



Denizbank A.Ş.

*Management's
Announcement
On Corporate
Governance*



Management's Announcement On Corporate Governance



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

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

The growth achieved in a short time span by DenizBank, founded in 1997, has been possible through its commitment to these principles and the parallel reinforcement of its management mechanisms. The aforementioned principles constitute the backbone of DenizBank's ongoing restructuring process which is part of its dynamic growth. Moreover, Risk Management Principles known as Basel II are the guiding principles adopted in the Bank's understanding of Corporate Governance.

The attitude of the founders and the professional management which underscored inclusiveness and equality as well as being transparent enabled rapid progress in the adoption and execution of Corporate Governance Principles. While fulfilling their responsibility for accountability, the founders of DenizBank addressed shareholders, stakeholders, customers and the professional management and their appraisal of getting financial return on the invested capital was based on the same understanding.

Extreme care is taken for putting in place and developing mechanisms that conform to Corporate Governance Principles along the aims detailed below with first and foremost the basic aim of protecting investors and creating confidence.

- Developing a management philosophy aiming to create responsibility and added value, and minimizing risk 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 and the Executive Committee,
- Maintaining high employee motivation in order to provide services that will increase 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 forming of all kinds of information platform enabling stakeholders to be informed about the Bank's situation,
- Taking utmost care to enable stakeholders to use and protect their contractual and statutory rights.

On 23-24 September 2004, DenizBank shares were offered to the public. As of this date, the Bank has been subject to the ISE (Istanbul Stock Exchange) quotation rules and CMB arrangements. Prior to the IPO, the Bank voluntarily adopted the CMB's Corporate Governance Principles by taking into consideration international practices and sector-specific applications and announced its "Corporate Governance Report" which was discussed and voted on during the Board of Directors meeting held on 16 September 2004.

DenizBank continued its Corporate Governance Harmonization and republished an updated "Corporate Governance Report" incorporating the post IPO changes. The said report includes principles and information about the implementation of the Corporate Governance Principles within the Bank in the recent term as well as the rationale for the discrepancies between the Bank and the said principles.

DenizBank considers Corporate Governance Principles as an ongoing endeavor. It therefore periodically reviews local and international corporate governance practices and updates its applications in line with new developments in this area. In order to clearly delineate duties and responsibilities concerning the follow up and improvement of practices in Corporate Governance Principles, the Corporate Governance and Nomination Committee formed under the chairmanship of an independent member of the Board of Directors, will annually submit to the Board of Directors a "Corporate Governance Principles Compliance Report" developed in line with the aforementioned principles.

DenizBank will annually publish the Corporate Governance Principles Compliance Report along with the DenizBank Annual Report while the "DenizBank Corporate Governance Report" entailing practices and developments emerging in line with these principles during the current term will be published on the Internet.

The discrepancies that emerged between the Bank and the Corporate Governance Principles promulgated by the CMB in July 2003 have been summarized below in two articles and further taken up under the relevant topic headings.

Concerning the statement, "Articles of Association should include a provision whereby important decisions such as company splits, sale, purchase and lease of a substantial amount of assets must be taken at the General Assembly" mentioned in Chapter 1, Article 3.6 of the Corporate Governance Principles, and also taken up under the Corporate Governance Principles Compliance Report, Article 4. under the heading General Assembly information; Article 19 of DenizBank Articles of Association says, "decisions concerning the purchase, acquisition, sale or lease of real estate for the Bank as permitted by the Banking Law" has been included among the duties of the Board of Directors.

The reason the said decision has been defined among the duties of the Board of Directors is based on the purpose of taking fast decisions. In order to

enable shareholders to be informed about such decisions and provide their input, such decisions are publicized through the Bank's web page on the Internet. Moreover, within the framework of the entitlements of shareholders, they have the right to demand discussion of certain subjects by the Board of Directors as per Article 20 of Articles of Association. Also, Article 11 of Articles of Association provides the minority shareholders having 1% or more of the shares with the right to have a subject added to the agenda and to demand investigation of a certain subject.

Although the two members of the Board of Directors appointed as independent members meet the great majority of the independent member criteria stipulated by the CMB and international principles, it differs from the principle "Individuals who have served on the company's Board of Directors for a total of seven years may not be appointed as independent members" stated in "CMB Corporate Governance Principles-Chapter IV-Article 3.3.4".

Considering practices in other countries where the stipulation concerning length of service on the Board is not regarded as criteria for independence and considering other practices where the said duration may be between 9-12 years, the Bank did not evaluate the restriction on the duration of service on the Board as a factor hindering independence.

SHAREHOLDERS

Investor Relations Group

The Bank has set up an Investor Relations Department with a view of compliance with existing legislation, the articles of association and other in house regulations and arrangements and in order to take the necessary precautions enabling the exercise of these rights. The structure of the Group, its principles of operation, the names and contact information of personnel working in the Group are published on the web page. Activities carried out within the relevant fiscal year, applications made by investors, questions addressed and answers provided have been placed on the said Internet web site.

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The Shareholders' exercise of their right to obtain information

Shareholders' requests for information, other than those that are considered trade secrets, have been met both verbally and in writing as soon as possible. During the term in question, 25 applications were made to the Group, all of which were replied to. All developments affecting the exercise of shareholders' rights were posted on the web page enabling shareholders to access information in the fastest possible way. The request for appointing a special auditor has been stipulated as an individual right in Article 14 of the Articles of Association and there has been no request lodged during the term in question.

General Assembly Information

During the term in question, one ordinary and three extraordinary general assembly were held. Invitation to the general assembly was made by an announcement in the Commercial Registry Gazette, dailies Hürriyet and Sabah as well as on the Internet and also by sending invitations to shareholders at least three weeks prior to the general assembly date. The general assembly agenda items, annual report, the updated version of the company articles of association, financial statements and profit distribution proposal, proxy forms and other documents relevant to the agenda are announced to shareholders at the Bank Headquarters and on the Internet. Agenda items and the proxy form are also announced in the dailies Hürriyet and Sabah. General Assemblies have been held with the participation of shareholders, stakeholders and the media while the participants' roll list is announced on the Internet. The registration of registered stocks in the shareholders logbook has been completed before the General Assembly.

Arrangements concerning the shareholders right to ask questions and make suggestions are included in the articles of association and opportunities were provided for the use of these rights during the meeting and the questions posed were answered. The questions and suggestions received during the meeting were recorded by the Investor Relations Group and published on the Internet.

In matters concerning decisions for buying, selling and leasing of substantial amounts of assets and property the authority rests with the Board of Directors within the framework of the Banking Law. The relevant provisions on this issue are in Article 19 of the Articles of Association. The decisions taken regarding the issue are then announced via the internet. Moreover, shareholders are entitled to demand discussion of certain subjects by the Board of Directors as per Article 20 of Articles of Association. Also, Article 11 of Articles of Association provides the minority shareholders having 1% or more of the shares with the right to have a subject added to the agenda and to demand the investigation of a certain subject. For ease of participation in the General Assembly, access to all information concerning the meeting and the proxy form over the Internet has been provided, while there is no requirement for the person using the proxy form to be a shareholder. Meanwhile, General Assembly minutes are posted permanently on the Internet for the information of shareholders.

Voting Rights and Minority Rights

Shares do not have preferential rights. The Bank does not have any affiliates with which a mutual affiliation necessitating a relationship of sovereignty over the other enterprise exists. Minority rights are represented by shareholders representing at least 1/20 of the paid-up capital. A member of the independent members of the Audit Committee has been appointed as the Board Member representing small shareholders. Therefore, the method of cumulative voting is not employed.

Dividend Distribution Policy and Profit Distribution Time

There are no privileges concerning sharing of profits. The Bank's profit distribution policy has been laid down in the Articles of Association (Article 33) and this information has been made available to shareholders during the General Assembly and on the Internet. The profit of 2003 was distributed within 2004 by delivering bonus shares to the shareholders.

Transfer of Shares

There is no provision restricting the transfer of shares. In Article 8 of the Articles of Association there is a provision stating that the transfer of share is permitted provided that the provisions of Turkish Commercial Code, Banks Code, Capital Market Code and Articles of Association shall be reserved, but as the share certificates are registered, the said transfer is to be recorded to the share book with the decision of the Board of Directors in order to imply a provision against the Bank. For the part of the share certificates that are offered to public, their transfer with white endorsement was allowed pursuant to the decision by the Board of Directors dated 11 May 2004, number 2004/29.

INFORMING THE PUBLIC AND TRANSPARENCY

Company Disclosure Policy

The Bank has formed a disclosure policy and has announced it on the Internet web page. Managers of all business units within the framework of disclosure of special circumstances, to include first and foremost the Board of Directors, Corporate Governance and Nomination Committee, Investor Relations Group, Office of the General Manager, Risk Management and Financial Affairs Group and Management Services Group, are responsible for executing the policy of disclosure.

Investor Announcements

Based on the communiqué with Series: VIII, No: 39 of the CMB, a total of 45 investor announcements were made during the term in question within the framework of the related legislation and all of these were posted on the Internet web page. For two of the disclosures, CMB and ISE and these additional explanations were made within legal terms. As the Bank's shares are not listed in overseas exchanges, no special condition disclosure was made in a stock exchange other than the ISE.

The Bank's Internet Web Page and its Contents

The Bank has a web page at www.denizbank.com. The web page includes all information cited in CMB Corporate Governance Principles Part II, Article 1.11.5.

Disclosure of Real Person

Ultimate Sovereign Shareholder(s)

The ultimate sovereign shareholders of the Bank have been disclosed to the public under the partnership organization section on the web page. There is no reciprocal ownership scheme in the shareholder structure of DenizBank.

Disclosure of Those Who Are

in a Position to Have Inside Information

The list of individuals who could be in the position of obtaining insider information has been posted on the Bank's web page under the same heading. Members of the Board of Directors, Executive Secretaries, Assistant General Managers, General Managers of Affiliated Companies, Investor Relations personnel, General Accounting personnel, Loans, Internal Audit and Risk Management Groups, IT Unit staff as well as Group, Division and Branch Managers are in a position to access information that is important for the Bank and which would be within the scope of trade secrets.

STAKEHOLDERS

Informing the Stakeholders

Stakeholders are constantly informed through the general assembly, investor announcements, press releases, committees, senior management, in-house announcements and meetings, periodic information meetings held in response to requests from stakeholders, written statements and also by keeping the Internet page updated.

Shareholders Taking Part in the Management

Shareholders can take part in the management of the Bank through attending various committee meetings, through the proposal system, through General Assembly and their right to call the Board of Directors for a meeting.

Human Resources Policy

The Bank has a Human Resources policy in place. The said policy and the procedures concerned have been posted on the Bank's Intranet portal "Denizportal" accessible by all staff as well as on the Bank's web site. There is no complaint lodged by the staff particularly on the issue of discrimination.

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Information about Relations with Customers and Suppliers

Relations with customers and suppliers are being carried out within the framework of ethical rules and along the lines of written procedures. Moreover, the Bank has a Customer Compliance Division working on customer relations. Also, suppliers are evaluated whereby factors that may impact customer satisfaction are being analyzed.

Social Responsibility

In addition to its endeavors in economic and financial areas, DenizBank aims to contribute to the environment and the social, cultural and artistic activities. The Bank's social responsibility policy and its activities relation are announced on the Internet web page.

BOARD OF DIRECTORS

Organization and Formation of the Board of Directors and its Independent Members

The Bank's Board of Directors comprises seven members. Five members are not assigned with executive duties and three of these members serve as Independent Members of the Board. The Chairman of the Board is an Independent Member. The Chairman of the Board of Directors and the General Manager of the Bank are different. Detailed information about the Board Members can be found in the annual report and the Internet web page. Statements of Independence have been received from the Independent Members of the Board. During the term in question, no incidence that affected the independence of the Board Members in question has occurred.

Members of the Board of Directors assume other duties outside the Bank as well. Members of the Board of Directors also serve as Board Members on the Board of Directors of affiliates under the "DenizBank Financial Services Group" with a view to a sound cooperation between the financial institutions of the Bank and in order to follow up existing and potential risks on a consolidated basis. There is no restriction as to the number of such duties to which the Board Members can be appointed. However, the Board Members have been

informed that in principle the number of such duties to be assumed outside Bank's affiliates should not exceed three so as not to compromise effective management.

Qualifications of the Board Members

The minimum qualifications sought when selecting members for the Board of Directors overlaps 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 General Manager are selected in the General Assembly from among candidates nominated by shareholders who have the qualifications stipulated by the Banking Law. Provisions concerning the qualifications, terms of duty, selection and suspension from duties of Board Members are included in the Bank's Articles of Association. Since Board Members have been selected from among candidates that have been screened by the Corporate Governance and Nomination Committee, they are suitable for the duties they have been selected for and they have been given no training and orientation program. The Corporate Governance and Nomination Committee assesses the performance, independence, suitability and competence of the Board Members in line with the Corporate Governance Principles of the Bank.

The Company's Mission, Vision and Strategic Goals

The Bank's mission/vision has been developed by the Board of Directors and has been published on the Internet. The strategic goals of the Bank laid down by the Senior Management have been approved by the Board of Directors. The General Manager submits a monthly report to the members of the Board of Directors about the status of strategic goals, and the Bank's general financial and non-financial status.

Risk Management and Internal Control Mechanism

The Board of Directors has put in place a risk management and internal control mechanism and detailed information about how the system operates and its efficiency is provided on the Internet web page.

Duties and Responsibilities of the Board Members and Executives

Duties and responsibilities of the Bank's Board Members are included in Article 19 of the Articles of Association while those of Bank executives are included in Article 28.

Operating Principles of the Board of Directors

The articles of association determine the essentials of the Board Meetings. Board of Directors shall convene at least once a month. During the term in question, 92 Board Meetings have been held. In addition to the agenda items stemming from the duties and responsibilities of Board Members as well as requests from the Board Members, issues discussed at the Senior Management meetings and proposals forwarded by shareholders constituted the source for the meeting agendas. Moreover, the auditors of the Bank may also set an agenda and call for a Board of Directors meeting. It is essential that Board Members attend meetings in person. Attendance can also be realized by any type of technological remote conferencing device or method. 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 with no member or the Chairman having a privileged or weighted vote or a veto power. The Executive Secretaries are responsible for organizing the holding of regular and organized Board Meetings, forwarding associated invitations and holding the minutes of the meetings. Information about other duties and responsibilities of the Executive Secretaries has been posted on the Internet. During Board of Directors meetings, members with negative votes on issues about which opposing views have been voiced must sign the minutes along with a statement explaining the rationale of their voting. Moreover, important Board Meeting decisions of which the shareholders must be informed are published on the Internet web page.

Prohibition of transactions with companies and prohibition of competition

Provided that they remain outside the issues prohibited by Banking Law No. 4389, permissions concerning Articles 334 and 335 of the Turkish

Commercial Code about prohibition of transactions with companies and prohibition of competition have been granted to the Board Members at the General Assembly. No situation contrary to what is stipulated by the current legislation has arisen. Transactions undertaken by the Board of Directors and the Executives are inspected at least once a year by the Inspection Board.

Ethics

The Bank adopted Banking Ethic rules within the frame of the ethic rules. The ethic rules are available at DenizPortal for review by the staff and also disclosed in the Bank's web page.

Number, Structure and Independence of Committees formed by the Board of Directors

An Audit Committee and a Corporate Governance and Nomination Committee have been formed under the chairmanship of Independent Members. The operating principles of committees subordinate to the Board of Directors and executive committees providing information flow to the management have been laid down and posted on the Internet web page.

Financial Rights Accorded to the Board of Directors

A salary to be determined by the General Assembly is paid to the Chairman, Vice Chairman and members of the Board of Directors. In determining these salaries, the time to be spent by the individuals during, before and after the meeting is taken into consideration. Also the honorarium to be paid to the meeting members for each meeting is also determined by the General Assembly. Barring the General Manager, the Chairman and Members of the Board of Directors were paid TL 3,500,000,000 (YTL 3,500) gross per month as an honorarium throughout their term starting in January 2004 while the Vice Chairman of the Board of Directors and the Managing Director were paid a monthly salary of TL 20,000,000,000(YTL 20,000) gross. Auditors were paid TL 500,000,000(YTL 500) gross per month.