

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

1. Corporate Governance Compliance Report

Believing that corporate governance principles are at least as important as financial performance, the bank sees their implementation as being highly beneficial to the development of national and international capital markets as well as in the bank's own interests.

The bank seeks to comply with such principles to the maximum degree possible and it makes an ongoing effort to do so.

The bank's articles of incorporation contain no provisions governing:

- Requests to have a special auditor appointed being granted as an individual right
- The payment of advances on dividends
- The participation of stakeholders in the bank's management
- Use of the cumulative voting system in the election of members of the Board of Directors
- Decisions of a highly important nature such as mergers or demergers that make significant changes in the bank's capital or management structures or assets; buying, selling, leasing, renting, donating, or contributing substantial amounts of assets and property; providing guarantees, surety, mortgages, and the like to third parties being taken at a general meeting
- A shareholder relations policy has been formulated.

Although there have never been any conflicts of interest among stakeholders over the limited number of corporate governance principles that have so far not been implemented, the bank desires to have them implemented within the framework of a plan in the least amount of time possible.

A determination and assessment of the level of the bank's compliance with corporate governance principles and opinions concerning the development of the level of compliance in terms of scope and nature are presented below.

2. Shareholder Relations Unit

A Shareholder Relations Unit has been set up at the bank. Ayşe Nazlıca and Gündüz Fındıkçioğlu are responsible for this function.

The name of the person employed in this unit and her contact information are presented below.

Name	Telephone	E-mail
Gündüz Fındıkçioğlu	(90 212) 334 5271	findikciog@tskb.com.tr
Ayşe Nazlıca	(90 212) 334 5194	nazlicaa@tskb.com.tr

The Shareholder Relations Unit is responsible for managing the exercise of shareholders' rights and for maintaining communication between shareholders and the Board of Directors.

Work is currently in progress to set up a Corporate Governance Committee at the bank.

The Shareholder Relations Unit will begin reporting its activities directly to the Board of Directors in the very near future.

The basic functions and duties of the Shareholder Relations Unit are the following:

- Ensure that records pertaining to shareholders are maintained in a reliable, secure, and up-to-date manner.
- Respond to shareholders' written requests for all information about the bank except that which has not been publicly disclosed or is confidential and/or in the nature of a trade secret.
- Ensure that general meetings are conducted in accordance with the requirements of current laws and regulations and of the bank's articles of incorporation and other bylaws.
- Prepare documents for the use of shareholders at general meetings.
- Record the results of voting at general meetings and ensure that such results are reported to shareholders.
- Supervise and follow up on all issues related to public disclosures as required by law and the bank's public disclosure policy.

3. Shareholders' exercise of their right to obtain information

No written requests for information were received from shareholders during the reporting period.

All of the verbal requests for information received from shareholders during the reporting period were responded to.

During 2008, Bank's authorized representatives engaged in direct contacts with 20 investment funds of which took place in 2 roadshows held abroad as well as 10 meetings with domestic investment funds.

The infrastructure needed to monitor data pertaining to requests for information has been completed. The specific numbers of requests and responses will be included in future compliance reports.

Shareholders' requests for all information except that which has not been publicly disclosed or is confidential and/or in the nature of a trade secret are responded to. Requests for information received from shareholders are evaluated by employees who are at least departmental managers and every effort is made to respond to them, within the limits of trade secrecy and confidentiality, as quickly as possible and in such a way as to reflect the whole truth.

Announcements concerning issues that shareholders are frequently in need of and information about developments that might affect shareholders' exercise of their rights is published on the bank's corporate website at www.tskb.com.tr.

As a requirement of law, minority shareholding interests do not have the right to demand that a general meeting appoint a special auditor to examine specific concrete issues.

No request for the appointment of a special auditor was made by shareholders at any general meeting in 2008.

A request to have a special auditor appointed is not an individual right provided for under the bank's articles of incorporation.

In view of the fact that the appointment of a special auditor at the demand of a general meeting is a requirement of law and that a demand to appoint a special auditor is one of the exceptions to the principle of being bound by a general meeting agenda and furthermore in view of the practical concerns involved in protecting the confidentiality of information which is in the nature of a trade secret or which has not yet been publicly disclosed, the inclusion of an individual right to demand the appointment of a special auditor in the articles of incorporation is an issue to which consideration will be given in light of future developments.

It is believed that all the information necessary for shareholders to satisfactorily exercise their rights is made available to them through the corporate website, annual reports, and special circumstance announcements as well as by responding to individual requests.

Shareholders' requests for information about the legal and/or commercial relationships between the bank and private individuals and/or corporate entities that have a direct or indirect interest in the bank's capital, management, or audit are responded to within the framework of the bank's public disclosure policy.

For the purpose of increasing the ability of shareholders to have access to information, all information that may affect the exercise of their shareholder rights is provided in an electronic environment and in a timely manner.

4. Information about general meetings

One general meeting, the annual ordinary general meeting for 2007, was held during 2008. It took place on 25 March 2008.

Shareholders controlling TRY 251,533,400 worth of shares corresponding to 63.13% of the bank's TRY 400 million in paid-in capital took part in this meeting.

No one other than shareholders and employees took part in the meeting.

Announcements concerning the meeting and specifying its place, date, time, agenda, and specimen proxy statement were published three weeks before the meeting date in the Türkiye Ticaret Sicili Gazetesi, the newspaper Hürses, and in the ISE's bulletin.

E-mail invitations for the meeting were sent out three weeks before the general meeting in Turkish and English to those national and international investors who have invested in the bank's shares and who could be reached in that way, also was published in our Bank's Turkish and English web sites.

An invitation was sent to a representative of the independent auditors and the senior auditor attended to the meeting

Information about the meeting was also sent out within the same time frame by fax and registered mail return receipt requested to holders of registered shares.

All shareholders are also able to directly access information about general meetings in both English and Turkish on the bank's corporate website at www.tskb.com.tr.

Entries in the shareholders' register are made by Board of Directors resolution. No period of time is stipulated during which such entries must be made in order to ensure that registered shareholders are able to attend general meetings. On the other hand, share blockage letter is required from Central Registry Agency in accordance with Capital Markets Board declarations. If this letter is not available, there is no right to vote in the General Assembly.

As of the date on which the announcement of the invitation to a general meeting is made, copies of the annual report, financial statements and reports, dividend payment proposal, the agenda, other documents pertaining to the items on the agenda, the current text of the articles of incorporation, and, if the articles of incorporation are to be amended, the texts and justifications of the amendments are all made available for the inspection of shareholders at the bank's headquarters.

Since 2005, such information and documents have also been accessible on the corporate website at www.tskb.com.tr.

At the one ordinary general meeting held in 2008, shareholders exercised their recognized right to ask questions and their questions were duly responded to.

The shareholders present at the meeting by majority votes passed motions to:

- Open the meeting, form the presiding committee, and authorize the presiding committee to sign the meeting's minutes on their behalf
- Read and deliberate the Board of Directors' report, the statutory auditors' report, and the independent auditors' report concerning the bank's accounts and transactions in 2007
- Approve the selections of new directors made by the board to fill vacancies resulting from the resignation of members during the year.
- Review and approval of the balance sheet and profit and loss statement of the Bank for the year of 2008
- Come to a decision on the determination and apportionment of distributable profit and determine a dividend distribution date
- Elect statutory auditors
- Determine the payments to be made to the members of the Board of Directors and to the statutory auditors.

According to the bank's articles of incorporation, the Board of Directors is authorized to make decisions involving:

- Allocations of credit above a specified limit
- The acquisition of equity stakes and the establishment of partnerships and the disposition thereof
- Matters of a highly important nature such as the management, acquisition, rental, or sale of real estate properties.

The bank's articles of incorporation contain no provisions requiring that decisions of a highly important nature such as demergers or share swaps that cause substantial changes in the bank's capital, management structure, or property assets or buying, selling, leasing, renting, donating, or contributing substantial amounts of tangible/non-tangible assets or providing guarantees such as surety, mortgages, etc on behalf of outside parties be taken at a general meeting.

The absence of such provisions in the articles of incorporation is thought to be justified on the grounds that their inclusion would give rise to consequences that would not be in the best interests of the bank or its stakeholders because they would:

- Reduce the effectiveness of management and
- Seriously hamper the bank's competitive strength and cause important opportunities to be missed.

Maximum attention is given to strictly complying with at least the minimum requirements of law so as to facilitate participation in general meetings. It is thought that bank's shareholders encounter no difficulties in participating in general meetings and to date no feedback on this issue has ever been received from a shareholder.

Copies of the minutes of general meetings are handed out to attending shareholders when the meeting is over and also, since 2005, they have been made available in electronic format by putting them up on the bank's corporate website at www.tskb.com.tr in order to inform shareholders who do not attend such meetings.

In general meeting announcements care is given to clearly state:

- The date and time
- The location so as not to leave any doubts
- The agenda
- Pertinent information about the items on the agenda
- If the agenda includes amendments to the articles of incorporation, the old and new texts of the amended articles that have been approved by authorities
- Who is summoning the meeting
- If another general meeting is being called because a previous one was postponed for any reason, the reason for the postponement and the quorum that will be required at the new meeting
- If the announcement is for an annual meeting, where the annual report, financial statements, and other meeting-related documents are available for examination.

Before a general meeting is held about changes in management or organizational activities that took place in the previous fiscal year or are planned in future ones, information about such changes together with their justifications will be provided to shareholders.

At such meetings, the following information and documents will be made available for the examination of shareholders:

- Explanations concerning changes in the bank's organizational structure and their justifications
- If one exists, a consultancy's report on the matter; otherwise a report on the subject prepared by the bank itself
- If organizational changes are to be made in subsidiaries or affiliates, the annual reports, financial statements, and pro forma balance sheets for the three most recent fiscal years of all the companies affected by the organizational changes.

When preparing general meeting agendas, care is given to presenting each item to be voted on under a separate heading; to make the headings as clear and explicit as possible so as not to be interpreted in any other way; and to refrain from including such legally prohibited items as "Other" or "Miscellaneous".

Specimen proxy statements for shareholders that wish to have themselves represented at meetings are published along with meeting announcements and are also made available for the information of shareholders in electronic format.

The principles and procedures that govern voting at the bank's general meetings are presented below in main outline.

- Each share of stock with a par value of 1 Kurush is entitled to one vote. There are no special voting rights.
- If a share of stock has more than one owner, only one of those owners may cast the share's vote on behalf of them all.
- Shareholders may participate in general meetings personally or may have themselves represented by a proxy.
- Voting at general meetings is by an open show of hands. Recourse may be had to secret ballot upon the demand of shareholders representing at least one-tenth of the capital present and voting.

The principles and procedures that govern voting at general meetings are also read out at the beginning of the meeting.

Issues that shareholders have told the Shareholder Relations Unit they wish to have included on meeting agendas are given consideration by the Board of Directors to the degree possible when it prepares a meeting's agenda.

As required both by law and by the bank's articles of incorporation, annual general meetings are held as soon as possible and within three months after the close of a fiscal year.

Annual general meetings are held as soon as possible after the close of the fiscal year but on no account more than three months later.

As required by the bank's articles of incorporation, annual general meetings are held in the same locality as the bank's headquarters and in such a way as to make it possible for all shareholders to attend.

At the start of the meeting and for the information of all shareholders, the total number of votes that may be exercised at a general meeting are classified on the basis of shareholders and indicated in the attendance roster along with a statement that there are no special voting rights.

News and analyses pertaining to disputed issues appearing in the media concerning the bank are presented for the information of shareholders at general meetings.

Questions that shareholders ask of members of the Board of Directors or of statutory auditors are responded to, provided that the answers are pertinent to the exercise of shareholder rights and do not fall within the scope of trade secrets.

The president of a general meeting conducts the meeting effectively and in such a way as to ensure that shareholders are able to exercise their rights.

Care is given to responding directly to every question raised by shareholders at a general meeting during the meeting. In situations where a question raised by a shareholder at a general meeting cannot be addressed

directly, is unrelated to the agenda, or is too complex to be responded to immediately, every effort is made to provide a written response within one week's time at the latest.

The members of the Board of Directors, the bank officers responsible for preparing the financial statements, and the statutory auditors as well as other involved parties take pains to be present at general meetings in order to provide information about issues of a special nature that are on the agenda.

Each item on the agenda of a general meeting is voted on individually. To forestall any doubts about the results of voting, votes are counted and the results of the voting are announced to all shareholders before the meeting is adjourned.

The minutes of general meetings are always available in printed format and are also accessible in electronic format on the corporate website at www.tskb.com.tr.

5. Voting rights and minority rights

According to the bank's articles of incorporation, each share of stock with a nominal value of one new kurush is entitled to one vote. There are no shares that have special voting rights.

As required by banking legislation and by the provisions of the Turkish Commercial Code, the members of the Board of Directors and the statutory auditors are elected by shareholders convened in a general meeting.

As required by the bank's articles of incorporation, one member of the Board of Directors is chosen from among candidates designated by the Central Bank of the Republic of Turkey.

As required by law, the general manager is an ex officio member of the Board of Directors.

Vakıfbank, which controls a 8.38% stake in the bank's capital, has one seat on the Board of Directors.

The articles of incorporation contain no provisions governing the cumulative voting method.

There is no upper limit on the number of votes a shareholder may cast at a general meeting.

Voting rights are acquired the moment the shares on which they are contingent are acquired. There are no rules stipulating that voting rights may be exercised only after a specific period of time has passed after shares have been acquired.

The articles of incorporation contain no provisions preventing non-shareholders from acting as proxies for shareholders.

Shareholders may exercise their voting rights personally at general meetings and may also do so through any other party irrespective of the shareholder status of that party.

A non-corporate shareholder may only be represented by a single proxy at general meetings. If a corporate shareholder is represented by more than one individual at a meeting, only one of them may cast votes. The proxy statement must identify the individual who is authorized to cast votes.

6. Dividend payment policy and timing

The dividend payment proposals that the Board of Directors submits to the general assembly of shareholders are prepared according to a policy that:

- Avoids upsetting the delicate balance between shareholders' expectations and bank's need to grow
- Takes the bank's profitability into account.

The bank's dividend payment policy is to pay out 30% of distributable profit as a dividend provided that there are no adversities in global and/or national economic conditions and the bank's own financial standing and capital adequacy ratio are at expected levels.

The principles concerning the distribution of the bank's profits are governed by article 55 of the articles of incorporation as follows:

The net profit remaining after all general expenses, including within them the premiums, bonuses, and similar amounts payable to employees, as well as amounts of depreciation and required provisions have been subtracted from the revenues secured from the bank's activities in one year is partially set aside as reserves and partially distributed in the ways and at the percentages set forth below.

a) 1. 5% is set aside as a legal reserve.

2. 5% is set aside as a contingency against future losses.

b) From the net profit remaining after the reserves specified in (a) above have been set aside, an amount corresponding to 6% of paid-in capital is apportioned among shareholders as a "first dividend".

c) From the net profit remaining after the reserves and first dividend specified in (a) and (b) above have been set aside, at the recommendation of the Board of Directors and with the approval of the general assembly, 5% is set aside to be apportioned among founders' shares (limited to the first 200 thousand new Turkish liras of paid-in capital), up to 0.5% to be apportioned among members of the Board of Directors, and up to 3% to be apportioned among employees, except that the last cannot exceed three times the recipient's monthly salary.

d) From the amount remaining after the allocations and payments specified in (a), (b), and (c) above have been made, a "second dividend" may be paid in an amount proposed by the Board of Directors and approved by the general assembly.

The amount of net profit remaining after allocations and payments have been made in accordance with the rules specified above is set aside as an extraordinary reserve.

The provisions of article 466/3 of the Turkish Commercial Code and of the Capital Markets Law concerning these matters are reserved.

There exist 100 founders' shares that receive a portion of the profits distributed within the framework of the principles indicated above.

Dividends are paid within the legally prescribed periods of time.

Care is given to paying dividends as quickly as possible but in no case later than the end of the 5th month of the year as prescribed by law. If the Board of Directors' profit distribution proposal is accepted by the general assembly, 2008-year dividends will be distributed in the form of free shares of stock.

The articles of incorporation contain no provisions governing the payment of advances on dividends.

There are no significant donations or grants in aid that the bank made during the year or had planned to make as of year-end. As required by the "Regulations concerning the donations and grants in aid that may be made by banks and organizations subject to consolidated audit with them" that went into effect on 1 November 2006, the bank does not make political contributions.

7. Transfer of shares

The articles of incorporation contain no provisions restricting the transfer of shares.

All shareholders, including minority shareholding interests and foreign nationals, are treated equally.

8. Company disclosure policy

The bank's disclosure policy has been formulated and approved by the Board of Directors. It was publicly announced on 16 March 2006. The policy is published in both Turkish and English on the bank's website.

Any changes that may be made in the public disclosure policy are publicly announced, together with their justifications, after having been approved by the Board of Directors.

9. Special circumstance announcements

The bank announced 41 public disclosures during 2008, as required by Capital Markets Board regulations.

There were no special circumstance announcements that were not made in due time or for which either CMB or ISE demanded additional information.

The Shareholder Relations Unit is responsible for overseeing and following up on all issues related to public disclosure. Investors, financial analysts, media representatives, etc who are in need of information about the bank are directed to the Shareholder Relations Unit.

In addition

- in line with the principle of transparency and in keeping with the accounting principles to which the bank adheres and with the truthful reporting of financial results, the public is continuously kept informed and up to date on:
 - Developments that might have an impact on the value of the banks' capital market vehicles, without delay and within the periods of time prescribed by law
 - In situations in which a significant change takes place in the bank's financial standing and/or its activities or in which such a change is expected in the near future, all essential information is provided subject to the reservations made by laws and regulations
 - Any changes or developments subsequently emerging with respect to public announcements that the bank has already made.

10. The company's corporate website and its content

The bank makes active and intensive use of its corporate website for public disclosures and announcements. This website contains all the information and data required by corporate governance principles and by regulatory authorities on a historical basis and in both Turkish and English. The website also contains announcements about general meetings that are to be held, the items on their agendas, reporting documents pertaining to agenda items, other information, documents, and reports related to agenda items, and information about how to participate in general meetings. The corporate website is kept up to date on a continuous basis.

In bank's corporate website address is www.tskb.com.tr. This address is included in the bank's letterhead stationery.

11. Disclosure of ultimate non-corporate controlling shareholder(s)

There are no ultimate non-corporate controlling shareholders in the bank.

The bank's current shareholder structure is shown below.

Nr	Name	Nominal value (TRY 1,000)	Percentage (%)
1	T.İş Bankası A.Ş.	202,586.4	40.52%
2	In the custody of the Central Registry Agency	189,583.4	37.92%
3	T.Vakıflar Bankası T.A.O.	41,887.4	8.38%
4	Camiş Yatırım Holding A.Ş.	28,982.5	5.80%
5	Others	36,960.3	7.38%

12. Public disclosure of those who may have access to insider information

There is no exceptional list for the people that might have access to insider information. Information about the members of the Board of Directors and senior management who can be in such a position, can be seen in the annual reports and in the web site. The employees of the bank listed below are thought that they can have insider information because of their positions.

Employed by	Name	Position
TSKB	Mustafa Gökteş	Financial Control, Department Head
TSKB	Gündüz Fındıkçioğlu	Research & Investor Relations, Department Head
TSKB	Ayşe Nazlıca	Budget and Planning, Department Head

13. Keeping stakeholders informed

Care is given to keeping stakeholders—those who have an interest in the bank and include shareholders, employees, creditors, customers, suppliers, non-governmental organizations, the government, and potential investors—informed on issues concerning the bank that are of interest to them as much as possible in writing. Insofar as is possible, the bank's relationships with stakeholders are governed by written agreements.

In situations where the rights of stakeholders are not governed by law or contract, the bank safeguards them within the framework of the rules of good faith, to the degree possible, and mindful of the bank's own reputation.

14. Stakeholder participation in management

The articles of incorporation contain no provisions governing stakeholder participation in the bank's management.

An "employee satisfaction survey" is conducted twice a year to solicit bank employees' views. The results of these surveys are evaluated by management, are announced to employees, and are taken into account when formulating policies.

"General assessment" meetings are held four times a year in order to inform employees about the bank's activities and progress in general and to solicit their suggestions. At such meetings the bank's financial structure and performance are also assessed together with employees.

15. Human resources policy

The principles of the human resources policy adopted by the bank are set out below.

Job descriptions, assignments, and performance criteria are determined by management and announced to employees.

When hiring, it is a principle that individuals are to be given equal opportunity under identical conditions. Hiring criteria are set forth in writing for each job position and are strictly complied with in practice.

When making training, assignment, and promotion decisions, particular care is given so as to make use of objective criteria and to protect the bank's best interests.

Training plans are developed and implemented so as to enable employees to improve their professional knowledge and skills, as well as plans improving their personal and administrative competence which are appropriate for their career plans.

Employees are provided with a secure work environment and safe working conditions. Work is currently in progress to further improve these conditions in line with social and technological requirements.

Employees are kept informed about all bank decisions and developments that may be of concern to them and feedback is solicited from them on such issues.

Measures are taken to prevent discrimination among employees on the basis of race, religion, language, or sex; to ensure respect for human rights; and to protect employees against physical, mental, or emotional abuse in the workplace.

It is not a practice of the bank to appoint a representative to conduct relations with employees.

The human resources policy is also publicly disclosed on the corporate website.

16. Information about relations with customers and suppliers

The bank is mindful of the continuity of service quality and of standards in all aspects of its products and services.

Customers' wishes are quickly satisfied at every stage and customers are kept informed whenever delays may occur.

Care is given to protecting the integrity of customers' and suppliers' confidential information.

17. Social responsibility

The bank has been mindful of public interests and social responsibility in the conduct of its activities since the day it was founded. Environmental awareness and a sensitivity for environmental issues among its business principles is progressively continuing.

Since its foundation, TSKB has always been considering the public benefit and social responsibility in all its activities. Environmental consciousness and sensibility in environmental subjects keep its continuing importance among its business principles.

In this context, TSKB regards sustainable development as a fundamental aspect of development & investment banking activities and aims to minimize the potential environmental risks attached to its banking activities. In order to reflect environmental responsibility and environmental sensitivity to business activities, The Environment Management System Project has been started at 2005, which has been completed at 2006 and after that at the beginning of 2007, TSKB has become the first and only Bank with Turkish capital to receive the DIN EN 14001:2004 Environmental Management System Standard Certificate in Turkey according the audit performed by "TUV Rheinland International Standards Certification and Auditing Corporation. As of June 1, 2006, TSKB's Environment Policy has been approved by the board of directors. The environmental sensibility of TSKB has been defined in its Environment Policy as follows:

- *Minimization of the environmental impacts with respect to the TSKB activities;
- *Definition of environmental standards for our internal processes;
- *Regular review of our environmental objectives and targets;
- *Promotion of investments in environmental protection;
- *Identification and consideration of environmental risks in financing decisions;
- *Information of our employees as well as the public;
- *Compliance with all related domestic and international legal requirements,
- *Contribution to the improvements provide future generations a liveable environment.

ISO 14001 is a series of voluntary international standards for environmental practices into all aspects of its operations either production or services sectors. It provides standard to minimize or eliminate systematically all the environmental impacts due to the business activities. Within the scope of the EMS and ISO 14001 that have been completed, TSKB analysed all environmental effects resulting from its activities and set forth its environmental policy, environmental objectives, targets and programs addressing the control and reduction of such effects.

By this point of view; as of February 2008, Mrs. Hulya Kurt is assigned as TSKB Environmental Management System Representative*, who directly reports the environmental performance to the CEO of TSKB and responsible for coordination of Environmental Management System Studies.

As TSKB, in 2007, we initiated a social responsibility project to increase environmental awareness in the society

within the scope of "Environment: Our Priority". Under the scope of this project TSKB aims at establishing an information platform, that would be supported by wide participation of various segments in society. Launched in 2007 as the communication channel of the project, www.cevreciyiz.com, became the most comprehensive environmental portal of Turkey and celebrated its first birthday on 5th June 2008 (Earth Day) with a brand new face and new topics. At the same date English version of the portal was also launched, in order to communicate the project to the foreign stakeholders of the bank. With a renewed graphic design, the portal covers a wide range of subjects including environment news; the environmental agenda of Turkey and the world; research reports, articles and papers by academics, NGOs, and professionals concerned about the issue; special features on environment; interactive tools such as contests, questionnaires and carbon-meters; environment regulations; corporate requirements for compliance with regulations as well as individual and corporate success stories. In addition to online photography exhibitions of famous nature photographers, photo documentaries about special protection areas and beautiful natural sights, cevreciyiz.com includes sections addressing the youth and the children.

With the aim of supporting different platforms on environmental issues, TSKB became the main sponsor of 7th Akasya National Youth Environment Summit. The summit focused on "energy", and discussed the relationship between energy and environment.

TSKB also sponsored an educational CD on environmental issues which is prepared and distributed by TEMA (The Turkish Foundation for Combating Soil Erosion, for Reforestation and the Protection of Natural Habitats).

On October 24, 2008, Republic of Turkey Prime Ministry Undersecretariat of Treasury and TSKB organized a conference on "Opportunities and Expectations in Renewable Energy" at Hyatt Regency Hotel, Istanbul. Throughout the conference, all aspects of renewable energy have been extensively discussed among the panelists.

Apart from these in 2008 TSKB's senior specialists attended a respectable amount of events and conferences in order to share experience on renewable energy and environmental investment projects as well as TSKB's social responsibility practices.

In the years ahead, TSKB will continue with similar projects to improve the level of knowledge and awareness of the people on the subject of environment.

The bank is a regular sponsor of concerts in the İstanbul Music Festival that is organized every year by the İstanbul Foundation for Culture and the Arts.

The bank's library, which is regarded as one of the most important privately-owned research and documentation centers in İstanbul, is open to anyone wishing to do research as well as to the bank's own personnel.

(*) Defined in TSKB Organisation Chart.

18. Structure and formation of the Board of Directors; non-executive directors

With the exception of the general manager, the Board of Directors consists entirely of non-executive directors.

The positions of general manager and board chairman are held by different people.

As the bank has no ultimate non-corporate controlling shareholders, it is thought that all the members of the Board of Directors are naturally able to act with complete independence and have the advantage of acting impartially in their decisions by holding the interests of the bank and its stakeholders above everything else.

Information about the members of the Board of Directors and general manager is presented below.

Name	Title	Educational background	Work Experience	Date Appointed	Company employed by and position
İ. Cahit Kocaömer	Chairman of the Board of Directors	İstanbul School of Economics and Commerce	61 years	22.03.2002	Retired
Kadir Akgöz	Vice Chairman of the Board of Directors	Middle East Technical University / Chemical Engineering	30 years	17.03.2006	T. İş Bankası A.Ş. Deputy Chief Executive
Yavuz Canevi	Board Member	University of Southern California	29 years	29.03.1993	T. Ekonomi Bankası A.Ş. Chairman of the Board of Directors
Mahmut Magemizoğlu	Board Member	University of Stirling / Middle East Technical University ,Business Administration	26 years	17.04.2007	T. İş Bankası A.Ş. Deputy Chief Executive
Remzi Altınok	Board Member	İstanbul University Faculty of Political Science	18 years	13.08.2008	T.Vakıflar Bankası T.A.O. President-Commercial Credit Board
Burhanettin Kantar	Board Member	Middle East Technical University Public Administration	20 years	23.03.2005	T. İş Bankası A.Ş. Manager - Participations Dept.
Kemal Serdar Dışli	Board Member	Hacettepe University Public Administration	20 years	28.05.2007	T. İş Bankası A.Ş. Manager -Corporate Banking & Marketing Dept.
Murat Bilgiç	Board Member	University of Birmingham	18 years	23.03.2005	T. İş Bankası A.Ş. Corporate Credit Department / Credit

					Regional Manager
M.Baran Tuncer	Board Member	Ankara Universtiy Faculty of Political Science	29 years	12.06.2008	Retired
Memduh Aslan Akçay	Board Member	University of Illinois at Urbana Champaign/ Ankara Universtiy Faculty of Political Science- Economics	18 years	10.05.2007	General Manager - The Foreign Economical Affairs Department at Treasury Undersecretariat
Halil Erođlu	Board Member,CEO	Ankara University Faculty of Political Science	32 years	22.03.2002	TSKB A.Ş. – CEO

Mete Uluyurt	Statutory Auditor	Bilkent University Faculty of Economics	13 years	25.03.2008	T. İş Bankası A.Ş. Group Manager – Board of Change Management
Zeynep Hansu Uçar	Statutory Auditor	Middle East Technical University –Business Administration	15 years	31.10.2007	T. İş Bankası A.Ş. Group Manager – Participations Dept.

In the fulfillment of its decision-making functions, the Board of Directors' fundamental concerns are to:

- Maximize the bank's market value
- Ensure that the banks' activities are conducted in such a way as to secure long-term, stable gains for its shareholders
- Maintain the delicate balance between shareholders' expectations and the bank's need to grow

When choosing new members to fill vacancies on the board, attention is given to the following matters.

- Candidates are required to be present at general meetings at which board elections are to be held.
- Shareholders are provided with complete information about candidates.
- Shareholders have the right to put questions to candidates
- Candidates are required to inform shareholders about what, if any, seats they hold on the boards of other companies and state whether or not they will comply with bank regulations about such matters.

Attention is given to the conduct of regular board meetings, which are held at least once a month.

Because they are the representatives of corporate shareholders, the law does not require the members of the Board of Directors to be shareholders in the bank themselves.

For the same reason, the usual requirement of directors to entrust shares of stock to the bank as guarantees are fulfilled by the corporate entities that boardmembers represent.

The stocks in the bank owned by the Board of Directors are symbolic.

The articles of incorporation contain no provisions governing the use of the cumulative voting system in the election of members of the Board of Directors.

19. Qualifications of members of the Board of Directors

Because their qualifications are stipulated by law, the bank's articles of incorporation contain no other provisions governing the minimum qualifications required to be elected to a seat on the board.

By law, the general managers of banks must have at least four years of university education in one or more of the disciplines of law, economics, business administration, public finance, public administration, or the equivalent of these or in the engineering branches of those disciplines and must have and at least ten years of professional experience in banking or business administration. More than half of the members of the board must have the same qualifications save for that of length of professional experience.

All of the members of the banks board of directors have at least the following qualifications:

- A satisfactory level of knowledge and experience in banking and/or finance
- Financial statement and report reading and analysis skills
- Basic knowledge about the legal framework governing the bank and about the conditions of its market
- The willingness and ability to regularly take part in board meetings during their elected term of office.

The Board of Directors consists of eleven members and this number makes it possible for the board's activities to be organized effectively.

A newly-elected member of the board takes part in an orientation program that includes:

- Becoming acquainted with bank managers and visiting bank units
- Reviewing bank managers' backgrounds and performance evaluations
- Being familiarized with the bank's strategic goals, current standing, and problems
- Examining the bank's market share, financial structure, and performance indicators.

While there are no specific rules concerning boardmembers' undertaking other duties outside the bank, no member has any duties other than the ones naturally incumbent upon them in the corporate entities they represent and in the organizations belonging to the corporate entities they represent.

20. Mission, vision, and strategic goals of the company

The Bank's

- Vision :

To be the pioneering bank in Turkey's sustainable development

- Mission :

For Turkey's sustainable development:

- Provision of mid to long term financing for entrepreneurs,
- Supporting foreign capital investments in Turkey as the best local business partner,
- Playing a significant and continuous role in the development of Turkey's capital markets,
- Providing our customers with tailor made and innovative financial solutions and mediation services,
- Creating increasing value added to our employees, shareholders and all other stakeholders,
- Playing a pioneering role in sustainable banking with an environment-friendly approach in the execution of all banking activities.

The bank's vision and mission are publicly disclosed on the corporate website at www.tskb.com.tr.

Strategic objectives are determined by management taking into account competitive conditions, the overall economic situation, general expectations in national and international financial markets, and the bank's medium and long-term objectives and they are presented to the Board of Directors for its approval.

These strategies and objectives are debated thoroughly and comprehensively by the board.

Performance with respect to approved strategies and objectives is regularly reviewed at monthly board meetings at which the bank's activities, financial structure, and related issues are reviewed and assessed.

In order to effectively and continuously carry out its supervision and control functions, the Board of Directors in principle meets every month.

At such meetings, consideration is given to the bank's activities, the degree to which the approved annual budget and business targets are being achieved, the position of the bank in its sector, its financial structure and performance standing, and the compliance of its reporting and activities with international standards.

21. Risk management and internal control mechanisms

A risk catalogue has been prepared that defines the potential risks to which the bank may be exposed. This catalogue has been approved by the Board of Directors and is now in force.

Risk policies that were formulated for the risk categories which are included in this catalogue and which are of the highest importance from the standpoint of the bank's activities have been approved by the Board of Directors and are now in force.

Under the heading of processes concerning the measurement, assessment, and management of the bank's risks, a structure that reports to the Board of Directors has been created to ensure that risk management and internal control activities are conducted in an organized way and within the framework of the risk catalogue that has been prepared.

An "Audit Committee" has been set up within the Board of Directors to assist the board in the performance of its audit and oversight functions. This committee carries out its activities subject to the board through the Board of Inspectors (internal audit), Risk Management Unit, and Internal Control Unit. The Audit Committee is responsible for ensuring on the Board of Directors' behalf, the effectiveness and adequacy of the units referred to as "internal control systems".

The duties and responsibilities of the Board of Inspectors, Internal Control Center, and Risk Management Department are all in compliance with the requirements of existing laws and regulations and they are governed by internal regulations that have been approved by the bank's Board of Directors.

22. Authorities and responsibilities of members of the Board of Directors and of executives

The authorities of the Board of Directors are set forth in the bank's articles of incorporation, according to which the board is responsible, among other things, for:

- Ensuring that all the transactions made necessary by the matters making up the bank's principal business activities are carried out and making such decisions to that end as are necessary
- Identifying general rules concerning internal regulations and bank policies in line with the bank's objectives and identifying those who exercise power of signature over the bank
- Determining what bank transactions are to be performed by the general manager and which ones will require a board decision
- Making credit allocations that are above a specified limit
- Acquiring equity stakes, entering into partnerships, and disposing thereof
- Managing, acquiring, renting, and selling real estate properties.

The Board of Directors exercises its authorities fully cognizant of all information needed to fulfill its duties, prudently, and within the framework of the rules of good faith.

As stipulated in the articles of incorporation, the general manager is responsible for the day-to-day conduct of the bank's business within the framework of the principles and limits set by the Board of Directors.

Authorities concerning the conduct of the bank's business are delegated to executive organs within the framework of the bank's published powers of signature.

The sanctions that are to be imposed in the event of illegal or irregular acts on the part of employees are set forth in the personnel regulations approved and put into effect by the board.

The members of the board devote a sufficient amount of their time to the bank's business.

The board has taken necessary precautions to ensure that information about the bank that is not to be publicly disclosed or is in the nature of trade secrets is not divulged outside the bank.

Periodic financial statements and the bank's annual report are published with the board's approval.

Outside its basic functions, the Board of Directors also takes the opinions and recommendations of executive organs and committees into account in the fulfillment of its responsibilities such as:

- Approving the bank's annual budget and business plans
- Having the bank's annual report prepared and finalizing it for presentation to the general meeting
- Ensuring that general meetings are held in accordance with the requirements of law and the bank's articles of incorporation
- Carrying out the decisions made at general meetings

- Checking significant expenditures that amount to more than 10% of the bank's most recent balance sheet
- Approving manager career plans and incentive programs
- Determining policies related to shareholders, stakeholders, and public relations
- Determining the bank's public disclosure policy
- Determining bank and employee rules of ethics
- Determining the working principles of committees and ensuring that committees are effective and productive in their work
- Taking measures to ensure that the bank's organizational structure is able to respond to current needs
- Examining the activities of predecessor boards of directors.

In addition the Board of Directors also has ultimate responsibility for the creation of the internal audit, internal control, and risk management systems—the “internal control systems” required by the Banking Regulation and Supervision Agency’s “Regulations concerning the internal systems of banks”; for their effective, adequate, and proper operation; for the protection of the information provided by the accounting and financial reporting system; and for the determination of authorities and responsibilities throughout the bank.

23. Operating principles of the Board of Directors

A draft of the agenda for a board meeting is prepared by the general manager and finalized in line with the suggestions of the chairman and other directors.

The Board of Directors convened 41 times during 2008.

Special care is given to setting meeting dates that will allow all boardmembers to attend. Meetings are regularly held with all members in attendance, except in unforeseen exceptional cases.

Notifications concerning board meetings are sent out first by telephone and are then followed up in writing.

A secretariat has been set up that is responsible for keeping the members of the Board of Directors and the statutory auditors informed and for communicating with them.

Dissenting votes at board meetings and the justifications for them are entered into the meeting's minutes and the statutory auditors are notified of this situation as well. No member of the board cast a dissenting vote at any board meeting in 2008.

All members of the Board of Directors take particular care to be present at meetings dealing with important issues related to the bank's activities such as:

- Determining businesses that the bank is to engage in and approving business and financial plans
- Summoning ordinary and extraordinary general meetings and taking care of matters related to their organization
- Finalizing the annual report that is to be submitted at a general meeting
- Electing the chairman and deputy chairman and appointing new members to the board
- Creating and winding up administrative units
- Appointing and dismissing general managers
- Setting up committees

- Approving mergers, demergers, and restructurings; selling more than 10% of the bank's non-current assets or undertaking investments amounting to more than 10% thereof; approving expenditures amounting to more than 10% of the bank's total assets
- Determining the bank's dividend payment policy and how much of current profit is to be paid out as a dividend
- Increasing or decreasing the bank's capitalization.

A board's first meeting is preferably held on the same day that the board is elected into office.

At this first meeting, the chairman and deputy chairman are elected, duty assignments are made, and committees are formed.

In principle, board members take part in all meetings.

The board meets regularly at least once a month as previously scheduled and occasionally as circumstances seem to warrant.

Information and documents pertaining to items on the board's agenda are normally sent out to members for them to examine at least seven days before the meeting date. In situations where this is not possible, every effort is made to ensure that all members are equally informed about the matters involved.

Each board member is entitled to a single vote. All members' votes carry equal weight and no member has a positive or negative veto power.

As stipulated in the articles of incorporation, the board convenes with a simple majority of its membership and decisions are passed by a simple majority of those present.

24. Prohibition on doing business or competing with the company

Members of the Board of Directors engage in no activities which would be subject to any prohibition on doing business or competing with the bank and which would therefore require them to obtain the prior permission of the shareholders at a general meeting.

25. Rules of ethics

The bank adopted the Code of Banking Ethics published by the Banks Association of Turkey under Board of Directors resolution dated 16 March 2006. The board has also adopted the new form of the code as revised by the Banks Association of Turkey on 26 July 2006. The complete authorized Turkish and English versions of Code of Banking Ethics are available on the TSKB corporate website.

26. Number, structure, and independence of committees established by the Board of Directors

Audit Committee

According to the Banking Law's 24th clause, the Audit Committee established by two members of Board of Directors whom do not have act of commission. Regulation about the assignment, authorization and liability of the Audit Committee, has been approved and inured.

The Committee has two members, who are member of board of directors without act of commission. It is chaired by Kemal Serdar Dişli and Murat Bilgiç.

Duties of Audit Committee are:

- establishing the internal audit and risk management systems in compliance with legal and internal regulations, ensuring that they function effectively and sufficiently,
- Helping Board of Commission out with assesment of external auditors and monitoring the appointed auditor's activities on a regular basis,
- Ensuring that the internal audit functions of subsidiaries on a consolidated basis are coordinated in line with regulations.
- Reporting to the Board of Directors that the internal audit, risk management, internal control unit and the external auditors operate within the framework of the related regulations and informing the Board of any issues or incidents that could have an adverse impact on the continuity or soundness of the Bank's activities.
- If necessary, gathering information and related documents from all units of the bank, support service contractors, and independent auditors; being subject to Board approval obtaining consultancy service.
- Submitting the internal audit report which is prepared by responsible internal auditors to the Board of Directors.

In 2008, Audit Committee held 10 meetings.

Executive Risk Committee

The Executive Risk Committee is responsible for preparing, getting approval from the Board of Directors and monitoring the execution of the risk management strategies and policies the Bank will follow. The Executive Risk Committee represents the Risk Management Group before the Board of Directors. The members of the Executive Risk Committee are Mr.Halil Erođlu (CEO and Board Member), Mr. Murat Bilgiç (Board Member and Audit Committee Member) and Mr. Mehmet Sungun (Head of Risk Management).

27. Financial benefits provided to the Board of Directors

Members of the Board of Directors receive no financial benefits other than the monthly honorarium that is paid to them.

The amount to be paid as an honorarium is determined in line with proposals put forward by shareholders at a general meeting.

No member of the Board of Directors is or has ever been the direct or indirect recipient of any cash loan or non-cash credit extended by the bank.