

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

**REGULATION on the  
PRINCIPLES and  
PROCEDURES  
CONCERNING the  
PREPARATION of the  
ANNUAL REPORT by BANKS**  
(Published in the Official Gazette Nr. 26333 dated  
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**SECTION ONE**

**Objective and Scope, Basis and Definitions**

**Objective**

**ARTICLE 1** – (1) The objective of this Regulation is to regulate the principles and procedures for preparation and publication by banks of annual activity reports containing information on their statues, managerial and operational structures, human resources, activities, financial positions, evaluations by management and future expectations as well as financial sheets, summary of the executive board report and independent audit reports subject to principles of corporate management for the purpose of providing information to bank shareholders, saving holders and other relevant persons or entities.

**Scope**

**ARTICLE 2** – (1) This Regulation covers banks' annual activity reports including any versions to be published in foreign languages.

**Basis**

**ARTICLE 3** – (1) This Regulation has been prepared on the basis of the fourth sub-clause of Articles 40 and 93 of the Banking Law Nr. 5411 dated October 19, 2005.

**Definitions and Abbreviations**

**ARTICLE 4** – (1) Following terms used in this Regulation shall have the meaning expressly designated to them below;

- a) Bank: Banks defined within the Article 3 of the Law,
- b) Financial Statements: Financial statements referred to by the Regulation on the Principles and Procedures for Accounting Practices by Banks and Retention of Records
- c) Accounting Period: A calendar year,
- d) Internal Systems: Internal Systems defined within the Regulation on the Internal Systems of Banks,
- e) Law: Banking Law Nr. 5411,
- f) Board: Banking Regulation and Supervision Board,
- g) Agency: Banking Regulation and Supervision Agency,
- h) Qualified Shares: Qualified shares defined within the Article 3 of the Law,
- i) Authorized Audit Institutions: Independent auditing institutions authorized pursuant to the Regulation on Authorization and Activities of Institutions to Conduct Independent Audits of Banks.

**SECTION TWO**

**Preparation of Annual Activity  
Report**

**General Principles Governing the Annual Activity Report**

**ARTICLE 5** – (1) Any annual activity reports to be drawn up by banks as of the end of each accounting period specifically indicates the relevant period of reports and commercial titles of banks and contact information on the addresses, telephone and fax numbers of their head offices as well as web sites and e-mail addresses.

(2) It is obligatory that annual operational reports reflect banks' operations for the relevant account period accurately and fully in a true and correct manner.

**Content of the Annual Activity Report**

**ARTICLE 6** – (1) The annual activity report consists of the parts with following contents:

- a) An introductory part containing general information provides,
  - 1) An abstract of the financial data regarding the results of activities for the accounting period,
  - 2) Chronological development of the bank as well as any changes to the articles of association during the accounting period, if any, including justification thereof,
  - 3) Shareholding composition of the bank, any changes to the bank's shareholding composition and capital occurred during the accounting period, titles of natural persons and legal entities holding qualified shares, including information on their shares,
  - 4) Explanations on any shares held by the chairmen and members of the

bank's executive board and general managers and assistant general managers, if any,

5) Evaluations of chairman and members of executive board regarding the activity period as well as their expectations for the future,

6) Explanations on the numbers of personnel and branches, the service type and activity fields of the bank as well as an evaluation of the bank's position within the sector based on those,

7) Information on the research and development implementations with regard to new services and activities.

b) Part two incorporating information on management and corporate managerial practices provides,

1) Names, terms in office, areas of responsibility, education status and professional experience of the chairman and members of the executive board, supervision committee members, general manager and assistant general managers and the managers of the units responsible for internal systems,

2) Terms of office and professional experiences of the auditors,

3) Operations of the committees subordinate to the Executive Board or set up to assist the Executive Board as part of the risk management systems pursuant to the Regulation on Credit Committees and Internal Systems of Banks and names of the chairmen and members of these committees and information on their principal duties

4) Information on attendance of meetings held in the accounting period by the members of the Executive Board and Supervisory Committees and committees referred to by the third sub-paragraph of paragraph (b) of the first sub-clause of the present article,

5) Summary of the executive board report presented to the general assembly,

6) Information on human resources related practices,

7) Information on the transactions made by the bank and the risk group, to which it is included,

8) Information on the fields of operation for which support has been received as per the Regulation on Support Services to Be Received by Banks and Providers of Support Services and Authorization of Providers of Support Services and on persons and entities from which services have been received.

c) Part three where financial information and evaluations related to risk management provides,

1) Report drawn up by the auditors assigned as per Article 374 of Turkish Commercial Code Nr. 6762 dated June 29, 1956

2) Evaluations of supervision committee concerning the running of internal control, internal audit and risk management systems as well as their activities during the accounting period,

3) Independent audit report,

4) Financial statements and information concerning financial structure to be given at the end of the part,

5) Evaluations concerning financial position, profitability and solvency,

6) Information on the risk management policies applied by risk types,

7) Whether any rating has been made by rating agencies to be authorized as per the Regulation on Authorization of and Activities of Rating Agencies and if made, ratings granted and information on their contents,

8) Abstract of financial data for a period of five years including the report period.

#### **Additional Information to be given within the Annual Activity Report**

**ARTICLE 7** – (1) Banks, which are obligated to prepare consolidated financial sheets, have to publish consolidated financial sheets for the accounting period and financial data to be derived from such sheets and information on consolidated shareholders and consolidated independent audit reports by supplementing them to annual activity reports as Part Four.

(2) Additional information may be furnished in the annual activity report, provided that the principles and procedures laid down by this Regulation are complied with.

### **SECTION**

### **THREE**

#### **Presentation and Publication of the Annual Activity Report**

#### **Presentation of the Annual Activity Report**

**ARTICLE 8** – (1) Annual activity reports, which are drawn up at the end of an

accounting period and contain the information prescribed by Article 6 of this Regulation and additional information to be furnished as part of the second sub-clause of Article 7, are submitted to the Executive Board for approval after signature by the bank's Executive Board chairman, Supervisory Committee members, general manager and assistant general manager in charge of financial reporting and relevant unit managers or persons holding offices equivalent to these titles by specifically indicating their names and titles, along with their declaration that it has been prepared in full compliance with the principles and procedures laid down by this Regulation and any comments and proposals, if any.

(2) Annual activity reports considered appropriate for submission to the general assembly pursuant to a Executive Board resolution are evaluated subject to Article 9 of this Regulation and they are made available for inspection by the shareholders minimum fifteen days prior to the annual general assembly meeting together with independent auditor's opinion to be stated as per the first or third sub-clauses of the same article.

#### **Audit of the Information contained by Annual Activity Reports**

**ARTICLE 9** – (1) Consistency and correctness of the financial information contained in the annual operational report considered appropriate for submission to the general assembly as per the second sub-clause of Article 8 of this Regulation with the independent audit report drawn up as of the end of the relevant accounting period are audited by the independent auditors included in the same team of independent auditors employed by the authorized auditing organization which draws up the independent audit report, with an opinion of compliance being provided thereon subject to Article 26 of the Regulation on Authorization and Activities of Institutions which will Conduct Audits of Banks.

(2) In the event that as a result of an audit conducted as per the first sub-clause of present article, it is established that wrong or deficient declarations regarding actual situations have been made as part of the financial information contained by the annual activity report or that the principles and procedures laid down by this Regulation have not been adhered to, the member of the Bank Supervisory Committee elected pursuant to Article 25 of the Regulation on Authorization and Activities of Institutions which will Conduct Independent Audits of Banks is informed accordingly by the responsible partner head auditor of the authorized auditing organization.

(3) In the event that the bank Executive Board does not consider appropriate the performance of any changes or corrections to the annual activity report regarded necessary as part of the second sub-clause of the present article, an opinion of dissidence is provided subject to Article 26 of the Regulation on Authorization and Activities of Institutions which will Conduct Independent Audits of Banks, based on justification by the authorized auditing organization thereof so that the members of the general assembly may be informed of this difference in addition to the annual activity report to be submitted to the shareholders for a review in compliance with the second sub-clause of Article 8 of this Regulation, with a copy of it being sent to the Agency within seven days.

#### **Publication of the Annual Activity Report**

**ARTICLE 10** – (1) Banks are obligated to publish in a printed format and on their own Internet pages in a manner easily accessible by users of financial sheets their annual activity reports by adding any information they have to supplement as part of the first sub-clause of Article 7 of this Regulation and opinion of compliance as part of the first sub-clause of Article 9 of this Regulation or opinion of dissidence as part of the third sub-clause of the same article, if any, no later than the end of May that follows the end of the relevant accounting period following the annual general assembly meeting on the relevant accounting period.

(2) In the event that the Executive Board is released by the general assembly of its activities concerning the period, this situation is stated in the introduction part of the annual activity report to be published as per the first sub-clause of the present article, along with justification thereof.

(3) Branches of foreign banks in Turkey have to supplement the Turkish translation of annual activity reports drawn up by their head offices, which are certified by a sworn translator, with information covered by the second sub-clause of Article 7 of this Regulation and the first or third sub-clauses of Article 9 of Article 9 as applicable as well as the information referred to by sub-paragraphs (4), (5) and (6) of paragraph (a) of the first sub-clause of Article 6 of this Regulation, sub-paragraphs (1), (6), (7) and (8) of paragraph (b) of the first sub-clause thereof and sub-paragraphs (2), (3), (4), (5), (6), (7) and (8) of paragraph (c) of the first sub-clause and publish them in a printed format and on their Internet pages in a manner easily accessible by users of financial sheets and send them to the Agency..

(4) A copy of the annual activity reports published in a printed format is sent to the Agency within seven days from the date of publication and besides, it is made available to any interested parties for information in the head offices and branches until publication of the annual activities reports for the next accounting period.

(5) The Agency is entitled to grant additional time limits in incidental cases with

regard to submission to the Agency and publication of annual activity reports.

#### **SECTION FOUR**

##### **Final Provisions**

##### **Entry into Force**

**ARTICLE 11 - (1)** The provisions of this Regulation enter into force as of the date of promulgation.

##### **Enforcement**

**ARTICLE 12 – (1)** The provisions of this Regulation are enforced by the Chairman of the Banking Regulation and Supervision Agency.