annual report 2005

DHB Bank
DEMİR-HALK BANK (NEDERLAND) N.V.

contents

Dear reader,

You would notice that children drawings constitute the main design of our 2005 Annual Report, as was the case last year. We would like to give some explanation on our selection of this design, which will from now on be adopted in all our future reports.

For the past eight years, DHB Bank has been organizing an annual drawing contest for children in the Netherlands, a contest that enjoys increasing popularity with the participation of more than a thousand children. Each year, a theme is chosen, in which children compete in three age categories.

The contest, named "DeHa Çocuk", Turkish for whiz kid as well as a reference to our bank's name, is organized in the run-up to April 23, the Turkish National Sovereignty and Children's Day. It was on this day in 1920 when the Turkish Grand National Assembly (TGNA) convened to proclaim the sovereignty of the new Turkish State.

In remembrance of this event and in recognition of the fact that children are the future of any nation, April 23 has been dedicated by the TGNA to children and is celebrated each year all over the country with the invitation of children all over the world.

The contest, which has now become traditional, is our bank's contribution to the Turkish custom of putting children and their creativity in the limelight on this day. This year, the theme was "The City I Live In", and what we are presenting to you are the three winning entries in each of three age categories.

We hope that you enjoy the creations of our little artists and find our Annual Report meeting your information needs.

Kind regards,

bank profile

Demir-Halk Bank (Nederland) NV – hereafter referred to as DHB Bank – was established as a Turkish-owned commercial bank under Dutch law in 1992. During the formation of the bank's shareholder structure, the Demirbank group of companies and Türkiye Halk Bankası A.Ş. assumed a 70% and 30% stake respectively.

The shareholder structure, at the beginning of the reporting year was as follows: 35% of the shares were held by HCBG Holding BV. Another 35% of DHB Bank's capital was in the hands of Mr. Aydın Doğan, and the remaining 30% was owned by Türkiye Halk Bankası A.Ş.

As of September 20, 2005, the shares of Mr. Aydın Doğan have been acquired by HCBG Holding BV, so that HCBG, of which Dr. Halit Cıngıllıoğlu is the sole owner, is now the majority shareholder with 70%. In addition to his indirect participation in DHB Bank, Dr. Cıngıllıoğlu has direct interests in a number of other international banks, including OJSC Demir Kazakhstan, D Commerce Bank AD (formerly Demirbank (Bulgaria) AD) and Demir Kyrgyz International Bank. Halkbank retains its 30% share in DHB Bank's capital.

DHB Bank holds a credit rating from Fitch Ratings Ltd. In 2005, the bank's long-term foreign currency rating was upgraded to BB, the individual strength rating was affirmed as C/D, and the support rating was also affirmed as 5.

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financial highlights

Consolidated	2005 (EUR 000)	2004 (EUR 000)	2003 (EUR 000)
Total Assets	2,300,210	1,945,948	1,739,950
Loans & Advances	431,155	367,079	256,262
Funds Entrusted	1,692,254	1,627,411	1,480,909
Shareholders' Equity	205,478	201,248	190,477
Net Interest Income	42,550	35,740	29,137
Net Commission Income	10,283	7,514	7,504
Result After Tax	15,802	10,771	9,332
BIS Ratio (%)	25.06	30.70	41.33
Number of Employees (December 31)	317	297	288
Number of Branches	11	12	13

report of the supervisory board

We have pleasure in presenting the financial statements of Demir-Halk Bank (Nederland) NV – DHB Bank – for the year ending December 31, 2005. These financial statements have been prepared by the Executive Board and are audited by KPMG Accountants NV. Their report as referred to in the Articles of Association is attached to the annual accounts.

We propose to the Annual General Meeting of Shareholders to adopt the financial statements for the year 2005 and the proposal for the appropriation of the financial result. Pursuant to article 20, paragraph 4 of the Articles of Association of the bank, your approval will discharge the Executive Board from liability with respect to its management of the bank's activities and the Supervisory Board with respect to its supervision thereof.

During the year under review, the Supervisory Board has met regularly with the Executive Board. The main matters discussed included the annual figures, management reporting, and the reports of the internal and external auditors. The meetings of the Board's Audit Committee, which had been established in compliance with the Dutch Central Bank's new Regulation on Organization and Control, and in order to prepare the bank for the requirements posed by the Basel II accord, were also regularly attended by a representative of the Executive Board as well as the Head of Internal Audit.

The Supervisory Board has also regularly taken up issues such as budgeting and planning, and the financial developments in Turkey as well as in the global markets.

As of July 20, 2005, Mr. Mehmet Emin Özcan resigned from his position on the Supervisory Board. We thank him for his valuable contribution and support during his tenure.

Mr. Erol Berktaş was appointed as a member of the Supervisory Board as of September 28, 2005.

Mr. Hans J. Ph. Risch, who has served on the Executive Board since 1997, has announced his resignation from the Executive Board as of March 31, 2006. We would like to thank him for his valuable input during his tenure. Mr. Risch has agreed to serve on the Supervisory Board.

As of April 1, 2006, Mr. Abram Rutgers will leave the Supervisory Board in order to take up the position to be vacated by the departure of Mr. Risch on the Executive Board. We would like to thank him for his contribution during his tenure and wish him the very best of success in his new position.

Taking this opportunity, we also would like to express our appreciation for the dedication of the management and staff of DHB Bank and thank them for their efforts during the year under review.

Rotterdam, March 31, 2006

Dr. Halit Cıngıllıoğlu (Chairman)

İmre Barmanbek (Vice Chairperson)

Drs. Jan Th. Groosmuller

Tufan Darbaz

İsmail Hasan Akçakayalıoğlu

Theodoor Joseph Bark

Abram Rutgers (until March 31, 2006)

Hasan Cebeci

Erol Berktaş

governing bodies

Supervisory Board

Dr. Halit Cıngıllıoğlu
Chairman

Ms. İmre Barmanbek
Vice Chairperson

Drs. Jan Th. Groosmuller
Member

Mr. Tufan Darbaz
Member

Mr. İsmail Hasan Akçakayalıoğlu
Member

Mr. Theodoor Joseph Bark
Member

Mr. Abram Rutgers
(until March 31, 2006)
Member

Mr. Hasan Cebeci
Member

Mr. Erol Berktaş
Member

Executive Board

Mr. Merdan Araz
Senior General Manager

Mr. Hans J. Ph. Risch
(until March 31, 2006)
General Manager

Mr. Kayhan Acardağ
General Manager

Ceylin Kardelen Koca

from Zwolle
1st prize
5 - 6 year category

report of the executive board

2005 saw a continuation of several trends in DHB Bank's activities which had begun to shape the bank's balance sheet during the previous years. Most importantly, business activity as measured by balance sheet size and loan portfolio continued to expand, bringing total asset size, at EUR 2,300 million, to its highest level since the establishment of the bank (2004: EUR 1,946 million). At the same time, management's initiative towards further diversification of the bank's business lines, both geographically and in terms of product range, continued at an intensified pace. As a result, the direct Turkish exposure as a percent of total assets has continued to decline.

The increase in asset size is due to a number of factors. Globally increased liquidity and the resulting continued competitive pressure on profit margins required and generated a higher business volume in order to maintain profitability. At the same time, country and product diversification contributed to a general growth trend. A solid capital base to support such expansion enabled the bank to utilize these environmental factors to its advantage. While funds entrusted showed a slight increase over 2004, a substantial portion of the balance sheet increase was financed in the wholesale market. The volume of syndicated borrowing used in 2005 increased by USD 50 million, doubling the previous year's amount. The general increased reliance on more flexible wholesale funding is also explained by the fact that the growth in 2005 was decidedly asset-driven, while in the past, the emphasis tended to be more on deposits as the driving factor.

Funds entrusted increased by EUR 64.8 million, reaching EUR 1,692 million at year-end (2004: EUR 1,627 million). This is despite a decrease in deposit rates, which for the first time saw DHB Bank in the lower ranges of the market spectrum for retail savings products. Total bank funding reached EUR 330 million at the end of 2005, accounting for 14.3% of the balance sheet (2004: EUR 89.4 million and 4.6% respectively).

Management's initiative towards further diversification of the bank's business lines, both geographically and in terms of product range, continued at an intensified pace.

On the asset side, the most important change is an increase of 34.2% (EUR 307 million) in the Banks item over 2004, bringing the amount to EUR 1,204 million or 52.4% (2004: 46.1%) of total assets at year-end. This is the result of an increase in both the number of counterparties DHB Bank is working with, especially in the CIS (Commonwealth of Independent States) region and in average deal size.

While Loans and Advances remained nearly stable as a proportion of total assets (18.7% compared to 18.9% in 2004), absolute volume in this area increased by EUR 64 million to reach EUR 431.2 million at the end of 2005 (2004: EUR 367 million). Of this amount, EUR 350.5 million (2004: EUR 315 million) was accounted for by commercial loans. Retail lending also continued to grow, from EUR 52 million at year-end 2004 to EUR 80.7 million in 2005.

Interest-bearing securities declined from EUR 535 million in 2004 to EUR 475 million, though this is not to be considered a structural trend but caused by the timing of certain investment decisions around the year-end.

While interest income – due to the general competitive pressure in DHB Bank's markets – increased by less than asset size year-on-year (a growth rate of 12.9% compared to 18.2% asset growth), this was more than compensated by the achieved decrease in the bank's overall cost of funding, so that net interest income increased by 19.1%, to EUR 42.5 million (2004: EUR 35.7 million).

Interest income as a percentage of average interest-earning assets declined slightly from 5.48% in 2004 to 5.38% in 2005. Interest expense as a percentage of interest-bearing liabilities fell to 3.35% in 2005 from 3.56% the previous year.

Despite the generally declining margins, increased business volume resulted in improved commission income. Net commission income was EUR 10.3 million compared to EUR 7.5 million in 2004, a 36.9% increase.

The expansion and diversification of the bank's activities in 2005 once again necessitated an increase in the average number of staff, thereby raising personnel costs. Accordingly, the EUR 11.6 million increase in total income is not reflected on a one-for-one basis in the operating result and net profit. After-tax profits increased to EUR 15.8 million from EUR 10.8 million in 2004.

Economic Environment

In the global emerging markets, risk spreads reached all time lows due to good economic performance and the increased investment flow. The best indicator reflecting this fact is the 11.8% increase in EMBI+ during 2005. The trend is likely to continue next year in important emerging markets; due to the high level of international liquidity and improving global economy. Oil rich emerging markets are busy building up treasury for early external debt repayment, profiting from massive export receipts for crude oil,

Su Doğa Parmak

from Zutphen
2nd prize
5 - 6 year category

benefiting from all time high prices. Russia has been one of the star performers in 2005, securing this status after striking a US$15 billion debt pay-off deal with the Paris Club. Russian GDP grew 6.4% in 2005 and is expected to grow an equally impressive 6.2% in 2006, with 10% inflation. Building on this successful economic turn-around, expectations in the next year are strong that Russia will increase its political influence in the region and will play a more leading role in global politics. The members of the vibrant CIS region have followed suit in 2005: Kazakhstan, mainly an oil based economy, has taken convincing steps to diversify its economy into high value-added industries like pharmaceuticals and alternative energy.

The Turkish economy has largely continued its normalization in 2005, in line with expectations of progress required for future EU membership. The figures attest to the progress achieved; the overall fiscal deficit has dropped below 3% of GDP, while net public debt has fallen below 60% of GDP, hence meeting the EU's Maastricht criteria on these indicators. These impressive figures would have been hard to imagine not very long ago.

The EU anchor has benefited Turkey greatly. One crucial reason behind these positive developments is the political stability enjoyed over the recent years in the country. Turkey is led by a strong single-party government, creating a fertile environment for the long-needed structural reforms. The government's pragmatic and non-confrontational profile and its willingness to pursue radical reforms, in accordance with the IMF program, helped decrease country's risk premium. These reforms, along with the government's successful privatization agenda and a flurry of M&A activity, helped attract much needed international capital into the country: the net FDI reached a record high of US$8.6 billion (2.4% of GNP) in 2005, to be compared to US$11.3 billion received over the period 1992-2004. The other side of the medallion is less rosy; the current account deficit widened beyond expectations in 2005, taking deficit to 6.5% of GNP by year-end. Nonetheless, buoyant FDI flow significantly helped the financing of this deficit; coverage ratio of FDI to current account deficit rose from 11% last year to 37% in 2005.

In the United States, base rate increases by the Federal Reserve have been more frequent during 2005; no less than 8 base rate increases of 25 bps each have taken the Fed Funds to 4.25% by year-end. This tightening cycle, initiated in 2004, is in response to gently creeping inflation, powered mainly by the rise in the price of oil. Oil price rose 43.7% in 2005, realizing an average price of US$ 55.25 over the year. The belief that cheap oil prices are a thing of the past is slowly settling in the markets. The current tightening trend of the Fed is foreseen to reverse towards the second half of next year. 2006 expectations of increased global growth and the resulting global interest rate convergence will cause a weakening of US dollar against many currencies.

In 2005, the world experienced even more thoroughly the effect of

In the global emerging markets, risk spreads reached all time lows due to good economic performance and the increased investment flow.

Chinese growth driven demand on commodity prices. Nearly all commodity prices reached recent highs in 2005. Under increased US pressure, in the form of retaliatory tariffs, the Chinese Central Bank revalued the Yuan by 2 percent in July, hence adapting a "basket, band and crawl" model, a significant departure from the more than a decade old currency peg. Country's awesome last three year average 10% GDP growth partly results from solid export demand and partly from its cheap currency. China is expected to grow without losing pace at 9.2% next year with an expected inflation of 1.8%.

Bank Operations

In this competitive operating environment, DHB Bank concluded the year in review showing a gross operating profit of EUR 23.6 million, compared to EUR 17.0 million in 2004. This improvement can be attributed largely to the efforts made at diversifying the bank's geographical coverage and product mix.

In particular, total income increased from EUR 44.4 million to EUR 56.0 million. This is due both to improved net interest income and increased net commissions. The result on financial transactions increased to EUR 2.8 million from EUR 1.1 million.

As of December 31, 2005, DHB Bank's Utrecht branch was closed, as the branch's modest contribution to revenue-generation combined with a continued shift in customer contacts towards telecommunication and Internet no longer justified maintaining a branch in this location.

Due to the increased business volume and the necessitated increase in staff, DHB Bank's headquarters has expanded in 2005 to include a new building across the street from the original location at the Parklaan in Rotterdam. For this purpose, a new subsidiary, Maaslust 9 Monumenten BV, has been acquired whose only asset is the new building at Parklaan 9.

Wholesale Business

2005 was a year of continuity in change for DHB Bank's wholesale banking operations. In particular, last year's trend towards the geographical diversification of the bank's trade finance, bank and corporate lending activities, continued at full speed. The CIS countries, especially Russia, Kazakhstan, and the Ukraine, saw a particular increase in the number and size of commercial transactions as well as the number of counterparties involved. While Turkey remains an important market for DHB Bank, the bank's balance sheet composition continues to shift towards non-Turkish assets. Of a total growth of EUR 290 million in interest-earning assets, EUR 220 million resulted from increases in non-Turkish assets (definition by ultimate ownership, regardless of country of origin of counterparty). Accordingly, Turkish assets (thus including those held by Turkish owners abroad) have only increased by 5.5% in 2005, compared to 40.4% growth for non-Turkish assets.

The structured trade finance activities first entered into in 2004 were continued at a broader scale

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with a larger number of counterparties from several sectors of the economy. In particular, while originally the focus had been on steel-traders, companies from the non-ferrous metals, fertilizer, oil and coal sectors have now become regular counterparties in such transactions.

DHB Bank's special focus on customer care, supported by its CDCS-certified trade finance experts and service oriented client advisor teams, reflects itself in the form of strong relationships with prime commodity traders. In 2006, the bank is aiming at further growth in its structured trade finance and commodity trade business, by increasing both the number of customers in this area, and their respective turnover.

In addition, during 2005, DHB Bank was an active lender both in the primary and in the secondary market for syndicated loans, and in particular pre-export financing facilities. In the primary market, the bank participated in a total of 42 syndicated facilities in five different countries, totaling USD 280 million. In the secondary market, the total transaction volume was USD 535 million, bringing the total to USD 815 million compared to USD 490 million in 2004.

The syndicated loan, which DHB Bank had entered into as a borrower in 2004 was renewed at twice its original volume in 2005, thus reaching USD 100 million. The one year term loan facility was lead-arranged by American Express Bank GmbH, Dresdner Bank AG, Erste Bank, HSH Nordbank AG, Raiffeisen Zentralbank Österreich Aktiengesellschaft, Türkiye Halk Bankası A.Ş., Wachovia Bank NA, WestLB AG and WGZ Bank. The other participants were Rabobank, Emirates Bank International PJSC, Mashreqbank psc, Natexis Banques Populaires and Union Bank of California NA as arrangers, as well as Sampo Bank plc and UBAE Arab Italian Bank Spa as co-arrangers.

The review process for DHB Bank's credit rating by Fitch Ratings resulted in an upgrade for the bank's long-term foreign currency rating to BB from BB- as of October 4, 2005. All other ratings by the agency were affirmed as of the same date, namely the individual strength rating as C/D, and the support rating as 5.

Retail Operations

While DHB Bank's asset-side retail activities continued to grow steadily in 2005, on the liability side, retail funding has been the main pillar of the bank's funding composition for the past few years. Total retail deposits (funds entrusted net of corporate deposits) as of the year-end amounted to EUR 1,605 million (2004: EUR 1,547 million). Of this total, EUR 926 million originates in Germany, EUR 340 million in the Netherlands, and EUR 338 million in Belgium. Among the retail savings products on offer from DHB Bank, internet-based deposits continue to increase in popularity. When first launched in

Yaren Uluışık

from Apeldoorn
3rd prize
5 - 6 year category

1

2

3

Melisa Aleyna Güleğlen

1

from Drunen
1st prize
7 - 9 year category

Fatih Mehmet Ali Ocak

2

from Dordrecht
3rd prize
7 - 9 year category

Sülbiye Gür

3

from Den Haag
2nd prize
7 - 9 year category

2003, these deposits amounted to EUR 18.2 million, increasing to EUR 124.4 million at year-end 2004 and EUR 222 million at the end of 2005.

In 2005, the general interest rate level in all of DHB Bank's operating area slightly increased as a result of a tightening move on the part of the ECB. However, DHB Bank was able to decrease deposit rates in all its retail markets without major outflows, even though for the first time in its history, the bank has positioned itself in the lower ranges of the market spectrum on deposit rates in the Netherlands and Belgium. In Belgium as well as in Germany (where the rates offered continue to be somewhat above market average), there was even a slight increase in customer deposits.

The quality service DHB Bank delivers to its retail customers is also reflected by the fact that the bank was voted second among 22 banks for savings products in the Netherlands in a survey held among 50,000 visitors of the Independer financial website between October 2004 and May 2005. Banks were rated on criteria such as availability to the client, speed of service, keeping promises and value for money. In May 2005, the German journal Eurofinanzen presented the bank with an award for Best Time Deposit product in the German market, while DHB Bank's internet savings and all-purpose consumer loan came in second and third in their respective categories.

While consumer lending still does not account for a major portion of DHB Bank's balance sheet, the total portfolio of consumer loans granted once again increased quite substantially in 2005, reaching EUR 80.7 million (2004: EUR 52 million).

In addition to its efforts to increase the consumer loan portfolio through direct channels DHB Bank intensified its efforts through Best CreditLine BV, 100% subsidiary of DHB Bank, to provide consumer loans via intermediaries.

Workers remittances to both Turkey and Morocco, though decreased in number of transactions during 2005, continue to be a stable source of income for DHB Bank. In 2005, in 161,989 remittance transactions, a total amount of EUR 180 million was

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Yaprak Öztürk

from Amsterdam
1st prize
10 - 12 year category

transferred (2004: EUR 173 million in 181,760 transactions). Commission income from remittances has also increased, from EUR 1.8 million in 2004 to EUR 2.1 million in 2005.

DHB Hypotheken & Verzekeringen BV, a wholly-owned subsidiary of DHB Bank, generated commission income of EUR 0.5 million in 2005 (2004: EUR 0.3 million) by providing insurance brokerage services and acting as an intermediary in the provision of mortgage loans.

Treasury Operations

Throughout the year 2005, DHB Bank was a net lender in euro-denominated money market instruments. At year-end, total money market placements were EUR 277 million, or 12% of the balance sheet (2004: EUR 290 million and 14.9% respectively).

Due to the balance sheet composition with assets denominated largely in USD while funding is mostly in EUR, the bank has traditionally been active in currency swaps as a euro placer and dollar taker.

In 2005, prompted by longer maturities on the asset side and increased volatility in the federal funds rate, interest rate swaps have also gained importance. Trading activity in options on fixed-income securities and interest rate futures has intensified compared to previous years. Accordingly, the result from financial transactions increased from EUR 1.1 million in 2004 to EUR 2.8 million in 2005.

Risk Management

In the face of increasingly complex risks, DHB Bank is constantly challenged to improve and maintain its risk management functions and its risk culture.

At DHB Bank, the Risk Management Unit is responsible for identification, control and management of credit and concentration risks. The limit guidelines of these risks have

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been established by taking into account the guiding regulatory principles. The Unit monitors the risks and their containment within the limits.

Liquidity tracking and liquidity risk control is centralized in the Treasury Department for all currencies. The Department makes use of core banking application fund flow data for this purpose. In order to manage foreign exchange risk, the Treasury Department enters into currency swaps, and the week and month liquidity positions are periodically reported to the Dutch Central Bank.

In order to determine the sensitivity of the interest rate risk position of DHB Bank, monthly gap analyses and stress tests are carried out by the Financial Risk Modeling and Assessment Department. Presently, efforts focus on the implementation of the enhanced interest rate risk model. In order to better manage the banking book interest rate risk, the Treasury Department enters into interest rate swaps.

Value-at-risk (VaR) models are used in quantification of trading book risks. Risk generation by internal trading business lines is managed by effective use of VaR models and the corresponding internal VaR limits. The findings of these models are periodically reported to Executive Management. Multi faceted analysis of the credit portfolio is also monthly reported to Executive Management by Financial Risk Modeling and Assessment Department.

With the purpose of helping the bank to have better insight into the components of its diversified portfolio, an automated early warning country risk tracking system is on constant watch for risk fluctuation in emerging markets. Besides this close monitoring, a second model serves to assess country risk based on a number of ratios such as those employed by international rating agencies.

On the issue of operational risk management, the Information Security Manager coordinates the monitoring and management of various operational risks as well as the development and maintenance of business continuity plans.

Expectations

For 2006, we expect a continuation of the current trends in the global economy. In particular, high global liquidity and high energy prices are still putting pressure on emerging markets yields, where risk premiums over benchmarks are at historical lows. While it is difficult to foresee to what extent this situation is here to last, DHB Bank has to be prepared to compete in an extremely low-margin environment.

At the same time, the Basel II requirements are set to come into effect quite soon, posing additional challenges for banks. DHB Bank is now and will continue to work hard on the timely and full compliance of its operations with these requirements.

DHB Bank is now and will continue to work hard on the timely and full compliance of its operations with Basel II requirements.

The low-margin conditions facing the bank, combined with the increased duration of the asset portfolio brought about by the lengthening of tenors for a large number of transactions, require a particularly fine-tuned asset-liability management. Also, the judicious use of credit derivatives is expected to be of continued importance in 2006.

Preparations are also being made for taking the diversification of DHB Bank's asset portfolio to a new level. While currently the focus is almost entirely on emerging markets, shrinking margins on all risk categories there imply that comparatively sound credit risks even in developed markets, where prices have been somewhat less under pressure, are becoming comparatively attractive. Accordingly, the bank is taking steps toward entering into more business with European corporate customers.

Another route to revenue generation which we expect to gain importance in 2006 is the intensification of our forfaiting activities.

As for treasury activities, we expect to increase the share of short-term Dutch government bonds as well as securities issued by bank and corporate borrowers in the CIS market, in the bank's investment portfolio.

In the retail segment, we hope to further expand the bank's portfolio of consumer loans and increase its profitability. In step with the continued penetration of technology into consumer banking, we expect that our internet-based products, in particular internet savings accounts, will further increase in their importance for the bank, thereby increasing the efficiency of the retail operations. At the same time, the bank is working on a comprehensive CRM (Customer Relationship Management) solution which is expected to become operational during 2006.

During 2006, staff numbers are not expected to increase significantly. It is envisioned, however, to introduce a small formal management trainee program so as to provide a broader basis for mid- and long-term management succession planning.

In the difficult market conditions prevailing in the bank's operating area, we will consider it a success if we maintain profitability at approximately last year's level.

İzem Uzan
from Utrecht
2nd prize
10 - 12 year category

Board, Staff and Personnel

As of July 20, 2005, Mr. Mehmet Emin Özcan resigned from his position on the Supervisory Board. We would like to thank him for the valuable contribution he made to the Board's activities during his tenure. Mr. Erol Berktaş was appointed as a member of the Supervisory Board as of September 28, 2005.

Mr. Hans J. Ph. Risch, who has served on the Executive Board since 1997, has announced his resignation from the Executive Board as of March 31, 2006. We would like to thank him for the vision, leadership and local expertise he has brought to the Executive Board's decisions. Mr. Risch has agreed to serve on the bank's Supervisory Board.

As of April 1, 2006, Mr. Abram Rutgers will leave the Supervisory Board in order to take up the position to be vacated by the departure of Mr. Risch on the Executive Board. We would like to thank him for his contribution during his tenure and wish him the very best of success in his new position.

In 2005, the number of staff once again showed an upward trend. This was largely due to the continued geographical and product diversification of the bank's wholesale business and the further expansion of retail banking services. At year-end, the bank employed 317 people, or 304 full-time equivalents (2004: 297 and 283 respectively).

As of January 1, 2005, a new HR system was implemented. This software has enabled the transition to a largely in-house salary process for the Netherlands, thus reducing the dependency on outsourcing partners in this area. It has also improved the availability, speed and analysis depth of HR-related management information.

In conclusion, we would like to express our sincere thanks to the members of our Supervisory Board for their continued support. We would also like to offer our sincere thanks and appreciation to the bank's management and staff for their effort and dedication, which have helped to build DHB Bank into what it is today.

Rotterdam, March 31, 2006

Merdan Araz
Senior General Manager

Hans J. Ph. Risch
General Manager

Kayhan Acardağ
General Manager

Daphne Kingma
from Wormerveer
3rd prize
10 - 12 year category

management and staff

EXECUTIVE BOARD

Managing Directors

Mr. Merdan Araz
Senior General Manager

Mr. Hans J. Ph. Risch
General Manager (until March 31, 2006)

Mr. Kayhan Acardağ
General Manager

Mr. Abram Rutgers
General Manager (as from April 1, 2006)

SENIOR MANAGEMENT

Ms. Bahar Kayıhan
Assistant General Manager
Operations & Documentary Credits

Ms. Ayten Türkmen
Assistant General Manager
Corporate Marketing

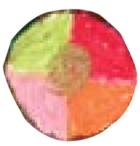
Mr. Ertürk Sümer
Assistant General Manager
Accounting & Internal Control

Mr. Berkan Tamer
Assistant General Manager
Financial Institutions

Ms. Filiz İdil
Assistant General Manager
Corporate Loans

Chief Internal Auditor

Mr. Jos de Goede RA
(as from February 1, 2006)



DEPARTMENT HEADS

Corporate Loans
Ms. Ayşe Cıngıl

Corporate Marketing
Mr. Gaspar Esteve Cuevas

Financial Control
Mr. Ercan Erdoğan

Financial Institutions
Mr. C. Levent Es

Financial Risk Modeling and Assessment
Mr. Mete Usta

General Affairs
Mr. Burhan Bahçeli

Human Resources
Mr. Arie Vlok

Information Technology
Mr. Nezih Engin

Operations & Documentary Credits
Ms. Pınar Olierook-Türe

Retail Banking
Ms. Nalan Müstecaplıoğlu

Retail Loans
Mr. Arie Blokland

Retail Services & Savings
Mr. Erol Ulu

Treasury
Mr. İrfan Çetiner

FOREIGN MAIN BRANCHES

Belgium

Mr. René Bienfait
Country Manager

Mr. Can Kural
Country Manager

Germany

Mr. Ali Ömer Devres
Senior Country Manager

İSTANBUL REPRESENTATIVE

Ms. Fulya Baran

RETAIL BRANCH MANAGERS

THE NETHERLANDS

Amsterdam
Ms. Başak Bol

Rotterdam
Mr. M. Devrim Baykal

The Hague
Mr. Levent Bölükoğlu

GERMANY

Berlin
Mr. Sami Açar

Cologne
Mr. Kürşat Asöcal

Hamburg
Mr. Ersin Leventli

Munich
Mr. Kerim Birkan

Stuttgart
Mr. Gökhan Erkovan

BELGIUM

Antwerp
Mr. Adem Taytaş

DHB HYPOTHEKEN & VERZEKERINGEN BV

Mr. Metin Tutkun

BEST CREDITLINE BV

Mr. Arie Blokland

MAASLUST 9 MONUMENTEN BV

Mr. Hans J. Ph. Risch

Financial Statements for the Year 2005

Consolidated balance sheet as of 31 December 2005

	Note	31 Dec. 2005	31 Dec. 2004
(in thousands of EUR)			
Assets			
Cash	1	130,439	35,952
Banks	2	1,204,123	897,410
Loans and advances	3	431,155	367,079
Interest-bearing securities	4	475,313	534,524
Intangible assets	5	2,593	3,258
Property and equipment	6	17,985	12,886
Prepayments and accrued income	7	38,602	94,839
		2,300,210	1,945,948
Liabilities			
Banks	8	329,566	89,419
Funds entrusted	9	1,692,254	1,627,411
Other liabilities	10	8,376	8,283
Accruals and deferred income	11	62,695	19,310
Provisions	12	1,841	277
		2,094,732	1,744,700
Paid-in and called-up capital		113,445	113,445
Revaluation reserve		176	219
Legal reserve		2,593	3,258
Other reserves		73,462	73,555
Net result for the financial year		15,802	10,771
Own funds	13	205,478	201,248
		2,300,210	1,945,948
Contingent liabilities	14	178,561	167,464

Consolidated profit and loss account for the financial year 2005

	Note		2005		2004
(in thousands of EUR)					
Interest income	15	105,253		93,221	
Interest expense	16	62,703		57,481	
Net interest income			42,550		35,740
Commission income	17	11,120		8,046	
Commission expense	18	837		532	
Net commission income			10,283		7,514
Result on financial transactions	19		2,752		1,137
Other income	20		417		–
Total income			56,002		44,391
Administrative expenses:					
• Staff costs	21	19,000		16,721	
• Other administrative expenses		10,260		7,908	
			29,260		24,629
Amortization/depreciation	22		2,374		2,465
Value adjustments to receivables	23		720		335
Total expenses			32,354		27,429
Operating result before tax			23,648		16,962
Tax on result on ordinary activities	24		7,846		6,191
Net profit			15,802		10,771

Consolidated cash flow statement for the financial year 2005

(in thousands of EUR)	2005	2004
Profit after taxation	15,802	10,771
Depreciation	2,374	2,465
Value adjustments to receivables	720	335
Provision for deferred taxation	1,564	(109)
Net cash flow from profit	20,460	13,462
Interest-bearing securities in trading portfolio	7,073	(5,011)
Banks (assets), not withdrawable on demand	(304,450)	54,797
Loans and advances	(64,796)	(111,152)
Banks (liabilities), not withdrawable on demand	268,271	28,138
Banks (liabilities), other	(28,124)	25,563
Funds entrusted	64,843	146,502
Other assets	56,237	905
Other debts and liabilities	43,478	(4,867)
Net cash flow from banking activities	42,532	134,875
Additions to securities for investment purposes	(186,538)	(368,443)
Disposals and redemptions of portfolio investments	238,676	233,681
Investment in intangible assets	(216)	(476)
Investment in property and equipment	(6,592)	(856)
Disposals of property and equipment	–	–
Net cash flow from investment activities	45,330	(136,094)
Movement in group equity	(801)	–
Repayment of subordinated debt	–	–
Dividends paid	(10,771)	–
Net cash flow from financing activities	(11,572)	–
Net cash flow	96,750	12,243
Liquid funds – opening balance	41,668	29,425
Cash	35,952	25,462
Banks current accounts	5,716	3,963
Liquid funds - closing balance	138,418	41,668
Cash	130,439	35,952
Banks current accounts	7,979	5,716
Movement in cash	96,750	12,243

Notes to the consolidated balance sheet and profit and loss account

General

The shareholders are HCBG Holding BV of Amsterdam, which owns 70% and Türkiye Halk Bankası A.Ş. of Ankara, which owns 30%.

The financial position of the bank is related to the economic developments in Turkey. The financial statements reflect the Executive Board's best assessment of the financial position of the bank with respect to these developments.

Basis of preparation

The annual accounts are prepared in accordance with the legal requirements for the annual accounts of banks contained in Chapter 14, Part 9, Book 2 of the Netherlands Civil Code, including recommendations of the Dutch Central Bank.

All amounts are stated in thousands of EUR, unless otherwise stated.

Basis of consolidation

The consolidated financial statements incorporate the assets, liabilities, income and expenses of DHB Bank and its subsidiaries DHB Hypotheken & Verzekeringen BV, Best CreditLine BV and Maaslust 9 Monumenten BV. In accordance with art. 402 Part 9 of Book 2 of Netherlands Civil Code, the company profit and loss account is presented in an abbreviated form to show company results and results of subsidiaries.

Accounting principles

General
Assets and liabilities are stated at nominal value, unless stated otherwise.

Foreign currencies
Assets and liabilities denominated in foreign currencies as well as forward transactions in foreign currencies which relate to funds borrowed and lent are converted at the spot rate as of balance sheet date.

Non-monetary items, which are expressed in terms of historical cost denominated in a foreign currency, are reported using the exchange rate at the day of the transaction.

Foreign exchange rate differences are recognized in the profit and loss account in "Result on financial transactions", except for foreign exchange losses incurred on hedged Turkish Lira investments funded in currencies other than Turkish Lira, which are reported as interest expenses so as to provide a more accurate representation of net interest income.

The difference between the spot and forward rates on hedge transactions is deferred and released to interest income or expense over the term of the contract. Transactions and the resulting income and charges in foreign currencies are converted at the rate applicable on transaction date.

Financial instruments
Derivatives are financial instruments embodied in contracts of which the value depends on one or more underlying assets or indices. The derivatives serving to limit the risks arising on positions held by the bank are stated according to the principles of valuation and determination of results applicable to the positions concerned. The resulting gains and losses from the application of this principle are included in the profit and loss account in "Result on financial transactions".

Loans and advances to banks/customers
Loans and advances to banks/customers are valued at nominal value, after deduction of specific provisions for doubtful loans. The balance of additions to and withdrawals from these provisions is included in the profit and loss account in "Value adjustments to receivables."

Interest-bearing securities
Interest-bearing securities consist of investment portfolio and trading portfolio.

Fixed-income securities, except for zero coupon bonds, denominated in strong currencies belonging to the investment portfolio are stated at redemption value after deduction of provisions for doubtful loans. The difference with the acquisition price is recognized as a profit or loss in proportion to the remaining term of the securities. Zero coupon bonds belonging to the investment portfolio which are denominated in Turkish Lira are stated at acquisition price. The accumulated interest on these zero coupon bonds is reported under the item investment portfolio. Interest earned is accrued to interest income over the lifetime of the underlying security. The investment portfolio is intended to be held to maturity.

Results on the sale of interest-bearing securities belonging to the investment portfolio are attributed to interest income over the remaining average duration of the investment portfolio, unless sales are made in connection with a structural reduction of the investment portfolio. If, on balance, losses on the sale of interest-bearing securities belonging to the investment portfolio would arise, the surplus losses are charged directly to ‘interest expense’.

The trading portfolio comprises interest-bearing securities which are held to obtain short-term transaction results. Officially listed trading portfolio securities are stated at the last known market value in the year under review, or at a selling price if already agreed. Gains and losses arising from movements in market value are included in the profit and loss account in "Result on financial transactions".

Intangible assets
Intangible assets are stated at acquisition cost, less amortization based on the useful economic life, subject to a maximum of 5 years.

In 2001 a new banking software system has been bought, expanded and adapted for use within the organization. The development expenses regarding this new banking software system are capitalized. The amortization of this development expenses started in October 2003, after the implementation of the system.

A legal reserve is maintained equal to the intangible assets.

Property and equipment
The valuation principles for tangible fixed assets are as follows:

Buildings in use by the bank
Buildings in use by the bank are stated at current value, as calculated according to the replacement cost value based on periodic appraisals by independent experts and any interim adjustments. Changes in the market value are reflected in the revaluation reserve, taking deferred tax liabilities into account. Buildings in use by the bank are depreciated according to the straight-line method on the basis of the estimated useful economic life with a maximum of 50 years, taking into account the estimated residual value.

Other fixed assets
These are stated at acquisition cost less straight-line depreciation on the basis of estimated useful economic life.

Provisions
Provisions consist of provisions for deferred taxes, defined benefit plan pension obligations and rent obligations for closed branches.

Provision for deferred taxation relates to the expected tax liability on the relevant differences between the valuations for commercial and tax purposes of assets and liabilities.

As of January 1, 2005, the Council for Annual Reporting has adapted Guideline 271, Employee Benefits. This standard determines the accounting treatment of pension schemes and other staff remuneration arrangements. In 2005 defined benefit plan pension obligations are calculated according to the projected unit credit method of actuarial cost allocation. Under this method, each plan member's benefits are funded as they would accrue, taking into account future salary increases. The total expected pension to which each plan member is entitled is broken down into units, each corresponding with a year of past or future credited service. For liabilities not covered by plan assets, there is an unfunded liability, for which a provision is created and presented in the balance sheet in the item "provisions".

Goodwill

Goodwill may arise on the acquisition of companies and is the difference between the cost of the acquisition and DHB Bank's share of the net assets acquired at the date of acquisition. Goodwill is deducted from equity as per acquisition date. Negative goodwill will be booked in equity as other reserve as per acquisition date.

Income

Income is attributed to the period in which it arises or in which the service was provided, with the exception of value differences in respect of trading positions stated at market value. The latter are added or charged directly to the result for the year.

Interest income and commissions from the extension of credits are not stated as income if the collection of the interest and commission is doubtful.

Operating expenses

Expenses are allocated to the period in which they arise.

Taxes

Taxes are calculated over the net profit or loss before tax on the basis of the applicable corporation tax rates, taking exempt profit items and deductible items into account. DHB Bank and its subsidiaries form a fiscal unity within Dutch tax regulations, except for Maaslust 9 Monumenten BV.

Cash flow statement

The cash flow statement gives details of the source of liquid funds, which became available during the year and the allocation of these funds. The cash flows are separated according to whether they arise from banking, investment, or financing activities. Liquid funds include cash in hand, net demand deposits with central banks and other banks. Movements in interbank deposits, loans and advances, and funds entrusted are included in the cash flow from banking activities. Investment activities cover purchases, sales, and redemptions in respect of the investment portfolio as well as investments in and sales of property and equipment. The issue of shares, the borrowing and repayment of subordinated debts and the payment of dividends are treated as financing activities.

Notes to the consolidated balance sheet and profit and loss account

Consolidated balance sheet as of 31 December 2005

	31 Dec. 2005	31 Dec. 2004
Assets		
1 Cash	130,439	35,952

This item includes all legal tender, as well as demand deposits held at the central bank in countries in which the bank is established.

2 Banks	1,204,123	897,410

This item comprises all loans and advances to banks falling under government supervision as well as to central banks, which are not included in the cash item and insofar as not embodied in the form of debt securities including fixed income securities.

The residual maturity of this item is as follows:

• payable on demand	93,835	10,488
• three months or shorter	260,558	336,908
• longer than three months but not longer than one year	731,223	492,839
• longer than one year but not longer than five years	117,926	56,588
• longer than five years	581	587
	1,204,123	897,410

This item includes pledged funds amounting to 134,738 , of which 57,040 serve as collateral for some swap transactions, 70,350 serve as collateral for Credit Default Swap transactions and 7,348 serve as collateral for cash loans.

There are no subordinated loans or advances granted to banks.

3 Loans and advances	431,155	367,079

The residual maturity of loans and advances is as follows:

• three months or shorter	83,622	80,361
• longer than three months but not longer than one year	112,085	137,326
• longer than one year but not longer than five years	217,610	136,650
• longer than five years	17,838	12,742
	431,155	367,079

The total amount of loans and advances to members of the Executive Board and members of the Supervisory Board as at balance sheet date is 317 (2004: 933). This amount consists mainly of unsecured overdraft loans with an interest rate in a range of 4,35% and 6%.

There are no subordinated loans granted to customers.

	31 Dec. 2005	31 Dec. 2004
4 Interest-bearing securities	475,313	534,524

Interest-bearing securities consist mostly of Eurobonds and Treasury bills issued by the Turkish government, which are listed on organized exchanges and Credit Linked Notes issued by top-Tier European banks, linked to Turkey sovereign risk. The interest-bearing securities not issued by Turkish government or not linked to Turkey sovereign risk amount to 67,280 (2004: 34,404).

Interest-bearing securities can be broken down into:		
• investment portfolio	470,902	523,040
• trading portfolio	4,411	11,484
	475,313	534,524

The average effective yield of interest-bearing securities belonging to investment portfolio is 6,83% (2004: 7,24%).

The investment portfolio developed as follows:		
Opening balance	523,040	388,278
• purchases	172,362	371,630
• sales	(102,411)	(80,757)
• repayments	(136,265)	(152,924)
• revaluations	14,176	(3,187)
Closing balance	470,902	523,040

The Securities in the investment portfolio amounting to 1,000 serve as collateral for our facilities with the Dutch Central Bank. This item also includes pledged securities amounting to 247,000, which serve as collateral for repo transactions.

5 Intangible assets

The changes in this balance sheet item are as follows:

	Concessions, licenses and intellectual property
Balance sheet value as of 1 January 2005	3,258
Investments	216
Amortization	881
Balance sheet value as of 31 December 2005	2,593
Cumulative amortization and value adjustments	1,958

Investments in intellectual property in 2005 represent expenditures made in relation to miscellaneous standalone software programs such as needed for Customer Relationship Management (CRM).

6 Property and equipment

The changes in this balance sheet item are as follows:

	Buildings in use by the bank	Other fixed assets	Total
Balance sheet value as of 1 January 2005	10,676	2,210	12,886
Investments	5,154	1,438	6,592
Depreciation	511	982	1,493
Balance sheet value as of 31 December 2005	15,319	2,666	17,985
Cumulative depreciation and value adjustments	3,620	7,903	11,523
Cumulative revaluations	176	–	176

The buildings partly serve as collateral for mortgage loans received.

Investments in 2005 includes the value of the building at Parklaan 9 in Rotterdam which is owned by Maaslust 9 Monumenten BV and used by the bank under a rent contract for an indefinite period. Maaslust 9 Monumenten BV is a subsidiary in which DHB Bank has full control.

	31 Dec. 2005	31 Dec. 2004
7 Prepayments and accrued income	38,602	94,839

This includes the prepayments for costs to be charged to following periods, as yet un-invoiced amounts still to be received and the accrued interest as well as the net positive value on forward foreign exchange contracts.

Liabilities

	31 Dec. 2005	31 Dec. 2004
8 Banks	329,566	89,419

This includes the non-subordinated amounts owed to banks insofar as not embodied in debts evidenced by certificates.
The residual maturity of this item is as follows:

• payable on demand	2,070	30,194
• three months or shorter	241,215	15,220
• longer than three months but not longer than one year	84,767	40,617
• longer than one year but not longer than five years	1,514	1,959
• longer than five years	–	1,429
	329,566	89,419

The average interest rate on long term borrowings from banks is 5,87% (2004: 4,70%).

	31 Dec. 2005	31 Dec. 2004
9 Funds entrusted	1,692,254	1,627,411

Included under this item are all non-subordinated debts, insofar as they are not amounts owed to banks or embodied in debts evidenced by certificates.

This item is made up as follows:		
• savings accounts	1,600,087	1,543,599
• other funds entrusted	92,167	83,812
	1,692,254	1,627,411

The residual life of the savings accounts is as follows:		
• payable on demand	1,087,084	1,047,436
• three months or shorter	112,774	102,020
• longer than three months but not longer than one year	213,996	230,541
• longer than one year but not longer than five years	186,203	163,555
• longer than five years	30	47
	1,600,087	1,543,599

The residual life of the other funds entrusted is as follows:		
• payable on demand	50,517	50,258
• three months or shorter	8,687	4,810
• longer than three months but not longer than one year	9,699	21,192
• longer than one year but not longer than five years	13,716	1,005
• unspecified	9,548	6,547
	92,167	83,812

10 Other liabilities	8,376	8,283

This item comprises current taxes payable and other amounts which cannot be classified with any other balance sheet items.

11 Accruals and deferred income	62,695	19,310

Stated under this item are prepayments received in respect of profits attributable to following periods and amounts still to be paid such as accrued interest, as well as the net negative value on forward foreign exchange contracts.

	31 Dec. 2005	31 Dec. 2004
12 Provisions	1,841	277

Provisions relate to deferred taxation, defined benefit plan pension obligations and rent obligations of closed branches in Utrecht and London.

Provision for deferred taxation relates mainly to intangible assets and will mature within 5 years. The movements in 2005 are as follows:

	31 Dec. 2005	31 Dec. 2004
Opening balance	277	386
Addition	40	–
Release	89	109
Closing balance	228	277

In 2005 defined benefit plan pension obligations are calculated according to the projected unit credit method of actuarial cost allocation and are of long term nature.

The market value of plan assets has been set equal to the actuarial reserves with the insurance company. The actuarial reserves are the present value of the service pro rate benefits administered by the insurer.

The actuarial assumptions used for the valuation are as follows:

• discount rate	4,25 %
• expected return on plan assets	3,59 %
• collective salary increase rate	1,50 %
• social security increases	1,50 %
• pension increases	1,50 %

Defined benefit obligation	2,516
Market value of plan assets	(1,563)
Funded status as per 31 December 2005	953

The movements in pension liabilities can be explained as follows:

Opening balance 1 January 2005	903
• Service cost	179
• Interest cost	103
• Return on assets	(59)
• Benefits paid	–
• Plan participant's contribution	–
• Employer's contribution	(173)
Closing balance 31 December 2005	953

The net total movement amounting to 50 is presented in the item pension costs.

13 Own funds

We refer to notes of the company balance sheet for this item.

Off-balance sheet contingent liabilities and commitments and risks

	31 Dec. 2005	31 Dec. 2004
14 Contingent liabilities	178,561	167,464
This includes all liabilities arising from transactions in which the bank has guaranteed the commitments of third parties.		
The contingent liabilities can be broken down into liabilities in respect of:		
• credit-substitute guarantees (Credit Default Swaps)	110,000	70,000
• credit-substitute guarantees (Credit Linked Notes)	20,000	27,500
• non-credit-substitute guarantees	4,944	8,895
• irrevocable letters of credit	23,617	41,069
• irrevocable commitments	20,000	20,000
	178,561	167,464
The contingent liabilities by concentrations of geographical regions can be specified as follows:		
• The Netherlands	1,129	795
• Turkey	144,546	122,869
• Rest of Europe	31,123	12,008
• Other	1,763	31,792
	178,561	167,464

Concentrations of credit risks

	31 Dec. 2005	31 Dec. 2004
The loans and advances to customers can be specified by kind of risk as follows:		
• Loans guaranteed by banks	28,445	41,631
• Loans secured by mortgage	11,672	15,132
• Loans guaranteed by third parties, secured by cash collateral	79,311	63,738
• Other loans	311,727	246,578
	431,155	367,079
Banks, loans and advances and interest-bearing securities by concentrations of geographical regions can be specified as follows:		
• The Netherlands	86,798	135,289
• Turkey	1,349,270	1,278,616
• Rest of Europe	359,702	247,015
• Other	314,821	159,877
	2,110,591	1,820,797

Assets are assigned to geographical regions using concepts of ultimate ownership and derived country risk.

Liquidity risk

Liquidity risk is centrally managed by the treasury department daily for all currencies in accordance with Dutch Central Bank guidelines. The Department makes use of core banking application fund flow data for this purpose. Within this context liquidity position on consolidated basis is calculated weekly and monthly and reported to Dutch Central Bank every month.

Currency risks

As of 31 December 2005, the total euro equivalent of assets in foreign currencies is 1.2 billion (2004: 798 million), while the total euro equivalent of liabilities in foreign currencies is 294 million (2004: 100 million). The bank enters into forward foreign exchange to cover currency positions. The net currency risk exposure is 746 thousand as of 31 December 2005 (2004: 2.6 million).

Financial instruments

Currency swaps and interest rate swaps are used to hedge currency risk positions and interest risk positions respectively.

The following table gives numerical information about the use of derivatives, detailing types of derivatives and credit risks.

The table illustrates the relative importance of the various types of derivative products, showing the notional amounts at year-end 2005. Notional amounts represent units of account which, in respect of derivatives, reflect the relationship with the underlying assets. What they do not reflect, however, are the credit risks assumed by entering into derivatives transactions.

The positive replacement cost represents the maximum loss that DHB Bank would incur on its derivatives transactions if all its counter parties at year-end defaulted. This replacement cost can and will fluctuate from day to day due to changes in the value of the underlying assets.

The unweighted credit equivalents are the positive replacement cost added with the potential credit risk.

The weighted credit equivalents are the unweighted credit equivalents multiplied by weighting factors determined in accordance with standards of the supervisory authorities and are dependent on the nature and remaining maturity of the contracts.

	Notional Amount			Positive Replacement Cost
	< 1 year	1-5 year	> 5 year	
OTC currency contracts				
Forwards	–	–	–	–
Swaps	984,066	21,449	–	1,059
Options	–	–	–	–
Total	984,066	21,449	–	1,059

	Credit equivalent 31 December 2005		Credit equivalent 31 December 2004	
	Unweighted	Weighted	Unweighted	Weighted
OTC currency contracts				
Forwards	–	–	7	1
Swaps	11,114	2,223	71,514	14,304
Options	–	–	115	23
Total	11,114	2,223	71,636	14,328

Consolidated profit and loss account for the financial year 2005

	2005	2004
15 Interest income	105,253	93,221
This includes income arising from the lending of funds and related transactions as well as commissions and other income which have the character of interest.		
This item comprises interest and similar income from:		
• banks and loans and advances	58,615	57,520
• interest-bearing securities	46,638	35,701
	105,253	93,221
16 Interest expense	62,703	57,481
Included here are the costs arising from the borrowing of funds and related transactions as well as other charges which have the character of interest.		
17 Commission income	11,120	8,046
This amount comprises the income from fees received in respect of banking services supplied to third parties insofar as these do not have the character of interest. This relates primarily to export finance activities and money transfer services.		
18 Commission expense	837	532
This concerns the expenses paid in respect of fees for banking services supplied by third parties insofar as these do not have the character of interest.		
19 Result on financial transactions	2,752	1,137
This item consists of:		
• result from exchange rate differences	(10)	635
• results from securities trading transactions	2,762	502
	2,752	1,137

	2005	2004
20 Other income	417	–

This item includes income on sale of software, sale of company cars and other incidental income.

Segmentation of income

The total of interest income, commission income, result on financial transactions and other income by geographical areas is as follows:

	2005	2004
• The Netherlands	4,093	9,645
• Turkey	74,979	60,053
• Rest of Europe	21,150	25,218
• Rest	19,320	7,538
	119,542	102,454

	2005	2004
21 Staff costs	19,000	16,721

The staff costs comprise:

	2005	2004
• wages and salaries	15,123	13,575
• pension costs	1,212	626
• other social costs	2,014	2,020
• other staff costs	651	500
	19,000	16,721

The average number of full-time equivalents in 2005 was 301 (2004: 279).
The employees were employed as follows:

	2005	2004
• in the Netherlands	169	158
• outside the Netherlands	132	121
	301	279

Remunerations of directors and supervisory board members

The remunerations (including pension costs) of current and former members of the Executive Board of Directors amounted in 2005 to 2,799 (2004: 2,163).

The remuneration of the members of the Supervisory Board amounted in 2005 to 311 (2004: 317).

	2005	2004
22 Amortization/depreciation	2,374	2,465

For a breakdown of this item, we refer to the overviews of changes in the intangible and tangible assets.

23 Value adjustments to receivables	720	335

This item reflects the net amount of the additions to and the release from the specific provision for loans and advances to customers.

24 Tax on result on ordinary activities	7,846	6,191

This item concerns all tax charges for the financial year in respect of the ordinary operating income stated in the profit and loss account. The tax charged is calculated taking into account the difference of tax treatment between trade balance and tax balance while taking tax exempt items into account. The tax amount of 2005 is higher than the Dutch tax rate of 31,5%. This is due to higher tax rate of 39,9% in Germany and lower tax rate of 33,99% in Belgium. As a result, the effective tax rate ended up with 33,18%.

Related party transactions

Parties are considered to be related, if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions or if majority of the shares of the parties are owned by the same shareholder. The related parties consist of C group and Halk group. C group companies are C Kredi ve Kalkınma Bankası A.Ş., OJSC Demir Kazakhstan, Demir Kyrgyz International Bank, HCBG Holding BV, C International NV, C International Belgium S.A., C Faktoring A.Ş., C Yatırım Holding A.Ş. and C Menkul Değerler A.Ş. Halk group companies consist of Türkiye Halk Bankası A.Ş. and Halk Finansal Kiralama A.Ş.

During the year, the bank entered into a number of transactions, mainly short-term, with related parties in the normal course of business. All of these transactions were carried out at arms-length pricing and within the limits and the regulatory guidelines set by the supervisory bodies.

The outstanding balances with related parties at the year end, and related expense and income for the year are as follows:

	2005	2004
Assets		
Due from banks	27,513	97,582
Loans and advances	55,536	52,028
Interest-bearing securities	–	2,570
Liabilities		
Due to banks	943	15,283
Funds entrusted	12,354	14,309
Contingent Liabilities		
Letter of credits	1,211	13,603
Guarantees	1,491	4,133
Irrevocable commitments	20,000	20,000
Interest income	4,047	6,819
Interest expense	1,318	1,231
Commission income	272	937
Commission expense	36	30

Fair value of financial instruments

Fair value is the amount at which a financial instrument can be exchanged in transactions between two parties, but it should not be a forced sale or liquidation. Most of DHB Bank's assets, liabilities and off-balance sheet items are financial instruments. The fair value is best reflected by a quoted market price. However, the majority of financial instruments are not traded, since there is no market for them. For these non-marketable products such as loans and advances, funds entrusted and OTC derivatives it is difficult to determine the fair value.

For these instruments estimation techniques are used, which are subjective and include assumptions, such as the period these financial instruments will be held, the timing of future cash flows and the discount rate to be applied.

The calculation of approximate fair values is based on market conditions at a specific point in time and may not reflect future fair values. Since the fair values are highly subjective, these are not comparable with fair values of other financial institutions.

	31 December 2005		31 December 2004	
	Book value	Fair value	Book value	Fair value
Assets				
Cash	130,439	130,439	35,952	35,952
Banks	1,204,123	1,213,205	897,410	903,173
Loans and advances	431,155	436,552	367,079	375,355
Interest-bearing securities	475,313	513,425	534,524	570,505
Currency and interest rate contracts	–	–	58,557	61,030
Total	2,241,030	2,293,621	1,893,522	1,946,015

	31 December 2005		31 December 2004	
	Book value	Fair value	Book value	Fair value
Liabilities				
Banks	329,566	330,795	89,419	89,707
Funds entrusted	1,692,254	1,705,266	1,627,411	1,639,992
Currency and interest rate contracts	40,204	39,963	1	1
Total	2,062,024	2,076,024	1,716,831	1,729,700

Company balance sheet as of 31 December 2005
(after proposed appropriation of the result)

	31 Dec. 2005	31 Dec. 2004
Assets		
Cash	130,439	35,952
Banks	1,204,123	897,410
Loans and advances	438,477	368,040
Interest-bearing securities	475,313	534,524
Intangible assets	2,502	3,236
Property and equipment	12,934	12,856
Prepayments and accrued income	37,957	94,510
	2,301,745	1,946,528
Liabilities		
Banks	329,566	89,419
Funds entrusted	1,692,414	1,627,484
Other liabilities	8,272	8,251
Accruals and deferred income	62,632	19,310
Provision for participating interests in group companies	1,542	539
Provision for deferred taxation	1,841	277
	2,096,267	1,745,280
Paid-in and called-up capital	113,445	113,445
Revaluation reserve	176	219
Legal reserve	2,593	3,258
Other reserves	73,462	73,555
Net result for the financial year	15,802	10,771
Own funds	205,478	201,248
	2,301,745	1,946,528
Contingent liabilities	178,561	167,464

Company profit and loss account for the financial year 2005

	31 Dec. 2005	31 Dec. 2004
Company net profit	16,282	11,095
Net profit subsidiaries	(480)	(324)
Consolidated net profit	15,802	10,771

DHB Bank has concluded with Maaslust 9 Monumenten BV a rent contract for a real estate in Rotterdam for an indefinite period with a two months notice period.

Notes to the company balance sheet and profit and loss account

General

The company balance sheet and profit and loss account include only the figures of the DHB Bank. The financial statements of our subsidiaries, DHB Hypotheken & Verzekeringen BV, Best CreditLine BV and Maaslust 9 Monumenten BV, are excluded. Please refer to the notes of the consolidated balance sheet for any items besides mentioned in this section.

The related parties mentioned in the balance sheet consist of C group and Halk group.

The group companies consist of DHB Hypotheken & Verzekeringen BV, Best CreditLine BV and Maaslust 9 Monumenten BV.

	31 Dec. 2005	31 Dec. 2004
Assets		
Banks	1,204,123	897,410
This item is made up as follows:		
• related parties	27,513	97,582
• group companies	–	–
• others	1,176,610	799,828
Loans and advances	438,477	368,040
This item is made up as follows:		
• related parties	55,536	52,028
• group companies	23,173	6,098
• others	359,768	309,914
Prepayment and accrued income	37,957	94,510
This item is made up as follows:		
• related parties	743	742
• group companies	645	329
• others	36,569	93,439
Liabilities		
Banks	329,566	89,419
This item is made up as follows:		
• related parties	943	15,283
• group companies	–	–
• others	328,623	74,136
Funds entrusted	1,692,414	1,627,484
This item is made up as follows:		
• related parties	12,354	14,309
• group companies	406	129
• others	1,679,654	1,613,046
Other liabilities	8,272	8,283
This item is made up as follows:		
• related parties	–	–
• group companies	104	–
• others	8,168	8,283
Accruals and deferred income	62,632	19,310
This item is made up as follows:		
• related parties	29	13
• group companies	63	–
• others	62,540	19,297

Participating interests in group companies

Development:	2005	2004
Opening balance	(539)	46,666
• Capital investment	(523)	(46,881)
• Net profit subsidiaries	(480)	(324)
Closing balance	(1,542)	(539)

Participating interests in group companies consist of DHB Hypotheken & Verzekeringen BV, Best CreditLine BV and Maaslust 9 Monumenten BV.

DHB Bank guarantees all liabilities of DHB Hypotheken & Verzekeringen BV, Best CreditLine BV and Maaslust 9 Monumenten BV by giving a 403 declaration.

	31 Dec. 2005	31 Dec. 2004
Own funds	205,478	201,248

The movements in equity can be summarized as follows:

	Paid-in and called-up capital	Revaluation reserve	Legal reserve	Other reserves	Net result for the financial year	Total
Balance as of 1 January 2004	113,445	219	3,591	63,890	9,332	190,477
Addition to				9,665		9,665
Release from			(333)		(9,332)	(9,665)
Profit for the year 2004					10,771	10,771
Balance as of 31 December 2004	113,445	219	3,258	73,555	10,771	201,248
Balance as of 1 January 2005	113,445	219	3,258	73,555	10,771	201,248
Addition to				10,678		10,678
Release from		(43)	(665)		(10,771)	(11,479)
Dividend paid out				(10,771)		(10,771)
Profit for the year 2005					15,802	15,802
Balance as of 31 December 2005	113,445	176	2,593	73,462	15,802	205,478

Referring to art. 67c, 1 f of the Dutch Civil Code, the authorized capital amounts to 227 million (NLG 500 million). According to the Articles of Association the shares are subdivided into 500,000 shares, out of which 250,000 shares have been issued and fully paid up.

The additions to other reserves are shown in the following table:

• Release from net profit 2004	10,771
• Release from legal reserve	665
• Negative goodwill group company	102
• Release surplus corporate tax provision 2003	3
• Release from revaluation reserve to other reserve	43
• Adjustment of deferred tax assets and liabilities of Germany 2004	(3)
• Deficit defined benefit plan pension obligations till 1 January 2005	(903)
	10,678

According to the new accounting standard for pensions, as of January 1, 2005 defined benefit pension obligations are calculated for the first time, therefore the pension deficit till January 1, 2005 amounting to 903 has been deducted from the other reserves.

Rotterdam, March 31, 2006

Supervisory Board:

Dr. Halit Cıngıllıoğlu (Chairman)
İmre Barmanbek (Vice Chairperson)
Drs. Jan Th. Groosmuller
Tufan Darbaz
İsmail Hasan Akçakayalıoğlu
Theodoor Joseph Bark
Abram Rutgers (until March 31, 2006)
Hasan Cebeci
Erol Berktaş

Executive Board:

Merdan Araz
Hans J. Ph. Risch (until March 31, 2006)
Kayhan Acardağ

Other Information

Profit appropriation

The profit appropriation has been proposed in conformity with article 21 of the Articles of Association, which states:

1. The company may make distributions to the shareholders and other persons entitled to the distributable profits only to the extent that the company's shareholders' equity exceeds the paid-up and called-up part of the company's capital, plus the reserves which must be maintained under the law.

2. The profits evidenced by the profit and loss accounts adopted by the general meeting of shareholders shall be at the disposal of the general meeting of shareholders.

3. The management may resolve to distribute an interim dividend against the dividend to be expected in respect of the financial year concerned, if the requirement of paragraph 1 has been met and this is evidenced by an interim net equity statement, showing the position of the own equity on, at the earliest, the first day of the third month prior to the month in which the resolution to make a distribution is announced.

4. There shall be no distribution of profits in favor of the company on the shares of depositary receipts issued therefore which the company has acquired in its own capital.

5. In computing the distribution of profits, the shares or depositary receipts issued therefore on which no distribution shall be made in favor of the company in pursuance of the provisions of paragraph 4 above, shall be disregarded.

6. The right to receive dividend shall be precluded by the lapse of five years, to be calculated from the day on which such a distribution became payable.

Prior to approval by the General Meeting of Shareholders, the Board proposes that the net profit of 15,802 be distributed as follows:

Dividend 100%	15,802
Addition to the other reserves	–
	15,802

Auditor's Report

Introduction

We have audited the annual report of Demir-Halk Bank (Nederland) NV, Rotterdam, for the year 2005. This annual report is the responsibility of the company's management. Our responsibility is to express an opinion on this annual report based on our audit.

Scope

We conducted our audit in accordance with auditing standards generally accepted in the Netherlands. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the annual report is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the annual report. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the annual report. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, the annual report gives a true and fair view of the financial position of the company as at 31 December 2005 and of the result for the year then ended in accordance with accounting principles generally accepted in the Netherlands and comply with the financial reporting requirements included in Part 9 of Book 2 of the Netherlands Civil Code.

Furthermore we have established to the extent of our competence that the report of the executive board is consistent with the company's annual report.

Amstelveen, March 31, 2006

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DEMİR-HALK BANK (NEDERLAND) N.V.

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