

July, 2006

THE BANKS ASSOCIATION OF TURKEY

CODE OF BANKING ETHICS*

I. Introduction

Ethics is an entire body of principles and measures, which investigates the values, norms and rules that govern the individual and social relations of the humans, from a moral viewpoint which is essentially based on the parameters of right-and-wrong, good-and-bad, etc. Professional ethics regulates the relations between the individual members of a profession and the relations of these members with the rest of the society, while corporate ethics identifies a corporate behavior culture by introducing certain rules in dealing with the problems stemming from inside or outside the organization.

The fact that banks, as organizations which fulfill investment and saving functions by playing an integrating and intermediary role between the fund-supplying and fund-demanding parties of the society, have also adopted profitability and productivity principles, obliges them to stick to ethical principles during their operations in both professional and corporate domains.

If we want to realize our general objectives of growing our banking system, raising the banks' service quality, using the resources most appropriately, and preventing unfair competition between banks; we have to formulate and regulate the relations of the banks with each other and with other organizations as well as their relations with their customers, shareholders and employees in line with ethical principles.

II. General Provisions

Objective and Scope

Article 1- The fundamental motive behind the banking ethics to apply to the procedures and transactions of the banks with each other and with their customers and shareholders, and as well as with other organizations is to ensure that the existing respect for the banking profession in the society is set on a permanent footing, to maintain and improve this social respect, called also as professional honor, and to maintain and protect the stability and trust in the banking sector. For the implementation of this Code "banks" term means the banks which are the members of the Banks Association of Turkey.

Legal Justification

Article 2 – The banking ethics have been prepared on grounds laid down by the provisions of the second paragraph of Article 75, subparagraphs (c) and (e) of Article 80, and third paragraph of Article 81 of Banking Law No. 5411.

General Principles

* Approved with the Banking Regulation and Supervision Board's decision dated 15/06/2006, no. 1904.

Article 3 – Banks are required to stick to the below-specified general principles in their operations for the purposes of ensuring an efficient operation of the deposit and credit systems, preventing the procedures and applications which may cause considerable loss and damage to the economy, serving to the best interests of the public and protecting the environment, as well as in consideration of the professional obligations of the banks such as protecting the rights and interests of the savers, maintaining trust and stability in financial markets, and the requirements of economical development of the country.

Banks:

a) Honesty

Banks, during their operations, stick to the honesty principle in their relations with their customers, employees, shareholders, group companies and with other banks, organizations and companies.

b) Impartiality

Motivated by the motto of "At the heart of the success should lie respect to humans", banks should make no discrimination and should avoid all forms of bias in their attitudes towards their employees as well as to their customers.

Banks should not make any discrimination towards their customers based on their nationality, religion, financial and social standing, and gender during their service.

c) Reliability

Banks should offer clear, comprehensible and correct information to their customers within the principle of reciprocal trust during their entire services and transactions; and they should provide the customer services in a timely and complete manner.

d) Transparency

Banks should inform their customers in an open, easily understandable and clear way regarding the underlying rights and responsibilities, benefits and risks attached to the products and services offered to them.

e) Observing Social Benefit and Respect to Environment

Banks should show due diligence to support all kinds of social and cultural activities in the light of the principle of observing, aside from the profitability, the social benefit and respect to the environment.

f) Fighting with Laundering of Crime-Originated Assets

They should adopt the fight against corruption, laundering of crime-originated assets, etc. as a significant principle as stipulated by international norms and the provisions of national laws and regulations, and do their utmost for the due cooperation with each other, with other organizations and institutions related with the subject, as well as with the competent authorities. They should also assume the required measures inside their organizations for this purpose, and device training programs to instruct their personnel on the matter.

g) Insider Trading

Banks should take all measures in order to prevent the use of insider information for the trading purposes.

III. Banks' Relations with Public Organizations and Institutions

Relations with Public Organizations and Institutions

Article 4 – Banks, during their relations with public organizations and institutions, should act in observance of the principles of honesty, accountability and transparency, and should show the utmost care for the correct, complete and timely communication of the information, documents and records the public organizations and institutions may request from them for supervision and control purposes in accordance with the laws and regulations.

IV. Relations Between Banks

Banks should conform to the following principles in their relations with each other:

Exchange of Information

Article 5 – Banks should carry out all information exchanges between each other on all possible subjects authorized under the laws and regulations accurately and systematically.

Personnel Behaviors

Article 6 – Banks should avoid all kinds of practices and applications that may cause unfair competition on the employment of the personnel.

Although Labor Act and other related laws and regulations allow for a freedom of making employment contracts with anyone; banks should show due diligence in order for their personnel employments do not cause any breakdown, rupture or cessation in the service of other banks.

They should behave objectively and honestly in answering the information requests of other banks about their former employees.

Competition

Article 7 – Banks take the competition as a contest which is in compliance with the laws and regulations and which helps the individuals make their free economical decisions from among all banks in the banking industry. Therefore, during all their activities within the free market economy, all banks should avoid statements and behaviors that may cause unfair competition, as a requirement, aside from their own interests, of the following principles and objectives too:

- a) A continued public trust for the banking sector in general,
- b) To work for development of the banking sector, and
- c) Observing the common interests of all banks.

These principles apply also to the statements and behaviors of the banks' employees just like the legal personality of the banks.

Advertisements and Announcements

Article 8- Banks should act honestly, realistically, and in compliance with legal regulations and with the general moral principles during their announcements, advertisements and notices under the publicity and advertising activities regarding their banking products and services as well as their own financial structures, and they should avoid all acts and behaviors that may

damage the reputation of the banking as a profession.

They should ensure that their announcements, advertisements and notices do not contain any statements or expressions degrading or humiliating other banks, or the products and services of other banks.

V. Relations of Banks with Their Customers

Banks should observe the following principles in their relations with their customers:

Informing the Customers

Article 9 - Banks provide accurate, complete and timely information to their customers regarding all kinds of products and services they offer to them in all phases of such service relationship and on all subjects by also complying with the limitations stipulated under the laws and regulations.

Secrets of Customers

Article 10 – Banks are obliged to keep confidential and maintain with due diligence all customer information and documents, and not to show such information and documents to persons other than the persons and authorities who are explicitly authorized to request to see them under laws.

Service Quality

Article 11- Banks should assume the service quality as a precondition of meeting the requirements and expectations of their customers. They should do their utmost for the employment of the two fundamental elements of this concept of service quality, the technological infrastructure and qualified human resources, in a way to lead to a continuous improvement and betterment of the service quality.

Banks should offer the same quality and the same level of service to all their customers. However, differentiating the organizational structure and product range in accordance with an identified target market, or adopting different approaches to the customers in different risk groups can not be interpreted as a discrimination or categorization of the customers.

Customer Complaints

Article 12 – Banks should establish a system in order to respond all and any kinds of questions of their customers stemming from the services offered, and should accordingly inform their customers about this system.

They should investigate the causes for the customer complaints, and implement the measures required for preventing the fair complaints from repeating. They instruct their employees for the correction and non-repetition of the complained, wrong practices.

Security

Article 13 – Banks should recognize that the concept of "Security" includes all measures towards the protection of all and any service mediums of the bank in banking sector against any adversities, as well as the prevention of all violations that may bear technical hazards in the services offered to the customers.

They should take all technical and legal measures required for ensuring transaction security in all service mediums, a requirement further highlighted by newly-developed services and changing service channels prompted by technological improvement and electronic banking. They should

inform their customers about the measures they take, and the measures that should be taken by their customers.

VI. Relations of Banks with Their Employees

General Employee Qualities

Article 14 – Banks should be aware that they should show due diligence in order to ensure that their employees possess the knowledge, background and a sense of responsibility required by their jobs. Banks can not employ persons who fail to comply with the legal conditions specified under the laws and regulations, mainly under the Banking Law No. 5411.

Employment and Career Development

Article 15 – Banks should offer equal possibilities to their employees without any discrimination in terms of both during their recruitment and during their career development following their recruitment. They should, in line with the principle of managing the human resources in the best possible way, offer trainings, courses, seminars and similar opportunities to their employees in order to ensure that they reach to the level necessitated by the times and by the banking profession.

They should take into consideration the commitment to banking ethics and the diligence shown in implementation of these principles as well as the knowledge, skill and individual achievement during the promotion decisions of their employees.

Representation and Working Environment

Article 16 – They should introduce internal regulations requiring that their employees look neat and clean in conformance with the reputation of the banking profession and also with the awareness that they represent their banks.

They should implement measures as required for the improvement of the motivation of their personnel involved in all service units and for their offering services in better conditions, and so ensure a healthy and convenient working environment.

Work Hours

Article 17 – Banks should show due diligence for the employment of sufficient number of personnel required by the workload, organize their employees in a way that they yield maximum productivity during the working hours, and show utmost efforts for preventing overtime work and for their employees use their annual leaves regularly.

Relations of Employees with Customers

Article 18 – Banks should introduce internal regulations providing sanctions and measures for the prevention of their employees from:

- Being involved in relations with the customers such as borrowing-lending, being guarantor and opening joint accounts with the customers which relations can not be explained under ethical principles,
- Accepting presents from the current or potential customers of the bank, or
- Deriving personal benefits from both their job potentials and from the business potentials of their customers by using their status.

Employees' Rights

Article 19 – Banks should work for the timely and complete satisfaction of their employees' rights stemming from the provisions of the laws and regulations to which their employees are subject.

VII- Professional Rules and Ethical Principles All Bank Employees should Comply

Professional Rules and Ethical Principles The Bank Employees Should Comply

Article 20 – Bank employees are required to comply with the following obligations:

- a) To comply with the applicable laws and regulations during performance of their duties,
- b) To inform their customers about the benefits and risks of the products and services offered to them,
- c) To offer unbiased and fair service to their customers receiving the same services,
- d) Not to disclose the secrets of their customers and the banks which they come to learn by virtue of their positions and titles to anyone other than those persons and authorities who are explicitly authorized under laws,
- e) Not to cause any loss of reputation of their bank during their works and attitudes,
- f) Not to be engaged in any activity that can be classified as "Commercial Enterprise" or "Merchant Enterprise",
- g) Not to behave in contradiction with the principles of justice, integrity, honesty, reliability and social responsibility,
- h) To cooperate with other employees for common purposes through building a courteous and diligent communication during their fulfillment of duties,
- i) Not to use the bank's assets and resources unproductively and outside the designated purpose,
- j) Not to derive any personal benefits both from their own job potentials and from potentials of their customers by using their positions and titles,
- k) To refuse all such benefit offers immediately and to inform such offers to the competent authorities and to their superiors,
- l) Not to be involved in relations with the customers such as borrowing-lending, being guarantor and opening common accounts with the customers which do not correspond with ethical principles,
- m) Not to accept presents from the current or potential customers, other than those presents accepted by the bank personnel under the established practices in the bank,
- n) To be aware of his accountability regarding the duties assumed during the performance of the services,
- o) Not to assume any position in any private and public organization other than associations,

foundations, cooperatives, and similar organizations without the approval of his bank.

Improvement of Banking Ethics

Article 21 – Banks may at any time present their proposals to the meetings of the Board of Directors of the Banks Association of Turkey for the purpose of improving the banking ethics and to make amendments on them as required.

VIII. Miscellaneous

Determination of Non-Conformities and Sanctions

Article 22 – The Board of Directors of the Banks Association of Turkey decide for whether or not any bank or any bank personnel have indeed carried out a transaction or behavior in contradiction with the banking ethics. The names of banks and/or bank personnel who are decided by the Association as having acted in contradiction with the banking ethics are published at the internet page of the Association. Association also notifies such banks or personnel to the Banking Regulation and Supervision Authority.

Enforcement

Article 23 – The Code of Banking Ethics is executed and enforced by the Board of Directors of the Banks Association of Turkey.

Effective Date

Article 24 – The Code of Banking Ethics takes effect as of the date it is published.