

Annual Report **2000**



**DHB** Bank

DEMİR-HALK BANK (NEDERLAND) N.V.

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▶ FOR **DHB BANK**, THE YEAR 2000 WAS A YEAR OF GROWTH ALMOST ALL ASPECTS. THE MOST IMPORTANT DEVELOPMENT IN THIS RESPECT WAS THE INCREASE IN PAID-IN CAPITAL BY CASH INJECTION OF EUR 68.1 MILLION (NLG 150 MILLION) IN DECEMBER 2000.

Demir-Halk Bank (Nederland) NV – hereafter referred to as DHB Bank – was established as a commercial bank under Dutch law in 1992. The bank is controlled by two shareholders. 70% of the DHB Bank's capital is held by Demirbank T.A.Ş. of İstanbul. The remaining 30% is owned by Türkiye Halk Bankası A.Ş., Turkey's second-largest state-owned bank in terms of asset size.

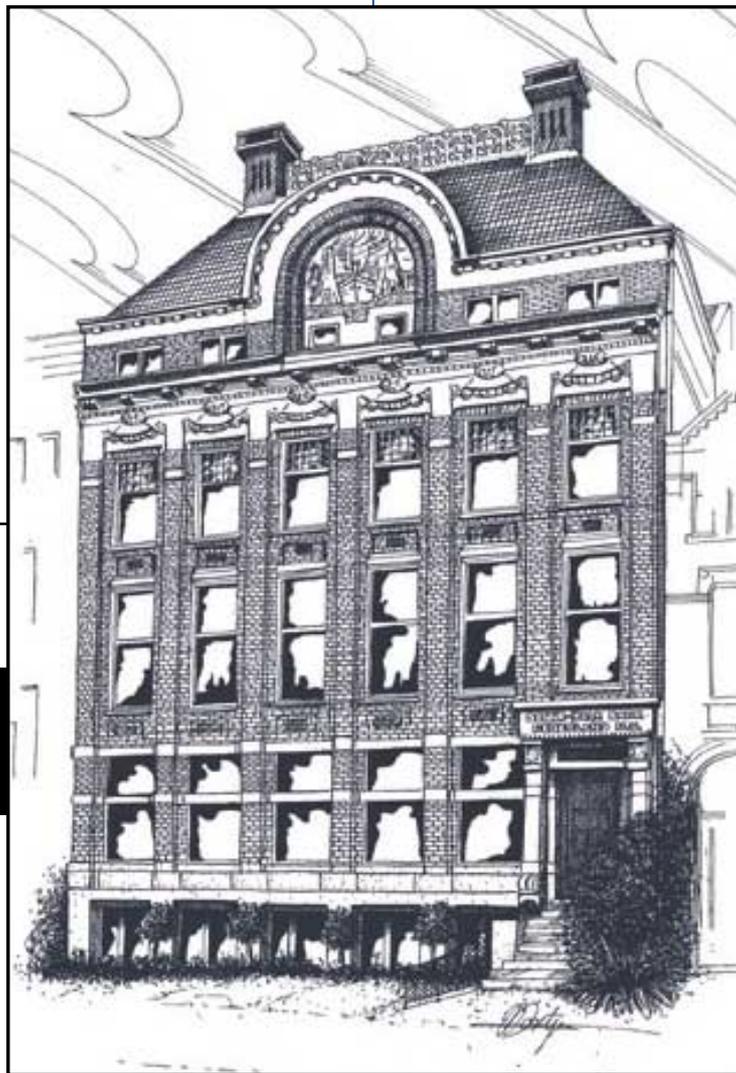


*Demirbank T.A.Ş.  
Head Office, İstanbul*



*Türkiye Halk Bankası A.Ş.  
Head Office, Ankara*

## DHB Bank



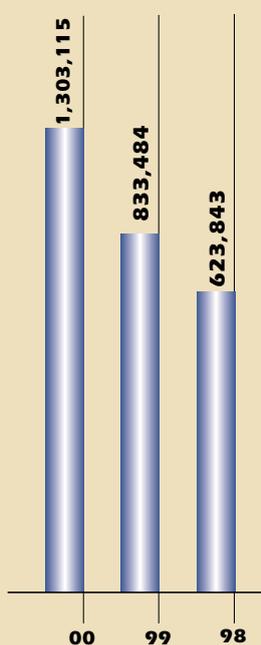
In 2000, **business volume in DHB Bank's core activities** increased strongly, **asset size grew by more than half**, and the bank's geographic expansion continued at a fast pace.

# Financial Highlights

	2000 (EUR 000)	1999 (EUR 000)	1998 (EUR 000)
Total Assets	1,303,115	833,484	623,843
Loans & Advances	404,713	411,218	347,527
Funds Entrusted	901,230	360,863	152,341
Shareholders' Equity	146,642	55,284	52,731
Net Interest Income	59,110	37,053	25,294
Net Commission Income	8,674	5,141	4,262
Result After Tax	24,880	4,141	3,553
BIS Ratio (%)	32.70	29.03	48.22
Number of Employees (December 31)	257	156	104
Number of Branches	12	10	8

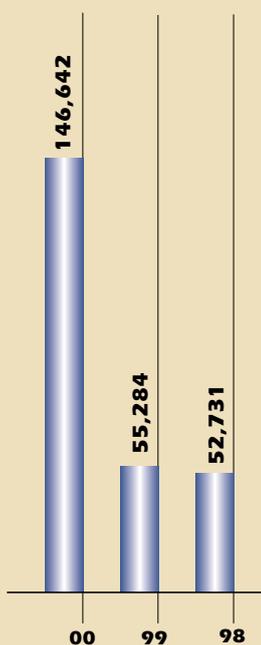
## Total Assets

(EUR 000)



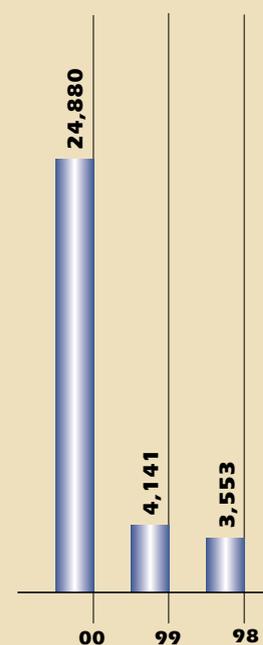
## Shareholders' Equity

(EUR 000)



## Result After Tax

(EUR 000)



## Report of the Supervisory Board

We have pleasure in presenting the financial statements of Demir-Halk Bank (Nederland) NV – DHB Bank – for the year ending December 31, 2000. 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 2000 and the proposal for the appropriation of the financial result. In the audited financial statements and notes hereto which follow this report, the figures are presented as if this proposal has been approved. Pursuant to article 20, paragraph 4 of the Articles of Association of the bank, your approval will discharge the Executive Board from liability with respect to its management of the bank's activities and the Supervisory Board with respect to its supervision thereof.

During the year under review, the Supervisory Board has met regularly with the Executive Board. The main matters discussed included the annual

figures, management reporting, the reports of the auditors, budgeting, and the financial developments in Turkey. The Supervisory Board has also discussed the risk management of the bank, in particular with respect to lending, interest rate and foreign exchange risk.

Some members of the Supervisory Board have been replaced by new board members in the course of the year. In June 2000, Mr. Öktem Kalaycıoğlu was appointed as a member of the Supervisory Board, replacing Mr. Ali Ayanlar. We are very grateful to Mr. Ayanlar for his expertise and contribution.

On December 6, 2000, DHB Bank's majority shareholder Demirbank T.A.Ş. was placed under the administration of the Banking Regulation and Supervision Agency. This resulted in a number of further changes to the composition of the Board. On February 8, 2001, Mr. Halit Cıngıllıoğlu, Ph.D., submitted his resignation as chairman. On the same day, board members Mr. Ali Cıngıllıoğlu, Ms. Sema Cıngıllıoğlu, Ph.D., and Mr. Selahattin Serbest also resigned their positions on the Supervisory Board. Mr. Yenal Ansen also submitted his resignation as member and vice chairman on

February 16, 2001. We would like to express our sincere thanks for their valuable contribution to the development of the bank's activities during their term.

Mr. Engin Akçakoca was appointed chairman of the Supervisory Board on February 14, 2001. Mr. Atilla Akıncı, Mr. İbrahim Yaycıoğlu and Mr. Oğuz Aktan joined the Board as members.

We 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 15, 2001

Engin Akçakoca (Chairman)

Jan Th. Groosmuller

İbrahim Toptepe

Öktem Kalaycıoğlu

Atilla Akıncı

Oğuz Aktan

İbrahim Yaycıoğlu

AS EXPECTED, DURING THE YEAR, THE ECONOMY SAW A STRONG PICK-UP IN  
DEMAND, **HIGH CAPACITY UTILIZATION WAS**  
ACCOMPANIED BY A CONTINUING RISE IN **LABOR**  
**PRODUCTIVITY.**



While the financing of international trade flows remained **in the center of DHB Bank's activities, during the year 2000,** increased emphasis was placed on the provision of **retail services** and the expansion of the bank's **deposit base.**

▶ FINANCIALLY, THE YEAR 2000 WAS A SUCCESSFUL YEAR FOR DHB BANK. THE BANK'S ASSET SIZE CONTINUED TO GROW STRONGLY, REACHING EUR 1.3 BILLION AS OF DECEMBER 31.

## Governing Bodies

### Supervisory Board

Mr. Engin Akçakoca  
*Chairman*

Drs. Jan Th. Groosmuller  
*Member*

Mr. İbrahim Toptepe  
*Member*

Mr. Öktem Kalaycıođlu  
*Member*

Mr. Atilla Akıncı  
*Member*

Mr. İbrahim Yaycıođlu  
*Member*

Mr. Ođuz Aktan  
*Member*

### Executive Board

Mr. Merdan Araz  
*Senior General Manager*

Mr. Şaban Dişli  
*General Manager*

Mr. Hans J. Ph. Risch  
*General Manager*

In order to further broaden our offer to retail clients, DHB Bank has started to offer **insurance and mortgage brokerage products** through its subsidiary DHB Assurantiën BV.

**DHB Bank**

▶ TOTAL BUSSINESS VOLUME IN DHB BANK'S CORE BUSINESS, THE PROVISION OF TRADE FINANCE SERVICES FOR TRANSACTIONS INVOLVING TURKISH CORPORATES AND BANKS AND THEIR GLOBAL BUSINESS PARTNERS INCREASED FURTHER DURING THE YEAR 2000.



For DHB Bank, the year 2000 was a year of growth in almost all aspects. The most important development in this respect was the increase in paid-in capital by cash injection of EUR 68.1 million (NLG 150 million) in December 2000 despite the financial crisis in Turkey, which shows the determination of shareholders in supporting DHB Bank's activities. Business volume in the bank's core activities increased strongly, asset size grew by more than half, and the bank's geographic expansion continued at a fast pace. More than 100 new employees joined the bank, and profits increased fivefold compared to the last year.

However, the last months of the year 2000 brought on an unexpected turn of events with potentially far-reaching consequences for the bank. As a result of a severe liquidity crisis in the Turkish financial markets, Demirbank, majority shareholder of DHB Bank, was placed under the administration of the Banking Regulation and Supervision Agency (BRSA) on December 6, 2000. The BRSA administers Demirbank with the goal of selling it to a new owner as soon as possible. A brief account of the developments in Turkey leading up to these events follows.

### **Economic Environment**

Turkey entered the year 2000 with the decision to implement a broad program of structural reforms designed to underpin macroeconomic stabilization and provide the foundations for sustained and equitable growth. With the arrangement of a stand-by agreement with the IMF in December 1999, the coalition government enhanced the credibility of the program.

The strategy of the government to combat inflation was centered around an exchange rate based stabilization (ERBS) program. ERBS type programs are known to increase consumption and would therefore be expected to promote growth during the initial phase of the program, though up-front fiscal adjustments might have negative effects on consumer spending. The monetary policy under the program was based on limiting net domestic credit expansion in order to ensure the connection of the growth in the monetary base to foreign capital inflows.

As a result of the stabilization program, the annual inflation for 2000 fell to 32.7% (1999: 62.9%) and to 39.0% (1999: 68.8%) for wholesale and consumer prices respectively. With these realizations, the yearly inflation figures reached their lowest levels since the mid-1980s.

As expected, during the year, the economy saw a strong pick-up in demand. High capacity utilization was accompanied by a continuing rise in labor productivity. However, increased consumption demand, as well as the rise in world oil prices and the real appreciation of the TRL brought about by the ERBS program adversely affected the trade balance, resulting in a significant current account deficit.

The budget performance has probably been the most promising economic indicator for the year 2000, since increasing economic activity led to a considerable improvement in the government's tax income.

Structural reforms such as privatization of public enterprises, rehabilitation of the social security system, reform in the agricultural sector and a new

While continuing to invest in its **network of physical branch locations**, the **management of DHB Bank is fully aware** of the challenges and opportunities offered by modern IT technology and its consequences for the **distribution channels through which** banking services are offered.

- ▶ IN ORDER TO SUPPORT **DHB BANK'S CONTINUED GROWTH** AND TO POSITION THE BANK FOR THE NEW BIS REGULATIONS EXPECTED TO BECOME EFFECTIVE WITHIN THE COMING YEARS, **THE SHAREHOLDERS** HAVE INJECTED AN ADDITIONAL EUR 68.1 MILLION (NLG 150 MILLION) IN CASH DURING 2000, BRINGING THE TOTAL PAID-IN CAPITAL TO EUR 113.5 MILLION (NLG 250 MILLION).



regulatory framework for the financial system were also put into practice during the year.

However, in the last quarter of 2000, the pace of the positive developments under the stabilization program slowed, and the financial markets fell into turmoil in late November due to a liquidity squeeze. In order to avoid the financial crisis turning into a balance of payment crisis, the IMF agreed to make an additional reserve facility of USD 7.5 billion available to Turkey.

This new demonstration of IMF support, however, was insufficient to restore market confidence to pre-crisis levels. Therefore, a political row between the Prime Minister and the President on the eve of an important government debt redemption in February 2001 caused a panic in an already tense market, and interest rates skyrocketed in a new liquidity crisis.

Under the circumstances, the crawling peg of the Turkish lira to a basket of dollar and euro, which had been the backbone of the stabilization program, could no longer be defended and was abandoned in favor of a free float.

The recent crisis is a serious setback to the reform and stabilization program. It demonstrates once again the necessity of far-reaching structural reform, consolidation in the banking sector, and political stability for Turkey's economy. 2001 will not be an easy year. However, the coalition government remains in place and committed to designing an adapted economic program to eventually lead to the envisioned results.

## **Bank Operations**

Financially, the year 2000 was a successful year for DHB Bank. The bank's asset size continued to grow strongly, reaching EUR 1.3 billion as of December 31. While the financing of international trade flows remained in the center of DHB Bank's activities, during the year 2000, increased emphasis was placed on the provision of retail services and the expansion of the bank's deposit base.

The total operating result before tax increased from EUR 6.3 million to EUR 38.3 million. This sharp increase in profitability is largely a result of a considerable rise in net interest income.

In order to support DHB Bank's continued growth and to position the bank for the new BIS regulations expected to become effective within the coming years, the shareholders have injected an additional EUR 68.1 million (NLG 150 million) in cash during 2000, bringing the total paid-in capital to EUR 113.5 million (NLG 250 million). Both shareholders participated in the capital increase proportionately, so that the shareholder structure is unchanged (70% Demirbank T.A.Ş., 30% Türkiye Halk Bankası A.Ş.)

### *Trade Finance and Corporate Banking*

Total business volume in the bank's core business, the provision of trade finance services for transactions involving Turkish corporates and banks and their global business partners increased further during the year 2000. This is also reflected in a 68.7% growth in net commission income.

Loans and advances show a slight decline in the year-on-year comparison as of December 31, 2000 and 1999 respectively. This is the result of a more

conservative stance with respect to Turkish risk taken by DHB Bank's management in response to the change in market conditions during the last quarter of the year.

Scrupulous credit analysis and continuous close customer contact help maintain sound asset quality in dynamic market conditions.

### *Retail Banking*

While the provision of retail services has been part of DHB Bank's business almost from the start of operations, this area of activity has taken on increased importance over the last few years, a process which continued during 2000.

In order to further increase the bank's deposit base, the marketing of the various deposit products to retail clients was intensified in the Netherlands, Germany, and Belgium, and the staff of the local call centers strengthened. The result was a further shift in the bank's liability composition towards non-bank deposits, which account for 69.2% of total liabilities as of December 31, 2000 (1999: 43.3%).

So as to further enhance the bank's service level with respect to its retail clients, new products have been added to DHB Bank's range of services. DHB Assurantiën BV, a wholly-owned subsidiary of DHB Bank, was set up in order to provide insurance brokerage services and act as an intermediary in the provision of mortgage loans.

While continuing to invest in its network of physical branch locations, the management of DHB Bank is fully aware of the challenges and opportunities offered by modern IT technology and its consequences for the distribution channels through which banking services are offered. Accordingly, in the year 2000, it was decided to create a virtual

branch which, under the label of DHB Net Banking, will provide Internet banking services starting in the first quarter of 2001.

### *Wholesale Funding and Treasury Operations*

The portion of DHB Bank's balance sheet which continues to be funded in the wholesale market falls in three major categories: trade finance-related funding, syndicated loans, and money market lines. The first category includes, for example, pre-export financing, refinancing, and bankers acceptances. In 2000, this type of financing was obtained on a larger scale than in previous years. In particular, refinancing in the amount of USD 125 million was secured for a number of large commercial transactions relating to Turkish oil and steel scrap imports.

Syndicated borrowing has always played an important role in DHB Bank's liability composition. In view of the sharp increase in lower-cost retail funding during 2000, DHB Bank's management decided to pursue a strategy of fewer but larger syndicated loans. Accordingly, the renewal option on the club deal arranged by Standard Chartered Bank and WestLB was not used and the facility was repaid in May 2000. In July, the second and last renewal option was used on the syndicated term loan facility arranged by American Express Bank, Bank Boston, Deutsche Bank, and Standard Chartered Bank. With WestLB taking the place of Bank Boston among the arrangers, the oversubscribed facility was eventually scaled back to the original amount of DEM 100 million, up from DEM 80 million on the first renewal. In accordance with the above-mentioned wholesale funding strategy, the term loan facility arranged by Bank of New York, Rabobank International, and Standard Chartered Bank was not renewed in December 2000.



IN THE YEAR UNDER REVIEW, **DHB BANK CONTINUED TO GROW RAPIDLY.** THE BRANCH NETWORK IN GERMANY SAW THE ADDITION OF A **NEW RETAIL BRANCH** IN THE CITY OF COLOGNE.

During the year, the growing liquidity caused by the strong inflow of retail deposits placed increased importance on DHB Bank's treasury activities. Having been a net borrower in the money markets throughout 1999, the bank became a net lender during 2000. Further, USD assets were increasingly funded by euro liabilities, thus necessitating a greater volume of hedging activity.

#### *Expansion*

In the year under review, DHB Bank continued to grow rapidly. The branch network in Germany saw the addition of a new retail branch in the city of Cologne. The new branch is part of an effort to be widely accessible to retail clients in the framework of the ongoing expansion of the bank's retail services.

At the end of 1999, two neighboring buildings had been acquired in order to expand the Rotterdam Head Office. After a thorough renovation, a number of departments were able to move to their new, more comfortable surroundings in May 2000.

The preparations for DHB Bank's new London office as well as for three new branches in the German cities of Berlin, Stuttgart and Munich were all completed during 2000. All of these new locations are expected to be operational early in 2001.

#### **Expectations**

The events that took place in Turkey over the last quarter of 2000 and early in 2001 have created an atmosphere of uncertainty within Turkey and especially in the banking sector. The takeover and envisioned sale of DHB Bank's majority shareholder Demirbank implies that at the time of this writing, the eventual shareholder structure of the bank is as yet undetermined.

Until clarity on this point is reached, the bank will continue to maintain a high level of liquidity, taking a conservative approach in its corporate business. Depending on the development of market conditions in Turkey and on the progress on the question of ultimate ownership, new business opportunities will be evaluated as they arise.

Based on the results of the first two months of the year, the Executive Board anticipates that the bank's operations will continue to be profitable in 2001.

The strategy of diversification with respect to DHB Bank's business activities which has been pursued over the last year is set to continue in 2001. This implies, first of all, a further expansion of the bank's range of retail services. While the focus in this line of business was originally more on the liability side of the balance sheet, we expect a stronger diversification of the asset portfolio for 2001, mainly through penetration into the consumer loans market.

In order to further broaden our offer to retail clients, the bank has started to offer insurance and mortgage brokerage products through its subsidiary DHB Assurantiën BV. We expect that an expanded product palette would enable the bank to utilize the full potential of the established network of retail branches and the intensive client contact that have been built over the last years.

During the year, the physical expansion of the branch network will be completed. The preparations for the opening of three new branches in Munich, Stuttgart, and Berlin are all finished, and they will be operational early in 2001. The opening of the London office, which had been delayed by external factors, is also expected for the

▶ MANAGEMENT EXPECTS THAT DHB BANK'S NEW VIRTUAL BRANCH, WHICH WILL OFFER INTERNET BANKING SERVICES UNDER THE LABEL OF DHB NETBANKING, WILL CONTRIBUTE TO THE SERVICE LEVEL THE BANK CAN OFFER TO ITS CLIENTS THROUGH CONVENIENCE AND WIDER GEOGRAPHIC ACCESSIBILITY.

In order to further increase **DHB Bank's deposit base**, the **marketing of the various** deposit products to retail clients was intensified in the Netherlands, Germany, and Belgium, and the staff of the local **call centers strengthened.**

**DHB Bank**

spring of 2001. Finally, a retail branch in Antwerp is scheduled to open in the second quarter of 2001. At this time, there are no further plans for expansion of the bank's branch network.

In the information age, distribution channels other than "brick-and-mortar" branches are continuously gaining importance. Accordingly, management expects that DHB Bank's new virtual branch, which will offer Internet banking services under the label of DHB Net Banking, will contribute to the service level the bank can offer to its clients through convenience and wider geographic accessibility. Initially, Internet services will be offered mainly to retail customers, but possible applications for corporate clients are being studied.

The economic developments in Turkey as described in the section "Subsequent Events" might have an effect on the operations and the financial position of the bank. However, we are convinced that with its strong capitalization, developed branch network and customer portfolio, as well as its solid deposit base, DHB Bank is well prepared for any challenges that may lie ahead.

### **Board, Staff and Personnel**

In June 2000, Mr. Öktem Kalaycıoğlu was appointed as a member of the Supervisory Board, replacing Mr. Ali Ayanlar. We would like to thank Mr. Ayanlar for his expertise and contribution.

The takeover of Demirbank resulted in a number of further changes to the composition of the Board. On February 8, 2001, Mr. Halit Cingilloğlu, Ph.D., submitted his resignation as chairman. On the same day, board members Mr. Ali Cingilloğlu, Ms. Sema Cingilloğlu, Ph.D., and Mr. Selahattin Serbest also resigned their positions on the Supervisory Board. Mr. Yenil Ansen also submitted his resignation as vice chairman on February 16, 2001. We would like to express our sincere thanks

to all of these supervisory board members for their valuable contribution to the development of the bank's activities during their terms.

Mr. Engin Akçakoca was appointed chairman of the Supervisory Board on February 14, 2001. Mr. Atilla Akıncı, Mr. Oğuz Aktan and Mr. İbrahim Yayıcıoğlu joined the Board as members.

Mr. Savaş Gülaydın, Deputy General Manager in charge of retail operations, resigned from DHB Bank in August 2000. We would like to thank him for his contribution to the development of the bank's retail business.

Parallel with the growth in business volume and the opening of new locations, the number of employees continued to rise in 2000. At year-end, the bank employed 257 people. The focus in recruitment was hereby on staffing the new branches as well as strengthening the retail call centers and the IT department.

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

Merdan Araz, Senior General Manager

Şaban Dişli, General Manager

Hans J. Ph. Risch, General Manager

# Management and Staff

## EXECUTIVE BOARD

### Managing Directors

Mr. Merdan Araz  
*Senior General Manager*  
Mr. Şaban Dişli  
*General Manager*  
Mr. Hans J. Ph. Risch  
*General Manager*

## DEPUTY & ASSISTANT GENERAL MANAGERS

Mr. Kayhan Acardağ  
*Deputy General Manager*  
Ms. Bahar Kayıhan  
*Assistant General Manager*  
*Operations & Documentary Credits*  
Mr. Ertürk Sümer  
*Assistant General Manager*  
*Internal Audit*  
Ms. Ayten Türkmen  
*Assistant General Manager*  
*Loans & Marketing*

## DEPARTMENT HEADS

### Accounting

Mr. Ercan Erdoğan  
*Manager*

### Human Resources

Ms. Anke Tamer  
*Assistant Manager*

### Information Technology

Mr. Nezih Engin  
*Manager*

### Loans

Ms. Filiz İdil  
*Senior Manager*

## Organization

Mr. Adnan Büyükbilgin  
*Assistant Manager*

## Public Relations & General Affairs

Mr. Burhan Bahçeli  
*Manager*

## Operations & Documentary Credits

Mr. Cenk Sürmen  
*Manager*

## Retail Banking

Ms. Nalan Müstecaplıoğlu  
*Manager*

## Treasury & Financial Institutions

Mr. Berkan Tamer  
*Senior Manager*

## FOREIGN MAIN BRANCHES GERMANY

Ms. Banu Özcan  
*Senior Country Manager*  
Mr. Franz Hakan Elman  
*Country Manager*

## BELGIUM

Mr. Ali Ömer Devres  
*Senior Country Manager*  
Mr. René Bienfait  
*Country Manager*

## UNITED KINGDOM

Ms. Hikmet Üresin  
*Senior Country Manager*  
Mr. Hussein Ejvet  
*Manager*

## İSTANBUL REPRESENTATIVE OFFICE

Ms. Fulya Baran  
*Representative*

## RETAIL BRANCHES NETHERLANDS Amsterdam

Mr. Oğuz Kavafoğlu  
*Branch Manager*

## Rotterdam

Mr. M. Devrim Baykal  
*Branch Manager*

## The Hague

Ms. Filiz Cenikli  
*Branch Manager*

## Utrecht

Mr. Levent Bölükoğlu  
*Branch Manager*

## GERMANY Dusseldorf

Mr. Kürşat Asöcal  
*Acting Branch Manager*

## Hamburg

Mr. Sami Acar  
*Branch Manager*

## Kassel

Mr. Selçuk Serhat  
*Acting Branch Manager*

## Cologne

Mr. Kerim Birkan  
*Branch Manager*

# **Demir-Halk Bank (Nederland) N.V.**

**Financial Statements for the Year 2000**

**Balance sheet as of 31 december 2000**

(after proposed appropriation of the result)

	31 Dec. 2000	31 Dec. 1999
(in thousands of EUR )		
<b>Assets</b>		
Cash	21,808	14,448
Banks	616,190	280,875
Loans and advances	404,713	411,218
Interest bearing securities	198,122	72,826
Intangible assets	584	611
Property and equipment	15,017	12,883
Prepayments and accrued income	46,681	40,623
	1,303,115	833,484
<b>Liabilities</b>		
Banks	217,772	380,300
Funds entrusted	901,230	360,863
Other liabilities	20,306	5,868
Accruals and deferred income	12,250	27,571
Provision for deferred taxation	204	214
	1,151,762	774,816
Fund for general banking risks	4,711	3,384
Paid-in and called-up capital	113,445	45,378
Revaluation reserve	219	219
Legal reserve	584	611
Other reserves	32,394	9,076
	146,642	55,284
Own funds including fund for general banking risks	151,353	58,668
	1,303,115	833,484
Contingent liabilities	109,479	197,902

## Profit and loss account for the financial year 2000

	2000	1999
(in thousands of EUR )		
Interest income	224,133	241,048
Interest expense	<u>165,023</u>	<u>203,995</u>
Net interest income	59,110	37,053
Commission income	9,469	5,396
Commission expense	<u>795</u>	<u>255</u>
Net commission income	8,674	5,141
Result on financial transactions	(3,765)	2,186
Other income	<u>187</u>	<u>137</u>
<b>Total income</b>	64,206	44,517
Administrative expenses:		
- Staff costs	13,968	7,757
- Other administrative expenses	<u>6,313</u>	<u>4,128</u>
	20,281	11,885
Amortization/depreciation	1,323	1,139
Value adjustments to receivables	2,285	24,690
Addition to/Release from Fund for General Banking Risks	2,042	454
<b>Total expenses</b>	<u>25,931</u>	<u>38,168</u>
<b>Operating result before tax</b>	38,275	6,349
Tax on result on ordinary activities	13,395	2,208
<b>Net profit</b>	<u>24,880</u>	<u>4,141</u>

**Cash flow statement for the financial year 2000**

(after proposed appropriation of the result)

	2000	1999
(in thousands of EUR )		
<b>Profit after taxation</b>	24,880	4,141
Depreciation	1,323	1,139
Value adjustments to receivables	2,285	24,690
Provision for deferred taxation	(10)	78
Fund for General Banking Risks	1,327	295
<b>Net cash flow from profit</b>	29,805	30,343
Interest-bearing securities	(42,824)	4,073
Banks (assets), not withdrawable on demand	(326,065)	(43,805)
Loans and advances	4,219	(77,127)
Banks (liabilities), not withdrawable on demand	(154,696)	(32,711)
Banks (liabilities), other	(7,831)	11,699
Funds entrusted	540,367	208,522
Other assets	(6,056)	(26,618)
Other debts and liabilities	(884)	19,206
<b>Net cash flow from banking activities</b>	6,230	63,239
Additions to securities for investment purposes	(350,495)	(75,703)
Disposals and redemptions of portfolio investments	268,022	-
Investment in intangible assets	(290)	(534)
Investment in property and equipment	(3,140)	(4,050)
<b>Net cash flow from investment activities</b>	(85,903)	(80,287)
Increase in group equity	68,067	-
Dividends paid	(1,588)	(1,588)
<b>Net cash flow from financing activities</b>	66,479	(1,588)
<b>Net cash flow</b>	16,611	11,707
Liquid funds - opening balance	16,595	4,888
Liquid funds - closing balance	33,206	16,595
<b>Movement in cash</b>	16,611	11,707



## Notes

### General

The shareholders are Demirbank T.A.Ş. of İstanbul, which has a 70% participation, and Türkiye Halk Bankası A.Ş. of Ankara, which owns 30%.

The figures of Demir-Halk Bank (Nederland) N.V. are consolidated in the consolidated figures of Demirbank T.A.Ş.

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

### Basis of preparation

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

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

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

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

#### Financial instruments

Derivatives are financial instruments embodied in contracts of which the value depends on one or more underlying assets or indices. The derivatives serving to limit the risks arising on positions held by the Bank are stated according to the principles of valuation and determination of results applicable to the positions concerned. The other financial instruments are stated at the (estimated) realizable value. The resulting gains and losses from the application of this principle are included in the profit and loss account in "Result from financial transactions." DHB Bank uses financial instruments only for asset/liability management purposes.

#### Loans and advances to banks/customers

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

The country risk provision has been set up in previous years in line with the Dutch Central Bank (DNB) policy. The provision has been determined as a percentage of the Turkish short and long term exposures, taking into account the allowed deductions and exemptions.

#### Interest-bearing securities

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

Fixed-income securities, except for zero coupon bonds, denominated in hard currencies and belonging to the investment portfolio are stated at redemption value after deduction of provisions for doubtful debts and the country risk provision. 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 cost. The accumulated interest on these securities is reported under the item investment portfolio. The investment portfolio is intended to be held to maturity.



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 from financial transactions."

### *Intangible assets*

Intangible assets are stated at acquisition cost, less amortization based on the useful economic life, subject to a maximum of 3 years for capitalized formation and share-issuing costs. A legal reserve is maintained equal to the capitalized formation and share-issuing costs.

### *Property and equipment*

The valuation principles for tangible fixed assets are as follows:

#### *Buildings in use by the Bank*

Buildings in use by the Bank are stated at current cost, as calculated according to the replacement cost value based on periodic appraisals by independent experts and any interim adjustments. Changes in the market value are reflected in the revaluation reserve, taking deferred tax liabilities into account. Buildings in use by the Bank are depreciated according to the straight-line method on the basis of the estimated useful economic life of 33 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.

#### *Provision for deferred taxation*

This provision relates to the expected tax liability on the relevant differences between the valuations for commercial and tax purposes of assets and liabilities.

#### *Fund for general banking risks*

This fund represents a reserve for possible losses related to the general risks inherent in lending and other banking activities.

The addition to the Fund is recognized in the profit and loss account as "Addition to/release from fund for general banking risks," and is based on management's evaluation of actual and expected future developments.

The Fund is presented net of the related corporate tax.

### *Income*

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

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

### *Operating expenses*

Expenses are allocated to the period in which they arise.

### *Taxes*

Taxes are calculated over the net profit or loss before tax on the basis of the applicable corporation tax rates, taking exempt profit items and deductible items into account.

### *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.



# Demir-Halk Bank (Nederland) N.V., Rotterdam

## Balance sheet as of 31 December 2000

	31 Dec. 2000	31 Dec. 1999
<b>Assets</b>		
<b>Cash</b>	21,808	14,448
This item includes all legal tender, as well as demand deposits held at the central bank and retail clearing services in countries in which the Bank is established.		
<b>Banks</b>	616,190	280,875
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	11,397	2,147
- three months or shorter	482,772	223,775
- longer than three months but not longer than one year	120,225	45,283
- longer than one year but not longer than five years	1,796	9,670
	616,190	280,875
The loans and advances to banks include receivables from banks which have a participating interest in the Bank and other banks within the group amounting to 104,365 (1999: 123,627), of which 24,739 is secured by marketable securities (1999: 98,702). There are no subordinated loans or advances granted to banks.		
<b>Loans and advances</b>	404,713	411,218
These consist of all loans and advances to non-bank entities, including the deposit amounts of two total return swap transactions with respect to Eurobonds issued by the Turkish Treasury amounting to 7,328 (1999: 0).		
The residual maturity of loans and advances is as follows:		
- three months or shorter	33,710	122,096
- longer than three months but not longer than one year	203,311	217,402
- longer than one year but not longer than five years	167,669	71,720
- longer than five years	23	-
	404,713	411,218

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 0 (1999: 1,574).

31 Dec. 2000

31 Dec. 1999

The loans and advances include receivables from group companies amounting to 0 (1999: 0).

There are no subordinated loans granted to customers.

### Interest bearing securities

	198,122	72,826
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Interest bearing securities consist almost entirely of Eurobonds and Treasury bills issued by the Turkish government and are listed on organized exchanges. The interest bearing securities not issued by the Turkish government amount to 13,850 (1999: 908)

Interest bearing securities can be broken down into:

- investment portfolio	155,298	72,826
- trading portfolio	42,824	-

	198,122	72,826
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The investment portfolio developed as follows:

Opening balance	72,826	908
- purchases	349,928	71,918
- sales	(134,161)	
- repayments	(133,861)	
- revaluations	(8,122)	
- other	8,688	
Closing balance	155,298	72,826

Securities in the investment portfolio amounting to 1,000 serve as collateral for our facilities with the Dutch central bank.

### Intangible assets

The changes in this balance sheet item are as follows:

	Formation and share-issuing costs	Concessions, licenses and intellectual property	Total
Balance sheet value as of 1 January 2000	374	237	611
Investments	152	138	290
Amortization	226	91	317
Balance sheet value as of 31 December 2000	300	284	584
Cumulative amortization and value adjustments	1,022	313	1,335

### Property and equipment

The changes in this balance sheet item are as follows:

	Buildings in use by the Bank	Other fixed assets	Total
Balance sheet value as of 1 January 2000	10,721	2,162	12,883
Investments	879	2,261	3,140
Depreciation	233	773	1,006
Balance sheet value as of 31 December 2000	11,367	3,650	15,017
Cumulative depreciation and value adjustments	1,079	2,513	3,592
Cumulative revaluations	219	-	219

The buildings serve as collateral for mortgage loans.

	31 Dec. 2000	31 Dec. 1999
<b>Prepayments and accrued income</b>	46,681	40,623
<p>This includes the prepayments for costs to be charged to following periods, as yet un-invoiced amounts still to be received, the net positive value of forward foreign exchange contracts and the accrued interest (except interest accrued on securities in investment portfolio which is included in the amount of the investment portfolio).</p>		
<b>Liabilities</b>		
<b>Banks</b>	217,772	380,300
<p>This includes the non-subordinated amounts owed to banks insofar as not embodied in debts evidenced by certificates.</p>		
<p>The residual maturity of this item is as follows:</p>		
- payable on demand	15,411	23,243
- three months or shorter	119,601	146,775
- longer than three months but not longer than one year	73,483	178,487
- longer than one year but not longer than five years	4,177	23,077
- longer than five years	5,100	8,718
	217,772	380,300
<p>The amounts owed to banks also include debts to banks with a participating interest in the Bank and other banks within the group amounting to 77,117 (1999: 28,526).</p>		
<b>Funds entrusted</b>	901,230	360,863
<p>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.</p>		
<p>This item is made up as follows:</p>		
- savings accounts	812,698	182,874
- other funds entrusted	88,532	177,989
	901,230	360,863
<p>The residual life of the savings accounts is as follows:</p>		
- payable on demand	327,780	17,418
- three months or shorter	322,934	70,844
- longer than three months but not longer than one year	125,414	91,469
- longer than one year but not longer than five years	36,488	3,130
- longer than five years	82	12
	812,698	182,874



The residual life of the other funds entrusted is as follows:

- payable on demand	36,626	17,104
- three months or shorter	31,976	134,389
- longer than three months but not longer than one year	14,486	24,593
- longer than one year but not longer than five years	4,071	252
- unspecified	1,373	1,651
	<u>88,532</u>	<u>177,989</u>

The funds entrusted also include debts to group entities amounting to 0 (1999: 0).

**Other liabilities** 20,306 5,868

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

**Accruals and deferred income** 12,250 27,571

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.

**Provision for deferred taxation** 204 214

This provision is of a mainly medium-term nature.

**Fund for general banking risks** 4,711 3,384

This fund relates to the general risks associated with lending and other banking activities engaged in. It represents a reserve for possible losses related to the activities of the banks.

The changes in this fund are as follows:

Opening balance	3,384	3,089
Additions as recognized in the profit and loss account	2,042	454
Corporation tax	(715)	(159)
Closing balance	4,711	3,384



	31 Dec. 2000		31 Dec. 1999		
<b>Own funds</b>	146,642		55,284		
The changes in own funds are as follows:					
	Paid-in and called-up capital	Revaluation reserve	Legal reserve	Other reserves	Total
Balance as of 1 January 2000	45,378	219	611	9,076	55,284
Issuance of new shares	68,067				68,067
Revaluation of building					
Addition to				27	27
Release from			(27)		(27)
Profit for the year 2000				24,880	24,880
Proposed dividend				(1,589)	(1,589)
<b>Balance as of 31 December 2000</b>	<b>113,445</b>	<b>219</b>	<b>584</b>	<b>32,394</b>	<b>146,642</b>

The authorized capital amounts to NLG 500 million and is subdivided into 500,000 shares, out of which 250,000 shares have been issued and fully paid up.

#### Off-balance sheet contingent liabilities and commitments and risks

	31 Dec. 2000		31 Dec. 1999	
<b>Contingent liabilities</b>	109,479		197,902	
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:				
- guarantees, etc.	46,338		95,930	
- irrevocable letters of credit	63,141		101,972	
	<b>109,479</b>		<b>197,902</b>	

The contingent liabilities also include liabilities to banks which have a participating interest in the Bank and other entities within the group amounting to 5,100 (1999: 31,131).

The contingent liabilities by concentrations of geographical regions can be specified as follows:

- The Netherlands	3,698	29,235
- Turkey	101,191	163,860
- Rest of Europe	3,863	1,821
- Other	727	2,986
	<b>109,479</b>	<b>197,902</b>

#### Concentrations of credit risks

	31 Dec. 2000		31 Dec. 1999	
The loans and advances to customers can be specified by kind of risk as follows:				
- Loans guaranteed by banks	188,669		170,302	
- Loans secured by mortgage	4,295		5,990	
- Loans guaranteed by third parties, secured by cash collateral	42,060		118,563	
- Loans secured by treasury paper and other securities	5,385		50,844	
- Other loans	164,304		65,519	
	<b>404,713</b>		<b>411,218</b>	

Banks, loans and advances and interest bearing securities by concentrations of geographical regions can be specified as follows:

- The Netherlands	109,120	8,786
- Turkey	893,517	737,173
- Rest of Europe	171,351	10,093
- Other	45,037	8,867
	<b>1,219,025</b>	<b>764,919</b>

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

### Currency risks

As of 31 December 2000, the total euro equivalent of assets in foreign currencies is EUR 622 million (1999: EUR 797 million), while the total euro equivalent of liabilities in foreign currencies is EUR 240 million (1999: EUR 657 million). The Bank enters into forward foreign exchange and options transactions to cover currency positions. The net currency risk exposure amounts to EUR 18 million as at 31 December 2000.

### Financial Instruments

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

The table illustrates the relative importance of the various types of derivative products, showing the notional amounts at year-end 2000. Notional amounts represent units of account which, in respect of derivatives, reflect the relationship with the underlying assets. What they do not reflect, however, are the credit risks assumed by entering into derivatives transactions.

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

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

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

(in thousands of EUR )	Notional Amount			Positive Replacement Cost
<b>31 Dec. 2000</b>	< 1 year	1-5 year	> 5 year	
<b>OTC currency contracts</b>				
Forwards	46,776	–	–	1,942
Swaps	360,499	–	–	17,596
Options	123,698	–	–	12,370
Total	530,973	–	–	31,908

The majority of these contracts (2000: notional amount 414,490 and 1999: notional amount 131,245) are concluded with Turkish banks.

	Credit equivalent 31 Dec. 2000		Credit equivalent 31 Dec. 1999	
	Unweighted	Weighted	Unweighted	Weighted
<b>OTC currency contracts</b>				
Forwards	2,410	693	5,954	1,191
Swaps	21,201	4,240	4,883	977
Options	13,607	2,721	5,349	1,070
Total	37,218	7,654	16,186	3,238

## Profit and loss account for the financial year 2000

	2000	1999
<b>Interest income</b>	224,133	241,048
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	181,245	228,040
- interest bearing securities	42,888	13,008
	224,133	241,048
<b>Interest expense</b>	165,023	203,995
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. Foreign exchange losses resulting from hedged Turkish lira investments funded in currencies other than TRL are included here in the amount of 15,804 (1999: 38,155).		
<b>Commission income</b>	9,469	5,396
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.		
<b>Commission expense</b>	795	255
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.		
<b>Result on financial transactions</b>	(3,765)	2,186
This item consists of:		
- result from exchange rate differences	(169)	1,721
- results from securities trading transactions	(3,596)	465
	(3,765)	2,186

Foreign exchange loss incurred on hedged Turkish lira investments funded in currencies other than TRL are reported as interest expenses so as to provide a more accurate representation of net interest income.

	2000	1999
<b>Segmentation of income</b>		
The total of interest income, commission income and result on financial transactions by geographical areas is as follows:		
- The Netherlands	3,947	2,485
- Turkey	221,189	244,217
- Rest of Europe	3,810	1,640
- Rest	1,078	425
	230,024	248,767

<b>Staff costs</b>	13,968	7,757
The staff costs comprise:		
- wages and salaries	11,315	6,665
- pension costs	448	156
- other social costs	1,226	641
- other staff costs	979	295
	<hr/>	<hr/>
	13,968	7,757

The average number of full-time equivalents in 2000 was 206 (1999: 128). The employees were employed as follows:

- in the Netherlands	139	96
- outside the Netherlands	67	32
	<hr/>	<hr/>
	206	128

### 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 2000 to 3,280 (1999: 1,851).

The remuneration of the members of the Supervisory Board amounted in 2000 to 18 (1999: 12).

<b>Amortization/depreciation</b>	1,323	1,139
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For a breakdown of this item, we refer to the overviews of changes in the intangible and tangible assets.

<b>Value adjustments to receivables</b>	2,285	24,690
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This item consists of additions to the general country risk provision, as set up for Turkish country risk exposures, in line with the recommendations of the Dutch Central Bank and the additions to the specific provision for loans and advances to customers.

<b>Tax on result on ordinary activities</b>	13,395	2,208
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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 determined while taking tax exempt items into account.

### Related party transactions

During the year, the bank entered into a number of transactions, mainly short-term and collateralized, with entities which have a participating interest in the bank. All of these transactions were carried out at arms-length pricing and within the limits and the regulatory guidelines set by the supervisory bodies.

Rotterdam, March 15, 2001.

#### Supervisory Board:

Engin Akçakoca (Chairman)  
Drs. Jan Th. Groosmuller  
İbrahim Toptepe  
Öktem Kalaycıoğlu  
Atilla Akıncı  
Oğuz Aktan  
İbrahim Yayıcıoğlu

#### Executive Board:

Merdan Araz  
Şaban Dişli  
Hans J. Ph. Risch

## Other information

### Subsequent events

In November 2000, a liquidity crisis emerged in the Turkish markets, followed by another in February 2001. This second financial crisis resulted in the decision by the Turkish government to abandon the controlled exchange rate regime and to float the TRL exchange rate. As a result, the TRL showed a strong devaluation in February 2001. DHB Bank is conducting its main business with Turkish counterparties, and as a result of the crisis in Turkey, the bank's results in the first two months of 2001 came under pressure. In line with Dutch Central Bank policy, DHB Bank has decided to maintain its existing provision for country risk. Taking into account the release of this provision in 2001, the recent economic developments did not negatively influence the bank's overall net result so far. DHB Bank's management continues to closely monitor the developments in Turkey.

### 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 24,880 be distributed as follows:

(in thousands of EUR )

Dividend 3.5% on the ordinary shares before capital increase in December 2000:	1,589
Addition to the other reserves	23,291
	24,880



## Auditor's report

### Introduction

We have audited the financial statements of Demir-Halk Bank (Nederland) N.V., Rotterdam, for the year 2000. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

### Scope

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

### Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the company as at 31 December 2000 and of the result for the year then ended in accordance with accounting principles generally accepted in the Netherlands and comply with the financial reporting requirements included in Part 9 of Book 2 of the Netherlands Civil Code.

### Emphasis of matter

Without qualifying our opinion, we draw your attention to the report of the Executive Board on page 15, the notes to the financial statements on page 21 and the subsequent events on page 31 on the economic developments in Turkey and the possible impact on the financial position of the Bank.

Amstelveen, March 15, 2001

KPMG Accountants N.V.



# Directory

## DHB Bank

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