

Denizbank Report on Compliance with Corporate Governance Principles

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Declaration of Compliance with Corporate Governance Principles

The Principles constitute the backbone of DenizBank Inc.'s continuing structuring within its dynamic growth process. Within this framework, the Risk Management Principles known as Basel II are adopted as a guide for the Bank's corporate governance approach.

DenizBank's Corporate Governance Principles have been developed on the basis of the Corporate Governance Principles disseminated by the Capital Markets Board (CMB), also taking into consideration the international principles and sector-specific practices.

The Corporate Governance Statement sets forth the Bank's commitments concerning the arrangement of relations with shareholders and stakeholders within the framework of its corporate governance based on transparency, equality, responsibility and accountability, as well as the determination of the duties and responsibilities of the Board of Directors and the subordinate management levels.

Founded in 1997, the growth achieved in a short time span by DenizBank has been possible thanks to its commitment to these principles and the parallel reinforcement of its management mechanisms. The aforementioned principles constitute the backbone of DenizBank's continuous structuring within a dynamic growth process. In this framework, Risk Management Principles known as Basel II have been accepted as guiding principles of the Bank's corporate governance.

The attitude of the principal shareholder and the professional management which underscored participation and equality as well as being transparent was a major factor in the adoption and rapid execution of the Corporate Governance Principles. The Bank is extremely sensitive about establishing and developing mechanisms that conform to the Corporate Governance Principles, whose primary objectives are listed below, the most important of which are protecting the investors and securing their trust.

- Developing a management philosophy aimed at creating responsibility and added value, and minimizing existing and potential risks through effective control mechanisms,
- Building confidence with existing and potential shareholders, customers, employees and the domestic and international markets in general,
- Continuously increasing DenizBank's market value through the contributions of the Board of Directors, Executive Board and the employees,
- Maintaining employee morale at high levels in order to provide services to enhance customer satisfaction,
- Enabling the Board of Directors to monitor the Bank's activities effectively through the internal and external audit systems put in place in line with the aforementioned principles,
- Promoting the creation of every platform that enables the stakeholders to have reliable and continuous information about the Bank's standing,
- Taking the utmost care to enable stakeholders to use and protect their contractual and statutory rights.

On September 23-24, 2004, DenizBank shares were offered to the public. From that date on, the Bank has also been subject to the Istanbul Stock Exchange (ISE) listing rules and Capital Markets Board (CMB) regulations. Prior to its initial public offering (IPO), the Bank voluntarily adopted the CMB's Corporate Governance Principles by also taking into consideration international principles and sector-specific practices. Following the discussion and vote during the Board of Directors meeting held on September 16, 2004, the "Corporate Governance Report" was released.

DenizBank interprets the Corporate Governance Principles as a dynamic phenomenon that needs continuous improvement. As a result, the Bank periodically reviews domestic and international corporate governance practices and new developments in this area. The monitoring and improvement of the practices regarding the Corporate Governance Principles is performed by the Corporate Governance and Nomination Committee composed of Independent and Non-executive Board Members.

Declaration of Compliance with Corporate Governance Principles

The differences that have emerged between the Bank's implementations and the Corporate Governance Principles promulgated by the CMB in July 2003 and revised in February 2005 have been summarized below in two sections and also discussed under the relevant topic headings:

1- On the issue that the "Articles of Association of the company should include a provision to maintain that consequential decisions such as the division of shares or the sale, purchase and lease of tangible/intangible assets are taken at the General Assembly" mentioned in Article 3.6 of Part 1 of the Corporate Governance Principles as well as in Article 4 of the Corporate Governance Principles Compliance Report under the "Information on the Annual General Assembly" heading, Article 19 of DenizBank's Articles of Association states, "the Board of Directors are furnished with the authority to decide on real-estate to be purchased or acquired, to be sold or let, under the permissibility of the Banking Law."

The reason for the decision mentioned above regarding the duties of the Board of Directors is based on the need to make rapid decisions. In order to inform shareholders of such decisions and allow them to provide their input, such decisions are publicized through the Bank's website. Moreover, as per Article 20 of the Articles of Association, shareholders and stakeholders have the right to make suggestions and demand that certain issues are discussed by the Board of Directors. Also, since Article 11 of the Articles of Association provides minority shareholders with the right to have a topic added to the agenda and the holders of 1% of total shares with the right to demand

investigation of specific situations, we believe that any potential drawbacks are eliminated.

2- Although the appointment of one member of the Board of Directors as an Independent Member meets many of the independent member criteria stipulated by the CMB and the international principles, it differs from the CMB Corporate Governance Principles-Part IV- Article 3.3.4, that states, "An individual who have served on the company's Board of Directors for a total of seven years may not be appointed as an Independent Member."

It is a fact that there are some practices in other countries where length of tenure as a Board Member is not regarded as a criterion for independence or where this threshold is 9-12 years. Given the current situation in the financial sector of our country and considering the need to utilize the knowledge and experience of such people, the Bank currently does not consider length of service as a Board Member to be an impediment to independence.

Part 1: Shareholders

1.1. Investor Relations Department

On September 9, 2004, DenizBank's Board of Directors set up the Investor Relations Department in order to comply with existing legislation, the Articles of Association and other in-house regulations and arrangements on the issue of exercising shareholder rights and to enable the exercise of such rights.

The Department facilitates communication between Executive Management and shareholders and submits reports to the Board of Directors within this framework. It also performs the internal and external information disclosure and strategic marketing functions. The name of the Department was changed to "Investors Relations and Financial Communications Department" in 2007. Information on the activities, duties and responsibilities of the Department, as well as the names and contact information of its staff are published on the Bank's web page.

Activities during the period:

- Investor and analyst meetings (one-on-one and collective)
- Teleconferences
- Material disclosures
- Posting the financial statements on the website
- Updating the website
- Contribution to the preparation of the Annual Report
- Organization of the Annual General Assembly
- Responding to questions received by mail and telephone
- Examination and evaluation of analyst reports
- Examination and comparative analyses of reports on other banks
- Examination of sector data and preparation of market share reports
- Presentation of analysis and survey reports to the Executive Management along with recommendations

Number of Inquiries during the Period:

In 2007, nearly 100 written and verbal inquiries were submitted to the Department. Information on these inquiries is presented in Section "1.2. Shareholders' Right to Obtain Information" below.

1.2. Shareholders' Right to Obtain Information

In 2007, nearly 100 written and verbal inquiries reached the Investor Relations and Financial Communications Department. All inquiries that were not within the scope of trade secrets were addressed verbally and/or in writing.

The requests for information received by the Investor Relations and Financial Communications Department during the period consisted of the following:

- Information on specific items of the released financial statements,
- Information on business lines,
- Questions regarding the forecasts on the economy, DenizBank and the banking sector,
- Information on the Annual General Assembly,
- Information on the developments in the financial sector,
- Information on mergers, strategic partnerships and acquisitions of banks,
- Opinions, information and questions regarding Dexia-DenizBank synergy,
- Questions regarding DenizBank's goals for the coming year.

All information disclosed to the public concerning the Bank is announced to the shareholders as rapidly and effectively as possible. DenizBank considers its website the most effective means of communication and all announced information are simultaneously posted on its web page. Other information transmitted to the investors through the website is discussed in detail under Part II-2.3. Internet Website and Contents.

Request for Appointment of a Special Auditor

The request by shareholders for appointment of a special auditor is stipulated as an individual right in Article 14 of the Articles of Association and is stated as follows:

"Shareholders owning at least 1% of the Bank's shares can request from the General Assembly the appointing of a special auditor to investigate and resolve a certain financial issue. If this request is rejected, the minority shareholders may demand, through a legal court, the appointment of a special auditor to investigate and resolve the issue."

No request from the shareholders was received for the appointment of a special auditor during the period.

1.3 Information on the Annual General Assembly

There is no specified time limitation for the registration of the shares in the stock ledger. Shareholders who consign at least one share to the Bank are registered in the stock ledger.

Date	January 17, 2007
General Assembly	Extraordinary
Participants	Shareholders
Participation Ratio	99.74%
Form of Invitation:	Trade Registry Gazette, Hürriyet and Sabah dailies and announcement on the website

Date	March 23, 2007
General Assembly	2006-Ordinary
Participants	Shareholders
Participation Ratio	99.77%
Form of Invitation:	Trade Registry Gazette, Hürriyet and Sabah dailies and announcement on the website

Invitation to the Annual General Assembly

Announcements for the Annual General Assembly are published in the Trade Registry Gazette, Hürriyet and Sabah dailies as well as on the Bank's website for the shareholders' information.

Information on the Annual General Assembly

The DenizBank website is used as an active communications platform to facilitate shareholder participation at General Assembly meetings and to avoid difficulties in obtaining the required information.

Pursuant to Articles 11 and 36 of the Articles of Association, the announcements regarding the General Assembly meetings are made at least three weeks prior to the meeting date, excluding the announcement and meeting days. Agenda items and proxy forms are published in the Trade Registry Gazette and Hürriyet and Sabah dailies as well as on the DenizBank website. Furthermore, the agenda items, Annual Report, Articles of Association, financial statements and reports, proxy forms and other documents regarding the agenda are made available to the shareholders at the Bank's Head Office as of the date of the announcement.

To facilitate participation in the General Assembly, all information about the agenda as well as the proxy forms are posted on the Bank's website. There is no requirement for the proxy voter to be a shareholder. The minutes of the General Assembly and the list of participants are always available on the website for the Bank's shareholders.

Part 1: Shareholders

Shareholders' Right to Ask Questions

The provision in the Articles of Association regarding the Shareholders' right to ask questions at the General Assembly is as follows: "Every shareholder participating in the General Assembly shall have the opportunity to voice an opinion and ask questions about the agenda items on equal grounds and within the procedures of the meeting. Questions directed to the Board of Directors shall be answered immediately and verbally if possible, or in writing within fifteen days following the General Assembly."

The Investor Relations and Financial Communications Department notes the questions and suggestions received during the General Assembly that are not responded to and follows up with responses. No opinions were voiced or questions were asked during the Extraordinary and Ordinary General Assemblies held in 2007.

The Difference between Corporate Governance Principles and DenizBank's Practices

on the issue that the "Articles of Association of the company should include a provision to maintain that consequential decisions such as the division of shares or the sale, purchase and lease of tangible/intangible assets are taken at the General Assembly" that is mentioned in Article 3.6 of Part 1 of the Corporate Governance Principles as well as in Article 4 of the Corporate Governance Principles Compliance Report under the "Information on the Annual General Assembly" heading, Article 19 of DenizBank's Articles of Association states; "the Board of Directors are furnished with the authority to decide on real-estate to be purchased or acquired, to be sold or let, under the permissibility of the Banking Law."

The reason for the decision mentioned above regarding the duties of the Board of Directors is based on the need to make swift decisions. In order to inform shareholders of such decisions and allow them to provide their input, such decisions are publicized through the Bank's website. Moreover, as per Article 20 of the Articles of Association, shareholders and stakeholders have the right to make suggestions and demand that certain issues are discussed by the Board of Directors. Also, since Article 11 of the Articles of Association provides the minority shareholders with the right to have a topic added to the agenda

and the holders of 1% of total shares have the right to demand investigation of specific situations, we believe that any potential drawbacks are eliminated.

1.4. Voting Rights and Minority Rights

Stocks do not have any preferential rights. As per Article 12 of the Articles of Association, each share has one vote.

The Bank does not have any subsidiaries with which it has a cross-shareholding relationship. The requirement, imposed by Article 11 of the Capital Markets Law as amended by Law No. 4487, that minority rights can be exercised by shareholders representing at least one-twentieth of the paid-in capital, is met by Article 11 of the Bank's Articles of Association.

The Board of Directors appointed M. Tinas Titiz, a member of the Corporate Governance and Nomination Committee, as the Board Member representing small shareholders. For this reason cumulative voting procedure is not being used.

Other Rights Granted in Relation to Shareholders' Participation in Management *Articles of Association, Article 11*

If the minority shareholders make an application in writing in order to have any articles added to the agenda before the General Council prepares the agenda, the Board of Directors may take these suggestions into consideration.

Upon written demands prepared by the minority stakeholders putting the reason forward, the Board of Directors invites the General Assembly for an extraordinary meeting and the articles asked to be discussed are added to the agenda.

Articles of Association, Article 13

The decision to make amendments to the Articles of Association is taken by the General Assembly. The shareholders who own at least half of the company capital or their representatives shall attend the meetings in which amendments to be made to the Articles of Association of the company will be voted upon. The decisions are taken by the majority of the participant shareholders. Each share represents one vote in the decisions regarding amendments to the Articles of Association.

Articles of Association, Article 14

The shareholders who hold a minimum 1% of the Bank's available shares may demand from the General Assembly the appointing of a special auditor especially to follow and clarify a certain financial situation. If this demand is rejected, the minority shareholders can demand from the court the appointing of a special auditor to examine and clarify the situation.

Articles of Association, Article 20

The minority shareholders and beneficiaries can demand in writing from the Chairman of the Board of Directors the inclusion of a certain subject on the agenda of the Board of Directors. Upon such a request, the Chairman of the Board of Directors may have the subject added to the agenda of the following the Board of Directors meeting.

1.5. Dividend Distribution Policy and Timeline

The Bank's profit distribution policy has been laid down in the Articles of Association (Article 33) and the information on the annual dividend amount is made available to shareholders on the Bank's website following the General Assembly decision. There are no privileges concerning the distribution of profits. Pursuant to the decision of the General Assembly held in March, no dividend is being distributed for the year 2006.

1.6. Transfer of Shares

There is no provision restricting the transfer of shares in the Bank's Articles of Association. According to Article 8 of the Articles of Association, the transfer of shares is allowed under the permissibility of the Turkish Commercial Code, Banking Law, Capital Markets Law and the Articles of Association. Provided that the provisions of the related legislation are preserved, the transfer of shares is completed through endorsement and delivery of the shares to the person who is taking them over. However, since the Bank's shares are registered to a name, the transfer needs to be recorded in the stock ledger following a decision by the Board of Directors in order to make the transaction valid in the eyes of the Bank.

With a decision taken in meeting No: 2004/29 of the Board of Directors dated May 11, 2004, the Bank pre-approved the transfer of publicly traded shares by allowing the transfer of these shares via a blank endorsement.

Part 2: Disclosure to the Public and Transparency

2.1. Disclosure Policy

In addition to the items mandated for public disclosure by legislation, the Bank is very sensitive about disclosing all information except for those considered to be trade secrets. The issues to be disclosed to the public, the means of announcement and their anticipated timing are described under the "Disclosure Policy" and approved by the Board of Directors and posted on the Bank's website. The Groups/Departments that are responsible for the implementation of the Disclosure Policy are listed below and the details regarding the names and duties of the responsible staff are posted on the website. Furthermore, the managers of all related business lines are responsible for the implementation of the disclosure policy regarding the material disclosures.

- Board of Directors
- Corporate Governance and Nomination Committee
- Investor Relations and Financial Communications Department
- Administrative Services Group
- Legal Department

2.2. Material Disclosures

In compliance with the CMB Notification Series: VIII, No. 39, 222 material disclosures were made within the timeframe required by the legislation during the period, all of which were posted on the Bank's web page. Since the Bank's shares are not listed on foreign stock exchanges, no material disclosures were made in any stock exchange other than the ISE.

2.3. Internet Website and Contents

In line with the public disclosure and transparency principles of its Corporate Governance Principles, DenizBank has created an effective and periodically updated website in order to provide timely, accurate, complete, comprehensible, easy to analyze, low-cost and easy to reach information. The Bank's web address is www.denizbank.com and it contains all the information mentioned in Article 1.11.5 of Part II of the CMB Corporate Governance Principles. Some of the information available on our website is as follows:

- Up-to-date shareholding and organizational structure
- A statement that there are no privileged shares
- The latest version of the Bank's Articles of Association
- Material disclosures
- Annual reports
- Periodic financial statements, independent audit reports and notes (consolidated and bank-only)
- General Assembly agenda, minutes and list of participants
- Proxy voting form
- Information on the Bank's internal control system and risk management
- Information on the Bank's subsidiaries and affiliates
- Curricula vitae of the members of the Board of Directors
- Curricula vitae of the President and the executive management team
- Human resources policy

- Dividend distribution policy
- Disclosure policy
- Risk management policy
- Code of ethics
- Data on the Bank's stock
- Corporate Governance Principles Compliance Report
- List of activities undertaken within the scope of social responsibility
- List of cultural activities

2.4. Disclosure of Real Person(s) as Ultimate Controlling Shareholder(s)

The ultimate controlling shareholders of the Bank are shown in the tables below. There are no cross-shareholdings in the shareholder structure of DenizBank.

2.5. Disclosure of People With Access to Insider Information

DenizBank considers it an integral part of the Bank's corporate culture to take all necessary measures to fully comply with the regulations and legislation regarding insider trading and to develop policies in this regard. Accordingly, the Disciplinary Code and the Code of Ethics of the Bank forbid the Chairman and the members of the Board of Directors, auditors, all staff, persons who can access insider information while performing their duties as well as the ones who can access information directly or indirectly through their contacts with such persons from using this information for the benefit of themselves or third parties.

Persons assuming the following titles and duties are authorized to access information that is important to the Bank and that would be considered trade secrets. The list of names of these people is posted on the Bank's website.

- Board of Directors
- Board Secretariat
- Executive Vice Presidents of the Bank
- General Managers of Subsidiaries
- Assistant General Managers of Subsidiaries
- General Accounting Department
- Credits Group
- Information Technology Department
- Corporate Governance and Nomination Committee
- Investor Relations and Financial Communications Department
- Internal Control and Risk Management Groups
- Administrative Services Group
- Administrative Services Group
- Group, Department and Branch Managers

DenizBank Shareholding Structure *		
Shareholder	Amount (YTL)	Share (%)
Dexia Participation Belgique SA	315,491,205	99.8074
M. Cem Bodur	5	0.000002
Hakan Ateş	5	0.000002
M. Tinas Titiz	5	0.000002
Ayfer Yılmaz	5	0.000002
Publicly Listed	608,775	0.1926
Total	316,100,000	100

Dexia Shareholding Structure*	
Shareholder	Share (%)
Dexia SA	95
Dexia Participation Luxembourg SA	5

* As of 31 December 2007

Part 3: Stakeholders

3.1. Informing Stakeholders

Stakeholders (shareholders, employees, customers, correspondent banks, entities that participated in syndication loans, public institutions, entities with outstanding loans, suppliers, our social environment and other segments the Bank is in contact with) are regularly informed through General Assembly minutes, material disclosures, press releases, "News from Deniz" bulletins, in-house announcements and annual reports. Moreover, the Bank informs the public via information release meetings organized upon demand and written statements. Easy access to up-to-date information is provided by posting all the aforementioned information on the Bank's website.

3.2. Participation of Stakeholders in Management

In order to ensure optimum satisfaction while preserving the balance between customers, employees, shareholders and other stakeholders, the Bank strives to improve its product and service quality and to fulfill the expectations of domestic and foreign customers. To achieve that, DenizBank adheres to the "common wisdom" principle and designs its systems for continuous improvement.

Stakeholders can participate in the management of the Bank by attending various committee meetings and General Assembly meetings, through the suggestion system and by exercising their right to demand a Board of Directors meeting. Below is a list of systems that facilitate participation in management by employees, customers and shareholders. The output of these systems is presented to the Executive Management after being analyzed by relevant departments.

Employees

- Committees
- Suggestions System
- Executive Board

Customers

- Customer Satisfaction System
- Suggestions System
- General Assembly

Shareholders

- General Assembly
- Board of Directors
- Executive Meetings

3.3. Human Resources Policy

DenizBank has a human resources policy firmly in place. This policy and the related procedures are posted on the website as well as on the Bank's Intranet portal DenizPortal that is accessible by all members of staff. The general human resource policies, practiced in order for the Bank and its subsidiaries to perform their functions in the best possible way, are based on the principles summarized below:

- Recognizing that the first requirement for success is respect for the individual and human dignity and considering human resources and their improvement the most valuable asset of an organization
- Providing all employees, without discrimination, with the professional environment and opportunities for them to utilize and improve their abilities and skills
- Offering sufficient remuneration and other appropriate benefits in line with current market conditions
- Offering the employees training and internship opportunities to facilitate their professional improvement and success
- Facilitating new ideas and resolving the problems within the framework of mutual trust, understanding and communication
- Putting in place a system that encourages and rewards success and excellence

Announcements that are of interest to our employees are communicated over the Intranet (DenizPortal) and by e-mail. The Suggestion System, through which the employees can transmit all suggestions and opinions, is coordinated by the Operations Support and Business Development Department. Any concerns and problems of the employees are evaluated by their supervisors and brought to the attention of the Executive Management if necessary. There have been no complaints by the employees, especially regarding discrimination.

3.4. Relations with Customers and Suppliers

Customers

DenizBank prepared and presented to the Bank's personnel via DenizPortal (Intranet) instructions for processes concerning the standardization of services in order to ensure customer satisfaction through the Bank's products and services. All products and services at DenizBank are offered to customers with an accompanying framework agreement and relevant enclosures that define the special circumstances, if any.

The Bank continued to use the "Internal Guarantee System" throughout 2007, a system organizing the service exchange between departments, the goal of which is to enhance the quality of services offered to DenizBank customers while creating a better working environment. The system's contribution to internal communications and the performances of departments in this area have been monitored through quarterly surveys. The survey results were presented to the Executive Board and based on the feedback received from the Executive Board, improvement and development work was initiated in the necessary services and area.

The utilization of the PUPA performance system, aimed at ensuring customer satisfaction as well as employee satisfaction by sharing the additional income with the employees, continued with new systems. Furthermore, the "Service Quality Bonus," given to the tellers based on criteria such as their approach to customers, conformity with the Bank's corporate identity, and other general attitudes and behavior as well as the assessment and approval of Branch and Regional Managers, also continues to be awarded to branch security personnel with the same approach.

DenizBank customers can request information about the Bank's products and services, place their orders and demands for modifications and report their complaints at the Bank branches, on the website or via the Contact Center. Tracking and the follow-up of customer complaints is carried out by the Customer Satisfaction Department. The complaints and suggestions received by the Department are forwarded to the relevant departments in order for the complaints to be resolved and the customer suggestions to be considered. The customers are notified of the outcome of their complaints and suggestions.

"Covert Customer Surveys" are conducted at the branches to measure customer satisfaction and the findings are reported to the Executive Board and the actions that need to be taken are determined. The Bank staff is informed about the general results of the surveys.

Suppliers

All procurements at DenizBank are conducted centrally via the Purchasing Committee and the suppliers are selected from the list of "Approved Suppliers." The following factors are taken into consideration when selecting a supplier from which the Bank will procure products and services from:

- Banking sector references
- Samples of previously delivered products or services
- Confirmation of references
- Technical capability
- Subject-specific knowledge
- Optimum cost

3.5. Social Responsibility

In addition to its activities in economic and financial areas, DenizBank produces projects that will enrich social, cultural and artistic life within the framework of its social responsibility concept.

Activities held during the year are as listed below:

- "DenizBank Concerts", organized within the scope of the sponsorship agreement that has been in place for 3 years between DenizBank and the Istanbul State Symphony Orchestra, continued throughout the 2007 season. Similarly, New Year's and spring concerts, which have been organized jointly with the Presidential Symphony Orchestra since 2004 were held again this year.
- In an effort to contribute to the analysis of our recent history, DenizKültür sponsored the publication of 19 books by renowned researcher-authors.
- Within the scope of the corporate sponsorship of the Turkish Education Association (TED), DenizBank raised the number of students it is providing scholarships with to 15.
- Preparations for the documentary "Diary of Turkey", which summarizes the 85-year history of the Republic through human stories, began with the contributions of DenizBank.
- The "Historic Peninsula" documentary telling the story of Istanbul's Golden Horn, a "World Heritage" area, from the past to the present is on the verge of completion.
- The DVD containing the documentary produced in memory of Ömer Yılmaz, the great master of Turkish Opera, tells his life story. The CD presenting his music and the CD set of the "Three Tenors" who followed in this great musician's footsteps were also presented for the enjoyment of music fans.

Part 4: Board of Directors

4.1. Structure and Composition of the Board of Directors and Independent Members

Within the framework of an effective and healthy management system, special care is taken in the selection of the Independent Members of the Board of Directors from among people who will make contributions that increase DenizBank's value, monitor the implementation of the decisions taken by the Board of Directors in parallel with the objectives and will not seek any personal gain in doing so.

The Bank's Board of Directors consists of eleven members. Eight members have no executive duties, two of whom serve as Independent Members of the Board. The Chairman of the Board of Directors and the President of the Bank are separate persons. "Declarations of independence" were solicited from the Independent Members of the Board. No developments that terminated the independence of the Members of the Board of Directors occurred during the reporting period.

Members of the Board of Directors assume other duties outside the Bank. Members of the Board of Directors also serve as Board Members at DenizBank Financial Services Group subsidiaries, with a view toward better coordination between the Bank's financial institutions and monitoring of existing and potential risks on a consolidated basis. No restriction has been placed on the number of duties the Board Members can be assigned to at the Bank's subsidiaries. However, Board Members have been informed that in principle, the number of such duties to be assumed outside the Bank's subsidiaries should not exceed three, to avoid compromising effective management.

Independence Criteria

Based on the Bank's independence criteria devised in compliance with international principles and the CMB regulations, M. Tinas Titiz and Ayfer Yılmaz were appointed as Independent Members to the Board of Directors pursuant to the resolution passed at the General Assembly meeting held on March 23, 2007.

DenizBank firmly believes that the Independent Board Members will increase the Bank's value through their contributions to the strategic decision making, implementation and monitoring functions of the Bank with their objective points of view. The Board of Directors continuously reviews the developments that impact independence and conducts the annual independence analyses at the end of each year within the framework of the "Board of Directors Analysis" based on the Corporate Governance and Nomination Committee report. The Corporate Governance and Nomination Committee may seek the services of outside consultants for its independence analysis activities.

A person must possess the following attributes to qualify as an Independent Board Member:

- Must not have been on active duty or worked in an executive position at the Bank in the last two years,
- Must not have been appointed to the Board of Directors to represent a specific shareholder group,
- Applicant, his/her spouse or a blood relative up to third degree must not have had a direct or indirect relationship, in terms of employment, ownership or business dealings, with the Bank, its subsidiaries, its affiliates or the Group companies during in the last two years,
- Must not have any family ties with any of the current executives or members of the Board of Directors,
- Must not have been employed by a company that provided auditing or consulting services to the Bank within the last two years,
- Must not have been employed by a company that undertakes the whole or part of the Bank's operations as an executive within the last two years,

- Must not have been employed by a company that supplies products or services to the Bank as an executive within the last two years. In order for the members who do not qualify for independence to become eligible to be independent members, they and their families must comply with the above prerequisites for a period of two years following the elimination of the conditions constituting an obstacle to their independence.

Differences between the Corporate Governance Principles and DenizBank's Practices

Although the appointment of one member of the Board of Directors as an Independent Member meets many of the independent member criteria stipulated by the CMB and the international principles, it differs from the CMB Corporate Governance Principles-Part IV-Article 3.3.4, which states: "An individuals who have served on the company's Board of Directors for a total of seven years may not be appointed as an Independent Member."

It is a fact that there are some practices in other countries where length of tenure as a Board Member is not regarded as a criterion for independence or where this threshold is 9-12 years. Given the current situation in the financial sector of our country and considering the need to utilize the knowledge and experience of such people, the Bank currently does not consider length of service as a Board Member to be an impediment to independence.

4.2. Qualifications of the Board Members

The minimum qualifications sought in the Members of the Board of Directors overlap with the qualifications stipulated in Articles 3.1.1, 3.1.2 and 3.1.5 of Part IV of the CMB Corporate Governance Principles.

Members of the Board of Directors other than the President are elected by the General Assembly from among the candidates nominated by shareholders who meet the qualifications stipulated by the Banking Law. The provisions pertaining to the qualifications, length of office term and election and dismissal processes of Board Members are stated in the Bank's Articles of Association.

Since Board Members are elected from among candidates who have been screened by the Corporate Governance and Nomination Committee, they are deemed suitable for these duties and have not gone through any special training and orientation program.

The Corporate Governance and Nomination Committee evaluates the performance, independence, suitability and competence of the Board of Directors and the individual Board Members in line with the Corporate Governance Principles of the Bank at least once a year.

4.3. The Mission, Vision and Strategic Goals of the Bank

DenizBank's mission and vision are developed by the Board of Directors and posted on the Bank's website.

DenizBank's Mission

DenizBank's mission is to maximize the satisfaction of its employees, customers and shareholders with its position in the sector, its image and its corporate qualities.

DenizBank's Vision

DenizBank's vision is to become one of the top five banks in Turkey through sustainable and profitable growth and be the most powerful player in the global financial environment in the region consisting of the Middle East, Caucasus, the Balkans and CIS countries.

The strategic goals of the Bank developed by the Executive Board were approved by the Board of Directors. The President and CEO submit a monthly report to the Members of the Board of Directors on the status of strategic goals and the Bank's overall financial and non-financial position.

4.4. Risk Management and Internal Control Mechanism

The Board of Directors have established a risk management and internal control mechanism, and detailed information about this system's operation, administration, duties, responsibilities and effectiveness is posted on the Bank's website as well as in the annual report. The Internal Control mechanism of DenizBank is jointly run and supervised by the Internal Control Center, the Board of Compliance, and the Internal Audit Department.

Internal Control Center and the Board of Compliance

The Board operates independent of the Bank's executive operations and reports directly to the Board of Directors.

The Internal Control Center and the Board of Compliance executed its operations in two main areas during 2007.

1- Internal control activities that are part of the daily Bank operations to the extent possible: Within the framework of internal control activities, the Internal Control Center continued its operations aimed at keeping the operational risk at acceptable levels, monitoring effective and efficient utilization of Bank resources, testing the reliability of the Bank's financial data, and overseeing that the operations are performed in compliance with the laws and rules. As of year-end 2007, Internal Control activities were performed through the following internal control departments:

- Internal Control-Branches Financial Control Department,
- Internal Control-Branches Internal Control Department,
- Internal Control-Treasury Control Department,
- Internal Control-Basic Controls and Support Department,
- Internal Control-IT Control Department,
- Internal Control-Loans and Credit Cards Department

2- Compliance activities: Compliance activities were restructured and organized under three departments during 2007 and their area of operation and staff were expanded. The Bank's compliance activities are continuing with practices that parallel the compliance practices of Dexia.

Corporate Compliance Department: This department is responsible for establishing the basic compliance rules and establishing coordination with the subsidiaries in the compliance area.

Anti-Laundering Department: This department is responsible for preventing money laundering and the financing of terrorism, identifying and monitoring suspicious transactions and reporting such transactions to the public authorities.

Legislation Department: This department is responsible for monitoring and sharing with the organization the changes in legislation, and informing the relevant units in the Bank for compliance with such changes.

Internal Audit Department

DenizBank's Board of Directors has set up an Audit Committee from among its members. The Audit Committee, which consists of the independent members of the Board of Directors, holds regular meetings to determine the audit policies of the Bank.

Internal audit activities are headed by the Member of the Board of Directors responsible for control functions (Internal Audit, Internal Control, Compliance and Risk Management), and is at the same time a member of the Audit Committee. These activities are carried out on the basis of internationally accepted audit standards and local legislation, taking into account the requirements of the Bank and its parent company. The internal audit activities are conducted by internal auditors. These auditors are organized in an independent department; the Internal Audit Department.

The number of internal auditors as of the end of 2007 was 52. The Bank implements a conscientious process in selecting the candidates to be employed in the Internal Audit Department. Assistant Auditor candidates undergo profile tests measuring levels of ability and suitability to the task, in addition to taking written and oral examinations. A detailed training and career development plan follows once the suitable candidates with the required qualifications are selected. Assistant auditors must receive theoretical and practical training for at least six months and pass the examinations following this training period in order to qualify to work on the audit teams. Promotions from Assistant Auditor to Authorized Assistant Auditor and to Auditor are all awarded through examinations.

Internal auditors conduct regular audits in all branches, the Head Office departments and units, the subsidiaries, and also joint audits missions with Dexia auditors. Audit plans are based on the risk analyses conducted by the Internal Audit Department and are validated by the Audit Committee.

In 2007, the planned internal audits were performed and special audits, as well as legal and administrative investigations, were conducted in the areas deemed necessary.

Part 4: Board of Directors

Risk Management Group

DenizBank Risk Management Group is an internal systems unit that reports to the Board of Directors and that is responsible for executing the risk management operations.

The duty of the DenizBank Risk Management Group, within the framework of the principles established by the Bank's senior management and the Risk Management Group and approved by the Board of Directors, is to define and measure the risks, establish and implement risk policies and implementation methods, and analyze, monitor, report, research, confirm and audit risks.

As a result, the Bank is able to define measure, monitor and control the risks it is subject to through the policies, implementation methods and limits geared towards monitoring, keeping under control and changing as necessary the risk-return structure of the Bank's future cash flows and the corresponding characteristics and level of its operations.

Periodic reporting of all risk analyses under the headings below is made, since it is important in guiding the Audit Committee and the Assets and Liabilities Committee in identifying and monitoring risk limits and developing risk management strategies.

- Market Risk
- Structural Interest Risk
- Liquidity Risk
- Credit Risk

Basel II

Within the framework of a project, the Risk Management Group is undertaking the tasks necessary for complying with the Basel II criteria stipulated by the BIS at both the Bank and the Dexia Group level. The developments regarding the project are monitored weekly at the related Bank units as well as at the Operational Committee with the participation of IT and presented to the Orientation Committee monthly. The part of the project pertaining to the Dexia integration is also undertaken as part of the same efforts. Within the framework of the regulatory requirements, The Basel II legal reporting will start at the beginning of 2009. Data consolidation and endogenous impact efforts are being carried out towards this goal.

Legal Reporting

The Risk Management Department is responsible for preparing the standard reports required by the banking regulatory agencies in Turkey. These reports are submitted to the Banking Regulation and Supervision Agency.

4.5. Duties and Responsibilities of the Board Members and Executives

Duties and responsibilities of DenizBank's Board Members are stipulated in Article 19 of the Articles of Association whereas those of the Bank's executives are stipulated in Article 28. Furthermore, the Bank's General Manager's duties and responsibilities are stipulated in Article 29 of the Articles of Association.

4.6. Operating Principles of the Board of Directors

The principles governing the Board of Directors meetings are determined in the Articles of Association. In addition to the agenda items stemming from the duties and responsibilities of Board Members stated in Article 19 of the Articles of Association as well as the requests of the Board Members, issues discussed at the weekly Executive Board meetings and the Committee decisions constitute the sources for meeting agendas. In line with the shareholders rights, shareholders may demand the addition of new agenda items. Moreover, the auditors of the Bank may also set an agenda and call a Board of Directors meeting.

The Board of Directors convenes at least once a month. A total of 56 Board Meetings were held in 2007.

It is essential that Board Members attend the meetings in person; however, attendance is also allowed via any method of remote conferencing. On issues stipulated in Article 2.17.4 of Corporate Governance Principles, members attend Board meetings in person. The members of the Board have equal votes and no Member or the Chairman has a privileged or weighted vote or veto power.

The Chairman is responsible for ensuring that Board meeting announcements and discussions are carried out appropriately and that decisions taken are recorded in the meeting minutes. This task was assigned to the Board Secretariat by a Board of Directors decision. Information regarding other duties and responsibilities of the Board Secretariat is posted on the DenizBank website.

During the Board of Directors meetings, members who cast dissenting votes are required to sign the minutes along with a statement explaining the rationale of their votes. Minutes of the meetings and relevant documents as well as the related correspondence are regularly archived. Compliance of Bank's meeting records with the current legislation is ensured by the Board Secretariat and a report is presented to the authorized parties upon request. The Board of Directors meeting decisions that are significant for the stakeholders are also posted on the Bank's website.

4.7. Prohibition of Doing Business with the Bank and Non-Compete Clause

Provided that they remain outside the issues prohibited by Banking Law No. 5411, permissions contained in Articles 334 and 335 of the Turkish Commercial Code on prohibition of transactions with companies and the non-compete clause have been granted to the Board Members by the General Assembly. All transactions of the Board of Directors and executives are inspected at least once a year by the Board of Internal Auditors. Furthermore, in 2006, the Audit Committee conducted the required controls within the framework of the regular audits and informed the Board of Directors in this respect. No situation contrary to what is stipulated by the current legislation has arisen.

4.8. Code of Ethics

Within the framework of the code of ethics, DenizBank has adopted Banking Ethics Principles. DenizBank's executive management is responsible for ensuring that personnel and executives comply with the Bank's code of ethics, that these rules are adopted by all employees and that DenizBank carries out its activities within the framework of these rules. This set of rules was put together based on the general principles stated below.

DenizBank:

- Takes utmost care that all documents prepared, disclosed to the public and submitted to the regulatory authorities are accurate, complete and clear.
- Obeys the laws, legislation and rules of the regulatory authorities.
- Shows diligence in complying with the Corporate Governance Principles.
- Takes every measure to prevent conflicts of interest.
- Creates a fair and safe working environment.
- Emphasizes transparency in the information disclosed to the public.
- Follows fair competition rules in its relationship with competing banks.

All DenizBank employees:

- Are selected from among honest and trustworthy persons who respect ethical and moral values.
- Behave in compliance with the Law and the Bank's internal regulations.
- Work diligently in an orderly, disciplined and dedicated manner.
- Possess customer satisfaction awareness.
- Strive to improve their occupational skills and advance their professional experiences.
- Behave with the awareness of their responsibilities to keep secrets.
- Try to prevent any conflicts of interest.
- Follow the Bank's procedures on insider trading.
- Do not accept any gifts that may be considered bribery.
- Try to facilitate proper utilization of DenizBank's assets and resources.
- Do not engage in any other occupational activity outside the Bank.
- Exercise financial diligence and maintain income-expense balance in their personal expenditures.
- Conduct customer relations with utmost care and make an effort to render the best service.
- Behave in a measured and careful manner in their relationships with colleagues.
- Facilitate, support and assist the audit staff and the inspectors in their activities.

All employees and executives have signed the Bank's Ethics Principles document as of November 2001 and follow these rules in all of their activities. These ethics rules are available at DenizPortal as well as the Bank's website for stakeholder review.

4.9. Number, Structure and Independence of the Board Committees

The Audit Committee and the Corporate Governance and Nomination Committee are composed of Independent and Non-executive Board Members. The operating principles of the committees are posted on the website. Information about the committees reporting to the Board of Directors and on the executive committees providing input to the management is overleaf:

Committees Reporting to the Board of Directors

Corporate Governance and Nomination Committee

The Committee is responsible for monitoring the compliance of the Bank with the Corporate Governance Principles. The Committee consists of three members. The qualifications of the Chairman and the Members of the Committee are shown below.

Member : Mustafa Tinas Titiz
Position : Member
Member Definition : Independent
Education Level : Undergraduate Degree

Member : Dirk G. M. Bruneel
Position : Member
Member Definition : Non-executive Member
Education Level : Undergraduate Degree

Member : Tanju Kaya
Position : Member
Member Definition : Executive Member
Education Level : Undergraduate Degree

The Corporate Governance and Nomination Committee convenes at least three times a year and when required to perform its duties. The procedures related to the structure, duties and responsibilities of the Corporate Governance and Nomination have been determined and its main activities posted on the Bank's website.

The Corporate Governance and Nomination Committee had eight meetings in 2007 in order to:

- Propose candidates to the Board of Directors on the appointment of executives.
- In line with the suggestions presented to the Board of Directors, the nominated executives were appointed. Through suggestions to the Board, the Committee made an effort to improve its operating principles, which were reviewed during the meetings.

Audit Committee

The Audit Committee is responsible for overseeing the Bank's accounting system, financial information and its disclosure to the public, as well as taking all required measures to provide for the supervision of the operation and efficiency of the internal control system. The Committee consists of three members. The qualifications of the Chairman and Members of the Committee are provided below.

Member : Eric P. B. A. Hermann
Position : Member
Member Definition : Non-executive Member
Education Level : Undergraduate Degree

Member : Dirk G. M. Bruneel
Position : Member
Member Definition : Non-executive Member
Education Level : Undergraduate Degree

Member : Mustafa Tinas Titiz
Position : Member
Member Definition : Independent
Education Level : Undergraduate Degree

The Audit Committee meets upon the invitation of the Chairman at least once every three months (four times a year). Moreover, the Audit Committee meets with the independent auditors of the Bank, separate from the executive units, at least twice a year to discuss the issues regarding internal control, financial statements, internal audit and other important agenda items that need to be reviewed. The procedures related to the structure, duties and responsibilities of the Audit Committee have been defined and its main activities posted on the Bank's website.

The Audit Committee held five meetings in 2007 for the following purposes:

- Reviewing the internal audit plan for 2007 and submitting it for the Board of Directors approval,
- Preparing, in the specified format, the Audit Committee activity report to be submitted to the Board of Directors and submitting it for the Board of Director's approval,
- Reviewing and approving the 2007 First, Second and Third Quarter reports prepared by the Board of Internal Auditors,
- Taking a decision on making the compliance and Internal Audit regulations of DenizBank and Dexia compatible with each other, to the extent allowed by the governing legislation,

Part 4: Board of Directors

- Approving the Internal Control and Risk Management reports,
- Taking a decision on using declaration forms on whether the staff authorized to extend loans have participated in the decision processes that resulted in extending loans to such staff, their spouses or children, or the companies controlled by them,
- Making a recommendation to the Board of Directors on the appointment of the Head of the Board of Internal Auditors,
- Reviewing and approving the report regarding outsourced services.

As a result of the decisions taken at these meetings,

- The Compliance Report was approved by the Audit Committee in its new format.
- Marie Eglantine Dessallien Delmas was appointed as the Head of the Board of Internal Auditors of DenizBank, to begin duty on November 1, 2007.

Executive Committees

Assets and Liabilities Committee

The Assets and Liabilities Committee meets every week under the chairmanship of the President and with the participation of the Bank's Chief Economist and the managers of the groups that have activities that can impact the balance sheet. The meeting agenda consists of the balance sheet of the Bank, activities of the business lines, general economic data and evaluation of the current political and economic developments, along with the determination of the weekly strategy.

Credit Committee

The Credit Committee evaluates the recommendations on the commercial, corporate and small business loan applications submitted to DenizBank. Meeting every week, the Committee assesses the recommendations and either approves or rejects the loan applications that are within its limits of authority. The Committee submits the requests that exceed its authorization limits to the Board of Directors for approval.

Disciplinary Committee

The Disciplinary Committee verifies and identifies the perpetrators and the degree of fault and probable damage of operations and activities that require disciplinary action according to the internal legislation and disciplinary regulations of the Bank. The Disciplinary Committee meets when needed and decides on its agenda items.

Purchasing Committee

The Purchasing Committee is established to centralize the wholesale and retail purchasing transactions of the Bank according to the appropriate price and quality criteria and within the framework of DenizBank's procurement policy. The Committee meets at least twice a month.

Communications Committee

The Communications Committee is established to convey the Bank's qualities that constitute its corporate identity via appropriate messages, projects and mass media, while reinforcing and supporting the image of the Bank. The Communications Committee meets at least once a month. The resulting ideas and suggestions are presented to the Executive Board for consideration.

Promotions Committee

The Promotions Committee is responsible for evaluating and making final decisions concerning vertical (increase in terms of both title and duties and responsibilities) and horizontal (change in title where the duties and responsibilities remain the same) advancement of all personnel of the DenizBank Financial Services Group. The Promotions Committee meets twice a year, in March and September, under the chairmanship of the President and with the participation of all of the Executive Board members.

The Executive Board

DenizBank Financial Services Group (DFSG) Executive Board is a consultation body that operates within the framework of the responsibilities delegated to the executive management and the President by the Board of Directors. The Executive Board meets every week under the chairmanship of the President and consists of the Executive Members of the Board, the Executive Vice Presidents of the Bank and the General Managers and/or Board Members of the subsidiaries. The Executive Board aims to make fast and correct decisions within the DenizBank Financial Services Group in line with the "common wisdom" principle.

4.10. Remuneration of the Board of Directors

The Chairman, Vice-Chairman and the Members of the Board of Directors are compensated in the amounts determined by the General Assembly. In determining these compensations, the time to be spent by the individuals before, during, and after the Board meetings is taken into account. The honorarium to be paid to the participants for each meeting is also determined by the General Assembly. No awarding system based on the performances of the Members of the Board of Directors or of the Bank is implemented.

All Members of the Board of Directors were paid YTL 5,000 gross per month in 2007 as an honorarium throughout their term. Statutory Auditors were paid YTL 1,000 gross per month.

No transactions involving lending, loan allocation or guarantees took place between the Bank and the members of the Board of Directors or the executives.