-SURNAME

TITLE

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<sup>45</sup> As in the amendment made pursuant to the Regulation published in the Official Gazette dated July 24, 2007 and Nr. 26592.

**ANNUAL REPORT****Opinion of Conformity**

To: General assembly of ..... A.Ş.:

We have audited the conformity and accuracy of the financial information included in the annual report of ..... A.Ş. (and its affiliates subject to consolidation) prepared as of ..... with the external audit report prepared as of the end of the related account period. Annual report, which is subject of the report, rests with the bank management. Our responsibility as the institution conducting external audit is giving an opinion about the annual report under audit.

The audit has been carried according to the procedures and principles for preparation and publication of the annual report which was put into force pursuant to the Banking Law Nr. 5411 as well as external audit principles. These regulations require that audits be planned and implemented in order to provide reasonable assurance that whether or not there is a significant error in the annual report. We believe that the audit carried out constitutes a reasonable and sufficient ground for forming our opinion.

We are of the opinion that information included in the annual report attached to our report correctly reflect information related to the financial condition of ..... A.Ş. as of .../.../..... in all material respects and include a summary of the report drawn up by the board of directors and our opinion as external auditors in accordance with the procedures and principles set forth in regulations put into force pursuant to the Article 40 of the Banking Law Nr. 5411 and they are in compliance with the information given in the financial statements been external audited.

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<sup>46</sup> As in the amendment made pursuant to the Regulation published in the Official Gazette dated July 24, 2007 and Nr. 26592.

Title of Institution  
Place and Date of Report

Responsible Partner Senior Auditor's  
Signature  
Name  
Title

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**ANNUAL REPORT****Opinion of Nonconformity**

To: General assembly of ..... A.Ş.:

We have audited the conformity and accuracy of the financial information included in the annual report of ..... A.Ş. (and its affiliates subject to consolidation) prepared as of ..... with the external audit report prepared as of the end of the related account period. Annual report, which is subject of the report, rests with the bank management. Our responsibility as the institution conducting external audit is giving an opinion about the annual report under audit.

The audit has been carried according to the procedures and principles for preparation and publication of the annual report which was put into force pursuant to the Banking Law Nr. 5411 as well as external audit principles. These regulations require that audits be planned and implemented in order to provide reasonable assurance that whether or not there is a significant error in the annual report. We believe that the audit carried out constitutes a reasonable and sufficient ground for forming our opinion.

(Errors detected and their possible effects shall be inserted)

We are of the opinion that information included in the annual operating report attached to our report include omissions (corrections or amendments need to be made) in respect of issues referred to above in terms of compliance of ..... A.Ş. as of ... with the procedures and principles set forth in the regulation put into force pursuant to the Article 40 of the Banking Law Nr. 5411 (information presented in the financial statements which we have audited externally by ourselves) in all material respects.

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<sup>47</sup> As in the amendment made pursuant to the Regulation published in the Official Gazette dated July 24, 2007 and Nr. 26592.

Title of Institution  
Place and Date of Report

Responsible Partner Senior Auditor's  
Signature  
Name  
Title

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**REPORT ON EXTERNAL AUDIT****Positive Opinion**

To: Board of Directors of ..... A.Ş.:

We have audited a summary of (consolidated) balance-sheet of ..... A.Ş. (and its affiliates subject to consolidation) as of ....., (consolidated) income statement belonging to the period ending by the same date, cash-flow statement, statement in changes in equity and important accounting policies and other explanatory notes.

Statement With Regard to the Responsibility of the Board of Directors of the Bank:

The board of directors of the bank shall be responsible for establishing an internal control system so as to ensure the financial statements which are subject matter of the report are drawn up and submitted in accordance with the Regulation on Procedures and Principles for Accounting Practices and Retention of Documents by Banks published in the Official Gazette dated November 1, 2006 and Nr. 26333; the Turkish Accounting Standards; and Turkish Financial Reporting Standards and other regulations, communiqués and circulars published by the Banking Regulation and Supervision Board on accounting and financial reporting principles as well as the announcements made by the Banking Regulation and Supervision Board that do not include any materially misleading information as a result of an error made inadvertently or deliberately and for selecting and implementing appropriate accounting policies.

Statement With Regard to the Responsibility of the Authorized Audit Institution:

Our responsibility as the institution conducting an external audit is to give an opinion in respect of the financial statements under audit. The external audit has been conducted

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<sup>48</sup> As in the amendment made pursuant to the Regulation published in the Official Gazette dated July 24, 2007 and Nr. 26592.

according to the Regulation on Authorization and Activities of Institutions to Perform External Audit in Banks and international audit standards. The external audit has been planned and conducted so as to provide reasonable assurance that the financial statements do not include any significant error. Audit techniques aimed at gathering audit evidence with regard to amounts, explanations, and footnotes in the financial statements were used; external auditor we employ has taken initiative which technique to use, however audit techniques appropriate for the condition were determined by taking into account the efficiency of the internal controls during the process of preparation and submission of the financial statements and the appropriateness of the accounting policies followed. Sufficient and appropriate audit evidence has been obtained in order to form the external audit opinion given below.

#### The Opinion of the External Auditor

We are of the opinion that the financial statements attached to this report correctly reflect information related to the financial condition of ..... A.Ş. as of ...../...../..... and financial condition and activity results ending by the same period as well as cash flows in all material respects in accordance with the accounting principles and standards set forth in the regulations put into force pursuant to the Articles 37 and 38 of the Banking Law Nr. 5411.

Name of Institution  
Place and Date of Report

Responsible Partner Senior Auditor's  
Signature  
Name  
Title

**REPORT ON EXTERNAL AUDIT**

**Positive Opinion**

**(In case there is any Issue to be highlighted Without Expressing a Qualified Opinion)**

To: Board of Directors of ..... A.Ş.:

We have audited a summary of (consolidated) balance-sheet of ..... A.Ş. (and its affiliates subject to consolidation) as of ....., (consolidated) income statement belonging to the period ending by the same date, cash-flow statement, statement in changes in equity and important accounting policies and other explanatory notes.

Statement With Regard to the Responsibility of the Board of Directors of the Bank:

The board of directors of the bank shall be responsible for establishing an internal control system so as to ensure the financial statements which are subject mater of the report are drawn up and submitted in accordance with the Regulation on Procedures and Principles for Accounting Practices and Retention of Documents by Banks published in the Official Gazette dated November 1, 2006 and Nr. 26333; the Turkish Accounting Standards; and Turkish Financial Reporting Standards and other regulations, communiqués and circulars published by the Banking Regulation and Supervision Board on accounting and financial reporting principles as well as the announcements made by the Banking Regulation and Supervision Board that do not include any materially misleading information as a result of an error made inadvertently or deliberately and for selecting and implementing appropriate accounting policies.

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<sup>49</sup> As in the amendment made pursuant to the Regulation published in the Official Gazette dated July 24, 2007 and Nr. 26592.

Statement With Regard to the Responsibility of the Authorized Audit Institution:

Our responsibility as the institution conducting an external audit is to give an opinion in respect of the financial statements under audit. The external audit has been conducted according to the Regulation on Authorization and Activities of Institutions to Perform External Audit in Banks and international audit standards. The external audit has been planned and conducted so as to provide reasonable assurance that the financial statements do not include any significant error. Audit techniques aimed at gathering audit evidence with regard to amounts, explanations, and footnotes in the financial statements were used; external auditor we employ has taken initiative which technique to use, however audit techniques appropriate for the condition were determined by taking into account the efficiency of the internal controls during the process of preparation and submission of the financial statements and the appropriateness of the accounting policies followed. Sufficient and appropriate audit evidence has been obtained in order to form the external audit opinion given below.

We are of the opinion that the financial statements attached to this report correctly reflect information related to the financial condition of ..... A.Ş. as of ...../...../..... and financial condition and activity results ending by the same period as well as cash flows in all material respects in accordance with the accounting principles and standards set forth in the regulations put into force pursuant to the Articles 37 and 38 of the Banking Law Nr. 5411.

We consider it necessary to bring the following issues to your attention although they do not affect our opinion: \*

1. ....
2. ....
3. ....

Name of Institution  
Place and Date of Report

Responsible Partner Senior Auditor's  
Signature  
Name

Title

(\* Issues which do not require a qualified opinion, but need to be taken into consideration shall be explained in detail.

**REPORT ON EXTERNAL AUDIT**

**Qualified Opinion**

**(In case there is Any Restriction Affecting the Scope of the Audit)**

To: Board of Directors of ..... A.Ş.:

We have audited a summary of (consolidated) balance-sheet of ..... A.Ş. (and its affiliates subject to consolidation) as of ....., (consolidated) income statement belonging to the period ending by the same date, cash-flow statement, statement in changes in equity and important accounting policies and other explanatory notes.

**Statement With Regard to the Responsibility of the Board of Directors of the Bank:**

The board of directors of the bank shall be responsible for establishing an internal control system so as to ensure the financial statements which are subject matter of the report are drawn up and submitted in accordance with the Regulation on Procedures and Principles for Accounting Practices and Retention of Documents by Banks published in the Official Gazette dated November 1, 2006 and Nr. 26333; the Turkish Accounting Standards; and Turkish Financial Reporting Standards and other regulations, communiqués and circulars published by the Banking Regulation and Supervision Board on accounting and financial reporting principles as well as the announcements made by the Banking Regulation and Supervision Board that do not include any materially misleading information as a result of an error made inadvertently or deliberately and for selecting and implementing appropriate accounting policies.

**Statement With Regard to the Responsibility of the Authorized Audit Institution:**

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<sup>50</sup> As in the amendment made pursuant to the Regulation published in the Official Gazette dated July 24, 2007 and Nr. 26592.

Our responsibility as the institution conducting an external audit is to give an opinion in respect of the financial statements under audit. The external audit has been conducted according to the Regulation on Authorization and Activities of Institutions to Perform External Audit in Banks and international audit standards. The external audit has been planned and conducted so as to provide reasonable assurance that the financial statements do not include any significant error. Audit techniques aimed at gathering audit evidence with regard to amounts, explanations, and footnotes in the financial statements were used; external auditor we employ has taken initiative which technique to use, however audit techniques appropriate for the condition were determined by taking into account the efficiency of the internal controls during the process of preparation and submission of the financial statements and the appropriateness of the accounting policies followed. Sufficient and appropriate audit evidence has been obtained in order to form the external audit opinion given below.

(Restrictions imposed on the external audit and issues which could not be verified as a consequence shall be written down). (Example: As no confirmation letter has been received in respect of customer balances amounting to TL ..... within credit balances of the bank, its effect on ..... could, therefore, not be ascertained.)

We are of the opinion that the financial statements excluding the effects of matter(s) described above (in paragraph...) attached to this report correctly reflect information related to the financial condition of ..... A.Ş. as of ...../...../..... and financial condition and activity results ending by the same period as well as cash flows in all material respects in accordance with the accounting principles and standards set forth in the regulations put into force pursuant to the Articles 37 and 38 of the Banking Law Nr. 5411.

Name of Institution  
Place and Date of Report

Responsible Partner Senior Auditor's  
Signature  
Name  
Title

**REPORT ON EXTERNAL AUDIT**

**Qualified Opinion**

**(In case there is Any Disagreement with the Management or Any Issue Requiring Revisions to the Financial Statements)**

To: Board of Directors of ..... A.Ş.:

We have audited a summary of (consolidated) balance-sheet of ..... A.Ş. (and its affiliates subject to consolidation) as of ....., (consolidated) income statement belonging to the period ending by the same date, cash-flow statement, statement in changes in equity and important accounting policies and other explanatory notes.

**Statement With Regard to the Responsibility of the Board of Directors of the Bank:**

The board of directors of the bank shall be responsible for establishing an internal control system so as to ensure the financial statements which are subject matter of the report are drawn up and submitted in accordance with the Regulation on Procedures and Principles for Accounting Practices and Retention of Documents by Banks published in the Official Gazette dated November 1, 2006 and Nr. 26333; the Turkish Accounting Standards; and Turkish Financial Reporting Standards and other regulations, communiqués and circulars published by the Banking Regulation and Supervision Board on accounting and financial reporting principles as well as the announcements made by the Banking Regulation and Supervision Board that do not include any materially misleading information as a result of an error made inadvertently or deliberately and for selecting and implementing appropriate accounting policies.

**Statement With Regard to the Responsibility of the Authorized Audit Institution:**

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<sup>51</sup> As in the amendment made pursuant to the Regulation published in the Official Gazette dated July 24, 2007 and Nr. 26592.

Our responsibility as the institution conducting an external audit is to give an opinion in respect of the financial statements under audit. The external audit has been conducted according to the Regulation on Authorization and Activities of Institutions to Perform External Audit in Banks and international audit standards. The external audit has been planned and conducted so as to provide reasonable assurance that the financial statements do not include any significant error. Audit techniques aimed at gathering audit evidence with regard to amounts, explanations, and footnotes in the financial statements were used; external auditor we employ has taken initiative which technique to use, however audit techniques appropriate for the condition were determined by taking into account the efficiency of the internal controls during the process of preparation and submission of the financial statements and the appropriateness of the accounting policies followed. Sufficient and appropriate audit evidence has been obtained in order to form the external audit opinion given below.

(Effects of unconformity with accounting principles and standards and of errors on the related accounts of the financial statements shall be written down) (Example: ..... as the interest expense rediscounts of the bank calculated was TL ..... less then the actual amount).

We are of the opinion that the financial statements excluding the effects of matter(s) described above (in paragraph...) attached to this report correctly reflect information related to the financial condition of ..... A.Ş. as of ...../...../..... and financial condition and activitiy results ending by the same period as well as cash flows in all material respects in accordance with the accounting principles and standards set forth in the regulations put into force pursuant to the Articles 37 and 38 of the Banking Law Nr. 5411.

Name of Institution  
Place and Date of Report

Responsible Partner Senior Auditor's  
Signature  
Name  
Title

## REPORT ON EXTERNAL AUDIT

### Negative Opinion

To: Board of Directors of ..... A.Ş.:

We have audited a summary of (consolidated) balance-sheet of ..... A.Ş. (and its affiliates subject to consolidation) as of ....., (consolidated) income statement belonging to the period ending by the same date, cash-flow statement, statement in changes in equity and important accounting policies and other explanatory notes.

Statement With Regard to the Responsibility of the Board of Directors of the Bank:

The board of directors of the bank shall be responsible for establishing an internal control system so as to ensure the financial statements which are subject matter of the report are drawn up and submitted in accordance with the Regulation on Procedures and Principles for Accounting Practices and Retention of Documents by Banks published in the Official Gazette dated November 1, 2006 and Nr. 26333; the Turkish Accounting Standards; and Turkish Financial Reporting Standards and other regulations, communiqués and circulars published by the Banking Regulation and Supervision Board on accounting and financial reporting principles as well as the announcements made by the Banking Regulation and Supervision Board that do not include any materially misleading information as a result of an error made inadvertently or deliberately and for selecting and implementing appropriate accounting policies.

Statement With Regard to the Responsibility of the Authorized Audit Institution:

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<sup>52</sup> As in the amendment made pursuant to the Regulation published in the Official Gazette dated July 24, 2007 and Nr. 26592.

Our responsibility as the institution conducting an external audit is to give an opinion in respect of the financial statements under audit. The external audit has been conducted according to the Regulation on Authorization and Activities of Institutions to Perform External Audit in Banks and international audit standards. The external audit has been planned and conducted so as to provide reasonable assurance that the financial statements do not include any significant error. Audit techniques aimed at gathering audit evidence with regard to amounts, explanations, and footnotes in the financial statements were used; external auditor we employ has taken initiative which technique to use, however audit techniques appropriate for the condition were determined by taking into account the efficiency of the internal controls during the process of preparation and submission of the financial statements and the appropriateness of the accounting policies followed.

As stated in the footnote nr. ....,  
 .....  
 .....

We are of the opinion that the financial statements excluding the effects of matter(s) described above (in paragraph...) attached to this report do not correctly reflect information related to the financial condition of ..... A.Ş. as of ..../..../..... and financial condition and activity results ending by the same period as well as cash flows in all material respects in accordance with the accounting principles and standards set forth in the regulations put into force pursuant to the Articles 37 and 38 of the Banking Law Nr. 5411.

Name of Institution  
 Place and Date of Report

Responsible Partner Senior Auditor's  
 Signature  
 Name  
 Title

**REPORT ON EXTERNAL AUDIT****Avoiding to Give an Opinion**

To: Board of Directors of ..... A.Ş.:

We have audited a summary of (consolidated) balance-sheet of ..... A.Ş. (and its affiliates subject to consolidation) as of ....., (consolidated) income statement belonging to the period ending by the same date, cash-flow statement, statement in changes in equity and important accounting policies and other explanatory notes.

**Statement With Regard to the Responsibility of the Board of Directors of the Bank:**

The board of directors of the bank shall be responsible for establishing an internal control system so as to ensure the financial statements which are subject matter of the report are drawn up and submitted in accordance with the Regulation on Procedures and Principles for Accounting Practices and Retention of Documents by Banks published in the Official Gazette dated November 1, 2006 and Nr. 26333; the Turkish Accounting Standards; and Turkish Financial Reporting Standards and other regulations, communiqués and circulars published by the Banking Regulation and Supervision Board on accounting and financial reporting principles as well as the announcements made by the Banking Regulation and Supervision Board that do not include any materially misleading information as a result of an error made inadvertently or deliberately and for selecting and implementing appropriate accounting policies.

**Statement With Regard to the Responsibility of the Authorized Audit Institution:**

Our responsibility as the institution conducting an external audit is to give an opinion in respect of the financial statements under audit. The external audit has been conducted according to the Regulation on Authorization and Activities of Institutions to Perform

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<sup>53</sup> As in the amendment made pursuant to the Regulation published in the Official Gazette dated July 24, 2007 and Nr. 26592.

External Audit in Banks and international audit standards. The external audit has been planned and conducted so as to provide reasonable assurance that the financial statements do not include any significant error. Audit techniques aimed at gathering audit evidence with regard to amounts, explanations, and footnotes in the financial statements were used; external auditor we employ has taken initiative which technique to use, however audit techniques appropriate for the condition were determined by taking into account the efficiency of the internal controls during the process of preparation and submission of the financial statements and the appropriateness of the accounting policies followed.

However, as a result of the works we have undertaken, various issues were found out, including ..... of which sources and nature could not be ascertained.

We are unable to provide an opinion about the financial statements attached due to the significant effects on ..... of the issues outlined above (paragraph ...).

Name of Institution  
Place and Date of Report

Responsible Partner Senior Auditor's  
Signature  
Name  
Title

**REPORT ON LIMITED EXTERNAL AUDIT**

To: Board of Directors of ..... A.Ş.:

We have limited audited the (consolidated) financial statements of ..... A.Ş. (and its partnerships subject to consolidation) as of ...../...../.....as well as their (consolidated) income statement belonging to the period ending by the same date, cash-flow statement and statement in changes in equity. Financial statements which are subject matter of the report is under the responsibility of the bank. Our responsibility as the institution conducting an external audit is to submit a report on the financial statements in question depending on the limited audit been conducted.

The limited audit has been executed in accordance with the account and report system put into force pursuant to the Banking Law Nr. 5411 and regulations on accounting and external audit principles. These regulations require that limited audits be planned and conducted in order to provide limited assurance that there is not a significant error in the financial statements. A limited audit will provide less assurance as compared to a full audit since it will basically be limited to analyzing financial statements by using analytic methods, questioning their accuracy, and gathering information through interviews with the management of the institution under audit. No audit opinion is provided because a full audit has not been carried out.

As a result of the limited audit we have conducted we did not discover any important evidence indicating that the financial statements attached to this report do not correctly reflect information related to the financial condition of ..... A.Ş. as of ...../...../..... and the results of its activities ending by the same date and cash flows in accordance with the accounting principles and standards set forth in the regulations put into force pursuant to the Articles 37 and 38 of the Banking Law Nr. 5411.

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<sup>54</sup> As in the amendment made pursuant to the Regulation published in the Official Gazette dated July 24, 2007 and Nr. 26592.

Name of Institution  
Place and Date of Report

Responsible Partner Senior Auditor's  
Signature  
Name  
Title

**REPORT ON QUALIFIED LIMITED EXTERNAL AUDIT****(In case there is Any Reason for Correction in Financial Statements)**

To: Board of Directors of ..... A.Ş.:

We have limited audited the (consolidated) financial statements of ..... A.Ş. (and its partnerships subject to consolidation) as of ...../...../.....as well as their (consolidated) income statement belonging to the period ending by the same date, cash-flow statement and statement in changes in equity. Financial statements which are subject matter of the report is under the responsibility of the bank. Our responsibility as the institution conducting an external audit is to submit a report on the financial statements in question depending on the limited audit been conducted.

The limited audit has been executed in accordance with the account and report system put into force pursuant to the Banking Law Nr. 5411 and regulations on accounting and external audit principles. These regulations require that limited audits be planned and conducted in order to provide limited assurance that there is not a significant error in the financial statements. A limited audit will provide less assurance as compared to a full audit since it will basically be limited to analyzing financial statements by using analytic methods, questioning their accuracy, and gathering information through interviews with the management of the institution under audit. No audit opinion is provided because a full audit has not been carried out.

(Errors discovered and their possible effects shall be written down) (Example: ..... the interest expense discounts of the bank calculated was TL ..... less than the actual amount).

As a result of the limited audit we have conducted we did not discover any important evidence indicating that the financial statements attached to this report do not correctly reflect

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<sup>55</sup> As in the amendment made pursuant to the Regulation published in the Official Gazette dated July 24, 2007 and Nr. 26592.

information related to the financial condition of ..... A.Ş. as of ...../...../.....  
and the results of its activities ending by the same date and cash flows in accordance with the  
accounting principles and standards set forth in the regulations put into force pursuant to the  
Articles 37 and 38 of the Banking Law Nr. 5411.

Name of Institution  
Place and Date of Report

Responsible Partner Senior Auditor's  
Signature  
Name  
Title

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**NEGATIVE REPORT ON LIMITED AUDIT**

To: Board of Directors of ..... A.Ş.:

We have limited audited the (consolidated) financial statements of ..... A.Ş. (and its partnerships subject to consolidation) as of ...../...../.....as well as their (consolidated) income statement belonging to the period ending by the same date, cash-flow statement and statement in changes in equity. Financial statements which are subject matter of the report is under the responsibility of the bank. Our responsibility as the institution conducting an external audit is to submit a report on the financial statements in question depending on the limited audit been conducted.

The limited audit has been executed in accordance with the account and report system put into force pursuant to the Banking Law Nr. 5411 and regulations on accounting and external audit principles. These regulations require that limited audits be planned and conducted in order to provide limited assurance that there is not a significant error in the financial statements. A limited audit will provide less assurance as compared to a full audit since it will basically be limited to analyzing financial statements by using analytic methods, questioning their accuracy, and gathering information through interviews with the management of the institution under audit. No audit opinion is provided because a full audit has not been carried out.

As stated in the footnote nr. ....,  
 .....  
 .....

We are of the opinion that the financial statements excluding the effects of matter(s) described above (in paragraph...) attached to this report do not correctly reflect information related to the financial condition of ..... A.Ş. as of ...../...../..... and financial condition and activity results ending by the same period as well as cash flows in all material

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<sup>56</sup> As in the amendment made pursuant to the Regulation published in the Official Gazette dated July 24, 2007 and Nr. 26592.

respects in accordance with the accounting principles and standards set forth in the regulations put into force pursuant to the Articles 37 and 38 of the Banking Law Nr. 5411.

Name of Institution	Responsible Partner Senior Auditor's
Place and Date of Report	Signature
	Name
	Title

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**REPORT ON LIMITED EXTERNAL AUDIT****(In case there is a Very Important Restriction on the Scope of the Audit)**

To: Board of Directors of ..... A.Ş.:

We have limited audited the (consolidated) financial statements of ..... A.Ş. (and its partnerships subject to consolidation) as of ...../...../.....as well as their (consolidated) income statement belonging to the period ending by the same date, cash-flow statement and statement in changes in equity. Financial statements which are subject matter of the report is under the responsibility of the bank. Our responsibility as the institution conducting an external audit is to submit a report on the financial statements in question depending on the limited audit been conducted.

The limited audit has been executed in accordance with the account and report system put into force pursuant to the Banking Law Nr. 5411 and regulations on accounting and external audit principles. These regulations require that limited audits be planned and conducted in order to provide limited assurance that there is not a significant error in the financial statements. A limited audit will provide less assurance as compared to a full audit since it will basically be limited to analyzing financial statements by using analytic methods, questioning their accuracy, and gathering information through interviews with the management of the institution under audit. No audit opinion is provided because a full audit has not been carried out.

We have encountered a significant and comprehensive restriction of scope in terms of ..... which has prevented us from providing an assurance as a result of the works we have undertaken.

We are unable to give an opinion about the financial statements attached due to the significant effects on..... of the issues outlined above (paragraph ...).

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<sup>57</sup> As in the amendment made pursuant to the Regulation published in the Official Gazette dated July 24, 2007 and Nr. 26592.

Name of Institution  
Place and Date of Report

Responsible Partner Senior Auditor's  
Signature  
Name  
Title