



USAID | **EGYPT**
FROM THE AMERICAN PEOPLE



**Overview of a Modern Multifunctional Credit Bureau
Trip Report: Overseas Study Tour to Turkey**

**Technical Report No. 2
April 23, 2005**

**Prepared by: Marian Mishriki
Team Leader
Credit Bureau (Task 4)**

This publication was produced for review by the United States for International Development. It was prepared by consultants and/or subcontractors in collaboration with Chemonics International Inc.

**Contractor: Chemonics International Inc.
Contract No: 263-C-00-05-00003-00**

DATA PAGE

Activity Title and Number: Egypt Financial Services (EFS) Project
Contract No. 263-C-00-05-00003-00

Prepared for: EFS CTO: Gregg Wiitala
EFS DCTO: Ingi Lotfi
Economic Growth Division
Office of Financial and Information Technology
USAID/Egypt

Task: Task 4:

KRA: KRA 4.1.1: Assist the CBE in consolidating its role
as a credit bureau regulator and licensor.

Activity: Activity 4.1.3: Observational Study Tour to Turkey

Author: Marian Mishriki
Team Leader
Credit Bureau (Task 4)

Date: June 14, 2005

List of Key Words Contained in Report:

Kredi Kayit Bursou (KKB): Turkish Credit Bureau

KKB Systems

Success Indicators

Providers of Information

The author's views expressed in this publication do not necessarily reflect the views of the United States Agency for International Development or the United States Government.

Table of Contents

| | |
|--|----|
| Purpose of the Visit..... | 1 |
| The Egyptian Delegation | 1 |
| The Turkish Delegation | 2 |
| Overview of KKB | 2 |
| Role of the Financial Regulator (BRSA) | 6 |
| Overview of the Two Member Banks Presentations | 6 |
| Concluding Observations and Relevance to Egypt’s Situation | 6 |
| List of Materials Provided to Participants..... | 8 |
| | |
| Attachments | |
| Attachment 1: Detailed Trip Agenda and List of Participants..... | 10 |
| Attachment 2 Banks Act of Turkey | 14 |
| Attachment 3 KKB’s New Credit Bureau System..... | 75 |

Purpose of the Visit

Egypt is in process of establishing private sector credit bureau(s) and several Egyptian banks are grouping to form at least one such company. A change in the banking law to enable the Central Bank of Egypt to license and regulate private sector credit bureau (s) has been approved by the Cabinet and is expected to be approved by the Parliament soon.

Turkey is perceived as a successful example in the region. For this reason, a two day observational study tour was arranged in March for 11 participants to visit KKB to learn from the successful experience of other countries. An important objective of the tour was to deepen Egyptian professionals' understanding of the operations and regulation of credit bureaus, and enable them to take further actions towards successful operation of credit bureau (s).

This report is based on the presentations at KKB, a review of documents given to EFS, and KKB's 2003 Annual Report.

The Egyptian Delegation

The selected participants ensured a good representation of Egypt's financial sector. The trip was highly relevant to their work, as indicated below. The participants were:

- Three participants from Central Bank of Egypt, of which:
 - Two are currently working in the Credit Risk/Public Registry Department at CBE which is heavily involved in setting licensing requirements and rules and regulations for the private credit bureau operations,
 - One General Manager who is in the Supervision and Surveillance Department and most probably will be involved in overseeing the future operations of credit bureau(s).
- Four participants from Egyptian banks. Almost all of the participating banks in the trip had already declared their interest in establishing credit bureau(s).
 - Two leading banks, National Bank of Egypt,¹ *the largest bank in Egypt* and Commercial International Bank, *a leading private sector bank* were already establishing two consortiums to form private credit bureaus.
 - The other two participating banks were Housing and Development bank, *a public sector bank which is presently being merged with Egypt Arab Land Bank to form one specialized bank in mortgage finance*, and National Bank for Development.
 - With the exception of Housing and Development Bank, which was represented by its Vice Chairman, all the banks representatives were responsible for retail business in their respective banks, especially credit card issuance.
- Two delegates representing the microfinance segment of the Egyptian market, *an important target that credit bureaus seek to serve*, of which:
 - One delegate was from the Social Fund for Development

¹ National Bank of Egypt financed its representative

- One delegate was from USAID Microfinance/ Small Business Development Unit which has relations with 12 microfinance institutions in Egypt.
- Egyptian Banking Institute was also represented. The institute had already offered some public awareness programs in collaboration with the World Bank last year and is expected to continue to offer training & public awareness programs related to the operations of credit bureaus either in cooperation with EFS or long after the completion of the EFS project. The representative of Egyptian Banking Institute is presently responsible for credit training and is herself an ex banker with over 20 years experience in the banking sector.
- Task Four Leader of EFS was the technical escort during the visit

The Turkish Delegation

Four institutions participated in the two day event at KKB:

- KKB Kredi Kayit Bursou A.S: Three senior representatives made formal presentations and were available to the Egyptian Delegation during the two days at KKB. In addition, the President and CEO welcomed the participants on the first day & was available for the first session
- Banking Regulation and Supervision Agency (BRSA): This is the financial regulator of Turkey who supervises banks, new finance houses, leasing and factoring companies. BRSA is a public entity different from the Central Bank of Turkey who confines its operations to monetary policy. There were two representatives from BRSA who flew from Ankara especially to meet the Egyptian participants. A change in the banking law is in process for BRSA to regulate KKB and to establish a legal framework for credit card operations.
- Two Member Banks: AKBank which is the largest private sector bank in Turkey, profit and market share wise and Garanti Payment Systems, a subsidiary of Garanti Bank, founded in 1999 and specialized in credit card issues.

Training Time: The net training time in the two days exceeded 13 hours allocated roughly as follows

| <u>Turkish Institute</u> | <u>% of net training time</u> |
|--------------------------|-------------------------------|
| KKB | 58% |
| Banks | 35% |
| BRSA | 7% |

Overview of KKB

Legislation

KKB's incorporation is governed by article 22/8 of the banking act where its statutory brief is defined as providing the flow of information among financial institutions principally engaged in money and capital markets and in insurance as well as among other

companies deemed suitable by the banking regulation and supervision agency (BRSA) to enable these companies to monitor and control consumer credit and credit cards (Banking Act no 4389, article 22/9). The change in the banking act enabled the establishment of a credit bureau, provided it is owned by at least ten banks. KKB started operating without need for consumer consent which meant a smooth gathering of data information.

Even though there is nothing that prohibits the establishment of more than one credit bureau, we were told that KKB is the only credit bureau. In response to our query, KKB stated that the two other companies, *which are reported as credit bureaus and whose names and addresses are on the website of the World Bank*, are limited to providing business information services.

The Line of Activity, as stated in the Annual Report, is:

“ to collect or purchase, evaluate and process information from domestic and foreign sources, within the contexts of the laws, that is needed by the commercial and financial sector, and again, as far as the law will permit, to provide this information to individuals or institutions, domestic or foreign, within the framework of commercial rules and regulations, or for a fee, and other activities specified in the company’s articles of association”

KKB was established in 1995 and started operating in 1999.

Type of Data Collected : KKB collects positive and negative information on consumer credit and credit card customers, and has successfully focused to date on serving the retail sector.

KKB does not collect public record information or information from retailers in the market extending credit to consumers. In Turkey, credit cards are widely used.

Users of KKB:

As at March 2005 there were 26 members. Of them:

- 10 are founding members (shareholders).
- 16 non founders

The 26 members in KKB represent:

- 20 banks
- 2 Islamic banks
- 4 retail financiers.

There are 40 banks in Turkey.

Providers of Information

The accounts that KKB maintain (i.e. data subject) come from:

- Founding members (75 %)
- Other members (25%)

The 2003 Annual Report of KKB indicated that there were two programs, of which we do not have sufficient detail from the government, one with respect to tax numbers and the other with respect to citizenship number. KKB does not seem to collect public record information

Development of KKB services

We observe that KKB gradually introduced and developed new services. KKB started operations in 1999. The following year, 2000, MIDES system for handling consumer disputes was introduced. In 2001 SABAS was introduced to control fraud. In 2001, banks also started to share information with respect to credit applications *in addition to credit information*. In 2003, KKB started to offer credit bureau scoring after five years of its inception. Presently, KKB is expanding to establish a commercial bureau that will serve the commercial/corporate sector. The number of board members at KKB will double to reach 20. Each shareholding bank will have two board members, one representing retail business and the other commercial business.

Success Indicators:

- KKB has 50.2 million individual accounts which are impressive considering that Turkey's population is 67 million.
- KKB statistical analysis indicates that they cover 98% of the consumer credit market data.
- In the year 2005 inquiries are expected to reach 24 million, compared to 18 million in 2004 and 8.6 million in 2003.
- The improvement in the search engine of KKB is also apparent when one looks at trend in the hit rate. In 2003, it was 71 % compared to 68% in the previous one

Financial Success Indicators

Though we were told that KKB is a not – for – profit institution, yet a review of its 2003 Annual Report reveals that it is in fact a financially viable project. Following are some selected financial indicators:

| conversion rate \$1 = 1,342,300 TRL | In U.S \$ million | |
|-------------------------------------|-------------------|-------------|
| | <u>2002</u> | <u>2003</u> |
| Assets | 5.0 | 8.4 |
| Paid up capital | 1.8 | 1.8 |
| Net Worth | 3.86 | 6.8 |
| Net revenue | 4.4 | 5.8 |
| Net Profit | 1.94 | 2.98 |
| Net Profit/Net Revenue % | 44 % | 51 % |
| Net Profit / Equity % | 50 % | 43 % |

N.B return on equity has to be compared with risk free interest rates in Turkey

Organization Chart and Staff

KKB is a lean organization with 25 officers only. There are five main departments:

1. Human Resources and Organization
2. Finance and Administration
3. Data Entry Services
4. Private and Public Sector Relations
5. Research and Development Product Management. This is the largest department under which there is office operations, member relations, project management, database management and reporting and documentation officer

KKB Systems

- MIDES system and Consumer rights protection, 2000: Consumers request for information or scores is routed via banks which relieves KKB from the task of verifying the identity of the consumers. However, KKB seems to accept complaints from consumers directly. Such requests are referred to the concerning banks where disputes are settled. Banks assign personnel in their systems to receive consumer complaints, check them and send the responses to KKB in 2 hours. In 2003, 41,485 consumer disputes were concluded under the MIDES system.
- SABAS, 2001: SABAS is system for detection of fraud developed by KKB. It allows sharing of data on bad faith attempts in credit applications. It runs on the internet. If a bank suspects an applicant, the bank places the relevant information on the system. This is sent to members in KKB who respond in 24 hours by providing information on the website about the applicant.
- The Information Verification System: This gives members an opportunity to easily access basic information and address data on consumers. This system makes it possible for members to check the accuracy of information provided by their credit customers, to complete missing information or to update information on existing customers.
- Batch Inquiry system: KKB conducts searches on a large number of credit inquiries that can reach thousands so that member banks avoid making online enquiries one by one
- Credit Portfolio Accessibility Scoring System and its relation to the Search Engine: KKB has developed a system to assess the quality of the data. A score is given which reflects the quality of the data and is something different from the credit bureau score. In KKB, members search the data base by using different fields. They search by name, identity, etc. However, KKB does not send the data if it is less than a certain cutoff score. KKB developed a score, system that allows data retrieved to be given a number between 1 and 9. Below a certain score, there is doubt and the data retrieved is not sent.
- Pricing System: Member banks used to pay \$ 2.5 per inquiry in 1999. The fees today are 50 cents because of volume increase. When a member bank pays the fees, part of the fee goes to KKB to cover their operations, and another percentage goes to the banks that provide the information. The percentage that goes to the providers of information is

not paid in cash but is offset against charges that banks have to pay when they request information.

- Credit Bureau Scoring System, 2003: This was purchased from Experian/Scorex.
- IT systems: KKB's main server is at IBM offices in Istanbul, and not at KKB itself. Verification of identities of KKB, users, and providers of information was established at the beginning with the assistance of IBM.

Role of the Financial Regulator (BRSA)

Presently, in Turkey there is a change in the banking law which is expected to be approved soon. It will enable the Financial Regulator (BRSA) to regulate KKB and oversee the credit card law in Turkey. This was very interesting to observe because despite the fact that KKB seems to operate successfully, without need for consumer consent and has been mostly a self regulatory organization, yet it was felt in Turkey that it should be under BRSA. KKB welcome this change because whenever information is disclosed to third parties, such as the government for example, they always want a second opinion of whether the government agency requesting the information is entitled to do so in the first place. Also, BRSA can help and support them in some of their activities.

Overview of the Two Member Banks Presentations

The two banks explained how they use KKB in their own approval processes for issuance of credit cards and extending consumer finance loans. The two banks had structured risk management systems and sophisticated methods that they use to review the applications for credit card issuance. One bank had purchased decision support systems from Fair Issac/Strategyware.

What was also interesting and also highly relevant was how the two banks used KKB, KKB score versus their own scoring models. *One bank used KKB credit score as one step in their decision making process. The other bank (Akbank) used KKB score as a one variable in their own application scores.*

The two banks also checked Turkish Central Bank Files which seems to maintain a negative database.

Concluding Observations and Relevance to Egypt's Situation

For the forthcoming Egyptian private credit bureau

Some advice was given by KKB to the Egyptian Delegation based on the Turkish experience. The following issues were pointed out as important:

- Limiting any interference from the shareholding banks who might attempt to make use of the know-how at the credit bureau to serve their own purposes and the importance of

maintaining neutrality when serving the whole banking sector, otherwise the credit bureau will lose its creditability. It is important to note that the shareholding structure, in a way, made it easier to limit such interference of the shareholder banks in the operations of KKB since they all had equal shares to start with. The forthcoming Egyptian credit bureau must operate on the principle that ownership and management should be separable, regardless of who owns the majority of the shares.

- Developing the bureau's unique know how, customization according to need, building a team of IT experts from the beginning, not using third party experts in the long run and using legal advisers at all times.
- The search engine is vital to the successful operation of the credit bureau.

We conclude therefore that for Egypt:

- At the initial stages of operations in a credit bureau, it is important to exercise patience and focus on gathering information rather than trying to do all at once. In the Turkish experience, bureau scoring started after a number of years, which is natural since information has to be gathered first. It is only recently that KKB took a decision to expand to include credit information with respect to the commercial sector. In Egypt, CBE and Egyptian banks are fully aware of the importance of serving retail and consumer finance segment of the market and it is likely that the credit bureau will start by serving this segment first.
- Turkey is a success story of one credit bureau that exists in a country. The Egyptian participants unanimously agreed that in Egypt it is better to have one private sector credit bureau. *The coexistence of private and public registries was not raised /discussed by the participants and the public registry will continue to operate by law in Egypt.*
- In Egypt, the two consortiums which are composed of Egyptian banks are presently grouping into one. This means the creation of a well capitalized credit bureau where owners will also be users. If the shareholders of the Egyptian credit bureau hold majority of the banking assets, then they will also become users, in which case most of the banking sector will be served. However, the credit bureau should eventually serve both the banking and the financial and commercial sectors as well.
- Despite the fact that one big credit bureau is presently being established, there is still a possibility that more than one will be licensed in the future, especially since we are aware of the interest of one entity to seek a license. The CBE is in a position to license more than one under the amended banking law. In this case, it will be worthwhile to expose the CBE and other Egyptian professionals sometime to countries where more than one private sector credit bureau exist (such as the U.S) and countries where public and private registries exist side by side (some European countries).
- Furthermore, even if one private credit bureau operates, some may question the rationale behind the existence of two credit bureaus operating at the same time: a public registry and a private registry. EFS will be conducting public awareness programs to educate the market on the distinction between public and private registries, their distinct purposes and complementary roles. Public registry exists by law and CBE will continue to operate it to supervise banks and on these bases its efficiency should continue to develop.

The Role of the Financial Regulator

CBE can play a very important role in the future not only with respect to regulating the private credit bureau and ensuring protection of consumer rights, but more importantly, by virtue of its status, the CBE can facilitate information flows between the credit bureau and other entities who do not fall under the jurisdiction of the CBE or, are governed by different laws and regulated by other authorities.

For the Egyptian banks

The following is worth noting:

- Egyptian Private credit bureau(s) can complement what banks do here. Egyptian banks can continue to collect investigatory information about their customers.
- In line with the development of private sector credit bureau(s) in Egypt, banks should prepare to develop their own internal risk management systems in assessing applications to issue credit cards, provide consumer finance and mortgage loans. Many banks still require deposits as cash collaterals to issue credit cards in Egypt. This should gradually change.
- A credit bureau score does not prevent any bank from developing its own application scores or behavior scores. Credit bureau scoring is a value added service and relies on the information that is available with the credit bureau.
- Fine distinctions between scoring and rating are important, especially how banks can use rating to comply with Basle II requirements.

List of Materials Provided to Participants

By EFS:

EFS provided the participants with the following reading materials before departure:

1. The WB principles & guidelines for credit reporting systems
2. FICO Educational materials on credit bureau scoring
3. Power Point Presentation by Leora Klapper: Development of Credit Reporting Around the World
4. Information about KKB Kredi Kayit Bursou
5. Credit Reporting around the world: The results of the survey of credit reporting systems worldwide

By KKB:

KKB provided the participants with soft and printed versions of the power point presentation delivered by KKB and the member banks in English. These covered the following

1. General Overview of KKB
2. Value added systems of KKB

3. Technical Overview of KKB
4. The role of Credit bureau in Garanti Bank
5. Presentation by AKbank

KKB provided EFS project with the following documents. Documents in Turkish were translated to Arabic.

| <u>Document</u> | <u>Language</u> | <u>Availability</u> |
|--|-----------------|---------------------|
| 1. Turkish Banks' Law | English | CD |
| 2. Book of Commentary for the Banks' Law | Turkish/Arabic | CD |
| 3. KKB's audited financial reports | English | Hard copy |
| 4. Important clauses of membership and bureau score agreements | Turkish/Arabic | CD |
| 5. The document explaining the features of KKB's new bureau system | English | CD |
| 6. The document containing interesting examples from MIDES / samples of consumers complaints | Turkish/Arabic | CD |
| 7. Sample credit report | Turkish/Arabic | CD |
| 8. The results of an academic research for evaluation of KKB's products and Services | Turkish/Arabic | CD |

Attachments

1. Detailed Trip Agenda and List of Participants
2. Banks Act of Turkey
3. KKB's New Credit Bureau System

Attachment 1: Detailed Trip Agenda and List of Participants

1. Date

22-23 March, 2005

2. Venue

KKB headquarters

3. Participants

KKB Team:

- 1- **Kazım Derman**, assistant general manager
- 2- **İbrahim Kara**, manager of R&D and product management department
- 3- **Orkun Deniz**, assistant manager of R&D and product management department

KKB Member Banks:

- 1- **Ahu Atay**, manager of risk management department of Akbank
- 2- **Ali Murat Baydaş**, senior vice president / Garanti Bankası

BRSA Attendees:

- 1- **Mete Bumin**, Acting Head of Foreign Relations Department
- 2- **İhsan İlgentürk**, Banking Specialist

Egyptian Delegation:

1. **Mr. Sherif Mohamed Farouk** – General Manager – National Bank for Development
2. **Mr. Magdy Maurice Wessa** – Deputy General Manager – Central Bank of Egypt
3. **Mr. Mohsen Emam Youssef Sayed** – Chief Inspector – Central Bank of Egypt
4. **Mr. Ashraf Youssef Mahmoud El Wakil** – Chief Inspector – Central Bank of Egypt
5. **Ms. Hend Ebeid Ahmed Maher** – Program Manager (Credit Investment) – Egyptian Banking Institute
6. **Ms. Azza Ahmed Fathi Radwan** – Senior Executive Officer – Commercial International Bank
7. **Mr. Hussien Beshir Selim Saleh** – Deputy Chairman – Housing & Development Bank
8. **Mr. Yehia Mohamed El Said El Agamy** - Director General of the Small Enterprise Development Organization – Social Fund for Development
9. **Ms. Marian Mishriki** – Financial/Credit Specialist – Egypt Financial Services Project
10. **Mr. Magdy Khalil** – Team Leader – Small Business Development – U.S Agency for International Development
11. **Ms. Amna Abdel Aziz Mohamed** – Translator – Ain Shams University
12. **Mr. Mohamed Ahmed Amin Fawzi** – General Manager – National Bank of Egypt

Tuesday March 22, 2005

9:30 – 11: 30 Kazim Derman – Assistant General Manager, KKB

History and current status of KKB

An overview of KKB's development since its establishment in 1995. During this opening session following subjects will be covered:

- KKB's shareholder structure
- Development of bureau database
- Enquiry statistics
- Prominent events

Stages of a credit bureau project

This topic will be covered from two perspectives: operations side and regulations side.

On the operations side, important issues are as follows:

- Structuring the company
 - Designing an efficient organization chart
 - Defining the job descriptions of the mission-critical professionals of the Bureau
- Products and services
 - Basic, advanced and value added products and services of the Bureau
 - When and how to deliver each product and service to the members and the consumers
- Hardware and software
 - Important issues when evaluating the offers of the vendors,
 - Determining the best software alternative and the most suitable technical platform
 - Negotiating with vendors on the agreements
- Data and security issues
 - Important characteristics of data
 - Analysis of prospective members' data
 - Evaluation of risks and setting necessary rules for the following operations:
 - Bureau controlled functions and operations
 - Member controlled functions and operations
 - Acquisition of third-party (media, institutions, governmental bodies, etc.) information databases.

On the regulations side, important issues are as follows:

- Establishing the legal framework by amending pertinent laws
- Preparation of company charter
- Preparation of membership agreements

Critical issues in bureau operations

Some of the important points are listed below:

- Determining the obligations and limitations of the Bureau and the members
- Establish a pricing and invoicing system
- Deciding on data/information sharing rules (reciprocity structure)
- Setting up the initial preparation stages for new members
- Handling consumer disputes
- Critical points that should be taken into consideration while running the consumer based operations in order not to face any legal problems.

Enquiry (credit report) demo

A real-time enquiry demonstration will be performed to highlight the speed of the service and the content of a credit report.

**11:30 – 12: 30 Mete Bumin, Acting Head of Foreign Relations Department
Ihsan Ilgenturk, Banking Specialist
Banking Regulation and Supervision Agency Committee**

- Meeting with BRSA
 - The role of the BRSA for Turkish Finance Industry
 - Brief explanation of the contents and importance of new banking law

12: 30 – 14:00 Lunch

14:00 – 15:00 Ahu Atay, Manager of Risk Management Department, Akbank T.A.S

- Flow of in-house developed a decisioning system for credit cards
- Use of bureau services with Akbank's systems

**15:00 – 17: 30 Orkun Deniz, Assistant Manager of R& D and Product Management,
KKB**

The value added systems

KKB has developed a number of unique systems. During this session, each of them will be mentioned as well as other procured systems.

- Batch Search System
- MIDES (Consumer Disputes Clearing System)
- SABAS (The Fraud Prevention and Detection System)
- PASS (Portfolio Accessibility Scoring System)
- DCS (Data Correction System)
- Credit Bureau Score

Wednesday March 23, 2005

9:30 – 12:30 Ibrahim Kara, Manager of R& D & Product Management Department, KKB

Importance of developing the bureau unique know-how and expertise

This is the single most important factor determining the overall success and prosperity of a credit bureau. KKB will provide the guidelines for accomplishing it.

Enquiry logic

Besides all other things, the enquiry is the utmost service of a credit bureau. It should be developed and calibrated with extreme care. KKB will reveal how to deal with all the important aspects of this issue.

- Importance of data quality
- Fine-tuning the matching logic

Commercial Bureau Project

Currently, KKB is working on its new bureau project. This bureau system will be a preeminent product as it will provide solutions to most of the chronic problems associated with credit bureaus.

- Project overview
- Fundamental design features
- Distinctive capabilities

12: 30 - 14:00 Lunch

**14:00 - 17:30 Turkey Garanti Bankasi A.S, Ali Murat Baydas, Senior Vice President
Explanation of decision support systems and role of KKB within those systems**

Deliverables

Following documents will be available for the visiting committee (the language is stated for each document):

- Turkish Banks' Law (English)
- Book of commentary for the Banks' Law (Turkish)
- KKB's audited financial reports (English)
- Important clauses of membership and bureau score agreements (Turkish)
- The document explaining the features of KKB's new bureau system (English)
- The document containing interesting examples from MIDES (Turkish)
- The document containing examples of members' criticisms on bureau score agreement. (Turkish)
- Sample credit report (Turkish) with definitions and explanations (English)
- Soft and printed versions of KKB presentations. (English)
- The results of an academic research for evaluation of KKB's products and Services(Turkish)

Attachment 2 Banks Act of Turkey

KKB A.Ş.

KKB Consultancy Services

EGYPT

Credit Bureau Establishment Project

“Banks Act of Turkey”

*KKB Office, İstanbul
22-23 March 2005*

BANKS ACT*

*

(As amended by the Act No. 5020)

Act No: 4389**Date of Ratification: 18.6.1999**

Purpose and Scope

ARTICLE 1-1. The purpose of this Act is to lay down rules governing incorporation, management, operations, acquisition, merger, liquidation and supervision of banks in order to protect rights and interests of depositors and to ensure an efficient functioning of the credit system by also giving due consideration to confidence and stability on financial markets and requirements of economic development.

2. The banks incorporated or to be incorporated in Turkey and the branches in Turkey of the banks incorporated or to be incorporated abroad shall be governed by provisions of this Act. Provisions of this Act shall also apply to any bank incorporated by virtue of a special act other than provisions thereof. Any issue not clearly specified in this Act shall be subject to general provisions.

Definitions

ARTICLE 2 - For the purposes of this Act:

"Minister" means the Prime Minister or a Minister of State to be commissioned by the Prime Minister;

"Agency" means the Banking Regulation and Supervision Agency;

"Board" means the Banking Regulation and Supervision Board;

"Chairman" means the Chairman of the Banking Regulation and Supervision Board;

"Central Bank" means the Central Bank of the Republic of Turkey;

"Fund" means the Saving Deposits Insurance Fund;

"Bank" means any entity incorporated in Turkey as a bank in accordance with this Act and any branch in Turkey of a bank established in a foreign country;

"Branch" means all local organizations of banks including, but not limited to, branches, agencies and stationary or mobile offices engaged in accepting deposits and carrying out other banking transactions except units solely composed of electronic transaction devices;

| Act No. | Enactment | Official Gazette | |
|-------------|-------------------|-------------------|--------------|
| | | Date | Number |
| <i>4389</i> | <i>18.06.1999</i> | <i>23.06.1999</i> | <i>23734</i> |
| 4491 | 17.12.1999 | 19.12.1999 | 23911 |
| 4672 | 12.05.2001 | 29.05.2001 | 24416 |
| 4684 | 20.06.2001 | 03.07.2001 | 24451 |
| 4743 | 30.01.2002 | 31.02.2002 | 24657 Re. |
| 5020 | 12.12.2003 | 26.12.2003 | 25328 |

"Paid-up Capital¹" means any bank's actual paid-up capital or paid-up capital set aside for Turkey free of any collusion less its loss disclosed in the balance sheet not met from reserves;

"Reserves¹" means any reserve set aside by banks in accordance with provisions of the Turkish Commercial Code no. 6762 dated 29.6.1956 and other relevant acts and articles of association thereof less any balance sheet loss, if any;

"Own funds¹" means sum of paid-up capital and contributed capital, less, items to be deducted from capital, principles, elements and proportions of which are to be determined by the Board by taking into consideration the international standards,

"Consolidated own funds²" means the sum of resources determined by the Board for the purpose of application of standard ratios and exposure limits on a consolidated basis.

Banking Regulation and Supervision Agency

ARTICLE 3-1. A "Banking Regulation and Supervision Agency", with the status of a public legal entity with administrative and financial autonomy, is hereby established in order to ensure application of this Act and other relevant acts, and to supervise and conclude such application, and to ensure that savings are protected and to carry out other activities and to exercise its authority defined in this Act by also issuing regulations within limits of authority granted by this Act. The Agency is obliged and authorized to take and implement any decision and measures in order to prevent any transaction or action which could jeopardize rights of depositors and a regular and secure operation of banks and lead to substantial damages to the national economy and to ensure efficient functioning of the credit system. The Agency's Head Office shall be located in Ankara. The Agency may establish organizations at any place where it deems appropriate.

2. The Minister shall require annual accounts of the Agency including the Fund and transactions relating to its expenditures audited by a committee consisting of an auditor from the Supreme Court of Public Accounts, an inspector from the Prime Minister's office and an inspector from the Ministry of Finance and take necessary measures in respect of results of such audit. A report including results of the audit as well as actions and measures taken in respect thereof shall be submitted by the Minister to the Council of Ministers together with the Agency's annual report.

3³. The decision-making body of the Agency is the Banking Regulation and Supervision Board consisting of seven members, including a chairman and a vice-chairman. The chairman of the Board is also the chairman of the Agency. Board members shall hold at least a bachelors degree in law, economics, finance, banking, business management, public administration, political sciences or equivalent fields or in any engineering field related to any of the foregoing. The Board members who have a bachelor's degree in any engineering field need to have a master's degree in any of the fields enumerated above. Board members, are appointed by the Council of Ministers upon the proposal of related Minister, among the candidates who has at least 10 years of experience and has worked as senior executive in finance area with at least 3 of them in banking sector, or has worked as a faculty member for at least 10 years in the fields enumerated above. The Council of Ministers will designate one of the appointed members as chairman, and another as the vice-chairman.

4. a) The Chairman and members of the Board shall hold office for six years. Any member may be re-elected upon expiry of his term. In case of any vacancy in the chairman or members positions for any reason, such vacancy shall

be filled by an election and appointment within two months in accordance with procedures set forth herein above. Any chairman or member so appointed shall hold office until expiry of his predecessor's term. Where any member becomes unable to perform his functions temporarily due to illness, accident or any other event, he shall be deputized by a Deputy President of the Agency who has the longest length of service. If such inability to perform his functions lasts for more than three months then the respective member shall be dismissed and his successor shall be appointed within seven days.

b) The chairman or any member of the Board may not be discharged prior to expiry of his term in office. Provided, however, that any chairman or member of the Board, who is no longer able to meet requirements for his appointment or found to have breached provisions of paragraph (5) or has been finally convicted by a court due to an offence he has committed in connection with his duties shall be discharged subject to the Prime Minister's approval prior to expiry of his term in office in which case a successor shall be appointed within two months. If any such dismissal is likely to lead to a difficulty in adopting resolutions, then a Deputy President of the Agency who has the longest length of service shall substitute for the member discharged.

c) The financial rights and positions of any Deputy President, who deputizes or substitutes for any member of the Board pursuant to this provision, or appointment, promotion and retirement thereof shall not be affected thereby.

5. a)³ Unless permitted by a special law, no member of the board may accept employment in another public or private entity, involve in commercial business, work as managers of societies, foundations, cooperatives and similar entities, perform his/her profession independently, give a lecture in consideration of a fee or assure a role in any examination or similar tasks or acquire shares of any partnership. Board members are obliged to transfer or sell any shares that they own in entities to non-related individuals who are more distant than 3rd degree blood relatives and 2nd degree non-blood in 30 days after their appointments. Members who do not abide by this rule will be considered as having resigned from their positions in the Board.

b)¹⁵ Board members may not take office in the establishments covered by this Act within the two-year period following their discharge, except for the banks whose management, supervision or shares have been transferred to the Fund. The professional principles that the Board members and personnel of the Agency abide by are determined by The Board.

6. All members of the Board shall take an oath before the First Presidential Board of the Supreme Court of Appeals that they will perform their duties with due diligence and integrity and that they will not infringe and not permit others to infringe provisions of the Act during their respective terms in office. Any application made for taking such an oath shall be accorded priority by the Supreme Court of Appeals. No member of the Board can assume his duties until he has taken an oath.

7. The Board shall meet with attendance of not less than five members under chairmanship of the chairman or, if the chairman is absent, the Vice Chairman. The quorum required for adopting a resolution shall consist of affirmative votes of minimum four members. Any resolution so adopted by the Board shall be deemed to be final. The chairman or any member may not participate in the discussions concerning their relatives specified in the third paragraph of Article 245 of the Code of Civil Procedures no. 1086 and may not cast votes. The Chairman is responsible for overall management and representation of the Agency and for execution of decisions taken by the Board.

Where the Chairman is absent due to an annual leave, sickness, an assignment within or without Turkey, removal from the office or otherwise he shall be deputized by the Vice Chairman.

8.³ Board members and all employees of the Agency may not disclose any confidential information relating to any person concerned or third parties, which they may have access to during performance of their duties and supervision, to any person other than the authorities entitled by law or use such information for their own benefit. This obligation shall remain in full force and effect even after they have been discharged. All funds, documents and properties of the Agency shall be deemed to be state property. Members of the Board and the Agency's employees shall be treated as civil servants in respect of any offence they have committed during or in connection with performance of their respective duties or of any offence committed against them. Investigations related to their duties shall be initiated within the framework of general provisions, provided that permission of the Minister is required for the Board members and permission of the Board is required for the personnel of the Agency.

9. The Agency may require from any ministry, public or private entity and person all kinds of documents and information including those classified as confidential in connection with any issue relating to its responsibilities and any such ministry, entity or person shall be obliged to respond to any such request and provide required means to representatives of the Agency. The Agency shall, upon demand or where deemed necessary, provide the Treasury Under secretariat, the Under secretariat of State Planning Organization and the Central Bank with opinions and information in respect of execution of policies relating to money, credit and banking.

10. Any authority, which has been duly authorized for supervision under laws of a foreign country, may audit accounts and books of any branch or partnership subject to this Act in Turkey of an entity engaged in financial markets of that country or require information there from only if it has obtained prior authorization from the Board. Any information requested by any such authority may be issued by the Agency provided that they are treated as confidential and not disclosed to any third party. The Board may cooperate and exchange information with any authority of a foreign country responsible for supervision within the framework of agreements it will enter into with such entities.

11. The Agency is authorized to issue regulations and official communiqués in respect of application of this Act by the decision of the Board. The Board and the Agency shall exercise their respective powers by establishing regulations and taking special decisions. Any regulation or communiqué, which has been issued to regulate a transaction, shall be effective on the date when it is published in the Official Gazette. Any special decision shall be published in the Agency's weekly bulletin where deemed necessary.

Head Office and Sub-divisions of the Agency

ARTICLE 4-1. The Board shall appoint three deputy presidents in order to assist the Chairman in performance of his duties. A deputy president shall have at least a graduate degree in law, economy, finance, banking, business management, public administration, statistics or engineering and have minimum 10 years of experience in any field coming under the Agency's responsibilities.

2. a) The service units of the Agency consists of major service units structured in the form of department chief office in a number required by the duties and authorities of the Agency, the Board of Sworn Bank Auditors, the consultancy units and support services units.

The service units of the Agency and their respective duties and responsibilities shall be defined in a regulation to be issued by the Council of Ministers upon the Board's proposal.

b) Primary and permanent duties and services, which the Agency is required to carry out and provided pursuant to this Act, shall be carried out and provided through professional personnel consisting of sworn bank auditors and assistants thereof and banking experts and assistant experts and other personnel.

c) Sworn bank auditors and their assistants and banking experts and assistant banking experts, working for the Agency, shall be employed under a contract.

d) Assistant banking experts shall be employed from among candidates holding at least a graduate degree in their respective fields and has successfully passed an examination. Any person appointed an assistant banking expert shall be appointed as banking expert by a resolution adopted by the Board with affirmative votes of at least five members provided that a proficiency thesis which he has prepared in respect of his specific field has been accepted by the Board and he has successfully passed an examination after working minimum three years for the Agency without receiving any adverse assessment from his superiors. Working principles and procedures and the proficiency and competition tests which banking experts and assistant experts are required to pass shall be laid down in a regulation.

Sworn Bank Auditors

ARTICLE 5-1. The implementation of those provisions hereof, and of other laws, that concern banks, and all kinds of operations of banks shall be inspected, and the relations and balances between their assets, receivables, own funds, liabilities and profit and loss accounts and all other elements affecting their financial structures shall be determined and analyzed on behalf of the Agency, by sworn bank auditors and their assistants, who constitute a board directly reporting to the Chairman.

2. Limited to their authority specified by this Act, sworn bank auditors and their assistants shall be authorized to perform tax audits and also have the authority defined in Supplementary Article 1 of Act no. 1567 of 20.2.1930 for the Protection of the Value of the Turkish Currency in respect of banks and their officers acting in breach of the provisions of the said Act and shall also have the authority to audit the implementation of the special laws under which banks have been established and of other legislation to which they are subject to.

3. Sworn bank auditors and their assistants shall have the authority to request all such information as they may consider necessary under the above-mentioned legal provisions from banks and their subsidiaries and affiliates as well as from all other natural and legal persons and to examine all their books, records and documents, and such entities and persons shall, upon receipt of a request, provide the information requested and make their books, records and documents available for audit.

4. Governmental agencies and departments, the Central Bank of the Republic of Turkey, similar institutions and the risk management centre must provide sworn bank auditors and their assistants with any information and documents requested by them in connection with their duties even if such information and documents are confidential.

5. Assistant sworn bank auditors shall be appointed from among candidates who have received a graduate degree in relevant fields and has successfully passed a competitive examination. Those who have worked as an assistant sworn bank auditor for at least three years shall be appointed a sworn bank auditor by virtue of a resolution adopted by the Board with affirmative votes of minimum five members after they have successfully passed the proficiency examination.

6. The Chairman of the Board of Sworn Bank Auditors shall also act as the Deputy President of the Agency and be qualified as a sworn bank auditor.

7. Sworn bank auditors and their assistants shall not carry out any audit unless they take an oath before the Basic Commercial Court in Ankara.

8. The working principles and procedures of sworn bank auditors shall be set forth by a regulation.

Employment and Financial Rights of the Employees of the Agency, Budget of the Agency

ARTICLE 6-1.a) The Agency's employees and members of the Board shall be subject to provisions of the Law on Pension Fund no. 5434 and any supplement and amendment thereto. As to retirement rights the Board's Chairman shall be deemed to be equal to the Ministry's Undersecretary; the Board members shall be deemed to be equal to the Ministry's Deputy Undersecretary; Deputy Presidents of the Agency shall be deemed to be equal to a Director General of the Ministry; the Chairman of the Board of Sworn Bank Auditors shall be deemed to be equal to the Chairman of the Board of the Ministry; the Heads of Departments of the Agency in the first degree shall be deemed to be equal to Deputy Director General of the Ministry; a senior Sworn Bank Auditor who has received a graduate degree from a four-year university or college and authorized to perform inspections, audits or examinations in Turkey shall be deemed to be equal to an inspector working for the Ministry; and a Banking Expert, who has received a graduate degree from four-year university or college and entitled to receive a salary at first grade, shall be deemed to be equal to a Treasury expert. Length of service in any of the foregoing positions shall entitle the holder of that office, receive office compensation.

Any person, who has been transferred from any other public agency or institution to the Agency, shall be appointed to a position commensurate with their position in their former place of employment upon their request. In that case, their length of service in the Agency shall be added to their total length of service. Without prejudice to requirements, which shall be satisfied to gain academic titles, these provisions shall also be applicable to any personnel transferred from a university.

b) Any person who has been appointed Chairman or a member of the Board, who has been affiliated with any other social security organization established by law prior to his appointment, shall maintain their affiliations with such organization and shall not be governed by provisions of sub-paragraph (a) above.

c) Any person who has been appointed Chairman or a member of the Board shall not work for their previous employers during their term of office in the Board. Provided, however, that upon expiry of his term in office any such person shall be appointed by the Minister to a position corresponding to his vested rights. The conditions for obtaining academic titles are reserved.

2.a)⁴ The salaries of the Chairman and members of the Board shall be determined by the Council of Ministers.

b) Salaries and other pecuniary rights of the Agency's personnel shall be determined by the Board in accordance with guidelines to be set forth by the Council of Ministers.

3. The Agency's expenditures shall be authorized by an annual budget, which shall be put into effect by virtue of a resolution adopted by the Board. The Agency's budget year is a calendar year. The budget shall be drawn up within 30 days preceding the respective budget year and prior to the effective date of the budget expenses shall be met from funds to be paid by banks to the Agency depending on their balance sheet total for the preceding year. Any amount to be paid as a contribution to fund expenses shall not exceed three per ten thousand of any bank's balance sheet total. Any such contribution not paid within the specified period shall be collected in accordance with the Act no. 6183 on Procedures for Collection of Public Receivables. The Council of Ministers shall ratify the Annual Financial Report and the Final Budget Account relating to results of application of budget.

4. The Agency is not subject to the General Accounting Act no. 1050 of 26.5.1927, the Civil Servants Act no. 657 of 14.7.1965, the Act no. 3346 of 2.4.1987 on Procedures Governing Auditing by the Turkish Grand National Assembly of State-owned Enterprises and Funds, the Supreme Court of Public Accounts Act no. 832 of 21.2.1967, State Tenders Act no. 2886 of 8.9.1983 and the Reimbursement Act no. 6245 of 10.2.1954 as well as all additions and modifications thereto.

5. Members of the Board and all employees of the Agency shall have qualifications defined in sub-paragraphs (1), (4), (5), (6) and (7) of paragraph (A) of Article 48 of the Civil Servants Act no. 657 of 14.7.1965.

6. Provisions of the Collective Labor Agreements, Strikes and Lockouts Act no. 2822 relating to prohibitions on strikes and lockouts shall also apply to the Agency's employees and services.

Conditions for Establishing a Bank and for Starting Operations

ARTICLE 7-1.³ Establishment of a bank in Turkey or opening of the first branch in Turkey, by a bank founded in a foreign country, is permitted by the Board, upon the affirmative votes of at least five of its members. Principles and procedures for the application for this permission and authorization are determined by a regulation issued by the Board. Any authorization issued for the foundation of a bank or for the opening of a branch office in Turkey shall become null and void in the event of failure to start operation within one year after the date of the permission.

2. Any bank to be founded in Turkey must:

a) be founded as a joint-stock company;

b) have founders who;

ba) have not been declared bankrupt or enter into a composition with creditors;

bb) do not hold, directly or indirectly, a share of ten percent or more in any banker, bank, insurance company or other institutions operating on money and capital markets which has been subjected to liquidation or any bank transferred to the Fund; and

bc)³ do not hold directly or indirectly, either a share equal to or more than 10 percent or a share less than this proportion but gives right to assign members of the board of directors or board of auditors of a bank against which legal action pursuant to Article 14 has been started,

bd)¹ have not been sentenced to heavy imprisonment or to imprisonment for more than five years and, even if pardoned later on, except for negligent offences, or breach of provisions of Article 22 of this Act or convicted of infamous crime such as simple or qualified embezzlement, peculation, bribery, theft, swindling, forgery, breach of trust and fraudulent bankruptcy, or of smuggling, except for smuggling of personal consumption, sedition in official tenders and purchases, money laundering, disclosure of State secrets, tax evasion or attempted to tax evasion or participation to tax evasion,

be) have the financial capabilities and reputation which an incorporator or partner of a bank should be reasonably expected to have,

c) have all of its shares issued against cash and to name, and certify the identities of the natural persons who manage and control those of its founders that are legal persons, they being required to satisfy the requirements for being a founder;

d) have a capital, paid in cash and free of any collusion, which shall not be less than TL twenty trillion; and

e) have an articles of association in conformity with the provisions hereof.

3. Banks established abroad that will operate in Turkey by opening branches must:

a) have paid-up capital allocated to Turkey which shall not be less than the amount specified in sub-paragraph (d) of paragraph (2) hereof; and

b) have not been prohibited or restricted from accepting deposits or engaging in other banking operations in the countries in which they are established or operating.

4. After receiving the permission to found a bank or to open a branch in Turkey, also permission shall be required for accepting deposits or engaging in other banking operations. This permission shall be granted by the Board upon an application in the form of a statement. Authorizations issued shall be published in the Official Gazette. The Agency shall grant to those who do not meet the conditions specified herein or in regulations issued on the basis hereof an adequate period of time to make the necessary corrections and to eliminate the deficiencies. Those who re-apply within the specified period but who are not considered to be appropriate following an examination shall be notified of the result and the authorization shall be revoked. Principles and procedures related to applications and to the granting of permission shall be set forth in a regulation to be issued by the Agency. A bank permitted to be founded shall not start operation unless:

a) its capital has been paid in cash;

b) the founders have deposited into the Fund the contribution for joining the system in the amount of ten percent of the minimum capital indicated in sub-paragraph (d) of paragraph (2) hereof provided that five percent of the foregoing amount shall be deposited prior to commencement of operations and the remaining five percent within one year from the date of commencement of operations;

c) it possesses adequate management, personnel and technical equipment to carry out banking operations.

5. Provisions relating to foundation of banks, or to the opening of branches by banks established abroad, to engage exclusively in offshore banking operations in Turkey, their principles and areas of activity, their systems of accounts and records, the procedures for their supervision, and the temporary or permanent suspension of their activities, shall be determined by a decision of the Board. Banks engaged exclusively in offshore banking operations shall not be subject to articles hereof, save this paragraph, or to Article 40 of Act no. 1211 of 14.1.1970 on the Central Bank of the Republic of Turkey. Banking operations in free zones except off-shore banking shall be subject to the provisions hereof.

Amendments to Articles of Association and Assignments of Shareholders

ARTICLE 8-1. Any amendment to the articles of association of a bank shall require an approval of the Agency. A proposed amendment not approved by the Agency shall not be debated in the general meeting of shareholders. The registrar shall not record an amendment to the articles of association in the Companies Register without the approval of the Agency. Any portion of the capital, which has been determined to have been increased in breach of applicable laws, shall not be taken into consideration in calculation of own funds.

2. a)³ Any acquisition of shares that result in the acquisition by one person directly or indirectly of shares representing ten percent or more of the capital of a bank or if shares held by one shareholder exceed ten percent, twenty percent, thirty-three percent or fifty percent of the capital as a result thereof, and assignments of shares that result in shares held by one shareholder falling below the percentages above, shall require the permission of the Board. Transactions resulting in the number of shareholders falling below five, and assignments of shares affected without permission, shall not be recorded in the book of shares. Any records made in the book of shares in breach of the foregoing provision shall be null and void. The provisions of this paragraph shall also apply to the acquisition of voting rights and pledging of shares. Assignment of preferential shares with the right of promoting a member to the board of directors or auditors or shares which are granted a usufruct shall be subject to the Board's authorization irrespective of limits defined above.

b)⁵ Any shareholder, who, directly or indirectly, owns at least ten percent of the capital or, even if his interest in the capital is below the foregoing rate, owns shares, which entitle him to appoint directors or auditors, shall meet requirements which shall be satisfied by the founders.

c)² Any shareholder, who no longer meets the requirements which shall be met by the founders or acquired a share without obtaining an authorization from the Board therefore, shall not be entitled to enjoy shareholder rights except dividend rights. In that case, other shareholder rights except dividend rights of those shareholders shall be exercised by the Fund. This provision shall

not be applicable to any shareholder, who no longer meets requirements which the founders must satisfy, only because of his acquisition of an interest in a bank which is governed by provisions of subparagraphs (1) and (2) of Article 14.

d)⁵ The assignment of shares of legal entities directly or indirectly, who own 10 percent or more of the capital of the bank, under terms and conditions mentioned in paragraph (a) is subject to the permission of the Board. The permission might be given on condition that the person who acquires the shares bears the qualifications required for the founders. In case capital shares which determine the control and management of the legal entity is owned by another legal entity these provisions will be enforced until real person shareholders are determined.

e)² In case of any authorization for assignment or acquisition of shares, which causes transfer of a bank's management and supervision to another group of companies, whether directly or indirectly, the bank's paid-in capital shall be raised to the amount specified in sub-paragraph (d) of paragraph (2) of Article 7 within one year from the date of the authorization.

Organization and Organs of Banks

ARTICLE 9-1.a) The board of directors of any bank shall have at least five members. The general manager of the bank and, in his absence, his deputy shall be a natural member of the board of directors. The qualifications required for the general manager in sub-paragraph (a) of paragraph (2) of this Article, except for the time criterion, shall also be required for majority of the board of directors. Managing directors shall satisfy the same conditions as the general manager. A three-member board of directors, including the manager of the main branch office and having the authority and responsibilities of a board of directors, shall be formed at the main branch office in Turkey of a bank established abroad and operating in Turkey through branches.

b)¹ Members of the board of directors of any bank and the chairman and members of the board of directors of a branch in Turkey of any bank established in a foreign country shall take an oath before the local commercial court after their appointment or election. The foregoing persons and other officers of the bank as identified by the Board shall be subject to provisions of the Act no. 3628 of 19.4.1990 on Declaration of Personal Property and Elimination of Bribery and Embezzlement. Principles and procedures for taking an oath and declaration of property shall be set forth by the Board.

⁶ All kinds of personal and real properties, rights and receivables, items of income and expenditures, and rights of claim which are misrepresented by those who are under the obligation of declaration of property will also be subject to law provisions pertaining to unfair enrichment. Said provisions are not applicable on a person who proves contrary to unfair enrichment. (*Also refer to the provisional article 3 of the Act no: 5020*)

c) The board of directors shall be authorized to extend loans. The board of directors may delegate this authority to a credit committee or the head office in accordance with principles and procedures to be defined by the Board. Formation of a credit committee and its decision making principles shall be laid down by the Board.

2. a) The general manager of a bank must have at least a graduate degree in one of the fields of law, economics, business management, finance, banking, public administration or an equivalent field or in an engineering field related to any of the foregoing and possess a minimum of ten years of professional experience in the field of banking or business management.

b) At least half of the assistant general managers of a bank must have at least a graduate degree in one of the fields indicated in paragraph (a) above, and possess a minimum of seven years

of professional experience in the field of banking or business management. Other officers holding offices equivalent to or higher than the position of assistant general manager in terms of their authority and duties shall, even if employed under different job titles, be subject to provisions of this Act applicable to assistant general managers.

3. a) Those to be appointed to the position of general manager or assistant general manager must be notified to the Agency, enclosing documents which show that they satisfy the requirements stated in this Article. They may be appointed to such positions unless an adverse opinion together with reasons for it is notified by the Agency within seven working days after receipt of the notification.

b) General managers or assistant general managers who leave office for any reason shall be notified by the bank and themselves, to the Agency within seven days with a letter stating the reasons for leave.

c) In implementation of this Article, the manager of the main branch in Turkey of a bank established abroad, and the other members of its board of managers, shall be deemed, respectively, as the general manager and as assistant general managers.

4. Banks are obliged to set up an efficient internal audit system and a risk control and management system, the principles and procedures defined in a regulation to be issued by the Agency, compatible with the scope and structure of its operations in order to ensure monitoring and control of risks which they encounter due to their transactions. Banks shall employ an adequate number of auditors to verify conformity of their transactions to banking rules and regulations.

5. a)¹ Any person, who has been sentenced to imprisonment or heavy fines due to an infringement of provisions of this Act, and those who do not meet requirements set out in paragraph (2) of Article 7 except sub-paragraph (be) of this Act may not be employed by any bank as its chairman of the board, member of the board, auditor, general manager, assistant general manager or as an officer with first degree signing authority. Signing authorities of such persons shall be promptly revoked by banks. This provision shall not be applicable to any shareholder, who no longer meets requirements which the founders must satisfy, only because of his acquisition of an interest in a bank which is governed by provisions of subparagraphs (1) and (2) of Article 14.

b) The signing authority of any bank employee, who, as a result of supervision, is found to have infringed provisions of this Act or other applicable laws and put the bank's safe operation into danger, shall be temporarily revoked upon the Board's request following institution of legal proceedings against that employee. Such persons may not be employed by any bank as an employee vested with signing powers.

6. a) Banks shall be free to open branches provided that they comply with the principles set by the Board and that they have achieved the standard ratios that put into force with this Act. If necessary, the Board may subject the opening of branches by banks to permission. For every branch, excluding the main branch, to be opened, it shall be required to allocate own funds in the amount of at least one percent of the amount of capital specified in sub-paragraph (d) of paragraph (2) of Article 7 hereof.

b) Banks established in Turkey must receive permission from the Board to open a branch or a representative office abroad.

c) The permission of the Board shall be required for a bank established abroad to open a representative office in Turkey provided that it does not accept deposits and is not engaged in any other banking operations.

Provisions Related to Deposits

ARTICLE 10-1. No natural or legal person, other than banks authorized by this Act and those authorized by their special laws, shall accept deposits as a principal or side operation. Nor shall they use any words or expressions in their business titles, public statements, and advertisements, which would imply that they accept deposits. For the purposes of the implementation of this Act, accepting money, by announcing to the public, verbally or in writing or in any manner, in return for or without a consideration or to be returned on a certain date of maturity or whenever it is called shall be considered accepting deposits. Issuance of participation certificates, receipts, promissory notes and similar certificates in return shall not prevent any money received against such certificates from being considered as deposits. In the context of this Act any money collected by funds established by any public or private institution and companies exclusively for the benefit of their employees only to provide social benefits, health care, reserves and savings shall not be considered as deposits. The provisions of this Article shall not apply to the issue of capital market instruments under the provisions of the Capital Markets Act no 2499 of 28.7.1981.

2. a) Banks shall separate savings deposits from other types of deposit accounts and classify deposit accounts according to terms and types thereof as determined by the Central Bank.

b) Savings deposits are accounts opened under this title by natural persons and not subject to commercial transactions. However, drawing cheques exclusively on demand savings deposit accounts shall not be considered as a commercial transaction.

c) In the event of bankruptcy of a bank, the holders of savings deposits for the part of their deposits which is not insured shall have a first degree privileged claim, which shall be subordinate to those of the Fund, in context of Article 206 of the Enforcement and Bankruptcy Act no. 2004.

3. Without prejudice to the provisions of the Civil Code (Act no. 743 of 17.2.1926) concerning encumbrances, and provisions of the Code of Obligations no. 818 of 22.4.1926 concerning the transfer and assignment of claims and the powers conferred and the obligations imposed by other laws, the rights of depositors to withdraw their deposits may not be limited in any manner. The conditions agreed upon by and between the depositor and the bank with regard to maturity and notice period are reserved.

4.⁴ Any deposit, bailed goods or claims of any kind with banks that have not been claimed for a period of ten years or more from the date of the last withdrawal or transaction or the date of the last written instruction given by the depositor shall be subject to prescription. Any deposit, bailed goods or claims, which have been subject to prescription, shall be appropriated by the Fund and related principles and procedures shall be defined by the Board of the Fund.

General Exposure Limits, Loans Extended to Affiliates, Shareholders and Employees

ARTICLE 11-1.⁵ For the purposes of this Act cash loans and non-cash loans such as guarantee letters, sureties, avals, endorsements and acceptances, etc., and bonds and similar capital market instruments it will purchase, and loans it will lend by depositing or otherwise, and

receivables arising from futures sale of assets, and overdue cash loans, and amounts of non-cash loans converted into cash and futures and options contracts and other similar contracts and shareholding interests shall be deemed to constitute an exposure notwithstanding the account through which they are traced.

2.a)³ A bank, may not incur an exposure, including accepting their avals and suretyships, to a natural or legal person or group of connected clients, in excess of twenty-five percent of its own funds. Exposures to an ordinary partnership shall be considered as exposures to the partners in proportion to their liabilities.

b) Exposures to, including avals and suretyships accepted from, a natural or legal person or group of connected clients in excess of ten percent of the bank's own funds shall be considered as large exposures, and their total, excluding avals and suretyships accepted, can not exceed eight fold of its own funds.

3.⁵ For the implementation of this Act, definitions of group of connected clients, indirect subsidiaries, indirect shareholdings, the weighting of non-cash loans and the weightings, rules, and implementation principles regarding shareholding interests, forward, futures, options or similar contracts in calculation of exposure limits are determined by the Board.

4.⁵ The limits set out in this Article are also calculated and applied on a consolidated basis according to the methods and principles to be determined by the Board.

5.³ Any transaction carried out with any central administration, central bank and credit institution in a member state of the Organization for Economic Cooperation and Development and any other country acceptable to the Board or any transaction carried out against a bond, bill or similar capital market instruments issued or guaranteed and other guarantees provided by those institutions shall be taken into consideration within limits set forth by the Board.

6. The limitations in this Article shall not apply to the transactions listed below:

a) Transactions against cash;

b) Transactions made with the Treasury, the Privatization Administration and the Social Housing Administration or against bonds and bills issued or guaranteed by these institutions;

c)³ Transactions among banks themselves, within the principles determined by the Board,

d) Transactions carried out with the Central Bank or on any market associated with the Central Bank;

e)³ Any increase in an exposure resulting from an increase in the value of the respective currency and interests accrued on overdue loans and other factors provided that exposures in a foreign currency shall be taken into consideration at the exchange rate applied on the date of utilization thereof for calculation of exposure limits in the event a new exposure is incurred to the same person.

f)³ Free dividend shares acquired and any increase in the value of an existing equity holding provided that no fund extended by the bank.

g)⁵ Transactions which are taken into account as deductibles in calculation of own funds.

h)⁷ ...

7.⁷ ...

8.⁷ ...

9. Banks can not in any manner whatsoever incur exposures to, accept the suretyships of, or purchase bonds or similar securities issued by:

a) the presidents and members of their boards of directors, their general managers and assistant general managers, their other officers who are authorized to extend loans, the spouses and minor children of these individuals, or companies in which these individuals hold separately or collectively twenty-five percent or more of the capital;

b) their employees, other than those referred to in sub-paragraph (a) above, and their spouses and minor children; and

c) funds, associations, unions or foundations established by or for the employees of the bank.

³The provisions of sub-paragraph (a) above shall not apply to natural persons who are board members of the banks and own directly or indirectly 10 percent or more of the bank shares or are shareholders of legal entities. The fact that the individuals who are members of the board of directors or auditors of a subsidiaries or affiliates of a bank are also members of the bank shall not be an obstacle for that subsidiary or affiliate to carry out transactions with the bank in question. Cash loans to be extended to bank employees, loans to be made available for these persons through the issue of a loan card on terms and conditions set out in a regulation, and suretyships to be accepted for these persons, shall not be subject to the provisions of this paragraph, provided that they do not exceed five fold of the net monthly salary of the recipient.

10. Any exposure which has subsequently constituted a violation of paragraphs (8) and (9) of this Article must be liquidated within six months without prejudice to the date of maturity which was fixed in advance.

11. When incurring exposures or issuing suretyships or guarantees, banks must obtain from the applicants their latest statement of account in accordance with procedures to be defined by the Agency. If the total amount of exposures incurred to and suretyships or guarantees issued to customers other than institutions, partnerships and banks, in which general or annexed budget agencies, state economic enterprises, and organizations included within the scope of Act no. 3291 of 28.5.1986 hold more than half of the capital thereof, exceed the amount determined by the Agency, then conformity of the statements of account and the accompanying balance-sheet and profit/loss statements to be received to generally accepted accounting principles must be verified by professionals who have obtained a license and authorized to perform audits under Act no. 3568 of 1.6.1989 in accordance with provisions to be determined by the Agency.

12.⁵ Banks must set aside provisions for losses which have resulted or are expected to result from loans and other receivables thereof, and the total amount of which cannot be determined, as set out in regulations issued by the Board. All specific provisions, which any bank may set aside pursuant to this paragraph, shall be deemed as expenditure for the purpose of calculation of corporate income tax base in the year when they were set aside.

Subsidiaries, Prohibition on Trading of Commodities and Real Estate Transactions

ARTICLE 12-1 a)⁵ Without prejudice to provisions of Article 11, banks may acquire shares of companies, other than financial institutions which is mainly engaged in money and capital markets and insurance under an authorization and a license issued in accordance with appropriate legislation, provided that the amount of the shares so acquired in that company shall not exceed fifteen percent of banks' own funds. The total amount of such shares shall not exceed sixty percent of the bank's own funds. Any shares in a company, which is less than ten percent of that company's capital, and shares acquired free of charge and any increase in such shares, which do not require any transfer of funds, shall not be taken into account in calculation of the foregoing limits.

b) A bank and its subsidiaries in which it owns more than fifty percent of the capital can not acquire shares of companies in which any shareholder who controls more than ten percent of the bank's capital, the president and members of the bank's board of directors, or its general manager and assistant managers, separately or collectively, hold more than twenty-five percent of the capital.

c) Companies and establishments in which a bank participates can not purchase shares in the capital of that bank, or accept them as pledge, or provide advances against them.

d) The establishment by a bank of a company abroad or its participation in a company already established abroad shall require the permission of the Board.

e) Banks that fail to achieve the standard ratios introduced hereunder shall not be allowed to acquire new subsidiaries in any manner whatsoever, except bonus shares acquired from their existing subsidiaries.

2. Banks shall not engage in purchase and sale of real estate or commodities for commercial purposes, except gold in coin and bullion and other precious metals deemed appropriate by the Board; or participate in companies trading exclusively in real estate, except real estate investment partnerships, or extend loans to natural and legal persons engaged in such trade. The total book value of real estate acquired by a bank, net of depreciations, can not exceed fifty percent of the bank's own funds. In calculating this ratio, fifty percent of any amount added to the real estate account through revaluation shall be taken into consideration. The principles and procedures governing the disposal of commodities and real estate acquired by a bank on account of its receivables shall be set forth in a regulation to be issued by the Agency.

Accounting and Recording System

ARTICLE 13-1. a) Banks shall keep, publish and present to relevant authorities their annual balance sheets and profit and loss statements in accordance with principles and procedures to be laid down by the Board in consultation with the Banks Association of Turkey. In order to keep application of this Act under review the Board is authorized to request from banks any statements, reports and financial statements conforming to formats and procedures to be set forth by the Board and to determine standard ratios relating to financial structures and utilization of resources thereof by taking into consideration international principles and standards as well as provisions governing publication of such ratios and financial statements, where deemed necessary in, consultation with the Banks Association of Turkey. Banks are obliged to submit the Agency the statements, reports and financial statements and to comply with ratios to be defined.

b) Banks can not leave any of their transactions unrecorded, or record them in an account that does not conform to their true nature, nor can they close their year-end balance sheets before they reconcile their statutory and auxiliary books and records with the accounts of their branches and the accounts of their correspondents at home or abroad.

2. The annual balance sheet and profit and loss statement of a bank to be submitted to its general assembly shall be approved by an independent auditing firm. Provisions applicable to foundation of independent auditing firms and suspension of their operations provisionally or permanently shall be laid down by the Board in consultation with the Central Bank, the Union of Chambers of Turkish Independent Accountants and Certified Public Accountants. Any such independent auditing firm shall be liable for any loss or damage, which may be incurred by a third party as a result of an action it has taken under this Act.

3. If the Board determines that any balance sheet or profit and loss statement declared publicly is inaccurate or includes inaccurate information, then the Board may take any action to prevent depositors from being misinformed including publication of such balance sheet or profit and loss statement together with a correction thereof in the same newspapers.

4.³ Within the scope and principles to be determined by the Board in consultation with the Banks Association of Turkey, banks shall consolidate the financial statements of their direct and indirect affiliates and of the partnerships, where they have full control and/or partners and of the financial and non-financial partnerships owned or controlled and managed directly or indirectly by these partners. The standard ratios regulated under this Act has to be calculated and implemented by banks also on a consolidated basis within the principles and procedures determined by the Board. The real and legal persons who are included within the coverage of these consolidated statements by the Board, are obliged to hand over all documents to the relevant banks and the Board wherever requested to do so by them.

5. Without prejudice to provisions of the Tax Procedures Code no. 213 banks shall duly keep the originals or, if it is not practicable, original letters they have received and a print out of their letters they have sent by allocating a number and date thereto. Such documents may be maintained in the form of a microfilm or microchip or in electronic, magnetic or similar media under the principles and procedures to be determined by the Board. Resolutions adopted by the board of directors of a bank and resolutions adopted by the board of managers of any branch in Turkey of a bank founded in a foreign country shall be entered into a separate book with consecutive pages certified in accordance with provisions of the Turkish Commercial Code no. 6762 of 29.6.1956 relating to keeping of books by allocating a date and number to each decision without leading to any doubt as to authenticity of the text provided that no space is left between each text and there is no addition between lines and each resolution shall be signed by directors. Banks with a large volume of business may use a loose-leaf book each sheet of which shall be certified by a notary

public bearing consequential numbers subject to the Agency's approval provided that it is bound at the end of each year.

Measures to be Taken as a Result of Supervision

ARTICLE 14-1. Without prejudice to the Agency's right to institute legal proceedings against persons liable, if supervision results reveal any transactions that are contrary to this Act or to decisions taken and legislation introduced under this Act or to the principles and customary practices of banking and that could jeopardize the secure operation of the bank in question, the Agency shall warn the bank to correct the transactions in question within a period of time specified by it and to take such measures as are necessary not to allow similar transactions in the future. The bank must, within the periods specified, take the measures required by the Agency and notify the consequences of actions it has taken. In the event that the required measures are not taken or that transactions jeopardizing the secure operation of the bank are repeated, the Board shall be authorized, depending on the nature and significance of the transactions in question, to take and implement all such measures as are necessary for the secure operation of the bank and for the protection of depositors, including but not limited to the following:

a) to appoint new members to the Board by dismissing or replacing all or some of the members of the board of directors or by increasing the number of seats therein;

b) to restrict the operations of the bank in such manner as to cover its whole organization or only those of its branches which will be considered necessary or its relations with correspondent banks,

c) to increase the deposits insurance premium payable by the bank or to require provisions at the rate of up to one hundred percent for deposits it accepts.

⁴Remunerations of any member of board of directors to be appointed to a bank pursuant to this Article shall be determined by the Board and paid from the Agency.

2.a)³ If the Agency, in its sole discretion determines that the assets of a bank are insufficient, or are about to become insufficient, to cover its obligations in terms of maturity or the bank does not oblige to regulations related to liquidity, the Agency may ask the bank to remedy this failure in accordance with a plan of action approved by itself and may also for the purpose of strengthening the liquidity, grant an appropriate period of time to the bank and require it:

aa) not to invest in long-term or fixed assets;

ab) to dispose of fixed assets such as real estate and equity holdings;

and to take such other measures as it may be deemed to be appropriate.

b) If the Agency, in its sole discretion determines that a bank is about to fail or fails to meet any minimum level of capital required to be maintained by the bank pursuant to applicable regulations, the Agency might ask the bank to remedy this situation in accordance with a capital restoration plan approved by itself requiring the bank to increase its capital or to obtain funds that are qualified as capital. The Agency may also, for the purpose of strengthening the capital require it;

ba) not to pay dividends, to cease additional payments such as honorary payments, bonus, premiums, in kind or in cash social aids to the members of the Board of Directors, general manager and assistant general managers,

bb) to limit or end the operations which cause losses,

bc) to liquidate the assets which have low efficiency or are inefficient.

and to take such other measures as it may be deemed to be appropriate.

3.³ If the Agency in its sole discretion determines that,

a) a bank does not take the measures in part or in whole stated in paragraph (2) of this Article, the financial structure of the bank cannot be strengthened although the measures have been taken in part or in whole, or the financial structure has become so weak that it could not be strengthened even if those measures were taken, or,

b) a bank can not fulfill its obligations as they fall due or,

c) the value of the liabilities of the bank exceeds the value of the assets, in accordance with the valuation standards determined by the Board for the implementation of this Article or,

d) the continuation of its activities would threaten the rights of depositors and the security and the stability of the financial system,

The Board may transfer the management and control and privileges of shareholders except dividends, of a bank to the Fund or revoke the license of the bank to perform banking operations and/or to accept deposits, with an affirmative vote of at least five members of it.

4.³ If shareholders who directly or indirectly, individually or with other shareholders hold the bank's management and control, are found to have made use of the bank's resources for their own interests directly or indirectly in a manner jeopardizing a secure functioning of the bank or caused the bank to sustain a loss as a result of such misuse, then the Board with an affirmative vote of not less than five members may transfer the privileges of shareholders except dividends, and the bank's management and control to the Fund.

5. a)³ For the banks which Fund takes over management and control and privileges of shareholders except dividends based on provision of paragraph (3), by taking into consideration the balance sheet of bank as of date of transfer, the Fund is authorized;

aa) to transfer assets that are deemed appropriate, organization, personnel who agrees, and insured saving deposits including interests that might not exceed the average interest rate applied by the five largest banks according to their saving deposits by the time of transfer date, and the reserves in liabilities, to a bank that will be founded or a current one that is volunteer and/or to request the revocation of license of the bank to accept deposits and to carry out banking operations from the Board.

ab) to take over losses corresponding to capital of the bank not exceeding insured deposits on condition that it owns the bank's equity as a whole

ac)⁸ To take over its shares against payment of the share price (which will be determined on the basis of the capital to be calculated by deducting the loss from paid-up capital) to the bank

shareholders within the period to be determined by the Board of the Fund, in case of inability to own its whole shares as a result of the losses taken over.

Shares representing amounts corresponding to the payments to be made upon losses that have been taken over, shall be transferred to the Fund, without any further action.

In case, transferred assets of a bank, to which provisions of sub-paragraph (aa) of this paragraph is applied, are less than transferred liabilities, the difference shall be paid by the Fund. In this case and in case of revoking the license to accept deposits and perform banking operations of the bank to which provisions of sub-paragraph (aa) of this paragraph is applied, the provisions of paragraphs (2) and (3) of Article 16 shall not be applied. In case of the establishment of liquidation desks according to the provisions of Articles 16 and/or 17, the Fund shall participate desks as a privileged creditor in the amount it paid.

b) For the banks, which Fund takes over management and control and privileges of shareholders except dividends based on provision of paragraph (4), the Fund is authorized;

ba) by allowing a suitable period, to request the return or indemnification of resources used in the manner defined in the said paragraph or of losses incurred and to request the transfer of the shares to the real and legal persons that are found to be appropriate by the Board.

bb) to request from shareholders who directly or indirectly, individually or jointly control the bank's management and natural persons who own more than 10 percent of the capital of corporate bodies that are shareholders of the bank, to furnish the Fund with a statement of wealth including their spouses and children that are dependent, showing immovables and their interests and their movables, rights and receivables which are attachable and securities and all kinds of revenues and incomes as well as immovables, attachable movables, rights, receivables and securities which they have acquired or assigned with or without a gratuitous contract, over the past two years prior to the date of such declaration.

bc) to apply to the court to obtain any injunction including a preliminary injunction and preliminary attachment on properties of such shareholders who directly or indirectly, individually or jointly hold the bank's management and control as well as any other restraining order including prohibition of defendants from traveling abroad which may be deemed to be necessary to protect interests of creditors, without requiring deposition of a collateral.

Statement of wealth requested according to the provisions of this paragraph should be presented to the Fund within seven days. Such statement of wealth shall be subject to related provisions of the Enforcement of Bankruptcy Act no.2004. Any such injunction or restraining order so issued shall automatically become null and void unless no action or enforcement of bankruptcy proceedings are instituted within six months from the date of the order. no. certificate of insolvency shall be required in any suit for revocation which the Fund may file against persons concerned in accordance with provisions of Chapter 11 of the Enforcement and Bankruptcy Act no.2004.

If resources used in the manner defined in paragraph (4) of this Article or losses so incurred are not returned or indemnified within the period determined by the Fund or shares of such owners, and if it is determined that losses exceed own funds, even the resources used or losses incurred were returned or indemnified, all shares of the bank are transferred to the Fund without any further action.

e)⁹ If the Fund takes over the claims of and/or assumes the debts and/or commitments of the banks whose shareholding rights (excluding dividend) and management and supervision have been transferred to the Fund according to the provisions of this Act, of the bankruptcy trustees of the banks whose liquidation is carried out by the Fund, and of the Banks whose shares have been

transferred wholly or partly to the Fund, then the transfer and assignment agreements related with the claims taken over and/or commitments and/or debts assumed by the Fund, establishment and lifting of all kinds of collaterals, cancellation of agreements, lawsuit and enforcement proceedings and all kinds of transactions related with such debts and/or claims and/or commitments as well as the papers issued in connection with such transactions are exempt from all kinds of taxes, duties, fees and fund levies (excluding contribution towards education) and from the provision of Article 1 of the Law no. 2548 on the Fees to be Collected for Construction of Prisons and Court Houses and Food Amounts Payable by Prisoners. All kinds of taxes, duties, fees and fund levies, also including the fees of collections, which are due and payable by the debtor, cannot be set off from the payables to the Fund. The revolving capital fee arising from such transactions is not paid and other deductions are not made. Furthermore, if any movables or immovables are purchased by the Fund or by the banks whose management and supervision have been transferred to the Fund through consent or enforcement in return for any claims, then financial obligations such as tax, duty, fee (excluding contribution towards education) and revolving capital fee payable by the parties in connection with such transactions are not sought. Any such bank or the bankruptcy office of any bank, which is being liquidated by the Fund, and the Fund itself may obtain a final court judgment and request for its notification without being required to ensure that the fee imposed on the other party has been paid or to deposit a security in connection with a request for obtaining any injunction or cautionary attachment or stay of execution. In any action relating to such receivables, provisions of the Code of Civil Procedures (Law no. 1086) on rapid trial procedures shall apply.

⁶ The agreements, contracts, documents and certificates issued with regard to the transactions between the banks whose shareholding rights (excluding dividend) and management and supervision have been fully or partially transferred to the Fund according to the provisions of this Act, and/or the bankruptcy trustees of the banks whose liquidation is carried out by the Fund, and/or the Fund, and/or between them and other natural or legal persons, as well all kinds of documents and/or certificates issued in respect of amendment, renewal, extension, assignment or transfer of them, or making a new redemption schedule, or collateralization of receivables, or taking over of collaterals or settlement and/or discharge of the parties thereto, and/or any other transaction in connection therewith under any name whatsoever will be exempt from all kinds of taxes, duties, fees and all other financial liabilities imposed by private laws pertaining thereto. This provision is applicable on third parties if and to the extent they are a party to the transactions for collection of receivables of the Fund and/or a bank who is transferred to the Fund and/or the bankrupt banks whose liquidation is carried out by the Fund.

d)¹⁰ Any civil action, which may be instituted by such banks and the Fund and the bankruptcy offices of banks, shall be heard by commercial courts. If there is more than one commercial court in a locality, such actions shall be heard by the first and second commercial courts.

⁴ Any civil action or bankruptcy proceeding which may be brought by such banks, the Fund or bankruptcy office of such banks, against any person whose registered office or abode is within the boundaries of Istanbul province shall be heard by Istanbul Commercial Courts of First and Second Instance. If a bankruptcy proceeding has been instituted then the court referred to above shall notify the commercial court of first instance, located in the place wherein the debtor, against whom the bankruptcy proceedings have been instituted, has his

registered office, that a bankruptcy proceeding has been instituted against the debtor.

6.¹¹ For the banks which it holds their shares according to the provisions of paragraph (5), the Fund is authorized:

a) to transfer assets and liabilities, partially or wholly, to a bank that will be established or an existing one that is volunteer or to merge the bank with another bank that is volunteer, by providing technical and financial assistance if necessary,

b)⁹ in order to maintain confidence and stability in financial system and limited to the situations deemed appropriate by the Board of the Fund, and in order to strengthen and rehabilitate its financial structure, and if necessary; to increase its capital, to postpone or reduce the legal reserve requirements and to cancel the penalty interest that would be imposed upon prior consultation with the Central Bank , to purchase its subsidiaries, real estates and other assets or to provide advance in return to these assets or to make deposits or take-over its receivables or its losses, or to sell these assets and shares to the third parties through discounting or similar means, to guarantee obligations of the bank that resulted or will result from real transactions depending on the records of the bank, to assign public or private banks or third parties for liquidation of all kind of receivables and assets on behalf and account of itself,

c)¹² Besides the powers stated in items (a) and (b), to take over its assets and liabilities and/or to carry out all kinds of transactions related with its assets and liabilities without being bound by the limitations stated in this paragraph, if it is not possible to transfer its shares to third persons,

And to take all other measures, or to apply measures mentioned in sub-paragraph (aa) of paragraph (5). In such transfers made based on provisions of this paragraph and paragraph (5), the consent of debtors and creditors are not required.

The Fund may use the authority mentioned above directly or by establishing a company which is owned totally by itself and has a status of public entity within the rights, benefits and exempts as Fund, to which establishment provisions of Turkish Commercial Code no. 6762, shall not be applied and exempted from the Article 29 of Consumer Protection Law no. 4077, dated 23.02.1995.

⁸ The Fund is authorized to take all kinds of measures including provision of resource under the principles and procedures to be determined by the Board of the Fund for the purpose of restructuring including the capital increases to be effected without applying the provisions of the Turkish Commercial Code no. 6762 in connection with the subsidiaries (having an economic value) of the banks whose shares have been taken over by itself according to the provisions of this paragraph.

7.¹¹ The Fund is authorized to take any measure and to ask for assistance from other public institutions in order to secure the assets and the books and records of the bank whose privileges of shareholders except dividends and management and control or shares have been transferred to itself. The Fund may also obtain this support from private institutions under contracts it enters into.

The provisions of Article 7, 10 and 11 of Consumer Protection Act no. 4054 provided that total asset size of the banks transferred or merged shall not exceed 20 percent of the total asset of the sector, Turkish Commercial Code no. 6762 dated 29.6.1956 and Article 7 of this Act and shall not be applied in the establishment of banks which will temporary license for performing banking

operations and collecting deposits or in transferring and merging of banks under the provisions of this Article. The bank that is established will be registered in the Commercial Register, upon the request of the Agency following the publication of its establishment in the Official Gazette. These operations shall be exempt from all taxes, fees and tolls. The bank established for the aim of hand over, shall be transferred to the third parties by the Fund according to rules and regulations determined by the Board within the time period of temporary license, based on provisions of Article 7 and 8 of this Act. In case the transfer operation is not realized within the period of license, the period may be extended by the Board. In case of hand over, the temporary license mentioned above shall become permanent. Shares transferred to the Fund according to provisions of paragraph (5), shall be transferred to the third parties by the Fund within the rules and regulations determined by the Board, based on provisions of Article 7 and 8 of this Act.

¹³ Where the shares of any bank, whose shares are owned by the Fund in whole or in part, are assigned or transferred to any third party, then any action or legal proceeding, which has been brought against that bank's former shareholders, officers and auditors before such transfer or assignment, shall be assumed by the Fund as the complainant in its capacity as the legal successor. Any amount which a court may require such persons to pay as a result of such action or proceeding shall belong to the Fund. In case these banks are transferred to or are merged with another bank, or their shares are transferred to third parties or if it is decided to liquidate them, the Fund may file lawsuits, within two years following completion of such transactions, on the basis of the provisions of the Turkish Commercial Law no. 6762, against the bank's former board members and former auditors found to be liable, with the demand for cancellation of their acquittal, if any, and for compensation, in the name of the Fund, of the loss they have inflicted due to their actions.

In accordance with this Article, the Board's decision related to the revocation of license for performing banking activities and accepting deposits, or to transfer shares of a bank to the Fund, or to transfer rights of shareholders except dividends and management and control shall be published in the Official Gazette.

Savings Deposits Insurance Fund

ARTICLE 15-1.³ *Savings deposits at banks shall be insured by the "Savings Deposits Insurance Fund" which has been established as a legal entity. Fund is also responsible and authorized for restructuring and increasing financial soundness of the banks and to transfer the shares to third parties of the banks whose control and management and/or possession of the shares have been transferred to it according to the provisions of the Article 14.*

2. *The resources of the Fund shall consist of:*

a) *insurance premium;*

b) deposits, custody accounts and claims which have been subjected to prescription pursuant to Article 10 hereof;

c) contributions deposited by the founders of a bank, which is granted permission for establishment, into the Fund in an amount equal to ten percent of the minimum capital required in sub-paragraph (d) of paragraph (2) of Article 7 hereof for entry to the system;

d) In the case of a permission for an assignment of shares under the provisions of the paragraph (2) of Article 8 hereof, an amount to be deposited into the Fund by the assignee at the rate of one percent of the nominal value or, if higher, of the market price of the shares assigned;

e) fifty percent of judicial and administrative fines on account of violations of the provisions hereof; and

f) revenues from the assets of the Fund, and other revenues.

⁵ *The Fund may borrow in extraordinary situations upon an authorization from the Treasury Under secretariat or it might borrow government securities from the Treasury, where it is deemed necessary. Principles and procedures regarding government securities including their interest rates and terms and conditions of repayments to the Treasury shall be determined together by the Treasury Under secretariat and the Agency. Fund has all the rights to use this borrowing. The provisions concerning indebtedness contained in financial year budget laws are also valid for these securities. Debts arising from the government borrowing securities issued by the Treasury to provide loan to SDIF may be abolished by the decision of Council of Ministers.*

3.⁹ The Fund shall be exempted from all taxes, duties and fees. Without prejudice to powers granted by sub-paragraph (b) of paragraph (6) of Article 14, provisions of the Law no. 6183 on Procedures for Collection of Public Receivables shall apply to the Fund's resources and its all receivables and prosecution and recovery of receivables of from any shareholder of a bank, whose shares have been transferred to the Fund in whole or in part, who manages and controls the bank directly or indirectly, whether individually or together with others, and from any company or associated undertaking, which such shareholder manages and controls directly or indirectly, whether individually or together with others, and from directors and auditors, general manager and assistant general managers, the chairman and members of the credit committee and authorized signatories and spouses and children thereof, and receivables of any bank, whose shares have been transferred to the Fund, from any of the foregoing and receivables, which are owed to persons defined in sub-paragraph (b) of paragraph (7) and assigned to the Fund. The Fund shall institute legal proceedings to recover any accumulated receivables consisting of the sum of principal, all types of interest, fees and other expenditures as shown in the bank's books, records and documents as at the day when such receivables were taken over. Such receivables shall be deemed to

constitute a public receivable as of the date they were taken over by the Fund and a default interest at a rate defined in Article 51 of the Law no. 6183 on Procedure for Collection of Public Receivables shall be calculated for the accrued receivable. However, the Fund may, at its sole discretion, proceed with any legal proceedings, which have been instituted against the debtor in accordance with provisions of the Enforcement and Bankruptcy Act no. 2004 in connection with its any receivables and those it has taken over or waive proceeding with such legal proceedings and/or action and decide to prosecute and recover the receivables it has taken over in accordance with provisions of the Law No. 6183 on Procedures for Collection of Public Receivables. The waiver referred to above shall not be construed as a waiver from any rights. The Fund may also apply provisions of the said Law for cashing in any security related to its receivables, which it may decide to prosecute in accordance with the Law No. 6183 on Procedures for Collection of Public Receivables. For the purposes of application of the Law No. 6183 on Procedures for Collection of Public Receivables the Fund shall exercise authorities vested by the said Law in the Ministry of Finance, collection offices and other authorities and committees. Procedures and provisions governing exercising of these powers shall be set out in the Fund's Regulation. If and when the debtor or the debtor's properties are located at other locations, the Fund may enforce the provisions of the Law no. 6183 on Procedures for Collection of Public Receivables through its own collection offices, or in the case of unavailability of a collection office, the said law provisions will, upon demand of the Fund, be enforced by the Collection Offices of the Ministry of Finance in that location. Where any person, who owes an amount to the Fund, is declared bankrupt, the Bankruptcy Office defined in Article 221 of the Enforcement and Bankruptcy Act No. 2004 shall be set up with participation of the Fund's representative. If required by the Fund one or two of the members shall be elected by the execution examination authority from among two candidates to be nominated by the Fund. If the Fund has nominated only one member then the execution examination authority shall elect another member from among two members to be nominated by the majority of the creditors. Where the Fund has nominated two members another member from among two members to be nominated by the majority of the creditors. In connection with its all kinds of claims stated in this Act, including the claims which it has taken over and which it will subject to lawsuit or enforcement proceedings under the assignment or power granted to it and receivables claimed and/or to be claimed by the Fund pursuant to the Law no. 6183, the Fund is authorized to make all kinds of dispositions including discount, to enter into compromises, to take over movables and immovables and all kinds of rights and claims on account of its claim without being bound by any limitations, to enter into agreements with debtors including application of a new repayment plan for the claim, to apply or not to apply custody measure under the principles and procedures to be determined by the Board of the Fund pursuant to articles 14 and 17 under the agreements it has made with the debtors, to file or not to file lawsuits and to ask the court to suspend the lawsuits already filed, during the validity period of the agreements made. Provisions of Article 22 of the Passport Law no. 5682 shall also apply to any person, who is owing an amount to the Fund, and legal representatives thereof upon the Fund's request. The Fund shall not be subject to the Public Accounting Law No. 1050, the State Tenders Act no. 2886 and the Council of State Law No. 832 as may be amended and supplemented from time to time. As a security for all kinds receivables directly owed or transferred to the Fund, the Fund will be entitled and authorized to demand and receive all kinds of personal guarantees and guarantees in kind, including, but not limited to cash collaterals in Turkish currency and/or real estate mortgages and/or chattel mortgages. *(Also refer to the article 29 of the Act no: 5020)*

4.⁹ Decision making body of the Fund is the Board of the Fund. The Board of the Fund is comprised of seven members appointed by the Council of Ministers upon proposal of the relevant minister. The Council of Ministers appoints one of its members as the chairman, and one member as the second chairman. Term of office of the chairman and members of the Board of the Fund is six years, and the chairman and members of the Board of the Fund cannot take office unless and until they take an oath. Any member of the Board of the Fund whose term of office is over may be re-elected. If a judge is appointed as a member to the Board of the Fund, his prior consent is taken.

It is the duty of the chairman of the Board of the Fund to manage and represent the Fund in general and to enforce and execute the decisions taken by the Board of the Fund. The Fund will be headquartered in Istanbul. If and to the extent required and deemed necessary, the Fund may establish organization units in any location by a decision of the Board of the Fund. The Fund organization will be comprised of main service units organized in the form of departments, as well as counseling, internal audit and other auxiliary service units. The Board of the Fund will enforce its powers by taking special decisions and entering into regulatory transactions. Regulations and communiqués in the form of regulatory transactions will be put into effect by and upon promulgation in the Official Gazette.

The law provisions pertaining to working principles and procedures of the Board, and fiscal and other fringe benefits and other rights, liabilities and responsibilities of the chairman and members of the Board will be applicable also on the Board of the Fund and its chairman and members. Paragraphs (2), (4), (5) and (6) of Article 6 are applicable also on the Fund, the members of the Board of the Fund and the Fund personnel.

Provisions of the Law no. 5434 on Retirement Fund of the Republic of Turkey are applicable on those who are appointed as members of the Board of the Fund and those who are appointed as vice chairman, department head or deputy department head of the Fund. Equivalent positions in the Board/Agency will be considered in determination of additional indices and officeholder bonuses applicable for pension purposes in respect of these positions. The chairman, members and personnel of the Board of the Fund will be considered as civil servants for the purposes of prosecution of the offences committed by or against them during or in connection with their duties. The criminal prosecutions in connection therewith will be carried out in accordance with the general law provisions with a prior consent of the relevant minister for the chairman and members of the Board of the Fund, and with a prior consent of the Board of the Fund for the Fund personnel. Those appointed as chairman or member of the Board of the Fund will sever their relations with their former job as long as they take office in the Board of the Fund. When their office in the Board is terminated, they will be appointed by the relevant minister to a post equivalent to and appropriate for their vested rights. The conditions sought for entitlement to an academic title are, however, reserved.

Three vice chairmen of the Fund, who will have the same status with the vice chairmen of the Agency and will have to bear the qualifications sought for the vice chairmen of the Agency, may be appointed by a Board of the Fund decision in order to assist the chairman of the Fund in performance and management of the Fund transactions.

Principles and procedures for use of the Fund assets and principles and procedures for enforcement of the powers vested by the Law to the Fund will be set down in the regulation of the Fund to be prepared by the Board, and the Fund expenses will be paid out of the Fund resources.

The Fund will disclose its law suits, receivables, legal proceedings, collections, restructuring and other relevant activities through reports to be issued quarterly. The Fund will further inform the Planning and Budget Committee of the Turkish Grand National Assembly in a meeting to be called and convened with a special agenda not less than twice a year.

Officers and employees of the public administrations covered by the national budget or the public administrations covered by the annexed budget or the state-owned banks may be assigned to work in the Fund with a prior consent of their administration, and judges and public prosecutors may be assigned to work in the Fund with their own consent, with regard to the duties within the fields of activity of the Fund. Those assigned as above will also be authorized to demand the information specified in paragraph (8), and the Treasury's lawyers assigned as above will further be authorized to apply for injunctions in the name of the Fund and to use the powers of law suits, legal proceedings and collections granted to the Fund.

Upon a demand of the Board of the Fund, the Agency employees may be assigned by the Chairman to work in the Fund. Principles of sharing of information, information systems and other similar infrastructural facilities between the Agency and the Fund, and principles of temporary assignment of employees in each other will be regulated by a protocol to be signed by the Agency and the Fund. (Also refer to the article 29 of the Act no: 5020)

5. a) *If the assets of the Fund are insufficient to meet the needs, then, advances may be received from banks in the amount of up to the total insurance premium paid by them in the previous year, to be deducted from their future premium obligations. Such advances, together with interest thereon at such rate as shall be determined by the Board, shall be deducted from future premium obligations.*

b)¹⁴ *Under extraordinary conditions that the resources of the Fund is insufficient, upon the demand of the Agency the Central Bank shall advance money to the Fund. Terms, amounts, repayment conditions, interest rates and other conditions of the advance shall be determined by the Central Bank upon the opinion of the Fund.*

6. a)³ *The scope and amount of savings deposits subject to the insurance, the tariff of the insurance premium, the time and method of collection of these premium, and other relevant matters, shall be determined by the Board. All banks that accept deposits must have their deposits insured in accordance with the scope and conditions indicated above.*

b) *The savings deposits held in a bank by the shareholders who hold ten percent or more of that bank's capital, by the president and members of its board of directors or board of managers, by its general manager and assistant general managers, by its officers who are authorized to extend loan, by its internal auditors and by the parents, spouses and children of these individuals, shall not be covered by the insurance.*

c) *Premium paid by banks to the Fund shall be treated as expenditure in the determination of the corporation tax base.*

7. a)¹⁰ *If and when deemed necessary, and useful for collection of its receivables, and irrespective of their being indebted to the Fund or not, the Fund will be authorized to take over the shareholding rights (excluding dividend) associated to all and/or some of the shares of, and control of management and supervision of, the subsidiaries under management and supervision of a bank that is fully or partially transferred to the Fund, or the legal entity shareholders who alone or jointly, directly or indirectly, hold the control of management and supervision of that bank, or other companies whose management and supervision is directly or indirectly under control of the natural or legal person shareholders of that bank individually or jointly, and irrespective of the number of board of directors, managers and board of auditors of that bank as specified in its*

articles of association, and whether they are appointed as representatives of privileged shares or not, to appoint all or any of the members of such boards through dismissing and/or increasing and/or decreasing the full number of members. Members of the board of directors, managers or board of auditors, appointed by the Fund, of the companies which are under management and supervision of the Fund and/or of which management and supervision is taken over by the Fund pursuant to this paragraph, and the company employees, such as general manager, deputy general managers and managers, authorized by these Fund-appointed executives to represent and bind the company, will, after appointment by the Fund, be authorized to sell the company shares held by the natural or legal persons referred to in this sub-paragraph, and/or the company assets in proportion to the said shares, and to apply the proceeds of such sales to the receivables of the Fund, or to use the proceeds of such sales in payment of the public debts and/or debts to the Social Security Agency or other debts of the company, and to take decisions in relation therewith, without being bound by the provisions of Article 324 of the Turkish Commercial Code no. 6762. The said persons are not under obligation to send a notice to the competent court about loss of capital and/or insolvency of the company. These persons will not be subject to the provisions of articles 179, 277 et seq. and 345(a) of the Execution and Bankruptcy Code, nor can a personal liability suit be brought forward against these persons pursuant to and under article 341 of the Turkish Commercial Code, on the ground of their failure in reporting. Members of the board of directors or the board of auditors and managers, appointed by the Fund, to the companies whose management and supervision is not transferred to the Fund, cannot be dismissed by a decision of the general assembly of shareholders, nor can a personal liability suit be brought forward against them for any period other than their term or terms of office in the company through refusal of their release from their liabilities in connection therewith. *(Also refer to the Article 29 of the Act no: 5020)*

b) Any receivable arising from the bank's funds and assets used for acquisition of money, property and all kinds of rights and receivables which the shareholders or officers of any bank, whose shares have been assigned to the Fund in whole or in part, who control management of that bank directly or indirectly and individually or jointly, have acquired or caused others to acquire by pledging the bank's funds and assets directly or in favor of third parties, by using them as a guarantee, or lending loans to any person who has not a sound financial condition, or lending a loan with a view to borrow a loan in exchange, or opening custody accounts or any other accounts with local or international banks and financial institutions or using such accounts as a guarantee or otherwise or as a result of other fraudulent transactions. Such receivables shall be subject to the Law No. 6183 on Procedures for Collection of Public Receivables. The Fund shall be authorized to obtain a cautionary attachment on such money, goods, rights or receivables or to put them in custody and take over any such assets, whose values cannot be determined by the Fund, at a cost to be determined by valuation committees, set up in accordance with Article 72 of the Tax Procedures Code no. 213 by taking reports to be drawn up by any agency to be designated by the Fund into consideration and such assets so taken over shall be set off against the Fund's receivables and/or losses of such banks taken over by the Fund. A default interests shall be paid for such receivables from the date of the unjust transaction which has led to the loss and/or the receivable at a rate specified in Article 51 of the Law no. 6183 on Procedures for Collection of Public Receivables.

The powers set out in paragraphs (a) and (b) may also be exercised after the bank's shares have been sold, transferred or assigned to any third party in whole or in part.

No security shall be required by any court for issuing an injunction in any lawsuit which may be filed by the Fund in any administrative court against transactions defined in the provisions of this paragraph.

Provisions of the Turkish Commercial Code no. 6762 shall not apply to any action to be taken by the Fund in accordance with the provisions of this Act. Such transactions shall be exempted from any tax, duty and fee. Powers vested by this paragraph in the Fund shall be

exercised by a decision issued by the Fund without any further action. Any action, which is subject to registration, shall be registered and promulgated, where deemed necessary, upon the Fund's request.

⁶ With regard to the Fund receivables arising out of use of the resources of banks whose management and supervision is transferred to the Fund and/or whose license for banking transactions and for collection of deposits is revoked by a decision of the relevant Minister, the Council of Ministers or the Board, and banks who are dissolved and whose liquidation process is started, all kinds of money, properties, rights and receivables acquired by the natural or legal persons referred to in the first sentence of this paragraph and/or acquired by third persons through the said natural or legal persons at any time after use of the original loan and/or other bank resources as above will be deemed to have been acquired by and/or through the said natural or legal persons through use of the bank resources, and accordingly, the Fund will be authorized to implement the provisions of this paragraph on all kinds of money, properties, rights and receivables acquired as above by the said natural or legal persons. Transactions such as sales, transfer and assignment, or establishment of limited rights in kind in favor of third persons, and all personal rights and rights in kind granted to and in favor of third persons, in respect of all kinds of money, properties, rights and receivables acquired and/or deemed to be acquired as above, after the date of use of the original loan and/or other bank resources will not be valid for the Fund. The provisions of this paragraph will be applicable also on all kinds of money, properties, rights and receivables acquired by and/or through all and any persons, who are a party to the said legal transactions, also including their total or universal successors, as a result of the aforementioned transactions. Third persons who are a party to the transactions mentioned above cannot raise the plea of good faith for the transactions executed after transfer of control of the bank to the Fund, while the persons referred to in first sub-paragraph of this paragraph cannot raise the plea of good faith for the transactions executed before and/or after transfer of the bank to the Fund. Third persons who become a party to sales, rent, transfer and assignment or other transactions relating to establishment of personal rights or rights in kind before transfer of the bank to the Fund are under obligation prove that they acted in good faith in such transactions. *(Also refer to the Article 29 and provisional article 3 of the Act no: 5020)*

⁶ The loans and/or bank resources which are extended to the companies where the persons, employed temporarily and/or permanently with or without an employment contract in the companies and/or business enterprises under management and/or supervision of the natural or legal persons referred to in the first sentence of sub-paragraph (a) of this paragraph or in the first sentence of this sub-paragraph, are a founder, partner, executive, manager or auditor; or to persons who temporarily and/or permanently represent the aforementioned persons by proxy and/or as a trade representative and/or agent and/or in reliance upon any legal theory or relationship such as representation without a proxy or power of attorney, and to the natural and/or legal persons represented by them; or to any persons other than the persons mentioned in this sub-paragraph and/or to the companies founded by them, under terms and conditions in contradiction with the banking legislation and practices and/or without any guarantee and/ or with inadequate guarantees, as well as the loans and/or bank resources which are extended to the natural or legal persons who later transfer the loans and/or bank resources to the natural or legal persons listed in the preceding sub-paragraphs or to the natural or legal persons who directly and/or indirectly, alone and/or jointly, hold the control of management and supervision of the bank, and/or to the subsidiaries and/or direct and/or indirect affiliates of the said persons and/or the bank, who generally use the same address as their place of activity and/or who make use of the loans and/ or bank resources by incorporating in the agreements some certain clauses such as the right of renunciation and/or the transfer of debts, will be considered as the bank resources used directly by the bank shareholders who directly and/or indirectly, alone or jointly hold the control of management and supervision of the bank, and accordingly, the provisions of this paragraph will be applicable both on these

persons and on all kinds of money, properties, rights and receivables acquired by them and/or acquired by third persons through them.

8.² Without prejudice to provisions related to events which could result in commitment of a grave offence against the state's security and fundamental international interests and to professional secrets, secrecy of private life and right of defense, public agencies and institutions and natural persons and legal entities shall furnish the Fund with any information, within a reasonable period and in an appropriate medium and regularly or occasionally, and present any book and document which may be requested by the Fund even if such information and documents are confidential irrespective of prohibiting and restricting provisions of special laws provided that this obligation shall be limited to transactions coming under the scope of this article.

9. a)¹³ In case the Fund takes over the claims of or assumes the debts and commitments of a bank whose shares have been transferred partly or wholly to itself, the Fund acquires the capacity of intervener, as the party suffering from offence, starting from the date when the claims has been taken over or when the debt, obligation has been assumed, in all kinds of criminal actions brought or to be brought, including the offences which arise from the Law no. 3167 on Regulation of Payments by Checks and Protection of Bearers of Checks and the Enforcement and Bankruptcy Act No. 2004, and whose proceedings are subject to complaint. Even the personal rights related with such lawsuits belong to the Fund.

b)¹⁵ In case the Fund takes over the claims of or assumes the debts, commitments of a bank whose shares have been transferred wholly or partly to itself, if the enforcement proceedings to which the Fund is a party in connection with such debts, commitments and claims, and all kinds of lawsuits originating from the enforcement proceedings conclude against the Fund in whole or in part, the compensation and penalties stated in the Enforcement and Bankruptcy Act No. 2004 do not apply to the Fund.

c)⁹ In case the Fund takes over the claims of or assumes the debts, commitments of a bank whose shares have been transferred wholly or partly to itself, all kinds of time periods including the periods that cause extinguishment of rights and statutory prescription periods as stated in the laws stop running as far as the Fund is concerned, for a period of three months from the date when the claim was taken over or when the debt, commitment was assumed, in the lawsuit and enforcement proceedings filed or to be filed in connection with such debts, commitments and claims. *(Also refer to the Article 29 and provisional Article 3 of the Act no: 5020)*

d) For the implementation of this Act or to collect the receivables of the Fund, where the Fund submits a bid in response to an invitation for bids under the provisions of Enforcement and Bankruptcy Act no. 2004, it is not a necessity for the Fund to provide a security.

(e)⁶ In the course of the legal proceedings initiated by the Fund and/or taken over from the banks transferred to the Fund, none of the objections raised by the debtors may cease the legal proceedings, other than the sales. *(Also refer to the Article 29 of the Act no: 5020)*

In the cases where the law suit opened for cancellation of the bid tender is finalized against the plaintiff, the security deposited in the case file of the court will be immediately paid and distributed pro rata to the creditors named in the list of creditors.

In the execution proceedings where the Fund is the creditor, the proceeds of sale which become payable to the Saving Deposits Insurance Fund will be paid promptly before the date of finalization of the list of loans without any security.

10.⁶ As a security for collection of the debts owed to the Fund, all money, properties, rights and receivables over which an injunction is placed pursuant to the injunction orders taken in the course of the law suits brought forward by the Fund in accordance with the provisions of this Act will constitute a legal security for all receivables, that are the subject matter of such law suits, and will remain so until the court judgments becomes final therein. The receivables and claims ordered to be paid by a final judgment of the court will be recovered and collected from the proceeds of the money, properties, rights and receivables over which an injunction is placed as above, in the first order as privileged receivables and claims, other than the workers' receivables and the alimony receivables and the limited rights in kind which have been established in favor of other banks and third persons prior to transfer of the bank to the Fund, and are proven by the relevant person to be free from any simulation. (Also refer to the Article 29 and provisional article 3 of the Act no: 5020)

Treasury's Receivables ⁶

Article 15/a: All kinds of bank resources used in their own favor by the shareholders who directly or indirectly hold the control of management and supervision of the banks whose management and supervision is transferred to the Fund and/or whose license for banking transactions and for collection of deposits is revoked by a decision of the relevant Minister, the Council of Ministers or the Board, and the banks who are dissolved or whose liquidation process is started by the Fund, and the bank resources which are transferred by them to their own domestic or overseas companies, financial institutions or off-shore banks under any name whatsoever, and all kinds of other bank resources transferred to and the loans extended to their spouse, children and foster children or their blood relatives or relatives by marriage, and all kinds of resources transferred to the controlling shareholders of the bank or to their companies, subsidiaries through simulation transactions under their current market value, and all kinds of limited rights in kind, such as real estate mortgages, chattel mortgages and other mortgages, granted in favor of third persons, and the revenues thereof, and the loans extended to the bank's own subsidiaries or the former and present partners of the same bank, and likewise, the back-to-back loans exchanged between the banks, and all kinds of properties, shares and services sold to the bank or its group companies at high prices, and all and any revenues of them or similar other items, and all kinds of resources and services transferred through long-term lease or financial lease agreements, and the loans extended to the companies that do not carry out adequate commercial activities, solely for the purpose of transfer of resources, during the period of management and supervision of the bank, and rents, service charges and other proceeds transferred and paid to such companies, and all kinds of resources transferred to foreign banks and financial institutions through fiduciary transactions and relationships, and the deposits held with the off-shore banks and paid by the bank due to and under court judgments, and the off-shore deposits transferred by other banks to the bank with or without prior consent and all kinds of resources transferred to the chairmen and members of the board of directors or the credit committee, or the general manager, deputy general managers or other authorized signatories and managers of the bank, or their spouse, children, foster children and their other blood relatives or relatives by marriage, will, without any further act, be considered as the Treasury's receivables, they may be claimed also by the Treasury lawyers appointed upon demand of the Board of the Fund.

The provisions of the preceding paragraph are not applicable on the bank's minority shareholders who have acquired their shares through the stock exchange, and the shareholders who have acquired shares below one percent solely in order to take office in the board of directors or the board of auditors pursuant to the Turkish Commercial Code and the private laws pertaining thereto, providing that they have acted in good faith therein.

The Fund's receivables are also considered as the Treasury's receivables within the framework of the restructuring agreements signed or to be signed with the chairmen and members of the board of directors or the credit committee, or the general manager, deputy general managers or other authorized signatories and branch managers of the bank, and its shareholders who directly or indirectly, alone or jointly, hold the control of management and supervision of the bank, or their spouse, children, foster children and their other blood relatives or relatives by marriage.

All types of law suits commenced or to be commenced pursuant to the preceding paragraphs will be continued during the judicial holiday, and in these law suits, experts will be appointed from among the officers of the public administrations and entities, and the hearings may not be adjourned for a period longer than thirty days. (*Also refer to the Article 29 and provisional Article 3 of the Act no: 5020*)

Consequences of the Revocation of a License to Carry Out Banking Transactions and to Accept Deposits

ARTICLE 16-1. *In the event that the license of a bank to perform banking operations and to accept deposits is revoked, its management and inspection shall be assumed by the Fund.*

2.³ *Any and all execution and bankruptcy proceedings against the bank, including preliminary injunctions ordered against it, shall be discontinued as from the date on which the decision of the Board to revoke its license is published in the Official Gazette.*

3. *The Fund shall take measures for the protection of the rights of depositors and other creditors of the bank whose management and inspection has been assumed by it. A preliminary injunction or preliminary attachment may be issued by a court upon the Fund's request in respect of properties, rights and receivables of officers of a bank, whose license to carry out banking transactions and to receive deposits has been revoked, as defined in Article 17 hereof without requiring a security deposit. Any such preliminary injunction or preliminary attachment so issued shall automatically become null and void unless no action or enforcement-bankruptcy proceedings are instituted within six months from the date of the order. Creditors of a bank may not assign their rights or take any action, which could lead, to assignment of their rights from the date of revocation of the bank's license to carry out banking transactions and to receive deposits. The Fund shall pay the insured deposits with the bank of whose management and inspection has been assumed by it directly or through another bank it may designate and institute bankruptcy proceedings in the name of the depositors against the bank. The Fund shall be exclusively authorized to take the foregoing actions. Provisions of the second paragraph of Article 178 of the Enforcement and Bankruptcy Act no. 2004 shall not apply to bankruptcy proceedings initiated in accordance with provisions hereof.*

4. *In the event that a bankruptcy judgment is issued, the Fund shall act as a privileged creditor and shall liquidate the bank under the provisions of the Enforcement and Bankruptcy Act no.2004, having the duties and powers of the bankruptcy office and*

creditors' meeting and the bankruptcy administration described in the said Act, as far as the implementation hereof is concerned.

5. If the cash available in the bankrupt bank's assets is sufficient, its obligations to the Fund shall be paid without waiting for the completion of the ranking list specified in Article 232 of the Enforcement and Bankruptcy Act no. 2004.

6. In cases where the bank is not declared bankrupt, provisions of paragraph (2) of Article 18 hereof shall apply.

7.³ In the event that the license of a foreign bank with branches in Turkey to perform banking operations and to accept deposits is revoked for any reason whatsoever or that its activities are stopped or that a decision is made for its bankruptcy or liquidation or that it enter into a composition with its creditors, then, the provisions of paragraph (3) of Article 14 and this Article shall be applied to its branches in Turkey. The principles concerning the transfer of the assets abroad and claims of these branches shall be determined by the Board.

8. The Fund is not subject to provisions of Article 9 and other related articles of the Enforcement and Bankruptcy Act no. 2004 in respect of maintenance and obtaining interest on money funds included in assets of a bankruptcy office as well as money funds it has collected in its capacity as a bankruptcy office. Provision of the first paragraph of Article 36 of the Official Fees Act no. 492 of 2.7.1964 shall not apply to such money funds.

9. While acting as a bankruptcy office and in order to protect interests of the bankruptcy office the Fund shall be authorized to refer any dispute to arbitration, to accept any amicable settlement, to acknowledge and to waive its rights in the context of any and all kinds of receivables. Provisions of the Enforcement and Bankruptcy Act no. 2004 and the State Tenders Act no. 2886 shall not apply to sale of any property owned by the bankrupt.

Personal Liability

ARTICLE 17-1.¹⁴ If it is determined that the chairman and members of the board of directors and the credit committee of a bank, or its general manager and assistant general managers, or its authorized signatory officers have caused the bankruptcy of the bank through their decisions and actions which infringe applicable laws then, on the basis of a decision of the Board of the Fund and upon the request of the Fund, such person shall be held personally liable to the extent of the damage they have caused to the bank and a court may declare any such person bankrupt directly. Where any such decision or

act have been made or taken in order to provide benefits to any shareholder or a group of shareholders controlling the bank individually or jointly, whether directly or indirectly, the provisions of the first paragraph above shall also be applied to such shareholder or group of shareholders to the extent of the benefits so obtained.

2.³ This Article shall also be applicable to any shareholders of the bank listed in paragraph (1) of this Article whose privileges of shareholders except dividends and management and control or shares have been transferred to the Fund according to paragraphs (3), (4) and (5) of Article 14 hereof or who has the responsibility for any action defined in paragraph (3) and (4) of this Article as well as bank officers listed in paragraph (1) of this Article without requiring the bank's bankruptcy.

3.¹¹ The provisions about statement of wealth and restraining order in sub-paragraph (b) of paragraph 5 of Article 14 shall also be applied accordingly in this Article.

4. The Fund shall, acting as the creditor, institute legal proceedings against any person declared bankrupt by court.

5. The courts shall invoke the provisions of the Article 257 and the following articles of the Enforcement and Bankruptcy Act no. 2004 of 9.6.1932 when dealing with those whose bankruptcy is claimed under the provisions of this Article.

6. Provisions of Article 16 shall also apply to any person against whom personal bankruptcy proceedings have been initiated pursuant to this Article.

Burden of proof⁶

Article 17/a: In the law suits commenced or to be commenced by the Fund pursuant to the provisions of articles 14, 15, 15/a and 17/a, and in the personal liability suits which are commenced directly by the banks whose shareholding rights (except dividend) and/or management and supervision are transferred to the Fund and/or whose license for banking transactions and for collection of deposits is revoked by a decision of the relevant Minister, the Council of Ministers or the Board, and the banks who are dissolved or whose liquidation process is started by the Fund, against their former managers and auditors and/or which are followed up by the said banks as universal successor, and/ or which are followed up by the Fund as legal successor and/or transferee and assignee, the burden of proof lies with the defendants. *(Also refer to the Article 29 and provisional Article 3 of the Act no: 5020.)*

Acquisition, Merger and Liquidation of Banks

ARTICLE 18-1.⁵ The merger of a bank operating in Turkey with one or more such banks or transfer of all its liabilities, claims and deposits to another such bank shall require the permission of the Board. If, within three months after the date of permission, the competent bodies of the concerned banks fail to adopt the necessary decisions and to start the merger or acquisition process, then the permission granted shall become null and void. Upon a decision taken by the Board, the Central Bank may make refunds to the banks concerned from their reserve requirements, or postpone their obligations in this respect, during the merger or acquisition process. Provisions of Articles 7, 10 and 11 of the Law no. 4054 on Preservation of Fair Competition shall not be applicable to any merger or acquisition of banks in accordance with provisions of this Act provided that the ratio of total assets of such banks, which are to be acquired or merged, to aggregate assets in the sector does not exceed twenty percent. The principles and procedures concerning mergers and acquisitions shall be set out in a regulation to be issued under a

decision of the Board. Following the completion of a merger or acquisition process, the rights and liabilities and the deposits of the bank shall be transferred to the other bank, and the former shall cease to exist as a legal entity, and its registration with the Trade Registry shall be annulled.

2. If a bank operating in Turkey wishes to terminate and liquidate its operations, it must publicize its intention in at least two newspapers printed and distributed across Turkey, notify the depositors and creditors and the individuals and establishments that can be considered a depositor or creditor, refund all the deposits it is holding, in cash or in kind, the balances of the custody and current accounts and its other liabilities within two months, regardless of their maturity, and transfer all deposits, custody accounts and claims, in cash or in kind, not claimed by the beneficiaries within that period to the Agency. The Agency shall keep the assets so transferred for a period of ten years as from the beginning of the year that follows and publicize them at the beginning of each year in accordance with the required procedure. Any such assets not called for within six months after the date of the last publication shall be appropriated by the Fund. The Agency shall be authorized to supervise liquidation process and require from any person all kinds of documents and information it may deem necessary.

Banks Association of Turkey

ARTICLE 19-1. Banks, which are governed by this Act, are obliged to become members of the Banks Association of Turkey within one month of the date of receipt of their operating license. The aims of this Association, which is a legal entity with the status of a public institution, are:

- a) to ensure development of the banking profession;
- b) to ensure that banks function uniquely in a dignified and well-disciplined manner as required by the banking profession in order to meet requirements of the national economy;
- c) to adopt and implement all measures necessary for the purpose of preventing unfair competition among banks;
- d) to determine the principles and conditions which banks shall comply with in notices and advertisements in terms of their type, style, quality and quantity based on an approval of the Agency.

2. The Association shall monitor implementation of legislation on banking as well as implementation of decisions and measures it has adopted and take any action required by the Agency.

3. Within the context of the principles laid down by this Act, the election of organs of the association is carried out by secret ballot and under judicial supervision. At least fifteen days before a meeting of the general assembly whereat an election is to be carried out, three copies of a list including the names of member banks and their representatives who will take part in the election together with a document determining the agenda of the meeting, its place, date and time and matters relating to a second meeting to be held if no quorum is found shall be submitted to a judge acting as the chairman of the election committee to be appointed by the Higher Board of Election. The judge shall review and approve the list and other matters and appoints a balloting committee chairman, two balloting committee members and substitutes for each of the foregoing. Vote shall be taken according to a procedure covering a secret ballot and an open counting of votes. Results of the election are recorded in a minutes signed by the chairman and members of the balloting committee. Any objection which may be claimed in respect of the election within two days of the preparation of the minutes report shall be reviewed and accepted or rejected by the judge within the same day on which it was received.

4. The Association's organs, working procedures and scope of its activities shall be laid down in a Statute to be put into force by the Council of Ministers after obtaining the Association's opinion thereon. Banks shall comply with provisions of the Statute and any decision made or measures taken by the Association. Costs incurred by the Association shall be allocated among the banks depending on the number of votes determined in accordance with the Association's Statute. Banks shall deposit their corresponding shares in such costs within a period defined in the Statute. If such contributions to costs are not paid within the specified period, then such amounts shall be collected by the Association through legal proceedings. Decisions relating to payment of contributions to costs shall be deemed to constitute an official document as defined in Article 68 of the Enforcement and Bankruptcy Act no. 2004.

5. The Board of Directors of the Association may impose a fine up to TL 1 billion on any member, who has failed to comply fully and punctually with any general or specific decision and measure, which the Association has taken. The Association shall notify such fines to such member in default and to the Fund for crediting such amount to its accounts. Where any such fine is not paid within thirty days from the date of notification thereof the Fund shall pursue and collect the amount due in accordance with provisions of the Act no. 6183 of 21.7.1953 on Procedures for Collection of Public Receivables.

Miscellaneous

ARTICLE 20-1. The Council of Ministers has the authority to:

a) determine maximum interest rates which banks shall apply to loans and deposits and maximum quantity or rates of other interests they will acquire and to liberate such amounts and rates in whole or in part;

b)¹⁶ ...

The Council of Ministers may delegate its authority stated in paragraph (a) above to the Central Bank.

2.³ Any bank not authorized to accept deposits shall be subject to the provisions of this Act except paragraphs (2), (3) and (4) of Article 10 and paragraphs (1), (2), (3), (5), (6), (12) of Article 11, Article 12, paragraphs (5), (6) and (7) of Article 14, Article 15 (except for sub-paragraphs 2/c, d, e), and Articles 16 and 17¹¹. In case the Agency in its sole discretion determines that those banks fall under paragraph (3) of Article 14, their licenses shall be revoked with an affirmative vote of at least five members of the Board. The total amount of paid-up capital of any bank so incorporated shall not be less than two thirds of the amount defined in sub-paragraph (d) of paragraph (2) of Article 7. Amounts provided by such banks from other banks and from their own borrowers in accordance with general provisions shall not be regarded as deposit.

3. Without prejudice to provisions of Article 21, 22 and 23 any financial amount and limit specified in this Act may be increased by a decision of the Board provided that it does not exceed the amount and limit corresponding to two fold of

the amount of wholesale price index issued by the State Institute of Statistics. Fixed fines defined in Articles 21, 22 and 23 of this Act shall be increased in January in every year by the revaluation rate to be computed in accordance with Supplementary Article 298 of the Tax Procedures Code no. 213.

4. Banks may not receive deposit from, extend loan to or open an account for or enter into a contract with or provide remittance and foreign exchange services and other banking and financial services to any customer who can not prove his identity and tax registration number. Provisions relating to application of this paragraph shall be laid down by the Ministry of Finance after obtaining the Agency's opinion. Application of provision of Article 5 of the Act no. 4358 of 2.4.1998 to any person who has failed to comply with the provision of this paragraph and any regulation set forth by the Ministry of Finance shall not be subject to the procedures for initiation of an investigation as defined in Article 24 of this Act.

5. a)¹⁰ The administrative law suits to be commenced against the Board decisions and the decisions of the Board of the Fund in respect of claims above five hundred billion Turkish Lira will be tried in the State Council as the court of first instance, and the summary proceedings will be applied therein.

b)⁶ In the course of the administrative law suits to be commenced against the Board decisions and the decisions of the Board of the Fund in respect of claims above five hundred billion Turkish Lira, a hearing may be decided to be held upon demand of the sides before the finalization of objections made against the acceptance or rejection decision related to the request for the suspension of execution

6. a)⁵ The Articles of this Act, other than Paragraphs (2) and (3) of Article 10, Paragraphs (5), (6) and (7) of Article 14, Articles 15, 16, 17, and 19 as well as Paragraph (2) of Article 20, shall also apply to special finance institutions, which are not authorized to accept deposits but accept funds through special current accounts and accounts giving right to profit and loss sharing, and which provide financing for economic activities through supplying or leasing equipment or merchandise or through joint investments. Restrictions and limits in Paragraph (2) of Article 12 of this Act shall not apply to those activities of special finance institutions aimed at funding third parties. The Agency is hereby authorized to introduce any regulation in accordance with the provisions of this Act, taking into consideration also the characteristics of the accounts that give right to profit and loss sharing. However, in case the Agency determines existence of any of the conditions specified in Paragraphs (3) and (4) of the Article 14 of this Act, operating license of that special finance institution shall be revoked with the affirmative vote of at least five members of the Board.

All kinds of financing activities carried out by special financial institutions through financial leasing of movable or immovables or through profit and loss sharing and similar methods shall also be deemed to constitute an exposure for the purposes of this Act.

Penal provisions specified in Articles 21, 22 and 23 of this Act shall also apply to special finance institutions and their personnel and to any person who commits the offences specified in paragraphs (3), (6), (7), (8) and (9) of Article 22 against any special finance institution. Paragraph (1) of Article 22 shall also apply to those natural persons and personnel of those legal persons that, without securing permits or licenses required under this Act, engage in transactions limited exclusively to special finance institutions; or accept funds through special current accounts or

accounts that give right to profit and loss sharing; or use the title of special finance institution in their company name, in their documents, in their public announcements and advertisements; or use terms and expressions that would create the impression that they accept funds through special current accounts and accounts giving right to profit and loss sharing and that they are engaged in transactions limited exclusively to special finance institutions. The first sentence of paragraph (2) of Article 22 shall also apply to any personnel or relevant staff of a special finance institution who deliberately prevent any holder of a special current account from withdrawing his or her savings, or prevent holders of accounts giving right to profit and loss sharing, from receiving any amount they become entitled to receive on the basis of the account opened.

b) Association of Special Finance Institutions as a professional organization having the status of a public legal entity has been established in order to ensure that special finance institutions operate in accordance with this Act and other relevant legislation in ways appropriate to their intended activities, contribute to development of the profession, operate in line with the needs of the economy in dignity, discipline and solidarity as required of financial institutions, take and implement any action aimed at preventing unfair competition between special finance institutions, and to set out principles and requirements, to be met by special finance institutions in respect of the type, form, quality and quantity of their notices and advertisements, after taking the Agency's consent and carry out other works entrusted by this Act. Any special finance institution is obliged to become a member of the Association within one month from the date of acquisition of their operating license.

The Association shall monitor implementation of legislation governing special finance institutions along with implementation of decisions and measures it adopts, and takes, measures required by the Agency.

Organs, operating principles and scope of activities of the Association shall be set out in the Association's Statute to be put into force by the Council of Ministers upon recommendation of the Board after consulting with the Association. Special finance institutions are obliged to comply with the Association's Statute and any decision or measure taken by the Association. Expenses incurred by the Association shall be distributed among special finance institutions on the basis of the number of votes determined in accordance with the Association's Statute. Special finance institutions shall pay their share of such expenses within the period specified in the Statute. If such shares of expenses have not been paid within the specified period, then the Association shall recover such amounts through executive proceedings. Decisions on payment of expense shares constitute a public deed as defined in Article 68 of the Enforcement and Bankruptcy Act no. 2004.

The organs of the Association shall be elected by secret ballot under judicial heed in accordance with the principles stipulated in this Act. At least fifteen days prior to the meeting of the general assembly, to be held for holding elections, a list including the names of member institutions and representatives thereof who will participate in the election shall be submitted in three copies, together with a letter stating the agenda, place, day, time and procedures relating to a second meeting to be held in case required quorum cannot be achieved, to the judge to be appointed by the Higher Board of Election to chair the election committee. The judge shall conduct the necessary review and approve the list and other particulars and appoint a chairman and two directors of the election committee as well as their substitutes. The voting shall be carried out according to secret ballot and open counting method. Results of the election shall be certified by a report, which shall be signed by the chairman and members of the election board. The judge shall

examine and pass conclusive ruling on any objection to the election results that should be made within two days after the date of the report.

The Association's Board of Directors may impose fines up to one billion Turkish Lira on members who has failed to comply with general or specific decisions and precautions of the Association wholly and punctually. The Association shall notify any such fine to the party concerned and fines collected shall be credited to the account of the Assurance Fund. The fixed fine specified in this paragraph shall be increased by a revaluation rate to be determined in accordance with Supplementary Article 298 of the Tax Procedures Law no. 213 and such increase shall take effect from January every year.

The Association is assigned to and authorized with establishing an "Assurance Fund" in order to provide security for savings of natural persons, who have special current accounts and accounts for sharing profits and losses with special finance institutions.

c) The Assurance Fund, established within the Association in order to provide assurance for savings of natural persons holding special current accounts and profit and loss participation accounts at special finance institutions, shall be managed by the Association in accordance with the Assurance Fund Regulation to be drafted and put into effect by the Association. Principles and procedures relating to management of the Assurance Fund and the coverage and the amount of savings in special current accounts and profit and loss participation accounts, which will be subject to guarantee, tariff for guarantee premiums and time and method of payment thereof and other related issues shall be laid down in the Assurance Fund Regulation. Special finance institutions are obliged to insure savings in their special current accounts and profit and loss participation accounts under the terms of conditions specified thereof. The Agency has the authority to exercise any kind of supervision on the Assurance Fund.

Resources of the Assurance Fund shall consist of assurance premiums; funds in accounts, trust accounts and receivables with special finance institutions which have been subjected to statute of limitation pursuant to Article 10, fees for entry to system to be deposited to the Assurance Fund by the founders of the special finance institution that obtained license for establishment at an amount equal to ten percent of the minimum capital defined in sub-paragraph (d) of paragraph (2) of Article 7, in permissions of share acquisition granted on the acquirer, an amount, which shall be equal to the higher of one percent of the par value or of their value on the stock exchange of the acquired shares; to be paid by the shareholders who acquires the capital shares representing the capital of a special finance institution to be deposited the Assurance Fund, in scope of the measures defined in paragraph (2) of Article 8, judicial fines to be imposed on personnel or related staff of special finance institutions because of their infringement of provisions of this Act and on any third party due to an offense committed against a special finance institution, along with fifty percent of administrative fines on special finance institutions, and revenues obtained from the Assurance Fund's assets and other revenues.

The savings in the special current accounts and profit and loss participation accounts of the shareholders who own ten percent or more of the capital of a special finance institution, of the chairman or members of its board of directors, general manager, assistant general manager, officials authorized for extending

loan, auditors, or of parents, spouses or children of these, shall not be covered by assurance.

¹⁷ Premiums paid by special finance institutions to the Assurance Fund shall be deemed expenditure for the purposes of determination of corporate income tax base.

d) Management and supervision of any special finance institution, whose license has been revoked pursuant to paragraph (3) of Article 14 of this Act, shall be transferred to a Liquidation Committee consisting of five members to be appointed by the Association. All enforcement and bankruptcy proceedings, including preliminary injunctions about a special finance institution shall be suspended on the date of publication of the Board's decision on revocation of the license in the Official Gazette. The creditors of any special finance institution shall not assign their claims or take any action which could lead to the same result after the date of revocation of the license. The Liquidation Committee shall liquidate the special finance institution in accordance with general provisions. Provisions of the Enforcement and Bankruptcy Act no. 2004 shall not apply to liquidation of a special finance institution.

In the case it is determined that chairman or any of the members of board of directors or credit committee, or general manager, any assistant general manager of a special finance institution, or any personnel whose signatures are binding for the said institution, have caused, through their illegitimate decisions or actions, application of the provisions of paragraphs (3) and (4) of the Article 14 of this Act against their institution, they might be held personally liable to the extent of the losses they have caused the special finance institution to incur, and the courts may rule their personal bankruptcy upon the request of the Liquidation Board. Where such decisions and actions have been made for the purpose of providing benefits in favor of shareholders, who, directly or indirectly and individually or together control management and supervision of that special finance institution, the shareholders who have gained such benefits shall also be subject to the same provision in respect of the benefits they gained. In that case, provisions of sub-paragraph (b) of paragraph (5) of Article 14 hereof related to declaration of personal wealth and conservation measures shall be applied respectively. The Liquidation Board shall conduct legal proceedings against those declared bankrupt by the court. Provisions of Article 257 et seq. of the Enforcement and Bankruptcy Act no. 2004 shall be applied by the court to those against whom bankruptcy proceedings have been filed according to this sub-paragraph.

In the case the license of a special finance institution has been revoked, the Association shall, with the approval of the Liquidation Committee appointed according to the first paragraph of this Article, pay the portion of the amounts held in special current accounts and profit and loss sharing accounts, covered by the assurance, from the resources of the Assurance Fund directly or through a special finance institution to be designated by the Liquidation Committee, and participate in the liquidation process on behalf of the Assurance Fund as preferential creditor. Completion of the liquidation shall not be necessary for payments to the account of the Assurance Fund in respect of any claims occurring in this way.

In the case the resources of the Assurance Fund are inadequate to meet payments, advance payments may be collected from the special finance institutions deductible from their future premium obligations and up to the total assurance premium they had paid in the previous year, or, if this amount also proves to be inadequate, up to the amount sufficient to cover the balance to be collected in proportion to total amount of special current accounts and profit and loss participation accounts of each special finance institution. This advance shall be credited against future premium

obligations together with the amount to be calculated by the Association by taking into consideration the average rate of profit share distributed in the previous period to the funds collected in special current accounts and profit and loss sharing accounts by the five special finance institutions with the largest total amount of special current accounts and profit and loss sharing accounts.

e) Special finance institutions shall be treated as banks, for the purposes of application of provisions related to checks and guarantee letters of State Tenders Act no. 2886, Turkish Commercial Code no. 6762, Code of Civil Procedures no. 1086, Enforcement and Bankruptcy Act no. 2004, Act no. 6183 on Procedures for Collection of Public Receivables and the Act no. 3167 on Regulation of Payments by Checks and Protection of Bearers of Checks and of other regulations, along with provisions of the repeated Article 298 of the Act no. 213 on Tax Procedures.

Administrative Offences and Punishments

ARTICLE 21-1. The following administrative fines may be imposed on any bank pursuant to a resolution adopted by the Board, which shall specify reasons therefore:

a)¹ TL two billion in the event of contradiction with provisions of paragraph (2) of Article 8,

b) TL five billion in the event any person is appointed in breach of paragraphs (2) and (3) of Article 9 or any person identified in paragraph (5) thereof has been appointed to a prohibited position and if such default has not been rectified within ten business days from the date of receipt of a notice to that effect, then an amount corresponding to ten percent of the fine for each day elapsing after expiry of the foregoing period;

c) TL ten billion in the event a branch or representative office has been opened in breach of paragraph (6) of Article 9 hereof;

d) TL one billion in the event failing to fulfill the obligation defined in paragraph (2) of Article 10;

e) one percent of any amount which exceeds and thus constitutes a violation of the exposure limits set forth in paragraphs (2), (3), (7) and (8) of Article 11 hereof provided that it shall not be less than TL two billion and an amount equal to five percent of exposure incurred if it violates prohibitions specified in paragraph (9) thereof;

f) TL one billion in the event paragraph (11) of Article 11 has been infringed;

g) two per thousand of any provisions required to be set aside pursuant to paragraph (12) of Article 11 in the event such provisions have not been set aside provided that such amount is not less than TL five hundred million; and an amount equal to three percent of the provisions not established if such default has not been remedied within a period to be granted by the Agency provided that such period shall not be less than three months;

h) five percent of any amount which constitutes a default in the event any restriction or prohibition specified in paragraph (1) of Article 12 provided that it shall not be less than TL two billion and if such default has remained unremedied within one year from the date of receipt of a notice to that effect an amount equal to one percent of the fine imposed for each day elapsing from the date of expiry of such one-year period until the date when it was rectified;

i) ten percent of any amount which is subject to a restriction or prohibition of any amount defined in paragraph (2) of Article 12 hereof in the event of any breach of any such prohibition or restriction provided that the fine shall not be less than TL two billion and, if such default has not been remedied within one year from the date of receipt of a notice to that effect, an amount equal to one percent of the fine imposed for each day elapsing from the date of expiry of the foregoing period until the date when the default is remedied save any breach resulting from utilization of a loan;

j) TL three billion in breach of sub-paragraph (a) of paragraph (1) and paragraphs (2) and (4) of Article 13 hereof;

k) an amount equal to any benefit obtained by receiving or paying an interest or otherwise in breach of any decision made and regulations put into effect in accordance with paragraph (1) of Article 20 hereof provided that such fine shall not be less than TL one billion;

l) ¹ TL one billion in breach of any decision taken, regulations and communiqués issued and other arrangements put into effect by the Council of Ministers and the Agency in accordance with related articles hereof.

Prior to imposition of any administrative fine the offending bank shall be permitted to submit a defense. If no such defense has been submitted within one month from the date of receipt of a notice requiring the bank to file a defense, then the bank shall be deemed to have waived its right to defend itself. Upon recurrence of any breach, which requires imposition of an administrative fine, the fine, save those, which are subject to a specific period of time or are proportional, shall be doubled or, in the event of a second and subsequent recurrence thereof, tripled. If the same breach which requires imposition of an administrative fine has not been repeated within two years from the date when it was imposed, then previous fines shall not be taken into consideration in determining recurrence thereof. Any fine so imposed shall be notified to the bank concerned and to the Fund for collection and appropriation thereof.

2. The right to impose a fine pursuant to this Article shall be subject to a prescription of five years from the date when the related infringement occurred.

3.³ Although legal proceedings shall be instituted against any person which has committed any of the offences defined in paragraph (1) of Article 22 hereof, the place of business of such person may be temporarily closed and their notices and advertisements shall be suspended or seized by the Governorship upon the Agency's request based on a resolution adopted by the Board where it is deemed necessary to avoid a delay. Sub-paragraph (c) of paragraph (1) of this Article shall also be applied to any branch or representative office opened within country in breach of provisions of paragraph (6) of Article 9 hereof, according to the demand of the Agency, these shall be closed permanently or temporarily by governors.

Judicial Offences and Punishments.

ARTICLE 22-1. Any natural person or officers of a legal entity, who has carried out banking operations or accepted deposits without obtaining authorization required to be obtained pursuant to this Act or used the business title in their notices and advertisements or public statements and used words and expressions which could create an impression that he was accepting deposits and carrying out banking transactions shall be sentenced to imprisonment from three to five years and a heavy fine from TL three billion to TL five billion depending on their degree of liability in such offence. In addition to this, places of business of any person who has committed such an offence may be closed permanently or temporarily for a period not exceeding one year and his notices and advertisements may be suspended or seized by virtue of a judgment issued by a court upon the Board's request.

2. Without prejudice to provision of paragraph (3) of Article 10 hereof any officer or employee of a bank who has deliberately prevented depositors from drawing their deposits shall be punished to imprisonment from ranging from six months to two years and a fine up to TL one billion.

Any employee of a bank, which has infringed provisions of Article 14 hereof, who actually carries out transactions of the bank, shall be sentenced to imprisonment from two to four years in addition to a heavy fine from TL two billion to TL five billion depending on their titles and responsibility and the degree of their participation in the transaction leading to the infringement. Provided further that if such action has been taken to provide a benefit for any shareholder, who jointly or individually controls the bank's management and control directly or indirectly, or their subsidiaries or affiliates, then the punishments referred to above may be increased up to five times provided that the heavy fine is not less than TL five billion.

3. If any bank's chairman of the board and directors and other officers embezzle any money or other assets owned by the bank, which have been delivered to them in connection with their duties or put under custody, supervision or control thereof, then they shall be sentenced to a heavy imprisonment ranging from six years to twelve years and indemnify the loss or damage incurred by the bank. Where the offence defined in this paragraph has been committed by conducting all kinds of fraudulent acts which would deceive the bank and ensure that the offence is not discovered, then the offender shall be sentenced to a heavy imprisonment not less than twelve years and a heavy fine equal to three times the amount of the loss or damage incurred. Provided further that if the loss or damage incurred has not been indemnified the court shall sua sponte render a judgment for ensuring that such amount is paid. Where any such loss or damage has been fully paid to institution prior to any legal proceedings the fine shall be reduced by half or, if the payment has been made prior to the judgment, a third thereof.

4.⁶ In the event that the natural person shareholders, irrespective of being a manager or not, who de jure or de facto hold and control the management and supervision of a bank whose shareholding rights (except dividend) and/or management and supervision are transferred to the Fund and/or whose license for banking transactions and for collection of deposits is revoked by a decision of the relevant Minister, the Council of Ministers or the Board, or who is dissolved or whose liquidation process is started by the Fund, are proven to have, through the acts listed in article 15(a), used the bank's resources directly or indirectly in their own interests or in the interests of third persons so as to endanger the soundness of the bank, thereby causing loss to the bank and increase in their own personal properties or in the properties of third persons in any manner whatsoever, their such acts will be considered as an act of misappropriation. Those who commit such offence shall be sentenced to penal servitude from ten years to twenty years and a heavy fine from twenty billion to eighty billion Turkish Lira. In addition, the losses occurred shall jointly or severally be indemnified as the Treasury's receivables.

5. Any natural person or officers and employees of any legal entity who has failed to provide information and documents required by any competent authority or supervisors identified herein or prevented any supervisor from performing his duties shall be sentenced to imprisonment from one year to three years and a heavy fine from TL one billion to TL three billion. Punishments and fines defined in this paragraph shall also apply to any responsible officer or employee of a bank which has failed to comply with the obligation defined in paragraph (5) of Article 13 hereof.

6. Any officer or employee of a bank who has made a false statement in any document he has issued to any authority or supervisor or court or any other public office; or caused any transaction not recorded or accounted for in a manner not conforming to their nature or has caused any balance sheet thereof closed without ensuring its conformity with the ledger and the subsidiary ledger, branches, correspondent banks in Turkey and abroad and who has signed any document

which has been used for taking any of the foregoing actions shall be sentenced to imprisonment ranging from one year to three years and a heavy fine which shall not be less than TL three billion.

7. Any person who has deliberately taken an action which could damage a bank's reputation or its assets or disseminated inaccurate information to that effect shall be sentenced to imprisonment from one year to two years and a heavy fine ranging from TL one billion to TL two billion. Where such act has been taken by using any means of communication defined in the Press Code no. 5680 of 15.7.1950 or radio, television, video, internet, cable TV or electronic data communication devices and similar tools the offender shall be sentenced to imprisonment from one year to three years and a heavy fine from TL two billion to TL four billion. Any person who has disseminated inaccurate information which could have an adverse effect on banks' financial structures by creating doubts in respect of reliability of banks, even if they are named, in the eyes of the general public by using any of the means of communication referred to above shall be sentenced to a heavy fine from TL two billion to TL four billion.

8. Any person who is responsible for application of this Act and supervision thereof shall not disclose any confidential information relating to banks and their subsidiaries, affiliates and customers, which they may receive in connection with performance of their duties, to any person other than those authorized by this Act and specific acts thereof or use such confidential information for their own benefits. Provision of this paragraph shall survive termination of employment contract of any such person. Any person who has failed to comply with the foregoing provision shall be sentenced to a heavy imprisonment ranging from one year to three years and a heavy fine not less than TL two billion.

9.³ Officers and other employees of banks may not disclose in confidential information relating to any bank or clients thereof which they have received in connection with their positions and duties to any authority other than those which has been expressly authorized by law. Provision of this Article shall survive termination of employment contracts of any such officer or employee of a bank. Any person, who has been found to have infringed provision of this Article, shall be sentenced to a heavy imprisonment term from one year to three years and a heavy fine which shall not be less than TL one billion, which shall also be applicable to any third party who has disclosed confidential information relating to a bank's clients. For the purposes of tracking and controlling loans this provision shall not apply to exchange of information between financial institutions, which are mainly engaged on money and capital markets and insurance industry under a license and authorization obtained in accordance with their respective special laws and other institutions determined by the Agency, in respect of their clients directly or through companies to be incorporated by minimum ten institutions.

10. Any person defined in paragraphs (7) and (8) discloses any confidential information in order to obtain benefits for himself or others shall be sentenced to a heavy imprisonment term from three years to five years and a heavy fine which shall not be less than TL three billion and shall also be prohibited temporarily or permanently from being employed by any institution in context of this Act depending on importance of the breach.

11. Without prejudice to provisions of the Turkish Commercial Code no. 6762, which define liabilities, if any act, which constitutes an offence hereunder, also requires imposition of a fine pursuant to any other law the provision, which stipulates the heaviest fine, shall be applied.

Infringement of Other Laws

ARTICLE 23-1. Officers of any bank or institution which has failed to comply with provisions of Article 52 and sub-paragraph (d) of paragraph (II) of Article 4 of the Act no. 1211 dated 14.1.1970 on the Central Bank of the Republic of Turkey or has failed to establish all or any

part of ratios determined for general liquidity and reserve requirements pursuant to sub-paragraph (a) of paragraph (II) of Article 40 or has failed to comply with adjustment decisions taken by the Central Bank pursuant to sub-paragraph (c) shall be sentenced to a fine ranging from TL five hundred million to TL one billion.

2. Where any requirement or obligation defined in Articles 43 and 44 of the Act no. 1211 on the Central Bank of the Republic of Turkey has not been met or discharged any person responsible for such default shall be subject to provisions of paragraphs (4) and (5) of Article 22 hereof.

3. Institution of legal proceedings pursuant to provisions of paragraphs (1) and (2) of this Article shall be subject to a notice to be given by the Central Bank to the Agency in the event any breach has been determined by the former or, in all other circumstances, to a petition filed by the Agency to the Office of Public Prosecutor Office after consulting the Central Bank.

4. Any person who has infringed Article 35 of the Act no. 1211 on the Central Bank of the Republic of Turkey shall be punished in accordance with paragraphs (7) and (9) of Article 22 hereof.

5. Any reference made by other acts to the Act no. 3182 shall be deemed to refer to related articles of this Act.

Procedure for Legal Proceedings and Collection of Fines

ARTICLE 24-1.⁴ Prosecution of the offences mentioned in this Act is subject to a written application of the Agency or the Fund to the Office of Chief Public Prosecutor. However, investigation and prosecution of the offences mentioned in paragraph (4) of article 22 hereof will be initiated by the Public Prosecutors either upon a written notice of the Agency or in the cases where a delay is considered to be harmful. The Agency or the Treasury lawyer assigned to work in the Fund will, upon demand, be accepted to such law suits as an intervening party as of the date of application to the court.

2.⁴ If and when the Public Prosecutor decides not to prosecute, the Agency or the Fund will have the right to object to such decision depending on its relevance upon receipt of notice thereof, in accordance with the Criminal Procedures Code. The criminal law suits and actions relating to or associated with paragraphs (3) and (4) of article 22 and within the jurisdiction of the Court of Felonies will be tried in the court of felonies no. (1) of the city where the relevant bank is seated. If and when deemed necessary, upon a proposal of the Ministry of Justice, the Higher Board of Judges and Public Prosecutors may assign other courts of felonies or may form a new court of felonies in that city for trial of such types of offences.

3.¹⁴ With regard to the offences mentioned in paragraphs (3), (7), (9) and (10) of article 22, the right of action of the relevant entities and the provisions of the Criminal Procedures Code no. 1412 are reserved. The following provisions will be applied in prosecution and investigation of the offences and crimes covered by paragraph (4) of article 22.

a) The preliminary investigation of the offences covered by paragraph (4) of article 22 will be conducted directly and personally by the Public Prosecutors according to the division of duties among them. These offences and crimes will be directly prosecuted by the Public Prosecutors, even if they are committed during or due to performance of duty.

b) In investigation and prosecution of these offences, the provisions of articles 2 to 10 of the Law no. 4422 on Struggle Against Profit-Oriented Criminal Gangs, dated 30.7.1999.

c) In the course of investigations and prosecutions of these offences, the police forces are obliged to have the suspects, accused persons, witnesses, experts and injured persons ready at the date, time and place ordered by the Public Prosecutor or the regent judge or the rogatory judge for the purposes of investigation and prosecution. This order empowers the police to use force on the persons who are invited to appear in the court as in bench warrants.

d) If and when deemed necessary in investigation of these offences, the Public Prosecutors may temporarily demand to make use of and have access to the buildings, vehicles, equipment and personnel of the national budget or annexed budget public administrations or authorities, and all public organizations and entities, municipalities, and state-owned or privately owned banks within or outside their jurisdiction. Such demands will be fulfilled by the related entities and authorities without delay. The responsible persons who fail to fulfill such demands without any excuse will be sentenced to imprisonment ranging from three months to six months.

e) If and when required in the course of investigation, an on-site investigation will be held at the place of offence or at the place of evidences.

f) All kinds of properties, receivables, money and other goods of the crime perpetrators will be seized upon a written order of the Public Prosecutor until the end of the criminal investigation. All kinds of properties, receivables or other things acquired as a result of transfer of all and any unfair enrichment acts by the perpetrators and participants in crime and held in possession of their blood relatives or relatives by marriage or other third persons will also be seized by a written order of the Public Prosecutor.

This order of seizure will be presented to the approval of the judge of the criminal court of peace within twenty-four hours. The judge will declare his judgment within forty-eight hours. Otherwise, the order of seizure will become null and void.

4.4 The provisions of articles 4 and 6 of the Law no 647 on the Execution of Criminal Sentences and the provisions of release on probation are not applied for the persons who are sentenced due to the offenses mentioned in the paragraph (4) of article 22, unless they pay the debts and compensations they owe to the Fund or the Treasury, or these debts and compensations are received from their possessions. This Act provision is not applicable on the small investor shareholders who have acquired their shares from the stock exchange.

5. Fines defined in this Act shall be collected by tax offices in accordance with provisions of the Act no. 6183 of 21.7.1953 on Procedures for Collection of Public Receivables. Liability of any legal entity in respect of a fine shall be determined in accordance with Article 65 of the Turkish Commercial Code no. 6762 of 29.6.1956.

6.14 With regard to the banks subject to the provisions of articles 64 and 65 of the repealed Banking Act No. 3182, and article 14 of this Act, the law suits commenced in respect of performance of duties against the members of the board of directors and board of auditors appointed by the Minister, the Fund or the Agency will be deemed to have been brought forward against the Fund, and the claims therein will be raised against the Fund, and the new law suits will be commenced directly against the Fund. Those who are determined as responsible from misconduct of their business shall be re-coursed by the Fund. Prosecutions for offences mentioned in this Act are subject to the procedure stated in this Article.

² Provision of this paragraph shall also apply to any lawsuits, which have been brought or might be brought against the members of the Board and Fund Executive Committee, and against personnel of the Agency and the Fund, because of the decisions, operations and duties of the Board, Agency, Fund's Board of Directors and the Fund stated in this Act, resulting in third parties to undergo losses.

¹⁸ All kinds of actions for damages and debt, filed and to be filed against the members of the board of directors and board of auditors appointed by the Fund upon sub-paragraph (a) of paragraph (7) of Article 15 and against the members of board of directors and board of auditors who represent the bank at the subsidiaries of the banks whose management and supervision or shares have been transferred to the Fund, due to performance of their duties are filed against the Fund. If a court decides that the said persons have abused their duties, then legal action will be taken against such persons. The executives appointed in this way will not be held personally liable for non-payment of the present or future public debts and debts owed to the Social Security Agency by the companies to which they are appointed.

7. a)² For the purposes of application of this Act in any criminal actions instituted in respect of offences defined in this Act and other applicable laws the expert witness, if appointed, shall submit his report to the court within three months from the date the case was referred to him. The period referred to above may be extended up to two months by the judge. If the report has not been submitted during this extension period, the expert witness shall be discharged without paying a fee and a new expert witness shall be appointed. Any expert witness so discharged shall not be appointed as an expert witness in any legal proceedings under this Act for a period of one year. Such person shall also be condemned to indemnify any costs caused by the delay in submission of the reports and a light fine ranging from TL 500 million to TL 1.5 billion. Upon referral of the case to an expert witness the lapse of time applicable to the trial shall be suspended and it shall resume to run on the date when the expert witness submitted his report to the court.

b) If an expert witness examination is considered necessary in respect of a civil lawsuit instituted by Agency, the Fund, the banks whose partnership rights other than dividends and whose management and control or whose shares belong to the Fund, or the bankruptcy administration of banks being liquidated through the Fund, the expert witness shall submit his report to the court within three months from the date the case was referred to him. The period referred to above may be extended up to two months by the judge. If the report has not been submitted during the extension period the expert witness shall be discharged without paying a fee and a new expert witness shall be appointed. Any expert witness so discharged shall not be appointed as an expert witness in any legal proceedings under this Act for a period of one year. Such person shall also be condemned to indemnify any costs caused by the delay in submission of the reports and a light fine ranging from TL 500 million to TL 1.5 billion.

Repealed or Amended Provisions

ARTICLE 25-1.* The Banking Act no. 3182 dated 25.4.1985 and all its supplements and amendments are hereby repealed.

* The number of previous Banks Acts and the Acts and decrees making amendments in the Banking Act and the dates of their publication in Official Gazette are as follows:

| <u>Act No.</u> | <u>Date and Official Gazette No.</u> | <u>Act No.</u> | <u>Date and Official Gazette No.</u> |
|----------------|--------------------------------------|----------------|--------------------------------------|
| 3182 | 02.05.1985-18742 | 3222 | 15.06.1985-18785 |
| 3291 | 03.06.1986-19126 | 3332 | 31.03.1987-19417 |
| 3494 | 25.11.1988-20000 | 3794 | 13.05.1992-21227 |
| 512 (Decree) | 16.09.1993-21700 | 538 (Decree) | 22.06.1994-21968 |

2. The provisions of the Act no. 4059 of 9.12.1994 on Organization and Responsibilities of the Treasury Under secretariat and the Foreign Trade Under secretariat relating to responsibilities and authorities governed by this Act are repealed.

3. Sub-paragraph I/j of Article 4 of the Act no. 1211 of 14.1.1970 on the Central Bank of Republic of Turkey and paragraph (14) of Article 22 and paragraphs (3) and (4) of Article 43 thereof have been hereby repealed and sub-paragraph (III/c) of Article 4 and Article 44 have been amended as follows:

"The bank's opinion shall be sought before taking any decision in respect of issuing an authorization for incorporation of any financial institution other than a bank and liquidation of any such financial institution in respect of which the Government has been authorized to take an action in respect of liquidation thereof".

Article 44 - The Bank shall establish a Risk Centre in order to accumulate risk status of clients of banks, special finance institutions, financial leasing companies, factoring companies, financing companies and similar financial institutions which may be deemed appropriate by the Bank.

The institutions referred to above shall furnish the Bank with all information in respect of their risk status, which the Bank has required from them within a period designated by the Bank in accordance with standards.

All transactions and records of the Risk Centre shall be treated as confidential information and the Bank may only provide the institutions referred to above with information in respect of risk status of their clients or credit applicants. Procedures to be followed in receiving and providing information shall be set forth in a regulation.

Protests drawn up by banks shall be accumulated in the Bank. Provisions relating to accumulation and promulgation of such protests shall be determined by the Bank in consultation with the Banks Association of Turkey.

ADDITIONAL ARTICLE 1.⁶ Portion of the saving deposit accounts under cover of the saving deposits insurance, the accuracy of which is finally proven without any doubts, and which is held with the banks whose license for banking transactions and for collection of deposits is revoked by a decision of the Board, and banks who are dissolved and whose liquidation process is started by the Fund, will be paid by the Fund upon joint proposal of the Treasury Under secretariat and the Fund in accordance with the principles and procedures to be determined by the Council of Ministers.

In case there is a difference between the amount of the savings deposit subject to insurance that is declared to the competent authorities by the bank pursuant to the Law no. 1211 on the Turkish Central Bank and this Act and the amount of the saving deposits determined by the Fund, upon demand of the Fund lawyer or with regard to the receivables considered as the Treasury receivables according to this Act, upon demand of the Fund lawyer and/or the Treasury lawyer assigned to work in the Fund, the judge of the criminal court of peace having jurisdiction in the city of the head office of the relevant bank, or in the course of trials, the relevant court decides to freeze, up to the said difference, all of the rights and receivables, including the contents of the safe deposit boxes, and all of the bank accounts, including, but not limited to, foreign currency deposit accounts, and credit card and ATM card accounts with or without limit, held with the banks and the non-bank financial institutions and other natural or legal persons, and owned by the members

of board of directors and credit committee, and general manager, deputy general managers, authorized signatories and branch managers of the bank, and the bank shareholders directly or indirectly, alone or jointly holding the control of management and supervision of the bank, and their spouse and children, and to withdraw their rights of disposal in full or in part on all kinds of real and personal properties, including the land, air and sea transportation means and other securities such as domestic and overseas Treasury bills, State bonds, share certificates, investment fund participation certificates and independent commercial enterprises, factories and plants, and trademark and license rights for operation of such plants, and licenses and operation rights for foundation and operation of television channel, power stations and similar other plants arising out of the public concession and licensing agreements, and share certificates and other rights in respect of companies operating such plants with or without a license, and to seize all and any of the properties, cash funds, negotiable instruments, securities and other assets mentioned above and/or to restrict them by injunctions and encumbrances registered in the official registers, and to deposit them to a trustee and to restrict the proceeds, rights and receivables in relation therewith by other injunctions, and to take such precautionary measures also on proceeds of all kinds of real and personal properties, rights and receivables, negotiable instruments, cash funds and securities and trademark and license rights for foundation and operation of plants, and certificates of shares of the companies operating such plants with or without a license. Furthermore, the Fund may decide to prosecute and collect the aforementioned difference through legal proceedings in accordance with the provisions of articles 14 and 15. These provisions are applicable also on the persons who act on behalf of the persons mentioned above or the persons who acquire money, properties or rights on behalf of their accounts, but for own name.

Demands for injunctions will be finalized by the judge or the court immediately and in any case within twenty-four hours as a result of a review on the documents. The Chief Public Prosecutors may also decide to freeze the said rights and receivables in cases where a delay is considered to be harmful. The Chief Public Prosecutors will notify this decision to the judge of the criminal court of peace within maximum twenty-four hours. The judge decides to approve or refuse this decision within twenty-four hours at the latest. The decisions not approved by the judge will become null and void.

The injunctions ordered by the judge of the criminal court of peace will terminate if the Agency or the Fund does not make a denunciation of offence within one year following the date of withdrawal of the bank's license for banking operations and for collection of deposits. If a denunciation of offence is made by the end of this period, the injunctions will remain in force until the finalization of judicial decision to annual or a final judgment is to be decided as a result of the law suit to be commenced. The court will order the responsible persons to reimburse directly to the Treasury the amount of money paid and/or to be paid by the Fund according to the provisions of this Act. In this case, the injunctions will remain in force until the ordered amounts are fully paid, and the ordered amount will be received from the moneys, properties, receivables, rights and other belongings of the responsible persons enjoined pursuant to this paragraph.

Also for all kinds of properties, limited rights in kind or limited personal rights and receivables which are subject to the provisions of the preceding paragraphs and which have previously been transferred to the possession of the divorced or widow spouse or other blood relatives or relatives by marriage of the responsible persons or third persons, the Fund lawyer or with regard to the receivables considered as the Treasury receivables according to this Act, the Fund lawyer and/or the Treasury lawyer assigned to work in the Fund may request and claim the judge of the criminal court of peace or if in the course of trials, the court having jurisdiction in subject matter to freeze all bank accounts, to revoke the rights of disposal, to order seizure and injunctions and other legal restrictions. In all of the law suits opened or to be commenced in respect of all of these properties, rights and receivables, these persons will not be entitled to the presumption of good faith vested by article 3 of the Turkish Civil Code or the presumption of ownership and the principle of good faith trust in all official registers vested by article 985 of the

same Code. If and to the extent they prove to have acquired these properties in good faith and the amount paid by them is the current market value of these properties without any simulation, the court will judge and order refund of such payment to these persons out of the properties and other assets of the responsible persons. These provisions will be applicable on acquisition of the properties by the divorced and widow spouse during two years immediately before the transfer of the bank to the Fund.

One who claim payments to him or to another person by submitting others submit false documents or documents known to be false although he does not hold any saving deposit account in a bank whose license for banking operations and for collection of deposits is revoked will, unless such offence is stipulated to be penalized by a heavier punishment, be sentenced to imprisonment ranging from four years to eight years. If a payment has already been made to him or any designee ten times the amount of payment. The above provisions will be applicable on these persons.

The provisions of this article will be applied also on all kinds of properties, rights and receivables of the persons who cause a payment made or to be made by the Fund in accordance with the provisions of this article due to acts committed prior to the effective date of this Act and of their spouse and children. *(Also refer to the Article 29 of the Act no: 5020)*

ADDITIONAL ARTICLE 2.⁶ The agreements for establishment of all kinds of limited rights in kind, such as real estate mortgages, chattel mortgages, other mortgages, rights of construction, rights of usufruct and rights of habitation, and the ordinary rent contracts or the contracts of lease of proceeds and profits in respect of movable properties such as land, air and sea transportation means or immovable properties such as seaside mansions, villas, islands, apartments, farms and their annexes, and the financial lease agreements on real or personal properties, and the agreements on satellite and cable TV broadcast rights, and the agreements on transfer and use of publishing /broadcast rights, trademark and license of television channels and newspapers, and the powers of attorney for management and other services, and the life, individual pension, old age and medical insurance contracts and policies requiring payment of premiums above the standards of the European Union, and the credit card and ATM card agreements with or without limits, and the individual or back-to-back bank letters of guarantee, acceptance loans and avals/endorsements issued, signed by the controlling shareholders, or members of the board of directors, or general manager, deputy general managers and their spouse, children and foster children, and their other blood relatives and relatives by marriage, and the authorized signatories of a bank whose shareholding rights (except dividend) and/or management and supervision are transferred to the Fund and/or whose license for banking transactions and for collection of deposits is revoked by a decision of the relevant Minister, the Council of Ministers or the Board, and the banks who are dissolved or whose liquidation process is started by the Fund, or between them and third persons, will be considered as invalid. In the pending or future law suits for collection of the receivables assigned to the Fund, the competent court will decide and order that all of the proceeds, interests and profits of these agreements be given or paid in cash or in kind directly to the Treasury. In the actions for damages that may be commenced by the counter-party for invalidation and nullity of these contracts and agreement, the burden of proof that the agreement is not simulated and the amount paid there under is the current market price without any simulation lies with the plaintiff therein.

Contracts of rent of a personal dwelling house by the debtor to the extent required for survival of his life are out of scope of the preceding paragraph. *(Also refer to the Article 29 and provisional article 3 of the Act no: 5020)*

ADDITIONAL ARTICLE 3.⁶ The time limitation prescribed for the law suits and legal proceedings for collection of the Fund receivables arising out of this Act and of the receivables considered as the Treasury receivables according to this Act is twenty years. As for the Fund

receivables and the receivables considered as the Treasury receivables according to this Act, this prescription time starts to count as of the date of acts of the persons causing payment made or to be made by the Fund.

ADDITIONAL ARTICLE 4.⁶ Special ad hoc working groups may be formed for the law suits and legal proceedings for collection of the receivables considered as the Treasury receivables according to article 15/a and for the investigation, inquiry, determination, legal proceedings and collection of the said receivables, and the public inspectors and Treasury legal advisors and lawyers and if required, personnel of the national budget and annexed budget public administrations and other public entities and organizations may be assigned to work in these working groups.

ADDITIONAL ARTICLE 5.⁶ The law provisions pertaining to injunctions for and legal proceedings and collection of the Fund and Treasury receivables will be enforced by the banks on all contractual rights arising out of the individual or back-to-back bank letters of guarantee, acceptance loans and avals/endorsements and contracts relating to real estate mortgages, chattel mortgages and other mortgages, rights of construction, rights of usufruct and rights of habitation and similar other rights in kind, of the borrowers who have borrowed loan facilities, secured in accordance with the banking practices and/or secured by inadequate guarantees, prior to the effective date of this Act, from the state-owned banks (including Emlak Bankası A.Ş. in liquidation process) or from the banks founded by virtue of private laws, where the public entities and organizations hold more than half of the capital or they hold the control of management and representation on majority of shares, and whose debts arising out of such loans have not been paid on due dates thereof, or who are not granted any time extension, or whose debts are not restructured, or who have breached the restructuring conditions. *(Also refer to the Article 29 of the Act no: 5020)*

ADDITIONAL ARTICLE 6.⁶ The agreements signed by the banks whose shareholding rights (except dividend) and/or management and supervision are transferred to the Fund and/or whose license for banking transactions and for collection of deposits is revoked by a decision of the relevant Minister, the Council of Ministers or the Board, and the banks who are dissolved or whose liquidation process is started by the Fund, and the persons listed in article 15/a with third persons other than those listed in article 15/a, will not be subject to the provisions of articles 15, 15/a, 22, Additional Article 1 and Additional Article 2 of the Banking Act, providing that these agreements are synallagmatic contracts containing mutual obligations, and the mutual obligations of the parties thereto are not disproportionate, and the performance of contractual obligations by the third persons is proven by the duly issued documents of proof, and it is proven by the said persons that the underlying transactions are free from all kinds of simulation.

PROVISIONAL ARTICLE 1-a)³ The Board shall be assigned by 31.3.2000. Two of the members so appointed, other than the chairman, to be selected by drawing lots at the end of the second year and two members to be selected by drawing lots at the end of the fourth year shall be replaced by their successors to be appointed in accordance with provisions hereof.

b)³ The Agency shall start its operations by 31.8.2000. Until the date when the Agency shall start to carry out its functions the Board and the Treasury Under secretariat shall jointly complete preparations and arrangements relating to the Agency 's organizations, activities and application of this Act. The Board shall also carry out consultations with competent authorities in respect of specific issues including submission of opinions and recommendations pertaining to issues coming under the scope of its responsibilities. During this period secretarial services shall be provided by the Fund.

c) Until such time as the Agency shall start to perform its operations, duties and authorities granted by this Act to the Agency or the Board shall be continued to be exercised by the Council

of Ministers, the Minister, Treasury Under secretariat and sworn bank auditors and their assistants and the Central Bank and Savings Deposits Insurance Fund as defined in the Banks Act no. 3182 which is repealed by this Act. Any power not specified in the Banks Act no. 3182 and related to the system created by this Act shall be exercised by the Minister until the Agency starts to carry out its duties.

d)⁵ The Board shall, in conjunction with the Treasury Under secretariat, draw up an incorporation budget. In order to finance the incorporation budget banks shall pay their respective contributions thereto, based on their balance sheet totals as of the end of 1999, within 15 days of the date of receipt of a notice in accordance with provisions of Article 6 hereof. The Council of Ministers is authorized to increase the rate defined in paragraph (3) of Article 6 hereof up to two fold thereof for the first four years. The budget shall be implemented by the Board. Remunerations, benefits and other expenses of the Board's members shall be paid by the Fund until the incorporation budget comes into effect.

e) The chairman of the Board of Sworn Bank Auditors of Treasury Under secretariat and sworn bank auditors, assistant auditors and other employees of the Board of Sworn Bank Auditors shall be deemed to have been transferred to the Agency on the date when the Agency starts to carry out its functions. Employees of the Treasury Under secretariat and the Central Bank who are in charge of application of this Act on the effective date hereof shall be appointed to the Agency subject to their consent. Any employee of the Under secretariat and the Central Bank who are in charge of application of this Act on the effective date hereof and currently assigned to overseas organizations of the foregoing institutions or working for an international organization or attending a foreign university to receive a graduate degree or on leave without receiving a salary due to military service or otherwise shall reserve his right to be transferred to the Agency provided that any such right shall be forfeited unless it has been exercised within one year from the effective date of this Act. Any employee who does not consent to his transfer may be temporarily transferred to the Agency until an adequate number of personnel are employed by the Agency, but in any case for a maximum period of two years without being bound by provisions of supplementary articles 8 and 9 of the Civil Servants Act no. 657.

f) Any personnel, with a minimum 3-year length of service, to be transferred from the Treasury Under secretariat and the Central Bank shall be appointed a bank expert provided that he meets age requirements and qualified under a regulation to be drawn up and those with a length of service less than 3 years shall be appointed assistant bank experts. Their term of employment with their former employers shall be added to their length of service as a bank expert and assistant expert. The total period during which any person, who is deemed to have been transferred and directly appointed and has an obligation to work for a specific period for his former employer, has worked for the Agency shall be taken into consideration in fulfillment of such obligation.

g) Positions of any person who is deemed to have been transferred from the Treasury Under secretariat to the Agency pursuant to provision of paragraph (e) of this Article as well as positions of any person appointed through a transfer shall be cancelled without further action and shall be deemed to have been excluded from the a part of the schedule, attached to the Decree no. 190, relating to the Treasury Under secretariat.

PROVISIONAL ARTICLE 2- a) Any legislation, which has been put into force, based on repealed provisions and currently in effect shall remain in full force and effect until decrees, regulations and communiqués to be put into effect in accordance with this Act provided that they are not in conflict herewith.

b) Banks shall align their articles of association with this Act within one year from the effective date hereof.

c)¹⁹ ...

d) Provision of paragraph (1) of Article 9 relating to managing directors shall not be applied to any person, who was employed on the effective date of this Act, so long as he holds this office.

e) Any bank which exist on the effective date of this Act shall not open a new branch unless its own funds are raised to the amount as required under paragraph (6) of Article 9.

f)¹⁵ Banks are obliged to conform their loans extended before the effective date of this Act, to the provisions of this Act within four years.

g)⁷ ...

h)¹ Banks and special finance institutions shall ensure that amounts of their respective subsidiaries are aligned with provisions of this Act until 31.12.2009, in accordance with the periods and proportions to be decided by the Board.

i) Balances in the "Provisions for Contingent Losses" account which has been set aside pursuant to provision of paragraph (1) of Article 32 of the Banks Act no. 3182 shall be transferred to "Voluntary Reserves Account".

j)⁵ Without prejudice to any completed liquidation of any bank, which has been declared bankrupt prior to the date of promulgation hereof, liquidation of which shall be carried out by a bankruptcy office in accordance with provisions of this Act. For the purposes of implementation of this Article bankruptcy offices shall exercise authorities granted to Fund under paragraphs (4), (8) and (9) of Article 16 hereof , provided that the provisions of Articles 2, 23 and 29 of the Public Charges Act no. 492 and Article 1 of the Act on Charges for Establishment of Prisons and Court Buildings and Food Charges Paid by Prisoners shall not be applied to legal proceedings or filed suits which may be instituted by a bankruptcy office and no security deposit and no fee payment in getting and announcing court decree by the bankruptcy administrations which must be paid by the other party and notification thereof shall be required in respect of any request for a preliminary injunction or preliminary attachment. The provisions of paragraph 3 of Article 64 of the Act no. 3182 dated 25.4.1985 superseded by the Statutory Decree no. 512 of 23.8.1993 shall continue to be implemented for any action taken in accordance with it.

k) Proportional fines defined in Article 21 of this Act shall be reduced by fifty percent until the end of 2000.

l) Provisions of Article 14 shall apply to banks, the management and shares of which has been transferred to the Board prior to the date of publication of this Act. The Board shall be authorized to take any action including, but not limited to, those defined in Article 14 hereof, in order to improve their financial conditions and to restructure them.

PROVISIONAL ARTICLE 3 - A portion up to TL 1 billion of total savings deposits in Turkish Lira or foreign exchange accounts classified as a savings account of any natural person with bankrupt Turkish Tourism, Investment and Foreign Trade Bank, and Marmara Bank and Turkish Import and Export Bank, which are currently in the process of liquidation, as of the dates when their licenses to carry out banking operations and to receive deposits were revoked less any payments effected by the Fund under an insurance policy shall be converted into US Dollar at the buying rates applied by the Central Bank when their license to carry out banking operations and to receive deposits were revoked and TL equivalent of such amounts, calculated at US Dollar buying

rate applied by the Central Bank on the date of publication hereof, shall be paid by the Fund to holders of such accounts.

TL equivalent of any foreign exchange account classified as a savings deposits up to a total amount of TL 1 billion as referred to above shall be calculated at foreign currency buying rates applied by the Central Bank on the date when the banks' license to carry out banking operations and to receive deposits were revoked.

Other provisions and procedures relating to payments shall be determined by the Fund.

The Fund shall participate in any bankruptcy office in its capacity as a privileged creditor in connection with any payment it will effect in accordance with provisions given above.

PROVISIONAL ARTICLE 4¹²-1. The Board assigns the contracted independent auditing firm of each bank to carry out an audit at the bank, in order to prepare the financial statements reflecting the financial positions of the privately owned banks established in Turkey, authorized to accept deposits, by determining their losses originating from the provisions that must be set aside for loans and other claims, from changes in exchange rates, or from their other operations, with a view to maintain the confidence in and stability of the banking system and to eliminate the negative effects of the economic crisis on the capitals of banks, without prejudice to the provisions of the other articles of this Act.

The Board determines and announces the coverage of the special audit to be carried out by independent auditing firm on the basis of the financial statements issued as of the balance sheet date of 31 December 2001, by considering the factors that may affect the financial statements after the balance sheet date, and the principles and procedures to be applied in such audit.

2. The report issued by the independent audit establishment regarding the financial statements is examined by a second independent audit establishment to be designated by the Agency, from the standpoint of compliance with the principles and bases of the audit.

3. The report and financial statements issued by independent audit establishments are evaluated by the Agency from the standpoint of their compliance with the principles and procedures, and whether they fully reflect the financial position of the bank concerned, by comparing the same with the findings of the Agency for each bank as a result of its supervision and audit, by taking into consideration opinions of the bank concerned as well.

4. The financial statements of the banks, which have been audited according to the above procedure and which have been found adequate as a result of the evaluation made by the Agency and the report of the independent auditing firm concerning the financial statements, the standard capital adequacy ratio arrived at as a result of the above-mentioned findings, worked out pursuant to article 13 of the Law, the amount of capital required to attain eight percent if the said ratio is below eight percent, and measures required for capital increase or obtainment of funds that are qualified as capital and the measures that must be taken are notified by the Agency to the boards of directors of the banks.

5. In order to eliminate the losses that cannot be covered by their reserves, Banks shall, within fifteen days following the notice served by the Agency on the basis of paragraph (4), invite their general assemblies to extraordinary meeting,

by issuing related announcement in at least one newspaper published country-wide, to ensure that their paid-up capitals are reduced by such loss and that the capital increase required for bringing the standard capital adequacy ratio to eight percent is provided by having it fully paid-up. It is not necessary for the resolution of the general assembly to be approved by the general assembly of preferred shareholders.

Attendance of the shareholders having half of the voting rights is sufficient for general assembly meeting. Resolutions are adopted by majority of those present.

6. Amendments to the articles of incorporation, as decided upon by the general assembly of the bank according to paragraph (5), and the matters concerning exercise of pre-emptive rights are published by trade register offices within three days following the general assembly, upon application of the bank. The shareholders wishing to participate in capital increase exercise their pre-emptive rights within fifteen days following such publication.

7. If the capital increase is not realized, the Board is authorized to take all kinds of measures to be deemed necessary for each bank, only for once, by allocating resources under the principles stated in this article, in order to ensure that capitals of banks are increased under the bank restructuring program, without prejudice to the provisions of article 14.

Those banks wishing to participate in the restructuring program must establish the procedures stated in paragraph (5) and apply to the Agency within a period to be determined by the Authority, which shall not exceed six months from such procedures.

8. Within the framework of the evaluations it will make, the Board is authorized to carry out operations in banks that applied upon article (7), separately or collectively, in order to ensure:

a) that the Fund participates in the capital increase of those banks whose standard capital adequacy ratio is less than five percent but bigger than zero and whose share in the sector in terms of balance sheet magnitudes on 30 September 2001 is at least one percent, in order to bring the said ratio to five percent, provided that the amount of such participation does not exceed the amount paid-up by the shareholders and by those participating in the capital increase,

b) that the Fund provides loan that are qualified as capital with seven-year term to those banks whose standard capital adequacy ratios are five percent and above, at an amount that will be sufficient to bring their standard capital adequacy ratios to nine percent, against bonds convertible into shares.

That portion paid in cash by the shareholders in the year 2001, corresponding to the positive part of the standard capital adequacy ratio is taken into consideration in application of the provisions of paragraph (a).

Those payments which are made by participating in capital increase or by exercising pre-emptive rights according to paragraph (6) and which do not reach capital increase are converted into capital.

In order to provide collateral for the Fund's capital contribution to the bank, the shares belonging to the shareholders who hold the management and supervision of the bank directly or indirectly are pledged to the Fund. When it becomes necessary to have recourse to the pledge, title

to the pledged share certificates passes to the Fund without the need to take any other actions. Such pledged shares to be kept by the Fund may not be attached by third persons, cautionary attachment and cautionary judgment may not be imposed on them, nor may they be offered as collateral to third parties.

The amount corresponding to minimum sixty percent of the Fund's capital contribution to the bank shall be made available by banks as loans until 30 June 2003 within the framework of the banking principles and practices, excepting the real and legal persons in the same risk group with themselves, and banks and other financial establishments.

9. The privately owned banks authorized to accept deposits, whose share in the sector in terms of balance sheet magnitude is below one percent may also benefit from the measures stated in item (a) of paragraph (8), if they raise their share in the sector to minimum one percent through transfers or mergers with other banks, and if they apply to the Agency under the provisions of paragraph (7).

10. The amounts extended by the Fund to the bank as capital or loans that are qualified as capital are met by Government Domestic Borrowing Securities to be issued by the Under secretariat of Treasury under the provisions of paragraph (2) of article (15) in order to be onlent to the Fund.

11. The demands for cautionary judgments and the lawsuits to be filed against the resolutions adopted by the banks' general assemblies in order to ensure that the measures to be taken according to this article are implemented are dealt with by the basic commercial court at the place where the head office of the bank concerned is located. In case there are several basic commercial courts at such place, then the authorized court is the basic commercial court numbered (1).

In the lawsuits to be filed, courts may not issue cautionary judgment without seeking collateral. The court concerned determines the amount of collateral, by safeguarding public interest and by holding trial.

12. The Board determines the principles and procedures concerning the transactions related with the general assembly meeting to be held pursuant to this article, capital increase and decrease, registration of capital, periods of transfer of the shares subject to capital increase, issue of bonds convertible into share certificates and conversion of such bonds into share certificates. Provisions of the Turkish Commercial Code and the Capital Market Law do not apply to mentioned operations. The Board is authorized to change the periods which are determined by this Act, the Turkish Commercial Code, the Capital Market Law and the legislation relating to the said laws and which are related with issue of financial statements of banks and holding annual ordinary general assembly meetings of banks.

13. The legal and optional reserves pursuant to this article and the losses covered by capital decrease are deducted as expense from the tax base when determining the profits of banks under the principles stated in paragraph 7 of Article 14 of the Corporate Tax Law dated 3.6.1949, numbered 5422.

14. The Board is authorized to determine the principles and procedures concerning application of this article and sale and transfer of bank shares acquired by the Fund as a result of application of the measures stated in this article, conversion of loans qualified as capital into capital, and to make arrangements under this scope.

Effective Date

ARTICLE 26 - Provisions of Article 14 and paragraph (I) of Provisional Article 2 hereof shall come into effect on 11.6.1999 and other provisions on the date it was published in the Official Gazette.

Execution

ARTICLE 27 - Provisions of this Act shall be executed by the Council of Ministers.

THE ARTICLES OF THE ACT NO. 4491 RELATED TO OTHER REGULATIONS AND ITS PROVISIONAL ARTICLES.

ARTICLE 16- Article 40/II-d of Act No.1211 on Central Bank of Republic of Turkey has been amended as follows.

“The Bank may, within the framework of sub-paragraph (b) of Article 36 of this Act, extend loans in an amount that will meet fund withdrawals to banks within the scope of Article 14 of the Banks Act and to those that are the subject of uncertainty and lack of confidence due to the acceleration of the fund withdrawals or because of uncertainty and lack of confidence in the banking system, provided that conditions are set by the Central Bank.”

If the license of performing banking activities and collecting deposits of the bank is revoked, then Central Bank shall apply to the liquidation desk as a privileged creditor for the credits extended to the bank according to this Article.

ARTICLE 17- Council of Ministers Decree no. 83/7506 dated 16.12.1983 on Principles and Procedures for Establishment of Special Finance Institutions, Their Activities and Liquidation and all regulations issued on the basis of the mentioned Decree are removed from effect.

PROVISIONAL ARTICLE 1- The percentage related to connected lending as defined in Paragraph 2 (a) of Article 11 of the Banks Act no:4389 shall be seventy-five percent until 2001 from the effective date hereof, seventy percent until 2002, sixty-five percent until 2003, fifty-five percent until 2004, forty-five percent until 2005, thirty-five percent until 2006.

PROVISIONAL ARTICLE 2- Until the Agency shall start operations, the Council of Ministers is authorized to take actions about the banks in the context of Article 14 of Banks Act as amended by this Act, including to make Fund to inject capital or subordinated loans or take over losses or other assets, not exceeding the amount injected by the new shareholders in case those banks under Article 14 are transferred or merged or sold to new shareholders, provided that the existing shareholders shall sell all their shares and the new shareholders shall inject capital or subordinated loans to the bank. Those decisions shall be executed by the Minister.

PROVISIONAL ARTICLE 3- a) Special finance institutions active on the effective date of this Act shall align their existing situations to the Articles of Banks Act no. 4389 to which they are subject to within two years. Special finance institutions which do not align to the provisions of Articles 7 and 9 of Banks Act no. 4389 within this period shall be liquidated in accordance with general provisions.

b) Until regulations concerning special finance institutions under the provisions of Banks Act no.4389 are brought into effect, the provisions of those regulations removed from effect which are not in conflict with the Banks Act no. 4389 shall be applied.

Effective Date

ARTICLE 18- Sub-paragraph (aa) of paragraph (a) of paragraph (5) of Article 14 of Banks Act no. 4389 as amended by this Act shall be in effect on the date when the Agency shall start its operations and other provisions on the date of it is published.

Execution

ARTICLE 19- Provisions of this Act shall be executed by the Council of Ministers.

THE ARTICLES OF THE ACT NO. 4672 RELATED TO OTHER REGULATIONS AND ITS PROVISIONAL ARTICLES.

PROVISIONAL ARTICLE 1- The provisions that are changed in or added to the Banks Act No. 4389 with Article 8 and under Article 9 of this Act, except the provisions of sub-paragraph (d) of paragraph (5) added to the Article 14, also applies to; banks whose management and control and shareholder rights except dividends, or shares in part or in total, have been taken over by the Fund before the date these provisions come into force, subsidiaries in which these banks holds management or control, shareholders, who individually or together, hold management or control of these banks directly or indirectly, and companies that these shareholders, individually or together with other parties, hold, directly or indirectly, the management or control , president and members of board of directors or board of auditors, general manager and assistant general managers, president and the members of the credit committee, personnel of the bank whose signature represents bank, and spouses and children of these individuals, persons stated in the sub-paragraph (b) of paragraph (7) of the Article 15 of the Banks Act No. 4389, added with the Article 9 of this Act, whose debts have been taken over by the Fund, debts of these persons to the other banks whose shares have been transferred to the Fund and to cash, property, all kinds of rights or receivables acquired through directly or indirectly using the resources of the said banks. Such that, the provision of sub-paragraph (a) of paragraph (7) of the Article 15 of the Banks Act No. 4389 applies for those shareholders, holding individually or together and directly or indirectly management or control of the bank, who are determined to use sources of the bank directly or indirectly for their own interest distorting safe operation of the bank or caused the bank suffer from losses in this way.

PROVISIONAL ARTICLE 2- a) Provisions of this Act pertaining to liquidation of special finance institutions shall not be applied to any special finance institution whose license has been revoked prior to date of promulgation of this Act.

b) Any special finance institution, which is subject to the Banking Act no. 4389, shall become a member of the Association within thirty days from the date when the Association of Special Finance Institutions was established.

PROVISIONAL ARTICLE 3- On the date this Act becomes effective, duties of the Board members, except Chairman, ends. New members will be appointed by the Council of Ministers within fifteen days from the effective date of this Act, and during this time existing

members will continue to carry out their duties. Among the members appointed in this way, two of the members to be selected by drawing lots at the end of the second year, and two of the remaining members to be selected by drawing lots at the end of the fourth year, shall be replaced by their successors to be appointed in accordance with the provisions set forth in this Act.

ARTICLE 16- This Act shall be in effect on the date it's published.

ARTICLE 17- Provisions of this Act shall be executed by the Council of Ministers.

THE ARTICLES OF THE ACT NO. 4743 RELATED TO OTHER REGULATIONS

Effective Date

ARTICLE 8- This Act shall be in effect on the date it is published.

Execution

ARTICLE 9- Provisions of this Act shall be executed by the Council of Ministers.

Provisional Articles and Effective Date and Enforcement Articles of the Act No. 5020

PROVISIONAL ARTICLE 1: If and when it is determined three months after the date of publication of this Act that the real and personal properties, rights and receivables covered by the invalid agreements mentioned in article 15/a and article 27 added to the Banking Act by article 21 of this Act and in additional article 1 and additional article 2 added to the same Law are continued to be used, these properties and assets will be considered as the properties owned by the persons mentioned in the said articles. The court will separately decide that all kinds of properties, rights, receivables and license, trademark and other intellectual property rights referred to in this article, and held in possession of third persons in reliance upon the invalid agreement provisions be transferred to the Saving Deposits Insurance Fund. *(Also refer to the Article 29 of the Act no: 5020)*

PROVISIONAL ARTICLE 2: The Public Prosecutors and judges in charge of prosecution, investigation and trial of criminal and civil law suits and legal actions mentioned in articles 15, 21 and 25 of this Act will perform their duties urgently and cannot be appointed to another position or transferred to another location for three years for any reason other than the disciplinary reasons, unless they themselves demand so in reliance upon a just excuse. Those whose term of office is over may be re-appointed to the same position.

PROVISIONAL ARTICLE 3: The provisions of sub-paragraph (6) inserted after sub-paragraph (5) of paragraph (a) of article 2 of the Law no. 4208, and paragraph added to sub-paragraph (b) of paragraph (1) of article 9 of the Banking Act No.. 4389, and paragraphs added to sub-paragraph (b) of paragraph (7) of article 15 thereof, and amendments made in sub-paragraph (c) of paragraph (9) thereof, and paragraph (10) added to article 15, and articles 15/a, 17/a and additional article 2 added to the Banking Act by this Act will be applicable on the banks whose

shareholding rights (except for the rights of dividend) and/or management and supervision have been transferred to the Fund and/or whose license for banking transactions and for collection of deposits has been revoked by a decision of the relevant Minister, the Council of Ministers or the Board, and the banks who are dissolved or whose liquidation process is started by the Fund, prior to the effective date of this Act.

PROVISIONAL ARTICLE 4: Within one month following the effective date of this Act, members will be appointed to the Board of the Fund as specified in article 15. Until the members of the Board of the Fund are appointed, the Board of Directors of the Savings Deposit Insurance Fund formed in accordance with paragraph (4) of article 15 of the Banking Act No. 4389 will remain in office. The regulation of the Fund specified in the same article will be issued within maximum one month after the members of the Board of the Fund take office. Issuance of the regulation is subject to the pertinent provisions of the Banking Act. Until the said regulation is promulgated, the provisions of the former regulation will be effective if and to the extent they do not contradict with this Act.

In accordance with the provisions of the Act No. 4389, new members will be appointed in place of two members to be determined by drawing lots as of the end of the second year from among the members of the Board of the Fund, other than the Chairman, appointed for the first time, and in place of two members to be determined by drawing lots as of the end of the fourth year from among the other members of the Board of the Fund.

PROVISIONAL ARTICLE 5: Those who are enrolled in the payroll of the Banking Regulatory and Supervisory Agency and are assigned to work in the Saving Deposits Insurance Fund as of the date of publication of this Act may be appointed by the Chairman.

Following appointment of the members of the Board of the Fund, these personnel will, by a decision of the Board of the Fund, be appointed to their former position or to a higher position with their consent. The personnel who do not give consent will, by a decision of the Board, be appointed to vacant positions appropriate for them, and if required, they may be temporarily appointed to work in the Saving Deposits Insurance Fund for a period up to two years.

ARTICLE 31: This Act shall be in effect on the date of publication.

ARTICLE 32: The provisions of this Act shall be executed by the Council of Ministers.

Endnotes:

¹As amended by the Act No.4672

²As added by the Act No. 4672

³As amended by the Act No.4491

⁴As amended by the Act No.5020

⁵As amended by the Acts No.4491 and 4672

⁶As added by the Act No. 5020

⁷As revoked by the Act No.4491

⁸As amended by the Acts No.4743 and 5020

⁹As amended by the Acts No.4672, 4743 and 5020

¹⁰As amended by the Acts No.4672 and 5020

¹¹As added by the Act No.4491

¹²As added by the Act No.4743

¹³As amended by the Acts No.4672 and 4743

¹⁴As amended by the Acts No.4491 and 5020

¹⁵As amended by the Act No.4743

¹⁶As revoked by the Act No.4684

¹⁷As amended by the Act No.4842

¹⁸*As added by the Act No.4743, and amended by the Act No.5020*

¹⁹*As revoked by the Act No.4672*

The Articles of the Act No. 4491 related to other regulations and its Provisional Articles.

The Articles of the Act No. 4672 related to other regulations and its Provisional Articles.

The Articles of the Act No. 4743 related to other regulations

The Articles of the Act No. 5020 related to other regulations and its Provisional Articles.

Attachment 3 KKB's New Credit Bureau System

**Project of
New Turkish Credit Bureau
Establishment**

***KKB's
New Credit Bureau System***

Overview

In 2003, Banks Association of Turkey (BAT) started an initiative for sharing of information about firms between banks. In April 2004, BAT has decided to realize the project within KKB. After that, KKB has started the project for developing a new bureau system. This new system will be used at first for commercial customers but it will be capable of processing individual customers as well. Integration of individual customers' information to the system is the next step of the whole project.

KKB is using sole in-house resources and efforts for the project. The design of the system was completed by October, 2004. The implementation is continuing since then.

The projected live date is June 2005. It's expected that before the end of 2005 all KKB member institutions will be able to benefit from the new system.

A consulting committee was formed with representatives from shareholder banks. This committee is transferring related information to KKB project team to enable KKB understand banks' needs and requirements. So that the new system can best meet them.

System Features and Capabilities

- **Flexible database structure**
The system is designed as flexible as possible so that any type of new data can be easily integrated to the system without interfering with the basic concepts and structure of it. This is an important feature because data from diverse industries have diverse characteristics and sometimes loading a new data requires extensive efforts like altering the matching logic.
- **Fast inquiry**
Members will have online access to bureau system and their inquiries will be answered in a matter of seconds.
- **Can process both individuals and firms**
The new system will contain individuals' information as well as firms' information. This also enables the system to handle any kind of credit information and any kind of data from various sources.
- **Keeping track of old information and using it in inquiries**
One of the basic challenge of any registry is capturing the links between old and new information. Conventional bureau systems are very vulnerable for this issue as they depend on data contributor's notifications that the information has changed. KKB's system will automatically detect changes in critical parts of information and will store both old and new information with necessary links between them. This means that any inquiry with old information can still access the data with new information and vice versa.

- **KKB Enhanced Search**

Sometimes there's not enough information for a prospective customer and inquiries are performed with limited information. KKB's new solution to this problem is enhanced search. With this feature, the inquiries are processed with a richer content and yield more result.
- **Highly customizable matching logic**

A credit bureau database can contain a wide set of data types from various sources. Each type of data have different characteristics and different levels of quality. Even for the same organization, data from different departments or units may be significantly separate from one another. A bureau system should be capable of handling this diverse set of data in a consistent manner. The matching logic of the new system will be able to be customized according to characteristics and quality of each provider's data.
- **Mismatch prevention**

In many industries, identifying a customer (individual or firm) accurately still remains as a challenge. On one hand, this is because there is no unique number or code assigned to entities. On the other hand, even there's a unique code, low data quality creates problems in determining the exact information for inquired entity. KKB's system will include special features to make sure that only the accurate information is returned for searched entity.
- **Flexible data contribution mechanisms**

Data is the essential material of a credit bureau and its quality can be assessed from a number of perspectives. At the stage of collecting data, its quality is checked thoroughly. Each record will be controlled separately and the system will allow loading of the records that pass through control steps while declining the ones that failed.
- **Easy and simple data format**

A bureau can contain data from a diverse set of sources. This results in massy amounts of data for some inquiries. Data should be structured and ordered in a way that it's easily broken into its pieces while information relation linkages are still kept. KKB bureau system will also feature this capability.
- **Fully integrated to SABAS and MIDES**

SABAS and MIDES are two indispensable systems for Turkish finance industry. The new bureau will run in full integration with these systems. The advanced features of new bureau will enable SABAS and MIDES provide better services for industry's changing needs.
- **Daily data update possibility**

In conventional bureau systems, bureau database is refreshed with monthly periods. But in today's business, time is a crucial resource and should be consumed efficiently. The speed of business is continuously increasing and in these conditions one month shift in data update may be costly for any market actor. Considering these realities, KKB designed the new system with the capability of processing daily updates. This will enable bureau members to access fresh and up-to-date information as needed.

- **Various authority levels**

In a bureau system, each organization may have different rights and responsibilities. This is true also for each personnel of an organization. The new system will provide the possibility of defining different authorizations for different users of each member institution.
- **Reciprocity principles and closed user groups**

In an industry, there may be special relations between separate organizations. Also, organizations of the same business group may require special treatment for them. KKB's new bureau system will enable forming closed user groups with special authorities and special operation principles. Establishing separate systems for different sectors is also possible. Special linkages between these separate systems can also be defined.
- **Statistics and report generation**

Once the system is established, its performance and quality of database should be kept under close supervision. The new system will have special reports monitoring data quality of each contributor. Results of these reports can also be inputted to pricing system.
- **Progressive pricing system**

KKB is currently employed an advanced in-house developed system for charging inquiries. It's most distinctive feature is taking quality of data that is associated with the inquiry into account. An institution can earn money as its data is inquired by others. Obviously, this structure provides motivation on data providers for improving the quality of their data. In addition, it creates necessary drive on member institutions to contribute as much data as possible to the bureau to increase the amount of data being inquired by others thus making more money. The new system also will be equipped with this pricing system.
- **Security issues**

Information is the most valuable resource today. A bureau system may contain huge amounts of information and contributor organizations are very sensitive about the security of their data. The new bureau system will be equipped with advanced security features both in software and hardware level.
- **Advanced maintenance mechanisms**

A credit bureau provides online services to its members. To ensure that system works with adequate performance at all times, a close eye should be kept on it. The new system will feature advanced facilities for spotting problems and generating instant alerts. This feature will outperform the traditional approaches of expecting for a user face the problem first and complain about it or logging information about the problem and expecting someone to check the logs soon.