

Important Developments Regarding 2020 Operations

 10,307  52 min  16  banks

INFORMATION ON SHARE BUYBACKS BY THE BANK

The Bank did not buy back any of its own shares in 2020.

INFORMATION ON PRIVATE AUDIT AND PUBLIC AUDIT CONDUCTED DURING THE FISCAL YEAR

Under the applicable legislation, routine audits are conducted by supervisory authorities such as the Banking Regulation and Supervision Agency (BRSA), the Capital Markets Board of Turkey (CMB), the Ministry of Finance, the Undersecretariat of Treasury and the Central Bank of the Republic of Turkey (CBRT). Detailed information about the administrative fines imposed against the Bank in 2020 by supervisory authorities as a result of auditing is provided in the following sections.

INFORMATION ON LAWSUITS FILED AGAINST THE BANK, WHICH MAY AFFECT THE FINANCIAL STATUS AND OPERATIONS OF THE BANK, AND THEIR POTENTIAL RESULTS

1 - CARBON EMISSION TRADE VAT EVASION INVESTIGATION IN FRANCE:

An investigation was initiated also against the Bank in connection with an investigation on VAT evasion in relation to carbon emission trade in France on the grounds that accounts had been set up with, and transactions were performed through, the Bank for two persons implicated in the investigation. The reason our Bank was included in the investigation is not directly related to the subject matter of the investigation, but to banking transactions performed by persons implicated in the investigation and by three Turkish legal entity customers

that carried out money transfers with various foreign firms with which the former were linked. During the investigation process, while no action was deemed necessary for the three Turkish customers with respect to the investigation, our Bank was included in the investigation based on the opinion that our Bank had not achieved adequate compliance with the legislation with respect to account opening and transacting by two foreign customers. The trial was completed on 16 June 2017. The Court acquitted our Bank for the actions it had taken in 2008 and early 2009 at the time these individuals who had engaged in tax evasion had started opening accounts and making use of banking services in Turkey; however, the Court adjudged a judicial fine of EUR 8 million for account closure procedures of mid-2009, with total disregard of local legislation and regulations. In addition, the French Treasury asked for collection of the tax loss from all of the defendants of this litigation for the tax losses suffered because of tax evasion. Accordingly, the Bank will be subject to payment of damages up to EUR 25.09 million. Finding the ruling to be faulty and irrelevant, our Bank has taken all necessary action for appeal on 22 September 2017, and the Bank's Management has taken all necessary steps that it was legally obliged to take in the said event. On the other hand, Grande Tribunal of Paris reviewed and dismissed our appellate plea in September 2019. Our Bank believes that this judgment is unfair and exercised its right to appeal before the High Court in France in September 2019. The appellate review by the High Court is in progress. Since the French Treasury demanded payment of EUR 25.09 million in damages while appellate review was in progress and since an appellate plea suspends the payment of administrative fines only, damages in the amount of EUR 25.09 million has been covered and paid from the reserves previously set aside. The Bank continues to maintain a provision

of EUR 8 million for the administrative fine, which will be used to cover a potential payment.

2 - THE COMPETITION BOARD DECISION DATED 08.03.2013 AND NO. 13-13/198-100:

As the result of the investigation conducted to determine whether 12 financial institutions including Garanti Bank and its subsidiaries Garanti Payment Systems and Garanti Mortgage (Garanti Economic Group) violated Article 4 of the Law on the Protection of Competition no. 4054 through engaging in a deal and/or concerted act for jointly setting interest rates, fees and commissions for deposit, loan and credit card services; with its decision dated 08 March 2013, no. 13-13/198-100, the Competition Board resolved to levy an administrative fine of TL 213,384,545.76 on the grounds that Garanti Economic Group violated Article 4 of the Law on the Protection of Competition. Believing this decision to be contrary to law and was based on inadequate examination, our Bank filed a suit for the annulment of the decision. Before filing suit, the administrative fine has been paid benefiting from ¼ early payment discount. Ankara 2nd Administrative Court disregarded our defense in its entirety and dismissed the case. This time we lodged an appeal with the higher court against this unfair and unlawful ruling. The 13th Chamber of the Council of State adjudged dismissal of our appeal and approved the ruling of the lower court. For this unfair and unlawful adjudgment, our Bank applied for revision of decision. In this case, the 13th Chamber of the Council of State reversed the judgment of the lower court on the grounds that it was not established with adequate standard of proof (beyond reasonable doubt) that all of the banks investigated by the Competition Board were aware of a single framework agreement in relation to deposit, loan, credit card or public deposit services or that joint groups were aware of the said framework agreement or common plan, just like we defended, and hence the judgment was based on inadequate examination. Following reversal, the lower court decided to sustain the original ruling. An appeal was lodged against the unfair and unlawful decision to sustain the original ruling, and the adjudgment of the Plenary Session of Administrative Law Divisions of the Council of State is being awaited.

3 - MINISTRY OF TRADE ADMINISTRATIVE FINE:

With its decision dated 05 August 2015 numbered 1864, the Governorship of İstanbul resolved to levy a fine of TL 110,110,000 (one hundred and ten million one hundred and ten thousand) on account of the unlawful practices established in the audit conducted as per the provisions of the Law on Consumer Protection no. 6502 and of the annulled Law no. 4077, with reference to the Ministry of Customs and Trade Board of Inspectors examination report dated 17 June 2015 and numbered 321-C/01, pursuant to Articles 77 and 78 of the same Law. Our Bank lodged an appeal for annulment of the said decision. As a result of the trial, the decision dated 05 August 2015 numbered 1864 was overruled by İstanbul Regional Administrative Court 8th Administrative Chamber's decision. The overrule became final with the approval decision of the 15th Chamber of the Council of State. Following the final adjudgment, the Bank was refunded the administrative fine that had been paid. Upon conclusion of the litigation in favor of our Bank, the Ministry of Trade decided to re-initiate an investigation within the scope of the annulment grounds of the courts. Following the investigation carried out by the Ministry's inspectors, a report dated 18 December 2020 numbered 337-C/02 was issued and submitted to the Governorship of İstanbul. With its decision dated 30 December 2020 numbered 9302, the Governorship of İstanbul once again decided to levy an administrative fine of TL 110,110,000. We will be exercising our statutory rights in relation to the said decision and necessary actions have been taken therefor.

INFORMATION ON ADMINISTRATIVE OR JUDICIAL SANCTIONS IMPOSED ON THE BANK AND ITS MANAGING MEMBERS DUE TO ANY PRACTICE CONTRARY TO THE LAWS AND REGULATIONS

During 2020, administrative fines levied by regulatory and supervisory authorities on our Bank amounted to TL 263,010,946.57. Of this amount, the portion of TL 77,776,052.07 discounted to TL 58,340,811.13, taking advantage of the cash payment discount was paid and entered into accounts as expense in 2020. The portion of TL 185,234,894.50 (includes

Ministry of Trade Administrative Fine of TL 110,110,000) discounted to TL 138,926,170.87 to be paid for cash payment, on the other hand, was also entered into accounts as expense in 2020 but will be paid in 2021.

INFORMATION ON REGULATORY CHANGES IN 2020 THAT MAY HAVE A MATERIAL IMPACT ON THE OPERATIONS OF THE BANK

The Monetary Policy Committee (MPC), gradually decreased the policy rate to 8.25% in May 2020 from 12% in the beginning of the year. Then the MPC decided to increase the policy rate in September through gradual hikes and ended the year at 17%.

Under the Reserve Option Mechanism, on 19 January 2020, it was decided to decrease the upper limit of the facility of holding standard gold from 30% to 20% of Turkish lira reserve requirements and to increase the upper limit of the facility of holding standard gold converted from wrought or scrap gold collected from residents from 10% to 15%.

As announced on 18 July 2020 within the frame of the normalization process, FC required reserves was increased by 300 bps for all banks across all liability types and maturity brackets. On 20 August 2020, however, it was decided to increase FC required reserve ratios by 700 bps for precious metal deposit accounts and by 200 bps for all other FC liabilities across all maturity brackets for banks satisfying real loan growth requirements.

In addition to that, within the scope of Turkish lira liquidity management in the recent period, it was decided to increase TL required reserve ratios by 200 bps for all deposit/participation fund liabilities of up to 6-months maturity, and for other liabilities of up to 1-year maturity, and by 150 bps for other liabilities of up to 3-years maturity for banks satisfying real loan growth requirements.

With the revocation of the application of required reserve and interest/remuneration rates varying according to real

loan growth, it was decided to shift to a more plain reserve requirement system on 27 November 2020. Accordingly, Turkish lira and FC required reserve ratios were set as follows: 6% for TL demand deposits and time deposits with maturities of 1 month up to 3 months; 4% for TL time deposits with up to 6-months maturity; 19% for FC demand, 1-month and up to 3-months maturity time deposits; and 13% for time deposits with maturities of 1 year and longer. It was decided to apply 12 percent interest rate paid on required reserves in Turkish lira across the entire sector, and to decrease the commission rate applied to required reserves held for deposit/participation fund liabilities in USD terms from 1.25 percent to 0 percent.

The CBRT decided to charge an annual commission of 0.025% (25 per thousand) on required reserves that must be maintained for deposit/participation fund (excluding deposits/participation funds obtained from banks abroad) liabilities maintained in USD. The said implementation is applicable from the liability period dated 27 December 2019, the maintenance of which will begin on 10 January 2020.

On 9 February 2020, the BRSA decided that the sum of banks' currency swaps, forwards, options and other similar derivative transactions (total amount of wrong-way derivatives transactions), involving TL purchase at maturity, with non-residents, excluding their non-resident financial subsidiaries and affiliates which are subject to consolidation and will be limited to 10% of the bank's most recently calculated regulatory capital. The said ratio was 25% since August 2018.

On 12 April 2020, it was decided to decrease the limit as 10% of regulatory capital to 1%.

With the decision of 25 September 2020, the sum of banks' currency swaps, forwards, options and other similar derivative transactions where banks buy TL at the maturity date (total amount of wrong-way derivatives transactions) to the bank's most recently calculated regulatory capital, which was previously set as 1%, was reset as 10%.

Similarly, it was decided that the ratio of the amount of derivative transactions involving TL sale at maturity to the most recently calculated equity should not exceed: (i) 1% for transactions due in 7 days, (ii) 2% for transactions due in 30 days, and (iii) 10% for transactions due in one year. The said ratio was set as 10% on 18 December 2019.

The decision of 25 September 2020 revised the ratios as 2% instead of 1% for transactions due in 7 days; 5% instead of 2% for transactions due in 30 days; and 20% instead of 10% for transactions due in 1 year. The decision of 11 October 2020 revised the ratios as 5% instead of 2% for transactions due in 7 days; 10% instead of 5% for transactions due in 30 days; and 30% instead of 20% for transactions due in 1 year.

On 10 February 2020, the BRSA made amendments to the Regulation on the Procedures and Principles Regarding the Fees to be Charged on Financial Consumers, and imposed a limitation on all kinds of fees, commissions and charges to be collected on products and services offered to retail banking customers, apart from interest or profit share, in order to ensure uniformity between banks.

On 7 March 2020, the CBRT made an amendment to the reserve requirement regulation that linked reserve requirement ratios and remuneration rates to loan growth rates. Accordingly, banks were able to benefit from reserve requirement incentives under the following conditions:

- For banks with a real annual loan growth rate above 15%: If their adjusted real loan growth rate, which is calculated by deducting the entire real changes in loans with a longer-than-two-year maturity extended to selected sectors and housing loans with a five-year and longer maturity from the numerator of the growth rate formula, is below 15%,
- For banks with a real annual loan growth rate below 15%: If their adjusted real loan growth rate, which is calculated by deducting 75% of the real change in retail loans excluding housing loans with a five-year and longer maturity and the entire

TL loans extended -starting from 9 March 2020 to facilitate early repayment or early restructuring of FX cash loans from the numerator of the growth rate formula, is above 5%.

On 20 June 2020, the CBRT decided to temporarily suspend (until the year end) the enforcement of the rule of having adjusted real loan growth rate below 15% for the banks with a real annual loan growth rate above 15% in order to be able to benefit from reserve requirement incentives.

On 27 November 2020, it was decided to abandon the reserve requirement practice that links the reserve requirement ratios and interest/remuneration rates to real loan growth rates, and to apply the same reserve requirement ratios and remuneration rates to all banks.

On 17 March 2020, in order to contain the possible adverse effects of the uncertainty stemming from the Covid-19 pandemic on the Turkish economy, it was decided banks would be provided with as much liquidity as they need through overnight and intraday standing facilities by the CBRT; to offer to banks targeted additional liquidity facilities to secure uninterrupted credit flow to the real sector, and support the cash flow of exporter companies through measures regarding rediscount credits .

On 23 March 2020, the BRSA announced that the exchange rate of 31 December 2019 could be used in the calculation of value at credit risk when calculating banks' capital adequacy, and that impairments in the fixed interest rate securities at fair value through other comprehensive income portfolio on 23 March 2020 may not be reflected in the calculation of regulatory capital that will be calculated and used for CAR.

On 8 December 2020, the BRSA decided that simple arithmetic mean of CBRT buying rates for the last 252 business days preceding the calculation date could be used in the calculation of the value at credit risk when calculating monetary assets and the amounts of those items other than FC items measured in historic cost terms from out of non-monetary assets adjusted

according to Turkish Accounting Standards and related special provision amounts.

In capital adequacy calculations, the applicability period of the measures mentioned above was extended until 30 June 2021.

The BRSA decided that, from 1 May 2020, the monthly average of the Assets Ratio, the formula for which is given below, at the end of any given month must not be below 100% for deposit banks and below 80% for participation banks.

$$\text{ASSETS RATIO} = \frac{\text{LOANS} + (\text{SECURITIES} \times 0.75) + (\text{CBRT SWAP} \times 0.5)}{\text{TL DEPOSIT} + (\text{FC DEPOSITS} \times 1.25)} \text{ (AR)}$$

The Board later revised the definitions of denominator and nominator of the ratio, consideration rates of ratio components and lower limits for banks, and later in its meeting of 24 November 2020, revoked the Assets Ratio practice effective from 31 December 2020.

On 5 May 2020, the BRSA decided to limit the sum of banks' TL placements, TL deposit, TL repo and TL loans with non-resident financial institutions including their partnerships in the nature of credit agency and financial institution abroad subject to consolidation and their overseas branches to 0.5% of their most recently calculated regulatory capital.

The decision of 30 November 2020 revised the said ratio as 2.5% instead of 0.5%.

It was decided that in daily gold purchases equal to or exceeding 100 grams by real and legal persons, a value date of one business day would be applied to the transfer of the purchased gold to the buyer's account, and/or to making it available, effective from 22 May 2020.

As published in the Official Gazette dated 30 September 2020, 1 percent exchange tax applied to FC and gold purchases was decreased to 2 per thousand. Banking and insurance transactions tax (BITT) ratio applied to exchange transactions was increased from 0.2% to 1% in May. Withholding tax levied

on deposit accounts was revised as 5, 3 and zero percent until the end of the year, depending on maturity. The decision will be applicable to demand and specific current accounts limited to 3 months from the date of its publication, and to interests and profit shares payable to time deposits opened or renewed within the 3 months from the said date.

THE REGULATION AMENDING THE REGULATION ON COMMERCIAL COMMUNICATION AND COMMERCIAL ELECTRONIC MESSAGES

The Regulation published in the Official Gazette dated 4 January 2020 imposed the obligation to register with the Commercial Electronic Messages Management System (in Turkish: İYS), a centralized system for managing opt-in and opt-out requests and complaints related to commercial electronic messages, for real and legal persons wanting to send commercial electronic messages. The Regulation prohibits sending commercial electronic messages to recipients whose opt-in consents do not exist on the system. The Regulation also stipulates that an entity be authorized by the Ministry of Trade to perform the tasks and procedures regarding İYS, and in this context, to prepare the technical infrastructure for recording opt-in and opt-out information on the İYS, obtaining consent through İYS, exercise of the right to opt-out, receiving and reporting complaints regarding commercial electronic messages, fast and effective management of complaint handling, and for letting intermediary service providers use the system, and for opening the system to the Ministry's access.

BANKING REGULATION AND SUPERVISION AGENCY DECISION DATED 09 JANUARY 2020 AND NUMBERED 8791

Pursuant to Article 26(7) of the Regulation on Bank Cards and Credit Cards; it was resolved to decrease the credit cards installment periods set by the Board Decision dated 11 January 2019 numbered 8198 from 6 months to 3 months for expenditures on air travel, travel agencies, and accommodation associated with foreign countries.

REGULATION AMENDING THE REGULATION ON LOAN TRANSACTIONS OF BANKS

The Regulation that came into force upon its publication in the Official Gazette dated 14 January 2020 set out the maximum maturities for various loans as follows: consumer loans – sixty months; loans extended for vehicle purchase with the final invoice value of TL one hundred twenty thousand and less – sixty months; loans extended for vehicle purchase with the final invoice value of above TL one hundred twenty thousand and vehicle equity loans – forty-eight months; loans extended for computer purchase – twelve months; loans extended for tablet purchase – six months; loans extended for purchase of mobile phones priced up to TL three thousand five hundred – twelve months; loans extended for purchase of mobile phones priced above TL three thousand five hundred – three months. In addition, the Regulation authorizes the Banking Regulation and Supervision Agency to modify the maturity limitations specified in the Regulation and to impose additional limitations.

Based on this authority, the Board, by its decision dated 17 December 2020 and numbered 9322, decided to decrease the maturity on (i) loans extended for purchase of a vehicle with a final invoice value of above TL three hundred thousand from forty-eight months to thirty-six months; (ii) loans extended for purchase of a vehicle with a final invoice value of above TL seven hundred fifty thousand from forty-eight months to twenty-four months; (iii) vehicle equity loans from forty-eight months to thirty-six months.

BRSA DECISIONS CONCERNING BANKS' CURRENCY SWAPS, FORWARDS, OPTIONS AND OTHER DERIVATIVES TRANSACTIONS INVOLVING TL AND FC WHERE BUYS TL AT MATURITY

With its decision dated 08 February 2020 numbered 8860, the BRSA decided that the sum of banks' currency swaps, forwards, options and other similar derivatives transactions involving TL and FC with non-residents where banks receive TL at the maturity date, have been limited not to exceed 10% of the bank's most recently calculated regulatory capital.

THE LAW AMENDING THE BANKING LAW NO. 7222 AND SOME OTHER LAWS

The key revisions in the Law published in the Official Gazette dated 25 February 2020 are as follows:

→ Article 66/A supplemented to Article 66 of the Banking Law stipulates that banks designated to be systemically important by the Board are required to draw up an action plan within the frame of the principles and procedures to be set by the Board and to submit such plan to the Board, in order to determine in advance the measures to be taken on account of non-compliance with the protective provisions under BRSA regulations or for circumstances that might lead to deterioration of their financial structures, and to notify the BRSA in the event of such a situation.

→ The phrase "personal data of real persons and data pertaining to legal entities which result after the customer relationship is established with the banks specifically for banking activities become customer secrets" inserted to Article 73/4 of the Banking Law; as such, it is envisaged that both the confidentiality obligations in the Banking Law and the Personal Data Protection Law would be applicable to information specific to banking activities such as deposit information, loans, credit score, account movements etc. pertaining to real persons created after a customer relationship is established with the banks. Without prejudice to the governing provisions of other laws, it is stipulated that information in the nature of customer secrets cannot be disclosed or communicated to third parties in and out of Turkey without the person's request or instruction, even if the customer's explicit consent shall have been obtained, pursuant to the Personal Data Protection Law, save for exemptions from the confidentiality obligation specified in this article. On the other hand, the Board has been authorized to restrict the transfer of all sorts of data in the nature of customer secrets or bank secrets to foreign countries. It is stipulated that information in the nature of customer secrets or bank secrets can be disclosed exclusively for the specified purposes and then, only to the extent required by these purposes in line with the principle of proportionality, including the disclosures to be made in exemptions from confidentiality obligation mentioned in the article.

→ Article 76/A titled Manipulation and Misleading Transactions in Financial Markets has been supplemented to Article 76 of the Banking Law. This article sets out that transactions and acts aimed at price formation through transactions mentioned as banking activities in Article 4 of the Law, including artificial supply, demand or exchange rate in financial markets, dissemination of inaccurate or misleading information through various tools including the internet environment, guiding the account holders in an inaccurate and misleading way, or similar transactions and practices aimed at achieving these purposes will be considered as manipulation and misleading transactions in financial markets.

→ Upon the revision made to Article 144 of the Banking Law, the authority to determine maximum interest rates to be applied to banks' loans and deposits, the loss or profit participation rates in participation accounts and the nature and maximum amounts or rates of fees, charges, commissions and other interests that will be charged on transactions including special current accounts, and to release such amounts and rates in whole or in part was delegated to the Central Bank of the Republic of Turkey.

→ With the revision made to Article 27 of the Capital Market Law, the "Debt Instrument Holders' Commission", which did not exist in the Law previously, was established.

→ With the revision made to Article 31/B of the Capital Market Law, "Collateral Manager" structure, which did not previously exist in either the Capital Market Law or in the Turkish law, has been established. Accordingly, the security agent structure that exists in common law countries was clearly defined for the first time in the Turkish law (although the grounds for the Law incorporates a reference to the 'Trust' entity that has a broad application in comparative law) subject to the terms and conditions summarized below and restricted to capital market instruments. Restricted to the capital market instruments to be specified by CMB, the same may be collateralized via a collateral manager using either "transfer of ownership" or "creation of limited real rights" in order to ensure fulfillment of the obligations arising from these instruments.

→ The revision made to Article 61/B of the Capital Market Law introduced the "project based securities" (PBS) concept that did not exist in our laws before. In the structure established accordingly, it is envisaged to transfer the revenues within the scope of fiduciary ownership principles, derived on project

finance to the project finance fund defined as unincorporated property. In this framework, it is intended to source the repayments to investors providing the funds for project finance by purchasing PBSs from project revenues transferred to the project finance fund.

→ By another revision to the Capital Market Law, the lower limits of imprisonment for market manipulation and insider trading crimes have been increased.

BRSA DECISION DATED 21 FEBRUARY 2020 AND NUMBERED 8876

An obligation was imposed on companies with a turnover of TL 500 million and above to obtain a rating from an authorized rating agency until 30 June 2021 in order to obtain a credit.

COMMUNiqué (NO. 2020/3) ON THE DEPOSIT AND LOAN RATES, THE PROFIT AND LOSS PARTICIPATION RATES FOR PARTICIPATION ACCOUNTS

The Communiqué (No. 2020/3) on the Deposit and Loan Rates and the Profit and Loss Participation Rates for Participation Accounts, effective from 01 March 2020, has been published in the Official Gazette 10 February 2020. The Communiqué repealed the Communiqué (No. 2006/1) on the Deposit and Loan Rates, the Profit and Loss Participation Rates for Participation Accounts, and Other Non-Interest Benefits to be Received via Credit Transactions published in the Official Gazette 09 December 2006. The new Communiqué enforced sets out that annual demand deposit rate may not exceed 0.25%; while the variable interest rate was permissible for TL deposits with longer than 6-month terms in the repealed Communiqué, the new Communiqué sets out that variable interest rate can be applied to deposits with a maturity of 3 months and longer. Furthermore, it has been set forth that maximum contractual and overdue interest rates applied to overdraft accounts may not exceed the maximum rates set by the CBRT pursuant to Article 26 of the Law on Bank Cards and Credit Cards no. 5464. Accordingly, maximum contractual and maximum overdue interest rates to be applied in credit card transactions will also be applicable for overdraft accounts.

REGULATION ON BANK CARDS AND CREDIT CARDS

The amendment made to the Regulation on Bank Cards and Credit Cards on 28 March 2020 authorized the Banking Regulation and Supervision Agency (BRSA) to determine the minimum amount due in credit cards between twenty percent to forty percent of the debt for the period and to change the limit allocation limits specified in the regulation. With its decision dated 30 March 2020, the BRSA decided to determine the minimum amount due in credit cards as twenty percent of the debt for the period. In addition, another revision was made to the said Regulation on 25 September 2020, which excluded entities engaged in clearing and settlement from the Regulation; in line with the amendment made on 26 June 2020 to the Law on Bank Cards and Credit Cards no. 5464, a supplementary provision was added setting out that the relationships between card issuers and card holders can be established from a distance or can be regulated through contracts, whether or not distance contracts, determined by the BRSA to replace the written form, that can be executed through information or electronic communication devices by means of methods enabling verification of the customer's identity.

The amendment made to the Regulation on 25 September 2020 stipulated that in the case of guaranteed with cash, cash-like assets and accounts and precious metals, card issuers may determine credit card limits without the obligation to require declaration and verification of income, provided that the said limit does not exceed the amount of guarantee and a pledge contract is made. It is also stipulated that, subject to the conditions mentioned in the preceding sentence, limit allocation limits specified in the Regulation will not be applicable.

The alteration made on 25 September 2020 introduced a first-ever regulation regarding payment institutions; accordingly, in the event that the member merchant with which the entity enters into a member merchant agreement is a payment or electronic money institution governed by the Law no. 6493 and in the event that, subject to Law no. 6493, this institution lets sub-merchants use the POS devices obtained from the entity that entered into a member merchant agreement ; an

obligation has been incorporated which requires the notification of the sub-merchants allowed to use the POS device, its trade name, tax ID or TR citizenship ID number to the entity entering into member merchant agreement; and the use of a reference number that will serve to individually identify the related sub-merchant in all transactions within this scope so that the transactions performed by sub-merchants can be tracked on the basis of each transaction by the entity entering into the member merchant agreement supplying the POS device.

Within the same scope, it is stipulated that entities entering into member merchant agreements may not enter into a member merchant agreement with entities failing to fulfill this obligation, and may not supply POS devices to such entities. It is also stipulated that entities entering into member merchant agreements may not use these information they acquire for marketing and similar purposes.

MAXIMUM INTEREST RATES APPLICABLE ON CREDIT CARD TRANSACTIONS

→ With the press release dated 28 March 2020, numbered 2020-20, the CBRT determined that, effective from 1 April 2020, the monthly maximum contractual interest rate for credit card transactions would be 1.25% for the Turkish lira and 1.00% for FC transactions, whereas the monthly maximum overdue interest rate would be 1.55% for the Turkish lira and 1.30 % for FC transactions. It was also announced that maximum interest rates for credit cards would no more be announced for three-month periods, but would remain in effect until superseded.

→ The Communiqué (No. 2020/16) regarding Maximum Interest Rates for Credit Card Transactions was published in the Official Gazette dated 31 October 2020. The Communiqué set the methods for determining and announcing maximum contractual and overdue interest rates for credit card transactions in Turkish lira and foreign currency. Accordingly, (i) monthly maximum contractual interest rates in TL credit card transactions will be determined by adding 55 bps to the monthly reference rate calculated and announced within the principles and procedures set out in the Communiqué (No. 2020/4) on Principles and Procedures regarding the Fees that Banks can Charge Their

Commercial Customers published in the Official Gazette dated 10 February 2020; (ii) monthly maximum contractual interest rate to FC credit card transactions will be determined by rounding up to two digits after the point of 80 percent of the monthly maximum contractual interest rate to be applied in TL credit card transactions; (iii) monthly maximum overdue interest rate in TL credit card transactions will be determined by adding 30 bps to the monthly maximum contractual interest rate applied in TL credit card transactions; and (iv) monthly maximum overdue interest rate to FC credit card transactions will be determined by adding 30 bps to the monthly maximum contractual interest rate to be applied in FC credit card transactions.

The rates calculated according to the said method will be published on the CBRT official website on the fifth business day before the end of each month, and will be effective from the first day of the following month. The rates published on the CBRT website upon the publication of the Communiqué are as follows:

EFFECTIVE DATE	REFERENCE RATE (%)	MAXIMUM CONTRACTUAL INTEREST RATES ON CREDIT CARDS (%)		MAXIMUM OVERDUE INTEREST RATES ON CREDIT CARDS (%)	
		TURKISH LIRA	FOREIGN CURRENCY	TURKISH LIRA	FOREIGN CURRENCY
1 January 2021	1.24	1.79	1.43	2.09	1.73
1 December 2020	1.04	1.59	1.27	1.89	1.57
1 November 2020	0.91	1.46	1.17	1.76	1.47

SUSPENSION PERIODS ON COURT PROCEEDINGS STIPULATED BY THE PRESIDENTIAL DECREE NO. 2279 REGARDING THE SUSPENSION OF ENFORCEMENT AND BANKRUPTCY PROCEEDINGS AND BY PROVISIONAL ARTICLE 1 OF THE LAW NO. 7226 AMENDING CERTAIN LAWS

The Presidential Decree No. 2279 Regarding the Suspension of Enforcement and Bankruptcy Proceedings was published in the

Official Gazette dated 22 March 2020. Accordingly, within the frame of the measures implemented to prevent the spread of the Covid-19 infectious disease in our country, it was decided to suspend all countrywide enforcement and bankruptcy proceedings in progress, save for those in relation to alimony receivables, from 22 March 2020 until 30 April 2020; it was decided not to execute party and proceeding procedures, not to accept new enforcement and bankruptcy proceedings demands, and not to enforce and execute precautionary attachment decisions. In addition, due to the emergence of the Covid-19 infectious disease in our country, the suspension periods on court proceedings were set out in the Provisional Article 1 of the Law no. 7226 Amending Certain Laws published in the Official Gazette 26 March 2020 dated 31080, reiterated 1, and it was decided to suspend certain terms such as those for filing a lawsuit, initiation of enforcement proceedings, complaints, objections, periods of limitations and lapse of time until 30 April 2020 (included). Later, Decree (No. 2480) Regarding the Extension of the Suspension Periods to Prevent any Loss of Rights in Legal Proceedings was published in the Official Gazette numbered 31114 dated 30 April 2020, whereby it was decided to extend the said suspension periods from 01 May 2020 (included) until 15 June 2020 (included) save for the terms for the mandatory administrative applications stipulated under the Public Procurement Law no. 4734.

ARTICLE 48 OF THE LAW NO. 7226 AMENDING CERTAIN LAWS PUBLISHED IN THE OFFICIAL GAZETTE DATED 26 MARCH 2020 AND PROVISIONAL ARTICLE 2

Supplemented to the Law on Exclusion of the Records Regarding Bad Cheques, Protested Bills and Loans and Credit Card Debts No. 5834 and dated 22 January 2009 stipulate that the records regarding bad cheques, protested bills, credit cards and other credit debts of real and legal persons having default in the payments regarding the capital, interest and/or its ancillaries of cash or non-cash loan whose payment dates in terms of the capital or installment were before 24 March 2020 as well as of individuals and credit customers kept with the Risk Center of the Banks Association of Turkey (BAT) will not be taken into

consideration by credit institutions and financial institutions in financial transactions engaged with those persons on condition that the delayed part of the payments is paid or restructured in full until 31 December 2020.

BRSA DECISION DATED 17 DECEMBER 2020 AND NUMBERED 9322

Pursuant to Article 26(7) of the Regulation on Bank Cards and Credit Cards, it has been decided to decrease the installment periods for credit cards determined by the Board Decision No. 8198 dated 11 January 2019; (i) from eight months to six months for expenditures related to jewelry that is printed and not in bullion, (ii) from six months to four months for purchases of electronic appliances, excluding television purchases up to three thousand five hundred Turkish Liras, (iii) from eighteen months to twelve months for purchases of furniture and electrical appliances.

DECISION NO. 3321 REGARDING THE WITHHOLDING RATES SPECIFIED IN PROVISIONAL ARTICLE 7 OF THE INCOME TAX LAW NO. 193

Pursuant to Decree No. 3321 Regarding the Withholding Rates Specified in Provisional Article 67 of the Income Tax Law No. 193 published in the Official Gazette dated 23 December 2020, it was decided that the withholding rates specified below will be applied to income and returns derived on bills and bonds issued by banks which are acquired between 23 December 2020 (included) and 31 March 2021 (included) and to income and returns derived on lease certificates issued by asset lease companies, where the fund users are banks.

Currently, for taxes calculated at a ratio of 10% and 15%,

Calculations for Interest (Coupons) and Redemption

1. 5% on income derived on those with a maturity of up to 6 months (included)
2. 3% on income derived on those with a maturity of up to 1 year (included)

3. 0% on income derived on those with a maturity of longer than 1 year

Calculations for Income on Trading

1. %5 on income derived on the disposal of those held for less than 6 months (included)
2. 3% on income derived on the disposal of those held for less than 1 year (included)
3. 0% on income derived on the disposal of those held for longer than 1 year.

In addition, pursuant to the said Presidential Decree No. 3321, it was decided to apply a withholding rate of 0% also to income and returns derived on mutual funds (excluding variable, mixed, Eurobond, external borrowing, foreign, hedge funds and mutual funds incorporating the word FC in their names) acquired between 23 December 2020 and 31 March 2021.

DECREE NO. 2406 REGARDING WITHHOLDING RATES ON CERTAIN INCOME AND REVENUES SPECIFIED IN PROVISIONAL ARTICLE 67 OF THE INCOME TAX LAW

The withholding rate applied as 0 percent on the income derived on security mutual funds (including stock exchange mutual funds, housing finance funds and asset finance funds) set up according to the Capital Market Law and on portfolio management of securities investment trust was increased to 15% for Free (FC) Funds by the Presidential Decree no. 2604 published in the Official Gazette dated 3 June 2020. The withholding tax is abolished with effect from 1 January 2021 with Decree No. 3321.

DECREE NO. 2569 REGARDING WITHHOLDING RATES ON CERTAIN INCOME AND REVENUES SPECIFIED IN PROVISIONAL ARTICLE 67 OF THE INCOME TAX LAW

The Presidential Decree No. 2569 published in the Official Gazette dated 24 May 2020 determined the withholding rate at 15% for income derived on financing bonds approved by the CMB according to the Capital Market Law no. 6362 and on lease

certificates with a term of less than one year issued by asset lease companies and revenues arising from their disposal.

DECREE NO. 3031 DECREASING THE BITT RATE TO BE CALCULATED BASED ON SALES PRICE IN EXCHANGE TRANSACTIONS

The Presidential Decree No. 3031 published in the Official Gazette dated 30 September 2020 reduced the rate of BITT (exchange sales tax) calculated based on the sales price in exchange transactions from 1 percent (Decree No. 2568 dated 24 May 2020) to 2 per thousand. The Decree took effect on 30 September 2020.

DECREE NO. 3032 EXTENDING THE DURATION OF THE LOW WITHHOLDING RATE APPLIED TO DEPOSIT INTERESTS AND PROFIT SHARES PAID BY PARTICIPATION BANKS

The Presidential Decree No. 3032 published in the Official Gazette dated 30 September 2020 temporarily reduced the withholding rates applied to interests earned on Turkish lira deposit accounts and profit shares paid by participation banks for participation accounts. The Presidential Decree No. 3321 published in the Official Gazette dated 23 December 2020 extended the application period of these lower rates until 31 March 2021. Accordingly, 5%, 3% and 0% withholding will be applied depending on their maturities to TL deposit interests and profit shares paid by participation banks for TL participation accounts.

LAW NO. 7256 MAKING AMENDMENTS TO THE TAX LEGISLATION HAS BEEN PUBLISHED

The application period of the Provisional Article 67 of the Income Tax Law regulating withholding application to income derived on marketable securities was extended until 31 December 2025.

REGULATION ON BANK'S INFORMATION SYSTEMS AND ELECTRONIC BANKING SERVICES DATED 15 MARCH 2020 ("THE REGULATION")

The Regulation enforced to supersede the arrangements currently contained in the legislations and introduces new organizational requirements and control mechanisms in relation to the establishment of information systems at banks, risk management and information security. Introducing also the Open Banking definition as an electronic delivery channel whereby customers, or parties acting on their behalf, through certain mechanisms, remotely access the financial services offered by banks and perform their banking transactions or give order to banks for such performance, the Regulation's certain provisions entered into force on 1 July 2020, whereas others have become effective as of 1 January 2021.

BANKING REGULATION AND SUPERVISION AGENCY'S DECISION NO. 8949 DATED 17 MARCH 2020 ("THE DECISION")

Pursuant to applicable legislations, banks, including their overseas branches, are obliged to monitor their loans by classifying them in accordance with specific principles. With the Decision, it was decided to extend the 90-day-period stipulated for overdue loans to be classified as non-performing loans to 180 days for Group 1- Standard Loans and Group 2-Closely Monitored Loans, applicable until 31 December 2020. Furthermore, according to the Decision, banks would continue to set aside the provisions for the loans that continue to be classified under Group 2 despite being overdue for 90 days pursuant to their own risk models which are used in the calculation of expected loan loss within the scope of TFRS 9. The BRSA later extended the aforementioned deadline until 30 June 2021.

BANKING REGULATION AND SUPERVISION AGENCY'S ASSET RATIO DECISIONS DATED 18 APRIL 2020 NO. 9000 AND DATED 24 NOVEMBER 2020 NO. 9271 AND THE TIME IN BETWEEN

In order to mitigate the negative impacts incurred by the Covid-19 pandemic upon the economy, market, production and employment and as to enable banks to utilize the funds at their disposal in the most efficient way possible, the asset ratio calculation formula was first revised in April. Following this decision, calculation methods were revised further by various BRSA decisions, all of which were decided to be revoked effective from 31 December 2020 with the BRSA decision in November.

AMENDMENTS TO THE RESERVE REQUIREMENT REGULATION MADE BY THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

→ With the Communiqué No. 2020/2 published in the Official Gazette issue 31012 dated 18 January 2020, within the scope of the Reserve Options Mechanism (ROM), it was decided to decrease the upper limit of the facility of holding standard gold from 30% to 20% of Turkish lira reserve requirements and to increase the upper limit of the facility of holding standard gold converted from wrought or scrap gold collected from residents from 10% to 15%, effective from 10 January 2020.

→ With the Communiqué no. 2020/6 published in the Official Gazette issue 31061 dated 7 March 2020, effective from 6 March 2020, banks with an annual real loan growth rate above 15% were allowed to benefit from the required reserve incentives if their adjusted real loan growth rate, which is calculated by deducting the entire real changes in loans with a longer-than-two-year maturity extended to selected sectors and housing loans with a five-year and longer maturity from the numerator of the growth rate formula, was below 15%. Banks with an annual real loan growth rate below 15% were allowed to benefit from the required reserve incentives if their adjusted real loan growth rate, which is calculated by deducting 75% of the real change in retail loans excluding housing loans with a five-year and longer maturity and the entire TL loans extended starting from 9 March

2020 to facilitate early repayment or early restructuring of FC cash loans from the numerator of the growth rate formula, was above 5%.

→ With the Communiqué no. 2020/9 published in the Official Gazette issue 31072 dated 18 March 2020, effective from 6 March 2020, FC required reserve ratios were reduced by 500 bps across all liability types and maturity brackets for banks that satisfy the real loan growth requirements within the scope of the required reserve practice.

→ With the Communiqué no. 2020/13 published in the Official Gazette issue 31161 dated 20 June 2020, effective from 12 June 2020, it was decided to temporarily suspend until the end of the year the prerequisite of below 15 percent adjusted real loan growth rate that must be satisfied by banks with an annual real loan growth rate above 15% to be able to benefit from the required reserve incentives.

→ With the Communiqué no. 2020/14 published in the Official Gazette issue 31189 dated 18 July 2020, effective from 10 July 2020, FC required reserve ratios were increased by 300 bps across all liability types and maturity brackets for all banks.

→ The revision contained in the Communiqué no. 2020/15 published in the Official Gazette issue 31220 dated 21 August 2020, which came into force as of its publication date, increased the FC required reserve ratios for banks satisfying real loan growth requirements by 700 bps for precious metal deposit accounts across all maturity brackets, and by 200 bps for all other FC liabilities. In addition to that, in keeping with the steps recently taken in relation to Turkish lira liquidity management, it was decided to increase TL required reserve ratios of banks satisfying real loan growth requirements by 200 bps for all deposit/participation fund liabilities with a maturity of up to 6 months and for all other liabilities with a maturity of up to 1 year, and by 150 bps for all their other liabilities with a maturity of up to 3 years.

→ According to the revision that came into force on 11 December 2020 with the Communiqué no. 2020/17 published in the Official Gazette issue 31317 dated 27 November 2020, the practice of required reserve and interest/remuneration rates varying according to real loan growth was revoked; required reserve and interest/remuneration rates would be uniform across the entire sector. Accordingly, of the Turkish lira and FC

required reserve ratios, the interest/remuneration rate paid to TL required reserves will be applied as 12 percent for the entire sector, and the commission rate, previously applied as 1.25 percent for required reserves created for deposit/participation fund liabilities in terms of USD, was set as 0 percent.

BANKING REGULATION AND SUPERVISION AGENCY'S DECISION DATED 20 MAY 2020 AND NUMBERED 9031

In order to ensure that the clearing operations of Turkish Lira bonds and Turkish Lira lease certificates not to be adversely affected and that securities denominated in Turkish Lira are traded efficiently and effectively, with its decision dated 20 May 2020 numbered 9031, the Banking Regulation and Supervision Agency decided that foreign central custody institutions to be exempt from which will be determined by itself among those defined in the capital market legislations from limitation on that matter and in this regard, Euroclear Bank and Clearstream Banking are also determined as exempt from this limitation.

BANKING REGULATION AND SUPERVISION AGENCY'S DECISION DATED 28 JULY 2020 AND NUMBERED 9109

Based on the Banking Regulation and Supervision Agency's (BRSA) decision dated 28 July 2020 numbered 9109, Turkish Lira transactions with non-residents were restricted.

Accordingly, (a) it was clarified that the exemption brought by the BRSA decision numbered 9031 dated 20.05.2020 for Foreign Central Clearing Institutions (FCCI) to be determined by the BRSA is limited only with the clearing activities of securities denominated in Turkish Liras carried out at home or abroad; and in addition to the said exemption, exemption will be granted as per the restrictions on access to Turkish Liras to swap transactions where buys TL at maturity (where in the first leg of the swap transaction, FCCI receives TL in exchange for foreign currency) carried out with the domestic bank reported as the account operator in the over-the-counter or in BIST FX swap market and FCCIs' short term funding operations to be

made to the TL accounts owned by foreign residents, subject to a commitment by the FCCI that it is limited to the clearing activities of securities denominated in Turkish Liras issued by domestic and foreign residents; (b) International Development Banks' (IDB) following financing transactions via TL accounts to be opened in domestic banks will be exempted from restrictions on access to Turkish liras: currency swaps with BIST FX Swap Market where IDB buys TL at forward (where IDB buys TL and sell FX in the first leg of the swap), repo and reverse repo transactions within BIST Repo Market; and TL deposits at domestic banks, provided that IDBs give a written declaration and commitment to the domestic banks in which they have opened accounts that they will keep TL liquidity (funds) provided from the domestic market and will use this TL liquidity to extend loans to domestic resident companies, buy TL securities and deposit excess TL liquidity to domestic banks, and provided further that their written application to Banking Regulation and Supervision Agency to benefit from above mentioned exemption is accepted.

BANKING REGULATION AND SUPERVISION AGENCY'S DECISION DATED 04 SEPTEMBER 2020 AND NUMBERED 9131

With its decision dated 04 September 2020 and numbered 9131, the BRSA decided to decrease the overall maturity limit in relation to consumer loans from sixty months to thirty-six months, which were stipulated in the Regulation on Loan Transactions by Banks and the Regulation on the Establishment and Operating Principles of Leasing, Factoring and Finance Companies.

BANKING REGULATION AND SUPERVISION AGENCY'S DECISION DATED 08 DECEMBER 2020 AND NUMBERED 9311

With its decision dated 08 December 2020 and numbered 9311, the BRSA decided to terminate the practice of applying value date of one business day for the transfer to account and the availability for disposal/physical delivery, as per the daily foreign currency purchases amounting to USD 100,000 or more

(including effective) by real persons, which was introduced by the BRSA decision dated 20 May 2019 numbered 8374, and the practice of applying value date of one business day for the transfer to account and/or the availability for disposal of, daily gold purchases of equal to or exceeding 100 grams by real and legal entities enforced by the BRSA decision dated 21 May 2020 no. 9033.

BANKING REGULATION AND SUPERVISION AGENCY'S DECISION DATED 08 DECEMBER 2020 NUMBERED 9312

Due to the ongoing potential effects of the pandemic, with its decision dated 08 December 2020 numbered 9312, the Banking Regulation and Supervision Agency (BRSA) decided to extend the time granted through various Board decisions and instructions until 30 June 2021 in relation various topics including the following: in the calculation of the value at credit risk, permitted use of the simple arithmetic mean of the CBRT FC buying rates on the last 252 business days preceding the calculation date when calculating the amounts of monetary assets and non-monetary assets, excluding those items that are measured through historic cost, adjusted according the Turkish Accounting Standards and the amount of related special provisions; use of bank-owned securities in the amount of shareholders' equity in capital adequacy; delays that will be taken into account in the calculation of provisions for the bank's receivables; in case of deferment of card debts, not demanding the payment of minimum due amount and granting a grace period; assessment regarding the suspension of cash credit function of credit cards; non-enforcement of the obligation to dispose of commodities and real estates within 3 years from the date of acquisition; within the scope of the exercise of the right to buy back, limitation of the loans whose collateral is obtained by the bank in return for loan debt or paid in kind; and classification of restructured NPLs.

Furthermore, it was decided to discontinue the implementation of the BRSA decisions and instructions on 31 December 2020, which relate to the satisfaction of the liquidity coverage ratio, granting additional 60 days for various notice and reporting

times, follow-up and completion of the documents that need to be obtained from borrowers in the case of loans for TL 100 million and above; granting exemption on the standard ratio of interest rate risk, and valuation of financial collaterals.

LEGISLATION CONCERNING THE FEES BANKS CAN CHARGE COMMERCIAL CUSTOMERS

The Communiqué no. 2020/4 regarding the Principles and Procedures for Fees that Banks Can Charge Commercial Customers published in the Official Gazette numbered 31035 and dated 10 February 2020 determines the fees that banks charge for the products and services offered to commercial customers, and sets forth the maximum amounts or rates a per certain fees. While the authority to determine the rates and amounts in relation to certain fees which banks can charge for the products and services that can be rendered under four categories, namely "Commercial Loans", "Foreign Trade", "Cash Management" and "Payment Systems", was delegated to the Central Bank of the Republic of Turkey (CBRT), it has been stipulated that other fees for which imposed with any limitations can be solely set by the banks. Furthermore, fees that can be charged for products and services which are not in the scope of the categories addressed in the Communiqué with respect to their nature can be determined solely by banks. In the contracts to be executed by and between the banks and their commercial customers, banks are obliged to prepare a detailed information form stating the fees that may be collected for the products and services they will provide under the contract, and to deliver such form in writing to the customer or via the registered data keeper. According to the Communiqué, in order to increase the fees set forth in the contract or the information form attached to it, banks are obliged to notify their customers in writing or via permanent data keeper at least two business days in advance. Furthermore, banks were subjected to the obligation to publish the maximum tariff or fees collected from commercial customers and other current information on their websites, together with the dates of any changes to such information, and to keep the said data up-to-date. The Communiqué also imposed the obligation to apply to the CBRT through the Banks Association of Turkey in order to determine a

new fee, which may be placed under a category identified in the Communiqué but is not listed among the fees in the appendix to the Communiqué.

In order to elaborate on the details of the enforcement of the Communiqué provisions, the CBRT issued an Instruction for the Implementation of Fees that Banks can Charge Commercial Customers ("the Instruction"). The instruction identified the exceptions remaining outside the scope of the Communiqué in detail, while implementation principles regarding fees were set out in detail. The informing obligation imposed on banks by the Communiqué applies to all fees to be charged by banks to commercial customers falling under the scope of the Communiqué, without being restricted to the categories set forth in the Communiqué. In this framework, information on other fees that banks can charge for the products and services provided to commercial customers in categories other than the ones specified in the Communiqué must be announced on banks' websites, with the right of exemption demand being reserved, and similarly, the information on these fees need to be delivered to the commercial customer with an information sheet. Within the frame of the contracts they will execute with commercial customers, banks can apply to the CBRT either directly or through the Banks Association of Turkey for collecting fees in return for specific products or services which are deemed to be in the same categories appended to the Communiqué, but which are not in the same nature with the listed fees. From out of the fees that can be collected for specific products and services falling within the scope of the categories appended to the Communiqué and for products and services outside the scope of the said categories, those that are of a nature not permitting announcement and are determined on a case-by-case basis as per the customer or the transaction can be exempted from the obligation to be announced on the website and to be notified to the CBRT, provided that the CBRT deems it appropriate.

Through regulatory framework, an upper limit was enforced in relation to member merchant fees, and it has been stipulated that in the event of transfer of transactions not divided into

installments to the member merchant's account the next day, the same may not exceed the monthly reference rate incremented with 0.45 points; and that in case of non-payment of the fee by the member merchant, the transaction amount will be made available for disposal by the member merchant after 40 days at the latest.

In the event that the transaction amount is made available for disposal of the member merchant upon request earlier than the date co-determined by the parties, maximum deblocking fee that can be charged to the member merchant may not exceed the rate calculated by remaining days of the contractual block divided by the maximum number of block days multiplied by maximum member merchant fee.

The Communiqué (No. 2020/19) Amending the Communiqué (No. 2020/4) regarding the Principles and Procedures for Fees that Banks Can Charge Commercial Customers has been published in the Official Gazette numbered 31351 and dated 31 December 2020, which introduced the FAST transaction, defined as payment transactions performed using the Instant and Continuous Transfer of Funds System (FAST) owned by the CBRT and accordingly, set out the fees for FAST transactions.

LEGISLATION REGARDING THE FEES BANKS CAN CHARGE ON FINANCIAL CONSUMERS

Article 4/3 of the Consumer Protection Law no. 6502 ("the Law") delegates the power to set the types of all kinds of fees, commissions and charges apart from interest rate to be charged to consumers for products and services provided to consumers by banks, financial institutions granting consumer loans and card issuers, and to determine the procedures and principles in relation thereto to the Banking Regulation and Supervision Agency ("BRSA").

While restrictions on fees were being addressed according to the stipulations in the regulation published by the BRSA since 2014, Law No. 7222 Amending the Banking Law and Certain Laws that came into force upon its publication in the Official

Gazette numbered 31050 and dated 25 February 2020, the BRSA's authority in this respect was transferred to the Central Bank of the Republic of Turkey (CBRT). Thus, the CBRT released the Communiqué No. 2020/7 regarding the Principles and Procedures for the Fees Charged on Financial Consumers ("the Communiqué"), which was published in the Official Gazette dated 07 March 2020. Furthermore, the Prospectus Regarding the Products and Services for which Fees can be Charged Under the Communiqué (No. 2020/7) Regarding the Principles and Procedures for Fees Charged on Financial Consumers, which was updated by the Communiqué, was posted and announced on the Banks Association of Turkey's website.

In general, the said Communiqué set some limitations on the basis of the amounts and rates of fees that banks can collect from financial consumers. In order for the banks to offer a product or service not specified in the contract in exchange for a fee, the approval of the financial consumer must have been obtained in accordance with the nature of the area in which the transaction occurred. The annual rate of increase of the maximum limits governed by the Communiqué was set as the annual rate of increase of the consumer price index (CPI) pertaining to the previous year-end, announced by the Turkish Statistical Institute (TURKSTAT). In order to increase the fees they charge, banks are obliged to notify the financial consumer of such demand in writing or via permanent data keeper or recorded phone. In addition, it has become compulsory to have the financial consumer write down the phrase "I have been hand delivered one counterpart of the contract" on hard-copy contracts; however, visually-impaired customers are exempted from this obligation in order to ease banking transactions for visually-impaired customers.

In the list attached to the Communiqué, products and services which can be offered by banks to financial consumers and for which fees can be charged are classified as "Personal Loans", "Deposits/Participation Funds", "Money and Precious Metal Transfers", "Credit Cards", and "Other"; while principles and limits are set forth on all kinds of fees, commissions and

expenses that can be charged in relation to such categories. In order to determine a new product or service group which is not included in the scope of the Communiqué or formulate a new fee, banks are obliged to get the CBRT's approval. To provide an instant transaction that is not continuous or a product or service unspecified in the contract, the approval of the financial consumer must be obtained in accordance with the nature of the area where the transaction is executed. It is obliged for banks to prepare an informative sheet, which is an integral part of the contract, and which includes the fee tariff for the product/service subject to the contract to be executed by and between banks and the financial consumer, and other matters on which minimum information must be provided about each product or service under the agreement as per the provisions of the Communiqué. The Communiqué also sets forth the banks' obligation to publish and keep up-to-date the maximum tariff on the fees they collect from financial consumers and other current information on their websites, along with the dates of changes to such information.

The Communiqué (No: 2020/18) Amending the Communiqué (No. 2020/7) Regarding the Principles and Procedures for Fees to be Charged on Financial Consumers was published in the Official Gazette numbered 31351 and dated 31 December 2020, which introduced the FAST transaction, defined as payment transactions performed using the Instant and Continuous Transfer of Funds System (FAST) owned by the CBRT and accordingly, set out the fees for FAST transactions.