Client Alert | Banking / Corporate – Turkey

COVID-19: Turkish Government Support Measures

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As in the rest of the world, the coronavirus ("COVID-19") pandemic has caused significant disruption in the Turkish economy and financial markets. In response, the Turkish Government has introduced an economic stimulus package, introducing a mix of financial support, credit support and employment-related measures to help citizens and businesses weather the COVID-19 crisis.

A number of measures were announced by different Government entities through various decrees, legislative amendments and omnibus laws since mid-March 2020. The containment-oriented measures aim at providing the necessary support to struggling businesses through legal, fiscal, and financial incentives. The stimulus-driven measures are mostly addressed to banks and are intended to provide liquidity to the Turkish markets.

In March 2020, the Turkish government announced a USD15 billion economic shield plan to help businesses ride out the economic storm caused by the COVID-19 pandemic. The plan introduced a set of new measures ranging from tax cuts and payment deferrals for tax liabilities of businesses, to increased minimum pension payouts. Other than these, certain financial support measures were also announced by various Government entities to aid struggling businesses. Further economic stimulus actions followed to ensure the provision of sufficient liquidity to the markets by Turkish banks.

Key Financial Support Measures to Ensure Business Continuity

CGF guaranteed loans for SMEs and larger corporates

The Credit Guarantee Fund ("**CGF**") was first established as a Turkish joint-stock company in 1994 to provide support to small and medium sized enterprises ("**SMEs**") and other companies that are not able to provide collateral for obtaining loans from the banks. The shareholders of the CGF are banks, Small and Medium Industry Development Organization (*T.C. Küçük ve Orta Ölçekli İşletmeleri Geliştirme ve Destekleme İdaresi Başkanlığı*) ("**KOSGEB**") and the Union of Chambers and Commodity Exchanges of Turkey (*Türkiye Odalar ve Borsalar Birliği*) ("**TOBB**"). While the CGF aims primarily at facilitating access to credit for SMEs with insufficient collateral to borrow, the scope has been expanded to non-SMEs (*i.e.*, larger corporations) as well. Turkish law requires certain criteria in terms of asset size, net revenue, and headcount thresholds to qualify as an SME, and SMEs are subject to certain guarantee limits different from the limits applicable to larger corporates. Higher guarantee limits are available for the latter.

The CGF provides credit guarantees to the loans borrowed from banks by SMEs and non-SMEs and facilitates the access of such enterprises to liquidity. Starting from 2016, the CGF guarantees have been supported in part by the Turkish Treasury.

On 30 March 2020, in order to address the economic impact of the COVID-19 pandemic, the amount available under the CGF programme was increased from TL 25 billion (approx. EUR 3.2 billion) to TL 50 billion (approx. EUR 6.5 billion) and the total amount of guarantees that may be given by the CGF was increased from TL 250 billion (approx. EUR 32.5 billion) to TL 500 billion (approx. EUR 65 billion) (along with increases in the guarantee limits with respect to individual borrower groups). This means that the CGF have had a further available limit of TL 250 billion (approx. EUR 32.5 billion) to provide guarantees for loans borrowed from Turkish banks.

In addition, with the decree published on the same date by the President, the following amendments were made to the CGF programme:

- *Türkiye Kalkınma ve Yatırım Bankası A.Ş.*, a recently re-activated state-owned financial institution, is now listed among the institutions for the loans of which the CGF can provide guarantees;
- The cap for the limit of funds that the Turkish Ministry of Treasury and Finance (the "**MoF**") can contribute to the CGF was increased from TL 25 billion (approx. EUR 3.2 million) to TL 50 billion (approx. EUR 6.5 billion);
- The maximum limit for a CGF guarantee that may be granted to a beneficiary is increased from TL 25 million (approx. EUR 3.2 million) to TL 35 million (approx. EUR 4.5 million) for SMEs, and from TL 200 million (approx. EUR 26 million) to TL 250 million (approx. EUR 32 million) for non-SME corporations (*i.e.*, larger corporates);
- For CGF guarantees granted until 31 December 2020, such maximum limit for SMEs will be applied temporarily as TL 50 million (approx. EUR 6.4 million), whereas it will be applied temporarily as TL 350 million (approx. EUR 45.5 million) for non-SME corporates; and
- The CGF legislation was also amended so that, in case of restructuring of the CGF-guaranteed loans, the upper limit for grace period in respect of principal repayments was increased further from 12 months to up to 24 months. The amendments have also provided that, in case of restructuring of the CGF-guaranteed loans, the grace period might also apply for interest payments, for up to one year; *however*, interest must accrue and be paid annually (or within shorter periods).

Starting from 2017, the Banking Regulatory and Supervision Authority of Turkey (*Bankacılık Düzenleme ve Denetleme Kurulu*) (the "**BRSA**") – *the Turkish banking industry regulator* – treated the MoF-supported CGF guarantees as a "direct guarantee from the MoF". Currently, Turkish banks calculate the risk-weight of the portion of the loans covered by a CGF guarantee on their balance sheet for the purposes of capital allocation at 0%, in line with the risk-weight of their direct exposure to the MoF. In short, the CGF programme is seen a quasi-State guarantee. It therefore allows SMEs and non-SMEs to access to relatively cheap financing from the Turkish banks.

Key details of the expanded scheme are as follows:

- **Beneficiaries**: any enterprise with its registered office in Turkey, provided that it fulfills the below-mentioned conditions, may be eligible to receive CGF-guaranteed loans. The size of the beneficiary, however, changes the available guarantee support that the enterprise may receive.

  Under Turkish law, an "*SME*" is an economic unit or enterprise having, as of the date hereof, (i) a headcount lesser than 250; (ii) a yearly net sales revenue lower than TL 125 million (approx. EUR 16.2 million); and (iii) an asset size lower than TL 125 million.

- **Purpose**: to incentivise the Turkish banks to extend their support to businesses through extending new loans.

- **Maximum guaranteed amount**: the guarantee limits for each beneficiary entitled to benefit from the CGF support are as follows:

  - maximum TL 35 million (approx. EUR 4.5 million) for SMEs. However, this limit will be maximum TL 50 million (approx. EUR 6.5 million) until 31 December 2020; and

  - maximum TL 250 million (approx. EUR 32 million) for non-SMEs. However, this limit will be maximum TL 350 million (approx. EUR 45 million) until 31 December 2020.

- **Conditions**: there are general conditions set out under the legislation for a company to benefit from CGF-guarantees when borrowing a loan from a Turkish bank.

  Those conditions include:

  - not being insolvent;

  - having duly made tax payments and payments to the Social Security Institution;

  - not having any exposure classified as an non-performing loan by a Turkish bank; and

  - being deemed creditworthy by a Turkish financial institution and the CGF having received the relevant documents evidencing such creditworthiness.

  Additional conditions might apply based on the protocols entered into between the MoF and the CGF, or the CGF and the relevant Turkish bank (noting that the CGF states on its website that the form of its protocol is identical for each Turkish bank, so that there is no difference between conditions of such protocols).

  In addition to these general conditions and conditions imposed in those protocols, Turkish banks may always require other credit conditions from borrowers (such as collateral).

- **Commercial terms**: depends on the conditions agreed between the relevant Turkish bank and the borrower.

- **Process**: in principle, the CGF does not accept direct applications from the borrowers to provide guarantees. Non-SME borrower companies are required to make an application to a Turkish bank to borrow a CGF-guaranteed loan and goes through the usual credit assessment of the Turkish banks. Generally, SMEs are also required to follow this route.

There are two types of evaluation systems for CGF-guaranteed loans:

- "*Portfolio Limit System*": the CGF evaluates the creditworthiness of the beneficiaries through its own specialists in addition to the relevant Turkish bank's credit evaluation process; and
- "*Portfolio Guarantee System*": in this system, the CGF does not take part in the decision-making/credit evaluation process. The CGF bases its evaluation on the creditworthiness assessment carried out by the relevant Turkish bank. The CGF does not conduct any further evaluation. The relevant Turkish bank has complete autonomy to extend loans with a CGF guarantee.

KOSGEB credit support to SMEs

- **Beneficiaries**: SMEs. KOSGEB, the Small and Medium Industry Development Organization, was providing credit support to only industrial SMEs by way of paying a certain portion of the loans that they borrow from Turkish banks. A decree issued by the President of the Republic of Turkey on 2 April 2020 has expanded the scope of potential beneficiaries from KOSGEB credit support to encompass the non-industrial SMEs in order to facilitate their access to credit.
- **Purpose**: facilitate access to credit by SMEs. KOSGEB pays without consideration certain financing costs (including interest) for the loans extended by Turkish banks to SMEs, in accordance with the protocols entered into by and between KOSGEB and the lender.
- **Maximum amount**: the upper limit was previously TL 300,000 (approx. EUR 39,000) in total per applicant enterprise. It has been increased to TL 3 million (approx. EUR 390,000) annually per applicant enterprise, with the aforementioned decree issued on 2 April 2020.
- **Conditions**: only SMEs can benefit. If a beneficiary SME defaults on the principal payment of the loan, KOSGEB ceases its credit support for financing costs. The banking and insurance transactions tax is applied in a reduced rate of 1% (instead of 5%) over the interest accruing on KOSGEB-supported loans. Other conditions are set out in the protocols entered into by and between KOSGEB and Turkish banks.
- **Commercial terms**: working capital loans and capital expenditure loans must be denominated in Turkish Lira. Loans to finance exports can be borrowed in F/X or F/X-indexed Turkish Lira. The exact interest rates, maturity and length of grace periods are also set out in the protocols entered into by and between KOSGEB and Turkish banks. However, interest rates must be lower than the current market rates and the maturity cannot exceed 60 months.
- **Process**: SMEs apply to Turkish banks, having a protocol with KOSGEB, to borrow a KOSGEB-supported loan and go through the usual credit assessment of the Turkish banks.

Additionally, KOSGEB has announced that the repayments on outstanding KOSGEB-supported loans, which were supposed to fall due in April, May or June 2020, are postponed until 30 June 2020, and KOSGEB is to bear the extra financing costs arising from such postponement vis-à-vis the Turkish banks. KOSGEB has also announced that the amount of postponed debt within this scope is TL 713 million (approx. EUR 93 million).

Low-interest loans

Businesses, including SMEs, tradesmen and craftsmen, experiencing liquidity issues resulting from COVID-19 may also seek low-interest loans that have become available through recent measures.

Loans under the leadership of the Banks' Association of Turkey

The Banks' Association of Turkey (*Türkiye Bankalar Birliği*) (the "**BAT**") made an announcement on 27 March 2020 that it will offer Turkish Lira loans to businesses with a 12-month term and an interest rate of 9.5% p.a. without any principal or interest payments for three months.

- **Beneficiaries**: all firms adversely affected from the pandemic are eligible to file an application on the condition that they have not or will not decrease their headcount; *however*, this programme primarily targets SMEs. However, since the lender of these loans are commercial banks (including state-owned banks), the banks will ultimately decide on which customers they will grant loans to and on what terms.

- **Purpose**: to support businesses through extending new loans.
- **Maximum loan amount**: three state-owned banks may offer these Turkish Lira loans with a 36-month term and an interest rate of 7.5% p.a. without any principal or interest payments for six months, if the customer provides sufficient collateral for the loan, or the loan is guaranteed by the CGF (as defined below) within scope of the CGF guarantee scheme (as explained below).

  The BAT indicated in its announcement of 27 March 2020 that the maximum loan amounts which could be obtained within this scope are as follows:

YEARLY TURNOVER	MAX. LOAN AMOUNT
TL 0-25 Million	TL 5,000,000 (approx. EUR 0.65 million)
TL 25-125 Million	25,000,000 (approx. EUR 3.25 million)
More than TL 125 Million	50,000,000 (approx. EUR 6.5 million)

  Three state-owned banks may offer these loans in a higher amount as set out in the table below, if the customer provides sufficient collateral for the loan, or the loan is guaranteed by the CGF (as defined below) within scope of the CGF guarantee scheme (as explained above):

YEARLY TURNOVER (TL)	MAX. LOAN AMOUNT
TL 0-25 Million	TL 12,500,000 (approx. EUR 1.62 million)
TL 25-125 Million	TL 62,500,000 (approx. EUR 8.12 million)
More than TL 125 Million	TL 125,000,000 (approx. EUR 16.2 million)

- **Conditions**: the BAT indicated in its announcement of 27 March 2020 that it is a pre-requisite for submitting an application for benefiting from these loans that the headcount of the applying company registered with the Social Security Institution as of the end of February is not diminished.

  As the provider of loans, general conditions imposed by commercial banks would also apply.
- **Commercial terms**: per the announcement of the BAT, a maturity of 12-month and an interest rate of 9.5% p.a. without any principal or interest payments for three months.
- **Process**: usual loan application process would apply.

Low-interest loan initiatives by private and public banks

On 25 March 2020, a Presidential Decree was adopted regarding the deferral of the payment of principal under the loans granted to tradesman and craftsman by *Türkiye Halk Bankası A.Ş.* (one of the state-owned banks) the maturity of which is between 1 April and 30 June 2020, for three months (on the condition that they do not decrease the employee headcount).

Under Turkish law, tradesman and craftsman are defined as people dealing with trade and art, whose economic activity is mostly based on their physical work rather than capital and whose revenue does not exceed the limit specified for their enterprises under the law.

Certain banks have also declared that they will postpone the principal and interest payments of companies, the cash flows of which are affected due to measures taken to prevent the COVID-19 outbreak.

State-sponsored trade credit insurance for SMEs

- **Beneficiaries**: the scope of beneficiaries of state-sponsored credit insurance opportunities has been expanded with the Communiqué on Amending the State-Sponsored Commercial Credit Insurance Tariff and Instruction for Small and Medium-Sized Enterprises published in the Official Gazette dated 25 March 2020 and numbered 31079. In addition to micro- and small-sized enterprises meeting the required conditions, medium-sized enterprises may now also benefit from credit insurance opportunities. However, an annual net sales revenue limit has also been introduced. Enterprises with an annual net sales revenue of TL 125 million (approx. EUR 16.2 million) or higher cannot benefit from the state-sponsored trade credit insurance.

- **Purpose**: to provide SMEs with state-sponsored credit insurance for their trade receivables from Turkish counterparties. The Turkish insurance companies underwrite the policies but they essentially act as an intermediary. They deduct a commission and transfer the insurance premiums to Halk Sigorta A.Ş., which is a state-controlled insurance company. Halk Sigorta A.Ş. manages the pool comprised of the premiums of these policies. State re-insures as the reinsurer the part of the pool, which cannot be re-insured by Halk Sigorta A.Ş. with other means.
- **Maximum coverage**: a maximum coverage limit of TL 750,000 (approx. EUR 97,000) per counterparty is now available with the changes introduced at the end of March 2020. This limit was formerly TL 300,000 (approx. EUR 39,000). Lower maximum coverage limits apply depending on the most recent annual turnover realised by the applicant enterprise from forward sales.
- **Conditions**: the trade receivable must be denominated in Turkish Lira. The maturity of the receivable cannot be longer than 360 days and must be specified in a written agreement or on the invoice related to such receivable. Counterparty cannot be a state-owned or state-controlled entity, or a non-merchant individual.
- **Commercial terms**: the insurance premium varies depending on the most recent annual turnover realised by the applicant enterprise from forward sales and the maturity of the specific trade receivable to be insured, in a range between 0.22% and 1.40% of such turnover.
- **Process:** applications are made with the Turkish insurance companies having executed a protocol with Halk Sigorta A.Ş.

Employment-related measures

Some flexibility for employment agreements was also introduced by way of temporary changes to regulations regarding short-time work and compensatory work.

Short-term working allowance applications

A measure that companies frequently resort to during the COVID-19 outbreak has been the short-term employment allowance (*kısa çalışma ödeneği*) paid directly to the employees from the State's unemployment fund (*İşsizlik Sigortası Fonu*), upon an application to by the Turkish Employment Agency (*Türkiye İş Kurumu*). As part of the measures in response to the COVID-19 outbreak, for applications made on or after 29 February 2020, the finalisation of the Turkish Employment Agency's review of the employer's application is not to be required before making short-term allowance payments to the employees. Short-term working allowances based on the COVID-19 outbreak are to be granted solely based on the employer's declaration. Overpayments and improper payments made due to incorrect information and documents provided by employers are to be collected from the employer, together with interest.

Short-term working is the temporal shortening (for, in principle, a maximum of three months) of the employment period in the whole or part of the workplace by at least one-thirds, or complete or partial suspension of operation for at least four weeks, due to general economic, sectorial, regional crisis or force majeure. (fix widow)

Upon the employer's application to the Turkish Employment Agency, its employees will be granted a short-term working allowance if the application meets certain conditions.

Amount of the daily short employment allowance to be paid to an employee from the State's unemployment fund is 60% of the daily gross average earning of that employee, calculated on the basis of its earnings of the last twelve months subject to social security payments. However, the allowance amount cannot exceed 150% of the gross amount of monthly minimum wage in Turkey (applicable to those older than 16 years of age), *i.e.*, it cannot exceed TL 4,414.50 (approx. EUR 580) for the year 2020.

Unpaid Leave and Termination

Pursuant to Article 9 of the Law No. 7244 on Reducing the Impacts of the New Coronavirus ("**COVID-19**") Outbreak on the Economic and Social Life (the "**Law No. 7244**"), for the period between 17 April 2020 and 17 July 2020 (which the President is entitled to extend to 17 October 2020); employers cannot terminate unilaterally employment or service agreements, unless based on immoral, dishonourable or malevolent conduct or other similar act or behaviour of the employee.

The employer, however, may furlough its employees (*i.e.,* put employees on unpaid leave) for the aforementioned period (or for a shorter period). Employees cannot terminate their employment contract solely because of being furloughed.

Salary Support

A salary support of TRY 39.24 (approx. EUR 5.20) per day from the Turkish State's unemployment fund is to be paid to furloughed employees under the Law No. 7244 after 15 March 2020, if such employees (i) cannot benefit from the short-term working allowance; and (ii) do not receive a pension pay from any social security organisation at the same time. The payments will not be subject to any deduction other than stamp tax.

Rent-related measures

Private Lease Agreements

As per the Temporary Article 2 of Law No. 7226, the non-payment of rents for workplaces accrued from 1 March 2020 until 30 June 2020 will not be a ground for termination of the lease agreement and eviction of the tenant from the leased premises.

Real Estate owned by State and Governmental Authorities

On 17 April 2020, Law No. 7244 authorised the Ministry of Environment and Urban Planning (the "**Ministry of Environment**") to postpone sale fees and occupancy fees in relation to contracts and compensation payments regarding Treasury property. Within less than a week, the Ministry of Environment postponed certain sale fees and occupancy fees (*ecrimisil*) for certain 2/B lands and some of the Treasury's lands, such as those used for agriculture and livestock production. Within this scope, the sale fees and occupancy fees accrued for April, May, and June 2020 are postponed for three months.

Pursuant to Law No. 7244, tenants of other state entities (municipalities, provincial special administrations, provincial special administrations' subsidiaries and local administrative associations) whose activities are interrupted or that are unable to operate, are exempt from paying their leases *for the duration of their inability to operate*. Municipalities may also postpone for three months the water bills of residences and of workplaces whose activities were interrupted or that are unable to operate. The city council is authorised to extend the postponement period for up to six months.

Considering the severe impact of COVID-19 on businesses that were not ordered to close, municipalities, provincial special administrations, provincial special administrations' subsidiaries and local administrative associations may also postpone the collection of sale fees, occupancy fees and leases of their own immovable properties for their tenants and owners whose activities or operations were not interrupted, but affected, for three months starting from 19 March 2020. The receivables are collectable at the end of the postponement period without the accrual of default interest. The Ministry of Environment or the Interior Ministry of the Republic of Turkey (*İçişleri Bakanlığı*) may extend this postponement period up-to six months.

Suspension of Bankruptcy and Judicial Proceedings

The Parliament and the Government have enacted legislative measures (i) suspending all pending enforcement and bankruptcy proceedings; (ii) halting the initiation of new enforcement and bankruptcy proceedings and execution of preliminary attachment decisions; and (iii) suspending the statutory prescriptive periods for legal proceedings until 15 June 2020. There are certain very limited exceptions to these restrictions, such as the continuation of execution proceedings for alimonies or the deadlines for submitting administrative proceedings.

Stimulating the Economy Through Liquidity Measures

Measures related to interest rate, loans, payments, and non-payments

Apart from above-mentioned grand schemes, numerous legal, economic, and financial measures to mitigate the impact of the COVID-19 outbreak on businesses have been introduced.

Interest Rate Cut by the Central Bank

On 22 May 2020, in a bid to stimulate the economy, the Central Bank of Republic of Turkey (the "**CBRT**") reduced its one-week repo rate by 50 basis points. This decrease followed a previous decrease of 100 basis points announced in April 2020. As a result, the bank's policy rate – *also known as the one-week repo rate* – fell to 8.25% from 9.75% initially. While the Turkish Lira plummeted as a response to this cut, the interest rates applied by banks to time deposits also decreased.

Extension of the Non-Performing Loan Classification Period

In its decision dated 17 March 2020 and numbered 8948, the BRSA announced that, until 31 December 2020:

- The length of the period of non-payment before a loan or other receivable is considered to be non-performing loan ("**NPL**") was temporarily extended from 90-days to 180-days, and the provisioning requirements for such loans classified as performing in spite of a failure to pay which lasted more than 90 days will remain the same; and
- With respect to restructured loans which were classified as performing as a result of their restructuring, the requirement to classify such loans as an NPL due to (i) a failure to pay which lasts more than 30 days in the one-year monitoring period after their restructuring; or (ii) a second restructuring, will not apply.

Measures regarding Rediscount Loans for Exports and F/X-Generating Services

On 17 March 2020, among its measures adopted in response to the COVID-19 outbreak, the CBRT has introduced the following measures regarding rediscount loans for export and F/X-generating services to mitigate the likely adverse impacts of recent global economic uncertainties and adversities in international trade on real sector firms:

- The maturity of rediscount credits, becoming due on a date between 18 March 2020 and 30 June 2020, can be extended by up-to 90 days. Firms may benefit from this extension by applying to intermediary banks and exchange their current notes for a note with an up-to 90-day-longer maturity, without making any repayment. The CBRT stated that the repayment of rediscount credits corresponding up to USD 7.6 billion may be postponed through these means;
- An additional 12 months has been granted to fulfil outstanding export or F/X-revenue generation commitments of firms. This additional period of 12 months also applies to commitments under the new rediscount loans to be extended to exporter firms or firms generating F/X-revenue until 30 June 2020, so that the duration for fulfilling their export or F/X-revenue generation commitments apply as 36 months instead of 24 months; and
- The maximum maturity for rediscount loans has been extended to 240 days for short-term loans and to 720 days for long-term loans.

New banking ratio: Asset Ratio, Mortgage Covered Bonds, and Asset-backed Securities

Several monetary measures were also announced jointly by the CBRT and the BRSA to encourage loan growth of banks, mainly in Turkish lira. The CBRT announced its acceptance as collateral of the mortgage covered bonds ("**MCB**") and asset-backed securities ("**ABS**") issued or originated by Turkish banks in its open market operations and lender-of-last-resort operations, provided that the banks provide as collateral securities of other issuers.

Besides the Basel III Requirements, a new asset ratio was introduced by the BRSA with an aim to boost loan growth, deepen the capital markets and limit FX swaps, as well as the containment of deposits in FX. The ratio, which was introduced and further clarified in April 2020, attributes the below coefficients to various assets of bank balance sheets:

$$Asset\ Ratio\ (AR) \quad = \quad \frac{\text{Loans}(*) + (\text{Securities } \times 0.75) + (CBRT\ Swap\ \times 0.5)}{\text{TL Deposits} + (\text{FX Deposits} \times 1.75)(**)}$$

(*) loans to SMEs, project finance loans and export finance loans shall have a coefficient of 1.1. Loans with a maturity of less than three months shall not be taken in to consideration

(**) further clarifications were made to the calculation of TL and FX Deposits, with notably a coefficient of (i) one to be applied to deposits not exceeding the total amount of FX loans, and (ii) 1.75 to be applied to deposits exceeding the total amount of FX loans

Banks are required to visit this ratio on a weekly basis starting from 1 May 2020 and the asset ratio calculated on a monthly average basis at the end of each month shall not be below (i) 100% for banks other than participation banks; and (ii) 80% for participation banks.

Conclusions

The measures announced by the Turkish Government implement policies from various perspectives, all destined to ensure the continuity of the businesses. Financial incentives aim at providing credit access to all economic actors. CGF guarantee limits have been increased both for SMEs and larger corporates. Other support measures were announced for smaller enterprises. Certain subsidies were announced to encourage domestic consumption and in parallel companies have been incentivised to maintain manufacturing. Employment- and rent- related measures have also been announced to alleviate the financial burden on the COVID-19-hit businesses.

To reduce the effects of the pandemic, economic stimulus has also been provided through liquidity oriented measures. Banks are encouraged to defer loan repayments, NPL classification periods are extended and the overall economic recovery from the COVID-19 outbreak is expected to accelerate by further credit growth.

We encourage our clients to consider the opportunities presented by the Turkish government carefully and consult us, if needed.

In addition, White & Case, with which GKC Partners works in professional association, has carried out an analysis of global governmental responses to the COVID-19 crisis. These vary considerably from country to country and are being updated and amended regularly.

We have prepared an in-depth and nuanced analysis for various major jurisdictions and pulled together a global response team.

For useful information on COVID-19, please consult the Coronavirus section of www.whitecase.com.

Annex I

The Turkish Government has adopted several urgent measures to support the liquidity of companies and ensure business continuity. The applicable measures are described and compared below.

<table>
<tr><th>Applicable Measures</th><th>Large corporates (non-SMEs)</th><th>SMEs</th></tr>
<tr><td>Expansion of the CGF Quasi-State Guarantee</td><td colspan="2">Beneficiaries: although the CGF’s priority is to support SMEs, non-SMEs (such as large corporates) can also apply for CGF guarantee programmes. Beneficiaries must be incorporated in Turkey but no distinction has been made based on their shareholding structure (e.g., a distinction as to companies with a foreign shareholding).

Type of guarantee: first demand guarantee provided to the Turkish credit institutions. However, the credit institutions are required to offer to their customers restructuring the defaulted loans, before they call the CGF guarantee.

Type of financing: CGF guarantees cover up to 90% of exposure under a loan to a SME beneficiary, up to 85% of a loan to a non-SME beneficiary, and up to 100% of a loan granted to an exporter beneficiary, as long as the total NPL rate of the CGF-guaranteed portfolio of the relevant Turkish bank does not exceed 7%.

Maximum guaranteed amount: (i) TL 35 million (approx. EUR 4.5 million) for SMEs; however, this limit applies as TL 50 million (approx. EUR 6.5 million) until 31 December 2020 and (ii) TL 250 million (approx. EUR 32 million) for legal entity beneficiaries other than SMEs; however, this limit applies as TL 350 million (approx. EUR 45 million) until 31 December 2020.

Conditions: apart from the conditions that banks apply for regular loan process, the below conditions apply:

(i) not being insolvent;

(ii) having duly made tax payments and payments to the social security institution;

(iii) not having an exposure classified as an non-performing loan by a Turkish bank; and

(iv) being deemed creditworthy by a Turkish financial institution and the CGF having received the relevant documents evidencing such creditworthiness.

Process: in principle, the CGF does not accept direct applications from the borrowers to provide guarantees. Non-SME borrower companies are required to make an application to a Turkish bank to borrow a CGF-guaranteed loan and goes through the usual credit assessment of the Turkish banks. Generally, SMEs are also required to follow this route. The CGF may make an additional evaluation of the creditworthiness of the beneficiaries through its own specialists.</td></tr>
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Type of financing: Turkish Lira loans to businesses with a 12-month term and an interest rate of 9.5% p.a. without any principal or interest payments for three months.

Maximum loan amount: vary between private and state-owned banks.</td></tr>
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Extension of the maturities of rediscount loans up-to 90 days.

Extension of the maximum maturity period for rediscount loans to 240 days for short-term loans and to 720 days for long-term loans.

An additional period of 12 months for fulfilling outstanding export or F/X-revenue generation commitments. Applies to outstanding commitments and commitments for new loans to be extended until 30 June 2020.
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<td>State-Sponsored Trade Credit Insurance</td>
<td>Not available to large corporates.</td>
<td>Only enterprises with an annual net sales revenue below TL 125 million (approx. EUR 16.2 million) are eligible to benefit from this opportunity.

A maximum coverage limit of TL 750,000 (approx. EUR 97,000) per counterparty is now available with the changes introduced at the end of March 2020. This limit was formerly TL 300,000 (approx. EUR 39,000). Lower maximum coverage limits apply depending on the most recent annual turnover realised by the applicant enterprise from forward sales.</td>
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<tr>
<td>KOSGEB credit support for loans from Turkish banks</td>
<td>Not available to large corporates.</td>
<td>KOSGEB pays without consideration certain financing costs (including interest) for the loans extended by Turkish banks to SMEs, in accordance with the protocols entered into by and between KOSGEB and the lender.

The upper limit was previously TL 300,000 (approx. EUR 39,000) in total per applicant enterprise. It has been increased to TL 3</td>
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		million annually per applicant enterprise on 2 April 2020. Repayments on outstanding KOSGEB-supported loans, which were supposed to fall due in April, May or June 2020, are postponed until 30 June 2020, without extra financing costs.
Employment-Related Measures	All businesses whose working hours in a workplace are decreased by one-third of the ordinary working hours or the operations of a work place have been wholly or partially suspended for at least a four-week period due to COVID-19 may apply for short-term working allowance for its employees. While companies may not unilaterally terminate employment or service agreements until 17 July 2020 (unless based on immoral, dishonourable or malevolent conduct or other similar act or behaviour of the employee) they may furlough their employees (*i.e.,* put employees on unpaid leave). A salary support of TRY 39.24 (approx. EUR 5.20) per day from the Turkish State's unemployment fund is to be paid to furloughed employees, if such employees (i) cannot benefit from the short-term working allowance; and (ii) do not receive a pension pay from any social security organisation at the same time.	
Rent-Related Measures	Non-payment of rents for workplaces accrued from 1 March 2020 until 30 June 2020 will not be a ground for termination of the lease agreement and eviction of the tenant from the leased premises for all businesses. If the business (i) is a tenant of municipalities, provincial special administrations, provincial special administrations' subsidiaries and local administrative associations; and (ii) its operations were suspended by the government, they will be exempted from paying their leases *for the duration of their inability to operate.*	
Suspension of Bankruptcy and Judicial Proceedings	The Parliament and the Government have enacted legislative measures (i) suspending all pending enforcement and bankruptcy proceedings; (ii) halting the initiation of new enforcement and bankruptcy proceedings and execution of preliminary attachment decisions; and (iii) suspending the statutory prescriptive periods for legal proceedings until 15 June 2020. There are certain very limited exceptions to these restrictions, such as the continuation of execution proceedings for alimonies or the deadlines for submitting administrative proceedings.	