annual report 2006

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

Contents

Dear reader,

You would notice that children drawings constitute the main design of our 2006 Annual Report, as was the case for the past 2 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. In order to let this time the imagination of children speak for themselves, no particular theme was selected in 2006, and what we are presenting to you are the two 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,

Cover page by Ceyhun Gözer Yüksel from Beverwijk / 3rd prize / 7 - 9 year category

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 B.V., while the remaining 30% are continued to be owned by Türkiye Halk Bankası A.Ş.

Bank Profile

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

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

HCBG Holding B.V., 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 has direct interests in other international banks, namely OJSC Demir Kazakhstan and Demir Kyrgyz International Bank.

DHB Bank holds a credit rating from Fitch Ratings Ltd. In 2006, the bank's long-term foreign currency rating was reaffirmed as BB, the individual strength rating as C/D, and the support rating as 5.

Financial Highlights

Consolidated	2006 (EUR 000)	2005 (EUR 000)	2004 (EUR 000)
Total Assets	2,122,879	2,300,210	1,945,948
Loans & Advances	561,862	431,155	367,079
Funds Entrusted	1,632,667	1,692,254	1,627,411
Shareholders' Equity	204,687	205,478	201,248
Net Interest Income	47,284	42,550	35,740
Net Commission Income	10,283	10,283	7,514
Result After Tax	15,011	15,802	10,771
BIS Ratio (%)	21.48	25.06	30.70
Number of Employees (December 31)	298	317	297
Number of Branches	11	11	12

Report of the Supervisory Board

We have pleasure in presenting the financial statements of Demir-Halk Bank (Nederland) N.V. - DHB Bank - for the year ending December 31, 2006. These financial statements have been prepared by the Executive Board and are audited by KPMG Accountants N.V. 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 2006 and the proposal for the appropriation of the financial result. Pursuant to article 20, paragraph 4 of the Articles of Association of the bank, your approval will discharge the Executive Board from liability with respect to its management of the bank's activities and the Supervisory Board with respect to its supervision thereof.

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

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. The Supervisory Board notes that the global banking sector is undergoing fundamental restructuring processes as a result of continuing cross-border mergers, acquisitions and partnerships, which also applies to DHB Bank's peers with an improved effect on their performances. These changes in global markets resulted in a more challenging and competitive operational environment for the bank, and the Supervisory Board requested the Executive Board to review an improvement in the 2007 budget and accordingly to look for alternatives in order to improve return on equity by enhancing efficiency with the implementation of new strategies in revenue generation and specifically cost savings in the medium term.

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

As of April 1, 2006, Mr. Abram Rutgers has left the Supervisory Board and took up the position vacated by the departure of Mr. Risch on the Executive Board. We would like to thank him for his contribution during his tenure in the Supervisory Board and for his ongoing involvements in his new position.

Ms. İmre Barmanbek has left her responsibilities from the Supervisory Board as of April 30, 2006, and on this occasion we would like to thank her as well for her contributions to our bank during her term.

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 30, 2007

Dr. Halit Cıngıllıoğlu (Chairman)

Hasan Cebeci (Vice Chairman)

Drs. Jan Th. Groosmuller

Tufan Darbaz

İsmail Hasan Akçakayalıoğlu

Theodoor Joseph Bark

Erol Berktaş

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

Mr. İsmail Hasan Akçakayalıoğlu
Member

Mr. Theodoor Joseph Bark
Member

Mr. Erol Berktaş
Member

Mr. Hans J. Ph. Risch
Member

Executive Board

Mr. Merdan Araz
Senior General Manager

Mr. Kayhan Acardağ
General Manager

Mr. Abram Rutgers
General Manager

With a strong EUR 204.7 million shareholders' equity and a high 21.48% BIS ratio as of end 2006, the bank is well-equipped to conduct its activities in its defined business lines in the years to come.

Report of the Executive Board

The 2006 balance sheet of DHB Bank is a reflection of restructuring strategies undertaken during the past three years in terms of geographical coverage and product base. Having in the past focused its activities on Turkey related business, the core markets of DHB Bank presently entail CIS countries along with Turkey, while products & services offered also comprise consumer lending, structured trade finance and a wider range of trade related investments. As a result, direct Turkish exposure has been substantially reduced over the past three years while the asset structure of the balance sheet reached a more diversified composition.

DHB Bank carried on its activities during 2006 in its 4 core business lines, which are consumer banking, corporate banking, international banking and treasury activities, and closed the year with EUR 2,123 million in assets, representing a EUR 177 million decrease compared with the previous year. The decrease in the balance sheet size is mainly asset driven and represents the management's decision to restrict the bank's expansion during 2006. Due to competitive pressure resulting in tight profit margins in its markets and the turmoil experienced in global and emerging financial markets during the second quarter of the year, the management took 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 always been at very comfortable levels according to international standards. At the liabilities side, the bank reduced essentially its wholesale funding base by closing down a portion of its repo book, while obtaining a syndicated term loan facility to reach a size of USD 200 million, an amount doubled in comparison to the previous year.

The own resources of the bank remained at comfortable levels, despite the distribution of the previous year's net profit in 2006. With a strong EUR 204.7 million shareholders' equity and a high 21.48% BIS ratio as of end 2006, the bank is well-equipped to conduct its activities in its defined business lines in the years to come.

Funds entrusted decreased by EUR 59.6 million, representing 76.9% of the liabilities with EUR 1,632.6 million, versus EUR 1,692.2 million or 73.6% of total liabilities in 2005. The increase in the funds entrusted item in terms of percentile of external funding is an indication

of the management's decision to limit asset expansion via wholesale funding. Total bank funding accordingly posted a EUR 77.5 million decline, the majority of the change stemming from the repo book of DHB Bank, and accounted for 11.9% of the liabilities with EUR 252.1 million (2005: 14.3% with EUR 329.5 million).

On the assets side, the decrease in the Cash item is the result of substituting a major portion of extra liquidity with Dutch Government securities, which are quasi-liquid instruments thanks to repo opportunities in international markets, consequently allowing the bank to book incremental profits.

An important development is the decrease of 28.9%, or EUR 348.2 million, in Banks item throughout 2006. This item still represents the highest part of DHB Bank's investments at end 2006 at a figure of EUR 855.9 million or 40.3 % of assets (2005: EUR 1,204.1 million at 52.3%). A major portion of this decline is the result of the decision to reduce Turkish Bank assets in the balance sheet due to progressively declining margins in this market and to replace these primarily with loans and securities, which are more profitable under a risk/return perspective and capital utilization model.

Loans and advances registered an increase of EUR 130.7 million over the year, bringing the amount from EUR 431.1 million (18.7% of the balance sheet) in 2005 to EUR 561.9 million (26.5 % of the balance sheet) in 2006. Of this amount, EUR 457.5 million accounted for commercial loans, whereby trader exposures in the form of structured trade finance investments were the main driving force behind the increase. Retail lending also continued to grow, from EUR 80.7 million at year-end 2005 to EUR 104.4 million in 2006.

Interest bearing securities came to EUR 581.6 million level in 2006 from EUR 475.3 million in 2005, corresponding to 27.4% and 20.7% of assets respectively. The rise is attributable to new investments in Dutch Government bonds and CIS corporate Eurobonds, while Turkish securities in absolute terms maintained approximately the same level as the previous year.

Despite the slight decrease in the balance sheet size, net interest income increased by 11.1% during the same period, thanks to a higher increase in gross interest income (9.5% increase) compared to the increase in interest expense (8.4% increase). 28.3% of interest income is generated through banks placements, 33.5% through corporate and retail loans investments and 38.3% through securities exposure, while geography-wise Turkey accounts for 52.3% of these revenues. Interest expense is predominantly related to deposit costs, where the bank is offering rates in check with market rates, and the overall cost of funding is accordingly moving parallel to general developments in the Euro zone.

Commission income and commission expenses changed by the same amount in 2006, to result in the exactly same figure of EUR 10.3 million net commission incomes for 2006 and 2005.

Administrative expenses posted a slight reduction of EUR 0.2 million during 2006, which is the outcome of cost-cutting measures implemented during the last quarter of the year and which is planned to be applied during 2007.

Despite the low-margin environment, and the reversed market conditions of the second quarter of 2006, DHB Bank successfully maintained its profitability and closed the year with a EUR 15.0 million after-tax profit, a figure close to previous year's EUR 15.8 million.

Bank Operations

DHB Bank further improved the effectiveness of its operations despite increased competition in its markets, and closed the year in review with a gross operating profit of EUR 21.6 million, versus EUR 23.6 million in 2005, corresponding to a decrease of 8.6%. Following the turmoil in global financial markets in May 2006, the management took the decision to close the bank's securities position in the trading book and consequentially a EUR 3.7 million one-off loss was reflected in the Result on Financial Transactions item (2005: EUR 2.8 million profit). This was, however, largely offset by increased interest income from the bank's core operations. The improvement in revenues from the bank's core operations can be mainly attributed to continued efforts on strategies followed in geographical coverage and product mix diversification, while containing the cost of funds.

The bank continued to develop its retail lending products in mortgage financing. To this end, Best Properties B.V. has been established as a new subsidiary to act as a real estate broker for selling properties in Turkey to residents in the Netherlands, Belgium and Germany.

Mazhar Göktunç Yüksel from Beverwijk / 1st prize / 7 - 9 year category

The improvement in revenues from the bank's core operations can be mainly attributed to continued efforts on strategies followed in geographical coverage and product mix diversification, while containing the cost of funds.

DHB Bank offers to a limited extent private banking services on securities transactions to an elite customer base. In order to provide custodian services under a separate legal structure and in accordance with Dutch regulations, the bank established Stichting Bewaarfonds during 2006 as a foundation.

Wholesale Business

The key aspects of DHB Bank's 2006 financial statements in terms of wholesale banking are a geographically more diversified balance sheet and asset composition.

In terms of geographical coverage, the bank's move towards diversification continued at full speed in the fields of trade finance, bank investments and corporate lending activities. Russia, Kazakhstan and Ukraine saw a particular increase in the number and size of both commercial transactions and counterparties involved. Although Turkey remains an important market for DHB Bank, Turkish assets (including non-Turkish domiciled assets but with ultimate Turkish ownership) declined by 31.6% in 2006.

In terms of assets mix, bank exposures have been reduced mainly in the Turkish banks segment, and instead exposures in loans and securities items have been expanded under a risk/return perspective shaped by new market conditions. Consequently, loans and advances increased by 30.3% and interest-bearing securities by 22.4%, while bank exposures have declined by 28.9%.

The balance sheet also reveals the management's decision to constraint balance sheet expansion in the context of wholesale banking due to prevailing market conditions during 2006. Accordingly, interest earning assets were reduced by EUR 111.6 million compared to the previous year, during which expansion was asset driven and was mainly supported by wholesale funding via repo transactions. In view of this, the size of the bank's repo book have been progressively reduced during 2006.

The bank gave further thrust to loans trading activities that were initiated at end 2005 within the Financial Institutions Department, attaining considerable volumes in this area and contributing positively to the profitability of the year under review, with a USD 1.4 million profit.

Corporate assets in the CIS have been a business area that developed during 2006. Starting end 2005, the bank continued to expand its respective exposure in 2006 in the form of mainly Russian corporate term loan facilities and structured transactions.

Structured trade finance activities first entered into in 2004 were continued at an intensified pace during 2006 with a larger number of counterparties from several sectors of the economy. In particular, while originally the focus had been on steel-traders, companies from the non-ferrous metals, fertilizer, oil and coal sectors have now become regular counterparties in such transactions.

DHB Bank's special focus on customer care, supported by its CDCS-certified trade finance experts and service oriented client advisor teams, reflects itself in the form of strong relationships with prime commodity traders and corporate customers alike. In 2006, 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.

During 2006, DHB Bank continued to be an active lender both in the primary and in the secondary market for syndicated loans, and in particular pre-export financing facilities along with corporate syndications in Russia. In the primary market, the bank participated in a total of 54 syndicated facilities in seven different countries, totaling USD 250 million, compared with 42 facilities and USD 280 million in 2005. In the secondary market, the total transaction volume was USD 482 million, bringing the total to USD 732 million compared to USD 815 million in 2005.

In 2006, DHB Bank secured a one year syndicated term loan facility with the participation of international banks in order to support its trade finance operations. Initially completed as USD 50 million in 2004, the amount doubled in 2005, and was renewed in 2006 at USD 200 million. ABN Amro Bank N.V., American Express Bank GmbH, Bayerische Landesbank, Commerzbank Aktiengesellschaft, Dresdner Bank AG, Erste Bank der oesterreichischen Sparkassen AG, HSH Nordbank AG, Luxembourg Branch, Raiffeisen Zentralbank Österreich Aktiengesellschaft, Türkiye Halk Bankası A.Ş., Wachovia Bank, National Association, WestLB AG, London Branch, WGZ-Bank AG Westdeutsche Genossenschafts-Zentralbank were mandated lead arrangers, Mashreqbank PSC lead arranger, Banca Intesa SpA, London Branch, Caixa Geral de Depósitos Subsidiária Offshore de Macau SA and Sampo Bank plc arrangers, KBC Bank N.V., Dublin Branch and Landesbank Saar co-arrangers. Fitch Ratings reaffirmed on October 24, 2006 the long-term foreign currency rating of DHB Bank as BB, the individual strength rating as C/D and the support rating as 5.

Retail Operations

Retail funding continued to be the main pillar of the bank's funding base for the past years. Total retail deposits (funds entrusted net of corporate deposits) as of the year-end amounted to EUR 1,493.6 million (2005: EUR 1,604.8 million). The EUR 111.2 million decrease in retail deposits between 2006 and 2005 is the result of low interest rates offered in this segment compared to market rates, which itself was the consequence of the management's decision to restrain asset and balance sheet expansion.

A milestone for the bank in retail lending has been the launch of a particular mortgage product, labeled Turkije Hypotheek, for the residents of the European Union member countries.

Of this EUR 1,493.6 million retails deposits, EUR 875.5 million originated in Germany, EUR 297.8 million in the Netherlands and EUR 320.3 million in Belgium. Product-wise, savings deposit decreased from EUR 869.9 million to EUR 712.2 million, time deposits from EUR 513.0 million to EUR 508.3 million, while internet-based deposits reached EUR 273.0 million from EUR 222.0 million within 2006. As such, the bank is putting additional emphasis on internet banking, which is projected to gain further importance in its 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 is depending 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 2006.

While consumer lending still does not account for a major portion of DHB Bank's balance sheet, the total portfolio of consumer loans once again increased quite substantially in 2006, reaching EUR 104.4 million (2005: EUR 80.7 million). The provision of flexible consumer loans, which are a loan type offered solely in the Netherlands, were stopped in November 2006 due to the performance of this business line not matching the initial expectations of the bank. Fixed term retail loans are continued to be being offered in the Netherlands, Belgium and Germany.

A milestone for the bank in retail lending has been the launch of a particular mortgage product for the residents of the European Union member countries, labeled Turkije Hypotheek, and which is among the first of its kinds offered in this segment. Residents of Belgium, Germany and the Netherlands (planned to comprise the UK in due course) are now able to procure mortgages from DHB Bank for their eventual real estate purchases in Turkey. In addition, the bank is developing new undertakings with construction companies for their real estate projects in Turkey in order to reach a European clientele. To increase market penetration and coordinate these activities, Best Properties B.V. has been established as a fully owned subsidiary of DHB Bank in 2006.

Workers remittances to both Turkey and Morocco increased in number of transactions during 2006, and continue to be a stable source of income for DHB Bank. In 2006, with 168,629 remittance transactions, a total amount of EUR 245 million was transferred (2005: EUR 180 million in 161,989 transactions), returning a commission income of EUR 1.7 million in this period.

Melisa Aleyna Güleğlen from Drunen / 2nd prize / 7 - 9 year category

Report of the Executive Board (continued)

DHB Hypotheken & Verzekeringen B.V., a wholly-owned subsidiary of DHB Bank, generated commission income of EUR 0.4 million in 2006 (2005: EUR 0.5 million) by providing insurance brokerage services and acting as an intermediary in the provision of mortgage loans.

Treasury Operations

Throughout the year 2006, DHB Bank was a net lender in euro-denominated money market instruments. At year-end, total money market placements were EUR 200 million, or 9.42% of the balance sheet (2005: EUR 277 million and 12% respectively).

The securities book of the bank amounted to EUR 581.6 million at year-end 2006, a majority of which were for investment purposes and EUR 12.9 million for trading. 70.0 % of this item were related to Turkey, while the rest consisted of Russian, Dutch, Ukrainian and Kazakh government and corporate securities.

Due to the balance sheet composition with assets denominated largely in USD while funding is mostly in EUR, the bank has traditionally been active in currency swaps as a Euro placer and Dollar taker. The bank also started creating Turkish Lira denominated bank exposures during 2006, hedging these with its counterparts via EUR/TRY swaps, on top of various investments funded directly in TRY.

In 2006, prompted by longer maturities on the asset side and increased volatility in the federal funds rate, interest rate swaps have also gained importance.

With the purpose of helping the bank have better insight into the components of its diversified portfolio, an automated early warning country risk tracking system is on constant watch for risk fluctuation in emerging markets.

Risk Management

The rapid pace of change in the financial services industry, resulting in ever complex risk structures, has intensified the need to invest in and maintain first class risk management practices. The regulatory framework, to be adopted next year, has a strong interest in a resilient banking system and consequently promotes this tendency. DHB Bank has adopted this dominant attitude many years ago through its Risk Management Unit which is responsible for identification, control and management of credit and concentration risks. The limit guidelines of these risks have been established by taking into account the guiding regulatory principles. The Unit monitors the risks and their containment within the limits.

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

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

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

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

Report of the Executive Board **(continued)**

On the issue of operational risk management, the Information Security Manager coordinates the monitoring and management of various operational risks as well as the development and maintenance of business continuity plan. The function Manager also administers the operational incident database, containing full incident details; an extremely useful tool used in analysis of processes and their risk-efficient update. In terms of business continuity plan, a scenario of full failover to the off-site location together with the business recovery team has been successfully tested at the last quarter of 2006.

Expectations

Developments in the global economy have led to converging margin levels in the markets of DHB Bank in general, in contrast to the past when risk perception was reflected more intensely on yields between different markets and asset types. The bank managed to utilize these differences to its advantage in the past under a risk-averse approach, however, went into reshaping its investments profile as the converged and low margin environment has been prevailing in its activity markets for some time.

Within this context, developed markets, where credit risks are at relatively more comfortable levels in relation to respective risk premiums, have become comparatively attractive to the bank. As opposed to the past when the focus was on emerging markets, with the exception of restricted corporate exposure and trader activities initiated end-2005, the bank is taking steps towards entering into more business with European corporate customers. Similarly the Middle East, a region offering attractive opportunities under an investment perspective, is in

Qualid Ouchan from Rotterdam / 2nd prize / 5 - 6 year category

DHB Bank will explore alternatives for enhancing its efficiency and improving its competitiveness while maintaining its sound financial structure.

the agenda of the bank for eventual investments mainly in the form of corporate and structured exposures, as evidenced by the initial booking of a respective asset during the first quarter of 2007.

In line with the restructuring processes in the banking sector and the resulting new operational environment, the bank will explore alternatives for enhancing its efficiency and improving its competitiveness while maintaining its sound financial structure.

Although DHB Bank was indirectly prepared to some extent to Basel II guidelines thanks to Dutch Central Bank regulations in relation to additional requirements for some emerging market exposures, the implementation of these new rules will nevertheless have a restructuring effect on the balance sheet of the bank. Accordingly measures have been taken in order to reshape the asset portfolio in parallel to changes in the risk weightings of various asset categories, which will imply new capital utilization models in conjunction with the current low margin economic environment. Consequently, the bank is planning to further reduce its bank exposures to the benefit of corporate loans.

We would like to offer our sincere thanks and appreciation to the bank's management and staff, whose diligent work and dedication have built the reputation of DHB Bank.

Low-margin conditions facing the bank combined with the increased duration of the asset portfolio brought about by the lengthening of tenors require a particularly fine-tuned asset-liability management. Accordingly, the judicious use of credit derivatives is expected to be of continued importance during 2007.

Another route to revenue generation which is expected to continue in 2007 is loans trading activities.

As for treasury activities, securities issued by bank and corporate borrowers in the CIS market as well as short-term Dutch government bonds will continue to be an attractive placement tool for the bank's investment portfolio. The bank will be evaluating various market opportunities to be funded through the repo of Dutch or similar bonds under a wholesale banking perspective.

In the retail segment, the bank's portfolio of consumer loans is planned to be further expanded, with a particular emphasis on mortgage financings in Turkey. At the same time, the bank has implemented a comprehensive CRM (Customer Relationship Management) system to better serve its retail clients.

In the past, having heavily invested in upgrading its IT systems, and having reached an adequate human resources base, DHB Bank has no plans of new investments in these areas in the near future, except for ongoing IT maintenance expenses and human resources management applications.

Board, Staff and Personnel

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

As of April 1, 2006, Mr. Abram Rutgers left the Supervisory Board in order to take up the position vacated by the departure of Mr. Risch from the Executive Board. We would like to thank him for his contribution during his tenure in the Supervisory Board and continuing responsibilities at the Executive Board.

Ms. İmre Barmanbek has left her responsibilities from the Supervisory Board as of April 30, 2006, and on this occasion we would like to thank her as well for her contributions to our bank during her tenure.

In 2006, the number of staff showed a slight decrease. This was mostly due to bank reaching its projected staff number during 2006, and partly due to efficiency measures. At year-end, the bank employed 298 people, or 295 full-time equivalents. (2005: 317 and 304 respectively).

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

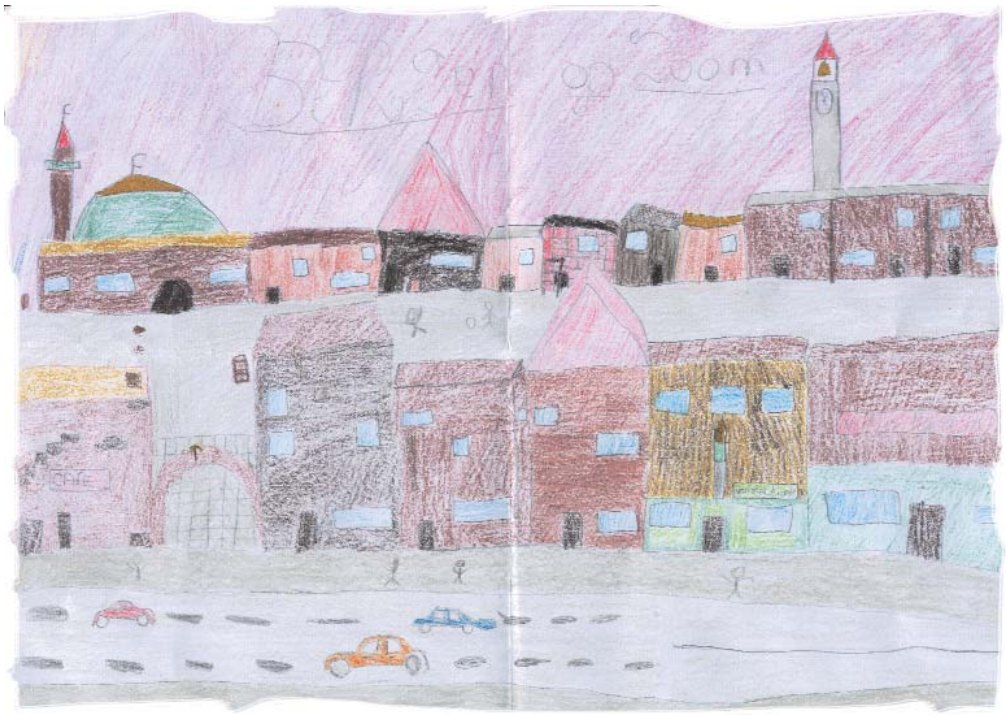
Rotterdam, March 30, 2007

Merdan Araz,
Senior General Manager

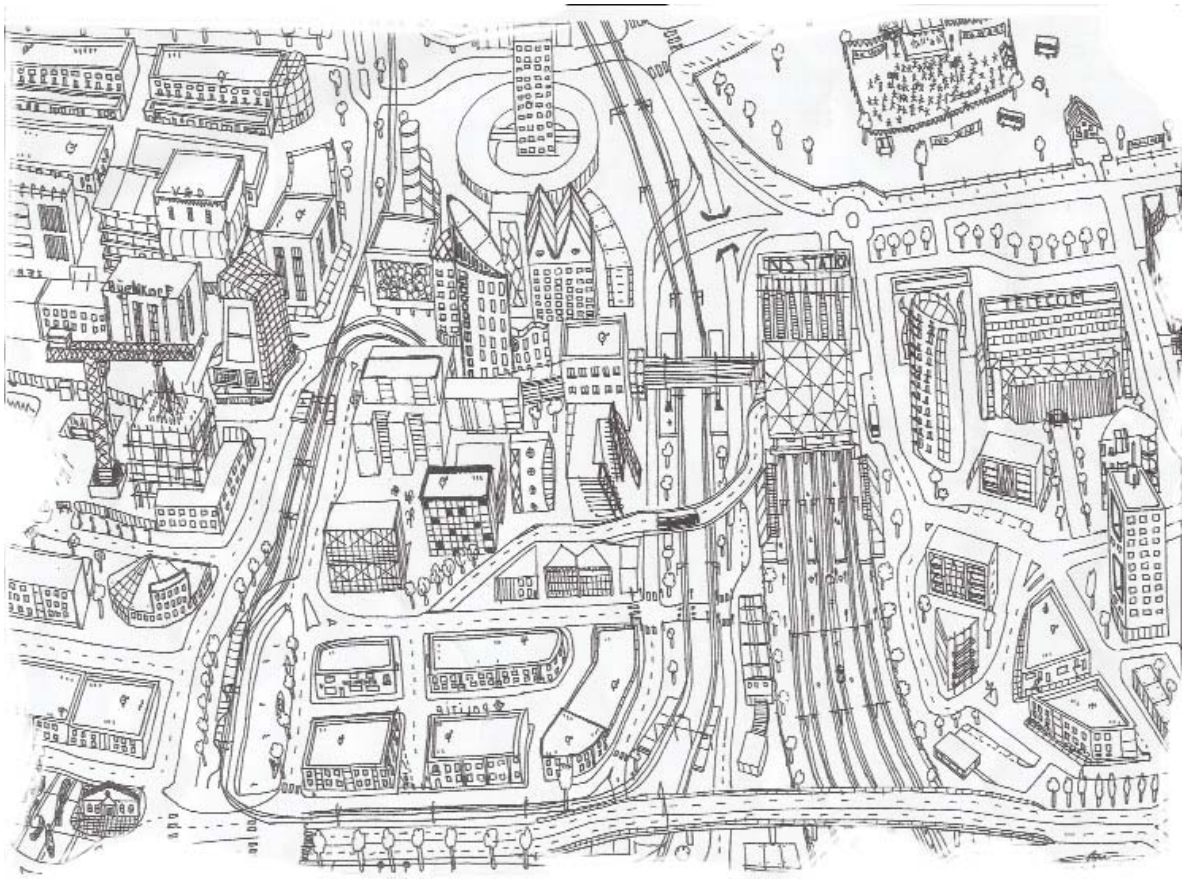
Kayhan Acardağ,
General Manager

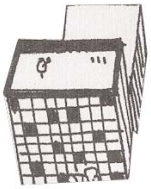
Abram Rutgers,
General Manager

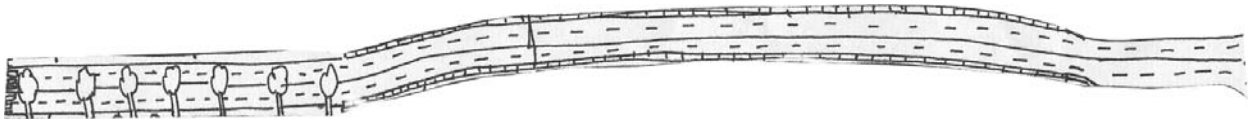
Çağrıhan Aslan from Bergen op Zoom / 2nd prize / 10 - 12 year category



Can Pekdemir from Den Haag / 1st prize / 10 - 12 year category







Management and Staff

EXECUTIVE BOARD

Managing Directors

Mr. Merdan Araz
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

Mr. Berkan Tamer
Assistant General Manager
Financial Institutions
(until March 31, 2007)

Ms. Ayşe Cıngıl
Assistant General Manager
Corporate Loans

Mr. Mete Usta
Assistant General Manager
Financial Risk Modeling & Control
(until March 31, 2007)

Chief Internal Auditor
Mr. Jos de Goede RA

DEPARTMENT HEADS

Corporate Loans
Mr. Aziz Yüksel

Corporate Marketing
Mr. Gaspar Esteve Cuevas

Financial Control
Mr. Ercan Erdoğan

Financial Institutions
Mr. C. Levent Es

General Affairs
Mr. Burhan Bahçeli

Information Security
Mr. Muammer Yavuz

Information Technology
Mr. Nezih Engin

Legal Affairs & Compliance
Mr. Arie Vlok

Operations & Documentary Credits
Ms. Pınar Olierook-Türe

Retail Marketing
Mr. Erol Ulu

Retail Loans
Mr. Metin Özay

Special Projects
Ms. Nalan Polat

Treasury
Mr. İrfan Çetiner

FOREIGN MAIN BRANCHES

Germany

Mr. Wilfried Hübner
Senior Country Manager

Belgium

Mr. René Bienfait
Country Manager

Mr. Can Kural
Country Manager

ISTANBUL REPRESENTATIVE

Ms. Fulya Baran

RETAIL BRANCH MANAGERS

THE NETHERLANDS

Amsterdam
Ms. Başak Bol

Rotterdam
Mr. M. Devrim Baykal

The Hague
Mr. Levent Bölükoğlu

GERMANY

Berlin
Mr. Sami Acar

Cologne
Ms. Esra Uluhan

Hamburg
Mr. Ersin Leventli

Munich
Mr. Kerim Birkan

Stuttgart
Mr. Gökhan Erkovan

BELGIUM

Antwerp
Mr. Serdar Mitis

Financial Statements
for the Year 2006

Consolidated balance sheet as of 31 December 2006

(in thousands of EUR)	Note	31 Dec. 2006	31 Dec. 2005
Assets			
Cash	1	37,827	130,439
Banks	2	855,892	1,204,123
Loans and advances	3	561,862	431,155
Interest-bearing securities	4	581,628	475,313
Intangible assets	5	1,762	2,593
Property and equipment	6	17,652	17,985
Prepayments and accrued income	7	66,256	38,602
		2,122,879	2,300,210
Liabilities			
Banks	8	252,072	329,566
Funds entrusted	9	1,632,667	1,692,254
Other liabilities	10	11,102	8,376
Accruals and deferred income	11	20,202	62,695
Provisions	12	2,149	1,841
		1,918,192	2,094,732
Paid-in and called-up capital		113,445	113,445
Revaluation reserve		173	176
Legal reserve		1,762	2,593
Other reserves		74,296	73,462
Net result for the financial year		15,011	15,802
Own funds	13	204,687	205,478
		2,122,879	2,300,210
Contingent liabilities	14	213,640	178,561

Consolidated profit and loss account for the financial year 2005

(in thousands of EUR)	Note	2006		2005	
Interest income	15	115,226		105,253	
Interest expense	16	67,942		62,703	
Net interest income			47,284		42,550
Commission income	17	10,950		11,120	
Commission expense	18	667		837	
Net commission income			10,283		10,283
Result on financial transactions	19		(3,680)		2,752
Other income	20		38		417
Total income			53,925		56,002
Administrative expenses:					
• Staff costs	21	19,077		19,000	
• Other administrative expenses		10,221		10,260	
			29,298		29,260
Amortization/depreciation	22		2,403		2,374
Value adjustments to receivables	23		612		720
Total expenses			32,313		32,354
Operating result before tax			21,612		23,648
Tax on result on ordinary activities	24		6,601		7,846
Net profit			15,011		15,802

Consolidated cash flow statement for the financial year 2006

(in thousands of EUR)	2006	2005
Profit after taxation	15,011	15,802
Depreciation	2,403	2,374
Value adjustments to receivables	612	720
Provision for deferred taxation	308	1,564
Net cash flow from profit	18,334	20,460
Interest-bearing securities in trading portfolio	(8,508)	7,073
Banks (assets), not withdrawable on demand	347,492	(304,450)
Loans and advances	(131,319)	(64,796)
Banks (liabilities), not withdrawable on demand	(77,800)	268,271
Banks (liabilities), other	306	(28,124)
Funds entrusted	(59,587)	64,843
Other assets	(27,654)	56,237
Other debts and liabilities	(39,767)	43,478
Net cash flow from banking activities	3,163	42,532
Additions to securities for investment purposes	(152,171)	(186,538)
Disposals and redemptions of portfolio investments	54,364	238,676
Investment in intangible assets	(72)	(216)
Investment in property and equipment	(1,167)	(6,592)
Disposals of property and equipment	-	-
Net cash flow from investment activities	(99,046)	45,330
Movement in group equity	-	(801)
Repayment of subordinated debt	-	-
Dividends paid	(15,802)	(10,771)
Net cash flow from financing activities	(15,802)	(11,572)
Net cash flow	(93,351)	96,750
Liquid funds - opening balance	138,418	41,668
Cash	130,439	35,952
Banks current accounts	7,979	5,716
Liquid funds - closing balance	45,067	138,418
Cash	37,827	130,439
Banks current accounts	7,240	7,979
Movement in cash	(93,351)	96,750

Notes to the consolidated balance sheet and profit and loss account

General

The shareholders are HCBG Holding B.V. 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, 2007, 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 B.V., Best CreditLine B.V., Maaslust 9 Monumenten B.V. and Best Properties B.V. 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”, except for foreign exchange losses incurred on hedged Turkish Lira investments funded in currencies other than Turkish Lira, which are reported as interest expenses so as to provide a more accurate representation of net interest income.

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

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

Loans and advances to banks/customers
Loans and advances to banks/customers are valued at nominal value, after deduction of specific provisions for overdue 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 overdue 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:

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

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

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

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

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

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

Income
Income is attributed to the period in which it arises or in which the service 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 net profit or loss before tax on the basis of the applicable corporation tax rates, taking exempt profit items and deductible items into account. DHB Bank and its subsidiaries form a fiscal unity within Dutch tax regulations, except for Maaslust 9 Monumenten B.V. and Best Properties B.V.

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

Notes to the consolidated balance sheet and profit and loss account

Consolidated balance sheet as of 31 December 2006

	31 Dec. 2006	31 Dec. 2005
Assets		
1 Cash	37,827	130,439
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	855,892	1,204,123
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	80,908	93,835
• three months or shorter	174,081	260,558
• longer than three months but not longer than one year	460,556	731,223
• longer than one year but not longer than five years	140,347	117,926
• longer than five years	-	581
	855,892	**1,204,123**

This item includes pledged funds amounting to 106,677 (2005: 134,738), of which 49,298 (2005: 57,040) serve as collateral for some swap transactions and 57,379 (2005: 70,350) serve as collateral for Credit Default Swap transactions. There are no subordinated loans or advances granted to banks.

3 Loans and advances	561,862	431,155
The residual maturity of loans and advances is as follows:		
• three months or shorter	148,438	83,622
• longer than three months but not longer than one year	138,582	112,085
• longer than one year but not longer than five years	247,533	217,610
• longer than five years	27,309	17,838
	561,862	**431,155**

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 332 (2005: 317). This amount consists mainly of unsecured overdraft loans with an interest rate in a range of 4,35% and 7,32%.

There are no subordinated loans granted to customers.

	31 Dec. 2006	31 Dec. 2005
4 Interest-bearing securities	581,628	475,313

Interest-bearing securities consist mostly of Eurobonds and Treasury bills issued by the Turkish government, which are listed on organized exchanges and Credit Linked Notes issued by top-Tier European banks, linked to Turkey sovereign risk. The interest-bearing securities not issued by Turkish government or not linked to Turkey sovereign risk amount to 176,965 (2005: 67,280).

Interest-bearing securities can be broken down into:		
• investment portfolio	568,709	470,902
• trading portfolio	12,919	4,411
	581,628	475,313

The average effective yield of interest-bearing securities belonging to investment portfolio is 6,69% (2005: 6,67%).

The investment portfolio developed as follows:		
Opening balance	470,902	523,040
• purchases	163,351	172,362
• sales	(797)	(102,411)
• repayments	(53,567)	(136,265)
• revaluations	(11,180)	14,176
Closing balance	568,709	470,902

The Securities in the investment portfolio amounting to 2,000 (2005: 1,000) serve as collateral for our facilities with the Dutch Central Bank. This item also includes pledged securities amounting to 40,000 (2005: 247,000), which serve as collateral for repo transactions.

5 Intangible assets

The changes in this balance sheet item are as follows:

	Concessions, licenses and intellectual property
Balance sheet value as of 1 January 2006	2,593
Investments	72
Amortization	903
Balance sheet value as of 31 December 2006	1,762
Cumulative amortization and value adjustments	2,723

Investments in intangible assets in 2006 represent mainly payments to a Dutch insurance company regarding the take over of a portfolio of non-life insurance policies from one of their agencies.

6 Property and equipment

The changes in this balance sheet item are as follows:

	Buildings in use by the bank	Other fixed assets	Total
Balance sheet value as of 1 January 2006	15,319	2,666	17,985
Investments	369	798	1,167
Depreciation	637	863	1,500
Balance sheet value as of 31 December 2006	15,051	2,601	17,652
Cumulative depreciation and value adjustments	4,257	8,674	12,931
Cumulative revaluations	173	-	173

The buildings partly serve as collateral for mortgage loans received.

Investments in 2006 include mainly renovation expenses for buildings and IT hardware expenditures within the scope of business continuity planning.

	31 Dec. 2006	31 Dec. 2005
7 Prepayments and accrued income	66,256	38,602

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

8 Banks	252,072	329,566

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	2,376	2,070
• three months or shorter	94,651	241,215
• longer than three months but not longer than one year	153,581	84,767
• longer than one year but not longer than five years	1,464	1,514
	252,072	329,566

The average interest rate on long term borrowings from banks is 5,87% (2005: 5,87%).

Notes to the consolidated balance sheet and profit and loss account

	31 Dec. 2006	31 Dec. 2005
9 Funds entrusted	1,632,667	1,692,254
Included under this item are all non-subordinated debts, insofar as they are not amounts owed to banks or embodied in debts evidenced by certificates.		
This item is made up as follows:		
• savings accounts	1,490,043	1,600,087
• other funds entrusted	142,624	92,167
	1,632,667	1,692,254
The residual life of the savings accounts is as follows:		
• payable on demand	981,750	1,087,084
• three months or shorter	109,905	112,774
• longer than three months but not longer than one year	216,462	213,996
• longer than one year but not longer than five years	181,856	186,203
• longer than five years	70	30
	1,490,043	1,600,087
The residual life of the other funds entrusted is as follows:		
• payable on demand	54,068	50,517
• three months or shorter	6,528	8,687
• longer than three months but not longer than one year	36,152	9,699
• longer than one year but not longer than five years	41,701	13,716
• unspecified	4,175	9,548
	142,624	92,167
10 Other liabilities	11,102	8,376
This item comprises current taxes payable and other amounts which cannot be classified with any other balance sheet items.		
11 Accruals and deferred income	20,202	62,695
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.		
12 Provisions	2,149	1,841
This item is made up as follows:		
• Pension	788	953
• Deferred tax	151	228
• Estimated regulatory obligations	200	-
• Onerous rental contract	1,010	660
	2,149	1,841

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.

Provision for deferred taxation relates mainly to intangible assets and will mature within 5 years. The movements in 2006 are as follows:

Opening balance	228	277
Addition	14	40
Release	91	89
Closing balance	151	228

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	4,00 %
• expected return on plan assets	3,00 %
• collective salary increase rate	1,50 %
• social security increases	1,50 %
• pension increases	1,50 %

Defined benefit obligation	2,956
Market value of plan assets	(2,168)
Funded status as per 31 December 2006	788

The movements in pension liabilities can be explained as follows:

Opening balance 1 January 2006	953
• Service cost	240
• Interest cost	114
• Return on assets	(63)
• Benefits paid	-
• Unrecognised gains in 2005	(274)
• Employer's contribution	(182)
Closing balance 31 December 2006	788

The net total movement amounting to (165) 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. 2006	31 Dec. 2005
14 Contingent liabilities	213,640	178,561

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)	118,797	110,000
• credit-substitute guarantees (Credit Linked Notes)	20,000	20,000
• non-credit-substitute guarantees	4,978	4,944
• irrevocable letters of credit	69,865	23,617
• irrevocable commitments	-	20,000
	213,640	178,561

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

• The Netherlands	2,780	1,129
• Turkey	136,818	144,546
• Rest of Europe	54,005	31,123
• Other	20,037	1,763
	213,640	178,561

Concentrations of credit risks

	31 Dec. 2006	31 Dec. 2005
The loans and advances to customers can be specified by kind of risk as follows:		
• Loans guaranteed by banks	12,479	28,445
• Loans secured by mortgage	11,443	11,672
• Loans secured by pledge on deposits	135,803	79,311
• Other loans	402,137	311,727
	561,862	431,155
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	134,059	86,798
• Turkey	1,041,638	1,349,270
• Rest of Europe	376,000	359,702
• Russia	332,126	179,608
• Other	115,559	135,213
	1,999,382	2,110,591

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 2006, the total euro equivalent of assets in foreign currencies is 1.1 billion (2005: 1.2 billion), while the total euro equivalent of liabilities in foreign currencies is 296 million (2005: 294 million). The bank enters into forward foreign exchange contracts to cover currency positions. The net currency risk exposure is 922 thousand as of 31 December 2006 (2005: 746 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 credit risks.

The tables illustrate the relative importance of the various types of derivative products, showing the notional amounts at year-end 2006. Notional amounts represent units of account which, in respect of derivatives, reflect the relationship with the underlying assets. What they do not reflect, however, are the credit risks assumed by entering into derivatives transactions.

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

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

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

	Notional Amount			Positive Replacement Cost
	< 1 year	1-5 year	> 5 year	
OTC currency contracts				
Forwards	571	-	-	231
Swaps	805,544	94,956	-	30,222
Options	-	-	-	-
Total	806,115	94,956	-	30,453

	Credit equivalent 31 December 2006		Credit equivalent 31 December 2005	
	Unweighted	Weighted	Unweighted	Weighted
OTC currency contracts				
Forwards	237	118	-	-
Swaps	39,227	7,936	11,114	2,223
Options	-	-	-	-
Total	39,464	8,054	11,114	2,223

Consolidated profit and loss account for the financial year 2006

	2006	2005
15 Interest income	115,226	105,253
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	71,091	58,615
• interest-bearing securities	44,135	46,638
	115,226	105,253
16 Interest expense	67,942	62,703
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	10,950	11,120
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	667	837
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	(3,680)	2,752
This item consists of:		
• result from exchange rate differences	218	(10)
• results from securities trading transactions	(3,898)	2,762
	(3,680)	2,752

The negative result from securities trading transactions is mainly due to loss realized during turmoil in global financial markets in May 2006.

	2006	2005
20 Other income	38	417

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

Segmentation of income

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

• The Netherlands	7,457	4,093
• Turkey	60,147	74,979
• Rest of Europe	27,841	21,150
• Rest	27,089	19,320
	122,534	119,542

21 Staff costs	19,077	19,000

The staff costs comprise:

• wages and salaries	15,556	15,123
• pension costs	809	1,212
• other social costs	2,020	2,014
• other staff costs	692	651
	19,077	19,000

The average number of full-time equivalents in 2006 was 295 (2005: 301).
The employees were employed as follows:

• in the Netherlands	167	169
• outside the Netherlands	128	132
	295	301

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 2006 to 2,730 (2005: 2,799).

The remuneration of the members of the Supervisory Board amounted in 2006 to 344 (2005: 311).

22 Amortization/depreciation	2,403	2,374

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

23 Value adjustments to receivables	612	720

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

24 Tax on result on ordinary activities	6,601	7,846

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 2006 is higher than the Dutch tax rate of 29,6%. 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 30,54 %.

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 2006, C Group companies consist of OJSC Demir Kazakhstan, Demir Kyrgyz International Bank, C Faktoring A.Ş., C Yatırım Holding A.Ş., HCBG Holding B.V., C International Belgium S.A., C International N.V., Demir Euroasian Investments Limited and Overseas Residential Investments Limited. Bank Pozitif Kredi ve Kalkınma Bankası (Bank Pozitif), formerly C Kredi ve Kalkınma Bankası A.Ş. and its wholly-owned subsidiary C Menkul Degerler A.Ş. were also included in C Group companies in 2005. In 2006, Bank Hapoalim from Israel acquired majority ownership (57,55%) of Bank Pozitif with the rest of the shares being retained by C Faktoring A.Ş. Halk group companies consist of Türkiye Halk Bankası A.Ş. and Halk Finansal Kiralama A.Ş.

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

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

	2006	2005
Assets		
Due from banks	7,288	27,513
Loans and advances	56,172	55,536
Liabilities		
Due to banks	12,458	943
Funds entrusted	33,816	12,354
Contingent Liabilities		
Letter of credits	574	1,211
Guarantees	1,287	1,491
Irrevocable commitments	-	20,000
Interest income	4,564	4,047
Interest expense	1,233	1,318
Commission income	54	272
Commission expense	4	36

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 2006		31 December 2005	
	Book value	Fair value	Book value	Fair value
Assets				
Cash	37,827	37,827	130,439	130,439
Banks	855,892	851,889	1,204,123	1,213,205
Loans and advances	561,862	583,247	431,155	436,552
Interest-bearing securities	581,628	599,971	475,313	513,425
Currency and interest rate contracts	25,429	30,453	-	-
Total	2,062,638	2,103,387	2,241,030	2,293,621

	31 December 2006		31 December 2005	
	Book value	Fair value	Book value	Fair value
Liabilities				
Banks	252,072	254,201	329,566	330,795
Funds entrusted	1,632,667	1,675,454	1,692,254	1,705,266
Currency and interest rate contracts	-	-	40,204	39,963
Total	1,884,739	1,929,655	2,062,024	2,076,024

Company balance sheet as of 31 December 2006

(after proposed appropriation of the result)

	31 Dec. 2006	31 Dec. 2005
Assets		
Cash	37,827	130,439
Banks	855,892	1,204,123
Loans and advances	564,396	438,477
Interest-bearing securities	581,628	475,313
Participating interests in group companies	3,686	-
Intangible assets	1,630	2,502
Property and equipment	12,694	12,934
Prepayments and accrued income	65,302	37,957
	2,123,055	2,301,745
Liabilities		
Banks	252,072	329,566
Funds entrusted	1,632,974	1,692,414
Other liabilities	10,971	8,272
Accruals and deferred income	20,202	62,632
Provision for participating interests in group companies	-	1,542
Provision for deferred taxation	2,149	1,841
	1,918,368	2,096,267
Paid-in and called-up capital	113,445	113,445
Revaluation reserve	173	176
Legal reserve	1,762	2,593
Other reserves	74,296	73,462
Net result for the financial year	15,011	15,802
Own funds	204,687	205,478
	2,123,055	2,301,745
Contingent liabilities	213,640	178,561

Company profit and loss account for the financial year 2006

	31 Dec. 2006	31 Dec. 2005
Company net profit	15,494	16,282
Net profit subsidiaries	(483)	(480)
Consolidated net profit	15,011	15,802

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

Notes to the company balance sheet and profit and loss account

General

The company balance sheet and profit and loss account include only the figures of the DHB Bank. The financial statements of our subsidiaries, DHB Hypotheken & Verzekeringen B.V., Best CreditLine B.V., Maaslust 9 Monumenten B.V. and Best Properties B.V. 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 B.V., Best CreditLine B.V., Maaslust 9 Monumenten B.V. and Best Properties B.V. and the company Stichting Bewaarfonds.

	31 Dec. 2006	31 Dec. 2005
Assets		
Banks	**855,892**	**1,204,123**
This item is made up as follows:		
• related parties	7,288	27,513
• group companies	-	-
• others	848,604	1,176,610
Loans and advances	**564,396**	**438,477**
This item is made up as follows:		
• related parties	56,172	55,536
• group companies	28,108	23,173
• others	480,116	359,768
Prepayment and accrued income	**65,302**	**37,957**
This item is made up as follows:		
• related parties	930	743
• group companies	730	645
• others	63,642	36,569
Liabilities		
Banks	**252,072**	**329,566**
This item is made up as follows:		
• related parties	12,458	943
• group companies	-	-
• others	239,614	328,623
Funds entrusted	**1,632,974**	**1,692,414**
This item is made up as follows:		
• related parties	33,816	12,354
• group companies	751	406
• others	1,598,407	1,679,654
Other liabilities	**10,971**	**8,272**
This item is made up as follows:		
• related parties	-	-
• group companies	131	104
• others	10,840	8,168
Accruals and deferred income	**20,202**	**62,632**
This item is made up as follows:		
• related parties	125	29
• group companies	-	63
• others	20,077	62,540

Participating interests in group companies

Development:	2006	2005
Opening balance	(1,542)	(539)
• Capital investment	5,711	(523)
• Net profit subsidiaries	(483)	(480)
Closing balance	3,686	(1,542)

Notes to the company balance sheet and profit and loss account

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

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

	31 Dec. 2006	31 Dec. 2005
Own funds	204,687	205,478

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 2005	**113,445**	**219**	**3,258**	**73,555**	**10,771**	**201,248**
Addition to				10,678		10,678
Release from		(43)	(665)		(10,771)	(11,479)
Dividend paid out				(10,771)		(10,771)
Profit for the year 2005					15,802	15,802
Balance as of 31 December 2005	**113,445**	**176**	**2,593**	**73,462**	**15,802**	**205,478**
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**

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

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

• Release from net profit 2005	15,802
• Release from legal reserve	831
• Release from revaluation reserve to other reserve	3
	16,636

Rotterdam, March 30, 2007

Supervisory Board:

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

Executive Board:

Merdan Araz
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 15,011 be distributed as follows:

Dividend 100%	15,011
Addition to the other reserves	-
	15,011

Auditor's Report

To the Supervisory Board and Shareholders of Demir-Halk Bank (Nederland) N.V.

Report on the financial statements

We have audited the accompanying financial statements 2006 of Demir-Halk Bank (Nederland) N.V., 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 2006, 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 2006, 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) N.V. as at 31 December 2006, 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) N.V. as at 31 December 2006, 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 30, 2007

KPMG ACCOUNTANTS N.V.

M. Frikkee RA

DHB Bank Directory

HEAD OFFICE

Visiting Address
Parklaan 8-12
3016 BB Rotterdam
Switchboard: +31 10 436 9151
General fax: +31 10 436 9252
Telex: 20873 dhb nl
Internet: www.dhbbank.com

Mailing Address
P.O. Box 23294
3001 KG Rotterdam
SWIFT: DHBN NL 2R
Reuters Dealing: DHBN
Commercial Register: Rotterdam 199.853
e-mail: info@dhbbank.com

DOMESTIC RETAIL BRANCHES

Amsterdam Branch
Raadhuisstraat 48-50
1016 DG Amsterdam
Telephone: +31 20 421 1919
Fax: +31 20 421 1791
e-mail: amsterdam@dhbbank.com

The Hague Branch
Paletplein 80
2526 GZ The Hague
Telephone: +31 70 388 1818
Fax: +31 70 388 1828
e-mail: denhaag@dhbbank.com

Rotterdam Branch
Westblaak 10
3012 KL Rotterdam
Telephone: +31 10 281 8181
Fax: +31 10 281 8191
e-mail: rdambranch@dhbbank.com

GERMANY OPERATIONS

Germany Main Branch
Josephinenstraße 9
40212 Dusseldorf
Telephone: +49 211 867 280
Fax: +49 211 867 2822
Telex: 8587802 dhbn
SWIFT: DHBN DE DD
e-mail: dusseldorf@dhbbank.com

Hamburg Branch
Adenauerallee 9
20097 Hamburg
Telephone: +49 40 284 088-8
Fax: +49 40 284 088-99
e-mail: hamburg@dhbbank.com

Berlin Branch
Leipziger Strasse 31,
10117 Berlin
Telephone: +49 30 20 63 39 30
Fax: +49 30 20 63 39 50
e-mail: berlin@dhbbank.com

Munich Branch
Ottostrasse 1,
80333 Munich
Telephone: +49 89 59 06 87 30
Fax: +49 89 59 06 87 50
e-mail: munchen@dhbbank.com

Cologne Branch
An den Dominikanern 5
50668 Cologne
Telephone: +49 221 139 810
Fax: +49 221 139 8120
e-mail: koln@dhbbank.com

Stuttgart Branch
Fritz Elsas Strasse 22,
70174 Stuttgart
Telephone: +49 711 22 00 92 30
Fax: +49 711 22 00 92 50
e-mail: stuttgart@dhbbank.com

BELGIUM OPERATIONS

Belgium Main Branch
Rue Royale, 168
1000 Brussels
Telephone: +32 2 221 0460
Fax: +32 2 219 8789
SWIFT: DHBN BE BB
e-mail: brussels@dhbbank.com

Antwerp Branch
Britselei 10
1000 Antwerp
Telephone: +32 3 229 1930
Fax: +32 3 231 1229
e-mail: antwerp@dhbbank.com

ISTANBUL REPRESENTATIVE OFFICE
Bayıldım Cad. Swissotel
Suite Tower Suite 2101
Beşiktaş 34357 Istanbul
Telephone: +90 212 327 0844
Fax: +90 212 236 0493
e-mail: IstRepOffice@dhbbank.com

BEST CREDITLINE BV
Parklaan 8
3016 BB Rotterdam
Telephone: +31 10 440 6698
Fax: +31 10 241 3377
e-mail: bestcreditline@dhbbank.com

MAASLUST 9 MONUMENTEN BV
Parklaan 8
3016 BB Rotterdam
Telephone: +31 10 436 9151
Fax: +31 10 436 9252
e-mail: maaslust@dhbbank.com

BEST PROPERTIES BV
Parklaan 8
3016 BB Rotterdam
Telephone: +31 10 436 9151
Fax: +31 10 436 9252
e-mail: bestproperties@dhbbank.com

STICHTING BEWAARFONDS
Parklaan 8
3016 BB Rotterdam
Telephone: +31 10 436 9151
Fax: +31 10 436 9252
e-mail: bewaarfonds@dhbbank.com

DHB HYPOTHEKEN & VERZEKERINGEN BV
Parklaan 8
3016 BB Rotterdam
Telephone: +31 10 241 3555
Fax: +31 10 241 3550
e-mail: assurantien@dhbbank.com

DHB Bank

DEMİR-HALK BANK (NEDERLAND) N.V.

www.dhbbank.com