

## **TÜRKİYE KALKINMA VE YATIRIM BANKASI A. Ş.**

### **MURABAHA FINANCING**

#### **CUSTOMER INFORMATION FORM**

This Customer Information Form has been prepared to inform our customers about Murabaha Financing, which is among the interest-free products and services offered by our Bank to its customers, within the framework of the "Communiqué on Procedures and Principles Regarding Informing Customers and the Public within the Scope of Interest-Free Banking Principles and Standards" ("Communiqué") published by the Banking Regulation and Supervision Agency (BRSA) in the Official Gazette dated 30 November 2021 and numbered 31675.

The explanations contained in this **Customer Information Form** prepared within the framework of the said Communiqué have been made on the basis of the method "where the customer is authorized to purchase goods as the agent of the bank", which is applied in almost all Murabaha transactions in participation banking.

### **MURABAHA FINANCING**

#### **1) What is the position of Murabaha Contracts in Islamic Finance and specifically participation banking?:**

Murabaha is a type of contract that is widely applied in interest-free banking sector and it purely a sale contract whereby first A buys a commodity and puts a profit margin on it and sells it to party B.

#### **2) Main Features of Murabaha Contract**

- a) A Murabaha transaction, which is a contract of sale, is a contract where the seller/bank is responsible for the total cost of the goods subject to sale;
  - Cost of goods,
  - The rate or amount of profit that the Seller/Bank will add to the cost of the goods,
  - Other expenses

It is necessary to inform the customer clearly and precisely at the beginning of the transaction about all the cost items that make up the sales figure and the final cost that is the sum of these items.

- b) The Seller/Bank has the right to reflect any upward or downward changes in the sales price before the sale of the goods to the customer.

- c) The goods subject to the murabaha transaction must comply with the principles of interest-free banking.
- d) Money, gold and silver cannot be subject to deferred trading in terms of interest-free banking principles and therefore cannot be subject to Murabaha transactions.
- e) In a Murabaha transaction, the customer must not have entered into a contract of sale with the supplier of the goods, must not have paid for the goods, even partially, and the goods must not have been shipped to the customer, except when the customer meets with the supplier, negotiates with the supplier and pays the supplier a "down payment" in accordance with market practices.
- f) In a Murabaha transaction, the seller / bank is the party that sells the goods to the customer, and it is not possible to sell the goods in question to the customer without transferring them to the possession of the seller / bank in accordance with the principles of interest-free finance.

### **3) The Position of the Customer in the Murabaha Contract**

- a) Within the framework of a Murabaha contract, the customer is primarily the party that requests financing from the seller/Bank for the purchase of goods.
- b) Secondly, the customer is the party authorized by the seller / bank as an agent for the purpose of finding and /or procuring the goods in question from the market and within the framework of this authorization, the customer is the party that carries out the purchase process of the goods in question as the seller's / bank's agent and on behalf of the bank.

### **4) Murabaha Transaction in which the Customer Acts as Agent of the Seller/Bank**

- a) The customer is authorized as a proxy by the seller/Bank after the completion of the processes such as limit allocation, collaterals, signing the necessary documents, etc. with the seller/Bank.
- b) This agency relationship between the customer and the seller/bank is an authorization granted to the customer to purchase goods from the market/suppliers on behalf of the seller/bank, within the duration and limits of the proxy; within the framework of this authorization, the customer finds the goods subject to murabaha from the market/suppliers.
- c) Based on the proforma invoice issued by the supplier, the customer instructs the seller/Bank to pay the price of the goods to the supplier.
- d) In accordance with the payment instruction, the seller/bank pays the price of the goods to the supplier's account.

- e) Upon payment of the price of the goods to the supplier's account, the goods become the property of the seller / bank in accordance with the proxy relationship between the seller / bank and the customer and interest-free banking principles.
- f) The seller/bank sells the goods to the customer at a price and on deferred payment basis that the customer knows/is informed about in advance; at this stage, a Murabaha transaction is realized between the seller/bank and the customer.
- g) After this stage, the customer makes payments to the seller / bank in accordance with the agreement made with the seller / bank.

## **5) Compliance of the Murabahah Process with Interest-Free Banking Principles and Standards**

The compliance of the Murabaha product with the principles and standards of interest-free banking is ensured, first and foremost, through the sensitivity of our employees on the subject and the relevant legislation in line with this sensitivity, the decisions of the Sharia Advisory Board, the decisions taken by the Bank's Advisory Committee in accordance with these decisions, our internal implementation procedures and the controls regularly provided by the Bank's Participatory Compliance Unit, the reports prepared and the evaluation of these reports by those concerned, taking additional measures when necessary.

You can access more comprehensive information about the Murabaha product on our Bank's website below.

<https://kalkinma.com.tr/en/home>

## **6) The Customer is appointed as the Bank's Agent in the Fund Utilization Process**

The proxy relationship does not authorize the customer to make commitments to third parties on behalf of the Bank, to represent and bind the seller/Bank before third parties, to sign contracts, to engage in sales-marketing etc. activities on behalf of the seller/Bank, to collect funds, to initiate legal proceedings or to engage in any other legal, financial, etc. activities.

The sole purpose of such power of attorney between the seller/Bank and the customer is to authorize the customer to purchase on behalf of the seller/Bank only the goods to be financed under the Murabaha transaction to which it relates on behalf of the seller/Bank, the content, validity and terms and conditions of which are determined by the seller/Bank, while remaining strictly within the scope of the power of attorney. Apart from this, the power of attorney relationship has no other purpose, authority and function, and at the end of the validity period, it shall lapse without any notification, or if the seller / Bank deems it appropriate, the seller / Bank may unilaterally cancel the power of attorney within the validity period by informing the customer.

The goods that are purchased by the proxy customer under this proxy relationship are goods that belong to the seller / bank in terms of interest-free finance principles. In accordance with interest-free finance principles, the ownership of the goods passes to the customer after the

sale of the goods to the customer by the seller / bank. Therefore, the ownership of the goods is in the hands of the seller/bank during the period between the payment made by the seller/bank to the supplier and the sale of the goods to the customer by the seller/bank in the second stage, even though this period corresponds to an extremely short period of time.

The customer acting as an agent of the Seller/Bank shall not be liable for any loss or damage arising unless he/she acts with intent, negligence or in breach of the terms of agency.

7) Customers are required to submit a copy of the sales related documents to the Bank.

**8) General practices in interest-free finance in case of failure of the customers to make repayments to the Bank.**

**a) Conditions for the application of late payment penalties**

- 1) Depending on the determination of the existence of a valid and real excuse of the customer who does not pay its debts, the seller / bank may grant a certain additional period of time to the customer, at its own discretion, in order to facilitate payment.
- 2) If the customer is able to pay the debt but does not pay it on time, a late payment penalty may be applied.
- 3) Inflation difference, exchange rate difference, actual costs and losses incurred by and for the account of the Seller/Bank due to non-payment of the debt may be claimed and collected from the customer.

**b) Interest-free banking principles and standards on late payment penalty**

- 1) It is essential that payments are made on due date. The Seller/Bank and the customer may not enter into an agreement that increases the amount of the debt in exchange for an extension of the maturity date.
- 2) A clause may be included in the fund utilization agreement between the seller/bank and the customer stating that the bank will charge a certain amount as a late payment penalty if the debts are not paid on the specified dates. However, the bank cannot benefit from the part of this amount that it receives as a late payment penalty above the inflation rate and the expenses it has to incur for the collection of its receivables.
- 3) If the customer pays off his/her debts before the due date, the bank may grant a discount for these installments paid before the due date. This discount shall take into account the amount of profit the bank has taken into account for the installments. As a creditor, the bank may also make a discount without any condition.
- 4) The Seller/Bank may stipulate that all receivables will become due and payable in the event that the customer fails to fulfill its obligations arising from the fund

disbursement agreement, fails to pay or delays any of the installments without a valid excuse after a certain period of time has passed since the due date, or if it is understood that its financial situation will deteriorate and delay the payment of installments based on concrete data.

**c) How late payment penalty amounts are classified under revenue items and how they are treated**

The amount of the late payment penalty is reduced by the inflation rate and the bank's actual costs and losses related to overdue follow-up operation. The Bank shall not benefit from the remaining amount (if any); the excess, in consultation with the Advisory Committee, shall either be returned to the customer or used for charitable purposes.

Regarding the Murabaha Financing described in this Customer Information Form: **"I have been informed verbally and in writing by Türkiye Kalkınma ve Yatırım Bankası A.Ş. and have received a copy of this Information Form by hand."**

Customer Name/Surname/Title of Trade:

Customer T.R. Identification Number/Tax Identification Number:

Date:

Signature: