DHB Bank

DEMİR-HALK BANK (NEDERLAND) N.V.

ANNUAL REPORT 2008

CONTENTS

Dear reader,

You would notice that children's drawings constitute the main design of our 2008 Annual Report, as was the case for the past 4 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, 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 across the country and children are invited from around 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, had the 2008 theme of "sports". What we are presenting to you in our report are the three winning entries in each of the three age categories.

We hope that you enjoy the creations of our little artists, and that our Annual Report provides you with the information you need.

Kind regards,

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.

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The shareholder structure of DHB Bank since September 20, 2005 is as follows: HCBG Holding B.V. hold 70% of the shares, while the remaining 30% are owned by Türkiye Halk Bankası A.Ş.. DHB Bank has a 66.56% stake in Export & Credit Bank Inc., Skopje-hereafter referred to as EC Bank-a Macedonian bank acquired in the second half of 2008, in which European Bank for Reconstruction and Development (EBRD) has a 25% shareholding.

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 interest in Demir Kyrgyz International Bank OJSC as well.

DHB Bank holds a Ba2 long-term bank deposits credit rating from Moody's Investor Services.

Alihan Aslan, 1st prize, 7-9 year category

FINANCIAL HIGHLIGHTS

CONSOLIDATED	2008 (EUR 000)	2007 (EUR 000)	2006 (EUR 000)
TOTAL ASSETS	2,225,188	1,909,012	2,122,879
LOANS & ADVANCES	690,584	631,586	561,862
FUNDS ENTRUSTED	1,747,209	1,521,615	1,632,667
SHAREHOLDERS' EQUITY	205,246	211,612	204,687
NET INTEREST INCOME	37,827	42,923	47,284
NET COMMISSION INCOME	12,321	9,358	10,283
RESULT AFTER TAX	7,908	18,683	15,011
SOLVENCY RATIO* (%)	13.68	20.09	21.48
NUMBER OF EMPLOYEES (DECEMBER 31)	471	241	298
NUMBER OF BRANCHES (INCLUDING 19 BRANCHES AND SUB-BRANCHES IN MACEDONIA)	33	14	11

* Solvency ratio as of year-end 2008 is according to Basel II capital accord, while those for year-end 2007 and 2006 are according to the Basel I framework. Under the Basel I framework, sovereign exposure to Turkey, an OECD zone-A country, was weighted with 0% risk weight, which has changed with the implementation of Basel II regulations beginning 2008. The calculation of solvency ratio in 2008 is performed according to the Basel II framework Standardized Approach. Turkey sovereign exposure is being risk weighted according to the external rating of BB- with 100%, resulting in a lower level of the ratio.

Chloë Meljorejo, 1st prize, 10-12 year category

REPORT OF THE SUPERVISORY BOARD

We are pleased to present the financial statements of Demir-Halk Bank (Nederland) N.V.-DHB Bank-for the year ending December 31, 2008. These financial statements were prepared by the Executive Board, and are audited by KPMG Accountants N.V.. Their report, referred to in the Articles of Association, is attached to the annual accounts.

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We propose to the Annual General Meeting of Shareholders to adopt the financial statements for 2008, and the proposal for the appropriation of the financial result. Pursuant to Article 20, paragraph four of the Articles of Association of the bank, your approval will discharge the Executive Board from liability with respect to its management of the bank's activities, and the Supervisory Board with respect to its supervision thereof.

During the year under review, the Supervisory Board met regularly with the Executive Board. The main matters discussed included the annual figures, management reporting and the reports of the internal and external auditors. The meetings of the Board's Audit Committee were regularly attended by representatives of the Executive Board, the Chief Internal Auditor, as well as the representative of the external auditor, KPMG Accountants N.V.. The Audit Committee, among other subjects, monitored the implementation of the requirements posed by the Basel II Capital Accord.

The Supervisory Board has also regularly taken up other issues, including budgeting, planning, and the financial developments in the bank's operating markets, and put particular emphasis on risk management in view of the financial and economic turmoil around the globe during the last quarter of 2008.

Two new members joined the Supervisory Board in 2008; Mr. Nurzahit Keskin, an experienced banker representing Türkiye Halk Bankası A.Ş. joined our bank on June 1, 2008, while Mr. Okan Beygo, a competent banking lawyer, became a member on August 1, 2008.

Taking this opportunity, 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, April 29, 2009

Dr. Halit Cıngıllıoğlu (Chairman)

Hasan Cebeci (Vice Chairman)

Nurzahit Keskin

Drs. Jan Th. Groosmuller

İsmail Hasan Akçakayalıoğlu

Theodoor Joseph Bark

Hans J. Ph. Risch

Okan Beygo

GOVERNING BODIES

Supervisory Board

Dr. Halit Cıngıllıoğlu, Chairman

Mr. Hasan Cebeci, Vice Chairman

Mr. Nurzahit Keskin, Member (since June 1, 2008)

Drs. Jan Th. Groosmuller, Member

Mr. İsmail Hasan Akçakayalıoğlu, Member

Mr. Theodoor Joseph Bark, Member

Mr. Hans J. Ph. Risch, Member

Mr. Okan Beygo, Member (since August 1, 2008)

Executive Board

Mr. Selçuk Şaldırak, Senior General Manager

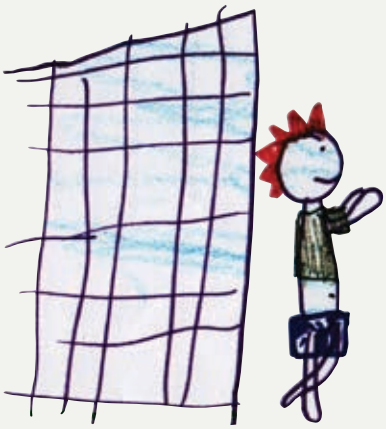
Mr. Kayhan Acardağ, General Manager

Mr. Abram Rutgers, General Manager

Cavit Evren, 1st prize, 5-6 year category

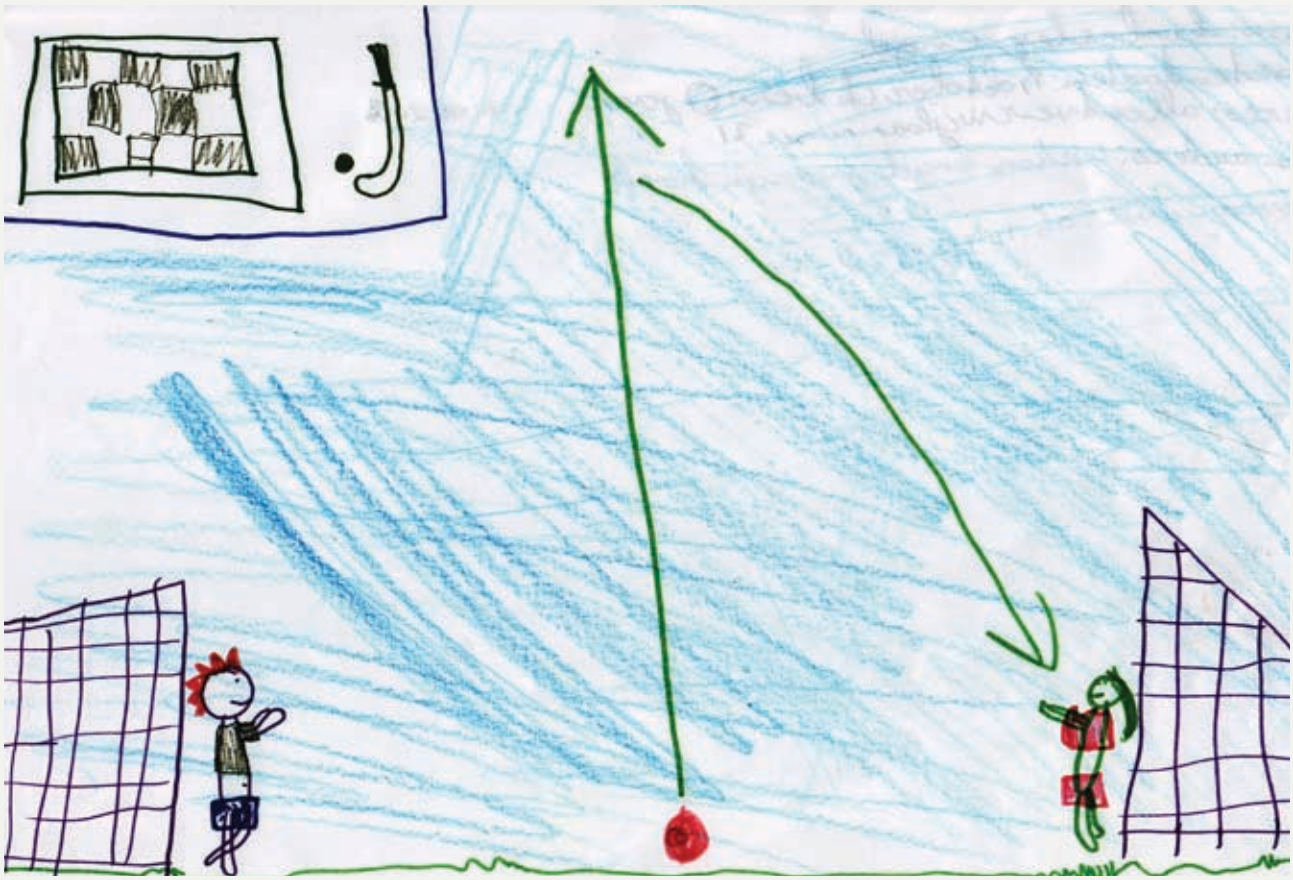
REPORT OF THE EXECUTIVE BOARD

Funded with a stable retail deposit base mainly in the Netherlands, Germany and Belgium, DHB Bank's asset composition in terms of product base consists primarily of trade related bank assets, structured trade finance and trade related corporate placements, securities investments and consumer loans.



The 2008 balance sheet of DHB Bank incorporates the figures of the bank, consolidated with the financial statements of EC Bank, out of which the latter occupies a relatively small portion in terms of size, with approximately a 5% contribution. The bank's balance sheet represents its business model of mainly wholesale asset generation funded by retail deposits, as well as its international banking characteristics. Funded with a stable retail deposit base mainly in the Netherlands, Germany and Belgium, the bank's asset composition in terms of product base consists primarily of trade related bank assets, structured trade finance and trade related corporate placements, securities investments and consumer loans. Geographical diversity is also the main framework of DHB Bank's activities on the assets side. In terms of asset mix, Western European exposures represented the highest portion, with approximately 42.7% of total assets, while Turkish and CIS exposures (mainly Russian and Ukrainian, and to a limited extent, Kazakh) made up the majority of the remainder. The bank particularly built up and maintained a high liquid position as of year-end in a precautionary move against the financial turmoil of the last quarter.

DHB Bank continued its activities during the year under review in two distinct parts. The first part consists of the period covering the first three quarters, when the bank carried out its activities within its traditional investment strategies in four core business lines: treasury activities, corporate banking, international/correspondent banking and retail banking. These activities were shaped by the management's cautious expansion policy, when sub-prime related future and ongoing problems were first noticed in the financial markets the previous year. The management had adopted a more selective investment profile and modest growth in order to further optimize its resources and capital base, which traditionally has been at very



Kimberley Engel, 3th prize, 7-9 year category

comfortable levels according to international standards and the recently implemented Basel II capital accord. On the investments side, a significant development has been the acquisition of EC Bank, a medium-sized Macedonian bank, for the purpose of setting the groundwork for future and prospective expansion plans in South Eastern Europe. Macedonia was decided upon as an initial target and hub thanks to its relatively less saturated position in the region, with comparatively low bank penetration, while offering good prospects for progress along with its objective to join the European Union.

The second part, namely the last quarter of the year, was shaped by the credit crunch of autumn 2008 and the resulting liquidity squeeze that ultimately led to a global financial crisis, when the management adopted an immediate and very conservative investment strategy. In order to redefine the strategies of DHB Bank during these severe developments and challenging business environment, the Executive Board held meetings with relevant departments. Accordingly, under consultation with the Supervisory Board as well, the priorities of the bank were determined to be maintaining the bank's asset quality and a comfortable level of liquidity, while profitability targets were put aside. During this phase, DHB Bank's efforts went towards thoroughly reviewing and reducing its lending portfolio, which was also realized thanks to the short maturity nature of its assets, and thus, a continuous and progressive collection of maturing assets, on maintaining the funding base of the bank, which overwhelmingly consists of retail deposits, on exploring and securing alternative stand-by and actual wholesale funding sources, on reducing credit risks, and on hedging market risks, which has become more difficult due to adverse developments and the confidence crisis prevalent among market players. As a result, the bank attained a sizeable liquidity base by the end of the year while maintaining its overall asset quality in 2008. Despite these developments, which are costly by nature, and the exceptionally difficult operating environment, the bank successfully posted profits for the whole of the year.

DHB Bank closed the year with EUR 2,225.2 million in assets, representing a EUR 316.2 million increase compared with the previous year, out of which EUR 106.3 million is attributable to the acquisition of EC Bank. The other drivers of the increase lay essentially on the liabilities side; a controlled increase mainly in funds entrusted and, to a comparatively lesser extent, in the wholesale funding base, by procuring bank loans in the form of money market borrowings alongside USD funding in the form of repurchase agreements. In May 2008, DHB Bank also renewed the USD 68.5 million tranche A of its syndicated term loan facility secured in 2007 with the participation of top tier international banks. The syndicated facility currently consists of two tranches, representing one and two year maturity profiles, for a total of USD 191 million, and this will be repaid in full in May 2009. The bank does not intend to renew the deal immediately, thanks to its high liquid position, and will consider a new facility depending on developments in the course of 2009 and 2010.

The bank's own resources remain at comfortable levels, also thanks to the shareholders' decision to retain 40% of the 2007 profit in the equity to support the bank's activities and the acquisition of EC Bank. With a strong EUR 205.2 million shareholders' equity (representing 9.2% of total liabilities), out of which EUR 7.3 million is attributable to minority interests, the bank has successfully adapted to Basel II regulations, having also indirectly adjusted its respective asset mix in the past according to local specific regulations during the Basel I period. DHB Bank is utilizing the standardized approach under Pillar 1, and is continuing to further develop its internal capital adequacy assessment process under Pillar 2. The bank is thus well-equipped to conduct its activities in its defined business lines in the years to come, while it re-aligns its investment profile according to current capital guidelines and market developments.

Funds Entrusted increased by EUR 225.6 million in 2008, representing 86.4% of non-equity liabilities with EUR 1,747.2 million, versus EUR 1,521.6 million in 2007. The nominal increase in funds entrusted on the liability side is

an indication of the management's decision to maintain the bank's funding base and support the limited expansion of the balance sheet in the form of retail deposits, with restricted recourse to wholesale funding. Accordingly, total wholesale funding consists of the USD 191 million syndicated term loan facility mentioned above, as well as funds in the form of money market borrowings and repo transactions, and posted a EUR 89.5 million increase, the change stemming mostly from new wholesale funds mentioned above. It accounted for 10.3 % of total liabilities with EUR 229.1 million (2006: 7.3% and EUR 139.5 million).

On the assets side, the Cash item consists of all legal tender and demand deposits held at the central banks of countries in which the bank operates. With a sizeable EUR 576.8 million, or 25.9% of total assets as of year-end, this amount represents the immediately available funds at the disposal of DHB Bank, maintained as such by the Management as a precaution for unexpected future turmoil in the markets.

The Banks item represents the second highest portion of DHB's assets at the end of 2008, with a figure of EUR 605.8 million, or 27.2% of the balance sheet (2007: EUR 803.1 million at 42.1%). The EUR 197.3 million reduction in this item reflects the management's decision to reduce its investment activities during the last quarter of 2008, thus placing the focus on collections instead of renewing investments or generating new assets. In terms of products, this item primarily consists of trade related bank placements in the form of syndicated term loan facilities, the financing of letters of credit, the discounting of bills of exchange and promissory notes, as well as money market placements with top international banks; all of which contributed to the strong liquid position of the bank. Out of the total banks item, EUR 536.7 million was mainly in the form of the above-mentioned trade related investments, while the remainder consisted of money market and similar placements.

Taking into account the investment model of the bank, Loans and Advances, a business line that was anticipated to gain in importance as Basel II and its respective implications came into play, registered an increase of EUR 59.0 million over the year, bringing the amount from EUR 631.6 million (33.1% of the balance sheet) in 2007, to EUR 690.6 million (31.0% of the balance sheet) in 2008, the increase mainly stemming from the acquisition of EC Bank. Of this amount, EUR 564.9 million were commercial loans, whereby participation in acquisition finance and/or project finance deals, in the form of syndicated facilities, were the main component behind the increase; exposures to European traders in the form of structured trade finance maintained their relative share. Retail lending activities increased during the year due to the acquisition of EC Bank, amounting to EUR 125.7 million as of year end 2008, compared to EUR 103.8 million at the end of 2007.

An important development took place with regard to interest bearing securities on the assets side. The level of securities came further down to EUR 285.1 million in 2008, compared with EUR 344.4 million in 2007, and EUR 581.6 million in 2006, corresponding to 12.8%,

18.0% and 27.4% of assets respectively. The reduction is attributable to the restructuring of the investment portfolio in line with the adopted internal guidelines related to the liquidity squeeze in financial markets. All interest bearing securities are held for the investment portfolio, while the bank did not carry any securities in its trading portfolio as of year-end. Of the interest bearing securities, 10.3% relate to Turkish sovereign exposure, while the majority of the remaining 89.7% consist of CIS and other related bank bonds with investment grade, along with a limited exposure to Dutch sovereign, among others.

Property and equipment rose by EUR 12.9 million, to EUR 28.6 million as of year-end 2008, the result of acquiring the majority shares of EC Bank.

Net interest income decreased by 11.9% during 2008, totaling EUR 37.8 million, compared with EUR 42.9 million in 2007, marked by a lower increase in interest income compared with interest expense. During the year under review, spreads and yields in the bank's investment assets and markets were comparatively higher than the previous year. However, particularly during the last quarter, DHB Bank had to adjust and increase its deposit interest rates to prevailing market levels, which were substantially higher than the base rate as a whole in its markets in particular, as well as in the entire Eurozone in general. USD funding rates for banks in the Eurozone, and particularly those that do not have access to retail funding in the USA, have substantially increased, including DHB Bank, which has steady recourse to currency swap transactions to hedge approximately half of its investment assets that are in USD denomination, compared with a funding base consisting almost entirely of only EUR. The aforementioned developments, coupled with the fact that DHB Bank has deliberately shifted from investing to carrying a very liquid position during the last quarter of 2008, which is costly by nature, were the main drivers behind the decrease in net interest income.

Net Commission Income rose by 31.7%, or EUR 3.0 million, representing EUR 12.3 million at year-end 2008. Commission expenses during this period rose slightly by EUR 0.1 million, compared with the previous year, while the commission income base of the bank grew by 30.9%, or EUR 3.1 million. The main reason for the increase is upfront fees received in relation to syndicated facilities, which were similarly affected by increases in the yields in the bank's markets.

Result on Financial Transactions, consisting of exchange rate differences and the results from securities trading transactions, posted a loss of EUR 2.6 million for DHB Bank in 2008.This was the result of unwinding some credit default swap transactions due to the heightened risk underlying these transactions in the last quarter of 2008.

As planned and expected by management, the substantial decrease in staff cost is attributable to the one-off compensation payments effected in 2007 in relation to the reduction in the number of staff and to the departure of the former Executive Board member. As such, staff cost in 2008 attained its previous customary levels.

Value adjustments to receivables in 2008 was EUR 11.2 million, compared with EUR-0.2 million in 2007. The increase in this expense item includes specific allowances against weaknesses observed in the creditworthiness of some exposures, and also includes general provisions according to the pro-active provisioning policy of the bank's management. In consideration of the deteriorating credit environment around the world, the Bank decided to set aside additional precautionary provisions for potential risks in its portfolio in addition to specific provisions.

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

Despite the unstable environment and extremely adverse market conditions of the fourth quarter of the year that have drastically affected the whole financial environment and economies around the world, DHB Bank successfully closed 2008 with an after-tax profit EUR 7.9 million.

Wesley De Ridder, 2nd prize, 5-6 year category

DHB Bank closed the year in review with a gross operating profit of EUR 10.6 million, compared with EUR 25.1 million in 2007, a reduction of 57.8% that is a reflection of the management's pro-active decision to focus on liquidity and asset quality instead of expanding the bank's investments, and also of generally higher funding costs that are the inevitable outcome of troubled operating environments.

Bank Operations

With no sub-prime or sub-prime connected derivative exposures, and while relying on a stable retail funding base, DHB Bank continued to conduct its activities during the first three quarters of 2008 focused on maintaining a certain portion of its assets in liquid form or relatively short-term investments within its generally risk-averse investment policies. This prudent approach, along with the straightforward business model of the bank, helped DHB Bank to immediately and easily adapt itself to the financial turmoil of the last quarter of the year, and whose direct outcome was to curtail all kinds of lending activities. Accordingly, DHB Bank closed the year in review with a gross operating profit of EUR 10.6 million, compared with EUR 25.1 million in 2007, a reduction of 57.8% that is the reflection of the management's pro-active decision to focus on liquidity and asset quality instead of expanding the bank's investments, and also of generally higher funding costs that are the inevitable outcome of troubled operating environments.

Alongside liquidity and market risk management, DHB Bank has put additional weight on credit risk management. This encompassed rigorous reviews of the bank's investment book, which primarily consists of loans to corporates, financial institutions, sovereigns, and to retail customers as well on a lesser extent. Active relationship management with corporates resulted in prepayments or increased tangible collaterals, while on a precautionary strategic move against permanently deteriorating markets, a portion of the CDS book related to the Turkish sovereign alongside some respective securities were off-loaded at a certain amount of loss to further boost up liquidity.

In 2007, DHB Bank planned to explore alternatives for enhancing its competitiveness and improving its growth potential while maintaining its sound financial structure, and accordingly, explored physical expansion opportunities by way of acquiring or establishing banks in countries that continue to offer growth potentials in Central Eastern and South Eastern Europe. These plans materialized in the form of acquiring EC Bank in Macedonia, a country and bank that have been selected due to their promising growth opportunities, and within the framework of establishing a hub for probable expansion plans in the region. EC Bank, positioned as a mid-sized bank according to Macedonian standards, specializes in SME lending and micro-credits, and among whose other shareholders are the European Bank for Reconstruction and Development, with a 25% stake. The bank co-operates with international and local partners such as the European Bank for Reconstruction and Development (EBRD London), KfW (Frankfurt), Bankakademie International (Frankfurt), among others.

The bank has put in place an optimization program for the past three years to improve its efficiency. This program, combined with the adverse effects of the recent global economic downturn, was reflected by the decision to close two retail branches in Germany, namely Stuttgart and Cologne, in the first quarter of 2009, while maintaining the other branches. Depending on market developments, and taking into account the headway achieved in Internet banking, the bank will review its geographical coverage within the context of branch locations.

As with its other investment operations, DHB Bank has put a halt to the development of its retail lending products in financing European residents to acquire properties in Turkey during the last quarter of the year, parallel to adverse developments in the housing markets.

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

The Information Technology infrastructure of DHB Bank has been successfully leveraging the preparations for special projects related to legal requirements such as Basel II and Markets in Financial Instruments Directive (MiFID). It has also focused on operational needs such as TARGET II (Trans-European Automated Real-time Gross Settlement Express Transfer System) and SEPA (the Single Euro Payments Area), while maintaining its effective information security applications. Already a member of TARGET, during 2007 DHB Bank had been preparing for the implementation of TARGET II, and as of February 18, 2008 has also become a direct participant in this payment mechanism with the inclusion of the Netherlands. As of January 28, 2008, DHB Bank became accessible via SEPA, and began sending SEPA messages as of October 18, 2008.

Under the heading of financial reporting, DHB Bank postponed until the end of 2010 its previous plans of releasing IFRS-based financial figures. This is related to the bank's implementation of Basel II, putting more emphasis on effective risk, financial and capital management systems with a focus on capital allocation, pricing, performance measurement and budgeting.

An important development is the portion of Western European exposures in the balance sheet of DHB Bank as of year-end 2008, with 42.7% in terms of direct exposure, out of which the bulk consists of overnight placements made with the European Central Bank (ECB) for liquidity purposes.

Wholesale Business

Wholesale banking represents the main revenue generation category for DHB Bank, and whose key aspect is a geographically and product-wise diversified asset composition.

In terms of geographical coverage, the bank's move towards diversification undertaken a couple of years ago has been achieved. Although Turkey continues to remain an important market for DHB Bank, Turkish assets (that includes exposure to institutions with ultimate Turkish ownership) declined to 30.5% of interest earning assets, down from 41.5% in 2007 and 51.1% in 2006. In terms of direct country exposure, Turkish assets maintained more or less their level, with 30.2% of total interest earning assets in 2008, compared with 35.1% in 2007, and 31.8% in 2006. An important development is the portion of Western European exposures in the balance sheet of DHB Bank as of year-end 2008, with 42.7% in terms of direct exposure, out of which the bulk consists of overnight placements made with the European Central Bank (ECB) for liquidity purposes.

In terms of assets mix, DHB Bank is active in the fields of trade finance, bank investments, corporate and retail lending activities, although the latter has a relatively limited contribution. Bank exposures have declined to 24.6% of total assets, or EUR 605.8 million in 2008, compared with 42.1%, or EUR 803.1 million in 2007. The main reason behind the decrease is the short nature of these exposures and the decision not to renew the respectively repaid deals upon collection, but maintain as overnight liquidity with the ECB, a development particularly noticeable during the last quarter of the year. Exposures to loans and advances, which occupies the highest part of the assets with 31.0%, and consisting of corporate and retail lending, were planned to expand at the beginning of the year under a risk/return perspective shaped by new market conditions and the advent of Basel II. Again, during the last quarter of 2008 no new loans were granted

and the total exposure was reduced from their peak level during the summer, but still, there was a posting of a 9.3% increase compared with the previous year, reaching EUR 690.6 million. Within the same framework, interest bearing securities were further reduced by 17.2% during 2008, reaching EUR 285.1 million, of which the majority consists of financial institutions.

The balance sheet also reveals management's decision to check expansion within the framework of wholesale banking due to the prevailing market conditions, particularly at the end of the year. The overnight placements with the ECB set aside, and despite a 16.6% increase in the total balance sheet, interest earning assets were further reduced by EUR 197.6 million, or 11.1%, compared with figures from the previous year. This was also the consequence of the strategic decision taken in 2006 to limit asset-driven expansion supported by wholesale funding through repo transactions. In view of this, the bank's repo books were completely closed down during 2007 and 2008, apart a relatively small repo transaction at the end of the year for the sole purpose of securing funding in USD denomination, as an alternative to currency swap transactions.

Investments for corporate assets in the form of syndicated facilities for acquisition finance and/or project finance deals in Turkey and Russia are business areas that were further developed during the first half of 2008.

Structured trade finance activities first entered into in 2004 were continued during 2008, with a larger number of prominent counterparties from several sectors of the economy. In particular, while originally the focus had been on steel traders, companies from the non-ferrous metals, fertilizer, and the oil and coal sectors were also counterparties in such short-term transactions during the first three quarters of 2008.

DHB Bank's special focus on customer care, supported by service oriented client advisor teams, is reflected in the form of strong relationships with prime commodity traders and corporate customers alike. In 2008, the bank put further emphasis on structured trade finance and commodity trade business and increased in general both the number of customers in this area and the respective turnover.

DHB Bank continued to be an active lender both in the primary and the secondary market for bank syndicated loans on a selective basis, and in particular pre-export financing facilities, along with corporate syndications, mainly in Russia and Turkey, in the form of acquisition finance and/or project finance. In the primary market, the bank participated in syndicated facilities in seven different countries, totaling USD 241 million, compared with USD 141 million in 2007. In the secondary market, total transactions volume was USD 428 million, bringing the total to USD 669 million compared to USD 551 million in 2007.

The bank slowed down loan trading activities that were initiated at end 2006 within the Financial Institutions Department. The main reason behind this development is the generally shallow secondary market conditions that prevailed during 2008, and that worsened at the end of the year.

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DHB Bank's main wholesale funding product is a syndicated term loan facility that it procures yearly from close relationship banks in the form of club deal in order to support its trade finance operations in USD denomination. In 2007, DHB Bank had once more renewed its syndicated term loan facility with a double tranche option, namely one-year and two-year. In May 2008, the majority of participants renewed their stake in the one-year tranche, with a favorable cost for DHB Bank, partly in parallel with market rates of the time. American Express Bank Ltd (currently Standard Chartered Bank), BayernLB Group (represented by Bayerische Landesbank and Landesbank Saar), Commerzbank Aktiengesellschaft, Erste Bank (Malta) Ltd, HSH Nordbank AG Luxembourg Branch, Intesa Sanpaolo SpA London Branch, MashreqBank PSC, Raiffeisen Zentralbank Österreich Aktiengesellschaft, Türkiye Halk Bankası A.Ş., Wachovia Bank, National Association, WestLB AG London Branch and WGZ Bank AG Westdeutsche Genossenschafts-Zentralbank are the current supporters of this transaction, with USD 191 million.

Retail Operations

Alongside retail banking services offered, retail operations encompass both sides of DHB Bank's balance sheet, namely funding and lending, the former representing the principal activity in this context.

Retail deposits continued to be the main and stable pillar of the bank's overall funding base. Total retail deposits (funds entrusted, excluding commercial deposits) as of year-end amounted to EUR 1,642.1 million (2007: EUR 1,425.8 million). Of this EUR 1,642.1 million retail deposits, EUR 811.6 million originated in Germany, EUR 401.3 million in Belgium and EUR 396.6 million in the Netherlands, while EUR 32.6 million is related to Macedonia. The EUR 216.3 million growth (of which EUR 32.6 million represents EC Bank) in retail deposits between 2008 and 2007 is the result of DHB Bank adjusting its deposit rates to market rates during the last quarter of the year in order to further enhance its liquidity. 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, however the bank's main cost of funding inevitably depends on rate developments in the Euro zone. Despite the tightening moves on the part of the ECB on benchmark rates during the last quarter of 2008 as a measure, amongst others, against the liquidity squeeze and general confidence crisis, market players did not follow suit. Consequently, general interest rate levels in DHB Bank's operating area were high compared to benchmark rates, particularly at the end of the year when the gap substantially widened.

Consumer lending is a product that DHB Bank started to offer to its clients in 2003 in its markets of operation in the form of fixed term loans for diversification purposes (the provision of flexible loans in the Netherlands were discontinued at the end of 2006), yet it does not account for a major portion of the bank's balance sheet. The total portfolio of consumer loans increased during the year, with EUR 125.7 million, versus EUR 103.8 million in 2006, due to the acquisition of EC Bank.

A milestone for the bank in retail lending has been the launch of a particular mortgage product for the residents of European Union member countries, labeled Turkije Hypotheek, and which is among the first of its kind offered in this segment. The bank's infrastructure for this product base was further strengthened during 2008, allowing residents of the Netherlands, Germany, Belgium and the United Kingdom to procure mortgages from DHB Bank for their real estate purchases in Turkey. In line with global developments that ultimately unfavorably affected the housing market in Turkey as well, DHB Bank started to hold back its operations for the time being in this segment.

Workers remittances to both Turkey, and to a limited extent Morocco, continue to be a stable source of income for DHB Bank.

Treasury Operations

Liquidity and market risk management, conducted by the Treasury Department in cooperation with the Financial Risk Modeling and Assessment Department, gained utmost importance during the last quarter of 2008, under the supervision of the Executive Board.

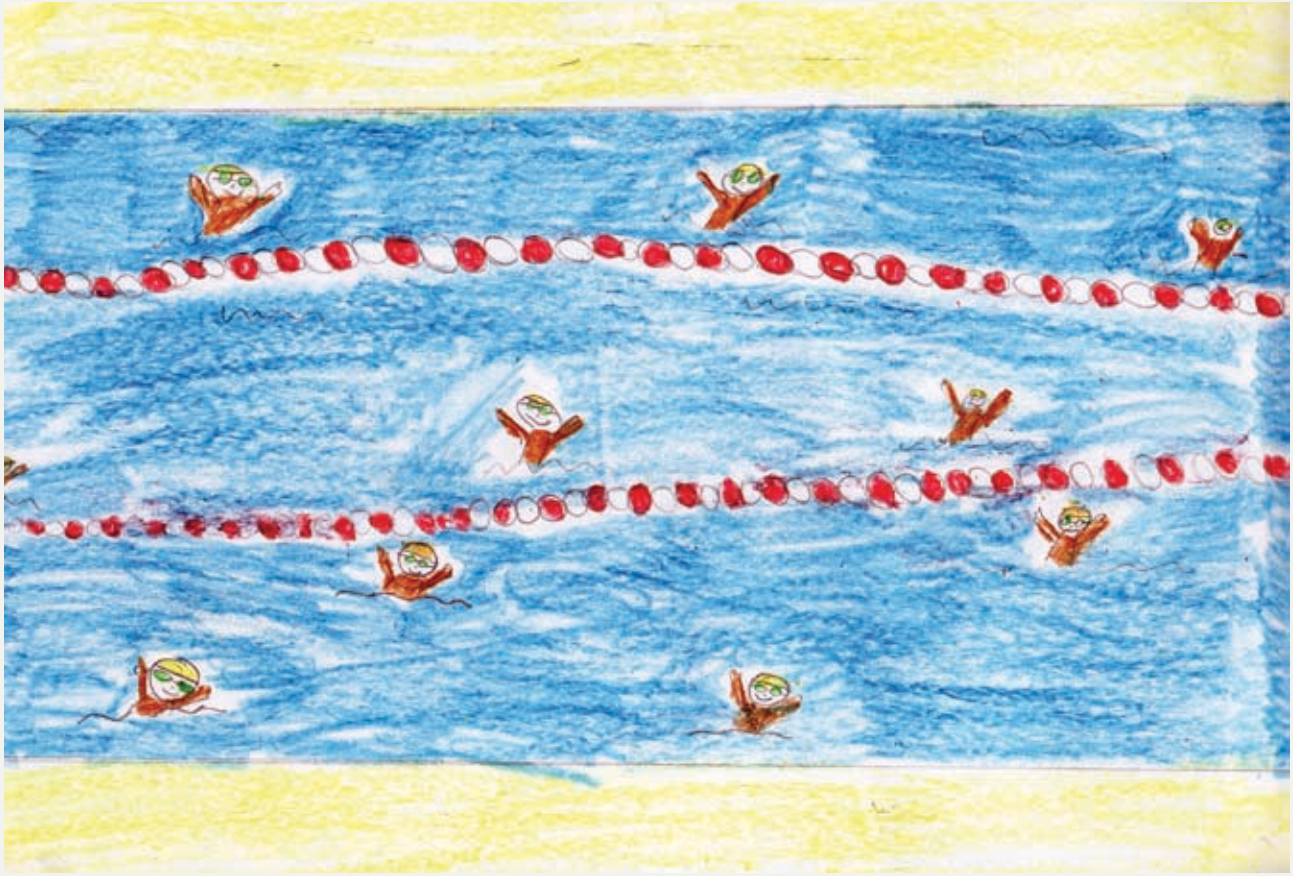
DHB Bank attained a high level of liquidity, precisely EUR 559.5 million, or 25.3% of its assets as of year-end 2008, which was kept mainly with ECB as overnight placements.

DHB Bank traditionally maintains a comfortable level of liquidity. Yet, at the outset of the financial turmoil in September 2008, the bank immediately put further emphasis on building up a higher level of liquidity to cope with the progressively deteriorating business environment. Along with additional measures taken such as holding back the granting of new loans, securing new funds in the form of money market borrowings or corporate deposits, as well as repo from the ECB in USD denomination, DHB Bank attained a high level of liquidity, precisely EUR 559.5 million, or 25.3% of its assets as of year-end 2008, which was kept mainly with ECB as overnight placements.

In terms of market risk management in general, and FX risk management in particular, and due to the balance sheet composition of assets denominated largely in USD, with funding mostly in EUR, the bank has traditionally been active in currency swaps as a EUR placer and USD taker. Adverse market conditions have put extra stress on USD funds around the world, represented by higher costs compared to conventional LIBOR rates, hitting double digits for some time during the peak of the crisis for overnight rates. Despite these unfavorable developments, DHB Bank continued to fully hedge its afore-mentioned currency risks, albeit with a higher cost compared to the past.

Securities trading and investment activities are also conducted within the treasury background, although DHB Bank significantly reduced trading operations during 2008, not maintaining any trading book as of year-end. The bank's securities book was also significantly reduced to EUR 285.1 million at year-end 2008, representing 12.8% of total assets, down from EUR 344.4 million in 2007, and EUR 581.6 million in 2006. Of this item, 10.3% was related to Turkey sovereign, while the rest consisted mainly of investment grade CIS bank securities, along with a limited exposure to Dutch sovereign, among others.

In 2008, prompted by longer maturities on the asset side for some investments and increased volatility in the federal funds rate, interest rate swaps have also gained importance.



Prissilla Gageram Panday, 3th prize, 5-6 year category

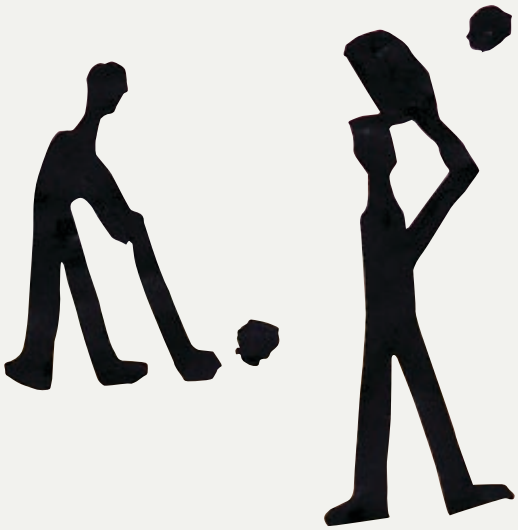
DHB Bank management is aware of the fact that effective and strict risk management procedures are an indispensable part of the bank's sustainable growth and long-lasting success.

Risk Management

In today's continuously changing environment, identification and management of risk plays a crucial role in the overall operations of banks. At DHB Bank, risk management has always been considered with a comprehensive and prudent approach. DHB Bank management is aware of the fact that effective and strict risk management procedures are an indispensable part of the bank's sustainable growth and long-lasting success. With this in mind, management established a wide range of risk management frameworks, and ensured that all risk-related policies are fully communicated and adopted at all levels within DHB Bank. Management has clearly set down its risk policy principles and defines the risk parameters, organizational structures and responsibilities, as well as methods for the identification, assessment, measurement and monitoring of risks. Within this context, capital allocation and management constitute an integral part of risk management.

Niels Hulterman, 2nd prize, 10-12 year category

The Credit Committee, Asset & Liability Management Committee (ALCO), Organization & Control Committee and Risk & Capital Management Committee assist the Executive Board in fulfilling its responsibilities with regard to risk management, and ensure full compliance with all relevant regulations regarding risk and capital management.



Organizational Framework

The Executive Board, which reports to the Supervisory Board, has the ultimate responsibility for setting strategies on risk management. The scope of the Board's responsibility covers the design, implementation and ongoing improvement of the risk and capital management framework.

The Credit Committee, Asset & Liability Management Committee (ALCO), Organization & Control Committee and Risk & Capital Management Committee assist the Executive Board in fulfilling its responsibilities with regard to risk management, and ensure full compliance with all relevant regulations regarding risk and capital management. The committees also provide oversight to the Corporate Marketing, Financial Institutions and Treasury Departments, who are responsible for managing the risks in their activities within established and approved tolerance limits. Additionally, the Internal Audit Department performs an overall control function throughout the different risk management processes.

Capital Management

The actual owned funds as a percentage of the total risk weighted assets (BIS ratio) under the Pillar 1 requirements of Basel II stood at 13.68%.

DHB Bank manages its capital in line with the regulatory requirements based on the Basel II capital accord. The essential objectives of Basel II are to promote protection and soundness in the financial structure, and maintain an appropriate level of capital in the system. Basel II also aims to form a more comprehensive approach to addressing risks. In line with this approach, the bank uses Basel II as the main force in continuously improving its risk management implementations. DHB Bank has benefited considerably from the ongoing work to enhance its internal capital adequacy and assessment process (ICAAP) according to the best practices under Pillar 2 requirements, which are appropriate for the current nature, size and complexity of the bank.

Pillar 3 complements the minimum capital requirements (Pillar 1) and the supervisory review process (Pillar 2). Its goal is to encourage market discipline by developing a set of disclosure requirements that will allow stakeholders to assess certain specified information on the scope of application of Basel II, capital resources, risk exposures, risk assessment processes, and hence, the capital adequacy of the bank.

DHB Bank will publish its first Pillar 3 disclosures during the first half of 2009, including quantitative tables, based on 31 December 2008 figures.

DHB Bank will continue to re-adjust and fine-tune its operations within the guidelines of Basel II, within which context measures were taken during 2008 to reshape the asset portfolio in parallel to changes to the risk weightings of various asset categories.

Expectations

The sub-prime crisis that first arose in the middle of 2006, spiraled into a full scale global economic crisis by the end 2008, and despite tremendous efforts and measures undertaken by authorities around the world to overcome the situation, market confidence has yet to be restored and economic activities to attain their former levels and vigor. DHB Bank successfully managed to sail through these periods, adjusting its activities to prevailing conditions, and within a general framework, will continue to give priority in 2009 to liquidity, asset quality and shareholders' equity strength.

For the past couple of years, the bank has been realigning its investment and placement profile parallel to the excess liquidity in the global markets which initially led to declining margin levels in its markets, where somehow risk perception was not rigorously reflected on yields, a development that started to reverse by the second half of 2007. Accordingly, the bank implemented a diversification process in terms of geography with new countries such as Russia, Ukraine, Kazakhstan and, to a lesser extent, other CIS countries, as well as in terms of product base such as European trader activities, project finance corporate transactions, trade related syndicated deals and consumer lending. DHB Bank intends to maintain its product base, nevertheless it will tend to narrow its geographical coverage in the near future, and it plans to resume lending activities that were halted during the last quarter of 2008 initially with Turkey, its traditional market. The bank will also monitor developments in Russia within this context, and will explore new countries for investment potential in the coming years. DHB Bank will maintain its product base in general, while opportunities of cooperation with European traders will also be kept on the agenda.

Deterioration is not expected in the asset quality, thanks also to stimulus packages of governments as well as supports of supra-national organizations around the world and in the markets of DHB Bank to revive and

shore up the global and regional business environments. Nevertheless, asset quality will continue to be closely monitored, and measures will be taken if necessary.

In line with its diversification strategies into South Eastern Europe, DHB Bank has completed the acquisition of EC Bank, and is in the process of supporting the bank with its experience and know-how in various areas, starting with risk management applications and reporting systems. Due to prevailing conditions, DHB Bank does not plan to further carry on its similar physical expansion endeavors in the region in the near future.

Taking into account the headway achieved in Internet banking, the bank is also reviewing its geographical coverage within the context of branch locations, a result of which, two retail branches in Germany, Stuttgart and Cologne, were closed in the first quarter of 2009, while the other branches in the country were retained.

DHB Bank will continue to re-adjust and fine-tune its operations within the guidelines of Basel II, within which context measures were taken during 2008 to reshape the asset portfolio in parallel to changes to the risk weightings of various asset categories. Accordingly, depending on the returns of various investment types and their risk weightings within a Rorac perspective, as well as the additional implications of Basel II, and also taking into account the ongoing global turmoil that implies a sound liquidity management with a focus on asset quality, DHB Bank intends to lean towards investments with shorter tenors and less capital consumption. The economic turmoil is likely to prevail for some time, however, thanks to its traditionally strong capital base, high liquidity, the generally short term nature of its placements and sound risk management, DHB Bank is well equipped to manage and steer through the current business environment, as confirmed by its 2008 financial statements. In this scope, the shareholders have also shown their continuous commitment towards the bank by retaining the 2008 profit in the equity.

With regards to retail banking, the bank will further strengthen its customer relationships within the framework of assets and liabilities management. DHB Bank's business model consists of funding primarily via retail deposits, and in the past, balance sheet expansion was asset-driven, however, taking into account the exceptionally volatile business environment, and for the sake of preserving asset quality, the management has considered reducing the balance sheet size starting from the liabilities side, depending on market developments.

Commission income generation will be given weight, with a particular emphasis on workers' remittance transactions where DHB Bank has already established itself as a preferred service provider.

Turkije Hypotheek will be maintained as a product to revitalize during a more suitable business environment.

In terms of treasury activities, the emphasis will be on liquidity and market risk management. In addition, securities issued by banks in the Euro zone under government guarantees present themselves as an attractive investment tool for DHB Bank within a diversification perspective.

DHB Bank will also continue to make use of currency swap transactions at considerable levels to hedge its FX risks related to the nature of its balance sheet, shaped by principally Euro funding versus a high proportion of investments in USD denomination. Yet, to reduce the respective swap requirements, the bank is set to conclude new lending operations in general, primarily in EUR denomination.

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

DHB Bank employed 224 people, or the equivalent of 217 full-time employees, at the end of 2008 (2007: 241 and 232 respectively). Including EC Bank, the full-time equivalent accounted for 464 people.

Board and Staff

Two new members joined the Supervisory Board in 2008; Mr. Nurzahit Keskin, an experienced banker representing Türkiye Halk Bankası A.Ş. joined DHB Bank on June 1, 2008, while Mr. Okan Beygo, a competent banking lawyer, became a member on August 1, 2008 on an independent basis. We are confident that their support and experience will contribute to assist DHB Bank in improving its results and activities in the coming years.

During 2008, the number of staff showed a further decrease in line with the bank's efficiency measures put into place for some years. The bank employed 224 people, or the equivalent of 217 full-time employees, at the end of 2008 (2007: 241 and 232 respectively). Including EC Bank, the full-time equivalent accounted for 464 people.

In conclusion, we would like to convey our sincerest thanks to the members of our Supervisory Board for their continued support and valuable guidance. We would also like to extend our thanks and appreciation to the bank's management and staff, whose diligent work and dedication have built a well-respected reputation for DHB Bank, and helped it sail through these recent turbulent times unscathed.

Rotterdam, April 29, 2009

Selçuk Şaldırak, Senior General Manager

Kayhan Acardağ, General Manager

Abram Rutgers, General Manager

Jerfi Van Diem, 3th prize, 10-12 year category

MANAGEMENT AND STAFF

EXECUTIVE BOARD

Managing Directors

Mr. Selçuk Şaldırak

Senior General Manager

Mr. Kayhan Acardağ

General Manager

Mr. Abram Rutgers

General Manager

SENIOR MANAGEMENT

Ms. Bahar Kayıhan

Assistant General Manager

Operations & Documentary Credits

Ms. Ayten Türkmen

Assistant General Manager

Corporate Marketing

Mr. Ertürk Sümer

Assistant General Manager

Administration & Human Resources

Ms. Ayşe Cıngıl

Assistant General Manager

Loans

Mr. C. Levent Es

Assistant General Manager

Financial Institutions

Chief Internal Auditor

Mr. Jos de Goede RA

DEPARTMENT HEADS

Corporate Marketing

Mr. Gaspar Esteve Cuevas

Financial Control

Mr. Ercan Erdoğan

Financial Risk Modeling & Assessment

Mr. Djono Subagjo

Project Coordination

Mr. Yücel İnan

General Affairs

Mr. Burhan Bahçeli

Human Resources

Mr. Pleus Blom

Information Security

Mr. Dheeraj Katarya

Information Technology

Mr. Nezih Engin

Legal Affairs & Compliance

Mr. Boudewijn Damsteegt

Operations & Documentary Credits

Ms. Pınar Olierook-Türe

Research & Project Development

Mr. Fatih Teke

Retail Loans

Mr. Metin Özay

Retail Banking

Mr. Erol Ulu

Treasury

Mr. İrfan Çetiner

FOREIGN MAIN BRANCHES

Germany

Mr. Wilfried Hübner

Country Manager

Belgium

Mr. René Bienfait

Country Manager

Mr. Can Kural

Country Manager

Macedonia

Export and Credit Bank, Inc., Skopje

Ms. Sonja Petrusheva

Managing Director

Mr. Boris Petrovski

Managing Director

ISTANBUL REPRESENTATIVE

Ms. Fulya Baran

RETAIL BRANCH MANAGERS

Netherlands

Amsterdam

Ms. Başak Bol

Rotterdam

Mr. M. Devrim Baykal

The Hague

Mr. Levent Bölükoğlu

Germany

Hamburg

Mr. Ersin Leventli

Berlin

Mr. Kerim Birkan

Munich

Mr. Hakan Kırçiçek

Belgium

Brussels

Mr. Metin Koyuncu

Antwerp

Mr. Serdar Mitis

FINANCIAL STATEMENTS FOR THE YEAR 2008

Consolidated balance sheet as of 31 December 2008

(in thousands of EUR)	Note	31 Dec. 2008	31 Dec. 2007
Assets			
Cash	1	576,752	37,616
Banks	2	605,766	803,098
Loans and advances	3	690,584	631,586
Interest-bearing securities	4	285,139	344,455
Equity instruments	5	411	-
Intangible assets	6	958	818
Property and equipment	7	28,645	15,747
Non-current assets held for sale	8	798	-
Prepayments and accrued income	9	36,135	75,692
		2,225,188	1,909,012
Liabilities			
Banks	10	229,126	139,535
Funds entrusted	11	1,747,209	1,521,615
Other liabilities	12	11,961	12,467
Accruals and deferred income	13	27,099	19,384
Provisions	14	4,547	4,399
		2,019,942	1,697,400
Paid-in and called-up capital		113,445	113,445
Revaluation reserve		3,213	3,293
Foreign currency translation reserve		(224)	-
Legal reserve		958	818
Other reserves		72,856	75,373
Net result for the financial year		7,696	18,683
Equity attributable to shareholders of the parent		197,944	211,612
Equity attributable to minority interests		7,302	-
Total equity	15	205,246	211,612
		2,225,188	1,909,012
Contingent liabilities	**16**	**171,884**	**210,147**

Consolidated profit and loss account for the financial year 2008

(in thousands of EUR)	Note	2008	2007
Interest income	17	115,532	111,952
Interest expense	18	77,705	69,029
Net interest income		37,827	42,923
Commission income	19	13,092	10,003
Commission expense	20	771	645
Net commission income		12,321	9,358
Result on financial transactions	21	(2,605)	13,312
Other income	22	2,171	1,034
Total income		**49,714**	**66,627**
Administrative expenses:			
• Staff costs	23	15,426	28,256
• Other administrative expenses	24	10,194	10,588
		25,620	38,844
Amortization/depreciation	25	2,241	2,849
Value adjustments to receivables	26	11,250	(202)
Total expenses		39,111	41,491
Operating result before tax		10,603	25,136
Tax on result on ordinary activities	27	2,695	6,453
Net profit		7,908	18,683
Attributable to:			
Shareholders of the parent		7,696	18,683
Minority interests		212	-
		7,908	18,683

Consolidated cash flow statement for the financial year 2008

(in thousands of EUR)	2008	2007
Profit after taxation	**7,908**	**18,683**
Depreciation	2,241	2,849
Value adjustments to receivables	11,250	(202)
Provisions	(347)	2,250
Net cash flow from profit	21,052	23,580
Interest-bearing securities in trading portfolio	1,107	11,812
Banks (assets), not withdrawable on demand	218,380	53,066
Loans and advances	14,851	(69,522)
Banks (liabilities), not withdrawable on demand	53,890	(112,426)
Banks (liabilities), other	5,048	(111)
Funds entrusted	163,086	(111,052)
Other assets	41,533	(9,436)
Other debts and liabilities	4,268	547
Exchange rate movement	(52)	-
Net cash flow from banking activities	502,111	(237,122)
Additions to securities for investment purposes	237,309	(150,366)
Disposals and redemptions of portfolio investments	(178,037)	375,727
Investment in subsidiaries	(24,325)	-
Investment in intangible assets	(293)	(4)
Investment in property and equipment	(1,248)	(461)
Disposals of intangible assets	-	48
Disposals of property and equipment	160	4,914
Net cash flow from investment activities	33,566	229,858
Movement in group equity	59	(1,244)
Repayment of subordinated debt	-	-
Dividends paid	(11,210)	(15,011)
Net cash flow from financing activities	(11,151)	(16,255)
Net cash flow	545,577	61
Liquid funds-opening balance	57,764	45,067
Cash	46,226	37,827
Banks current accounts	11,538	7,240
Liquid funds-closing balance	603,341	45,128
Cash	576,752	37,616
Banks current accounts	26,589	7,512
Movement in cash	545,577	61

Notes to the consolidated balance sheet and profit and loss

General

The shareholders are HCBG Holding B.V. of Amsterdam, which owns 70% and Türkiye Halk Bankası A.Ş. of Ankara, which owns 30%. DHB Bank has an interest of 66.56% in Export & Credit Bank Inc., Skopje (EC Bank) in Macedonia.

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.

The consolidated financial statements for the year ended December 31, 2008 were authorized for issue in accordance with a resolution of the Supervisory Board and Executive Board on April 29, 2009.

Basis of preparation

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

Basis of consolidation

The consolidated financial statements incorporate the assets, liabilities, income and expenses of DHB Bank and its subsidiaries DHB Hypotheken & Verzekeringen B.V., Best CreditLine B.V., Maaslust 9 Monumenten B.V. and Best Properties B.V., the company Stichting Bewaarfonds and EC Bank. 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.

Significant accounting judgments and estimates

The preparation of financial statements in accordance with Dutch GAAP requires the use of certain accounting estimates and also requires the management to make judgments and assumptions that affect the application of policies and reported amounts of assets and liabilities. These estimates and assumptions are based on management experience and other factors that are believed to be reasonable under certain circumstances, the results of which affect the judgments made about carrying values of assets and liabilities that are not readily available from other sources. Although DHB Bank tries to make maximum use of market inputs and rely as little as possible on estimates specific to itself, actual results may differ from these estimates. DHB Bank reviews the estimates and underlying assumptions on an ongoing basis.

Acquisition of EC Bank

DHB Bank has 66.56% stake in Export & Credit Bank Inc., Skopje (EC Bank), a Macedonian bank acquired in the second half of 2008.

EC Bank, positioned as a mid-sized bank according to Macedonian standards, is mainly specialized in SME lending and micro-credits, and among whose other shareholders are the European Bank for Reconstruction and Development with a 25% stake. EC bank employed 247 full-time equivalents at the end of 2008.

The financial statements of EC Bank are included in the consolidated financial statements of DHB Bank from the date on which control commenced.

Net asset value of EC Bank at 31 August 2008	21,538
Amount paid for the transfer of 66.56% of EC Bank shares	24,325
Goodwill (deducted from equity)	9,989

Notes to the consolidated balance sheet and profit and loss

Accounting principles

General

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

Foreign currencies

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

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

Foreign exchange rate differences are recognized in the profit and loss account in “Result on financial transactions”.

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

Financial instruments

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

Investments in subsidiaries

Investments in subsidiaries in which the company effectively exercises influence of significance over the operational and financial activities are stated at net asset value. The net asset value is determined on the basis of the accounting principles applied by the Bank. The share in the result of participations is recognized in the profit and loss account under ‘result of participations’. Results on transactions, where the transfer of assets and liabilities between the Bank and the participations and mutually between the participations themselves, are not incorporated insofar as they can be deemed as not realized.

Loans and advances to banks/customers

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

When deemed necessary, loans are also classified as impaired as soon as there is doubt about the borrower’s ability to meet its payment obligations to the bank in accordance with the original contractual terms.

Provisions for loan losses are set aside for estimated losses in outstanding loans for which there is any doubt about the borrower’s capacity to repay the principal and/or interest, and are determined through a combination of specific reviews, historical data and estimates. Provisions for loan losses are determined separately for each exposure for wholesale loans and according to a pre-defined model for retail loans.

In addition, the bank also provides provisions to cover potential loan losses for which a triggering event is occurred but the individual loan not identified at the balance sheet date. This process to determine incurred but not reported losses includes an estimate by management to reflect current market conditions.

Notes to the consolidated balance sheet and profit and loss

Interest-bearing securities

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

Fixed-income securities, except for zero coupon bonds, denominated in strong currencies belonging to the investment portfolio are stated at redemption value after deduction of provisions for impaired securities. 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.

Positive or negative results arising on the sale of interest-bearing securities belonging to the investment portfolio are attributed directly to 'interest income or 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."

Equity instruments

Equity instruments are stated at market value.

Intangible assets

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

A legal reserve is maintained equal to the intangible assets.

Property and equipment

The valuation principles for tangible fixed assets are as follows:

Property in use by the bank

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

Non-current assets held for sale

Non-current assets held for sale are stated at market value.

Other fixed assets

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

Notes to the consolidated balance sheet and profit and loss

Deferred taxes

Deferred taxation relates to the relevant differences between the valuations for commercial and tax purposes of assets and liabilities.

Deferred tax assets are recognized for all unused tax losses to the extent that is probable that taxable profit will be available against which the losses can be utilized. For the fiscal year 2008 DHB Bank set aside loan loss provision in light of economic condition in its operation environment.

Provisions

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

Starting from 2006 defined benefit plan pension obligations are calculated according to the projected unit credit method of actuarial cost allocation. Under this method, each plan member's benefits are funded as they would accrue, taking into account future salary increases. The total expected pension to which each plan member is entitled is broken down into units, each corresponding with a year of past or future credited service. For liabilities not covered by plan assets, there is an unfunded liability, for which a provision is created and presented in the balance sheet in the item "provisions".

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; 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 to which they relate.

Taxes

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

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

Consolidated balance sheet as of 31 December 2008

	31 Dec. 2008	31 Dec. 2007
Assets		
1 Cash	576,752	37,616
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	605,766	803,098
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	27,381	81,459
• three months or shorter	75,512	242,302
• longer than three months but not longer than one year	296,012	340,107
• longer than one year but not longer than five years	206,863	134,882
• longer than five years	6,189	4,348
• allowances for impairment	(6,191)	-
	605,766	**803,098**

This item includes pledged funds amounting to 25,987 (2007: 98,288), of which 20,995 (2007: 41,788) serve as collateral for some swap transactions, 4,058 (2007: 56,500) serve as collateral for Credit Default Swap transactions.

There are no subordinated loans or advances granted to banks.

3 Loans and advances	690,584	631,586
The residual maturity of loans and advances is as follows:		
• three months or shorter	90,469	152,966
• longer than three months but not longer than one year	110,728	159,664
• longer than one year but not longer than five years	310,654	179,436
• longer than five years	188,786	142,613
• allowances for impairment	(10,053)	(3,093)
	690,584	**631,586**

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 468 (2007: 313). This amount consists of an unsecured loan with an interest rate of 6.12%.

There are no subordinated loans granted to customers.

Notes to the consolidated balance sheet and profit and loss

	31 Dec. 2008	31 Dec. 2007
4 Interest-bearing securities	285,139	344,455

Interest-bearing securities consist of marketable securities which are issued by Turkish Government, banks and corporates. The interest-bearing securities issued by Turkish government amount to 29,371 (2007: 171,996)

Interest-bearing securities can be broken down into:		
• investment portfolio	285,666	343,348
• trading portfolio	-	1,107
• allowances for impairment	(527)	-
	285,139	344,455

The average effective yield of interest-bearing securities belonging to investment portfolio is 7.39% (2007: 7.87%)

The investment portfolio developed as follows:		
Opening balance	343,348	568,709
• Opening balance of EC Bank as of 1 September 2008	1,592	-
• purchases	186,243	215,880
• sales	(161,961)	(313,191)
• repayments	(96,073)	(116,900)
• revaluations	12,517	(11,150)
• Allowances for impairment	(527)	-
Closing balance	285,139	343,348

The securities belonging to the investment portfolio are classified as held-to-maturity securities. The securities in the investment portfolio amounting to 4,000 (2007: 3,000) serve as collateral for our facilities with the Dutch central bank. This item also includes pledged securities amounting to 45,363 (2007: 0), which serve as collateral for borrowings from European Central Bank.

There are subordinated securities amounting to 16,185 (2007: 9,793).

5 Equity instruments	411	-

Equity instruments consist of long-term financial investments

The equity portfolio developed as follows:		
Opening balance	-	-
• Opening balance of EC Bank as of 1 September 2008	471	-
• purchases	-	-
• sales	-	-
• repayments	-	-
• revaluations	60	-
Closing balance	411	-

Notes to the consolidated balance sheet and profit and loss

6 Intangible assets

The changes in this balance sheet item are as follows:

Concessions, licenses and intellectual property	31 Dec. 2008	31 Dec. 2007
Balance sheet value as of 1 January 2008	818	1,762
Opening balance of EC Bank as of 1 September 2008	612	4
Investments	294	48
Amortization	766	900
Balance sheet value as of 31 December 2008	958	818
Cumulative amortization and value adjustments	4,783	3,605

7 Property and equipment

The changes in this balance sheet item are as follows:

	Property in use by the bank	Other fixed assets	Total
Balance sheet value as of 1 January 2008	14,100	1,647	15,747
Opening balance of EC Bank as of 1 September 2008	11,857	1,709	13,566
Investments	223	1,025	1,248
Divestments	439	2	441
Depreciation	625	850	1,475
Balance sheet value as of 31 December 2008	25,116	3,529	28,645
Cumulative depreciation and value adjustments	5,853	11,200	17,053
Cumulative revaluations	8,805	-	8,805

The buildings partly serve as collateral for mortgage loans received.

The changes in this balance sheet item in 2007 were as follows:

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

Notes to the consolidated balance sheet and profit and loss

	31 Dec. 2008	31 Dec. 2007
8 Non-current assets held for sale	798	-
This includes property which was acquired in settlement of loans and advances and is held for sale.		
9 Prepayments and accrued income	36,135	75,692
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		
10 Banks	229,126	139,535
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	3,996	2,265
• three months or shorter	51,727	-
• longer than three months but not longer than one year	149,525	52,646
• longer than one year but not longer than five years	23,878	84,624
	229,126	139,535
This item includes borrowings from European Central Bank amounting to 45,363 (2007: 0) and syndicated term loan facility amounting to 137,242 (2007: 135,860) which will mature in January 2009 and May 2009, respectively. The average interest rate on long term borrowings from banks is 6.69% (2007: 5.19%)		
11 Funds entrusted	1,747,209	1,521,615
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	1,563,881	1,417,926
• other funds entrusted	183,328	103,689
	1,747,209	1,521,615
The residual life of the savings accounts is as follows:		
• payable on demand	933,843	919,812
• three months or shorter	123,810	144,181
• longer than three months but not longer than one year	286,906	200,882
• longer than one year but not longer than five years	219,291	152,972
• longer than five years	31	79
	1,563,881	1,417,926

Notes to the consolidated balance sheet and profit and loss

	31 Dec. 2008	31 Dec. 2007
The residual life of the other funds entrusted is as follows:		
• payable on demand	62,645	58,157
• three months or shorter	26,280	6,943
• longer than three months but not longer than one year	30,714	17,041
• longer than one year but not longer than five years	4,819	1,640
• longer than five years	11,000	11,000
• blocked demand deposits	47,870	8,908
	183,328	103,689
12 Other liabilities	11,961	12,467
This item comprises current taxes payable and other amounts which cannot be classified with any other balance sheet items.		
13 Accruals and deferred income	27,099	19,384
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.		
14 Provisions	4,547	4,399
This item is made up as follows:		
• Onerous rental contract	1,877	2,338
• Deferred tax	1,870	1,481
• Pension	200	380
• Estimated regulatory obligations	600	200
	4,547	4,399

Provisions for onerous rental contract relate mainly to the rent obligations of closed branch in London. The movements are as follows:

Opening balance	2,338	1,010
Addition	126	1,725
Utilization	587	397
Release	-	-
Closing balance	1,877	2,338

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

Opening balance	1,481	151
Addition	406	1,404
Release	17	74
Closing balance	1,870	1,481

	31 Dec. 2008	31 Dec. 2007

Defined benefit plan is applicable to Dutch employees with an employment starting date earlier than 1 January 1999 while the majority of other employees are subject to defined contribution scheme. 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	5.50 %	4.50 %
• expected return on plan assets	5.50 %	3.50 %
• collective salary increase rate	1.50 %	1.50 %
• social security increases	1.50 %	1.50 %
• pension increases	1.50 %	1.50 %
Defined benefit obligation	2,424	2,248
Market value of plan assets	(1,859)	(1,750)
Funded status	565	498
Of which:		
Unrecognised past service costs	(334)	(357)
Unrecognised gains/(losses)	(31)	239
Provision for pensions	200	380

The movements in pension liabilities can be explained as follows:

Opening balance	380	788
• Service cost	113	188
• Interest cost	129	135
• Return on assets	(107)	(81)
• Insurance cost	22	-
• Recognized past service cost	23	22
• Unrecognised gains	(139)	(417)
• Employer's contribution	(221)	(255)
Closing balance	200	380

The net total movement amounting to 180 is included in the pension costs under the item staff costs.

Provisions for regulatory obligations relate the deposit insurance scheme in the Netherlands. The movement are as follows:

Opening balance	200	-
Addition	415	200
Utilization	15	-
Release	-	-
Closing balance	600	200

Notes to the consolidated balance sheet and profit and loss

15 Total equity

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

Off-balance sheet contingent liabilities and commitments and risks

	31 Dec. 2008	31 Dec. 2007
16 Contingent liabilities	171,884	210,147
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)	145,149	138,586
non-credit-substitute guarantees	5,142	5,397
irrevocable letters of credit	14,144	64,798
irrevocable commitments	7,449	1,366
	171,884	210,147
The contingent liabilities by concentrations in geographical regions can be specified as follows:		
The Netherlands	30,735	2,232
Turkey	51,153	130,842
Rest of Europe	89,989	77,047
Other	7	26
	171,884	210,147

Derivatives financial instruments

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

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

The tables illustrate the relative importance of the various types of derivative products, showing the notional amounts at year-end 2008. 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 costs added with the potential credit risks.

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

DHB Bank's policy requires the counterparties of swaps to be international banks of very high credit quality.

Notes to the consolidated balance sheet and profit and loss

The outstanding balances are as follows as of year end 2008:

	Notional Amount			Positive Replacement Cost
	< 1 year	1-5 year	> 5 year	
OTC contracts				
Currency swaps	846,667	-	-	33,133
Interest rate swaps	53,853	205,700	14,371	3,441
Total	900,520	205,700	14,371	36,574

The outstanding balances are as follows as of year end 2007:

	Notional Amount			Positive Replacement Cost
	< 1 year	1-5 year	> 5 year	
OTC contracts				
Currency swaps	995,309	-	-	60,259
Interest rate swaps	41,269	137,738	-	1,046
Total	1,036,578	137,738	-	61,305

	Credit equivalent 31 December 2008		Credit equivalent 31 December 2007	
	Unweighted	Weighted	Unweighted	Weighted
OTC contracts				
Currency swaps	37,909	9,882	71,984	14,427
Interest rate swaps	3,597	1,753	1,064	213
Total	41,506	11,635	73,048	14,640

Consolidated profit and loss account for the financial year 2008

	2008	2007
17 Interest income	115,532	111,952
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	88,607	71,223
• interest-bearing securities	26,925	40,729
	115,532	111,952
18 Interest expense	77,705	69,029

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.

Notes to the consolidated balance sheet and profit and loss

	2008	2007
19 Commission income	13,092	10,003
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.		
20 Commission expense	771	645
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.		
21 Result on financial transactions	(2,605)	13,312
This item consists of:		
• result from exchange rate differences	(1,519)	1,007
• results from securities transactions	(1,086)	12,305
	(2,605)	13,312
The negative result from securities transactions is mainly due to realized loss on unwinding some Credit Default Swap transactions.		
22 Other income	2,171	1,034
This item mainly includes non-recurring incomes for example collections from written-off loans.		
Segmentation of income		
The total of interest income, commission income, result on financial transactions and other income by geographical areas is as follows:		
• Turkey	51,757	59,824
• Russia	17,104	14,468
• The Netherlands	9,925	8,815
• Ukraine	7,580	5,814
• Germany	6,842	2,862
• Others	34,982	44,518
	128,190	136,301
23 Staff costs	15,426	28,256
The staff costs comprise:		
• wages and salaries	12,096	25,225
• pension costs	839	618
• other social costs	1,776	1,836
• other staff costs	715	577
	15,426	28,256

Notes to the consolidated balance sheet and profit and loss

	2008	2007
The current number of full-time equivalents in 2008 was 464 (2007: 232). The employees were employed as follows:		
• in the Netherlands	123	123
• outside the Netherlands	341	109
	464	232

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 2008 to 1,273 (2007: 13,212).

The remuneration of the members of the Supervisory Board amounted in 2008 to 355 (2007: 291)

24 Other administrative expenses	10,194	10,588

Major items in other administrative expenses are communication expenses, promotion expenses and travel expenses.

This item also includes the fees for audit services provided by the bank's auditors in the Netherlands:

• audit fees related to the annual report	132
• other audit related fees	15
	147

25 Amortization/depreciation	2,241	2,849

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

26 Value adjustments to receivables	11,250	(202)

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

27 Tax on result on ordinary activities	2,695	6,453

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.

Notes to the consolidated balance sheet and profit and loss

Reconciliation tax on result on ordinary activities	2008	2007
Operating result before tax	10,604	25,136
Statutory Dutch tax rate	25.50%	25.50%
Effective tax rate	25.42%	25.67%
At statutory income tax rate	2,704	6,410
Net effect of different income tax rates in other countries	(58)	(63)
Expenditure not allowable for income tax purposes	76	178
The effect of change in tax rate	-	(8)
Other	(27)	(64)
Total	**2,695**	**6,453**

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 2008, C Group companies consist of Demir Kyrgyz International Bank OJSC, C Faktoring A.Ş., C Yatırım Holding A.Ş., HCBG Holding B.V., C International Belgium S.A., C International N.V. and Overseas Residential Investments Limited. Halk group companies consist of Türkiye Halk Bankası A.Ş. and Halk Finansal Kiralama A.Ş.

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

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

	2008	2007
Assets		
Due from banks	157	5,733
Loans and advances	53,597	48,606
Liabilities		
Due to banks	3,256	1,664
Funds entrusted	23,678	22,450
Contingent Liabilities		
Letter of credits	-	376
Guarantees	-	1,375
Interest income	4,299	4,596
Interest expense	1,613	1,216
Commission income	33	63
Commission expense	2	-

Notes to the consolidated balance sheet and profit and loss

Risk management

Risk management is fundamental to the bank's business and plays a crucial role in enabling management to operate more effectively in a changing environment. The bank uses a bank-wide risk management framework underscoring a solid risk culture that covers all levels. It also characterizes its risk policy principles and defines the risk guidelines, organizational structures and responsibilities as well as methods for identifying, assessing, measuring and managing risks. Within this context, capital allocation and management constitutes an indivisible part of risk management.

Risk types and their management

Credit risk

Credit risk is the risk of losses due to the failure of counterparty or an issuer to fulfill its obligations to DHB Bank. The losses associated with credit risk include both the actual default of repayment, and also the value loss in the financial assets caused by the decrease in the credit quality of such assets. Management of credit risk covers the whole lending process, starting from the target market definition to collection of lending proceeds, as well as prudent portfolio management.

Operating under a sound credit administration, measurement, monitoring and reporting process, DHB Bank, ensures adequate control over credit risk at portfolio, obligor group and individual facility level.

The credit risk that the bank encounters relates mainly to its wholesale and retail lending activities. Through its credit granting process, the bank applies separate limits for all lending activities, which are approved by the Supervisory Board in accordance with the credit approval procedures.

Wholesale loans are granted with the authority of the Supervisory Board. However, for flexibility and responsiveness, the Credit Committee has been granted approval authority by the Supervisory Board, to a certain extent. As for retail credits, the acceptance criteria are drawn up and reviewed separately by the Retail Department with the approval of the Executive Board.

The bank dedicates considerable resources to controlling credit risk effectively. Credit monitoring is carried out on individual borrower levels by the Credit Appraisal and Risk Management Department that conducts credit reviews and reports to the Credit Committee on a regular basis. An independent credit portfolio risk assessment is conducted monthly by the Financial Risk Modeling & Assessment Department, which reports directly to the Executive Board.

The Credit Committee receives the following regular reports for the purpose of identifying, measuring, monitoring and controlling the bank's credit risks:

- Evaluation of credit requests
- Review of the quality of debtors relative to facilities provided;
- Analysis of country risks and economic sectors;
- Measurement of concentration on sectoral and geographical basis;
- Large customer group exposures;
- Impaired assets and impairment allowances.

There is a thorough approval procedure for loans and advances, with distinction made between retail and corporate loans. The approval of retail credit facilities is based on an internal scoring system, while the approval of corporate loans is realized based on the client's creditworthiness, including, but not limited to, its financial strength, ownership structure as well as competitive position.

Credit risk may also arise due to derivative transactions. The bank enters into derivative contracts primarily for hedging interest rates and currency risks positions. Positive market values on derivative contracts imply a counterparty risk, which the bank actively manages through close-out netting agreements, as well as collateral agreements with derivative counterparties, which are among the most reputable international banks.

Notes to the consolidated balance sheet and profit and loss

The following table shows the credit risk for the various components of the balance sheet.

	2008	2007
Cash with central banks	572,695	36,038
Banks	605,766	803,098
Loans and advances	690,584	631,586
Interest bearing securities	285,139	344,455
Interest receivable and balance of forward transactions	26,086	66,459
Total on-balance sheet items	2,180,270	1,881,636
Contingent liabilities l/g	150,291	141,390
Contingent liabilities l/c	14,144	64,797
Other contingent liabilities	-	2,593
Irrevocable commitments	7,449	1,367
Total off-balance sheet items	171,884	210,147
Total credit risk	**2,352,154**	**2,091,783**

The amounts stated in the table represent the maximum accounting loss, net of allowances, which would be recognized at the balance sheet date if counterparties failed completely to perform as contracted, and if any collateral or security proved to be of no value.

Collateral and other credit enhancement

To reduce or mitigate credit risk on credit facilities or exposures, the bank determines the amount and type of collateral that a customer may be required to provide as guarantee to the bank. Collaterals are obtained if and when required prior to the disbursement of the approved loans. As a general rule, the lower the perceived creditworthiness of a borrower, the more collateral the customer will be required to provide.

The following table shows the amounts and types of collateral.

	Cash with central banks	Banks	Loans and advances	Interest bearing securities	Interest receivable and balance of forward transactions	Contingent liabilities-l/g	Contingent liabilities-l/c	Irrevocable commitments	Total 2008	Total 2007
Loans guaranteed by banks	-	-	1,303	-	-	-	-	-	1,303	4,668
Loans guaranteed by mortgage	-	-	51,665	-	-	239	-	-	51,904	11,347
Loans guaranteed by securities	-	-	3,579	-	-	-	-	-	3,579	3,302
Loans guaranteed by cash collateral	-	7,500	31,532	-	-	488	-	-	39,520	33,352
Loans guaranteed by third parties	-	-	250,134	-	-	94	12,751	-	262,979	239,048
Others/unsecured	572,695	598,266	352,371	285,139	26,086	149,470	1,393	7,449	1,992,869	1,800,067
Total	**572,695**	**605,766**	**690,584**	**285,139**	**26,086**	**150,291**	**14,144**	**7,449**	**2,352,154**	**2,091,783**

Notes to the consolidated balance sheet and profit and loss

Credit risk concentration

Concentrations of credit risk (whether on-or off-balance sheet) arise when exposures share similar characteristics, due to which their ability to meet contractual obligations is likely to be affected in a similar way by changes in economic or other factors. Concentration risk is managed actively on a portfolio basis based on limits, outstanding amounts and the economic outlook of relevant countries and economic sectors.

In the following table, exposures are split by important exposure classes and main geographical areas, based on where the credit risk is referable, according to the ultimate ownership criterion.

	Cash with central banks	Banks	Loans and advances	Interest bearing securities	Interest receivable and balance of forward transactions	Contingent liabilities	Total 2008	%	Total 2007	%
Turkey	-	129,277	439,943	63,164	11,717	51,152	695,253	29.6%	901,930	43.1%
Netherlands[1]	562,076	16,594	25,410	23,000	530	30,735	658,345	28.0%	108,413	5.2%
Russia	-	223,834	33,244	140,081	4,428	-	401,587	17.1%	305,244	14.6%
Macedonia	6,469	1,906	71,489	631	1,551	7,537	89,583	3.8%	-	0.0%
Belgium	1,284	7,494	57,635	-	3,725	1,997	72,135	3.1%	146,064	7.0%
Ukraine	-	37,772	-	19,850	1,201	-	58,823	2.5%	81,450	3.9%
Germany	2,866	11,746	17,203	-	(10,006)	35,005	56,814	2.4%	198,405	9.5%
Austria	-	48,178	3,185	-	105	-	51,468	2.2%	8,397	0.4%
Kazakhstan	-	29,047	-	15,061	716	-	44,824	1.9%	52,014	2.5%
Italy	-	8,180	-	15,808	269	15,240	39,497	1.7%	10,170	0.5%
United States of America	-	25,084	2,560	-	6,683	-	34,327	1.5%	17,903	0.9%
Other	-	66,654	39,915	7,544	5,167	30,218	149,498	6.2%	261,793	12.4%
Total	**572,695**	**605,766**	**690,584**	**285,139**	**26,086**	**171,884**	**2,352,154**	**100.0%**	**2,091,783**	**100.0%**

[1] Balances with ECB are classified in the NL.

Country exposures are managed through internal limits set by the Supervisory Board at consolidated levels, on which the monitoring process is based.

Notes to the consolidated balance sheet and profit and loss

In the following table, loans & advances and the off-balance sheet exposures are split by economic sectors.

	2008		2007	
Sectors	**On-balance**	**Off-balance**	**On-balance**	**Off-balance**
Construction and infrastructure	110,535	12,596	86,022	6,561
Metals	77,173	24	107,407	23,109
Tourism	67,144	280	12,180	296
Financial institutions and insurance	53,366	110,717	75,978	45,195
Energy	50,060	36	70,218	28,494
Food & beverage	37,876	63	22,795	40
Media and advertising	26,093	-	27,261	-
Petroleum refining & other related industries	25,228	-	17,640	2,853
Communications and post	24,927	2,909	27,165	1,285
Others	131,350	45,259	81,984	102,314
Total	603,752	171,884	528,650	210,147
Private individuals/self-employed	96,885	-	106,029	-
Total	700,637	171,884	634,679	210,147
Value adjustments	(10,053)	-	(3,093)	-
Total loans and advances	690,584	171,884	631,586	210,147

Concentration by obligor group is closely monitored and constrained by the limits set within the scope of the credit policy. According to the requirements of DNB, the bank has no exposure to any single counterparty exceeding the legal lending limit.

Credit quality of financial assets

An indication of the overall credit quality of the bank's financial assets can be derived from the table below, which shows exposures that are neither past due nor impaired, past due but not impaired and renegotiated.

	2008	2007
Neither past due nor impaired	2,337,458	2,081,801
Past due, but not impaired	3,485	8,931
Impaired	28,247	4,144
Provisions	(17,036)	(3,093)
Total	2,352,154	2,091,783

Notes to the consolidated balance sheet and profit and loss

The credit quality of the portfolio of financial assets by external rating is presented in the following table.

	2008	2007
Investment grade	1,102,938	594,717
Non-investment grade	492,139	574,737
Unrated	757,077	922,329
Total	2,352,154	2,091,783

The creditworthiness of the customers that are not rated by external rating agencies is assessed with reference to the bank's internal credit rating system, which reflects the probability of default by an obligor. The borrower rating is based on many factors derived from a financial and non-financial analysis of the borrower. The internal rating system is a crucial tool for managing and monitoring the credit risk for the bank.

The assessment and administration of past due and impaired loans, write-offs and specific provisions fall under the responsibilities of the Credit Appraisal and Risk Management Department and Credit Committee.

The credit policy requires an exposure to be transferred immediately to the past due obligation category if the principal or interest of this exposure is not paid.

The table below shows the analysis of the financial assets that are past due but not impaired.

Ageing of financial assets that are past due but not impaired	2008
Past due up to 30 days	2,950
Past due 31-60 days	-
Past due 61-90 days	283
Past due over 90 days	252
Total	3,485

When deemed necessary, loans are also classified as impaired as soon as there is doubt about the borrower's ability to meet its payment obligations to the bank in accordance with the original contractual terms.

Provisions for loan losses are set aside for estimated losses in outstanding loans for which there is any doubt about the borrower's capacity to repay the principal and/or interest, and are determined through a combination of specific reviews, historical data and estimates. Provisions for loan losses are determined separately for each exposure for wholesale loans, and according to a pre-defined model for retail loans.

In addition, the bank also provides provisions to cover potential loan losses for which a triggering event has occurred, but the individual loan is not identified at the balance sheet date. This process to determine incurred but not reported losses includes an estimate by management to reflect the current market conditions.

Provision with regard to:	Banks	Loans and advances	Interest bearing securities	Equity instruments	Prepayment and accrued income	Contingent liabilities	Total 2008	Total 2007
Opening balance	-	3,093	-	-	-	-	3,093	3,569
Opening balance of EC Bank as of 1 September 2008	-	3,465	-	63	52	51	3,631	-
Addition	6,191	4,931	527	-	99	-	11,748	856
Release	-	1,155	-	-	-	-	1,155	1,102
Write-off	-	283	-	-	-	-	283	161
Exchange rate movement	-	2	-	-	-	-	2	(69)
Closing balance	6,191	10,053	527	63	151	51	17,036	3,093

Loan impairment and other credit risk provisions increased from EUR 3.1 million in 2007 to EUR 17.0 million in 2008, mainly as a result of the deteriorating economic conditions of the year under review. Though provisions for loan losses are considered adequate, the use of different methods and assumptions could produce different provisions for loan losses, and amendments may be required in the future, as a consequence of changes in the expected loss, the value of collateral and other economic events.

Provisions against a particular impaired loan may be released where there is improvement in the quality of the loan. The bank's write-off policies are determined on a case by case basis. For restructured loans, the policy enables reclassification of a restructured loan into a performing loan when a certain number of repayments are executed.

Liquidity risk

Liquidity risk is defined as the risk of being unable to meet the bank's current or future payment obligations without incurring unacceptable cost or loss. The Treasury Department is responsible for managing the liquidity risk of the bank and evaluating the respective positions on a daily basis. Once a week, the ALCO Committee monitors the trends in liquidity positions for different maturity ranges. Liquidity, defined as available versus required, is additionally reported to DNB on a monthly basis. Furthermore, the impact of possible unforeseen occurrences into the bank's liquidity situation is assessed regularly utilizing scenario analyses.

The following table provides an overview that slots the balance sheet of the bank into relevant maturity buckets based on the remaining contractual maturity periods of the principals, as well as the expected interest cash flows.

December 31, 2008	On demand	Up to 1 month	1-3 months	3-6 months	6-12 months	Over 1 year	Total
Assets							
Cash	576,752	-	-	-	-	-	576,752
Banks	26,589	33,365	53,807	130,023	166,425	214,009	624,218
Loans and advances	32,455	28,614	65,672	71,745	110,560	413,321	722,367
Interest bearing securities	-	4,644	11,217	13,512	57,354	203,914	290,641
Total assets	635,796	66,623	130,696	215,280	334,339	831,244	2,213,978
Liabilities							
Banks	2,796	8,171	5,658	141,486	8,615	23,878	190,604
Funds entrusted	1,043,696	76,979	75,842	105,983	218,789	241,549	1,762,838
Total liabilities	1,046,492	85,150	81,500	247,469	227,404	265,427	1,953,442
Net liquidity gap	(410,696)	(18,527)	49,196	(32,189)	106,935	565,817	260,536
Net liquidity cumulative gap	(410,696)	(429,223)	(380,027)	(412,216)	(305,281)	260,536	

As of year-end 2008, the bank has a strong liquidity position, with cash balances representing 25.9% of the total assets.

Notes to the consolidated balance sheet and profit and loss

December 31, 2007	On demand	Up to 1 month	1-3 months	3-6 months	6-12 months	Over 1 year	Total
Assets							
Cash	37,616	-	-	-	-	-	37,616
Banks	7,512	222,935	90,891	141,740	211,918	134,612	809,608
Loans and advances	71,316	40,722	76,095	79,631	110,816	245,880	624,460
Interest bearing securities	-	16,388	2,100	28,759	79,447	227,636	354,330
Total assets	116,444	280,045	169,086	250,130	402,181	608,128	1,826,014
Liabilities							
Banks	2,265	-	-	52,936	-	85,096	140,297
Funds entrusted	985,767	66,220	86,834	112,375	113,139	170,253	1,534,588
Total liabilities	988,032	66,220	86,834	165,311	113,139	255,349	1,674,885
Net liquidity gap	(871,588)	213,825	82,252	84,819	289,042	352,779	151,129
Net liquidity cumulative gap	(871,588)	(657,763)	(575,511)	(490,692)	(201,650)	151,129	

Market risk

Market risk is potential losses due to unfavorable condition changes on the financial markets and accordingly in market parameters, such as interest rates, exchange rates and equity prices. Market risk therefore includes price risk, interest rate risk and currency risk.

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

Price risk

Price risk is the risk of changes in market prices of securities and derivatives within trading books. The risk position is quantified using an internal Value-at-Risk (VaR) model. The VaR of the trading book is calculated by applying the exponentially weighted moving average (EWMA) method and the "Monte-Carlo Simulation" method with a confidence level of 99% and a holding period of ten days. The foreign exchange risk stems from the bank's net open position. The risk position is measured by VaR using the EWMA approach. The bank sets VaR limits for total market risk, which is further allocated into foreign exchange and other price risks limits. ALCO reviews and approves the overall structure of the VaR limits.

A summary of the VaR position of the bank's trading book during the year and on 31 December 2008, is as follows:

VaR of market risk	Min	Max	Average	End of Year 2008
Foreign currency	(4)	(382)	(33)	(64)
Trading	(37)	(108)	(63)	-

VaR is a risk measure that has limitations. It quantifies potential losses under the assumption of normal market conditions. The shortcomings are especially material during severe general market and exceptional market developments. Therefore, the bank applies back-testing to monitor the effectiveness of the VaR model in practice and carries out regular stress testings to model the financial impact of a variety of exceptional market scenarios.

Interest rate risk

Interest rate risk is related to changes in the fair value or the future cash flows of interest-bearing financial instruments resulting from changes in the market rates of interest. The bank is exposed to interest rate risk when there are differences between amounts or interest rates in the interest earning assets and interest bearing liabilities within specified re-pricing bands. Using scenarios, duration indicators and economic capital concept, a balance is struck between the interest rate risk and the current, as well as future, net interest income. This is achieved by an active management of the assets and liabilities and use of hedging instruments.

The set scenarios involve a standard 200 basis points parallel shift in all yield curves worldwide. Assuming a constant balance sheet position and the standard scenarios, the sensitivity of the projected future 12-month and 24-month net interest incomes for this scenario are respectively shown in the following table:

Sensitivity of projected 1-year net interest income	Min	Max	Average	End of Year 2008
200 bps instantaneous increase	(1,474)	4,329	1,029	4,329
200 bps instantaneous decrease	(4,329)	1,474	(1,029)	(4,329)

Sensitivity of projected 2-years net interest income	Min	Max	Average	End of Year 2008
200 bps instantaneous increase	(1,720)	5,351	2,557	(1,720)
200 bps instantaneous decrease	(5,351)	1,720	(2,557)	1,720

The scenarios assume pro forma interest rate shocks and do not take any account of the possible effects of an active response on the part of the bank to avoid downside effects of the shifts or the response on the part of customers to interest rate movements.

Apart from the scenario-based analysis, the bank also estimates the effects of interest rate movements to economic value of equity. The sensitivity of economic value of equity using the standard 200 basis points shift in the yield curve, and ignoring all option elements, is presented in the following table for the year ending 31 December 2008.

Sensitivity of economic value of equity to interest rate movements	Min	Max	Average	End of Year 2008
200 bps instantaneous increase	(5,220)	2,823	(1,996)	2,823
200 bps instantaneous decrease	(3,103)	6,732	2,139	(3,103)

Notes to the consolidated balance sheet and profit and loss

Currency risk

Foreign currency risk is the risk of changes in the fair value or the future cash flows of financial instruments resulting from changes in foreign currency exchange rates. The bank is exposed to currency risk particularly between EUR and USD since considerable amounts of assets are generated and booked in a currency USD other than the functional and reporting currency. While currency risk is almost fully hedged through currency swap transactions, open positions are monitored and reviewed by the Asset & Liability Management Committee, taking actions where necessary. The management sets out the limits according to foreign currency position standards determined by the Dutch Central Bank (DNB).

December 31, 2008	EUR	USD	TRY	GBP	CHF	Others	Total
Cash	567,753	-	-	5	-	8,994	576,752
Banks	117,336	470,694	3,508	61	143	14,024	605,766
Loans and advances	294,843	320,541	70	333	171	74,626	690,584
Interest bearing securities	47,000	237,508	-	-	-	631	285,139
Equity instruments	-	-	-	-	-	411	411
Intangible assets	105	-	-	-	-	853	958
Property and equipment	14,843	-	-	-	-	13,802	28,645
Non-current assets held for sale	-	-	-	-	-	798	798
Prepayments and accrued income	47,339	(9,890)	(2,870)	6	(1)	1,551	36,135
Total assets	1,089,219	1,018,853	708	405	313	115,690	2,225,188
Banks	21,880	174,195	-	109	267	32,675	229,126
Funds entrusted	1,662,463	29,104	885	19	1	54,737	1,747,209
Other liabilities	9,917	101	1	2	-	1,940	11,961
Accruals and deferred income	17,562	8,671	-	-	-	866	27,099
Provisions	4,286	-	-	-	-	261	4,547
Total non-equity liabilities	1,716,108	212,071	886	130	268	90,479	2,019,942
Difference	(626,889)	806,782	(178)	275	45	25,211	205,246
Net open currency position after hedging	(597)	500	55	9	(5)	38	

Notes to the consolidated balance sheet and profit and loss

December 31, 2007	EUR	USD	TRY	GBP	CHF	Others	Total
Cash	37,595	16	-	5	-	-	37,616
Banks	330,481	467,005	4,982	161	351	118	803,098
Loans and advances	209,536	384,975	35,710	1,226	139	-	631,586
Interest bearing securities	88,000	173,687	82,768	-	-	-	344,455
Intangible assets	818	-	-	-	-	-	818
Property and equipment	15,747	-	-	-	-	-	15,747
Prepayments and accrued income	77,419	14,120	(15,855)	8	-	-	75,692
Total assets	759,596	1,039,803	107,605	1,400	490	118	1,909,012
Banks	3,197	135,930	3	33	371	1	139,535
Funds entrusted	1,462,590	57,226	767	1,015	2	15	1,521,615
Other liabilities	12,431	32	2	2	-	-	12,467
Accruals and deferred income	13,864	4,298	1,205	17	-	-	19,384
Provisions	4,399	-	-	-	-	-	4,399
Total non-equity liabilities	1,496,481	197,486	1,977	1,067	373	16	1,697,400
Difference	(736,885)	842,317	105,628	333	117	102	211,612
Net open currency position after hedging	(281)	(249)	109	(15)	(1)	437	

Operational risk

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

DHB Bank pays the utmost attention to mitigating operational risk through the application of effective internal control procedures with clear and comprehensive user instructions. The organizational framework, the segregation of duties of involved units and independent control mechanisms in the bank guarantee a sound and adequate treatment for this risk type. An active business continuity plan focuses on the IT related risks in the management of operational risk, and ensures a continuous workflow for probable disruptions.

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

Legal, compliance and reputation risk

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

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

Notes to the consolidated balance sheet and profit and loss

Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction on the measurement date. The fair value of the marketable securities and derivatives that are traded on an organized exchange is measured on the basis of quoted prices. An existing quotation of the financial instrument gives the best evidence for fair value.

Where a market is not active, and where quoted prices do not exist for a financial instrument, the bank establishes fair value by using quoted prices for similar instruments in terms of risk category and product characteristics; or valuation techniques. The valuation techniques incorporate assumptions that other market participants would consider in setting a price, including assumptions about default rates and interest rate yield curves. These techniques include present value approaches where future cash flows from the asset are estimated using a risk-adjusted interest rate. In particular, the discount rates include credit spreads derived from prices of debt securities with different rating categories.

The estimated fair value at any particular point in time depends on current circumstances and is not always strictly comparable with the information provided by different financial institutions. The bank regularly performs a review of valuations in light of available pricing evidence and other market data.

	31 December 2008		31 December 2007	
	Book value	**Fair value**	**Book value**	**Fair value**
Assets				
Cash	576,752	576,752	37,616	37,616
Banks	605,766	573,739	803,098	805,664
Loans and advances	690,584	736,777	631,586	658,839
Interest-bearing securities	285,139	244,637	344,455	356,295
Equity instruments	411	411	-	-
Currency and interest rate contracts	4,963	36,574	40,875	61,305
Total	**2,163,615**	**2,168,890**	**1,857,630**	**1,919,719**

	31 December 2008		31 December 2007	
	Book value	**Fair value**	**Book value**	**Fair value**
Liabilities				
Banks	229,126	184,391	139,535	140,423
Funds entrusted	1,747,209	1,777,873	1,521,615	1,554,079
Total	**1,976,335**	**1,962,264**	**1,661,150**	**1,694,502**

Company balance sheet as of 31 December 2008 (before proposed appropriation of the result)

	31 Dec. 2008	31 Dec. 2007
Assets		
Cash	567,758	37,616
Banks	597,991	803,098
Loans and advances	620,878	633,465
Interest-bearing securities	284,508	344,455
Participating interests in group companies	13,579	(1,257)
Intangible assets	86	774
Property and equipment	14,842	15,746
Prepayments and accrued income	33,519	74,766
	2,133,161	1,908,663
Liabilities		
Banks	202,653	139,535
Funds entrusted	1,692,269	1,521,546
Other liabilities	9,970	12,187
Accruals and deferred income	26,242	19,384
Provisions	4,083	4,399
	1,935,217	1,697,051
Paid-in and called-up capital	113,445	113,445
Revaluation reserve	3,213	3,293
Legal reserve	105	818
Other reserves	73,709	75,373
Net result for the financial year	7,472	18,683
Total Equity	197,944	211,612
	2,133,161	1,908,663
Contingent liabilities	**164,347**	**210,147**

Company profit and loss account for the financial year 2008

	31 Dec. 2008	31 Dec. 2007
Company net profit	7,402	18,058
Net profit subsidiaries	70	625
Consolidated net profit	7,472	18,683

Notes to the consolidated balance sheet and profit and loss

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., Best Properties B.V., the company Stichting Bewaarfonds and EC Bank, 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., Best Properties B.V., the company Stichting Bewaarfonds and EC Bank.

	2008	2007
Participating interests in group companies		
Development:		
Opening balance	(1,257)	3,686
• Capital investment	14,766	-
• Capital divestment	-	(5,568)
• Net profit subsidiaries	70	625
Closing balance	**13,579**	**(1,257)**

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 in the Netherlands and EC Bank in Macedonia.

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.

Notes to the consolidated balance sheet and profit and loss

	31 Dec. 2008	31 Dec. 2007
Total equity	205,246	211,612

The movements in equity are as follows:

	Attributable to shareholders of the parent								
	Paid-in and called-up capital	Revaluation reserve	Foreign currency translation reserve	Legal reserve	Other reserves	Net result for the financial year	Total	Minority interests	Total equity
Balance as of 1 January 2007	113,445	173	-	1,762	74,296	15,011	204,687	-	204,687
Addition to		3,124			16,088		19,212		19,212
Release from		(4)		(944)		(15,011)	(15,959)		(15,959)
Dividend paid out					(15,011)		(15,011)		(15,011)
Profit for the year 2007						18,683	18,683		18,683
Balance as of 31 December 2007	113,445	3,293	-	818	75,373	18,683	211,612	-	211,612
Balance as of 1 January 2008	113,445	3,293	-	818	75,373	18,683	211,612	-	211,612
Addition to			(224)		18,682		18,458	7,302	25,760
Release from		(80)		140		(18,683)	(18,623)		(18,623)
Deduction of goodwill					(9,989)		(9,989)		(9,989)
Dividend paid out					(11,210)		(11,210)		(11,210)
Profit for the year 2008						7,696	7,696		7,696
Balance as of 31 December 2008	113,445	3,213	(224)	958	72,856	7,696	197,944	7,302	205,246

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:

• Addition of net profit 2007 to other reserve	18,683
• Release from legal reserve to other reserve	80
• Release from other reserve to legal reserve	(140)
• Addition to other reserve due to corrections in corporate tax returns	59
	18,682

Rotterdam, April 29, 2009

Supervisory Board:

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

Executive Board:

Selçuk Şaldırak
Kayhan Acardağ
Abram Rutgers

Other Information

Profit appropriation

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

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

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

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

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

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

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

Prior to approval by the General Meeting of Shareholders, the Board proposes that the net profit of 7,908 be distributed as follows:

Dividend	-
Addition to the other reserves	7,908
	7,908

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 2008 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 2008, 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 2008, 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 2008, 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 2008, 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, April 29, 2009

KPMG ACCOUNTANTS N.V.

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