

IJARAH (LEASING) CONTRACT CUSTOMER INFORMATION FORM

(FINANCIAL LEASING)

This form was created in order to inform customers within the scope of the BRSA Communiqué.¹

1. Contract Type: Ijarah (Leasing)- Financial Leasing

2. Basic Properties of the Contract:

Financial leasing is one of the types of ijarah.

A financial leasing transaction refers to a lease contract where there is an undertaking that ownership of the leased asset shall be transferred to the lessee at the end of or during the lease term, independent of the lease. Transfer of ownership to the lessee is carried out in accordance with the principles and standards of interest-free financing.

In the context of the financial leasing contract; the nature/price of the contracted property to be leased by the lessee must be certain and comply with interest-free banking principles and standards, and also the parties must declare their intention (offer-acceptance).

3. Compliance of the Product or Service with Interest-Free Banking Principles and Standards:

The legitimacy of the financial leasing contract is based on the basic principles of Islamic law. In this context, the transactions conducted by participation banks are compliant with the principles and standards of interest-free banking.

4. Customer's Position Within the Contract:

In the financial leasing contract, the customer is the lessee and the participation bank is the lessor. In addition, the customer is the buyer and participation bank is the seller when the promise of sale is realized at the end of the lease term.

5. Process and Operation:

The quality of the goods subject to financing must be determined by proforma invoice/proposal or documents such as order form/title deed.

The customer submits the financing request for the property to the participation bank. The participation bank allocates a limit to the customer. The customer selects the goods needed and concludes a financial leasing contract with the participation bank in order to purchase it. The participation bank buys the goods, pays the price to the seller and delivers it to the customer. The ownership of the goods for which the customer gets benefit from it, is retained at the participation bank within the time period stated in the lease contract. The customer pays the rents to the bank at the initially agreed terms. When the rental period is finalized, the goods may be transferred to the customer at the agreed price.

Goods subject to financial leasing may as well be purchased personally from the lessee. This method is called "sell and lease back". In sell and lease back transactions, the lessor (bank) concludes a financial lease agreement with the lessee. The lessee transfers the ownership of

¹ Communiqué on Procedures and Principles About Informing Customers and the Public within the Scope of Interest-Free Banking Principles and Standards published in the Official Gazette No. 31675 dated 30 November 2021 by the Banking Regulation and Supervision Agency (BRSA)

the property to the bank and the bank pays the sale price to the lessee. The lessee pays the rents to the bank at the initially agreed terms. At the end of the contract period, the lessee may take over the ownership of the property subject to financial leasing with the conditions set out in the contract.

6. Rights and Obligations Imposed on the Contracting Parties:

The Customer accepts and declares to make the financing payments according to the payment plan created for the financial leasing transaction.

The participation bank is responsible for paying the seller the price of the goods following the duly executed transactions.

The Lessee is entitled to obtain all kinds of benefits from the leased property according to the purpose of the contract.

If it is agreed on in the contract, the Bank is obliged to transfer the leased property to the Lessee for an agreed price.

The lessee is obliged to use the property subject to financial leasing with due care in accordance with the terms and conditions stipulated in the contract and is responsible for all kinds of maintenance and protection of the property.

7. Rights and Obligations Arising from the Power of Attorney to the Parties:

The participation bank may appoint a customer or a third party as a proxy to perform transactions related to the purchase of the property subject to financial leasing on behalf of the participation bank.

In addition, the customer may be the proxy of the participation bank on all matters relating to the location, selection, collection, loading, transportation, delivery and other goods.

In transactions based on power of attorney; before the participation bank appoints the customer as a proxy, there should be no agreement between the first seller and the customer for this transaction; the goods must not have been delivered to the customer, no payment (down payment, check, promissory note, etc.) has been made to the seller, and the seller must not have issued the document (invoice, waybill, etc.) that is the subject of the purchase and sale in favor of the customer.

8. Bank Application in Case of Late Payment:

The principles of interest-free finance are in place, where an article is inserted in the contract stating that the participation bank shall receive a delayed penalty if the debts are not paid on the specified dates. However, the participation bank and customers cannot benefit from these amounts, which are levied as delay penalties. Collected amounts are classified according to the Uniform Chart of Accounts of participation banks and used according to interest-free banking principles and standards.