DHB BANK

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

ANNUAL REPORT 2007

CONTENTS

Dear reader,

You would notice that children drawings constitute the main design of our 2007 Annual Report, as was the case for the past 3 years. For the first time reader, we would like to give some explanation on our selection of this design, which will be adopted in all our future reports.

For the past nine 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, generally 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 that 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, for which the theme in 2007 was “amusement parks”. What we are presenting to you in our report 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.

The shareholder structure of DHB Bank, since September 20, 2005, is as follows: 70% of the shares are held by HCBG Holding BV, while the remaining 30% are continued to be owned by Türkiye Halk Bankası A.Ş.

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 70% and 30% stakes respectively.

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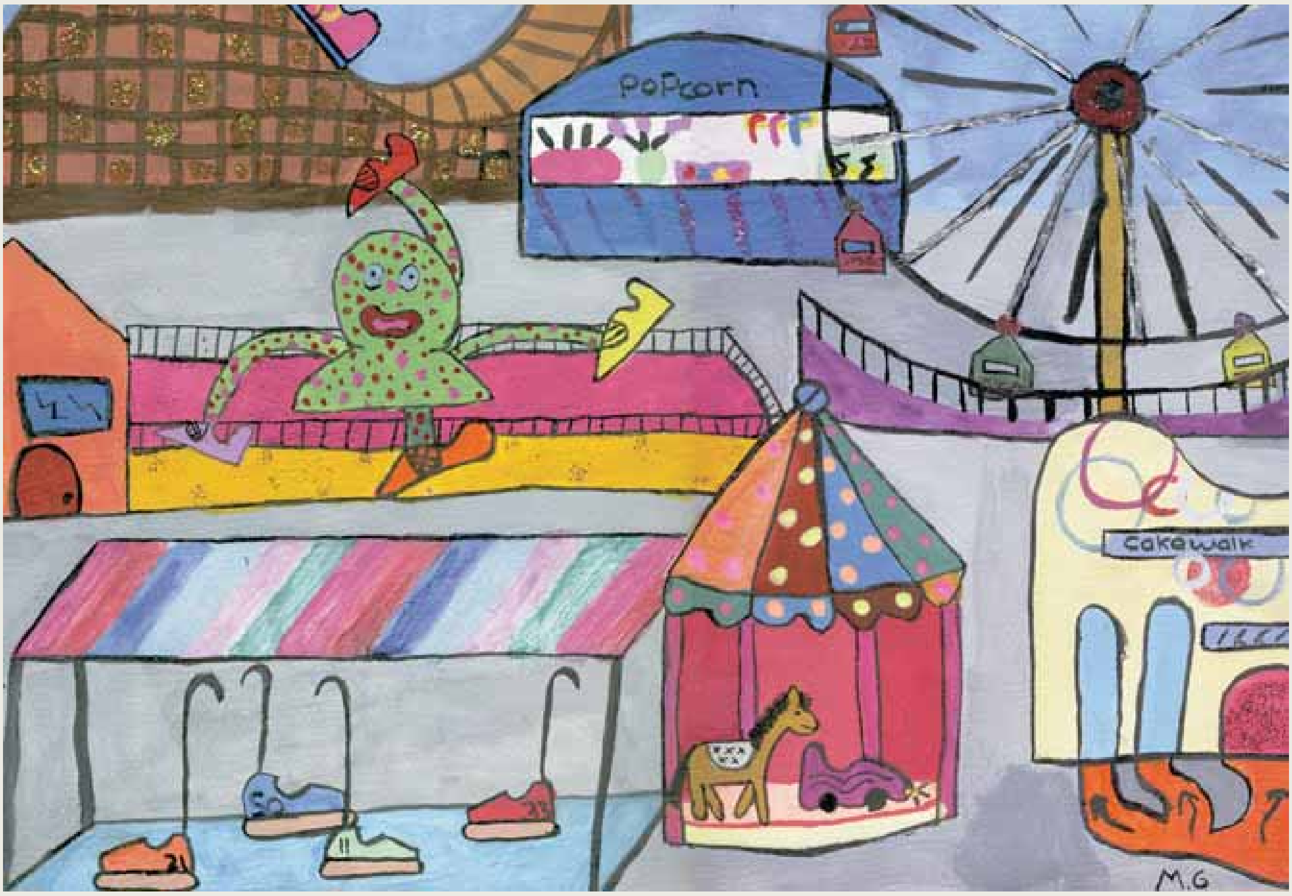
HCBG Holding BV, whose principal business activity is to act as a finance holding company, is 100% owned by Dr. Halit Cıngıllıoğlu. In addition to his indirect participation in DHB Bank, Dr. Cıngıllıoğlu had direct interest in other banks, namely Demir Kyrgyz International Bank OJSC and Demir Kazakhstan Bank; the latter being sold to Bank Pozitif Kredi ve Kalkınma Bankası A.Ş. on November 20, 2007.

DHB Bank holds a Ba1 long-term bank deposits credit rating from Moody's Investor Services assigned in November 2007.

Seval Baringan, 1st prize, 10-12 year category

FINANCIAL HIGHLIGHTS

CONSOLIDATED	2007 (EUR 000)	2006 (EUR 000)	2005 (EUR 000)
TOTAL ASSETS	1,909,012	2,122,879	2,300,210
LOANS&ADVANCES	631,586	561,862	431,155
FUNDS ENTRUSTED	1,521,615	1,632,667	1,692,254
SHAREHOLDERS' EQUITY	211,612	204,687	205,478
NET INTEREST INCOME	42,923	47,284	42,550
NET COMMISSION INCOME	9,358	10,283	10,283
RESULT AFTER TAX	18,683	15,011	15,802
BIS RATIO (%)	20.09	21.48	25.06
NUMBER OF EMPLOYEES (DECEMBER 31)	241	298	317
NUMBER OF BRANCHES (INCLUDING 3 OFFICES OPENED IN 2007)	14	11	11



Melisa Aleyna Güleğlen, 2nd prize, 10-12 year category

REPORT OF THE SUPERVISORY BOARD

We are pleased to present the financial statements of Demir-Halk Bank (Nederland) NV-DHB Bank-for the year ending December 31, 2007. 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 are pleased to present the financial statements of Demir-Halk Bank (Nederland) NV-DHB Bank-for the year ending December 31, 2007. 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 2007 and the proposal for the appropriation of the financial result. Pursuant to article 20, paragraph four 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 were also regularly attended by representatives of the Executive Board, the Chief Internal Auditor, as well as the representative of the external auditor, KPMG Accountants NV. The Audit Committee, among other subjects, monitored the preparations of the bank for the requirements posed by the Basel II Capital Accord.

The Supervisory Board has also regularly taken up issues such as budgeting and planning, the financial developments in the bank's operating markets as well as in the globe.

Mr. Tufan Darbaz who has served for a long time in the Supervisory Board as a member, left his position as of March 30, 2007. We would like to thank him for the support he has shown to our bank's operations.

Mr. Erol Berktaş, representing Türkiye Halk Bankası A.Ş. at the Supervisory Board as a member, left his position as of November 4, 2007, following his assignment to the Board of the Banking Regulatory and Supervision Agency (BRSA), Turkey's banking supervisory body. We would like to thank him for his contribution during his tenure and wish him success in his new position.

Mr. Merdan Araz, who established the bank in 1992 and served at the Executive Board as Senior General Manager, left his position as of October 31, 2007. On this occasion, we would like to thank him for his invaluable services, contributions and dedication, which helped DHB Bank reach its status of respectable and full fledged financial institution today.

The Senior General Manager position has been taken up by Mr. Selçuk Şaldırak on November 19, 2007, an experienced banker who has lately held a position with HCBG Holding BV after having served in the Romanian banking sector at top executive levels. We wish him success in his ongoing contributions and inputs.

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 28, 2008

Dr. Halit Cıngıllıoğlu (Chairman)
Hasan Cebeci (Vice Chairman)
Drs. Jan Th. Groosmuller
İsmail Hasan Akçakayalıoğlu
Theodoor Joseph Bark
Hans J. Ph. Risch

GOVERNING BODIES

Supervisory Board

Dr. Halit Cıngıllıoğlu, Chairman

Mr. Hasan Cebeci, Vice Chairman

Drs. Jan Th. Groosmuller, Member

Mr. Tufan Darbaz Member (until March 30, 2007)

Mr. İsmail Hasan Akçakayalıoğlu Member

Mr. Theodoor Joseph Bark, Member

Mr. Erol Berktaş, Member (until November 4, 2007)

Mr. Hans J. Ph. Risch, Member

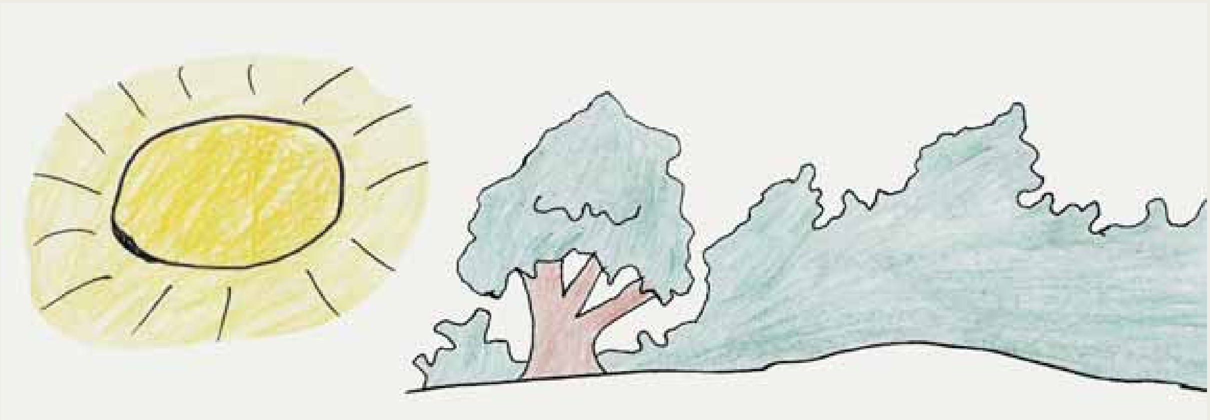
Executive Board

Mr. Merdan Araz, Senior General Manager (until October 31, 2007)

Mr. Selçuk Şaldırak, Senior General Manager (since November 19, 2007)

Mr. Kayhan Acardağ, General Manager

Mr. Abram Rutgers, General Manager



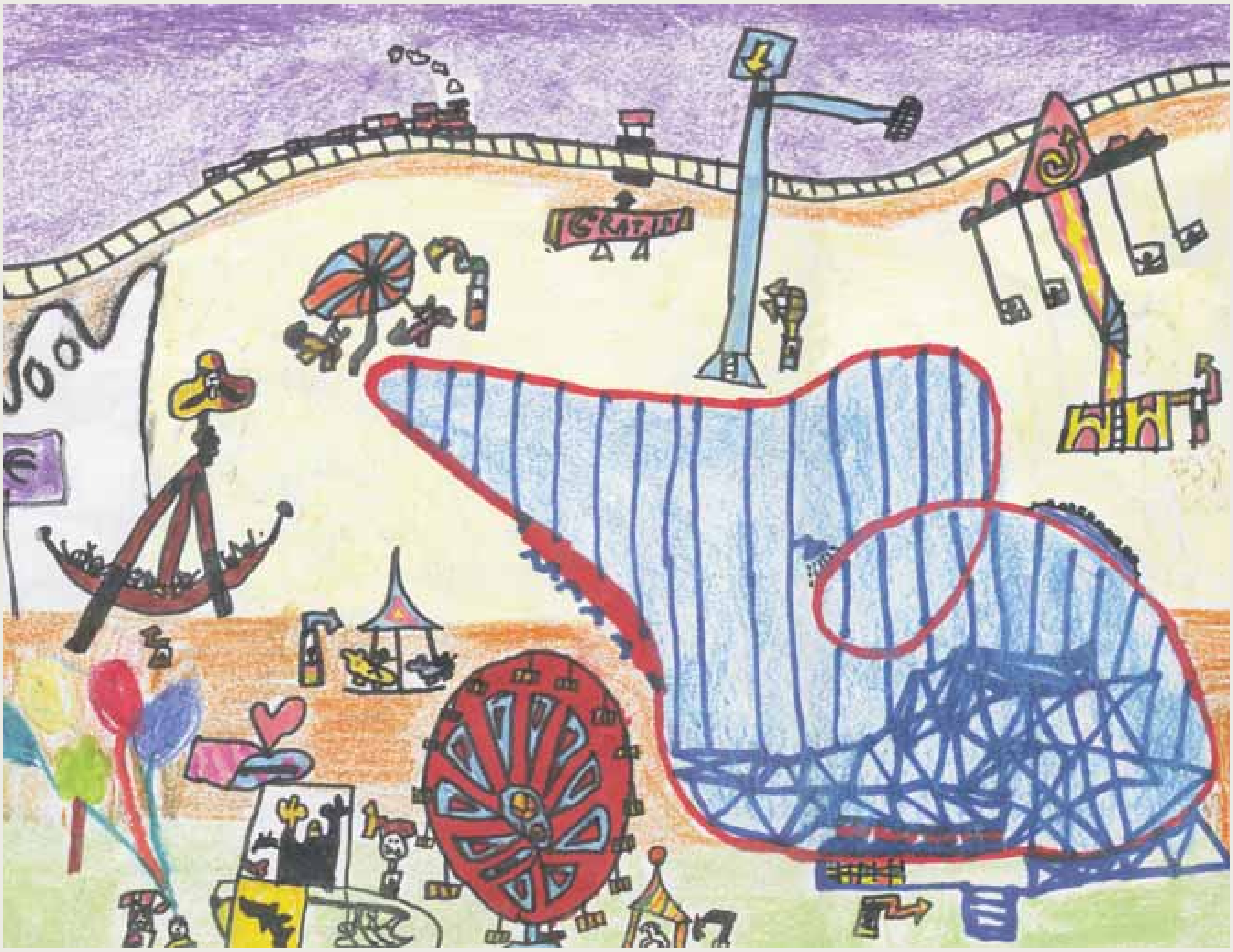
Çağrıhan Aslan, 3rd prize, 10-12 year category

REPORT OF THE EXECUTIVE BOARD

DHB Bank continued to carry on its activities during 2007 in its four core business lines; treasury activities, corporate, international and retail banking.

The 2007 balance sheet of DHB Bank represents its business model of mainly wholesale asset generation funded by retail deposits and its international banking characteristics. With a stable retail deposit base essentially from branches in the Netherlands, Germany and Belgium, the bank's asset composition in terms of product base entail primarily trade related bank assets, structured trade finance and trade related corporate placements, securities investments and consumer loans. The geographical diversification efforts undertaken a couple of years ago have also become the main framework of DHB Bank's activities on the assets side. Within the asset mix, the Turkish exposure further declined, while European exposures increased their relative share alongside the CIS (Commonwealth of Independent States), mainly Russian, Ukrainian and to a limited extent Kazakh, in which country exposure was started to be reduced in 2006 before the sub-prime crisis hit the financial markets in the summer of 2007.

DHB Bank continued to carry on its activities during 2007 in its four core business lines; treasury activities, corporate, international and retail banking. It closed the year with EUR 1,909 million in assets, representing a EUR 213.9 million decrease compared with the previous year. The decrease in the balance sheet size is mainly asset driven and illustrates the management's decision to contain the bank's expansion and growth, when sub-prime related future and ongoing problems were first signaled in the financial markets. The management had taken the initiative to adopt a more selective investment profile and refrained from aggressive growth in order to further optimize its resources and capital base, which traditionally, has been at very comfortable levels according to international standards. On the liabilities side, the bank essentially



Mazhar Göktunç Yüksel, 1st prize, 7-9 year category reduced its wholesale funding base by completely closing its repo book, and in May 2007 renewed the US$ 200 million syndicated term loan facility secured a year ago with the participation of top tier international banks. The syndicated facility currently consists of two tranches representing one and two year maturity profiles.

The own resources of the bank remain at comfortable levels despite the distribution of the previous year's net profit in 2007. With a strong EUR 211.6 million shareholders' equity, the bank is fully prepared for the Basel II regulations, having indirectly adapted its respective asset mix and capital base in the past according to local specific regulations during the Basel I period. DHB Bank has adopted the standardized approach for Pillar I and has completed and is continuing to further develop its internal capital adequacy assessment process under Pillar II. The bank is thus well-equipped to conduct its activities in its defined business lines in the years to come, while it re-aligns its investment profile according to current capital guidelines.

Funds Entrusted decreased by EUR 111 million in 2007, representing 79.7% of the liabilities with EUR 1,521.6 million versus EUR 1,632.6 million or 76.9% of total liabilities in 2006. The increase in the share of funds entrusted on the liability side is an indication of the management's decision to limit asset expansion via wholesale funding under current market conditions. Accordingly, total wholesale funding, which consists solely of the US$ 200 million syndicated term loan facility mentioned above, posted a EUR 112.5 million decline, the change stemming mostly from the closure of DHB Bank's repo book and partially from FX rates. It accounted for 7.3% of the liabilities with EUR 139.5 million (2006: 11.9% and EUR 252.1 million).

On the assets side, the Cash item that consists of all legal tender and demand deposits held at the central bank of countries in which the bank operates, maintained its approximately 2% percentage level of the total balance sheet.

The Banks item represents the highest portion of DHB's assets at the end of 2007 with a figure of EUR 803.1 million or 42.1% of the balance sheet (2006: EUR 855.9 million at 40.3%). This item primarily consists of trade related bank placements in the form of syndicated term loan facilities, the financing of letters of credit, the discounting of bills of exchange and promissory notes, as well as money market placements with top international banks; all of which contributed to the strong liquid position of the bank. Out of the total banks item, EUR 510.6 million were mainly in the form of the above mentioned trade related investments while the remainder consisted of money market and similar placements.

Taking into account the investment model of the bank, Loans and Advances, a business line that will gain in importance as Basel II and its respective implications come into play, registered an increase of EUR 69.7 million over the year, bringing the amount from EUR 561.9 million (26.5% of the balance sheet) in 2006 to EUR 631.6 million (33.1% of the balance sheet) in 2007. Of this amount, EUR 527.8 million was commercial loans, whereby participation in acquisition finance and/or project finance deals, in the form of syndicated facilities, were the main component behind the increase; exposures to European traders in the form of structured trade finance maintained their relative share. Retail lending maintained more or less its level, with EUR 103.8 million as of year end 2007, compared to EUR 104.4 million at the end of 2006.

An important development took place with regard to interest bearing securities on the assets side. The level of securities came significantly down to the EUR 344.5 million levels in 2007 from EUR 581.6 million in 2006, corresponding to 18.0% and 27.4% of assets respectively. The reduction is attributable to the restructuring of the investment portfolio in line with the adopted internal guidelines related to the liquidity squeeze in financial markets. Based on this, the management decided to offload Credit Linked Notes (CLN) under this item issued by top-tier European banks and linked mainly to Turkey sovereign risk. The overwhelming majority of interest bearing securities is held for the investment portfolio, while a mere 0.3% is kept for the trading portfolio. Of the interest bearing securities, 49.9% relate to Turkish sovereign exposure, while the majority of the remaining 50.1% consist of CIS and other related bank bonds with investment grade, along a limited exposure to Dutch sovereign, among others.

DHB Bank sold its portfolio of non-life insurance policies owned by a subsidiary of the bank, DHB Hypotheken&Verzekeringen BV, to an insurance brokerage company in the Netherlands. The management has decided not to operate in this retail line for the near future.

Property and equipment declined by EUR 1.9 million to a level of EUR 15.7 million as of year-end 2007. This was the result of the sale of the building at Parklaan 9 and the revaluation of the properties in own use. The building at Parklaan 9 in Rotterdam was owned by Maaslust 9 Monumenten BV and was used by the head office of the bank under a rent contract. The bank's head office continues its operations at Parklaan 8-12 in Rotterdam.

Net interest income decreased by 9.2% during 2007, totaling EUR 42.9 million compared with EUR 47.3 million in 2006, marked by a slight decline in interest income versus a slight increase in interest expense. This was attributable to the lowering of the balance sheet size by an approximate similar proportion, as well as to the high liquidity maintained particularly during the third and fourth quarters of the year, the peak of the financial turmoil.

Net commission income decreased by 9.0%, representing an amount of EUR 9.4 million at year-end 2007. Commission expense during this period declined by 3.3% compared with the previous year, while the commission income base of the bank decreased by 8.6%. The main reason for the decline is the comparatively low volume of confirmed letters of credit transactions handled by the bank in comparison to previous years, which was a general trend in the banking community around the world for the past couple of years, as well as the decrease of fees in some commission related transactions.

Result on Financial Transactions, consisting of exchange rate differences and the results from securities trading transactions, posted a revenue of EUR 13.3 million for DHB Bank in 2007. Of this revenue, 82.7% is related to realized profit on the sale of Credit Linked Notes made in conjunction with the structural reduction of the investment portfolio as explained above.

The increase in staff cost is attributable to compensation payments effected in relation to the reduction in the staff number and particularly to the departure of the former Executive Board member. This being a one-off development, the management expects staff costs to be significantly lower in the near future.

Other administrative expenses posted a slight reduction of EUR 0.4 million during 2007, which is the outcome of cost-cutting measures implemented starting the last quarter of 2006 and will be actualized during 2008.

Despite the volatile environment and extremely reversed market conditions of the second half of the year, DHB Bank successfully closed 2007 with increased profitability, namely 24.5% growth in the after-tax profit with an amount of EUR 18.7 million as compared with EUR 15.0 million in 2006.

DHB Bank closed the year in review with an increased gross operating profit of EUR 25.1 million compared to EUR 21.6 million in 2006, a growth of 15.6%, despite the 10.1% decline in the balance sheet size.

BANK OPERATIONS

With no sub-prime or sub-prime connected derivative exposure and while taking its strength from a stable retail funding base with contained costs, DHB Bank continued to conduct its activities in 2007 around the focus of maintaining a certain portion of its assets in liquid form or relatively short-term investments, within its generally risk-averse investment policies. This prudent approach helped the bank sail through the financial turmoil of the second half of the year completely unharmed. DHB Bank closed the year in review with an increased gross operating profit of EUR 25.1 million compared to EUR 21.6 million in 2006, a growth of 15.6%, despite the 10.1% decline in the balance sheet size.

The Executive Board made the strategic decision to offload the CLN portfolio in the bank's investment securities. In the past, this was favored for the purpose of interest rate risk and duration management, as well as their advantages in terms of currency denomination. Attributable to their comparative disadvantage in terms of market liquidity and in line with the review and corresponding restructuring process of the bank's investment portfolio in a troubled financial environment and liquidity squeeze period, the outstanding CLN portfolio of DHB Bank has been completely sold at a profit. This in turn boosted the result on financial transactions item in the income statement and is considered to be an exceptional one time profit by the management; future CLN investments, if any, will be considered within the trading portfolio.

The bank continued the development of its retail lending products in financing European residents to acquire properties in Turkey. To this end, Best Properties BV, the bank's fully owned subsidiary, continued to act as a marketing company for the sale of properties in Turkey to residents of the Netherlands, Germany and Belgium. In order to support consumer loan activities, three offices have been opened in Belgium, namely in Liege, Charleroi and Gent.

İlyas Durak, 2nd prize, 7-9 year category

The bank continued the development of its retail lending products in financing European residents to acquire properties in Turkey. In order to support consumer loan activities, three offices have been opened in Belgium, namely in Liege, Charleroi and Gent.

Stichting Bewaarfonds, a foundation established in 2006 as a separate legal entity, continued to provide custodian services to the customers of the bank.

The bank has utilized an optimization program for the past two years to improve its efficiency. This has resulted in a reduction in staff number, which at the current level is deemed to be adequate.

The bank is also intending to explore alternatives to enhance its competitiveness and improve its growth potential while maintaining a sound financial structure. Alternatives include physical expansion by the way of acquiring or establishing banks in countries that present promising and sustainable growth potential.

The Information Technology infrastructure of DHB Bank has been successfully leveraging the preparations for special projects related to legal requirements such as Basel II and Markets in Financial Instruments Directive (MiFID). It has also focused on operational needs such as TARGET II (Trans-European Automated Real-time Gross Settlement Express Transfer System) and SEPA (the Single Euro Payments Area), while maintaining its effective information security applications. Already a member of TARGET, during 2007 DHB Bank has been preparing for the implementation of TARGET II and as of February 18, 2008, has also become a direct participant in this payment mechanism with the accordingly inclusion of the Netherlands. As of January 19, 2008, DHB Bank has also become accessible via SEPA.

Under the heading of financial reporting, DHB Bank postponed until end-2009 its previous plans of releasing IFRS-based financial figures. This is related to the bank's implementation of Basel II, putting more emphasis on effective risk, financial and capital management systems (with focus on capital allocation, pricing, performance measurement and budgeting). Despite the change in the schedule and although not legally required, the bank plans to continue its IFRS preparations so as not to lose momentum in this respect.

Wholesale Business

The key aspect of DHB Bank's 2007 financial statements in terms of wholesale banking is a geographically diversified asset composition.

In terms of geographical coverage, the bank's move toward diversification continued at full speed in the fields of trade finance, bank investments and corporate lending activities. Particularly in Russia and Ukraine an increase in both number and size of commercial transactions and counterparties was observed. Although Turkey remains an important market for DHB Bank, Turkish assets (that includes exposure to institutions with ultimate Turkish ownership) declined to 42.5% of total interest earning assets in 2007, down from 52.1% in 2006. In terms of direct country exposure, Turkish assets maintained more or less their level with 35.4% of total interest earning assets in 2007, compared with 32.4 % in 2006.

In terms of assets mix, bank exposures have maintained more or less stable levels with 42.2% of the assets. Exposures in loans and advances have been expanded by 12.3% under a risk/return perspective shaped by new market conditions and the advent of Basel II, while interest bearing securities were reduced by 40.8 % within the same context.

The balance sheet also reveals the management's decision to constraint balance sheet expansion within the framework of wholesale banking due to prevailing market conditions during the year. Accordingly, interest earning assets were further reduced by EUR 221.1 million compared to figures from the previous year. This is the result of the strategic decision in 2006 to limit asset-driven expansion supported by wholesale funding through repo transactions. In view of this, the bank's repo book was completely closed down during 2007.

Investments for corporate assets in the form of syndicated facilities for acquisition finance and/or project finance deals in Turkey and Russia have been a business area that were further developed during 2007.

Structured trade finance activities first entered into in 2004 were continued at an intensified pace during 2007 with a larger number of prominent 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 short-term transactions.

DHB Bank's special focus on customer care, supported by its CDCS-certified trade finance experts and service oriented client advisor teams, is reflected in the form of strong relationships with prime commodity traders and corporate customers alike. In 2007, the bank put further emphasis on structured trade finance and commodity trade business and increased both the number of customers in this area and the respective turnover.

DHB Bank continued to be an active lender both in the primary and in the secondary market for syndicated loans on a selective basis and in particular pre-export financing facilities along with corporate syndications mainly in Russia and Turkey in the form of acquisition finance and/or project finance. In the primary market, the bank participated in a total of 29 syndicated facilities in seven different countries, totaling US$ 141 million, compared with 54 facilities and US$ 250 million in 2006. In the secondary market, total transaction volume was US$ 410 million, bringing the total to US$ 551 million compared to US$ 732 million in 2006.

The bank also gave further thrust to loans trading activities that were initiated at end 2006 within the Financial Institutions Department, attaining considerable volume in this area and contributing positively to the profitability of the year under review, with a US$ 1.6 million profit (2006: US$ 1.4 million).

In 2007, DHB Bank renewed its US$ 200 million syndicated term loan facility in the form of a club deal with the participation of close relationship banks and to support its trade finance operations. This deal represents a landmark for the bank in the sense that for the first time such a DHB Bank syndication carries a double tranche option.

In 2007, DHB Bank renewed its US$ 200 million syndicated term loan facility in the form of a club deal with the participation of close relationship banks and to support its trade finance operations. This deal represents a landmark for the bank in the sense that for the first time such a DHB Bank syndication carries a double tranche option (one year and two year, with the majority of lenders being in the two year tranche). The deal is also the one with the lowest cost in the history of DHB Bank, partly in parallel with market developments. American Express Bank Ltd, BayernLB Group (represented by Bayerische Landesbank and Landesbank Saar), Commerzbank Aktiengesellschaft, Dresdner Kleinwort, Erste Bank (Malta) Ltd, HSH Nordbank AG Luxembourg Branch, Intesa Sanpaolo SpA London Branch, Mashreq, Raiffeisen Zentralbank Österreich Aktiengesellschaft, Türkiye Halk Bankası A.Ş., Wachovia Bank, National Association, WestLB AG London Branch and WGZ Bank AG Westdeutsche Genossenschafts-Zentralbank, were mandated lead arrangers.

In November 2007, Moody's, for the first time, assigned a Ba1 long term bank rating for the bank's deposits credit rating, representing a notch higher compared with the former BB rating level from Fitch Ratings, which was unilaterally withdrawn by DHB Bank during the first half of the year.

Retail Operations

Retail funding continued to be the main pillar of the bank's funding base. Total retail deposits (funds entrusted, excluding commercial deposits) as of the year-end amounted to EUR 1,410.0 million (2006: EUR 1,493.6 million). The EUR 83.6 million decrease in retail deposits between 2007 and 2006 is the result of low interest rates offered in this segment compared to market rates, itself a consequence of the management's decision to restrain balance sheet expansion.

Of this EUR 1,410.0 million retails deposits, EUR 760.1 million originated in Germany, EUR 333.4 million in Belgium and EUR 316.5 million in the Netherlands. Product-wise, traditional savings deposit decreased from EUR 712.2 million to EUR 579.8 million, time deposits from EUR 805.3 million to EUR 488.2 million, while Internet-based deposits reached EUR 342.1 million from EUR 273.0 million within 2007. As such, the bank is putting additional emphasis on Internet banking, which has been progressively gaining importance in the bank's retail activities and operations.

Following the acceleration of retail deposit activities just before 2000, DHB Bank established itself as a sound counterparty and a trusted service provider in this segment. The bank's main cost of funding depends on rate developments in the Euro zone, as a result of which the general interest rate level in DHB Bank's operating area slightly increased due to tightening moves on the part of the ECB during 2007.

While consumer lending still does not account for a major portion of DHB Bank's balance sheet, the total portfolio of consumer loans maintained their approximate level in 2007, with EUR 103.8 million versus EUR 104.4 million in 2006. Granting of new flexible consumer loans, a loan type offered solely in the Netherlands, were stopped in November 2006 since the performance of this business line did not match the initial expectations of the bank. Fixed term retail loans continue to being offered in the Netherlands, Germany and Belgium.

A milestone for the bank in retail lending has been the launch of a particular mortgage product for the residents of European Union member countries, labeled Turkije Hypotheek and which is among the first of its kind offered in this segment. The bank's infrastructure for this product base was strengthened during 2007 and residents of the Netherlands, Germany, Belgium and the United Kingdom are now able to procure mortgages from DHB Bank for their real estate purchases in Turkey.

Workers remittances to both Turkey and to a limited extent Morocco continue to be a stable source of income for DHB Bank. In 2007, with 163,676 remittance transactions, a total amount of EUR 204 million was transferred (2006: EUR 245 million in 168,629 transactions), returning a commission income of EUR 1.8 million in this period versus EUR 1.7 million in 2006.

The non-life insurance policies of DHB Hypotheken&Verzekeringen BV, a wholly-owned subsidiary of DHB Bank providing insurance brokerage services and acting as an intermediary in the provision of mortgage loans in the Netherlands, were sold to a Dutch insurance brokerage company during the course of 2007. Due to the limited contributions of this subsidiary in the balance sheet and revenue of the bank, the management decided to stop brokerage services and to focus on primary retail banking activities.

Throughout the year 2007, DHB Bank was a net lender for euro-denominated money market instruments. At year-end, direct money market placements were EUR 194.4 million or 10.2% of the balance sheet.

TREASURY OPERATIONS

Liquidity and market risk management along with securities trading and investment activities have been conducted within the treasury background.

Throughout the year 2007, DHB Bank was a net lender for euro-denominated money market instruments. At year-end, direct money market placements were EUR 194.4 million or 10.2% of the balance sheet (2006: EUR 200 million and 9.4% respectively).

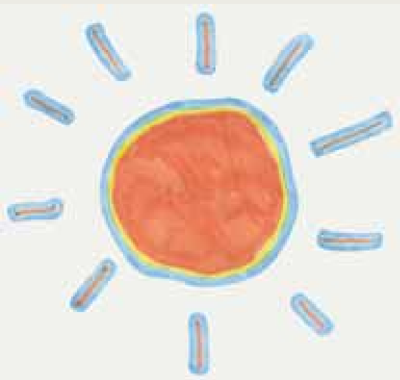
The bank's securities book was significantly reduced to EUR 344.5 million at year-end 2007, down from EUR 581.6 at year-end 2006, whereby the main decline is due to the offloading of Turkey linked CLN placements, in line with the management's decision to restrain this investment line. Of the total interest bearing securities, 99.7% were held for investment purposes while the residual balance was kept for the trading book. 49.9% of this item was related to Turkey sovereign, while the rest consisted mainly of investment grade CIS bank securities, along with a limited exposure to Dutch sovereign, among others.

Due to balance sheet composition with assets denominated largely in US$ while funding is mostly in EUR, the bank has traditionally been active in currency swaps as a euro placer and US dollar taker. The bank also continued creating Turkish lira denominated bank exposures during 2007, hedging these with its counterparts via EUR/YTL swaps, on top of various investments funded directly in New Turkish Lira.

In 2007, prompted by longer maturities on the asset side and increased volatility in the federal funds rate, interest rate swaps have also gained importance.

Seren İnce, 3th prize, 7-9 year category

The bank's risk policy characterizes a bank-wide management framework, covering all levels and defines the risk guidelines, organizational structures and responsibilities as well as methods and measures for identifying, assessing, controlling and monitoring the main risk categories to which the bank is exposed.



RISK MANAGEMENT

The long-term performance of a bank depends decisively on its ability to identify, measure, quantify and manage risk effectively, on which DHB Bank has based its respective risk management applications. The bank's risk policy characterizes a bank-wide management framework, covering all levels and defines the risk guidelines, organizational structures and responsibilities as well as methods and measures for identifying, assessing, controlling and monitoring the main risk categories to which the bank is exposed. Within this context, the bank's own capital also forms the basis and buffer for absorbing potential losses arising from those risks. In this respect, capital allocation and management constitutes an indivisible part of the risk management.

Organizational Framework

The overall responsibility for risk strategy and management at DHB Bank remains with the Executive Board, reporting to the Supervisory Board. The scope of its responsibility covers the design, implementation and ongoing improvement of the risk and capital management framework.

Active responsibility for practicing day-to-day risk management is spread across several levels under the constant monitoring of specialized units independent from risk taking units within the bank. All the concerned units report to the respective committees established within the bank, such as Credit Committee, Asset&Liability Management Committee (ALCO), Organization&Control Committee and Risk and Capital Management Committee. While monitoring the activities of the respective units, these committees also ensure the alignment of individual risk management measures. Within this context, the Internal Audit Department additionally performs an overall control function throughout different risk types.

Risk Types and their Management

Credit risk

Credit risk is defined as potential loss that may be caused by changes in the creditworthiness of or default of the counterparty. Within DHB Bank, the default risk, credit risk in a narrower sense, is managed on individual exposure and portfolio basis alike.

Credit risk also includes cross border risk (country risk) defined as loss derived from social/political/financial restrictions on the transfer of payments from abroad or the possibility of currency controls, non-recognition of foreign debts and devaluation or depreciation of a national currency.

For the management of individual risk, DHB Bank applies separate limits for all lending activities and regulates the credit approval procedures within the outlines of manuals.

The Credit Risk Policy, on the other hand, draws boarder lines for the type of products, sectors, geographical location and currency for which the Executive Board authorized the respective business lines to carry their related activities for corporate, financial institution and sovereign credits. The policy is confined to principles related to credit risk generated by the Corporate Marketing, Financial Institutions and Treasury Departments. The principles regarding credit limit authorities are laid out in Procedure in Credit Limit Settings, which is approved by the Supervisory Board. In principle, credits are granted within the authority of the Supervisory Board, however for flexibility and responsiveness, the Credit Committee has the approval authority to a certain extent, which is subject to the reporting to the Audit Committee of the Supervisory Board.

As for retail credits, the acceptance criteria are drawn up and reviewed separately by the Retail Department with the approval of the Executive Board.

The overall management of credit portfolio risk is handled with the Credit Risk Diversification Policy that provides guidelines for diversification at different dimensions where concentration can occur, i.e. country, sector, borrower and product.

The bank's Country Risk Policy is developed for all major countries to which the bank has exposure. The policy defines the guidelines for the type of products, collaterals, maximum limits, applicable add-ons and incorporates country analysis as well as country risk models that supply scorings forming the basis for the policy and country sheets.

Credit Monitoring is carried out through credit review on the individual level for each borrower and on an overall portfolio level, conducted by the Credit Appraisal and Risk Management Department reporting to the Credit Committee on a regular basis. An independent credit portfolio risk assessment is carried monthly by the Financial Risk Modeling&Assessment Department, which reports directly to the Executive Board.

Market Risk

Market risk is defined as the potential risk that may lead to loss during financial transactions due to changes in market parameters, such as interest rates, exchange rates and equity prices. Market risk therefore includes price risk, interest rate risk and currency risk.

DHB Bank makes use of a combination of risk, earnings and regulatory parameters to manage market risk. The price risk is monitored on a Value-at-Risk basis; in addition, sensitivity indicators and gap analysis perspectives are included in this particular risk management structure.

Price risk

Market price risk is the risk of changes in the fair value or the future cash flows of financial instruments resulting from changes in market prices of securities and derivatives within and outside of the trading book. The risk position is quantified with an internal Value-at-Risk (VaR) model. VaR figures within the management reporting at the bank are based on the “Monte-Carlo Simulation” method with a confidence level of 99% and a holding period of ten days.

DHB Bank makes use of a combination of risk, earnings and regulatory parameters to manage market risk. The price risk is monitored on a Value-at-Risk basis; in addition, sensitivity indicators and gap analysis perspectives are included in this particular risk management structure.

Interest rate risk

Interest rate risk is related to changes in the fair value or the future cash flows of interest-bearing financial instruments resulting from changes in market rates of interest. The bank is exposed to interest rate risk when there are differences between interest-bearing asset amounts or interest rates and liabilities in specified maturity bands. Positions are monitored closely and managed by matching the re-pricing schedules of assets and liabilities and entering into interest rate swap transactions, where required.

Currency risk

Foreign currency risk is the risk of changes in the fair value or the future cash flows of financial instruments resulting from changes in foreign currency exchange rates. The bank is exposed to currency risk since significant amounts of assets and liabilities are incurred in currencies other than the functional and reporting currency (particularly with a balance sheet structure denominated in euro on the liabilities and mostly in US dollars on the assets for DHB Bank). The management sets out the limits according to foreign currency position standards determined by the Dutch Central Bank (DNB). While currency risk is largely hedged through currency swap transactions, open positions are monitored and reviewed by the Asset&Liability Management Committee, taking actions where necessary.

Liquidity Risk

Liquidity risk is defined as the risk of being unable to meet the bank's current or future payment obligations without incurring unacceptable cost or loss. The Treasury Department is responsible for managing the liquidity risk and evaluating the positions on a daily basis. Once a week, the ALCO Committee monitors the trends in liquidity positions for different maturity ranges. Liquidity defined as available versus required is additionally reported to DNB on a monthly basis. Furthermore, the impact of possible unforeseen occurrences into the bank's liquidity situation is assessed regularly utilizing a scenario analyses. Thanks to its strong liquidity policies and positions, the recent liquidity squeeze in the markets has not affected DHB Bank.

Operational Risk

The bank defines operational risk in conformity with Basel II as the risk of unexpected loss resulting from inadequate or failed internal processes, human resources and systems or external events.

The organizational framework, the segregation of duties of involved units and the independent control mechanisms in the bank guarantee a sound and adequate treatment for this risk type. An active business continuity planning builds the main focus to handle IT related risks in the management of operational risk and ensures a continuous workflow for probable disruptions.

As part of continuous efforts to improve the operational risk management, DHB Bank has launched its Operational Risk&Control Assessment project in 2007. The project adopts a structured approach based on risk and self-assessment control methodology. As output, the bank aims to improve its existing control measures and implement new measures where necessary.

Legal, Compliance and Reputation Risk

Legal risk is the possibility that lawsuits, adverse judgments or contracts that turn out to be unenforceable can disrupt or adversely affect the operations of a bank. The Legal Affairs Department centrally manages legal risk. External specialists are consulted where necessary in order to ensure that relevant legal requirements are met. The Compliance Officer also has a proactive role in this respect, aiming at reducing the risk of compliance as well as legal and eventual reputation risk.

Reputation risk is highly correlated to integrity and compliance risk management, which are embedded in the policy and governance structure of the bank. The Executive Board takes necessary actions to establish a proper ethical culture within DHB Bank. The bank's line management is responsible for applying, monitoring and controlling the integrity policy and rules in their units and reports to the Executive Board and the Compliance Officer. In addition to the Compliance Officer, the Internal Audit Department also evaluates integrity issues during its regular and specific audits.

Basel II

The final legislation implementing Basel II into Dutch law came into force on January 1, 2008. The bank has participated successfully in the parallel run of DNB that took place in the second half of 2007 with regard to Basel II minimum capital requirement. The internal capital adequacy and assessment process of the bank was subject to the supervisory review of the Dutch Central Bank and fulfilled the respective requirements.

DHB Bank has decided to apply the Standardized Approach for credit and market risk, the Basic Indicator Approach for operational risk, consistent with the size of the bank and the degree of the activities and products.

The Executive Board is committed to improving the risk and capital management framework in line with guidelines of the new capital accord.

The bank plans to explore alternatives for enhancing its competitiveness and improving its growth potential while maintaining its sound financial structure.

EXPECTATIONS

For the past couple of years, DHB Bank has been adjusting its investment and placement profile in line with the excess liquidity in the global markets which led to declining margin levels in its markets, where somehow risk perception was not rigorously reflected on yields. Accordingly, the bank has started and successfully implemented a diversification process in terms of geography and product base, which has now become its main activity framework. Geography-wise, the bank exposed itself to new countries such as Russia, Ukraine, Kazakhstan and to a lesser extent other CIS countries and product-wise gave thrust to European trader activities, project finance corporate transactions, trade related syndicated deals and consumer lending. The bank is intending to keep these activities as its main business lines.

Two developments will continue to guide the bank in re-adjusting and fine-tuning its operations; the advent of Basel II and the global financial turmoil that started in the second half of 2007 that is likely to prevail, if not worsen, for some more time. The bank is fully prepared for Basel II thanks to a traditionally high capital base, within which context measures were taken during 2007 to reshape the asset portfolio in parallel to changes to the risk weightings of various asset categories. In order to optimize its efficiency within risk based guiding principles, the bank is still in the process of modifying its asset mix. Furthermore, benefiting from high liquidity, the generally short term nature of its placements and sound risk management models, DHB Bank is well prepared to manage the ongoing financial turmoil to its advantage, as confirmed in its 2007 financial statements.

The bank plans to explore alternatives for enhancing its competitiveness and improving its growth potential while maintaining its sound financial structure. DHB Bank is accordingly exploring alternatives of physical expansion by way of acquiring or establishing banks in countries that continue to offer growth potentials in Central Eastern and Southeastern Europe. In light of developments in financial markets and to support these prospective expansion plans, the shareholders have decided to keep 40% of the 2007 profit in the equity, thus once again showing their commitment towards DHB Bank.

Within an asset-liability management perspective, the judicious use of derivatives such as interest rate swaps is expected to be of continued importance during 2008, as the bank has started to invest in project finance deals that are naturally shaped by long tenors. DHB Bank will also continue to make use of currency swap transactions at considerable levels to hedge its FX risk related to the nature of its balance sheet, shaped by principally euro funding versus high proportion of investments in US dollar denomination.

As for treasury activities, securities issued by banks and corporate borrowers in the CIS market are anticipated to be an attractive placement tool for the bank's investment portfolio. In the past, having opted for Turkish sovereign securities due to their advantages within a risk/return perspective, the bank is now evaluating various opportunities to shift the nature of its portfolio and particularly the above mentioned bank and corporate securities in the CIS market will present themselves as an attractive area in terms of Basel II guidelines during 2008.

In the retail segment, the bank's portfolio of consumer loans is planned to expand, with a particular emphasis on financing European residents to acquire properties in Turkey.

Previously, having heavily invested to upgrade its IT systems, DHB Bank has no plans for new investments in this area in the near future, except for ongoing IT maintenance expenses and human resources management applications.

During 2007, staff numbers showed a further decrease in line with the bank's efficiency measures implemented at the end of 2006. The bank employed 241 people or 232 full-time equivalents at the end of 2007.

BOARD, STAFF AND PERSONNEL

Mr. Tufan Darbaz, who has served for a long time on the Supervisory Board as a member, has left his position as of March 30, 2007. We would like to thank him for the support he has shown to our bank.

Mr. Erol Berktaş, representing Türkiye Halk Bankası A.Ş. at the Supervisory Board as member, left his position as of November 4, 2007, following his assignment to the Board of the Banking Regulatory and Supervision Agency (BRSA), the banking supervisory body of Turkey. We would like to thank him for his contributions during his tenure and wish him success in his new position.

Mr. Merdan Araz, who established DHB Bank in 1992 and has served since that time on the Executive Board in the position of Senior General Manager, left the bank as of October 31, 2007. His vision, leadership and expertise has brought DHB Bank to where its stands today. We would like to thank him for all of his contributions and dedication and wish him the best in his new endeavors.

The Senior General Manager position was taken up by Mr. Selçuk Şaldırak on November 19, 2007, an experienced banker having lately held a position within HCBG Holding BV and having previously served in the Romanian banking sector at top executive levels. Having started banking in 1986 in Turkey, Mr. Şaldırak continued his career at Demirbank Turkey and subsequently at Demirbank Romania, which he established. This bank was later sold to Unicredit Group and became Unicredit Romania S.A. where he served as C.E.O. and Chairman of the Management Board, among his tenure at other financial institutions.

During 2007, staff numbers showed a further decrease in line with the bank's efficiency measures implemented at the end of 2006. The bank employed 241 people or 232 full-time equivalents at the end of 2007 (2006: 298 and 281 respectively).

In conclusion, we would like to convey our sincerest thanks to the members of our Supervisory Board for their continued support and valuable guidance. We would also like to offer our gratitude and appreciation to the bank's management and staff, whose diligent work and dedication have built a well respected reputation for DHB Bank.

Rotterdam, March 28, 2008

Selçuk Şaldırak, Senior General Manager
Kayhan Acardağ, General Manager
Abram Rutgers, General Manager

Alihan Aslan, 1st prize, 5-6 year category

MANAGEMENT AND STAFF

EXECUTIVE BOARD

MANAGING DIRECTORS

Mr. Selçuk Şaldırak

Senior General Manager

Mr. Kayhan Acardağ

General Manager

Mr. Abram Rutgers

General Manager

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&Human Resources

Ms. Ayşe Cıngıl
Assistant General Manager
Loans

CHIEF INTERNAL AUDITOR

Mr. Jos de Goede RA

DEPARTMENT HEADS

CORPORATE MARKETING

Mr. Gaspar Esteve Cuevas

CREDIT APPRAISAL AND RISK MANAGEMENT

Ms. Aylin Sagut

FINANCIAL CONTROL

Mr. Ercan Erdoğan

FINANCIAL INSTITUTIONS

Mr. C. Levent Es

GENERAL AFFAIRS

Mr. Burhan Bahçeli

INFORMATION SECURITY

Mr. Dheeraj Katarya

INFORMATION TECHNOLOGY

Mr. Nezih Engin

LEGAL AFFAIRS&COMPLIANCE

Mr. Boudewijn Damsteegt

OPERATIONS&DOCUMENTARY CREDITS

Ms. Pınar Olierook-Türe

RESEARCH&PROJECT DEVELOPMENT

Mr. Fatih Teke

RETAIL MARKETING

Mr. Erol Ulu

RETAIL LOANS

Mr. Metin Özay

SPECIAL PROJECTS

Ms. Nalan Polat

TREASURY

Mr. İrfan Çetiner

E. Janssen, 2nd prize, 5-6 year category

FOREIGN MAIN BRANCHES

GERMANY

Mr. Wilfried Hübner
Senior Country Manager

BELGIUM

Mr. René Bienfait
Country Manager

Mr. Can Kural
Country Manager

İSTANBUL REPRESENTATIVE

Ms. Fulya Baran

RETAIL BRANCH MANAGERS

NETHERLANDS

AMSTERDAM
Ms. Başak Bol

ROTTERDAM
Mr. M. Devrim Baykal

THE HAGUE
Mr. Levent Bölükoğlu

GERMANY

HAMBURG
Mr. Ersin Leventli

COLOGNE
Ms. Esra Uluhan

BERLIN
Mr. Sami Acar

STUTTGART
Mr. Gökhan Erkovan

MUNICH
Mr. Kerim Birkan

BELGIUM

ANTWERP
Mr. Serdar Mitis

Birsen Bozyiğit, 3th prize, 5-6 year category

FINANCIAL STATEMENTS FOR THE YEAR 2007

Consolidated balance sheet as of 31 December 2007

	Note	31 Dec. 2007	31 Dec. 2006
(in thousands of EUR)			
Assets			
Cash	1	37,616	37,827
Banks	2	803,098	855,892
Loans and advances	3	631,586	561,862
Interest-bearing securities	4	344,455	581,628
Intangible assets	5	818	1,762
Property and equipment	6	15,747	17,652
Prepayments and accrued income	7	75,692	66,256
		1,909,012	2,122,879
Liabilities			
Banks	8	139,535	252,072
Funds entrusted	9	1,521,615	1,632,667
Other liabilities	10	12,467	11,102
Accruals and deferred income	11	19,384	20,202
Provisions	12	4,399	2,149
		1,697,400	1,918,192
Paid-in and called-up capital		113,445	113,445
Revaluation reserve		3,293	173
Legal reserve		818	1,762
Other reserves		75,373	74,296
Net result for the financial year		18,683	15,011
Own funds	13	211,612	204,687
		1,909,012	2,122,879
Contingent liabilities	**14**	**210,147**	**213,640**

Consolidated profit and loss account for the financial year 2007

(in thousands of EUR)	Note	2007	2006
Interest income	15	111,952	115,226
Interest expense	16	69,029	67,942
Net interest income		42,923	47,284
Commission income	17	10,003	10,950
Commission expense	18	645	667
Net commission income		9,358	10,283
Result on financial transactions	19	13,312	(3,680)
Other income	20	1,034	38
Total income		**66,627**	**53,925**
Administrative expenses:			
• Staff costs	21	28,256	19,077
• Other administrative expenses		10,588	10,221
		38,844	29,298
Amortization/depreciation	22	2,849	2,403
Value adjustments to receivables	23	(202)	612
Total expenses		41,491	32,313
Operating result before tax		25,136	21,612
Tax on result on ordinary activities	24	6,453	6,601
Net profit		18,683	15,011

Consolidated cash flow statement for the financial year 2007

(in thousands of EUR)	2007	2006
Profit after taxation	18,683	15,011
Depreciation	2,849	2,403
Value adjustments to receivables	(202)	612
Provisions	2,250	308
Net cash flow from profit	23,580	18,334
Interest-bearing securities in trading portfolio	11,812	(8,508)
Banks (assets), not withdrawable on demand	53,066	347,492
Loans and advances	(69,522)	(131,319)
Banks (liabilities), not withdrawable on demand	(112,426)	(77,800)
Banks (liabilities), other	(111)	306
Funds entrusted	(111,052)	(59,587)
Other assets	(9,436)	(27,654)
Other debts and liabilities	547	(39,767)
Net cash flow from banking activities	(237,122)	3,163
Additions to securities for investment purposes	(150,366)	(152,171)
Disposals and redemptions of portfolio investments	375,727	54,364
Investment in intangible assets	(4)	(72)
Investment in property and equipment	(461)	(1,167)
Disposals of intangible assets	48	–
Disposals of property and equipment	4,914	–
Net cash flow from investment activities	229,858	(99,046)
Movement in group equity	(1,244)	–
Repayment of subordinated debt	–	–
Dividends paid	(15,011)	(15,802)
Net cash flow from financing activities	(16,255)	(15,802)
Net cash flow	61	(93,351)
Liquid funds-opening balance	45,067	138,418
Cash	37,827	130,439
Banks current accounts	7,240	7,979
Liquid funds-closing balance	45,128	45,067
Cash	37,616	37,827
Banks current accounts	7,512	7,240
Movement in cash	61	(93,351)

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 and CIS countries on the asset side, and the Netherlands, Belgium and Germany on the liabilities side. 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.

As at December 31, 2009, the consolidated financial statements of the bank will be prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU).

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, Maaslust 9 Monumenten BV and Best Properties BV and the company Stichting Bewaarfonds. 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".

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".

Notes to the consolidated balance sheet and profit and loss account

Loans and advances to banks/customers
Loans and advances to banks/customers are valued at nominal value, after deduction of specific provisions for impaired 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 impaired 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 after the implementation of the system in October 2003.

A legal reserve is maintained equal to the intangible assets.

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

Property in use by the bank
Property 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 value are reflected in the revaluation reserve, taking deferred tax liabilities into account. Property 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.

Notes to the consolidated balance sheet and profit and loss account

Provisions

Provisions mainly consist of provisions for deferred taxes, defined benefit plan pension obligations, rent obligations for closed branches and estimated regulatory obligations in relation to the deposit insurance scheme.

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, 2006, 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. Starting from 2006 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”.

Income

Income is attributed to the period in which it arises or in which the service is 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 profit 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.

Consolidated balance sheet as of 31 December 2007

	31 Dec. 2007	31 Dec. 2006
Assets		
1 Cash	37,616	37,827

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	803,098	855,892

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	81,459	80,908
• three months or shorter	242,302	174,081
• longer than three months but not longer than one year	340,107	460,556
• longer than one year but not longer than five years	134,882	140,347
• longer than five years	4,348	–
	803,098	**855,892**

This item includes pledged funds amounting to 98,288 (2006: 106,677), of which 41,788 (2006: 49,298) serve as collateral for some swap transactions and 56,500 (2006: 57,379) serve as collateral for Credit Default Swap transactions.

There are no subordinated loans or advances granted to banks.

3 Loans and advances	631,586	561,862

The residual maturity of loans and advances is as follows:		
• three months or shorter	152,966	148,438
• longer than three months but not longer than one year	156,571	138,582
• longer than one year but not longer than five years	179,436	247,533
• longer than five years	142,613	27,309
	631,586	**561,862**

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 313 (2006: 332). This amount consists mainly of unsecured overdraft loan with an interest rate of 5,80%.

There are no subordinated loans granted to customers.

Notes to the consolidated balance sheet and profit and loss account

	31 Dec. 2007	31 Dec. 2006
4 Interest-bearing securities	344,455	581,628

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 mainly to Turkey sovereign risk. The interest-bearing securities not issued by Turkish government or not linked to Turkey sovereign risk amount to 172,459 (2006: 176,965)

Interest-bearing securities can be broken down into:	31 Dec. 2007	31 Dec. 2006
• investment portfolio	343,348	568,709
• trading portfolio	1,107	12,919
	344,455	581,628

The average effective yield of interest-bearing securities belonging to investment portfolio is 7.87%(2006: 6.69%)

The investment portfolio developed as follows:

	31 Dec. 2007	31 Dec. 2006
Opening balance	568,709	470,902
• purchases	215,880	163,351
• sales	(313,191)	(797)
• repayments	(116,900)	(53,567)
• revaluations	(11,150)	(11,180)
Closing balance	343,348	568,709

The Securities in the investment portfolio amounting to 3,000 (2006: 2,000) serve as collateral for our facilities with the Dutch central bank. This item also includes pledged securities amounting to 0 (2006: 40,000), which serve as collateral for repo transactions. The sales in 2007 are due to the sales of Credit Linked Notes in connection with a structural reduction of the investment portfolio.

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 2007	1,762
Investments	4
Divestments	48
Amortization	900
Balance sheet value as of 31 December 2007	818
Cumulative amortization and value adjustments	3,605

Divestments from intangible assets in 2007 represent the sale of the portfolio of non-life insurance policies owned by DHB Hypotheken & Verzekeringen BV to an insurance brokerage company in the Netherlands.

6 Property and equipment

The changes in this balance sheet item are as follows:

	Property in use by the bank	Other fixed assets	Total
Balance sheet value as of 1 January 2007	15,051	2,601	17,652
Investments	26	435	461
Divestments	4,909	5	4,914
Depreciation	565	1,384	1,949
Revaluation	4,497	–	4,497
Balance sheet value as of 31 December 2007	14,100	1,647	15,747
Cumulative depreciation and value adjustments	4,690	8,974	13,664
Cumulative revaluations	4,666	–	4,666

The buildings partly serve as collateral for mortgage loans received.

Divestments in 2007 include mainly the sale of the building at Parklaan 9 in Rotterdam which was owned by Maaslust 9 Monumenten BV and was used by the bank head office under a rent contract. The bank head office continues its operations at Parklaan 8-12 in Rotterdam.
The item revaluation comprises the revaluation of properties in own use according to the replacement cost value based on appraisals by independent experts.

	31 Dec. 2007	31 Dec. 2006
7 Prepayments and accrued income	75,692	66,256

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

Liabilities

	31 Dec. 2007	31 Dec. 2006
8 Banks	139,535	252,072

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	2,265	2,376
• three months or shorter	–	94,651
• longer than three months but not longer than one year	52,646	153,581
• longer than one year but not longer than five years	84,624	1,464
	139,535	252,072

The average interest rate on long term borrowings from banks is 5.19% (2006: 5.87%)

Notes to the consolidated balance sheet and profit and loss account

	31 Dec. 2007	31 Dec. 2006
9 Funds entrusted	1,521,615	1,632,667

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.

	31 Dec. 2007	31 Dec. 2006
This item is made up as follows:		
• savings accounts	1,417,926	1,490,043
• other funds entrusted	103,689	142,624
	1,521,615	1,632,667
The residual life of the savings accounts is as follows:		
• payable on demand	919,812	981,750
• three months or shorter	144,181	109,905
• longer than three months but not longer than one year	200,882	216,462
• longer than one year but not longer than five years	152,972	181,856
• longer than five years	79	70
	1,417,926	1,490,043
The residual life of the other funds entrusted is as follows:		
• payable on demand	58,157	54,068
• three months or shorter	6,943	6,528
• longer than three months but not longer than one year	17,041	36,152
• longer than one year but not longer than five years	1,640	41,701
• longer than five years	11,000	–
• unspecified	8,908	4,175
	103,689	142,624

	31 Dec. 2007	31 Dec. 2006
10 Other liabilities	12,467	11,102

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

	31 Dec. 2007	31 Dec. 2006
11 Accruals and deferred income	19,384	20,202

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. 2007	31 Dec. 2006
12 Provisions	4,399	2,149
This item is made up as follows:		
• Onerous rental contract	2,338	1,010
• Deferred tax	1,481	151
• Pension	380	788
• Estimated regulatory obligations	200	200
	4,399	2,149

Provisions relate to defined benefit plan pension obligations, deferred taxation, estimated regulatory obligations in relation to the deposit insurance scheme in the Netherlands and the rent obligations of closed branch in London. The increase in provision for onerous rental contract in 2007 reflects the estimated longer delay in sub-letting the former London branch office due to less favorable conditions in London property market for this kind of building. The movements are as follows:

	31 Dec. 2007	31 Dec. 2006
Opening balance	1,010	660
Addition	1,725	730
Release	397	380
Closing balance	2,338	1,010

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

	31 Dec. 2007	31 Dec. 2006
Opening balance	151	228
Addition	1,404	14
Release	74	91
Closing balance	1,481	151

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 rata benefits administered by the insurer. The actuarial assumptions used for the valuation are as follows:

• discount rate	4.50%
• expected return on plan assets	3.50%
• collective salary increase rate	1.50%
• social security increases	1.50%
• pension increases	1.50%

Defined benefit obligation	2,248
Market value of plan assets	(1,750)
Funded status as per 31 December 2007	498
Of which:	
Unrecognised past service costs	(357)
Unrecognised gains/(losses)	239
Provision for pensions	380

Notes to the consolidated balance sheet and profit and loss account

The movements in pension liabilities can be explained as follows:

Opening balance 1 January 2007	788
• Service cost	188
• Interest cost	135
• Return on assets	(81)
• Recognized past service cost	22
• Unrecognised gains in 2007	(417)
• Employer's contribution	(255)
Closing balance 31 December 2007	380

The net total movement amounting to 408 is included in the pension costs under the item staff 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. 2007	31 Dec. 2006
14 Contingent liabilities	210,147	213,640
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)	138,586	118,797
• credit-substitute guarantees (Credit Linked Notes)	–	20,000
• non-credit-substitute guarantees	5,397	4,978
• irrevocable letters of credit	64,798	69,865
• irrevocable commitments	1,366	–
	210,147	213,640
The contingent liabilities by concentrations of geographical regions can be specified as follows:		
• The Netherlands	2,232	2,780
• Turkey	130,842	136,818
• Rest of Europe	77,047	54,005
• Other	26	20,037
	210,147	213,640

Concentrations of credit risks

	31 Dec. 2007	31 Dec. 2006
The loans and advances to customers can be specified by kind of risk as follows:		
• Loans guaranteed by banks	4,668	12,479
• Loans secured by mortgage	11,212	11,443
• Loans secured by pledge on deposits	36,163	135,803
• Other loans	579,543	402,137
	631,586	561,862
Banks, loans and advances and interest-bearing securities by concentrations of geographical regions (defined on the concept of ultimate ownership and derived country risk) can be specified as follows:		
• The Netherlands	85,928	134,059
• Turkey	755,381	1,041,638
• Rest of Europe	559,330	376,000
• Russia	302,168	332,126
• Other	76,332	115,559
	1,779,139	1,999,382

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 2007, the total euro equivalent of assets in foreign currencies is 1.2 billion (2006: 1.1 billion), while the total euro equivalent of liabilities in foreign currencies is 203 million (2006: 296 million). The bank enters into forward foreign exchange contracts to cover currency positions. The net currency risk exposure is 282 thousand as of 31 December 2007 (2006: 922 thousands).

Financial instruments

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

The following tables give numerical information about the use of derivatives, detailing types of derivatives and potential credit risks.

The tables illustrate the relative importance of the various types of derivative products, showing the notional amounts at year-end 2007. 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.

Notes to the consolidated balance sheet and profit and loss account

The unweighted credit equivalents are the positive replacement costs added with the potential credit risks.

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	1,036,578	137,738	–	61,305
Options	–	–	–	–
Total	1,036,578	137,738	–	61,305

	Credit equivalent 31 December 2007		Credit equivalent 31 December 2006	
	Unweighted	Weighted	Unweighted	Weighted
OTC currency contracts				
Forwards	–	–	237	118
Swaps	73,048	14,640	39,227	7,936
Options	–	–	–	–
Total	73,048	14,640	39,464	8,054

Consolidated profit and loss account for the financial year 2007

	2007	2006
15 Interest income	111,952	115,226

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	71,223	71,091
• interest-bearing securities	40,729	44,135
	111,952	115,226

16 Interest expense	69,029	67,942

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	10,003	10,950

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, credit-substitute guarantees and money transfer services.

18 Commission expense	645	667

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	13,312	(3,680)

This item consists of:		
• result from exchange rate differences	1,007	218
• results from securities trading transactions	12,305	(3,898)
	13,312	(3,680)

The positive result from securities trading transactions is mainly due to realized profit on the sale of Credit Linked Notes from investment portfolio. The sales are made in connection with a structural reduction of the investment portfolio.

20 Other income	1,034	38

This item includes income on sale of the building at Parklaan 9, sale of portfolio of DHB Hypotheken & Verzekeringen BV, sale of company cars and other incidental income.

Notes to the consolidated balance sheet and profit and loss account

	2007	2006
Segmentation of income		
The total of interest income, commission income, result on financial transactions and other income by geographical areas is as follows:		
• The Netherlands	10,806	7,457
• Turkey	57,518	60,147
• Rest of Europe	32,369	27,841
• Others	35,608	27,089
	136,301	122,534
21 Staff costs	28,256	19,077
The staff costs comprise:		
• wages and salaries	25,225	15,556
• pension costs	618	809
• other social costs	1,836	2,020
• other staff costs	577	692
	28,256	19,077

The current number of full-time equivalents in 2007 was 232 (2006: 281). The employees were employed as follows:

	2007	2006
• in the Netherlands	123	156
• outside the Netherlands	109	125
	232	281

Wages and salaries also include the compensation of 11,562 paid to the former Executive Board member retired in 2007.

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 2007 to 13,212 (2006: 2,730).

The amount in 2007 includes also the compensation payments (11,562) to the former Executive Board member who retired in 2007.

The remuneration of the members of the Supervisory Board amounted in 2007 to 291 (2006: 344)

	2007	2006
22 Amortization/depreciation	2,849	2,403

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

	2007	2006
23 Value adjustments to receivables	(202)	612

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

	2007	2006
24 Tax on result on ordinary activities	6,453	6,601

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 effective tax rate in 2007 is higher than the Dutch tax rate of 25.5%. This is due to higher tax rates of 39.9% in Germany and 33.99% in Belgium. As a result, the effective tax rate ended up with 25.67%.

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. As of year end 2007, C Group companies consist of Demir Kazakhstan Bank, Bank Pozitif Kredi ve Kalkınma Bankası (Bank Pozitif), Pozitif Menkul Degerler A.Ş, Demir Kyrgyz International Bank OJSC, C Faktoring A.Ş., C Yatırım Holding A.Ş., HCBG Holding BV, C International Belgium S.A., C International N.V., Demir Euroasian Investments Limited and Overseas Residential Investments Limited. 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:

	2007	2006
Assets		
Due from banks	5,733	7,288
Loans and advances	48,606	56,172
Liabilities		
Due to banks	1,664	12,458
Funds entrusted	22,450	33,816
Contingent Liabilities		
Letter of credits	376	574
Guarantees	1,375	1,287
Interest income	4,596	4,564
Interest expense	1,216	1,233
Commission income	63	54
Commission expense	–	4

In addittion to the above related party transactions the bank effected a compensation payment of 11,562 to the former Executive Board member who retired in 2007.

Notes to the consolidated balance sheet and profit and loss account

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 2007		31 December 2006	
	Book value	**Fair value**	**Book value**	**Fair value**
Assets				
Cash	37,616	37,616	37,827	37,827
Banks	803,098	805,664	855,892	851,889
Loans and advances	631,586	658,839	561,862	583,247
Interest-bearing securities	344,455	356,295	581,628	599,971
Currency and interest rate contracts	40,875	61,305	25,429	30,453
Total	**1,857,630**	**1,919,719**	**2,062,638**	**2,103,387**

	31 December 2007		31 December 2006	
	Book value	**Fair value**	**Book value**	**Fair value**
Liabilities				
Banks	139,535	140,423	252,072	254,201
Funds entrusted	1,521,615	1,554,079	1,632,667	1,675,454
Total	**1,661,150**	**1,694,502**	**1,884,739**	**1,929,655**

Company balance sheet as of 31 December 2007 (before proposed appropriation of the result)

	31 Dec. 2007	31 Dec. 2006
Assets		
Cash	37,616	37,827
Banks	803,098	855,892
Loans and advances	633,456	564,396
Interest-bearing securities	344,455	581,628
Participating interests in group companies	–	3,686
Intangible assets	774	1,630
Property and equipment	15,746	12,694
Prepayments and accrued income	74,759	65,302
	1,909,904	2,123,055
Liabilities		
Banks	139,535	252,072
Funds entrusted	1,521,544	1,632,974
Other liabilities	12,106	10,971
Accruals and deferred income	19,382	20,202
Provision for participating interests in group companies	1,326	–
Provisions	4,399	2,149
	1,698,292	1,918,368
Paid-in and called-up capital	113,445	113,445
Revaluation reserve	3,293	173
Legal reserve	818	1,762
Other reserves	75,373	74,296
Net result for the financial year	18,683	15,011
Own funds	211,612	204,687
	1,909,904	2,123,055
Contingent liabilities	**210,147**	**213,640**

Company profit and loss account for the financial year 2007

	31 Dec. 2007	31 Dec. 2006
Company net profit	18,058	15,494
Net profit subsidiaries	625	(483)
Consolidated net profit	18,683	15,011

Notes to the consolidated 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, Maaslust 9 Monumenten BV and Best Properties BV and the company Stichting Bewaarfonds, 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, Maaslust 9 Monumenten BV and Best Properties BV and the company Stichting Bewaarfonds.

	31 Dec. 2007	31 Dec. 2006
Assets		
Banks	803,098	855,892
This item is made up as follows:		
• related parties	5,733	7,288
• group companies	–	–
• others	797,365	848,604
Loans and advances	633,456	564,396
This item is made up as follows:		
•related parties	48,606	56,172
• group companies	26,645	28,108
• others	558,205	480,116
Prepayment and accrued income	74,759	65,302
This item is made up as follows:		
• related parties	723	930
• group companies	955	730
• others	73,081	63,642
Liabilities		
Banks	139,535	252,072
This item is made up as follows:		
• related parties	1,664	12,458
• group companies	–	–
• others	137,871	239,614
Funds entrusted	1,521,544	1,632,974
This item is made up as follows:		
• related parties	22,450	33,816
• group companies	349	751
• others	1,498,745	1,598,407
Other liabilities	12,106	10,971
This item is made up as follows:		
• related parties	–	–
• group companies	217	131
• others	11,889	10,840

Notes to the consolidated balance sheet and profit and loss account

	31 Dec. 2007	31 Dec. 2006
Accruals and deferred income	19,382	20,202
This item is made up as follows:		
• related parties	37	125
• group companies	2	–
• others	19,343	20,077

Participating interests in group companies

Development:	2007	2006
Opening balance	3,686	(1,542)
• Capital investment	–	5,711
• Capital divestment	(5,637)	–
• Net profit subsidiaries	625	(483)
Closing balance	(1,326)	3,686

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

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

	31 Dec. 2007	31 Dec. 2006
Own funds	211,612	204,687

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 2006	113,445	176	2,593	73,462	15,802	205,478
Addition to				16,636		16,636
Release from		(3)	(831)		(15,802)	(16,636)
Dividend paid out				(15,802)		(15,802)
Profit for the year 2006					15,011	15,011
Balance as of 31 December 2006	113,445	173	1,762	74,296	15,011	204,687
Balance as of 1 January 2007	113,445	173	1,762	74,296	15,011	204,687
Addition to		3,124		16,088		19,212
Release from		(4)	(944)		(15,011)	(15,959)
Dividend paid out				(15,011)		(15,011)
Profit for the year 2007					18,683	18,683
Balance as of 31 December 2007	113,445	3,293	818	75,373	18,683	211,612

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.

Addition to revaluation reserve reflects the revaluation of properties in own use according to the replacement cost value based on appraisals by independent experts.

Notes to the consolidated balance sheet and profit and loss account

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

• Release from net profit 2006	15,011
• Release from legal reserve to other reserve	944
• Release from revaluation reserve to other reserve	4
• Addition to other reserve due to release of defined benefit plan pension provision and correction in corporate tax returns of 2005 and 2006	129
	16,088

Rotterdam, March 28, 2008

Supervisory Board:

Dr. Halit Cıngıllıoğlu (Chairman)
Hasan Cebeci (Vice Chairman)
Drs. Jan Th. Groosmuller
İsmail Hasan Akçakayalıoğlu
Theodoor Joseph Bark
Hans J. Ph. Risch

Executive Board:

Selçuk Şaldırak
Kayhan Acardağ
Abram Rutgers

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 18,683 be distributed as follows:

Dividend 60%	11,210
Addition to the other reserves	7,473
	18,683

Auditor's Report

To the Supervisory Board and Shareholders of Demir-Halk Bank (Nederland) NV

Report on the financial statements

We have audited the accompanying financial statements 2007 of Demir-Halk Bank (Nederland) NV, Rotterdam. The financial statements consist of the consolidated financial statements and the company financial statements. The consolidated financial statements comprise the consolidated balance sheet as at 31 December 2007, the profit and loss account, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes. The company financial statements comprise the company balance sheet as at 31 December 2007, the company profit and loss account for the year then ended and the notes.

Management's responsibility

Management of the company is responsible for the preparation and fair presentation of the financial statements 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, and for the preparation of the executive board report in accordance with Part 9 of Book 2 of the Netherlands Civil Code. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Dutch law. This law requires that we comply with ethical requirements and plan and perform our audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion with respect to the consolidated financial statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Demir-Halk Bank (Nederland) NV as at 31 December 2007, and of its result and its cash flow for the year then ended in accordance with accounting principles generally accepted in the Netherlands and with Part 9 of Book 2 of the Netherlands Civil Code.

Opinion with respect to the company financial statements

In our opinion, the company financial statements give a true and fair view of the financial position of Demir-Halk Bank (Nederland) NV as at 31 December 2007, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

Report on other legal and regulatory requirements

Pursuant to the legal requirement under 2:393 sub 5 part e of the Netherlands Civil Code, we report, to the extent of our competence, that the management board report is consistent with the financial statements as required by 2:391 sub 4 of the Netherlands Civil Code.

Amstelveen, March 28, 2008

KPMG ACCOUNTANTS N.V.

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